UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

þ	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended October 31, 2011
	or
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission file numbers: 001-11331, 333-06693, 000-50182 and 000-50183

Ferrellgas Partners, L.P.

Ferrellgas Partners Finance Corp.

Ferrellgas, L.P.

Ferrellgas Finance Corp.

(Exact name of registrants as specified in their charters)

Delaware	43-1698480
Delaware	43-1742520
Delaware	43-1698481
Delaware	14-1866671
(States or other jurisdictions of incorporation or organization)	*(I.R.S. Employer Identification Nos.)*
7500 College Boulevard, Suite 1000, Overland Park, Kansas	66210

(Address of principal executive office) *(Zip Code)*

Registrants telephone number, including area code:

(913) 661-1500

Indicate by check mark whether the registrants (1) have 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 registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Ferrellgas Partners, L.P.:

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o *(do not check if a smaller reporting company)*	Smaller reporting company o

Ferrellgas Partners Finance Corp, Ferrellgas, L.P. and Ferrellgas Finance Corp.:

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ *(do not check if a smaller reporting company)*	Smaller reporting company o

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act).

Ferrellgas Partners, L.P. and Ferrellgas, L.P. Yes o No þ

Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. Yes þ No o

At November 30, 2011, the registrants had common units or shares of common stock outstanding as follows:

Ferrellgas Partners, L.P.	75,973,853	Common Units
Ferrellgas Partners Finance Corp.	1,000	Common Stock
Ferrellgas, L.P.	n/a	n/a
Ferrellgas Finance Corp.	1,000	Common Stock

Documents Incorporated by Reference: None

EACH OF FERRELLGAS PARTNERS FINANCE CORP. AND FERRELLGAS FINANCE CORP. MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H (1)(A) and (B) OF FORM 10-Q AND ARE THEREFORE, WITH RESPECT TO EACH SUCH REGISTRANT, FILING THIS FORM 10-Q WITH THE REDUCED DISCLOSURE FORMAT.

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FERRELLGAS PARTNERS, L.P.

FERRELLGAS PARTNERS FINANCE CORP.

FERRELLGAS, L.P.

FERRELLGAS FINANCE CORP.

For the quarterly period ended October 31, 2011

FORM 10-Q QUARTERLY REPORT

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (unaudited)

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except unit data)

(unaudited)

	October 31, 2011	July 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,134	$ 7,437
Accounts and notes receivable, net (including $139,451 and $112,509 of accounts receivable pledged as collateral at October 31, 2011 and July 31, 2011, respectively)	205,608	159,532
Inventories	184,530	136,139
Prepaid expenses and other current assets	30,488	23,885
Total current assets	433,760	326,993
Property, plant and equipment (net of accumulated depreciation of $581,527 and $573,665 at October 31, 2011 and July 31, 2011, respectively)	642,711	642,205
Goodwill	248,944	248,944
Intangible assets (net of accumulated amortization of $308,738 and $303,360 at October 31, 2011 and July 31, 2011, respectively)	202,778	204,136
Other assets, net	40,043	38,308
Total assets	$ 1,568,236	$ 1,460,586
LIABILITIES AND PARTNERS CAPITAL		
Current liabilities:		
Accounts payable	$ 115,408	$ 67,541
Short-term borrowings	126,071	64,927
Collateralized note payable	81,000	61,000
Other current liabilities	135,317	104,813
Total current liabilities	457,796	298,281
Long-term debt	1,069,430	1,050,920
Other liabilities	23,255	23,068
Contingencies and commitments (Note I)		
Partners capital:		
Common unitholders (75,966,353 and 75,966,353 units outstanding at October 31, 2011 and July 31, 2011, respectively)	74,739	139,614

General partner unitholder (767,337 and 767,337 units outstanding at October 31, 2011 and July 31, 2011, respectively)		(59,315)		(58,660)
Accumulated other comprehensive income		273		4,633
Total Ferrellgas Partners, L.P. partners capital		15,697		85,587
Noncontrolling interest		2,058		2,730
Total partners capital		17,755		88,317
Total liabilities and partners capital	$	1,568,236	$	1,460,586

See notes to condensed consolidated financial statements.

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands, except per unit data)

(unaudited)

	For the three months ended October 31, 2011	For the three months ended October 31, 2010
Revenues:		
Propane and other gas liquids sales	$ 514,219	$ 368,623
Other	24,207	31,569
Total revenues	538,426	400,192
Costs and expenses:		
Cost of product sold - propane and other gas liquids sales	403,122	256,486
Cost of product sold - other	6,626	12,858
Operating expense (includes $1.2 million and $0.1 million for the three months ended October 31, 2011 and 2010, respectively, for non-cash stock and unit-based compensation)	100,578	95,396
Depreciation and amortization expense	20,674	20,375
General and administrative expense (includes $1.7 million and $0.9 million for the three months ended October 31, 2011 and 2010, respectively, for non-cash stock and unit-based compensation)	11,114	11,264
Equipment lease expense	3,529	3,649
Non-cash employee stock ownership plan compensation charge	2,579	2,444
Loss (gain) on disposal of assets	309	(232)
Operating loss	(10,105)	(2,048)
Interest expense	(23,387)	(26,877)
Other income (expense), net	(33)	178
Loss before income taxes	(33,525)	(28,747)
Income tax benefit	(630)	(482)
Net loss	(32,895)	(28,265)
Net loss attributable to noncontrolling interest	(291)	(222)
Net loss attributable to Ferrellgas Partners, L.P.	(32,604)	(28,043)
Less: General partner s interest in net loss	(326)	(280)
Common unitholders interest in net loss	$ (32,278)	$ (27,763)
Basic and diluted net loss per common unitholders interest	$ (0.42)	$ (0.40)
Cash distributions declared per common unit	$ 0.50	$ 0.50

See notes to condensed consolidated financial statements.

FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF PARTNERS CAPITAL

(in thousands)

(unaudited)

	Number of units				Accumulated other comprehensive income (loss)			Total Ferrellgas		
	Common unitholders	General partner unitholder	Common unitholders	General partner unitholder	Risk management	Currency translation adjustments	Pension liability	Partners, L.P. partners capital	Non-controlling interest	Total partners capital
July 31, 2010	69,521.8	702.2	$ 141,281	$ (58,644)	$ (166)	$ 24	$ (273)	$ 82,222	$ 3,680	$ 85,902
Contributions in connection with non-cash ESOP and stock and unit-based compensation charges			3,388	34				3,422	35	3,457
Distributions			(34,774)	(351)				(35,125)	(359)	(35,484)
Common units issued in connection with acquisitions	63.5	0.6	1,625	16				1,641	17	1,658
Common unit options issued	26.5	0.3	308	3				311	3	314
Comprehensive income (loss):										
Net loss			(27,763)	(280)				(28,043)	(222)	(28,265)
Cumulative effect of change in accounting principle			1,230	12				1,242	13	1,255
Other comprehensive income (loss):										
Net earnings on risk management derivatives					4,951				51	
Reclassification of derivatives to earnings					(577)				(6)	
Foreign currency translation adjustment						2				
Other comprehensive income (loss)								4,376		4,421
Comprehensive loss								(22,425)	(164)	(22,589)
October 31, 2010	69,611.8	703.1	$ 85,295	$ (59,210)	$ 4,208	$ 26	$ (273)	$ 30,046	$ 3,212	$ 33,258
July 31, 2011	75,966.4	767.3	$ 139,614	$ (58,660)	$ 5,098	$ 26	$ (491)	$ 85,587	$ 2,730	$ 88,317
Contributions in connection with non-cash ESOP and			5,386	55				5,441	55	5,496

stock and unit-based compensation charges										
Distributions			(37,983)	(384)				(38,367)	(391)	(38,758)
Comprehensive income (loss):										
Net loss			(32,278)	(326)				(32,604)	(291)	(32,895)
Other comprehensive income (loss):										
Net loss on risk management derivatives					(2,502)				(26)	
Reclassification of derivatives to earnings					(1,860)				(19)	
Foreign currency translation adjustment						2				
Other comprehensive income (loss)								(4,360)		(4,405)
Comprehensive loss								(36,964)	(336)	(37,300)
October 31, 2011	75,966.4	767.3	$ 74,739	$ (59,315)	$ 736	$ 28	$ (491)	$ 15,697	$ 2,058	$ 17,755

See notes to condensed consolidated financial statements.

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the three months ended October 31, 2011	2010
Cash flows from operating activities:		
Net loss	$ (32,895)	$ (28,265)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization expense	20,674	20,375
Non-cash employee stock ownership plan compensation charge	2,579	2,444
Non-cash stock and unit-based compensation charge	2,917	1,013
Loss (gain) on disposal of assets	309	(232)
Provision for doubtful accounts	1,952	1,978
Deferred tax expense	164	112
Other	581	2,719
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts and notes receivable, net	(48,026)	(32,573)
Inventories	(48,391)	(2,907)
Prepaid expenses and other current assets	(12,197)	(13,660)
Accounts payable	48,048	22,779
Accrued interest expense	5,181	6,836
Other current liabilities	26,339	12,827
Other liabilities	38	10
Net cash used in operating activities	(32,727)	(6,544)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(5,300)	(1,770)
Capital expenditures	(14,924)	(11,565)
Proceeds from sale of assets	1,363	2,078
Net cash used in investing activities	(18,861)	(11,257)
Cash flows from financing activities:		
Distributions	(38,367)	(35,125)
Proceeds from increase in long-term debt	18,656	10,020
Payments on long-term debt	(1,259)	(934)
Net additions to short-term borrowings	61,144	23,279
Net additions to collateralized short-term borrowings	20,000	19,000
Cash paid for financing costs	(2,500)	(164)
Noncontrolling interest activity	(391)	(359)
Proceeds from exercise of common unit options		308
Cash contribution from general partner in connection with common unit issuances		6
Net cash provided by financing activities	57,283	16,031
Effect of exchange rate changes on cash	2	2

Increase (decrease) in cash and cash equivalents		5,697		(1,768)
Cash and cash equivalents - beginning of period		7,437		11,401
Cash and cash equivalents - end of period	$	13,134	$	9,633

See notes to condensed consolidated financial statements.

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FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2011

(Dollars in thousands, except per unit data, unless otherwise designated)

(unaudited)

A. Partnership organization and formation

Ferrellgas Partners, L.P. (Ferrellgas Partners) is a publicly traded limited partnership, owning an approximate 99% limited partner interest in Ferrellgas, L.P. (the operating partnership). Ferrellgas Partners and the operating partnership are collectively referred to as Ferrellgas. Ferrellgas, Inc. (the general partner), a wholly-owned subsidiary of Ferrell Companies, Inc. (Ferrell Companies), has retained a 1% general partner interest in Ferrellgas Partners and also holds an approximate 1% general partner interest in the operating partnership, representing an effective 2% general partner interest in Ferrellgas on a combined basis. As general partner, it performs all management functions required by Ferrellgas. As of October 31, 2011, Ferrell Companies beneficially owned 20.3 million of Ferrellgas Partners outstanding common units.

The condensed consolidated financial statements of Ferrellgas reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim periods presented. All adjustments to the condensed consolidated financial statements were of a normal, recurring nature. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with (i) the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and (ii) the consolidated financial statements and accompanying notes, each as set forth in Ferrellgas Annual Report on Form 10-K for fiscal 2011.

B. Summary of significant accounting policies

(1) Nature of operations: Ferrellgas Partners is a holding entity that conducts no operations and has two subsidiaries, Ferrellgas Partners Finance Corp. and the operating partnership. Ferrellgas Partners owns a 100% equity interest in Ferrellgas Partners Finance Corp., whose only business activity is to act as the co-issuer and co-obligor of any debt issued by Ferrellgas Partners. The operating partnership is the only operating subsidiary of Ferrellgas Partners. Ferrellgas is a single reportable operating segment.

The operating partnership is engaged primarily in the distribution of propane and related equipment and supplies in the United States. The propane distribution market is seasonal because propane is used primarily for heating in residential and commercial buildings. Therefore, the results of operations for the three months ended October 31, 2011 and 2010 are not necessarily indicative of the results to be expected for a full fiscal year. The operating partnership serves approximately one million residential, industrial/commercial, portable tank exchange, agricultural, wholesale and other customers in all 50 states, the District of Columbia, and Puerto Rico.

(2) Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the condensed consolidated financial statements include accruals that have been established for contingent liabilities, pending claims and legal actions arising in the normal course of business, useful lives of property, plant and equipment assets, residual values of tanks, capitalization of customer tank installation costs, amortization methods of intangible assets, valuation methods used to value sales returns and allowances, allowance for doubtful accounts, fair values of derivative contracts and stock and unit-based compensation calculations.

(3) Supplemental cash flow information: For purposes of the condensed consolidated statements of cash flows, Ferrellgas considers cash equivalents to include all highly liquid debt instruments purchased with an original maturity of three months or less. Certain cash flow and significant non-cash activities are presented below:

	For the three months ended October 31,			
		2011		2010
CASH PAID FOR:				
Interest	$	16,817	$	17,065
Income taxes	$	3	$	
NON-CASH INVESTING ACTIVITIES:				
Issuance of common units in connection with acquisitions	$		$	1,625
Issuance of liabilities in connection with acquisitions	$	952	$	538
Property, plant and equipment additions	$	642	$	474

(4) New accounting standards:

FASB Accounting Standard Update No. 2011-05

In June 2011, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standard Update No. 2011-05 (ASU 2011-05), which revises the presentation of comprehensive income in the financial statements. The new guidance requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Ferrellgas does not expect the adoption of this guidance in fiscal 2013 to have a significant impact on its financial position, results of operations or cash flows.

