

FERRELLGAS PARTNERS L P

Form 10-Q

March 10, 2009

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended January 31, 2009**

**or**

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

**Commission file 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, KS 66210

(Address of principal executive offices) (Zip Code)

(913) 661-1500

(Registrants telephone number, including area code)

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  No

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

Ferrellgas Partners, L.P. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Ferrellgas Partners Finance Corp., Ferrellgas, L.P. and Ferrellgas Finance Corp. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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

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

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

At February 27, 2009, the registrants had common units or shares of common stock outstanding as follows:

Ferrellgas Partners, L.P.	68,178,103	Common Units
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Ferrellgas Partners Finance Corp.	1,000	Common Stock
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Ferrellgas, L.P.	n/a	n/a
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Ferrellgas Finance Corp.	1,000	Common Stock
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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, L.P.**  
**FERRELLGAS FINANCE CORP.**  
**For the quarterly period ended January 31, 2009**  
**FORM 10-Q QUARTERLY REPORT**  
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**Table of Contents****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)**

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 17,206	\$ 16,614
Accounts and notes receivable, net	164,329	145,081
Inventories	116,411	152,301
Price risk management assets		26,086
Prepaid expenses and other current assets	26,173	10,924
<b>Total current assets</b>	<b>324,119</b>	<b>351,006</b>
Property, plant and equipment, net	675,281	685,328
Goodwill	248,939	248,939
Intangible assets, net	219,196	225,273
Other assets, net	22,428	18,685
<b>Total assets</b>	<b>\$ 1,489,963</b>	<b>\$ 1,529,231</b>
<b>LIABILITIES AND PARTNERS CAPITAL</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 132,866	\$ 71,348
Short-term borrowings	27,444	125,729
Price risk management liabilities	90,157	7,337
Other current liabilities	101,482	100,517
<b>Total current liabilities</b>	<b>351,949</b>	<b>304,931</b>
Long-term debt	1,057,642	1,034,719
Other liabilities	23,358	23,237
Contingencies and commitments (Note I)		
Minority interest	4,219	4,220
<b>Partners capital:</b>		
Common unitholders (63,192,503 and 62,961,674 units outstanding at January 31, 2009 and July 31, 2008, respectively)	201,204	201,618
General partner (638,308 and 635,977 units outstanding at January 31, 2009 and July 31, 2008, respectively)	(58,040)	(58,036)
Accumulated other comprehensive income (loss)	(90,369)	18,542



<b>Total partners capital</b>	52,795	162,124
<b>Total liabilities and partners capital</b>	\$ 1,489,963	\$ 1,529,231

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)

	<b>For the three months ended January 31,</b>		<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>				
Propane and other gas liquids sales	\$ 647,536	\$ 684,456	\$ 1,084,424	\$ 1,043,391
Other	68,089	79,512	111,275	115,493
<b>Total revenues</b>	<b>715,625</b>	<b>763,968</b>	<b>1,195,699</b>	<b>1,158,884</b>
<b>Costs and expenses:</b>				
Cost of product sold propane and other gas liquids sales	428,527	504,524	746,272	757,043
Cost of product sold other	43,625	48,422	60,439	59,382
Operating expense	105,710	91,020	201,927	181,479
Depreciation and amortization expense	20,219	21,075	41,535	42,440
General and administrative expense	11,761	11,115	20,847	22,908
Equipment lease expense	4,781	6,143	10,136	12,494
Employee stock ownership plan compensation charge	1,656	3,072	3,405	6,246
Loss on disposal of assets and other	4,019	3,680	6,601	6,067
<b>Operating income</b>	<b>95,327</b>	<b>74,917</b>	<b>104,537</b>	<b>70,825</b>
Interest expense	(23,393)	(22,851)	(47,063)	(45,137)
Other income (expense), net	(343)	181	(1,161)	998
<b>Earnings before income taxes and minority interest</b>	<b>71,591</b>	<b>52,247</b>	<b>56,313</b>	<b>26,686</b>
Income tax expense (benefit)	1,167	464	866	(2,024)
Minority interest	772	585	682	412
<b>Net earnings</b>	<b>69,652</b>	<b>51,198</b>	<b>54,765</b>	<b>28,298</b>
Net earnings available to general partner unitholder	11,633	3,657	548	283
<b>Net earnings available to common unitholders</b>	<b>\$ 58,019</b>	<b>\$ 47,541</b>	<b>\$ 54,217</b>	<b>\$ 28,015</b>

<b>Basic and diluted net earnings available per common unit</b>	\$	0.92	\$	0.76	\$	0.86	\$	0.44
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See notes to condensed consolidated financial statements.

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**FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL**  
(in thousands)  
(unaudited)

	Number of units		Accumulated other comprehensive income (loss)				Total partners capital	
	Common unitholders	General partner unitholder	Common unitholders	General partner unitholder	Risk management	Currency translation adjustments		Pension liability
<b>July 31, 2008</b>	62,961.7	636.0	\$ 201,618	\$ (58,036)	\$ 18,749	\$ 26	\$ (233)	\$ 162,124
Contributions in connection with ESOP and stock-based compensation charges			3,981	40				4,021
Common unit distribution			(63,077)	(637)				(63,714)
Common units issued in connection with acquisition	230.8	2.3	4,465	45				4,510
Comprehensive income (loss):								
Net earnings			54,217	548				54,765
Other comprehensive income (loss):								
Net loss on risk management derivatives					(92,203)			
Reclassification of derivatives to earnings					(16,703)			
Foreign currency translation adjustment						(13)		
Tax effect on foreign currency translation adjustment						2		
Pension liability adjustment							6	(108,911)
Comprehensive loss								(54,146)
<b>January 31, 2009</b>	63,192.5	638.3	\$ 201,204	\$ (58,040)	\$ (90,157)	\$ 15	\$ (227)	\$ 52,795

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)

	<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 54,765	\$ 28,298
Reconciliation of net earnings to net cash provided by operating activities:		
Depreciation and amortization expense	41,535	42,440
Employee stock ownership plan compensation charge	3,405	6,246
Stock-based compensation charge	657	900
Loss on disposal of assets	3,030	2,015
Minority interest	682	412
Loss on transfer of accounts receivable related to the accounts receivable securitization	5,521	5,815
Deferred tax expense (benefit)	129	(2,381)
Other	3,828	4,959
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts and notes receivable, net of securitization	(109,742)	(156,542)
Inventories	35,890	(70,000)
Prepaid expenses and other current assets	(14,240)	(12,848)
Accounts payable	61,598	72,253
Accrued interest expense	559	(2,857)
Other current liabilities	1,030	(3,835)
Other liabilities	(464)	159
Accounts receivable securitization:		
Proceeds from new accounts receivable securitizations	109,000	103,000
Proceeds from collections reinvested in revolving period accounts receivable securitizations	701,744	671,536
Remittances of amounts collected as servicer of accounts receivable securitizations	(725,744)	(675,536)
Net cash provided by operating activities	173,183	14,034
<b>Cash flows from investing activities:</b>		
Business acquisitions, net of cash acquired	(298)	(187)
Capital expenditures	(27,545)	(15,289)
Proceeds from sale of assets	4,905	6,250
Other	(2,460)	(203)
Net cash used in investing activities	(25,398)	(9,429)

**Cash flows from financing activities:**

Distributions	(63,714)	(63,594)
Proceeds from increase in long-term debt	186,806	97,527
Reductions in long-term debt	(168,026)	(91,721)
Net additions to (reductions in) short-term borrowings	(98,285)	70,273
Cash paid for financing costs	(3,191)	
Minority interest activity	(770)	(769)
Proceeds from exercise of common unit options		19
Net cash provided by (used in) financing activities	(147,180)	11,735
<b>Effect of exchange rate changes on cash</b>	(13)	(7)
Increase in cash and cash equivalents	592	16,333
Cash and cash equivalents beginning of period	16,614	20,685
<b>Cash and cash equivalents end of period</b>	\$ 17,206	\$ 37,018

See notes to condensed consolidated financial statements.

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**FERRELLGAS PARTNERS, L.P. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**January 31, 2009**  
**(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. At January 31, 2009 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 2008.

**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.

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 six months ended January 31, 2009 and 2008 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, financial derivative contracts and stock and unit-based compensation calculations.



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	<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>CASH PAID FOR:</b>		
Interest	\$ 42,774	\$ 46,978
Income taxes	332	1,279
<b>NON-CASH INVESTING ACTIVITIES:</b>		
Issuance of common units in connection with acquisitions	\$ 4,515	\$
Issuance of liabilities in connection with acquisitions	1,002	
Property, plant and equipment additions	1,866	2,132

*(4) Accounts receivable securitization:*

Ferrellgas has agreements to transfer, on an ongoing basis, certain of its trade accounts receivable through an accounts receivable securitization facility and retains servicing responsibilities as well as a retained interest related to a portion of the transferred receivables. Ferrellgas has no other continuing involvement with the transferred receivables, other than providing the servicing functions. The related receivables are removed from the condensed consolidated balance sheets and a retained interest is recorded for the amount of receivables sold in excess of cash received. The retained interest is included in Accounts and notes receivable in the condensed consolidated balance sheets.

Ferrellgas determines the fair value of its retained interest based on the present value of future expected cash flows using management's best estimates of various factors, including credit loss experience and discount rates commensurate with the risks involved. These assumptions are updated periodically based on actual results; therefore, the estimated credit loss and discount rates utilized are materially consistent with historical performance. Due to the short-term nature of Ferrellgas' trade receivables, variations in the credit and discount assumptions would not significantly impact the fair value of the retained interests. Costs associated with the sale of receivables are included in

Loss on disposal of assets and other in the condensed consolidated statements of earnings. See Note D Accounts receivable securitization for further discussion of these transactions.

*(5) New accounting standards:*

Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of this statement effective August 1, 2008 did not have a significant impact to Ferrellgas. See additional discussion about commodity derivative and financial derivative transactions in Note G Derivatives.

SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, provides entities the irrevocable option to elect to carry most financial assets and liabilities at fair value with changes in fair value recorded in earnings. The adoption of this statement was effective August 1, 2008; however, Ferrellgas did not elect the fair value option for any of its financial assets or liabilities.

SFAS No. 141(R) Business Combinations (a replacement of SFAS No. 141, Business Combinations) establishes principles and requirements for how the acquirer in a business combination recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, how the acquirer recognizes and measures goodwill or a gain from a bargain purchase (formerly negative goodwill) and how the acquirer determines what information to disclose. This statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Ferrellgas is currently evaluating the potential impact of this statement.

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SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements establishes accounting and reporting standards for the noncontrolling interest (formerly minority interest) in a subsidiary and for the deconsolidation of a subsidiary and it clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Ferrellgas is currently evaluating the potential impact of this statement.

SFAS No. 161 Disclosures about Derivative Instruments and Hedging Activities, an Amendment to FASB Statement No. 133 enhances disclosure requirements for derivative instruments and hedging activities. This statement is effective for fiscal years and interim periods beginning on or after November 15, 2008. Ferrellgas is currently evaluating the potential impact of this statement.

FASB Staff Position ( FSP ) SFAS 140-4 and FASB Interpretation No. 46R-8 Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities improves the transparency of transfers of financial assets and an enterprise's involvement with variable interest entities, including qualifying special-purpose entities. This FSP is effective for interim and annual reporting periods ending after December 15, 2008. The adoption of this FSP effective November 1, 2008 did not have a significant impact to Ferrellgas.

EITF No. 07-4, Application of the Two-Class Method under FASB Statement No. 128, Earnings per Share, to Master Limited Partnerships addresses the computation of incentive distribution rights and the appropriate allocation of these rights to current period earnings in the computation of earnings per share. This statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and interim periods within those fiscal years. Ferrellgas is currently evaluating the potential impact of this statement.

*(6) Price risk management assets and liabilities:*

Financial instruments formally designated and documented as a hedge of a specific underlying exposure are recorded at fair value as either Price risk management assets or Price risk management liabilities on the condensed consolidated balance sheets with changes in fair value reported in other comprehensive income. See additional discussion about price risk assets and liabilities in Note G Derivatives.

