

**UNITED STATES
Securities and Exchange Commission
Washington, D.C. 20549**

REPORT ON FORM 10-K

(Mark one)

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended **October 31, 2011** or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File No. 0-14443

INTERNATIONAL BALER CORPORATION
(Name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-2842053

(I.R.S. Employer Identification No.)

5400 Rio Grande Avenue, Jacksonville, Florida
(Address of Principal Executive Offices)

32254
(Zip Code)

Registrant's telephone number, including area code:
(904) 358-3812.

Securities registered pursuant to Section 12(b) of the Act: **None.**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$.01 par value per share.**

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

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

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation SK is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large Accelerated Filer [] Accelerated Filer [] Non-accelerated Filer [] Smaller Reporting Company [X]

(Do not check if a Smaller Reporting Company) Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (April 30, 2011 closing price \$0.79): \$1,698,453

State the number of shares outstanding of the registrant's \$.01 par value common stock as of the close of business on the latest practicable date (January 15, 2012): 5,183,895

Documents incorporated by reference: None.

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PART I

ITEM 1. BUSINESS

International Baler Corp. was incorporated on September 10, 1975, in the State of Delaware under the name B.W. Energy Systems, Inc. Its name was changed to Waste Technology Corp. in August 1983. In March 2009, Waste Technology Corporation's wholly-owned subsidiary, International Baler Corporation (IBC), was merged into Waste Technology Corporation and the Company changed its name to International Baler Corporation. International Baler Corporation maintains its executive offices and manufacturing facilities at 5400 Rio Grande Avenue, Jacksonville, Florida 32254. The Company's telephone number is (904) 358-3812. The Company's fiscal year end is October 31.

General

The Company is a manufacturer of baling equipment which is fabricated from steel and utilizes hydraulic and electrical components to compress a variety of materials into bales for easier handling, shipping, disposal, storage, and for recycling. Materials commonly baled include scrap metal, corrugated boxes, newsprint, aluminum cans, plastic bottles, and other solid waste. More sophisticated applications include baling of textile materials, fibers and synthetic rubber. The Company offers a wide variety of balers, standard models, as well as custom models to meet specific customer requirements.

Products

Balers utilize mechanical, hydraulic, and electrical mechanisms to compress a variety of materials into bales for easier and low cost handling, shipping, disposal, storage, and/or bulk sales for recycling. The Company offers a wide variety of balers, certain types that are standardized and others that are designed to specific customer requirements. The Company's products include (i) general purpose horizontal and vertical balers, (ii) specialty balers, such as those used for textile materials, used clothing, aluminum cans, 55-gallon drums and synthetic rubber; and (iii) accessory equipment such as conveyors, fluffers, bale tying machines, and plastic bottle piercers (machines which puncture plastic bottles before compaction for greater density).

General Purpose Balers

These balers are designed for general purpose compaction of waste materials. They are manufactured in either vertical or horizontal loading models, depending on available floor space and desired capacity. Typical materials that are handled by this equipment include paper, corrugated boxes, and miscellaneous solid waste materials. These balers range in bale weight capacity from approximately 300 to 2,000 pounds and range in price from approximately \$5,000 to \$500,000. General purpose baler sales constituted approximately 70% and 65% of net sales for the fiscal years ended October 31, 2011 and 2010, respectively.

Specialty Balers

Specialty balers are designed for specific applications which require modifications of the general baler configuration.

The scrap metal baler is designed to form a bale, referred to as a scrap metal "briquette" of specified size and weight. The rubber baler is designed to apply pressure in such a way as to compress the synthetic rubber into a self-contained bale that does not require tying. The drum crusher baler is capable of collapsing a standard 55-gallon drum into a "pancake" approximately four (4) to eight (8) inches high, which also serves to contain any remaining contents. The textile baler is capable of compressing and baling loose fibers, which do not ordinarily adhere to each other under pressure. In addition, a double chamber baler has been designed for use by the clothing and textile industries.

Specialty balers range in price from approximately \$4,000 to \$400,000, and are less exposed to competitive pressures than are general purpose balers. Specialty baler sales constituted approximately 15% and 18% of net sales for the fiscal years ended October 31, 2011 and 2010, respectively.

Accessory Equipment

The Company manufactures and markets a number of accessory equipment items in order to market a complete waste handling system. This equipment includes conveyors, which carry waste from floor level to the top of large horizontal balers; extended hoppers on such balers; rufflers, which break up material to improve bale compaction; electronic start/stop controls and hydraulic oil coolers and cleaners. At the present time, accessory equipment does not represent a significant percentage of net sales.

Manufacturing

The Company manufactures its products, in its facility in Jacksonville, Florida, where it maintains a fully equipped and staffed manufacturing plant. IBC purchases raw materials, such as steel sheets and beams and components such as hydraulic pumps, valves and cylinders, and certain controls and other electric equipment which are used in the fabrication of the balers. The Company has no long-term supply agreements, and has not experienced unusual delay in obtaining raw materials or components.

The raw materials required by IBC to manufacture the balers, principally steel, motors, and hydraulic systems, are readily available from a number of sources and IBC is not dependent on any particular source. IBC is not dependent on any significant patents, trademarks, licenses, or franchises in connection with its manufacture of balers.

While IBC maintains an inventory of raw materials, most of it is intended for specific orders and inventory turnover is relatively rapid. Approximately 60% of its inventory turns over in 45 to 90 days and the balance, consisting of customized equipment, turns over in 3 to 6 months. IBC's business is not seasonal.

Sales and Marketing

IBC sells its products throughout the United States and to some extent in Europe, the Far East, and South America to manufacturers of synthetic rubber and polymers, plastic recycling facilities, power generating facilities, textile mills, paper mills, cotton gins, supermarkets and other retail outlets, paper recycling facilities, and municipalities.

Most of the sales of IBC are made by its sales force of three (3) employees who rely upon responses to advertising, personal visits, attendance at trade shows, referrals from existing customers and telephone calls to dealers and/or end users. Approximately 50% of net sales are made through manufacturer's representatives and dealers. Sales made through the Company's dealers are generally discounted and sales are recorded net of the discount amount. Occasionally sales are made with a commission payment, selling expense, through a representative who is not a dealer.

The Company's general purpose balers are sold throughout the United States to such end users as waste producing retailers, manufacturing and fabricating plants, bulk material producers, and solid waste recycling facilities. Specialty balers are sold worldwide, including Europe, the Far East, and South America to manufacturers of rubber and polymers, plastic recycling facilities, paper recycling facilities, textile mills and power generating facilities. During fiscal 2011, foreign sales amounted to \$1,858,000 or approximately 17% of the Company's sales. In fiscal 2010, foreign sales amounted to \$709,000, approximately 9% of the Company's net sales.

During fiscal 2011 and fiscal 2010, IBC had sales to more than 600 customers. In fiscal 2011, two customers accounted for 13.5% and 12.2% of total net sales, respectively, while in 2010, no customers accounted for 10% or more of net sales.

The Company builds only a small quantity of balers for its inventory and generally builds based on firm sales orders. The Company's open sales orders at October 31, 2011 were \$6,587,000 and at October 31, 2010 were \$1,118,000. The Company generally delivers its orders within four (4) months of the date booked.

Warranties and Service

IBC typically warranties its products for one year from the date of sale as to materials and six months as to labor, and offers services for other required repairs and maintenance. Service is rendered by repairing or replacing parts at IBC's Jacksonville, Florida, facility, and by on-site service provided by Company personnel who are based in Jacksonville, Florida, or by local service agents who are engaged as needed. Repair services and spare parts sales represented approximately 16% and 17% of the Company's consolidated net sales for fiscal 2011 and 2010, respectively.

Competition

The potential market for the Company's balers is nationwide and overseas, but the majority of the Company's general purpose baler sales are in the United States. The Company competes in these markets with approximately 20 companies, none of which are believed to be dominant, but some of which may have significantly greater sales and financial resources than the Company. The Company is able to compete with these companies due to its reputation in the market place, its ability to service the balers it manufactures and sells, as well as its ability to custom design balers to a customer's particular needs. The Company experiences intense competition with respect to its lower priced or general purpose balers, based upon price, including freight, and based on performance. The Company experiences less competition with respect to its specialized baler equipment, such as synthetic rubber, scrap metal, and textile balers.

Regulation

Machinery, such as the Company's balers, is subject to both federal and state regulation relating to safe design and operation. The Company complies with design requirements and its balers include interlocks to prevent operation while the loading door is open, and also include required printed safety warnings.

