OIL-DRI CORPORATION OF AMERICA

ANNUAL REPORT 2010

WE CARE
a legacy to live by

Daniel S. Jaffee and Richard M. Jaffee

Letter to Stakeholders, Fiscal 2010

I was seven years old in 1971 when my father Richard Jaffee took Oil-Dri public. His desire to grow the business was driven by the innovative influence of my grandfather Nick Jaffee who founded the company in 1941. From early on, my father instilled in me lessons taught to him that would be the foundation of our continuous success for nearly 70 years.

We have been very fortunate to have many employees who have had successful long-term careers at Oil-Dri. Their commitment and dedication to our company is reassuring and a confirmation that we are on the right path. Those lessons and traditions that my grandfather shared are a part of our company culture and can be summed up by the acronym WE CARE. These core values make up the fabric of who we are and how we conduct business.

With an average tenure of 11 years and with numerous people on our team having been with us 20, 30, and even 40 or more years, many of our employees consider Oil-Dri an extension of their family.

The tradition of capitalizing on generational expertise and industry knowledge has helped to create a rich and nurturing environment where we all grow together in support of making Oil-Dri's mission of "Creating Value from Sorbent Minerals" a reality.

WORK/LIFE BALANCE
ETHICS
COMMUNICATION
ACCOUNTABILITY
RESPECT
EXCELLENCE

During fiscal 2010 the effects of the economic recession and the loss of sales from a major customer put us in a difficult position. In the face of this reality we had some tough decisions to make. Conventional wisdom would have been to reduce our workforce and cut spending. That decision would have immediately helped our bottom line. We chose to do the opposite. We felt that severing the trust and loyalty bonds with our employees would not have been in the best interest of the company and its stockholders. All 800 employees stepped up and agreed to forego their annual pay increase in order to keep the team together. We held fast to our company strengths of leadership, expertise and family values and achieved better than expected results.

We are now entering another fiscal year with renewed optimism. While the economy is still uncertain, I am confident that no matter what challenges may come, our team of employees and directors are up to the task. The commitment that I witnessed this past year exemplified what makes Oil-Dri so special. I am grateful to our stockholders, customers, vendors and Board of Directors who continue to consider Oil-Dri a worthy investment. Our stockholders are putting their money behind us and my fellow Oil-Dri teammates are investing the time and energy necessary to help achieve our goals.

The spirit of determination and excellence passed on through my grandfather Nick's life's lessons will forever be what makes Oil-Dri truly a great place to work.

Daniel S. Jaffee,
President and Chief Executive Officer

Oil-Dri Products Impact Your Life Every Day

PRODUCT FAMILIES

PET CARE

Cat's Pride® Cat Litters
Jonny Cat® Cat Litter & Liners
KatKit® Disposable Trays

INDUSTRIAL

Oil-Dri® Floor Absorbents
Oil-Dri® Poly Absorbents

ANIMAL HEALTH

Calibrin® Enterosorbents
Condition Ade® 2.5 Binder
Pel-Unite® Plus Pelleting Aid

AGRICULTURE & HORTICULTURE

Agsorb® Agricultural Carriers
Verge™ Granules
Terra-Green® Soil Conditioner

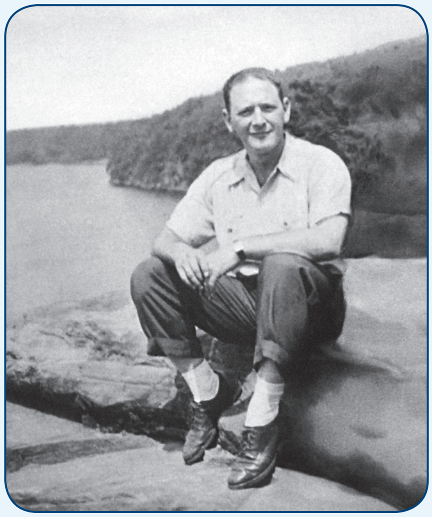
SPORTS

Pro's Choice™ Sports Products

FLUIDS PURIFICATION

Pure-Flo® Bleaching Clays
Perform® Bleaching Clays
Select® Selective Adsorbents
Ultra-Clear® Clarification Media

Oil-Dri Corporation of America was established in 1941 when Nick Jaffee, the company's founder, introduced clay floor absorbents to the factories and garages that were using sawdust to soak up oil and grease on floors. With his first sale of Oil-Dri® floor absorbent, Nick began a business, founded an industry and helped create a cleaner, safer work environment.



Nick Jaffee

Since then, Oil-Dri has grown from a distributor of a single product into a developer, manufacturer and marketer of products for a variety of markets. The company's product lines have been diversified by leveraging the qualities of its extensive mineral reserves and knowledge of its markets with a creative product development program and innovative manufacturing teams. The company's Innovation Center in Vernon Hills, Illinois, is the source of some of the finest mineral research in the industry. The company is committed to product development, which is the driving force behind our continued growth.

MINING & MANUFACTURING

For over half a century, Oil-Dri has leveraged its unique mineral reserves and manufacturing expertise to deliver products with both quality and value. Oil-Dri is vertically integrated, controlling over 150 million tons of proven specialty mineral reserves, including attapulgite, montmorillonite, diatomaceous earth and, at our international facilities, a blend of mineral and synthetic absorbents. We operate eight domestic manufacturing facilities and a plant in both Canada and England. While shipping nearly a million tons of product a year, each facility specializes in various groups of products, manufacturing them to exacting quality standards.

Original Logo

THE EMPLOYEES BEHIND THE PRODUCTS

Oil-Dri employs approximately 800 people, with more than 69 of them represented by more than one family member or generation. Our employees are proud of the quality products we manufacture and the communities in which we play a part.

Creating Value from Sorbent Minerals

We are a leading mining and manufacturing company with products that affect the lives of people every day. From the beginning we have focused on *Creating Value from Sorbent Minerals*. While some of our products may not be household brands you buy from your local grocery store, many of them touch your life in very meaningful and personal ways.

PET CARE

Cat's Pride® and Jonny Cat® litters, liners and KatKit® trays make cleaning up after your pet easy and convenient. Whether scoopable, coarse or in a disposable tray, these litters are a sure winner for your feline companion.

INDUSTRIAL

Oil-Dri® clay and synthetic floor absorbents help keep work places clean and safe. These products are used on garage floors and maintenance shops where oil and grease can be a hazard.

ANIMAL HEALTH

When raising livestock, farmers, feed mill operators and nutritionists often incorporate products into the feed that enhance productivity. Calibrin® enterosorbents, ConditionAde® natural feed ingredients and Pel-Unite® Plus pellet binder are products that either enhance health, improve feed consistency or make harder food pellets.

AGRICULTURE & HORTICULTURE

Many of the crops and plants that are grown throughout the country use granular carriers to distribute pesticides, fungicides and herbicides. Agsorb®, Verge™ and Terra-Green® granules are the carriers of choice for those who grow crops and decorative plants.

SPORTS

Most sports enthusiasts know that playing on a safe, durable and well-maintained field is integral to winning. Pro's Choice™ sports field products increase safety through proper drainage, moisture management and turf growth.

FLUIDS PURIFICATION

Vegetable oil processors around the world understand the benefits of using Pure-Flo®, Perform® and Select® adsorbents for producing high quality oils. Ultra-Clear® for jet fuel processing and Select for Biodiesel are industry standards for clay clarification aids.

Financial Highlights

Fiscal Years End July 31,

KEY METRICS

(Dollar Amounts in Thousands)	2010	2009	2008
Return on Average Total Assets	6.2%	6.4%	6.2%
Return on Average Stockholders' Equity	10.5%	10.8%	10.8%
Cash, Cash Equivalents & Investments	$ 24,621	$ 19,837	$ 27,764
Notes Payable minus Cash, Cash Equivalents and Investments	$ (6,321)	$ 1,663	$ 684

INCOME STATEMENT DATA

(Dollar Amounts in Thousands)

	2010	2009	2008
Net Sales	$ 219,050	$ 236,245	$ 232,359
Income from Operations	$ 13,549	$ 14,583	$ 12,730
Net Income	$ 9,458	$ 9,586	$ 9,039

BALANCE SHEET DATA

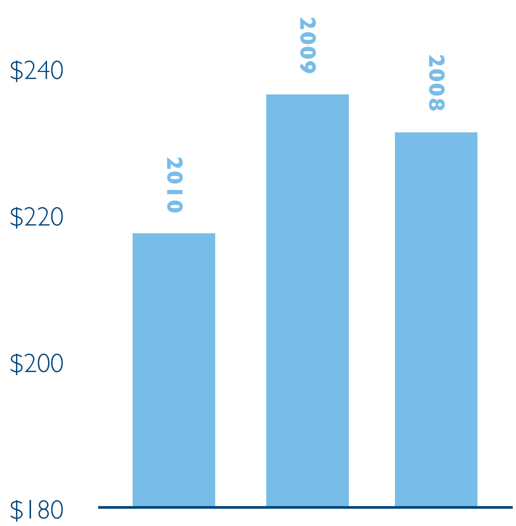
(Dollar Amounts in Thousands)

	2010	2009	2008
Working Capital	$ 48,398	$ 49,949	$ 52,550
Total Assets	$ 153,982	$ 149,261	$ 148,988
Notes Payable	$ 18,300	$ 21,500	$ 27,080

PER SHARE DATA

	2010	2009	2008
Net Income per Diluted Share*	$ 1.30	$ 1.33	$ 1.25
Book Value per Share	$ 12.77	$ 12.76	$ 12.66
Common Stock Price at July 31,	$ 21.88	$ 15.75	$ 17.22

* *Net Income per Diluted Share for all years presented reflects a new accounting standard effective August 1, 2009 that requires unvested restricted stock to be included as participating securities in the calculation of net income per share.*



NET SALES *(millions of dollars)*

NET INCOME *(thousands of dollars)*

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

FORM 10-K

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

For the fiscal year ended July 31, 2010

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

Delaware	**36-2048898**
(State or other jurisdiction of incorporation or organization)	(IRS. Employer Identification No.)

410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213
(312) 321-1515

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act:
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:
Yes ☒ 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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:

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer (Do not check if a smaller reporting company)	☐	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 ☒

The aggregate market value of Oil-Dri's Common Stock owned by non-affiliates as of January 29, 2010 was $81,578,000.

Number of shares of each class of Oil-Dri's capital stock outstanding as of September 30, 2010:

Common Stock – 5,084,395 shares
Class B Stock – 1,919,476 shares
Class A Common Stock – 0 shares

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference: Oil-Dri's Proxy Statement for its 2010 Annual Meeting of Stockholders ("Proxy Statement"), which will be filed with the Securities and Exchange Commission ("SEC") not later than November 28, 2010 (120 days after the end of Oil-Dri's fiscal year ended July 31, 2010), is incorporated into Part III of this Annual Report on Form 10-K, as indicated herein.

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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 SEC 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, but not limited to, those described in Item 1A "Risk Factors" below and other reports filed with the SEC. 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 and Verge are trademarks of Oil-Dri Corporation of America. Fresh Step is a registered trademark of The Clorox Company.

PART I

ITEM 1 – BUSINESS

In 1969, Oil-Dri Corporation of America was incorporated in Delaware as the successor to an Illinois corporation incorporated in 1946; the Illinois corporation was the successor to a partnership that commenced business in 1941. Except as otherwise indicated herein or as the context otherwise requires, references to “Oil-Dri,” the “Company,” “we,” “us” or “our” refer to Oil-Dri Corporation of America and its subsidiaries.

GENERAL BUSINESS DEVELOPMENTS

During fiscal year 2010, we continued our commitment to create value from sorbent minerals. We put forth considerable effort on new products and maintained our commitment to promote and improve established products. Our diversified product offerings and adherence to our corporate strategy served us well in fiscal 2010 despite a challenging economic environment in which our total tons sold declined. The decision by our largest customer to carry a reduced number of cat litter brands negatively impacted our Retail and Wholesale Products Group; however, our Business to Business Products Group benefited significantly from increased demand for certain of our fluids purification and animal health products in both domestic and some foreign markets. For more information on recent business developments, see Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below.

PRINCIPAL PRODUCTS

We are a leader in developing, manufacturing and marketing sorbent products. Our sorbent products are principally produced from clay minerals and, to a lesser extent, other sorbent materials. Our sorbent technologies include absorbent and adsorbent products. Absorbents, like sponges, draw liquids up into their many pores. Examples of our absorbent clay products are Cat’s Pride and Jonny Cat premium cat litter and other cat litters. We also produce Oil-Dri branded floor absorbents, Agsorb and Verge agricultural chemical carriers and ConditionAde, Calibrin and Pel-Unite animal feed binders. Adsorbent products attract liquids, impurities, metals and surfactants to themselves and form low-level chemical bonds. Examples of our adsorbent products are Oil-Dri synthetic sorbents, which are used for industrial cleanup, and Pure-Flo, Perform and Select bleaching clay products, which act as a filtration media for edible oils, fats and tallows. Also, our Ultra-Clear product serves as a clarification aid for petroleum-based oils and by-products. Both our absorbent and adsorbent products are described in more detail below.

Cat Litter Products

We produce two types of cat litter products, traditional coarse and scoopable, both of which have absorbent and odor controlling characteristics. Scoopable litters have the additional characteristic of clumping when exposed to moisture, allowing the consumer to selectively dispose of the used portion of the litter. Our coarse and scoopable products are sold under our Cat’s Pride and Jonny Cat brand names. We also package and market Cat’s Pride Kat Kit and Jonny Cat cat litter in a disposable tray, as well as Jonny Cat litter pan liners. We manufacture the Fresh Step brand of coarse cat litter for The Clorox Company (“Clorox”). We also produce private label cat litters for other customers that are sold through independent food brokers and our sales force to major retail outlets.

We have two long-term supply arrangements (only one of which is material) under which we manufacture branded traditional litters for other marketers. Under these co-manufacturing relationships, the marketer controls all aspects of sales, marketing, and distribution, as well as the odor control formula, and we are responsible for manufacturing. Our material agreement is with Clorox, under which we have the exclusive right to supply Clorox’s requirements for Fresh Step coarse cat litter up to certain levels.

Industrial and Automotive Sorbent Products

We manufacture products from both clay and synthetic materials that absorb oil, grease, water and other types of spills. These products are used in industrial, home and automotive environments. Our clay-based sorbent products, such as Oil-Dri branded floor absorbent, are used for floor maintenance in industrial applications to provide a non-slip and nonflammable surface for workers. These floor absorbents are used in automotive repair facilities and car dealerships to absorb oil and grease. They are also used in home applications in garages and driveways. Our Oil-Dri branded synthetic-based products use polypropylene materials. These products are sold in various forms, such as pads, rolls, socks and spill kits. These products are used to absorb oil, grease, water and most chemical spills.

Industrial and automotive sorbent products are sold through a distribution network that includes industrial, auto parts, safety, sanitary supply, chemical and paper distributors. These products are also sold through environmental service companies, mass merchandisers and catalogs.

Bleaching Clay and Clarification Aid Products

We produce an array of bleaching, purification and filtration applications used by edible oil and jet fuel processors around the world. Bleaching clays are used by edible oil processors to adsorb soluble contaminants that create oxidation problems. Our Pure-Flo and Perform bleaching clays remove impurities, such as trace metals, chlorophyll and color bodies, in various types of edible oils. Perform products provide increased activity for hard-to-bleach oils. Our Select adsorbents are used to remove contaminants in vegetable oil processing and can be used to prepare oil prior to the creation of biodiesel fuel. Our Ultra-Clear clarification aid is used as a filtration and purification medium for jet fuel and other petroleum-based products.

These products are marketed in the United States and in international markets. The products are supported by our team of technical sales employees as well as by agent representatives and the services of our research and development group.

Agricultural and Horticultural Products

We produce a wide range of granular and powdered mineral absorbent products that are used as carriers for crop protection chemicals, agricultural drying agents, bulk processing aids, growing media components and sports field products. Our brands include: Agsorb, an agricultural chemical carrier and a drying agent; Verge, an engineered granule agricultural chemical carrier; Flo-Fre, a highly absorbent microgranule flowability aid; Terra-Green, a growing media supplement; and Pro's Choice, a sports field conditioner.

Agsorb and Verge carriers are used as an alternative to agricultural sprays. The clay granules absorb crop protection chemicals and are then delivered directly into the ground resulting in a more precise application than chemical sprays. Verge carriers provide added benefits from uniform sized granules and reduced dust. Agsorb drying agent is blended into fertilizer-pesticide blends applied by farmers to absorb moisture and improve flowability. Agsorb also acts as a flowability aid for fertilizers and chemicals used in the lawn and garden market. Flo-Fre microgranules are used by grain processors and other large handlers of bulk products to soak up excess moisture preventing caking. We employ technical sales people to market agricultural products in the United States.

Pro's Choice sports field products are used on baseball, football and soccer fields and on golf courses. Pro's Choice soil conditioners are used in field construction or as top dressing to absorb moisture, suppress dust and improve field performance. These products are used to amend sand-based golf green construction, as well as other areas such as tees and fairways, to help retain moisture and nutrients for better grass growth. Pro Mound packing clay is used to construct pitcher's mounds and batter's boxes. Rapid Dry drying agent is used to dry up puddles and slick spots after rain. Sports field products are used at all levels of play, including professional, college and high school and on municipal fields. These products are sold through a network of distributors specializing in sports turf products.

Animal Health and Nutrition Products

We produce several products used in the livestock feed industry. ConditionAde and Calibrin branded enterosorbent products are used in animal feed to absorb naturally-occurring mycotoxins in the feed and thereby improve animal health and productivity. Pel-Unite and Pel-Unite Plus are specialized animal feed binders used in the manufacture of pelleted feeds. These products are sold through a network of feed products distributors in the United States and primarily through exclusive distribution agreements with animal health and nutrition products distributors in Latin America, Africa and Asia.

Business Segments

We have two reportable operating segments for financial reporting derived from the different characteristics of our two major customer groups: Retail and Wholesale Products Group and Business to Business Products Group.

The Retail and Wholesale Products Group customers include mass merchandisers, wholesale clubs, drugstore chains, pet specialty retail outlets, dollar stores, retail grocery stores, distributors of industrial cleanup and automotive products and environmental service companies. The Business to Business Products Group customers include processors and refiners of edible oils, petroleum-based oils and biodiesel fuel, manufacturers of animal feed and agricultural chemicals, marketers of consumer products and sports field product users. Beginning in fiscal 2011, our sports field products will be included in the Retail and Wholesale Products Group to reflect a change in management organization intended to better serve our customers. Certain financial information on both segments is contained in Note 3 of the Notes to the Consolidated Financial Statements and is incorporated herein by reference.

We do not manage our business, allocate resources or generate revenue data by product line. Any of our products may be sold in one or both of our operating segments. Information concerning total revenue of classes of similar products accounting for more than 10% of consolidated revenues in any of the last three fiscal years is not separately provided because it would be impracticable to do so.

Foreign Operations

Our wholly-owned subsidiary, Favorite Products Company, Ltd., is a manufacturer and marketer of branded and private label cat litter in the Canadian market place. Among its leading brands are Saular, Cat's Pride and Jonny Cat. Our Canadian business also sells clay industrial granule floor absorbents, synthetic polypropylene sorbent materials and agricultural chemical carriers.

Our wholly-owned subsidiary, Oil-Dri (U.K.) Limited, is a manufacturer and marketer of industrial granule floor absorbents and cat litter. These products are marketed in the United Kingdom and Western Europe. Oil-Dri (U.K.) Limited also sells synthetic polypropylene sorbent materials, filtration units and plastic containment products.

Our wholly-owned subsidiary, Oil-Dri SARL, is a Swiss company that performs various management, customer service and administrative functions for international business of our domestic operations.

Our foreign operations are subject to the normal risks of doing business overseas, such as currency devaluations and fluctuations, restrictions on the transfer of funds and import/export duties. We were not materially impacted by these foreign currency fluctuations in any of our last three fiscal years. Certain financial information about our foreign and domestic operations is contained in Note 3 of the Notes to the Consolidated Financial Statements and is incorporated herein by reference.

Customers

Sales to Wal-Mart Stores, Inc. ("Wal-Mart") and its affiliates accounted for approximately 20%, 26% and 25% of our total net sales for the fiscal years ended July 31, 2010, 2009 and 2008, respectively. Wal-Mart is a customer in our Retail and Wholesale Products Group segment. Wal-Mart began to carry a reduced number of cat litter brands in the first month of our fiscal 2010. During the third quarter of fiscal 2010, Wal-Mart reinstated our branded scoopable litter in a limited number of stores; however, the new store count remains materially reduced from the store count at the end of fiscal 2009. There are no customers in the Business to Business Products Group with sales equal to or greater than 10% of our total sales; however, sales to Clorox (a customer in our Business to Business Products Group) and its affiliates accounted for approximately 9% of total net sales for fiscal year 2010 and approximately 8% in each of the fiscal years 2009 and 2008. The degree of margin contribution of our significant customers in the Business to Business Products Group varies, with certain customers having a greater effect on our operating results. The loss of any customer other than those described in this paragraph would not be expected to have a material adverse effect on our business.

COMPETITION

Price, service, marketing, technical support, product quality and delivery are the principal methods of competition in our markets and competition has historically been very vigorous. Some of our competitors are large companies whose financial resources are substantially greater than ours.

In our Retail and Wholesale Products Group, we have five principal competitors, including one which is also a customer of ours. The cat litter market has been stable in recent years. Scoopable products have a majority of the cat litter market share followed by traditional coarse products. The overwhelming majority of all cat litter is mineral based; however, cat litters based on alternative strata such as paper, various agricultural waste products and silica gels have earned niche positions. The consumer trend away from regional grocery stores towards large national retailers, such as supercenter-type stores and small-box discount stores, has presented competitive challenges as well as opportunities. These stores enjoy substantial negotiating leverage over their suppliers, including us; however, our operations support nation-wide distribution, which gives us a potential advantage over smaller and regional manufacturers in selling to these stores.

In the Business to Business Products Group, we have 14 principal competitors. The agricultural chemical carrier portion of this segment has experienced competition from new technologies in the agricultural and home and garden markets. The bleaching clay and fluids clarification aid portion of this Group operates in a highly cost competitive global marketplace. Product performance is also a primary competitive factor for these products. The animal health portion of this Group also operates in a global marketplace with price and performance competition from multi-national and local competitors.

PATENTS

We have obtained or applied for patents for certain of our processes and products sold to customers in both the Retail and Wholesale Products Group and the Business to Business Products Group. These patents expire at various times, beginning in April 2011. We expect no material impact on our business from the expiration of patents in the next year.

BACKLOG; SEASONALITY

At July 31, 2010, 2009 and 2008, our backlog of orders was approximately \$6,368,000, \$6,015,000, and \$7,139,000, respectively. The value of backlog orders is determined by the number of tons on backlog order and the net selling prices. Backlog orders were higher at July 31, 2008 as our international customers were urged to place orders farther in advance to provide ample time to arrange transportation. All backlog orders are expected to be filled within the next 12 months. We consider our business, taken as a whole, to be only moderately seasonal; however, business activities of certain customers (such as agricultural chemical manufacturers) are subject to such seasonal factors as crop acreage planted and product formulation cycles.

EFFECTS OF INFLATION

Inflation generally affects us by increasing the cost of employee wages and benefits, transportation, processing equipment, purchased raw materials and packaging, energy and borrowings under our credit facility. See Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A "Quantitative and Qualitative Disclosures About Market Risk" below.

RESERVES

We mine sorbent materials, which we generally refer to as "clay", on leased or owned land near our manufacturing facilities in Mississippi, Georgia, Illinois and California; we also have reserves in Nevada, Oregon and Tennessee. We estimate our proven reserves of these sorbent materials are approximately 156,103,000 tons in aggregate and our probable reserves are approximately 148,949,000 tons in aggregate, for a total of 305,052,000 tons of mineral reserves. Based on our rate of consumption during fiscal year 2010, and without regard to any of our reserves in Nevada, Oregon and Tennessee, we consider our proven reserves adequate to supply our needs for over 40 years. Although we consider these reserves to be extremely valuable to our business, only a small portion of the reserves, those which were acquired in acquisitions, is reflected at cost on our balance sheet.

It is our policy to attempt to add to reserves in most years, but not necessarily in every year, an amount at least equal to the amount of reserves consumed in that year. We have a program of exploration for additional reserves and, although reserves have been acquired, we cannot assure that additional reserves will continue to become available. Our use of these reserves, and our ability to explore for additional reserves, are subject to compliance with existing and future federal and state statutes and regulations regarding mining and environmental compliance. During the fiscal year ended July 31, 2010, we utilized these reserves to produce substantially all of the sorbent minerals that we sold.

