

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1998

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from to  
For Quarter Ended Commission File Number

June 30, 1998 1-7183

TEJON RANCH CO.

(Exact name of Registrant as specified in its charter)

Delaware 77-0196136  
(State or other jurisdiction of (IRS Employer Identification No.)  
incorporation or organization)

P.O. Box 1000, Lebec, California 93243  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code...(805) 248-6774

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Total Shares of Common Stock issued and outstanding on June 30, 1998, were 12,685,994.

TEJON RANCH CO.

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PART I FINANCIAL INFORMATION

TEJON RANCH CO. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS  
(In thousands, except per share amounts)  
(Unaudited)

	THREE MONTHS ENDED June 30		SIX MONTHS ENDED June 30	
	1998	1997	1998	1997
REVENUES:				
Livestock	\$6,382	\$4,418	\$13,493	\$5,898
Farming	6	229	271	681
Resource Management	609	892	957	1,368
Real Estate	340	377	664	684
Interest Income	244	349	517	672
	7,581	6,265	15,902	9,303
Costs and Expenses:				
Livestock	6,561	4,355	13,895	5,855
Farming	231	99	621	543
Resource Management	550	469	886	728
Real Estate	786	743	1,563	1,350
Corporate Expense	670	430	1,213	1,044
Interest Expense	302	192	504	263
	9,100	6,288	18,682	9,783
Operating Loss	(1,519)	(23)	(2,780)	(480)
Income Tax Benefit	(576)	(17)	(1,056)	(188)
Net Loss	\$ (943)	( 6)	(1,724)	(292)
Net Loss Per Share, diluted	\$ (0.07)	\$ (0.00)	\$( 0.14)	\$(0.02)
Cash Dividends Paid	\$ 0.025	\$ 0.025	\$ 0.025	\$ 0.025

See Notes to Consolidated Condensed Financial Statements.

TEJON RANCH CO. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS  
(In thousands)  
(Unaudited)

	June 30, 1998	DECEMBER 31, 1997*
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 258	\$ 976
Marketable Securities	15,851	17,189
Accounts & Notes Receivable	7,001	8,448
Inventories:		
Cattle	12,974	11,737
Farming	2,468	--
Other	408	485
Prepaid Expenses and Other	1,476	1,659
Total Current Assets	40,436	40,494
PROPERTY AND EQUIPMENT-NET	23,120	21,778
OTHER ASSETS	1,899	1,421
TOTAL ASSETS	\$ 65,455	\$63,693
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade Accounts Payable	\$ 1,594	\$ 2,889
Other Accrued Liabilities	--	390
Short-term Borrowings	17,539	11,955

Other Current Liabilities	838	742
Total Current Liabilities	19,971	15,976
LONG-TERM DEBT	3,862	3,925
DEFERRED INCOME TAXES	3,261	3,304
Total Liabilities	27,094	23,205
STOCKHOLDERS' EQUITY		
Common Stock	6,343	6,343
Additional Paid-In Capital	385	385
Retained Earnings	31,610	33,651
Marketable Securities - Unrealized Gains-Net	23	109
Total Stockholders' Equity	38,361	40,488
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 65,455	\$ 63,693

See Notes to Consolidated Condensed Financial Statements.

\* The Balance Sheet at December 31, 1997 has been derived from the audited financial statements at that date.

TEJON RANCH CO. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOW  
(In thousands)  
(Unaudited)

	SIX MONTHS ENDED June 30	
	1998	1997
OPERATING ACTIVITIES		
Net Loss	\$(1,724)	\$ (292)
Items Not Affecting Cash:		
Depreciation and Amortization	953	676
Deferred Income Taxes	15	--
Gain on Sale of Investments	--	( 4)
Changes in Operating Assets and Liabilities:		
Receivables, Inventories and Other Assets, Net	(1,999)	(5,686)
Current Liabilities, Net	(1,589)	(789)
NET CASH USED BY OPERATING ACTIVITIES	(4,344)	(6,095)
INVESTING ACTIVITIES		
Acquisition of Champion Feeders	--	(3,874)
Maturities and Sales of Marketable Securities	2,453	4,085
Funds Invested in Marketable Securities	(1,259)	(1,460)
Property and Equipment Expenditures	(2,253)	(1,734)
Change in Breeding Herds	(203)	(59)
Other	(317)	(31)
NET CASH USED IN INVESTING ACTIVITIES	(1,579)	(2,955)
FINANCING ACTIVITIES		
Proceeds From Revolving Line of Credit	11,081	14,740
Payments of Revolving Line of Credit	(5,496)	(8,477)
Payments of Long-Term Debt	(63)	--
Borrowing of Long-Term Debt	--	2,500
Cash Divident Paid	(317)	(317)
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,205	8,446
(DECREASE) IN CASH AND CASH EQUIVALENTS	(718)	(604)
Cash and Cash Equivalents at Beginning of Year	976	693
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 258	\$ 89

