

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d)  
of the  
Securities Exchange Act of 1934  
For the Quarterly Period Ended October 31, 2011

or

Transition Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-12622

OIL-DRI CORPORATION OF AMERICA  
(Exact name of the registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

36-2048898  
(I.R.S. Employer  
Identification No.)

410 North Michigan Avenue, Suite 400  
Chicago, Illinois  
(Address of principal executive offices)

60611-4213  
(Zip Code)

The registrant's telephone number, including area code: (312) 321-1515

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 at least the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of October 31, 2011.

Common Stock -5,123,475 Shares and Class B Stock -2,048,118 Shares

## CONTENTS

**Page**

### **PART I – FINANCIAL INFORMATION**

<b>Item 1:</b>	Financial Statements	<a href="#"><u>3</u></a>
<b>Item 2:</b>	Management’s Discussion and Analysis of Financial Condition and Results Of Operations	<a href="#"><u>14</u></a>
<b>Item 3:</b>	Quantitative and Qualitative Disclosures About Market Risk	<a href="#"><u>20</u></a>
<b>Item 4:</b>	Controls and Procedures	<a href="#"><u>21</u></a>

### **PART II – OTHER INFORMATION**

<b>Item 5:</b>	Other Information	<a href="#"><u>22</u></a>
<b>Item 6:</b>	Exhibits	<a href="#"><u>23</u></a>
<b>Signatures</b>		<a href="#"><u>24</u></a>

### **FORWARD-LOOKING STATEMENTS**

Certain statements in this report, including, but not limited to, those under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those statements elsewhere in this report and other documents we file with the Securities and Exchange Commission contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs, and our management’s assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls, and conference calls. Words such as “expect,” “outlook,” “forecast,” “would”, “could,” “should,” “project,” “intend,” “plan,” “continue,” “believe,” “seek,” “estimate,” “anticipate,” “believe”, “may,” “assume,” variations of such words and similar expressions are intended to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially, including those described in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended July 31, 2011. Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, intended, expected, believed, estimated, projected or planned. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except to the extent required by law, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions, or otherwise.

### **TRADEMARK NOTICE**

Agsorb, Calibrin, Cat’s Pride, ConditionAde, Flo-Fre, Jonny Cat, KatKit, Oil-Dri, Pel-Unite, Perform, Poultry Guard, Pro Mound, Pure-Flo, Rapid Dry, Select, Terra-Green and Ultra-Clear are all registered trademarks of Oil-Dri Corporation of America or of its subsidiaries. Pro’s Choice, Saular, Verge, Fresh & Light and Resorb are trademarks of Oil-Dri Corporation of America. Fresh Step is a registered trademark of The Clorox Company.

## PART I - FINANCIAL INFORMATION

## ITEM 1. Financial Statements

**OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(in thousands of dollars)  
(unaudited)

ASSETS	October 31, 2011	July 31, 2011
<b>Current Assets</b>		
Cash and cash equivalents	\$ 21,000	\$ 17,885
Investment in short-term securities	8,390	15,837
Accounts receivable, less allowance of \$632 and \$607 at October 31, 2011 and July 31, 2011, respectively	31,294	29,217
Inventories	22,263	19,230
Deferred income taxes	1,193	1,193
Prepaid repairs expense	3,744	3,782
Prepaid expenses and other assets	3,995	4,672
<b>Total Current Assets</b>	<b>91,879</b>	<b>91,816</b>
<b>Property, Plant and Equipment</b>		
Cost	190,246	189,279
Less accumulated depreciation and amortization	(122,961)	(121,251)
<b>Total Property, Plant and Equipment, Net</b>	<b>67,285</b>	<b>68,028</b>
<b>Other Assets</b>		
Goodwill	5,162	5,162
Trademarks and patents, net of accumulated amortization of \$388 and \$381 at October 31, 2011 and July 31, 2011, respectively	582	589
Debt issuance costs, net of accumulated amortization of \$353 and \$333 at October 31, 2011 and July 31, 2011, respectively	443	463
Licensing agreements and non-compete agreements, net of accumulated amortization of \$1,423 and \$1,361 at October 31, 2011 and July 31, 2011, respectively	815	878
Deferred income taxes	1,910	2,107
Other	4,442	4,350
<b>Total Other Assets</b>	<b>13,354</b>	<b>13,549</b>
<b>Total Assets</b>	<b>\$ 172,518</b>	<b>\$ 173,393</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(in thousands of dollars)  
(unaudited)

<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>October 31, 2011</b>	<b>July 31, 2011</b>
<b><u>Current Liabilities</u></b>		
Current maturities of notes payable	\$ 3,800	\$ 3,600
Accounts payable	6,621	6,369
Dividends payable	1,132	1,129
Accrued expenses:		
Salaries, wages and commissions	3,551	4,143
Trade promotions and advertising	3,988	2,270
Freight	1,762	2,135
Other	6,620	6,834
<b>Total Current Liabilities</b>	<b>27,474</b>	<b>26,480</b>
<b><u>Noncurrent Liabilities</u></b>		
Notes payable	27,400	29,700
Deferred compensation	7,115	7,196
Pension and postretirement benefits	13,678	13,235
Other	1,471	1,484
<b>Total Noncurrent Liabilities</b>	<b>49,664</b>	<b>51,615</b>
<b>Total Liabilities</b>	<b>77,138</b>	<b>78,095</b>
<b><u>Stockholders' Equity</u></b>		
Common Stock, par value \$.10 per share, issued 7,756,612 shares at October 31, 2011 and 7,750,324 shares at July 31, 2011	776	775
Class B Stock, par value \$.10 per share, issued 2,372,859 shares at October 31, 2011 and 2,372,859 shares at July 31, 2011	237	237
Additional paid-in capital	29,303	29,213
Restricted unearned stock compensation	(2,342)	(2,446)
Retained earnings	121,256	121,388
Accumulated Other Comprehensive Income:		
Unrealized gain on marketable securities	70	71
Pension and postretirement benefits	(5,258)	(5,315)
Cumulative translation adjustment	606	799
Less Treasury Stock, at cost (2,633,137 Common and 324,741 Class B shares at October 31, 2011 and 2,642,387 Common and 324,741 Class B shares at July 31, 2011)	(49,268)	(49,424)
<b>Total Stockholders' Equity</b>	<b>95,380</b>	<b>95,298</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$ 172,518</b>	<b>\$ 173,393</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES**  
**Condensed Consolidated Statements of Income and Retained Earnings**  
(in thousands, except for per share amounts)  
(unaudited)

	<b>For the Three Months Ended October 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Net Sales</b>	\$ 59,582	\$ 56,285
Cost of Sales	(45,379)	(43,077)
<b>Gross Profit</b>	<b>14,203</b>	13,208
Selling, General and Administrative Expenses	(12,407)	(9,386)
<b>Income from Operations</b>	<b>1,796</b>	3,822
<b>Other Income (Expense)</b>		
Interest expense	(524)	(411)
Interest income	8	19
Other, net	193	50
<b>Total Other Income (Expense), Net</b>	<b>(323)</b>	(342)
<b>Income Before Income Taxes</b>	<b>1,473</b>	3,480
Income taxes	(398)	(961)
<b>Net Income</b>	<b>1,075</b>	2,519
<b>Retained Earnings</b>		
Balance at beginning of year	121,388	116,917
Cash dividends declared and treasury stock issuances	(1,207)	(1,238)
<b>Retained Earnings – October 31</b>	<b>\$ 121,256</b>	\$ 118,198
<b>Net Income Per Share</b>		
<b>Basic Common</b>	\$ 0.16	\$ 0.38
<b>Basic Class B</b>	\$ 0.12	\$ 0.30
<b>Diluted</b>	\$ 0.15	\$ 0.35
<b>Average Shares Outstanding</b>		
<b>Basic Common</b>	<b>5,114</b>	5,086
<b>Basic Class B</b>	<b>1,920</b>	1,897
<b>Diluted</b>	<b>7,100</b>	7,123

The accompanying notes are an integral part of the condensed consolidated financial statements.

**OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Income**  
(in thousands of dollars)  
(unaudited)

	<b>For the Three Months Ended October 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Net Income</b>	<b>\$ 1,075</b>	<b>\$ 2,519</b>
<b>Other Comprehensive Income:</b>		
Unrealized loss on marketable securities	(1)	(5)
Pension and postretirement benefits	57	58
Cumulative translation adjustment	(193)	26
<b>Total Comprehensive Income</b>	<b>\$ 938</b>	<b>\$ 2,598</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
(in thousands of dollars)  
(unaudited)

	For the Three Months Ended October 31,	
	2011	2010
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
<b>Net Income</b>	<b>\$ 1,075</b>	<b>\$ 2,519</b>
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,345	2,054
Amortization of investment discount	12	4
Non-cash stock compensation expense	167	124
Excess tax benefits for share-based payments	(30)	(118)
Deferred income taxes	29	37
Provision for bad debts	25	38
Gain on the sale of fixed assets	(2)	(16)
(Increase) Decrease in:		
Accounts receivable	(2,102)	(897)
Inventories	(3,033)	(1,273)
Prepaid expenses	715	(394)
Other assets	(295)	20
Increase (Decrease) in:		
Accounts payable	449	55
Accrued expenses	539	(2,830)
Deferred compensation	(81)	(179)
Other liabilities	564	392
<b>Total Adjustments</b>	<b>(698)</b>	<b>(2,983)</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>377</b>	<b>(464)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Capital expenditures	(1,611)	(1,638)
Proceeds from sale of property, plant and equipment	10	110
Purchases of investment in short-term securities	(2,465)	(5,999)
Dispositions of investment in short-term securities	9,900	8,000
<b>Net Cash Provided by Investing Activities</b>	<b>5,834</b>	<b>473</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principal payments on notes payable	(2,100)	(1,500)
Dividends paid	(1,130)	(1,043)
Purchase of treasury stock	—	(511)
Proceeds from issuance of treasury stock	31	109
Proceeds from issuance of common stock	48	185
Excess tax benefits for share-based payments	30	118
Other, net	(102)	8
<b>Net Cash Used in Financing Activities</b>	<b>(3,223)</b>	<b>(2,634)</b>
Effect of exchange rate changes on cash and cash equivalents	127	(38)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,115</b>	<b>(2,663)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>17,885</b>	<b>18,762</b>
<b>Cash and Cash Equivalents, October 31</b>	<b>\$ 21,000</b>	<b>\$ 16,099</b>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES**  
**Notes To Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. BASIS OF STATEMENT PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The financial statements and the related notes are condensed and should be read in conjunction with the consolidated financial statements and related notes for the year ended July 31, 2011 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC").

The unaudited condensed consolidated financial statements include the accounts of the parent company and its subsidiaries. All significant intercompany transactions are eliminated.

The unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the statements contained herein. Operating results for the three months ended October 31, 2011 are not necessarily an indication of the results that may be expected for the fiscal year ending July 31, 2012.

The preparation of the unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and related disclosures. Estimates are revised periodically. Actual results could differ from these estimates.

Under the terms of our sales agreements with customers, we recognize revenue when risk of loss and title are transferred. An invoice is generated upon shipment that sets the fixed and determinable price. Promotional reserves are provided for sales incentives made directly to consumers and customers and are netted against sales. Sales returns and allowances are not material. Selling, general and administrative expenses include salaries, wages and benefits associated with staff outside the manufacturing and distribution functions, all marketing related costs, any miscellaneous trade spending expenses not required to be included in net sales, research and development costs, depreciation and amortization related to assets outside the manufacturing and distribution process and all other non-manufacturing and non-distribution expenses.

We evaluate our allowance for doubtful accounts utilizing a combination of a historical experience and a periodic review of our accounts receivable aging and specific customer account analysis. A customer account is determined to be uncollectible when we have completed our internal collection procedures, including termination of shipments, direct customer contact and formal demand of payment. We maintain and monitor a list of customers whose creditworthiness has diminished.

As part of our overall operations, we mine sorbent materials on property that we either own or lease. A significant part of our overall mining cost is incurred during the process of removing the overburden (non-usable material) from the mine site, thus exposing the sorbent material that is then used in a majority of our production processes. These stripping costs are treated as a variable inventory production cost and are included in cost of sales in the period they are incurred. We defer as prepaid expense and amortize the pre-production overburden removal costs associated with opening a new mine.

We perform ongoing reclamation activities during the normal course of our overburden removal. As overburden is removed from a pit, it is hauled to previously mined pits and used to refill older sites. This process allows us to continuously reclaim older pits and dispose of overburden simultaneously, therefore minimizing the liability for the reclamation function.

Additionally, it is our policy to capitalize the purchase cost of land and mineral rights, including associated legal fees, survey fees and real estate fees. The costs of obtaining mineral patents, including legal fees and drilling expenses, are also capitalized. Pre-production development costs on new mines and any prepaid royalties that can be offset against future royalties due upon extraction of the mineral are also capitalized. All exploration related costs are expensed as incurred.



## 2. NEW ACCOUNTING PRONOUNCEMENTS

### Recently Adopted Accounting Standards

In January 2010, the FASB issued guidance under ASC 820-10, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*, that requires new disclosures related to Level 3 fair value measurements. This guidance was effective for this Quarterly Report on Form 10-Q for the quarter ending October 31, 2011; however, no new disclosures were required since we have no financial assets or liabilities with Level 3 fair value measurements.

### Recently Issued Accounting Standards

In May 2011, the FASB issued guidance under ASC 820, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. These amendments clarify FASB's intent about the application of existing fair value measurement and disclosure requirements and change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. We are currently evaluating the impact this Statement will have on our Consolidated Financial Statements beginning with our Quarterly Report on Form 10-Q for the quarter ending April 30, 2012.

In June 2011, the FASB issued guidance under ASC 220, *Comprehensive Income: Presentation of Comprehensive Income*, that requires presentation of the components of net income and other comprehensive income either in one continuous statement, referred to as the Statement of Comprehensive Income, or in two separate consecutive statements. The requirements eliminate the current option to report other comprehensive income and its components in the Statement of Stockholders' Equity. The components recognized in net income or other comprehensive income under current accounting guidance will not change. The presentation requirements will be adopted beginning with our Quarterly Report on Form 10-Q for the quarter ending October 31, 2012 and will be applied retrospectively.

In September 2011, the FASB issued guidance under ASC 350, *Testing Goodwill for Impairment*, that provides the option to first assess qualitative factors to determine if the annual two-step test of goodwill for impairment must be performed. If, based on the qualitative assessment of events or circumstances, an entity determines it is not more likely than not that the goodwill fair value is less than its carrying amount, then it is not necessary to perform the two-step impairment test. However, if an entity concludes otherwise, then the two-step impairment test must be performed to identify potential impairment and to measure the amount of goodwill impairment, if any. We are currently evaluating the impact this Statement will have on our annual goodwill impairment testing for our 2013 fiscal year beginning August 1, 2012.

## 3. INVENTORIES

The composition of inventories is as follows (in thousands of dollars):

	October 31, 2011	July 31, 2011
Finished goods	\$ 13,239	\$ 11,041
Packaging	4,506	4,251
Other	4,518	3,938
	<u>\$ 22,263</u>	<u>\$ 19,230</u>

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventory costs include the cost of raw materials, packaging supplies, labor and other overhead costs. We perform a quarterly review of our inventory items to determine if an obsolescence reserve adjustment is necessary. The review surveys all of our operating facilities and sales groups to ensure that both historical issues and new market trends are considered. The allowance not only considers specific items, but also takes into consideration the overall value of the inventory as of the balance sheet date. The inventory obsolescence reserve values at October 31, 2011 and July 31, 2011 were \$346,000 and \$326,000, respectively.

#### 4. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are prioritized into one of three categories based on the lowest level of input that is significant to the fair value measurement. The categories in the hierarchy are as follows:

- Level 1: Financial assets and liabilities whose values are based on quoted market prices in active markets for identical assets or liabilities.
- Level 2: Financial assets and liabilities whose values are based on:
  - 1) Quoted prices for similar assets or liabilities in active markets.
  - 2) Quoted prices for identical or similar assets or liabilities in markets that are not active.
  - 3) Valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.
- Level 3: Financial assets and liabilities whose values are based on valuation techniques that require inputs that are unobservable. These inputs may reflect estimates of the assumptions that market participants would use in valuing the financial assets and liabilities.

The following table summarizes our financial assets and liabilities that were measured at fair value by level within the fair value hierarchy:

	Fair Value at October 31, 2011 (in thousands)		
	Total	Level 1	Level 2
<b>Assets</b>			
Cash equivalents	\$ 5,089	\$ 5,089	\$ —
Marketable equity securities	73	73	—
Cash surrender value of life insurance	4,073	—	4,073

Cash equivalents are classified as Level 1 of the fair value hierarchy because they were valued using quoted market prices in active markets. These cash instruments are primarily money market mutual funds and are included in cash and cash equivalents on the condensed Consolidated Balance Sheets.

Marketable equity securities were valued using quoted market prices in active markets and as such are classified as Level 1 in the fair value hierarchy. These securities represent stock we own in one publicly traded company and are included in other noncurrent assets on the condensed Consolidated Balance Sheets.

Cash surrender value of life insurance is classified as Level 2. The value was determined by the underwriting insurance company's valuation models, which take into account the passage of time, mortality tables, interest rates, cash values for paid-up additions and dividend accumulations. The cash surrender value represents the guaranteed value we would receive upon surrender of these policies held on key employees as of October 31, 2011. The cash surrender value of life insurance is included in other noncurrent assets on the condensed Consolidated Balance Sheets.

The investment in short-term securities on the Consolidated Balance Sheets includes U.S. Treasury securities, certificates of deposit and debt securities. We have the ability to hold our investment in short-term securities to maturity and intend to do so; therefore, these investments were reported at amortized cost on the Consolidated Balance sheets, which approximated fair value as of October 31, 2011. These balances are excluded from the above table.

