



Celebrating **25** Years
AGP
 Ag Processing Inc.
 A Cooperative

FILED
 December 14, 2010
 Data Center
 Missouri Public
 Service Commission

When Cooperatives Cooperate—Success Follows

Annual Report 2008

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FINANCIAL HIGHLIGHTS

YEARS ENDED AUGUST 31
(Amounts in thousands)

	FOR THE YEAR	2008	2007
Sales		\$ 4,294,205	\$ 2,585,287
Earnings from continuing operations (before income taxes)		\$ 143,912	\$ 88,227
Purchases of property, plant and equipment		\$ 94,148	\$ 112,950
Return on equity (before income taxes)		29.9%	18.8%
	AT YEAR END		
Total assets		\$ 1,387,734	\$ 1,168,573
Long-term debt, less current portion		\$ 202,093	\$ 133,665
Members' equity		\$ 577,767	\$ 481,149
Long-term debt to equity ratio		0.35	0.28

FISCAL YEAR HIGHLIGHTS

RECORDS ACHIEVED

- Earnings and cash returned to member cooperatives
- AMINOPLUS[®] production and sales
- Exports through the Port of Gray's Harbor
- Production of specialty oils
- Soy biodiesel production, sales and profitability

CAPITAL INVESTMENTS

- Completed construction of coal-fired steam generation facility at Hastings, Nebraska
- Soybean processing upgrade and expansion at St. Joseph, Missouri
- Completion of soy biodiesel plant at St. Joseph, Missouri
- Custom-designed soybean meal rail cars
- Rail expansions at Hastings, Nebraska; Sergeant Bluff, Iowa; and Emmetsburg, Iowa
- Energy efficiency upgrades at Sheldon and Eagle Grove, Iowa
- Completion of steam-flaked corn facility at Lariat, Texas
- Acquisition of Land O' Lakes Canada Ltd. feed business

RECOGNITION

- American Sanitation Institute award for excellence in food processing
- American Oilseed Chemist Society award for laboratory proficiency
- BQ-9000 certification at soy biodiesel plants at St. Joseph, Missouri and Sergeant Bluff, Iowa
- Burlington-Northern Santa Fe Safety Award

MESSAGE TO THE STOCKHOLDERS

The celebration of AGP's 25th year in business is a very special and fulfilling experience. Even more rewarding in this exceptional year, AGP achieved record earnings, patronage and equity redemption, resulting in record cash returned to our owners. All of the employees at AGP are proud of the accomplishments in serving member cooperatives and their farmer-owners. Equally proud of this success are member cooperatives who have realized value due to their ownership in AGP.

The AGP Board of Directors and your management are excited to report fiscal 2008 record earnings of approximately \$144 million from continuing operations and before income taxes. This compares to last year's earnings of \$88 million and to the previous record earnings of \$95 million in fiscal 1995.

Thanks to continued excellent support from our members, AGP's patronage dividend totaled \$88.9 million, of which your Board again approved 30 percent to be paid in cash. The excellent cash flow this year also enabled the Board to approve equity redemption of \$45 million. Totaling the cash portion of the patronage, your equity redemption,

and payments made in our value-based premium programs, members received a record \$75.8 million in cash for fiscal 2008. Over the past four years, AGP has paid out nearly \$200 million in cash to our members, benefiting local cooperatives and rural communities throughout the Midwest.

Fiscal 2008 was a historic year in many areas of our business environment. Unprecedented swings in commodity prices for soybeans, soybean products, corn, energy and transportation all contributed to the most volatile marketing and operating environment in AGP's history, as well as for the industry. We are all aware of the many challenges associated with operating in these volatile times; however, for AGP, the opportunities outweighed the challenges during fiscal 2008.

Throughout the global economy, the focus turned to demand and the question of adequate supplies. This situation was fueled by increased hedge fund participation and resulted in some of the best marketing opportunities in the history of soy processing, soy biodiesel production and grain merchandising, all of which reported record earnings. The unprecedented volatility and

record commodity prices did curtail opportunities in the ethanol and livestock markets, which negatively impacted our corn processing business and Masterfeeds, our Canadian animal nutrition company.

One of the most common concerns we heard from our members and industry leaders during fiscal 2008 was the ability to access adequate capital to carry inventories and maintain the ongoing capital investment programs that their companies require. AGP was very fortunate in this area. Thanks to our strong balance sheet and excellent financial partners, we were able to secure adequate financing to run the business in the most efficient manner while investing for the future.