Research and Development

The Company has the broadest line of products in the baler industry and continues to provide its customers with new products and product improvements. The Company invests a minimal amount on general research and development of new products.

Compliance with Environmental Laws

The Company believes that it has complied with and is in compliance, with all Federal, State, and Local environmental laws. The Company's expenditures to remain in compliance are considered to be minimal.

Employees

As of October 31, 2011, the Company employed 56 persons as follows: 4 in management and supervision; 7 in sales and service; 40 in manufacturing; and, 5 in administration.

Available Information

The Company is a reporting company, as that term is defined under the Securities Acts, and therefore, files reports, including, Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K and other information with the Securities and Exchange Commission (the "Commission"). In addition, the Company will provide, without charge to its stockholders, upon written or oral request by such stockholder, a copy of any information referred to herein that is incorporated by reference except exhibits to such information that are incorporated by reference unless the exhibits are themselves specifically incorporated by reference. All such requests should be directed to William E. Nielsen, at International Baler Corp., 5400 Rio Grande Avenue, Jacksonville, Florida 32254, telephone number (904) 358-3812.

The Company is an electronic filer. The Commission maintains a web site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission, including all of the Company's filings with the Commission. The address of such site is (<http://www.sec.gov>).

The Company's website is located at <http://www.intl-baler.com>. Under the "Corporate Information" section of the website, you may access, free of charge, the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Section 16 filings (Form 3, 4 and 5) and any amendments to those reports as reasonably practicable after the Company electronically files such reports with the SEC. The information contained on the Company's website is not part of this Report or any other report filed with the SEC.

ITEM 2. PROPERTIES

IBC is the owner of the buildings and property located at 5400 Rio Grande Avenue, Jacksonville, Florida. The building contains approximately 62,000 square feet and is situated on eight (8) acres. IBC manufactures all of the Company's products at this location. The property has no mortgage. However, the Company's primary lender, First Guaranty Bank & Trust Company, has a security interest in the property as part of the collateral for the line of credit which it provides to the Company. See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

ITEM 3. LEGAL PROCEEDINGS

To the knowledge of management, no federal, state or local governmental agency is presently contemplating any proceeding against the Company which would have a result materially adverse to the Company. To the knowledge of management, no director, executive officer or affiliate of the Company or owner of record or beneficially owned interest of more than 5% of the Company's common stock is a party adverse to the Company or has a material interest adverse to the Company in any proceeding.

On August 26, 2010, the Company was served with a wrongful death lawsuit filed by the Estate of a former employee who was fatally injured in a workplace accident while an employee of the Company. The accident occurred in September 2008. The Plaintiff has demanded \$2,500,000 to settle this claim. The Company intends to vigorously defend this case and has contacted its liability insurance carrier to request defense and indemnification of any losses incurred in connection with this lawsuit. The claim is currently in the early stages of discovery and the outcome is uncertain.

PART II

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

The Company's stock is presently traded on the OTC Electronic Bulletin Board of NASDAQ under the symbol IBAL.OB. As of October 31, 2011, the number of shareholders of record of the Company's Common Stock was approximately 500, and management believes that there are approximately 900 beneficial owners of the Company's common stock.

The range of high and low bid quotations for the Company's common stock during the fiscal years ended October 31, 2011 and 2010, are set forth below.

Fiscal Year Ended October 31, 2011	High	Low
First Quarter	\$ 0.80	\$ 0.54
Second Quarter	1.00	0.33
Third Quarter	1.29	0.77
Fourth Quarter	1.94	1.00
Fiscal Year Ended October 31, 2010	High	Low
First Quarter	\$ 0.52	\$ 0.32
Second Quarter	0.65	0.45
Third Quarter	0.64	0.52
Fourth Quarter	0.70	0.45

The Company has paid no dividends since its inception. Other than the requirement of the Delaware Corporation law that dividends be paid out of capital surplus only, and that the declaration and payment of a dividend not render the Company insolvent, there are no restrictions on the Company's present or future ability to pay dividends.

The payment by the Company of dividends, if any, in the future, rests within the discretion of its Board of Directors and will depend, among other things, upon the Company's earnings, its capital requirements, its financial condition and other relevant factors. By reason of the Company's present financial status and its contemplated financial requirements, the Company does not anticipate paying any dividends on its common stock during the foreseeable future, but intends to retain any earnings for future expansion of its business.

Recent Sales of Unregistered Securities

During the past two years ended October 31, 2011, the Company has not sold any unregistered securities.

Purchases of Equity Securities

During the fiscal year ended October 31, 2011, neither the Company, nor anyone on its behalf, repurchased any of the Company securities.

Securities authorized for issuance under equity compensation plans.

None.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Results of Operations

For the fiscal year ending October 31, 2011, net sales were \$11,049,514 compared to \$7,646,901 in fiscal 2010, an increase of 44.5%. The increase in net sales was the result of higher equipment shipments in fiscal 2011 reflecting the improved market conditions and higher commodity prices for recycled materials compared to the prior year. Also, the Company expanded its dealer network by adding several new dealers and improving coverage of market areas in the United States.

The Company had pre-tax income of \$1,117,163 in fiscal 2011, compared to pre-tax income of \$412,848 in fiscal 2010. The higher income was the result of the higher shipments in the current fiscal year. Gross profit margins improved to 22.3% in fiscal 2011 from 20.5% in fiscal 2010. Gross profit was \$896,721 more than the prior year due to higher sales, manufacturing cost reductions, and higher absorption of manufacturing overhead.

Selling and administrative expenses increased by \$217,641, an increase of 19.2% in the current fiscal year. This increase was primarily the result of higher salary costs and the reinstatement of director's fees in 2011.

Liquidity and Capital Resources

The Company's working capital at October 31, 2011 was \$4,242,972 as compared to \$3,635,034 at October 31, 2010. The increase in net working capital was primarily due to the operating results in 2011 and the improved economic conditions.

Average days sales outstanding (DSO) in fiscal 2011 were 30.0 days as compared to 54.5 days in fiscal 2010. DSO is calculated by dividing the total of the month-end net accounts receivable balances for the period by twelve, and dividing that result by the average day's sales for the period (period sales ÷ 365).

The Company has a \$1,000,000 line of credit agreement with First Guaranty Bank and Trust of Jacksonville. The line of credit allows the Company to borrow against the Company's assets. The line of credit bears interest at the prime rate plus one-half percent with a floor of 5.0%, expiring on February 28, 2012. The Company intends to renew its line of credit, however, a positive outcome cannot be assured. The line of credit had no outstanding balance at October 31, 2011 and 2010. The unused line of credit was \$1,000,000 at October 31, 2011.

At the current time, our line of credit continues to be available and we have not had any issues obtaining additional funds from the lender. In the event that the Company's line of credit would not be available, we would pursue a line of credit from other sources, and take steps to minimize expenditures, such as delaying capital expenditures and reducing overhead costs.

In fiscal 2011 the Company made additions of \$346,949 to its buildings and manufacturing equipment, compared to additions of \$8,470 in fiscal 2010. There are no unusual or infrequent events or transactions or significant economic changes which materially affect the amount of reported income. The Company believes that its cash, line of credit, and results of operations are sufficient to fund future operations.

The Company is unaware of any events or uncertainties which are reasonably likely to have a material impact on the Company's short-term or long-term liquidity or the net sales, or net income. The Company has no known or anticipated significant elements of income or loss that do not arise from the Company's operations.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Inflation

The costs of the Company are subject to the general inflationary trends existing in the general economy. The Company believes that expected pricing for its equipment will be able to include sufficient increases to offset any increase in costs due to inflation.

Critical Accounting Policies and Estimates

This discussion and analysis of financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as related disclosures of contingent assets and liabilities. We evaluate our estimates on an ongoing basis and we base our estimates on historical experience and various other assumptions we deem reasonable to the situation. These estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Changes in our estimates could materially impact our results of operations and financial condition in any particular period.

We consider our critical accounting policies and estimates to be as follows based on the high degree of judgment or complexity in their application:

Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses on trade receivables resulting from the inability to collect outstanding accounts due from its customers. The allowances include specific amounts for disputed, troubled and aged accounts using current knowledge of particular items and general allowances based on historical collection experience, current economic trends, credit worthiness of customers and changes in customer payment terms. Management believes the estimates used in determining the allowance for doubtful accounts are critical accounting estimates because changes in credit worthiness and economic conditions, including bankruptcies, could have a material impact on operating results.

