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FORM D

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FORM D

NOTICE OF SALE OF SECURITIES PURSUANT TO REGULATION D, SECTION 4(6), AND/OR UNIFORM LIMITED OFFERING EXEMPTION

Name of Offering ([X] check if this is an amendment and name has changed, and indicate change.)
AGRI Member Vote and Conversion

Filing Under (Check box(es) that apply): [ ] Rule 504 [ ] Rule 505 [X] Rule 506 [ ] Section 4(6) [ ] ULOE
Type of Filing: [X] New Filing [ ] Amendment

PROCESSED
MAR 29 2007
THOMSON FINANCIAL

A. BASIC IDENTIFICATION DATA

1. Enter the information requested about the issuer

Name of Issuer ([ ] check if this is an amendment and name has changed, and indicate change.)
AGRI Industries, Inc.

Address of Executive Offices (Number and Street, City, State, Zip Code)	Telephone Number (Including Area Code)
700 SE Dalbey Drive, Ankeny, IA 50021	515-964-2200
Address of Principal Business Operations (Number and Street, City, State, Zip Code) (if different from Executive Offices) N/A	Telephone Number (Including Area Code) N/A

Brief Description of Business
Farmer-owned corporation engaged in the business of purchasing, transporting, storing and selling grain, food processing and licensing

Type of Business Organization
[X] corporation [ ] limited partnership, already formed [ ] other (please specify):
[ ] business trust [ ] limited partnership, to be formed

Actual or Estimated Date of Incorporation or Organization: Month 02 Year 07 [X] Actual [ ] Estimated
Jurisdiction of Incorporation or Organization: (Enter two-letter U.S. Postal Service abbreviation for State: CN for Canada; FN for other foreign jurisdiction) IA

GENERAL INSTRUCTIONS

Federal:

Who Must File: All issuers making an offering of securities in reliance on an exemption under Regulation D or Section 4(6), 17 CFR 230.501 et seq. or 15 U.S.C. 77d(6).

When To File: A notice must be filed no later than 15 days after the first sale of securities in the offering. A notice is deemed filed with the U.S. Securities and Exchange Commission (SEC) on the earlier of the date it is received by the SEC at the address given below or, if received at that address after the date on which it is due, on the date it was mailed by United States registered or certified mail to that address.

Where To File: U.S. Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies Required: Five (5) copies of this notice must be filed with the SEC, one of which must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

Information Required: A new filing must contain all information requested. Amendments need only report the name of the issuer and offering, any changes thereto, the information requested in Part C, and any material changes from the information previously supplied in Parts A and B. Part E and the Appendix need not be filed with the SEC.

Filing Fee: There is no federal filing fee.

State:

This notice shall be used to indicate reliance on the Uniform Limited Offering Exemption (ULOE) for sales of securities in those states that have adopted ULOE and that have adopted this form. Issuers relying on ULOE must file a separate notice with the Securities Administrator in each state where sales are to be, or have been made. If a state requires the payment of a fee as a precondition to the claim for the exemption, a fee in the proper amount shall accompany this form. This notice shall be filed in the appropriate states in accordance with state law. The Appendix to the notice constitutes a part of this notice and must be completed.

ATTENTION

Failure to file notice in the appropriate states will not result in a loss of the federal exemption. Conversely, failure to file the appropriate federal notice will not result in a loss of an available state exemption unless such exemption is predictated on the filing of a federal notice.

A. BASIC IDENTIFICATION DATA

2. Enter the information requested for the following:
   - Each promoter of the issuer, if the issuer has been organized within the past five years;
   - Each beneficial owner having the power to vote or dispose, or direct the vote or disposition of, 10% or more of a class of equity securities of the issuer.
   - Each executive officer and director of corporate issuers and of corporate general and managing partners of partnership issuers; and
   - Each general and managing partner of partnership issuers.

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☒ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Voga, Paul

Business or Residence Address (Number and Street, City, State, Zip Code)
12487 Timberland Drive, Story City, IA 50248

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☒ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Petersen, Larry

Business or Residence Address (Number and Street, City, State, Zip Code)
2829 Westown Parkway, #350, West Des Moines, IA 50266

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Markwardt, Dean

Business or Residence Address (Number and Street, City, State, Zip Code)
10048 - 110th Street, Sheffield, IA 50475

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Tronchetti, Susan

Business or Residence Address (Number and Street, City, State, Zip Code)
2366 140th Street, Paton, IA 50217

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Rohwer, Bruce

Business or Residence Address (Number and Street, City, State, Zip Code)
4390 Redwing Avenue, Paullina, IA 51046

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☐ Executive Officer ☒ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Hemesath, David

Business or Residence Address (Number and Street, City, State, Zip Code)
Box 158, Fort Atkinson, IA 52144

Check Box(es) that Apply: ☐ Promoter ☐ Beneficial Owner ☒ Executive Officer ☐ Director ☐ General and/or Managing Partner

Full Name (Last name first, if individual)
Van Der Kamp, Jerry

Business or Residence Address (Number and Street, City, State, Zip Code)
700 SE Dalbey Drive, Ankeny, IA 50021

(Use blank sheet, or copy and use additional copies of this sheet, as necessary)

B. INFORMATION ABOUT OFFERING

		Yes	No
1.	Has the issuer sold, or does the issuer intend to sell, to non-accredited investors in this offering?	☒	☐

Answer also in Appendix, Column 2, if filing under ULOE.

2. What is the minimum investment that will be accepted from any individual? (Business Combination) $ None

		Yes	No
3.	Does the offering permit joint ownership of a single unit?	☐	☒

4. Enter the information requested for each person who has been or will be paid or given, directly or indirectly, any commission or similar remuneration for solicitation of purchasers in connection with sales of securities in the offering. If a person to be listed is an associated person or agent of a broker or dealer registered with the SEC and/or with a state or states, list the name of the broker or dealer. If more than five (5) persons to be listed are associated persons of such a broker or dealer, you may set forth the information for that broker or dealer only.

Full Name (Last name first, if individual)

None

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) Not Applicable ☐ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ☐ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

Full Name (Last name first, if individual)

Business or Residence Address (Number and Street, City, State, Zip Code)

Name of Associated Broker or Dealer

States in Which Person Listed Has Solicited or Intends to Solicit Purchasers

(Check "All States" or check individual States) ☐ All States

[AL]	[AK]	[AZ]	[AR]	[CA]	[CO]	[CT]	[DE]	[DC]	[FL]	[GA]	[HI]	[ID]
[IL]	[IN]	[IA]	[KS]	[KY]	[LA]	[ME]	[MD]	[MA]	[MI]	[MN]	[MS]	[MO]
[MT]	[NE]	[NV]	[NH]	[NJ]	[NM]	[NY]	[NC]	[ND]	[OH]	[OK]	[OR]	[PA]
[RI]	[SC]	[SD]	[TN]	[TX]	[UT]	[VT]	[VA]	[WA]	[WV]	[WI]	[WY]	[PR]

(Use blank sheet, or copy and use additional copies of this sheet, as necessary.)

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

1. Enter the aggregate offering price of securities included in this offering and the total amount already sold. Enter "0" if the answer is "none" or "zero." If the transaction is an exchange offering, check this box ☒ and indicate in the columns below the amounts of the securities offered for exchange and already exchanged.

Type of Security	Aggregate Offering Price	Amount Already Sold
Debt	$	$
Equity	$ 32,150,000	$
☒ Common ☐ Preferred		
Convertible Securities (including warrants)	$	$
Partnership Interests	$	$
Other (Specify ______)	$	$
Total	$ 32,150,000	$ 0.00

Answer also in Appendix, Column 3, if filing under ULOE.

2. Enter the number of accredited and non-accredited investors who have purchased securities in this offering and the aggregate dollar amounts of their purchases. For offerings under Rule 504, indicate the number of persons who have purchased securities and the aggregate dollar amount of their purchases on the total lines. Enter "0" if answer is "none" or "zero."

	Number Investors	Aggregate Dollar Amount of Purchases
Accredited Investors Approximate $ Amount	91	$ 32,020,000
Non-accredited Investors Approximate $ Amount	1	$ 130,000
Total (for filings under Rule 504 only)	92	$

Answer also in Appendix, Column 4, if filing under ULOE.

3. If this filing is for an offering under Rule 504 or 505, enter the information requested for all securities sold by the issuer, to date, in offerings of the types indicated, in the twelve (12) months prior to the first sale of securities in this offering. Classify securities by type listed in Part C — Question 1.

N/A

Type of Offering	Type of Security	Dollar Amount Sold
Rule 505		$
Regulation A		$
Rule 504		$
Total		$ 0.00

4 a. Furnish a statement of all expenses in connection with the issuance and distribution of the securities in this offering. Exclude amounts relating solely to organization expenses of the insurer. The information may be given as subject to future contingencies. If the amount of an expenditure is not known, furnish an estimate and check the box to the left of the estimate.

Transfer Agent's Fees	☐	$
Printing and Engraving Costs	☐	$
Legal Fees	☐	$
Accounting Fees	☐	$
Engineering Fees	☐	$
Sales Commissions (specify finders' fees separately)	☐	$
Other Expenses (identify) ______	☐	$
Total	☐	$ 0.00

C. OFFERING PRICE, NUMBER OF INVESTORS, EXPENSES AND USE OF PROCEEDS

b. Enter the difference between the aggregate offering price given in response to Part C — Question 1 and total expenses furnished in response to Part C — Question 4.a. This difference is the "adjusted gross proceeds to the issuer." $32,150,000

5. Indicate below the amount of the adjusted gross proceed to the issuer used or proposed to be used for each of the purposes shown. If the amount for any purpose is not known, furnish an estimate and check the box to the left of the estimate. The total of the payments listed must equal the adjusted gross proceeds to the issuer set forth in response to Part C — Question 4.b above.

	Payments to Officers, Directors, & Affiliates	Payments to Others
Salaries and fees	☐ $	☐ $
Purchase of real estate	☐ $	☐ $
Purchase, rental or leasing and installation of machinery and equipment	☐ $	☐ $
Construction or leasing of plant buildings and facilities	☐ $	☐ $
Acquisition of other businesses (including the value of securities involved in this offering that may be used in exchange for the assets or securities of another issuer pursuant to a merger)	☐ $	☐ $
Repayment of indebtedness	☐ $	☐ $
Working capital	☐ $	☐ $
Other (specify): This is a conversion of a cooperative to a business corporation. Coop members will receive stock in the business corporation for their interest in the Coop and the business corporation will carry on the business of the former Coop	☐ $ ☐ $ 32,150,000	☐ $ ☐ $
Column Totals	☐ $ 32,150,000	☐ $ 0.00
Total Payments Listed (column totals added)	☐ $ 32,150,000	

D. FEDERAL SIGNATURE

The issuer has duly caused this notice to be signed by the undersigned duly authorized person. If this notice is filed under Rule 505, the following signature constitutes an undertaking by the issuer to furnish to the U.S. Securities and Exchange Commission, upon written request of its staff, the information furnished by the issuer to any non-accredited investor pursuant to paragraph (b)(2) of Rule 502.

Issuer (Print or Type)	Signature	Date
AGRI Industries, Inc	[signature]	March 19, 2007
Name of Signer (Print or Type)	**Title of Signer (Print or Type)**	
Jerry Van Der Kamp	President	

ATTENTION

Intentional misstatements or omissions of fact constitute federal criminal violations. (See 18 U.S.C. 1001.)

Not Applicable

E. STATE SIGNATURE

1. Is any party described in 17 CFR 230.262 presently subject to any of the disqualification provisions of such rule? .... Yes ☐ No ☒

See Appendix, Column 5, for state response.

2. The undersigned issuer hereby undertakes to furnish to any state administrator of any state in which this notice is filed a notice on Form D (17 CFR 239.500) at such times as required by state law.

3. The undersigned issuer hereby undertakes to furnish to the state administrators, upon written request, information furnished by the issuer to offerees.

4. The undersigned issuer represents that the issuer is familiar with the conditions that must be satisfied to be entitled to the Uniform limited Offering Exemption (ULOE) of the state in which this notice is filed and understands that the issuer claiming the availability of this exemption has the burden of establishing that these conditions have been satisfied.

The issuer has read this notification and knows the contents to be true and has duly caused this notice to be signed on its behalf by the undersigned duly authorized person.

Issuer (Print or Type)	Signature	Date
Name (Print or Type)	Title (Print or Type)	

Instruction:
Print the name and title of the signing representative under his signature for the state portion of this form. One copy of every notice on Form D must be manually signed. Any copies not manually signed must be photocopies of the manually signed copy or bear typed or printed signatures.

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	**Yes**	**No**		**Number of Accredited Investors**	**Approx. Amount**	**Number of Non-Accredited Investors**	**Approx. Amount**	**Yes**	**No**
AL									
AK									
AZ									
AR									
CA									
CO									
CT									
DE									
DC									
FL									
GA									
HI									
ID									
IL		X	3	770,337					
IN									
IA	X		75	29,364,998		1	$130,000		
KS									
KY									
LA									
ME									
MD									
MA									
MI									
MN		X	7	1,642,204					
MS									

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	Yes	No		Number of Accredited Investors	Approx Amount	Number of Non-Accredited Investors	Amount	Yes	No
MO									
MT									
NE		X		1	161,751				
NV									
NH									
NJ									
NM									
NY									
NC									
ND									
OH									
OK									
OR									
PA									
RI									
SC									
SD									
TN									
TX									
UT									
VT									
VA									
WA									
WV									
WI		X		5	80,730				

APPENDIX

1	2		3	4				5	
	Intend to sell to non-accredited investors in State (Part B-Item 1)		Type of security and aggregate offering price offered in state (Part C-Item 1)	Type of investor and amount purchased in State (Part C-Item 2)				Disqualification under State ULOE (if yes, attach explanation of waiver granted) (Part E-Item 1)	
State	**Yes**	**No**		**Number of Accredited Investors**	**Amount**	**Number of Non-Accredited Investors**	**Amount**	**Yes**	**No**
WY									
PR									

END

AGRI INDUSTRIES

American Grain & Related Industries (A Farmer-owned Cooperative)
Building Connections to the Marketplace

February 21, 2007

Dear AGRI Member:

You are cordially invited to attend a special meeting of the Members of American Grain & Related Industries (a Farmer-owned Cooperative) which we call AGRI in this document, to be held on March 30, 2007, beginning at 10:00 a.m. at our principal offices located at 700 SE Dalbey, Drive, Ankeny, Iowa, 50021. At this meeting Members will be asked to approve a Plan of Conversion pursuant to which AGRI will convert from a member-owned Iowa agricultural cooperative association into a stockholder-owned Iowa corporation by transferring all of its assets to its wholly-owned subsidiary, AGRI Industries, Inc., which we call AGRI Industries in this document. (Capitalized terms have the meaning set forth in "Definitions" of the Notice and Disclosure Statement re: Plan of Conversion and Special Meeting ("Disclosure Statement").)

The Conversion requires the approval of two-thirds of the Members voting in favor of the Conversion on a ballot in which a majority of all voting Members participate. Members may vote either in person at the special meeting or by casting a written ballot submitted at or prior to the time of the special meeting. <u>You are urged to complete your written ballot and submit it by mail prior to the special meeting or deliver it at the meeting.</u> You may vote at any time prior to the special meeting by mailing or delivering your written ballot to Gardiner Thomsen at the address below or you may vote in person at the special meeting. To assure that your vote will be counted, Gardiner Thomsen must receive your executed ballot at their office before 5:00 p.m. on March 29, 2007, or vote by delivering your signed ballot at the meeting at any time before the vote is finally taken at or about 10:00 a.m. on March 30, 2007. <u>For your convenience, we have provided a stamped envelope addressed to Gardiner Thomsen, Certified Public Accountants, Attention: David Grandgenett, at their offices at 10555 New York Ave, Urbandale, Iowa 50322. Gardiner Thomsen will act as the inspectors of elections.</u>

After the Conversion, AGRI Industries will carry on the business of AGRI and own the assets currently owned by AGRI. Thus, there will be no change in the business activity or the operating assets owned as a result of the Conversion.

As a part of the Conversion each Member will receive shares of the Class A Common Stock of AGRI Industries in exchange for its AGRI Common Stock ("Membership"), AGRI Preferred Stock ("AGRI Preferred") and Patronage Based Interests in AGRI. You are entitled to receive a specific number of shares of Class A Common Stock in the Conversion based on your AGRI Preferred holdings including AGRI Preferred which would have been issued as part of your 2007 Fiscal Year Patronage Dividend. The number of shares of Class A Common Stock you will actually receive for your Membership Interest can't be accurately calculated until we know the amount of the 2007 Fiscal Year Patronage Dividend. Cash will be available only as payment in lieu of fractional shares in AGRI Industries.

In addition, you will be entitled to receive your share of any 2007 Fiscal Year Patronage Dividend. The 2007 Fiscal Year Patronage Dividend will be paid 20% in cash and the balance will be converted into Class A Common Stock of AGRI Industries. For a description of how the Conversion will work, see the section of this document entitled "Plan of Conversion" and the Plan of Conversion attached as an appendix. The exact amount of the 2007 Fiscal Year Patronage Dividend will not be known until after the vote and, if approved, the Conversion has occurred.

Under Iowa law, Members who oppose the Plan of Conversion will not have the statutory right to dissent from the transaction and demand the cash payment of the fair value of their equity in AGRI.

The AGRI Board of Directors has unanimously approved and adopted the Plan of Conversion and determined that the Conversion is fair, advisable and in the best interest of AGRI and its Members. Accordingly, the AGRI's Board of Directors recommends that you vote in favor of the Plan of Conversion. The Directors of AGRI have interests in the Conversion that may differ from other Members of AGRI. Information about the Directors of AGRI and the interest each has in the Conversion is available in this document under "PLAN OF CONVERSION—Interest of Certain Persons".

This document provides you with detailed information about the Conversion and includes business and financial information about AGRI and AGRI Industries. We encourage you to read the entire document carefully because it contains important information about the Conversion.

See "RISK FACTORS" for a discussion of some of the risks relevant to the Conversion and AGRI's business operations.

Sincerely,

Paul Voga

Paul Voga
President

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued pursuant to this Disclosure Statement or determined if this Disclosure Statement is truthful or complete. Any representation to the contrary is a criminal offense.

CForrest/ 525507.1 /MSWord14433001 – FINAL (2-21-07)

AMERICAN GRAIN & RELATED INDUSTRIES

(A Farmer-owned Cooperative)
(An Iowa Cooperative Association)

Principal Office:

AGRI Industries
700 SE Dalbey Drive
Ankeny, Iowa 50021

Registered Agent for Service & Contact:

Jerry Van Der Kamp
Chief Executive Officer
AGRI Industries
700 SE Dalbey Drive
Ankeny, Iowa 50021
(515) 964-2200

NOTICE AND DISCLOSURE STATEMENT RE: PLAN OF CONVERSION AND SPECIAL MEETING TO BE HELD MARCH 30, 2007

Plan of Conversion of American Grain & Related Industries (A Farmer-owned Cooperative) ("AGRI") from a cooperative organized under Chapter 499 of the Code of Iowa (2005) to a business corporation organized under the Iowa Business Corporation Act (Chapter 490 of the Code of Iowa) (2005). The Plan of Conversion is for the purpose of changing the organizational structure of AGRI. If the Plan of Conversion is approved, the business owned by the business corporation (which will be called AGRI Industries, Inc. ("AGRI Industries")) will be the same as the business owned by AGRI, but AGRI Industries will not be operating on a cooperative basis.

Each AGRI Member must rely upon its own examination of AGRI, AGRI Industries and the terms of the Plan of Conversion, including the merits and risks involved. Each AGRI Member must rely upon its own conclusions regarding the suitability of the investment for itself. No securities commissioner or other government regulator is recommending the Plan of Conversion or the securities which will be issued pursuant to it. No securities commissioner or other government regulator has verified that this document is accurate or determined that it is adequate. It is a crime for anyone to tell you differently.

The U.S. Securities and Exchange Commission ("Commission") has not passed upon the merits of any securities offered or the terms of the offering, nor has it passed upon the accuracy or completeness of any offering circular or selling literature. The Plan of Conversion and the securities of AGRI Industries, Inc. are offered under an exemption from registration; however, the Commission has not made an independent determination that these securities are exempt from registration.

This Disclosure Statement contains all of the representations by AGRI and AGRI Industries concerning this offering, and no person is authorized to make different or broader statements than those contained herein. Each Member is cautioned not to rely upon any information not expressly set forth in this Disclosure Statement. If any Member of AGRI wishes to obtain additional information or ask questions and receive answers, please direct your inquiry only to Jerry Van Der Kamp, Chief Executive Officer of AGRI, at 515-964-2200.

The date of this Disclosure Statement is February 21, 2007.

AMERICAN GRAIN & RELATED INDUSTRIES
(A Farmer-owned Cooperative)
NOTICE OF SPECIAL MEETING OF MEMBERS
TO BE HELD ON MARCH 30, 2007

To the Members of American Grain & Related Industries (a Farmer-owned Cooperative) ("AGRI"):

AGRI will hold a special meeting of the Members at its principal office at 700 SE Dalbey Drive, Ankeny, Iowa, 50021, at 10:00 a.m. on March 30, 2007. At the special meeting the Members will consider and vote on the following matters:

1) A proposed conversion of AGRI from a cooperative to an Iowa business corporation in accordance with the Plan of Conversion attached with these documents as it may be amended from time to time. Members will vote to approve the Plan of Conversion including the following:

   a. AGRI's transfer of all of its assets to its wholly-owned subsidiary, AGRI Industries, Inc., in exchange for AGRI Industries assuming all of the liabilities of AGRI and issuing shares of Class A Common Stock and Rights to Class A Common Stock of AGRI Industries.

   b. The distribution of the shares of Class A Common Stock of AGRI Industries and Rights among Members in accordance with the Plan of Conversion in liquidation of AGRI.

   c. The dissolution of AGRI.