*(7) Income taxes:*

Income tax expense (benefit) consisted of the following:

	For the three months ended January 31,		For the six months ended January 31,	
	2009	2008	2009	2008
Current expense	\$ 1,006	\$ 670	\$ 737	\$ 357
Deferred expense (benefit)	161	(206)	129	(2,381)
Income tax expense (benefit)	\$ 1,167	\$ 464	\$ 866	\$ (2,024)

Deferred taxes consisted of the following:

	January 31, 2009	July 31, 2008
Deferred tax assets	\$ 4,562	\$ 4,065
Deferred tax liabilities	(5,314)	(4,689)
Net deferred tax liability	\$ (752)	\$ (624)

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During the first quarter of fiscal 2008 the Governor of the State of Michigan signed into law a one time credit for a previously passed Michigan Business Tax law. The passing of this new tax law caused Ferrellgas to recognize a one time deferred tax benefit of \$2.8 million during the first quarter of fiscal 2008.

**C. Supplemental financial statement information**

Inventories consist of the following:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Propane gas and related products	\$ 97,322	\$ 128,776
Appliances, parts and supplies	19,089	23,525
<b>Inventories</b>	<b>\$ 116,411</b>	<b>\$ 152,301</b>

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 January 31, 2009, Ferrellgas had committed, for supply procurement purposes, to take net delivery of approximately 11.2 million gallons of propane at fixed prices.

Other current liabilities consist of the following:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Accrued interest	\$ 20,434	\$ 19,875
Accrued payroll	21,926	12,621
Accrued insurance	8,630	10,987
Customer deposits and advances	19,538	25,065
Other	30,954	31,969
<b>Other current liabilities</b>	<b>\$ 101,482</b>	<b>\$ 100,517</b>

Loss on disposal of assets and other consist of the following:

	<b>For the three months ended January 31, 2009</b>		<b>For the six months ended January 31, 2009</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Loss on disposal of assets	\$ 1,757	\$ 912	\$ 3,030	\$ 2,015
Loss on transfer of accounts receivable related to the accounts receivable securitization	3,468	3,947	5,521	5,815
Service income related to the accounts receivable securitization	(1,206)	(1,179)	(1,950)	(1,763)
	<b>\$ 4,019</b>	<b>\$ 3,680</b>	<b>\$ 6,601</b>	<b>\$ 6,067</b>

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

	<b>For the three months ended January 31,</b>		<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Operating expense	\$ 48,460	\$ 46,571	\$ 91,612	\$ 83,021
Depreciation and amortization expense	1,200	1,236	2,433	2,532
Equipment lease expense	4,371	5,686	9,322	11,531
	\$ 54,031	\$ 53,493	\$ 103,367	\$ 97,084

**D. Accounts receivable securitization**

The operating partnership participates in an accounts receivable securitization facility. As part of this renewable 364-day facility, the operating partnership transfers an interest in a pool of its trade accounts receivable to Ferrellgas Receivables, LLC ( Ferrellgas Receivables ) a wholly-owned unconsolidated, special purpose entity, which sells its interest to a commercial paper conduit. The operating partnership does not provide any guarantee or similar support to the collectability of these receivables. The operating partnership structured the facility using a wholly-owned unconsolidated, qualifying special purpose entity in order to facilitate the transaction while complying with Ferrellgas various debt covenants. If the covenants are compromised, funding from the facility could be restricted or suspended, or its costs could increase. As a servicer, the operating partnership remits daily to this special purpose entity funds collected on the pool of trade receivables held by Ferrellgas Receivables. Ferrellgas renewed the facility with JPMorgan Chase Bank, N.A. and Fifth Third Bank for an additional 364-day commitment during May 2008.

The operating partnership transfers certain of its trade accounts receivable to Ferrellgas Receivables and retains an interest in a portion of these transferred receivables. As these transferred receivables are subsequently collected and the funding from the accounts receivable securitization facility is reduced, the operating partnership's retained interest in these receivables is reduced. The accounts receivable securitization facility consisted of the following:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Retained interest	\$ 49,975	\$ 22,753
Accounts receivable transferred	210,667	97,333

The retained interest is classified as accounts and notes receivable on the condensed consolidated balance sheets. The accounts receivable transferred are recorded on the balance sheet of Ferrellgas Receivables. Ferrellgas Receivables activities only relate to these transfers of accounts receivables from Ferrellgas which have an aging of 60 days or less. The operating partnership had the ability to transfer, at its option, an additional \$2.7 million of its trade accounts receivable at January 31, 2009.

Other accounts receivable securitization disclosures consist of the following items:

	<b>For the three months ended January 31,</b>		<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net non-cash activity	\$ 2,262	\$ 2,768	\$ 3,571	\$ 4,052
Bad debt expense	50		300	

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The net non-cash activity reported in the condensed consolidated statements of earnings approximates the financing cost of issuing commercial paper backed by these accounts receivable plus an allowance for doubtful accounts associated with the outstanding receivables transferred to Ferrellgas Receivables. See details of the net non-cash activity disclosed in Note C Supplemental financial statement information Loss on transfer of accounts receivable related to the accounts receivable securitization and Service income related to the accounts receivable securitization. The weighted average discount rate used to value the retained interest in the transferred receivables was 3.5% and 4.7% as of January 31, 2009 and July 31, 2008, respectively.

**E. Long-term debt**

Long-term debt consists of the following:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
<b>Senior notes</b>		
Fixed rate, Series D-E, ranging from 7.24% to 7.42% due 2010-2013	\$ 152,000	\$ 204,000
Fixed rate, 8.75%, due 2012, net of unamortized premium of \$1,281 and \$1,471 at January 31, 2009 and July 31, 2008, respectively	269,281	269,471
Fixed rate, Series C, 8.87%, due 2009	73,000	73,000
Fixed rate, 6.75% due 2014, net of unamortized discount of \$27,938 and \$518 at January 31, 2009 and July 31, 2008, respectively	422,062	249,482
<b>Credit facilities</b> , variable interest rates, expiring 2009 and 2010 (net of \$27.4 million and \$125.7 million classified as short-term borrowings at January 31, 2009 and July 31, 2008, respectively)	137,556	235,270
<b>Notes payable</b> , 8.0% weighted average interest rate in 2009 due 2009 to 2016, net of unamortized discount of \$1,168 and \$1,160 at January 31, 2009 and July 31, 2008, respectively	5,557	5,864
<b>Capital lease obligations</b>	22	29
	1,059,478	1,037,116
Less: current portion, included in other current liabilities on the condensed consolidated balance sheets	1,836	2,397
Long-term debt	\$ 1,057,642	\$ 1,034,719

On August 1, 2008, Ferrellgas made scheduled principal payments of \$52.0 million on the 7.12% Series C senior notes using proceeds from borrowings on the unsecured credit facility due 2010.

On August 4, 2008, the operating partnership issued \$200.0 million in aggregate principal amount of its 6.75% senior notes due 2014 at an offering price equal to 85% of par. The proceeds from this offering were used to reduce outstanding indebtedness under our unsecured credit facility due 2010.

*Unsecured credit facilities*

On October 15, 2008, the operating partnership executed a second amendment to its Fifth Amended and Restated Credit Agreement due 2010 which increased the letter of credit sublimit from \$90.0 million to \$200.0 million through February 28, 2009 and to \$150.0 million thereafter. The letter of credit sublimit is part of, and not in addition to, the aggregate credit facility commitment. The amendment also requires the operating partnership to cash collateralize any outstanding letter of credit obligations in an amount equal to the pro rata share of any defaulting lender.

As of January 31, 2009, Ferrellgas had total borrowings outstanding under its two unsecured credit facilities of \$165.0 million. Ferrellgas classified \$27.4 million of this amount as short-term borrowings since it was used to fund

working capital needs that management intends to pay down within the next 12 months. These borrowings have a weighted average interest rate of 3.1%. As of July 31, 2008, Ferrellgas had total borrowings outstanding under its two unsecured credit facilities of \$361.0 million.

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Ferrellgas classified \$125.7 million of this amount as short-term borrowings since it was used to fund working capital needs that management had intended to pay down within the following 12 months. These borrowings had a weighted average interest rate of 4.72%.

Letters of credit outstanding at January 31, 2009 totaled \$148.4 million and were used primarily to secure margin calls under certain risk management activities, and to a lesser extent, product purchases and insurance arrangements. Letters of credit outstanding at July 31, 2008 totaled \$42.3 million and were used primarily for insurance arrangements. At January 31, 2009, Ferrellgas had available letter of credit capacity of \$51.6 million.

**F. Partners capital***Partnership distributions paid*

Ferrellgas Partners has paid the following distributions:

	For the three months ended January 31,		For the six months ended January 31,	
	2009	2008	2009	2008
Public common unit holders	\$ 19,266	\$ 19,169	\$ 38,416	\$ 38,339
Ferrell Companies (1)	10,040	10,040	20,081	20,081
FCI Trading Corp. (2)	98	98	196	196
Ferrell Propane, Inc. (3)	26	26	51	51
James E. Ferrell (4)	2,167	2,146	4,333	4,292
General partner	319	318	637	635
	\$ 31,916	\$ 31,797	\$ 63,714	\$ 63,594

(1) Ferrell Companies is the owner of the general partner and a 32% owner of Ferrellgas 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 Chairman and Chief Executive Officer of the general partner and thus a related party.

On February 24, 2009, Ferrellgas Partners declared a cash distribution of \$0.50 per common unit for the three months ended January 31, 2009, which is expected to be paid on March 17, 2009.

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

Ferrell Companies	\$ 10,040
FCI Trading Corp.	98
Ferrell Propane, Inc.	26
James E. Ferrell	2,167
General partner	344

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 six months ended January 31, 2009.

**Table of Contents****G. Derivatives**

Ferrellgas is exposed to price risk 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 costs fluctuate with the movement of market prices. This fluctuation subjects Ferrellgas to potential price risk, which Ferrellgas may attempt to minimize through the use of financial derivative instruments. Ferrellgas monitors its price exposure and utilizes financial derivative instruments to mitigate the risk of future price fluctuations.

Ferrellgas may use a combination of financial derivative instruments including, but not limited to, price swaps, options, futures and basis swaps to manage our exposure to market fluctuations in propane prices. 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 enters into forecasted propane sales transactions with a portion of its customers and also enters into forecasted propane purchase contracts with suppliers. Both of these transaction types qualify for the normal purchase normal sales exception within SFAS 133 and are therefore not recorded on Ferrellgas financial statements. Ferrellgas also uses financial derivative instruments to hedge a portion of these transactions. These financial derivative instruments are designated as cash flow hedges, 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 when the forecasted propane sales transaction impacts earnings. The fair value of financial derivative instruments is classified on the condensed consolidated balance sheets as either Price risk management assets or Price risk management liabilities.

As of January 31, 2009 and 2008, Ferrellgas had the following cash flow hedge activity included in OCI in the condensed consolidated statements of partners capital:

	<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>
Fair value gain (loss) adjustment classified as OCI	\$ (92,203)	\$ 1,856
Reclassification of net gains to statement of earnings	16,703	5,055

The fair value loss reported above relates to the recent significant decrease in wholesale propane prices. Assuming a minimal change in future market prices, Ferrellgas expects to reclassify net losses of approximately \$90.2 million to earnings during the next 12 months. These net losses are expected to be offset by higher margins on sales under propane sales commitments Ferrellgas has with its customers that qualify for the normal purchase normal sales exception under SFAS 133.

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 six months ended January 31, 2009 and 2008, 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. Additionally, 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.

In accordance with SFAS 157, Ferrellgas determines the fair value of its assets and liabilities subject to fair value measurement by using the highest possible Level as defined within SFAS 157. The three levels defined by the SFAS 157 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 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 our derivatives have been determined using independent third party prices, readily available market information, broker quotes, and appropriate valuation techniques. Ferrellgas had the following recurring fair values based on inputs used to derive its fair values in accordance with SFAS 157:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Derivatives Price risk management assets	\$	\$ 26,086
Derivatives Price risk management liabilities	90,157	7,337

At January 31, 2009 and July 31, 2008 all derivative assets and liabilities qualified for classification as Level 2 other observable inputs as defined within SFAS 157. All financial derivatives assets and liabilities were non-trading positions.