The Company reviews its allowance for doubtful accounts monthly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Inventory Allowance

The Company maintains an allowance for excess or slow moving inventory. Company personnel review the potential usage of inventory components on a regular basis and all inventory is reviewed annually. The allowance is estimated based on factors such as historical trends, current market conditions and management's assessment of when the inventory would likely be sold and the quantities and prices at which the inventory would likely be sold in the normal course of business. Changes in product specifications, customer product preferences or the loss of a customer could result in unanticipated impairment in net realizable value that may have a material impact on cost of goods sold, gross margin and net income. Obsolete or damaged inventory is disposed of or written down to net realizable value on a quarterly basis.

Additional adjustments, if necessary, are made based on management's specific review of inventory on-hand. Management believes the estimates used in determining the allowance for excess and slow moving inventory are critical accounting estimates as changes in the estimates for both segments could have a material impact on net income and the estimates involve a high degree of judgment.

Warranty Allowance

The Company warrants its products for one (1) year from the date of sale as to materials and six (6) months as to labor, and offers a service plan for other required repairs and maintenance. Warranty parts shipments and warranty service repairs are expensed as they occur and the Company maintains an accrued liability for expected warranty claims. The warranty allowance is based on historical warranty costs, the amount of prior year shipments, and known potential warranty issues.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates

expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. There were no valuation allowances on the deferred tax assets at October 31, 2011 and 2010 as management believes it will fully utilize them. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. There were no accruals for uncertain tax positions at October 31, 2011 or 2010.

Recently Issued Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Codification Topic No. 605, Multiple-Deliverable Revenue Arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable and expands the disclosures required for multiple-deliverable revenue arrangements. This guidance is effective for revenue arrangements that are entered into or are materially modified beginning November 1, 2010 for the Company. Adopting this guidance did not have a material impact on the Company's results of operations and financial position.

This "Management's Discussion and Analysis" contains forward-looking statements within the meaning of Section 21B of the Securities and Exchange Act of 1934, as amended. These forward-looking statements represent the Company's present expectations or beliefs concerning future events on certain assumptions which are subject to risks and uncertainties, including, but not limited to, changes in general economic conditions and changing competition which could cause actual results to differ materially from those indicated.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data commence on page F-1.

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

KPMG LLP (KPMG) was previously the independent registered public accounting firm for International Baler Corporation (the Company). On February 4, 2011, that firm was dismissed and The GriggsGroup, CPAs (Griggs) was engaged as the independent registered public accounting firm. The decision to change accountants was approved by the Board of Directors. During the fiscal years ended October 31, 2010 and 2009, KPMG's audit reports on the Company's financial statements did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended October 31, 2010 and 2009 and the subsequent period through February 4, 2011, (i) there were no disagreements between the Company and KPMG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures which, if not resolved to KPMG's satisfaction, would have caused KPMG to make reference in connection with KPMG's report to the subject matter of the disagreement; and (ii) there were no reportable events as the term is described in Item 304 (a) (1) (v) of Regulation S-K, except that, KPMG advised the Company of the following material weakness: For the period ending October 31, 2010, a control deficiency regarding the review and verification of period-end inventory balances constituted a material weakness in the Company's internal control over financial reporting. The material weakness resulted in an adjustment to the year-end physical inventory values.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in reports it files or submits under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. As of the end of the period covered by this report, and under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, management evaluated the effectiveness of the design and operation of these disclosure controls and procedures.

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

As part of a continuing effort to improve the Company's business processes management is evaluating its internal controls and may update certain controls to accommodate any modifications to its business processes or accounting procedures.

Internal Control over Financial Reporting

(a) Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining effective internal controls over financial reporting, as such terms is defined in Exchange Act Rules 13a-15(f) and 15d-15(f).

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

Management, with the participation of the Company's principal executive and principal financial officers, assessed the effectiveness of the Company's internal control over financial reporting as of October 31, 2011. This assessment was performed using the criteria established under the Internal Control-Integrated Framework established by the Committee of Sponsoring Organization of the Treadway Commission ("COSO").

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations, including the possibility of human error or circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation and reporting and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Remediation of Previously Identified Material Weakness

During the process of preparing the Form 10-K for the year-ended October 31, 2010, KPMG LLP discovered a material weakness in internal control over financial reporting regarding the review and verification of period-end inventory balances resulting in an adjustment to the year-end physical inventory values.

During the year ended October 31, 2011, to address this material weakness in internal control over financial reporting concerning accounting for period-end inventory balances management implemented procedures to remediate this material weakness. These remediation activities primarily include a review process to compare all steel prices in the inventory costing reports with known steel prices. All differences over 5% are reconciled with purchase documents. As of October 31, 2011, management has determined that the remediation measures undertaken to establish an effectively designed and operating process of internal control over financial reporting enables management to conclude that the material weakness identified during the audit of the Company's financial statements as of October 31, 2010 has been remediated.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(b) Changes in Internal Control over Financial Reporting

During the year ended October 31, 2011, there have not been any changes in the Company's internal controls, other than the material weakness described above, that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Identification of Directors and Officers

The current executive officers and directors of the Company are as follows:

<u>NAME</u>	<u>Age</u>	<u>Positions Held</u>	<u>Date of Initial Election or Designation</u>
Roger Griffin 5400 Rio Grande Ave. Jacksonville, FL 32254	50	Director President & Chief Executive Officer	4/21/08
Lael E. Boren 9520 S. 950 E Upland, IN 46989	43	Director	04/15/11
Leland E. Boren 9628 E. 900 S. Upland, IN 46989	88	Director	3/09/05
Ronald L. McDaniel 2700 West 36 th Place Chicago, IL 60632	72	Director Chairman of the Board	5/16/06
William E. Nielsen 5400 Rio Grande Ave. Jacksonville, FL 32254	64	Director Chief Financial Officer	11/20/97 6/14/94
Matthew M. Price 2700 Market Tower 10 West Market Street Indianapolis, IN 46204	44	Director	5/11/07
John J. Martorana 5148 Hanover Lane Lakeland, FL 33817	61	Director	1/5/09

The Board of Directors is divided into three (3) classes of directors ("Class I", "Class II", and "Class III"), with each class having as nearly the same number of directors as practicable. Stockholders elect such class of directors, Class I, Class II, or Class III, as the case may be, to succeed such class directors whose terms are expiring, for a three (3) year term, and such class of directors shall serve until the successors are elected and qualify. Officers of the Company serve at the pleasure of the Board of Directors.

During fiscal 2011 the Board of Directors met three times.

There are no family relationships between executive officers or directors of the Company except that Lael E. Boren is the son of Leland E. Boren.

Except as noted above, there is no understanding or arrangement between any director or any other persons pursuant to which such individual was or is to be selected as a director or nominee of the Company.

Background of Executive Officers and Directors

The following is a brief account of the experience, during the past five years, of each director and executive officer of the Company:

Roger Griffin joined the Company in February 2008 as President and Chief Executive Officer. Previously, Mr. Griffin was Vice President of Operations at Schaefer Interstate Railing in Salisbury, NC. Prior to that Mr. Griffin spent several years with Metaldyne which acquired the Whitsett, NC plant of Dana Corporation and before that he spent eleven years in management with Dana Corporation at their Whitsett, NC and Jonesboro, AR facilities. Mr. Griffin received a BS in Business Administration from American Intercontinental University in 2009.

Leland E. Boren is the Chairman, Chief Executive Officer and President of Avis Industrial Corporation located in Upland, Indiana. From 1945 through 1971, Mr. Boren was employed by The Pierce Company (formerly The Pierce Governor Company) in various capacities. He became President of The Pierce Governor Company in 1958. The Pierce Company merged with Avis Industrial Corporation in 1971 and Mr. Boren became President of Avis at that time.

Ronald L. McDaniel has been president of Western-Cullen-Hayes, Inc. since 1980. He was Vice President and General Manager of Western-Cullen-Hayes from 1975 to 1980. From 1957 to 1975, Mr. McDaniel worked for Western-Cullen-Hayes and Burro Crane, an affiliated company, in various capacities including division controller. Mr. McDaniel has a bachelor's degree from the University of Dayton and an MBA from the University of Chicago.

William E. Nielsen prior to joining the Company, acted as a financial consultant to Fletcher Barnum Inc., a privately held manufacturing concern, from October 1993 through June 1994. From 1980 through July 1993, he was the Vice President, Administration and Finance at Unison Industries, Inc. Mr. Nielsen received a BBA in Finance and an M.B.A. at Western Illinois University in 1969 and 1970, respectively.