2) Amendment of Article XII of AGRI's Articles of Incorporation to read as follows:

ARTICLE XII

> "On dissolution or liquidation, the assets of the corporation shall first pay liquidation expenses, next its obligations other than patronage dividends or certificates issued therefore, and the remainder shall be distributed in the following priority:
>
> 1. To pay preferred stock;
>
> 2. To pay any deferred patronage dividends or certificates issued therefore. If the fund is insufficient to pay them all, it shall be prorated;
>
> 3. To pay all members or common shareholders the amounts for which their memberships or shares were originally issued; and

4. Any remaining assets shall be distributed among the members in proportion to the revolving fund and preferred stock issued in exchange for the revolving fund which is held by each member at the effective date of liquidation or dissolution."

3) To authorize AGRI as the sole shareholder of AGRI Industries to elect the individuals named in the Plan of Conversion to the Board of Directors of AGRI Industries for the terms set forth in the Plan of Conversion.

No other business may be transacted at the special meeting. Only Class A Members of AGRI at the close of business on February 19, 2007 are entitled to notice of and to vote on the special meeting. Class B Members will be given notice of the special meeting and may attend the meeting but are not entitled to vote. Attendance at the special meeting will be limited to Members as of the record date, their authorized representatives and guests of AGRI.

After careful consideration, the AGRI Board of Directors has unanimously approved the Plan of Conversion and determined that the Plan of Conversion is fair, advisable and in the best interests of AGRI and its Members. Accordingly, the AGRI Board of Directors recommends that you vote to approve the Plan of Conversion. The Directors of AGRI may have interests in the Conversion that differ from the Members of AGRI. Information about the Directors of AGRI and their interests in the Conversion is available in this document under "PLAN OF CONVERSION—Interest of Certain Persons".

Prior to this special meeting, AGRI will hold informational meetings to allow Members to learn more about the Plan of Conversion and to ask questions.

To vote, use the enclosed official ballot. A Member votes by completing and having an authorized representative sign the official ballot and delivering it to Gardiner Thomsen, the inspectors of elections. This can be done at any time prior to the counting of ballots at the official meeting. A Member can change its vote by filing a new official ballot (only the last ballot will be counted). **This resolution will only become effective if a majority of the voting Members cast a ballot, and if at least two-thirds of the ballots cast are voted in favor of the proposal.**

If needed, a replacement ballot may be obtained from Arlyce Diddy at the AGRI offices at 700 SE Dalbey Drive, Ankeny, Iowa, 50021, Telephone: 515-964-2200, Fax: 515-964-2250, e-mail: arlyce@agri-industries.com.

Your vote is important. We urge you to complete the enclosed written ballot and submit it by mail prior to this special meeting or bring it to the meeting. Each ballot must be executed and dated on behalf of the Member by its authorized representative. To assure that your vote will be counted, Gardiner Thomsen must receive your executed ballot at their office before 5:00 p.m. on March 29, 2007, or you may vote by delivering its signed ballot at the meeting at any time before the vote is finally taken at or about 10:00 a.m. on March 30, 2007. We have provided a stamped envelope addressed to Gardiner Thomsen, Attention: David Grandgenette, at their offices at 10555 New York Ave, Urbandale, Iowa 50322, who will act as the independent inspectors of elections.

By order of the Board of Directors,

Paul Voga

Paul Voga
President

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ABOUT THIS DISCLOSURE STATEMENT

This Disclosure Statement is being provided to the Members of American Grain and Related Industries (a Farmer-owned Cooperative), which is a cooperative organized under Chapter 499 of the Code of Iowa (2005) ("AGRI"), to request that the Members approve a Plan of Conversion pursuant to which AGRI will convert to a for-profit business corporation by transferring all of its assets and liabilities to AGRI Industries, an Iowa corporation ("AGRI Industries"). AGRI will receive Rights and Class A Common Stock of AGRI Industries. Pursuant to the Plan of Conversion, the Memberships, Preferred Stock, and Patronage-Based Interests of Members will be converted into shares of the Class A Common Stock and cash in lieu of fractional shares.

This Disclosure Statement summarizes the Plan of Conversion, describes the conversion of AGRI from a cooperative to a for-profit business corporation and describes the consideration that will be paid to Members pursuant to the Plan of Conversion. The Disclosure Statement also contains information about AGRI and its business, including financial statements, and certain considerations relevant to the ownership of the Common Stock and other matters. We urge you to carefully read this Disclosure Statement in its entirety.

Reference in this Disclosure Statement to the terms "we", "our" or "us" refer to AGRI and its subsidiaries before the Conversion and to AGRI Industries and its subsidiaries after the Conversion. The reference also includes our interest in AGRI-Bunge, LLC. ("AGRI-Bunge") (but not AGRI-Bunge itself). Reference in this Disclosure Statement to the terms "you" or "your" refer to the Member provided this Disclosure Statement. The term "Fiscal Year" refers to a fiscal year of AGRI ending August 31 of the year denominated. Capitalized terms used in this Disclosure Statement are defined in the "DEFINITIONS" section of this Disclosure Statement.

This Disclosure Statement includes forward-looking statements regarding, among other things, our plans, strategies and prospects, both business and financial. All statements other than statements of current or historical fact contained in this disclosure statement are forward-looking statements. The words "believe," "expect," "anticipate," "should," "plan," "will," "may," "intend," "estimate," "potential," "continue", "confident", or "optimistic" or the negative of these terms and similar expressions, as they relate to us, are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial and business trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. They can be affected by inaccurate assumptions, including the risks, uncertainties and assumptions described in "Risk Factors." In light of these risks, uncertainties and assumptions, the forward-looking statements in this disclosure statement may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. When you consider the forward-looking statements, you should keep in mind these risk factors and other cautionary statements in the disclosure statement.

Our forward-looking statements speak only as of the date of this disclosure statement. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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SUMMARY

This Summary highlights selected information from this Disclosure Statement and may not contain all of the information that is important to you. You should carefully read this entire document and the other documents we refer to in this document. These documents will give you a more complete description of the transaction the AGRI Board of Directors is proposing. For more information about the Plan of Conversion and our business, you may contact Jerry Van Der Kamp at 700 SE Dalbey Drive, Ankeny, Iowa, 50021; telephone (515) 964-2200.

The Business

AGRI engages in the business of purchasing, transporting, storing and selling grain ("Grain Business") and the business of food processing and packaging ("Food Business"). In addition, AGRI carries on a business of leasing equipment and buildings (but not the underlying real estate) to others ("Leasing Business") and has acquired real estate that is incidental to its operations. AGRI conducts its Grain Business through AGRI-Bunge, a joint venture between AGRI and Bunge North America, Inc. ("Bunge"). AGRI conducts its food processing and packaging business through Mrs. Clark's Foods, LC ("Mrs. Clark's"), a wholly owned subsidiary of AGRI. AGRI's leasing activities are carried on through AGRI Financial Services, Inc. and its real estate activities are carried out either directly by itself, or through the following wholly-owned subsidiaries: Mrs. Clark's, Country Properties, LC and AGRI Terminal Corporation.

After the Conversion, we will continue to operate these same businesses in the same way and by the same owners (the Members of AGRI) as before the Conversion. Only the form of ownership will change since the current Members will become shareholders of AGRI Industries. A table setting forth a summary of the significant differences between the rights of AGRI's Members and the rights of AGRI Industries Stockholders is set forth in "EFFECT OF THE CONVERSION ON RIGHTS OF MEMBERS".

As a part of the Conversion, AGRI may need the consent of Bunge to substitute AGRI Industries as the member of AGRI-Bunge in place of AGRI. We believe Bunge will consent to such substitution without material changes to the terms of the AGRI-Bunge joint venture.

The Special Meeting

AGRI will hold a special meeting for the purpose of approving the Plan of Conversion that provides for the Conversion of AGRI from a cooperative association organized under Chapter 499 of the Code of Iowa (2005) to a for-profit corporation organized under the Iowa Business Corporation Act. The special meeting will be held at our principal executive offices, 700 SE Dalbey Drive, Ankeny, Iowa, 50021, on March 30, 2007, beginning at 10 a.m. As of February 19, 2007, the record date for the special meeting, 88 Class A Members and 3 Subscribers are entitled to vote at the special meeting. Each Class A Member of AGRI is entitled to one vote at the special meeting.

Each Member may vote by casting a written ballot either at the meeting or by completing a written ballot and submitting it by 5:00 p.m. on March 29, 2007, to Gardiner Thomsen, who will act as the independent inspectors of elections. The Plan of

Conversion will be adopted if a majority of the Members eligible to vote participate in the vote and at least two-thirds of the votes are cast in favor of the Plan of Conversion. Each ballot must be signed by someone duly authorized by the Member and voted either "FOR" or "AGAINST" the Plan of Conversion. Ballots which are not signed, are not marked either "FOR" or "AGAINST", or are marked both "FOR" and "AGAINST" will not be counted as participating in the vote.

What You Will Receive in the Conversion

Under the Plan of Conversion we currently estimate that we will distribute an aggregate of 3,215 shares of Class A Common Stock (including Rights which will be converted to whole shares of Class A Common Stock) of AGRI Industries having a nominal value of $10,000 per share, except for cash paid in lieu of fractional shares. Each Member of AGRI will receive one share of Class A Common Stock of AGRI Industries for its Membership. Each Subscriber which pays the balance of its subscription price prior to March 30, 2007, will be treated as a fully paid Member for all purposes of the Plan of Conversion. Each holder of AGRI Preferred will receive one share of Class A Common Stock for each 100 shares of Preferred Stock it owns.

Each Member will receive for its Patronage Based Interest an additional distribution of Class A Common Stock of AGRI Industries based on the number of shares of AGRI Preferred it owns as of August 31, 2007. The number of shares of AGRI Preferred which the Member would have been issued for its 2007 Fiscal Year Patronage Dividend will be included for purposes of determining the number of shares of AGRI Preferred a Member owns. AGRI's Board of Directors will declare that 20% of the 2007 Fiscal Year Patronage Dividend will be paid in cash and the balance deferred. This balance, but for the Conversion, would have been paid in AGRI Preferred.

Only whole shares of Common Stock of AGRI Industries will be issued. Thus, the fractional shares you will receive under each formula and the fractional shares you will receive for your 2007 Fiscal Year Patronage Dividend will first be aggregated to determine if you would receive an additional share of Common Stock and any excess fractional amount will be paid by multiplying the fractional amount times $10,000.

The exact number of shares you will receive cannot be determined until the 2007 Fiscal Year Patronage Dividend is known after the Effective Date.

2007 Fiscal Year Patronage Dividends

Prior to the Effective Date, AGRI will declare patronage dividends on patronage-source income earned during its 2007 Fiscal Year. AGRI will not allocate a patronage-source loss. AGRI will declare that 20 percent of any 2007 Fiscal Year Patronage Dividend will be paid in cash and the balance in AGRI Preferred as provided by AGRI's Bylaws. After the 2007 Fiscal Year Patronage Dividend has been calculated, AGRI Industries will pay cash to discharge the portion declared in cash and will pay Class A Common Stock to discharge the portion which would have been paid in AGRI Preferred. We intend that the 2007 Fiscal Year Patronage Dividend will be treated as a qualified patronage dividend pursuant to the payment of cash or qualified written notice of allocation. Any amount which would result in the issuance of a fractional share of

Common Stock will first be aggregated with the fractional shares which you receive as a part of the Conversion and paid in additional whole shares or cash as described above.

Transfer Restrictions

The Articles of Incorporation provide that before September 1, 2012, shares of Common Stock may be transferred only to (a) a farmer-owned cooperative, (b) AGRI Industries, (c) employees of AGRI Industries, or (d) a pension/profit sharing stock bonus or other compensation plan maintained by AGRI Industries or by a member of a controlled group of corporations or trades or businesses of which AGRI Industries is a member, or (e) any Class B Member as of August 31, 2007. After September 1, 2012, stockholders may transfer Common Stock to anyone.

No transfers of Common Stock will be permitted if as a result of such transfer AGRI Industries would become subject to the reporting requirements of the Securities Act of 1934 (a "Reporting Transfer"). Generally a Reporting Transfer is a transfer that would result in the corporation having more than 500 voting shareholders (AGRI currently has 92 Members). If a transferor and transferee do not rescind a Reporting Transfer, AGRI Industries may purchase the shares of Common Stock purported to be transferred at a purchase price which may be substantially below the fair market value of the shares. The provision granting AGRI Industries the right to purchase in the case of a Reporting Transfer is intended to assure that a Common Stockholder determines whether a Reporting Transfer will occur before attempting to exchange its Common Stock.

The Bylaws of AGRI Industries also generally require Common Stockholders desiring to sell any of their shares of Common Stock to first offer to sell all of their stock to AGRI Industries for the lowest purchase price per share of each class of Common Stock owned that the offering stockholder would be willing to accept for its stock from any third party.

Voting Rights

If anyone becomes the beneficial owner of more than 5 percent of the outstanding shares of Class A Common Stock ("Excess Shares"), the person will be entitled to one vote per share on the number of shares equal to 5 percent of the outstanding shares of Class A Common Stock and to 1/100th of a vote for each of its Excess Shares. It is not possible to determine whether any Member will hold Excess Shares until after the Effective Date. However, based on AGRI Preferred holdings as of August 31, 2006, it is likely that one or more of the larger holders of AGRI Preferred will hold Excess Shares on the Effective Date.

Certain Federal Income Tax Consequences

Your tax consequences may vary depending on your individual tax situation.

We intend for the Conversion to qualify as a reorganization pursuant to Section 368(a) of the Internal Revenue Code. If the Conversion does so qualify, any shares of AGRI-Industries Common Stock or Rights received in exchange for AGRI's Common Stock, AGRI Preferred, or Patronage Based Interest will be received without recognizing any gain or loss for U.S. Federal Income Tax purposes.

Cash will be used in lieu of issuing fractional shares. Cash received in lieu of fractional shares likely will be viewed as being received in redemption of a portion of the fractional shares of Class A Common Stock that AGRI-Industries would have issued in exchange for your AGRI Preferred or Patronage Based Interests or paid as part of the final 2007 Fiscal Year Patronage Dividend. To the extent any gain from this redemption is attributable to your Patronage Based Interests, such gain likely will be treated as a capital gain. To the extent it is received for AGRI Preferred, you generally should have a basis equal to the value of the AGRI Preferred and as a result should not have any gain for the cash received.

Tax matters are very complicated and the tax consequences of a conversion to you as a Member will depend on your individual situation. We are not advising you on the particular tax consequences of the Conversion. You should consult with your personal tax advisor for a full understanding of the tax consequences of the Conversion to you.

Recommendation of AGRI Board of Directors

AGRI's Board of Directors has unanimously approved and adopted the Plan of Conversion and determined that the Conversion is in the best interest of AGRI and its Members. Accordingly, AGRI's Board of Directors unanimously recommends that you vote to approve the Plan of Conversion.

Interest of Certain Persons

The members of AGRI's Board of Directors may have important interests in the Conversion, including positions as members of the Board of Directors of AGRI Industries after the Conversion. The Directors and Chief Executive Officer of AGRI are members or managers of Members. The Member with whom each Director or the CEO is associated will receive cash and shares of the Common Stock in the Conversion on the same terms as all other Members, but the amount of Common Stock which Members will receive, including the Members with whom each Director or CEO is associated, would have been different if a different method of allocating the Patronage Based Interest among the Members had been chosen.

Neither the compensation nor benefits of the Board of Directors or our employees will change as a result of the Conversion. We do not foresee a change in compensation or benefits, other than normal increases which we believe to be consistent with best practices. We have no intention to establish an employee stock ownership plan or similar plan for our employees now or in the foreseeable future. However, in the future the Board of Directors may study whether the use of stock options, restricted stock and stock bonus plans as a part of employee compensation would benefit AGRI Industries, since such plans will now be possible and have not been possible while AGRI has operated as a cooperative.

Effect of the Conversion on Rights of Members

After the Conversion, AGRI Industries will conduct its business on a for-profit basis rather than on a cooperative basis, and the rights of Stockholders of AGRI Industries will be governed by the Iowa Business Corporation Act and AGRI Industries' Articles of Incorporation and Bylaws.

A final patronage dividend will be declared and paid for AGRI's 2007 Fiscal Year, but no patronage dividends will be paid thereafter. After the Conversion, a regular dividend payable on a per share basis to Stockholders may be declared and paid at the discretion of the Board of Directors of AGRI Industries. The Board intends to review the financial results and financial condition after the Conversion before deciding whether a regular dividend will be declared and, if so, in what amount.

Board of Directors and Management

The Articles of Incorporation provide that the Board of Directors will consist of not less than 3 but no more than 15 directors. The Bylaws provide that the Board of Directors will consist of six elected directors. Four of the directors must be agricultural producers who are members of Class A Common Stockholders that are farmer-owned cooperatives and two of the directors must be general managers of Class A Common Stockholders that are farmer-owned cooperatives. In either case, the director may not be over the age of 65 at the time of his or her election to the Board of Directors. These qualifications and initial number of directors cited above mirror the current requirements set forth in AGRI's Articles of Incorporation and Bylaws.

In accordance with the Plan of Conversion, the Board of Directors after the Conversion will consist of the current directors of AGRI. The terms of the directors will be staggered. The terms two of the Directors serving at the time of the Conversion will expire in each of 2008, 2009 and 2010.

Dissenters' Rights

Under Iowa corporate law, Members who oppose the Plan of Conversion will not have the statutory right to dissent from the transaction and demand the cash payment of the fair value of their shares in the transaction.

Federal and State Regulatory Requirements

No regulatory approvals must be obtained in connection with the proposed Conversion. Certain filings with, but not approvals of, state and federal securities regulators are required to comply with federal and state securities laws.

RISK FACTORS

You should carefully consider the risks described below before making a decision on whether or not to approve the Conversion. The risks have been broken down into (a) Risks Regarding the Conversion, (b) General Business Risks (c)Risks Regarding Our Grain Business, (d) Risks Regarding Our Food Business and (e) Risks Regarding Our Leasing Business. All of these risks except Risks Regarding the Conversion are inherent in the business you now own as a Member of AGRI. Consequently, only the Risks Regarding the Conversion will be new risks to you arising from a decision to vote in favor of or against the Conversion.

Risks Regarding the Conversion

Our Tax Treatment.

We currently are taxed as a nonexempt cooperative under Subchapter T of the Internal Revenue Code of 1986, as amended, for U.S. federal income tax purposes and are generally taxed as a cooperative for state tax purposes. After the Conversion, we will no longer qualify for treatment as a cooperative for federal and state income tax purposes, but rather will be taxed as an ordinary for-profit business corporation.

Under Subchapter T, we are subject to tax only on nonmember and non-patronage income and on any undistributed member patronage income. Our Members are currently subject to tax in the year of receipt on patronage dividends received from AGRI, including patronage dividends paid in stock or other qualified written notices of allocation which must be included in income at their stated dollar or face amount. Such patronage dividends are normally treated as ordinary income.

After the Conversion, we will be taxed at corporate rates on our entire net income, including net income that is derived from business done with persons who were Members before the Conversion and who continue as stockholders. After the Conversion, distributions by the company to our stockholders will generally be taxed to the stockholders as corporate dividends. However, corporations (other than S corporations) are generally entitled to claim a 70% dividends-received deduction with respect to distributions from domestic corporations subject to U.S. tax, provided that the distributions are treated as dividends for federal income tax purposes.

Restrictions on Transfer.

The Articles of Incorporation and Bylaws of AGRI Industries restrict the ability to transfer your shares of Class A Common Stock. The AGRI Industries Articles of Incorporation provide that prior to September 1, 2012 your shares of Class A Common Stock will not be transferable, except to (a) a farmer-owned cooperative, (b) us, (c) a compensation plan for the benefit of our employees, (d) our employees, and (e) another Class A Common Stockholder. Further, no transfer will be permitted which would cause AGRI Industries to become a reporting company under the Securities and Exchange Act of 1934 ("Reporting Transfer") (generally a transfer causing us to have more than 500 shareholders—AGRI currently has 92 Members and Subscribers).

In addition, except in limited circumstances, the Bylaws grant us (i) the first right to purchase your shares at the lowest price you are willing to accept from anyone if you want to sell any of them and (ii) the right to purchase shares transferred in a Reporting Transfer at a price which may be substantially less than fair market value if you do not rescind the Reporting Transfer.

You will be required to comply with applicable state and federal securities laws in connection with any transfer. Since the Class A Common Stock will not be registered, you must determine that any proposed transfer can be made pursuant to both a state and federal exemption from securities registration.

Because of these restrictions, you may be unable to find a suitable transferee for your shares and therefore be required to hold your shares of Class A Common Stock for an indefinite period of time.

Market for AGRI Industries Shares.

There is no established public trading market for the Common Stock, and we do not expect one to develop in the foreseeable future. As a result, you may have to hold your Common Stock for an indefinite period of time because you may not be able to readily resell your shares.

AGRI Industries will not make a market in the shares of Common Stock or assist in making such a market. AGRI Industries may maintain a list of its Common Stockholders who are interested in selling or buying Common Stock and may make that list available upon request. AGRI Industries will not generally make available a record of proposed or actual sales and it will use such information only for its own records or as it relates to tax requirements. AGRI Industries will not make any recommendations regarding the advisability of selling or purchasing Common Stock or the terms of the sale.

Value of AGRI Industries Common Stock Received in the Conversion.