FASB Accounting Standard Update No. 2011-08

In September 2011, the FASB issued FASB Accounting Standard Update No. 2011-08 (ASU 2011-08), which amends the existing guidance on goodwill impairment testing. Under the new guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Ferrellgas does not expect the adoption of this guidance in fiscal 2013 to have a significant impact on its financial position, results of operations or cash flows.

C. <u>Supplemental financial statement information</u>

Inventories consist of the following:

	October 31, 2011	July 31, 2011
Propane gas and related products	$ 161,237	$ 113,826
Appliances, parts and supplies	23,293	22,313
Inventories	$ 184,530	$ 136,139

In addition to inventories on hand, Ferrellgas enters into contracts primarily to buy propane for supply procurement purposes. Most of these contracts have terms of less than one year and call for payment based on market prices at the date of delivery. All supply procurement fixed price contracts have terms of fewer than 24 months. As of October 31, 2011, Ferrellgas had committed, for supply procurement

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purposes, to take delivery of approximately 104.6 million gallons of propane at fixed prices.

Other current liabilities consist of the following:

	October 31, 2011	July 31, 2011
Accrued interest	$ 24,960	$ 19,779
Accrued litigation and insurance	17,350	16,565
Customer deposits and advances	38,264	19,784
Other	54,743	48,685
Other current liabilities	$ 135,317	$ 104,813

Shipping and handling expenses are classified in the following condensed consolidated statements of earnings line items:

	For the three months ended October 31,	
	2011	2010
Operating expense	$ 43,788	$ 42,284
Depreciation and amortization expense	1,584	1,481
Equipment lease expense	3,091	3,361
	$ 48,463	$ 47,126

D. Accounts and notes receivable, net

Accounts and notes receivable, net consist of the following:

	October 31, 2011	July 31, 2011
Accounts receivable pledged as collateral	$ 139,451	$ 112,509
Accounts receivable	70,215	51,104
Other	228	229
Less: Allowance for doubtful accounts	(4,286)	(4,310)
Accounts and notes receivable, net	$ 205,608	$ 159,532

The operating partnership, through Ferrellgas Receivables, securitizes a portion of its trade accounts receivable through a commercial paper conduit for proceeds of up to $145.0 million. At October 31, 2011, $139.5 million of trade accounts receivable were pledged as collateral against $81.0 million of collateralized notes payable due to the commercial paper conduit. These accounts receivable pledged as collateral are bankruptcy remote from the operating partnership. The operating partnership does not provide any guarantee or similar support to the collectability of these accounts receivable pledged as collateral.

The operating partnership structured Ferrellgas Receivables in order to facilitate securitization transactions while complying with Ferrellgas various debt covenants. If the covenants were compromised, funding from the facility could be restricted or suspended, or its costs could increase. As of October 31, 2011, the operating partnership had received cash proceeds of $81.0 million from trade accounts receivables securitized, with the ability to receive proceeds of an additional $8.0 million. As of July 31, 2011, the operating partnership had received cash proceeds of $61.0 million from trade accounts receivables securitized, with the ability to receive proceeds of an additional $3.0 million. Borrowings under the accounts receivable securitization facility had a weighted average interest rate of 3.2% and 3.6% as of October 31, 2011 and July 31, 2011, respectively.

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E. Debt

Short-term borrowings

Ferrellgas classified a portion of its secured credit facility borrowings as short-term because it was used to fund working capital needs that management had intended to pay down within the 12 month period following each balance sheet date. As of October 31, 2011 and July 31, 2011, $126.1 million and $64.9 million, respectively, were classified as short-term borrowings. For further discussion see the secured credit facility section below.

Secured credit facility

During September 2011, Ferrellgas executed an amendment to its secured credit facility. This amendment changed the maturity of the secured credit facility to five years, extending the maturity date to September 2016. There was no change to the size of the facility which remains at $400.0 million with a letter of credit sublimit of $200.0 million. Borrowings on the amended secured credit facility bear interest at rates ranging from 1.25% to 1.50% lower than the previous secured credit facility.

As of October 31, 2011, Ferrellgas had total borrowings outstanding under its secured credit facility of $209.3 million, of which $83.2 million was classified as long-term debt. As of July 31, 2011, Ferrellgas had total borrowings outstanding under its secured credit facility of $129.5 million, of which $64.6 million was classified as long-term debt.

Borrowings outstanding at October 31, 2011 and July 31, 2011 under the secured credit facility had a weighted average interest rate of 3.27% and 4.57%, respectively.

The obligations under this credit facility are secured by substantially all assets of the operating partnership, the general partner and certain subsidiaries of the operating partnership but specifically excluding (a) assets that are subject to the operating partnership s accounts receivable securitization facility, (b) the general partner s equity interest in Ferrellgas Partners and (c) equity interest in certain unrestricted subsidiaries. Such obligations are also guaranteed by the general partner and certain subsidiaries of the operating partnership.

Letters of credit outstanding at October 31, 2011 totaled $51.0 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. Letters of credit outstanding at July 31, 2011 totaled $47.5 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. At October 31, 2011, Ferrellgas had available letter of credit remaining capacity of $139.6 million. At July 31, 2011, Ferrellgas had available letter of credit remaining capacity of $152.5 million.

F. Partners capital

Partnership distributions paid

Ferrellgas Partners has paid the following distributions:

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	For the three months ended October 31,	
	2011	2010
Public common unitholders	$ 25,640	$ 22,433
Ferrell Companies (1)	10,040	10,040
FCI Trading Corp. (2)	98	98
Ferrell Propane, Inc. (3)	26	26
James E. Ferrell (4)	2,179	2,177
General partner	384	351
	$ 38,367	$ 35,125

(1) Ferrell Companies is the owner of the general partner and a 26% owner of Ferrellgas Partner s common units and thus a related party.

(2) FCI Trading Corp. (FCI Trading) is an affiliate of the general partner and thus a related party.

(3) Ferrell Propane, Inc. (Ferrell Propane) is controlled by the general partner and thus a related party.

(4) James E. Ferrell is the Executive Chairman and Chairman of the Board of Directors of the general partner and thus a related party.

On November 22, 2011, Ferrellgas Partners declared a cash distribution of $0.50 per common unit for the three months ended October 31, 2011, which is expected to be paid on December 15, 2011.

Included in this cash distribution are the following amounts expected to be paid to related parties:

Ferrell Companies	$ 10,040
FCI Trading	98
Ferrell Propane	26
James E. Ferrell	2,179
General partner	384

See additional discussions about transactions with related parties in Note H Transactions with related parties.

Other comprehensive income (OCI)

See Note G Derivatives for details regarding changes in fair value on risk management financial derivatives recorded within OCI for the three months ended October 31, 2011 and 2010.

General partner s commitment to maintain its capital account

Ferrellgas   partnership agreements allows the general partner to have an option to maintain its effective 2% general partner interest concurrent with the issuance of other additional equity.

During the three months ended October 31, 2011, the general partner made non-cash contributions of $0.1 million to Ferrellgas to maintain its effective 2% general partner interest.

During the three months ended October 31, 2010, the general partner made cash contributions of $39 thousand and non-cash contributions of $69 thousand to Ferrellgas to maintain its effective 2% general partner interest.

G. Derivatives

Commodity Price Risk Management

Ferrellgas   risk management activities primarily attempt to mitigate price risks related to the purchase, storage, transport and sale of propane generally in the contract and spot markets from major domestic energy companies on a short-term basis. Ferrellgas attempts to mitigate these price risks

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through the use of financial derivative instruments and forward propane purchase and sales contracts.

Ferrellgas risk management strategy involves taking positions in the forward or financial markets that are equal and opposite to Ferrellgas positions in the physical products market in order to minimize the risk of financial loss from an adverse price change. This risk management strategy is successful when Ferrellgas gains or losses in the physical product markets are offset by its losses or gains in the forward or financial markets. These financial derivatives are designated as cash flow hedges.

Ferrellgas risk management activities include the use of financial derivative instruments including, but not limited to, price swaps, options, futures and basis swaps to seek protection from adverse price movements and to minimize potential losses. Ferrellgas enters into these financial derivative instruments directly with third parties in the over-the-counter market and with brokers who are clearing members with the New York Mercantile Exchange. Ferrellgas also enters into forward propane purchase and sales contracts with counterparties. These forward contracts qualify for the normal purchase normal sales exception within GAAP guidance and are therefore not recorded on Ferrellgas financial statements until settled.

Cash Flow Hedging Activity

Ferrellgas uses financial derivative instruments for risk management purposes to hedge a portion of its exposure to market fluctuations in propane prices. These financial derivative instruments are designated as cash flow hedging instruments, thus the effective portions of changes in the fair value of the financial derivatives are recorded in OCI prior to settlement and are subsequently recognized in the condensed consolidated statements of earnings in Cost of product sold propane and other gas liquids sales when the forward or forecasted propane sales transaction impacts earnings. The effectiveness of cash flow hedges is evaluated at inception and on an on-going basis. Changes in the fair value of cash flow hedges due to hedge ineffectiveness, if any, are recognized in Cost of product sold propane and other gas liquids sales. During the three months ended October 31, 2011 and 2010, Ferrellgas did not recognize any gain or loss in earnings related to hedge ineffectiveness and did not exclude any component of the financial derivative contract gain or loss from the assessment of hedge effectiveness related to these cash flow hedges.

The fair value of the financial derivative instruments below are included within Prepaid expenses and other current assets and Other current liabilities on the condensed consolidated balance sheets:

		October 31, 2011	July 31, 2011
Derivatives	Price risk management assets	$ 2,044	$ 7,637
Derivatives	Price risk management liabilities	$ 1,290	$ 2,476

Ferrellgas had the following cash flow hedge activity included in OCI in the condensed consolidated statements of partners capital:

For the three months ended October 31,

	2011	2010
Fair value gain (loss) adjustment classified as OCI with offset in Price risk management assets and Price risk management liabilities	$ (2,528)	$ 5,002
Reclassification of net gains originally recorded within OCI to Cost of product sold propane and other gas liquids	$ 1,879	$ 583

Ferrellgas expects to reclassify net gains of approximately $0.8 million to earnings during the next 12 months. These net gains are expected to be offset by margins on propane sales commitments Ferrellgas has with its customers that qualify for the normal purchase normal sales exception.

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During the three months ended October 31, 2011 and 2010, Ferrellgas had no reclassifications to earnings resulting from discontinuance of any cash flow hedges arising from the probability of the original forecasted transactions not occurring within the originally specified period of time defined within the hedging relationship.

As of October 31, 2011, Ferrellgas had financial derivative contracts covering 0.7 million barrels of propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

During the three months ended October 31, 2011 and 2010, four counterparties represented 90% and 95%, respectively, of net settled cash flow hedging positions reported in Cost of product sold propane and other gas liquids sales. During the three months ended October 31, 2011 and 2010, Ferrellgas neither held nor entered into financial derivative contracts that contained credit risk related contingency features.

In accordance with GAAP, Ferrellgas determines the fair value of its assets and liabilities subject to fair value measurement by using the highest possible Level as defined within the GAAP hierarchy. The three levels defined by the GAAP hierarchy are as follows:

- Level 1 Quoted prices available in active markets for identical assets or liabilities.
- Level 2 Pricing inputs not quoted in active markets but either directly or indirectly observable.
- Level 3 Significant inputs to pricing that have little or no transparency with inputs requiring significant management judgment or estimation.

Ferrellgas considers over-the-counter derivative instruments entered into directly with third parties as Level 2 valuation since the values of these derivatives are quoted by third party brokers and are on an exchange for similar transactions. The market prices used to value Ferrellgas derivatives have been determined using independent third party prices, readily available market information, broker quotes, and appropriate valuation techniques.

The following tables provide the amounts and their corresponding level of hierarchy for our assets and liabilities that are measured at fair value. All financial derivatives assets and liabilities were non-trading positions.

	As of October 31, 2011			
Fair value of derivatives	**Level 1**	**Level 2**	**Level 3**	**Total**
Price risk management assets	$	$ 2,044	$	$ 2,044
Price risk management liabilities	$	$ 1,290	$	$ 1,290

	As of July 31, 2011			
Fair value of derivatives	**Level 1**	**Level 2**	**Level 3**	**Total**

Price risk management assets	$	$	7,637	$		$	7,637
Price risk management liabilities	$	$	2,476	$		$	2,476

H. <u>Transactions with related parties</u>

General partner

Ferrellgas has no employees and is managed and controlled by its general partner. Pursuant to Ferrellgas partnership agreements, the general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Ferrellgas and all other necessary or appropriate expenses allocable to Ferrellgas or otherwise reasonably incurred by its general partner in

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connection with operating Ferrellgas business. These costs primarily include compensation and benefits paid to employees of the general partner who perform services on Ferrellgas behalf and are reported in the condensed consolidated statements of earnings as follows:

	For the three months ended October 31,	
	2011	2010
Operating expense	$ 49,347	$ 50,011
General and administrative expense	$ 6,017	$ 6,463

See additional discussions about transactions with the general partner and related parties in Note F Partners capital.