Matthew M. Price is an attorney with the law firm of Bingham McHale LLP since 1993. Mr. Price received a BA degree from Wabash Collage in 1990 and a J.D. from Indiana University School of Law in 1993. Mr. Price is a member of the American Bar Association, Indiana State Bar Association and the Indianapolis Bar Association. Mr. Price is a member of his law firm's manufacturing industry team, and his practice focus is on issues relating primarily to manufacturers.

John J. Martorana has been a consultant to several divisions of Wastequip, Inc. since 2007. Mr. Martorana was the President of Wastequip of Florida from 1994 to 2007 after joining that company in 1991 as Vice President. From 1984 to 1991 he was responsible for sales and steel purchasing for Industrial Refuse Sales Inc., a family owned business which was sold to Wastequip, Inc. prior to joining Industrial Refuse Sales Mr. Martorana worked in the steel industry. He received a BS Degree in Education from Butler University in 1972.

Lael E. Boren has served as general manager and president of various organizations including Badger Equipment Company and The Pierce Company. Prior to that, Mr. Boren owned an electronics business in Muncie and Marion, Indiana. He attended Ball State University. Mr. Boren is the son of Leland F. Boren, also a director of the company.

Involvement in Certain Legal Proceedings

To the knowledge of the Company's management, during the past five years, no director, person nominated to become a director or an executive officer of the Company:

- (1) Filed a petition under the federal bankruptcy laws or any state insolvency law, nor had a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he or she was a general partner at or within two years before the time of such filing, or any corporation or business association of which he or she was an executive officer at or within two years before the time of such filing;
- (2) Was convicted in a criminal proceeding or named subject of pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) Was the subject of any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him or her from or otherwise limiting his or her involvement in any type of business, securities, or banking activities;
- (4) Was found by a court of competent jurisdiction in a civil action by the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated any Federal or State Securities laws, and the judgment in such civil action of finding by the Securities and Exchange Commission has not been subsequently reversed, suspended, or vacated.

Section 16 (a) Beneficial Ownership Reporting Compliance

In fiscal 2011, none of the Company's officers, directors, and beneficial owners of more than ten percent of the company's common stock were delinquent in filing of any of their Form 3, 4, and 5 reports.

Code of Ethics

The Company has adopted a code of business conduct and ethics for directors, officers (including the Company's principal executive officer, principal financial officer and controller) and employees, known as the Standards of Business Conduct. The Standards of Business Conduct are available on the Company's website at <http://www.intl-baler.com>. The Company intends to disclose any Amendments to its Code of Ethics and any waiver from a provision of the Code of Ethics granted to the Company's Chief Executive Officer, Chief Financial Officer, or other persons performing similar functions, on the Company's website within five business days following such amendment or waiver. Stockholders may request a free copy of the Standards of Business Conduct from:

International Baler Corporation
Attention: William E. Nielsen
5400 Rio Grande Avenue
Jacksonville, Florida 32254
(904)358-3812

Committees

The Company's Board of Directors consists of seven members, three of whom the Board has determined are independent, Ronald McDaniel, Matthew Price and John Martorana. The Company has sought and continues to seek appropriate individuals to serve on the Board of Directors who meet the requirements necessary to qualify as independent directors to serve on the Company's Board of Directors.

Ronald McDaniel, Matthew Price and Lael Boren are members of Board's Audit Committee. Mr. McDaniel serves as the audit committee's "financial expert" as that term is defined by applicable Securities and Exchange Commission ("SEC") regulations. Mr. McDaniel's qualifications for this position are based upon his educational background and work experience as set forth above. The Company's Audit Committee Charter is posted on the Company's website.

The Company does not have a standing nominating committee or a nominating committee charter. However, the full Board of Directors performs the functions of a nominating committee. The Board identifies the candidates for Board membership. In identifying candidates, the Board will seek recommendations from existing Board members, executive officers of the Company and all persons who own more than five percent (5%) of the Company's outstanding stock. The Board has no stated specific minimum qualifications that must be met by a candidate for a position on the Board of Directors. The Board will consider a variety of factors in evaluating the qualifications of a candidate including the candidate's professional experience, educational background, knowledge of the Company's business and personal qualities. The Board may, when appropriate, retain an executive search firm and other advisors to assist it in identifying candidates for the Board. In addition, the Board will consider any candidates that may have been recommended by any of the Company's stockholders who have made those recommendations in accordance with the procedures described below under the heading "Stockholders' Proposals." In addition, such stockholder recommendations must be accompanied by (1) such information about each prospective director nominee as would have been required to be included in a proxy statement filed pursuant to the rules of the Securities and Exchange Commission had the prospective director nominee been nominated by the Board of Directors and (2) that the prospective director nominee has consented to be named, if nominated, as a nominee and, if elected, to serve as a director.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The objective of the Company's compensation program is to attract and retain qualified and talented professional individuals to perform the duties of the Company's executive offices. The Company's compensation program is designed to fairly reward the Company's executive officers for their overall performance in the management of the affairs of the Company. The measurement of successful performance has significant elements of subjective judgment in view of the lack of any directly comparable single element or group of elements to which the Company and its performance may be readily compared from time to time.

The elements of compensation of the Company's compensation programs include salary, health insurance, stock options, and in certain circumstances the award of a cash bonus. As of the present time, the Company compensation plan does not include any defined benefit retirement plan; any social club memberships or dues or any payments for housing, cars, boats, or other property of any kind to any person. The Company has not entered into any employment contracts with its executive officers nor any contracts for compensation to any person in the event of a change in control of the Company. The Company pays no other elements of compensation to its executive officers. The relatively small size of the Company in comparison to other entities presents the Company with additional risks in meeting its objectives of attracting and retaining qualified and talented professional individuals.

The salary component of the compensation is most important and the Company attempts to be competitive with what it believes to be the compensation of other companies of similar size and scope of operations. To date the Company has not engaged the services of a compensation review consultant or service in view of the cost of such services compared to the size and revenues of the Company. The award of a bonus upon review of Company performance provides an additional incentive. The Company determines the amount for each element to pay by reviewing annually the compensation levels of the Company's executive officers and determining from the performance of the Company during that time since the last review what an appropriate compensation level may be during the upcoming annual period. The Company has no existing formula for determination of the salary, stock options, or bonus elements of compensation.

Executive Officer Compensation

The following table sets forth a summary of all compensation awarded to, earned by or paid to, the Company's Chief Executive Officer, Chief Financial Officer and each of the Company's executive officers whose compensation exceeded \$100,000 per annum for services rendered in all capacities to the Company and its subsidiaries during fiscal years ended October 31, 2011 and 2010:

SUMMARY COMPENSATION TABLE
Annual Compensation **Long Term Awards**

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)	NUMBER OF OPTIONS	ALL OTHER COMPENSATION	TOTAL COMPENSATION
Roger Griffin President & CEO	2011	121,005	100,000	-0-	-0-	-0-	221,005
	2010	110,510	-0-	-0-	-0-	-0-	110,510
William E. Nielsen Chief Financial Officer	2011	124,720	20,000	-0-	-0-	-0-	144,720
	2010	113,900	-0-	-0-	-0-	-0-	113,900
David B. Wilhelmy Vice President Sales and Marketing	2011	94,935	-0-	-0-	-0-	-0-	94,935
	2010	112,195	-0-	-0-	-0-	-0-	112,195

Outstanding Equity Awards at Fiscal Year-End

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
None									

None of the Company's other Executive Officers earned compensation in fiscal 2011 and 2010 in excess of \$100,000 for services rendered to the Company in any capacity.

Option Grants and Exercises in Last Fiscal Year

No options were granted during fiscal 2011 to the Company's Chief Executive Officer or any of the Company's most highly compensated executive officers whose compensation exceeded \$100,000 for fiscal 2011. William E. Nielsen, the company's Chief Financial Officer, exercised a stock option for 250,000 shares of common stock.

Compensation of Directors

The Board of Directors of the Company has resolved to compensate non-employee directors \$1,000 per month, together with direct out-of-pocket expenses incurred to attend meetings. In April 2009, the Board of Directors voted to suspend these director payments until economic conditions improve. In April 2011 the Board of Directors voted to reinstate the director's payments.

Members of the Board of Directors may also be requested to perform consulting or other professional services for the Company from time to time. The Board of Directors has reserved to itself the right to review all directors' claims for compensation on an ad hoc basis.

Directors who are on the Company's Audit, Compensation, and Nominating Committees do not receive any consulting, advisory or compensatory fees from the Company. However, such Board members may receive fees from the Company for their services on those committees.