Proven reserves are those reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from results of detailed sampling, and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well established. Probable reserves are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. We employ geologists and mineral specialists who estimate and evaluate existing and potential reserves in terms of quality, quantity and availability.

MINING OPERATIONS

We have conducted mining operations in Ripley, Mississippi since 1963, in Ochlocknee, Georgia since 1968, in Blue Mountain, Mississippi since 1989, in Mounds, Illinois since 1998 and in Taft, California since 2002. Our raw materials are surface mined on a year-round basis, generally using large earth moving scrapers, bulldozers, excavators or off-road trucks to remove overburden, and then loaded into dump trucks with backhoes or front end loaders for movement to the processing facilities. The mining and hauling of our clay is performed by us and by independent contractors. Our current operating mines range in distance from immediately adjacent to approximately 13 miles from the related processing plants. Processing facilities are generally accessed from the mining areas by private roads and in some instances by public highways. Each of our processing facilities maintains inventories of unprocessed clay of approximately one week of production requirements. See Item 2 “Properties” below for additional information regarding our mining properties and operations.

The following schedule summarizes the net book value of land and other plant and equipment for each of our manufacturing facilities:

	Land (in thousands)	Plant and Equipment
Ochlocknee, Georgia	$ 7,950	$ 16,864
Ripley, Mississippi	$ 1,773	$ 13,454
Mounds, Illinois	$ 1,545	$ 4,508
Blue Mountain, Mississippi	$ 922	$ 3,728
Taft, California	$ 1,391	$ 3,146

Our mining operations are subject to regulation by the Mine Safety and Health Administration (“MSHA”) under authority of the Federal Mine Safety and Health Act of 1977, as amended (the “Mine Act”). The following table summarizes MSHA’s enforcement activity at our facilities during the fiscal year ended July 31, 2010. Section references in the table refer to sections of the Mine Act.

	“Significant and Substantial” Violations Under Section 104	Orders Issued Under Section 104(b)	Citations and Orders Issued Under Section 104(d)	Flagrant Violations Under Section 110(b)(2)	Imminen t Danger Orders Under Section 107(a)	Proposed MSHA Assessments
Ochlocknee, Georgia	41	--	--	--	--	$ 47,690
Ripley, Mississippi	1	--	--	--	--	$ 1,317
Mounds, Illinois	1	--	--	--	--	$ 775
Blue Mountain, Mississippi	4	--	--	--	--	$ 1,849
Taft, California	11	--	--	--	--	$ 6,570

We had no mining-related fatalities at any of our facilities during this fiscal year. At July 31, 2010, we were contesting 222 citations, representing $109,305 in proposed MSHA assessments in the aggregate, before the Federal Mine Safety and Health Review Commission.

EMPLOYEES

As of July 31, 2010, we employed 812 persons, 57 of whom were employed by our foreign subsidiaries. Our corporate offices, research and development center and manufacturing facilities are adequately staffed and no material labor shortages are anticipated. Approximately 49 of our employees in the U.S. and approximately 22 of our employees in Canada are represented by labor unions, with whom we have entered into separate collective bargaining agreements. We consider our employee relations to be satisfactory.

ENVIRONMENTAL COMPLIANCE

Our mining and manufacturing operations and facilities in Georgia, Mississippi, California and Illinois are required to comply with state surface mining statutes and various other federal, state and local statutes, regulations and ordinances which govern the discharge of materials, water and waste into the environment and restrict mining on wetlands or otherwise regulate our operations. In recent years, environmental regulation has grown increasingly stringent, a trend that we expect will continue. We endeavor to be in compliance in all material respects at all times with all applicable environmental controls and regulations. As a result, expenditures relating to environmental compliance have increased over the years; however, these expenditures have not been material. As part of our ongoing environmental compliance activities, we incur expenses in connection with reclaiming exhausted mining sites. Historically, reclamation expenses have not had a material effect on our cost of sales.

In addition to the environmental requirements relating to mining and manufacturing operations and facilities, there is increasing federal and state regulation with respect to the content, labeling, use, and disposal after use, of various products we sell. We endeavor to be in compliance in all material respects at all times with that regulation and to assist our customers in that compliance.

We cannot assure that, despite all commercially reasonable efforts, we will always be in compliance in all material respects with all applicable environmental regulation or with requirements regarding the content, labeling, use, and disposal after use, of our products; nor can we assure that from time to time enforcement of such requirements will not have a material adverse effect on our business. See Item 1A "Risk Factors" below for a discussion of these and other risks to our business.

ENERGY

We use natural gas, recycled fuel oil and coal as permitted for energy sources in the processing of our clay products. Consistent with prior years, we have switched among the various energy sources during certain months due to seasonal availability and cost. See Item 7A "Quantitative and Qualitative Disclosures About Market Risk" below with respect to our use of forward contracts.

RESEARCH AND DEVELOPMENT

At our research and development facility in Vernon Hills, Illinois, we develop new products and applications and improve existing products. The facility's staff (and various consultants they engage from time to time) consists of geologists, mineralogists and chemists. In the past several years, our research efforts have resulted in a number of new sorbent products and processes. The facility produces prototype samples and tests new products for customer trial and evaluation.

We spent approximately $1,826,000, $2,099,000, and $2,497,000 during the fiscal years ended July 31, 2010, 2009 and 2008, respectively, for research and development. None of this research and development was customer sponsored, and all research and development costs are expensed in the period in which incurred. See Note 1 of the Notes to the Consolidated Financial Statements.

AVAILABLE INFORMATION

This Annual Report on Form 10-K, as well as our quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to all of the foregoing reports, are made available free of charge on or through the "Investor Information" section of our website (www.oildri.com) as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC.

Information relating to corporate governance at Oil-Dri, including its Code of Ethics and Business Conduct, information concerning executive officers, directors and Board committees (including committee charters), and transactions in Oil-Dri securities by directors and officers, is available free of charge on or through the "Investor Information" section of our website at www.oildri.com. We are not including the information on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K.

ITEM 1A – RISK FACTORS

In addition to the other information in this report and our other filings with the SEC, you should carefully consider the risks described below. If any of the following risks occur, our business, financial condition or operating results could be materially and adversely affected.

Risks Related to our Business

Our future growth and financial performance depend in large part on successful new product introductions.

A significant portion of our net sales comes from the sale of mature products, such as coarse cat litter, floor absorbent and agricultural chemical carriers, which have had little or no volume growth (or even volume declines) in recent fiscal years. Our future growth and financial performance will require that we successfully introduce new products or extend existing product offerings to meet emerging customer needs, technological trends and product market opportunities. We cannot be certain that we will achieve these goals. The development and introduction of new products generally require substantial and effective research, development and marketing expenditures, some or all of which may be unrecoverable if the new products do not gain market acceptance. New product development itself is inherently risky, as research failures, competitive barriers arising out of the intellectual property rights of others, launch difficulties, customer rejection and unexpectedly short product life cycles may occur even after substantial effort and expense on our part. Even in the case of a successful launch of a new product, the ultimate benefit we realize may be uncertain if the new product “cannibalizes” sales of our existing products beyond expected levels.

We face intense competition in our markets.

Our markets are highly competitive and we expect that both direct and indirect competition will increase in the future. Our overall competitive position depends on a number of factors including price, customer service and technical support, product quality and delivery. Some of our competitors, particularly in the sale of cat litter (the largest product in our Retail and Wholesale Products Group), are much larger and have substantially greater financial resources. The competition in the future may, in some cases, result in price reductions, reduced margins or loss of market share, any of which could materially and adversely affect our business, operating results and financial condition. If we fail to compete successfully based on these or other factors, our business and future financial results could be materially and adversely affected.

Our quarterly results may be volatile.

Our operating results have varied on a quarterly basis during our operating history and are likely to fluctuate significantly in the future. Our expense levels are based, in part, on our expectations regarding future net sales, and many of our expenses are fixed, particularly in the short term. We may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Any significant shortfall of net sales in relation to our expectations could negatively affect our quarterly operating results. Our operating results may be below the expectations of our investors as a result of a variety of factors, many of which are outside our control. Factors that may affect our quarterly operating results include:

- fluctuating demand for our products and services;
- size and timing of sales of our products and services;
- the mix of products with varying profitability sold in a given quarter;
- changes in our operating costs including raw materials, energy, transportation, packaging, overburden removal, trade spending, health care costs and other costs;
- our ability to anticipate and adapt to rapidly changing conditions;
- introduction of new products and services by us or our competitors;
- our ability to successfully implement price increases and surcharges, as well as other changes in our pricing policies or those of our competitors;
- variations in purchasing patterns by our customers;
- the ability of major customers and other debtors to meet their obligations to us as they come due;
- our ability to successfully manage regulatory, tax and legal matters;
- the incurrence of restructuring, impairment or other charges; and

- general economic conditions and specific economic conditions in our industry and the industries of our customers.

Accordingly, we believe that quarter-to-quarter comparisons of our operating results are not necessarily meaningful. Investors should not rely on the results of one quarter as an indication of our future performance.

Acquisitions involve a number of risks, any of which could cause us not to realize the anticipated benefits.

We intend from time to time to strategically explore potential opportunities to expand our operations and reserves through acquisitions. Identification of good acquisition candidates is difficult and highly competitive. If we are unable to identify attractive acquisition candidates, complete acquisitions, and successfully integrate the companies, businesses or properties that we acquire, our profitability may decline and we could experience a material adverse effect on our business, financial condition, or results of operations. Acquisitions involve a number of inherent risks, including:

- uncertainties in assessing the value, strengths, and potential profitability of acquisition candidates, and in identifying the extent of all weaknesses, risks, contingent and other liabilities (including environmental or mining safety liabilities), of those candidates;
- the potential loss of key customers, management and employees of an acquired business;
- the ability to achieve identified operating and financial synergies anticipated to result from an acquisition;
- problems that could arise from the integration of the acquired business; and
- unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying our rationale for pursuing the acquisition.

Any one or more of these factors could cause us not to realize the benefits we anticipate to result from an acquisition. Moreover, any acquisition opportunities we pursue could materially affect our liquidity and capital resources and may require us to incur indebtedness, seek equity capital or both. In addition, future acquisitions could result in our assuming more long-term liabilities relative to the value of the acquired assets than we have assumed in our previous acquisitions.

We depend on a limited number of customers for a large portion of our net sales.

A limited number of customers account for a large percentage of our net sales. Our largest customer, Wal-Mart and its affiliates, accounted for approximately 20%, 26% and 25% of our net sales for the fiscal years ended July 31, 2010, 2009 and 2008, respectively. Sales to The Clorox Company and its affiliates accounted for approximately 9%, 8% and 8% of our net sales for the fiscal years ended July 31, 2010, 2009 and 2008, respectively. The loss of or a substantial decrease in the volume of purchases by Wal-Mart, Clorox or any of our other top customers would harm our sales and profitability. In addition, an adverse change in the terms of our dealings with, or in the financial wherewithal or viability of, one or more of our significant customers could harm our business, financial condition and results of operations.

We expect that a significant portion of our net sales will continue to be derived from a small number of customers and that the percentage of net sales represented by these customers may increase. As a result, changes in the strategies of our largest customers may reduce our net sales. These strategic changes may include a reduction in the number of brands they carry or a shift of shelf space to private label products (a change Wal-Mart in fact implemented with respect to cat litter products in August 2009) or increased use of global or centralized procurement initiatives. In addition, our business is based primarily upon individual sales orders placed by customers rather than contracts with a fixed duration. Accordingly, most of our customers could reduce their purchasing levels or cease buying products from us on relatively short notice. While we do have long-term contracts with certain of our customers, including Clorox, even these agreements are subject to termination in certain circumstances. In addition, the degree of profit margin contribution of our significant customers varies. If a significant customer with a more favorable profit margin was to terminate its relationship with us or shift its mix of product purchases to lower-margin products, it would have a disproportionate adverse impact on our results of operations. If we lose a significant customer or if sales of our products to a significant customer materially decrease, it may have a material adverse effect on our business, financial condition and results of operations.

Providing price concessions or trade terms that are acceptable to our customers, or the failure to do so, could adversely affect our sales and profitability.

The products we sell are subject to significant price competition. From time to time, we may need to reduce the prices for some of our products to respond to competitive and customer pressures and to maintain market share. These pressures are often exacerbated during an economic downturn. Any reduction in prices to respond to these pressures would reduce our profit margins. In addition, if our sales volumes fail to grow sufficiently to offset any reduction in margins, our results of operations would suffer. Because of the competitive environment facing many of our customers, particularly our high-volume mass merchandiser customers, these customers have increasingly sought to obtain price reductions, specialized packaging or other concessions from product suppliers. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. To the extent we provide these concessions, our profit margins are reduced. Further, if we are unable to maintain terms that are acceptable to our customers, these customers could reduce purchases of our products and increase purchases of products from our competitors, which would harm our sales and profitability.

Increases in energy and other commodity prices would increase our operating costs, and we may be unable to pass all these increases on to our customers in the form of higher prices.

If our energy costs increase disproportionately to our net sales, our earnings could be significantly reduced. Because we use energy, including natural gas, fuel oil, coal, electricity, diesel fuel and gasoline, to manufacture and transport our products, our operating costs increase if our energy costs rise. Increases in our operating costs may reduce our profitability if we are unable to pass all the increases on to our customers through price increases or surcharges. Sustained price increases or surcharges in turn may lead to declines in volume, and while we seek to project tradeoffs between price increases and surcharges, on the one hand, and volume, there can be no assurance that our projections will prove to be accurate.

Our most significant energy requirements typically are for natural gas and fuel oil. We are subject to volatility in the price and availability of natural gas and fuel oil, as well as other sources of energy. In the past, we have endeavored to reallocate a portion of our energy needs among these different sources due to seasonal supply limitations and the higher cost of one particular fuel relative to other fuels; however, there can be no assurance that we will be able to effectively reallocate among different fuels in the future. From time to time, we may use forward purchase contracts or financial instruments to hedge the volatility of a portion of our natural gas and fuel oil costs. The success or failure of any such hedging transactions depends on a number of factors including, but not limited to, our ability to anticipate and manage volatility in energy prices, the general demand for natural gas and fuel oil by the manufacturing sector, seasonality and the weather patterns throughout the United States and the world.

The prices of other commodities such as paper, plastic resins, synthetic rubber and steel significantly influence the costs of packaging, replacement parts and equipment we use in the manufacture of our products and the maintenance of our facilities. As a result, increases in the prices of these commodities generally increase the costs of the related materials we use. These increased materials costs present the same types of risks as described above with respect to increased energy costs.

Reductions in inventory by our customers could adversely affect our sales and increase our inventory risk.

From time to time, customers in both our Retail and Wholesale Products Group and our Business to Business Products Group have reduced inventory levels as part of managing their working capital requirements. Any reduction in inventory levels by our customers would harm our operating results for the financial periods affected by the reductions. In particular, continued consolidation within the retail industry could potentially reduce inventory levels maintained by our retail customers, which could adversely affect our results of operations for the financial periods affected by the reductions. Similarly, inventory reductions by our agricultural chemical carrier customers or our contract cat litter manufacturing customers could also adversely affect our results of operations for the financial periods in which the reductions occur.

The value of our inventory may decline as a result of surplus inventory, price reductions or obsolescence. We must identify the right product mix and maintain sufficient inventory on hand to meet customer orders. Failure to do so could adversely affect our revenue and operating results. If circumstances change (for example, an unexpected shift in market demand, pricing or customer defaults) there could be a material impact on the net realizable value of our inventory. We maintain an inventory valuation reserve account against diminution in the value or salability of our inventory; however, there is no guaranty that these arrangements will be sufficient to avoid write-offs in excess of our reserves.

Increasing market acceptance of genetically enhanced and treated agricultural products, particularly genetically modified and treated seeds, could continue to adversely affect our business.

In our Business to Business Products Group, we sell clay granules which are used by agricultural chemical formulators as carriers for crop protection chemicals, including herbicides, fungicides and insecticides. The increased use of genetically modified and treated seeds has reduced the need for certain crop production chemicals (and the carriers for those chemicals) in the past and may continue to do so in the future. Demand for these products could also be adversely affected by increased consumer acceptance of genetically modified products, as well as governmental policies, laws and regulations that affect the development, manufacture and distribution of those products.

Environmental, health and safety matters create potential compliance and other liability risks.

We are subject to a variety of federal, state, local and foreign regulatory requirements relating to the environment and to health and safety matters. For example, our mining operations are subject to extensive governmental regulation on matters such as permitting and licensing requirements, workplace safety, plant and wildlife protection, wetlands protection, reclamation and restoration of mining properties after mining is completed, the discharge of materials into the environment, and the effects that mining has on groundwater quality and availability. We believe we have obtained all material permits and licenses required to conduct our present operations. We will, however, need additional permits and renewals of permits in the future.

The expense, liabilities and requirements associated with environmental, health and safety regulations are costly and time-consuming and may delay commencement or continuation of exploration, mining or manufacturing operations. We have incurred, and will continue to incur, significant capital and operating expenditures and other costs in complying with environmental, health and safety laws and regulations. In recent years, regulation of environmental, health and safety matters has grown increasingly stringent, a trend that we expect will continue. Substantial penalties may be imposed if we violate certain of these laws and regulations even if the violation was inadvertent or unintentional. Failure to maintain or achieve compliance with these laws and regulations or with the permits required for our operations could result in substantial operating costs and capital expenditures, in addition to fines and administrative, civil or criminal sanctions, third-party claims for property damage or personal injury, cleanup and site restoration costs and liens, the issuance of injunctions to limit or cease operations, the suspension or revocation of permits and other enforcement measures that could have the effect of limiting our operations. Under the "joint and several" liability principle of certain environmental laws, we may be held liable for all remediation costs at a particular site and the amount of that liability could be material. In addition, future environmental laws and regulations could restrict our ability to expand our facilities or extract our deposits or could require us to acquire costly equipment or to incur other significant expenses in connection with our business. There can be no assurance that future events, including changes in any environmental requirements and the costs associated with complying with such requirements, will not have a material adverse effect on us.

Government regulation imposes significant costs on us, and future regulatory changes (or related customer responses to regulatory changes) could increase those costs or limit our ability to produce and sell our products.

In addition to the regulatory matters described above, our operations are subject to various federal, state, local and foreign laws and regulations relating to the manufacture, packaging, labeling, content, storage, distribution and advertising of our products and the conduct of our business operations. For example, in the United States, many of our products are regulated by the Food and Drug Administration, the Consumer Product Safety Commission and the Environmental Protection Agency and our product claims and advertising are regulated by the Federal Trade Commission. Most states have agencies that regulate in parallel to these federal agencies. In addition, our international sales and operations are subject to regulation in each of the foreign jurisdictions in which we manufacture, distribute or sell our products. There is increasing federal and state regulation with respect to the content, labeling, use, and disposal after use, of various products we sell. Throughout the world, but particularly in the European Union, there is also increasing government scrutiny and regulation of the food chain and products entering or affecting the food chain.

If we are found to be out of compliance with applicable laws and regulations in these or other areas, we could be subject to loss of customers and to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business. Loss of or failure to obtain necessary permits and registrations could delay or prevent us from meeting product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results. If these laws or regulations are changed or interpreted differently in the future, it may become more difficult or expensive for us to comply. In addition, investigations or evaluations of our products by government agencies may require us to adopt additional labeling, safety measures or other precautions, or may effectively limit or eliminate our ability to market and sell these products. Accordingly, there can be no assurance that current or future governmental regulation will not have a material adverse effect on our business or that we will be able to obtain or renew required governmental authorizations in the future.

We are also experiencing increasing customer scrutiny of the content and manufacturing of our products, particularly our products entering or affecting the food chain, in parallel with the increasing government regulation discussed above. Our customers may impose product specifications or other requirements that are different from, and more onerous than, applicable laws and regulations. As a result, the failure of our products to meet these additional requirements may result in loss of customers and decreased sales of our products even in the absence of any actual failure to comply with applicable laws and regulations. There can be no assurance that future customer requirements concerning the content or manufacturing of our products will not have a material adverse effect on our business.

We depend on our mining operations for substantially all of our supply of sorbent minerals.

Our principal raw materials, the sorbent minerals commonly known as fuller's earth, are mined by us or independent contractors on land that we own or lease. While our mining operations are conducted in surface mines which do not present many of the risks associated with deep underground mining, our mining operations are nevertheless subject to many conditions beyond our control. Our mining operations are affected by weather and natural disasters, such as heavy rains and flooding, equipment failures and other unexpected maintenance problems, variations in the amount of rock and soil overlying deposits, variations in geological conditions, fires and other accidents, fluctuations in the price or availability of supplies and other matters. Any of these risks could result in significant damage to our mining properties or processing facilities, personal injury to our employees, environmental damage, delays in mining or processing, losses or possible legal liability. We cannot predict whether or the extent to which we will suffer the impact of these and other conditions in the future.

We may not be successful in acquiring adequate additional reserves in the future.

We have an ongoing program of exploration for additional reserves on existing properties as well as through the potential acquisition of new owned or leased properties; however, there can be no assurance that our attempts to acquire additional reserves in the future will be successful. Our ability to acquire additional reserves in the future could be limited by competition from other companies for attractive properties, the lack of suitable properties that can be acquired on terms acceptable to us or restrictions under our existing or future debt facilities. We may not be able to negotiate new leases or obtain mining contracts for properties containing additional reserves or renew our leasehold interests in properties on which operations are not commenced during the term of the lease. Also, requirements for environmental compliance may restrict exploration or use of lands that might otherwise be utilized as a source of reserves.

We face risks as a result of our international sales and business operations.

We derived approximately 18% of our net sales from sales outside of the United States in the fiscal year ended July 31, 2010. Our ability to sell our products and conduct our operations outside of the United States is subject to a number of risks. Local economic, political and labor conditions in each country could adversely affect demand for our products or disrupt our operations in these markets, particularly when local political and economic conditions are unstable. In addition, international sales and operations are subject to currency exchange fluctuations, fund transfer restrictions and import/export duties, and international operations are subject to foreign regulatory requirements and issues, including with respect to environmental matters. Any of these matters could result in sudden, and potentially prolonged, changes in demand for our products. Also, we may have difficulty enforcing agreements and collecting accounts receivable through a foreign country's legal system.

We may face product liability claims that are costly and create adverse publicity.

If any of the products that we sell cause harm to any of our customers or to consumers, we could be exposed to product liability lawsuits. If we are found liable under product liability claims, we could be required to pay substantial monetary damages. Further, even if we successfully defend ourselves against this type of claim, we could be forced to spend a substantial amount of money in litigation expenses, our management could be required to spend valuable time in the defense against these claims and our reputation could suffer, any of which could harm our business.

Failure to maintain effective internal control over financial reporting could have a material adverse effect on our business, operating results and stock price.

Section 404 of the Sarbanes-Oxley Act and related SEC rules require that we perform an annual management assessment of the design and effectiveness of our internal control over financial reporting and obtain an opinion from our independent registered public accounting firm on our internal control over financial reporting. Our assessment concluded that our internal control over financial reporting was effective as of July 31, 2010 and we obtained from our independent registered public accounting firm an unqualified opinion on our internal control over financial reporting; however, there can be no assurance that we will be able to maintain the adequacy of our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time in future periods. Accordingly, we cannot assure that we will be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Moreover, effective internal control is necessary for us to produce reliable financial reports and is important to help prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our Common Stock could drop significantly.

Risks Related to Our Common Stock

Our principal stockholders have the ability to control matters requiring a stockholder vote and could delay, deter or prevent a change of control in our company.

Under our Certificate of Incorporation, the holders of our Common Stock are entitled to one vote per share and the holders of our Class B Stock are entitled to 10 votes per share; the two classes generally vote together without regard to class (except that any amendment to our Certificate of Incorporation changing the number of authorized shares or adversely affecting the rights of Common Stock or Class B Stock requires the separate approval of the class so affected as well as the approval of both classes voting together). As a result, the holders of our Class B Stock exert control over us and thus limit the ability of other stockholders to influence corporate matters. Beneficial ownership of Common Stock and Class B Stock by the Jaffee Investment Partnership, L.P., and its affiliates (including Richard M. Jaffee, our Chairman, and Daniel S. Jaffee, his son and our President and Chief Executive Officer) provides them with the ability to control the election of our Board of Directors and the outcome of most matters requiring the approval of our stockholders, including the amendment of certain provisions of our Certificate of Incorporation and By-Laws, the approval of any equity-based employee compensation plans and the approval of fundamental corporate transactions, including mergers and substantial asset sales. Through their concentration of voting power, our principal stockholders may be able to delay, deter or prevent a change in control of our company or other business combinations that might otherwise be beneficial to our other stockholders.