Accounts receivable and accounts payable balances on the Consolidated Balance Sheets approximate their fair values at October 31, 2011 due to the short maturity and nature of those balances; therefore, these balances are excluded from the above table.

The carrying value of notes payable approximated their fair values at October 31, 2011 and are not included in the above table. The estimated fair value of notes payable, including current maturities, was approximately \$31,582,000 as of October 31, 2011.

We apply fair value techniques on a non-recurring basis associated with: (1) valuing potential impairment loss related to goodwill and indefinite-lived intangible assets and (2) valuing potential impairment loss related to long-lived assets.

## 5. PENSION AND OTHER POSTRETIREMENT BENEFITS

The components of net periodic pension benefits cost of our defined benefit plan were as follows:

	<b>PENSION PLAN</b>	
	(in thousands)	
	<b>For the Three Months Ended October 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Components of net periodic pension benefit cost:</b>		
Service cost	\$ 359	\$ 285
Interest cost	403	375
Expected return on plan assets	(371)	(318)
Net amortization	80	83
	<u>\$ 471</u>	<u>\$ 425</u>

We have funded the plan based upon actuarially determined contributions that take into account the normal cost and the minimum and maximum contribution requirements of various regulations. We did not make a contribution to our pension plan during the first quarter ended October 31, 2011. We intend to make a contribution to the pension plan during the current fiscal year approximately equal to the annual actuarial determined cost. We currently estimate this amount to be approximately \$1,100,000. See Item 3. Quantitative and Qualitative Disclosures About Market Risk for a discussion of the potential impact of financial market fluctuations on pension plan assets and future funding contributions.

Our plan covering postretirement health benefits is an unfunded plan. The components of the net periodic postretirement health benefit cost were as follows:

	<b>POSTRETIREMENT HEALTH BENEFITS</b>	
	(in thousands)	
	<b>For the Three Months Ended October 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Components of net periodic postretirement benefit cost:</b>		
Service cost	\$ 26	\$ 20
Interest cost	26	27
Amortization of net transition obligation	4	4
Net actuarial loss	8	7
	<u>\$ 64</u>	<u>\$ 58</u>

Assumptions used in the previous calculations were as follows:

	<b>PENSION PLAN</b>		<b>POSTRETIREMENT HEALTH BENEFITS</b>	
	<b>Three Months Ended October 31,</b>			
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Discount rate for net periodic benefit cost	5.25%	6.00%	5.25%	6.00%
Rate of increase in compensation levels	4.00%	4.00%	—	—
Long-term expected rate of return on assets	7.50%	7.50%	—	—
Measurement date	7/31/2011	7/31/2010	7/31/2011	7/31/2010
Census date	8/1/2010	8/1/2009	8/1/2010	8/1/2009

The medical cost trend assumption for postretirement health benefits was a graded rate starting at 8.5% and decreasing to an ultimate rate of 5% in 0.5% annual increments.

## 6. SEGMENT REPORTING

We have two operating segments: Retail and Wholesale Products and Business to Business Products. These segments are managed separately because each business has different customer characteristics. Net sales and operating income for each segment are provided below. Revenues by product line are not provided because it would be impracticable to do so. The accounting policies of the segments are the same as those described in Note 1 of the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2011.

We do not rely on any operating segment asset allocations and we do not consider them meaningful because of the shared nature of our production facilities; however, we have estimated the segment asset allocations below for those assets for which we can reasonably determine. The unallocated asset category is the remainder of our total assets. The asset allocation is estimated and is not a measure used by our chief operating decision maker about allocating resources to the operating segments or in assessing their performance. The corporate expenses line includes certain unallocated expenses, primarily salaries, wages and benefits, purchased services, rent, utilities and depreciation and amortization associated with corporate functions such as research and development, information systems, finance, legal, human resources and customer service. Corporate expenses also include the estimated annual incentive plan bonus accrual.

	Assets	
	October 31, 2011	July 31, 2011
	(in thousands)	
Business to Business Products	\$ 43,941	\$ 40,635
Retail and Wholesale Products	82,519	81,049
Unallocated Assets	46,058	51,709
<b>Total Assets</b>	<b>\$ 172,518</b>	<b>\$ 173,393</b>

	For the Three Months Ended October 31,			
	Net Sales		Operating Income (Loss)	
	2011	2010	2011	2010
	(in thousands)			
Business to Business Products	\$ 20,934	\$ 19,045	\$ 7,440	\$ 5,288
Retail and Wholesale Products	38,648	37,240	(1,219)	3,066
<b>Total Net Sales/Operating Income (Loss)</b>	<b>\$ 59,582</b>	<b>\$ 56,285</b>	<b>6,221</b>	<b>8,354</b>
Less:				
Corporate Expenses			4,232	4,482
Interest Expense, net of Interest Income			516	392
<b>Income before Income Taxes</b>			<b>1,473</b>	<b>3,480</b>
<b>Income Taxes</b>			<b>(398)</b>	<b>(961)</b>
<b>Net Income</b>			<b>\$ 1,075</b>	<b>\$ 2,519</b>

## 7. STOCK-BASED COMPENSATION

We determine the fair value of stock options and restricted stock issued under our long term incentive plans as of the grant date. We recognize the related compensation expense over the period from the date of grant to the date when the award is no longer contingent on the employee providing additional service to the company.

### Stock Options

Our 1995 Long Term Incentive Plan (the "1995 Plan") provided for grants of both incentive and non-qualified stock options principally at an option price per share of 100% of the fair market value of our Class A Common Stock or, if no Class A Common Stock is outstanding, our Common Stock ("Stock") on the date of grant. Stock options were generally granted with a five-year vesting period and a 10-year term. The stock options generally vest 25% two years after the grant date and 25% in each of the three following anniversaries of the grant date. This plan expired for purposes of issuing new grants on August 5, 2005. All stock issued from option exercises under this plan was from authorized but unissued stock. All restricted stock issued was from treasury.

stock.

The Oil-Dri Corporation of America 2006 Long Term Incentive Plan (“2006 Plan”) permits the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards and other stock-based and cash-based awards. Our employees and non-employee directors are eligible to receive grants under the 2006 Plan. The total number of shares of stock subject to grants under the 2006 Plan may not exceed 937,500. Option grants covering 25,000 shares have been issued to our outside directors with a vesting period of one year and option grants covering 32,500 shares have been issued to employees with vesting similar to the vesting described above under the 1995 Plan. In addition, 237,115 restricted shares have been issued under the 2006 Plan.

The Oil-Dri Corporation of America Outside Director Stock Plan (the “Directors’ Plan”) provides for grants of stock options to our directors at an option price per share of 100% of the fair market value of Common Stock on the date of grant. Stock options have been granted to our directors for a 10-year term with a one year vesting period. There are 12,500 stock options outstanding as of October 31, 2011 and no stock options are available for future grants under this plan. All stock issued under this plan was from treasury stock.

No stock options were granted in the first three months of fiscal years 2012 or 2011. Changes in our stock options during the first three months of fiscal 2012 were as follows:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Options Outstanding, July 31, 2011	189	\$ 11.10	2.8	\$ 1,882
Exercised	(13)	\$ 5.26		\$ 172
Options outstanding, October 31, 2011	176	\$ 11.51	2.7	\$ 1,505
Options exercisable, October 31, 2011	171	\$ 11.35	2.7	\$ 1,490

The amount of cash received from the exercise of stock options during the first quarter of fiscal 2012 was \$66,000 and the related tax benefit was \$47,000. The amount of cash received from the exercise of stock options during the first quarter of fiscal 2011 was \$294,000 and the related tax benefit was \$154,000.

#### *Restricted Stock*

Our 1995 Plan and 2006 Plan both provide for grants of restricted stock. The vesting schedule under the 1995 Plan has varied, but has generally been three years or less. Grants issued under the 2006 Plan to date have vesting periods between two and five years.

Under the 2006 Plan, 8,000 restricted shares of Common Stock were granted in the first three months of fiscal 2012. In the first three months of fiscal 2011, 129,933 restricted shares of Class B Stock and 2,000 restricted shares of Common Stock were granted.

Included in our stock-based compensation expense in the first quarter of fiscal years 2012 and 2011 was \$164,000 and \$121,000, respectively, related to unvested restricted stock.

Changes in our restricted stock outstanding during the first three months of fiscal 2012 were as follows:

	Restricted Shares (in thousands)	Weighted Average Grant Date Fair Value
Unvested restricted stock at July 31, 2011	139	\$ 21.54
Vested	(25)	\$ 21.82
Granted	8	\$ 19.79
Canceled	(5)	\$ 19.61
Unvested restricted stock at October 31, 2011	117	\$ 21.44

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read together with the financial statements and the related notes included herein and our consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended July 31, 2011. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause a difference include, but are not limited to, those discussed under "Forward-Looking Statements" and Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended July 31, 2011.*

### **OVERVIEW**

We develop, manufacture and market sorbent products principally produced from clay minerals and, to a lesser extent, other sorbent materials. Our principal products include cat litter, industrial and automotive absorbents, bleaching clay and clarification aids, agricultural chemical carriers, animal health and nutrition and sports field products. Our products are sold to two primary customer groups, including customers who resell our products as originally produced to the end customer and those who use our products as part of their production process or use them as an ingredient in their final finished product. We have two reportable segments, the Retail and Wholesale Products Group and the Business to Business Products Group, as described in Note 6 of the unaudited condensed consolidated financial statements.