**H. Transactions with related parties***Reimbursable costs*

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 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:

	<b>For the three months ended January 31, 2009</b>		<b>For the six months ended January 31, 2009</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Operating expense	\$ 59,934	\$ 46,494	\$ 108,807	\$ 91,923
General and administrative expense	6,077	6,436	11,743	13,432

During the three and six months ended January 31, 2009, Ferrellgas received payments totaling \$75 thousand and \$120 thousand, respectively, for services provided to and sublease revenue receipts from Samson Dental Practice Management, LLC, a company wholly-owned by James E. Ferrell. No payments were received from Samson Dental Practice Management, LLC during the three and six months ended January 31, 2008.

See additional discussions about transactions with related parties in Note F Partners capital.

**I. Contingencies**

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. Currently, 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 condensed consolidated financial condition, results of operations and cash flows of Ferrellgas.

**Table of Contents****J. Earnings per common unit**

Below is a calculation of the basic and diluted net earnings available per common unit in the condensed consolidated statements of earnings for the periods indicated. In accordance with EITF 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, *Earnings per Share* ( EITF 03-6 ), Ferrellgas calculates net earnings per limited partner unit for each period presented according to distributions declared and participation rights in undistributed earnings, as if all of the earnings 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 EITF 03-6 typically impacts only the three months ending January 31. The dilutive effect of EITF 03-6 on basic and diluted net earnings available per common unit was \$0.18 and \$0.05 for the three months ended January 31, 2009 and 2008, respectively. EITF 03-6 did not result in a dilutive effect for the six months ended January 31, 2009 and 2008.

In periods with year-to-date 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. Ferrellgas typically incurs net losses in the three month period ended October 31.

	<b>For the three months ended January 31, 2009</b>		<b>For the six months ended January 31, 2009</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net earnings available to common unitholders	\$ 58,019	\$ 47,541	\$ 54,217	\$ 28,015
Weighted average common units outstanding (in thousands)	63,192.5	62,958.7	63,122.3	62,958.7
Dilutive securities	58.0	12.6	58.0	13.3
Weighted average common units outstanding plus dilutive securities	63,250.5	62,971.3	63,180.3	62,972.0
Basic and diluted net earnings available per common unit	\$ 0.92	\$ 0.76	\$ 0.86	\$ 0.44

**K. Subsequent event**

In February 2009, Ferrellgas completed a registered public offering of 5.0 million common units representing limited partner interests. This transaction was comprised of both an original offering of 4.5 million common units and an overallotment offering of 0.5 million common units. The net proceeds received from this offering of \$69.8 million were used to reduce long term borrowings under Ferrellgas unsecured credit facility. Ferrellgas intends to use the resulting additional credit facility capacity to make principal payments on debt on or prior to their maturity on August 1, 2009.

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**FERRELLGAS PARTNERS FINANCE CORP.**  
**(A wholly-owned subsidiary of Ferrellgas Partners, L.P.)**  
**CONDENSED BALANCE SHEETS**  
**(in dollars)**  
**(unaudited)**

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
<b>ASSETS</b>		
Cash	\$ 1,000	\$ 1,000
<b>Total assets</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>
<b>STOCKHOLDER S EQUITY</b>		
Common stock, \$1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	\$ 1,000	\$ 1,000
Additional paid in capital	5,194	5,149
Accumulated deficit	(5,194)	(5,149)
<b>Total stockholder s equity</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>

**CONDENSED STATEMENTS OF EARNINGS**  
**(in dollars)**  
**(unaudited)**

	<b>For the three months ended January 31, 2009</b>		<b>For the six months ended January 31, 2009</b>		<b>2008</b>	
General and administrative expense	\$	\$ 60	\$ 45	\$	105	
<b>Net loss</b>	<b>\$</b>	<b>\$ (60)</b>	<b>\$ (45)</b>	<b>\$</b>	<b>(105)</b>	

See note 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)**

	<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (45)	\$ (105)
Cash used in operating activities	(45)	(105)
<b>Cash flows from financing activities:</b>		
Capital contribution	45	105
Cash provided by financing activities	45	105
Change in cash		
Cash beginning of period	1,000	1,000
<b>Cash end of period</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>

See note to condensed financial statements.

**NOTE TO CONDENSED FINANCIAL STATEMENTS**  
**January 31, 2009**  
**(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, has no employees and serves as co-issuer and co-obligor for debt securities of the Partnership.

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**FERRELLGAS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)  
(unaudited)

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 17,158	\$ 16,545
Accounts and notes receivable, net	164,329	145,081
Inventories	116,411	152,301
Price risk management assets		26,086
Prepaid expenses and other current assets	25,500	10,251
<b>Total current assets</b>	<b>323,398</b>	<b>350,264</b>
Property, plant and equipment, net	675,281	685,328
Goodwill	248,939	248,939
Intangible assets, net	219,196	225,273
Other assets, net	20,778	16,817
<b>Total assets</b>	<b>\$ 1,487,592</b>	<b>\$ 1,526,621</b>
<b>LIABILITIES AND PARTNERS CAPITAL</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 132,866	\$ 71,348
Short-term borrowings	27,444	125,729
Price risk management liabilities	90,157	7,337
Other current liabilities	98,151	97,453
<b>Total current liabilities</b>	<b>348,618</b>	<b>301,867</b>
Long-term debt	788,361	765,248
Other liabilities	23,358	23,237
Contingencies and commitments (Note I)		
<b>Partners capital</b>		
Limited partner	413,405	413,507
General partner	4,219	4,220
Accumulated other comprehensive income (loss)	(90,369)	18,542
<b>Total partners capital</b>	<b>327,255</b>	<b>436,269</b>
<b>Total liabilities and partners capital</b>	<b>\$ 1,487,592</b>	<b>\$ 1,526,621</b>

See notes to condensed consolidated financial statements.

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**FERRELLGAS, L.P. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**  
(in thousands)  
(unaudited)

	<b>For the three months ended January 31,</b>		<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Revenues:</b>				
Propane and other gas liquids sales	\$ 647,536	\$ 684,456	\$ 1,084,424	\$ 1,043,391
Other	68,089	79,512	111,275	115,493
<b>Total revenues</b>	<b>715,625</b>	<b>763,968</b>	<b>1,195,699</b>	<b>1,158,884</b>
<b>Costs and expenses:</b>				
Cost of product sold propane and other gas liquids sales	428,527	504,524	746,272	757,043
Cost of product sold other	43,625	48,422	60,439	59,382
Operating expense	105,647	90,958	201,790	181,354
Depreciation and amortization expense	20,219	21,075	41,535	42,440
General and administrative expense	11,761	11,115	20,847	22,908
Equipment lease expense	4,781	6,143	10,136	12,494
Employee stock ownership plan compensation charge	1,656	3,072	3,405	6,246
Loss on disposal of assets and other	4,019	3,680	6,601	6,067
<b>Operating income</b>	<b>95,390</b>	<b>74,979</b>	<b>104,674</b>	<b>70,950</b>
Interest expense	(17,467)	(16,917)	(35,211)	(33,277)
Other income (expense), net	(343)	181	(1,161)	998
<b>Earnings before income taxes</b>	<b>77,580</b>	<b>58,243</b>	<b>68,302</b>	<b>38,671</b>
Income tax expense (benefit)	1,149	389	819	(2,099)
<b>Net earnings</b>	<b>\$ 76,431</b>	<b>\$ 57,854</b>	<b>\$ 67,483</b>	<b>\$ 40,770</b>

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)

	Accumulated other comprehensive income (loss)					Total partners capital
	Limited partner	General partner	Risk management	Currency translation adjustments	Pension liability	
<b>July 31, 2008</b>	\$ 413,507	\$ 4,220	\$ 18,749	\$ 26	\$ (233)	\$ 436,269
Contributions in connection with ESOP and stock-based compensation charges	4,021	41				4,062
Contributions in connection with acquisitions	4,515	46				4,561
Quarterly distribution	(75,439)	(770)				(76,209)
Comprehensive income (loss):						
Net earnings	66,801	682				67,483
Other comprehensive income (loss):						
Net loss on risk management derivatives			(92,203)			
Reclassification of derivatives to earnings			(16,703)			
Foreign currency translation adjustment				(13)		
Tax effect on foreign currency translation adjustment				2		
Pension liability adjustment					6	(108,911)
Comprehensive loss						(41,428)
<b>January 31, 2009</b>	\$ 413,405	\$ 4,219	\$ (90,157)	\$ 15	\$ (227)	\$ 327,255

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)

	<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 67,483	\$ 40,770
Reconciliation of net earnings to net cash provided by operating activities:		
Depreciation and amortization expense	41,535	42,440
Employee stock ownership plan compensation charge	3,405	6,246
Stock-based compensation charge	657	900
Loss on disposal of assets	3,030	2,015
Loss on transfer of accounts receivable related to the accounts receivable securitization	5,521	5,815
Deferred tax expense (benefit)	129	(2,381)
Other	3,800	4,833
Changes in operating assets and liabilities, net of effects from business acquisitions:		
Accounts and notes receivable, net of securitization	(109,742)	(156,542)
Inventories	35,890	(70,000)
Prepaid expenses and other current assets	(14,240)	(12,848)
Accounts payable	61,598	72,253
Accrued interest expense	559	(2,857)
Other current liabilities	768	(3,905)
Other liabilities	(464)	159
Accounts receivable securitization:		
Proceeds from new accounts receivable securitizations	109,000	103,000
Proceeds from collections reinvested in revolving period accounts receivable securitizations	701,744	671,536
Remittances of amounts collected as servicer of accounts receivable securitizations	(725,744)	(675,536)
Net cash provided by operating activities	184,929	25,898
<b>Cash flows from investing activities:</b>		
Business acquisitions, net of cash acquired	(298)	(187)
Capital expenditures	(27,545)	(15,289)
Proceeds from asset sales	4,905	6,250
Other	(2,460)	(203)
Net cash used in investing activities	(25,398)	(9,429)
<b>Cash flows from financing activities:</b>		

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Distributions	(76,209)	(76,088)
Proceeds from increase in long-term debt	186,806	97,527
Reductions in long-term debt	(168,026)	(91,721)
Net additions to (reductions in) short-term borrowings	(98,285)	70,273
Cash paid for financing costs	(3,191)	
Net cash used in financing activities	(158,905)	(9)
<b>Effect of exchange rate changes on cash</b>	(13)	(7)
Increase in cash and cash equivalents	613	16,453
Cash and cash equivalents beginning of period	16,545	20,407
<b>Cash and cash equivalents end of period</b>	<b>\$ 17,158</b>	<b>\$ 36,860</b>

See notes to condensed consolidated financial statements.

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**FERRELLGAS, L.P. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**January 31, 2009**  
**(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, owns 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 2008.

**B. Summary of significant accounting policies**

*(1) Nature of operations:*

Ferrellgas, L.P. 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 six months ended January 31, 2009 and 2008 are not necessarily indicative of the results to be expected for a full fiscal year. 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.

*(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, financial derivative contracts and stock and unit-based compensation calculations.

**Table of Contents***(3) Supplemental cash flow information:*

	<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>CASH PAID FOR:</b>		
Interest	\$ 31,048	\$ 35,244
Income taxes	284	1,279
<b>NON-CASH INVESTING ACTIVITIES:</b>		
Assets contributed from Ferrellgas Partners in connection with acquisitions	\$ 4,515	\$
Issuance of liabilities in connection with acquisitions	1,002	
Property, plant and equipment additions	1,866	2,132

*(4) Accounts receivable securitization:*

Ferrellgas, L.P. has agreements to transfer, on an ongoing basis, certain of its trade accounts receivable through an accounts receivable securitization facility and retains servicing responsibilities as well as a retained interest related to a portion of the transferred receivables. Ferrellgas, L.P. has no other continuing involvement with the transferred receivables, other than providing the servicing functions. The related receivables are removed from the condensed consolidated balance sheets and a retained interest is recorded for the amount of receivables sold in excess of cash received. The retained interest is included in Accounts and notes receivable in the condensed consolidated balance sheets.