See Notes to Consolidated Condensed Financial Statements.

TEJON RANCH CO. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

June 30, 1998

NOTE A - BASIS OF PRESENTATION

The summarized information furnished by Registrant pursuant to the instructions to Part I of Form 10-Q is unaudited and reflects all adjustments which are, in the opinion of Registrant's Management, necessary for a fair statement of the results for the interim period. All such adjustments are of a normal recurring nature.

The results of the period reported herein are not indicative of the results to be expected for the full year due to the seasonal nature of Registrant's agricultural activities. Historically, the largest percentage of revenues are recognized during the third and fourth quarters.

For further information, refer to the Consolidated Financial Statements and footnotes thereto included in Registrant's Annual Report on Form 10-K for the year ended December 31, 1997.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation -- The consolidated financial statements include the accounts of Registrant and its wholly-owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

Cash Equivalents -- Registrant considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. The carrying amount for cash equivalents approximates fair value.

Marketable Securities - Registrant considers those investments not qualifying as cash equivalents, but which are readily marketable, to be marketable securities. The Registrant classifies all marketable securities as available-for-sale. Such securities are stated at fair value with the unrealized gains (losses), net of tax, reported in a separate component of stockholders' equity and comprehensive income.

Credit Risk -- Registrant grants credit to customers, principally large cattle purchasers, feedlot customers, co-ops, wineries, nut marketing companies, and lessees of Registrant facilities located in California. Registrant performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

Farm Inventories -- Costs of bringing crops to harvest are capitalized when incurred. Such costs are expensed when the crops are sold. Farm inventories held for sale are valued at the lower of cost (first-in, first-out method) or market.

Cattle Inventories and Breeding Herd -- Cattle raised on the Ranch are stated at the accumulated cost of developing such animals for sale or transfer to a productive function and purchased cattle are stated at cost plus development costs. All cattle held for sale are valued at the lower of cost (first-in, first-out method) or market and are included in the caption inventories. Purchased bulls and cows included in the breeding herd and used for breeding are depreciated using the straight-line method over five to seven years.

Commodity Contracts Used to Hedge Price Fluctuations -- Registrant enters into futures and option contracts to hedge its exposure to price fluctuations on its stocker cattle and its cattle feed costs. The goal of Registrant is to protect or create a future price for its cattle and feed that will provide a profit once the cattle are sold and all costs are deducted. Realized gains, losses, and costs associated with closed contracts are included in prepaid assets and are recognized in cost of sales expense at the time the hedged cattle are sold or feed is used.

Property and Equipment -- Property and equipment accounts are stated on the basis of cost, except for land acquired upon organization in 1936 which is stated on the basis (presumed to be at cost) carried by Registrant's predecessor. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets. Buildings and improvements are depreciated over a 10 year to 27.5 year life. Machinery and equipment is depreciated over a three year to 10 year life depending on the type of equipment. Vineyards and orchards are generally depreciated

over a 20 year life with irrigation systems over a 10 year life. Oil, gas and mineral reserves have not been appraised, so no value has been assigned to them.

Vineyards and Orchards -- Costs of planting and developing vineyards and orchards are capitalized until the crops become commercially productive. Interest costs and depreciation of irrigation systems and trellis installations during the development stage are also capitalized. Revenue from crops earned during the development stage are credited against development costs. Depreciation commences when the crops become commercially productive.

At the time crops are harvested and delivered to buyers and revenues are estimable, revenues and related costs are recognized, which traditionally occurs during the third and fourth quarters of each year. Orchard revenues are based upon estimated selling prices, whereas vineyard revenues are recognized at the contracted selling price. Estimated prices for orchard crops are based upon the quoted estimate of what the final market price will be by marketers and handlers of the orchard crops. Actual final orchard crop selling prices are not determined for several months following the close of Registrant's fiscal year due to supply and demand fluctuations within the orchard crop markets. Adjustments for differences between original estimated and actual revenues received are recorded during the period in which such amounts become known.