AGRI has received an independent valuation opinion from Clifton Gunderson LLP regarding the fair value as of August 31, 2006 of the businesses of AGRI and its subsidiaries on an ongoing business basis. AGRI has separately valued certain parcels of its real estate which were then included in the Clifton Gunderson valuation. AGRI has determined its total net equity value from these combined valuations. That total net equity value has been divided by $10,000 to determine the number of Rights and shares of Class A Common Stock that AGRI Industries will issue as a part of the Conversion. The Board of Directors has then valued the Class A Common Stock of AGRI Industries at $10,000 per share, arriving at that value based on the foregoing formula. In the Conversion Members will receive shares of Class A Common Stock which the Board of Directors valued at $10,000 per share equal to the stated amount of their Membership and AGRI Preferred at the Effective Date of the Conversion. In addition, under the Plan of Conversion, Members will ultimately receive additional shares of Class A Common Stock valued at $10,000 per share representing their Patronage Based Interest. The shares representing the Patronage Based Interest will be distributed to each Member in proportion to its AGRI Preferred holdings after including the amount of AGRI Preferred each Member would have received as a part of its 2007 Fiscal Year Patronage Dividend. The actual value of each share of Class A Common Stock at Effective Date of the Conversion and the amount a Stockholder can realize on the sale of its shares of Class A Common Stock may be more or less than the $10,000 per share because, for example, the total equity value of AGRI Industries at the time of Conversion may be different than the amount determined by Clifton Gunderson and AGRI, the value of our underlying business and assets may fluctuate, or for other reasons such as restrictions on transferability described elsewhere in these risk factors or the number of willing buyers for the stock.

Variations in the valuation would change the amount of value attributable of AGRI's equity in excess of the book value of the outstanding Memberships and AGRI Preferred. That excess is allocated for the Patronage Based Interests and would therefore affect each Member's proportionate share of the Common Stock that it would receive.

Ability of AGRI Industries to Issue Additional Shares of Common Stock.

The Board of Directors will be able to issue additional shares of Common Stock or preferred stock. The Board of Directors also can establish the designations, powers, preferences, rights, qualifications, limitations or restrictions of any preferred stock. Such rights, powers, preferences and privileges may be greater in voting power, liquidation and dividend rights than those associated with the Common Stock. These new shares could be issued at a lower price than the value of the Common Stock. Issuances of additional shares may have the effect of diluting or otherwise limiting your voting or economic rights in AGRI Industries, particularly if the new shares are issued on more favorable terms than AGRI Industries Common Stock issued in the Conversion. At this time we do not foresee publicly offering any Common Stock and have no other plans to issue additional shares of Common Stock at this time. Any new Common Stock would more likely relate to additional business acquisitions, of which none are planned at this time.

Affect of not being a Cooperative on our Relationship with Members.

Under our current structure, Members that transact business with or through AGRI receive a patronage dividend if we have patronage source income. The patronage dividend generally acts as an incentive for Members to do business with AGRI. The patronage dividend system promotes member business with AGRI by rewarding Members for the business done with AGRI. After the Conversion, we will no longer pay patronage dividends and these incentives for member transactions with AGRI will disappear. When these incentives to do business with AGRI are gone, current Members may decide to use other firms for the business transaction they have conducted with AGRI in the past. The shift of that business away from us could negatively impact our business.

Further, cooperatives that prefer to do business with other cooperative organizations rather than a business corporation may prefer to direct business to other cooperative organizations rather than conduct business with us after the Conversion.

We believe that one of the reasons Bunge entered into the joint venture may have been to originate grain from our Members. If that ability to originate grain is diminished, Bunge may wish to terminate the joint venture for that reason or other reasons. Bunge can terminate the joint venture as of any March 1 beginning March 1, 2008 by giving one year prior written notice of termination. If AGRI or Bunge terminate the joint venture on March 8, 2008, the terminating party must pay the other party $500,000. A termination of the joint venture with Bunge could have an adverse affect on our Grain Business and the results of operations.

Dividends Not Guaranteed.

After the Conversion, we will not pay dividends based on patronage. We may elect not to pay any dividends after the Conversion, and any dividends that we pay may be substantially less than the cash portion of patronage dividends which AGRI previously distributed to its Members.

Furthermore, since we will no longer be operating on a cooperative basis the Board does not plan to adopt a policy which allows for the periodic or regular redemption of Common Stock such as the policy AGRI now follows to redeem AGRI Preferred when

Members require liquidity to redeem deferred patronage held by estates of their former Members.

Nomination and Election of Directors.

AGRI's Articles of Incorporation and Bylaws currently provide a system of nomination and election intended to promote relatively equal representation geographically. For this purpose, the Board is elected from geographic districts by a process of nominating committees appointed for each district and Member balloting by district. In addition, two directors must be coop managers, and the remaining must be active agricultural producers and active members of a Member. The geographic districts will be eliminated at the time of conversion but the member-manager qualification will be retained. Furthermore, certain changes in the nomination and election process will occur as a result of the Conversion. The most important changes include providing one vote for each share of Class A Common Stock beneficially owned in the amount of 5 percent or less and 1/100 vote for each share of Class A Common Stock beneficially owned in excess of 5 percent of the outstanding Class A Common Stock rather than one vote per Common Stockholder. In addition, since the geographic districts will be eliminated, one nominating committee will nominate all directors and each Member may vote for all directors, rather than only for the directors in its geographic district. These changes could affect the results of future elections of directors.

Elimination of the Requirement that Common Stockholders be Cooperatives could affect Our Business.

AGRI's Articles of Incorporation currently require all Class A Members to be farmer-owned cooperatives. After the Conversion, farmer-owned cooperatives, AGRI's existing Class B Member, employees, and employee compensation plans may also own Class A Common Stock. After August 31, 2012, anyone may acquire Class A Common Stock. The interests of non-cooperative Stockholders could vary from the interests of the existing Members, and such Stockholders could exercise stockholder rights in a manner different than the Members would. The non-cooperative Stockholders could affect our business when and if such Stockholders held a sufficient number of shares to effectively influence a Stockholder vote. In addition, we have substantial credit facilities established with a cooperative lender, CoBank ACB, but we may not be eligible to borrower from CoBank if some of our Stockholders are not cooperatives.

Change in Control.

Provisions of AGRI Industries' Articles of Incorporation and Bylaws could discourage, delay, or prevent an acquisition or other change in control of our company, even if such a change in control would be beneficial to our Stockholders. These provisions could also discourage proxy contests and make it more difficult for Stockholders to elect directors and take other actions. As a result, these provisions could limit the price that a buyer is willing to pay in the future for shares of Common Stock. These provisions might also discourage a potential acquisition proposal or tender offer. These provisions include: (i) a board of directors that is staggered so that only some of the directors are elected each year; (ii) a reduction in the voting rights of the shares of Common Stock held by a beneficial owner in excess of 5 percent of the issued and outstanding shares to one hundredth (1/100) of one vote per share; (iii) the ability of the board of directors to limit the transfer of stock to existing Stockholders or persons approved by the board; (iv) authorization of "blank check" preferred stock that our Board of Directors could issue to thwart a takeover attempt; (v) limitations on the ability of Stockholders to call special meetings of Stockholders; (vi) requirements that only the nominating committee can submit nominations to our Board of Directors; (vii) requiring advance notice for a Stockholder to propose matters that can be acted upon at a Stockholder meeting; and (viii) provisions that require two-thirds of the Class A Votes to approve certain business combinations if they are not also approved by the Board of Directors.

Tax-Free Treatment of the Conversion.

The Conversion is intended to qualify as a tax-free reorganization. No ruling has been or will be obtained from the Internal Revenue Service regarding any matter related to the Conversion. We have obtained an opinion from McDermott Will & Emery LLP that the Conversion will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. An opinion of counsel is not binding upon the Internal Revenue Service or the courts and is not a guarantee. There can be no assurance that the Internal Revenue Service will not assert, or that a court will not sustain, a contrary position. You are urged to consult with your tax advisor as to the U.S. federal income tax consequences of the Conversion, as well as the effects of state and local tax laws in light of your own tax situation. See "MATERIAL FEDERAL INCOME TAX CONSEQUENCES."

Risks if the Conversion is not Approved

In addition to the risks which arise if the Conversion is approved and completed, there are risks associated with a failure to approve the Conversion.

Some current Members of AGRI do little business with AGRI because of, for example, their inability to access the markets through AGRI, their ability to access markets themselves, or the availability of more profitable markets than the markets accessed through AGRI. These Members may have little or no reason to continue to support AGRI if it continues to operate on a cooperative basis. The Members may promote other plans that will allow them to access their Membership(s), AGRI Preferred and Patronage Based Interests. Such plans could result in pressure to distribute cash which AGRI needs to successfully operate its business or to force liquidation of AGRI.

It is difficult for a cooperative organized under Chapter 499 of the Iowa Code to raise new capital from outside sources or from Members. AGRI may not be able to easily raise capital either in an emergency or so AGRI can avail itself of business opportunities. If AGRI is unable to retain sufficient capital generated from its business activities to grow its business, its businesses may become less competitive and could result in either less income or a loss to AGRI.

AGRI already conducts a substantial portion of its business with non-members or in businesses which do not generate patronage source earnings. As the level of non-member business increases, AGRI's status as a cooperative could come into question. Such questions could have adverse tax consequences and other consequences which are not foreseen at this time.

General Business Risks

Dependence on External Financing.

We require significant amounts of capital (including working capital) to operate our business. An interruption of our access to short-term credit or a significant increase in our cost of credit could materially increase our interest expense and impair our ability to compete effectively in our businesses.

In the future we will be required to make capital expenditures to maintain, upgrade and expand our facilities to keep pace with competitive developments, technological advances and changing safety standards. Significant unbudgeted increases in our capital expenditures could adversely affect our operating results. In addition, if we are unable to continue devoting substantial resources to maintaining and enhancing our infrastructure, we may not be able to compete effectively.

Key Personnel.

Our business relies heavily upon our highly-skilled and often highly-specialized employees and executive officers and the relationships they form with customers and business partners. The unexpected loss of services of any of our key employees or executive officers, or the inability to recruit and retain highly qualified personnel in the future, could have an adverse affect on our business and results of operations.

Risk Management Policies, Practices and Systems.

Our businesses involve substantial risks which could cause material losses if not properly managed. These risks include, but are not limited to, the risks of property loss, product liability, spoilage, the risk of adverse price movements on company-owned commodities and inventories or forward cash contracts and derivative contracts, and the risks of significant credit defaults. We attempt to reduce and manage these risks by appropriate management policies.

Although we have developed risk management procedures and policies to identify, monitor and manage risks, we cannot assure you that our procedures will be fully effective. Our risk management methods may not effectively predict the risks we will face in the future, which may be different in nature or magnitude than in the past regarding markets, customers and other matters provided by third parties. This information may not be accurate, complete, up to date or properly evaluated, and our risk management procedures may be correspondingly flawed. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to record properly and verify a larger number of transactions and events, and we cannot assure investors that our policies and procedures will be fully effective.

Communications and Information Systems.

Any failure or interruption of our communications and information systems could cause delays in our business activities, which could significantly harm our operating results. We cannot assure you that we will not suffer any of these system failures or interruptions from power or telecommunication failures, natural disasters, or that our back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

Customer Business Condition.

Our customers are themselves subject to various business and economic risks which could result in their business distress or failure. Any significant increase in business distress and failures of our customers could result in corresponding risk and losses to the company through, for example, loss of business or credit defaults.

Claims and Liabilities Under Environmental, Health, Safety And Other Laws And Regulations.

Our operations are subject to various federal, state, local and foreign environmental health, safety and other laws and regulations, including those governing air emissions, wastewater discharges and the use, storage, treatment and disposal of hazardous materials. The applicable requirements under these laws are subject to amendment, to the imposition of new or additional requirements and to changing interpretations by governmental agencies or courts. In addition, we anticipate increased regulation by various governmental agencies concerning food safety, the use of food additives and ingredients and wastewater discharges. Furthermore, business operations currently conducted by us or previously conducted by others at real property owned or operated by us, business operations of others at real property formerly owned or operated by us and the disposal of waste at third party sites expose us to the risk of claims under environmental, health and safety laws and regulations. We could incur material costs or liabilities in connection with claims related to any of the foregoing. The discovery of presently unknown environmental conditions, changes in environmental health, safety and other laws and regulations, enforcement of existing or new laws and regulations and other unanticipated events could give rise to expenditures and liabilities, including fines or penalties, that could have a material adverse affect on our business, operating results and financial condition.

Insurance

Our business operations entail a number of risks, including risks relating to product liability claims, product recalls, property damage and injury to persons. We currently maintain insurance with respect to certain of these risks, including product liability insurance, property insurance, workers compensation insurance and general liability insurance, but in many cases such insurance is expensive and difficult to obtain and no assurance can be given that such insurance can be maintained in the future on acceptable terms, in amounts sufficient to protect us against losses due to any such events or at all. Moreover, even though our insurance coverage may be designed to protect us from losses attributable to certain events, it may not adequately protect us from all of the liabilities and expenses that we incur in connection with such events.

Key Management

We believe our continued success depends on the collective abilities and efforts of our senior management. All of our employees are "at will" employees. Thus, either we or an employee may terminate employment at any time. The loss of one or more key personnel could have a material adverse affect on our results of operations. Additionally, if we are unable to find, hire and retain needed key personnel in the future, our results of operations could be materially and adversely affected.

Employee Relations.

None of our employees are presently covered by collective bargaining agreements. If we fail to maintain good relationships with our employees or if non-unionized operations were to become unionized, we could face labor strikes or work stoppages or other activity that could adversely affect our business and operations.

Risks Regarding Our Grain Business

Affect Of Weather, Disease And Other Factors Beyond Our Control.

Weather conditions, disease and other factors have historically caused volatility in the agricultural commodities industry and consequently in our operating results by causing crop failures or significantly reduced or increased harvests, which can affect the supply and pricing of agricultural commodities that we buy and sell in our business and negatively affect the creditworthiness of our customers and suppliers. Reduced supply of agricultural commodities due to weather-related factors could increase volatility in the market and adversely affect our profitability in the future.

Affect Of Government Policies And Regulation.

Government policies and regulations affecting the agricultural sector and related industries could adversely affect our operations and profitability. Agricultural production and trade flows are significantly affected by government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies and import and export restrictions on agricultural commodities and commodity products can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production, whether unprocessed or processed commodity products are traded and the value and types of imports and exports. Future government policies, such as the initiative proposed by President Bush in connection with the rapid development of ethanol and other bio-fuels, may adversely affect the supply, demand for and prices of our products, restrict our ability to do business in our existing and target markets and could cause our financial results to suffer.

Our Grain Business is subject to extensive regulation at both the federal and state levels. The extensive regulatory framework applicable to our industry, the purpose of which is to protect customers and the integrity of the commodities markets, imposes significant compliance burdens and attendant costs on us. The regulatory bodies that administer these rules do not attempt to protect the interests of our Stockholders as such, but rather the public and markets generally. Failure to comply with any of the laws, rules and regulations of any independent, state or federal regulatory authority could result in a fine, injunction, suspension or expulsion from the industry, which could materially and adversely impact us. Furthermore, amendments to existing state or federal statutes, rules and regulations or the adoption of new statutes, rules and regulations could require us to alter our methods of operation at costs which could be substantial. In addition, our ability to comply with laws, rules and regulations is highly dependent upon our ability to maintain a compliance system which is capable of evolving with increasingly complex and changing requirements.

Business Risks.

Our Grain Business depends on our ability to earn a margin on bushels of grain purchased and sold. We can incur losses if the sale price, after taking into account hedge gains and losses, is less than the purchase price, if the purchase price cannot be collected, or if there are uncovered losses relating to physical quality or uncovered risk of casualty losses. We attempt to mitigate the losses by appropriate policies and risk management practices, but there can be no assurance that such efforts will be sufficient to avoid losses.

Our Grain Business is affected by fluctuations in agricultural commodities prices, navigation conditions on the Mississippi River and Illinois River, rail, barge and truck freight rates, availability of transportation equipment, energy costs, interest rates and foreign currency exchange rates. We engage in hedging transactions to manage some, but not all, of these risks. However, our hedging strategy may not be successful in minimizing our exposure to these fluctuations. In addition, our control procedures and risk management policies may not successfully prevent our traders from entering into unauthorized transactions that have the potential to impair our financial position.

Relationship with Bunge.

We operate our Grain Business through AGRI-Bunge, a joint venture with Bunge. Pursuant to the terms of the various operations and service agreements related to AGRI-Bunge, Bunge provides the management, administration and trading functions for our Grain Business and provides much of the expertise required for its operation.

Bunge may wish to terminate the joint venture in the future for reasons which cannot now be predicted. We believe that one of the reasons Bunge entered into the joint venture may have been to originate grain from our Members. The impact of the Conversion to a business corporation on the business which our Members are willing to conduct with AGRI-Bunge cannot be predicted at this time. If that business were adversely affected or if for other reasons Bunge did not wish to do business with us as a business corporation rather than a cooperative, Bunge may wish to terminate the joint venture for that reason or other reasons as permitted under the terms of its agreements with AGRI-Bunge or AGRI.

Either we or Bunge can terminate the joint venture as of any March 1 beginning March 1, 2008 by giving one year prior written notice of termination. If AGRI or Bunge terminate the joint venture on March 8, 2008, the terminating party must pay the other party $500,000. A termination of the joint venture with Bunge or the unexpected loss of the services provided by Bunge could have an adverse affect on our profitability and would at least temporarily result in significant additional expense.

Legal Uncertainties.

The legal and regulatory framework for our Grain Business involves substantial legal uncertainties, especially for agricultural commodities in the United States, and in international markets due to unresolved issues of a technical, legal, political and regulatory character. Recent examples in which legal uncertainties have led to losses by entities in the commodities business include international and domestic losses from genetically modified grains. These uncertainties create substantial risks for us.

Risks Regarding Our Food Business

Fluctuations in Commodity Prices.

A significant portion of the cost of producing our food products consists of amounts spent in connection with purchasing inputs such as juice concentrates, food grade oils, and packaging. The cost of plastic for bottles and other packaging materials are heavily dependent on the price of petroleum that is used to make the packaging products. Fluctuations in the prices of inputs materially affect our earnings. While prices of these items increase from time to time, we may not be able to pass through any increase in the cost of inputs to our customers. High ingredient and packaging prices have had a material adverse affect on our operating results in the past. Sudden and unexpected drop in ingredient or packaging costs can sometimes lead to the loss of business to a competitor.

We periodically seek to enter into hedging transactions in an effort to manage the cost of food grade oil, but this is the only ingredient we can effectively hedge. Further, the use of such hedging transactions may not be successful in limiting our exposure to market fluctuations in the cost of food grade oil.

Moreover, the production of ingredients is positively or negatively affected by the global level of supply inventories and demand for ingredients and petroleum products as well as the agricultural policies of the United States and foreign governments. In addition, weather patterns often change agricultural conditions in an unpredictable manner. A sudden and significant change in weather patterns could affect the supply of ingredients, as well as both our ability to obtain ingredients and deliver products. A change in any of these factors could materially negatively affect our business and results of operations.

Competition.

The food processing and packing industry is highly competitive. Some of our competitors have greater financial and marketing resources than we do. In general, the competitive factors in the U.S. food processing and packing industry include price, product quality, brand identification, packing speed and capacity, breadth of product line and customer service. The highly competitive conditions in our Food Business could force us to reduce prices for our products and services or result in unused capacity, which would adversely affect our results of operations and financial condition. Further, new technological advances in packaging or processing may necessitate significant capital expenditures to remain competitive.

Changes in Dietary Trends and Food Preferences.

Consumer tastes can change rapidly due to many factors including shifting consumer preferences, dietary trends and purchasing patterns. Our business is largely dependent upon the manufacture of oil-based products and juice products. These products are generally manufactured by us for the use or sale by others in the food industry. If consumer preferences for products for which we manufacture declines, then the demand for our manufacturing of products may decline which would in turn cause our revenues and profitability to be lower. While we may attempt to anticipate changes in consumer preferences and react to these changes, because much of our business is private label for other parties, we may have little control over our ability to adjust for these changes and demands.

Loss of Large Customers.

Sales to two of our customers represented approximately 38% of our sales during the 2006 Fiscal Year and at 2006 Fiscal Year end those customers accounted for approximately 29% of Mrs. Clark's trade accounts receivable. We do not have long-term contracts with any of our major customers and, as a result, any of our major customers could significantly decrease or cease their business with us with limited or no notice. If we lost one or more of our major customers, or if one or more of our major customers significantly decreased its orders from us, our business and results of operations could be materially adversely affected.

Foreign Embargos, Decreased Export Demand.

We are an exporter to the Middle East, the Caribbean, and Europe. Any decrease in exports to foreign countries based on, for example, embargos, decreased demand, civil strife, oversupply of products, exchange rate fluctuations making our products relatively more expensive or competing products or bans on certain ingredients may have an adverse affect on our ability to export our products.

Product Liability

Our food products may be subject to contamination by disease producing organisms, or pathogens, such as listeria, monocytogenes, salmonella and generic E. coli. These pathogens are found generally in the environment and, therefore, there is a risk that they, as a result of food processing, could be present in our processed products. These pathogens can also be introduced to our products as a result of improper handling at the food service or consumer level. These risks may be controlled, but may not be eliminated, by adherence to good manufacturing practices and finished product testing. We have little control, if any, over proper handling procedures once our products have been shipped for distribution. Even if a product is not contaminated when it leaves our facility, illness and death may result if the pathogens are not also eliminated at the food service or consumer level. Even an inadvertent shipment of contaminated products is a violation of law and may lead to increased risk of exposure to product liability claims, product recalls, loss of customers, and increased scrutiny by federal and state regulatory agencies. Any of these consequences would have a material adverse affect on our business, reputation and prospects.