We are a "controlled company" within the meaning of the New York Stock Exchange ("NYSE") rules and, as a result, qualify for, and intend to rely on, exemptions from certain corporate governance requirements.

We are a "controlled company" under the New York Stock Exchange Corporate Governance Standards. As a controlled company, we may rely on exemptions from certain NYSE corporate governance requirements that otherwise would be applicable, including the requirements:

- that a majority of the board of directors consists of independent directors;
- that we have a nominating and governance committee composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- that we have a compensation committee composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- that we conduct an annual performance evaluation of the nominating and corporate governance and compensation committees.

We have previously relied on these exemptions, and we intend to continue to rely on them in the future. As a result, you may not have the same benefits and information available to stockholders of NYSE-listed companies that are subject to all of the NYSE corporate governance requirements.

The market price for our Common Stock may be volatile.

In recent periods, there has been volatility in the market price for our Common Stock. Furthermore, the market price of our Common Stock could fluctuate substantially in the future in response to a number of factors, including the following:

- fluctuations in our quarterly operating results or the operating results of our competitors;
- changes in general conditions in the economy, the financial markets, or our industry;
- announcements of significant acquisitions, strategic alliances or joint ventures by us, our customers or our competitors;
- introduction of new products or services;
- increases in the price of energy sources and other raw materials; and
- other developments affecting us, our industry, customers or competitors.

In addition, in recent years the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons unrelated to their operating performance. These broad market fluctuations may materially adversely affect our Common Stock price, regardless of our operating results. Given its relatively small public float and average daily trading volume, our Common Stock may be relatively more susceptible to volatility arising from any of these factors. There can be no assurance that the price of our Common Stock will increase in the future or be maintained at its recent levels.

Future sales of our Common Stock could depress its market price.

Future sales of shares of our Common Stock could adversely affect its prevailing market price. If our officers, directors or significant stockholders sell a large number of shares, or if we issue a large number of shares, the market price of our Common Stock could significantly decline. Moreover, the perception in the public market that stockholders might sell shares of Common Stock could depress the market for our Common Stock. Our Common Stock's relatively small public float and average daily trading volume may make it relatively more susceptible to these risks.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

Real Property Holdings and Mineral Reserves

	Land Owned	Land Leased	Land Unpatented claims	Total	Estimated proven reserves	Estimated probable reserves	Total
	(acres)				(000's of tons)		
California	795	--	1,030	1,825	4,998	11,226	16,224
Georgia	3,526	1,840	--	5,366	33,129	27,939	61,068
Illinois	82	598	--	680	5,064	6,150	11,214
Mississippi	2,182	978	--	3,160	86,596	97,633	184,229
Nevada	535	--	--	535	23,316	2,976	26,292
Oregon	340	--	--	340	--	25	25
Tennessee	178	--	--	178	3,000	3,000	6,000
	7,638	3,416	1,030	12,084	156,103	148,949	305,052

The Mississippi, Georgia, Tennessee, Nevada, California and Illinois properties are primarily mineral in nature, except our research and development facility which is included in the Illinois owned land. The table above includes additional land we acquired in Georgia during fiscal 2010, which increased our real property holdings and mineral reserves. We mine sorbent minerals primarily consisting of montmorillonite, attapulgite or diatomite. We employ geologists and mineral specialists who prepared the estimated reserves of these minerals in the table above. See also Item 1 "Business" above for further information on our reserves. The locations in the table above collectively produced approximately 863,000 tons in fiscal year 2010, 943,000 tons in fiscal year 2009 and 995,000 tons in fiscal year 2008. Parcels of such land are also sites of manufacturing facilities operated by us. We own approximately one acre of land in Laval, Quebec, Canada, which is the site of the processing and packaging facility for our Canadian subsidiary**.**

MINING PROPERTIES

Our mining operations are conducted on leased or owned land. The Georgia, Illinois and Mississippi mining leases generally require that we pay a minimum monthly rental to continue the lease term. The rental payments are generally applied against a stated royalty related to the number of unprocessed, or in some cases processed, tons of mineral extracted from the leased property. Many of our mining leases have no stated expiration dates. Some of our Georgia and Mississippi leases, however, do have expiration dates ranging from 2015 to 2053. We would not experience a material adverse effect from the expiration or termination of any of these leases. We have a variety of access arrangements, some of which are styled as leases, for manufacturing at facilities that are not contiguous with the related mines. We would not experience a material adverse effect from the expiration or termination of any of these arrangements. See also Item 1 "Business" above for further information on our reserves.

Certain of our land holdings in California are represented by unpatented mining claims we lease from the Bureau of Land Management. These leases generally give us the contractual right to conduct mining or processing activities on the land covered by the claims. The validity of title to unpatented claims, however, is dependent upon numerous factual matters. We believe the unpatented claims we lease are in compliance with all applicable federal, state and local mining laws, rules and regulations. Future amendments to existing federal mining laws, however, could have a prospective effect on mining operations on federal lands and include, among other changes, the imposition of royalty fees on the mining of unpatented claims, the elimination or restructuring of the patent system and an increase in fees for the maintenance of unpatented claims. To the extent that future proposals may result in the imposition of royalty fees on unpatented lands, the mining of our unpatented claims may become economically unfavorable. We cannot predict the form that any such amendments might take or whether or when such amendments might be adopted. In addition, the construction and operation of processing facilities on these sites would require the approval of federal, state and local regulatory authorities. See Item 1A "Risk Factors" above for a discussion of other risks to our business related to our mining properties.

MINING AND MANUFACTURING METHODS

Mining and Hauling

We mine sorbent minerals (which we refer to generally as "clay") in open-pit mines in Georgia, Mississippi, Illinois and California. The mining and hauling operations are similar throughout the Oil-Dri locations, with the exception of California. The land to be mined is first stripped. The stripping process involves removing the overburden and preparing the site to allow the excavators to reach the desired clay. When stripping is completed, the excavators dig out and load the clay onto dump trucks. The trucks haul the clay directly to our processing plants where it is dumped in a clay yard and segregated by clay type if necessary. Generally, the mine sites are in close proximity to the processing plants; however, the maximum distance the clay is currently hauled to a plant is 13 miles.

At our California mines the clay is excavated and hauled to a hopper. An initial crushing and screening operation is performed at the mine site before the trucks are loaded for delivery to the processing plant.

Processing

The processing of our clay varies depending on the level of moisture desired in the clay after the drying process. The moisture level is referred to as regular volatile moisture ("RVM") or low volatile moisture ("LVM")

RVM Clay: A front end loader is used to load the clay from the clay yard into the primary crusher. The primary crusher reduces the clay chunks to 2.0 inches in diameter or smaller. From the crusher, the clay is transported via a belt conveyor into the clay shed. A clay shed loader feeds the clay into a disintegrator which reduces the clay to particles 0.5 inches in diameter or smaller. The clay then feeds directly into the RVM kiln. The RVM kiln reduces the clay's moisture content. From the RVM kiln, the clay moves through a series of mills and screens which further size and separate the clay into the desired particle sizes. The sized clay is then conveyed into storage tanks. The RVM processed clay can then be packaged or processed into LVM material.

LVM Clay: RVM clay is fed from storage tanks into the LVM kiln where the moisture content is further reduced. The clay then proceeds into a rotary cooler, then on to a screening circuit which separates the clay into the desired particle sizes.

Packaging

Once the clay has been dried to the desired level and sized the clay will be packaged. Our products have package sizes ranging from bags and jugs of cat litter to railcars of agricultural products. We also package some of our products into bulk (approximately one ton) bags and into bulk trucks. The size and delivery configuration of the finished product is determined by customer requirements.

FACILITIES

We operate manufacturing facilities on property owned or leased by us as shown on the map below:

Oil-Dri Corporation of America Plant Site Locations

Location	Owned/Leased	Facilities Function
Alpharetta, Georgia	Leased	Non-clay processing and packaging
Blue Mountain, Mississippi	Both	Clay mining, manufacturing and packaging
Chicago, Illinois	Leased	Principal executive office
Mounds, Illinois	Owned	Clay mining, manufacturing and packaging
Coppet, Switzerland	Leased	Customer service office
Laval, Quebec, Canada	Owned	Non-clay production and clay and non-clay packaging
Ochlocknee, Georgia	Owned	Clay mining, manufacturing and packaging
Ripley, Mississippi	Owned	Clay mining, manufacturing and packaging
Taft, California	Owned	Clay mining, manufacturing and packaging
Vernon Hills, Illinois	Owned	Research and development
Wisbech, United Kingdom	Leased	Non-clay production and clay and non-clay packaging

We have no mortgages on the real property we own. The lease for the Alpharetta, Georgia facility expires in 2013. The lease for the Chicago, Illinois corporate office space expires in 2018. The lease for the Wisbech, United Kingdom facility expires in 2032. The lease for the Coppet, Switzerland office is on a year-to-year basis. We consider that our properties are generally in good condition, are well maintained and are suitable and adequate to carry on our business.

ITEM 3 – LEGAL PROCEEDINGS

We are party to various legal actions from time to time that are ordinary in nature and incidental to the operation of our business. While it is not possible at this time to determine with certainty the ultimate outcome of these or other lawsuits, we believe that none of the pending proceedings will have a material adverse effect on our business or financial condition.

ITEM 4 – [RESERVED]

PART II

ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock is traded on the NYSE under the symbol ODC. There is no established trading market for our Class B Stock. The number of holders of record of Common Stock and Class B Stock on September 30, 2010 were 700 and 31, respectively, as reported by our transfer agent. There are no shares of Class A Common Stock currently outstanding. In the last three years, we have not sold any securities which were not registered under the Securities Act of 1933.

The following table sets forth, for the periods indicated, the high and low sales price for the Common Stock on the NYSE and dividends per share paid on the Common Stock and Class B Stock.

	Common Stock Price Range		Cash Dividends Per Share	
	Low	High	Common Stock	Class B Common Stock
Fiscal 2010:				
First Quarter	$14.05	$17.40	$ 0.1500	$ 0.1125
Second Quarter	14.75	16.54	0.1500	0.1125
Third Quarter	15.10	20.76	0.1500	0.1125
Fourth Quarter	18.50	23.53	0.1600	0.1200
Total			0.6100	0.4575
Fiscal 2009				
First Quarter	$10.19	$18.50	$ 0.1400	$ 0.1050
Second Quarter	15.00	19.00	0.1400	0.1050
Third Quarter	12.85	17.13	0.1400	0.1050
Fourth Quarter	13.78	19.20	0.1500	0.1125
Total			0.5700	0.4275

Dividends. Our Board of Directors determines the timing and amount of any dividends. The declaration and payment of future dividends, if any, will depend, among other things, upon our future earnings, capital requirements, financial condition, legal requirements, contractual restrictions and other factors that our board of directors deems relevant. Our 1998 Note Agreement with Prudential Financial, our Credit Agreement with Harris N.A. and our 2005 Note Agreement with The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company require that certain minimum net worth and tangible net worth levels are to be maintained. To the extent that these balances are not attained, our ability to pay dividends may be impaired. See Note 4 of the Notes to the Consolidated Financial Statements. Our Board of Directors may change its dividend practice at any time.

Issuer Repurchase of Equity Securities. On October 10, 2005, our Board of Directors authorized the repurchase of up to 500,000 shares of Common Stock, with repurchases to be made from time to time in the discretion of our management and in accordance with applicable laws, rules and regulations. On March 11, 2010, our Board of Directors authorized the repurchase of an additional 250,000 shares of Common Stock. These authorizations do not have a stated expiration date. We do not have any current authorization from our Board of Directors to repurchase shares of Class B Stock, and no shares of Class A Common Stock are currently outstanding.

The following chart summarizes Common Stock repurchases during the three months ended July 31, 2010.

ISSUER PURCHASES OF EQUITY SECURITIES[1]

For the Three Months Ended July 31, 2010	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that may yet be Purchased Under Plans or Programs[2]
May 1, 2010 to May 31, 2010	35,086	$20.99	35,086	375,028
June 1, 2010 to June 30, 2010	55,416	$22.63	55,416	319,612
July 1, 2010 to July 31, 2010	85,612	$23.00	85,612	234,000

[1] The table summarizes repurchases of (and remaining authority to repurchase) shares of our Common Stock. We did not repurchase any shares of our Class B Stock during the period in question, and no shares of our Class A Common Stock are currently outstanding. Descriptions of our Common Stock, Class B Stock and Class A Common Stock are contained in Note 7 of the Notes to the Consolidated Financial Statements.

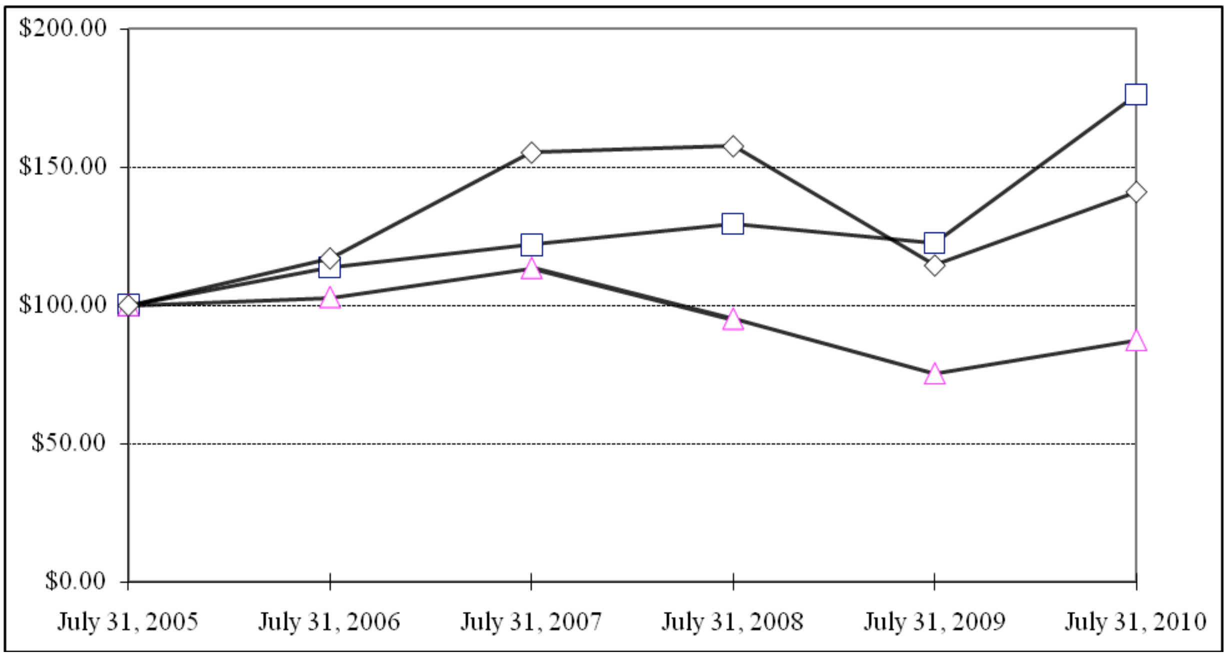
[2] The share numbers in this column indicate the number of shares of Common Stock that may yet be repurchased under our Board of Director authorizations described above.

PERFORMANCE GRAPH

The following graph shows the annual cumulative total stockholders' return for the five years ending July 31, 2010 on an assumed investment of $100 on July 31, 2005 in our Common Stock, the Russell Microcap Index and the Russell 2000-Material and Processing Economic Sector Index. Our Common Stock is included in the Russell Microcap Index and we consider the Russell 2000-Material and Processing Economic Sector Index to be our peer group. The graph assumes all dividends were reinvested. The historical stock price performance of our Common Stock is not necessarily indicative of future stock performance.

Comparative Five-Year Total Returns
Oil-Dri Corporation of America, Russell Microcap Index , Russell 2000-Materials & Processing Index

(Performance results through 7/31/2010)



	2005	2006	2007	2008	2009	2010
ODC □	$100.00	$113.62	$121.90	$129.45	$122.40	$176.22
Russell Microcap △	$100.00	$102.79	$113.29	$ 95.04	$ 75.34	$ 87.33
Russell 2000-Materials & Processing ◊	$100.00	$116.98	$155.24	$157.54	$114.44	$141.01

This performance graph and accompanying disclosure is not soliciting material, is not deemed filed with the SEC, and is not incorporated by reference in any of our filings under the Securities Act or the Exchange Act, whether made on, before or after the date of this filing and irrespective of any general incorporation language in such filing.

ITEM 6 – SELECTED FINANCIAL DATA

FIVE YEAR SUMMARY OF FINANCIAL DATA
(IN THOUSANDS EXCEPT FOR PER SHARE AMOUNTS)

	Fiscal Year Ended July 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Summary of Operations					
Net Sales	**$ 219,050**	$ 236,245	$ 232,359	$ 212,117	$ 205,210
Cost of Sales (1)	**(169,362)**	(186,861)	(186,289)	(166,417)	(167,136)
Gross Profit	**49,688**	49,384	46,070	45,700	38,074
Gain on the Sale of Long-Lived Assets	**--**	--	--	--	415
Selling, General and Administrative Expenses	**(36,139)**	(34,801)	(33,340)	(35,163)	(29,735)
Income from Operations	**13,549**	14,583	12,730	10,537	8,754
Other Income (Expense)					
Interest Income	**126**	365	1,070	1,415	1,106
Interest Expense	**(1,345)**	(1,910)	(2,189)	(2,389)	(2,255)
Foreign Exchange (Losses) Gains	**(213)**	(324)	165	(23)	(95)
Other, Net (2)	**697**	595	399	905	386
Total Other Expense, Net	**(735)**	(1,274)	(555)	(92)	(858)
Income before Income Taxes	**12,814**	13,309	12,175	10,445	7,896
Income Taxes	**(3,356)**	(3,723)	(3,136)	(2,785)	(2,637)
Net Income	**$ 9,458**	$ 9,586	$ 9,039	$ 7,660	$ 5,259
Average Shares Outstanding					
Diluted (3)	**7,275**	7,200	7,152	6,945	7,179
Net Income per Share					
Basic Common (3)	**$ 1.42**	$ 1.46	$ 1.39	$ 1.21	$ 0.82
Basic Class B Common (3)	**$ 1.07**	$ 1.09	$ 1.04	$ 0.90	$ 0.62
Diluted (3)	**$ 1.30**	$ 1.33	$ 1.25	$ 1.09	$ 0.73
Important Highlights					
Total Assets	**$ 153,982**	$ 149,261	$ 148,988	$ 142,087	$ 139,547
Long-Term Debt	**$ 14,800**	$ 18,300	$ 21,500	$ 27,080	$ 31,160
Working Capital	**$ 48,398**	$ 49,949	$ 52,550	$ 50,895	$ 48,589
Working Capital Ratio	**2.7**	3.1	2.7	2.9	2.8
Book Value per Share	**$ 12.77**	$ 12.76	$ 12.66	$ 11.91	$ 10.73
Dividends Declared	**$ 4,041**	$ 3,759	$ 3,463	$ 3,117	$ 2,598
Dividends Declared per Common Share	**$ 0.6100**	$ 0.5700	$ 0.5300	$ 0.4900	$ 0.4000
Dividends Declared per Class B Common Share	**$ 0.4575**	$ 0.4275	$ 0.3975	$ 0.3675	$ 0.2800
Capital Expenditures	**$ 10,413**	$ 15,253	$ 7,302	$ 7,757	$ 10,827
Depreciation and Amortization	**$ 7,371**	$ 7,406	$ 7,455	$ 7,498	$ 7,212
Net Income as a Percent of Net Sales	**4.3%**	4.1%	3.9%	3.6%	2.6%
Return on Average Stockholders' Equity	**10.5%**	10.8%	10.8%	10.0%	7.2%
Gross Profit as a Percent of Net Sales	**22.7%**	20.9%	19.8%	21.5%	18.6%
Operating Expenses as a Percent of Net Sales	**16.5%**	14.7%	14.3%	16.6%	14.3%

(1) In fiscal year 2008, cost of sales was reduced by pre-tax net proceeds of $831,000 from the sale of emission reduction credits to unaffiliated third parties. See Note 2 of the Notes to the Consolidated Financial Statements.

(2) In fiscal year 2007, Other Income (Expense) included pre-tax proceeds of $389,000 from life insurance on former employees.

(3) In fiscal year 2010, we adopted guidance under Accounting Standards Codification Topic ("ASC") 260-10, *Earnings Per Share,* which required our unvested restricted stock awards to be considered participating securities and to be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, we were required to retrospectively adjust earnings per share data to conform to this standard. Accordingly, we have restated diluted average shares outstanding and net income per share for all periods presented.

ITEM 7 – 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 Consolidated Financial Statements and the related notes included elsewhere herein. 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 in Item 1A "Risk Factors" in this Annual Report on Form 10-K.

OVERVIEW

We develop, mine, 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 floor absorbents, fluids purification and filtration bleaching clays, agricultural chemical carriers, animal health and nutrition products 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 operating segments based on the different characteristics of our two primary customer groups: Retail and Wholesale Products Group and Business to Business Products Group. Each operating segment is discussed individually below. Additional detailed descriptions of the operating segments are included in Item 1 "Business" above.

Consolidated net income was $9,458,000, or $1.30 per diluted share, for the year ended July 31, 2010, a 1% decrease from net income of $9,586,000, or $1.33 per diluted share, for the year ended July 31, 2009. Net income was negatively impacted by a decrease in tons sold for both of our operating segments. Net income was positively impacted by the mix of products sold, with a greater proportion of sales from higher margin products, and by certain lower costs.

Our diversified product offerings helped sustain our business through a challenging economic environment that impacted demand for our products during fiscal 2010. Lower segment operating income for the Retail and Wholesale Products Group reflected the negative impact of Wal-Mart's decision to carry a reduced number of cat litter brands in August 2009. The ongoing slump in the manufacturing and automotive industries further reduced demand for our industrial absorbents. Higher segment operating income for the Business to Business Products Group, however, resulted from increased demand for certain of our fluids purification and animal health products in both domestic and some foreign markets. Our consolidated gross margin improved during fiscal 2010 due in part to a greater proportion of sales from higher margin products and significantly lower costs for natural gas used to dry our clay. Our consolidated balance sheet remained strong during fiscal year 2010. Cash and cash equivalents increased, not withstanding cash payments for required debt payments, investment in capital assets, treasury stock repurchases and increased dividend payments.

During fiscal 2010, we continued our commitment to create value from sorbent minerals. We put forth considerable effort on our new engineered granule agricultural chemical carrier product and on our recently introduced enterosorbent animal health products. We were also committed to our established products through increased product promotion of our branded cat litter. In addition, our research and development center worked on both new product development and improvements to existing products.

RESULTS OF OPERATIONS
FISCAL 2010 COMPARED TO FISCAL 2009

Consolidated net sales for the year ended July 31, 2010 were $219,050,000, a 7% decrease from net sales of $236,245,000 in fiscal 2009. The decline in net sales was driven by our Retail and Wholesale Products Group as discussed below. Net income for fiscal 2010 was $9,458,000, a 1% decrease from net income of $9,586,000 in fiscal 2009. Fiscal 2010 net income was negatively affected by 7% fewer tons sold; however, increased sales of higher margin products and lower costs for natural gas used to dry our clay positively impacted this year's results. The Retail and Wholesale Products Group's segment operating income declined as a reduction in tons sold prevailed over the benefit of lower costs. The Business to Business Products Group's segment operating income improved as increased sales of higher margin products outweighed the impact of fewer tons sold.

BUSINESS TO BUSINESS PRODUCTS GROUP

Net sales of the Business to Business Products Group for fiscal 2010 were $77,423,000, an increase of $1,374,000, or 2%, from net sales of $76,049,000 in fiscal 2009. Increased sales of higher margin products in fiscal 2010 more than offset a 4% decrease in tons sold for the Group compared to fiscal 2009. Net sales of fluid purification and animal health and nutrition products increased, while net sales of co-packaged cat litter and agricultural chemical carrier products decreased. Net sales of fluid purification products increased 21% from fiscal 2009, with a 17% increase in tons sold. Sales to new customers and a greater proportion of sales from higher margin products contributed to the higher fluid purification products net sales. Sales in some export markets improved in part due to a weaker U.S. dollar relative to certain foreign currencies, which made our products more competitive in the global marketplace. A decline in the quality of oil from this year's soybean crop also resulted in increased demand for our fluid purification products. In addition, sales of our fluid purification products used in the biodiesel industry and in palm oil processing increased compared to fiscal 2009. Net sales of animal health and nutrition products rose 6% in fiscal 2010. Higher sales of our enterosorbent animal health products, which were introduced during fiscal 2009, overcame a decline in sales of our traditional animal health and nutrition products. Increased net sales of these products were partially offset by a 19% decline in net sales of our agricultural chemical carriers in fiscal 2010 compared to fiscal 2009. The agricultural chemical carriers market continued to experience economic challenges, which resulted in 18% fewer tons sold. Economic conditions and price competition impacted net sales of our flowability aid product used in animal feed, which declined 24% in fiscal 2010. In addition, our co-packaged traditional coarse cat litter net sales decreased 10%, with 4% fewer tons sold. Net sales were adversely affected by a lower net selling price during most of fiscal 2010; however, the net selling price increased in April 2010 under our agreement with Clorox. Both the loss of a small co-packaging customer during the latter part of fiscal 2009 and a decline in the coarse cat litter market also contributed to the decreased net sales and tons sold.

