Celebrating 25 Years

AGP®
Ag Processing Inc
A Cooperative

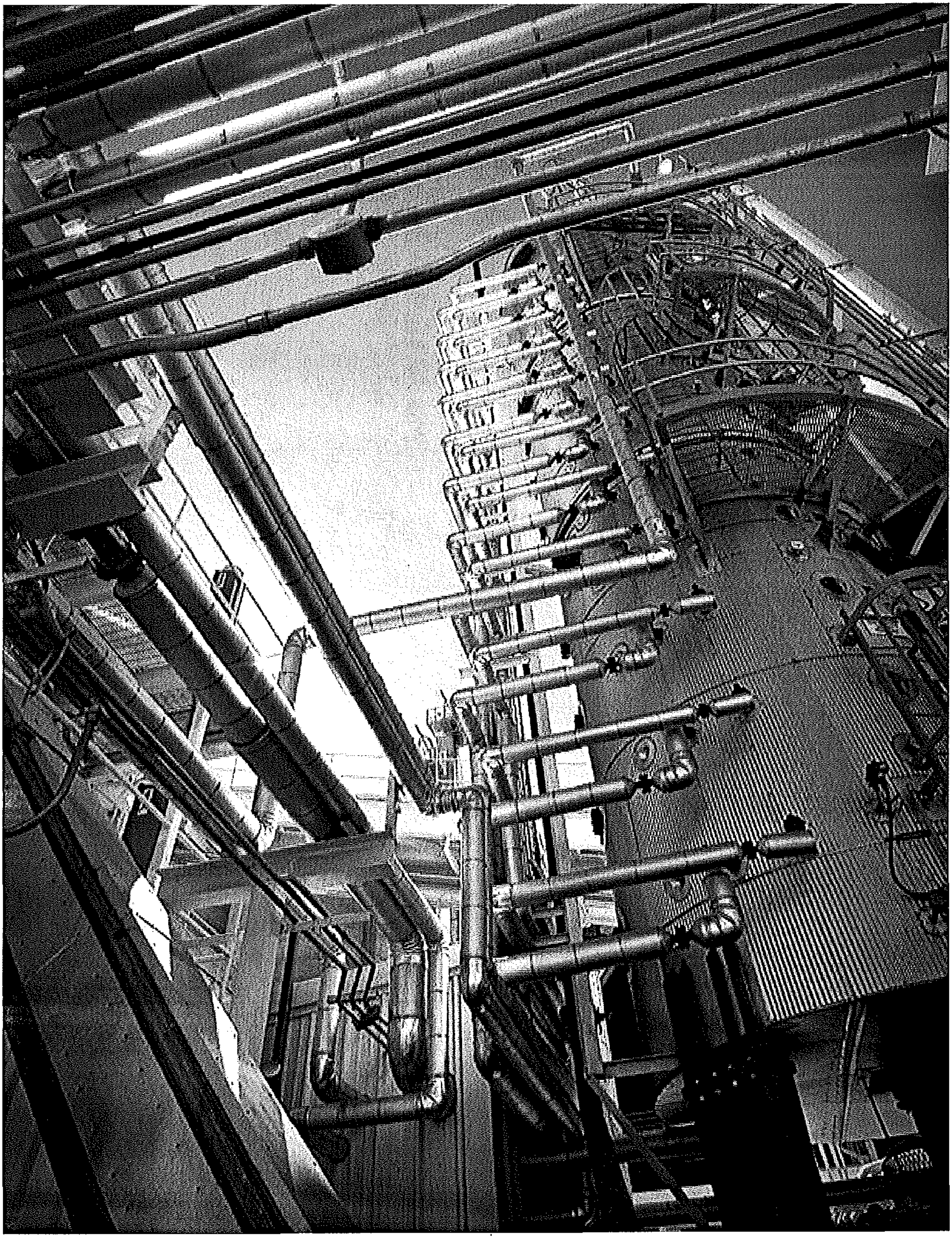
When Cooperatives Cooperate – Success Follows

Annual Report 2008

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

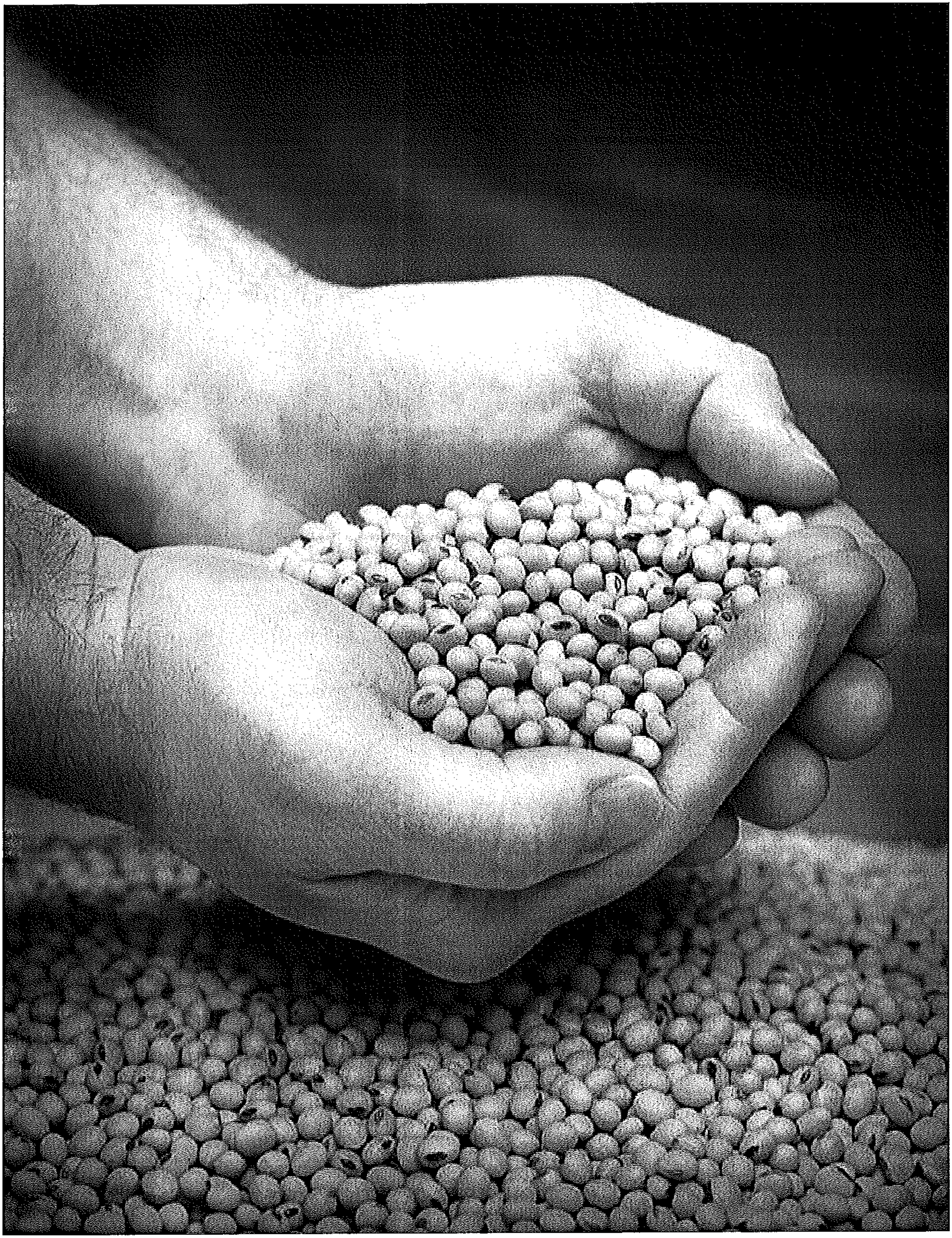
- Earnings and cash returned to member cooperatives
- AMINOPLUS® production and sales
- Exports through the Port of Gray's Harbor
- Production of specialty oils
- Soy biodiesel production, sales and profitability

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.

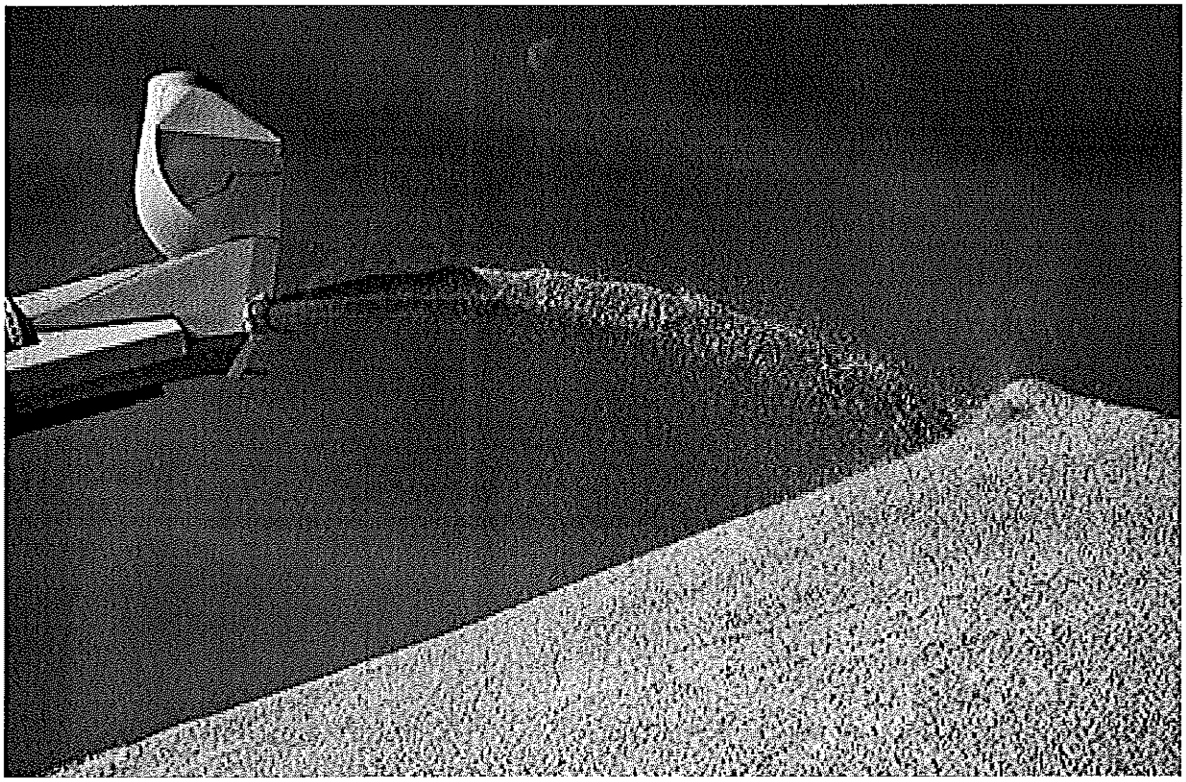
Fiscal 2008 represents an exceptional year, and all of us at AGP are very proud of the accomplishments of your cooperative. We all recognize that this success is only possible with the support from you, our members. We place a very high value on the relationship and the open communications we have with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



COMMITMENT TO QUALITY

Ag Processing Inc (AGP) is dedicated to supplying products and services on a world-wide basis that meet our customers' expectations the first time ... every time.

WE BELIEVE AND SUBSCRIBE TO THE FOLLOWING BASIC PHILOSOPHY:

- Quality is defined as 100% conformance to requirements.
- AGP's goal is to achieve error-free results in all work processes.
- We will track our progress in achieving total quality by measuring efficiencies.
- Prevention of errors will be our system for insuring quality, with continual improvement being our overall objective.

We will individually and collectively strive to achieve these basic absolutes through the development of partnerships with all our customers and suppliers.

We will create and maintain a productive work environment, which requires a total teamwork effort that promotes employee involvement.

Through this Quality Policy, we will maintain and build on AGP's competitive advantage in the global marketplace and ensure security for all employees through the continued success and growth of the Company.

BUSINESS PHILOSOPHY

Ag Processing Inc (AGP) promotes the economic well-being of farmer-producers and enriches the lives of people throughout the community, the nation and the world as a partner in food production.