Water, Energy and Gas Costs

We require a substantial amount, and as we expand our business we will require additional amounts, of water, electricity and natural gas to produce our juice and other food products. The prices of water, electricity and natural gas may fluctuate significantly over time. One of the primary competitive factors in the food business is price, and we may not be able to pass on increased costs of production to our customers. As a result, increases in the cost of water, electricity and natural gas could substantially harm our business and results of operations.

Costs of Transportation

Our transportation costs are a material portion of the cost of our products. We primarily ship our products and receive our inputs via truck. The costs associated with the transportation of our products and inputs fluctuate with the price of fuel, the costs to our transportation providers of labor and the capacity of our transportation sources. We attempt to control the outbound cost of transportation by encouraging most of our customers to arrange for pick-up at our docks. Nonetheless, in such circumstances the cost of shipping to the customer will be a factor in determining whether to purchase from us or from a competitor offering an overall lower cost. Thus, changes in the costs of transportation could negatively affect our profitability.

Risks Regarding Our Leasing Business

Our leasing activities, which primarily relate to financial accommodations to customers used to acquire equipment, including fixtures, and buildings (but not the real estate on which they are set) exposes us to credit risks due to possible defaults or nonperformance of our customers. We conduct our activities primarily through equipment leases. We are exposed to risks relating to the value of the underlying equipment and building that form the basis of our leasing transactions. Losses in and to that value, which could be caused by mismanagement of the assets, unexpected changes in its market value, poor financial performance of the lessee, fraud, misappropriation, or uninsured loss, could cause loss to us. If our security interests or leases were invalid or not fully enforceable, or if the cost of removal of the buildings from the real estate were too high, it could cause a material loss.

THE SPECIAL MEETING

Date, Time, Place and Purpose

This Disclosure Statement is being furnished to the Members in connection with the vote of Class A Members to be taken at a special meeting of the Members to be held at AGRI's principal office at 700 SE Dalbey Drive, Ankeny, Iowa, 50021, on March 30, 2007, beginning at 10:00 a.m. and at any adjournment thereof. This Disclosure Statement is being furnished to AGRI's Class B Member for their information only since Class B Members will not have a right to vote.

At the special meeting Class A Members will be asked to approve the Plan of Conversion that provides for AGRI to convert from a cooperative organized under

Chapter 499 of the Iowa Code to a business corporation organized under the Iowa Business Corporation Act. AGRI's Board of Directors has unanimously determined that the Conversion is in the best interest of AGRI and its Members. **Accordingly, AGRI's Board of Directors unanimously approved the Plan of Conversion and recommends that Members vote for the Conversion.**

As a part of the Plan of Conversion, Members will vote to liquidate AGRI following the Effective Date of the Conversion, appoint trustees to complete the liquidation and dissolution of AGRI, authorize the election of the members of the Board of Directors of AGRI Industries for staggered terms ending in 2008, 2009, and 2010, and amend AGRI's Articles of Incorporation to conform the way AGRI distributes its assets (Common Stock and Rights) in liquidation to the way it will distribute those asset pursuant to the Plan of Conversion.

Also at a special meeting AGRI's Members may be asked to consider and vote upon a motion submitted to a vote of the Members to adjourn or postpone the special meeting to another time and place for the purpose of soliciting additional ballots and the transaction of any other business incident to the conduct of the special meeting.

Eligibility to Vote

You have the right to vote on the Conversion and any other matters submitted for a vote at a special meeting if you were a Class A Member of AGRI as of the close of business on February 19, 2007, which our Board has established is the record date for the special meeting. If you are eligible to vote, you are entitled to one vote.

Required Vote

The affirmative vote of two-thirds of the Members voting at the meeting or by submitting a signed ballot at or prior to the meeting is required to adopt the amendment to AGRI's Articles of Incorporation.

A majority of the voting Members must vote on the Plan of Conversion either in person at the special meeting or by submitting a signed ballot at or prior to the special meeting, and the affirmative vote of two-thirds of the Members voting is necessary to approve the Plan of Conversion.

How to Vote

Signed ballots must be received before the final vote at the special meeting or any adjournment thereof in order to be counted. Your ballot should be marked with a vote either "FOR" or "AGAINST" the Conversion. Ballots which are not signed, not marked either "FOR" or "AGAINST' or are marked both "FOR" and "AGAINST" will not be counted as participating in the vote. A person can change his or her vote by filing a new ballot (only the last ballot will be counted). A new ballot may be requested by calling the inspectors of elections or AGRI's office. The telephone number at Gardiner Thomsen is 515-270-1446 or fax at 515-270-1881 or by email at daveg@gardinercpa.com. Your telephone call, fax or email should be directed to David Grandgenett.

If you wish to vote by mailed ballot, you should complete and sign your ballot which will be furnished to you by AGRI with the notice of the special meeting and return it by mail to Gardiner Thomsen, independent Certified Public Accountants, who will act as the inspectors of elections. The ballot may be mailed to Gardiner Thomsen, Attention: David Grandgenett, at their offices at 10555 New York Ave, Urbandale, Iowa 50322. To assure that your mailed ballot will be counted, Gardiner Thomsen must receive your executed ballot at their office before 5:00 p.m. on March 29, 2007. A stamped envelope is enclosed with your notice of the special meeting for your use.

Solicitation of Votes

Solicitation of votes by mail may be supplemented by telephone, telegram or other electronic means, and personal solicitation by the directors, officers or employees of AGRI. No additional compensation will be paid to the directors, officers or employees for such solicitations.

Informational Meetings

AGRI is holding informational meetings to allow Members to learn more about the Conversion and have an opportunity to ask questions prior to the special meeting. The informational meetings will be held as follows:

DATE	PLACE	TIME
February 27, 2007	Hotel Winneshiek Decorah, Iowa	12:00 Noon
February 28, 2007	Gateway Center Ames, Iowa	12:00 Noon
March 6, 2007	Holiday Inn Amana Colonies Williamsburg, Iowa	12:00 Noon
March 7, 2007	Cellar Restaurant Fort Dodge, Iowa	12:00 Noon

Members are welcome to attend any of these informational meetings.

PLAN OF CONVERSION

The material terms of the Plan of Conversion are described in this section. This description does not provide a complete description of all the terms and conditions of the Conversion. It is qualified in its entirety by the text of the Plan of Conversion, which is attached as Appendix A to this Disclosure Statement. We urge you to read all of the annexes in their entirety.

General

The Plan of Conversion provides for AGRI, a member-owned agricultural cooperative association organized under Chapter 499 of the Iowa Code, to convert to a stockholder owned Iowa Business Corporation, AGRI Industries, Inc. The Conversion will be accomplished by (i) the transfer of all of the assets of AGRI to its wholly-owned subsidiary, AGRI Industries, (ii) AGRI Industries' assumption of all of AGRI's liabilities, (iii) the transfer of Class A Common Stock and Rights to AGRI, and (iv) AGRI's distribution of the Class A Common Stock and Rights received to its Members in complete liquidation and dissolution of AGRI. Thus, at the Effective Date of the Conversion, (1) Members will cease to hold any interest in AGRI and will become the stockholders of AGRI Industries, and (2) AGRI Industries will own and conduct the businesses that AGRI conducted before the Conversion.

Valuation

Clifton Gunderson LLP has provided the Board of Directors with its valuation of our business operations as of August 31, 2006. Because our Grain Business is seasonal and because of the unusual volatility of the Grain Business during the 2007 Fiscal Year which we believe may distort the valuation of our Grain Business, we believe that it is difficult to fairly value our business operations on an interim date without risk of material distortion. Consequently, we have chosen to use the August 31, 2006 date for valuation for purposes of the Conversion.

In addition, we have determined with the assistance of Clifton Gunderson, the non-operating assets which we believe provide us with additional value. We have valued those assets as of a recent date and do not believe that valuation has or will fluctuate materially between now and the Effective Date of the Conversion.

Based on those valuations of our businesses and non-operating assets, we believe the fair value of the Members' equity is $32,150,000. That amount is approximately $9,326,000 more than the net worth of AGRI shown on its 2006 Audited Financial Statements and $23,610,000 more than the book value of the outstanding Memberships and AGRI Preferred shown on its 2006 Audited Financial Statements. The Members will receive Class A Common Stock based on this fair value of the Members' equity of $32,150,000.

What You Will Receive in the Conversion

Under the Plan of Conversion we currently estimate that we will distribute to AGRI's Members an aggregate of 3,215 shares of Class A Common Stock and Rights based on the valuation described above. Each Member of AGRI will receive one share of Class A Common Stock of AGRI Industries for its fully paid Membership. Each Subscriber that pays the balance of its subscription price prior to March 30, 2007, will receive a share of Class A Common Stock. Each holder of AGRI Preferred shares will receive one share of Class A Common Stock for each 100 shares of AGRI Preferred it owns and a fractional Right for any fractional share of Class A Common Stock it would receive.

Each Member will receive an additional distribution of Rights (including fractional Rights) based on its proportional share of AGRI Preferred it holds on the Effective Date (including AGRI Preferred which would have been issued in connection with the 2007 Fiscal Year Patronage Dividend).

Only whole shares of Class A Common Stock of AGRI Industries will be issued. Thus, the fractional Rights you receive under each of the formulae and in connection with the 2007 Fiscal Year Patronage Dividend will first be aggregated to determine if you would receive an additional share of Class A Common Stock and any excess fraction will be discharge for cash equal to the fraction of a Right times $10,000. The Member will be deemed to have received the Class A Common Stock and Rights on the Effective Date, but the actual number of shares of Class A Common Stock each Member will receive will not be determined until AGRI's audit for its 2007 Fiscal Year is complete. We will mail each Member its cash for any fractional share and a schedule setting forth the number of shares of Class A Common Stock the Member holds as soon as practicable after we receive AGRI's audit for the 2007 Fiscal Year. Cash received in lieu of a fractional share of Class A Common Stock shall be deemed to have been received for the fractional Rights in the following order of priority: (1) for fractional Rights for 2007 Fiscal Year Patronage Dividend; (2) for fractional Rights for AGRI Preferred, and (3) for fractional Rights for Patronage-Based Interests.

Patronage Dividends for Fiscal Year 2007

AGRI will pay a 2007 Fiscal Year Patronage Dividend on the patronage-source income earned during its 2007 Fiscal Year. AGRI will not allocate a patronage source loss, if one should be incurred, for the 2007 Fiscal Year. AGRI will pay 20 percent of the 2007 Fiscal Year Patronage Dividend in cash and the balance will be paid in Class A Common Stock of AGRI Industries. We intend that the 2007 Fiscal Year Patronage Dividend will be treated as a qualified patronage dividend pursuant to the payment of cash or qualified written notice of allocation. A Member will receive Rights for any amount which would result in the issuance of a fractional share of Class A Common Stock. The fractional Right will be aggregated with any other fractional Right the Member receives to determine whether the Member is entitled to an additional whole share of Class A Common Stock and any remaining fractional Right shall be discharge for cash equal to the fraction of a Right times $10,000.

Transfer Restrictions

The Articles and Bylaws of AGRI Industries provide restrictions on the ownership and transfer of Common Stock.

The Articles of Incorporation provide that before September 1, 2012, shares of Class A Common Stock may be transferred only to (a) AGRI Industries, (b) a farmer-owned cooperative, (c) a Class B Member on August 31, 2007, (d) employees of AGRI Industries, or (e) a pension/profit sharing stock bonus or other compensation plan maintained by AGRI Industries or by a member of a controlled group of corporations or trades or businesses of which AGRI Industries is a member. After September 1, 2012, Stockholders may transfer common shares to anyone.

AGRI Industries will not recognize the transfer of any shares of Common Stock until it has been informed of the price or valuation of the shares transferred.

At all times on or before September 1, 2012 a Stockholder must first offer its Common Stock to AGRI Industries before selling, assigning, transferring, donating or disposing of its shares to anyone except:

a. Common Stock may be transferred to any Class A Common Stockholder.

b. Common Stock may be transferred in connection with the sale of substantially all of the assets of a Class A Common Stockholder to a farmer-owned cooperative or in connection with a merger in which a farmer-owned cooperative is the surviving corporation;

c. Common Stock may be transferred to any transferee not otherwise approved as provided in (a) and (b), which transferee is approved in advance by the Board of Directors if the transferee is otherwise eligible in accordance with the Articles of Incorporation and Bylaws; and

d. Common Stock issued to any profit sharing plan or other plan for the benefit of employees of the Corporation or for the benefit of employees of a controlled group of corporations or trades or businesses of which the Corporation is a member shall be transferable as provided in such Plan.

If the Common Stockholder does not meet one of the exceptions set forth above, a Common Stockholder desiring to sell or transfer all or any part of its shares of Common Stock must first offer to sell all of its shares of Common Stock to AGRI Industries for the lowest purchase price per share the offering Stockholder would be willing to accept for its stock from any third party. AGRI may elect to purchase all, but not less than all, of such shares at any time within a period of sixty (60) days after the receipt of notice of the offer. If AGRI Industries elects to purchase the shares, the Stockholder will transfer the shares to AGRI Industries free and clear of all liens and encumbrances, and AGRI Industries will pay the purchase price in full in cash on a date specified by it not later than 90 days after receipt of the notice from the offering Stockholder.

If AGRI Industries does not purchase all of the shares offered to it, the offering Stockholder may proceed to sell any or all of its shares to any third party that is otherwise eligible (in accordance with the Articles of Incorporation and the Bylaws) to own such shares, but only at a purchase price per share no less than the purchase price at which it offered such shares to AGRI Industries.

The offering Shareholder must again offer to AGRI Industries any shares of Common Stock which it has not sold within ninety (90) days following the earlier of the expiration date of the sixty day purchase period described above, or the date of any notice of non-exercise of such option given by AGRI Industries.

Additionally, no transfers of Common Stock will be permitted if as a result of such transfer AGRI Industries would become subject to reporting requirements of the Securities Act of 1934 (a "Reporting Transfer"). Generally this last restriction would prohibit a transfer if as a result AGRI Industries would have more than 500 shareholders (As of the date of this Disclosure Statement, AGRI has 92 Members and Subscribers.).

Any purported Reporting Transfer shall be null and void. AGRI Industries has the right to purchase any shares with respect to which a Reporting Transfer has been attempted on the following terms:

a. Upon determining that an attempted transfer is a Reporting Transfer, AGRI Industries must give the Stockholder attempting the Reporting Transfer notice (i) that the attempted transfer is a Reporting Transfer, (ii) that such transfer is null and void, (iii) that if such Stockholder does not advise the Corporation that it has rescinded such attempted transfer within 60 days following the date AGRI Industries gave notice that the transfer is a Reporting Transfer, AGRI Industries will have the right to purchase the shares on the terms provided in Section 3.6 of Article VI of the Bylaws, and (iv) of the terms of Section 3.6 of Article VI of the Bylaws.

b. Within 60 days following the date on which AGRI Industries gave notice, the Stockholder may notify AGRI Industries that the Stockholder has rescinded the attempted transfer, in which case the Stockholder shall have the right to retain the shares as the full owner of the shares but subject to the restrictions on transfer set forth in the Articles of Incorporation and these Bylaws applicable to all Stockholders.

c. If the Stockholder fails to notify AGRI Industries that it has rescinded the attempted transfer within 60 days following the date on which AGRI Industries gave notice, then AGRI Industries shall have the right to purchase the shares from the Stockholder, effective as of the date of the attempted transfer.

d. If the Corporation exercises its right to purchase shares, the purchase price for such shares shall be equal to 30% of the book value of the shares as computed by AGRI Industries' certified public accounts on the basis of generally accepted accounting principles as of the date of AGRI Industries' most recent audited financial statements.

e. AGRI Industries may pay the Stockholder the purchase price for such shares in not more than five equal annual installments ending not more than five years after the date AGRI Industries first received notice of the attempted Reporting Transfer. AGRI Industries is not obligated to pay interest on the unpaid balance of the purchase price and the Stockholder is not entitled to any security for such payments other than the general credit of AGRI Industries.

f. If AGRI Industries does not elect to purchase shares, the Reporting Transfer is nonetheless, null and void, the Reporting Transfer will not be recognized by AGRI Industries for any purposes and the Stockholder attempting the Reporting Transfer shall be treated for all purposes as the true and beneficial owner of the shares.

AGRI Industries believes that the ongoing cost of being a reporting company under the Securities Exchange Act of 1934 is onerous. Consequently, AGRI Industries would like to assure that no Stockholder will knowingly attempt a Reporting Transfer in spite of the restrictions in the Articles of Incorporation and Bylaws. AGRI Industries would like to assure that if a Stockholder knowingly attempts a Reporting Transfer the consequences to the Stockholder may be severe and the benefit to AGRI Industries to deal with the problem will be significant.

Voting Restrictions

The Articles of Incorporation of AGRI Industries provide that if anyone becomes a holder of more than 5 percent of the outstanding shares of Class A Common Stock, the person will be entitled to one vote per share on the number of shares equal to 5 percent of the outstanding shares of Class A Common Stock and to 1/100th of a vote for all the shares in excess of 5 percent. A similar restriction applies to Class B Common Stock on those occasions when it has a statutory right to vote.

Background of the Conversion

Over the past several years and particularly in recent months our Board of Directors and senior management have carefully analyzed our business and structure. As a result of that analysis, it has become apparent that significant structural changes are necessary in order to continue to operate and expand our business in an appropriate manner and to provide value to our Members. After carefully exploring alternatives, the Board of Directors has determined that it is in the best interest of AGRI and its Members to cease operating on a cooperative basis and to begin operating as a business corporation. We expect the Conversion to discontinue operations on a cooperative basis and become a stockholder business corporation will afford our Members a greater opportunity to realize the true value of their investment in us.

Ultimately, AGRI's Board of Directors based its final decision to convert from a cooperative to a business corporation on a number of factors including those discussed below.

- The last two decades have seen a substantial consolidation among farmer-owned cooperatives that are Members of AGRI. That consolidation has occurred through mergers and acquisitions resulting in larger cooperatives that have significantly greater capabilities including direct market access. The ability of those cooperatives to then directly market grain has reduced their demand for the services traditionally provided by AGRI. Additionally, reducing demand for the export of corn and soybeans through Mississippi terminal points has substantially reduced the need of AGRI's Members for the services traditionally provided by AGRI. New forces in the grain market, such as local production of ethanol and other bio-fuels, may further erode the ability of AGRI to serve its Members through its access to traditional markets.
- In order to maintain our status as a cooperative under applicable law, we must conduct a substantial portion of our business with our Members. However, we are already conducting a significant amount of business with non-members or in businesses which are not patronage based (such as the food processing and packaging business of Mrs. Clark's). As the level of non-member business increases, our status as a cooperative could come into question.
- We cannot distribute earnings from our non-member business activities as patronage dividends. After the Conversion, we can decide whether to pay dividends from the profits of business activities to the stockholders based on their equity interest rather than their level of business done with AGRI Industries. This change will make it possible for existing Members to realize the benefits of the non-member business conducted by us.
- We believe the Conversion will enhance the value of the individual interests of our Members by converting such interests to stock which will have an investment value more directly related to our value as a business.

- We believe that the Conversion may improve the liquidity of your investment in us. Currently a Member cannot transfer its Membership interest. Because AGRI Preferred does not bear dividends and is redeemable at par there is little or no market for AGRI Preferred. After the Conversion, subject to a right of AGRI Industries to purchase a Stockholder's shares in certain cases, (i) before September 1, 2012, stockholders may transfer the shares of Common Stock to us, a farmer-owned cooperative, another Class A Common Stockholder, employees of AGRI Industries or certain employee compensation plans so long as the transfer would not cause us to become a reporting company under the Securities Act of 1934, and (ii) after September 1, 2012, a stockholder may transfer its shares of Common Stock to any one so long as the transfer would not cause us to become a reporting company under the Securities Act of 1934. Generally this last restriction under existing law would prohibit a transfer if it would result in the corporation having more than 500 shareholders. AGRI currently has 92 Members and Subscribers so it does not believe any transfers would cause it to become a reporting company until at least some time after August 31, 2012.
- While the Board of Directors does not currently foresee a public offering of additional shares of Common Stock to raise capital, restructuring as an Iowa business corporation will provide additional flexibility in the event we need to act in a timely fashion to meet capital requirements or emergencies.
- The Board of Directors has determined that the taxation of dividends (with the availability of the 70% dividends-received deduction to our Members) and the loss of patronage dividend deduction are acceptable given the expected benefits to both the business enterprise and our Members.

This is not intended to be an exhaustive discussion of factors considered by our Board of Directors and senior management, but we believe it includes the material factors they considered. In reaching its determination to approve and recommend the Conversion, the Board of Directors considered the above issues and factors collectively without quantifying or assigning a greater weight to any one factor.

Amendment of the AGRI Articles of Incorporation

AGRI proposes to amend its Articles of Incorporation to conform the provisions of Article XII regarding distributions on dissolution or liquidation with the proposed method of distributing Patronage Based Rights described in the Plan of Conversion and this Disclosure Statement. Only clause 4 of Article XII will change. Clause 4 now reads as follows:

> "4. Any remaining assets shall be proportionately distributed among the members and former members based upon the business done over a period of years determined by the Board of Directors to be practicable under the circumstances."

Pursuant to the Plan of Conversion, Clause 4 of Article XII would be amended to read as follows:

> "4. Any remaining assets shall be distributed among the members in proportion to the revolving fund and preferred stock issued in exchange for revolving fund which is held by each member at the effective date of liquidation or dissolution."

The remaining assets described in Section 4 of Articles XII as now written and as amended closely equal the amount of Rights that will be allocated as Patronage-Based Interests.