Net Income Per Share -- Effective December 31, 1997, Registrant adopted SFAS No. 128, "Earnings Per Share" which replaced primary and fully diluted earnings per share with basic and diluted earnings per share. Basic and diluted net income per share are based upon the weighted average number of shares of common stock outstanding, which for the three months and six months ended June 30, 1998 and 1997 was 12,685,994 and 12,682,244, respectively. Basic and diluted common shares outstanding are the same for the periods shown because the calculation for determining diluted common shares outstanding resulted in antidilution.

In March 1992, Registrant's Board of Directors adopted the 1992 Stock Option Plan providing for the granting of options to purchase a maximum of 230,000 shares of the Registrant's common stock to employees, advisors, and consultants of the Registrant. Since the adoption of the Plan, Registrant has granted options to purchase 179,000 shares at a price equal to fair market value at date of grant. At June 30, 1998, options to purchase 172,178 shares were outstanding.

On January 26, 1998, the Board of Directors adopted the 1998 Stock Incentive Plan. The Incentive Plan provides for the making of awards to employees, consultants, and advisors of Registrant with respect to 800,000 shares of common stock. Since the adoption of the Incentive Plan, Registrant has granted options to purchase 100,000 shares at a price equal to the fair market value at date of grant, all of which are outstanding at June 30, 1998.

Also, on January 26, 1998, the Board of Directors adopted the Non-Employee Director Stock Incentive Plan. This plan is intended to enable Registrant to attract, retain, and motivate its non-employee directors by providing for or increasing the proprietary interests of such persons by Registrant. The plan provides for making of awards to non-employee directors with respect to an aggregated 200,000 shares of common stock. Since the adoption of the plan, Registrant has granted options under the plan to purchase 21,727 shares at a price equal to the fair market value at date of grant.

The 1998 Stock Incentive Plan and the Non-Employee Director Stock Incentive Plan were approved by stockholders at Registrant's Annual Meeting on May 11, 1998.

Long-Lived Assets -- In accordance with Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," Registrant records impairment losses on long-lived assets held and used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their related carrying amounts. SFAS No. 121 had no impact on Registrant's consolidated financial position and results of operations in the current year.

Environmental -- Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility

study or Registrant's commitment to a formal plan of action. No liabilities for environmental costs have been recorded at June 30, 1998 or 1997.

Use of Estimates -- The financial statements have been prepared in conformity with generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management. Actual results could differ from these estimates.

New Accounting Pronouncements -- In June 1997, the FASB issued SFAS No. 131 "Disclosure about Segments of an Enterprise and Related Information" which is effective for fiscal years beginning after December 15, 1997. Accordingly, Registrant plans to adopt SFAS No. 131 with the fiscal year beginning January 1, 1998. SFAS No. 131 will not have any impact on the financial results or financial condition of Registrant.

#### NOTE C - MARKETABLE SECURITIES

Statement of Financial Accounting Standard ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities, requires that an enterprise classify all debt securities as either held-to-maturity, trading, or available-for-sale. The Registrant has elected to classify its

securities as available-for-sale and therefore is required to adjust securities to fair value at each reporting date.

The following is a summary of available-for-sale securities at December 31, 1997 and June 30, 1998:

	June 30 1998		December 31 1997	
	Estimated Fair		Estimated Fair	
	Cost	Value	Cost	Value
Marketable securities: (in thousands)				
U.S. Treasury and agency notes	\$ 9,267	\$ 9,309	\$ 9,770	\$ 9,947
Corporate notes	6,546	6,542	7,237	7,242
	\$15,813	\$15,851	\$17,007	\$17,189

As of June 30, 1998, the cumulative fair value adjustment is a \$38,000 unrealized gain. The cumulative fair value adjustment to stockholders' equity, net of a deferred tax of \$15,000, is an unrealized gain of \$23,000. Registrant's gross unrealized holding gains equal \$129,000, while gross unrealized holding losses equal \$91,000. On June 30, 1998, the average maturity of U.S. Treasury and agency securities was 1.2 years and the average maturity corporate notes was 2 years. Currently, Registrant has no securities with a remaining term to maturity of greater than five years.