The Business to Business Products Group's operating income was $19,797,000 in fiscal 2010, an increase of $4,849,000, or 32%, from operating income of $14,948,000 in fiscal 2009. This increase was driven primarily by a greater proportion of sales from higher margin products. The Group's combined packaging, freight and material costs in fiscal 2010 were comparable with fiscal 2009, as lower packaging and freight costs were offset by higher material costs. Packaging costs declined approximately 4% due primarily to price fluctuations for resin and paper commodities used in packaging materials. Freight costs decreased approximately 1% due primarily to changes in the price of diesel fuel and the cost of ocean freight. Material costs increased 1% as the negative cost impact of fewer tons produced at some of our manufacturing facilities prevailed over the benefit of lower energy-related costs in our mining and manufacturing processes. The Group's selling and administrative expenses were 7% higher in fiscal 2010 compared to fiscal 2009, including higher sales bonuses and commissions based on the improved operating results. Fiscal 2010 selling and administrative expenses also included additional costs for personnel, market research, product promotion and technical services related to our new agricultural engineered granule product, which more than offset the decrease in similar costs related to our animal health enterosorbent products.

RETAIL AND WHOLESALE PRODUCTS GROUP

Net sales of the Retail and Wholesale Products Group for fiscal 2010 were $141,627,000, a decrease of $18,569,000, or 12%, from net sales of $160,196,000 in fiscal 2009. The decline in net sales was driven by lower tons sold, a lower average net selling price and a lower proportion of sales from higher margin products. The Group's total tons sold decreased 9% compared fiscal 2009. Cat litter net sales were down approximately 17% compared to fiscal 2009 due primarily to 11% lower tons sold. The average net selling price for cat litter declined in part due to increased trade spending for product promotions, which were deducted from net sales, and a lower proportion of sales from higher margin products. Net sales of branded cat litter decreased 28% due primarily to 18% fewer tons sold. Wal-Mart began to carry a reduced number of cat litter brands in August 2009. During the third quarter of fiscal 2010, Wal-Mart reinstated our branded scoopable litter in a limited number of stores; however, the new store count remains materially reduced from the store count at the end of fiscal 2009. Incremental net sales at customers other than Wal-Mart and increased marketing to promote brand awareness partially offset the overall sales decline. Net sales of private label cat litter decreased 6% compared to fiscal 2009 due to 8% fewer tons sold. The reduction in tons sold was due primarily to a continued overall decline in the coarse cat litter category. In contrast, sales of cat litter box liners increased 17% due primarily to increased distribution to an existing customer. Net sales of industrial absorbents decreased 3% compared to fiscal 2009. Tons sold decreased 6% due primarily to continued weak economic conditions in the manufacturing and automotive industries. See Foreign Operations below for further information regarding our foreign subsidiaries' results.

The Retail and Wholesale Products Group's segment operating income for fiscal 2010 was $11,797,000, a decrease of $5,210,000, or 31%, from operating income of $17,007,000 in fiscal 2009. The decrease is attributed to the lower net sales described above that prevailed over a decrease of approximately 3% for the Group's combined freight, materials and packaging costs. Packaging costs decreased approximately 10% due to price fluctuations for resin and paper commodities. Freight costs decreased approximately 4% due primarily to changes in the price of diesel fuel. The decline in packaging and freight costs was partially offset by a 1% increase in material costs. Material costs increased as the negative cost impact of lower tons produced at some of our manufacturing facilities prevailed over the benefit of lower energy-related costs in our mining and manufacturing processes. The Group's selling, general and administrative expenses increased 2% compared to fiscal 2009 due primarily to increased advertising costs and broker commissions, which were partially offset by lower bad debt expense.

CONSOLIDATED RESULTS

Consolidated gross profit as a percentage of net sales in fiscal 2010 increased to 23% from 21% in fiscal 2009. Gross profit was positively impacted by increased sales of higher margin products and lower costs for packaging, freight and fuel used in our manufacturing processes. The cost of fuel was 36% lower in fiscal 2010 compared to fiscal 2009. We use natural gas, fuel oil and coal in the manufacturing process to operate kilns that dry our clay. Gross profit for fiscal 2010, however, was negatively impacted by an 11% increase in non-fuel manufacturing costs per ton produced, which included depreciation and amortization. This cost increase per ton was driven primarily by 8% fewer tons produced and increased expenditures for employee benefits and repairs. Many of the other non-fuel manufacturing costs, such as salaries and certain labor costs, and depreciation, were relatively consistent with fiscal 2009 levels, despite the reduced number of tons produced, due to their generally fixed nature.

Selling, general and administrative expenses as a percentage of net sales were 17% in fiscal 2010 compared to 15% in fiscal 2009. The discussion of the Groups' operating income above describes the increased selling and administrative expenses that were allocated to the operating segments. The remaining unallocated corporate expenses in fiscal 2010 included a higher estimated annual incentive plan bonus accrual and higher employee postretirement benefit costs. The higher incentive bonus expense was based on performance targets that are established for each fiscal year. The postretirement benefit costs are based on actuarial calculations as described in Note 9 of the Notes to the Consolidated Financial Statements. These higher costs were partially offset by lower costs for outside legal services, reduced spending for research and development and lower stock option compensation expense. Research and development costs were lower compared to fiscal 2009 as fewer new products were in the development stage. Stock option compensation was lower as more stock options became fully vested and no new options were issued.

Interest expense in fiscal 2010 decreased $565,000 from fiscal 2009 due to a reduction in debt outstanding and the capitalized interest expense for a new product-related capital project. Interest income in fiscal 2010 decreased $239,000 from fiscal 2009 due to lower average interest rates.

Other income in fiscal 2010 increased $102,000 from fiscal 2009 due to higher royalty income, miscellaneous investment income and insurance proceeds.

Our effective tax rate was 26.2% of pre-tax income in fiscal 2010 compared to 28% in fiscal 2009. The effective tax rate was lower in fiscal 2010 due to utilization of prior period Alternative Minimum Tax credits.

Total assets increased $4,721,000, or 3%, during fiscal 2010. Current assets increased $2,472,000, or 3%, from fiscal 2009 year-end balances due primarily to higher cash and cash equivalents and deferred income taxes. These increases were partially offset by lower investment in short-term securities, accounts receivable, inventories and prepaid expenses. The changes in current assets are described in the Liquidity and Capital Resources section below. Property, plant and equipment, net of accumulated depreciation, increased $3,017,000 due primarily to purchases of land and machinery and equipment and increased construction in progress. These increases were partially offset by additional accumulated depreciation. Other noncurrent assets decreased $768,000 due to a reduction in a lease receivable and amortization of intangible assets, which were partially offset by an increase in the cash surrender value of life insurance policies on key employees.

Total liabilities increased $3,695,000, or 6%, during fiscal 2010. Current liabilities increased $4,023,000, or 17%, during fiscal 2010. The changes in current liabilities are described in the Liquidity and Capital Resources section below. Noncurrent liabilities decreased $328,000, or 1%, due primarily to schedule payments that reduced long term debt. This decrease was partially offset by higher accruals for pension and postretirement health benefits, deferred compensation and reclamation costs for mining properties. See Note 9 of the Notes to the Consolidated Financial Statements for more information on pension and postretirement health benefit plans. Deferred compensation accruals increased due to new deferrals and earnings on deferred balances in excess of payouts. The higher reclamation liability is the result of ongoing mining activities and acquisition of mining property during fiscal 2010.

RESULTS OF OPERATIONS
FISCAL 2009 COMPARED TO FISCAL 2008

Consolidated net sales for the year ended July 31, 2009 were $236,245,000, an increase of 2% from net sales of $232,359,000 in fiscal 2008. Both our Retail and Wholesale Products Group and our Business to Business Products Group contributed to the net sales increase. Net income for the year was $9,586,000, an increase of 6% from net income of $9,039,000 in fiscal 2008. The Retail and Wholesale Products Group contributed to the improved net income as higher average net selling prices overcame lower volume and increased costs; however, in the Business to Business Products Group the lower volume and higher costs prevailed over higher average net selling prices.

BUSINESS TO BUSINESS PRODUCTS GROUP

Net sales of the Business to Business Products Group for fiscal 2009 were $76,049,000, an increase of $1,001,000, or 1%, from net sales of $75,048,000 in fiscal 2008. Higher average net selling prices and a favorable product sales mix provided for increased sales in fiscal 2009 despite 9% lower tons sold for the Group compared to fiscal 2008. Net sales of co-packaged cat litter, animal health and nutrition and agricultural chemical carrier products all increased, while net sales of fluids purification and sports-related products decreased. Our co-packaged traditional coarse cat litter net sales were up 8% in fiscal 2009. A 4% increase in tons sold due to product improvements and a higher average net selling price more than offset the loss of a small co-package customer during fiscal 2009. Net sales of animal health and nutrition products rose 2% due primarily to increased average net selling prices and the introduction of new enterosorbent animal health products. Net sales of agricultural chemical carriers were up approximately 12% due primarily to a higher average net selling price that more than offset approximately 11% lower tons sold. Agricultural chemical carriers tons sold declined in the agricultural and the lawn and garden markets due primarily to the poor economy. Net sales of bleaching earth and fluid purification products were down 3% from fiscal 2008 as a 9% decline in tons sold outweighed a higher average net selling price. The lower tons sold for bleaching earth products resulted from a weak global economy and a good quality soybean crop, which required less bleaching clay to process the oil. Sales of our baseball-related products declined 7% due to the negative impact of economic conditions on municipalities and other recreational baseball customers.

The Business to Business Products Group's operating income decreased 5% to $14,948,000 in fiscal 2009 from $15,782,000 in fiscal 2008. Approximately 8% higher combined materials, packaging and freight costs more than offset a higher average net selling price. Materials costs increased approximately 11% due to the higher cost for fuel used to dry our clay-based products compared to the prior fiscal year. Freight costs were approximately 5% higher compared to fiscal 2008. Although diesel fuel and ocean freight prices declined, particularly in the later part of fiscal 2009, the average cost for fiscal 2009 was greater than for fiscal 2008. Conversely, packaging costs declined approximately 8% due primarily to lower costs of paper used in packaging. Selling and administrative expenses were 21% higher in fiscal 2009 compared to fiscal 2008 due primarily to marketing and promotional activities for our new enterosorbent animal health product.

RETAIL AND WHOLESALE PRODUCTS GROUP

Net sales of the Retail and Wholesale Products Group for fiscal 2009 were $160,196,000, an increase of $2,885,000, or 2%, from net sales of $157,311,000 in fiscal 2008. The Group's net sales growth was driven by increased average net selling prices and a favorable product sales mix that overcame a 4% decrease in tons sold. Net sales of cat litter products increased approximately 6% in fiscal 2009. Private label cat litter net sales increased approximately 7% due to higher average net selling prices accompanied by a 1% increase in tons sold. Branded cat litter net sales also increased approximately 5% due to a higher average net selling price that offset a 7% decline in tons sold. Branded coarse cat litter tons sold declined; however, our branded scoopable cat litter tons sold increased as a result of new natural products and marketing programs. Net sales of domestic industrial absorbents were flat as a higher average net selling price offset a 7% decline in tons sold due to poor economic conditions in the manufacturing and automotive industries. Net sales of our foreign subsidiaries decreased 24% with a 16% decline in tons sold. Both our United Kingdom and Canadian subsidiaries have been negatively impacted by unfavorable local currency fluctuations compared to the U.S. Dollar and the worldwide economic slowdown. See Foreign Operations below for further information regarding our foreign subsidiaries' results.

The Retail and Wholesale Products Group's operating income increased 14% to $17,007,000 in fiscal 2009 from $14,973,000 in fiscal 2008. A higher average net selling price overcame an approximate 3% increase in combined freight, materials and packaging costs. Packaging costs increased approximately 3% due primarily to higher resin costs. Material costs increased approximately 5% due primarily to the higher cost for fuel used to dry our clay-based products compared to the prior fiscal year. Freight costs were 3% less than the prior fiscal year as lower diesel prices reduced domestic freight costs, particularly in the later part of fiscal 2009. Selling and administrative expenses were 13% greater in fiscal 2009 compared to fiscal 2008. In fiscal 2009 advertising costs increased due to several marketing campaigns to enhance our brand awareness.

CONSOLIDATED RESULTS

Consolidated gross profit as a percentage of net sales in fiscal 2009 increased to 21% from 20% in fiscal 2008. Cost of sales for fiscal 2008 was reduced by $831,000 as a result of the sale of emission reduction credits, as described in Note 2 of the Notes to the Consolidated Financial Statements. Gross profit improved in fiscal 2009 due primarily to a higher average net selling price, which overcame increased manufacturing and packaging costs. The cost of fuel used in the manufacturing process was 19% higher in fiscal 2009 compared to fiscal 2008. Non-fuel manufacturing costs, including depreciation and amortization, increased 13% over the same period of the prior fiscal year. Significant manufacturing cost increases were in purchased materials, repairs, labor and non-kiln fuel.

Selling, general and administrative expenses as a percentage of net sales increased in fiscal 2009 to 15% from 14% in fiscal 2008. The discussion of the Groups' operating income above describes the increased selling and administrative expenses that were allocated to our operating segments. The remaining unallocated corporate expenses were lower in fiscal 2009 due primarily to lower expenses for the estimated incentive bonus, research and development and stock option compensation. The lower fiscal 2009 incentive bonus expense was based on performance targets that are established for each year. Research and development costs were lower as we moved further through the development cycle for several new products. Stock option compensation was lower as more stock options became fully vested and no new options were issued. These lower expenses were partially offset by higher pension and rent expenses.

Interest expense in fiscal 2009 decreased $279,000 from fiscal 2008 due to a reduction in debt outstanding. Interest income in fiscal 2009 decreased $705,000 from fiscal 2008 due to lower average interest rates and lower average investment balances.

Other income in fiscal 2009 increased $195,000 from fiscal 2008. Other income in fiscal 2009 included income relating to a lease arrangement with a co-packaging partner. Other income in fiscal 2008 included expenses associated with examinations by regulatory agencies.

Our effective tax rate was 28% of pre-tax income in fiscal 2009 compared to 25.8% in fiscal 2008. The effective tax rate was higher in fiscal 2009 due to a lower deduction for mining depletion due to reduced tonnage and an unfavorable tax impact from the results of foreign operations.

Total assets increased $273,000 during fiscal 2009. Current assets decreased $8,934,000, or 11%, from the fiscal 2008 year-end balances primarily due to decreased investments in Treasury securities and accounts receivable. These decreases were partially offset by increased cash and cash equivalents and prepaid expenses. These changes are described in the Liquidity and Capital Resources section below. Property, plant and equipment, net of accumulated depreciation, increased $8,045,000 due primarily to capital projects related to new product development at our manufacturing facilities and the purchase of land. Other noncurrent assets increased $1,162,000 from fiscal 2008 due to a higher deferred tax asset partially offset by a decrease in a lease receivable.

Total liabilities decreased $1,664,000, or 3%, during fiscal 2009. Current liabilities decreased $6,333,000, or 21%, during fiscal 2009. The changes in current liabilities are described in the Liquidity and Capital Resources section below. Noncurrent liabilities increased $4,669,000 due primarily to higher accruals for pension and postretirement health benefits and deferred compensation partially offset by a reduction in long term debt due to scheduled payments. The increased pension and postretirement health benefit accruals were driven by the actuarially calculated benefit obligations and lower pension asset values as of July 31, 2009. See Note 9 of the Notes to the Consolidated Financial Statements for more information on employee benefit plans. Deferred compensation accruals increased due to new deferrals and earnings on deferred balances in excess of payouts.

FOREIGN OPERATIONS

Net sales by our foreign subsidiaries during fiscal 2010 were $13,728,000, an increase of $281,000, or 2%, from net sales of $13,447,000 during fiscal 2009. Net sales by our foreign subsidiaries represented 6% of our consolidated net sales during fiscal year 2010. Tons sold increased 5% in our Canadian subsidiary, but decreased 21% in our United Kingdom subsidiary. Net sales of our Canadian subsidiary increased due to higher sales of industrial products and a favorable exchange rate for the Canadian Dollar. The Canadian Dollar was about 11% stronger on average against the U.S. Dollar during fiscal 2010 compared fiscal 2009, which resulted in higher sales values after translation to U.S. Dollars. Partially offsetting the higher Canadian net sales was a decline in net sales of industrial absorbents by our United Kingdom subsidiary due primarily to the loss of a key distributor.

For fiscal 2010, our foreign subsidiaries reported a net loss of $519,000, compared to a net loss of $559,000 in fiscal 2009. The decrease in the net loss was due in part to the higher sales for our Canadian subsidiary, which more than offset the sales decline of our United Kingdom subsidiary. In addition, the currency translation loss reported by our foreign operations in fiscal 2010 was significantly less than the loss reported in fiscal 2009. The British Pound declined significantly in value compared to the U.S. Dollar during fiscal 2009, which resulted in a substantial currency translation loss. During fiscal 2010, the British Pound did not fluctuate considerably in value compared to the U.S. Dollar. Negatively impacting the foreign subsidiaries' operating results were higher packaging and freight costs in our Canadian subsidiary. Packaging costs increased due to fluctuations in the cost of polystyrene and freight costs included a multi-year withholding tax charge on our leased railcars.

Identifiable assets of our foreign subsidiaries as of July 31, 2010 were $9,424,000 compared to $9,692,000 as of July 31, 2009. The decrease is primarily due to lower fixed assets that resulted from the sale of a building in our United Kingdom subsidiary and lower accounts receivable and inventories. These decreases were partially offset by higher cash and cash equivalents balances.

Net sales by our foreign subsidiaries during fiscal 2009 were $13,447,000, a decrease of $4,140,000, or 24%, from net sales were $17,587,000 during fiscal 2008. Net sales by our foreign subsidiaries represented 6% of our consolidated net sales during fiscal 2009. Net sales and tons sold decreased in both our Canadian and United Kingdom subsidiaries. Industrial absorbent sales were down for both subsidiaries as the worldwide economic slowdown impacted sales through reduced orders. Aggressive competition in the Canadian cat litter market also resulted in some reduced sales and the loss of a customer. In addition, the British Pound was approximately 5% weaker and the Canadian Dollar was approximately 17% weaker against the U.S. Dollar for fiscal 2009 compared to fiscal 2008, which resulted in lower sales values after translation to U.S. Dollars.

For fiscal 2009, our foreign subsidiaries reported a net loss of $559,000, a decrease of $1,444,000 from the $885,000 net income reported in fiscal 2008. The lower tons sold and currency impacts described above contributed to the net loss, along with increased material and freight costs.

Identifiable assets of our foreign subsidiaries as of July 31, 2009 were $9,692,000 compared to $10,857,000 as of July 31, 2008. Most of the decrease in identifiable assets was in cash and cash equivalents, accounts receivable and inventories.

LIQUIDITY AND CAPITAL RESOURCES

Our principal capital requirements include funding working capital needs, purchasing and upgrading real estate, equipment and facilities, and investing in infrastructure and potential acquisitions. We have principally used cash generated from operations and, to the extent needed, issuance of debt securities and borrowings under our credit facilities to fund these requirements. Cash and cash equivalents totaled $18,762,000, $11,839,000 and $6,848,000 at July 31, 2010, 2009 and 2008, respectively. As of July 31, 2010, there were no outstanding borrowings under our revolving credit facility with Harris N.A.

The following table sets forth certain elements of our Consolidated Statements of Cash Flows (in thousands):

	Fiscal Year Ended		
	July 31, 2010	July 31, 2009	July 31, 2008
Net cash provided by operating activities	$ 26,216	$ 15,814	$ 11,341
Net cash used in investing activities	(7,890)	(2,189)	(10,890)
Net cash used in financing activities	(11,314)	(9,082)	(5,666)
Effect of exchange rate changes on cash and cash equivalents	(89)	448	(70)
Net increase (decrease) in cash and cash equivalents	$ 6,923	$ 4,991	$ (5,285)

Net cash provided by operating activities

In fiscal 2010, net cash provided by operations was $26,216,000, an increase of $10,402,000 from fiscal 2009, due primarily to changes in working capital, a decrease in other assets and an increase in other liabilities. Other assets decreased due primarily to payments received on a lease receivable and amortization of intangible assets. These decreases were partially offset by an increase in the cash surrender value of life insurance on key employees. Other liabilities increased due primarily to higher accruals for postretirement benefits, deferred compensation and reclamation costs for mining properties. The postretirement benefits are based on actuarially calculated benefit obligations. See Note 9 of the Notes to the Consolidated Financial Statements for more information regarding our employee benefit plans. Deferred compensation increased due to continued deferrals and earnings on deferred balances in excess of payout. The higher reclamation liability is the result of ongoing mining activities and acquisition of mining property during fiscal 2010.

In fiscal 2009, net cash provided by operations was $15,814,000, an increase of $4,473,000 from fiscal 2008, due primarily to an increase in other liabilities and changes in working capital. Other liabilities increased in fiscal 2009 due to higher postretirement benefit liabilities based on actuarially calculated benefit obligations and lower pension asset values as of July 31, 2009. Deferred compensation also increased due to continued deferrals and earnings on deferred balances in excess of payouts.

The changes in the primary components of working capital and other accounts that impacted operating cash flows for these years are as follows:

Accounts receivable, less allowance for doubtful accounts, decreased $1,822,000 at fiscal year-end 2010 compared to fiscal year-end 2009. The decrease was due primarily to lower fiscal 2010 fourth quarter sales compared to fiscal 2009 fourth quarter sales. Accounts receivable, less allowance for doubtful accounts, decreased $2,383,000 at fiscal year-end 2009 compared to fiscal year-end 2008. The decrease was due primarily to lower fiscal 2009 fourth quarter sales, particularly during the month of July, compared to 2008 fourth quarter sales.

Inventories were $1,772,000 lower at fiscal year-end 2010 compared to fiscal year-end 2009. Finished goods and packaging inventories were down due to lower sales requirements. Lower packaging costs also contributed to lower packaging inventories. Inventories were up $51,000 at fiscal year-end 2009 compared to fiscal year-end 2008 due to a higher finished goods inventory that offset a lower packaging inventory.

Accounts payable increased $1,702,000 at fiscal year-end 2010 compared to fiscal year-end 2009 due primarily to higher income taxes payable. Income taxes payable increased due to current year tax accruals and increased deferred tax assets related to accrued expenses. See Note 6 of the Notes to the Consolidated Financial Statements for additional information about income taxes. Accounts payable decreased $2,187,000 at fiscal year-end 2009 compared to fiscal year-end 2008 as the result of fewer purchases due to lower sales and production levels during the fourth quarter of fiscal 2009. Changes in all periods are also subject to normal fluctuations in the timing of payments.

Accrued expenses increased $2,496,000 at fiscal year-end 2010 compared to fiscal year-end 2009. Accrued expenses included a higher discretionary bonus accrual for fiscal 2010. Accrued freight and other accrued operating expenses increased due to timing of payments. Accrued trade promotions and advertising increased due to more marketing programs. Accrued expenses decreased $1,841,000 at fiscal year-end 2009 compared to fiscal year-end 2008. Accrued freight decreased $1,272,000 and other accrued expenses decreased $732,000 at fiscal year-end 2009 due primarily to lower sales and production levels during the fourth quarter of fiscal 2009.

Net cash used in investing activities

Cash used in investing activities was $7,890,000 in fiscal 2010 compared to $2,189,000 in fiscal 2009. During fiscal 2010, cash provided by net dispositions of short-term investment securities was $2,148,000 compared to $13,037,000 in fiscal 2009. In fiscal 2009, the additional proceeds from disposition of short-term securities were used to fund higher debt payments and capital expenditures, including projects related to new product development at our manufacturing facilities. Capital expenditures were $15,253,000 in fiscal 2009 compared to $10,413,000 in fiscal 2010. Fiscal 2010 capital expenditures included $3,000,000 to purchase land and mineral rights near our Georgia production plant.