Director Compensation for Fiscal 2011							
Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Ronald L. McDaniel	5,000	-0-	-0-	-0-	-0-	-0-	5,000
Matthew M. Price	5,000	-0-	-0-	-0-	-0-	-0-	5,000
Lael E. Boren	5,000	-0-	-0-	-0-	-0-	-0-	5,000
Leland Boren	5,000	-0-	-0-	-0-	-0-	-0-	5,000
John J. Martorana	5,000	-0-	-0-	-0-	-0-	-0-	5,000

Employment Contracts

The Company does not have employment contracts with the Chief Executive Officer or any other member of management.

Compensation Committee Interlocks and Insider Participation

There are no interlocking relationships between any member of the Company's Compensation Committee and any member of the compensation committee of any other company, nor has any such interlocking relationship existed in the past. No member of the Compensation Committee is or was formerly an officer or an employee of the Company.

Compensation Committee Report

The Compensation Committee reviews with management the Compensation Discussion & Analysis section of the Company's 2011 Form 10-K, Item 11, and Proxy Statement. Based on its review and discussions with management the Compensation Committee recommends to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement for 2011 and in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2011.

The Compensation Committee

Ronald L. McDaniel

John J. Martorana

Lael E. Boren

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

The following table sets forth certain information with respect to the ownership of the Company's Common Stock as of December 31, 2011 by (i) those persons known by the Company to be the beneficial owners of more than 5% of the total number of outstanding shares of Common Stock, (ii) each director and executive officer, and (iii) all officers and directors as a group as of December 31, 2011 with these computations based on 5,183,895 shares of common stock being outstanding at that time.

NAME AND ADDRESS OF BENEFICIAL OWNER	TITLE HELD	AMOUNT OF BENEFICIAL OWNERSHIP ¹	APPROXIMATE PERCENT OF CLASS
Roger Griffin 5400 Rio Grande Ave. Jacksonville, FL 32254	President & CEO	None	-0-
Estate of: LaRita R. Boren 9628 E. 900 S. Upland, IN 46989	Director	2,423,853	46.8%
Leland E. Boren 9628 E. 900 S. Upland, IN 46989	Director	220,768	4.3%
John Martorana 5148 Hanover Lane Lakeland, FL 33817	Director	19,995	0.4%
Ronald L. McDaniel Western-Cullen-Hayes, Inc. 2700 W. 36 th Place Chicago, IL 60632	Director	None	-0-
William E. Nielsen 5400 Rio Grande Avenue Jacksonville, FL 32254	Director Chief Financial Officer	250,000	4.8%
Matthew M. Price Bingham McHale LLP 10 West Market Street Indianapolis, IN 46204	Director	None	-0-
Alexander C. Toppan 40 Spectacle Ridge Road South Kent, CT 06785	Stockholder	569,731 ²	11.0%
Lael E. Boren 9520 S. 950 E Upland, IN 46989	Director	None	-0-
International Baler Corporation Profit Sharing Trust 5400 Rio Grande Avenue Jacksonville, FL 32254	Stockholder	119,339 ³	2.9%
All Officers and Directors as a Group (4 persons)		3,033,955 ⁴	58.5%

¹ Unless otherwise stated, all shares of common stock are directly held with sole voting power and dispositive power.

² Shares are held in joint tenancy with his wife, Mary Anne T. Toppan.

³ Employees' Profit Sharing Trust of which William Nielsen is Trustee.

⁴ Consists of 2,914,616 shares held directly and 119,339 shares held by International Baler Corporation Employee Profit Sharing Trust.

Changes In Control

To the knowledge of the Company's management, there are no present arrangements or pledges of the Company's securities which may result in a change in control of the Company.

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

Transactions with Management and Others

Leland E. Boren, shareholder and director of the Company, is the owner of Avis Industrial Corporation (Avis). Mr. Boren owns 51.0% of the outstanding shares of the Company. Avis owns 100% of The American Baler Company, a competitor of the Company. These baler companies operate completely independent of each other. The Company had no equipment sales to The American Baler Company in the fiscal year ending October 31, 2011 and 2010. International Baler Corporation purchased no equipment or services from American Baler in either fiscal year.

Indebtedness of Management

No officer, director or security holder known to the Company to own of record or beneficially more than 5% of the Company's common stock or any member of the immediate family of any of the foregoing persons is indebted to the Company.

Parent of the Issuer

The Company has no parent.

Independence of Directors

Rule 4350 (c) (1) of The Nasdaq Stock Market rules requires that a majority of the members of the Company's Board of Directors be independent in that they are not officers or employees of the Company and are free of any relationship that would interfere with the exercise of their independent judgment.

The Board of Directors has determined that and three of the Company's seven Directors, Ronald L. McDaniel, Matthew M. Price and John Martorana are independent as defined by the listing standards of the Nasdaq Stock Market Rules, Section 10A(m)(3) of the Securities Exchange Act of 1934 and the rules and regulations of the Securities and Exchange Commission.

However, Rule 4350(c) (5) provides an exemption from the requirement that a majority of the Company's Directors be independent if the Company is considered a "controlled company". A controlled company is defined as a company of which more than 50% of the voting power is held by an individual, a group, the Company's independent registered public accounting firm, or another company. As Leland E. Boren, director, owns more than 50% of the Company's common stock, the Company is considered a "controlled company" under the applicable rules of The Nasdaq Stock Market and as such is exempt from certain of the corporate governance rules of The Nasdaq Stock Market, such as the requirement that the board of directors consist of a majority of independent directors.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents the fees for professional services rendered by The GriggsGroup CPAs and the predecessor auditor for the audit of the Company's annual financial statements for the years ended October 31, 2011 and 2010:

Fee Category	2011	2010
Audit Fees	\$ 51,500	\$ 78,100
Audit-Related Fees	0	0
Tax Fees	\$ 8,500	11,000
All Other Fees	0	0
Total Fees	\$60,000	\$ 89,100

Audit fees include fees related to the services rendered in connection with the annual audit of the Company's consolidated financial statements, the quarterly reviews of the Company's quarterly reports on Form 10-Q and the reviews of and other services related to registration statements and other offering memoranda.

Audit-related fees are for assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of the Company's financial statements.

Tax Fees include (i) tax compliance, (ii) tax advice, (iii) tax planning and (iv) tax reporting.

All Other Fees includes fees for all other services provided by the principal accountants not covered in the other categories.

All of the 2011 services described above were approved by the Audit Committee in accordance with the SEC rule that requires audit committee pre-approval of audit and non-audit services provided by the Company's independent registered public accounting firm. The Audit Committee has considered whether the provisions of such services, including non-audit services, by The GriggsGroup CPAs is compatible with maintaining The GriggsGroup's CPAs independence and has concluded that it is.

ITEM 15. EXHIBITS

The Following Documents are filed as Part of this Report

1. Financial Statements:

Reports of Independent Registered Public Accounting Firms
Balance Sheets
Statements of Operations
Statements of Stockholders' Equity
Statements of Cash Flows
Notes to Financial Statements

2. Exhibits

The following exhibits are filed with, or incorporated by reference into this report.

<u>Exhibit Number</u>	<u>Description</u>
2.1	Agreement of Merger between International Baler Corporation and IBC Merger Corporation dated June 24, 1997 (Incorporated by reference to Exhibit 10.39 to Company's Current Report on Form 8-K, Date of Report June 27, 1997["Report on Form 8-K June 27, 1997"]).
2.2	Certificate of Merger of International Baler Corporation into IBC Merger Corporation (Incorporated by reference to Exhibit 10.39.1 to Report on Form 8-K June 27, 1997).
2.3	Certificate of Merger merging Consolidated Baling Machine Company, Inc. and Florida Waste Systems, Inc. into International Baler Corporation filed July 30, 2004.
3.1	Articles of Incorporation and by-laws of Waste Technology Corp. and amendments (Incorporated by reference to the Company's Registration Statement on Form S-18 filed in April, 1985, Registration No. 2-97045[the "Statement on Form S-18"])
3.2	Certificate of Incorporation of International Baler Corporation f/k/a National Compactor & Technology Systems, Inc. and all amendments thereto (Incorporated by reference to Exhibit 3.3 to Form 8 Amendment No.1 to the Company's Annual Report on Form 10-K for the year ended October 31, 1989["Amendment No. 1 to 1989 Form 10-K"]).
3.3	By-laws of International Baler Corporation (Incorporated by reference to Exhibit 3.4 to Amendment No. 1 to 1989 Form 10-K).
3.4	Certificate of Incorporation of Consolidated Baling Machine Co., Inc. f/k/a Solid Waste Recovery Test Center, Inc. and all amendments thereto (Incorporated by reference to Exhibit 3.5 to Amendment No. 1 to 1989 Form 10-K).
3.5	By-laws of Consolidated Baling Machine Co., Inc. (Incorporated by reference to Exhibit 3.6 to Amendment No. 1 to 1989 Form 10-K).
3.7	Certificate of Amendment to Certificate of Incorporation of Waste Technology