I. Contingencies and commitments

Litigation

Ferrellgas operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, Ferrellgas is threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Other than as discussed below, Ferrellgas is not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. It is not possible to determine the ultimate disposition of these matters; however, management is of the opinion that there are no known claims or contingent claims that are reasonably expected to have a material adverse effect on the consolidated financial condition, results of operations and cash flows of Ferrellgas.

Ferrellgas has been named as a defendant in lawsuits filed in multiple federal and state courts that seek to certify nationwide or statewide classes related to its Blue Rhino branded propane tank exchange activities. The plaintiffs in each case generally allege that Ferrellgas failed to inform consumers of the amount of propane contained in propane tanks they purchased and that Ferrellgas violated anti-trust laws by allegedly conspiring with a competitor. The federal cases have been coordinated for multidistrict treatment in the United States District Court for the Western District of Missouri. A settlement agreement has received preliminary approval by the Court. Ferrellgas believes these claims will not have a material impact on the consolidated financial condition, results of operations and cash flows of Ferrellgas beyond the $10.0 million litigation accrual that has been established for these claims.

Ferrellgas has also been named as a defendant in a class action lawsuit filed in the United States District Court in Kansas. The complaint alleges that Ferrellgas violates consumer protection laws in the manner Ferrellgas sets prices and fees for its customers. Based on Ferrellgas business practices, Ferrellgas believes that the claims are without merit and intends to defend the claims vigorously.

J. Net loss per common unitholders interest

Below is a calculation of the basic and diluted net loss available per common unitholders interest in the condensed consolidated statements of earnings for the periods indicated. In accordance with guidance issued by the FASB regarding participating securities and the two-class method, Ferrellgas calculates net earnings (loss) per common unitholders interest for each period presented according to distributions declared and participation rights in undistributed earnings, as if all of the earnings or loss for the period had been distributed. In periods with undistributed earnings above certain levels, the calculation according to the two-class method results in an increased allocation of undistributed earnings to the general partner and a dilution of the earnings to the limited partners. Due to the seasonality of the propane business, the dilution effect of the guidance on the two-class method

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typically impacts only the three months ending January 31. There was not a dilutive effect resulting from this guidance on basic and diluted net loss per common unitholders interest for the three months ended October 31, 2011 and 2010.

In periods with net losses, the allocation of the net losses to the limited partners and the general partner will be determined based on the same allocation basis specified in the Ferrellgas Partners partnership agreement that would apply to periods in which there were no undistributed earnings. Additionally, in periods with net losses, there are no dilutive securities.

	For the three months ended October 31, 2011	2010
Common unitholders interest in net loss	$ (32,278)	$ (27,763)
Weighted average common units outstanding (in thousands)	75,966.4	69,559.6
Dilutive securities		
Weighted average common units outstanding plus dilutive securities	75,966.4	69,559.6
Basic and diluted net loss per common unitholders interest	$ (0.42)	$ (0.40)

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FERRELLGAS PARTNERS FINANCE CORP.

(A wholly-owned subsidiary of Ferrellgas Partners, L.P.)

CONDENSED BALANCE SHEETS

(in dollars)

(unaudited)

	October 31, 2011	July 31, 2011
ASSETS		
Cash	$ 969	$ 969
Total assets	$ 969	$ 969
Contingencies and commitments (Note B)		
STOCKHOLDER S EQUITY		
Common stock, $1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	$ 1,000	$ 1,000
Additional paid in capital	8,970	8,920
Accumulated deficit	(9,001)	(8,951)
Total stockholder s equity	$ 969	$ 969

CONDENSED STATEMENTS OF EARNINGS

(in dollars)

(unaudited)

	For the three months ended October 31, 2011	2010
General and administrative expense	$ 50	$ 90
Net loss	$ (50)	$ (90)

See notes to condensed financial statements.

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FERRELLGAS PARTNERS FINANCE CORP.

(A wholly-owned subsidiary of Ferrellgas Partners, L.P.)

CONDENSED STATEMENTS OF CASH FLOWS

(in dollars)

(unaudited)

	For the three months ended October 31, 2011	2010
Cash flows from operating activities:		
Net loss	$ (50)	$ (90)
Cash used in operating activities	(50)	(90)
Cash flows from financing activities:		
Capital contribution	50	90
Cash provided by financing activities	50	90
Change in cash		
Cash beginning of period	969	969
Cash end of period	$ 969	$ 969

See notes to condensed financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

October 31, 2011

(unaudited)

A. Formation

Ferrellgas Partners Finance Corp. (the Finance Corp.), a Delaware corporation, was formed on March 28, 1996 and is a wholly-owned subsidiary of Ferrellgas Partners, L.P. (the Partnership).

The condensed financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the condensed financial statements were of a normal, recurring nature.

The Finance Corp. has nominal assets, does not conduct any operations and has no employees.

B. <u>Contingencies and commitments</u>

The Finance Corp. serves as co-issuer and co-obligor for debt securities of the Partnership.

The senior unsecured notes contain various restrictive covenants applicable to the Partnership and its subsidiaries, the most restrictive relating to additional indebtedness. As of October 31, 2011, the Partnership is in compliance with all requirements, tests, limitations and covenants related to this debt agreement.

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FERRELLGAS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

		October 31, 2011		July 31, 2011
ASSETS				
Current assets:				
Cash and cash equivalents	$	13,080	$	7,342
Accounts and notes receivable, net (including $139,451 and $112,509 of accounts receivable pledged as collateral at October 31, 2011 and July 31, 2011, respectively)		205,608		159,532
Inventories		184,530		136,139
Prepaid expenses and other current assets		30,475		23,867
Total current assets		433,693		326,880
Property, plant and equipment (net of accumulated depreciation of $581,527 and $573,665 at October 31, 2011 and July 31, 2011, respectively)		642,711		642,205
Goodwill		248,944		248,944
Intangible assets (net of accumulated amortization of $308,738 and $303,360 at October 31, 2011 and July 31, 2011, respectively)		202,778		204,136
Other assets, net		36,488		34,651
Total assets	$	1,564,614	$	1,456,816
LIABILITIES AND PARTNERS CAPITAL				
Current liabilities:				
Accounts payable	$	115,408	$	67,541
Short-term borrowings		126,071		64,927
Collateralized note payable		81,000		61,000
Other current liabilities		129,233		102,674
Total current liabilities		451,712		296,142
Long-term debt		887,430		868,920
Other liabilities		23,255		23,068
Contingencies and commitments (Note I)				
Partners capital				
Limited partner		199,886		261,323
General partner		2,042		2,669
Accumulated other comprehensive income		289		4,694
Total partners capital		202,217		268,686
Total liabilities and partners capital	$	1,564,614	$	1,456,816

See notes to condensed consolidated financial statements.

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FERRELLGAS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(in thousands)

(unaudited)

	For the three months ended October 31, 2011	2010
Revenues:		
Propane and other gas liquids sales	$ 514,219	$ 368,623
Other	24,207	31,569
Total revenues	538,426	400,192
Costs and expenses:		
Cost of product sold - propane and other gas liquids sales	403,122	256,486
Cost of product sold - other	6,626	12,858
Operating expense (includes $1.2 million and $0.1 million for the three months ended October 31, 2011 and 2010, respectively, for non-cash stock and unit-based compensation)	100,516	95,327
Depreciation and amortization expense	20,674	20,375
General and administrative expense (includes $1.7 million and $0.9 million for the three months ended October 31, 2011 and 2010, respectively, for non-cash stock and unit-based compensation)	11,114	11,264
Equipment lease expense	3,529	3,649
Non-cash employee stock ownership plan compensation charge	2,579	2,444
Loss (gain) on disposal of assets	309	(232)
Operating loss	(10,043)	(1,979)
Interest expense	(19,357)	(20,680)
Other income (expense), net	(33)	178
Loss before income taxes	(29,433)	(22,481)
Income tax benefit	(631)	(482)
Net loss	$ (28,802)	$ (21,999)

See notes to condensed consolidated financial statements.

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FERRELLGAS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS CAPITAL

(in thousands)

(unaudited)

	Limited partner	General partner	Accumulated other comprehensive income (loss) Risk management	Currency translation adjustments	Pension liability	Total partners capital
July 31, 2011	$ 261,323	$ 2,669	$ 5,161	$ 26	$ (493)	$ 268,686
Contributions in connection with non-cash ESOP and stock and unit-based compensation charges	5,441	55				5,496
Cash distributions	(38,367)	(391)				(38,758)
Comprehensive income (loss):						
Net loss	(28,511)	(291)				(28,802)
Other comprehensive income (loss):						
Net loss on risk management derivatives			(2,528)			
Reclassification of derivatives to earnings			(1,879)			
Foreign currency translation adjustment				2		
Pension liability adjustment						
Other comprehensive income (loss)						(4,405)
Comprehensive loss						(33,207)
October 31, 2011	$ 199,886	$ 2,042	$ 754	$ 28	$ (493)	$ 202,217

See notes to condensed consolidated financial statements.

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FERRELLGAS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the three months ended October 31, 2011	For the three months ended October 31, 2010
Cash flows from operating activities:		
Net loss	$ (28,802)	$ (21,999)
Reconciliation of net loss to net cash used in operating activities:		
Depreciation and amortization expense	20,674	20,375
Non-cash employee stock ownership plan compensation charge	2,579	2,444
Non-cash stock and unit-based compensation charge	2,917	1,013
Loss (gain) on disposal of assets	309	(232)
Provision for doubtful accounts	1,952	1,978
Deferred tax expense	164	112
Other	480	2,568
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts and notes receivable, net	(48,026)	(32,573)
Inventories	(48,391)	(2,907)
Prepaid expenses and other current assets	(12,202)	(13,675)
Accounts payable	48,048	22,779
Accrued interest expense	1,256	799
Other current liabilities	26,318	12,824
Other liabilities	38	10
Net cash used in operating activities	(32,686)	(6,484)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(5,300)	(1,786)
Capital expenditures	(14,924)	(11,565)
Proceeds from sale of assets	1,363	2,078
Net cash used in investing activities	(18,861)	(11,273)
Cash flows from financing activities:		
Distributions	(38,758)	(35,484)
Contributions from partners		3
Proceeds from increase in long-term debt	18,656	10,020
Payments on long-term debt	(1,259)	(934)
Net additions to short-term borrowings	61,144	23,279
Net additions to collateralized short-term borrowings	20,000	19,000
Cash paid for financing costs	(2,500)	(13)
Net cash provided by financing activities	57,283	15,871
Effect of exchange rate changes on cash	2	2
Increase (decrease) in cash and cash equivalents	5,738	(1,884)

Cash and cash equivalents - beginning of period		7,342		11,389
Cash and cash equivalents - end of period	$	13,080	$	9,505

See notes to condensed consolidated financial statements.

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FERRELLGAS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2011

(Dollars in thousands, unless otherwise designated)

(unaudited)

A. Partnership organization and formation

Ferrellgas, L.P. is a limited partnership that owns and operates propane distribution and related assets. Ferrellgas Partners, L.P. (Ferrellgas Partners), a publicly traded limited partnership, holds an approximate 99% limited partner interest in, and consolidates, Ferrellgas, L.P. Ferrellgas, Inc. (the general partner), a wholly-owned subsidiary of Ferrell Companies, Inc. (Ferrell Companies), holds an approximate 1% general partner interest in Ferrellgas, L.P. and performs all management functions required by Ferrellgas, L.P.

Ferrellgas, L.P. owns a 100% equity interest in Ferrellgas Finance Corp., whose only business activity is to act as the co-issuer and co-obligor of any debt issued by Ferrellgas, L.P.

The condensed consolidated financial statements of Ferrellgas, L.P. and subsidiaries reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the interim periods presented. All adjustments to the condensed consolidated financial statements were of a normal, recurring nature. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with (i) the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and (ii) the consolidated financial statements and accompanying notes, each as set forth in Ferrellgas, L.P. s Annual Report on Form 10-K for fiscal 2011.

B. Summary of significant accounting policies

(1) Nature of operations: Ferrellgas, L.P. is a single reportable operating segment engaged primarily in the distribution of propane and related equipment and supplies in the United States. The propane distribution market is seasonal because propane is used primarily for heating in residential and commercial buildings. Therefore, the results of operations for the three months ended October 31, 2011 and 2010 are not necessarily indicative of the results to be expected for a full fiscal year. Ferrellgas, L.P. serves approximately one million residential, industrial/commercial, portable tank exchange, agricultural, wholesale and other customers in all 50 states, the District of Columbia, and Puerto Rico.

(2) Accounting estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Significant estimates impacting the condensed consolidated financial statements include accruals that have been established for contingent liabilities, pending claims and legal actions arising in the normal course of business, useful lives of property, plant and equipment assets, residual values of tanks, capitalization of customer tank installation costs, amortization methods of intangible assets, valuation methods used to value sales returns and allowances, allowance for doubtful accounts, fair values of derivative contracts and stock and unit-based compensation calculations.

(3) Supplemental cash flow information: For purposes of the condensed consolidated statements of cash flows, Ferrellgas, L.P. considers cash equivalents to include all highly liquid debt instruments purchased with an original maturity of three months or less. Certain cash flow and significant non-cash activities are presented below:

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	For the three months ended October 31,			
		2011		2010
CASH PAID FOR:				
Interest	$	16,817	$	17,065
Income taxes	$	2	$	
NON-CASH INVESTING ACTIVITIES:				
Assets contributed from Ferrellgas Partners in connection with acquisitions	$		$	1,625
Issuance of liabilities in connection with acquisitions	$	952	$	538
Property, plant and equipment additions	$	642	$	474

(4) New accounting standards:

FASB Accounting Standard Update No. 2011-05

In June 2011, the Financial Accounting Standards Board (FASB) issued FASB Accounting Standard Update No. 2011-05 (ASU 2011-05), which revises the presentation of comprehensive income in the financial statements. The new guidance requires entities to report components of comprehensive income in either a continuous statement of comprehensive income or two separate but consecutive statements. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Ferrellgas, L.P. does not expect the adoption of this guidance in fiscal 2013 to have a significant impact on its financial position, results of operations or cash flows.