Ferrellgas, L.P. determines the fair value of its retained interest based on the present value of future expected cash flows using management's best estimates of various factors, including credit loss experience and discount rates commensurate with the risks involved. These assumptions are updated periodically based on actual results; therefore, the estimated credit loss and discount rates utilized are materially consistent with historical performance. Due to the short-term nature of Ferrellgas, L.P.'s trade receivables, variations in the credit and discount assumptions would not significantly impact the fair value of the retained interests. Costs associated with the sale of receivables are included in

Loss on disposal of assets and other in the condensed consolidated statements of earnings. See Note D Accounts receivable securitization for further discussion of these transactions.

*(5) New accounting standards:*

Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The adoption of this statement effective August 1, 2008 did not have a significant impact to Ferrellgas, L.P. See additional discussion about commodity derivative and financial derivative transactions in Note G Derivatives.

SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, provides entities the irrevocable option to elect to carry most financial assets and liabilities at fair value with changes in fair value recorded in earnings. The adoption of this statement was effective August 1, 2008; however, Ferrellgas, L.P. did not elect the fair value option for any of its financial assets or liabilities.

SFAS No. 141(R) Business Combinations (a replacement of SFAS No. 141, Business Combinations) establishes principles and requirements for how the acquirer in a business combination recognizes and measures the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, how the acquirer recognizes and measures goodwill or a gain from a bargain purchase (formerly negative goodwill) and how the acquirer determines what information to disclose. This statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Ferrellgas, L.P. is currently evaluating the potential impact of this statement.

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SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements establishes accounting and reporting standards for the noncontrolling interest (formerly minority interest) in a subsidiary and for the deconsolidation of a subsidiary and it clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity. This statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Ferrellgas, L.P. is currently evaluating the potential impact of this statement.

SFAS No. 161 Disclosures about Derivative Instruments and Hedging Activities, an Amendment to FASB Statement No. 133 enhances disclosure requirements for derivative instruments and hedging activities. This statement is effective for fiscal years and interim periods beginning on or after November 15, 2008. Ferrellgas, L.P. is currently evaluating the potential impact of this statement.

FASB Staff Position ( FSP ) SFAS 140-4 and FASB Interpretation No. 46R-8 Disclosures by Public Entities (Enterprises) about Transfers of Financial Assets and Interests in Variable Interest Entities improves the transparency of transfers of financial assets and an enterprise's involvement with variable interest entities, including qualifying special-purpose entities. This FSP is effective for interim and annual reporting periods ending after December 15, 2008. The adoption of this FSP effective November 1, 2008 did not have a significant impact to Ferrellgas, L.P.

*(6) Price risk management assets and liabilities:*

Financial instruments formally designated and documented as a hedge of a specific underlying exposure are recorded at fair value as either Price risk management assets or Price risk management liabilities on the condensed consolidated balance sheets with changes in fair value reported in other comprehensive income. See additional discussion about price risk assets and liabilities in Note G Derivatives.

*(7) Income taxes:*

Income tax expense (benefit) consisted of the following:

	For the three months ended January 31,		For the six months ended January 31,	
	2009	2008	2009	2008
Current expense	\$ 988	\$ 595	\$ 690	\$ 282
Deferred expense (benefit)	161	(206)	129	(2,381)
Income tax expense (benefit)	\$ 1,149	\$ 389	\$ 819	\$ (2,099)

Deferred taxes consisted of the following:

	January 31, 2009	July 31, 2008
Deferred tax assets	\$ 4,562	\$ 4,065
Deferred tax liabilities	(5,314)	(4,689)
Net deferred tax liability	\$ (752)	\$ (624)

During the first quarter of fiscal 2008 the Governor of the State of Michigan signed into law a one time credit for a previously passed Michigan Business Tax law. The passing of this new tax law caused Ferrellgas, L.P. to recognize a one time deferred tax benefit of \$2.8 million during the first quarter of fiscal 2008.

**Table of Contents****C. Supplemental financial statement information**

Inventories consist of the following:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Propane gas and related products	\$ 97,322	\$ 128,776
Appliances, parts and supplies	19,089	23,525
<b>Inventories</b>	<b>\$ 116,411</b>	<b>\$ 152,301</b>

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 January 31, 2009, Ferrellgas, L.P. had committed, for supply procurement purposes, to take net delivery of approximately 11.2 million gallons of propane at fixed prices.

Other current liabilities consist of the following:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Accrued interest	\$ 17,438	\$ 16,879
Accrued payroll	21,926	12,621
Accrued insurance	8,630	10,987
Customer deposits and advances	19,538	25,065
Other	30,619	31,901
<b>Other current liabilities</b>	<b>\$ 98,151</b>	<b>\$ 97,453</b>

Loss on disposal of assets and other consists of the following:

	<b>For the three months ended January 31, 2009</b>		<b>For the six months ended January 31, 2009</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Loss on disposal of assets	\$ 1,757	\$ 912	\$ 3,030	\$ 2,015
Loss on transfer of accounts receivable related to the accounts receivable securitization	3,468	3,947	5,521	5,815
Service income related to the accounts receivable securitization	(1,206)	(1,179)	(1,950)	(1,763)
	<b>\$ 4,019</b>	<b>\$ 3,680</b>	<b>\$ 6,601</b>	<b>\$ 6,067</b>

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

	<b>For the three months ended January 31, 2009</b>		<b>For the six months ended January 31, 2009</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Operating expense	\$ 48,460	\$ 46,571	\$ 91,612	\$ 83,021
Depreciation and amortization expense	1,200	1,236	2,433	2,532
Equipment lease expense	4,371	5,686	9,322	11,531

\$ 54,031    \$ 53,493    \$ 103,367    \$ 97,084



**Table of Contents****D. Accounts receivable securitization**

Ferrellgas, L.P. participates in an accounts receivable securitization facility. As part of this renewable 364-day facility, Ferrellgas, L.P. transfers an interest in a pool of its trade accounts receivable to Ferrellgas Receivables, LLC ( Ferrellgas Receivables ) a wholly-owned unconsolidated, special purpose entity, which sells its interest to a commercial paper conduit. Ferrellgas, L.P. does not provide any guarantee or similar support to the collectability of these receivables. Ferrellgas, L.P. structured the facility using a wholly-owned unconsolidated, qualifying special purpose entity in order to facilitate the transaction while complying with Ferrellgas, L.P.'s various debt covenants. If the covenants are compromised, funding from the facility could be restricted or suspended, or its costs could increase. As a servicer, Ferrellgas, L.P. remits daily to this special purpose entity funds collected on the pool of trade receivables held by Ferrellgas Receivables. Ferrellgas, L.P. renewed the facility with JPMorgan Chase Bank, N.A. and Fifth Third Bank for an additional 364-day commitment during May 2008.

Ferrellgas, L.P. transfers certain of its trade accounts receivable to Ferrellgas Receivables and retains an interest in a portion of these transferred receivables. As these transferred receivables are subsequently collected and the funding from the accounts receivable securitization facility is reduced, Ferrellgas, L.P.'s retained interest in these receivables is reduced. The accounts receivable securitization facility consisted of the following:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Retained interest	\$ 49,975	\$ 22,753
Accounts receivable transferred	210,667	97,333

The retained interest is classified as accounts and notes receivable on the condensed consolidated balance sheets. The accounts receivable transferred are recorded on the balance sheet of Ferrellgas Receivables. Ferrellgas Receivables activities only relate to these transfers of accounts receivables from Ferrellgas, L.P. which have an aging of 60 days or less. Ferrellgas, L.P. had the ability to transfer, at its option, an additional \$2.7 million of its trade accounts receivable at January 31, 2009.

Other accounts receivable securitization disclosures consist of the following items:

	<b>For the three months ended January 31, 2009</b>		<b>For the six months ended January 31, 2009</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net non-cash activity	\$ 2,262	\$ 2,768	\$ 3,571	\$ 4,052
Bad debt expense	50		300	

The net non-cash activity reported in the condensed consolidated statements of earnings approximates the financing cost of issuing commercial paper backed by these accounts receivable plus an allowance for doubtful accounts associated with the outstanding receivables transferred to Ferrellgas Receivables. See details of the net non-cash activity disclosed in Note C Supplemental financial statement information Loss on transfer of accounts receivable related to the accounts receivable securitization and Service income related to the accounts receivable securitization. The weighted average discount rate used to value the retained interest in the transferred receivables was 3.5% and 4.7% as of January 31, 2009 and July 31, 2008, respectively.

**Table of Contents****E. Long-term debt**

Long-term debt consists of the following:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
<b>Senior notes</b>		
Fixed rate, Series D-E, ranging from 7.24% to 7.42% due 2010-2013	\$ 152,000	\$ 204,000
Fixed rate, Series C, 8.87%, due 2009	73,000	73,000
Fixed rate, 6.75% due 2014, net of unamortized discount of \$27,938 and \$518 at January 31, 2009 and July 31, 2008, respectively	422,062	249,482
<b>Credit facilities</b> , variable interest rates, expiring 2009 and 2010 (net of \$27.4 million and \$125.7 million classified as short-term borrowings at January 31, 2009 and July 31, 2008, respectively)	137,556	235,270
<b>Notes payable</b> , 8.0% weighted average interest rate in 2009 due 2009 to 2016, net of unamortized discount of \$1,168 and \$1,160 at January 31, 2009 and July 31, 2008, respectively	5,557	5,864
<b>Capital lease obligations</b>	22	29
	790,197	767,645
Less: current portion, included in other current liabilities on the condensed consolidated balance sheets	1,836	2,397
Long-term debt	\$ 788,361	\$ 765,248

On August 1, 2008, Ferrellgas, L.P. made scheduled principal payments of \$52.0 million on the 7.12% Series C senior notes using proceeds from borrowings on the unsecured credit facility due 2010.

On August 4, 2008, Ferrellgas, L.P. issued \$200.0 million in aggregate principal amount of its 6.75% senior notes due 2014 at an offering price equal to 85% of par. The proceeds from this offering were used to reduce outstanding indebtedness under our unsecured credit facility due 2010.

*Unsecured credit facilities*

On October 15, 2008, Ferrellgas, L.P. executed a second amendment to its Fifth Amended and Restated Credit Agreement due 2010 which increased the letter of credit sublimit from \$90.0 million to \$200.0 million through February 28, 2009 and to \$150.0 million thereafter. The letter of credit sublimit is part of, and not in addition to, the aggregate credit facility commitment. The amendment also requires Ferrellgas, L.P. to cash collateralize any outstanding letter of credit obligations in an amount equal to the pro rata share of any defaulting lender.

As of January 31, 2009, Ferrellgas, L.P. had total borrowings outstanding under its two unsecured credit facilities of \$165.0 million. Ferrellgas, L.P. classified \$27.4 million of this amount as short-term borrowings since it was used to fund working capital needs that management intends to pay down within the next 12 months. These borrowings have a weighted average interest rate of 3.1%. As of July 31, 2008, Ferrellgas, L.P. had total borrowings outstanding under its two unsecured credit facilities of \$361.0 million. Ferrellgas, L.P. classified \$125.7 million of this amount as short-term borrowings since it was used to fund working capital needs that management had intended to pay down within the following 12 months. These borrowings had a weighted average interest rate of 4.72%.

Letters of credit outstanding at January 31, 2009 totaled \$148.4 million and were used primarily to secure margin calls under certain risk management activities, and to a lesser extent, product purchases and insurance arrangements. Letters of credit outstanding at July 31, 2008 totaled \$42.3 million and were used primarily for insurance arrangements. At January 31, 2009, Ferrellgas, L.P. had available letter of credit capacity of \$51.6 million.