Market value equals quoted market price, if available. If a quoted market price is not available, market value is estimated using quoted market prices for similar securities. Registrant's investments in corporate notes are with companies with a credit rating of A or better.

#### NOTE D - COMMODITY CONTRACTS USED TO HEDGE PRICE FLUCTUATIONS

Registrant used commodity derivatives to hedge its exposure to price fluctuations on its purchased stocker cattle and its cattle feed costs. The objective is to protect or create a future price for stocker cattle that will protect a profit or minimize a loss once the cattle are sold and all costs are deducted and protect the Registrant against a disastrous cattle market decline. To help achieve this objective the Registrant used both the futures commodity markets and options commodity markets. A futures contract is an obligation to make or take delivery at a specific future time of a specifically defined, standardized unit of a commodity at a price determined when the contract is executed. Options are contracts that give their owners the right, but not the obligation, to buy or sell a specified item at a set price on or before a specified date.

Registrant continually monitors any open futures and options contracts to determine the appropriate hedge based on market movement of the underlying asset. The options and futures contracts used typically expire on a quarterly or semi-annual basis and are structured to expire close to or during the month the stocker cattle and feed are scheduled to be sold or

purchased. The risk associated with hedging for the Registrant is that hedging limits or caps the potential profits if cattle or feed prices begin to increase dramatically or can add additional costs if cattle or grain prices fall dramatically.

Payments received and paid related to outstanding options contracts are deferred in prepaid and other current assets and were approximately \$105,000 at June 30, 1998. Futures contracts are carried off-balance sheet until the contracts are settled because there is no exchange of cash until settlement. Realized gains, losses, and costs associated with closed contracts are included in prepaid and other assets and will be recognized in cost of sales expense at the time the hedged stocker cattle are sold. At June 30, 1998 there was \$249,000 of hedging costs associated with closed contracts included in prepaid and other assets.

The following table identifies the cattle futures contract amounts outstanding at June 30, 1998 (in thousands, except number of contracts):

Cattle Hedging Activity Commodity Future/Option Description	No. Contracts	Original Contract (Bought) Sold	Estimated Fair Value At Settlement		Estimated Gain (Loss) at Settlement
			(Buy)	Sell	
Cattle futures sold 40,000 lbs. per contract	160	\$4,387	\$(4,153)		\$234
Cattle futures bought, 50,000 lbs. per contract	40	(1,544)	1,435		(109)
Cattle Futures Sold, 50,000 lbs per contract	20	539	(505)		34
Cattle options bought, 40,000 lbs. per contract	295	(121)	180		59
Cattle options sold, 40,000 lbs per contract	110	25	(2)		23

Estimated fair value at settlement is based upon quoted market prices at June 30, 1998.

#### NOTE E - COMPREHENSIVE INCOME

As of January 1, 1998, Registrant adopted Statement 130, Reporting Comprehensive Income. Statement 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement had no impact on Registrant's net income or shareholders' equity. Statement 130 requires unrealized gains or losses on Registrant's available-for-sale securities, which prior to adoption were reported separately in shareholders' equity, to be included in other comprehensive income.

The components of comprehensive income, net of related tax, for the six-month periods ended June 30, 1998 and 1997 are as follows:

	1998	1997
Net loss	\$(1,724)	\$(292)
Unrealized gain(loss) on securities	( 86)	(91)
Comprehensive loss	\$(1,810)	\$(201)

#### NOTE F - CONTINGENCIES

Registrant leases land to National Cement Company of California, Inc. ("National") for the purpose of manufacturing portland cement from limestone deposits on the leased acreage, National and Lafarge Corporation

(the previous operator and referred to herein as "Lafarge") have been ordered to clean up and abate certain hazardous waste sites on the leased premises. Under existing lease agreements either National or Lafarge is required to indemnify Registrant for costs and liabilities incurred in connection with the orders, depending on when the obligation arises. Due to the financial strength of National and its parent company, which guaranteed National's obligations, and the financial strength of Lafarge, Registrant believes that it is remote there will be a material effect on Registrant.