### **RESULTS OF OPERATIONS**

#### **THREE MONTHS ENDED OCTOBER 31, 2011 COMPARED TO THREE MONTHS ENDED OCTOBER 31, 2010**

Consolidated net sales for the three months ended October 31, 2011 were \$59,582,000, an increase of 6% from net sales of \$56,285,000, for the three months ended October 31, 2010. Net income for the first quarter of fiscal 2012 was \$1,075,000, a decrease of 57% from net income of \$2,519,000 in the first quarter of fiscal 2011. Diluted net income per share for the first quarter of fiscal 2012 was \$0.15 compared to \$0.35 for the first quarter of fiscal 2011.

Consolidated net sales for the first quarter of fiscal 2012 improved due to selling price increases and a favorable product sales mix, defined as a greater proportion of sales from higher priced products. Consolidated net income for the first quarter of fiscal 2012 was negatively impacted by higher advertising, packaging and freight costs. Freight costs increased due to higher diesel fuel prices. Packaging costs increased due to fluctuations in the resin and paper markets. The Retail and Wholesale Products Group's segment operating income decreased due to higher advertising costs for our new Fresh & Light cat litter. The Business to Business Products Group segment operating income increased primarily due to higher sales.

#### **BUSINESS TO BUSINESS PRODUCTS GROUP**

Net sales of the Business to Business Products Group for the first quarter of fiscal 2012 were \$20,934,000, an increase of \$1,889,000, or 10%, from net sales of \$19,045,000 in the first quarter of fiscal 2011. A higher average net selling price outweighed a 2% decrease in tons sold for the Group. Net sales of fluid purification products increased approximately 14% with 8% more tons sold. This increase was driven primarily by sales to additional edible oil processing sites of existing customers. Sales growth also occurred for existing petroleum and recycled motor oil customers. These increases outweighed a decline in sales due to the loss of a biodiesel production customer. Net sales of animal health and nutrition products increased approximately 33% compared to the first quarter of fiscal 2011. Sales of both our enterosorbent and traditional animal health products increased in certain foreign markets, including those markets for which we implemented new distribution processes late in fiscal 2011. Net sales of agricultural products were even with the first quarter of fiscal 2011 and our co-packaged traditional coarse cat litter net sales decreased 2%.

The Business to Business Products Group's segment operating income for the first quarter of fiscal 2012 was \$7,440,000, an increase of \$2,152,000, or 41%, from operating income of \$5,288,000 in the first quarter of fiscal 2011. The increase in segment operating income was driven by the sales increase described above. Lower material costs offset higher freight and packaging costs per ton. Material costs decreased approximately 9% due to a reduction in the cost of fuel used in manufacturing which exceeded an increase in non-fuel manufacturing costs. Freight costs increased approximately 19% due primarily to higher diesel fuel prices. Packaging costs also increased 14% due to fluctuations in the price of paper and resin. See further discussion of manufacturing costs under Consolidated Results below. Selling, general and administrative expenses for the Group were down 3% compared to the first quarter of fiscal 2011 due primarily to reduced advertising and promotion costs for our animal health and nutrition products.

## RETAIL AND WHOLESALE PRODUCTS GROUP

Net sales of the Retail and Wholesale Products Group for the first quarter of fiscal 2012 were \$38,648,000, an increase of \$1,408,000, or 4%, from net sales of \$37,240,000 in the first quarter of fiscal 2011. The benefits of higher net selling prices and a favorable product sales mix outweighed a 3% decrease in tons sold for the Group. Net sales increased for our cat litter and industrial absorbents products, but decreased for our foreign subsidiaries, as described under Foreign Operations below. Overall cat litter net sales increased approximately 4% due to a higher net selling price and a favorable product sales mix, which outweighed a 4% decrease in tons sold. Branded cat litter sales increased approximately 33% with 22% more tons sold. This increase was due primarily to the introduction of our new Cat's Pride Fresh & Light scoopable product, combined with higher sales of our established Cat's Pride scoopable products. The increase in sales of branded cat litter was partially offset by approximately 18% lower net sales of private label cat litter. The decrease in private cat litter was primarily due to the continued decline of the coarse cat litter market as a whole, loss of a customer and targeted inventory reductions by another customer. Industrial absorbents net sales increased approximately 8% compared to the first quarter of fiscal 2011 due primarily to price increases implemented earlier during fiscal 2012 than during fiscal 2011.

The Retail and Wholesale Products Group reported a segment operating loss for the first quarter of fiscal 2012 of \$1,219,000, a decrease of \$4,285,000, or 140%, from operating income of \$3,066,000 in the first quarter of fiscal 2011. The decrease was primarily due to increased advertising for our new cat litter product. In addition, the Group's combined packaging, freight, and materials costs per ton increased 10% compared to the first quarter of fiscal 2011. Packaging costs increased 20% due to fluctuations in the price of paper and resin. Freight costs increased approximately 11% due primarily to higher diesel fuel prices. Material costs increased approximately 5% due primarily to increased purchases of fragrances, additives and other materials for the production of scoopable cat litters. This increase more than offset the lower cost of fuel used in manufacturing. See further discussion of manufacturing costs under Consolidated Results below.

Selling, general and administrative expenses for the Group were up 114% compared to the first quarter of fiscal 2011 due primarily to increased advertising expenditures described above. We expect to invest heavily in marketing activities throughout the new product introduction in fiscal 2012. We anticipate such spending thereafter will be higher than historic levels.

## CONSOLIDATED RESULTS

Our consolidated gross profit as a percentage of net sales for the first quarter of fiscal 2012 was 24%, which was slightly higher than the 23% reported in the first quarter of fiscal 2011. Gross profit was positively impacted by a greater proportion of sales from higher margin products; however, this positive impact was partially offset by higher packaging and freight costs. The increase in packaging and freight costs are described in the operating segment discussions above. Overall material costs were flat as a 10% decrease in the cost of fuel used in our manufacturing processes was offset by a 3% increase in non-fuel manufacturing cost per ton. The increase in non-fuel manufacturing cost per ton produced was driven primarily by higher depreciation expense and increased manufacturing of products that required purchased additives, fragrances and other materials. We primarily use natural gas, and to a lesser extent fuel oil and coal, in our manufacturing processes to operate kilns that dry our clay. As described in Item 3. Quantitative and Qualitative Disclosures About Market Risk below, we have contracted for a portion of our planned fuel needs for fiscal 2012.

Selling, general and administrative expenses as a percentage of net sales for the first quarter of fiscal 2012 was 21%, compared to 17% for the first quarter of fiscal 2011. The discussions of the Groups' operating income above describe the fluctuation in the selling, general and administrative expenses that were allocated to the operating segments, including approximately \$3,000,000 higher advertising costs in the Retail and Wholesale Products Group. We believe that during fiscal 2012 advertising and promotional expenditures will exceed the additional contribution from our new Fresh & Light products and therefore negatively impact earnings for the year. Accordingly, we expect our consolidated earnings for fiscal 2012 will be less than fiscal 2011. The remaining unallocated corporate expenses in the first quarter of fiscal 2012 included a lower estimated annual incentive plan bonus accrual. The incentive bonus expense was based on performance targets that are established for each fiscal year.

Interest expense was \$113,000 higher for the first quarter of fiscal 2012 compared to the same period in fiscal 2011 due primarily to new debt issued in the second quarter of fiscal 2011. Interest income was slightly lower in the first quarter of fiscal 2012 compared to the first quarter of fiscal 2011.

Net other income was \$143,000 higher for the first quarter of fiscal 2012 compared to the first quarter of fiscal 2011 due to an accrual for regulatory expenses in fiscal 2011.

Our effective tax rate was 27% of pre-tax income in the first quarter of fiscal 2012 compared to the 28% effective tax rate for the full year of fiscal 2011. The effective tax rate for fiscal 2012 is based on the projected composition and level of our taxable income

for the year.

## **FOREIGN OPERATIONS**

Net sales by our foreign subsidiaries during the first three months of fiscal 2012 were \$2,859,000, a decrease of 6% from net sales of \$3,049,000 during the first three months of fiscal 2011. Net sales by our foreign subsidiaries represented 5% of our consolidated net sales during the first three months of both fiscal 2012 and 2011. Net sales declined 8% for our Canadian subsidiary and increased 2% for our United Kingdom subsidiary. Sales measured in our United Kingdom subsidiary's functional currency, the British Pound, were flat. The sales increase reported in U.S. Dollars was the result of fluctuations in currency exchange rates which resulted in higher comparable sales values after translation. Our Canadian subsidiary sales were down for both cat litter and industrial lite sorbent products.