- Corp. Filed on November 4, 1991 (Incorporated by reference to Exhibit 3.1.1 to Company's Annual Report on Form 10-K for the year ended October 31, 1991 [the "1991 Form 10-K"]
- 3.8 Certificate of Amendment to Certificate of Incorporation of Waste Technology Corp. Filed on November 21 1991 (Incorporated by reference to Exhibit 3.1.2 to Company's 1991 Form 10-K).
- 3.9 Revised and restated by-laws of Waste Technology Corp. (Incorporated by reference to Exhibit 3.2 to Company's 1991 Form 10-K).
- 3.10 Amendment to revised and restated by-laws of Waste Technology Corp. (Incorporated by reference to Exhibit 3.2.1 to Company's 1991 Form 10-K).
- 3.11 Certificate of Incorporation of Waste Tech Real Estate Corp. (Incorporated by reference to Exhibit 3.7 to Company's Annual Report on Form 10-K for year ended October 31, 1990).
- 4.1 1995 Stock Option Plan (Incorporated by reference to Exhibit 4.1 to Annual Report on Form 10-K for the year ended October 31, 1995).
- 10.1 Agreement between the Company and International Baler Corp. dated September 8, 1986, relating to acquisition of assets and stock (Incorporated by reference to Exhibit 10.1 to Statement on Form S-18).
- 10.2 Agreement dated February 3, 1987, between the Company and N. J. Cavagnaro & Sons and Machine Corp., Nicholas J. Cavagnaro Jr., George L. Cavagnaro, and Pauline L. Cavagnaro together with the exhibits annexed thereto for the acquisition of N. J. Cavagnaro & Sons Machine Corp. (Incorporated by reference to Exhibit 10.2 to Company's Annual Report on Form 10-K for the year ended October 31, 1987 [the "1987 Form 10-K"]).
- 10.3 Waste Technology Corp. Profit Sharing Plan including Agreement of Trust (Incorporated by reference to Exhibit 10.7 to Report on Form 8-K June 1, 1989).
- 10.4 Form of Deferred Compensation Agreement for Ted C. Flood (Incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10K for the year ended October 31, 1991).
- 10.5 Agreement between International Baler Corporation and Ted C. Flood dated as December 29, 1995 (Incorporated by reference to Exhibit 10.38 to the Company's Annual report on Form 10-KSB for the year ended October 31, 1996 [the "1996 Form 10-KSB"]).
- 10.6 Promissory Note made by Ted C. Flood to the order of International Baler Corporation dated December 29, 1995 (Incorporated by reference to Exhibit 10.38.1 to the 1996 Form 10-KSB).
- 10.7 Promissory Note made by Ted C. Flood to the order of Waste Technology Corp. dated April 5, 1996 (Incorporated by reference to Exhibit 10.38.2 to the 1996 Form 10-KSB).
- 10.8 Promissory Note made by Ted C. Flood to the order of Waste Technology Corp. dated October 5, 1996 (Incorporated by reference to Exhibit 10.38.3 to the 1996 Form 10-KSB).

- 14 Code of Ethics (Incorporated by reference to Exhibit 14 to the Company's Annual Report on Form 10-KSB for the year ended October 31, 2003).
- 23.1* Consent of Independent Registered Public Accounting Firm.
- 31* Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
- 32* Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Exhibit filed with this Report.

SIGNATURES

In accordance with Section 13 or 15 (d) of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERNATIONAL BALER CORPORATION
(Registrant)

By: /s/ D. Roger Griffin
Chief Executive Officer

Dated: January 27, 2012

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in their capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Ronald L. McDaniel</u> Ronald L. McDaniel	Chairman of the Board	Director January 27, 2012
<u>/s/D. Roger Griffin</u> D. Roger Griffin	Director President and Chief Executive Officer	January 27, 2012
<u>/s/ Lael E. Boren</u> Lael E. Boren	Director	January 27, 2012
<u>/s/ Leland E. Boren</u> Leland E. Boren	Director	January 27, 2012
<u>/s/ William E. Nielsen</u> William E. Nielsen	Director Chief Financial Officer	January 27, 2012
<u>/s/ Matthew M. Price</u> Matthew M. Price	Director	January 27, 2012
<u>/s/ John J. Martorana</u> John J. Martorana	Director	January 27, 2012

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
International Baler Corporation:

We consent to the inclusion in the Form 10-K of International Baler Corporation of our report dated January 26, 2011, with respect to the balance sheet of International Baler Corporation (the Company) as of October 31, 2010, and the related statements of operations, stockholders' equity, and cash flows for the year then ended.

/s/ KPMG LLP

Jacksonville, Florida
Certified Public Accountants
January 27, 2012

Exhibit 31.1

I, Roger Griffin, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended October 31, 2011 of International Baler Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrants certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 27, 2012

/S/D. Roger Griffin
D. Roger Griffin
Chief Executive Officer

Exhibit 31.2

I, William E. Nielsen, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended October 31, 2011 of International Baler Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrants other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrants certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (c) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (d) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: January 27, 2012

/S/William E. Nielsen
William E. Nielsen
Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 I hereby certify that:

I have reviewed the annual report of International Baler Corporation on Form 10-K for the year ended October 31, 2011 (the "Report");

To the best of my knowledge, the Report (i) fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and (ii) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of International Baler Corp. and its subsidiary during the period covered by this Report.

Dated: January 27, 2012

/s/D. Roger Griffin
D. Roger Griffin
Chief Executive Officer

Exhibit 32.2

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 I hereby certify that:

I have reviewed the annual report of International Baler Corporation on Form 10-K for the year ended October 31, 2011 (the "Report");

To the best of my knowledge, the Report (i) fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and (ii) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of International Baler Corp. and its subsidiary during the period covered by this Report.

Dated: January 27, 2012

/S/William E. Nielsen
William E. Nielsen
Chief Financial Officer

INTERNATIONAL BALER CORPORATION

FINANCIAL STATEMENTS

OCTOBER 31, 2011 AND 2010

(With Reports of Independent Registered Public Accounting Firms Thereon)

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
International Baler Corporation

We have audited the accompanying balance sheet of International Baler Corporation as of October 31, 2011 and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Baler Corporation as of October 31, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ The GriggsGroup CPAs

Ponte Vedra Beach, Florida
January 27, 2012

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
International Baler Corporation:

We have audited the accompanying balance sheet of International Baler Corporation (the Company) as of October 31, 2010 and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Baler Corporation as of October 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

January 26, 2011
Jacksonville, Florida
Certified Public Accountants

INTERNATIONAL BALER CORPORATION
BALANCE SHEETS
OCTOBER 31, 2011 AND 2010

	<u>October 31, 2011</u>	<u>October 31, 2010</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,875,149	\$ 2,101,204
Accounts receivable, net of allowance for doubtful accounts of \$50,764 and \$71,764 in 2011 and 2010 respectively	1,038,979	700,484
Inventories	2,583,100	1,281,312
Prepaid expense and other current assets	87,894	72,508
Deferred income taxes	180,313	435,185
Total current assets	<u>6,765,435</u>	<u>4,590,693</u>
Property, plant and equipment, at cost:	2,761,004	2,414,055
Less: accumulated depreciation	1,711,704	1,622,757
Net property, plant and equipment	<u>1,049,300</u>	<u>791,298</u>
Other assets:		
Other assets	1,396	1,396
Due from former Director	2,988	16,319
Deferred income taxes	11,074	165,511
Total other assets	<u>15,458</u>	<u>183,226</u>
TOTAL ASSETS	<u><u>\$ 7,830,193</u></u>	<u><u>\$ 5,565,217</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 630,556	\$ 330,459
Accrued liabilities	525,655	278,776
Current portion of deferred compensation	67,000	67,000
Customer deposits	1,299,252	279,424
Total current liabilities	<u>2,522,463</u>	<u>955,659</u>
Deferred compensation, net of current portion	15,722	76,213
Total liabilities	<u>2,538,185</u>	<u>1,031,872</u>
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, par value \$.0001, 10,000,000 shares authorized, none issued	-	-
Common stock, par value \$.01, 25,000,000 shares authorized; 6,429,875 and 6,179,875 shares issued in 2011 and 2010, respectively	64,299	61,799
Additional paid-in capital	6,419,687	6,347,187
Accumulated deficit	(510,568)	(1,194,231)
	<u>5,973,418</u>	<u>5,214,755</u>
Less: Treasury stock, 1,245,980 shares in 2011 and 2010, at cost	<u>(681,410)</u>	<u>(681,410)</u>
Total stockholders' equity	5,292,008	4,533,345
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u><u>\$ 7,830,193</u></u>	<u><u>\$ 5,565,217</u></u>

See accompanying notes to financial statements.