AGRI has paid inconsistent percentages of its patronage dividends over many years in cash and deferred patronage dividends in the form of AGRI Preferred, and as much as 100% of the patronage dividend was paid in cash in some years. Moreover, AGRI has allocated patronage losses to its Members for its 2001 Fiscal Year and its 1987 Fiscal Year. Because the 1987 Fiscal Year patronage loss allocation was substantially larger than the 2001 Fiscal Year loss allocation and because of the difference in financial condition of AGRI between 1987 and 2001, the two losses were not allocated in the same manner. Some of the AGRI Preferred dates from 1981 or earlier and is net to its holders after the allocation of patronage losses in 1987.

The Board of Directors believes that it is the deferred patronage which was kept in AGRI which has permitted AGRI to grow to a value in excess of the book value of the Memberships and AGRI Preferred, and that the Members who received cash got the immediate benefit of the cash patronage rather than contributing to the growth of AGRI. The holders of AGRI Preferred that was issued before 1987 provided an equity capital base that helped AGRI through some of its leanest times and suffered from the bad times by absorbing the loss allocated in 1987. The AGRI Preferred allocated since 1995 also provided an equity base that helped AGRI sustain its growth in recent years.

Consequently, the Board believes that an allocation based on total AGRI Preferred holdings at the time of liquidation and not on total allocated patronage most equitably allocates the Patronage Based Interest to the Members who created that interest.

AGRI has experienced a marked reduction in the number of Members over the many years which are represented by the outstanding AGRI Preferred. That reduction has resulted in part from the sale of former members to other cooperatives or non-cooperative businesses. It has also resulted from redemption of the Memberships held by former members who were no longer using AGRI's services.

Often the AGRI Preferred was transferred to another coop as a part of a merger, but it would be difficult or impossible to track the total patronage of a merged coop to another coop. In addition, some coops acquired AGRI Preferred by merger while others acquired it in an asset purchase. It would be both difficult to track the total patronage from the acquired coop to the acquiring coop and questionable as to whether the tracking should occur at all since not all rights and obligations of the acquired coop were necessarily transferred to the acquiring coop in the same way as they do in a statutory merger. Because of these difficulties related to tracking, the Board of Directors believes it is more practicable to allocate the Patronage Based Rights on the basis of AGRI

Preferred held by its Members at the time of liquidation than on the basis of total allocated patronage.

In addition, Section 499.48 of the Iowa Code (which governs AGRI's organization) provides that if a cooperative does not establish its own method of distributing assets, the remaining assets will be paid to each person in proportion to the total of each person's revolving fund, stock, or other equity interest in the cooperative and that revolving funds, and all other equity interests in the cooperative shall be treated equally based on their stated values. Thus, the proposed amendment to Article XII closely mirrors the default method of distribution contemplated by Chapter 499.

Because of the foregoing, the Board of Directors believes that the proposed allocation of Patronage Based Rights is fair and equitable, and can be done in a manner which can be followed by all Members. The method of allocation also closely matches the method of distribution in liquidation contemplated by the Iowa legislature in Section 499.48. **Consequently, the Board of Directors recommends that the proposed amendment to Article XII Section 4 be adopted by the Members.**

The proposed amendment will be adopted if 2/3 of the Members voting at the special meeting vote in favor of the proposed amendment. The voting requirement for adoption of the Plan of Conversion requires the affirmative vote of 2/3 of the voting Members at the special meeting in a vote in which a majority of all voting Members vote. Thus, it is possible that the Members may adopt the amendment even though they do not approve the Plan of Conversion.

Recommendation of AGRI Board of Directors

The Board of Directors believes that it is in the best interests of AGRI and its Members to restructure AGRI to cease operating on a cooperative basis and to become a business corporation as set forth in the Plan of Conversion. Accordingly, the Board of Directors has approved the Plan of Conversion. The Board of Directors recommends that Members vote "FOR" adoption of the proposal to convert AGRI as described herein. If the Conversion is not consummated for any reason, we intend to continue to operate our business in a cooperative form.

Interest of Certain Persons

In considering the recommendation of the AGRI Board of Directors to vote in favor of the Conversion, you should be aware that members of AGRI's Board of Directors have certain interests that may impact your decision.

Four members of the Board of Directors and the CEO of AGRI are members of farmer-owned cooperatives which are themselves active Members of AGRI. Two directors are managers of farmer-owned cooperatives which are themselves active Members of AGRI.

In the Conversion each Member related to an AGRI Director or the CEO will receive shares of Common Stock of AGRI Industries or cash based on the same formula that is applied to all Members. The Board of Directors selected the formula to be applied to all Members and determined that it believed the formula was fair. Nonetheless, a different formula may have created a greater or smaller proportion of Common Stock allocated to each Member, including the Members with whom each Director or the CEO is associated, than the formula selected.

Additionally, each Member related to an AGRI Director or the CEO will receive Class A Common Stock in exchange for their 2007 Fiscal Year Patronage Dividend on the same basis as all Members.

In accordance with the Plan of Conversion, each of the current Directors of AGRI will serve as a member of the Board of Directors of AGRI Industries. These individuals will receive the same compensation as a director as they now receive from AGRI. The compensation paid to directors is set forth under "MANAGEMENT".

Neither the compensation nor benefits of our employees will change as a result of the Conversion. We do not foresee a change in compensation or benefits for our employees, other than normal increases we believe are consistent with best business practices. The Board of Directors may study whether the use of stock options, restricted stock and stock bonus plans as a part of employee compensation would benefit AGRI Industries, since such plans will now be possible and have not been possible while AGRI has operated as a cooperative. Nonetheless, we have no intention to establish an employee stock ownership plan or similar plan for our employees now or in the foreseeable future. Thus, the Board of Directors does not currently foresee compensating any of our employees through stock options, stock bonuses, restrictive stock plans or similar stock programs.

Conditions to Completion of the Conversion

In order for us to complete the Conversion, the approvals and conditions set forth below among others must be obtained or satisfied.

Regulatory Approval

No regulatory approvals must be obtained in connection with the proposed Conversion. Certain filings with, but not approvals of, state and federal securities regulators are required to comply with federal and state securities laws.

Approval by Our Members

To complete the amendment to our Articles of Incorporation voting Members must approve the amendment by at least a two-thirds affirmative vote of the votes cast at the meeting. The Members may cast their vote by written ballot either at or prior to the special meeting.

To complete the Conversion, the voting Members must approve the Plan of Conversion by an affirmative vote of at least two-thirds of all votes cast on a vote at which at least a majority of the voting Members vote. The Members may cast their vote by written ballot either at or prior to the special meeting.

Each voting Member is entitled to one vote on the proposition to adopt the Plan of Conversion, including the amendment to the Articles of Incorporation. In order to deliver a valid vote and to be counted as participating in the vote, you must vote on an official ballot and either deliver it at the meeting or return it to the inspectors of elections not later than the day before the meeting in accordance with the instructions set forth in the notice of the meeting. The name and address of the inspectors of elections is Gardiner Thomsen, Attention: David Grandgenett, at their offices at 10555 New York Ave, Urbandale, Iowa 50322. All ballots must be received prior to the time the vote counting begins at the special meeting or any adjournment thereof in order to be counted. No other ballot or method of voting will be considered for purposes of this vote. Ballots which are not signed, not marked either "FOR" or "AGAINST' or are marked both "FOR" and "AGAINST" will not be counted as participating in the vote.

You are eligible to vote on the Conversion if you are a Subscriber or Member of AGRI as of the close of business on February 19, 2007.

Amendment or Withdrawal of the Plan of Conversion

Except for the proportion in which Members will receive Class A Common Stock in the Conversion and except for the amendment to AGRI's Articles of Incorporation set forth in Article X of the Plan of Conversion, the Board of Directors of AGRI, by a majority vote, at any time may modify and cause AGRI Industries to modify the terms and conditions of the Plan of Conversion.

AGRI's Board of Directors, in its sole discretion, is authorized to abandon the Plan of Conversion at any time prior to the Effective Date of the Conversion without further action or approval of the Members.

If the Members adopt the amendment to AGRI's Articles of Incorporation, the amendment will be filed and become effective when filed.

Distribution of AGRI Industries Stock and Cash for Fractional Shares

As soon as practicable after the completion of the Conversion, we will enter your ownership of Class A Common Stock on the records of AGRI Industries, and we will mail you a notice showing the number of shares you own and a check for any cash to which you are entitled in lieu of a fractional share. The shares of Class A Common Stock that you receive in the Conversion will be issued to you without stock certificates in book-entry form. You will not be able to request a stock certificate representing your shares.

Appraisal

Since the fair value of AGRI is very important in evaluating the proposed Conversion, we considered several recommended appraisal firms, then selected the firm of Clifton Gunderson, LLP. Clifton Gunderson is a regional firm of certified public accountants and consultants which has a group continually engaged in the appraisal of businesses for a variety of purposes. We have no prior relationship with Clifton Gunderson. Such firm was paid a fee which was not in any way dependent on the results of the appraisal. The total fee for Clifton Gunderson's appraisal is estimated to be between $23,500 and $28,500 dollars.

Clifton Gunderson's work was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants (AICPA). Their work does not constitute an audit in accordance with generally accepted auditing standards, an examination of internal controls, or any other attestation or review service in accordance with standards established by the AICPA. Accordingly, they do not express an opinion or any other form of assurance on our financial statements, any other financial or non-financial information, or operating controls and internal controls.

Clifton Gunderson has used its professional judgment to determine what records and documents it reviewed and relied on. Clifton Gunderson accepted financial information we provided to them at its face value. They assume no responsibility and make no representations with respect to the accuracy or completeness of information which we provided to them, and they provide no assurance that matters of significance to our financial condition or information have been identified.

AGRI chose to value its equity as of its 2006 Fiscal Year end, August 31, 2006, the date of its most recent audited financial statements. AGRI's Grain Business is seasonal and a valuation of that business based on an interim period rather than a year end could distort its value either positively or negatively. Mrs. Clark's and the leasing business provide relatively steady cash flow and operating results; we believe the current fair value of those assets can reasonably be evaluated on the basis on the 2006 Fiscal Year end results. AGRI is not aware of any unusual change in the operating results of any of its businesses which would cause it to believe a valuation based on 2006 Fiscal Year end would be materially different than a valuation based on a more recent date after taking into account the seasonal nature of its Grain Business. Clifton Gunderson concurred in the use of the 2006 Fiscal Year end for valuation based on the foregoing factors which AGRI brought to their attention.

Further, AGRI will allocate a 2007 Fiscal Year Patronage Dividend based on the patronage source income for the 2007 Fiscal Year which will partially take into account 2007 Fiscal Year performance and the business the Members have done during the 2007 Fiscal Year.

AGRI instructed Clifton Gunderson to appraise the fair value of the equity of AGRI and placed no limitations on the appraisal. Clifton Gunderson relied on other experts or sources of valuation with respect to certain real estate in forming its appraisal.

Through discussions with AGRI, Clifton Gunderson determined it was possible to estimate the fair value of several real estate properties owned by AGRI through indication of value such as capitalized rental income, listing price, historical purchase price and others. The remaining real estate properties were valued by an independent real estate appraiser, Ahrens Realty, Inc.

Clifton Gunderson has concluded its appraisal of the equity of AGRI and determined that, in its opinion, the fair value as of August 31, 2006 of the equity of AGRI was $32,150,000. This value is divided by $10,000.00 to establish the total number of Rights and shares of Common Stock of AGRI Industries to be issued in the Conversion. This value and the total number of Rights and shares of Common Stock established using it does not include any Common Stock which the Members will receive for their 2007 Fiscal Year Patronage Dividend.

Any Member may obtain a complete copy of the Clifton Gunderson appraisal report from AGRI at its office at 700 SE Dalbey Drive, Ankeny, Iowa, 50021, telephone: (515) 944-2267.

Statutory Appraisal Rights

Under Iowa corporate law, Members who oppose the Plan of Conversion will not have the statutory right to dissent from the transaction and demand the cash payment of the fair value of their shares in the transaction. Therefore, if the Plan of Conversion is approved and the Conversion is completed, a Member will have no statutory right to seek a separate appraisal of its existing Membership, AGRI Preferred and Patronage-Based Rights.

Accounting Treatment

We will account for the Conversion on our financial statements as a change in legal structure among entities under common control. Accordingly, we will not close our Fiscal Year for accounting purposes, we will record the value of the assets and liabilities transferred to AGRI Industries at their carrying amounts on the records of AGRI, and we will recognize no goodwill or other intangible assets in connection with the transaction. We will close the year on the Effective Date of Conversion. We will determine the 2007 Fiscal Year Patronage Dividend at the close of the 2007 Fiscal Year. No patronage will be earned or allocated from and after August 31, 2007.

SALES OF COMMON STOCK

Restrictions on Transfer

Sale of the Common Stock will be subject to significant restrictions on transfer.

The Articles of Incorporation of AGRI Industries provide that before September 1, 2012, shares of Class A Common Stock may be transferred only to (i) AGRI Industries, (ii) a farmer-owned cooperative, (iii) our employees, (iv) a pension/profit sharing stock bonus or other compensation plan maintained by AGRI Industries or by a member of a controlled group of corporations or trades or businesses of which AGRI Industries is a member, or (v) any Class B Member of AGRI on August 31, 2007. After August 31, 2012, Class A Common Stock may be transferred to any Person. The Articles of Incorporation of AGRI Industries provide that Class B Common Stock may be transferred to any person (No Class B Common Stock will be issued as part of the Conversion.).

Additionally, no transfers of Common Stock will be permitted if as a result of such transfer (a "Reporting Transfer") AGRI Industries would become subject to reporting requirements of the Securities Act of 1934. Generally a Reporting Transfer will occur if the transfer would result in the AGRI Industries having more than 500 shareholders (AGRI currently has approximately 92 Members so we do not believe any Reporting Transfer is likely to occur before August 31, 2012). A Stockholder who makes a Reporting Transfer and fails to rescind it is required, at the election of AGRI Industries, to sell the Class A Common Stock transferred in the Reporting Transfer to AGRI Industries for 30% of the book value of the shares as of AGRI Industries most recent audited financial statement.

The Bylaws of AGRI Industries also generally require a Common Stockholder desiring to sell any of its shares of Common Stock to first offer to sell all of its stock to AGRI Industries for the lowest purchase price per share of each class of Common Stock owned that the offering stockholder would be willing to accept for its stock from any third party except in the case of the following transfers:

a. A transfer to any Class A Common Stockholder;

b. A transfer in connection with the sale of substantially all of the assets of a Class A Common Stockholder to a farmer-owned cooperative or in connection with a merger in which a farmer-owned cooperative is the surviving corporation;

c. A transfer to any transferee other than as set forth in a and b, which transferee is approved in advance by the Board of Directors if the transferee is otherwise eligible in accordance with the Articles of Incorporation and these Bylaws; and

d. A transfer to any profit sharing plan or other plan for the benefit of employees of the Corporation or for the benefit of employees of a controlled group of corporations or trades or businesses of which the Corporation is a member shall be transferable as provided in such Plan.

If a Stockholder does not sell its shares within the earlier of 60 days after the date AGRI Industries declines to purchase the shares or 150 days after they are first offered to AGRI Industries, the Shareholder must again offer the shares to AGRI Industries before selling them to anyone else.

AGRI Industries will not recognize the transfer of any shares of Common Stock until it has been informed of the price or valuation of the shares transferred.

Voting Rights

If anyone becomes the beneficial owner of more than 5 percent of the outstanding shares of Class A Common Stock ("Excess Shares"), the person will be entitled to one vote per share on the number of shares equal to 5 percent of the outstanding shares of Class A Common Stock and to 1/100th of a vote for each of its Excess Shares. While it is not possible to determine whether any Member will hold Excess Shares until after the Effective Date, it is possible that one or more of the larger holders of AGRI Preferred will hold Excess Shares.

The Class B Common Stock (if any is ever issued after the Conversion) will generally not be entitled to vote except in special circumstances enumerated in the IBCA. If anyone becomes the beneficial owner of more than 5 percent of the outstanding shares of Class B Common Stock ("Excess Shares"), when the Class B Common Stock is entitled to vote, the person will be entitled to one vote per share on the number of shares equal to 5 percent of the outstanding shares of Class B Common Stock and to 1/100th of a vote for each of its Excess Shares.

Market for the Shares

There is no established public trading market for AGRI Industries Common Stock that will be issued in the Conversion, and we do not expect one to develop in the foreseeable future. As a result, you may have to hold your Common Stock for an indefinite period of time because you may not be able to readily resell your shares. Furthermore the restrictions on transfer will limit the number of potential buyers for the stock.

AGRI Industries will not make a market in the shares of Common Stock or assist in making such a market. AGRI Industries may maintain a list of its Common Stockholders who are interested in selling their Common Stock and may make that list available upon request. AGRI Industries will not generally make available a record of proposed or actual sales and it will use such information only for its own records or as it relates to tax requirements. AGRI Industries will not make any recommendations regarding the advisability of selling or purchasing Common Stock or the terms of the sale.

Securities Law Restrictions

Common Stock received in the Conversion may be resold only in transactions that are exempt from registration under state and federal securities laws or pursuant to further registration under federal and state securities laws. We do not intend to register any of our shares at any time in the foreseeable future. Since the shares will not be registered under federal securities laws or the securities laws of any state, each Stockholder must determine that any offer or sale it intends to make is exempt from registration under federal securities laws and the securities laws of the applicable state. It is the responsibility of each purchaser and seller of Common Stock to assure that the transaction is exempt and in full compliance with state and federal securities laws.

This document cannot be used in connection with subsequent sales of Common Stock of AGRI Industries received in the Conversion by a Stockholder.

EFFECT OF THE CONVERSION ON RIGHTS OF MEMBERS

At the special meeting, our voting Members will vote on the Plan of Conversion and the amendment to the AGRI Articles of Incorporation described in the Plan of Conversion. We, as AGRI, are organized as a cooperative association under Iowa Code Chapter 499. Following the Conversion, we, as AGRI Industries, the surviving corporation following the Conversion, will be a for profit corporation governed by the Iowa Business Corporation Act ("IBCA", Chapter 490 of the Iowa Code).

The following discussion describes certain significant differences between the rights of AGRI's Members under provisions of Chapter 499 of the Iowa Code relating to cooperatives as compared to the rights of AGRI Industries' Stockholders under provisions of the IBCA relating to for profit business corporations, including a discussion of certain differences between AGRI's current Articles of Incorporation and Bylaws and

AGRI Industries' proposed Articles of Incorporation and Bylaws. This summary is qualified in its entirety by the complete text of AGRI's Amended and Restated Articles of Incorporation and Amended and Restated Bylaws and AGRI Industries' Articles of Incorporation and Bylaws.