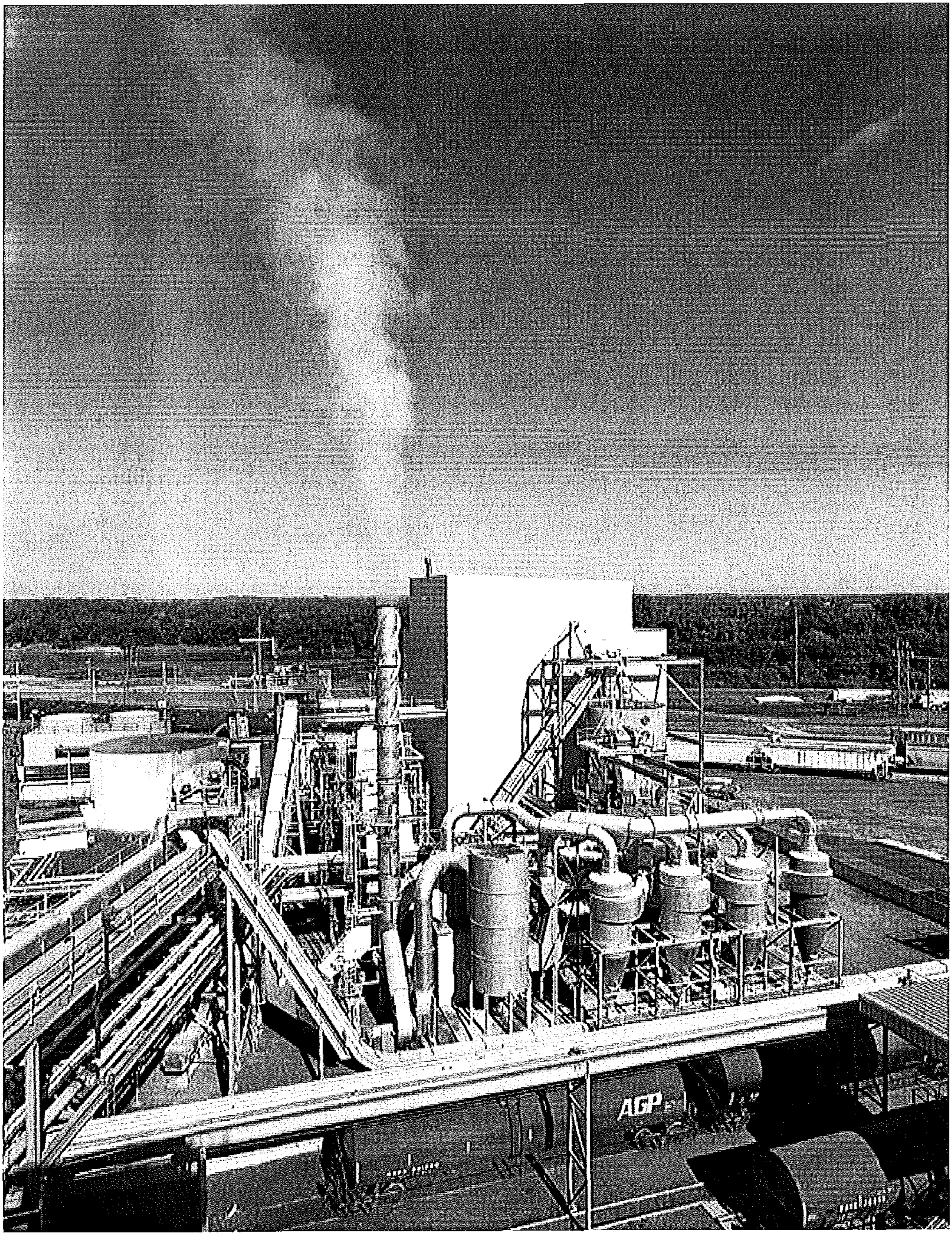
Ag Processing Inc's mission is to serve local cooperatives and their farmer-owners by performing the primary business functions of acquisition, processing and marketing of agricultural products.

Ag Processing Inc is committed to providing a competitive outlet for members' products while generating levels of profitability capable of sustaining long-term growth of the company.

AG PROCESSING INC:

- Is the largest cooperative soybean processing company in the world.
- Is a leading supplier of refined vegetable oil in the United States.
- Processes over 16,000 acres of soybeans every day.

Since its formation in 1983, AGP has been committed to the success of its owners. Today its owners are 190 local cooperatives and five regional cooperatives, representing 250,000 farmers from 15 states throughout the United States and Canada. AGP's motto is "Partners in Food Production," and it is through this type of relationship that AGP will continue to grow and prosper.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PROCESSING

RECORD COMMODITIES PRICES, STORY OF THE YEAR

Fiscal 2008 was a historic year for AGP for two reasons. It was the Company's 25th anniversary, and commodities markets were the most volatile in AGP's history. Record prices were set for soybeans and soybean products.

AGP responded to record demand for oils and protein throughout the year, which resulted in favorable profit margins, despite a commodities market that demanded extraordinary levels of working capital.

Operating in this environment was one of the Company's biggest challenges and required experience and expertise. Cost-effective supply and risk management enabled AGP to lock in profit margins and maintain the Company's market position. Market volatility required special attention to customer service, customer loyalty, and Company reliability.

EXPORTS CONNECTING AGP TO THE WORLD

The weak U.S. dollar was certainly a factor that favored export operations. Exports through the Port of Gray's Harbor facility at Aberdeen, Washington were a record, with tonnage up 81 percent compared to the most recent four-year average. This coincides with a record number of rail car shipments to the port. This year AGP expanded its export commodity mix through the facility by shipping distillers' dried grains (DDGs) and soybeans to the Pacific Rim for the first time.

Improvements have added to the speed and efficiency of the operation and help ensure the quality of product and on-time delivery that position AGP as a reliable partner in global trade. New equipment was added to the terminal to enhance loading capability in inclement weather. AGP also invested in custom-designed soybean meal rail cars that have a greater capacity and a larger unloading gate than conventional grain cars.

The Company – as the rest of the industry – experienced record high freight rates for vessels and record high rail and truck rates in the U.S., with fuel surcharges adding even more to the cost of delivered goods. In these circumstances, AGP's custom-designed soybean meal rail cars helped reduce costs, not only for international customers, but for domestic customers as well.

Trade missions around the globe continued this year, with AGP hosting trade delegations from Pacific Rim countries and Mexico. These are opportunities for international customers to learn about the agricultural system in the U.S. and become face-to-face partners with the cooperative system that supplies products abroad. In turn, AGP partners with state soybean associations to organize delegations of U.S. soybean producers to visit overseas customer locations. Such trips enhance producers' understanding of international customers' demands and the reality of their economic needs, for more effective trade relationships.

AMINOPLUS® REMAINS AT THE TOP

The success of AMINOPLUS continued to grow in fiscal 2008. Still the number one rumen-bypass protein, AMINOPLUS achieved record sales and shipments to dairy producers worldwide.

This year the AMINOPLUS facilities operated at full capacity, and the new AMINOPLUS facility at Sergeant Bluff, Iowa became operational this summer, raising overall production capacity by approximately 50 percent. The Sergeant Bluff facility will allow AGP to take advantage of shipping AMINOPLUS combined with other AGP products to new markets and customers throughout North America. Additionally, record container shipments of AMINOPLUS were exported.

VALUE-BASED PREMIUM PROGRAM REWARDS

AGP experienced an exceptionally successful year in oil yields, which were above the U.S. trend line. The Company continues its involvement with component values research and premiums for high value soybeans. AGP's value-based premium programs – with premiums for oil, protein, non-GMO and low-linolenic soybeans – demonstrated their worth. Since their inception, these programs have paid out more than $52 million, an excellent example of the cooperative system adding value to producers' soybeans.

CAPITAL INVESTMENTS FOR NOW AND LATER

As part of its commitment to member-owners and the marketplace, AGP continually improves its operations with efficiencies and new technologies. This fiscal year, capital investments addressed opportunities in a number of areas.

A coal-fired steam generation facility neared completion at the Hastings, Nebraska industrial complex, which will reduce energy cost. Energy efficiency upgrades also were completed at Sheldon and Eagle Grove, Iowa.

Rail expansions were completed at Hastings as well as Emmetsburg and Sergeant Bluff, Iowa, for increased efficiency in freight.

Also at Hastings, storage was added for identity-preserved soybeans, to help ensure the quality of specialty products.

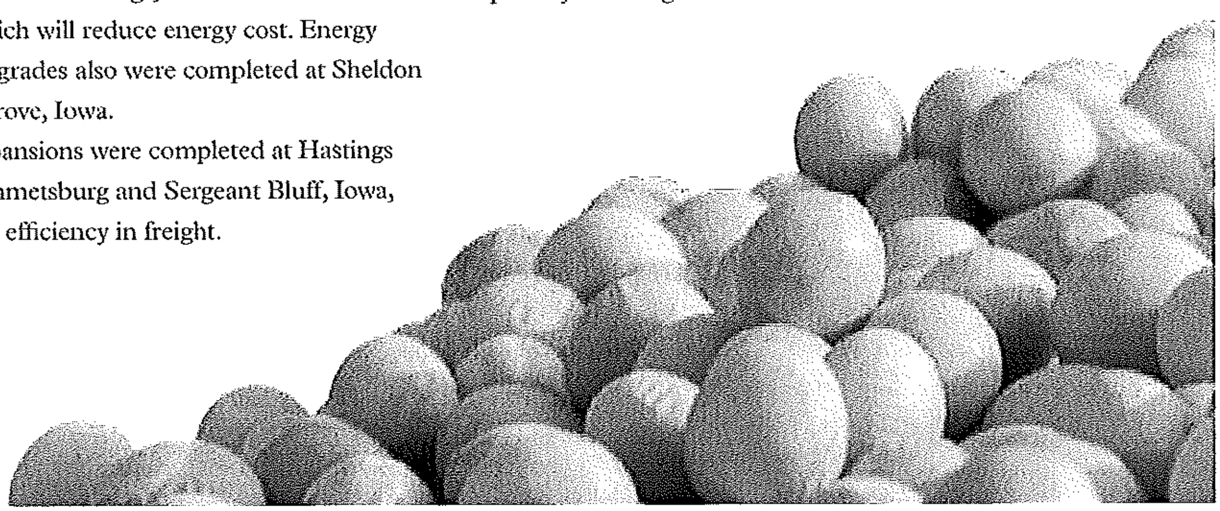
An upgrade of the soybean processing facility at St. Joseph, Missouri was completed to increase capacity and production efficiency.

Automated grain probes were installed at four additional locations this year, to enhance both customer service and good manufacturing practices.

These investments in fiscal 2008, as in years past, will continue to keep AGP competitive.

UNIQUE CHALLENGES IN GETTING PRODUCT FROM HERE TO THERE

Transportation this year certainly would qualify as a success in meeting AGP's promise of reliability. The flooding rains in Iowa and Illinois in the spring and Gulf Coast flooding from hurricanes in late summer virtually brought truck and rail traffic to a standstill. Some shipments to Texas actually had to be rerouted through Minnesota before they could move south. Working with the freight market, knowing when to buy, and coordinating with AGP plants were skills that assured delivery even in the face of extreme circumstances. AGP is respected for its on-time delivery, and this year the accomplishment was especially meaningful.



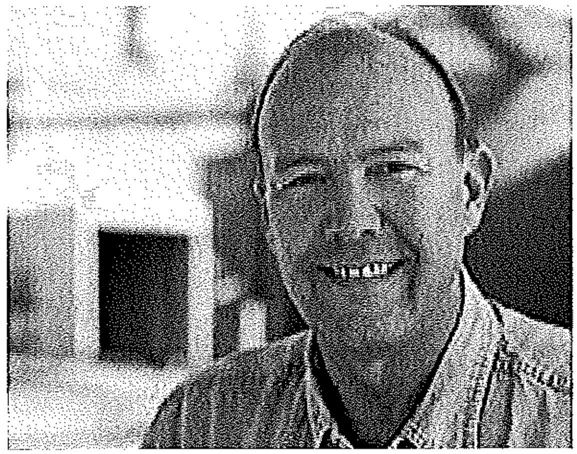
PEOPLE: THE HEART OF THE MATTER

AGP's people are one of its key assets and at the heart of its success. Recognizing that, the Company invests in its employees through professional training, safety education programs and recruitment strategies.

AGP employees are exposed to new technologies online and sent to technical seminars to enhance their understanding of job responsibilities. The objective is to make on-the-job personal safety a daily living goal for all employees.

A reflection of that goal, AGP's people again this year brought distinction to the Company by earning the Burlington-Northern Santa Fe Safety Award for safe handling of ethanol. It was the twelfth year in a row that this honor was bestowed on AGP, reflecting our emphasis on the safety of employees and the environment.

To continue attracting the best and the brightest people, AGP has expanded its internship program, with recruitment from universities and technical colleges. Interns learn what it means to succeed in a success-driven organization, and AGP learns what aptitudes potential employees have for success at AGP. With increased competition for highly qualified college graduates, AGP's internship program is important not only for attracting graduates but branding AGP as a company where one would want to establish a career.