Cash used in investing activities was $2,189,000 in fiscal 2009 compared to $10,890,000 in fiscal 2008. During fiscal 2009, net dispositions of short-term investment securities were $13,037,000 compared to net purchases of short-term investment securities of $2,331,000 in fiscal 2008. In fiscal 2009, proceeds from disposition of investment securities were used to fund higher requirements for capital expenditures and debt payments. In addition, during fiscal 2008 we modified our investment strategy to allocate a greater portion of our financial resources to investments versus cash. Purchases and dispositions of investment securities in both periods are also subject to variations in the timing of investment maturities. Capital expenditures were $15,253,000 during fiscal 2009 compared to $7,302,000 in fiscal 2008. Significant capital projects related to new product development at our manufacturing facilities and the purchase of land used cash in fiscal 2009. During fiscal 2008, we also used $1,300,000 to purchase strategic intangible assets in the Retail and Wholesale Products Group.

Net cash used in financing activities

Cash used in financing activities was $11,314,000 in fiscal 2010 compared to $9,082,000 in fiscal 2009. Cash was used in fiscal 2010 primarily for purchases of treasury stock, payments of dividends and principal payments on long-term debt. In fiscal 2010, payments for purchases of treasury stock and for dividends were $5,332,000 and $308,000 higher, respectively, compared to fiscal 2009; however, payments on long-term debt were $2,380,000 lower in accordance with our debt agreements. In addition, proceeds from re-issuance of treasury stock and issuance of new Common Stock during fiscal 2010 were $695,000 higher as a result of more stock option exercises.

Cash used in financing activities was $9,082,000 in fiscal 2009 compared to $5,666,000 in fiscal 2008. We used cash in fiscal 2009 primarily for principal payments on long-term debt, dividends and purchases of treasury stock. Payments on long-term debt were $1,500,000 higher in fiscal 2009 in accordance with our debt agreements. Cash used to purchase treasury stock was $636,000 higher in fiscal 2009. Dividends paid were $307,000 higher in fiscal 2009 due to a dividend increase. In addition, proceeds from re-issuance of treasury stock and issuance of new Common Stock during fiscal 2009 were $811,000 lower as a result of less stock option exercise activity.

Other

Total cash and investment balances held by our foreign subsidiaries at July 31, 2010, 2009 and 2008 were $1,773,000, $1,030,000 and $1,607,000, respectively. Cash and investment balances fluctuated due to normal business operations.

As part of the normal course of business, we guarantee certain debts and trade payables of our wholly-owned subsidiaries. These arrangements are made at the request of the subsidiaries' creditors, as separate financial statements are not distributed for the wholly-owned subsidiaries. As of July 31, 2010, the value of these guarantees was $129,000 of lease liabilities.

We have a $15,000,000 unsecured revolving credit agreement with Harris N.A. ("Harris") which will expire 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 July 31, 2010, the variable rates would have been 3.3% for the Harris' prime-based rate or 1.6% for the LIBOR-based rate. The credit agreement contains restrictive covenants that, among other things and under various conditions, 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. As of July 31, 2010 and 2009, there were no outstanding borrowings under this credit facility and we were in compliance with its covenants.

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 at existing facilities and debt service obligations for at least the next 12 months. We expect cash requirements for capital expenditures in fiscal 2011 to be slightly higher than capital expenditures in fiscal 2010. 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.

CONTRACTUAL OBLIGATIONS AND OTHER COMMERCIAL COMMITMENTS

Our capital requirements are subject to change as business conditions warrant and opportunities arise. The following tables summarize our significant contractual obligations and commercial commitments at July 31, 2010 and the effect such obligations are expected to have on liquidity and cash flows in future periods:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Long-Term Debt	$18,300,000	$ 3,500,000	$ 7,400,000	$ 7,000,000	$ 400,000
Interest on Long-Term Debt	2,969,000	1,067,000	1,431,000	459,000	12,000
Capital Leases	81,000	49,000	32,000	--	--
Operating Leases	11,103,000	1,972,000	2,813,000	1,809,000	4,509,000
Unconditional Purchase Obligations	1,988,000	1,988,000	--	--	--
Total Contractual Cash Obligations	$34,441,000	$ 8,576,000	$11,676,000	$ 9,268,000	$ 4,921,000

The unconditional purchase obligations represent forward purchase contracts we have entered into for a portion of our natural gas fuel needs for fiscal 2011. As of July 31, 2010, the remaining purchase obligation was $1,988,000 for 360,000 MMBtu for fiscal 2011. These contracts were entered into in the normal course of business and no contracts were entered into for speculative purposes.

In the third quarter of fiscal 2010, we made a contribution of $922,000 to our defined benefit pension plan. 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 7A "Quantitative and Qualitative Disclosures About Market Risk" below for certain information regarding the potential impact of financial market fluctuations on pension plan assets and future funding contributions.

	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	**Less Than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Other Commercial Commitments	$ 25,070,000	$ 23,044,000	$ 1,750,000	$ 276,000	$ --

The obligations above are open purchase orders primarily for packaging and other ingredients used in our products. The expected timing of payments of 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.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any unconsolidated special purpose entities. As of July 31, 2010, we do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of the financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with the generally accepted accounting principles of the United States. We review our financial reporting and disclosure practices and accounting policies annually to ensure that our financial reporting and disclosures provide accurate and transparent information relative to current economic and business environment. We believe that of our significant accounting policies stated in Note 1 of the Notes to the Consolidated Financial Statements, the policies listed below involve a higher degree of judgment and/or complexity. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates include promotional programs, allowance for doubtful accounts, pension accounting and income taxes. Actual results could differ from these estimates.

Trade Receivables. We recognize trade receivables when the risk of loss and title pass to the customer. We record for an allowance for doubtful accounts based on our historical experience and a periodic review of our accounts receivable, including a review of the overall aging of accounts and analysis of specific accounts. 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 believe our allowance for doubtful accounts is reasonable; however, the unanticipated default by a customer with a material trade receivable could occur. We recorded an allowance for doubtful accounts of $572,000 and $652,000 at July 31, 2010 and 2009, respectively.

Inventories. We value inventories 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 detailed review of our inventory items to determine if an obsolescence reserve adjustment is necessary. The review surveys all of our operating facilities and sales divisions to ensure that both historical issues and new market trends are considered. The obsolescence reserve 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 July 31, 2010 and 2009 were $449,000 and $274,000, respectively.

Reclamation. During the normal course of our mining process we remove overburden (non-usable material) and perform on-going reclamation activities. As overburden is removed from a pit, it is hauled to a previously mined pit and used to refill older sites. This process allows us to continuously reclaim older pits and dispose of overburden simultaneously, therefore minimizing the liability of the reclamation process.

On an annual basis we evaluate our potential reclamation liability in accordance with ASC 410, *Asset Retirement and Environmental Obligations*. As of July 31, 2010 and 2009, we have recorded an estimated net reclamation asset of $498,000 and $430,000, respectively, and a corresponding estimated reclamation liability of $996,000 and $813,000, respectively. These values represent the discounted present value of the estimated future mining reclamation costs at the production plants. The reclamation assets are depreciated over the estimated useful lives of the various mines. The reclamation liabilities are increased based on a yearly accretion charge, once again over the estimated useful lives of the mines.

Accounting for reclamation obligations requires that we make estimates unique to each mining operation of the future costs we will incur to complete the reclamation work required to comply with existing laws and regulations. Actual costs incurred in the future could differ from estimated amounts. Future changes to environmental laws could increase the extent of reclamation work required. Any such increases in future costs could materially impact the amount incurred for reclamation costs.

Impairment of goodwill, trademarks and other intangible assets. We review carrying values of goodwill, trademarks and other indefinite lived intangible assets periodically for possible impairment in accordance ASC 350, *Intangibles – Goodwill and Other.* Our impairment review is based on a discounted cash flow approach that requires significant judgment with respect to volume, revenue, expense growth rates and the selection of an appropriate discount rate. Impairment occurs when the carrying value exceeds the fair value. Our impairment analysis is performed in the first quarter of the fiscal year and we use judgment in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological changes, competitive activities and acts by governments and courts may indicate that an asset has become impaired. Our analysis in the first quarter of fiscal 2010 did not indicate any impairment. We continue to monitor events, circumstances or changes in the business that might imply a reduction in value and might lead to impairment.

Trade Promotions. We routinely commit to one-time or ongoing trade promotion programs in our Retail and Wholesale Products Group. Promotional reserves are provided for sales incentives made directly to consumers, such as coupons, and sales incentives made to customers, such as slotting, discounts based on sales volume, cooperative marketing programs and other arrangements. All such trade promotion costs are netted against sales. Promotional reserves are established based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. To estimate trade promotion reserves, we rely on our historical experience with trade spending patterns and that of the industry, current trends and forecasted data. While we believe our promotional reserves are reasonable and that appropriate judgments have been made, estimated amounts could differ from future obligations. We have accrued liabilities at the end of each period for the estimated trade spending programs. We recorded liabilities of $2,303,000 and $2,033,000 for trade promotions at July 31, 2010 and 2009, respectively.

Stock-Based Compensation. We account for stock options and restricted stock issued under our long term incentive plans in accordance with ASC 718, *Compensation – Stock Compensation.* ASC 718 requires the determination of the fair value of stock-based compensation at the grant date and the recognition in the financial statements of the related compensation expense over the appropriate vesting period. The fair value of stock-based compensation was estimated on the grant date using the Black-Scholes Option Pricing Method. This method requires management to make certain estimates, including estimating the expected term of stock options, expected volatility of our stock and expected dividends. In addition, judgment is required in estimating the amount of stock-based awards that are expected to be forfeited. It could have a material effect on our Consolidated Financial Statements if actual results differ significantly from these estimates or different key assumptions were used. We recognized share-based compensation expense of $251,000 in fiscal 2010 and $332,000 in fiscal 2009, net of related tax effect. These amounts include expense related to stock option grants and restricted stock.

Pension and Postretirement Benefit Costs. We calculate our pension and postretirement health benefit obligations and the related effects on results of operations using actuarial models. To measure the expense and obligations, we must make a variety of estimates including critical assumptions for the discount rate used to value certain liabilities and the expected return on plan assets set aside to fund these costs. We evaluate these critical assumptions at least annually. Other assumptions involving demographic factors, such as retirement age, mortality and turnover, are evaluated periodically and are updated to reflect actual experience. As these assumptions change from period to period, recorded pension and postretirement health benefit amounts and funding requirements could also change. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors.

The discount rate is the rate assumed to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the pension benefits when due. The discount rate is subject to change each year. We refer to an applicable index and the expected duration of the benefit payments to select a discount rate at which we believe the benefits could be effectively settled. The discount rate was the single equivalent rate that would yield the same present value as the plan's expected cashflows discounted with spot rates on a yield curve of investment-grade corporate bonds. The yield curve is the Citigroup Pension Liability Index. Our determination of pension expense or income is based on a market-related valuation of plan assets, which is the fair market value. Our expected rate of return on plan assets is determined based on asset allocations and historical experience. The expected long-term rate of inflation and risk premiums for the various asset categories are based on general historical returns and inflation rates. The target allocation of assets is used to develop a composite rate of return assumption. See Note 9 of the Notes to the Consolidated Financial Statements for additional information.

Income Taxes. Our effective tax rate is based on expected income, statutory tax rates and tax planning opportunities available to us in various jurisdictions in which we operate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions.

We determine our current and deferred taxes in accordance with ASC 740, *Income Taxes*. The tax effect of the expected reversal of tax differences is recorded at rates currently enacted for each jurisdiction in which we operate. To the extent that temporary differences will result in future tax benefit, we must estimate the timing of their reversal and whether taxable operating income in future periods will be sufficient to fully recognize any deferred tax assets. We maintain valuation allowances where it is likely that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in the income tax provision in the period of change. In determining whether a valuation allowance is warranted, we take into account such factors as prior earnings history, expected future earnings and other factors that could affect the realization of deferred tax assets. We recorded valuation allowances for income taxes of $2,909,000 and $3,222,000 at July 31, 2010 and 2009, respectively. The valuation allowance at July 31, 2010 has been established for the full amount of the deferred tax benefit related to our alternative minimum tax credit carryforwards since we believe it is more likely than not that the benefit of these credits will not be realized. See Note 6 of the Notes to the Consolidated Financial Statements for further discussion.

NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Standards

In the first quarter of fiscal 2010, we adopted guidance under ASC 825-10, *Financial Instruments,* which required disclosures about the fair value of financial instruments in interim financial information. We already comply with the provisions of this accounting standard for our annual reporting, therefore, the adoption of this standard had no impact on our Consolidated Financial Statements.

In the first quarter of fiscal 2010, we adopted guidance under ASC 260-10, *Earnings Per Share,* which required unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and to be included in the computation of earnings per share pursuant to the two-class method. Under the provisions of this standard, our unvested restricted stock awards were considered participating securities. Upon adoption we were required to retrospectively adjust earnings per share data to conform to this standard. Accordingly, we have applied this standard for computation of earnings per share for all periods presented. The effect of the retrospective adoption of the new accounting standard on the fiscal year 2009 and 2008 reported EPS data was as follows:

	Basic Common		Basic Class B Common		Diluted	
Year ended July 31,	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated
2009	$ 1.44	$ 1.46	$ 1.17	$ 1.09	$ 1.32	$ 1.33
2008	$ 1.38	$ 1.39	$ 1.11	$ 1.04	$ 1.25	$ 1.25

In the second quarter of fiscal 2010, we adopted the FASB guidance under ASC 855-10, *Subsequent Events.* This guidance amended several definitions and removed the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. The adoption of this guidance resulted in revised disclosures and did not have a material impact on our Consolidated Financial Statements.

In the third quarter of fiscal 2010, we adopted the required portions of FASB guidance under ASC 820-10, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements.* The guidance required enhanced disclosures about valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The guidance also required new disclosures about transfers in and out of Level 1 and Level 2 fair value measurements. The adoption of this guidance required only enhanced disclosures and did not have a material impact on the Consolidated Financial Statements.

On July 31, 2010, we adopted guidance under ASC 715-20, *Compensation – Retirement Benefits,* that required expanded disclosure for employers' pension and other postretirement benefit plan assets fair value measurements, investment policies and strategies for the major categories of plan assets and significant concentrations of risk within plan assets. The adoption of this guidance required only enhanced disclosures, which we provided in Note 9 of the Notes to the Consolidated Financial Statements, and did not have a material impact on the Consolidated Financial Statements.

Recently Issued Accounting Standards

In July 2010, the FASB issued guidance under ASC 310-10, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* that requires new disclosures to provide a greater level of disaggregated information about the credit quality of financing receivables, including credit quality indicators, past due information and modifications of financing receivables. A rollforward schedule of the allowance for credit losses for the reporting period is also required. Adoption of the guidance regarding disclosures as of the end of a reporting period may result in enhanced disclosures beginning with our Quarterly Report on Form 10-Q for the quarter ending January 31, 2011. Adoption of the guidance regarding disclosures about activity that occurs during a reporting period are effective beginning with our Quarterly Report on Form 10-Q for the quarter ending April 30, 2011. Adoption of this guidance may result in enhanced disclosures and will not have a material impact on the Consolidated Financial Statements.

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. Adoption of this guidance may result in enhanced disclosures beginning with our Quarterly Report on Form 10-Q for the quarter ending October 31, 2011 and will not have a material impact on the Consolidated Financial Statements.

ITEM 7A – 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 net 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 immaterial to our Consolidated Financial Statements.

We are exposed to market risk at it relates to the investments of 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 fluids purification, agricultural and animal health 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 contract for a portion of our anticipated fuel needs using forward purchase contracts to mitigate the volatility of our kiln fuel prices. As of July 31, 2010, we have purchased natural gas contracts representing approximately 18% of our planned kiln fuel needs for fiscal 2011. We estimate the weighted average cost of these natural gas contracts in fiscal 2011 to be approximately 10% lower than the contracts in fiscal 2010; however, this average will change if we continue to buy natural gas contracts. All contracts are related to the normal course of business and no contracts are entered into for speculative purposes.

The following table provides information about our natural gas future contracts, which are sensitive to changes in commodity prices, specifically natural gas prices. For the future contracts, 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, 2011. 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 September 30, 2010.

Commodity Price Sensitivity
Natural Gas Future Contracts
For the Year Ending July 31, 2011

	Expected 2011 Maturity	Fair Value
Natural Gas Future Volumes (MMBtu)	360,000	--
Weighted Average Price (Per MMBtu)	$5.52	--
Contract Amount ($ U.S., in thousands)	$1,988	$1,496

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, 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 fiscal 2011 financial results are difficult to make due to the inherent uncertainty of future fluctuations in option contract prices in the natural gas options market.

Please also see Item 1A "Risk Factors" above for a discussion of these and other risks and uncertainties we face in our business.

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSOLIDATED BALANCE SHEETS

ASSETS	July 31, 2010	July 31, 2009
	(in thousands of dollars)	
Current Assets		
Cash and cash equivalents	**$ 18,762**	$ 11,839
Investment in short-term securities	**5,859**	7,998
Accounts receivable, less allowance of $572 and $652 in 2010 and 2009, respectively	**27,178**	29,000
Inventories	**16,023**	17,795
Deferred income taxes	**2,867**	1,080
Prepaid repairs expense	**3,993**	4,345
Prepaid expenses and other assets	**1,507**	1,660
Total Current Assets	**76,189**	73,717
Property, Plant and Equipment		
Buildings and leasehold improvements	**24,513**	24,479
Machinery and equipment	**108,420**	106,385
Office furniture and equipment	**8,886**	8,596
Vehicles	**9,411**	8,949
	151,230	148,409
Less accumulated depreciation and amortization	**(115,115)**	(109,645)
	36,115	38,764
Construction in progress	**10,773**	8,220
Land	**15,614**	12,501
Total Property, Plant and Equipment, Net	**62,502**	59,485
Other Assets		
Goodwill	**5,162**	5,162
Trademarks and patents (Net of accumulated amortization of $357 and $351 in 2010 and 2009, respectively)	**617**	649
Debt issuance costs (Net of accumulated amortization of $524 and $473 in 2010 and 2009, respectively)	**255**	306
Licensing and non-compete agreements (Net of accumulated amortization of $3,611 and $3,361 in 2010 and 2009, respectively)	**1,127**	1,378
Deferred income taxes	**3,981**	4,144
Other	**4,149**	4,420
Total Other Assets	**15,291**	16,059
Total Assets	**$ 153,982**	$ 149,261

The accompanying notes are an integral part of the Consolidated Financial Statements.

	July 31,	
	2010	2009
	(in thousands of dollars)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of notes payable	**$ 3,500**	$ 3,200
Accounts payable	**6,482**	5,304
Dividends payable	**1,043**	994
Accrued expenses		
Salaries, wages and commissions	**7,064**	5,794
Trade promotions and advertising	**2,313**	2,073
Freight	**1,504**	1,073
Other	**5,885**	5,330
Total Current Liabilities	**27,791**	23,768
Noncurrent Liabilities		
Notes payable	**14,800**	18,300
Deferred compensation	**6,818**	5,892
Pension and postretirement benefits	**12,558**	10,491
Other	**1,426**	1,247
Total Noncurrent Liabilities	**35,602**	35,930
Total Liabilities	**63,393**	59,698
Stockholders' Equity		
Common Stock, par value $.10 per share, issued 7,639,922 shares in 2010 and 7,475,171 in 2009	**764**	747
Class B Stock, par value $.10 per share, issued 2,244,217 shares in 2010 and 2,240,201 in 2009	**224**	224
Additional paid-in capital	**25,104**	23,366
Restricted unearned stock compensation	**(156)**	(383)
Retained earnings	**116,917**	111,593
Accumulated Other Comprehensive Income		
Unrealized gain on marketable securities	**67**	40
Pension and postretirement benefits	**(5,310)**	(4,584)
Cumulative translation adjustment	**492**	282
	138,102	131,285
Less treasury stock, at cost (2,558,764 Common and 324,741 Class B shares at July 31, 2010 and 2,282,521 Common and 324,741 Class B shares at July 31, 2009)	**(47,513)**	(41,722)
Total Stockholders' Equity	**90,589**	89,563
Total Liabilities and Stockholders' Equity	**$ 153,982**	$ 149,261

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended July 31,		
	2010	**2009**	**2008**
	(in thousands, except for per share data)		
Net Sales	**$ 219,050**	$ 236,245	$ 232,359
Cost of Sales	**(169,362)**	(186,861)	(186,289)
Gross Profit	**49,688**	49,384	46,070
Selling, General and Administrative Expenses	**(36,139)**	(34,801)	(33,340)
Income from Operations	**13,549**	14,583	12,730
Other Income (Expense)			
Interest income	**126**	365	1,070
Interest expense	**(1,345)**	(1,910)	(2,189)
Foreign exchange (losses) gains	**(213)**	(324)	165
Other, net	**697**	595	399
Total Other Expense, Net	**(735)**	(1,274)	(555)
Income Before Income Taxes	**12,814**	13,309	12,175
Income Taxes	**(3,356)**	(3,723)	(3,136)
Net Income	**$ 9,458**	$ 9,586	$ 9,039
Net Income Per Share			
Basic Common	**$ 1.42**	$ 1.46	$ 1.39
Basic Class B Common	**$ 1.07**	$ 1.09	$ 1.04
Diluted	**$ 1.30**	$ 1.33	$ 1.25
Average Shares Outstanding			
Basic Common	**5,203**	5,146	5,068
Basic Class B Common	**1,891**	1,874	1,854
Diluted	**7,275**	7,200	7,152

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND OTHER COMPREHENSIVE INCOME

	Number of Shares		(in thousands of dollars)						
	Common & Class B Stock	Treasury Stock	Common & Class B Stock	Additional Paid-In Capital	Retained Earnings	Restricted Unearned Stock Compensation	Treasury Stock	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity
Balance, July 31, 2007	**9,504,705**	**(2,610,967)**	**$ 950**	**$ 20,150**	**$ 100,503**	**$ (991)**	**$ (41,793)**	**$ 1,423**	**$ 80,242**
Net Income					9,039				9,039
Cumulative Translation Adjustments								105	105
Unrealized gain on marketable securities			--	--	--	--	--	9	9
Unrecognized actuarial gain/loss, prior service cost and transition liability			--	--	--	--	--	(978)	(978)
Total Comprehensive Income									8,175
Dividends Declared			--	--	(3,463)	--	--	--	(3,463)
Purchases of Treasury Stock		(1,114)	--	--	--	--	(20)	--	(20)
Issuance of Stock Under Long-Term Incentive Plans	127,308	25,398	13	1,171	(113)	--	407	--	1,478
Share-based Compensation			--	897	--	--	--	--	897
Amortization of Restricted Stock			--	--	--	317	--	--	317
Balance, July 31, 2008	**9,632,013**	**(2,586,683)**	**$ 963**	**$ 22,218**	**$105,966**	**$ (674)**	**$ (41,406)**	**$ 559**	**$ 87,626**
Net Income			--	--	9,586	--	--	--	9,586
Cumulative Translation Adjustments			--	--	--	--	--	(330)	(330)
Unrealized loss on marketable Securities			--	--	--	--	--	(28)	(28)
Unrecognized actuarial gain/loss, prior service cost and transition liability			--	--	--	--	--	(4,463)	(4,463)
Total Comprehensive Income									4,765
Dividends Declared			--	--	(3,759)	--	--	--	(3,759)
Purchases of Treasury Stock		(41,579)	--	--	--	--	(656)	--	(656)
Issuance of Stock Under Long-Term Incentive Plans	83,359	21,000	8	662	(200)	--	340	--	810
Share-based Compensation			--	486	--	--	--	--	486
Amortization of Restricted Stock			--	--	--	291	--	--	291
Balance, July 31, 2009	**9,715,372**	**(2,607,262)**	**$ 971**	**$ 23,366**	**$ 111,593**	**$ (383)**	**$ (41,722)**	**$ (4,262)**	**$ 89,563**
Net Income			--	--	9,458	--	--	--	9,458
Cumulative Translation Adjustments			--	--	--	--	--	210	210
Unrealized gain on marketable Securities			--	--	--	--	--	27	27
Unrecognized actuarial gain/loss, prior service cost and transition liability			--	--	--	--	--	(726)	(726)
Total Comprehensive Income									8,969
Dividends Declared			--	--	(4,041)	--	--	--	(4,041)
Purchases of Treasury Stock		(288,243)	--	--	--	--	(5,988)	--	(5,988)
Issuance of Stock Under Long-Term Incentive Plans	168,767	12,000	17	1,319	(93)	(78)	197	--	1,362
Share-based Compensation			--	419	--	--	--	--	419
Amortization of Restricted Stock			--	--	--	305	--	--	305
Balance, July 31, 2010	**9,884,139**	**(2,883,505)**	**$ 988**	**$ 25,104**	**$ 116,917**	**$ (156)**	**$ (47,513)**	**$ (4,751)**	**$ 90,589**

The accompanying notes are an integral part of the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended July 31,		
	2010	**2009**	**2008**
Cash Flows from Operating Activities		(in thousands of dollars)	
Net Income	**$ 9,458**	$ 9,586	$ 9,039
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**7,371**	7,406	7,455
Amortization of investment discounts	**(9)**	(119)	(692)
Non-cash stock compensation expense	**340**	460	902
Excess tax benefits for share-based payments	**(383)**	(314)	(313)
Deferred income taxes	**(1,763)**	(2,239)	(347)
Provision for bad debts	**(62)**	29	88
Loss on the sale of property, plant and equipment	**45**	59	221
(Increase) decrease in:			
Accounts receivable	**1,884**	2,354	(3,538)
Inventories	**1,772**	(51)	(2,507)
Prepaid expenses	**505**	(1,135)	(555)
Other assets	**466**	(157)	(1,026)
Increase (decrease) in:			
Accounts payable	**1,702**	(1,773)	1,438
Accrued expenses	**2,496**	(1,841)	(200)
Deferred compensation	**926**	394	742
Other liabilities	**1,468**	3,155	634
Total Adjustments	**16,758**	6,228	2,302
Net Cash Provided by Operating Activities	**26,216**	15,814	11,341
Cash Flows from Investing Activities			
Capital expenditures	**(10,413)**	(15,253)	(7,302)
Purchase of strategic intangible assets	**--**	--	(1,300)
Proceeds from sale of property, plant and equipment	**375**	27	43
Purchases of investment in short-term securities	**(21,852)**	(80,963)	(95,831)
Dispositions of investment in short-term securities	**24,000**	94,000	93,500
Net Cash Used in Investing Activities	**(7,890)**	(2,189)	(10,890)
Cash Flows from Financing Activities			
Principal payments on notes payable	**(3,200)**	(5,580)	(4,080)
Dividends paid	**(3,992)**	(3,684)	(3,377)
Purchase of treasury stock	**(5,988)**	(656)	(20)
Proceeds from issuance of treasury stock	**103**	140	293
Proceeds from issuance of common stock	**1,258**	526	1,184
Excess tax benefits for share-based payments	**383**	314	313
Other, net	**122**	(142)	21
Net Cash Used in Financing Activities	**(11,314)**	(9,082)	(5,666)
Effect of exchange rate changes on cash and cash equivalents	**(89)**	448	(70)
Net Increase (Decrease) in Cash and Cash Equivalents	**6,923**	4,991	(5,285)
Cash and Cash Equivalents, Beginning of Year	**11,839**	6,848	12,133
Cash and Cash Equivalents, End of Year	**$ 18,762**	$ 11,839	$ 6,848

The accompanying notes are an integral part of the Consolidated Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of Oil-Dri Corporation of America and its subsidiaries, all of which are wholly-owned. All significant intercompany balances and transactions have been eliminated from the Consolidated Financial Statements.