	AGRI <u>MEMBERSHIP</u>	AGRI Industries <u>STOCKHOLDERS</u>
Members vs. Stockholders	AGRI is owned by its Members. Under AGRI's Articles, a Class A Member must be a farmer-owned cooperative which handles or supplies agricultural products. Class B Members are any other Member. Only Class A Members have a right to vote.	AGRI Industries will be owned by its stockholders. Until September 1, 2012 Class A Common Stock may only be transferred to farmer-owned cooperative associations, other Class A Common Stockholders, AGRI Industries, employees of AGRI Industries or compensation plans maintained by AGRI Industries and certain affiliates. Class B Common Stock (if any is ever issued), and after August 31, 2012, Class A Common Stock may be owned by anyone. Except as otherwise provided in the IBCA, only Class A Common Stock has the right to vote
Failure to Patronize	AGRI's Articles provide that the Board may expel any Member who ceases to patronize AGRI or to do a minimum amount of business for a period of three years.	A Stockholder will not be required to patronize AGRI Industries.
Capitalization	AGRI has authorized 400 shares of Class A Common Stock, 50 shares of Class B Common Stock and 750,000 shares of Preferred Stock. AGRI has issued 89 Memberships and has an additional 3 Subscribers. AGRI has outstanding approximately 67,100 shares of Preferred Stock all of which represents deferred patronage	AGRI Industries will have authorized 100,000 shares each of Class A Common Stock and Class B Common Stock and 2 million shares of preferred stock. The Board of Directors will have complete discretion to issue and assign rights and preferences to the preferred stock, also referred to as "blank check" preferred stock. Assuming completion of the

	dividends of the Members.	Conversion on the terms described in this disclosure statement, AGRI Industries will have issued and outstanding 3,215 shares of Class A Common Stock (less fractional Shares) plus the shares of Class A Common Stock issued in part of the 2007 Fiscal Year Patronage Dividend.
Cooperative Status	AGRI operates as a cooperative.	AGRI Industries will operate as a business corporation and not as a cooperative
Transfer Restrictions	AGRI's Common Stock is not transferable. Preferred Stock may only be transferred with the approval of the Board of Directors	Until September 1, 2012, Class A Common Stock may only be transferred to farmer-owned cooperatives, other Class A Common Stockholders, AGRI Industries, employees of AGRI Industries, or compensation plans maintained by AGRI Industries and its affiliates. Both Class A and Class B Common Stock must be offered first to AGRI Industries before either can be sold to any outside parties by following the procedure set forth in the Bylaws of AGRI Industries. Preferred Stock will be subject to restrictions, if any, imposed by the Board of Directors at the time the stock is issued. A Stockholder who makes a Reporting Transfer and fails to rescind it is required, at the election of AGRI Industries to sell the Class A Common Stock transferred to AGRI Industries for 30% of the book value of the shares as of AGRI Industries most recent audited financial statement.
Voting Rights	AGRI has 88 Class A Members and 3 Subscribers to	Each share of Class A Common Stock represents one vote unless

	Class A Memberships, each with one Membership and one vote. AGRI has 1 Class B Member, with Class B Membership and no vote. Iowa law restricts cooperative members to one Membership and one vote each.	the beneficial owner holds more than 5% of the Class A Common Stock in which case the excess will be entitled to 1/100 of a vote for each excess share held. The number of votes of a Stockholder is determined by the number of shares beneficially owned by a Stockholder. Class B Common Stock has no vote except when a vote is provided by Iowa law in which case the Class B Common Stock has one vote unless the beneficial owner holds more than 5% of the Class B Common Stock in which case the excess will be entitled to 1/100 of a vote for each excess share held. Any series of preferred stock will have the voting rights as established by the Board of Directors for that series.
Quorum	On any ordinary matter being voted upon, a "quorum" is 30% of the voting Members, whether by ballot or in-person, properly voting on a matter.	On any matter being voted upon, a "quorum" is 30% of votes entitled to be cast.
Shareholder Action	A majority of the Members voting is sufficient to approve any ordinary action. Amendment of AGRI's Articles of Incorporation generally requires approval of two-thirds of the Members who cast votes. Extraordinary transactions, such as a merger or dissolution, require the approval of two-thirds of the Members casting votes in a vote in which at least a majority of the Members participate.	A majority of the shares voting is sufficient to approve any ordinary action. Extraordinary transactions, such as a merger or dissolution which are not approved by the Board of Directors, require 2/3 of all votes entitled to be cast. Shareholders action to amend the Bylaws or to dissolve require a majority of the outstanding Class A votes
Proxies	AGRI does not allow voting by proxy. All votes must be in	AGRI Industries will allow voting by proxy. Every holder of

	person or by written ballot.	shares of Common Stock entitled to vote may vote in person or by proxy.
Dividends and Distributions	Upon determining the amount of patronage earnings in a given year, the Board of Directors allocates those earnings, if any, to the Members in the form of patronage dividends and pays them either in cash or by a written notice of allocation in the form of AGRI Preferred. The Board of Directors has the sole discretion whether, and when, if ever, to redeem the outstanding AGRI Preferred.	AGRI Industries will not pay patronage dividends. AGRI Industries Board of Directors may, in their sole discretion, declare dividends to be paid on the Class A Common Stock and Class B Common Stock, or, if preferred stock were outstanding to the holders of preferred stock in accordance with its terms. Such dividends may be in the form of cash, AGRI Industries stock or such other form as the Board determines.
Composition of the Board of Directors	AGRI Board of Directors is made up of 6 members who are not over the age of 65 on the date of election. Four of the Directors are members of AGRI Members and 2 are managers of AGRI Members. AGRI's Bylaws provide that each director is elected from a district by a majority of the Members voting in a particular district. A Member is allowed to vote only for a member and a manager director in its district. Any director who ceases to be a member or manager in the district from which elected ceases to be a director.	AGRI Industries Board of Directors will initially be made up of 6 members. The Bylaws provide that directors will be subject to the same eligibility requirements as the directors of AGRI, except that there will be no director districts. The entire Board of Directors will be elected by all of our stockholders entitled to vote, voting in-person or by proxy and casting votes separately for each particular vacancy to be filled. There is no cumulative voting.
Staggered Board of Directors	Each director serves for a three-year term and the Board of Directors is a staggered. The Board of Directors is divided into three classes and each class is elected annually for a	The directors will serve three-year terms and the Board of Directors will be staggered. The Board of Directors is divided into three classes. One-third of the directors are elected at each

	three-year term.	annual meeting.
Removal of Directors	Any member may be removed by a majority vote of all of the Class A Members or a majority of the Class A Members in the District from which the director was elected. Any vacancy on the Board of Directors, other than by expiration of a term, may be filled by a majority vote of the directors then in office.	A majority of the Class A Votes may remove a director with or without cause at a meeting called for that purpose and after notice stating that one of the purposes is removal of the director. The Bylaws provide that any vacancy on the Board of Directors, other than by expiration of a term, may be filled by a majority vote of the directors then in office.
Standard of Conduct	Under Iowa law, a director is not personally liable in that capacity except for the amount of financial benefit received by the director to which he or she is not entitled, an intentional infliction of harm on the cooperative or its members or an intentional violation of criminal law	Under the IBCA, a director shall discharge his duties in good faith and in a manner the person reasonably believes to be in the best interests of AGRI Industries. The Articles of Incorporation provide that a director is not liable to AGRI Industries or its shareholders except for the amount of financial benefit received to which the director is not entitled, an intentional infliction of harm on AGRI Industries or its shareholders, making an unlawful distribution, or an intentional violation of criminal law.
Indemnification	Each director and officer is indemnified for all claims and liabilities incurred by acting in his or her capacity as a director or officer, or at the request of AGRI. AGRI is required to reimburse each director and officer for any attorney's fees. The Board of Directors may also authorize AGRI to indemnify any director or officer for any amounts paid in settlement or pending or	Each director and officer will be indemnified for all liabilities incurred by acting in his or her capacity as a director or officer, or at the request of AGRI Industries. AGRI Industries will be required to reimburse each director and officer for any attorney's fees. Each director and officer will be indemnified for any amounts paid in settlement or pending or threatened actions unless such director or officer

	threatened actions.	was adjudged liable and the court does not determine such director or officer is entitled to indemnification.
Right to Present New Business and Director Nominations	Two or more of the Class A Members have the right to submit a proposition to any meeting if it is submitted to the Secretary at least 30 days before the meeting. Nominations may only be made by the nominating committee for each district. A nominating committee must nominate at least 2 nominees for its district. Nominations may not be made at the meeting.	AGRI Industries Bylaws provide that a Stockholder shall have the right to submit any Stockholder proposal, if the Stockholder notifies the Secretary not later than 180 days after the date of the last annual meeting of (i) the business desired to be brought before the meeting including the wording of any resolution, (ii) the reasons for conducting such business (iii) any material interest the Stockholder has in such business, (iv) the name of the Stockholder giving the notice, and (v) the number of shares beneficially owned by such Stockholder. Class A Stockholders may propose nominees for any director position but nominations may only be made by the nominating committee. The nominating committee must nominate at least 2 nominees for each director vacancy to be filled at an annual meeting.
Right to Call Special Meetings	The Board of Directors may call a special meeting of the Members at any time. 20% of the Members may demand that the President call a special meeting.	The Board of Directors, any four or more Directors, the Chairman of the Board, the President or holders of not less than 25% of all of the votes entitled to be cast may call a special meeting of the Stockholders.
Amendment to the Articles of Incorporation	Any proposed amendment to the Articles of Incorporation must be approved by two-thirds of the voting Members who vote on the amendment.	Except for certain provisions related to dissolution and business combinations (which require a greater percentage vote of the Stockholders) or as

		specially required by law, any proposed amendment to the Articles of Incorporation must be approved by a majority of the Board of Directors and adopted by a majority of total Class A Votes outstanding. Notice must be given to all Stockholders whether or not entitled to vote. If any amendment or proposed amendment affects the rights of a particular class of stockholders of AGRI Industries, a majority of the holders of the affected class must also approve the amendment, whether or not the affected class is "voting" stock.
Amendments to the Bylaws	An amendment to the Bylaws may be adopted by an affirmative vote of 75% of the directors or by a vote of 75% of the Class A Members.	An amendment to the Bylaws may be adopted by the Board of Directors or by the affirmative vote of a majority of the Class A Votes outstanding.
Rights in the Event of Liquidation or Dissolution	In the event that AGRI dissolves or liquidates its assets, all debts and expenses of AGRI (other than outstanding patronage dividends) shall first be paid in full, then the remainder shall be distributed in the following order of priority: (a) To pay preferred stock (b) to pay any deferred patronage dividends (c) to pay Membership holders the amount for which their shares were originally issued, and (d) distributed among Members and former Members based on patronage over a period of years determined by the Board of Directors to be practicable under the circumstances. If the proposed amendment to the articles of incorporation is adopted (d)	In the event that AGRI Industries dissolves or liquidates its assets, the Board of Directors shall first pay or reasonably provide for all debts of and claims against AGRI Industries. Thereafter, after providing for the rights of any preferred stock, if any, the Common Stockholders have the right to receive the remaining net assets of AGRI Industries in proportion to their Common Stock holdings.

	will be changed and provide that the remainder in (d) will be distributed among the Members in proportion to the revolving fund and preferred stock issued in exchange for revolving fund which is held by each Member at the effective date of liquidation or dissolution.	
Business Combinations	Generally a merger of AGRI into another Coop or AGRI's sale of substantially all of its assets requires the approval of its Board of Directors and the affirmative vote of 2/3 of the Members voting in an election in which at least a majority of the voting Members vote.	The Articles of Incorporation require only the affirmative vote required by law to complete a Business Combination approved by the Board of Directors. A Business Combination which has not been approved by the Board of Directors requires the affirmative vote of 2/3 of the total Class A Votes in addition to any affirmative vote required by law, the Articles of Incorporation or the Bylaws. A Business Combination includes a merger, consolidation, share exchange, a disposition that will leave AGRI Industries without a significant continuing business activity, certain issuances or reclassifications of additional shares of Common Stock and liquidation.
Dissenters' Rights/Appraisal Rights	A Member who follows the proper procedure and dissents from a merger (but not the sale of substantially all of AGRI's assets) may receive in lieu of the merger consideration, the lesser of (i) the issue price of the Member's common and preferred stock and patronage dividends or (ii) the fair market value of the Member's share of the net assets of	A Stockholder who follows the proper procedure and dissents from certain mergers, share exchanges, sales of assets or modifications of the shareholders rights may receive the appraised fair value of its shares in lieu of the consideration to be received in the transaction.

	AGRI. The amount paid in cash is payable within 60 days and the balance is payable in ten equal annual installments over a 15 year period.	

MATERIAL FEDERAL INCOME TAX CONSEQUENCES

General

The following discussion summarizes material U.S. federal income tax consequences of the Conversion to AGRI Members. This discussion is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated under the Code, court decisions, published positions of the Internal Revenue Service and other applicable authorities, all as in effect on the date of this document. All of these are subject to change or differing interpretations, possibly with retroactive effect. No ruling has been or will be obtained from the Internal Revenue Service regarding any matter relating to the Conversion and no assurance can be given that the Internal Revenue Service will not assert, or that a court will not sustain a position contrary to any aspect of this discussion.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a Member in light of the Member's particular circumstances or to Members who may be subject to special treatment under U.S. federal income tax laws such as Members which acquired shares of AGRI Preferred in whole or part through the acquisition from another entity. Further, this discussion does not address any aspect of state, local or foreign taxation.

Members are urged to consult their own tax advisors as to the U.S. federal income tax consequences of the Plan of Conversion, as well as the effects of state, local and foreign tax laws in light of their own situations.

This discussion is limited to Members which hold a Membership (i.e., a share of AGRI Class A Common Stock or of AGRI Class B Common Stock), shares of AGRI's Preferred and Patronage Based Rights as capital assets for U.S. federal income tax purposes.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of a Membership, shares of AGRI Preferred and Patronage Based Rights, the tax treatment of a partner in that partnership will generally depend on the status of the partner and the activities of the partnership. Members that are partnerships and partners in such partnerships are urged to consult their tax advisors regarding the U.S. federal income tax consequences of owning and disposing of their interests in the Conversion.

Circular 230 Notice

To comply with requirement imposed by the Internal Revenue Service in Circular 230, we inform you that this summary of Material Federal Income Tax Consequences and other discussions of U.S. federal income tax matters in this Disclosure Statement is not intended or written to be used, and cannot be used for the purpose of avoiding penalties under the Internal Revenue Code. This summary and the other discussions of U.S. federal income tax matters were prepared to support the promotion or marketing of the Conversion. Members should seek advice based on their particular circumstances from an independent tax advisor.

Opinion of Counsel

In connection with the proposed Conversion, McDermott Will & Emery LLP has delivered an opinion to AGRI to the effect that, for U.S. federal income tax purposes, the Conversion will be treated as a "reorganization" within the meaning of Section 368(a) of the Code.

The opinion of McDermott Will & Emery LLP is based upon the U.S. federal income tax laws in effect as of the date of the opinion. Such laws are subject to change, possibly with retroactive effect. An opinion of counsel is not binding on the Internal Revenue Service or any court and is not a guaranty. No assurance can be given that the Internal Revenue Service will not assert, or that a court will not sustain a position contrary to any aspect of the opinion.

In rendering the opinion, McDermott Will & Emery LLP has relied upon certain assumptions, including assumptions regarding the absence of changes in facts and the completion of the Conversion in accordance with the Plan of Conversion and in the manner described in this document. The opinion also relies upon certain representations of the management of AGRI and assumes that the representations are true, correct and complete. If any assumptions or representations are inaccurate in any way, the opinion could be adversely affected. Any Member may review and obtain a copy of the opinion from AGRI by contacting Jerry Van Der Kamp at the AGRI offices.

Tax Consequences of the Conversion to Members

We intend for the Conversion to qualify as a "reorganization" pursuant to Section 368(a) of the Code. Assuming that the Conversion qualifies as a "reorganization" within the meaning of Section 368(a) of the Code, the exchange (i) by a Member of its existing Membership (i.e., its existing share of AGRI Class A or Class B Common Stock) for a share of Class A Common Stock, (ii) by a holder of its existing shares of AGRI Preferred Stock for shares of Class A Common Stock, and (iii) by a holder of Patronage Based Interests for Rights or shares of Class A Common Stock will generally be tax-free for U.S. federal income tax purposes.

Persons participating in a reorganization generally are required to recognize gain (but not loss) in an amount equal to the lesser of (a) the amount of cash or the value of other property received in the reorganization, and (b) the amount, if any, by which the sum of the fair market value, as of the effective date of the reorganization, of the shares of the stock and cash and other consideration received in the reorganization exceeds the stockholder's adjusted tax basis in his or her shares surrendered in the reorganization.

In the Conversion, holders of Class A and Class B Memberships and AGRI Preferred Stock are entitled to receive only shares of Class A Common Stock and Rights of AGRI-Industries. In the Conversion, holders of Patronage Based Interests are entitled to receive only shares of Class A Common Stock of AGRI-Industries and Rights, which are not treated as other property for this purpose. No cash or other property will be distributed in the Conversion except for cash in lieu of fractional shares.

A Member will generally acquire an aggregate tax basis in the Class A Common Stock and Rights received in the Conversion equal to the aggregate adjusted tax basis in the Member's AGRI Class A or Class B Common Stock and AGRI Preferred Stock surrendered in the Conversion. The holding period of the Class A Common Stock and Rights received pursuant to the Conversion will include the holding period of the Membership, AGRI Preferred Stock and Patronage Based Interests.

Basis generally will be determined separately for each class of securities held. The basis and holding period of a Member in its share of Class A or B Common Stock in AGRI will carryover to the share of Class A Common Stock of AGRI-Industries received in exchange for that share. The basis and holding period of a Member in its shares of AGRI Preferred Stock will carryover to the shares of Class A Common Stock received in exchange for the AGRI Preferred Stock. The basis and holding period of a Member in its Patronage Based Interests will carryover to the Rights and shares of Class A Common Stock received in exchange for the Patronage Based Interests.

Each Member will need to make its own basis and holding period determinations. Members are urged to consult with their own tax advisors. Members who purchased their share of Class A or Class B Common Stock from AGRI should have a basis in that share equal to what was paid, which generally was the par value. Members who received their shares of AGRI Preferred Stock as part of a patronage dividend from AGRI should generally have a basis in those shares equal to their stated dollar amount (par value). Members should generally have no basis in their Patronage Based Interests.

Any Member who receives cash in lieu of a fractional share of AGRI-Industries Class A Common Stock will be treated as having first received that fractional share pursuant to the Conversion and then as having received cash in exchange for that fractional share. Thus, a Member generally will recognize gain or loss in an amount equal to the difference between the amount of cash received in lieu of the fractional share of AGRI-Industries Class A Common Stock and the portion of the basis in AGRI Preferred Stock or Patronage Based Interest allocable to that fractional interest.

Backup Withholding

Backup withholding does not apply to a Member that is a corporation or is otherwise exempt from the backup withholding rules and that, when required, demonstrates that fact. Since all Members are corporations, a cash payment received by a Member pursuant to the Conversion should not be subject to "backup withholding" (at a rate of 28%).

DIVIDEND POLICY

We currently pay dividends to our Members based on their business done with AGRI rather than on their equity interests in AGRI. After the Effective Date of the Conversion, our status as a cooperative will terminate. A final patronage dividend will be declared and paid for the 2007 Fiscal Year, but no patronage dividends will be paid thereafter.

A regular dividend payable on a per share basis to holders of AGRI Industries Common Stock may be declared and paid at the discretion of the Board of Directors. The Board will determine the amount and timing of any dividends after it has had an opportunity to review the impact of the Conversion on our operations and our financial performance after the Conversion including the impact of corporate income taxes. The Board anticipates that it will be able to declare a dividend at least annually based on the past performance of the Company, but the Board cannot assure that dividends will be paid.

The amount of any dividend paid by AGRI Industries may be less than the amount paid as patronage dividends in the past since AGRI does not pay income tax on the amounts declared as patronage dividends, but AGRI Industries' dividends will be paid after payment of income taxes on its income. On the other hand, Stockholders will include in taxable income only the actual amount of dividends received. Further, Stockholders which are corporations (other than S corporations) are generally entitled to claim a 70% dividends-received deduction with respect to distributions from domestic corporations subject to U.S. tax, provided that the distributions are treated as dividends for federal income tax purposes.

INFORMATION REGARDING AGRI AND AGRI INDUSTRIES

We will continue to operate our existing businesses after the Conversion. The following discussion of the businesses, as it applies to AGRI operating as a cooperative is equally applicable to AGRI Industries after the Conversion, and vice versa.

General

AGRI engages in the business of purchasing, transporting, storing and selling grain ("Grain Business") and the business of food processing and packaging ("Food Business"). In addition, AGRI carries on a business of leasing equipment and buildings (but not the underlying real estate) to others ("Leasing Business") and has acquired real estate that is incidental to its operations. AGRI conducts its Grain Business through

AGRI-Bunge, a joint venture between AGRI and Bunge North America, Inc. ("Bunge"). AGRI conducts its food processing and packaging business through Mrs. Clark's Foods, LC ("Mrs. Clark's"), a wholly owned subsidiary of AGRI. AGRI's leasing activities are carried on through AGRI Financial Services, Inc. and its real estate activities are carried out either directly by itself, or through the following wholly-owned subsidiaries: Mrs. Clark's, Country Properties, LC and AGRI Terminal Corporation.

Grain Business

AGRI carries on its Grain Business through AGRI-Bunge, a joint venture between AGRI and Bunge. AGRI-Bunge originates grain from various points in its Iowa and Illinois market including AGRI's Members, transports grain (including oilseeds) by rail, barge or truck, may store the grain for periods of time and sells the grain to its customers. Most of the grain and oil seeds are purchased from local elevator companies with a portion of the purchases coming directly from farmers. AGRI-Bunge sells its grains to customers both in the United States and internationally. The purchasers of AGRI-Bunge's grains and oil seeds are feed manufacturers, corn millers, other oil seed processors and resellers.

The Grain Business experiences material seasonal fluctuations and the timing of these fluctuations may vary from year to year. In addition, price and margin variations and increased availability of grain and oil seeds at harvest times often cause fluctuations in our inventories and short-term borrowings.

AGRI-Bunge operates five river terminals. Four terminals are located on the Mississippi River and one on the Illinois River. Three of the terminals on the Mississippi River are owned by AGRI and are leased to AGRI-Bunge. The terminal on the Illinois River is leased by AGRI and subleased to AGRI-Bunge. The remaining terminal is owned by Bunge. AGRI's grain terminals are located at McGregor, Iowa, at Fulton, Illinois at Meeker's Landing near Burlington, Iowa and at Pekin, Illinois. Bunge's terminal is located at Albany, Illinois. AGRI-Bunge's business depends on a regular through-put of large volumes of grain and oil seeds originated by it and sold to its customers.

Some of AGRI-Bunge's domestic sales of corn and oil seed meal are used in the production of, for example, pork and poultry, which is ultimately exported. As a result, our Grain Business may benefit from global demand for the products of our customers.

AGRI-Bunge both competes with and may sell grain to ethanol refiners and grain processors. The added demand for grain by ethanol refiners and grain processors may benefit AGRI-Bunge's business because of the need of these users to originate grain in tight grain markets. On the other hand, many of these refiners and processors purchase grain directly from producers resulting in added pressure on AGRI-Bunge to compete for grain from the same sources which could result in lower margins and operating profits. To the extent the refiners and processors compete to use grain produced locally it could adversely affect AGRI-Bunge's business of purchasing grain in the Iowa and Illinois production area and transporting it outside of that area. Because of the rapid rise in the number of ethanol and bio-fuel plants located in the states of Iowa and Illinois in the last two years, it is not yet possible to predict the full impact that these facilities will have upon AGRI-Bunge's business.

Bunge provides the management, administration and trading functions for the grain business and all of the employees at AGRI-Bunge including its grain origination, marketing, storage and transportation activities, pursuant to services agreements between it and AGRI-Bunge. Consequently, AGRI-Bunge is heavily dependent on the expertise and attention given to it by Bunge and its employees.

AGRI has 50 percent of the voting power in AGRI-Bunge and currently has a 66 percent interest in the equity and earnings of AGRI-Bunge. The percentage of the equity and earnings is subject to review and adjustment each year. AGRI-Bunge purchases grain both from Members and non-members of AGRI. AGRI-Bunge accounts for the income from business done by Members. AGRI treats that business as patronage-source income and bases its patronage dividends to its Members in part on that income.