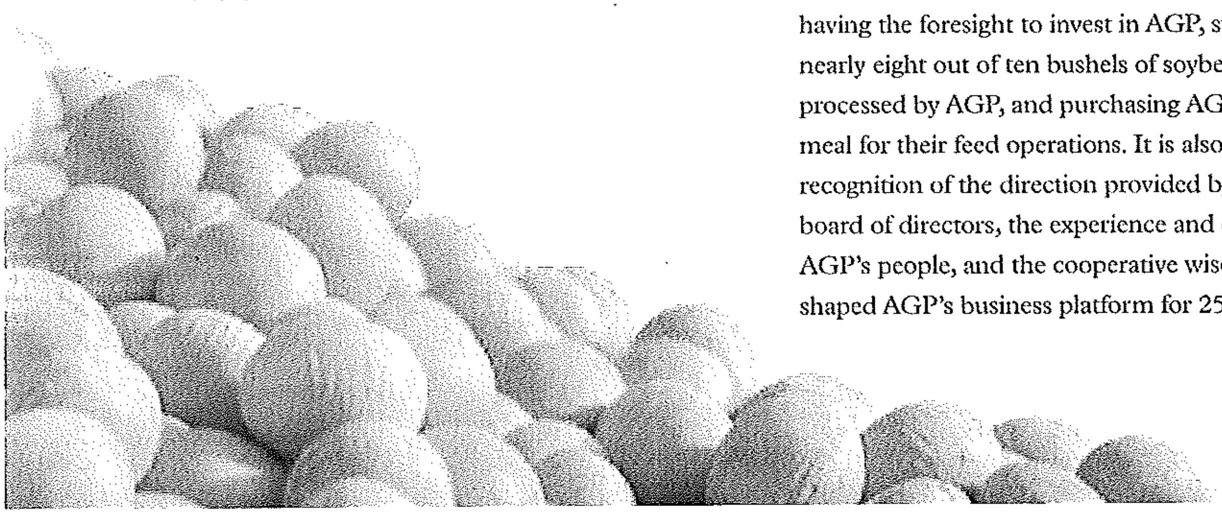


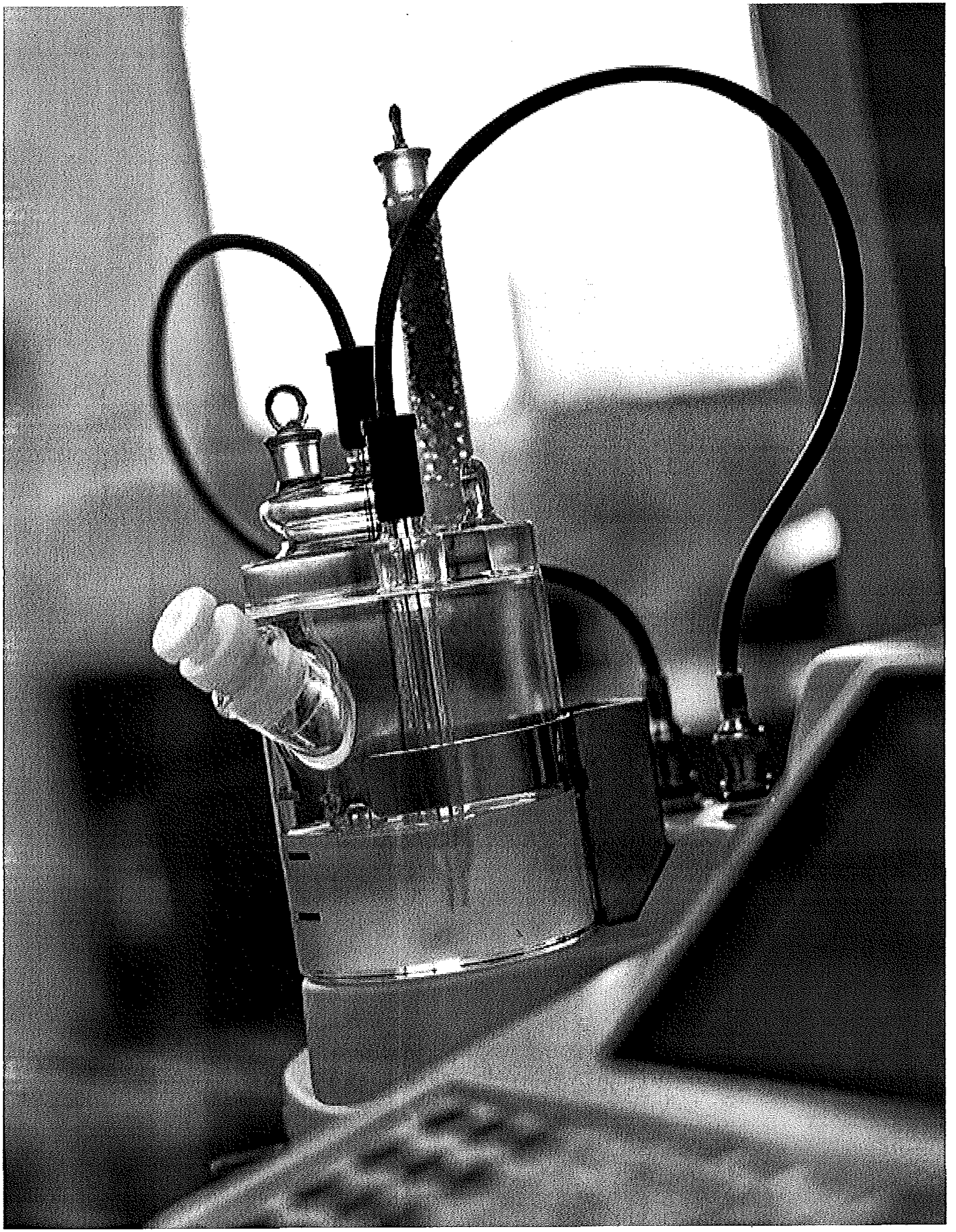
BUSINESS PLAN ENCOURAGES LEADERSHIP

As the largest domestic, integrated, cooperative soybean processor, AGP bears responsibility for industry leadership in shaping policies that affect its member-owners. The Company's business plan accepts that responsibility through top-level participation in groups and associations ranging from the National Oilseed Processors Association, Surface Transportation Board, and Renewable Fuels Association to the International Oil Mill Superintendents Association and Agribusiness Association of Iowa.

A TRULY AMAZING YEAR

All the challenging events and market forces of fiscal 2008 could not impede the progress of AGP. It is a tribute to AGP members through the years: having the foresight to invest in AGP, supplying nearly eight out of ten bushels of soybeans processed by AGP, and purchasing AGP soybean meal for their feed operations. It is also a recognition of the direction provided by AGP's board of directors, the experience and dedication of AGP's people, and the cooperative wisdom that has shaped AGP's business platform for 25 years.





REFINED VEGETABLE OIL

NAVIGATING VOLATILITY

The recurring theme for fiscal 2008 was unprecedented volatility, and this was certainly the case in the food and fuel segments of soybean oil. Soybean oil nearly tripled in value versus the twenty-year trend line as markets were impacted by energy prices, monetary policy, and speculative pressures.

RECORD VOLUME IN SPECIALTY OILS

AGP accomplished record volume in specialty oils and continued to focus on that arena, including the development of trans fat alternatives. The Hastings, Nebraska refinery added low-linolenic soybean oil to its production mix to supply the increased demand from AGP's key customers. The Company's integrated identity-preserved platform is well positioned to meet the market demand for the next generation of enhanced-trait soybean oils.

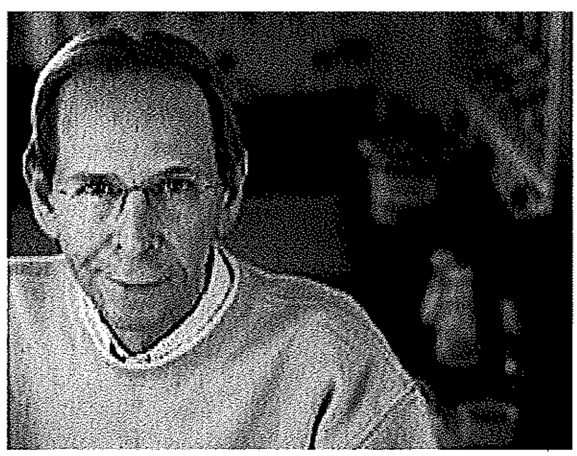
High commodity prices, however, proved to be a challenge to expanding market share this year as end users focused on ways to reduce ingredient costs. With consumers facing inflated prices at the gas pump, in the grocery store, and in virtually all other areas of merchandising, disposable income was at a premium. Consumers cut back on discretionary spending by making fewer shopping trips, eating out less and – when doing so – opting for less expensive restaurant choices. In addition, soybean oil continued to experience market share erosion to alternative oils which have unique characteristics that provide the food service and baking industries with zero trans fat products. Consequently, food demand for refined soybean oil was down as the market restructured in several categories.

INTEGRATED PLATFORM EQUALS EFFICIENCIES

In this volatile environment, customers are ever more centered on holding down costs and managing inventory with just-in-time product delivery. AGP stepped to the plate this year, offering key customers a reliable and timely response to their needs. Supply chain alignments came to the forefront with the uncertainty in supply and price movements. AGP's integrated platform allowed the Company to strengthen its position as a preferred provider with these valued customers.

Services such as electronic inventory management, onsite visits to the customer, and streamlined electronic statements and other communications position AGP as a true and trusted partner. It is a relationship that prevents disruptions and production setbacks.

In recognition of AGP's quality promise, honors this year again were bestowed by the American Oilseed Chemist Society for laboratory proficiencies and by the American Sanitation Institute for excellence in food processing.



BIODIESEL SUPPLY AND DEMAND FOR VEGETABLE OILS

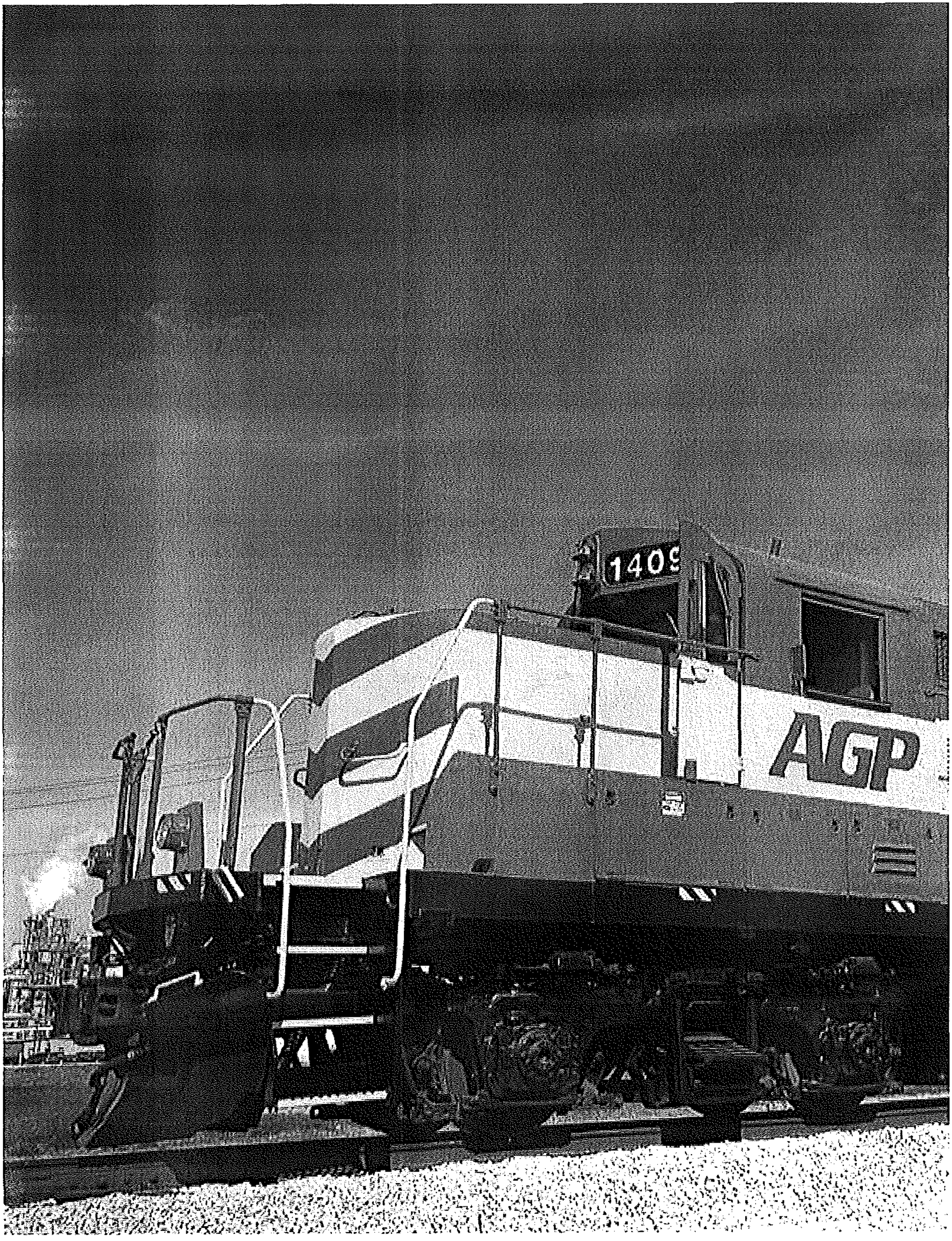
AGP refineries increased shipments of refined soy oil into the biodiesel sector, with the majority of volume utilized by the Company's own soy biodiesel plants, which helped offset the reduced demand from the food sector. Until this year, soybean oil's market share of the U.S. biodiesel feedstock demand was nearly 100 percent. However, as prices increased, biodiesel producers turned to less expensive feedstocks such as yellow grease, lard, tallow and palm oil.