MANAGEMENT USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents are highly liquid investments with maturities of three months or less when purchased.

INVESTMENT IN SHORT-TERM SECURITIES

The composition of investment in short-term securities as of July 31, 2010 and 2009 was as follows:

	2010	2009
	(in thousands)	
U.S. Treasury securities	**$ 4,000**	$ 7,998
Debt securities	**1,259**	--
Certificates of deposit	**600**	--
	$ 5,859	$ 7,998

We intend and have the ability to hold these investments to maturity; therefore, these investments are reported at amortized cost on the Consolidated Balance Sheets.

TRADE RECEIVABLES

We recognize trade receivables when the risk of loss and title pass to the customer. We record an allowance for doubtful accounts based on our historical experience and a periodic review of our accounts receivable, including a review of the overall aging of accounts and analysis of specific accounts. 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 retain outside collection agencies to facilitate our collection efforts. Past due status is determined based on contractual terms and customer payment history.

CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of short-term investments and accounts receivable. We place our investments in government-backed instruments, both domestic and Canadian, and with other quality institutions. Concentrations of credit risk with respect to accounts receivable are subject to the financial condition of certain major customers, principally the customer referred to in Note 3 of the Notes to the Consolidated Financial Statements. We generally do not require collateral to secure customer receivables; however, we require letters of credit for some foreign customers or we purchase insurance to reduce our risk.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES

We value inventories at the lower of cost (first-in, first-out) or market. We recorded inventory obsolescence reserves of approximately $449,000 and $274,000 as of July 31, 2010 and 2009, respectively. The composition of inventories as of July 31, 2010 and 2009 was as follows:

	2010	2009
	(in thousands)	
Finished goods	**$ 9,834**	$ 10,568
Packaging	**3,051**	3,474
Other	**3,138**	3,753
	$ 16,023	$ 17,795

TRANSLATION OF FOREIGN CURRENCIES

Assets and liabilities of foreign subsidiaries, where the local currency is the functional currency, are translated at the exchange rates in effect at period end. Income statement items are translated at the average exchange rate on a monthly basis. Resulting translation adjustments are recorded as a separate component of stockholders' equity.

INTANGIBLES AND GOODWILL

We amortize intangibles on a straight-line basis over periods ranging from three to 17 years. We periodically review intangibles and goodwill to assess recoverability from projected discounted cash flows of the related operating entities. Our review is based on discounted cash flow and other approaches that require significant judgment with respect to volume, revenue, expense growth rates and the selection of an appropriate discount rate. Impairment occurs when the carrying value exceeds the fair value. Our impairment analysis is performed in the first quarter of the fiscal year and when indicators such as unexpected adverse economic factors, unanticipated technological changes, competitive activities and acts by governments and courts may indicate that an asset has become impaired.

Our estimated intangible amortization expense for the next five fiscal years is as follows (in thousands):

2011………..	**$ 319**
2012………..	**$ 317**
2013………..	**$ 314**
2014………..	**$ 287**
2015………..	**$ 220**

OVERBURDEN REMOVAL AND MINING COSTS

We mine sorbent materials on property that we either own or lease as part of our overall operations. 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 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 and amortize the pre-production overburden removal costs associated with opening a new mine.

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 may be offset against future royalties due upon extraction of the mineral are also capitalized. All exploration related costs are expensed as incurred.

RECLAMATION

We perform ongoing reclamation activities during the normal course of our overburden removal activities. As overburden is removed from a pit, it is hauled to previously mined pits and used to refill older sites. This process

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

allows us to continuously reclaim older pits and dispose of overburden simultaneously, therefore minimizing the liability for the reclamation function.

On an annual basis we evaluate our potential reclamation liability in accordance with ASC 410, *Asset Retirement and Environmental Obligations.* The reclamation assets are depreciated over the estimated useful lives of the various mines. The reclamation liabilities are increased based on a yearly accretion charge over the estimated useful lives of the mines.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are generally depreciated using the straight-line method over their estimated useful lives which are listed below. Major improvements and betterments are capitalized, while maintenance and repairs that do not extend the useful life of the applicable assets are expensed as incurred.

	Years
Buildings and leasehold improvements	5 - 30
Machinery and equipment	
Packaging	2 - 20
Processing	3 - 20
Mining and Other	3 - 15
Office furniture, computers and equipment	2 - 10
Vehicles	2 - 8

Property, plant and equipment are reviewed for possible impairment on an annual basis. We review for idle and underutilized equipment and review business plans for possible impairment. When impairment is indicated, an impairment charge is recorded for the difference between the carrying value of the asset and its fair market value.

TRADE PROMOTIONS

We routinely commit to one-time or ongoing trade promotion programs primarily in our Retail and Wholesale Products Group. All such costs are netted against sales. We have accrued liabilities at the end of each period for the estimated expenses incurred, but not paid for these programs. Promotional reserves are provided for sales incentives made directly to consumers, such as coupons, and sales incentives made to customers, such as slotting, discounts based on sales volume, cooperative marketing programs and other arrangements. We use judgment for estimates to determine our trade spending liabilities. We rely on our historical experience with trade spending patterns and that of the industry, current trends and forecasted data.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Non-derivative financial instruments included in the Consolidated Balance Sheets are cash and cash equivalents, investment in short-term securities, cash surrender value of life insurance policies and notes payable. These instruments, except for notes payable, were carried at amounts approximating fair value as of July 31, 2010 and 2009. The investment in short-term securities includes U.S. Treasury securities, certificates of deposit and debt securities. We intend and have the ability to hold our investment in short-term securities to maturity; therefore, these investments are reported at amortized cost, which was approximately equal to fair value.

The fair value of notes payable was more than its carrying value by approximately \$95,000 as of July 31, 2010 and by approximately \$23,000 as of July 31, 2009. The fair value of notes payable was estimated based on future cash flows discounted at current interest rates available to us for debt with similar maturities and characteristics. See Note 5 of the Notes to the Consolidated Financial Statements for additional information regarding assets and liabilities recorded at fair value.

REVENUE RECOGNITION

Under the terms of our sales agreements with customers, we recognize revenue when risk of loss and title are transferred. An invoice is generated at the time of shipment based on a fixed and determinable price. Sales returns and allowances are not material.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COST OF SALES

Cost of sales includes all manufacturing costs, including depreciation and amortization related to assets used in the manufacturing and distribution process, inbound and outbound freight, inspection costs, purchasing costs associated with materials and packaging used in the production process and warehouse and distribution costs.

SHIPPING AND HANDLING COSTS

Shipping and handling costs are included in cost of sales and were approximately $36,101,000, $40,465,000, and $42,567,000 for the years ended July 31, 2010, 2009 and 2008, respectively.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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.

RESEARCH AND DEVELOPMENT

Research and development costs of approximately $1,826,000, $2,099,000, and $2,497,000 were charged to expense as incurred for the years ended July 31, 2010, 2009 and 2008, respectively.

ADVERTISING COSTS

Advertising costs include printed materials, participation in industry conventions and shows and market research. Advertising costs for print media are expensed when the advertising occurs. All other advertising costs are expensed when incurred. All advertising costs are part of selling, general and administrative expenses. Advertising expenses were approximately $2,102,000, $2,158,000, and $1,054,000 for the years ended July 31, 2010, 2009 and 2008, respectively.

PENSION AND POSTRETIREMENT BENEFIT COSTS

We provide a defined benefit pension plan for eligible salaried and hourly employees and we make contributions to fund the plan. We also provide a postretirement health benefit plan to domestic salaried employees who qualify under the plan's provisions. The postretirement health benefit plan is unfunded. Our pension and postretirement health benefit plans are accounted for using actuarial valuations required by ASC 715, *Compensation – Retirement Benefits*. The funded status of our defined pension and postretirement health benefit plans are recognized on the Consolidated Balance Sheets. Changes in the funded status that arise during the period but are not recognized as components of net periodic benefit cost are recognized within other comprehensive income, net of income tax. See Note 9 of the Notes to the Consolidated Financial Statements for additional information.

STOCK-BASED COMPENSATION

We account for stock options and restricted stock issued under our long term incentive plans in accordance with ASC 718, *Compensation – Stock Compensation*. The fair value of stock-based compensation is determined at the grant date. The related compensation expense is recognized over the appropriate vesting period. See Note 8 of the Notes to the Consolidated Financial Statements for additional information.

INCOME TAXES

Deferred income tax assets and liabilities are recorded for the impact of temporary differences between the tax basis of assets and liabilities and the amounts recognized for financial reporting purposes. Deferred tax assets are reviewed and a valuation allowance is established if management believes that it is more likely than not that some portion of our deferred tax assets will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to valuation allowances, we provide for uncertain tax positions when such tax positions do not meet the recognition thresholds or measurement standards prescribed by ASC 740, *Income Taxes*. Amounts for uncertain tax positions are adjusted when new information becomes available or when positions are effectively settled. We recognize interest and penalties accrued related to uncertain tax positions in income tax (benefit) expense.

U.S. income tax expense and foreign withholding taxes are provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. Where unremitted foreign earnings are indefinitely reinvested, no provision for federal or state tax expense is recorded. When circumstances change and we determine that some or all of the undistributed earnings will be remitted in the foreseeable future, a corresponding expense is accrued in the current period. See Note 6 of the Notes to the Consolidated Financial Statements for additional information about income taxes.

NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Standards

In the first quarter of fiscal 2010, we adopted guidance under ASC 825-10, *Financial Instruments,* which required disclosures about the fair value of financial instruments in interim financial information. We already comply with the provisions of this accounting standard for our annual reporting, therefore, the adoption of this standard had no impact on our Consolidated Financial Statements.

In the first quarter of fiscal 2010, we adopted guidance under ASC 260-10, *Earnings Per Share,* which required unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and to be included in the computation of earnings per share pursuant to the two-class method. Under the provisions of this standard, our unvested restricted stock awards were considered participating securities. Upon adoption we were required to retrospectively adjust earnings per share data to conform to this standard. Accordingly, we have applied this standard for computation of earnings per share for all periods presented. The effect of the retrospective adoption of the new accounting standard on the fiscal year 2009 and 2008 reported EPS data was as follows:

	Basic Common		Basic Class B Common		Diluted	
Year ended July 31,	As previously reported	As restated	As previously reported	As restated	As previously reported	As restated
2009	$ 1.44	$ 1.46	$ 1.17	$ 1.09	$ 1.32	$ 1.33
2008	$ 1.38	$ 1.39	$ 1.11	$ 1.04	$ 1.25	$ 1.25

In the second quarter of fiscal 2010, we adopted the FASB guidance under ASC 855-10, *Subsequent Events.* This guidance amended several definitions and removed the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. The adoption of this guidance resulted in revised disclosures and did not have a material impact on our Consolidated Financial Statements.

In the third quarter of fiscal 2010, we adopted the required portions of FASB guidance under ASC 820-10, *Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements.* The guidance required enhanced disclosures about valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The guidance also required new disclosures about transfers in and out of Level 1 and Level 2 fair value measurements. The adoption of this guidance required only enhanced disclosures and did not have a material impact on the Consolidated Financial Statements.

On July 31, 2010, we adopted guidance under ASC 715-20, *Compensation – Retirement Benefits,* that required expanded disclosure for employers' pension and other postretirement benefit plan assets fair value measurements, investment policies and strategies for the major categories of plan assets and significant concentrations of risk within plan assets. The adoption of this guidance required only enhanced disclosures, which we provided in Note 9 of the Notes to the Consolidated Financial Statements, and did not have a material impact on the Consolidated Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards

In July 2010, the FASB issued guidance under ASC 310-10, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* that requires new disclosures to provide a greater level of disaggregated information about the credit quality of financing receivables, including credit quality indicators, past due information and modifications of financing receivables. A rollforward schedule of the allowance for credit losses for the reporting period is also required. Adoption of the guidance regarding disclosures as of the end of a reporting period may result in enhanced disclosures beginning with our Quarterly Report on Form 10-Q for the quarter ending January 31, 2011. Adoption of the guidance regarding disclosures about activity that occurs during a reporting period are effective beginning with our Quarterly Report on Form 10-Q for the quarter ending April 30, 2011. Adoption of this guidance may result in enhanced disclosures and will not have a material impact on the Consolidated Financial Statements.

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. Adoption of this guidance may result in enhanced disclosures beginning with our Quarterly Report on Form 10-Q for the quarter ending October 31, 2011 and will not have a material impact on the Consolidated Financial Statements.

NOTE 2 – SPECIAL CHARGES, FEES AND CHANGES IN ACCOUNTING ESTIMATES

COST OF SALES

In fiscal 2008, we recorded an $831,000 pre-tax reduction to our cost of sales from the sale to an unaffiliated third party of emission reduction credits we held in the State of California. We do not need these credits to operate our California mining and manufacturing facility.

The results of operations for fiscal 2010 included an increase in cost of sales of approximately $400,000 related to an overstatement of supplies inventory at one of our manufacturing facilities as of July 31, 2009. The overstatement of inventory had accumulated over a number of years and was the result of alleged theft. This increase was offset by expected insurance proceeds, which were received in the third quarter of fiscal 2010; therefore, there was no impact to net income. We have determined that the adjustment to supplies inventory was not material to fiscal 2010 or any previously reported period.

NOTE 3 – OPERATING SEGMENTS

We have two reportable operating segments derived from the different characteristics of our two major customer groups: Retail and Wholesale Products Group and Business to Business Products Group. 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 the Note 1 of the Notes to the Consolidated Financial Statements.

We do not rely on any 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 represents certain unallocated expenses, including 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 annual incentive plan bonus accrual.

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

	July 31,		
	Assets		
	2010	**2009**	**2008**
	(in thousands)		
Business to Business Products……..	**$ 45,362**	$ 42,581	$ 38,026
Retail and Wholesale Products…….	**65,659**	69,300	66,838
Unallocated Assets…………………	**42,961**	37,380	44,124
Total Assets………………………...	**$153,982**	$149,261	$148,988

	Year Ended July 31,					
	Net Sales			Income		
	2010	**2009**	**2008**	**2010**	**2009**	**2008**
	(in thousands)					
Business to Business Products………………	**$ 77,423**	$ 76,049	$ 75,048	**$ 19,797**	$ 14,948	$ 15,782
Retail and Wholesale Products………………	**141,627**	160,196	157,311	**11,797**	17,007	14,973
Total Sales/Operating Income……………	**$ 219,050**	$ 236,245	$ 232,359	**31,594**	31,955	30,755
Less:						
Corporate Expenses………				**17,561**	17,101	17,461
Interest Expense, Net of Interest Income………				**1,219**	1,545	1,119
Income before Income Taxes………				**12,814**	13,309	12,175
Income Taxes Provision………				**(3,356)**	(3,723)	(3,136)
Net Income.………				**$ 9,458**	$ 9,586	$ 9,039

The following is a summary of financial information by geographic region for the years ended July 31:

	2010	**2009**	**2008**
		(in thousands)	
Sales to unaffiliated customers:			
Domestic	**$ 205,322**	$ 222,798	$ 214,772
Foreign subsidiaries	**$ 13,728**	$ 13,447	$ 17,587
Sales or transfers between geographic areas:			
Domestic	**$ 4,830**	$ 6,102	$ 7,050
Income (Loss) before income taxes:			
Domestic	**$ 13,318**	$ 13,812	$ 10,939
Foreign subsidiaries	**$ (504)**	$ (503)	$ 1,236
Net Income (Loss):			
Domestic	**$ 9,977**	$ 10,145	$ 8,154
Foreign subsidiaries	**$ (519)**	$ (559)	$ 885
Identifiable assets:			
Domestic	**$ 144,558**	$ 139,569	$ 138,131
Foreign subsidiaries	**$ 9,424**	$ 9,692	$ 10,857

Our largest customer accounted for the following percentage of consolidated net sales and net accounts receivable:

	2010	**2009**	**2008**
Net sales for the years ended July 31	**20%**	26%	25%
Net accounts receivable as of July 31	**32%**	38%	33%

NOTE 4 – NOTES PAYABLE

The composition of notes payable at July 31 is as follows:

	2010	2009
	(in thousands)	
Prudential Financial Payable in annual principal installments on April 15: $2,000 in fiscal 2011 and $1,500 in fiscal 2012 and 2013. Interest is payable semiannually at an annual rate of 6.55%	**$ 5,000**	$ 8,000
The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company Payable in annual principal installments on October 15: $1,500 in fiscal 2011; $2,100 in fiscal 2012; $2,300 in fiscal 2013; $3,500 in fiscal 2014; $3,500 in fiscal 2015; and $400 in fiscal 2016. Interest is payable semiannually at an annual rate of 5.89%	**13,300**	13,500
	$18,300	$ 21,500
Less current maturities of notes payable	**(3,500)**	(3,200)
	$ 14,800	$ 18,300

We sold at face value $15,000,000 in senior promissory notes to The Prudential Insurance Company of America and to Prudential Retirement Insurance and Annuity Company pursuant to a Note Agreement dated December 16, 2005. The notes bear interest at 5.89% per annum and mature on October 15, 2015. The proceeds of the sale may be used to fund future principal payments on debt, acquisitions, stock repurchases, and capital expenditures and for working capital purposes. The Note Agreement contains certain covenants that restrict our ability to, among other things, incur additional indebtedness, dispose of assets and merge or consolidate. The Note Agreement also requires a minimum fixed coverage ratio and a minimum consolidated net worth to be maintained.

We have a $25,000,000 Note Purchase Agreement with Prudential Financial. This agreement includes a fixed charges ratio covenant of 1.50 to 1.00. An additional interest charge of 0.25% will be incurred for any fiscal quarter end for which the fixed charge coverage ratio is less than required amount.

We have a $15,000,000 unsecured revolving credit agreement with Harris N.A. ("Harris") effective until December 31, 2011. The credit agreement with Harris 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. As of July 31, 2010 and 2009, there were no outstanding borrowings under this credit facility. At July 31, 2010, the variable rates would have been 3.3% for the Harris' prime-based rate or 1.6% for the LIBOR-based rate. At July 31, 2009, the variable rates would have been 3.3% for the Harris' prime-based rate or 1.9% for the LIBOR-based rate. The credit agreement contains restrictive covenants that, among other things and under various conditions, 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.

On July 12, 2006, Favorite Products Company, Ltd., a wholly-owned subsidiary, entered into a credit agreement with the National Bank of Canada that is effective until July 31, 2011. At July 31, 2010, the agreement provided up to $300,000 (Canadian dollars) in committed unsecured revolving credit loans. The interest rate on any outstanding borrowings would be based on the Canadian prime rate. The agreement also contains restrictive covenants that require Favorite Products to maintain a minimum working capital ratio and a maximum debt to equity ratio. As of July 31, 2010, there were no outstanding borrowings against this agreement.

NOTE 4 – NOTES PAYABLE (CONTINUED)

The agreements with Prudential Financial and Harris impose working capital requirements, dividend and financing limitations, minimum tangible net worth requirements and other restrictions. Our credit agreement with Harris indirectly restricts dividends by requiring us to maintain consolidated net worth, as defined, of about $56,760,000 plus 25% of cumulative quarterly earnings from January 31, 2006.

Our debt agreements also contain provisions such that if we default on one debt agreement, the others will automatically default. If we default on any guaranteed debt with a balance greater than $1,000,000, our unsecured revolving credit agreement with Harris will be considered in default. If we default on any debt with a balance greater than $5,000,000 we will also be considered in default on the note agreement with Prudential Financial and with the promissory notes to The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company.

We were in compliance with all restrictive covenants and limitations at July 31, 2010.

The following is a schedule by fiscal year of future maturities of notes payable as of July 31, 2010 (in thousands):

2011	**$ 3,500**
2012	**3,600**
2013	**3,800**
2014	**3,500**
Later years	**3,900**
	$ 18,300

NOTE 5 – FAIR VALUE

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. Categories in the hierarchy are:

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 both unobservable and significant to the overall fair value measurement. 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 reported at fair value by level within the fair value hierarchy:

	Fair Value at July 31, 2010 (in thousands)		
	Total	**Level 1**	**Level 2**
Assets			
Cash equivalents………………………….........	$ 11,296	$11,296	$ --
Marketable equity securities…………………	70	70	--
Cash surrender value of life insurance………	3,836	--	3,836

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.

NOTE 5 – FAIR VALUE (CONTINUED)

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 assets on the 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 July 31, 2010. The cash surrender value of life insurance is included in other assets on the 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 intend and have the ability to hold our investment in short-term securities to maturity; therefore, these investments were reported at amortized cost on the Consolidated Balance sheets, which approximated fair value as of July 31, 2010, and these balances are excluded from the above table.

Accounts receivable and accounts payable balances on the Consolidated Balance Sheets approximate their fair values at July 31, 2010 and 2009 due to the short maturity and nature of those balances; therefore, these balances are excluded from the above table.