Oversight of AGRI-Bunge's activity is vested in its Board of Managers. Each of AGRI and Bunge has equal voting rights on the Board of Managers. Extraordinary action may be taken only with unanimous agreement of the members. Extraordinary matters include, for example: (a) certain capital expenditures or dispositions of assets in excess of $50,000; (b) merger, reorganization or dissolution of the company; (c) changes to the capital structure or membership of AGRI-Bunge; (d) investment of AGRI-Bunge in other businesses; and (e) taking action which is not in the ordinary course of AGRI-Bunge.

AGRI-Bunge commenced operations March 1, 2004. Prior to March 1, 2004, AGRI operated its Grain Business through AGRI Grain Marketing, LLC, ("AGM") a joint venture with Cargill, Incorporated. The joint venture operated utilizing the same AGRI facilities, which were leased to AGRI-Bunge but with different facilities owned by Cargill. The results of AGM's operations for the period during AGRI's 2005 Fiscal Year to the date of AGM's termination are reflected in the financial results of AGRI for its 2005 Fiscal Year and prior years.

The financial results of AGRI's Grain Business for Fiscal Years 2006, 2005, and 2004 are shown in the Notes to C--Financial Statements—Investments in Joint Ventures and in H--Lease Commitments—Position as Lessor in the Audited Financial Statements attached as Appendix F and G.

Competition

The Grain Business competes for grain sales based on price, services and ability to provide the desired quantity and quality of grains and based on the ability to originate grain in the Iowa and Illinois markets and sell that grain in other markets. AGRI-Bunge's grain trading operations compete with numerous grain merchandisers many of which are much larger and have more financial resources available to them than AGRI-Bunge. In addition, Bunge may indirectly compete with AGRI-Bunge outside of AGRI-Bunge's trade territory when it determines the source of grain to fill orders by its customers. Some of these organizations handle larger volumes than are handled by AGRI-Bunge.

In addition a number of processors and numerous bio-fuel processors that are either operational or that will soon be operational compete for grain originated in AGRI-Bunge's trade territory. Because the processors purchase and use grain locally, they compete with AGRI-Bunge for its supply of grain, and may significantly reduce the margin available from the difference between the price of grain in AGRI-Bunge's trade territory and the price it can receive from shipments outside of that territory.

Description of Property

All of the property owned by AGRI at Meeker's Landing is used in its Grain Business.

There are approximately 50 acres of land at the Fulton, Illinois site that is integral to the Grain Business, but that could be used for additional purposes compatible with the Grain Business. A part of that land has been used in the fertilizer activities which AGRI has conducted in the past. AGRI is actively looking for other uses of that land which are compatible with the Grain Business.

In addition to the property owned or leased by AGRI in McGregor, AGRI owns directly or through Country Properties, LLC land and houses which are not an integral part of that business but which were purchased to limit residential exposure to truck traffic at McGregor. To the extent these properties are not used directly in the Grain Business they have been separately valued, and that value has been included as a value of AGRI's assets in addition to the value of its businesses as going concerns.

AGRI or AGRI-Bunge also leases a staging area outside of McGregor from the city of McGregor that is owned by the State of Iowa expressly for the purpose of maintaining truck traffic outside of the city limits until time for unloading. The underlying leases have not been valued nor carried on the books of AGRI, but improvements are carried on the books of AGRI as capital assets.

Fertilizer Services

Prior to 2006, AGRI provided fertilizer storage and handling on a fee basis at Fulton, Illinois. During 2006, its Handling Agreement was terminated and AGRI is no longer in the business of providing fertilizer storage and handling except on a very limited basis incidental to the use of a portion of its storage facilities at Fulton, Illinois. The fertilizer river loading facility can no longer be used for that purpose without upgrading the facility.

Food Business

Overview

We operate our Food Business through our wholly-owned subsidiary Mrs. Clark's. Mrs. Clark's began operation in 1926 as a family-owned and operated business that manufactured salad dressings, mayonnaise and sauces under the Mrs. Clark's brand name. In 1973, Mrs. Clark's was sold to a Chicago investment group. The company's headquarters remained in Iowa and under new direction began to also produce private label salad dressings to local food chains and wholesalers. In the late 1980's Mrs. Clark's built a new facility in Ankeny, Iowa and, after the move to Ankeny, added fruit juices to the product line. In the 1990's, Mrs. Clark's again expanded its product base to include tomato-based sauces. At the same time Mrs. Clark's beefed up its sales efforts with more focused attention on the food service industry, commodities and co-packing in addition to retail sales. In 1995, AGRI purchased a controlling interest in Mrs. Clark's, and about two years later AGRI purchase the remaining interest in Mrs. Clark's to make it a wholly owned subsidiary of AGRI. Under AGRI's ownership an additional 60,000 square feet of warehouse space was added to the production facility, and Mrs. Clark's acquired an additional plant in Hendersonville, North Carolina that gave it the opportunity to serve customers with a national presence in the marketplace.

Our food products division consists of several business segments: 1) juices, 2) salad dressings and mayonnaise, 3) condiments and sauces and 4) services. We sell our products to three customer types or market channels: 1) food manufacturing and marketing companies, 2) wholesalers to retail outlets and 3) food service companies. The raw materials we use in our food products division include various food and further processed oils, juice concentrates, water and concentrated vegetable sauces and pastes, herbs, spices and other sweeteners. As these raw materials were agricultural commodities, we expect the supply to be adequate for our operational needs. Because our grain trade operations relate to the sale of commodity grain and not to the processing of that grain into oils and other food products, there are few synergies between our food products division and our grain trade operations.

Juices

Juices and teas are produced for different classes of customers including retail private label and both regional and national brands. Formulas are either supplied by Mrs. Clark's or by the customer. Juices are manufactured at both Ankeny, Iowa and Hendersonville, North Carolina. We produce product for both large and small customers in a variety of containers and shipping cartons.

Salad dressing, mayonnaise condiments and sauces

Mrs. Clark's at its Ankeny facility provides dressings, mayonnaise, condiments, and sauces to a variety of local and national private labels. Mrs. Clark's packs these products for retail, restaurants and food service providers. Mrs. Clark's produces its salad dressing and sauces either from formula which it has in its library, by conducting research to provide a dressing or sauce having the taste and characteristics desired by the customer (often creating a dressing or sauce under a private label which closely matches a national brand), or by producing dressings or sauces based on the formula provided by and to the specifications of the customer.

Services

Mrs. Clark's produces a variety of products using donated commodities that are channeled to school lunch programs in several Midwestern states. Mrs. Clark's has the ability to customize labels, packaging, and distribution to meet the needs of our diverse customer base.

Competitive Environment

While Mrs. Clark's markets throughout the United States and limited international markets, its primary market areas are the greater Midwest and the southeastern United States. The market is highly competitive. Nonetheless, Mrs. Clark's believes that it is and will continue to be able to effectively compete for small to medium run private label and co-packing business.

Mrs. Clark's ability to profitably conduct its operations is highly dependent upon the cost of ingredients, particularly juice concentrates and vegetable oils, and the cost of other inputs. Mrs. Clark's uses the futures market, short and long term contracts, and a network of committed suppliers to help manage cost variations of ingredients. Alternative uses for corn and soybeans as energy make the future price of ingredients derived from corn and soybeans uncertain. It is impossible to predict what affect higher prices of corn and soybeans may have on consumer demand and our profits. In addition, in some cases Mrs. Clark's packing activities use ingredients purchased by its customers, thus shifting the risk of price volatility to the customer.

In addition, Mrs. Clark's business is sensitive to changes in the cost of transporting products from production facilities to either warehouses or the consumer. Many of the Mrs. Clark's products are priced to the customer FOB Mrs. Clark's docks, thus transferring the risk of volatility in the freight costs to the customer. The cost of freight can be a two-edged sword for Mrs. Clark's since high freight charges make it more difficult for Mrs. Clark's to penetrate distant markets while it also serves as a buffer to prevent more distant plants from penetrating Mrs. Clark's nearby markets.

The food processing and packaging industry is highly competitive and many of our competitors have greater financial and marketing resources than Mrs. Clark's. In general, the competitive factors in our business include price, product quality, product development and customer service.

Regulatory Matters

Mrs. Clark's is subject to a variety of laws at both the state and federal level and in some cases in a limited number of countries where it sells its products. In addition to the general laws applicable to a business, these laws include environmental and safety regulations as well as food product safety regulations. In some jurisdictions, Mrs. Clark's products are subject to content and labeling requirements related to any genetically modified ingredients used in products. Mrs. Clark's must obtain and maintain numerous permits, licenses and approvals from these governmental agencies to be able to operate. In addition, Mrs. Clark's facilities are subject to periodic inspection by governmental agencies.

Financial Performance

The financial results of AGRI's Food Business for Fiscal Years 2006, 2005, and 2004 are shown in the Consolidating Balance Sheet and Consolidating Statements of Operations of the Audited Financial Statements attached as Appendix F and G.

Properties

Mrs. Clark's owns and AGRI and Mrs. Clark's use office and warehousing facilities for AGRI's principal office and Mrs. Clark's principal office in Ankeny, Iowa. The warehouse facilities are used by Mrs. Clark's. Mrs. Clark's owns property which is the site of its plant and operations at Ankeny, Iowa, and also a plant in Hendersonville, North Carolina.

Mrs. Clark's also owns additional improved and unimproved real estate adjacent to its plant at Ankeny, Iowa. The developed portion of the additional real estate is leased to two independent businesses. The property was purchase to protect Mrs. Clark's opportunity to expand at the location but is not integral to the food business or AGRI's business in general.

Leasing Business

AGRI Financial Services, Inc. conducts our leasing business. We lease selected equipment and buildings (but not the underlying real estate) to various lessees. The lease may be either capital or operating leases. We realize a profit or loss from each lease based on the cash flow from the lease and, in some cases, the residual value of the leased equipment. We target selected types of equipment, buildings and industries. We then lease the equipment and buildings to lessees that we believe will present a low risk of default and delinquent payments.

Our Leasing Business does not include the leases of AGRI elevator facilities to AGRI-Bunge.

The financial results of AGRI's Leasing Business for Fiscal Years 2006, 2005 and 2004 are shown in the Consolidated Balance Sheet and Consolidated Statement of Operation of the Audited Financial Statements attached as Appendix F and G.

Real Estate Activities; Properties and Locations

AGRI Industries has acquired either directly or through Country Properties, LC a number of residential and business properties near its facility in McGregor, Iowa. These properties were purchased to limit residential exposure to truck traffic at McGregor. Some of these properties are rented or operated as rental properties but that is not the main purpose in owning them. Because these properties are not integral to AGRI's Grain Business at McGregor, Iowa, they have been separately valued for purposes of determining the value of 100% of AGRI's equity.

AGRI owns terminal elevator facilities located on the Mississippi River at McGregor, Iowa and at Meeker's Landing near Burlington, Iowa. AGRI leases these facilities to AGRI-Bunge which uses them in its Grain Business and have been valued as part of the Grain Business.

AGRI Terminal Corporation owns the land which supplements the terminal elevator facilities located on the Mississippi River near Fulton, Illinois. AGRI leases the facility, but not the land owned by AGRI Terminal Corporation, to AGRI-Bunge which uses them in its Grain Business. AGRI is studying alternative uses for the vacant land which is a part of the Fulton facility and believes that land will have potential for various business uses which complement and are complemented by the terminal facilities at Fulton. Since AGRI does not believe that it would sell the supplemental land separately from the Grain Business at Fulton, Clifton Gunderson has valued it as a part of the Grain Business.

AGRI leases land on a long term basis at Pekin, Illinois and owns the railroad track and equipment on that property. That land provides loading access for grain onto barges onto the Illinois River. AGRI currently leases the Pekin facility to AGRI-Bunge so it can use the property when appropriate as a part of the Grain Business. Although AGRI believes the Pekin lease has potential value in excess of its rental rate and its value to AGRI-Bunge, that value has not materialized at this time. Consequently, Clifton Gunderson will value it based on the current leasehold asset related to the Grain Business.

AGRI owns real estate at Council Bluffs, Iowa which it is not currently using in its businesses. That property has been listed with a broker. AGRI obtained two broker evaluations before the property was listed. That property will be separately valued for purposes of determining the value of AGRI's equity. The valuation used will be based on the estimated sale price provided by the brokers.

Mrs. Clark's owns office space at the combined corporate headquarters of AGRI and Mrs. Clark's and warehouse at 700 SE Dalbey Drive, Ankeny, Iowa. Mrs. Clark's also owns a plant and operating offices adjacent to AGRI/Mrs. Clark's headquarters. These facilities will be valued as a part of Mrs. Clark's Food Business and AGRI's general business activities and not as separate real estate investments since they are integral to those business activities.

Mrs. Clark's owns additional improved and unimproved real estate adjacent to the headquarters and plant. The developed portion of that property is leased to two independent businesses. The property was purchased to protect Mrs. Clark's opportunity to expand at the location but is not integral to the Food Business or AGRI's business in general. The property was purchased during the 2006 Fiscal Year and will be valued at its purchase price for purposes of determining AGRI's equity value.

Mrs. Clark's also owns and operates a food processing and packaging facility at Hendersonville, North Carolina. All of the land at this location is considered an integral part of the Food Business activities and is included as a part of the Food Business.

Employees

As of January 1, 2007, AGRI Industries employed five employees, a CEO, a controller, and three additional key staff employees. AGRI staff is responsible for AGRI's activity and overseeing its day-to-day operations, its relationship with Mrs. Clark's, AGRI-Bunge, and the activities of AGRI Financial Services, Inc., AGRI Terminal Corporation and Country Properties, LC. Where appropriate, one or more of these individuals may also be an officer or manager of one of the afore-mentioned companies to provide management oversight of that Company.

Mrs. Clark's employs a full time work force and supervisory staff in both Ankeny, Iowa and Hendersonville, North Carolina to process and package food products. Mrs. Clark's administration employees are located at the headquarters at Ankeny, Iowa to provide, for example, the product development, financial control, and human resources, marketing and sales support required for the Food Business.

We believe our relationship with employees at all AGRI and subsidiary locations is good and we have not suffered any work stoppages or labor disputes. None of our employees operate under a collective bargaining agreement. None of our employees are subject to employment agreements, and we do not intend to enter into employment agreements in the foreseeable future.

AGRI-Bunge has no employees. All required functions of AGRI-Bunge are provided by Bunge through employees hired by Bunge pursuant to services agreements between Bunge and AGRI-Bunge. Bunge is compensated for those functions pursuant to those agreements.

Employee Retirement Benefit Plans

AGRI (but not Mrs. Clark's) formerly participated in The Non-Contributory Retirement Plan for Cooperatives, a defined benefit pension plan. That plan has been "frozen" so AGRI has no accrual for additional benefits since the date it was frozen. AGRI is, however, responsible for any deficit between the cost of accrued benefits and the value of the assets in the plan to fund those benefits.

AGRI (but not Mrs. Clark's) sponsors a 401(k) defined contribution plan. Under the terms of this plan, qualifying employees may elect to contribute a percentage of their compensation to the plan. AGRI and its subsidiaries partially matches such contributed compensation to the plan.

Mrs. Clark's sponsors a 401(k) defined contribution plan. Under the terms of this plan, qualifying employees of Mrs. Clark's and its subsidiaries may elect to contribute a percentage of their compensation to the plan. Mrs. Clark's and its subsidiaries partially matches such contributed compensation to the plan and may make discretionary contributions as determined by its Board of Directors.

AGRI Industries will assume AGRI's obligations under these plans as a part of the Conversion. For more information regarding the financial impact of these plans on us, see the footnotes to the Audited Financial Statements attached as Appendix F and G.

LEGAL PROCEEDINGS

The Company from time to time is involved in various legal matters considered normal in the course of business. It is AGRI's policy to accrue for amounts related to these matters if it is probable that a liability has been incurred and an amount can be reasonably estimated. Although the outcome of such matters cannot be predicted with certainty and no assurances can be given with respect to such matters, AGRI is not aware of any matters in which it is currently involved that would have a material adverse affect on its results of operations, liquidity or financial positions.

FINANCIAL INFORMATION

Our consolidated and consolidating financial information for 2006, 2005, and 2004 are contained in the Audited Financial Statements attached as Appendices F and G to this Disclosure Statement. In addition, Interim Condensed Financial Statements of

AGRI as of December 31, 2006 are furnished and attached as Appendix H. You are encouraged to read and study these financial statements in their entirety including the Notes. The Interim Condensed Financial Statements should be read together with AGRI's 2006 Audited Financial Statements and management's discussion of the changes and differences in the financial statements from August 31, 2006 to December 31, 2006 to provide a clearer interpretation of that document.

Since the dates of the Interim Condensed Financial Statements and the Audited Financial Statements, AGRI's Board of Directors has decided to redeem all of the AGRI Preferred held by non-Members. The result is a reduction in the amount of cash and AGRI Preferred and therefore the Total Members Equity by approximately $853,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition, results of operation and liquidity and capital structure for the years ended August 31, 2006 and 2005 and the interim period ending December 31, 2006. This section should be read together with our Audited Financial Statements and related notes included elsewhere in this Disclosure Statement. Some of the information contained in this discussion and analysis are set forth elsewhere in this Disclosure Statement and includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" section of this Disclosure Statement for discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this Disclosure Statement.

Overview

AGRI engages in the Grain Business of purchasing, transporting, storing and selling grain and the Food Business of food processing and packaging. In addition, AGRI has acquired real estate that is incidental to its operations and carries on a Leasing Business of leasing equipment and buildings to others. AGRI conducts its Grain Business through AGRI-Bunge, a joint venture between AGRI and Bunge. AGRI conducts its Food Business through Mrs. Clark's, a wholly owned subsidiary of AGRI. AGRI's Leasing Business is carried on through AGRI Financial Services, Inc. and its real estate activities are carried out either directly by itself, or through the following wholly-owned subsidiaries: Mrs. Clark's, Country Properties, LC and AGRI Terminal Corporation.

Recent Developments, Market Trends and Capital

AGRI Industries has historically done business with members and non-members, but over the past 15 years growth in revenues from non-member business has grown while revenues from member business have either been stagnant or decreased. This trend on the grain side of the business is linked to AGRI Industries asset base that is geared toward movement of member grain to export markets. As processing and feeding demand has grown dramatically the percent of Iowa grain destined for export markets thru AGRI Industries facilities has decreased significantly. AGRI Industries has also pursued value added enterprises by investing at another level in the food chain and has become a supplier to retailers, food service purveyors, and industrial users of juices, salad dressings, condiments and sauces. This combination of change will likely continue to generate more non-member revenues in the years ahead.

As a result of these shifts, AGRI wishes to provide its Members a direct source to recognize the benefits that are being derived from their investment in AGRI. It is not possible to provide these benefits directly when operating as a cooperative since the returns to Members are based solely on patronage source income and patronage dividends. By operating as the proposed business corporation, Members may be able to more effectively benefit from dividend income from both member and non-member derived revenues. Restrictions on the transfer of AGRI Industries stock as a cooperative will be eased (but not eliminated) as a result of this change and members will have a greater ability to sell their equity in the newly formed entity.

Results of Operations

Fiscal Year 2006 versus Fiscal Year 2005

For the Years Ended August 31

	2006	Change	2005
Total revenues	$65,559,679	2%	$64,003,335
Cost of sales and direct costs	60,429,056	1%	59,781,867
Gross margins	5,130,623	22%	4,221,468
Equity in net income of joint ventures	1,368,016	80%	759,581
Other operating costs	4,701,392	1%	4,675,115
Net operating income	1,797,247	487%	305,934
Net savings	$ 852,003	266%	$ 232,859

- Nearly all of AGRI's revenues are derived from Mrs. Clark's. Fiscal year 2006 revenues increased slightly due to increases in its product pricing structure and a trend toward higher food prices in the market.
- Gross margin improvement resulted from cost containment measures including close management of raw material inputs and manufacturing efficiencies.
- Equity in net income of joint ventures increased due to improved results at AGRI-Bunge. Higher grain volumes and margins and favorable freight positions caused the increase.

First Four Months of Fiscal Year 2007 (ending December 31, 2006) versus First Four Months of 2006 (ending December 31, 2005)

For the Four Months Ended December 31

	2006	Change	2005
Total revenues	$21,599,075	4%	$20,787,910
Cost of sales and direct costs	19,535,647	2%	19,226,691
Gross margins	2,063,428	32%	1,561,219
Equity in net (loss) income of joint ventures	(135,024)	(115%)	874,977
Other operating costs	1,667,004	6%	1,575,095
Net operating income	261,400	(70%)	861,101
Net savings	$ 6,669	(99%)	$ 601,815

- Revenues increased due to increased sales volumes and pricing structure at Mrs. Clark's.
- Gross margins improved due to increase in higher margin revenues and production efficiencies at Mrs. Clark's.
- Equity in net income of joint ventures decreased due to AGRI-Bunge's lower margins and lower carrying cost structure in the grain markets.

Our Audited Financial Statements, including the accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America applied on a consistent basis. The preparation of the Audited Financial Statements requires us to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. We evaluate these estimates and assumptions on an ongoing basis. We base these estimates on the information available to us at the time they are provided and on various other assumptions that we believe are reasonable under the circumstances. Actual results could vary materially from the estimates under different assumptions or conditions.

Critical Accounting Policies and Estimates

Our accounting policies that affect the more significant estimates and assumptions used in the preparation of our Audited Financial Statements are set forth in the Audited Financial Statements including the notes and supplemental information. You are encouraged to review these policies thoroughly and to ask any questions you may have regarding their content.

Our Interim Condensed Financial Statements as of December 31, 2006 sets forth our best estimate of the assets, liabilities and Members Equity as of that date. The balance sheet has been prepared applying the same accounting principles which were used to prepare our Audited Financial Statements except that adjustments which are normally made at year end have not been made.