For the first three months of fiscal 2012, our foreign subsidiaries reported a net loss of \$158,000, compared to a net loss of \$205,000 reported in the first three months of fiscal 2011. The decrease in the net loss was due primarily to restructuring of our United Kingdom manufacturing operations.

Identifiable assets of our foreign subsidiaries as of October 31, 2011 were \$9,712,000 compared to \$9,283,000 as of October 31, 2010. The increase is primarily due to higher cash and cash equivalents and accounts receivable, which were partially offset by lower inventories and a reduction in net fixed assets.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our principal capital requirements include funding working capital needs, purchasing real estate, equipment and facilities, funding new product development and investing in infrastructure and potential acquisitions. During the quarter, we principally used cash generated from operations and from previous debt issuances to fund these requirements. We also have the ability to borrow under our credit facilities; however, we have not borrowed under the credit agreement in recent years. Cash and cash equivalents increased \$3,115,000 during the first three months of fiscal 2012 to \$21,000,000 at October 31, 2011.

The following table sets forth certain elements of our unaudited condensed consolidated statements of cash flows (in thousands):

	<b>Three Months Ended</b>	
	<b>October 31, 2011</b>	<b>October 31, 2010</b>
Net cash provided by (used in) operating activities	\$ 377	\$ (464)
Net cash provided by investing activities	5,834	473
Net cash used in financing activities	(3,223)	(2,634)
Effect of exchange rate changes on cash and cash equivalents	127	(38)
Net increase (decrease) in cash and cash equivalents	\$ 3,115	\$ (2,663)

### *Net cash provided by operating activities*

Net cash provided by operations was \$377,000 for the first three months of fiscal 2012 compared to cash used in operations of \$464,000 for the first three months of fiscal 2011. The change was due primarily to working capital fluctuations. For the first three months of fiscal years 2012 and 2011, the primary components of working capital that impacted operating cash flows were as follows:

Accounts receivable, less allowance for doubtful accounts, increased \$2,077,000 in the first three months of fiscal 2012 due to higher sales in the first quarter of fiscal 2012 compared to the fourth quarter of fiscal 2011. Accounts receivable, less allowance for doubtful accounts, increased \$859,000 in the first three months of fiscal 2011 due to higher sales in the first quarter of fiscal 2011 compared to sales in the fourth quarter of fiscal 2010. The change in both periods is also subject to timing of sales and collections and the payment terms provided to various customers.

Inventories increased \$3,033,000 in the first three months of fiscal 2012 compared to an increase of \$1,273,000 in the same period in fiscal 2011. Finished goods, packaging and additive inventories increased in the first three months of fiscal 2012 due to increased stocking of both our new scoopable cat litter and agricultural products to meet forecasted needs. In the first three months of fiscal 2011, finished goods and packaging inventories increased to meet the requirements of higher sales and due to higher costs.



Prepaid expenses decreased \$715,000 in the first three months of fiscal 2012 and increased \$394,000 in the first three months of fiscal 2011. A decrease in deferred advertising costs in the first three months of fiscal 2012 outweighed an increase in prepaid insurance due to the payment of insurance premiums. The increase in the first three months of fiscal 2011 was the result of higher prepaid insurance.

Other assets increased \$295,000 in the first three months of fiscal 2012 and decreased \$20,000 in the first three months of fiscal 2011. The change in other assets for both periods included the effect of currency exchange rate fluctuations on non-cash assets held by our foreign subsidiaries. The change in the relative value of the U.S. Dollar to both the British Pound and the Canadian Dollar resulted in an increase in other assets in the first three months of fiscal 2012 compared to a decrease in the same period in fiscal 2011.

Accounts payable increased \$449,000 in the first three months of fiscal 2012 compared to an increase of \$55,000 in the first three months of fiscal 2011. Trade payables increased in both fiscal 2012 and fiscal 2011 due to normal fluctuations in the timing of payments. The increase in fiscal 2011 was partially offset by a lower income tax accrual.

Accrued expenses increased \$539,000 in the first three months of fiscal 2012 and decreased \$2,830,000 in the first three months of fiscal 2011. Accrued trade promotions and advertising increased in the first three months of fiscal 2012 due to marketing programs for our new cat litter. Accrued salaries included the bonus accrual, which in the first quarters of both fiscal 2012 and 2011 decreased by the payout of the prior fiscal year's bonus accrual and increased by the current fiscal years' first three month bonus accrual. The bonus paid out in fiscal 2011 was substantially greater than the bonus paid out in fiscal 2012. In addition, the bonus amount accrued for the first three months of fiscal 2012 was less than the amount accrued for the same period in fiscal 2011. Accrued freight varied in both years due to the timing of payments and shipments at quarter-end. Other accrued expenses for both fiscal years included a reduction in interest payable due to scheduled debt payments.

Deferred compensation decreased \$81,000 in the first three months of fiscal 2012 compared to a decrease of \$179,000 in the first three months of fiscal 2011. In the first three months of both fiscal 2012 and 2011, scheduled payouts exceeded employee deferrals and interest earned on accumulated deferred compensation balances.

Other liabilities increased \$564,000 in the first three months of fiscal 2012 compared to an increase of \$392,000 in the first three months of fiscal 2011. Postretirement benefits accruals increased in both periods. The change in other liabilities also included the effect of currency exchange rate fluctuations on the liabilities of our foreign subsidiaries. The change in the relative value of the U.S. Dollar to both the British Pound and the Canadian Dollar resulted in an increase in other liabilities in the first three months of fiscal 2011 compared to a decrease in the same period of fiscal 2011.

#### *Net cash provided by investing activities*

Cash provided by investing activities was \$5,834,000 in the first three months of fiscal 2012 compared to \$473,000 in the first three months of fiscal 2011. Dispositions of investment securities exceeded purchases by \$7,435,000 in the first three months of fiscal 2012 and by \$2,001,000 in the first three months of fiscal 2011. Purchases and dispositions of investment securities in both periods are subject to variations in the timing of investment maturities. Cash used for capital expenditures was \$1,611,000 in the first three months of fiscal 2012 and \$1,638,000 for the same period in fiscal 2011.

#### *Net cash used in financing activities*

Cash used in financing activities was \$3,223,000 in the first three months of fiscal 2012 compared to \$2,634,000 in the first three months of fiscal 2011. Payments on long-term debt in the first three months of fiscal 2012 were \$2,100,000 compared to \$1,500,000 in the first three months of fiscal 2011. Dividend payments in the first three months of fiscal 2012 of \$1,130,000 were higher than the \$1,043,000 paid during the same period of fiscal 2011 due to a dividend rate increase. There were no purchases of treasury stock in the first three months of fiscal 2012 compared to \$511,000 in the first three months of fiscal 2011. Proceeds from issuance of Common Stock and treasury stock in connection with stock option exercises were \$79,000 and \$294,000 in the first three months of fiscal 2012 and 2011, respectively.

#### *Other*

Total cash and investment balances held by our foreign subsidiaries of \$2,413,000 at October 31, 2011 were higher than the October 31, 2010 balances of \$1,858,000 due to fluctuations in working capital. During the first quarter of fiscal 2012, our foreign subsidiaries' accounts receivable decreased and current liabilities increased.

We have a \$15,000,000 unsecured revolving credit agreement with Harris N.A. (“Harris”) which will expire on December 31, 2011. The credit agreement provides that we may select a variable rate based on either Harris’ prime rate or a LIBOR-based rate, plus a margin which varies depending on our debt to earnings ratio, or a fixed rate as agreed between us and Harris. At October 31, 2011, the variable rates would have been 3.25% for Harris’ prime-based rate or 1.40% for LIBOR-based rate. The credit agreement contains restrictive covenants that, among other things and under various conditions (including a limitation on capital expenditures), limit our ability to incur additional indebtedness or to dispose of assets. The agreement also requires us to maintain a minimum fixed coverage ratio and a minimum consolidated net worth. We did not borrow under this credit facility during the three months ended October 31, 2011 and 2010 and we were in compliance with its covenants. While there can be no assurance regarding the terms, timing or consummation of any successor agreement, on or before the expiration of this agreement on December 31, 2011, we expect to enter into a successor credit arrangement with Harris N.A. or another financing source under terms and conditions reasonably acceptable to us; however, future developments in the financial and credit markets could limit our ability to draw on or to enter into any such credit arrangement.

As of October 31, 2011 we had remaining authority to repurchase 366,877 shares of common stock under a repurchase plan approved by the Board of Directors. These repurchases may be made on the open market (pursuant to Rule 10b5-1 plans or otherwise) or in negotiated transactions and the timing and amount of shares repurchased will be determined by our management.