NOTE 6 – INCOME TAXES

The provision for income tax expense at July 31 consists of the following:

	2010	2009	2008
		(in thousands)	
Current			
Federal	**$ 3,529**	$ 2,708	$ 2,349
Foreign	**22**	47	327
State	**1,046**	497	415
	4,597	3,252	3,091
Deferred			
Federal	**(939)**	479	17
Foreign	**(7)**	9	23
State	**(295)**	(17)	5
	(1,241)	471	45
Total Income Tax Provision	**$ 3,356**	$ 3,723	$ 3,136

Principal reasons for variations between the statutory federal rate and the effective rates for the years ended July 31 were as follows:

	2010	2009	2008
U.S. federal income tax rate	**34.0%**	34.0%	34.0%
Depletion deductions allowed for mining	**(9.2)**	(9.5)	(10.6)
State Income tax expense, net of federal tax expense	**3.9**	2.4	2.3
Difference in effective tax rate of foreign subsidiaries	**1.3**	1.4	--
Empowerment zone credits	**(1.2)**	(0.3)	(0.9)
Valuation allowance release	**(3.6)**	--	--
Other	**1.0**	--	1.0
	26.2%	28.0%	25.8%

NOTE 6 – INCOME TAXES (CONTINUED)

The Consolidated Balance Sheets as of July 31 included the following tax effects of cumulative temporary differences:

	2010		2009	
	Assets	**Liabilities**	**Assets**	**Liabilities**
		(in thousands)		
Depreciation	**$ --**	**$ 3,708**	$ --	$ 2,469
Deferred compensation	**3,006**	**--**	2,581	--
Postretirement benefits	**4,444**	**--**	3,661	--
Allowance for doubtful accounts	**245**	**--**	260	--
Other assets	**139**	**--**	104	--
Accrued expenses	**2,313**	**--**	595	--
Tax credits	**3,201**	**--**	3,544	--
Amortization	**--**	**194**	--	129
Inventories	**309**	**--**	225	--
Depletion	**--**	**576**	--	599
Stock compensation expense	**510**	**--**	656	--
Reclamation and other	**189**	**--**	145	--
Other assets – foreign	**--**	**121**	--	128
	14,356	**4,599**	11,771	3,325
Valuation allowance	**(2,909)**	**--**	(3,222)	--
Total deferred taxes	**$ 11,447**	**$ 4,599**	$ 8,549	$ 3,325

As of July 31, 2010, we had alternative minimum tax ("AMT") credit carryforwards for federal income tax purposes of approximately $2,909,000, which can be carried forward indefinitely or until utilized. A number of factors determine whether or not we will be able to utilize the AMT credit carryforwards. We believe it is more likely than not that we will not realize a benefit from the carryforwards; therefore, a valuation allowance has been established for the full amount of the deferred tax benefit related to the AMT tax credits.

Historically, no provision had been made for possible income taxes which may be paid on the distribution of untaxed earnings of foreign subsidiaries of approximately $5,302,000 as of July 31, 2010. No provision was required as substantially all such amounts were intended to be indefinitely invested in the subsidiaries or to be handled in such a way that no additional income taxes would be incurred when such earnings are distributed.

During fiscal 2010, we increased our liability for unrecognized tax benefits ("UTBs") based on tax positions related to the current and prior fiscal years. Reconciliations of the beginning and ending amount of UTBs for the years ended July 31 were as follows:

	2010	2009	2008
		(in thousands)	
Gross balance – beginning of year	**$ 200**	$ 200	$ 200
Additions related to current/prior year tax positions	**443**	--	--
Gross balance – end of year	**$ 643**	$ 200	$ 200

The amount of UTBs that, if recognized as of July 31, 2010, would affect our effective tax rate was $550,000. We are subject to U.S. federal income tax as well as income tax in multiple state and foreign jurisdictions. Our federal income tax return for the fiscal years ended July 31, 2008 and July 31, 2009 remain open for future examination. Foreign and U.S. state jurisdictions have statutes of limitations generally ranging from 3 to 5 years. The state impact of any federal income tax changes remains subject to examination by various states for a period of up to one year after formal notification to the states. There are no material open or unsettled federal, state, local or foreign income tax audits. We believe our accrual for tax liabilities is adequate for all open audit years. On the basis of present information, it is reasonably possible that, within the next twelve months, total UTBs may decrease in the range of nil to $370,000 primarily as a result of the conclusion of U.S. federal and state income tax proceedings.

NOTE 6 – INCOME TAXES (CONTINUED)

We classify interest and penalty accruals related to UTBs as income tax expense. During fiscal 2010, we recognized an immaterial amount of interest and penalties. As of July 31, 2010, we had accrued $87,000 for the payment of interest and penalties.

NOTE 7 – STOCKHOLDERS' EQUITY

Our authorized capital stock at July 31, 2010 and 2009 consisted of 15,000,000 shares of Common Stock, 7,000,000 shares of Class B Stock and 30,000,000 shares of Class A Common Stock, each with a par value of $.10 per share. There are no Class A Common Stock shares currently outstanding.

The Common Stock and Class B Stock are equal, on a per share basis, in all respects except as to voting rights, conversion rights, cash dividends and stock splits or stock dividends. The Class A Common Stock is equal, on a per share basis, in all respects, to the Common Stock except as to voting rights and stock splits or stock dividends. In the case of voting rights, Common Stock is entitled to one vote per share and Class B Stock is entitled to ten votes per share, while Class A Common Stock generally has no voting rights. Common Stock and Class A Common Stock have no conversion rights. Class B Stock is convertible on a share-for-share basis into Common Stock at any time and is subject to mandatory conversion under certain circumstances.

Common Stock is entitled to cash dividends, as and when declared or paid, equal to at least 133 1/3% on a per share basis of the cash dividend paid on Class B Stock. Class A Common Stock is entitled to cash dividends on a per share basis equal to the cash dividend on Common Stock. Additionally, while shares of Common Stock, Class A Common Stock and Class B Stock are outstanding, the sum of the per share cash dividend paid on shares of Common Stock and Class A Common Stock, must be equal to at least 133 1/3% of the sum of the per share cash dividend paid on Class B Stock and Class A Common Stock. See Note 4 regarding dividend restrictions.

Shares of Common Stock, Class A Common Stock and Class B Stock are equal in respect of all rights to dividends (other than cash) and distributions in the form of stock or other property (including stock dividends and split-ups) in each case in the same ratio except in the case of a Special Stock Dividend. The Special Stock Dividend, which can be issued only once, is either a dividend of one share of Class A Common Stock for each share of Common Stock and Class B Stock outstanding or a recapitalization, in which half of each outstanding share of Common Stock and Class B Stock would be converted into a half share of Class A Common Stock.

Our Board of Directors has authorized in the aggregate the repurchase of 3,166,771 shares of the Company stock. As of July 31, 2010, 2,590,530 shares of Common Stock and 342,241 shares of Class B Stock have been repurchased under the Board approved repurchase authorizations and 146,545 shares of Common Stock by other transactions authorized by management prior to the adoption of the Board's repurchase authorizations.

NOTE 8 – STOCK-BASED COMPENSATION

We determined the fair value of stock options and restricted stock issued under our long term incentive plans as of the grant date. We recognized 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.

The fair value of the stock options was estimated on the date of the grant using a Black-Scholes option valuation model that used various assumptions. The risk free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant. Expected life (estimated period of time outstanding) of a grant was determined by reference to the vesting schedule, past exercise behavior and comparison with other reporting companies. The dividend rate at the date of grant was used as the best estimate of future dividends. Expected volatility was determined by calculating the standard deviation of our stock price for the five years immediately prior to the grant date. This period of time closely resembles the expected term. All options currently outstanding have a term of 10 years. All stock options issued under our plans have an exercise price equal to the closing market price on the date of grant.

NOTE 8 – STOCK-BASED COMPENSATION (CONTINUED)

STOCK OPTIONS

Our 1995 Long Term Incentive Plan ("1995 Plan") provided for grants of both incentive and non-qualified stock options and restricted stock. Stock options were granted 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 vest 25% two years after the grant date and 25% in each of the three following anniversaries of the grant date. The 1995 Plan expired for purposes of issuing new grants on August 5, 2005. All shares of stock issued upon option exercises under this plan were from authorized but unissued stock; all shares of restricted stock issued were 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, 95,182 shares of restricted stock 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 directors, who are considered employees, 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 48,250 shares outstanding and no shares are available for future grants under this plan. All shares of stock issued under the Directors' Plan were from treasury stock.

EQUITY COMPENSATION PLAN INFORMATION AS OF JULY 31, 2010

Plan category	Number of securities to be issued upon exercise of outstanding options (in thousands) (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for further issuance under equity compensation plans (excluding securities reflected in column (a)) (in thousands) (c)
Equity compensation plans approved by stockholders	279	$ 10.09	785
Equity compensation plans not approved by stockholders	48	$ 8.61	--

A summary of option transactions under the plans is shown below.

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at July 31, 2007	786	$ 8.87	4.9	$ 6,147
Exercised	(152)	$ 9.70		$ 1,378
Forfeited	(10)	$ 9.33		
Options outstanding at July 31, 2008	624	$ 8.66	4.4	$ 5,345
Options vested at July 31, 2008	429	$ 8.68	4.3	$ 3,661
Options unvested at July 31, 2008	195	$ 8.61		
Exercised	(104)	$ 6.39		$ 1,117
Forfeited	(2)	$ 4.92		
Expired	(13)	$ 9.00		
Options outstanding at July 31, 2009	505	$ 9.14	3.8	$ 3,363
Options vested at July 31, 2009	473	$ 8.74	3.6	$ 3,321
Options unvested at July 31, 2009	32	$ 15.03		
Exercised	(176)	$ 7.75		$ 1,881
Expired	(2)	$ 11.65		
Options outstanding at July 31, 2010	**327**	**$ 9.87**	**3.2**	**$ 3,934**
Options vested at July 31, 2010	**317**	**$ 9.64**	**3.1**	**$ 3,885**
Options unvested at July 31, 2010	**10**	**$ 17.00**		

The amount of cash received from the exercise of options during the fiscal year ended July 31, 2010 was approximately $3,242,000 and the related tax benefit was approximately $849,000. The amount of cash received from the exercise of options during the fiscal year ended July 31, 2009 was approximately $1,783,000 and the related tax benefit was approximately $302,000. The amount of cash received from the exercise of options during the fiscal year ended July 31, 2008 was approximately $2,854,000 and the related tax benefit was approximately $355,000.

OPTIONS OUTSTANDING AND EXERCISABLE BY PRICE RANGE AS OF JULY 31, 2010

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Outstanding (in thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares (in thousands)	Weighted Average Exercise Price
$3.40 - $5.10	60	1.20	$ 4.92	60	$ 4.92
$5.11 - $6.80	17	0.35	$ 6.40	17	$ 6.40
$6.81 - $8.50	--	--	$ --	--	$ --
$8.51 - $10.20	140	3.07	$ 9.34	140	$ 9.34
$10.21 - $11.90	--	--	$ --	--	$ --
$11.91 - $13.60	63	4.20	$ 12.55	63	$ 12.55
$13.61 - $15.30	25	5.86	$ 14.82	25	$ 14.82
$15.31 - $17.00	22	5.93	$ 16.09	12	$ 15.37
$3.40 - $17.00	327	3.21	$ 9.87	317	$ 9.64

A five-for-four stock split was declared by our Board on June 6, 2006, during our fiscal year 2006. In keeping with historical practices, we have adjusted the number of shares and the option prices to equitably adjust all outstanding stock options. Under ASC 718, *Compensation-Stock Compensation*, the equitable adjustment of outstanding options to reflect a change in capitalization (such as a stock split) may require the recognition of incremental compensation expense if the adjustment is not determined to have been required by the actual terms of

NOTE 8 – STOCK-BASED COMPENSATION (CONTINUED)

the equity incentive plan. The Director's Plan and the 1995 Plan may be deemed to have been discretionary, rather than required by the actual terms of these plans. We recognized additional stock-based compensation expense of $117,000 in fiscal 2009, which was the last year this additional expense was incurred.

As of July 31, 2010, we had a total of approximately $18,000 in unamortized expense associated with all outstanding stock options. The weighted average period over which this expense is expected to be amortized is 1.3 years. As of July 31, 2009 and July 31, 2008, we had total unamortized compensation expense of approximately $47,000 and $348,000, respectively. The weighted average period over which this expense was expected to be amortized was 1.7 years and 1.2 years at July 31, 2009 and July 31, 2008, respectively.

There were no stock options granted in fiscal years 2010, 2009 or 2008.

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 been three years or less. Under the 2006 Plan, the grants issued so far have vesting periods between 2 years and five years.

A summary of option transactions under the plans is shown below.

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term (Years)	Unamortized Expense (in thousands)
Unvested restricted stock outstanding at July 31, 2007	76	$ 15.38	3.3	$ 991
Vested	(21)	$ 15.29		
Unvested restricted stock outstanding at July 31, 2008	55	$ 15.42	2.3	$ 674
Vested	(20)	$ 15.50		
Unvested restricted stock outstanding at July 31, 2009	35	$ 15.37	1.4	$ 383
Granted	**5**	**$ 15.10**		
Vested	**(17)**	**$ 15.37**		
Unvested restricted stock outstanding at July 31, 2010	**23**	**$ 15.31**	**0.9**	**$ 156**

NOTE 9 – EMPLOYEE BENEFIT PLANS

We provide a defined benefit pension plan for eligible salaried and hourly employees. Pension benefits are based on a formula of years of credited service and levels of compensation or stated amounts for each year of credited service.

We also provide a postretirement health benefit plan to domestic salaried employees who retire prior to reaching age 65 and have at least 17 years of continuous service and whose age is at least 55 and whose age plus years of service equals at least 80. Eligible employees may elect to continue their health care coverage under the Oil-Dri Corporation of America Employee Benefits Plan until they reach the age of 65.

We also maintain a 401(k) savings plan under which we match a portion of employee contributions. This plan is available to essentially all domestic employees following 30 or 60 days of employment. Our contributions to this plan, and to similar plans maintained by our foreign subsidiaries, were $660,000 for each of the fiscal years ended July 31, 2010, 2009 and 2008.

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Obligations and Funded Status

The following tables provide a reconciliation of changes in the plans' benefit obligations, assets' fair values and plans' funded status for the fiscal years ended July 31 (in thousands):

	Pension Benefits		Postretirement Health Benefits	
	2010	**2009**	**2010**	**2009**
Change in benefit obligation:				
Benefit obligation at beginning of year……..	**$ 24,529**	$ 19,422	**$ 1,636**	$ 1,352
Service cost………………………………….	**1,137**	879	**74**	62
Interest cost………………………………….	**1,416**	1,338	**96**	93
Actuarial loss………………………………..	**1,623**	3,595	**152**	148
Benefits paid………………………………...	**(711)**	(705)	**(25)**	(19)
Benefit obligation at end of year……………	**$ 27,994**	$ 24,529	**$ 1,933**	$ 1,636
Change in plan assets:				
Fair value of plan assets, beginning of year…	**$ 15,619**	$ 17,706	**$ --**	$ --
Actual return (loss) on plan assets…………..	**1,457**	(2,209)	**--**	--
Employer contribution………………………	**922**	827	**25**	19
Benefits paid………………………………...	**(711)**	(705)	**(25)**	(19)
Fair value of plan assets at end of year…	**$ 17,287**	$ 15,619	**$ --**	$ --
Funded status, end of year, recorded in Consolidated Balance Sheets……………….....	**($ 10,707)**	($ 8,910)	**($ 1,933)**	($ 1,636)

The accumulated benefit obligation for the pension plan was $22,912,000 as of July 31, 2010 and $20,124,000 as of July 31, 2009.

The following table shows amounts recognized in the Consolidated Balance Sheets as of July 31 (in thousands):

	Pension Benefits		Postretirement Health Benefits	
	2010	**2009**	**2010**	**2009**
Deferred income taxes…………………………	**$ 2,993**	$ 2,591	**$ 262**	$ 218
Other current liabilities………………………...	**--**	--	**(82)**	(55)
Other noncurrent liabilities…………………….	**(10,707)**	(8,910)	**(1,851)**	(1,581)
Accumulated other comprehensive income –net of tax:				
Net actuarial loss…………………………….	**5,662**	4,144	**455**	307
Prior service cost…………………………….	**66**	85	**--**	--
Net obligation at transition…………………	**--**	--	**46**	49
	$ (1,986)	$ (2,090)	**$ (1,170)**	$ (1,062)

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Benefit Costs and Amortizations

The following table shows the components of the net periodic pension and postretirement health benefit costs for the fiscal years ended July 31(in thousands):

	Pension Cost			Postretirement Health Benefit Cost		
	2010	2009	2008	**2010**	2009	2008
Service cost…………………	**$ 1,137**	$ 879	$ 783	**$ 74**	$ 62	$ 64
Interest cost on projected benefit obligations………….	**1,416**	1,338	1,153	**96**	93	71
Expected return on plan assets	**(1,167)**	(1,323)	(1,385)	**--**	--	--
Amortization of:						
Net transition (asset) obligation………………..	--	--	(25)	**16**	16	16
Prior service costs……….	**46**	47	49	**--**	--	--
Other actuarial (gain) loss	**230**	--	(15)	**21**	14	3
Net periodic benefit cost…….	**$ 1,662**	$ 941	$ 560	**$ 207**	$ 185	$ 154

The following table shows amounts, net of tax, that are components of other comprehensive income for the fiscal years ended July 31 (in thousands):

	Pension Benefits		Postretirement Health Benefits	
	2010	**2009**	**2010**	**2009**
Net actuarial loss………………………………	**$ 827**	$ 4,419	**$ 94**	$ 92
Amortization of:				
Prior service cost……………………………	**(29)**	(29)	**--**	--
Net obligation at transition…………………...	**--**	--	**(10)**	(10)
Amortization of actuarial loss……………….	**(143)**	--	**(13)**	(9)
	$ 655	$ 4,390	**$ 71**	$ 73

The following table shows amortization amounts, net of tax, expected to be recognized in fiscal 2011 in accumulated other comprehensive income (in thousands):

Amortization of:	Pension Benefits	Postretirement Health Benefits
Net actuarial loss…………………………….	$ 191	$ 19
Prior service cost……………………………	14	--
Net obligation at transition…………………	--	10
	$ 205	$ 29

Cash Flows

We have funded the pension plan based upon actuarially determined contributions that take into account the amount deductible for income tax purposes, the normal cost and the minimum contribution required and the maximum contribution allowed under the Employee Retirement Income Security Act of 1974 (ERISA), as amended. We contributed $922,000 and $827,000 during fiscal years 2010 and 2009, respectively. We expect to contribute approximately $920,000 in fiscal 2011.

The postretirement health plan is an unfunded plan. Our policy is to pay insurance premiums and claims from our assets.

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

The following table shows the estimated future benefit payments (in thousands):

	Pension Benefits	Postretirement Health Benefits
2011…………….	$ 749	$ 82
2012…………….	808	88
2013…………….	877	80
2014…………….	966	57
2015…………….	1,000	83
2016-20…………	6,041	634
	$ 10,441	$ 1,024

Assumptions

Our pension benefit and postretirement health benefit obligations and the related effects on operations are calculated using actuarial models. Critical assumptions that are important elements of plan expense and asset/liability measurement include discount rate and expected return on assets for the pension plan and health care cost trend for the postretirement health plan. We evaluate these critical assumptions at least annually. Other assumptions involving demographic factors such as retirement age, mortality and turnover are evaluated periodically and are updated to reflect our experience. Actual results in any given year will often differ from actuarial assumptions because of economic and other factors. The assumptions used in the previous calculations were as follows:

	Pension Benefits		Postretirement Health Benefits	
	2010	**2009**	**2010**	**2009**
Discount rate for net periodic benefit costs…..	**6.00%**	7.00%	**6.00%**	7.00%
Discount rate for year-end obligations……….	**5.50%**	6.00%	**5.50%**	6.00%
Rate of increase in compensation levels……...	**4.00%**	4.00%	**--**	--
Long-term expected rate of return on assets….	**7.50%**	7.50%	**--**	--

The discount rate for fiscal 2010 and 2009 was the single equivalent rate that would yield the same present value as the plan's expected cashflows discounted with spot rates on a yield curve of investment-grade corporate bonds. The yield curve is the Citigroup Pension Liability Index.

Our expected rate of return on plan assets is determined by our asset allocation, our historical long-term investment performance, our estimate of future long-term returns by asset class (using input from our actuaries, investment services and investment managers), and long-term inflation assumptions. Our historical actual return averaged approximately 4.9% for the 10-year period ending July 31, 2010. The actual rate of return in fiscal 2010 was approximately 10.5%. Future actual pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the population of participants in our pension plans

For fiscal 2009 and 2010, the medical cost trend assumption was 9%. The graded trend rate is expected to decrease to an ultimate rate of 5% in 1% annual increments.

The following table reflects the effect on postretirement health costs and accruals of a one-percentage point change in the assumed health care cost trend in the fiscal year ended July 31, 2010 (in thousands):

	One-Percentage Point Increase	One-Percentage Point Decrease
Effect on total service and interest costs for fiscal year ended July 31, 2010………	$ 20	($ 17)
Effect on accumulated postretirement benefit obligation as of July 31, 2010……	$227	($219)

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Assets

The investment objective for the pension plan assets is to optimize long-term return at a moderate level of risk in order to secure the benefit obligations to participants at a reasonable cost. To reach this goal, our investment structure includes various asset classes, asset allocations and investment management styles that, in total, have a reasonable likelihood of producing a sufficient level of overall diversification that balances expected return with expected risk over the long-term. The plan does not invest directly in Company stock.

We measure and monitor the plan's investment performance and the allocation of plan assets through quarterly investment portfolio reviews. Investment performance is measured by absolute returns, returns relative to benchmark indices and any other appropriate basis of comparison. The targeted allocation percentages of plan assets is shown below for fiscal 2011 and the actual allocation as of July 31:

Asset Allocation	Target fiscal 2011	2010	2009
Cash and accrued income	2%	13%	4%
Fixed income	38%	32%	49%
Equity	60%	55%	47%

The fair value of our pension plan assets at July 31, 2010 by asset class are as follows:

	Fair Value at July 31, 2010 (in thousands)			
	Total	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Class				
Cash and Cash Equivalents[(a)]….	$ 2,229	$ 1,829	$ 400	$ --
Equity securities[(b)]:				
U.S. companies……………..	5,651	5,539	112	--
International companies……..	510	510		--
Equity securities - international mutual funds:				
Developed market[(c)]……….	2,426	--	2,426	--
Emerging markets[(d)]……….	403	--	403	--
Commodities[(e)]………………..	540	540	--	--
Fixed Income:				
U.S. Treasuries……………..	2,999	--	2,999	--
Corporate bonds[(f)]…………..	2,529	--	2,529	--
Total…………………………..	$ 17,287	$ 8,418	$ 8,869	$ --

(a) Cash and cash equivalents consists of highly liquid investments which are traded in active markets.
(b) This class represents equities traded on regulated exchanges.
(c) These mutual funds seek long-term capital growth by investing at least 80% of their assets in stocks of non-U.S. companies that are primarily in developed markets, however some funds allow up to 35% to be invested in emerging markets.
(d) These mutual funds seek long-term capital growth by investing at least 80% of their assets in stocks of companies located in Asia, excluding Japan.
(e) This class represents a fund that invests in actively traded futures contracts traded on regulated futures exchanges and is managed to track the Deutsche Bank Liquid Commodity Index – Optimum Yield Diversified Excess Return.

NOTE 9 – EMPLOYEE BENEFIT PLANS (CONTINUED)

(f) This class includes bonds of U.S. and non-U.S. issuers from diverse industries.

NOTE 10 – DEFERRED COMPENSATION

The Oil-Dri Corporation of America Deferred Compensation Plan permits directors and certain management employees to defer portions of their compensation and to earn interest on the deferred amounts. The participants' returns are set at our long-term cost of borrowing plus 1%. Participants have deferred $454,000 and $414,000 into these plans in fiscal years 2010 and 2009, respectively. We recorded $409,000 and $383,000 of interest expense associated with these plans in fiscal years 2010 and 2009, respectively. Payments to participants were $384,000 and $343,000 in fiscal 2010 and 2009, respectively, and the total liability recorded for deferred compensation was $6,269,000 and $5,710,000 at July 31, 2010 and 2009, respectively.

The Oil-Dri Corporation of America Supplemental Executive Retirement Plan ("SERP") provides certain retired participants in the Oil-Dri Corporation of America Pension Plan ("Retirement Plan") with the amount of benefits that would have been provided under the Retirement Plan but for: (1) the limitations on benefits imposed by Section 415 of the Internal Revenue Code ("Code"), and/or (2) the limitation on compensation for purposes of calculating benefits under the Retirement Plan imposed by Section 401(a)(17) of the Code. We recorded $103,000 and $149,000 in expense associated with this plan in the fiscal years ended July 31, 2010 and 2009, respectively. The plan is unfunded and we will fund benefits when payments are made. The total liability recorded for the SERP was $520,000 at July 31, 2010 and $417,000 at July 31, 2009.