Existing biodiesel production capacity could consume nearly all of the U.S. soybean oil produced if its price were too low relative to petroleum-based fuel, something the food industry cannot allow to happen. Because of its ample supply and domestic availability, soybean oil remains the dominant choice for the food industry. As such, food will always win over fuel, but fuel can and will absorb any market excess.

WEATHERING THE PERFECT STORM

Fiscal 2008 was a year when a combination of situations led to unique market dynamics: drought in certain wheat growing nations; a run-up in petroleum prices that created increased demand for biofuels; emerging economies such as China and India, with growing middle classes wanting to improve their diets and standard of living; U.S. federal monetary policies resulting in a weaker dollar; and significant speculative interest from hedge and index funds.

AGP's integrated platform allowed the Company to weather this "perfect storm" and remain positioned for success in the future.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RENEWABLE FUELS

A MAJOR SHOCK IN THE RENEWABLE FUELS INDUSTRY

"Food or Fuel?" was a popular headline in mainstream media this fiscal year. The global uncertainty of available soybean and feed grain supplies combined with speculative commodity interest led to historic prices. Record petroleum prices stimulated demand for cheaper renewable fuels. The question of ethanol viability was a very real issue as AGP weighed corn pricing against the profitability of ethanol production.

CRITICAL MASS IN ETHANOL

Due to the unsustainable expansion in the ethanol business, industry production exceeded government mandates by an excess of two billion gallons for domestic use in calendar year 2007.

Profitability was challenged in corn processing this year due to higher corn prices and ethanol trading at discounts to gasoline. Another factor impacting profitability was increased competition in co-products. Responding to that situation, AGP added the capability to dry 100 percent of wet distillers grains at its Hastings, Nebraska corn processing plant in order to expand the market for its ethanol co-products.

The corn processing plant, along with AGP's other operations at Hastings, will be served by a new coal-fired steam generation facility. This facility will be instrumental in AGP's focus on being a least-cost producer. The Company's relationship with the Hastings Utility Company assures delivery of coal at the most competitive cost.

RECORD PRODUCTION AND SALES OF BIODIESEL

The addition of a new soy biodiesel plant at St. Joseph, Missouri and previous expansion of AGP's existing plant at Sergeant Bluff, Iowa led to a record year in soy biodiesel production and sales. Including the new plant at St. Joseph, AGP produced 57 million gallons of soy biodiesel this year.

The St. Joseph facility achieved BQ-9000 certification, and the soy biodiesel plant in Sergeant Bluff received recertification this year. The BQ-9000 program reassures AGP customers and member-owners alike of the Company's commitment to quality that can be relied on year after year.

While AGP experienced profitable and efficient production of soy biodiesel, the market remained challenging. This fiscal year saw record high prices for methanol and record low prices for crude glycerin. As in so many arenas, AGP's integrated platform allowed the Company to maintain its leadership in the soy biodiesel sector, withstanding the challenges of the commodities market.

STAYING THE COURSE IN RENEWABLE FUELS

AGP did not expand ethanol capacity or financial exposure during the recent "Gold Rush." Instead, the Company invested in cost-saving and yield-enhancing technology at its existing ethanol plant. In biodiesel, AGP responsibly expanded capacity at its existing integrated plant sites to better utilize crushing and oil refining capabilities.

AGP has faced volatility and uncertainty in the past and met it with success. Fiscal 2008 was no different. The Company's diversification strategy has served it well in the cooperative system and will continue to do so.

GRAIN

AN EXCEPTIONAL YEAR IN THE GRAIN BUSINESS

The volatility of the commodity markets this year offered extreme challenges and opportunities, resulting in a record year for the grain group.

CHALLENGES TO BUSINESS AS USUAL

Demand for agricultural commodities was unprecedented, including record domestic usage of corn for fuel, food, and livestock feed. Corn prices responded accordingly, and prices for other commodities also escalated, reaching all-time highs.

One result of this overall situation was a critical need for increased working capital in the agriculture industry, as financing for day-to-day needs presented a challenge for all companies, including lenders. Whether calculated by basis position exposure, market spreads, futures carry, or back-to-back trades, the agribusiness community faced increased cost and risk.

This trading environment reshaped the landscape. Many outside influences, such as hedge funds, trumped the fundamentals, such as supply and demand, and were driving the commodities markets.

Challenges were presented in the commodities transportation arena as well. Transportation costs on all fronts – truck, rail, barge, and ocean freight – hit record highs, as did fuel surcharges. Average rail rate increases for the major carriers this fiscal year were a remarkable 18 percent. Mother Nature's impact on transportation also proved to be challenging, with not only floods and hurricanes, but also mudslides in the Pacific Northwest that took out whole sections of track. Despite these natural disasters, western railroads ran record numbers of grain shuttles with large swings in values, typical of what was seen in all of agriculture.

OPPORTUNITIES FOR SUCCESS

Through the volatility of fiscal 2008, AGP's diversification clearly proved its merit. This was a year when organization, size, flexibility, and stability could deeply affect a company's future. The grain group was able to capitalize on those strengths of AGP, allowing the group to further contribute to the performance of the Company.

EXPORT AND DOMESTIC DEMAND

A major industry milestone in exports was achieved this year, with record volumes in wheat, corn, milo, and soybeans. A weak dollar helped to drive the record demand.

The AGP grain group was instrumental in achieving a milestone of its own: the origination of whole soybeans tied to AGP's first trade of this commodity to the Pacific Rim through the Port of Gray's Harbor. Southeast Asia's need for protein coupled with AGP's reputation for high-quality products and service was integral to the terms of this sale.

In the European Union, poor growing and harvest conditions resulted in a short wheat crop. The grain group responded through AGP's export facility in Duluth, Minnesota and marketing offices in Minneapolis, Minnesota; Barcelona, Spain; and Antwerp, Belgium to achieve a record year of wheat trade into the EU.

Opportunities in Venezuela again resulted in success, with a 12 percent increase in commodities traded to Protinal/Proagro. Proagro remains a major destination for feed grains and soybean meal sourced by the AGP grain group.

As demand rose for ethanol, domestic production rose by approximately three billion gallons despite shrinking profit margins during fiscal 2008. This increased the need for corn to fuel the new ethanol demand, which provided additional regional trading opportunities for the grain group, resulting in enhanced revenues.

DIVERSIFIED SUCCESSES

AGP's grain partnerships help to capitalize on market dynamics, and current partnerships with Floyd Valley Grain, LLC in Hinton, Iowa; Countrywide Grain Terminal, L.L.C. in Pleasant Hill, Iowa; and Maple River Grain and Agronomy, LLC in Casselton, North Dakota all contributed value. Market diversification continues to reflect AGP's successful partnership strategy, helping to ensure the best possible utilization of the Company's infrastructure.

OPTIMIZED CAPITAL INVESTMENTS

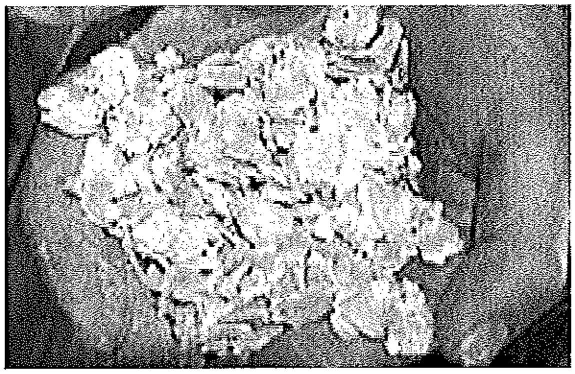
AGP's grain group investments in the Texas Panhandle and eastern New Mexico are proving to be important assets. The dry-rolled corn facility at Farwell completed its second year of highly successful operation. The steam-flaker facility at Lariat came on line this year and promises to be equally successful. AGP is committed to optimizing these facilities and serving the region's dairy and feedlot needs. Traditionally known for beef production, the region also has become one of the country's fastest growing dairy areas.

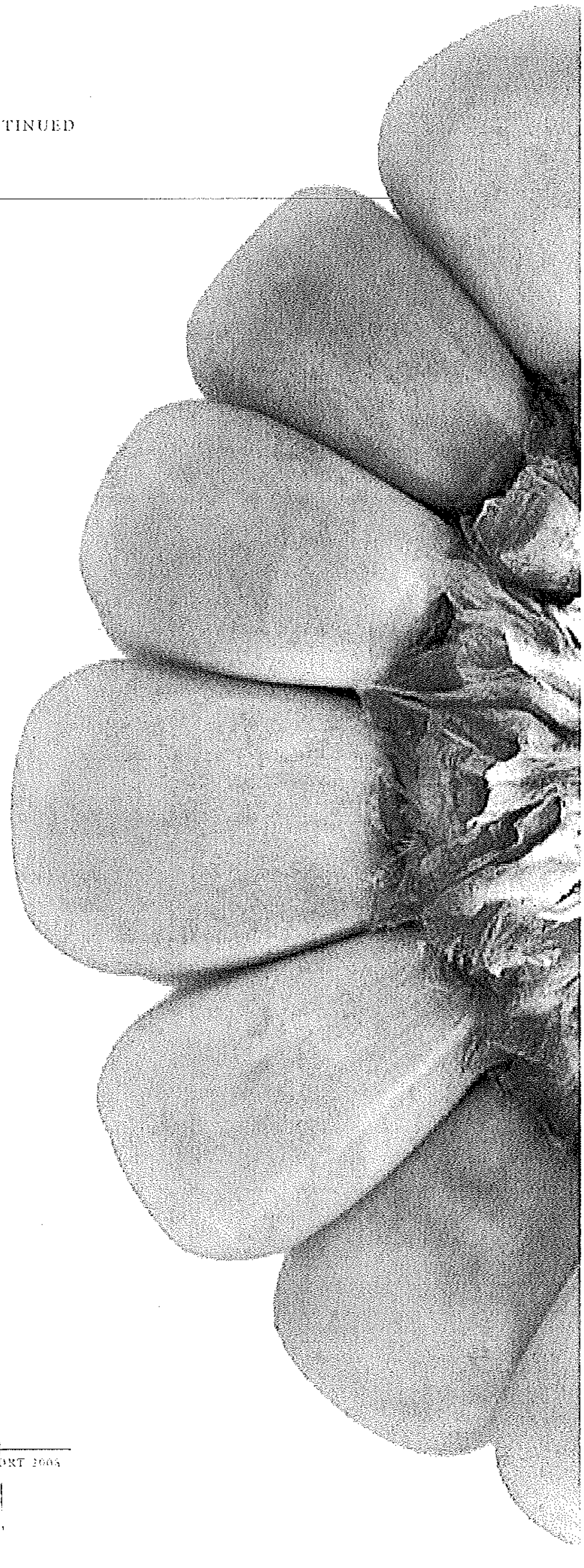
The presence of these facilities is also bringing other opportunities for AGP in the region. A major poultry and egg producer – one-and-a-half million layers strong – is establishing an operation adjacent to Lariat to capitalize on AGP's shuttle trains. Lariat not only ships shuttles of wheat and milo, but is a receiver of shuttles supplying Midwestern corn for regional customers. It is estimated that when completed, the operation will require 150,000 bushels of corn per month.

Another major opportunity is the region's shift in row crops. Due to commodity prices, area farmers are replacing cotton acres with corn, milo, and wheat. AGP's storage capacity in Texas is well positioned to accommodate the expansion of those crops.

INTERNAL AND EXTERNAL PARTNERS

The AGP grain group strives to ensure the best possible return to its member-owners. Collaboration with other AGP business divisions enhances each division's ability to be responsive to the marketplace and take advantage of opportunities through those partnerships.





The AGP grain group, like other divisions, also partners with the industry as a whole to help ensure the success of agriculture. Involvement with national, state, and local associations and organizations places AGP in a leadership role for advancing legislation and regulations, developing markets and incentive programs, and representing the interests of agribusiness overall. It is a vital role of the Company in the cooperative system.

AGP GRAIN, LTD. ASSETS SOLD

In a carefully considered transaction that supports AGP's strategic business plan, the Company sold the fixed assets of AGP Grain, Ltd. subsidiary to Columbia Grain of Portland, Oregon.

Completed in August 2008, the sale included AGP Grain, Ltd. assets located in Minnesota and North Dakota, but excluded AGP's interest in Maple River Grain and Agronomy, LLC in Casselton, North Dakota. AGP will continue its service to producers and customers through its operations, marketing agreements, and partnerships in Nebraska, Texas, Iowa, and Kansas as well as Casselton.

AGP Grain Marketing, LLC remains well positioned to be responsive to its customer base and be proactive in its contribution to AGP's success.

MASTERFEEDS

A YEAR OF TRANSITION IN CANADA'S ANIMAL NUTRITION INDUSTRY

Canada is one of the top destinations for AGP soybean meal, and Masterfeeds remains an important contributor to the success of the Company, despite the market challenges of fiscal 2008.