FASB Accounting Standard Update No. 2011-08

In September 2011, the FASB issued FASB Accounting Standard Update No. 2011-08 (ASU 2011-08), which amends the existing guidance on goodwill impairment testing. Under the new guidance, entities testing goodwill for impairment have the option of performing a qualitative assessment before calculating the fair value of the reporting unit. If an entity determines, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Ferrellgas, L.P. does not expect the adoption of this guidance in fiscal 2013 to have a significant impact on its financial position, results of operations or cash flows.

C. Supplemental financial statement information

Inventories consist of the following:

		October 31, 2011		July 31, 2011
Propane gas and related products	$	161,237	$	113,826
Appliances, parts and supplies		23,293		22,313

Inventories	$	184,530	$	136,139

In addition to inventories on hand, Ferrellgas, L.P. enters into contracts primarily to buy propane for supply procurement purposes. Most of these contracts have terms of less than one year and call for payment based on market prices at the date of delivery. All supply procurement fixed price contracts have terms of fewer than 24 months. As of October 31, 2011, Ferrellgas, L.P. had committed, for supply procurement purposes, to take delivery of approximately 104.6 million gallons of propane at fixed prices.

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Other current liabilities consist of the following:

	October 31, 2011	July 31, 2011
Accrued interest	$ 19,029	$ 17,773
Accrued litigation and insurance	17,350	16,565
Customer deposits and advances	38,264	19,784
Other	54,590	48,552
Other current liabilities	$ 129,233	$ 102,674

Shipping and handling expenses are classified in the following condensed consolidated statements of earnings line items:

	For the three months ended October 31,	
	2011	2010
Operating expense	$ 43,788	$ 42,284
Depreciation and amortization expense	1,584	1,481
Equipment lease expense	3,091	3,361
	$ 48,463	$ 47,126

D. Accounts and notes receivable, net

Accounts and notes receivable, net consist of the following:

	October 31, 2011	July 31, 2011
Accounts receivable pledged as collateral	$ 139,451	$ 112,509
Accounts receivable	70,215	51,104
Other	228	229
Less: Allowance for doubtful accounts	(4,286)	(4,310)
Accounts and notes receivable, net	$ 205,608	$ 159,532

Ferrellgas, L.P., through Ferrellgas Receivables, securitizes a portion of its trade accounts receivable through a commercial paper conduit for proceeds of up to $145.0 million. At October 31, 2011, $139.5 million of trade accounts receivable were pledged as collateral against $81.0 million of collateralized notes payable due to the commercial paper conduit. These accounts receivable pledged as collateral are bankruptcy remote from Ferrellgas, L.P. Ferrellgas, L.P. does not provide any guarantee or similar support to the collectability of these accounts receivable pledged as collateral.

Ferrellgas, L.P. structured Ferrellgas Receivables in order to facilitate securitization transactions while complying with Ferrellgas, L.P. s various debt covenants. If the covenants were compromised, funding from the facility could be restricted or suspended, or its costs could increase. As of October 31, 2011, Ferrellgas, L.P. had received cash proceeds of $81.0 million from trade accounts receivables securitized, with the ability to receive proceeds of an additional $8.0 million. As of July 31, 2011, Ferrellgas, L.P. had received cash proceeds of $61.0 million from trade accounts receivables securitized, with the ability to receive proceeds of an additional $3.0 million. Borrowings under the accounts receivable securitization facility had a weighted average interest rate of 3.2% and 3.6% as of October 31, 2011 and July 31, 2011, respectively.

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E. Debt

Short-term borrowings

Ferrellgas, L.P. classified a portion of its secured credit facility borrowings as short-term because it was used to fund working capital needs that management had intended to pay down within the 12 month period following each balance sheet date. As of October 31, 2011 and July 31, 2011, $126.1 million and $64.9 million, respectively, were classified as short-term borrowings. For further discussion see the secured credit facility section below.

Secured credit facility

During September 2011, Ferrellgas, L.P. executed an amendment to its secured credit facility. This amendment changed the maturity of the secured credit facility to five years, extending the maturity date to September 2016. There was no change to the size of the facility which remains at $400.0 million with a letter of credit sublimit of $200.0 million. Borrowings on the amended secured credit facility bear interest at rates ranging from 1.25% to 1.50% lower than the previous secured credit facility.

As of October 31, 2011, Ferrellgas, L.P. had total borrowings outstanding under its secured credit facility of $209.3 million, of which $83.2 million was classified as long-term debt. As of July 31, 2011, Ferrellgas, L.P. had total borrowings outstanding under its secured credit facility of $129.5 million, of which $64.6 million was classified as long-term debt.

Borrowings outstanding at October 31, 2011 and July 31, 2011 under the secured credit facility had a weighted average interest rate of 3.27% and 4.57%, respectively.

The obligations under this credit facility are secured by substantially all assets of Ferrellgas, L.P., the general partner and certain subsidiaries of Ferrellgas, L.P. but specifically excluding (a) assets that are subject to Ferrellgas, L.P. s accounts receivable securitization facility, (b) the general partner s equity interest in Ferrellgas Partners and (c) equity interest in certain unrestricted subsidiaries. Such obligations are also guaranteed by the general partner and certain subsidiaries of Ferrellgas, L.P.

Letters of credit outstanding at October 31, 2011 totaled $51.0 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. Letters of credit outstanding at July 31, 2011 totaled $47.5 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. At October 31, 2011, Ferrellgas, L.P. had available letter of credit remaining capacity of $139.6 million. At July 31, 2011, Ferrellgas, L.P. had available letter of credit remaining capacity of $152.5 million.

F. Partners capital

Partnership distributions paid

Ferrellgas, L.P. has paid the following distributions:

	For the three months ended October 31, 2011	2010
Ferrellgas Partners	$ 38,367	$ 35,125
General partner	391	359
	$ 38,758	$ 35,484

On November 22, 2011, Ferrellgas, L.P. declared distributions for the three months ended October 31, 2011 to Ferrellgas Partners and the general partner of $46.2 million and $0.5 million, respectively, which is expected to be paid on December 15, 2011.

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See additional discussions about transactions with related parties in Note H Transactions with related parties.

Other comprehensive income (OCI)

See Note G Derivatives for details regarding changes in fair value on risk management financial derivatives recorded within OCI for the three months ended October 31, 2011.

General partner s commitment to maintain its capital account

Ferrellgas, L.P. s partnership agreement allows the general partner to have an option to maintain its 1.0101% general partner interest concurrent with the issuance of other additional equity.

During the three months ended October 31, 2011, the general partner made non-cash contributions of $55 thousand to Ferrellgas, L.P. to maintain its 1.0101% general partner interest.

During the three months ended October 31, 2010, the general partner made cash contributions of $20 thousand and non-cash contributions of $35 thousand to Ferrellgas, L.P. to maintain its 1.0101% general partner interest.

G. Derivatives

Commodity Price Risk Management

Ferrellgas, L.P. s risk management activities primarily attempt to mitigate price risks related to the purchase, storage, transport and sale of propane generally in the contract and spot markets from major domestic energy companies on a short-term basis. Ferrellgas, L.P. attempts to mitigate these price risks through the use of financial derivative instruments and forward propane purchase and sales contracts.

Ferrellgas, L.P. s risk management strategy involves taking positions in the forward or financial markets that are equal and opposite to Ferrellgas, L.P. s positions in the physical products market in order to minimize the risk of financial loss from an adverse price change. This risk management strategy is successful when Ferrellgas, L.P. s gains or losses in the physical product markets are offset by its losses or gains in the forward or financial markets. These financial derivatives are designated as cash flow hedges.

Ferrellgas, L.P. s risk management activities include the use of financial derivative instruments including, but not limited to, price swaps, options, futures and basis swaps to seek protection from adverse price movements and to minimize potential losses. Ferrellgas, L.P. enters into these financial derivative instruments directly with third parties in the over-the-counter market and with brokers who are clearing members with the New York Mercantile Exchange. Ferrellgas, L.P. also enters into forward propane purchase and sales contracts with counterparties. These forward contracts qualify for the normal purchase normal sales exception within GAAP guidance and are therefore not recorded on Ferrellgas, L.P. s financial statements until settled.

Cash Flow Hedging Activity

Ferrellgas, L.P. uses financial derivative instruments for risk management purposes to hedge a portion of its exposure to market fluctuations in propane prices. These financial derivative instruments are designated as cash flow hedging instruments, thus the effective portions of changes in the fair value of the financial derivatives are recorded in OCI prior to settlement and are subsequently recognized in the condensed consolidated statements of earnings in Cost of product sold propane and other gas

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liquids sales when the forward or forecasted propane sales transaction impacts earnings. The effectiveness of cash flow hedges is evaluated at inception and on an on-going basis. Changes in the fair value of cash flow hedges due to hedge ineffectiveness, if any, are recognized in Cost of product sold propane and other gas liquids sales. During the three months ended October 31, 2011 and 2010, Ferrellgas, L.P. did not recognize any gain or loss in earnings related to hedge ineffectiveness and did not exclude any component of the financial derivative contract gain or loss from the assessment of hedge effectiveness related to these cash flow hedges.

The fair value of the financial derivative instruments below are included within Prepaid expenses and other current assets and Other current liabilities on the condensed consolidated balance sheets:

			October 31, 2011		July 31, 2011
Derivatives	Price risk management assets	$	2,044	$	7,637
Derivatives	Price risk management liabilities	$	1,290	$	2,476

Ferrellgas, L.P. had the following cash flow hedge activity included in OCI in the condensed consolidated statement of partners capital for the three months ended October 31, 2011:

Fair value loss adjustment classified as OCI with offset in Price risk management assets and Price risk management liabilities	$	(2,528)
Reclassification of net gains originally recorded within OCI to Cost of product sold propane and other gas liquids	$	1,879

Ferrellgas, L.P. expects to reclassify net gains of approximately $0.8 million to earnings during the next 12 months. These net gains are expected to be offset by margins on propane sales commitments Ferrellgas, L.P. has with its customers that qualify for the normal purchase normal sales exception.

During the three months ended October 31, 2011 and 2010, Ferrellgas, L.P. had no reclassifications to earnings resulting from discontinuance of any cash flow hedges arising from the probability of the original forecasted transactions not occurring within the originally specified period of time defined within the hedging relationship.

As of October 31, 2011, Ferrellgas, L.P. had financial derivative contracts covering 0.7 million barrels of propane that were entered into as cash flow hedges of forward and forecasted purchases of propane.

During the three months ended October 31, 2011 and 2010, four counterparties represented 90% and 95%, respectively, of net settled cash flow hedging positions reported in Cost of product sold propane and other gas liquids sales. During the three months ended October 31, 2011 and 2010, Ferrellgas, L.P. neither held nor entered into financial derivative contracts that contained credit risk related contingency features.

In accordance with GAAP, Ferrellgas, L.P. determines the fair value of its assets and liabilities subject to fair value measurement by using the highest possible Level as defined within the GAAP hierarchy. The three levels defined by the GAAP hierarchy are as follows:

- Level 1 Quoted prices available in active markets for identical assets or liabilities.
- Level 2 Pricing inputs not quoted in active markets but either directly or indirectly observable.
- Level 3 Significant inputs to pricing that have little or no transparency with inputs requiring significant management judgment or estimation.

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Ferrellgas, L.P. considers over-the-counter derivative instruments entered into directly with third parties as Level 2 valuation since the values of these derivatives are quoted by third party brokers and are on an exchange for similar transactions. The market prices used to value Ferrellgas, L.P. s derivatives have been determined using independent third party prices, readily available market information, broker quotes, and appropriate valuation techniques.

The following tables provide the amounts and their corresponding level of hierarchy for our assets and liabilities that are measured at fair value. All financial derivatives assets and liabilities were non-trading positions.

	As of October 31, 2011			
Fair value of derivatives	**Level 1**	**Level 2**	**Level 3**	**Total**
Price risk management assets	$	$ 2,044	$	$ 2,044
Price risk management liabilities	$	$ 1,290	$	$ 1,290

	As of July 31, 2011			
Fair value of derivatives	**Level 1**	**Level 2**	**Level 3**	**Total**
Price risk management assets	$	$ 7,637	$	$ 7,637
Price risk management liabilities	$	$ 2,476	$	$ 2,476

H. Transactions with related parties

General partner

Ferrellgas, L.P. has no employees and is managed and controlled by its general partner. Pursuant to Ferrellgas, L.P. s partnership agreement, the general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on behalf of Ferrellgas, L.P., and all other necessary or appropriate expenses allocable to Ferrellgas, L.P. or otherwise reasonably incurred by its general partner in connection with operating Ferrellgas, L.P. s business. These costs primarily include compensation and benefits paid to employees of the general partner who perform services on Ferrellgas, L.P. s behalf and are reported in the condensed consolidated statements of earnings as follows:

	For the three months ended October 31,	
	2011	**2010**
Operating expense	$ 49,347	$ 50,011
General and administrative expense	$ 6,017	$ 6,463

See additional discussions about transactions with the general partner and related parties in Note F Partners capital.