The Oil-Dri Corporation of America Annual Incentive Plan provides certain executives with the opportunity to receive a deferred executive bonus award if certain financial goals are met. A total of $407,000 and $316,000 were awarded for the fiscal years ended July 31, 2010 and 2009, respectively, to certain executives under the provisions of the plan. These awards will vest over a three-year vesting period and accrue interest at our long-term cost of borrowing plus 1%.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

We are party to various legal actions from time to time that are ordinary in nature and incidental to the operation of our business. While it is not possible at this time to determine with certainty the ultimate outcome of these or other lawsuits, we believe that none of the pending proceedings will have a material adverse effect on our business or financial condition.

NOTE 12 – LEASES

Our mining operations are conducted on leased or owned property. These leases generally provide us with the right to mine as long as we continue to pay a minimum monthly rental, which is applied against the per ton royalty when the property is mined. We also lease certain offices and production facilities. In addition, we lease vehicles, railcars, mining property and equipment, warehouse space, data processing equipment, and office equipment. In most cases, we expect that, in the normal course of business, leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental requirements under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of July 31, 2010 (in thousands):

2011	$ 1,972
2012	1,583
2013	1,230
2014	1,447
2015	362
Later years	4,509
	$ 11,103

NOTE 12 – LEASES (CONTINUED)

The following schedule shows the composition of total rental expense for all operating leases, including those with terms of one month or less which were not renewed, as of the years ended July 31:

	2010	2009	2008
		(in thousands)	
Vehicles and Railcars	**$ 1,536**	$ 1,447	$ 1,011
Office facilities	**809**	821	750
Warehouse facilities	**335**	256	142
Mining properties			
Minimum	**113**	114	215
Contingent	**336**	328	370
Other	**167**	175	505
	$ 3,296	$ 3,141	$2,993

Contingent mining royalty payments are determined based on the tons of raw clay mined.

NOTE 13 – OTHER CASH FLOW INFORMATION

Cash payments for interest and income taxes were as follows for the years ended July 31, (in thousands):

	2010	2009	2008
Interest	**$ 1,332**	$ 1,502	$ 1,861
Income taxes	**$ 2,608**	$ 2,854	$ 2,902

NOTE 14 – DERIVATIVE INSTRUMENTS

During the third quarter of fiscal 2010, the process was complete to unwind our two offsetting interest rate swap agreements that were entered into in 1998 with the same counterparty. While these agreements were in effect they did not qualify for hedge accounting and, accordingly, we recorded these derivative instruments and the associated assets or liabilities at their fair values with the related gains or losses recorded as other income or expense in the Consolidated Statements of Operations. We recognized additional interest expense of $11,000, $6,000 and $7,000 in fiscal years 2010, 2009 and 2008, respectively, as a result of these contracts. The notional amount of these agreements was $22,000,000 at July 31, 2009.

NOTE 15 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of selected information for 2010 and 2009 is as follows:

	Fiscal 2010 Quarter Ended				
	October 31	January 31	April 30	July 31	Total
	(in thousands except per share amounts)				
Net Sales	$ 53,404	$ 54,734	$ 56,259	$ 54,653	$ 219,050
Gross Profit	$ 12,323	$ 12,670	$ 13,170	$ 11,525	$ 49,688
Net Income	$ 2,194	$ 2,262	$ 2,586	$ 2,416	$ 9,458
Net Income Per Share					
Basic Common	$ 0.33	$ 0.34	$ 0.39	$ 0.36	$ 1.42
Basic Class B Common	$ 0.25	$ 0.26	$ 0.29	$ 0.28	$ 1.07
Diluted	$ 0.30	$ 0.31	$ 0.35	$ 0.33	$ 1.30
Dividends Per Share					
Common	$ 0.1500	$ 0.1500	$ 0.1500	$ 0.1600	$ 0.6100
Class B	$ 0.1125	$ 0.1125	$ 0.1125	$ 0.1200	$ 0.4575
Common Stock Price Range:					
High	$ 17.40	$ 16.54	$ 20.76	$ 23.53	
Low	$ 14.05	$ 14.75	$ 15.10	$ 18.50	

NOTE 15 – SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (CONTINUED)

	Fiscal 2009 Quarter Ended				
	October 31	January 31	April 30	July 31	Total
	(in thousands except per share amounts)				
Net Sales	$ 63,128	$ 59,130	$ 58,053	$ 55,934	$ 236,245
Gross Profit	$ 12,376	$ 11,913	$ 13,220	$ 11,875	$ 49,384
Net Income	$ 2,246	$ 2,372	$ 2,416	$ 2,552	$ 9,586
Net Income Per Share (1)					
Basic Common	$ 0.34	$ 0.36	$ 0.37	$ 0.39	$ 1.46
Basic Class B Common	$ 0.26	$ 0.27	$ 0.27	$ 0.29	$ 1.09
Diluted	$ 0.31	$ 0.33	$ 0.33	$ 0.35	$ 1.33
Dividends Per Share					
Common	$ 0.1400	$ 0.1400	$ 0.1400	$ 0.1500	$ 0.5700
Class B	$ 0.1050	$ 0.1050	$ 0.1050	$ 0.1125	$ 0.4275
Common Stock Price Range:					
High	$ 18.50	$ 19.00	$ 17.13	$ 19.20	
Low	$ 10.19	$ 15.00	$ 12.85	$ 13.78	

(1) In fiscal 2010, we adopted guidance under ASC 260, *Earnings Per Share*, which required our unvested restricted stock awards to be considered participating securities and to be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, we were required to retrospectively adjust earnings per share data to conform to this standard. Accordingly, we have restated net income per share for all periods presented.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15f. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, our management concluded that our internal control over financial reporting was effective as of July 31, 2010.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our internal controls over financial reporting as of July 31, 2010 have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears on the next page of this Annual Report on Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Board of Directors and Stockholders of Oil-Dri Corporation of America:

In our opinion, the accompanying consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Oil-Dri Corporation of America and its subsidiaries at July 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of July 31, 2010, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our audits (which were integrated audits in 2010 and 2009). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Chicago, Illinois
October 12, 2010

ITEM 9 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A – 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 of the end of the period covered by this Form 10-K. The controls evaluation was conducted under the supervision and with the participation of management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based upon the controls evaluation, our CEO and CFO 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 and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting is set forth in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recently completed fiscal quarter 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 and CFO, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors 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.

ITEM 9B – OTHER INFORMATION

None.

PART III

ITEM 10 – DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item (except as set forth below) is contained in Oil-Dri's Proxy Statement for its 2010 annual meeting of stockholders ("Proxy Statement") under the captions "1. Election of Directors," "Executive Officers," "Section 16(a) Beneficial Ownership Reporting Compliance," "Director Nominations," "Audit Committee" and "Corporate Governance Matters" and is incorporated herein by this reference.

The Company has adopted a Code of Ethics and Business Conduct (the "Code") which applies to all of its directors, officers (including the Company's Chief Executive Officer and senior financial officers) and employees. The Code imposes significant responsibilities on the Chief Executive Officer and the senior financial officers of the Company. The Code, the Company's Corporate Governance Guidelines and the charter of its Audit Committee may be viewed on the Company's website, www.oildri.com and are available in print to any person upon request to Investor Relations, Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, Illinois 60611-4213, telephone (312) 321-1515 or e-mail to info@oildri.com. Any amendment to, or waiver of, a provision of the Code which applies to the Company's Chief Executive Officer or senior financial officers and relates to the elements of a "code of ethics" as defined by the SEC will also be posted on the Company's website. As allowed by the controlled company exemption to certain NYSE rules, the Company does not have a nominating/corporate governance committee and its compensation committee does not have a charter.

ITEM 11 – EXECUTIVE COMPENSATION

The information required by this Item is contained in Oil-Dri's Proxy Statement under the captions "Executive Compensation," "Report of the Compensation Committee of the Board of Directors," "Compensation of Directors," "Compensation Committee" and "Compensation Committee Interlocks and Insider Participation" and is incorporated herein by reference.

ITEM 12 – SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is contained in Oil-Dri's Proxy Statement under the captions "Principal Stockholders." "Security Ownership of Management" and "Equity Compensation Plans" and is incorporated herein by reference.

ITEM 13 – CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item is contained in Oil-Dri's Proxy Statement under the captions "Certain Relationships and Related Transactions" and "Director Independence" and is incorporated herein by reference.

ITEM 14 – PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is contained in Oil-Dri's Proxy Statement under the caption "Auditor Fees" and is incorporated herein by reference.

PART IV

ITEM 15 – EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a)(1) The following consolidated financial statements are contained herein.

Consolidated Balance Sheets as of July 31, 2010 and July 31, 2009.

Consolidated Statements of Operations for the fiscal years ended July 31, 2010, July 31, 2009 and July 31, 2008.

Consolidated Statements of Stockholders' Equity for the fiscal years ended July 31, 2010, July 31, 2009 and July 31, 2008.

Consolidated Statements of Cash Flows for the fiscal years ended July 31, 2010, July 31, 2009 and July 31, 2008.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

(a)(2) The following financial statement schedule is contained herein:

Schedule to Financial Statements, as follows:

Schedule II - Valuation and Qualifying Accounts, years ended July 31, 2010, July 31, 2009 and July 31, 2008.

All other schedules are omitted because they are inapplicable, not required under the instructions or the information is included in the consolidated financial statements or notes thereto.

(a)(3) The following documents are exhibits to this Report:

Exhibit No.	Description	SEC Document Reference
3.1	Certificate of Incorporation of Oil-Dri, as amended.	Incorporated by reference to Exhibit 4.1 to Oil-Dri's Registration Statement on Form S-8 (Registration No. 333-57625), filed on June 24, 1998.
3.2	By-Laws of Oil-Dri Corporation of America, as Amended and Restated on December 5, 2006.	Incorporated by reference to Exhibit 3.1 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006.
10.1	Memorandum of Agreement #1450 "Fresh Step"™ dated as of March 12, 2001 between A&M Products Manufacturing Company and Oil-Dri (confidential treatment of certain portions of this exhibit has been granted).	Incorporated by reference to Exhibit 10(s) to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on May 1, 2001.
10.2	First Amendment, dated as of December 13, 2002, to Memorandum of Agreement #1450 "Fresh Step"™ dated as of March 12, 2001.	Incorporated by reference to Exhibit 10.2 to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2007.
10.3	Second Amendment, dated as of October 15, 2007, to Memorandum of Agreement #1450 "Fresh Step"™ dated as of March 12, 2001.	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended April 30, 2008.

Exhibit No.	Description	SEC Document Reference
10.4	Exclusive Supply Agreement dated May 19, 1999 between Church & Dwight Co., Inc. and Oil-Dri (confidential treatment of certain portions of this exhibit has been granted).	Incorporated by reference to Exhibit (10)(r) to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 1999.
10.5	$25,000,000 Note Purchase Agreement dated as of April 15, 1998 between Oil-Dri and Teachers Insurance and Annuity Association of America and Cigna Investments, Inc.	Incorporated by reference to Exhibit (10)(m) to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended April 30, 1998.
10.6	First Amendment, dated as of January 15, 2001 to the Note Purchase Agreement dated as of April 15, 1998.	Incorporated by reference to Exhibit (10)(m)(5) to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2001.
10.7	Second Amendment, dated as of July 15, 2002 to Note Purchase Agreement dated as of April 15, 1998.	Incorporated by reference to Exhibit 10(m)(6) to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2002.
10.8	Third Amendment, dated as of January 27, 2006 to Note Purchase Agreement dated as of April 15, 1998.	Incorporated by reference to Exhibit 10.2 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on February 1, 2006.
10.9	$15,000,000 Credit Agreement, dated January 27, 2006 among the Company, certain subsidiaries of the Company and Harris N.A.	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on February 1, 2006.
10.10	First Amendment, dated as of December 19, 2008 to Credit Agreement dated as of January 27, 2006.	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2009.
10.11	$15,000,000 Note Agreement dated as of December 16, 2005 among the Company, The Prudential Insurance Company of America and Prudential Retirement Insurance and Annuity Company.	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on December 22, 2005.
10.12	First Amendment, dated as of July 12, 2006 to Note Agreement dated as of December 16, 2005.	Incorporated by reference to Exhibit 10.9 to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2006.
10.13	Description of 1987 Executive Deferred Compensation Program.*	Incorporated by reference to Exhibit (10)(f) to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 1988.
10.14	Salary Continuation Agreement dated August 1, l989 between Richard M. Jaffee and Oil-Dri ("1989 Agreement").*	Incorporated by reference to Exhibit (10)(g) to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 1989.
10.15	Extension and Amendment, dated October 9, 1998, to the 1989 Agreement.*	Incorporated by reference to Exhibit 10.12 to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2006.
10.16	Second Amendment, effective October 31, 2000, to the 1989 Agreement.*	Incorporated by reference to Exhibit 99.1 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on November 13, 2000.

Exhibit No.	Description	SEC Document Reference
10.17	Third Amendment, dated as of January 31, 2006, to the 1989 Agreement.*	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on February 13, 2006.
10.18	Oil-Dri Corporation of America Deferred Compensation Plan, as amended and restated effective April 1, 2003.*	Incorporated by reference to Exhibit (10)(j)(1) to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended April 30, 2003.
10.19	First Amendment, effective as of January 1, 2007, to Oil-Dri Corporation of America Deferred Compensation Plan, as amended and restated effective April 1, 2003.*	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008.
10.20	Second Amendment, effective as of January 1, 2008, to Oil-Dri Corporation of America Deferred Compensation Plan, as amended and restated effective April 1, 2003.*	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008.
10.21	Oil-Dri Corporation of America 1995 Long-Term Incentive Plan as amended and restated effective June 9, 2000.*	Incorporated by reference to Exhibit (10)(k) to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2000.
10.22	Supplemental Executive Retirement Plan dated April 1, 2003.*	Incorporated by reference to Exhibit (10)(1) to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended April 30, 2003.
10.23	Oil-Dri Corporation of America Outside Director Stock Plan as amended and restated effective October 16, 1999.*	Incorporated by reference to Exhibit (10)(n) to Oil-Dri's (File No. 001-12622) Annual Report on Form 10-K for the fiscal year ended July 31, 2000.
10.24	Oil-Dri Corporation of America Annual Incentive Plan (as amended and restated effective January 1, 2008).*	Incorporated by reference to Exhibit 10.4 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008.
10.25	Restricted Stock Agreement, dated as of March 14, 2006, between Oil-Dri Corporation of America and Daniel S. Jaffee.*	Incorporated by reference to Exhibit 10.3 to Oil-Dri's (File No. 001-12622) Current Report on Form 8-K filed on March 20, 2006.
10.26	Oil-Dri Corporation of America 2005 Deferred Compensation Plan (as amended and restated effective January 1, 2008)*	Incorporated by reference to Exhibit 10.3 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008.
10.27	Oil-Dri Corporation of America 2006 Long Term Incentive Plan (as amended and restated effective July 28, 2006)*	Incorporated by reference to Appendix A to Oil-Dri's (File No. 001-12622) Definitive Proxy Statement on Schedule 14A filed on November 3, 2006.
10.28	First Amendment, effective as of January 1, 2008, to Oil-Dri Corporation of America 2006 Long Term Incentive Plan (as amended and restated effective July 28, 2006)*	Incorporated by reference to Exhibit 10.5 to Oil-Dri's (File No. 001-12622) Quarterly Report on Form 10-Q for the quarter ended January 31, 2008.
10.29	Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Employee Stock Option Agreement for Class A Common Stock.*	Incorporated by reference to Exhibit 10.2 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006.

Exhibit No.	Description	SEC Document Reference
10.30	Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Employee Stock Option Agreement for Common Stock.*	Incorporated by reference to Exhibit 10.3 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006.
10.31	Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Employee Stock Option Agreement for Class B Stock.*	Incorporated by reference to Exhibit 10.4 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006.
10.32	Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Director Stock Option Agreement for Common Stock.*	Incorporated by reference to Exhibit 10.5 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006.
10.33	Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Restricted Stock Agreement for Class A Common Stock.*	Incorporated by reference to Exhibit 10.6 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006.
10.34	Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Restricted Stock Agreement for Common Stock.*	Incorporated by reference to Exhibit 10.7 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006.
10.35	Form of Oil-Dri Corporation of America 2006 Long Term Incentive Plan Restricted Stock Agreement for Class B Stock.*	Incorporated by reference to Exhibit 10.8 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on December 11, 2006.
10.36	Letter Agreement, dated as of January 11, 2010, between Oil-Dri Corporation of America and Brian K. Bancroft.*	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on January 12, 2010.
10.37	Amendment, dated April 15, 2010, to the Letter Agreement, dated January 11, 2010, between Oil-Dri corporation of America and Brian K. Bancroft.*	Incorporated by reference to Exhibit 10.1 to Oil-Dri's (file No. 001-12622) Current Report on Form 8-K filed on April 16, 2010.
11.1	Statement re: Computation of Income per Share.	Filed herewith.
14.1	Code of Ethics	Available at Oil-Dri's website www.oildri.com or in print upon request to Investor Relations, Oil-Dri Corporation of America, 410 North Michigan Avenue, Suite 400, Chicago, IL 60611-4213, telephone (312) 321-1515 or e-mail to info@oildri.com.
21.1	Subsidiaries of Oil-Dri.	Filed herewith.
23.1	Consent of PricewaterhouseCoopers LLP.	Filed herewith.
31.1	Certifications pursuant to Rule 13a – 14(a).	Filed herewith.
32.1	Certifications pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Oil-Dri 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, Director

Dated: October 12, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Oil-Dri and in the capacities and on the dates indicated:

/s/ Richard M. Jaffee Richard M. Jaffee Chairman of the Board of Directors	October 12, 2010
/s/ Daniel S. Jaffee Daniel S. Jaffee President and Chief Executive Officer, Director (Principal Executive Officer)	October 12, 2010
/s/ Andrew N. Peterson Andrew N. Peterson Vice President and Chief Financial Officer (Principal Financial Officer)	October 12, 2010
/s/ Daniel T. Smith Daniel T. Smith Vice President and Controller (Principal Accounting Officer)	October 12, 2010
/s/ J. Steven Cole J. Steven Cole Director	October 12, 2010
/s/ Arnold W. Donald Arnold W. Donald Director	October 12, 2010
/s/ Joseph C. Miller Joseph C. Miller Vice Chairman of the Board of Directors	October 12, 2010

/s/ Michael A. Nemeroff Michael A. Nemeroff Director	October 12, 2010
/s/ Allan H. Selig Allan H. Selig Director	October 12, 2010
/s/ Paul E. Suckow Paul E. Suckow Director	October 12, 2010

SCHEDULE II

OIL-DRI CORPORATION OF AMERICA AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

	Year Ended July 31		
	2010	**2009**	**2008**
		(in thousands)	
Allowance for doubtful accounts:			
Beginning balance	**$ 652**	$ 614	$ 569
Additions charged to expense	**(61)**	31	89
Deductions*	**(19)**	7	44
Balance at end of year	**$ 572**	$ 652	$ 614

* Net of recoveries.

Valuation reserve for income taxes:			
Beginning balance	**$ 3,222**	$ 2,462	$ 1,900
Additions (Deductions) charged to expense	**(313)**	760	562
Balance at end of year	**$ 2,909**	$ 3,222	$ 2,462

EXHIBITS

EXHIBIT NUMBER	
11.1	Statement Re: Computation of per share earnings
21.1	Subsidiaries of Oil-Dri
23.1	Consent of PricewaterhouseCoopers LLP
31.1	Certifications by Daniel S. Jaffee, President and Chief Executive Officer, and Andrew N. Peterson, Chief Financial Officer, required by Rule 13a-14(a)
32.1	Certifications pursuant to Section 1350 of the Sarbanes-Oxley Act of 2002

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, telephone (312) 321-1515 or e-mail to info@oildri.com.

EXHIBIT 11.1:

OIL-DRI CORPORATION OF AMERICA
Computation of Net Income Per Share
(in thousands except for per share amounts)

	Year Ended July 31,		
	2010	**2009**	**2008**
Net income available to stockholders	**$ 9,458**	$ 9,586	$ 9,039
Less: Distributed and undistributed earnings allocated to nonvested stock	**(30)**	(46)	(67)
Earnings available to common shareholders	**$9,428**	$9,540	$ 8,972
Shares Calculation			
Average shares outstanding – Basic Common	**5,203**	5,146	5,068
Average shares outstanding – Basic Class B Common	**1,891**	1,874	1,854
Potential Common Stock relating to stock options	**181**	180	230
Average shares outstanding – Assuming dilution	**7,275**	7,200	7,152
Net Income Per Share: Basic Common	**$ 1.42**	$ 1.46	$ 1.39
Net Income Per Share: Basic Class B Common	**$ 1.07**	$ 1.09	$ 1.04
Net Income Per Share: Diluted	**$ 1.30**	$ 1.33	$ 1.25

In fiscal year 2010, we adopted guidance under Accounting Standards Codification Topic ("ASC") 260-10, *Earnings Per Share,* which required our unvested restricted stock awards to be considered participating securities and to be included in the computation of earnings per share pursuant to the two-class method. Upon adoption, we were required to retrospectively adjust earnings per share data to conform to this standard. Accordingly, we have restated diluted average shares outstanding and net income per share for all periods presented.

EXHIBIT 21.1:

SUBSIDIARIES OF OIL-DRI

Subsidiary	**State or Country of Organization**
Blue Mountain Production Company	Mississippi
Favorite Products Company, Ltd.	Canada
Mounds Management, Inc.	Delaware
Mounds Production Company, LLC	Illinois
ODC Acquisition Corp.	Illinois
Oil-Dri Corporation of Georgia	Georgia
Oil-Dri Corporation of Nevada	Nevada
Oil-Dri Production Company	Mississippi
Oil-Dri SARL	Switzerland
Oil-Dri (U.K.) Limited	United Kingdom
Taft Production Company	Delaware

EXHIBIT 23.1:

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-87008, No. 333-87010 and No. 333-139550) of Oil-Dri Corporation of America of our report dated October 12, 2010 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Chicago, Illinois
October 12, 2010

EXHIBIT 31.1: 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 Annual Report on Form 10-K 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 officer 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 officer 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: October 12, 2010

By: /s/ Daniel S. Jaffee
Daniel S. Jaffee
President and Chief Executive Officer

EXHIBIT 31.1 (CONTINUED):

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER (SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002)

I, Andrew N. Peterson, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 officer 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 officer 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: October 12, 2010

By: /s/ Andrew N. Peterson
Andrew N. Peterson
Chief Financial Officer

EXHIBIT 32.1:

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO
THE SARBANES-OXLEY ACT OF 2002 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 Annual Report on Form 10-K for the year ended July 31, 2010 (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: October 12, 2010

/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 Annual Report on Form 10-K for the quarter ended July 31, 2010 (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: October 12, 2010

/s/ Andrew N. Peterson

Name: Andrew N. Peterson
Title: 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.

Board of Directors

Richard M. Jaffee
Chairman

Daniel S. Jaffee
President and Chief Executive Officer

J. Steven Cole
President, Cole & Associates

Arnold W. Donald
Chief Executive Officer, The Executive Leadership Council

Joseph C. Miller
Vice Chairman

Michael A. Nemeroff
President and Chief Executive Officer, Vedder Price P.C.

Allan H. Selig
Commissioner of Major League Baseball
President and Chairman, Selig Lease Co.

Paul E. Suckow
Business Fellow and Adjunct Professor, Finance and Economics, Villanova University

Executive Officers

Daniel S. Jaffee
President and Chief Executive Officer

Charles P. Brissman
Vice President, General Counsel and Secretary

Thomas F. Cofsky
Vice President, Manufacturing and Logistics

Jeffrey M. Libert
Vice President, Finance, and Treasurer

Andrew N. Peterson
Vice President and Chief Financial Officer

Investor Inquiries

NYSE: ODC

Please direct all investor relations inquiries to:

Ronda J. Williams
(312) 321-1515
info@oildri.com

Oil-Dri Corporation of America
Attention: Investor Relations
410 North Michigan Avenue
Suite 400
Chicago, Illinois
60611-4213

http://www.oildri.com

Stockholders with inquiries regarding stock transfers, change of ownership, change of address or dividend payments should contact the company's registrar and transfer agent:

Computershare Investor Services
2 North LaSalle Street
Chicago, Illinois 60602-3711
(312) 360-5257

Annual Meeting

Oil-Dri Corporation of America will hold its 2010 Annual Meeting of Stockholders on **Tuesday, December 14, 2010 at 9:30 a.m. (CST) at The Standard Club, 320 South Plymouth Court, Chicago, Illinois 60604**

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP

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," "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, but not limited to, those described in Item 1A (Risk Factors) of our most recent Annual Report on Form 10-K and other reports filed with the Securities and Exchange Commission. 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.

OIL-DRI CORPORATION OF AMERICA
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