Animal agriculture in Canada, notably the swine and beef sectors, experienced a challenging environment this fiscal year. These markets remained extremely difficult, with high feed prices due to increased commodity costs that in some cases nearly doubled from the year before. Moreover, the Canadian currency strengthened and for much of the fiscal year was at par with the U.S. dollar, which negatively impacted red meat producers and packers. In addition, beef and pork markets were weak, which caused negative producer margins that in turn diminished Masterfeeds' volumes. Due to these unfavorable conditions, a major rationalization of pork producers occurred, and the sector remains in a downsizing mode.

While the Canadian supply-managed sectors – milk, eggs, chicken and turkey – remained stable, the feed market remained very competitive as companies vied for those customers' business to offset tonnage losses from the swine and beef segments.

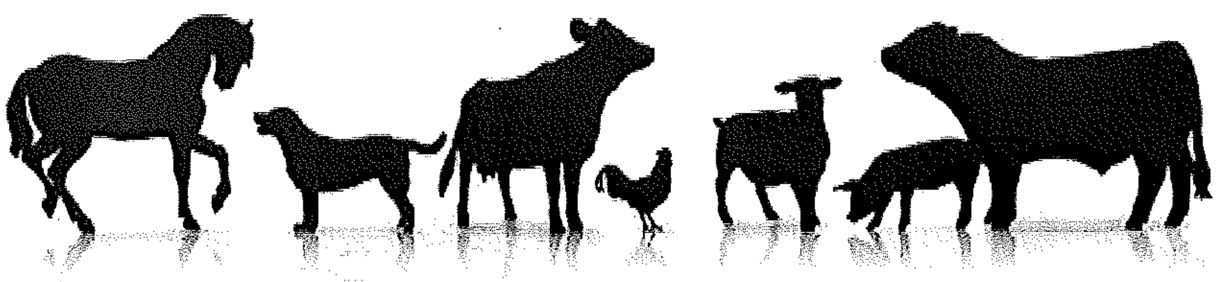
This scenario beckoned the need for consolidation, and Masterfeeds was fortunate to be able to make two acquisitions that reinforce its position in the Canadian feed industry.

ACQUISITIONS KEY TO STABILIZING MARKET POSITION

This fiscal year, Masterfeeds acquired the feed business of King Cole Ducks Limited, Canada's largest integrated producer of duckling products, which serves major urban centers in Canada and specific markets in the United States. Masterfeeds entered into a long-term feed supply agreement to manufacture all their feed requirements, whereas previously King Cole Ducks produced their own feed. This strategic alliance strengthens Masterfeeds position in the Canadian poultry industry.

Masterfeeds

STRONGER
to serve you better



Masterfeeds also acquired the Land O'Lakes Canada Ltd. (LOLC) Ontario feed business. Land O'Lakes Canada had been serving GROWMARK-affiliated cooperatives in Canada while leasing feed mills – in Wingham and Peterborough, Ontario – from GROWMARK. Masterfeeds purchased those mills and now serves the GROWMARK affiliates previously served by LOLC. It was a strategic move that enhanced Masterfeeds' position in the province's dairy, beef and equine sectors.

As part of the purchase of LOLC, Masterfeeds also acquired the Lake Country brand of feeds marketed through an extensive network of regional cooperatives, and the company continues to promote the Lake Country brand of animal nutrition in Ontario. Masterfeeds is a long-standing supporter of dealer distribution in Ontario, reaffirming that commitment with this acquisition.

RATIONALIZATION A NECESSARY PART OF STABILIZATION

In this fiscal year's market environment, Masterfeeds led the Ontario feed industry in consolidating excess production capacity. As part of restructuring initiatives, Masterfeeds rationalized five feed plants. This necessary consolidation allowed for more efficient feed manufacturing at Masterfeeds' remaining operations and created the strongest sales and nutrition team in the province, all focused on profitable growth and customer service.

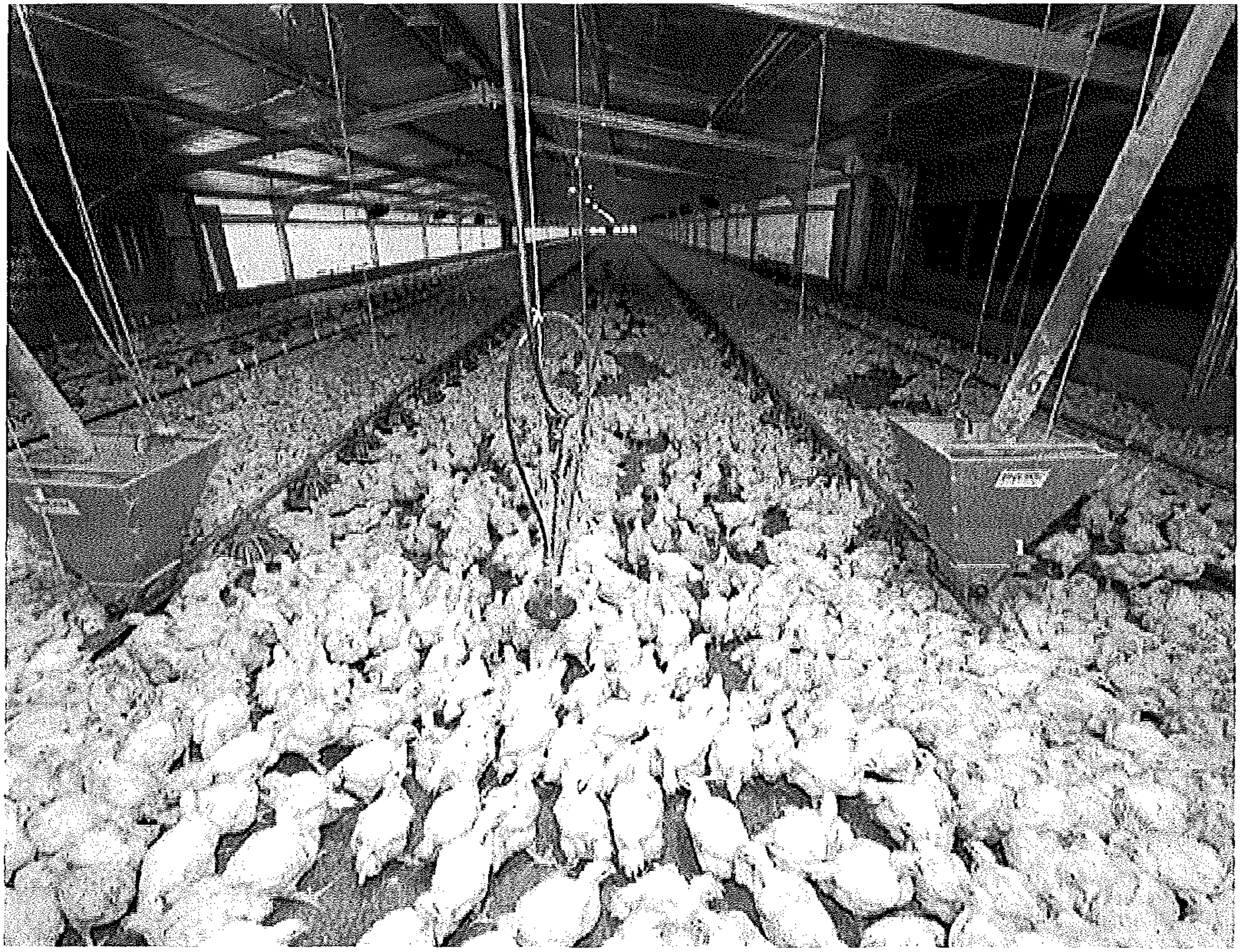
NEW FRONTIERS IN RESEARCH AND DEVELOPMENT

An exciting additional benefit in the acquisition of LOLC's feed business was an agreement to access the Land O'Lakes Purina Feeds' (LOLPF) LongView Animal Nutrition Center: LOLPF's United States research and development facility in Gray Summit, Missouri. It is the premier animal nutrition research facility in North America's feed industry and one of the leading centers in the world. Masterfeeds now has access to world-recognized research and development technology that is exceptionally strong in dairy, beef, equine, swine, and companion animal product development.

This strategic alliance with LOL symbolizes the value of the cooperative system. Land O' Lakes is a valued member and customer of AGP, and they were able to help rationalize an industry that needed consolidation. Land O'Lakes now focuses on their domestic U.S. market, while Masterfeeds focuses on the Canadian market, through shared technologies.

"STRONGER TO SERVE YOU BETTER"

This Masterfeeds motto for fiscal 2008 could not have been more apt in a year of transition. It was a volatile year in animal agriculture, but Masterfeeds created a more sustainable business through acquisitions that strengthened AGP's leadership position in the Canadian animal nutrition industry.



PROTINAL/PROAGRO BOARD OF DIRECTORS, CEO AND CFO


Marty Reagan


Brad Davis


Lowell Wilson


Dean Isaacson


Skip Hein


Keith Spackler


Wayne Stockland


Ernesto Vogeler, CEO


Johann Schnell, CFO

PROTINAL/PROAGRO

PRODUCTIVITY IN EVERY BUSINESS UNIT

Protinal/Proagro retains its status as an important AGP destination market for soybean meal and other feedstuffs. It also remains a valued partner in enhancing AGP grain trade in South America.

Extending its record of success, Protinal/Proagro continued to grow in fiscal 2008, with increased sales volume in each of its three business units: poultry, deli, and animal feed. It was the company's second most financially successful year in the 11 years since its reorganization with AGP.

THE FRUITS OF INVESTMENTS

In the capital investment arena, major projects from fiscal 2007 began to pay dividends this year.

Construction was successfully completed on a new poultry processing facility that handles nine thousand birds per hour. It is the newest poultry processing facility in Venezuela.

Expansion of the chicken hatchery allowed Protinal/Proagro to increase its sales of breeders, which increased market share. Additionally, improvements to the automation and environmental control system at the hatchery yielded improved operational efficiencies. Plans are in place for the automation of 23 new breeder farms in the coming year.

In broilers, continued investments in automation will further advance production to a record level of six million birds per year, with 30 new broiler houses under construction.

AN ECONOMIC ENGINE

Due to increased demand for Protinal/Proagro's chicken nuggets and patties, the company initiated construction of a new plant to produce those specialty items. Expected to be completed early in fiscal 2009, the plant will be the newest and most modern plant to serve this consumer segment, which includes major international food chains.

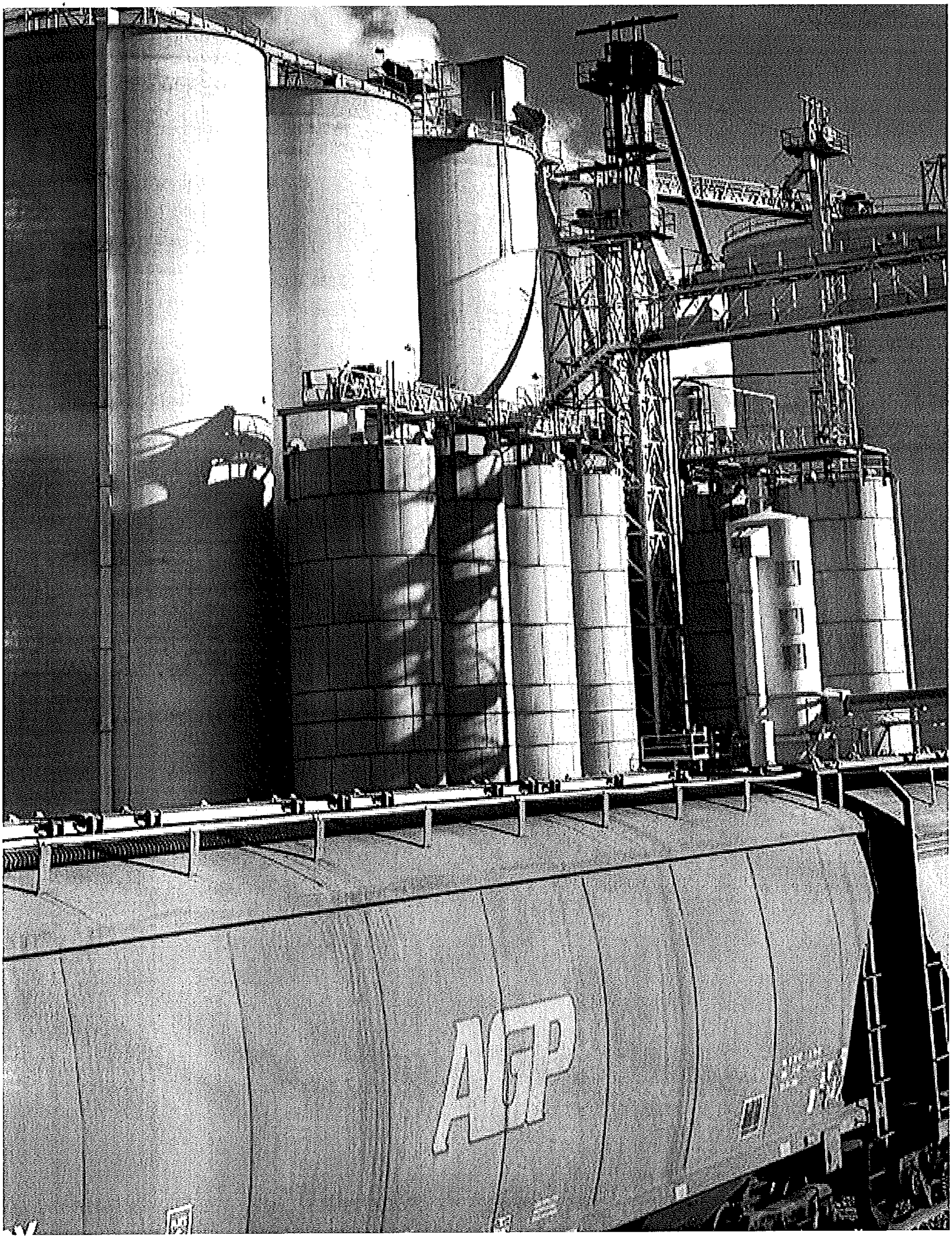
The Protican line of dry dog food, launched in 2007, achieved tremendous gains, with significant market penetration in just one year. Sales continued to double every month, and estimated production of Protican for next year will keep pace with this demand and the growing pet population in Venezuela.