INTERNATIONAL BALER CORPORATION
STATEMENTS OF OPERATIONS
YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
Net Sales:		
Equipment	\$ 9,318,844	\$ 6,385,605
Parts and Service	1,730,670	1,261,296
Total Net Sales	11,049,514	7,646,901
Cost of Sales	8,587,872	6,081,980
Gross Profit	2,461,642	1,564,921
Operating Expense:		
Selling Expense	524,141	446,922
Administrative Expense	828,635	688,213
Total Operating Expense	1,352,776	1,135,135
Operating Income	1,108,866	429,786
Other Income (Expense):		
Interest Income	8,297	11,159
Interest Expense	-	(3,160)
Other Income (Expense)	-	(24,937)
Total Other Income (Expense)	8,297	(16,938)
Income Before Income Taxes	1,117,163	412,848
Income Tax Provision	433,500	158,550
Net Income	\$ 683,663	\$ 254,298
Basic Income per share	\$ 0.13	\$ 0.05
Diluted Income per share	0.13	0.05
Weighted average number of shares outstanding - Basic	5,077,045	4,933,895
- Diluted	5,133,014	5,042,386

See accompanying notes to financial statements.

INTERNATIONAL BALER CORPORATION
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED OCTOBER 31, 2011 AND 2010

	<u>Common Stock</u>				<u>Treasury Stock</u>		<u>TOTAL STOCKHOLDERS' EQUITY</u>
	<u>NUMBER OF SHARES ISSUED</u>	<u>PAR VALUE</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>ACCUMULATED DEFICIT</u>	<u>NUMBER OF SHARES</u>	<u>COST</u>	
Balance at November 1, 2009	6,179,875	\$ 61,799	\$ 6,347,187	\$ (1,448,529)	1,245,980	\$ (681,410)	\$ 4,279,047
Net Income	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>254,298</u>	<u>-0-</u>	<u>-0-</u>	<u>254,298</u>
Balance at October 31, 2010	6,179,875	\$ 61,799	\$ 6,347,187	\$ (1,194,231)	1,245,980	\$ (681,410)	\$ 4,533,345
Common stock issued in connection with exercise of stock options	250,000	2,500	72,500	0	0	0	75,000
Net Income	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>683,663</u>	<u>-0-</u>	<u>-0-</u>	<u>683,663</u>
Balance at October 31, 2011	<u>6,429,875</u>	<u>\$ 64,299</u>	<u>\$ 6,419,687</u>	<u>\$ (510,568)</u>	<u>1,245,980</u>	<u>\$ (681,410)</u>	<u>\$ 5,292,008</u>

See accompanying notes to financial statements.

INTERNATIONAL BALER CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2011 AND 2010

	2011	2010
Cash flow from operating activities:		
Net income	\$ 683,663	\$ 254,298
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	88,947	90,765
Provision for doubtful accounts, net of recoveries	(21,000)	(17,106)
Deferred income taxes	409,309	158,550
Changes in operating assets and liabilities:		
Accounts receivable	(317,495)	(63,995)
Inventories	(1,301,788)	(135,314)
Prepaid expenses and other assets	(15,386)	8,848
Accounts payable	300,097	95,781
Accrued liabilities, payroll, commissions and deferred compensation	186,388	(69,444)
Customer deposits	1,019,828	(56,016)
Net cash provided by operating activities	1,032,563	266,367
Cash flows from investing activities:		
Proceeds from notes receivable from former Director	13,331	12,556
Purchase of property and equipment	(346,949)	(8,470)
Net cash (used in) provided by investing activities	(333,618)	4,086
Cash flows from financing activities:		
Net payments on the revolving promissory note	-	(2,654)
Release of restricted cash	-	224,100
Issuance of Common Stock	75,000	-
Net cash provided by financing activities	75,000	221,446
Net increase in cash and cash equivalents	773,945	491,899
Cash and cash equivalents at beginning of year	2,101,204	1,609,305
Cash and cash equivalents at end of year	\$ 2,875,149	\$ 2,101,204
Supplemental disclosure of cash flow information:		
Cash paid during year for:		
Interest	\$ -	\$ -
Income taxes	-	-

See accompanying notes to financial statements.

INTERNATIONAL BALER CORPORATION

Notes to Financial Statements

October 31, 2011 and 2010

(1) Nature of Business

International Baler Corporation (the Company) is a manufacturer of baling equipment which utilizes technical, hydraulic and electrical mechanisms to compress a variety of materials into bales for easier handling, shipping, disposal, storage, and for recycling. Materials commonly baled include scrap metal, corrugated boxes, newsprint, aluminum cans, plastic bottles, and other solid waste. More sophisticated applications include baling of textile materials, fibers and synthetic rubber. The Company offers a wide variety of balers, standard models as well as custom models to meet specific customer requirements.

The Company's customers include recycling facilities, paper mills, textile mills, and the companies which generate the materials for baling and recycling. The Company sells its products worldwide with 10% to 35% of its annual net sales outside the United States.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include allowances for doubtful accounts, valuation of deferred tax assets, valuation of inventory, and estimates for warranty claims. Actual results could differ from those estimates.

(b) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include cash on hand, bank demand accounts and money market accounts having original maturities of less than three months.

(c) Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable. The Company reviews its allowance for doubtful accounts monthly. Past due balances are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

(d) Inventories

Inventories are stated at the lower of cost or market. Cost is determined by a method that approximates the first-in, first-out method. Work in process and finished goods are valued based on underlying costs to manufacture balers which include direct materials, direct and indirect labor, and overhead. Company personnel review the potential usage of inventory and inventory components on a regular basis.

INTERNATIONAL BALER CORPORATION

Notes to Financial Statements

October 31, 2011 and 2010

(e) Property, Plant, and Equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. The cost of property, plant, and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed primarily using the straight-line method over the estimated lives of 5-20 years for machinery and equipment and 31-40 years for buildings.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the assets. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases.

(f) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgement occurs.

The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses.

(g) Revenue Recognition

The Company recognizes revenue when finished products and/or parts are shipped and the customer takes ownership and assumes the risk of loss. Revenue from installation services is recognized on completion of the service. The Company recognizes revenue from repair services in the period in which the service is provided.

(h) Warranties and Service

The Company typically warrants its products for one (1) year from the date of sale as to materials and six (6) months as to labor, and offers services for other required repairs and maintenance. Service is rendered by repairing or replacing parts at the Company's Jacksonville, Florida, facility, by on-site service provided by Company personnel who are based in Jacksonville, Florida, or by local service agents who are engaged as needed. Warranty parts shipments and warranty service repairs are expensed as they occur and the Company maintains an accrued liability for expected warranty claims. The warranty accrual is based on historical warranty costs, the quantity and type of balers currently under warranty, and known warranty issues.

INTERNATIONAL BALER CORPORATION

Notes to Financial Statements

October 31, 2011 and 2010

Following is a tabular reconciliation of the changes in the warranty accrual:

	<u>2011</u>	<u>2010</u>
Beginning balance	\$ 49,859	\$ 55,059
Warranty services provided	(161,455)	(85,254)
New product warranties	139,782	95,784
Changes to preexisting warranty accruals	<u>26,673</u>	<u>(15,730)</u>
Ending balance	\$ <u>54,859</u>	\$ <u>49,859</u>

(i) Earnings Per Share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each year. Diluted earnings per share includes the net number of shares that would be issued upon the exercise of stock options using the treasury stock method. Options are not considered in loss years as they would be anti-dilutive. The dilutive impact of options outstanding was 55,969 shares and 108,491 shares for the years ended October 31, 2011 and 2010.