**Table of Contents****F. Partners capital***Partnership distributions paid*

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

	For the three months ended January 31,		For the six months ended January 31,	
	2009	2008	2009	2008
Ferrellgas Partners	\$ 43,640	\$ 43,522	\$ 75,439	\$ 75,319
General partner	446	444	770	769
	\$ 44,086	\$ 43,966	\$ 76,209	\$ 76,088

On February 24, 2009, Ferrellgas, L.P. declared distributions to Ferrellgas Partners and the general partner of \$34.4 million and \$0.4 million, respectively, which is expected to be paid on March 17, 2009.

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 six months ended January 31, 2009.

**G. Derivatives**

Ferrellgas, L.P. is exposed to price risk 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.'s costs fluctuate with the movement of market prices. This fluctuation subjects Ferrellgas, L.P. to potential price risk, which Ferrellgas, L.P. may attempt to minimize through the use of financial derivative instruments. Ferrellgas, L.P. monitors its price exposure and utilizes financial derivative instruments to mitigate the risk of future price fluctuations.

Ferrellgas, L.P. may use a combination of financial derivative instruments including, but not limited to, price swaps, options, futures and basis swaps to manage our exposure to market fluctuations in propane prices. 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. enters into forecasted propane sales transactions with a portion of its customers and also enters into forecasted propane purchase contracts with suppliers. Both of these transaction types qualify for the normal purchase normal sales exception within SFAS 133 and are therefore not recorded on Ferrellgas, L.P.'s financial statements. Ferrellgas, L.P. also uses financial derivative instruments to hedge a portion of these transactions. These financial derivative instruments are designated as cash flow hedges, 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 when the forecasted propane sales transaction impacts earnings. The fair value of financial derivative instruments is classified on the condensed consolidated balance sheets as either Price risk management assets or Price risk management liabilities.

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As of January 31, 2009 and 2008, Ferrellgas, L.P. had the following cash flow hedge activity included in OCI in the condensed consolidated statements of partners' capital:

	<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>
Fair value gain (loss) adjustment classified as OCI	\$ (92,203)	\$ 1,856
Reclassification of net gains to statement of earnings	16,703	5,055

The fair value loss reported above relates to the recent significant decrease in wholesale propane prices. Assuming a minimal change in future market prices, Ferrellgas, L.P. expects to reclassify net losses of approximately \$90.2 million to earnings during the next 12 months. These net losses are expected to be offset by higher margins on sales under propane sales commitments Ferrellgas, L.P. has with its customers that qualify for the normal purchase normal sales exception under SFAS 133.

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 six months ended January 31, 2009 and 2008, 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. Additionally, 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.

In accordance with SFAS 157, 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 SFAS 157. The three levels defined by the SFAS 157 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, 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 our derivatives have been determined using independent third party prices, readily available market information, broker quotes, and appropriate valuation techniques. Ferrellgas, L.P. had the following recurring fair values based on inputs used to derive its fair values in accordance with SFAS 157:

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Derivatives - Price risk management assets	\$ 90,157	\$ 26,086
Derivatives - Price risk management liabilities	7,337	7,337

At January 31, 2009 and July 31, 2008 all derivative assets and liabilities qualified for classification as Level 2 - other observable inputs as defined within SFAS 157. All financial derivatives assets and liabilities were non-trading positions.

**Table of Contents****H. Transactions with related parties***Reimbursable costs*

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 January 31,		For the six months ended January 31,	
	2009	2008	2009	2008
Operating expense	\$ 59,934	\$ 46,494	\$ 108,807	\$ 91,923
General and administrative expense	6,077	6,436	11,743	13,432

During the three and six months ended January 31, 2009, Ferrellgas, L.P. received payments totaling \$75 thousand and \$120 thousand, respectively, for services provided to and sublease revenue receipts from Samson Dental Practice Management, LLC, a company wholly-owned by James E. Ferrell. No payments were received from Samson Dental Practice Management, LLC during the three and six months ended January 31, 2008.

See additional discussions about transactions with related parties in Note F Partners' capital

**I. Contingencies**

Ferrellgas, L.P.'s 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, L.P. is threatened with or named as a defendant in various lawsuits arising in the ordinary course of business. Currently, 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 condensed consolidated financial condition, results of operations and cash flows of Ferrellgas, L.P.

**J. Subsequent event**

In February 2009, Ferrellgas Partners completed a registered public offering of 5.0 million common units representing limited partner interests. This transaction was comprised of both an original offering of 4.5 million common units and an over-allotment offering of 0.5 million common units. The net proceeds received from this offering of \$69.8 million were contributed to Ferrellgas, L.P. and used to reduce long term borrowings under Ferrellgas, L.P.'s unsecured credit facility. Ferrellgas, L.P. intends to use the resulting additional credit facility capacity to make principal payments on debt on or prior to their maturity on August 1, 2009.

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**FERRELLGAS FINANCE CORP.**  
**(A wholly-owned subsidiary of Ferrellgas, L.P.)**  
**CONDENSED BALANCE SHEETS**  
**(in dollars)**  
**(unaudited)**

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
<b>ASSETS</b>		
Cash	\$ 1,100	\$ 1,100
<b>Total assets</b>	<b>\$ 1,100</b>	<b>\$ 1,100</b>
<b>STOCKHOLDER S EQUITY</b>		
Common stock, \$1.00 par value; 2,000 shares authorized; 1,000 shares issued and outstanding	\$ 1,000	\$ 1,000
Additional paid in capital	6,312	3,312
Accumulated deficit	(6,212)	(3,212)
<b>Total stockholder s equity</b>	<b>\$ 1,100</b>	<b>\$ 1,100</b>

**CONDENSED STATEMENTS OF EARNINGS**  
**(in dollars)**  
**(unaudited)**

	<b>For the three months ended January 31, 2009</b>		<b>For the six months ended January 31, 2009</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
General and administrative expense	\$ 3,000	\$ 105	\$ 3,000	\$ 105
<b>Net loss</b>	<b>\$ (3,000)</b>	<b>\$ (105)</b>	<b>\$ (3,000)</b>	<b>\$ (105)</b>

See note 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)**

	<b>For the six months ended January 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (3,000)	\$ (105)
Cash used in operating activities	(3,000)	(105)
<b>Cash flows from financing activities:</b>		
Capital contribution	3,000	205
Cash provided by financing activities	3,000	205
Change in cash		100
Cash beginning of period	1,100	1,000
<b>Cash end of period</b>	<b>\$ 1,100</b>	<b>\$ 1,100</b>

See note to condensed financial statements.

**NOTE TO CONDENSED FINANCIAL STATEMENTS**  
**January 31, 2009**  
**(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, has no employees and serves as co-issuer and co-obligor for debt securities of the Partnership.



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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;

customers refers to customers other than our wholesale customers or our other bulk propane distributors or marketers;

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 refined fuel volumes 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.



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The operating partnership was formed on April 22, 1994, and accounts for substantially all of our consolidated assets, sales and operating earnings, except for interest expense related to \$268.0 million in the aggregate principal amount of 8.75% senior notes due 2012 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 30% 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](http://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](http://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 issued \$268.0 million in aggregate principal amount of 8.75% senior notes due fiscal 2012, 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 Note E
- Long-term debt in the respective notes to their condensed consolidated financial statements; and

Ferrellgas Partners issued common units during both fiscal 2008 and fiscal 2009.

**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, and the largest national provider of propane by portable tank exchange, as measured by our propane sales volumes in fiscal 2008.

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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, but also include urban areas for industrial applications. Our market area 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 winter months 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 of November through March. 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. It also provides 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 (NOAA). 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 of November through March. Accordingly, the volume of propane used by our customers for this purpose is directly 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 direct correlation between weather and customer usage, there is a natural time lag between the onset of cold weather and increased sales to customers. Although nationwide temperatures during the fiscal second quarter were normal, they were 3% cooler than one year ago.

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 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.



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We employ risk management activities that attempt to mitigate 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 hedged with an offsetting propane purchase commitment. Due to the significant price decrease in propane since the beginning of fiscal 2009, most financial derivative purchase commitments we entered into to hedge propane sales commitments have experienced significant mark to market losses. Because these financial derivative purchase commitments qualify for hedge accounting treatment under SFAS 133, the resulting liability and related mark to market losses are recorded on the balance sheet as price risk management liabilities and accumulated other comprehensive income (loss), respectively, until settled. Upon settlement, realized gains or losses on these contracts are reclassified to Cost of product sold-propane and other gas liquid sales in the condensed consolidated statements of earnings. These financial derivative purchase commitment losses, which are related to the recent significant decrease in wholesale propane prices, are expected to be offset by higher margins on sales under propane sales commitments that qualify for the normal purchase normal sale exception under SFAS 133. We estimate 95% of these financial derivative purchase commitments, the related propane sales commitments, and the resulting gross margin will be realized into earnings during the remainder of fiscal 2009.

Our business strategy is to:

- maximize operating efficiencies through utilization of our technology platform;

- capitalize on our national presence and economies of scale;

- expand our operations through disciplined acquisitions and internal growth; and

- align employee interests with our investors through significant employee ownership.

## **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, or the negative of those terms or other variations of them or comparable 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 and equity securities;

- 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 expectation that Gross margin propane and other gas liquids, Operating income and Net earnings during the remainder of fiscal 2009 will be higher than the same period during fiscal 2008.



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These forward-looking statements can also be found in the section of our Annual Report on Form 10-K for our fiscal 2008 entitled Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations. When considering any forward-looking statement, you should also keep in mind the risk factors set forth in both the section in our Annual Report on Form 10-K for our fiscal 2008 entitled Item 1A. Risk Factors and Item 1A. Risk Factors within this Form 10-Q. 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. 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. See the section in our Annual Report on Form 10-K for our fiscal 2008 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.



**Table of Contents****Results of Operations****Three months ended January 31, 2009 compared to January 31, 2008**

<i>(amounts in thousands)</i>				<b>Favorable (Unfavorable) Variance</b>
<b>Three months ended January 31,</b>	<b>2009</b>	<b>2008</b>		
Propane sales volumes (gallons):				
Retail Sales to End Users	245,862	243,389	2,473	1%
Wholesale Sales to Resellers	68,094	47,277	20,817	44%
	313,956	290,666	23,290	8%
Revenues				
Propane and other gas liquids sales:				
Retail Sales to End Users	\$ 508,588	\$ 536,423	\$ (27,835)	(5%)
Wholesale Sales to Resellers	123,946	105,472	18,474	18%
Other Gas Sales	15,002	42,561	(27,559)	(65%)
	\$ 647,536	\$ 684,456	\$ (36,920)	(5%)
Gross margin				
Propane and other gas liquids sales: (a)				
Retail Sales to End Users	\$ 189,074	\$ 155,749	\$ 33,325	21%
Wholesale Sales to Resellers	29,545	24,918	4,627	19%
Other Gas Sales	390	(735)	1,125	NM
	\$ 219,009	\$ 179,932	\$ 39,077	22%
Operating income	\$ 95,327	\$ 74,917	\$ 20,410	27%
Interest expense	23,393	22,851	(542)	(2%)
Interest expense operating partnership	17,467	16,917	(550)	(3%)

NM Not meaningful

- (a) Gross margin from propane and other gas liquids sales represents Propane and other gas liquids sales less Cost of product sold propane and other gas liquids

sales.

Propane sales volumes during the three months ended January 31, 2009 increased 23.3 million gallons from that of the prior year period due primarily to 20.8 million of increased gallon sales to our wholesale customers. We believe retail sales volumes increased primarily due to temperatures being 3% colder than the prior year period, partially offset by customer conservation associated with the current overall weak economic environment.

The wholesale market price at one of the major supply points, Mt. Belvieu, Texas, during the three months ended January 31, 2009 averaged 55% less than the prior year period. The wholesale market price averaged \$0.69 and \$1.53 per gallon during the three months ended January 2009 and 2008, respectively.

Revenues - Propane and other gas liquids sales

Retail sales decreased \$27.8 million compared to the prior year period. This decrease resulted primarily from a \$33.3 million decrease due to the effect of decreased sales price per gallon resulting from the reduction in the wholesale cost of propane as discussed above.

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Wholesale sales increased \$18.5 million compared to the prior year period. This increase resulted from a \$46.5 million increase from propane sales volumes to our wholesale customers as discussed above, partially offset by an approximate \$28.0 million decrease in sales price per gallon.