Successful completion of modernization projects at two livestock feed plants this year facilitated record production at both plants to better serve third-party and local markets. Protinal/Proagro remains an economic engine of agribusiness in ten major states of Venezuela, expanding its presence nationwide.

A MAJOR FORCE IN VENEZUELA

Through its employment of 4,600 people, purchasing of supplies and services from a network of 46,000 farmers and laborers, and support of communities through social programs, Protinal/Proagro contributes to the stability of the Venezuelan economy.

In this way, Protinal/Proagro adds value to its country's role in the marketplace and its relationship with AGP, a true expression of cooperative spirit.


AGP

BOARD OF DIRECTORS

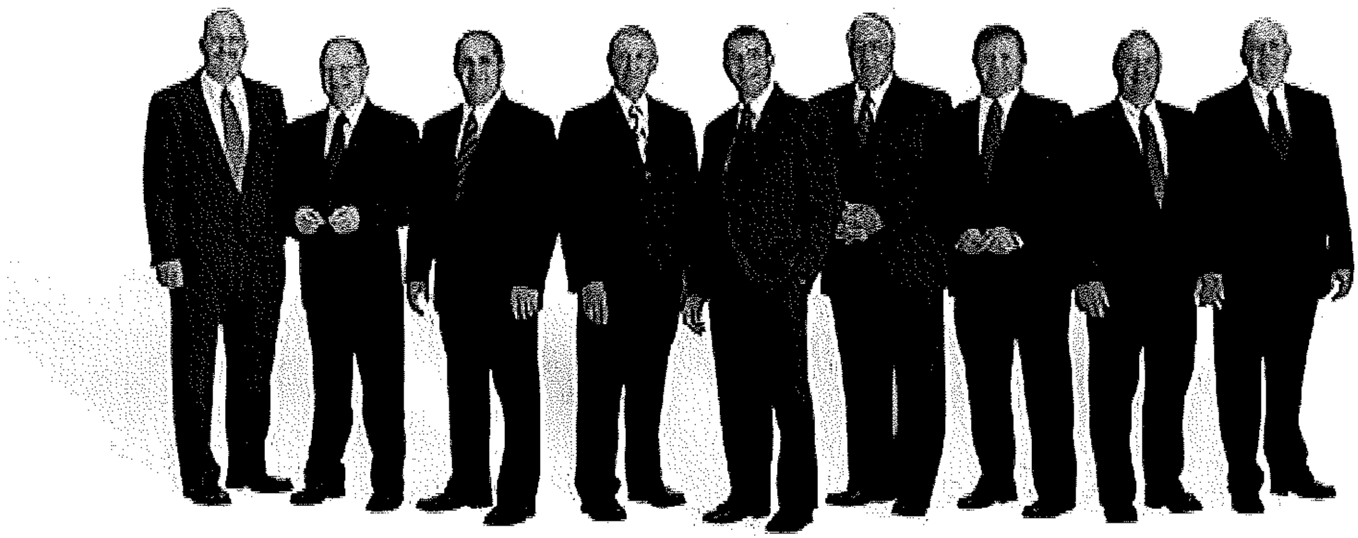
Lowell Wilson
Vice Chairman
Producer
Primghar, IA

Randy Robeson
General Manager
Frontier Cooperative
Brainard, NE

Brad Davis
Chairman
General Manager
Gold-Eagle Cooperative
Goldfield, IA

Bruce Granquist
Producer
Milbank, SD

Dave Leiting
General Manager
Farmers Cooperative Elevator Company
Arcadia, IA



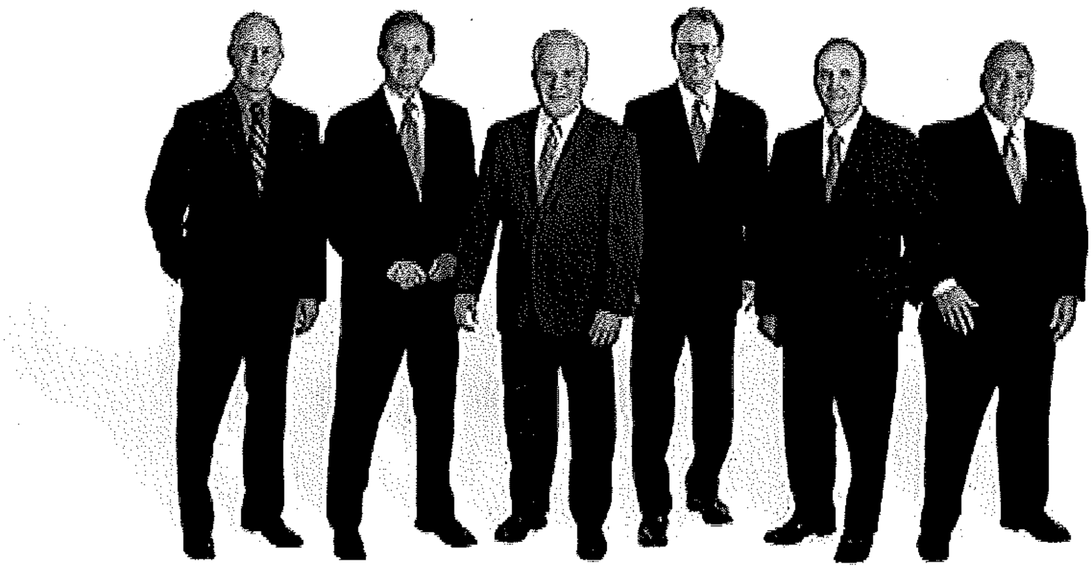
Skip Hein
General Manager
Midwest Farmers Cooperative
Sheldon, IA

Bill Schuster
Producer
Phillips, NE

Steve Longval
Producer
Sloan, IA

Dean Isaacson
Secretary/Treasurer
General Manager
Western Consolidated Co-op
Holloway, MN

MANAGEMENT STAFF



Dave McCormick
Vice President
Industrial Products and Vegetable Oils

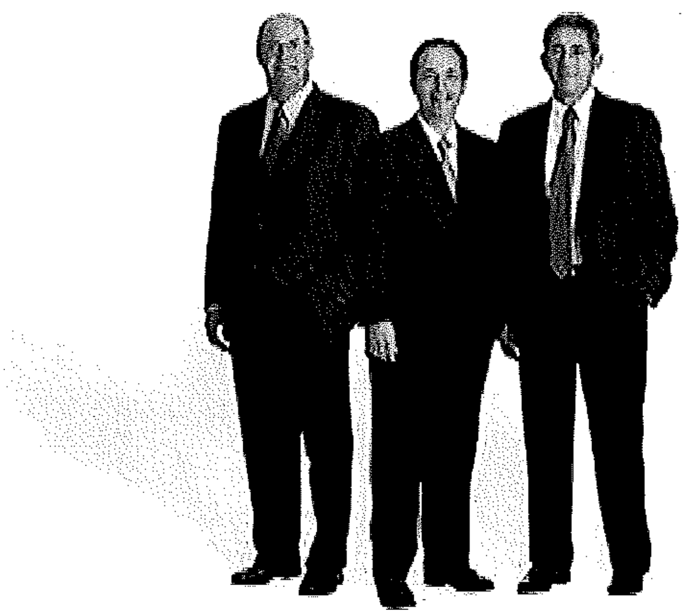
David Tegeder
Senior Vice President
Refined Vegetable Oils

Mark Craigmile
Vice President
Operations

John Campbell
Senior Vice President
Government Relations and Industrial Products

Cal Meyer
Group Vice President
Processing, Refined Vegetable Oils and Industrial Products

Greg Twist
Senior Vice President
Marketing, Soybean and Corn Processing

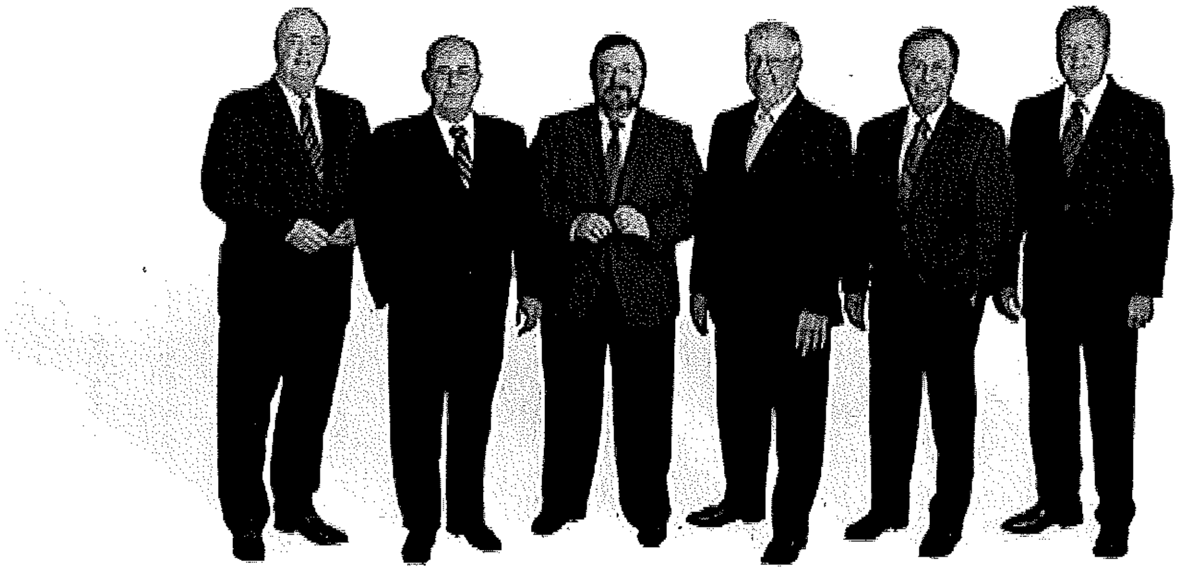


Rob Flack
Group Vice President
Animal Nutrition
President, Masterfeeds

Ernesto Vogeler
Chief Executive Officer
Protinal/Proagro

Johann Schnell
Chief Financial Officer
Protinal/Proagro

MANAGEMENT STAFF



Mike Maranell
Senior Vice President
Corporate and Member Relations

Dick Copeland
Senior Vice President
Operations and Research

Daryl Dahl
Vice President
Hedging

Terry Voss
Senior Vice President
Transportation

Chuck Janiszewski
Senior Vice President
Engineering

Gary Olsen
Senior Vice President
Grain Operations

Dennis Rademacher
Vice President
Corporate Controller

Judy Ford
Senior Vice President
Human Resources

Keith Spackler
Group Vice President Finance
Chief Financial Officer
Assistant Secretary/Treasurer

Larry Steier
Corporate General Counsel
Vice President and Assistant Secretary

Mike Reed
Senior Vice President
Information Systems

TEN-YEAR SUMMARY

SELECTED CONSOLIDATED OPERATING AND FINANCIAL DATA

YEARS ENDED AUGUST 31
(AMOUNTS IN MILLIONS)

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
OPERATING										
Sales	$4,294.2	$2,585.3	$2,360.5	$2,348.2	$2,663.6	$2,125.8	$1,801.6	$1,788.6	$1,640.8	$2,094.5
Earnings before income taxes*	143.9	88.2	75.1	50.4	28.9	16.0	39.2	46.0	17.1	18.2
Patronage refunds:										
Cash	26.7	13.9	9.8	5.9	1.9	2.9	3.2	6.3	2.2	4.7
Allocated	62.2	32.3	22.8	13.6	4.5	6.8	7.5	25.2	8.7	18.6
Redemption of equities and preferred stock	45.0	28.0	28.0	28.0	10.0	5.0	12.1	6.3	4.5	0.0
FINANCIAL POSITION										
Working capital	$ 335.7	$ 193.4	$ 192.3	$ 192.5	$ 185.9	$ 133.0	$ 162.6	$ 143.6	$ 72.9	$ 79.2
Property, plant and equipment, net	438.7	392.6	336.9	327.4	327.2	321.0	293.9	295.2	317.1	370.7
Total assets	1,387.7	1,168.6	877.1	870.0	748.6	732.6	718.5	706.3	723.5	789.0
Long-term debt, less current portion	202.1	133.7	100.2	113.0	121.0	79.0	87.0	95.1	94.2	94.6
Members' equity	577.8	481.1	468.1	454.7	434.4	418.9	402.7	386.5	374.7	367.7
RATIOS										
Return on equity (before taxes)	29.9%	18.8%	16.5%	11.6%	6.9%	4.0%	10.1%	12.3%	4.6%	5.1%
Long-term debt to equity	0.35	0.28	0.21	0.25	0.28	0.19	0.22	0.25	0.25	0.26
Current	1.6	1.4	1.7	1.7	2.1	1.6	1.8	1.7	1.3	1.3