I. Contingencies and commitments

Litigation

Ferrellgas, L.P. s operations are subject to all operating hazards and risks normally incidental to

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handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, Ferrellgas, L.P. is threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Other than as discussed below, Ferrellgas, L.P. is not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. It is not possible to determine the ultimate disposition of these matters; however, management is of the opinion that there are no known claims or contingent claims that are reasonably expected to have a material adverse effect on the consolidated financial condition, results of operations and cash flows of Ferrellgas, L.P.

Ferrellgas, L.P. has been named as a defendant in lawsuits filed in multiple federal and state courts that seek to certify nationwide or statewide classes related to its Blue Rhino branded propane tank exchange activities. The plaintiffs in each case generally allege that Ferrellgas, L.P. failed to inform consumers of the amount of propane contained in propane tanks they purchased and that Ferrellgas, L.P. violated anti-trust laws by allegedly conspiring with a competitor. The federal cases have been coordinated for multidistrict treatment in the United States District Court for the Western District of Missouri. A settlement agreement has received preliminary approval by the Court. Ferrellgas, L.P. believes these claims will not have a material impact on the consolidated financial condition, results of operations and cash flows of Ferrellgas, L.P. beyond the $10.0 million litigation accrual that has been established for these claims.

Ferrellgas, L.P. has also been named as a defendant in a class action lawsuit filed in the United States District Court in Kansas. The complaint alleges that Ferrellgas, L.P. violates consumer protection laws in the manner Ferrellgas, L.P. sets prices and fees for its customers. Based on Ferrellgas, L.P. s business practices, Ferrellgas, L.P. believes that the claims are without merit and intends to defend the claims vigorously.

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FERRELLGAS FINANCE CORP.

(A wholly-owned subsidiary of Ferrellgas, L.P.)

CONDENSED BALANCE SHEETS

(in dollars)

(unaudited)

	October 31, 2011	July 31, 2011
ASSETS		
Cash	$ 1,100	$ 1,100
Total assets	$ 1,100	$ 1,100
Contingencies and commitments (Note B)		
STOCKHOLDER S EQUITY		
Common stock, $1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	$ 1,000	$ 1,000
Additional paid in capital	36,882	35,382
Accumulated deficit	(36,782)	(35,282)
Total stockholder s equity	$ 1,100	$ 1,100

CONDENSED STATEMENTS OF EARNINGS

(in dollars)

(unaudited)

	For the three months ended October 31, 2011	2010
General and administrative expense	$ 1,500	$ 3,050
Net loss	$ (1,500)	$ (3,050)

See notes to condensed financial statements.

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FERRELLGAS FINANCE CORP.

(A wholly-owned subsidiary of Ferrellgas, L.P.)

CONDENSED STATEMENTS OF CASH FLOWS

(in dollars)

(unaudited)

	For the three months ended October 31, 2011	2010
Cash flows from operating activities:		
Net loss	$ (1,500)	$ (3,050)
Cash used in operating activities	(1,500)	(3,050)
Cash flows from financing activities:		
Capital contribution	1,500	3,050
Cash provided by financing activities	1,500	3,050
Change in cash		
Cash beginning of period	1,100	1,100
Cash end of period	$ 1,100	$ 1,100

See notes to condensed financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

October 31, 2011

(unaudited)

A. Formation

Ferrellgas Finance Corp. (the Finance Corp.), a Delaware corporation, was formed on January 16, 2003 and is a wholly-owned subsidiary of Ferrellgas, L.P. (the Partnership).

The condensed financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the interim periods presented. All adjustments to the condensed financial statements were of a normal, recurring nature.

The Finance Corp. has nominal assets, does not conduct any operations and has no employees.

B. Contingencies and commitments

The Finance Corp. serves as co-issuer and co-obligor for debt securities of the Partnership.

The senior notes agreements contain various restrictive covenants applicable to the Partnership and its subsidiaries, the most restrictive relating to additional indebtedness. As of October 31, 2011, the Partnership is in compliance with all requirements, tests, limitations and covenants related to these debt agreements.

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

Our management s discussion and analysis of financial condition and results of operations relates to Ferrellgas Partners, L.P. and Ferrellgas, L.P.

Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. have nominal assets, do not conduct any operations and have no employees other than officers. Ferrellgas Partners Finance Corp. serves as co-issuer and co-obligor for debt securities of Ferrellgas Partners, L.P. and Ferrellgas Finance Corp. serves as co-issuer and co-obligor for debt securities of Ferrellgas, L.P. Accordingly, and due to the reduced disclosure format, a discussion of the results of operations, liquidity and capital resources of Ferrellgas Partners Finance Corp. and Ferrellgas Finance Corp. is not presented in this section.

In this Quarterly Report on Form 10-Q, unless the context indicates otherwise:

- us, we, our, ours, or consolidated are references exclusively to Ferrellgas Partners, L.P. together with its consolidated subsidiaries including Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp., except when used in connection with common units, in which case these terms refer to Ferrellgas Partners, L.P. without its consolidated subsidiaries;

- Ferrellgas Partners refers to Ferrellgas Partners, L.P. itself, without its consolidated subsidiaries;

- the operating partnership refers to Ferrellgas, L.P., together with its consolidated subsidiaries, including Ferrellgas Finance Corp.;

- our general partner refers to Ferrellgas, Inc.;

- Ferrell Companies refers to Ferrell Companies, Inc., the sole shareholder of our general partner;

- unitholders refers to holders of common units of Ferrellgas Partners;

- retail sales refers to Propane and other gas liquid sales: Retail Sales to End Users or the volume of propane sold primarily to our residential, industrial/commercial and agricultural customers;

- wholesale sales refers to Propane and other gas liquid sales: Wholesale Sales to Resellers or the volume of propane sold primarily to our portable tank exchange customers and bulk propane sold to wholesale customers;

- other gas sales refers to Propane and other gas liquid sales: Other Gas Sales or the volume of bulk propane sold to other third party propane distributors or marketers and the volume of refined fuel sold;

- propane sales volume refers to the volume of propane sold to our retail sales and wholesale sales customers; and

- Notes refers to the notes of the condensed consolidated financial statements of Ferrellgas Partners or the operating partnership, as applicable.

Ferrellgas Partners is a holding entity that conducts no operations and has two direct subsidiaries, Ferrellgas Partners Finance Corp. and the operating partnership. Ferrellgas Partners only significant assets are its approximate 99% limited partnership interest in the operating partnership and its 100% equity interest in Ferrellgas Partners Finance Corp. The common units of Ferrellgas Partners are listed on the New York Stock Exchange and our activities are primarily conducted through the operating partnership.

The operating partnership was formed on April 22, 1994, and accounts for substantially all of our

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consolidated assets, sales and operating earnings, except for interest expense related to the senior notes co-issued by Ferrellgas Partners and Ferrellgas Partners Finance Corp.

Our general partner performs all management functions for us and our subsidiaries and holds a 1% general partner interest in Ferrellgas Partners and an approximate 1% general partner interest in the operating partnership. The parent company of our general partner, Ferrell Companies, beneficially owns approximately 27% of our outstanding common units. Ferrell Companies is owned 100% by an employee stock ownership trust.

We file annual, quarterly, and other reports and information with the SEC. You may read and download our SEC filings over the Internet from several commercial document retrieval services as well as at the SEC s website at www.sec.gov. You may also read and copy our SEC filings at the SEC s Public Reference Room located at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information concerning the Public Reference Room and any applicable copy charges. Because our common units are traded on the New York Stock Exchange under the ticker symbol of FGP, we also provide our SEC filings and particular other information to the New York Stock Exchange. You may obtain copies of these filings and such other information at the offices of the New York Stock Exchange located at 11 Wall Street, New York, New York 10005. In addition, our SEC filings are available on our website at www.ferrellgas.com at no cost as soon as reasonably practicable after our electronic filing or furnishing thereof with the SEC. Please note that any Internet addresses provided in this Quarterly Report on Form 10-Q are for informational purposes only and are not intended to be hyperlinks. Accordingly, no information found and/or provided at such Internet addresses is intended or deemed to be incorporated by reference herein.

The following is a discussion of our historical financial condition and results of operations and should be read in conjunction with our historical condensed consolidated financial statements and accompanying Notes thereto included elsewhere in this Quarterly Report on Form 10-Q.

The discussions set forth in the Results of Operations and Liquidity and Capital Resources sections generally refer to Ferrellgas Partners and its consolidated subsidiaries. However, in these discussions there exist two material differences between Ferrellgas Partners and the operating partnership. Those material differences are:

- because Ferrellgas Partners has outstanding $182.0 million in aggregate principal amount of 8.625% senior notes due fiscal 2020, the two partnerships incur different amounts of interest expense on their outstanding indebtedness; see the statements of earnings in their respective condensed consolidated financial statements; and

- Ferrellgas Partners issued common units during fiscal 2011.

Overview

We are a leading distributor of propane and related equipment and supplies to customers primarily in the United States and conduct our business as a single reportable operating segment. We believe that we are the second largest retail marketer of propane in the United States as measured by the volume of our retail sales in fiscal 2011, and the largest national provider of propane by portable tank exchange.

We serve approximately one million residential, industrial/commercial, portable tank exchange, agricultural, wholesale and other customers in all 50 states, the District of Columbia and Puerto Rico. Our operations primarily include the distribution and sale of propane and related equipment and supplies with concentrations in the Midwest, Southeast, Southwest and Northwest regions of the United States. Our propane distribution business consists principally of transporting propane purchased from third parties to propane distribution locations and then to tanks on customers premises or to portable propane tanks delivered to nationwide and local retailers. Our portable tank exchange operations, nationally branded under the name Blue Rhino, are conducted through a network of independent and partnership-owned distribution outlets. Our market areas for our residential and agricultural customers are generally rural,

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while our market areas for our industrial/commercial and portable tank exchange customers is generally urban.

In the residential and industrial/commercial markets, propane is primarily used for space heating, water heating, cooking and other propane fueled appliances. In the portable tank exchange market, propane is used primarily for outdoor cooking using gas grills. In the agricultural market, propane is primarily used for crop drying, space heating, irrigation and weed control. In addition, propane is used for a variety of industrial applications, including as an engine fuel which is burned in internal combustion engines that power vehicles and forklifts, and as a heating or energy source in manufacturing and drying processes.

The market for propane is seasonal because of increased demand during the months of November through March (the winter heating season) primarily for the purpose of providing heating in residential and commercial buildings. Consequently, sales and operating profits are concentrated in our second and third fiscal quarters, which are during the winter heating season. However, our propane by portable tank exchanges sales volume provides us increased operating profits during our first and fourth fiscal quarters due to its counter-seasonal business activities. These sales also provide us the ability to better utilize our seasonal resources at our propane distribution locations. Other factors affecting our results of operations include competitive conditions, volatility in energy commodity prices, demand for propane, timing of acquisitions and general economic conditions in the United States.

We use information on temperatures to understand how our results of operations are affected by temperatures that are warmer or colder than normal. We use the definition of normal temperatures based on information published by the National Oceanic and Atmospheric Administration. Based on this information we calculate a ratio of actual heating degree days to normal heating degree days. Heating degree days are a general indicator of weather impacting propane usage.

Weather conditions have a significant impact on demand for propane for heating purposes during the winter heating season. Accordingly, the volume of propane used by our customers for this purpose is affected by the severity of the winter weather in the regions we serve and can vary substantially from year to year. In any given region, sustained warmer-than-normal temperatures will tend to result in reduced propane usage, while sustained colder-than-normal temperatures will tend to result in greater usage. Although there is a strong correlation between weather and customer usage, general economic conditions in the United States and the wholesale price of propane can have a significant impact on this correlation. Additionally, there is a natural time lag between the onset of cold weather and increased sales to customers. If the United States were to experience a cooling trend, we could expect nationwide demand for propane to increase which could lead to greater sales, income and liquidity availability. Conversely, if the United States were to experience a warming trend, we could expect nationwide demand for propane to decrease which could lead to a reduction in our sales, income and liquidity availability.

Our gross margin from the retail distribution of propane is primarily based on the cents-per-gallon difference between the sale price we charge our customers and our costs to purchase and deliver propane to our propane distribution locations. Our residential customers and portable tank exchange customers typically provide us a greater cents-per-gallon margin than our industrial/commercial, agricultural, wholesale and other customers. We track Propane sales volumes, Revenues Propane and other gas liquids sales and Gross margin Propane and other gas liquids sales by customer; however, we are not able to specifically allocate operating and other costs in a manner that would determine their specific profitability with a high degree of accuracy. The wholesale propane price per gallon is subject to various market conditions, including inflation, and may fluctuate based on changes in demand, supply and other energy commodity prices, primarily crude oil and natural gas, as propane prices tend to correlate with the fluctuations of these underlying commodities.

We employ risk management activities that attempt to mitigate price risks related to the purchase, storage, transport and sale of propane. We enter into propane sales commitments with a portion of our customers that provide for a contracted price agreement for a specified period of time. These commitments can expose us to product price risk if not immediately economically hedged with an

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offsetting propane purchase commitment.