Other gas sales decreased \$27.6 million compared to the prior year period primarily due to a \$20.9 million decrease in propane sales volumes of third party sales.

**Gross margin Propane and other gas liquids sales**

Retail sales gross margin increased \$33.3 million compared to the prior year period. Approximately \$65.0 million of this increase was due to the significant decrease in the wholesale market price of propane, as discussed above. This increase was partially offset by the \$33.3 million decrease in sales price per gallon, as discussed above.

**Operating income**

Operating income increased \$20.4 million compared to the prior year period primarily due to the \$39.1 million increase in Gross margin Propane and other gas liquids sales as discussed above. This increase was partially offset by a \$14.7 million increase in Operating expense. Operating expense increased primarily due to a \$10.8 million increase as a result of both an increase in performance based incentive expenses and other compensation expense.

**Interest expense consolidated**

Interest expense for the three months ended January 31, 2009 increased \$0.5 million primarily due to a \$1.3 million increase in discount amortization on the debt issued at 85% of par during August 2008, a \$0.8 million increase in letter of credit and related fees and an increase of \$0.6 million due to an increase in interest rates resulting from the debt issuance in August 2008. These increases were partially offset by a \$2.4 million reduction in expense due to decreased borrowings on our unsecured credit facilities.

**Interest expense operating partnership**

Interest expense for the three months ended January 31, 2009 increased \$0.6 million primarily due to a \$1.3 million increase in discount amortization on the debt issued at 85% of par during August 2008, a \$0.8 million increase in letter of credit and related fees and an increase of \$0.6 million due to an increase in interest rates resulting from the debt issuance in August 2008. These increases were partially offset by a \$2.4 million reduction in expense due to decreased borrowings on our unsecured credit facilities.

**Table of Contents****Six months ended January 31, 2009 compared to January 31, 2008**

<i>(amounts in thousands)</i>				<b>Favorable (Unfavorable) Variance</b>
<b>Six months ended January 31,</b>	<b>2009</b>	<b>2008</b>		
Propane sales volumes (gallons):				
Retail Sales to End Users	372,395	362,564	9,831	3%
Wholesale Sales to Resellers	113,770	83,985	29,785	35%
	486,165	446,549	39,616	9%
Revenues				
Propane and other gas liquids sales:				
Retail Sales to End Users	\$ 806,257	\$ 769,169	\$ 37,088	5%
Wholesale Sales to Resellers	242,508	190,785	51,723	27%
Other Gas Sales	35,659	83,437	(47,778)	(57%)
	\$ 1,084,424	\$ 1,043,391	\$ 41,033	4%
Gross margin				
Propane and other gas liquids sales: (a)				
Retail Sales to End Users	\$ 278,805	\$ 230,031	\$ 48,774	21%
Wholesale Sales to Resellers	59,341	55,770	3,571	6%
Other Gas Sales	6	547	(541)	(99%)
	\$ 338,152	\$ 286,348	\$ 51,804	18%
Operating income	\$ 104,537	\$ 70,825	\$ 33,712	48%
Interest expense	47,063	45,137	(1,926)	(4%)
Interest expense operating partnership	35,211	33,277	(1,934)	(6%)

(a) Gross margin from propane and other gas liquids sales represents Propane and other gas liquids sales less Cost of product sold propane and other gas liquids sales.

Propane sales volumes during the six months ended January 31, 2009 increased 39.6 million gallons from that of the prior year period due primarily to 29.8 million of increased gallon sales to our wholesale customers. We believe retail sales volumes increased primarily due to temperatures being 6% colder than those of the prior year period, partially offset by customer conservation associated with the current overall weak economic environment.

The wholesale market price at one of the major supply points, Mt. Belvieu, Texas, during the six months ended January 31, 2009 averaged 25% less than the prior year period. The wholesale market price averaged \$1.06 and \$1.41 per gallon during the six months ended January 31, 2009 and 2008, respectively.

Revenues - Propane and other gas liquids sales

Retail sales increased \$37.1 million compared to the prior year period. Approximately \$20.9 million of this increase was primarily due to increased propane sales volumes, as discussed above and approximately \$16.2 million due to increased sales price per gallon.

Wholesale sales increased \$51.7 million compared to the prior year period, resulting from a \$67.7 million increase due to increased propane sales volumes, as discussed above, which was partially offset by approximately \$16.0 million due to decreased sales price per gallon.

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Other gas sales decreased \$47.8 million compared to the prior year period primarily due to a \$42.3 million decrease in propane sales volumes of third party sales.

*Gross margin Propane and other gas liquids sales*

Retail sales gross margin increased \$48.8 million compared to the prior year period. Approximately \$26.3 million due to the significant decrease in the wholesale market price of propane, approximately \$16.2 million of this increase was primarily due to the increased sales price per gallon, and approximately \$6.2 million due to higher propane sales volumes, all as discussed above.

*Operating income*

Operating income increased \$33.7 million compared to the prior year period primarily due to the \$51.8 million increase in Gross margin Propane and other gas liquids sales as discussed above, and a \$2.1 million decrease in General and administrative expense. These favorable results were partially offset by a \$20.4 million increase in Operating expense. General and administrative expense decreased primarily due to \$2.2 million in personnel savings, \$2.1 million in other corporate overhead expenses incurred in fiscal 2008 that were not repeated in fiscal 2009, partially offset by \$2.6 million of increased incentive and other compensation expense due to improved operating results. Operating expense increased primarily due to an \$8.6 million increase in shipping and handling costs related to the increase in sales volumes as discussed above and a \$4.1 million increase as a result of an increase in performance based incentive expenses.

*Interest expense consolidated*

Interest expense for the six months ended January 31, 2009 increased \$1.9 million primarily due to a \$2.5 million increase in discount amortization on the debt issued at 85% of par during August 2008, an increase of \$1.7 million due to an increase in interest rates resulting from the debt issuance in August 2008 and a \$1.0 million increase in letter of credit and related fees. These increases were partially offset by a \$3.6 million reduction in expense due to decreased borrowings on our unsecured credit facilities.

*Interest expense operating partnership*

Interest expense for the six months ended January 31, 2009 increased \$1.9 million primarily due to a \$2.5 million increase in discount amortization on the debt issued at 85% of par during August 2008, an increase of \$1.7 million due to an increase in interest rates resulting from the debt issuance in August 2008 and a \$1.0 million increase in letter of credit and related fees. These increases were partially offset by a \$3.6 million reduction in expense due to decreased borrowings on our unsecured credit facilities.

*Forward looking statements*

We expect increases during the remainder of fiscal 2009 for Gross margin propane and other gas liquids sales, Operating income and Net earnings as compared to the same period during fiscal 2008 due to:  
our assumption that interest rates will remain relatively stable during the remainder of fiscal 2009; and  
our assumption that weather will remain close to normal during the remainder of fiscal 2009.

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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 may be affected by an inability to access the capital markets or by unforeseen demands on cash. This situation may arise due to circumstances beyond our control, such as a general market disruption. Currently, there has been unprecedented uncertainty in the financial and commodity markets that has brought potential additional risks to Ferrellgas. These risks include limited access to debt and equity markets which may limit our ability to issue debt and equity at yields acceptable to us, less availability and higher costs of credit, margin calls on risk management activities in excess of our ability to fund, potential counterparty defaults, and further commercial bank failures.

If current government-led programs designed to restore the credit markets are successful, we believe we will continue to have sufficient access to debt and equity 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 credit facilities should provide us the means to meet our anticipated liquidity and capital resource requirements.

During periods of high volatility our risk management activities 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 to us or may default on the settlement of positions with us.

On September 15, 2008, Lehman Brothers Holdings Inc. ( Lehman ) filed for bankruptcy protection under the provisions of Chapter 11 of the U.S. Bankruptcy Code. Lehman had been a \$20.0 million participant in our credit facility due in April 2010. On December 2, 2008 Lehman was removed from the syndication of participating financial institutions and replaced by a \$15.0 million commitment from Fifth Third Bank and a \$5.0 million commitment from PNC Bank. We cannot predict if or when one of the current financial institutions in the syndication may fail. The failure of one or more of these financial institutions may limit our ability to fully utilize the capacity of our credit facilities and would increase the pro rata exposure we have with the remaining members of the syndication. See further discussions of risk factors in Item 1A. Risk Factors.

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 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, which occurs during our second and third fiscal quarters. 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 because fixed costs generally exceed revenues and related costs and expenses during the non-peak heating season. Subject to meeting the financial tests discussed below, our general partner believes that the operating partnership will have sufficient funds available to meet its obligations, and to distribute to Ferrellgas Partners sufficient funds to permit Ferrellgas Partners to meet its obligations for the remainder of fiscal 2009 and in fiscal 2010.

Subject to the risk factors identified in Item 1A Risk Factors of this report and in our Annual Report on Form 10-K for our fiscal 2008, our general partner believes we will have sufficient funds available to distribute to Ferrellgas Partners sufficient cash to pay the minimum quarterly distribution on all of its common units for the remainder of fiscal 2009 and in fiscal 2010. A quarterly distribution of \$0.50 is expected to be paid on March 17, 2009, to all common units that were outstanding on March 10, 2009. This represents the fifty-eighth consecutive minimum quarterly distribution paid to our common unitholders dating back to October 1994.





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Our credit facilities, public debt, private 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 credit and accounts receivable securitization facilities and limitations on the payment of distributions within our 8.75% senior notes due 2012. The 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 8.75% 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 upon our most recent cash flow performance giving pro forma effect for acquisitions and divestitures made during the test period. Our credit facilities, public debt, private debt and accounts receivable securitization facility do not contain early repayment provisions related to a potential decline in our credit rating.

As of January 31, 2009, we met all the 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 the required quarterly financial tests and covenants for the remainder of fiscal 2009 and in fiscal 2010. However, we may not meet the applicable financial tests in future quarters if we were to experience:

significantly warmer than normal winter temperatures;

a continued volatile energy commodity cost environment;

an unexpected downturn in business operations; or

a sustained general economic downturn in the United States.

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 credit facilities or the accounts receivable securitization facility. See additional information about the accounts receivable securitization facility in Operating 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. Current uncertainties in both credit and equity markets could potentially limit our ability to reduce significant indebtedness or fund material future acquisitions and capital projects.

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 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;

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an acquisition shelf registration statement for the periodic sale of up to \$250.0 million of common units to fund acquisitions; as of January 31, 2009 we had \$235.5 million available under this shelf agreement; and

a shelf registration statement for the periodic sale of up to \$200.0 million of common units in connection with the Ferrellgas Partners direct purchase and distribution reinvestment plan; as of January 31, 2009 we had \$200.0 million available under this shelf agreement.

In addition, we filed a shelf registration statement for the periodic sale of common units, debt securities and other securities with the SEC on March 6, 2009 intended to replace the expiring registration statement listed in the first bullet above. The registration statement is subject to SEC review and will be effective upon being declared effective by the SEC.

**Operating Activities**

Net cash provided by operating activities was \$173.2 million for the six months ended January 31, 2009, compared to net cash provided by operating activities of \$14.0 million for the prior year period. This increase in cash provided by operating activities was primarily due to a \$148.9 million decrease in working capital requirements and a \$24.8 million increase in cash flow from operations. These increases were partially offset by a \$14.0 million decrease in net funding from our accounts receivable securitization facility. The decrease in working capital requirements was primarily due to \$105.9 million from the timing and decreased cost per gallon of inventory purchases and \$46.8 million from the timing of accounts receivable billings and collections. The \$14.0 million decrease in net funding from our accounts receivable securitization facility is due to a decrease in trade accounts receivable eligible for sale to the securitization facility. The increase in cash flow from operations is primarily due to a \$26.5 million increase in net earnings.

*Accounts receivable securitization*

Cash flows from our accounts receivable securitization facility decreased \$14.0 million. We received net funding of \$85.0 million from this facility during the six months ended January 31, 2009 as compared to \$99.0 million of funding received from this facility in the prior year period.