We believe that cash flow from operations, availability under our revolving credit facility and current cash and investment balances will provide adequate cash funds for foreseeable working capital needs, capital expenditures and debt service obligations for at least the next 12 months. We believe we will have adequate cash funds whether or not a successor credit agreement is obtained as discussed above. We expect cash requirements for capital expenditures in fiscal 2012 to be lower than in fiscal 2011 due to completion of projects at our manufacturing facilities related to new products; however, we intend to spend significantly for product promotion activities throughout the new product introduction in fiscal 2012 and we anticipate such spending thereafter will be higher than historic levels. Our capital requirements are subject to change as business conditions warrant and opportunities arise. Our ability to fund operations, to make planned capital expenditures, to make scheduled debt payments and to remain in compliance with all of the financial covenants under debt agreements, including, but not limited to, the credit agreement, depends on our future operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors. The timing and size of any new business ventures or acquisitions that we complete may also impact our cash requirements.

The tables in the following subsection summarize our contractual obligations and commercial commitments at October 31, 2011 for the time frames indicated.

#### **CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS**

<b>Contractual Obligations</b>	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1 – 3 Years</b>	<b>4 – 5 Years</b>	<b>After 5 Years</b>
Long-Term Debt	\$ 31,200,000	\$ 3,800,000	\$ 8,500,000	\$ 6,566,000	\$ 12,334,000
Interest on Long-Term Debt	6,229,000	1,451,000	2,180,000	1,367,000	1,231,000
Capital Leases	20,000	20,000	—	—	—
Operating Leases	10,128,000	2,868,000	3,105,000	2,050,000	2,105,000
Unconditional Purchase Obligations	601,000	601,000	—	—	—
<b>Total Contractual Cash Obligations</b>	<b>\$ 48,178,000</b>	<b>\$ 8,740,000</b>	<b>\$ 13,785,000</b>	<b>\$ 9,983,000</b>	<b>\$ 15,670,000</b>

We plan to make a contribution to our defined benefit pension plan in fiscal 2012 of approximately \$1,100,000. We have not presented this obligation for future years in the table above because the funding requirement can vary from year to year based on changes in the fair value of plan assets and actuarial assumptions. See Item 3. Quantitative and Qualitative Disclosures About Market Risk below for a discussion of the potential impact of financial market fluctuations on pension plan assets and future funding contributions.

The unconditional purchase obligations in the table above include forward purchase contracts we have entered into for a portion of our natural gas fuel needs for fiscal 2012. As of October 31, 2011, the remaining purchase obligations were \$601,000 for 160,000 MMBtu for fiscal 2012. These contracts were entered into in the normal course of business and no contracts were entered into for speculative purposes.

**Amount of Commitment Expiration Per Period**

	Amount of Commitment Expiration Per Period				
	Total	Less Than 1 Year	1 – 3 Years	4 – 5 Years	After 5 Years
Other Commercial Commitments	\$ 34,083,000	\$ 32,683,000	\$ 1,400,000	\$ —	—

The other commercial commitments in the table above represent open purchase orders, including blanket purchase orders, for items such as packaging, additives and pallets used in the normal course of operations. The expected timing of payments for these obligations is estimated based on current information. Timing of payments and actual amounts paid may be different depending on the time of receipt of goods or services, or changes to agreed-upon amounts for some obligations.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

This discussion and analysis of financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates and assumptions related to the reporting of assets, liabilities, revenues, expenses and related disclosures. In preparing these financial statements, we have made our best estimates and judgments of certain amounts included in the financial statements. Estimates are revised periodically. Actual results could differ from these estimates.

See the information concerning our critical accounting policies included under Management’s Discussion of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended July 31, 2011.

**Recently Adopted Accounting Standards**

In January 2010, the FASB issued guidance under ASC 820-10, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements*, that requires new disclosures related to Level 3 fair value measurements. This guidance was effective for this Quarterly Report on Form 10-Q for the quarter ending October 31, 2011; however, no new disclosures were required since we have no financial assets or liabilities with Level 3 fair value measurements.

**Recently Issued Accounting Standards**

In May 2011, the FASB issued guidance under ASC 820, *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. These amendments clarify FASB’s intent about the application of existing fair value measurement and disclosure requirements and change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. We are currently evaluating the impact this Statement will have on our Consolidated Financial Statements beginning with our Quarterly Report on Form 10-Q for the quarter ending April 30, 2012.

In June 2011, the FASB issued guidance under ASC 220, *Comprehensive Income: Presentation of Comprehensive Income*, that requires presentation of the components of net income and other comprehensive income either in one continuous statement, referred to as the Statement of Comprehensive Income, or in two separate consecutive statements. The requirements eliminate the current option to report other comprehensive income and its components in the Statement of Stockholders’ Equity. The components recognized in net income or other comprehensive income under current accounting guidance will not change. The presentation requirements will be adopted beginning with our Quarterly Report on Form 10-Q for the quarter ending October 31, 2012 and will be applied retrospectively.

In September 2011, the FASB issued guidance under ASC 350, *Testing Goodwill for Impairment*, that provides the option to first assess qualitative factors to determine if the annual two-step test of goodwill for impairment must be performed. If, based on the qualitative assessment of events or circumstances, an entity determines it is not more likely than not that the goodwill fair value is less than its carrying amount, then it is not necessary to perform the two-step impairment test. However, if an entity concludes otherwise, then the two-step impairment test must be performed to identify potential impairment and to measure the amount of goodwill impairment, if any. We are currently evaluating the impact this Statement will have on our annual goodwill impairment testing for our 2013 fiscal year beginning August 1, 2012.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk and employ policies and procedures to manage our exposure to changes in the market risk of our cash equivalents and short-term investments. We believe that the market risk arising from holdings of our financial instruments is not material.

We are exposed to foreign currency fluctuation risk, primarily U.S. Dollar/British Pound, U.S. Dollar/Euro and U.S. Dollar/Canadian Dollar, as it relates to certain accounts receivables and our foreign operations. Foreign currency denominated accounts receivable is a small fraction of our consolidated accounts receivable. We are also subject to translation exposure of our foreign subsidiaries' financial statements. In recent years, our foreign subsidiaries have not generated a substantial portion of our consolidated sales or net income. We do not enter into any hedge contracts in an attempt to offset any adverse effect of changes in currency exchange rates. We believe that the foreign currency fluctuation risk is not material to our consolidated financial statements.

We are exposed to market risk as it relates to the investments that make up our plan assets under our defined benefit pension plan. The fair value of these assets is subject to change due to fluctuations in the financial markets. A lower asset value may increase our pension expense and may increase the amount and accelerate the timing of future funding contributions.

We are exposed to regulatory risk in the fluid purification, animal health and agricultural markets, principally as a result of the risk of increasing regulation of the food chain throughout the world, but particularly in the United States and Europe. We actively monitor developments in this area, both directly and through trade organizations of which we are a member.

We are exposed to commodity price risk with respect to fuel. We have contracted for a portion of our anticipated fuel needs using forward purchase contracts to mitigate the volatility of our kiln fuel prices. As of October 31, 2011, we have purchased natural gas contracts representing approximately 11% of our planned kiln fuel needs for fiscal 2012. All contracts are related to the normal course of business and no contracts are entered into for speculative purposes.

The tables below provide information about our natural gas purchase contracts, which are sensitive to changes in commodity prices, specifically natural gas prices. For the purchase contracts outstanding at October 31, 2011, the table presents the notional amounts in MMBtu's, the weighted average contract prices, and the total dollar contract amount, which will mature by July 31, 2012. The Fair Value was determined using the "Most Recent Settle" price for the "Henry Hub Natural Gas" option contract prices as listed by the New York Mercantile Exchange on November 30, 2011.

Commodity Price Sensitivity Natural Gas Future Contracts For the Nine Months Ending July 31, 2012		
	Expected 2012 Maturity	Fair Value
Natural Gas Future Volumes (MMBtu)	160,000	—
Weighted Average Price (Per MMBtu)	\$ 3.76	—
Contract Amount (\$ U.S., in thousands)	\$ 600.8	\$ 558.5

Factors that could influence the fair value of the natural gas contracts, include, but are not limited to, the creditworthiness of our natural gas suppliers, the overall general economy, developments in world events, and the general demand for natural gas by the manufacturing sector, seasonality and the weather patterns throughout the United States and the world. Some of these same events have allowed us to mitigate the impact of the natural gas contracts by the continued, and in some cases expanded, use of recycled oil in our manufacturing processes. Accurate estimates of the impact that these contracts may have on our financial results are difficult to make due to the inherent uncertainty of future fluctuations in option contract prices in the natural gas options market.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Quarterly Report on Form 10-Q. The controls evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and Chief Accounting Officer (“CAO”). Based upon the controls evaluation, our CEO, CFO and CAO have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC, and that such information is accumulated and communicated to management, including the CEO, CFO and CAO, as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the fiscal quarter ended October 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including the CEO, CFO and CAO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

## **PART II – OTHER INFORMATION**

Items 1, 1A, 2, 3 and 4 of this Part II are either inapplicable or are answered in the negative and are omitted pursuant to the instructions to Part II.

### **ITEM 5. OTHER INFORMATION**

Our mining operations are subject to regulation by the Mine Safety and Health Administration under authority of the Federal Mine Safety and Health Act of 1977, as amended. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the recently proposed Item 106 of Regulation S-K is included in Exhibit 99.1 to this quarterly report.