Data prior to fiscal year 2007 has not been adjusted to exclude the effects of discontinued operations.
*Earnings from continuing operations before income taxes

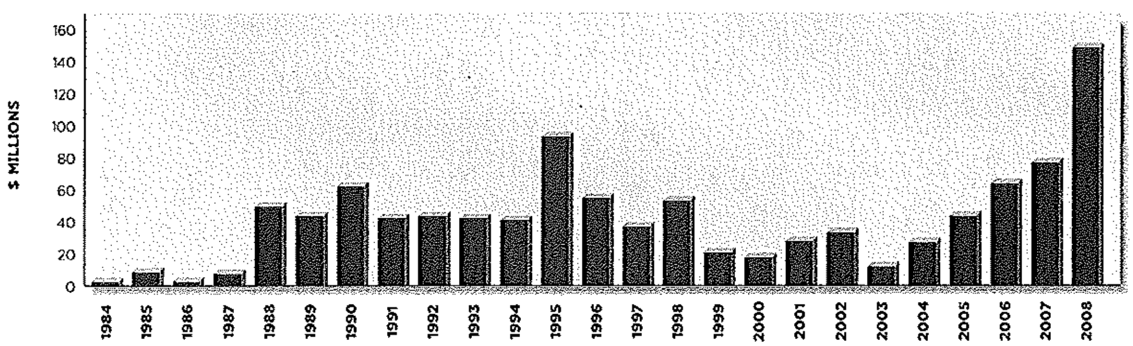
25TH ANNIVERSARY ACCOMPLISHMENTS

ADDING VALUE FOR OUR COOPERATIVE MEMBERS AND THEIR FARMER OWNERS

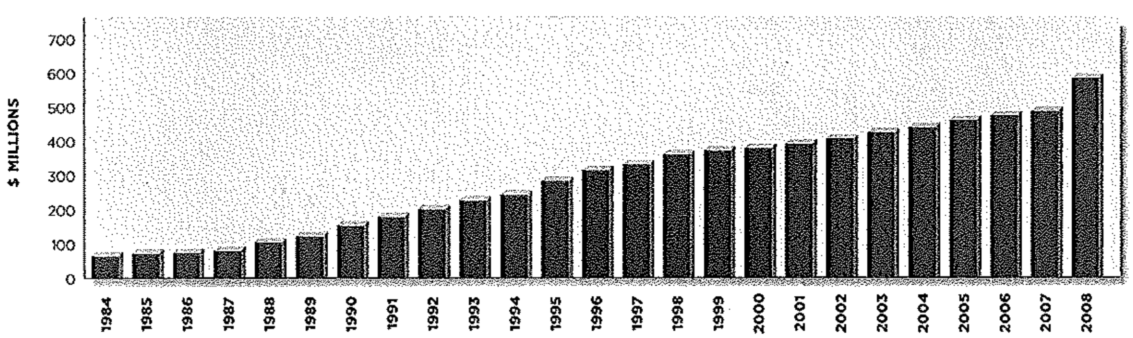
FISCAL 1984 THROUGH FISCAL 2008 (AMOUNTS IN MILLIONS)

Net earnings (cumulative)	$ 1,028.8
Increase in members' equity	$ 524.0
Cash returned to members:	
Cash patronage	$ 180.0
Redemptions	325.8
Component premiums	23.3
Total cash returned	$ 529.1

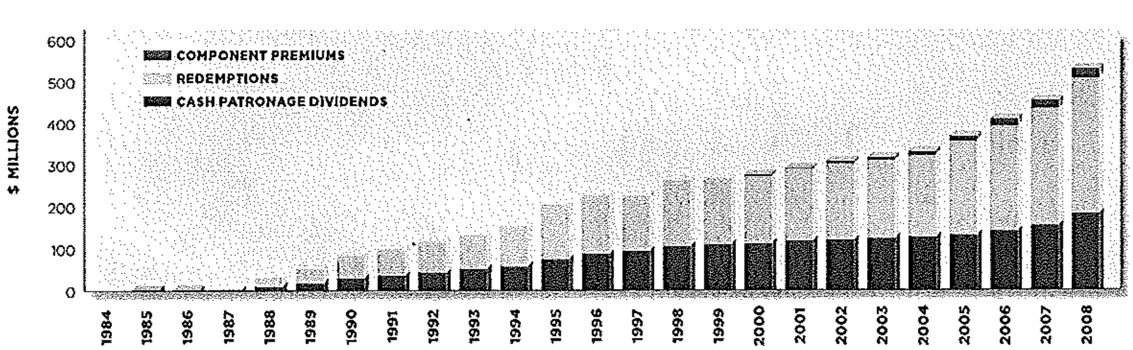
NET EARNINGS BY YEAR



MEMBERS' EQUITY



CUMULATIVE CASH RETURNED TO MEMBERS



25 YEARS OF PROFITABLE GROWTH

(AMOUNTS IN MILLIONS)

	FISCAL 1984	FISCAL 2008
OPERATING		
Sales	$ 896.2	$ 4,294.2
Earnings before income taxes*	$ 2.0	$ 143.9
Net earnings	$ 1.9	$ 147.0
	AUGUST 31, 1983	**AUGUST 31, 2008**
FINANCIAL POSITION		
Working capital	$ 32.3	$ 335.7
Property, plant and equipment, net	$ 91.0	$ 438.7
Total assets	$ 196.0	$ 1,387.7
Long-term debt, less current portion	$ 72.5	$ 202.1
Members' equity	$ 53.8	$ 577.8
RATIOS		
Return on equity (before taxes)	3.8%**	29.9%
Long-term debt to equity	1.35	0.35
Current	1.5	1.6

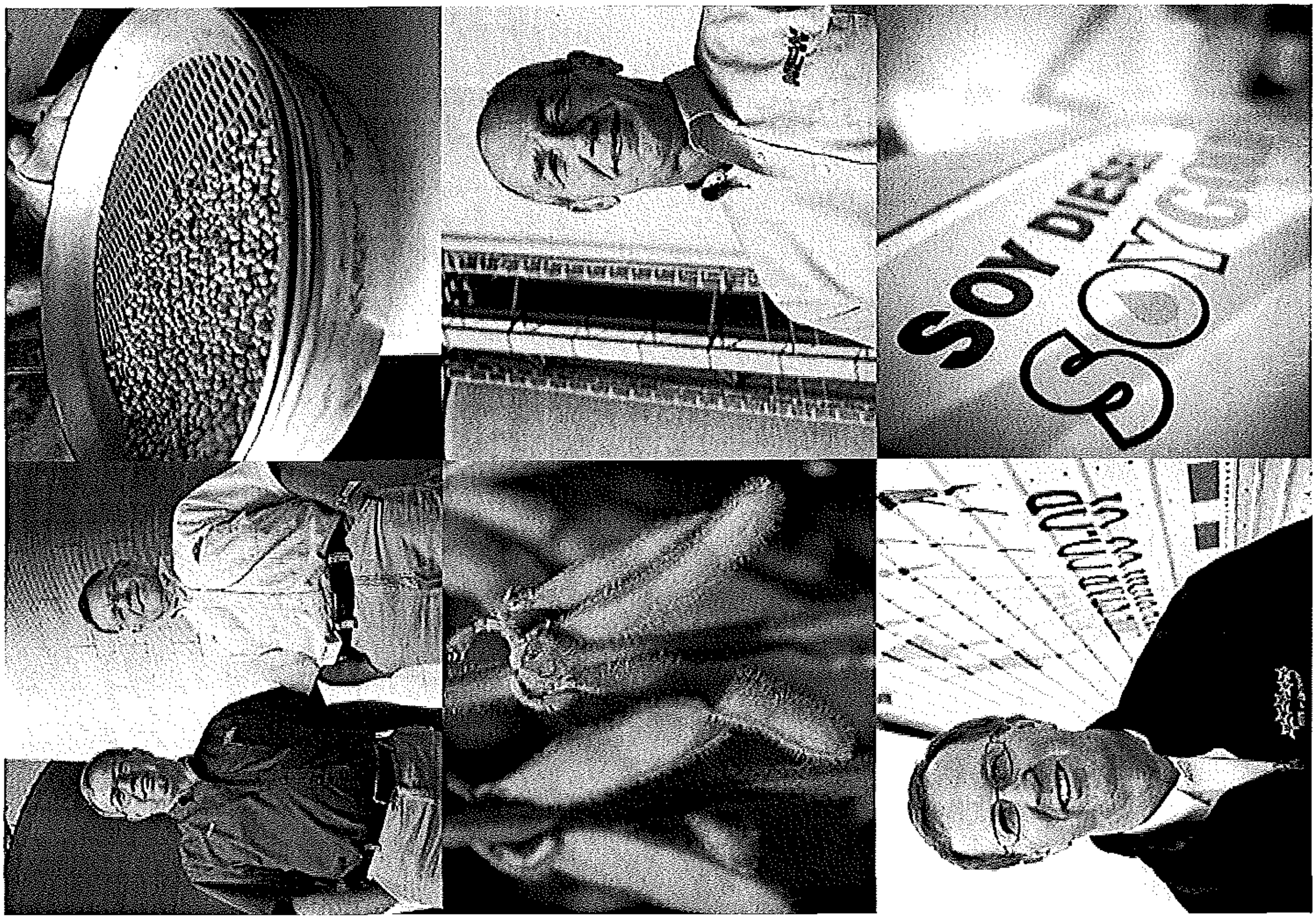
* Earnings from continuing operations, before income tax
** Fiscal 1984 return on beginning equity