Our strategy for maximizing liquidity at the lowest cost of capital is to initially utilize the accounts receivable securitization facility before borrowings under the operating partnership's credit facilities. See additional discussion about the operating partnership's credit facilities in Financing Activities credit facilities. Our utilization of the accounts receivable securitization facility is limited by the amount of accounts receivable that we are permitted to transfer according to the facility agreement. This arrangement allows for the proceeds of up to \$160.0 million from the sale of accounts receivable, depending on the available undivided interests in our accounts receivable from certain customers. We renewed this facility effective May 5, 2008, for a 364-day commitment with JPMorgan Chase Bank, N.A. and Fifth Third Bank. At January 31, 2009, we had transferred \$210.7 million of our trade accounts receivable to the accounts receivable securitization facility with the ability to transfer, at our option, an additional \$2.7 million. As our trade accounts receivable increase during the winter heating season, the securitization facility permits us to transfer additional trade accounts receivable to the facility, thereby providing additional cash for working capital needs. This transaction is reflected in our condensed consolidated financial statements as a sale of accounts receivable and a retained interest in transferred accounts receivable in accordance with SFAS 140.

**Table of Contents****The operating partnership**

Net cash provided by operating activities was \$184.9 million for the six months ended January 31, 2009, compared to net cash provided by operating activities of \$25.9 million for the prior year period. This increase in cash provided by operating activities was primarily due to a \$148.7 million decrease in working capital requirements and a \$24.9 million increase in cash flow from operations. These increases were partially offset by a \$14.0 million decrease in net funding from our accounts receivable securitization facility. The decrease in working capital requirements was primarily due to \$105.9 million from the timing and decreased cost per gallon of inventory purchases and \$46.8 million from the timing of accounts receivable billings and collections. The \$14.0 million decrease in net funding from our accounts receivable securitization facility is due to a decrease in trade accounts receivable eligible for sale to the securitization facility. The increase in cash flow from operations is primarily due to a \$26.7 million increase in net income.

**Investing Activities**

Net cash used in investing activities was \$25.4 million for the six months ended January 31, 2009, compared to net cash used in investing activities of \$9.4 million for the prior year period. This increase in net cash used in investing activities is primarily due to increased capital expenditures related to cylinder exchange activity.

**Financing Activities**

During the six months ended January 31, 2009, net cash used in financing activities was \$147.2 million compared to net cash provided by financing activities of \$11.7 million for the prior year period. The increase in net cash used in financing activities was primarily due to a decrease in working capital requirements.

***Distributions***

Ferrellgas Partners paid a \$0.50 per unit quarterly distribution on all common units, as well as the related general partner distributions, totaling \$63.7 million during the six months ended January 31, 2009 in connection with the distributions declared for the three months ended July 31, 2008 and October 31, 2008. The quarterly distribution on all common units and the related general partner distributions for the three months ended January 31, 2009 of \$34.4 million are expected to be paid on March 17, 2009 to holders of record on March 10, 2009.

***Credit facilities***

Due to a significant drop in propane prices during the first quarter of fiscal 2009, we experienced a significant increase in margin calls related to unfavorable risk management hedging positions. In order to continue to fulfill these margin calls with cost effective letters of credit, we executed a second amendment to our Fifth Amended and Restated Credit Agreement due 2010 which increased the letter of credit sublimit from \$90.0 million to \$200.0 million through February 28, 2009 and to \$150.0 million thereafter. The letter of credit sublimit is part of, and not in addition to, the aggregate credit facility commitment. The amendment also requires us to cash collateralize any outstanding letter of credit obligations in an amount equal to the pro rata share of any defaulting lender.

Availability under our credit facilities as of January 31, 2009 and July 31, 2008 are shown below.

	<b>January 31, 2009</b>	<b>July 31, 2008</b>
Total borrowing capacity	\$ 598,000	\$ 598,000
Less: Letters of credit outstanding	(148,395)	(42,312)
Cash borrowings outstanding	(165,000)	(361,000)
Credit facilities availability	\$ 284,605	\$ 194,688

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All cash borrowings under our unsecured credit facilities bear interest, at our option, at a rate equal to either:  
a base rate, which is defined as the higher of the federal funds rate plus 0.5% or Bank of America's prime rate (as of January 31, 2009, the federal funds rate and Bank of America's prime rate were 0.23% and 3.25%, respectively); or

the Eurodollar Rate plus a margin varying from 1.5% to 2.5% (as of January 31, 2009, the one-month and three-month Eurodollar Rates were 0.75% and 1.5%, respectively).

In addition, an annual commitment fee is payable on the daily unused portion of our unsecured credit facilities at a per annum rate varying from 0.375% to 0.5% (as of January 31, 2009, the commitment fee per annum rate was 0.5%).

All standby letter of credit commitments under our unsecured credit facilities bear fees equal to an applicable rate (as of January 31, 2009, the rate was 2.25%) 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.

*February 2009 common unit offering*

In February 2009, we completed a registered public offering of 5.0 million common units representing limited partner interests. This transaction was comprised of both an original offering of 4.5 million common units and an overallotment offering of 0.5 million common units. The net proceeds received from this offering of \$69.8 million were used to reduce long term borrowings under our unsecured credit facility.

*Debt issuance and repayment*

During August 2008, the operating partnership made scheduled principal payments of \$52.0 million on the 7.12% Series C senior notes using proceeds from borrowings on the unsecured credit facility due 2010.

During August 2008, the operating partnership issued \$200.0 million in aggregate principal amount of its 6.75% senior notes due 2014 at an offering price equal to 85% of par. The proceeds from this offering were used to reduce outstanding indebtedness under our unsecured credit facility due 2010.

*Future debt repayments*

On August 1, 2009, the operating partnership must make scheduled principal payments of \$73.0 million on the 8.87% Series C senior notes and \$95.0 million on the term loan portion of the credit facility. We plan to fund these repayments with borrowings from the capacity available under the credit facility due April 2010, which was increased after using the proceeds from both the February 2009 common unit offering and the August 2008 debt issuance. See discussion of related risk factors in Item 1A. Risk Factors.

We believe that the liquidity available from our unsecured credit facilities and the accounts receivable securitization facility will be sufficient to meet our capital expenditure, working capital, debt service and letter of credit requirements through August 1, 2009. See Operating Activities 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;

an inability to renew the accounts receivable securitization facility;

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; or

a significant acquisition.



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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 discussion of related risk factors in 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 \$76.2 million during the six months ended January 31, 2009. The operating partnership expects to pay cash distributions of \$34.8 million on March 17, 2009.

**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 \$120.6 million for the six months ended January 31, 2009, 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:

	<b>Common unit ownership at January 31, 2009</b>	<b>Distributions paid during the six months ended January 31, 2009</b>
Ferrell Companies (1)	20,081	\$ 20,081
FCI Trading Corp. (2)	196	196
Ferrell Propane, Inc. (3)	51	51
James E. Ferrell (4)	4,333	4,333

(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 Chairman  
and Chief  
Executive  
Officer of our  
general partner.

During the six months ended January 31, 2009, Ferrellgas Partners and the operating partnership together paid the general partner distributions of \$0.7 million.

On February 24, 2009 Ferrellgas Partners declared distributions to Ferrell Companies, FCI Trading Corp., Ferrell Propane, Inc. and James E. Ferrell (indirectly) of \$10.0 million, \$0.1 million, \$26 thousand, and \$2.2 million, respectively, to be paid on March 17, 2009.

During the six months ended January 31, 2009 we received payments totaling \$120 thousand for services provided to and sublease revenue receipts from Samson Dental Practice Management, LLC, a company wholly-owned by James E. Ferrell.

See Note H Transactions with related parties and Note F Partners capital to our condensed consolidated financial statements for additional discussion regarding the effects of transactions with related parties.

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We have had no material changes in our contractual obligations that were outside the ordinary course of business since our disclosure in our Annual Report on Form 10-K for our fiscal 2008.

See Note B Summary of significant accounting policies to our condensed consolidated financial statements for discussion regarding the adoption of new accounting standards in the current fiscal year.

We have no material changes to our critical accounting policies and estimates since our disclosure in our Annual Report on Form 10-K for our fiscal 2008.

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

We did not enter into any risk management trading activities during the six months ended January 31, 2009. Our remaining market risk sensitive instruments and positions have been determined to be other than trading.

*Commodity Price Risk*

Our risk management activities primarily attempt to mitigate risks related to the purchase, storage, transport and sale of propane and are presented in our discussion of margins and are accounted for at cost. We generally purchase propane in the contract and spot markets from major domestic energy companies on a short-term basis. Our costs to purchase and distribute propane fluctuate with the movement of market prices. 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 hedged with an offsetting propane purchase commitment. We employ risk management activities that attempt to mitigate risks related to the purchase, storage, transport and sale of propane.

Our risk management activities include the use of forward contracts, futures, swaps and options to seek protection from adverse price movements and to minimize potential losses. Our hedging strategy involves taking positions in the forward or financial markets that are equal and opposite to our positions in the physical product markets in order to minimize the risk of financial loss from an adverse price change. Our hedging 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.

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.

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 January 31, 2009 and July 31, 2008, 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 \$0.9 million and \$1.3 million as of January 31, 2009 and July 31, 2008, 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.



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*Credit Risk*

We maintain credit policies with regard to our counterparties 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.

Our counterparties consist of major energy companies who are suppliers, wholesalers, and other retailers, smaller 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 result of operations as a result of counterparty performance.

*Interest Rate Risk*

At January 31, 2009 and July 31, 2008, we had \$165.0 million and \$361.0 million, respectively, in variable rate credit facilities borrowings. Thus, assuming a one percent increase in our variable interest rate, our interest rate risk related to the borrowings on our variable rate credit facilities would result in a loss in future earnings of \$1.7 million for the twelve months ending January 31, 2009. 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 designed to be and were adequate and 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 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 January 31, 2009, that our disclosure controls and procedures are effective in achieving that level of reasonable assurance.

During the most recent fiscal quarter ended January 31, 2009, 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.

**Table of Contents****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. Currently, 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.

**ITEM 1A. RISK FACTORS.****Risks Inherent in the Distribution of Propane**

*If the world-wide financial crisis continues for an extended period of time or intensifies in the near term, potential disruptions in the capital and credit markets may adversely affect our business, including the availability and cost of debt and equity issuances for liquidity requirements, our ability to meet long-term commitments and our ability to hedge effectively; each could adversely affect our results of operations, cash flows and financial condition.*

We rely on our ability to access the capital and credit markets at rates and terms reasonable to us. If the worldwide financial crisis continues for an extended period of time or intensifies in the near term, our ability to access capital and credit markets at rates and terms reasonable to us may be significantly impaired. This could limit our ability to access capital or credit markets for working capital needs, risk management activities and long-term debt maturities, or could force us to access capital and credit markets at rates or terms normally considered to be unreasonable or force us to take other aggressive actions including the suspension of our quarterly distribution.

*The counterparties to our commodity derivative and financial derivative contracts may not be able to perform their obligations to us, which could materially affect our cash flows and results of operations.*

The worldwide financial crisis has contributed to significant volatility in the oil and gas commodities sector. If this volatility continues for an extended period of time or intensifies in the near term, we could experience counterparty defaults on our commodity and financial derivative contracts. This could impair our ability to procure product or procure it at prices reasonable to us.

*Sudden and sharp wholesale propane price decreases may result in customers not fulfilling their obligations under contracted pricing arrangements previously entered into with us. The decreased sales volumes of these higher sales price arrangements may adversely affect our profit margins.*

We may attempt to lock-in a gross margin per gallon on our contracted sales commitments by immediately hedging or entering into a fixed price propane purchase contract. If we were to experience sudden and sharp propane price decreases, our customers may not fulfill their obligation to purchase propane from us at their previously contracted price per gallon and we may not be able to sell the related hedged or fixed price propane at a profitable sales price per gallon in the current pricing environment.

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In addition to the other information set forth in this report, readers should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2008 Annual Report on Form 10-K, which could materially affect our business, financial condition, or results of operations. The risks described in our 2008 Annual Report on Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or results of operations.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

None.

**ITEM 5. OTHER INFORMATION.**

None.