Our open financial derivative purchase commitments are designated as hedges primarily for fiscal 2012 sales commitments and, as of October 31, 2011, have experienced net mark to market gains of approximately $0.8 million. Because these financial derivative purchase commitments qualify for hedge accounting treatment, the resulting asset, liability and related mark to market gains or losses are recorded on the condensed consolidated balance sheets as Prepaid expenses and other current assets, Other current liabilities and Accumulated other comprehensive income (loss), respectively, until settled. Upon settlement, realized gains or losses on these contracts will be reclassified to Cost of product sold-propane and other gas liquid sales in the condensed consolidated statements of earnings as the underlying inventory is sold. These financial derivative purchase commitment net gains are expected to be offset by reduced margins on propane sales commitments that qualify for the normal purchase normal sale exception. At October 31, 2011, we estimate 100% of currently open financial derivative purchase commitments, the related propane sales commitments, and the resulting gross margin will be realized into earnings during the next twelve months.

Our business strategy is to:

- expand our operations through disciplined acquisitions and internal growth;
- capitalize on our national presence and economies of scale;
- maximize operating efficiencies through utilization of our technology platform; and
- align employee interests with our investors through significant employee ownership.

Net loss attributable to Ferrellgas Partners, L.P. in the three months ended October 31, 2011 was $(32.6) million as compared to $(28.0) million in the prior period. This increase in the net loss of $4.6 million was primarily due to an increase in Operating expense of $5.2 million.

Forward-looking Statements

Statements included in this report include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. These statements often use words such as anticipate, believe, intend, plan, projection, forecast, strategy, position, continue, estimate, expect, may, will, or the negative of those terms or other variations of them or comp terminology. These statements often discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future and are based upon the beliefs and assumptions of our management and on the information currently available to them. In particular, statements, express or implied, concerning our future operating results or our ability to generate sales, income or cash flow are forward-looking statements.

Forward-looking statements are not guarantees of performance. You should not put undue reliance on any forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause our actual results to differ materially from those expressed in or implied by these forward-looking statements. Many of the factors that will affect our future results are beyond our ability to control or predict.

Some of our forward-looking statements include the following:

- whether the operating partnership will have sufficient funds to meet its obligations, including its obligations under its debt securities, and to enable it to distribute to Ferrellgas Partners sufficient funds to permit Ferrellgas Partners to meet its obligations with respect to its existing debt;

- whether Ferrellgas Partners and the operating partnership will continue to meet all of the quarterly financial tests required by the agreements governing their indebtedness; and

- our expectations that Net earnings will be greater in fiscal 2012 compared to fiscal 2011 primarily due to our expectation that Loss on extinguishment of debt will not recur.

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When considering any forward-looking statement, you should also keep in mind the risk factors set forth in the section in our Annual Report on Form 10-K for our fiscal 2011 entitled, Item 1A. Risk Factors. Any of these risks could impair our business, financial condition or results of operations. Any such impairment may affect our ability to make distributions to our unitholders or pay interest on the principal of any of our debt securities. In addition, the trading price, if any, of our securities could decline as a result of any such impairment.

Except for our ongoing obligations to disclose material information as required by federal securities laws, we undertake no obligation to update any forward-looking statements or risk factors after the date of this Quarterly Report on Form 10-Q.

In addition, the classification of Ferrellgas Partners and the operating partnership as partnerships for federal income tax purposes means that we do not generally pay federal income taxes. We do, however, pay taxes on the income of our subsidiaries that are corporations. We rely on a legal opinion from our counsel, and not a ruling from the Internal Revenue Service, as to our proper classification for federal income tax purposes. See the section in our Annual Report on Form 10-K for our fiscal 2011 entitled, Item 1A. Risk Factors Tax Risks. The IRS could treat us as a corporation for tax purposes or changes in federal or state laws could subject us to entity-level taxation, which would substantially reduce the cash available for distribution to our unitholders or to pay interest on the principal of any of our debt securities.

Results of Operations

Three months ended October 31, 2011 compared to October 31, 2010

(amounts in thousands) **Three months ended October 31,**		**2011**		**2010**		**Favorable (unfavorable) Variance**	
Propane sales volumes (gallons):							
Retail Sales to End Users		132,848		120,561		12,287	10%
Wholesale Sales to Resellers		63,421		47,776		15,645	33%
		196,269		168,337		27,932	17%
Revenues - Propane and other gas liquids sales:							
Retail Sales to End Users	$	282,448	$	221,626	$	60,822	27%
Wholesale Sales to Resellers		142,089		103,222		38,867	38%
Other Gas Sales		89,682		43,775		45,907	105%
	$	514,219	$	368,623	$	145,596	39%
Gross margin Propane and other gas liquids sales: (a)							
Retail Sales to End Users	$	70,880	$	74,714	$	(3,834)	(5)%
Wholesale Sales to Resellers		36,871		37,168		(297)	(1)%
Other Gas Sales		3,346		255		3,091	NM
	$	111,097	$	112,137	$	(1,040)	(1)%
Gross margin - Other	$	17,581	$	18,711	$	(1,130)	(6)%
Adjusted EBITDA (b)		16,374		21,884		(5,510)	(25)%
Operating loss		(10,105)		(2,048)		(8,057)	(393)%
Interest expense		(23,387)		(26,877)		3,490	13%
Interest expense - operating partnership		(19,357)		(20,680)		1,323	6%

(a) Gross margin from propane and other gas liquids sales represents Revenues - propane and other gas

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liquids sales less Cost of product sold propane and other gas liquids sales and does not include depreciation and amortization.

(b) Adjusted EBITDA is calculated as loss before income tax benefit, interest expense, depreciation and amortization expense, non-cash employee stock ownership plan compensation charge, non-cash stock and unit-based compensation charge, loss (gain) on disposal of assets, other income (expense), net, litigation accrual and related legal fees and net loss attributable to noncontrolling interest. Management believes the presentation of this measure is relevant and useful because it allows investors to view the partnership s performance in a manner similar to the method management uses, adjusted for items management believes makes it easier to compare its results with other companies that have different financing and capital structures. This method of calculating Adjusted EBITDA may not be consistent with that of other companies and should be viewed in conjunction with measurements that are computed in accordance with GAAP.

NM Not meaningful

The following table summarizes EBITDA and Adjusted EBITDA for the three months ended October 31, 2011 and 2010, respectively:

(amounts in thousands)		**2011**		**2010**
Net loss attributable to Ferrellgas Partners, L.P.	$	(32,604)	$	(28,043)
Income tax benefit		(630)		(482)
Interest expense		23,387		26,877
Depreciation and amortization expense		20,674		20,375
EBITDA	$	10,827	$	18,727
Non-cash employee stock ownership plan compensation charge		2,579		2,444
Non-cash stock and unit-based compensation charge		2,917		1,013
Loss (gain) on disposal of assets		309		(232)
Other (income) expense, net		33		(178)
Litigation accrual and related legal fees				332
Net loss attributable to noncontrolling interest		(291)		(222)
Adjusted EBITDA	$	16,374	$	21,884

Propane sales volumes during the three months ended October 31, 2011 increased 27.9 million gallons from that of the prior year period due to 15.6 million of increased gallon sales to our wholesale customers and 12.3 million of increased gallon sales to our retail customers.

We believe our increase in sales volume was primarily due to our strategy to increase gallon sales by absorbing a portion of the increase in the wholesale cost of propane experienced during the current year period. We also believe gallon sales were positively impacted by weather in the more highly concentrated geographic areas we serve that was approximately 10% colder than that of the prior year. We believe these volume increases were partially offset by customer conservation resulting from higher propane sales prices and the continuing over all poor economic environment.

Our sales price per gallon is impacted by the wholesale market price of propane. The wholesale market price at one of the major supply points, Mt. Belvieu, Texas, during the three months ended October 31, 2011 averaged 33% more than the prior year period. The wholesale market price averaged $1.52 and $1.14 per gallon during the three months ended October 31, 2011 and 2010, respectively.

Revenues - Propane and other gas liquids sales

Retail sales increased $60.8 million compared to the prior year period. This increase resulted primarily from $38.2 million of increased sales price per gallon and $22.6 million from increased propane sales volumes, both as discussed above.

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Wholesale sales increased $38.9 million compared to the prior year period. This increase resulted from $21.2 million of increased sales volumes and $17.7 million of increased sales price per gallon, both as discussed above.

Other gas sales increased $45.9 million compared to the prior year period primarily due to $26.4 million of increased propane sales volumes and $19.5 million of increased sales price per gallon.

Gross margin - Propane and other gas liquids sales

Retail sales gross margin decreased $3.8 million compared to the prior year period. This decrease resulted primarily from $11.4 million of decreased gross margin per gallon resulting from our strategy to absorb a portion of the higher wholesale market prices for propane, partially offset by $7.6 million related to increased propane sales volumes, both as discussed above.

Wholesale sales gross margin slightly decreased $0.3 million compared to the prior year period. This decrease resulted primarily from $2.7 million of decreased gross margin per gallon resulting from our strategy to absorb a portion of the higher wholesale market prices for propane, offset by $2.4 million related to increased sales volumes, both as discussed above.

Other gas sales gross margin increased $3.1 million compared to the prior year period due to increased sales of excess inventory to other third party propane distributors and marketers.

Adjusted EBITDA

Adjusted EBITDA decreased $5.5 million compared to the prior year period primarily due to a $4.2 million increase in Operating expense. This increase was primarily due to a $2.2 million increase for fuel and other vehicle related costs associated with increased sales volumes and a $1.0 million increase in general liability and other insurance expense.

Operating loss

Operating loss increased $8.1 million compared to the prior year period primarily due to $5.5 million of decreased Adjusted EBITDA, as discussed above and a $1.1 million and $0.8 million increase in non-cash stock based compensation charges classified as Operating expense and General and administrative expense, respectively.

Interest expense - consolidated

Interest expense decreased $3.5 million primarily due to $2.1 million resulting from a decrease in long-term debt borrowings and $1.6 million of decreased amortization of discounts and capitalized debt costs, both of which are the result of refinancings completed during the last 12 months.

Interest expense - operating partnership

Interest expense decreased $1.3 million primarily due to $1.5 million of decreased amortization of discounts and capitalized debt costs, which is the result of refinancings completed during the last 12 months.

Forward-looking statements

We expect Net earnings to be greater in fiscal 2012 compared to fiscal 2011 primarily due to our expectation that Loss on extinguishment of debt will be lower.

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Liquidity and Capital Resources

General

Our liquidity and capital resources enable us to fund our working capital requirements, letter of credit requirements, debt service payments, acquisition and capital expenditures and distributions to our unitholders. Our liquidity and capital resources may be affected by our ability to access the capital markets or by unforeseen demands on cash, or other events beyond our control.

Our only interest rate sensitive financings are our borrowings on our $400.0 million secured credit facility which, during September 2011, was amended to extend its maturity date five years to September 2016, and our accounts receivable securitization facility scheduled to expire in April 2013.

Subject to meeting the financial tests discussed below and also subject to the risk factors identified in the section in our Annual Report on Form 10-K for our fiscal 2011 entitled, Item 1A. Risk Factors, we believe we will continue to have sufficient access to capital markets at yields acceptable to us to support our expected growth expenditures and refinancing of debt maturities. Our disciplined approach to fund necessary capital spending and other partnership needs, combined with sufficient trade credit to operate our business efficiently and available credit under our secured credit facility and our accounts receivable securitization facility should provide us the means to meet our anticipated liquidity and capital resource requirements.

During periods of high volatility, our risk management activities may expose us to the risk of counterparty margin calls in amounts greater than we have the capacity to fund. Likewise our counterparties may not be able to fulfill their margin calls from us or may default on the settlement of positions with us.

Our working capital requirements are subject to, among other things, the price of propane, delays in the collection of receivables, volatility in energy commodity prices, liquidity imposed by insurance providers, downgrades in our credit ratings, decreased trade credit, significant acquisitions, the weather, customer retention and purchasing patterns and other changes in the demand for propane. Relatively colder weather or higher propane prices during the winter heating season are factors that could significantly increase our working capital requirements.

Our ability to satisfy our obligations is dependent upon our future performance, which will be subject to prevailing economic, financial, business and weather conditions and other factors, many of which are beyond our control. Due to the seasonality of the retail propane distribution business, a significant portion of our cash flow from operations is generated during the winter heating season. Our net cash provided by operating activities primarily reflects earnings from our business activities adjusted for depreciation and amortization and changes in our working capital accounts. Historically, we generate significantly lower net cash from operating activities in our first and fourth fiscal quarters as compared to the second and third fiscal quarters due to the seasonality of our business.

A quarterly distribution of $0.50 is expected to be paid on December 15, 2011, to all common units that were outstanding on December 8, 2011. This represents the sixty-ninth consecutive minimum quarterly distribution paid to our common unitholders dating back to October 1994.

Our secured credit facility, public debt and accounts receivable securitization facility contain several financial tests and covenants restricting our ability to pay distributions, incur debt and engage in certain other business transactions. In general, these tests are based on our debt-to-cash flow ratio and cash flow-to-interest expense ratio. Our general partner currently believes that the most restrictive of these tests are debt incurrence limitations under the terms of our secured credit and accounts receivable securitization facilities and limitations on the payment of distributions within our 8.625% senior notes due 2020. The secured credit and accounts receivable securitization facilities generally limit the operating partnership s ability to incur debt if it exceeds prescribed ratios of either debt to cash flow or cash flow to interest expense. Our 8.625% senior notes restrict payments if a minimum ratio of cash flow to interest expense is not met, assuming certain exceptions to this ratio limit have previously been exhausted. This restriction places limitations on our ability to make restricted payments such as the payment of cash distributions to our unitholders. The cash flow used to determine these financial tests generally is based

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upon our most recent cash flow performance giving pro forma effect for acquisitions and divestitures made during the test period. Our secured credit facility, public debt and accounts receivable securitization facility do not contain early repayment provisions related to a potential decline in our credit rating.