(j) Stock-Based Compensation

The Company recognizes all stock-based compensation as an expense in the financial statements measured at the fair value of the award. In June 2002, the Company granted 250,000 nonqualified stock options to purchase shares of the Company's common stock. These options, which vested immediately, have an exercise price of \$0.30 and a term of 10 years. The Company has no remaining authorized shares available for grant under existing stock option plans. As of October 31, 2011, the Company has no options outstanding to grant under previously authorized plans and no options were issued during the years ended October 31, 2011 or 2010. As all options were fully vested, there was no impact on net income for the years ended October 31, 2011 and 2010. The stock options issued in 2002 were exercised in April, 2011 and 250,000 shares of common stock were issued.

There were no stock options exercised during the year ended October 31, 2010.

(k) Business Reporting Segments

The Company operates in one segment based on the information monitored by the Company's operating decision makers to manage the business.

(l) Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and customer deposits, approximate their fair value due to the short-term nature of these assets and liabilities. The carrying amount of deferred compensation approximates fair value, based on current rates available to the Company for loans with similar maturities.

(m) Recently Issued Accounting Pronouncements

In October 2009, the FASB issued Accounting Standards Codification Topic No. 605, Multiple-Deliverable Revenue Arrangements. This guidance establishes a selling price hierarchy for determining the selling price of a deliverable and expands the disclosures required for multiple-deliverable revenue arrangements. This guidance was effective for revenue arrangements that were entered into or were materially modified beginning November 1, 2010 for the Company. Adopting this guidance did not have a material impact on the Company's results of operations and financial position.

INTERNATIONAL BALER CORPORATION

Notes to Financial Statements

October 31, 2011 and 2010

(3) Related Party Transactions

The Company has a note receivable from the former president and director totaling \$17,826 and \$31,157 at October 31, 2011 and 2010, respectively. Interest accrues at the rate of 6% per annum.

The Company has a deferred compensation agreement with the former president and director of the Company for deferred compensation payments. The Company will make deferred compensation payments with a present value of \$82,722, payable over the next two years. A portion of the deferred compensation payments will be used to repay the outstanding note receivable discussed above.

The statements of operations includes interest income on a previous officer and director note receivable of \$1,507 and \$2,281 for the years ended October 31, 2011 and 2010, respectively.

Leland E. Boren, a shareholder and director of the Company, is the owner of Avis Industrial Corporation (Avis). Mr. Borens owns 51.0% of the outstanding shares of the Company. Avis owns 100% of American Baler Company, a competitor of the Company. These baler companies operate independent of each other. The Company had no equipment sales to American Baler Corporation in the years ending October 31, 2011 and 2010. International Baler purchased no equipment or services from American Baler.

(4) Inventories

Inventories consisted of the following:

	<u>2011</u>	<u>2010</u>
Raw Materials	\$ 1,009,648	\$ 694,446
Work in Process	1,429,606	377,977
Finished Products	<u>143,846</u>	<u>208,889</u>
	<u>\$ 2,583,100</u>	<u>\$ 1,281,312</u>

(5) Property, Plant, and Equipment

The following is a summary of property, plant, and equipment, at cost, less accumulated depreciation and amortization:

	<u>2011</u>	<u>2010</u>
Land	\$ 82,304	\$ 82,304
Building and Improvements	1,026,903	982,096
Machinery and Equipment	1,596,931	1,294,789
Vehicles	<u>54,866</u>	<u>54,866</u>
	2,761,004	2,414,055
Less accumulated depreciation	<u>1,711,704</u>	<u>1,622,757</u>
	<u>\$ 1,049,300</u>	<u>\$ 791,298</u>

Depreciation expense was \$88,947 and \$88,105 during the years ended October 31, 2011 and 2010, respectively.

INTERNATIONAL BALER CORPORATION

Notes to Financial Statements

October 31, 2011 and 2010

(6) Debt

The Company has a \$1,000,000 line of credit agreement with First Guaranty Bank and Trust Company of Jacksonville. The line of credit allows the Company to borrow against the Company's property, plant and equipment. The line of credit bears interest at the prime rate plus one-half percent with a floor of 5.0%, with a re-affirmation date of February 28, 2012. The line of credit had no outstanding balance at October 31, 2011 and 2010, and the unused line of credit was \$1,000,000 at October 31, 2011. The credit agreement contains covenants that require the Company to provide annual audited financial statements and quarterly internal financial statements to the lender. There are no other covenants or restrictions.

(7) Commitments and Contingencies

The Company in the ordinary course of business, is subject to claims made under, and from time to time is named as a defendant in legal proceedings relating to the operations of its business, including the sale of its products. The Company believes that the reserves reflected in its financial statements are adequate to pay losses and loss adjustment expenses which may result from such claims and proceedings; however, such estimates may be more or less than the amount ultimately paid when the claims are settled. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

On August 26, 2010, the Company was served with a wrongful death lawsuit filed by the Estate of a former employee who was fatally injured in a workplace accident while an employee of the Company. The accident occurred in September 2008. The Plaintiff has demanded \$2,500,000 to settle this claim. The Company intends to vigorously defend this case and has contacted its liability insurance carrier to request defense and indemnification of any losses incurred in connection with this lawsuit. The claim is currently in the early stages of discovery and the outcome is uncertain.

(8) Income Taxes

Income tax benefit attributable to income from continuing operations consists of:

	<u>2011</u>	<u>2010</u>
Current income tax provision:		
Federal	\$ 21,076	\$ -
State	<u>3,115</u>	<u>-</u>
	24,191	-
Deferred income tax provision:		
Federal	349,485	143,564
State	<u>59,824</u>	<u>14,986</u>
	<u>409,309</u>	<u>158,550</u>
Income tax provision	\$ <u>433,500</u>	\$ <u>158,550</u>

The differences between income taxes as provided at the federal statutory tax rate of 34% and the Company's actual income taxes are as follows:

INTERNATIONAL BALER CORPORATION

Notes to Financial Statements

October 31, 2011 and 2010

	2011	2010
Expected federal income tax expense at Statutory rate	\$ 379,835	\$ 140,368
State income tax expense, net federal income tax effect	41,000	14,986
Other – meals and entertainment	4,753	3,187
Other	7,912	14
Income tax provision	\$ 433,500	\$ 158,550

Tax assets are recognized in the balance sheet if it is more likely than not that they will be realized on future tax returns. As of October 31, 2011 and 2010, the net deferred tax assets were \$191,387 and \$600,696, respectively. The Company determined it is more likely than not that the results of future operations will generate sufficient taxable income to realize the deferred tax assets of October 31, 2011 and 2010 and no valuation allowance is deemed necessary. The realization of deferred tax assets will depend on the Company's ability to continue to generate taxable income in the future.

The significant components of the net deferred income taxes at October 31, 2011 and 2010 are as follows:

	2011	2010
Deferred tax assets		
Inventory Reserve	76,765	\$ 88,431
Other Reserves and allowances	117,165	149,253
Section 263A	84,634	13,520
Alternative minimum tax credit carryforwards	37,685	37,685
Net operating loss carryforwards	-	326,446
Total deferred tax assets	316,249	615,335
Deferred tax liabilities		
Property, plant, and equipment	(124,862)	(14,639)
Total gross deferred tax liabilities	(124,862)	(14,639)
Net deferred income taxes	\$ 191,387	\$ 600,696

Net federal operating loss carryforwards for income tax purposes were used in their entirety in fiscal 2011. The Company has an alternative minimum tax credit carryforward of \$37,685.

For the years ended October 31, 2011 and 2010, the Company did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties. Our evaluation was performed for the tax years ended October 31, 2005 through October 31, 2011, the tax years which remain subject to examination by tax jurisdictions as of October 31, 2011.

INTERNATIONAL BALER CORPORATION

Notes to Financial Statements

October 31, 2011 and 2010

(9) Employees' Benefit Plan

The Company has a defined contribution plan and profit sharing program for its employees. The Company made no contributions to the plan during the years ending October 31, 2011 or 2010.

(10) Business and Credit Concentrations

Export sales were approximately 17% and 9% for the years ended October 31, 2011 and 2010, respectively. The principal international markets served by the Company, include Canada, China, Mexico, United Kingdom, India, Korea, Japan, Russia, and Brazil. In 2011, two customers accounted for 13.5% and 12.2% of net sales, respectively, while in 2010, no customers accounted for 10% or more of net sales. Three customers accounted for 31.0%, 15.5% and 11.1% respectively, of the company's accounts receivable at October 31, 2011 and two customers accounted for 33.1% and 14.5%, respectively, of the company accounts receivable at October 31, 2010.