**Table of Contents****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.

<b>Exhibit Number</b>	<b>Description</b>
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 the 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 the 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 the 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 for 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.
*4.2	Indenture dated as of September 24, 2002, with form of Note attached, among Ferrellgas Partners, L.P., Ferrellgas Partners Finance Corp., and U.S. Bank National Association, as trustee, relating to \$170,000,000 aggregate principal amount of the Registrant's 8/4% Senior Notes due 2012.



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<b>Exhibit Number</b>	<b>Description</b>
*4.3	Indenture dated as of April 20, 2004, with form of Note attached, among Ferrellgas Escrow LLC and Ferrellgas Finance Escrow Corporation and U.S. Bank National Association, as trustee, relating to 6 <sup>3</sup> / <sub>4</sub> % Senior Notes due 2014.
*4.4	Ferrellgas, L.P. Note Purchase Agreement, dated as of July 1, 1998, relating to: \$109,000,000 6.99% Senior Notes, Series A, due August 1, 2005, \$37,000,000 7.08% Senior Notes, Series B, due August 1, 2006, \$52,000,000 7.12% Senior Notes, Series C, due August 1, 2008, \$82,000,000 7.24% Senior Notes, Series D, due August 1, 2010, and \$70,000,000 7.42% Senior Notes, Series E, due August 1, 2013.
*4.5	Ferrellgas, L.P. Note Purchase Agreement, dated as of February 1, 2000, relating to: \$21,000,000 8.68% Senior Notes, Series A, due August 1, 2006, \$90,000,000 8.78% Senior Notes, Series B, due August 1, 2007, and \$73,000,000 8.87% Senior Notes, Series C, due August 1, 2009.
4.6	Indenture dated as of August 4, 2008, with form of Note attached, among Ferrellgas, L.P., Ferrellgas Finance Corp. and U.S. Bank National Association, as trustee, relating to 6 <sup>3</sup> / <sub>4</sub> % Senior Notes due 2014. Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed August 5, 2008.
4.7	Registration Rights Agreement dated as of August 4, 2008, by and between Ferrellgas, L.P., Ferrellgas Finance Corp. and the initial purchasers named therein. Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed August 5, 2008.
*4.8	Registration Rights Agreement dated as of December 17, 1999, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc.
*4.9	First Amendment to the Registration Rights Agreement dated as of March 14, 2000, by and between Ferrellgas Partners, L.P. and Williams Natural Gas Liquids, Inc.
*4.10	Second Amendment to the Registration Rights Agreement dated as of April 6, 2001, by and between Ferrellgas Partners, L.P. and The Williams Companies, Inc.
4.11	Third Amendment to the Registration Rights Agreement dated as of June 29, 2005, by and between JEF Capital Management, Inc. and Ferrellgas Partners, L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed June 30, 2005.
10.1	Fifth Amended and Restated Credit Agreement dated as of April 22, 2005, by and among Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. as the general partner of the borrower, Bank of America N.A., as administrative agent and swing line lender, and the lenders and L/C issuers party hereto. Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q filed June 8, 2005.
10.2	First Amendment to Fifth Amended and Restated Credit Agreement dated as of April 11, 2008, by and among Ferrellgas, L.P., a Delaware limited partnership (the Borrower ), Ferrellgas Inc., a

Delaware corporation and sole general partner of the Borrower (the General Partner ), Bank of America, N.A., as Administrative Agent (in such capacity, the 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 April 14, 2008.

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<b>Exhibit Number</b>	<b>Description</b>
10.3	Second Amendment to Fifth Amended and Restated Credit Agreement dated as of October 15, 2008, by and among Ferrellgas, L.P., a Delaware limited partnership (the Borrower ), Ferrellgas Inc., a Delaware corporation and sole general partner of the Borrower (the General Partner ), Bank of America, N.A., as Administrative Agent (in such capacity, the 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 October 16, 2008.
10.4	Credit Agreement dated as of May 1, 2007, by and among Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. as the general partner of the borrower, Bank of America N.A., as administrative agent. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed May 4, 2007.
10.5	Lender Addendum dated as of June 6, 2006, by and among Deutsche Bank Trust Company Americas as the new lender, Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. and Bank of America, N.A., as Administrative Agent. Incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K filed October 12, 2006.
10.6	Commitment Increase Agreement dated as of August 28, 2006, by and among Fifth Third Bank as the lender, Ferrellgas, L.P. as the borrower, Ferrellgas, Inc. and Bank of America, N.A. as Administrative Agent. Incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K filed October 12, 2006.
10.7	Amended and Restated Receivable Interest Sale Agreement dated June 7, 2005 between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, L.L.C., as buyer. Incorporated by reference to Exhibit 10.9 to our Quarterly Report on Form 10-Q filed June 8, 2005.
10.8	Amendment No. 1 to the Amended and Restated Receivable Interest Sale Agreement and Subordinated Note dated June 6, 2006 between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, LLC, as buyer. Incorporated by reference to Exhibit 10.11 to our Quarterly Report on Form 10-Q filed on June 8, 2006.
10.9	Amendment No. 2 to the Amended and Restated Receivable Interest Sale Agreement dated June 6, 2006 between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, LLC, as buyer. Incorporated by reference to Exhibit 10.6 to our Annual Report on Form 10-K filed October 12, 2006.
10.10	Amendment No. 3 to the Amended and Restated Receivable Interest Sale Agreement dated May 31, 2007 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 June 1, 2007.
10.11	Amendment No. 4 to the Amended and Restated Receivable Interest Sale Agreement dated May 5, 2008 between Ferrellgas, L.P., as originator, and Ferrellgas Receivables, LLC, as buyer. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K Filed May 6, 2008.





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<b>Exhibit Number</b>	<b>Description</b>
10.12	Second Amended and Restated Receivables Purchase Agreement dated as of June 6, 2006, by and among Ferrellgas Receivables, L.L.C., as seller, Ferrellgas, L.P., as servicer, Jupiter Securitization Corporation, the financial institutions from time to time party hereto, Fifth Third Bank and JPMorgan Chase Bank, NA, as agent. Incorporated by reference to Exhibit 10.19 to our Quarterly Report on Form 10-Q filed June 8, 2006.
10.13	Amendment No. 1 to Second Amended and Restated Receivables Purchase Agreement dated August 18, 2006, by and among Ferrellgas Receivables, LLC, as seller, Ferrellgas, L.P., as servicer, Jupiter Securitization Corporation, the financial institutions from time to time party hereto, Fifth Third Bank and JPMorgan Chase Bank, NA, as agent. Incorporated by reference to Exhibit 99.2 to our Current Report on Form 8-K filed August 18, 2006.
10.14	Amendment No. 2 to Second Amended and Restated Receivables Purchase Agreement dated May 31, 2007, by and among Ferrellgas Receivables, LLC, as seller, Ferrellgas, L.P., as servicer, Jupiter Securitization Corporation, the financial institutions from time to time party hereto, Fifth Third Bank and JPMorgan Chase Bank, NA, as agent. Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed June 1, 2007.
10.15	Amendment No. 3 to Second Amended and Restated Receivables Purchase Agreement dated May 5, 2008, by and among Ferrellgas Receivables, LLC, as seller, Ferrellgas, L.P., as servicer, Jupiter Securitization Corporation, the financial institutions from time to time party hereto, Fifth Third Bank and JPMorgan Chase Bank, NA, as agent. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed May 6, 2008.
#10.16	Ferrell Companies, Inc. Supplemental Savings Plan, as amended and restated effective January 1, 2009. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed February 25, 2009.
##*10.17	Second Amended and Restated Ferrellgas Unit Option Plan.
#10.18	Ferrell Companies, Inc. 1998 Incentive Compensation Plan, as amended and restated effective October 11, 2004. Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K filed October 13, 2004.
##*10.19	Employment Agreement between James E. Ferrell and Ferrellgas, Inc., dated July 31, 1998.
#10.20	Waiver to Employment, Confidentiality, and Non-Compete Agreement by and among Ferrell Companies, Inc., Ferrellgas, Inc., James E. Ferrell and Greatbanc Trust Company, dated as of December 19, 2006. Incorporated by reference to Exhibit 10.19 to our Quarterly Report on Form 10-Q filed March 9, 2007.
#10.21	Amended and Restated Employment Agreement dated October 11, 2004, by and among Ferrellgas, Inc., Ferrell Companies, Inc. and Billy D. Prim. Incorporated by reference to Exhibit 10.25 to our Annual Report on Form 10-K filed October 13, 2004.
#10.22	

Agreement and Release dated as of August 15, 2006 by and among Kenneth A. Heinz, Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners, L.P. and Ferrellgas, L.P. Incorporated by reference to Exhibit 99.1 to our Current Report on Form 8-K filed August 18, 2006.

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<b>Exhibit Number</b>	<b>Description</b>
#10.23	Amended and Restated Change In Control Agreement dated as of March 5, 2008 by and between Stephen L. Wambold and Ferrellgas, Inc. Incorporated by reference to exhibit 10.21 to our Quarterly Report on Form 10-Q filed March 7, 2008.
#10.24	Amended and Restated Change In Control Agreement dated as of March 5, 2008 by and between Eugene D. Caresia and Ferrellgas, Inc. Incorporated by reference to exhibit 10.22 to our Quarterly Report on Form 10-Q filed March 7, 2008.
#10.25	Amended and Restated Change In Control Agreement dated as of March 5, 2008 by and between George L. Koloroutis and Ferrellgas, Inc. Incorporated by reference to exhibit 10.24 to our Quarterly Report on Form 10-Q filed March 7, 2008.
#10.26	Amended and Restated Change In Control Agreement dated as of March 5, 2008 by and between Patrick J. Walsh and Ferrellgas, Inc. Incorporated by reference to exhibit 10.25 to our Quarterly Report on Form 10-Q filed March 7, 2008.
#10.27	Amended and Restated Change In Control Agreement dated as of March 5, 2008 by and between Tod D. Brown and Ferrellgas, Inc. Incorporated by reference to exhibit 10.26 to our Quarterly Report on Form 10-Q filed March 7, 2008.
#10.28	Change In Control Agreement dated as of March 5, 2008 by and between J. Ryan VanWinkle and Ferrellgas, Inc. Incorporated by reference to exhibit 10.27 to our Quarterly Report on Form 10-Q filed March 7, 2008.
#10.29	Change In Control Agreement dated as of March 5, 2008 by and between Richard V. Mayberry and Ferrellgas, Inc. Incorporated by reference to exhibit 10.28 to our Quarterly Report on Form 10-Q filed March 7, 2008.
#10.30	Change In Control Agreement dated as of October 9, 2006 by and between James E. Ferrell and Ferrellgas, Inc. Incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K filed October 12, 2006.
#10.31	Agreement and release dated as of December 4, 2007 by and among Brian J. Kline, Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners L.P. and Ferrellgas L.P. Incorporated by reference to Exhibit 10.33 to our Quarterly Report on Form 10-Q filed December 6, 2007.
#10.32	Agreement and release dated as of March 28, 2008 by and among Kevin T. Kelly, Ferrellgas, Inc., Ferrell Companies, Inc., Ferrellgas Partners L.P. and Ferrellgas, L.P. Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed March 28, 2008.
#10.33	Services Agreement dated as of September 26, 2008 by and between Samson Dental Practice Management, LLC and Ferrellgas, L.P. Incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K filed September 29, 2008.
#10.34	Change In Control Agreement dated as of December 8, 2008 by and between Jennifer A. Boren and Ferrellgas, Inc. incorporated by reference to Exhibit 10.35 to our Quarterly Report on



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<b>Exhibit Number</b>	<b>Description</b>
*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.
* Filed herewith.	
# Management contracts or compensatory plans.	

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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: March 10, 2009

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: March 10, 2009

By /s/ J. Ryan VanWinkle

J. Ryan VanWinkle  
Chief Financial Officer and Sole Director

FERRELLGAS, L.P.

By Ferrellgas, Inc. (General Partner)

Date: March 10, 2009

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: March 10, 2009

By /s/ J. Ryan VanWinkle

J. Ryan VanWinkle  
Chief Financial Officer and Sole Director