Capital investments in 2008 were the second highest in our history and totaled over \$207 million during the past two years. A big percentage of this investment was in our processing assets to improve capacity and efficiency. This positions AGP to better serve our members and customers as the industry and economy cycle through one of the most challenging financial times in recent history.

As markets and industries continue to change and consolidate, we must remain responsive in positioning your cooperative for the future to continue to provide the service and returns that are so important for AGP's long-term viability. This philosophy helped in the decision to divest of AGP Grain, Ltd. assets located in North Dakota and Minnesota, despite the fact they had just completed a record year from an earnings standpoint. This type of business is very capital intensive, and the sale will allow us to redeploy these assets to better serve our membership.

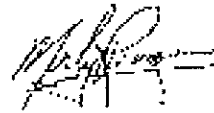
Proagro, the Venezuelan poultry company of which AGP is a major shareholder, completed another very successful year in the face of rising commodity and ocean freight prices. During the year, the government provided relief to the industry by increasing the ceiling on poultry prices, which helped to mitigate our increased costs. The successful results allowed Proagro to declare a dividend of which a portion is included in AGP's earnings. Venezuela remains an excellent destination market for soybean meal, corn and other agricultural products supplied by AGP.

MESSAGE TO THE STOCKHOLDERS CONTINUED

Fiscal 2008 represents an exceptional year, and all of us at AGP are very proud of the accomplishments of your cooperative. We all recognize that this success is only possible with the support from you, our members. We place a very high value on the relationship and the open communications we have with our members and customers, and look forward to continuing our partnership.

All of us at AGP thank our dedicated employees, our great customers, and the outstanding support of our membership. All of you have made it possible to celebrate 25 years of success!

As we look toward the future, we remain confident in the business platform and strength of our employees and management team. Our commitment is to continue to deliver quality services and products to which our members and customers have become accustomed, while maintaining the financial strength required for long-term viability.



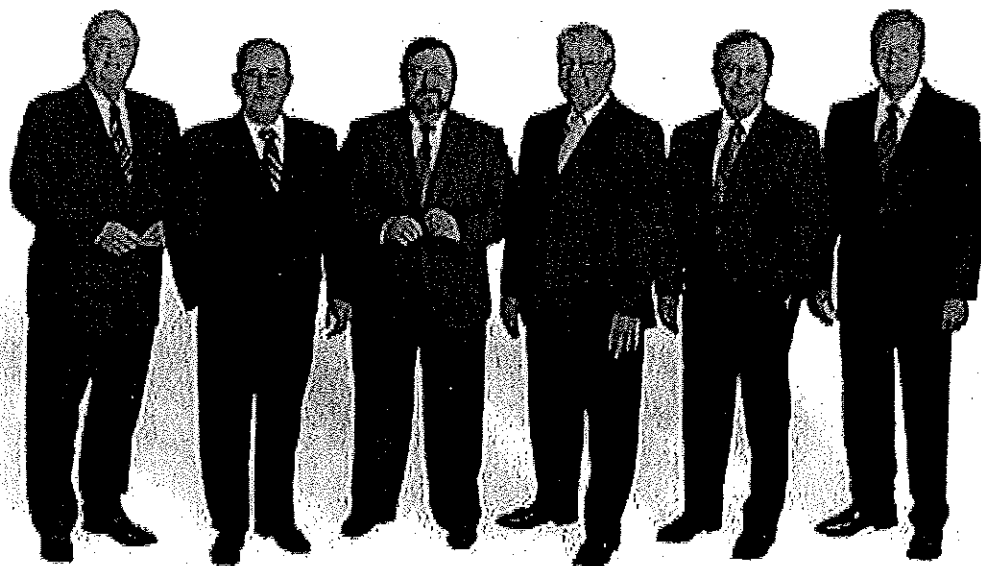
Marty Reagan
*Chief Executive Officer
and General Manager*



Brad Davis
Chairman of the Board



MANAGEMENT STAFF



Mike Maranell	Dick Copeland	Daryl Dahl	Terry Voss	Chuck Janiszewski	Gary Olsen
Senior Vice President	Senior Vice President	Vice President	Senior Vice President	Senior Vice President	Senior Vice President
Corporate and Member Relations	Operations and Research	Hedging	Transportation	Engineering	Grain Operations



Dennis Rademacher	Judy Ford	Keith Spackler	Larry Steier	Mike Reed
Vice President	Senior Vice President	Group Vice President	Corporate General Counsel	Senior Vice President
Corporate Controller	Human Resources	Finance	Vice President and Assistant Secretary	Information Systems
		Chief Financial Officer		
		Assistant Secretary/ Treasurer		