For a further discussion refer to Registrant's 1997 Form 10-K, Part I, Item 3, - "Legal Proceedings". There have been no changes since the filing of the 1997 Form 10-K.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

##### Results of Operations

This Management's discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements that are subject to many uncertainties and may turn out not to be accurate. These forward looking statements are subject to factors beyond the control of Registrant (such as weather and market forces) and with respect to Registrant's future development of its land and other land transactions, the availability of financing and the ability to obtain various governmental entitlements. No assurance can be given that any such projections will turn out to be accurate.

Total revenues, including interest income for the first six months of 1998 were \$15,902,000 compared to \$9,303,000 for the first six months of 1997. The growth in revenues during 1998 is primarily attributable to increases in livestock division revenues. This increase in revenues was partially offset by reduced resource management division revenues and reduced farming revenues. When compared to the same period of 1997, livestock revenues grew due to increases in livestock sales of \$4,791,000 and to an increase in feedlot revenues of \$2,798,000. Livestock sales increased due to 7,133 additional head of cattle being sold during the first six months of 1998 than during the same period of 1997. The increase in cattle sold is the result of Registrant increasing its cattle herd throughout 1997. Registrant's cattle herd at the end of the second quarter of 1998 was approximately 32,000 head compared to approximately 20,000 head at June 30 1997. Feedlot revenues increased when compared to 1997 due to owning the feedlot for all of the first quarter in 1998. The feedlot was purchased March 10, 1997. Resource management revenues declined \$411,000 in 1998 due to reduced oil and mineral royalties and to the timing of payment of hunting permit fees (\$142,000). Oil and mineral royalties declined due to lower prices for Kern County crude oil and lower cement production. The lower oil prices have also caused a decline in oil production. It is believed that oil prices will continue to have a negative impact on Registrant's revenues throughout 1998. Farming revenues declined \$410,000 during 1998 due to the receipt in 1997 of revenues related to 1996 grape, pistachio, and walnut crops.

Operating activities during the first six months of 1998 resulted in a net loss of \$1,724,000, or \$0.14 per share diluted, compared to a net loss of \$292,000, or \$0.02 per share diluted, for the same period of 1997. The increased loss when compared to 1997 is primarily attributable to increased costs within the livestock division, lower market prices on cattle sold and to increases in real estate expense and resource management expense. Cost of sales on cattle increased \$5,443,000 when compared to 1997 due to the sale of additional cattle as described above. During the first six months of 1998, Registrant recognized a net loss of \$123,000 on the sale of cattle due the dramatic drop in market prices because of the Asian economic crisis and to the large number of cattle in feedlots during the first quarter of 1998. Feedlot expenses increased \$2,645,000 when compared to 1997 due to the timing of purchasing the feedlot during 1997. Real estate expense increased due to higher staffing costs and fixed water costs. Resource management expense increased due to an increase in professional services fees related to the monitoring of activities at the National Cement lease site.

Total revenues for the second quarter of 1998, including interest income, were \$7,581,000 compared to \$6,251,000 for the second quarter of 1997. The growth in second quarter revenues when compared to 1997 is due primarily to an increase of 2,866 head of cattle being sold, which resulted in \$2,112,000 of additional sales during the second quarter of 1998. This increase was partially offset by reduced farming revenues, reduced oil and mineral revenues and the timing of receipt of hunting permit revenues, all of which are described above.

During the second quarter of 1998, Registrant had a net loss of \$943,000,

or \$.07 per share, compared to a loss of \$6,000, or \$.00 per share for the same period of 1997. The decrease in net income compared to the second quarter of 1997 is due to the net increase in revenues described above being more than offset by an increase in cost of sales on cattle, increased farming expense (\$132,000), and increased general and administrative expense (\$240,000). Cost of sales on cattle increased \$2,431,000 when compared to the same period of 1997 due to the additional number of head of cattle being sold as described above.

Cattle prices during 1998 continue to be depressed due to the supply of cattle held in feedlots and to lower export sales during 1998. Prices are remaining below normal levels due to the continuing impact of the Asian economic crisis on the beef market and the drought in Texas that is causing additional animals to be brought to market earlier than normal. Of the United States' trading partners, Asia is the largest importer of U.S. beef, so any continuing decline in purchasing power within that region can hold down prices within the beef market. It is a little early in the farm crop year to make production estimates for grapes and nuts, but winter storms and rain during the pollination period for almonds could negatively impact 1998 production. Estimates of production from the California Almond Board show state wide production could be 150 million pounds below 1997 production, which could mean higher almond prices during the 1998 harvest.