As of October 31, 2011, we met all of our required quarterly financial tests and covenants. Based upon current estimates of our cash flow, our general partner believes that we will be able to continue to meet all of our required quarterly financial tests and covenants during the remainder of fiscal 2012. However, we may not meet the applicable financial tests in future quarters if we were to experience:

- significantly warmer than normal temperatures during the winter heating season;
- a continued volatile energy commodity cost environment;
- an unexpected downturn in business operations;
- a change in customer retention or purchasing patterns due to economic or other factors in the United States; or
- a material downturn in the credit and/or equity markets.

Failure to meet applicable financial tests could have a materially adverse effect on our operating capacity and cash flows and could restrict our ability to incur debt or to make cash distributions to our unitholders, even if sufficient funds were available. Depending on the circumstances, we may consider alternatives to permit the incurrence of debt or the continued payment of the quarterly cash distribution to our unitholders. No assurances can be given, however, that such alternatives can or will be implemented with respect to any given quarter.

We expect our future capital expenditures and working capital needs to be provided by a combination of cash generated from future operations, existing cash balances, the secured credit facility or the accounts receivable securitization facility. See additional information about the accounts receivable securitization facility in Financing Activities Accounts receivable securitization. In order to reduce existing indebtedness, fund future acquisitions and expansive capital projects, we may obtain funds from our facilities, we may issue additional debt to the extent permitted under existing financing arrangements or we may issue additional equity securities, including, among others, common units.

Toward this purpose, the following registration statements were effective upon filing or declared effective by the SEC:

- a shelf registration statement for the periodic sale of up to $750.0 million in common units, debt securities and/or other securities; Ferrellgas Partners Finance Corp. may, at our election, be the co-issuer and co-obligor on any debt securities issued by Ferrellgas Partners under this shelf registration statement; as of November 30, 2011, we had $292.5 million available under this shelf registration statement; and

- an acquisition shelf registration statement for the periodic sale of up to $250.0 million in common units to fund acquisitions; as of November 30, 2011, we had $228.6 million available under this shelf agreement.

Operating Activities

Net cash used in operating activities was $32.7 million for the three months ended October 31, 2011, compared to net cash used in operating activities of $6.5 million for the prior year period. This increase in cash used in operating activities was primarily due to a $22.3 million increase in working capital requirements and a $3.9 million decrease in cash flow from operations.

The increase in working capital requirements was primarily due to $45.5 million from the timing of inventory purchases and $15.5 million due to the impact of higher propane sales prices to customers and the timing of sales on accounts receivable, which were partially offset by $25.3 million from the timing of accounts payable disbursements, $7.6 million from incentive based compensation disbursements during

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the prior year period that were not repeated during the current year period and $5.8 million from the timing of customers uses of their deposits and advances.

The decrease in cash flow from operations is primarily due to an increase in Operating expense as discussed above.

The operating partnership

Net cash used in operating activities was $32.7 million for the three months ended October 31, 2011, compared to net cash used in operating activities of $6.5 million for the prior year period. This increase in cash used in operating activities was primarily due to a $20.2 million increase in working capital requirements and a $6.0 million decrease in cash flow from operations.

The increase in working capital requirements was primarily due to $45.5 million from the timing of inventory purchases and $15.5 million due to the impact of higher propane sales prices and the timing of billings and collections on accounts receivable, which were partially offset by $25.3 million from the timing of accounts payable disbursements and $7.6 million from incentive based compensation disbursements during the prior year period that were not repeated during the current year period and $5.8 million from the timing of customers uses of their deposits and advances.

The decrease in cash flow from operations is primarily due to an increase in Operating expense as discussed above.

Investing Activities

Net cash used in investing activities was $18.9 million for the three months ended October 31, 2011, compared to net cash used in investing activities of $11.3 million for the prior year period. This increase in net cash used in investing activities is primarily due to increases of $3.5 million in capital expenditures related to acquisitions and $3.4 million in growth and maintenance capital expenditures.

Financing Activities

Net cash provided by financing activities was $57.3 million for the three months ended October 31, 2011, compared to net cash provided by financing activities of $16.0 million for the prior year period. This increase in net cash provided by financing activities was primarily due to a $38.9 million net increase in short-term borrowings and an $8.3 million net increase in long-term borrowings, partially offset by a $3.2 million increase in cash distributions to unitholders resulting from equity offerings completed during the prior 12 month period.

Distributions

Ferrellgas Partners paid a $0.50 per unit quarterly distribution on all common units, as well as the related general partner distributions, totaling $38.4 million during the three months ended October 31, 2011 in connection with the distributions declared for the three months ended July 31, 2011. The quarterly distribution on all common units and the related general partner distributions for the three months ended October 31, 2011 of $38.4 million is expected to be paid on December 15, 2011 to holders of record on December 8, 2011.

Secured credit facility

During September 2011, we executed an amendment to our secured credit facility extending the maturity date to September 2016. There was no change to the size of the facility which remains at $400.0 million with a letter of credit sublimit of $200.0 million. Borrowings on the amended secured credit facility bear interest at rates ranging from 1.25% to 1.50% lower than the previous secured credit facility.

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The secured credit facility contains various affirmative and negative covenants and default provisions, as well as requirements with respect to the maintenance of specified financial ratios and limitations on the making of loans and investments.

As of October 31, 2011, we had total borrowings outstanding under this secured credit facility of $209.3 million, of which $83.2 million was classified as long-term debt.

Borrowings outstanding at October 31, 2011 under the secured credit facility had a weighted average interest rate of 3.27%. All borrowings under the secured credit facility bear interest, at our option, at a rate equal to either:

- for Base Rate Loans or Swing Line Loans, the Base Rate, which is defined as the higher of i) the federal funds rate plus 0.50%, ii) Bank of America s prime rate; or iii) the Eurodollar Rate plus 1%; plus a margin varying from 1.00% to 2.00% (as of October 31, 2011, the margin was 1.75%); or

- for Eurodollar Rate Loans, the Eurodollar Rate, which is defined as the LIBOR Rate plus a margin varying from 2.00% to 3.00% (as of October 31, 2011, the margin was 2.75%).

As of October 31, 2011, the federal funds rate and Bank of America s prime rate were 0.09% and 3.25%, respectively. As of October 31, 2011, the one-month and three-month Eurodollar Rates were 0.35% and 0.49%, respectively.

In addition, an annual commitment fee is payable at a per annum rate of 0.50% times the actual daily amount by which the facility exceeds the sum of (i) the outstanding amount of revolving credit loans and (ii) the outstanding amount of letter of credit obligations.

The obligations under this credit facility are secured by substantially all assets of the operating partnership, the general partner and certain subsidiaries of the operating partnership but specifically excluding (a) assets that are subject to the operating partnership s accounts receivable securitization facility, (b) the general partner s equity interest in Ferrellgas Partners and (c) equity interest in certain unrestricted subsidiaries. Such obligations are also guaranteed by the general partner and certain subsidiaries of the operating partnership.

Letters of credit outstanding at October 31, 2011 totaled $51.0 million and were used primarily to secure insurance arrangements and to a lesser extent, product purchases. At October 31, 2011, we had available letter of credit remaining capacity of $139.6 million.

All standby letter of credit commitments under our secured credit facility bear a per annum rate varying from 2.00% to 3.00% (as of October 31, 2011, the rate was 2.75%) times the daily maximum amount available to be drawn under such letter of credit. Letter of credit fees are computed on a quarterly basis in arrears.

Accounts receivable securitization

Ferrellgas Receivables is accounted for as a consolidated subsidiary. Expenses associated with accounts receivable securitization transactions are recorded in Interest expense in the condensed consolidated statements of earnings. Additionally, borrowings and repayments associated with these transactions are recorded in Cash flows from financing activities in the condensed consolidated statements of cash flows.

Cash flows from our accounts receivable securitization facility increased $1.0 million. We received net funding of $20.0 million from this facility during the three months ended October 31, 2011 as compared to receiving net funding of $19.0 million from this facility in the prior year period.

Our strategy is to maximize liquidity by utilizing the accounts receivable securitization facility along with borrowings under the secured credit facility. See additional discussion about the secured credit facility in

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Financing Activities   Secured credit facility.   Our utilization of the accounts receivable securitization facility is limited by the amount of accounts receivable that we are permitted to securitize according to the facility agreement. This agreement allows for the proceeds of up to $145.0 million from the securitization of accounts receivable, depending on the available undivided interests in our accounts receivable from certain customers. As of October 31, 2011, we had received cash proceeds of $81.0 million related to the securitization of our trade accounts receivable, with the ability to receive proceeds of an additional $8.0 million. As of October 31, 2011, the weighted average interest rate was 3.2%. As our trade accounts receivable increase during the winter heating season, the securitization facility permits us to receive greater proceeds as eligible trade accounts receivable increases, thereby providing additional cash for working capital needs.

We believe that the liquidity available from our secured credit facility and the accounts receivable securitization facility will be sufficient to meet our capital expenditure, working capital and letter of credit requirements for the remainder of fiscal 2012. See   Accounts Receivable Securitization   for discussion about our accounts receivable securitization facility. However, if we were to experience an unexpected significant increase in these requirements, our needs could exceed our immediately available resources. Events that could cause increases in these requirements include, but are not limited to the following:

- a significant increase in the wholesale cost of propane;
- a significant delay in the collections of accounts receivable;
- increased volatility in energy commodity prices related to risk management activities;
- increased liquidity requirements imposed by insurance providers;
- a significant downgrade in our credit rating leading to decreased trade credit;
- a significant acquisition; or
- a large uninsured unfavorable lawsuit settlement.

If one or more of these or other events caused a significant use of available funding, we may consider alternatives to provide increased liquidity and capital funding. No assurances can be given, however, that such alternatives would be available, or, if available, could be implemented. See a discussion of related risk factors in the section in our Annual Report on Form 10-K for our fiscal 2011 entitled, Item 1A.   Risk Factors.

The operating partnership

The financing activities discussed above also apply to the operating partnership except for cash flows related to distributions, as discussed below.

Distributions

The operating partnership paid cash distributions of $38.8 million and $35.5 million during the three months ended October 31, 2011 and 2010, respectively. The operating partnership expects to pay cash distributions of $46.7 million on December 15, 2011.

Disclosures about Effects of Transactions with Related Parties

We have no employees and are managed and controlled by our general partner. Pursuant to our partnership agreement, our general partner is entitled to reimbursement for all direct and indirect expenses incurred or payments it makes on our behalf, and all other necessary or appropriate expenses allocable to us or otherwise reasonably incurred by our general partner in connection with operating our business. These reimbursable costs, which totaled $55.4 million for the three months ended October 31, 2011, include operating expenses such as compensation and benefits paid to employees of our general partner who perform services on our behalf, as well as related general and administrative expenses.

Related party common unitholder information consisted of the following:

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	Common unit ownership at October 31, 2011	Distributions paid during the three months ended October 31, 2011
Ferrell Companies (1)	20,080,776	$ 10,040
FCI Trading Corp. (2)	195,686	98
Ferrell Propane, Inc. (3)	51,204	26
James E. Ferrell (4)	4,358,475	2,179

(1) Ferrell Companies is the sole shareholder of our general partner.

(2) FCI Trading Corp. is an affiliate of the general partner and is wholly-owned by Ferrell Companies.

(3) Ferrell Propane, Inc. is wholly-owned by our general partner.

(4) James E. Ferrell is the Executive Chairman and Chairman of the Board of Directors of our general partner.

During the three months ended October 31, 2011, Ferrellgas Partners and the operating partnership together paid the general partner distributions of $0.8 million.

On December 15, 2011, Ferrellgas Partners expects to pay distributions to Ferrell Companies, FCI Trading Corp., Ferrell Propane, Inc., James E. Ferrell (indirectly) and the general partner of $10.0 million, $0.1 million, $26 thousand, $2.2 million and $0.4 million, respectively.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We did not enter into any risk management trading activities during the three months ended October 31, 2011. Our remaining market risk sensitive instruments and positions have been determined to be other than trading.

Commodity Price Risk Management

Our risk management activities primarily attempt to mitigate price risks related to the purchase, storage, transport and sale of propane generally in the contract and spot markets from major domestic energy companies on a short-term basis. We attempt to mitigate these price risks through the use of financial derivative instruments and forward propane purchase and sales contracts.

Our risk management strategy involves taking positions in the forward or financial markets that are equal and opposite to our positions in the physical products market in order to minimize the risk of financial loss from an adverse price change. This risk management strategy is successful when our gains or losses in the physical product markets are offset by our losses or gains in the forward or financial markets. These financial derivatives are designated as cash flow hedges.

Our risk management activities include the use of financial derivative instruments including, but not limited to, price swaps, options, futures and basis swaps to seek protection from adverse price movements and to minimize potential losses. We enter into these financial derivative instruments directly with third parties in the over-the-counter market and with brokers who are clearing members with the New York Mercantile Exchange. We also enter into forward propane purchase and sales contracts with counterparties. These forward contracts qualify for the normal purchase normal sales exception within GAAP guidance and are therefore not recorded on our financial statements until settled.