**ITEM 6. EXHIBITS**

Exhibit No.	Description	SEC Document Reference
10.1	Letter Agreement, dated as of October 10, 2011, between Oil-Dri Corporation of America and Steven Jay Adolph.*	Filed herewith.
11	Statement re: Computation of Earnings per Share.	Filed herewith.
31	Certifications pursuant to Rule 13a – 14(a).	Filed herewith.
32	Certifications pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
99.1	Mine Safety Disclosure	Filed herewith.
101.INS	XBRL Taxonomy Instance Document	Furnished herewith.
101.SCH	XBRL Taxonomy Extension Schema Document	Furnished herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Furnished herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Furnished herewith.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document	Furnished herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Furnished herewith.

\* Management contract or compensatory plan or arrangement.

SIGNATURES

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

OIL-DRI CORPORATION OF AMERICA  
(Registrant)

BY /s/ Daniel S. Jaffee  
Daniel S. Jaffee  
President and Chief Executive Officer

BY /s/ Jeffrey M. Libert  
Jeffrey M. Libert  
Vice President and Chief Financial Officer

BY /s/ Daniel T. Smith  
Daniel T. Smith  
Vice President, Chief Accounting Officer and Controller

Dated: December 8, 2011



## EXHIBITS

Exhibit No.	Description
-------------	-------------

---

10.1 Letter Agreement, dated as of October 10, 2011, between Oil-Dri Corporation of America and Steven Jay Adolph.\*

11 Statement re: Computation of Earnings per Share.

31 Certifications pursuant to Rule 13a – 14(a).

32 Certifications pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002.

99.1 Mine Safety Disclosure

101.INS XBRL Taxonomy Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Labels Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase

\* Management contract or compensatory plan or arrangement.

Note: Stockholders may receive copies of the above listed exhibits, without fee, by written request to Investor Relations, Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213, by telephone (312) 321-1515 or by e-mail to [info@oildri.com](mailto:info@oildri.com).

**Exhibit 10.1:**

October 10, 2011

Steven Jay Adolph  
1733 W. Irving Park  
Chicago, Illinois 60613

Dear Steve;

The following is an agreement ("Agreement") between Steven Jay Adolph (hereinafter referred to as "You") and Oil-Dri Corporation of America (hereinafter referred to as "Oil-Dri" or "the Company") regarding your separation of employment from Oil-Dri. The purpose of this Agreement is to provide for an orderly departure under terms which are mutually acceptable to both parties and protection for the Company from any and all claims by You against the Company other than those based on this Agreement. Therefore, in consideration of the mutual promises set forth in this Agreement, You and Oil-Dri agree to the following terms and conditions:

1. Your employment with Oil-Dri will terminate on October 10, 2011.
2. Although You are not otherwise entitled to receive any severance pay from Oil-Dri, in exchange for your promises contained in this Agreement, Oil-Dri agrees to give You severance compensation as stated below.

Oil-Dri will pay You severance equal to two (2) months of your current base salary for a total gross payment of \$33,333.36 less required withholding. One-fourth of this severance payment is in consideration for the release of any claims under the Age Discrimination in Employment Act. You will be eligible to receive up to an additional four (4) months of severance if you still remain unemployed during this period of time. If you become employed, all severance payments will cease.\* \*Does not include part-time consulting amounting to \$2,000 or less during each bi-weekly period (2x monthly). If over \$2,000 severance payments will be reduced by the amount exceeding \$2,000 for the relevant pay period. You will need to communicate on a monthly basis to Dan Jaffee, your employment status during this period of time.\* \*If Steve triggers the additional 4 months of severance the maximum that would be paid out would be to April 15, 2012.

These payments will be made semi-monthly on the Company's normal payroll dates. Such payments will not commence until the eighth day after You sign this Agreement. The last payday of severance compensation will be December 15, 2011, unless payments end earlier as provided in paragraph number fifteen (15) of this Agreement.

In addition, as further consideration of the mutual promises set forth in this Agreement, Oil Dri will agree, on a case by case basis, to waive the provisions of Section 3 of your Non-Competition Agreement to allow you to be employed by persons, corporations or other entities for which you would otherwise be prevented from soliciting business from, be employed by, or engaging in business competitive with Oil Dri.

3. All wages, vacation pay and other benefits due to You as of your separation date according to the established policies, plans, and procedures of the Company will be paid to You in accordance with the terms of those established policies, plans, and procedures. In addition, any benefit continuation rights or benefit conversion rights existing under the established plans of the Company will be made available to You in accordance with the terms of such established plans. You will receive a separate letter with details concerning your benefits upon separation.
4. You understand and agree that severance compensation under paragraph number two (2) above will end upon your application for unemployment compensation benefits. If Oil-Dri stops paying severance compensation because of your application for unemployment compensation benefits, that will have no effect upon the release provided in paragraph number five (5) below and the release shall remain in full force and effect.
5. In consideration for receiving the severance compensation described in paragraph number two (2) above, You waive and release and promise never to assert any claims or causes of action, whether or not now known, against the

Company or its acquisitions, predecessors, successors, or past or present subsidiaries, officers, directors, agents, employees, assigns and employee benefit plans, with respect to any matter, including but not limited to, any matter related to your employment with the Company or the termination of that employment. This means, among other things, that You waive any right to assert any claim or complaint against the Company, including, but not limited to, tort claims; claims of wrongful discharge, emotional distress, defamation, fraud, or breach of contract; claims for attorneys fees; any claims of discrimination or harassment based on sex, age, race, color, national origin, ancestry, religious creed, disability, sexual orientation, marital status, present or past history of physical or mental disability or handicap, veteran status or on any other basis, under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the Illinois Human Rights Act, and/or all other local state or federal laws, ordinances and regulations relating to employment. **This is a general release.** You understand and agree that this general release includes, but is not limited to, any claims arising out of or related to your employment with Oil-Dri and your separation from that employment. However, nothing in this Agreement shall constitute a release by You of any claims that cannot by law be waived. This Agreement does not waive rights or claims that may arise after You sign this Agreement, nor does it prohibit You or the Company from seeking enforcement of the terms contained in this Agreement.

6. You understand and agree that, while this Agreement does not affect your rights to file a charge with or to participate as a witness in an investigation or proceeding conducted by the Equal Employment Opportunity Commission (the "EEOC") or any similar state agency, by accepting the terms of this Agreement and the compensation provided as a result, You give up your right to receive any relief whatsoever, including but not limited to financial benefit or monetary recovery, from any lawsuit or settlement related to such rights and claims as You waived in paragraph number five (5) above, whether the lawsuit is filed or the settlement reached by the EEOC or anyone else.
7. By signing this Agreement You are verifying to the Company that You:
  - a. have not suffered a work-related injury that you have not properly disclosed to Oil-Dri; and
  - b. have been paid in full all wages due and owing to You for any and all work which You performed for Oil-Dri through the pay period of the paydate immediately preceding the date of your signature. Oil-Dri agrees that if you performed work for Oil-Dri after that pay period, payment will be made to you according to the Company's established payroll practices.
8. You will return to Dan Jaffee all door and file keys, radio, beeper, equipment, tools, computer access codes, disks and instructional manuals, reports, files, memoranda, records, software, credit cards, and other physical or personal property which You received, prepared or helped prepare in connection with your employment with the Company. You agree that You will not keep any copies or excerpts of any of the above items.
9. You will promptly respond to any questions from Dan Jaffee, or any person designated by him, related to your work at Oil Dri until November 30, 2011. For this purpose, You will provide Dan Jaffee with your current phone numbers and e-mail address, if any.
10. You waive and surrender any right you may have, now or hereafter, to employment with Oil-Dri. In reliance on this waiver, the Company may disregard any employment application submitted by You.
11. You agree to refrain from using in any manner and to keep confidential any and all information and data concerning the business and affairs of Oil-Dri or its affiliates which You have received as a result of the employment relationship of the parties, except to the extent that You can demonstrate that the information or data (i) is generally available to the public through no act or failure to act of You, (ii) was already known to You on a non-confidential basis on the date of receipt, (iii) was disclosed to You on a non-confidential basis by a third party not having a confidential relationship with the Company with respect to such information, or (iv) has been independently acquired or developed without violating any of your obligations under this provision.
12. You agree that you will not disclose to others the terms of this Agreement, except that You may disclose such information to your attorney, tax preparer and immediate family. If you properly disclose the terms of the Agreement to anyone, you agree that you shall inform them that the Agreement is strictly confidential, and instruct them not to disclose it to anyone else.
13. You will direct all reference inquiries to **Janelle Wood, Payroll Manager**, who will respond only with the following information: dates of employment, position(s) held, and confirmation of last salary. To the extent that You direct references to other persons, the Company is not liable for any statements made by such non-designated individuals.

You agree that the Company has no liability for any statements made regarding You by persons not employed by the Company at the time such statements are made.