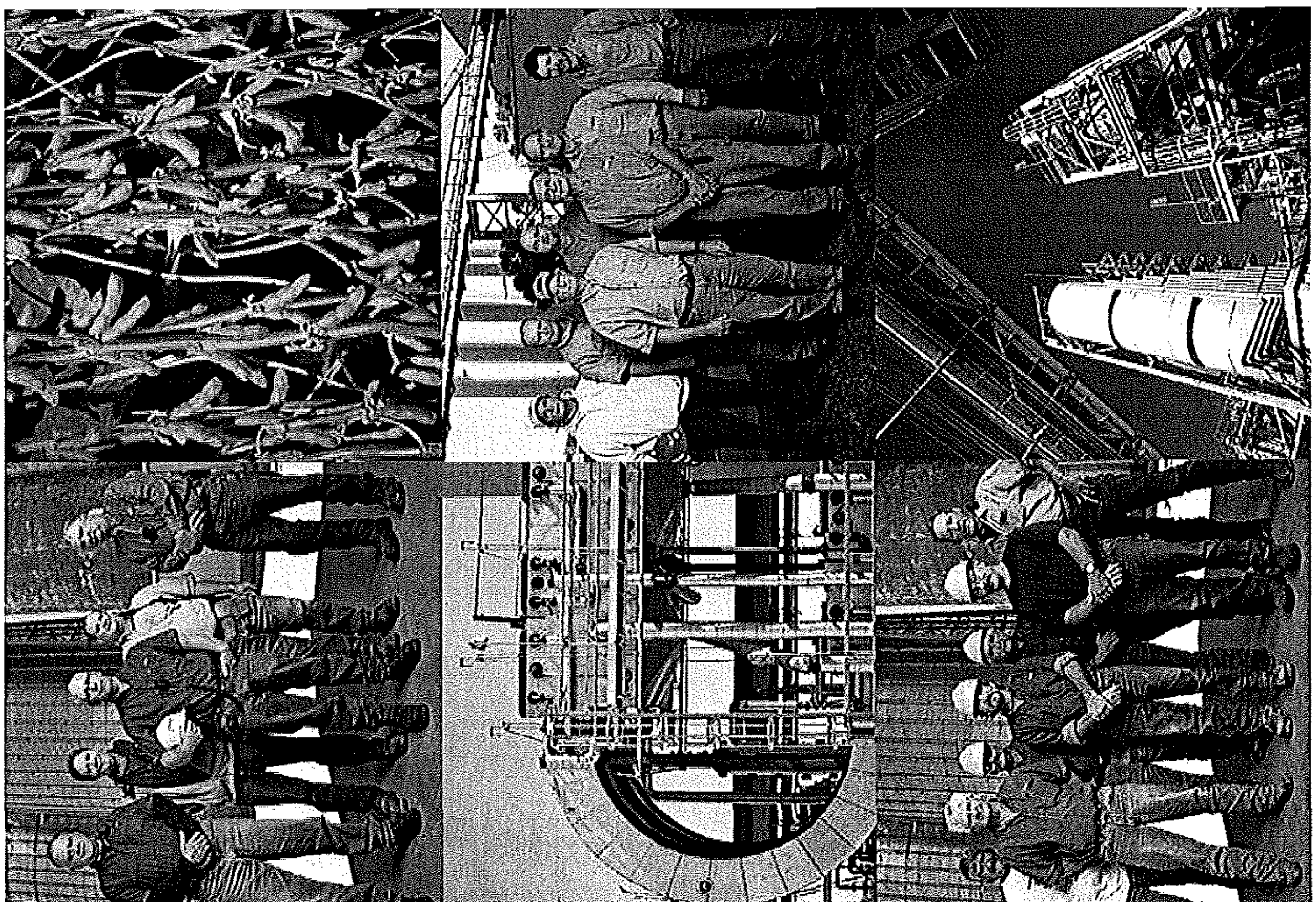
Celebrating 25 Years

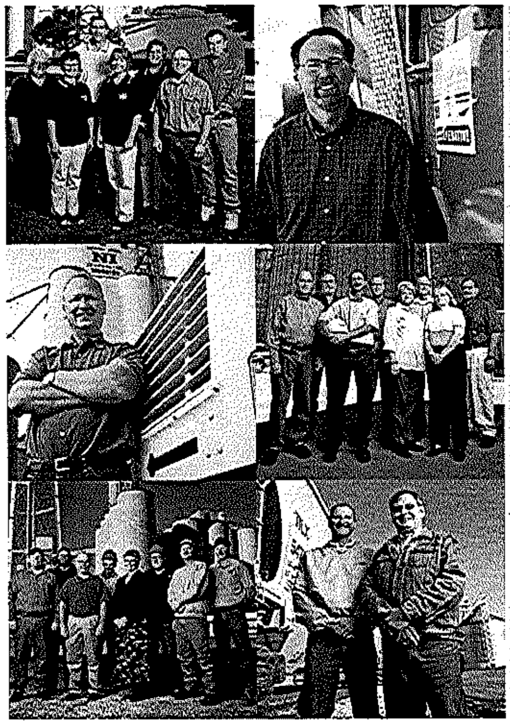
AGP®

Ag Processing Inc
A Cooperative

Partners in Food Production Since 1983





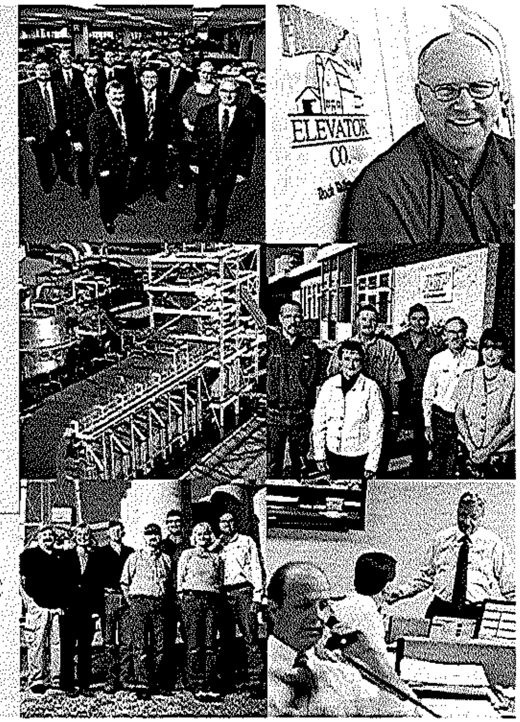


AGP®

A Cooperative

Committed to serve local cooperatives and agricultural producers by the procurement, processing and marketing of agricultural products.

A History of Adding Value... Positioned for the Future



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CONSOLIDATED BALANCE SHEETS

AUGUST 31, 2008 AND 2007 (AMOUNTS IN THOUSANDS)

ASSETS	2008	2007
Current Assets:		
Cash and cash equivalents	$ 14,918	$ 18,839
Accounts and notes receivables, net of allowance for doubtful accounts of $2,012 and $3,303	341,993	219,752
Inventories	446,021	412,850
Prepaid expenses and other current assets	84,390	50,363
Total Current Assets	887,322	701,804
Investments	49,635	48,925
Property, Plant and Equipment, net	438,668	392,560
Intangible Assets, net of accumulated amortization of $4,035 and $3,724	2,960	3,138
Notes Receivable and Other Assets	9,149	7,329
Non-Current Assets of Discontinued Operations	–	14,817
Total Assets	$ 1,387,734	$ 1,168,573
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 111,324	$ 118,122
Accrued expenses and other liabilities	63,074	59,299
Notes payable	288,986	272,560
Current portion of long-term debt	16,571	16,571
Members' equity redemptions	45,000	28,000
Members' refunds payable	26,680	13,860
Total Current Liabilities	551,635	508,412
Long-Term Debt, less current portion	202,093	133,665
Other Non-Current Liabilities	56,183	45,241
Commitments and Contingencies (Notes H, K, M)		
Minority Interest	56	106
Members' Equity:		
Capital stock:		
Class B preferred stock	6	6
Class C preferred stock and preferred stock subscriptions	7,630	7,934
Common stock and common stock subscriptions	1,913	1,972
Allocated equities	330,882	313,325
Retained earnings	239,906	181,548
Accumulated other comprehensive loss	(2,570)	(23,636)
Total Members' Equity	577,767	481,149
Total Liabilities and Members' Equity	$ 1,387,734	$ 1,168,573

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

YEARS ENDED AUGUST 31, 2008 AND 2007 (AMOUNTS IN THOUSANDS)

	2008	2007
Sales	$ 4,294,205	$ 2,585,287
Cost of Sales	4,111,059	2,468,515
Gross Margin	183,146	116,772
Expenses (Income):		
General and administrative expenses	35,186	32,302
Interest expense, net	20,468	12,220
Other, net	(16,368)	(16,002)
	39,286	28,520
Earnings From Continuing Operations Before Income Taxes and Minority Interest	143,860	88,252
Minority Interest in Net Income (Loss) of Consolidated Subsidiaries	(52)	25
Earnings From Continuing Operations Before Income Taxes	143,912	88,227
Income Tax Provision	14,625	13,947
Earnings From Continuing Operations	129,287	74,280
Discontinued Operations:		
Income from discontinued operations, net of tax of $4,203 and $766	7,157	1,303
Gain/(loss) on disposal of business, net of tax of $6,223 and $(37)	10,594	(63)
Net Earnings	$ 147,038	$ 75,520

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

YEARS ENDED AUGUST 31, 2008 AND 2007 (AMOUNTS IN THOUSANDS)

	PREFERRED STOCK CLASS B	PREFERRED STOCK CLASS C	COMMON STOCK	ALLOCATED EQUITIES	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
BALANCE, September 1, 2006	$ 6	$ 8,546	$ 2,122	$ 308,373	$ 152,133	$ (3,086)	$ 468,094
Comprehensive income:							
Allocation of net earnings	—	28	—	32,312	29,320	—	61,660
Foreign currency translation adjustment	—	—	—	—	—	(1,326)	(1,326)
Minimum pension liability, net of tax of $323	—	—	—	—	—	792	792
Derivative adjustment, net of tax of $(1,471)	—	—	—	—	—	(3,902)	(3,902)
Total comprehensive income							57,224
Adoption of SFAS 158, net of tax of $(2,488)	—	—	—	—	—	(16,114)	(16,114)
Stock and equities issued	—	—	10	640	—	—	650
Stock and equities redeemed	—	(640)	(160)	(28,000)	95	—	(28,705)
BALANCE, August 31, 2007	$ 6	$ 7,934	$ 1,972	$ 313,325	$ 181,548	$ (23,636)	$ 481,149
Comprehensive income:							
Allocation of net earnings	—	21	—	62,233	58,105	—	120,359
Foreign currency translation adjustment	—	—	—	—	—	(6,108)	(6,108)
Minimum pension liability, net of tax of $111	—	—	—	—	—	919	919
Derivative adjustment, net of tax of $4,280	—	—	—	—	—	26,255	26,255
Total comprehensive income							141,425
Stock and equities issued	—	—	—	324	—	—	324
Stock and equities redeemed	—	(325)	(59)	(45,000)	253	—	(45,131)
BALANCE, August 31, 2008	$ 6	$ 7,630	$ 1,913	$ 330,882	$ 239,906	$ (2,570)	$ 577,767

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2008 AND 2007 (AMOUNTS IN THOUSANDS)

	2008	2007
Cash Flows From Operating Activities:		
Net earnings	$ 147,038	$ 75,520
Adjustments to reconcile net earnings to cash flows from operating activities:		
Depreciation and amortization	43,051	40,770
Provision for write-down of assets and other reserves	4,736	—
Minority interest in subsidiaries	(52)	25
Provision for deferred income taxes	(1,615)	9,502
Deferred patronage dividend income	(624)	(396)
(Gain)/loss on disposal of discontinued operations	(16,817)	100
Other	27,337	(12,595)
Changes in operating assets and liabilities:		
Accounts and notes receivable	(122,344)	(32,213)
Inventories	(33,230)	(154,482)
Prepaid expenses and other assets	(38,442)	(24,152)
Accounts payable and accrued expenses	4,337	48,801
Net Cash Flows From Operating Activities	13,375	(49,120)
Cash Flows From Investing Activities:		
Purchases of property, plant and equipment	(94,148)	(112,950)
Proceeds received on property, plant and equipment disposals	33,356	5,383
Change in investment in other organizations and notes receivable	(850)	1,687
Net Cash Flows From Investing Activities	(61,642)	(105,880)
Cash Flows From Financing Activities:		
Net short-term borrowings	16,426	166,302
Member refunds paid	(13,860)	(9,793)
Retirement of allocated equities	(26,565)	(25,046)
Net redemptions of capital stock	(59)	(150)
Minority owners' member distributions	(25)	—
Proceeds from issuance of long-term debt	85,000	50,000
Repayments of long-term debt	(16,571)	(13,000)
Net Cash Flows From Financing Activities	44,346	168,313
Net Change in Cash and Cash Equivalents	(3,921)	13,313
Cash and Cash Equivalents, Beginning of Year	18,839	5,526
Cash and Cash Equivalents, End of Year	$ 14,918	$ 18,839
Payments Made During The Year:		
Interest	$ 33,968	$ 18,260
Income taxes	$ 27,820	$ 10,427

See notes to consolidated financial statements.

AGP BUSINESS SITES

CORPORATE OFFICE
Omaha, NE

SOYBEAN PROCESSING
Dawson, MN
Eagle Grove, IA
Emmetsburg, IA
Hastings, NE
Manning, IA
Mason City, IA
Sergeant Bluff, IA
Sheldon, IA
St. Joseph, MO

Marketing Offices
Pecs, Hungary
Jakarta, Indonesia
Queretaro, Mexico
Manila, Philippines
Singapore, Singapore
Komarno, Slovakia
Bangkok, Thailand
Istanbul, Turkey
Hanoi, Vietnam

EXPORT TERMINAL
Aberdeen, WA

SOYBEAN OIL REFINING
Eagle Grove, IA
Hastings, NE
St. Joseph, MO

SOY BIODIESEL PRODUCTION
Sergeant Bluff, IA
St. Joseph, MO

CORN PROCESSING
Hastings, NE

ANIMAL NUTRITION
Headquarters
London, ON

Regional Office
Lethbridge, AB

FEED PLANTS
Cavan, ON
Didsbury, AB
Edmonton, AB
Komoka, ON
Picture Butte, AB
Prescott, ON
Red Deer, AB
Regina, SK
Saskatoon, SK
Stratford, ON
Taber, AB
Wingham, ON

Premix Plants
Daco Stratford, ON
Daco Waterloo, QC

GRAIN OPERATIONS
Marketing Offices
Omaha, NE
Antwerp, Belgium
Barcelona, Spain

AGP GRAIN, LTD.
Casselton, ND+
Chaffee, ND+
Leonard, ND+
Lynchburg, ND+
Prosper, ND+
Woods, ND+

AGP GRAIN MARKETING, LLC
Akron, IA+
Altoona, IA+
Anan, NE
Ayr, NE
Bondurant, IA+
Bovina, TX
Chester, NE
Clay's Corner, TX
Collins, IA*
Cowles, NE
Denison, KS*
Effingham, KS*
Fairfield, NE
Farmers Corner, NM
Farwell, TX
Hastings, NE
Hinton, IA+
Holton, KS*
Lancaster, KS*
Lariat, TX
Lazbuddie, TX
Lincoln, NE (2)
Magnet, NE
Maxwell, IA*
Meriden, KS*
Muriel, NE
Oyens, IA*
Pauline, NE
Pleasant Hill, IA+
Pleasant Hill, NM
Rhea, TX
Roseland, NE
Rosemont, NE
Tam Anne, TX
Texico, NM
Wausa, NE
Whiting, KS*

**Marketing agreement*
+LLC (partnership)