Registrant continues to be involved in various environmental proceedings related to leased acreage. For a further discussion, refer to Note F - Contingencies.

Prices received by Registrant for many of its products are dependent upon prevailing market conditions and commodity prices. Therefore, Registrant is unable to accurately predict revenue, just as it cannot pass on any cost increases caused by general inflation, except to the extent reflected in market conditions and commodity prices. The operations of the Registrant are seasonal and results of operations cannot be predicted based on quarterly results.

#### Liquidity and Capital Resources

Registrant's cash, cash equivalents and short-term investments totaled approximately \$16,109,000 at June 30, 1998, compared to \$18,165,000 on December 31, 1997, a decrease of 13%. Working capital as of June 30, 1998 was \$20,465,000 compared to \$24,518,000 on December 31, 1997. The decrease in working capital during 1998 is due primarily to capital expenditures, the payment of dividends and to the net loss for the first six months of 1998. The use of short-term credit has grown when compared to 1997 due to increases in accounts receivable and inventories due to the growth of Registrant's core business lines. The timing of short-term credit needs has also changed due to the majority of Registrant's cattle sales and revenues from crop harvests all coming during the second half of the year. In past years cattle sales were primarily during the first half of each year.

Registrant has revolving lines of credit of \$13,000,000 that as of June 30, 1998 had a balance outstanding of \$11,550,000 at an interest rate of 8.25%. Registrant also has a short-term line of credit outstanding of \$5,989,000 from an investment banking firm at an interest rate of 5.95%. The lines of credit are expected to be paid down from the proceeds of cattle and crop sales. The revolving lines of credit are used as a short-term cash management tool.

The accurate forecasting of cash flows by Registrant is made difficult due to the fact that commodity markets set the prices for the majority of Registrant's products and the fact that the cost of water changes significantly from year-to-year as a result of changes in its availability.

Registrant is currently evaluating the possibility of new farming developments, continued expansion of the cattle herd, and additional commercial development along the Interstate 5 corridor. These potential new projects would be funded from current cash resources, from additional borrowings, and possibly funds provided by joint venture partners involved in particular projects.

Registrant has traditionally funded its growth and capital additions from internally generated funds. Management believes that the combination of net earnings, short-term investments and borrowing capacity will be sufficient for its near term operations.

#### Item 8. Financial Statements and Supplementary Data.

The response to this Item is submitted in a separate section of this report.

#### Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

#### Impact of Accounting Change

None

#### PART II - OTHER INFORMATION

##### Item 1. Legal Proceedings

Not Applicable

##### Item 2. Changes in Securities

Not Applicable

Item 3. Defaults upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits -

3.1	Restated Certificate of Incorporation	*
3.2	Bylaws	**
27.1	Financial Data Schedule (Edgar), June 30, 1998	

(b) Reports - None

\* This document, filed with the Securities Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1987, is incorporated herein by reference.

\*\* This document, filed with the Securities Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, is incorporated herein by reference.

#### SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEJON RANCH CO.  
(Registrant)

Date BY /S/ ALLEN E. LYDA  
Allen E. Lyda  
Vice President, Finance  
& Treasurer

#### EXHIBIT INDEX

Exhibit No.	Exhibit Description	
3.1	Restated Certificate of Incorporation	*
3.2	By-Laws	**
27.1	Financial Data Schedule (Edgar), June 30, 1998	19

\* This document, filed with the Securities Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1987, is incorporated herein by reference.

\*\* This document, filed with the Securities Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to Registrant's Annual Report on Form 10-K for year ended December 31, 1994, is incorporated herein by reference.

Financial Data Schedule  
(amounts in thousands)

This schedule contains summary financial information extracted from the balance sheet, income statement, and footnotes and is qualified in its entirety by reference to such financial statements.

1,000

6-MOS		
	DEC-31-1998	
	JAN-01-1998	
	JUN-30-1998	258
		15,851
		7,001
		0
		15,850
		40,436
		40,034
		(16,914)
		65,455
	19,971	0
	0	0
		0
		6,341
		32,018
65,455		15,902
	15,902	16,965
		16,965
		1,213
		0
		504
		(2,780)
		(1,056)
	(1,724)	0
		0
		0
		0
		(1,724)
		(.14)
		(.14)