Market risks associated with energy commodities are monitored daily by senior management for compliance with our commodity risk management policy. This policy includes an aggregate dollar loss limit and limits on the term of various contracts. We also utilize volume limits for various energy commodities and review our positions daily where we remain exposed to market risk, so as to manage exposures to changing market prices.

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We have prepared a sensitivity analysis to estimate the exposure to market risk of our energy commodity positions. Forward contracts, futures, swaps and options outstanding as of October 31, 2011 and July 31, 2011, that were used in our risk management activities were analyzed assuming a hypothetical 10% adverse change in prices for the delivery month for all energy commodities. The potential loss in future earnings from these positions due to a 10% adverse movement in market prices of the underlying energy commodities was estimated at $14.7 million and $7.5 million as of October 31, 2011 and July 31, 2011, respectively. The preceding hypothetical analysis is limited because changes in prices may or may not equal 10%, thus actual results may differ.

Our sensitivity analysis includes designated hedging and the anticipated transactions associated with these hedging transactions. These hedging transactions are anticipated to be 100% effective; therefore, there is no effect on our sensitivity analysis from these hedging transactions. To the extent option contracts are used as hedging instruments for anticipated transactions we have included the offsetting effect of the anticipated transactions, only to the extent the option contracts are in the money, or would become in the money as a result of the 10% hypothetical movement in prices. All other anticipated transactions for risk management activities have been excluded from our sensitivity analysis.

Credit Risk

We maintain credit policies with regard to our counterparties for propane procurement that we believe significantly minimize overall credit risk. These policies include an evaluation of counterparties financial condition (including credit ratings), and entering into agreements with counterparties that govern credit guidelines.

These counterparties consist of major energy companies who are suppliers, wholesalers, retailers, end users and financial institutions. The overall impact due to certain changes in economic, regulatory and other events may impact our overall exposure to credit risk, either positively or negatively in that counterparties may be similarly impacted. Based on our policies, exposures, credit and other reserves, management does not anticipate a material adverse effect on financial position or results of operations as a result of counterparty performance.

Interest Rate Risk

At October 31, 2011 and July 31, 2011, we had $290.3 million and $190.5 million, respectively, in variable rate secured credit facility and collateralized note payable borrowings. Thus, assuming a one percent increase in our variable interest rate, our interest rate risk related to these borrowings would result in a loss in future earnings of $2.9 million for the twelve months ending October 31, 2012. The preceding hypothetical analysis is limited because changes in interest rates may or may not equal one percent, thus actual results may differ.

ITEM 4. CONTROLS AND PROCEDURES.

An evaluation was performed by the management of Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., and Ferrellgas Finance Corp., with the participation of the principal executive officer and principal financial officer of our general partner, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act, were effective.

The management of Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., Ferrellgas, L.P., and Ferrellgas Finance Corp. does not expect that our disclosure controls and procedures will prevent all errors and all fraud. 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. Based on the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the above mentioned Partnerships and Corporations have

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been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can 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 also is based in part upon certain assumptions about the likelihood of future events. Therefore, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our disclosure controls and procedures are designed to provide such reasonable assurances of achieving our desired control objectives, and the principal executive officer and principal financial officer of our general partner have concluded, as of October 31, 2011, that our disclosure controls and procedures are effective in achieving that level of reasonable assurance.

During the most recent fiscal quarter ended October 31, 2011, there have been no changes in our internal control over financial reporting (as defined in Rule 13a 15(f) or Rule 15d 15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Our operations are subject to all operating hazards and risks normally incidental to handling, storing, transporting and otherwise providing for use by consumers of combustible liquids such as propane. As a result, at any given time, we are threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Other than as discussed below, we are not a party to any legal proceedings other than various claims and lawsuits arising in the ordinary course of business. It is not possible to determine the ultimate disposition of these matters; however, management is of the opinion that there are no known claims or contingent claims that are reasonably expected to have a material adverse effect on our financial condition, results of operations and cash flows.

We have been named as a defendant in lawsuits filed in multiple federal and state courts that seek to certify nationwide or statewide classes related to our Blue Rhino branded propane tank exchange activities. The plaintiffs in each case generally allege that we failed to inform consumers of the amount of propane contained in propane tanks they purchased and that we violated anti-trust laws by allegedly conspiring with a competitor. The federal cases have been coordinated for multidistrict treatment in the United States District Court for the Western District of Missouri. A settlement agreement has received preliminary approval by the Court. We believe these claims will not have a material impact on our financial condition, results of operations and cash flows beyond the $10.0 million litigation accrual that has been established for these claims.

We have also been named as a defendant in a class action lawsuit filed in the United States District Court in Kansas. The complaint alleges that we violate consumer protection laws in the manner we set prices and fees for our customers. Based on our business practices, we believe that the claims are without merit and intend to defend the claims vigorously.

ITEM 1A. RISK FACTORS.

There have been no material changes from the risk factors set forth under Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for fiscal 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. (REMOVED AND RESERVED).

ITEM 5. OTHER INFORMATION.

None.

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ITEM 6. EXHIBITS.

The exhibits listed below are furnished as part of this Quarterly Report on Form 10-Q. Exhibits required by Item 601 of Regulation S-K of the Securities Act, which are not listed, are not applicable.

Exhibit Number	Description
3.1	Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of February 18, 2003. Incorporated by reference to Exhibit 3.1 to our registration statement on Form S-3 filed March 6, 2009.
3.2	First Amendment to Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of March 8, 2005. Incorporated by reference to Exhibit 3.2 to our registration statement on Form S-3 filed March 6, 2009.
3.3	Second Amendment to Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of June 29, 2005. Incorporated by reference to Exhibit 3.3 to our registration statement on Form S-3 filed March 6, 2009.
3.4	Third Amendment to Fourth Amended and Restated Agreement of Limited Partnership of Ferrellgas Partners, L.P. dated as of October 11, 2006. Incorporated by reference to Exhibit 3.4 to our registration statement on Form S-3 filed March 6, 2009.
3.5	Certificate of Incorporation of Ferrellgas Partners Finance Corp. filed with the Delaware Division of Corporations on March 28, 1996. Incorporated by reference to Exhibit 3.6 to our registration statement on Form S-3 filed March 6, 2009.
3.6	Bylaws of Ferrellgas Partners Finance Corp. Incorporated by reference to Exhibit 3.7 to our registration statement on Form S-3 filed March 6, 2009.
3.7	Third Amended and Restated Agreement of Limited Partnership of Ferrellgas, L.P. dated as of April 7, 2004. Incorporated by reference to Exhibit 3.5 to our registration statement on Form S-3 filed March 6, 2009.
3.8	Certificate of Incorporation of Ferrellgas Finance Corp. filed with the Delaware Division of Corporations on January 16, 2003. Incorporated by reference to Exhibit 3.8 to our registration statement on Form S-3 filed March 6, 2009.
3.9	Bylaws of Ferrellgas Finance Corp. adopted as of January 16, 2003. Incorporated by reference to Exhibit 3.9 to our registration statement on Form S-3 filed March 6, 2009.
4.1	Specimen Certificate evidencing Common Units representing Limited Partner Interests. Incorporated by reference to Exhibit A of Exhibit 3.1 to our registration statement on Form S-3 filed March 6, 2009.

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4.2	Indenture dated as of September 14, 2009 with form of Note attached, among Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to $300 million aggregate amount of the Registrant s 9 1/8% Senior Notes due 2017. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed September 14, 2009.
4.3	Indenture dated as of April 13, 2010, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp. and U.S. Bank National Association, as trustee, relating to $280 million aggregate amount of the Registrant s 8 5/8% Senior Notes due 2020. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed April 13, 2010.
4.4	First Supplemental Indenture dated as of April 13, 2010, with form of Note attached, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp. and U.S. Bank National Association, as trustee, relating to $280 million aggregate amount of the Registrant s 8 5/8% Senior Notes due 2020. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed April 13, 2010.
4.5	Indenture dated as of November 24, 2010, among Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to $500 million aggregate amount of the Registrant s 6 1/2% Senior Notes due 2021. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed November 30, 2010.
4.6	Registration Rights Agreement dated as of December 17, 1999, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 4.8 to our Quarterly Report on Form 10-Q filed March 10, 2009.
4.7	First Amendment to Registration Rights Agreement dated as of March 14, 2000, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc. Incorporated by reference to Exhibit 4.9 to our Quarterly Report on Form 10-Q filed March 10, 2009.
4.8	Second Amendment to Registration Rights Agreement dated as of April 6, 2001, by and between Ferrellgas Partners, L.P. and The Williams Companies, Inc. Incorporated by reference to Exhibit 4.10 to our Quarterly Report on Form 10-Q filed March 10, 2009.
4.9	Third Amendment to Registration Rights Agreement dated as of June 29, 2005, by and between Ferrellgas Partners, L.P. and JEF Capital Management, Inc. Incorporated by reference to Exhibit 4.13 to our Quarterly Report on Form 10-Q filed June 9, 2010.
10.1	Credit Agreement dated as of November 2, 2009, among Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. as the general partner of the borrower, Bank of America, N.A. as administrative agent, swing line lender and L/C issuer, and the lenders party hereto. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed November 4, 2009.
10.2	First Amendment to Credit Agreement dated as of September 23, 2011, among Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. as the general partner of the borrower, Bank of America, N.A. as administrative agent, swing line lender and L/C issuer, and the lenders party hereto. Incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed September 26, 2011.

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		10.3	Receivable Sale Agreement dated as of April 6, 2010, between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, LLC, as buyer. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed April 7, 2010.
		10.4	Receivables Purchase Agreement dated as of April 6, 2010, among Ferrellgas Receivables, LLC, as seller, Ferrellgas, L.P., as servicer, the purchasers from time to time party hereto, Fifth Third Bank and BNP Paribas, as co-agents, and Wells Fargo Bank, N.A., as administrative agent. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed April 7, 2010.
#		10.5	Ferrell Companies, Inc. Supplemental Savings Plan, as amended and restated effective January 1, 2010. Incorporated by reference to Exhibit 10.14 to our Quarterly Report on Form 10-Q filed March 10, 2010.
#		10.6	Second Amended and Restated Ferrellgas Unit Option Plan, effective April 19, 2001. Incorporated by reference to Exhibit 10.5 to our Annual Report on Form 10-K filed September 28, 2010.
#		10.7	Ferrell Companies, Inc. 1998 Incentive Compensation Plan, as amended and restated effective October 11, 2004. Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K filed September 28, 2009.
#		10.8	Amendment to Ferrell Companies, Inc. 1998 Incentive Compensation Plan, dated as of March 7, 2010. Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q filed June 9, 2010.
#		10.9	Employment, Confidentiality, and Noncompete Agreement dated as of July 17, 1998 by and among Ferrell Companies, Inc. as the company, Ferrellgas, Inc. as the company, James E. Ferrell as the executive and LaSalle National Bank as trustee of the Ferrell Companies, Inc. Employee Stock Ownership Trust. Incorporated by reference to Exhibit 10.19 to our Quarterly Report on Form 10-Q filed March 10, 2009.
#	*	10.10	Change In Control Agreement dated as of October 9, 2006 by and between Ferrellgas, Inc. as the company and James E. Ferrell as the executive.
#		10.11	Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and Stephen L. Wambold as the executive. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed August 10, 2009.
#		10.12	Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and James R. VanWinkle as the executive. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed August 10, 2009.
#		10.13	Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and Tod Brown as the executive. Incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K filed August 10, 2009.
#		10.14	Employment Agreement dated as of August 10, 2009 by and between Ferrellgas, Inc. as the company and George L. Koloroutis as the executive. Incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K filed August 10, 2009.

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*	31.1	Certification of Ferrellgas Partners, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	31.2	Certification of Ferrellgas Partners Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	31.3	Certification of Ferrellgas, L.P. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	31.4	Certification of Ferrellgas Finance Corp. pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
*	32.1	Certification of Ferrellgas Partners, L.P. pursuant to 18 U.S.C. Section 1350.
*	32.2	Certification of Ferrellgas Partners Finance Corp. pursuant to 18 U.S.C. Section 1350.
*	32.3	Certification of Ferrellgas, L.P. pursuant to 18 U.S.C. Section 1350.
*	32.4	Certification of Ferrellgas Finance Corp. pursuant to 18 U.S.C. Section 1350.
*	101.INS	XBRL Instance Document. (a)
*	101.SCH	XBRL Taxonomy Extension Schema Document. (a)
*	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. (a)
*	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document. (a)
*	101.LAB	XBRL Taxonomy Extension Label Linkbase Document. (a)
*	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. (a)

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* Filed herewith
# Management contracts or compensatory plans.
(a) XBRL (eXtensible Business Reporting Language) information is furnished and deemed not filed for purposes of Section 11 or 12 of the Securities Exchange Act of 1933 and Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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SIGNATURES

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

FERRELLGAS PARTNERS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: December 9, 2011

By /s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Senior Vice President and Chief Financial Officer;
Treasurer (Principal Financial and Accounting Officer)

FERRELLGAS PARTNERS FINANCE CORP.

Date: December 9, 2011

By /s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Chief Financial Officer and Sole Director

FERRELLGAS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: December 9, 2011

By /s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Senior Vice President and Chief Financial Officer;
Treasurer (Principal Financial and Accounting Officer)

FERRELLGAS FINANCE CORP.

Date: December 9, 2011

By /s/ J. Ryan VanWinkle
J. Ryan VanWinkle
Chief Financial Officer and Sole Director