14. You will not do or say anything which criticizes or disparages the Company, its management or practices, which disrupt or impairs the Company's normal, ongoing business operations, or which harms the Company's reputation with its employees, customers, suppliers or the public.
15. You understand and agree that if you breach any part of this Agreement, Oil-Dri's obligation for severance compensation as stated in paragraph number two (2) above ceases and Oil-Dri may recoup all such payments already made. You and Oil-Dri agree that this Agreement constitutes the entire understanding of the parties concerning the cessation of the employment relationship and sets forth all compensation to be paid by the Company to You subsequent to cessation of the employment relationship. This Agreement cancels and supersedes all previous agreements and understandings, oral or written, between the parties with respect to the subject matter hereof and may be modified only in a written document signed by You and a duly authorized officer of the Company.
16. Nothing in this Agreement shall be treated as an admission by You or the Company of any liability, wrongdoing or violation of any law.
17. This Agreement shall be governed by and construed in all respects under the laws of the State of Illinois without reference to its conflicts of laws, rules or principles. If a court finds any part of this Agreement to be invalid or unenforceable, then that provision or part shall be modified so as to render it valid and enforceable, or, if necessary, shall be deemed removed from this Agreement. In any event, the rest of the Agreement shall remain in full force and effect and shall be enforced to the maximum extent permitted by law.
18. You have the right to consult with an attorney of your choice before signing this Agreement and Oil-Dri encourages You to do so. You understand that you have up to twenty-one (21) days after receiving this Agreement to review it and to discuss it with an attorney, and that You have seven (7) days after you have signed this Agreement during which you may revoke it. You understand that if You do not return to the Company a signed and dated copy of this Agreement by the close of business on the 21st calendar day after your termination of employment, the provisions of this Agreement, including the severance compensation provisions, will be void and the Company will have no further obligations thereunder. **This Agreement must be signed and returned to Kevin Breese, Vice President of Human Resources, at the address shown below without any alteration.** Any modification or alteration of any terms of this Agreement voids the Agreement in its entirety.

If you wish to revoke this Agreement within the seven-day period, You may do so by delivering a letter of revocation to Kevin Breese, Vice President of Human Resources, at the address shown below. Because of this revocation period, You understand that this Agreement shall not become effective or enforceable until the eighth day after the date you sign this Agreement. After that, it becomes binding and irrevocable.

Please indicate your agreement with the terms stated above by signing below.

OIL-DRI CORPORATION OF AMERICA

By: /s/ Daniel Jaffee

Daniel Jaffee, President/CEO

Oil-Dri Corporation of America  
410 N. Michigan Ave. - Suite 400  
Chicago, IL 60611-4213

I agree with the terms of this Agreement and deem it to be fair and equitable, as signified by my signature below. Furthermore, I acknowledge that I have read and understand this Agreement and that I sign this release of all claims, known or unknown, voluntarily, with full appreciation that at no time in the future may I pursue any of the rights I have waived in this Agreement.

/s/ Steven Jay Adolph  
Steven Jay Adolph

Date: October 11, 2011

**OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES**  
**Computation of Earnings Per Share**  
**(in thousands except for per share amounts)**

	<b>For the Three Months Ended October 31,</b>	
	<b>2011</b>	<b>2010</b>
Net income available to stockholders	\$ 1,075	\$ 2,519
Less: Distributed and undistributed earnings allocated to nonvested stock	(16)	(17)
Earnings available to common shareholders	<u>\$ 1,059</u>	<u>\$ 2,502</u>
<u>Shares Calculation</u>		
Average shares outstanding - Basic Common	5,114	5,086
Average shares outstanding - Basic Class B Common	1,920	1,897
Potential Common Stock relating to stock options	66	140
Average shares outstanding - Assuming dilution	<u>7,100</u>	<u>7,123</u>
Net Income Per Share: Basic Common	<u>\$ 0.16</u>	<u>\$ 0.38</u>
Net Income Per Share: Basic Class B Common	<u>\$ 0.12</u>	<u>\$ 0.30</u>
Net Income Per Share: Diluted	<u>\$ 0.15</u>	<u>\$ 0.35</u>

**CERTIFICATIONS PURSUANT TO RULE 13A -14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**  
**Certification of Principal Executive Officer**  
**(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Daniel S. Jaffee, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oil-Dri Corporation of America (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 8, 2011

By: /s/ Daniel S. Jaffee

Daniel S. Jaffee

President and Chief Executive Officer

**Certification of a Principal Financial Officer  
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Jeffrey M. Libert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oil-Dri Corporation of America (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 8, 2011

By: /s/ Jeffrey M. Libert

Jeffrey M. Libert

Vice President and Chief Financial Officer

**Certification of a Principal Financial Officer  
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Daniel T. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Oil-Dri Corporation of America (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 8, 2011

By: /s/ Daniel T. Smith

Daniel T. Smith

Vice President, Chief Accounting Officer and Controller



**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO  
THE SARBANES-OXLEY ACT OF 2002 CERTIFICATION**

**Certification**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Oil-Dri Corporation of America (the "Company") hereby certifies that to the best of my knowledge the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: December 8, 2011

/s/ Daniel S. Jaffee

---

Name: Daniel S. Jaffee

Title: President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Oil-Dri Corporation of America and will be retained by Oil-Dri Corporation of America and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**Certification**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Oil-Dri Corporation of America (the "Company") hereby certifies that to the best of my knowledge the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: December 8, 2011

/s/ Jeffrey M. Libert

---

Name: Jeffrey M. Libert

Title: Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Oil-Dri Corporation of America and will be retained by Oil-Dri Corporation of America and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

**Certification**

Pursuant to 18 U.S.C. Section 1350, the undersigned officer of Oil-Dri Corporation of America (the "Company") hereby certifies that to the best of my knowledge the Company's Quarterly Report on Form 10-Q for the quarter ended October 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: December 8, 2011

/s/ Daniel T. Smith

---

Name: Daniel T. Smith

Title: Vice President, Chief Accounting Officer and Controller

A signed original of this written statement required by Section 906 has been provided to Oil-Dri Corporation of America and will be retained by Oil-Dri Corporation of America and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

## MINE SAFETY DISCLOSURE

Under section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act"), each operator of a coal or other mine is required to include certain mine safety information in its periodic reports filed with the Securities Exchange Commission ("SEC"). The table below includes this mine safety information for each mine facility owned and operated by Oil-Dri Corporation of America, or its subsidiaries, for the quarter ended October 31, 2011. The columns in the table represent the total number of, and the proposed dollar assessment for, violations, citations and orders issued by the Mine Safety and Health Administration ("MSHA") upon periodic inspection of our mine facilities in accordance with the referenced sections of the Federal Mine Safety and Health Act of 1977, as amended (the "Mine Act"), described as follows:

Section 104 Significant and Substantial Violations: Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard.

Section 104(b) Orders: Total number of orders issued due to a failure to totally abate, within the time period prescribed by MSHA, a violation previously cited under section 104, which results in the issuance of an order requiring the mine operator to immediately withdraw all persons from the mine.

Section 104(d) Citations and Orders: Total number of citations and orders issued for unwarrantable failure of the mine operator to comply with mandatory health and safety standards. The violation could significantly and substantially contribute to the cause and effect of a safety and health hazard, but the conditions do not cause imminent danger.

Section 110(b)(2) Flagrant Violations: Total number of flagrant violations defined as a reckless or repeated failure to make reasonable efforts to eliminate a known violation of a mandatory health or safety standard that substantially and proximately caused, or reasonably could have been expected to cause, death or serious bodily injury.

Section 107(a) Imminent Danger Orders: Total number of orders issued when an imminent danger is identified which requires all persons to be withdrawn from area(s) in the mine until the imminent danger and the conditions that caused it cease to exist.

Total Dollar Value of Proposed MSHA Assessments: Each issuance of a citation or order by MSHA results in the assessment of a monetary penalty. The total dollar value presented includes any contested penalties. At October 31, 2011, we were contesting 220 citations, representing \$365,089 in proposed MSHA assessments in the aggregate, before the Federal Mine Safety and Health Review Commission.

	Section 104 "Significant and Substantial" Violations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b) (2)Flagrant Violations	Section 107(a) Imminent Danger Orders	Total Dollar Value of Proposed MSHA Assessments	
						During the three months ended October 31, 2011	Outstanding as of October 31, 2011
Ochlocknee, Georgia	—	—	—	—	—	\$ 2,004	\$ 320,205
Ripley, Mississippi	—	—	—	—	—	\$ —	\$ 11,436
Mounds, Illinois	—	—	—	—	—	\$ —	\$ 4,341
Blue Mountain, Mississippi	—	—	—	—	—	\$ —	\$ 6,336
Taft, California	2	—	—	—	—	\$ —	\$ 22,771

We had no mining-related fatalities at any of our facilities during the three months ended October 31, 2011. During this period we also received no written notices from MSHA under section 104(e) of the Mine Act of (i) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of coal or other mine health or safety hazards; or (ii) the potential to have such a pattern.

The SEC recently proposed Item 106 of Regulation S-K to implement the mine safety reporting requirements of the Dodd-Frank Act. It is possible that the final rule adopted by the SEC will require disclosures that differ from the above presentation.