No physical inventory was taken in connection with the preparation of the Interim Condensed Financial Statements and the Company has therefore relied on its book entries of inventory, work-in-process and sales to determine the inventory as of that date.

AGRI-Bunge's operations reflect not only seasonal swings as most of its facilities operate at reduced levels while their main source of transportation is closed during the winter months because of the river being closed to navigation, but also reflect a dynamic and volatile market driven by the expanded use of corn and soybeans to feed the rapidly developing energy markets in the Midwest. The Interim Condensed Financial Statements reflect a loss of approximately $135,000 in AGRI-Bunge through December 31, 2006. January will show an additional loss because of the circumstances disclosed herein. We optimistically believe that AGRI-Bunge will meet their budget projections and achieve another profitable year.

Pensions

AGRI and its wholly-owned subsidiaries (except for Mrs. Clark's) participate in The Noncontributory Retirement Plan for Cooperatives, a defined benefit plan, which has been frozen as described above. As of August 31, 2006, AGRI's benefit obligations exceeded the fair market value of the plan assets by approximately $54,000. That excess of obligations or fair market value of assets will have changed since August 31, 2006 but AGRI does not believe that change would be material.

An analysis of the assumptions used in connection with the employee benefit plans and the financial results related to those plans is set forth in Note I of the Audited Financial Statements. AGRI Industries will assume the obligation to continue all of these plans after the Conversion.

Grain Business

AGRI carries on its Grain Business through AGRI-Bunge, a joint venture between AGRI and Bunge. AGRI-Bunge originates from various points in its Iowa and Illinois market including AGRI's Members, transports grain (including oilseeds) by rail, barge or truck, may store the grain for short periods of time and sells the grain to its customers. Most of the grain and oil seeds are purchased from local elevator companies with a small part of the purchasers coming directly from farmers. AGRI-Bunge sells its grains to customers both in the United States and internationally through service agreements with Bunge. The purchasers of AGRI-Bunge's grains and oil seeds are feed manufacturers, corn millers, resellers and other oil seed processors.

AGRI has 50 percent of the voting power in AGRI-Bunge and currently has a 66 percent interest in the equity and earnings of AGRI-Bunge.

Summary financial information of the joint venture in AGRI-Bunge is as follows:

	For the Year Ended August 31, 2006	For the Year Ended August 31, 2005
Assets	$ 19,147,368	$ 27,108,538
Liabilities	15,189,667	25,223,589
Net Assets	$ 3,957,701	$ 1,884,949
Revenues	$ 397,414,331	$ 400,209,898
Net Income	$ 2,072,752	$ 1,150,880
AGRI's Interest:		
Equity in Net Assets – Beginning of Period	$ 1,164,067	$ 404,486
Share of Net Income	1,368,016	759,581
Equity in Net Assets – End of Period	$ 2,532,083	$ 1,164,067

***Highlights*:**

- Fiscal Year 2006 margins on grain carries improved and resulted in bottom line growth.
- Grain volumes increased, although the increase in volumes did not translate to increased revenues. Margins increased due to better receipts and carrying cost structure in the market, coupled with a favorable freight position in the May-August time frame.

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Food Business

AGRI's food services business is conducted through its subsidiary Mrs. Clark's Foods LC and subsidiary.

Summary financial information of Mrs. Clark's Foods LC and subsidiary is as follows:

	For the Year Ended August 31, 2006	For the Year Ended August 31, 2005
Assets	$ 23,863,842	$ 21,760,677
Liabilities	19,462,108	17,858,352
Net assets	$ 4,401,734	$ 3,902,325
Revenues	$ 64,851,214	$ 62,759,723
Cost of sales	60,044,414	58,939,862
Gross margin	4,806,800	3,819,861
Other operating expenses	3,584,652	3,009,115
Operating income	1,222,148	810,746
Net income	$ 487,673	$ 238,788

Highlights:

- Revenues increased due to increased sales volumes and pricing structure
- Gross margins improved due to increase in higher margin revenues and production efficiencies

MANAGEMENT

The officers and the Board of Directors of AGRI Industries immediately after the Conversion will be the same as the officers and Board of Directors of AGRI except that Jerry Van Der Kamp will become the President of AGRI Industries and not its Executive Vice President and Paul Voga will then be Chairman of the Board of AGRI Industries, but not its President.

The Board of Directors of AGRI Industries will consist of six Directors, four of whom will be members of farmer-owned cooperatives owning Class A Common Stock in AGRI Industries and two of whom will be managers of such farmer-owned cooperatives. The term for each AGRI Industries director will expire in the same year it would have expired if AGRI had continued to exist. In order to stagger the board with two directors elected each year, the term of Bruce Rohwer will end in 2009 rather than 2010. The authorized number of Directors may be changed to not less than 3 nor more than 15 by resolution of the Board of Directors.

The current AGRI officers and Directors of AGRI are set forth below:

Name	Year First Elected	Term Expires	Position
Paul Voga	1992	2010	President, Chairman of the Board, Executive Committee, and Director
Larry Petersen	2000	2009	Vice President & Vice Chairman, Executive Committee, and Director
Dean Markwardt	1999	2008	Secretary –Treasurer, Executive Committee, and Director
Susan Tronchetti	2002	2008	Director
Bruce Rohwer	2004	2009	Director
David Hemesath	2007	2010	Director
Jerry Van Der Kamp	Not applicable	Not applicable	Executive Vice President and Chief Executive Officer
Jeanne Von Arb	Not applicable	Not applicable	Controller

Paul Voga was first elected to the AGRI Board of Directors in January 1992, and has served as President and Chairman of the Board since 1994. He is also serving as a member of the board of managers of both AGRI-Bunge LLC and of Mrs. Clark's Foods, Inc., President of AGRI Terminal Corporation, AGRI Financial Services, Inc. and Country Properties, LC. In addition, Paul has served on the board of directors of the Heart of Iowa Cooperative in Roland. Paul farms 500 acres near Story City, Iowa, producing mainly corn and soybeans.

Larry Petersen was first elected to the AGRI Board of Directors in 2002. Larry is the manager of Heartland Coop in West Des Moines. Larry serves as AGRI's Vice President and Board Vice Chairman and is a member of the board of managers of AGRI-Bunge. He also is a director for Associated Benefits Corp, Agricultures Clean Water Alliance, and United Services Association. He is a former board member of the Iowa FFA Foundation Sponsoring Committee, Iowa Grain and Feed Association, Crop Production Network and the Avon Grain Co. He has a BS degree from Iowa State University and taught high school vocational agriculture for three years. Larry's earlier management history includes Rushmore Feed & Grain Co-op (Minnesota) 1978-81 as well as the predecessors of Heartland Co-op which included Panora Farmers Co-op 1981-87 and Heartland Co-op at Dallas Center 1987-93. He has been at Heartland Co-op in West Des Moines since 1993.

Dean Markwardt was first elected to the AGRI Board of Directors in 2002. He is currently the board secretary and serves as a member of the board of managers of Mrs.

Clark's. Dean farms 820 acres near Thornton, IA producing corn, soybeans and alfalfa. He is a graduate from North Iowa Area Community College in 1969 and from ISU in 1972. Dean served on the board of directors for North Iowa Cooperative of Thornton, IA (formerly Farmers Cooperative Co. of Thornton) for 14 years. Eight of those years, he served as Chairman of the Board.

Bruce Rohwer was first elected to the AGRI Board of Directors in 2004. Bruce is also a member of the board of managers of Mrs. Clark's. Bruce and his wife farm 1020 acres near Paullina, Iowa producing corn and soybeans. Bruce also owns and operates a 3,840 head hog finishing confinement. Bruce also owns and operates a Federal Crop/Hail Insurance Agency. He is a member of the Paullina Farmers Cooperative board of directors. He is currently serving on the Iowa Corn Growers Association's Political Action Committee. He is a former member of Extension and Kellogg Foundation's TLT program which fosters countywide community development.

Susan Tronchetti was first elected to the Board of Directors in 2002. Susan and her husband farm 1,400 acres in the Paton, IA area. Susan currently serves on the board of directors of West Central Cooperative and Home State Bank, Jefferson, Iowa. She is a graduate of ISU in Ag Business. She worked for nine years as a grain merchandiser at West Central Cooperative. She is also co-owner and manager of Tronchetti Pioneer Seed business and has been a certified crop advisor since 1999.

David Hemesath was first elected to the AGRI Industries Board of Directors in 2007. David is the general manager of the Farmers Cooperative Produce Company in Fort Atkinson, Iowa. David has been employed with Farmers Cooperative Produce Company since 1997 and has worked in the cooperative system for 27 years. He started out in sales and accounting and later became assistant manager. David received an Associate of Science degree from Northeast Iowa Community College in Ag Business. David currently holds a director position and is president of Livestock Nutrition Services. He previously has been on the Facility Planning Committee for the Turkey Valley Community School, and has been a Financial Secretary for the South Winn Country Club.

Jerry Van Der Kamp is the Executive Vice President and Chief Operating Officer of AGRI. Jerry is also a member of the board of managers of Mrs. Clark's, the Secretary/Treasurer of both AGRI Financial Services, Inc. and AGRI Terminal Corporation, and the Secretary of Country Properties, LC. Jerry was first employed by the company in 1970 until 1973 as Assistant Traffic Manager. Returning in 1979 Jerry has served in a number of positions including Director of Pricing, and Vice President of Transportation. He has been CEO since 1992. Jerry participated in most of the restructuring and repositioning of the company that has taken place beginning in the early 1980's.

Jeanne Von Arb joined AGRI in the fall of 2006 as its Corporate Controller. Prior to joining AGRI Industries Jeanne was the Chief Financial Officer of the Greater Des Moines Partnership, a non-profit membership organization serving the business interests of the greater Des Moines region. Jeanne also worked for Meredith Corporation managing its treasury operations area. She began her career as an auditor with KPMG

Peat Marwick in Des Moines. Jeanne holds a Bachelor of Arts degree in Accounting from The University of Northern Iowa.

The Bylaws of AGRI and AGRI Industries authorize our Board of Directors to fix the compensation for director services and to reimburse each director for expenses paid by them on account of attendance at any board or committee meeting. In accordance with the bylaws and board resolutions, the board has established a flat monthly compensation for each director that is not an officer of $834 per month. The flat monthly compensation for each officer-director is as follow: Chairman-$1250 per month, Vice Chairman-$834, and the Secretary-Treasurer-$1042. In addition each director receives in one-half day increments a per diem of $500 per day for days spent at meetings of the Board of Directors or attended at the request of the Board of Directors. The Executive Vice President is a full-time employee and as such does not receive any compensation other than his regular compensation as an employee. We also reimburse directors for expenses paid by them on account of attendance at meetings of the Board of Directors or meetings attended at the request of the Board of Directors.

The compensation of the officers and directors as well as the other employees of AGRI and Mrs. Clark's will not change as a result of the Conversion. While AGRI Industries Common Stock could be granted to employees of AGRI Industries, the Board of Directors does not plan to adopt a plan to grant any stock options or other rights to Common Stock in the foreseeable future.

DESCRIPTION OF CAPITAL STOCK AFTER RESTRUCTURING

AGRI Industries was formed on February 21, 2007. The following summary describes material provisions of AGRI Industries' Articles of Incorporation and Bylaws. You should read copies of these documents, which are included as Appendices to this Disclosure Statement.

Authorized Capital Stock

AGRI Industries' Articles of Incorporation authorizes 2,000,000 shares of preferred stock, $1000 par value, 100,000 shares of Class A Common Stock, no par value, and 100,000 shares of Class B Common Stock, no par value. The Plan of Conversion provides that 3215 shares of AGRI Industries Class A Common Stock will be issued to Members plus the shares of Class A Common Stock that will be issued in exchange as a part of the 2007 Fiscal Year Patronage Dividends of AGRI. These shares will constitute all of the issued and outstanding shares of AGRI Industries immediately after the Conversion. All of the shares of AGRI Industries Class A Common Stock to be distributed to Members in the Conversion will be fully paid and non-assessable. No shares of preferred stock have been issued.

Class A Common Stock and Rights

Class A Common Stock is entitled to vote on all matters coming before the Stockholders for decision. Class A Common Stockholders possess all voting power, except as otherwise required by law or provided in any resolution adopted by AGRI

Industries' Board of Directors with respect to any series of AGRI Industries' preferred stock. Stockholders have no cumulative voting rights.

Generally, AGRI Industries Stockholders will be entitled to one vote for each share on all matters voted on by Stockholders except a beneficial owner of shares of Class A Common Stock in excess of five percent (5%) of the issued and outstanding shares of Class A Common Stock ("Excess Shares") will be entitled to cast one hundredth (1/100) of one vote with respect to each such Excess Share.

Subject to the rights of the Preferred Stock, AGRI Industries Class A Common Stockholders will be entitled to such dividends as the Board of Directors may declare from time to time from funds available therefor and, upon liquidation, will be entitled to receive pro rata with the Class B Common Stock all of the assets of AGRI Industries available for distribution to the Common Stockholders.

In order for AGRI to wind up its affairs and liquidate as of the Effective Date, AGRI must distribute its shares and rights to shares of Class A Common Stock as of the Effective Date. Since the exact number of shares of Class A Common Stock each Member will receive cannot be determined until the 2007 Fiscal Year Patronage Dividend is determined, AGRI Industries will issue the Rights to Class A Common Stock contemplated in the Plan of Conversion and AGRI will distribute those Rights on the Effective Date to the Members. The Rights execute without further action of any party except determination of the 2007 Fiscal Year Patronage Dividend and its allocation among the Members. After the Class A Common Stock is transferred to the Members in accordance with their Rights, the Rights will expire. AGRI Industries has no intention in the foreseeable future to issue any other rights, warrants or similar devices entitling a person to receive shares of Class A Common Stock.

Class B Common Stock

Class B Common Stock is not be entitled to vote except as otherwise required by law. Except for voting, Class B Common Stock has the same rights as the Class A Common Stock. Thus, subject to the rights of the Preferred Stock, AGRI Industries Class B Common Stockholders will be entitled to participate on the same terms as the Class A Common Stock in such dividends as the Board of Directors may declare from time to time and, upon liquidation, will be entitled to receive pro rata with the Class A Common Stock all of the assets of AGRI Industries available for distribution to the Common Stockholders. AGRI Industries does not intend to issue any Class B Common Stock in the foreseeable future.

Preferred Stock

AGRI Industries' Articles of Incorporation authorizes the Board of Directors, without further stockholder approval (except as may be required by applicable law), to provide for the issuance of shares of preferred stock, in one or more classes or series, and to fix for each series the relative rights, preferences, qualifications and limitations, as stated in the resolution adopted by AGRI Industries Board of Directors providing for the issuance of such series and as are permitted by the Iowa Code. If AGRI Industries Board of Directors issues preferred stock, the rights and privileges of AGRI Industries Common

Stockholders could be made subject to the rights and privileges of the holders of preferred stock. AGRI Industries does not intend to issue any preferred stock in the foreseeable future.

No Preemptive Rights

No stockholder of any class of stock authorized at the distribution date will have any preemptive right to subscribe to any kind or class of AGRI Industries securities.

Number of Directors; Vacancies

AGRI Industries' Articles of Incorporation provide that the number of directors shall be no fewer than three and no more than fifteen, the precise number to be specified in the Bylaws. The Bylaws may also specify the qualifications of Directors. Directors are to be elected for staggered three-year terms. Directors are nominated for a particular director seat and a separate vote is taken to elect the director to fill each seat.

AGRI Industries' Bylaws provide for six directors who may not be over the age of 65 on the date of election. Four of the directors must be engaged in producing agricultural products and be members of a Class A Common Stockholder that is a farmer-owned cooperative and two of the directors must be managers of a Class A Common Stockholder that is a farmer-owned cooperative.

AGRI Industries' Bylaws also provide that a vacancy, which would include a vacancy created by an increase in the number of directors, may be filled by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, or by a sole remaining director or by the affirmative vote of the Class A Common Stockholders. A director elected to fill a vacancy is elected for the unexpired term of his or her predecessor in office.

Amendments to AGRI Industries' Articles of Incorporation

Generally, amendments to AGRI Industries' Articles of Incorporation must be approved by a majority of the Class A Votes entitled to be cast on the amendment except that some votes may require a vote by each voting group entitled to vote on the amendment (no separate voting group will exist unless there are shares of Class B Common Stock or preferred stock outstanding), and except for amendments to the Articles requiring a super-majority to act in the circumstances. These circumstances apply to provisions of the Articles governing certain business combinations and dissolution of the corporation.

Limitation of Liability and Indemnification

AGRI Industries' Articles of Incorporation and Iowa law limit the monetary liability of a director for any action taken, or any failure to take any action, as a director except for (1) the amount of a financial benefit received by a director to which the director is not entitled, (2) an intentional infliction of harm on the corporation or the shareholders, (3) certain distributions in violation of the Iowa Code to which the director assents, or (4) an intentional violation of criminal law. If the Iowa Business Corporation Act is hereafter amended to permit further limitation on or elimination of the personal liability of the directors, then a director will be exempt from such liability to the full extent permitted by the Iowa Business Corporation Act as so amended from time to time.

AGRI Industries' Bylaws authorize it to indemnify any of our present or former directors or officers by reason of the fact that he or she is or was serving at our request as a director, officer, or a like position of another corporation, partnership, joint venture, trust, or other enterprise to the full extent permitted by the Iowa Business Corporation Act.

Stockholders' Meetings

Under AGRI Industries' Bylaws, annual meetings of Stockholders are to be held at a date and time determined by our Board of Directors in the month of January each year. Special meetings of Stockholders may be called only by our Chairman, our Board of Directors, any four of more directors, or by holders of not less than 25% of all of the votes entitled to be cast.

Certain Anti-Takeover Matters

The AGRI Industries Articles of Incorporation and Bylaws include a number of provisions that we believe may have the effect of encouraging persons considering unsolicited tender offers or other takeover proposals to negotiate with our Board of Directors rather than pursue non-negotiated takeover attempts. The following is a summary description of these provisions, and we refer you to AGRI Industries' Articles of Incorporation and Bylaws for more information since their terms affect your rights as a Stockholder. The anti-takeover provisions include:

Voting Rights

If a person shall become, the beneficial owner of shares of Class A Common Stock in excess of five percent (5%) of the issued and outstanding shares of Class A Common Stock, the number of shares beneficially owned by such person in excess of five percent (5%) shall be deemed to be "Excess Shares," and each such Excess Share shall be entitled to cast one hundredth (1/100) of one vote per share on each matter voted on at a Stockholders' meeting, for so long as the shares are Excess Shares.

This limitation on voting rights makes it very difficult for a person to gain voting control of the corporation through the acquisition of shares of Class A Common Stock alone.

Classification of the Board

AGRI Industries' Board of Directors is divided into three classes, each of which consists, as nearly as may be possible, of one-third of the total number of directors constituting the entire board. After the Conversion, the Board of Directors will initially consist of six members. Each class of directors serves a three-year term. At each annual meeting of AGRI Industries' Stockholders, successors to the class of directors whose term expires at the annual meeting are elected for three-year terms. AGRI Industries' Bylaws prohibit cumulative voting. In general, in the absence of cumulative voting, persons who hold a majority of the Class A Votes can elect all of the directors who are subject to election at any meeting of Stockholders.

The classification of directors could have the effect of making it more difficult for Stockholders, including those holding a majority of the Class A Votes, to force an immediate change in the composition of our board. Two stockholder meetings, instead of one, generally will be required to effect a change in the control of the board. We believe that the longer time required to elect a majority of a classified board will help to ensure the continuity and stability of our management and policies since a majority of the directors at any given time will have had prior experience as our directors.

Stockholder Proposals and Director Nominations

In order to properly submit a Stockholder proposal, a Class A Common Stockholder must submit a notice to our principal executive office not later than 180 days after the date of the last annual meeting of stockholders. Such Stockholder's notice addressed to the Secretary of the Corporation must set forth: (a) a brief description of the business desired to be brought before the annual meeting including the wording of any resolution that the Stockholder proposes to be adopted at the meeting, (b) the reasons for conducting such business at the annual meeting, and any material interest in such business of such Stockholder and the beneficial owner, if any, on whose behalf the proposal is made, (c) the name and address of the Stockholder giving the notice and of the beneficial owner, if any, on whose behalf the proposal is made; and (d) the class and number of shares of the Corporation that are beneficially owned and of record by such Stockholder and such beneficial owner.

Unless the Board of Directors by resolution sets different dates, not later than October 15 of each year, the Chairman of the Board of Directors will appoint a four (4) member nominating committee to submit the names of nominees for directors to be elected at such meeting. Any Class A Common Stockholder may propose candidates for each vacancy to the nominating committee. The nominating committee will select at least two (2) qualified nominees for each vacancy and shall specify the nominees for each particular vacancy (and not nominate a slate from which all vacancies will be filled). The nominating committee will certify the nominees to the President and Secretary of the Corporation not later than December 1 of each year. The notice of the annual meeting will set forth the names and addresses of the nominees selected for each vacancy by the nominating committee. Nominations for directors may not be made from the floor at any meeting of the Stockholders. The nominating committee is instructed to take into account, among other things, the geographic distribution, and business activity of the various Class A Common Stockholders to nominate individuals that will result in representation of a cross-section of the Class A Common Stockholders on the Board of Directors.

Special Meetings

Our Bylaws provide that a special meeting of the Stockholders may be called by the President, Chairman of the Board, the Board of Directors, any four Directors, or holders of not less than 25% of the votes entitled to vote at the meeting.

EXPERTS

The Audited Financial Statements have been included herein in reliance upon the reports of McGowen, Hurst, Clark & Smith P.C., 1601 West Lakes Parkway, West Des Moines, IA 50266, an independent registered public accounting firm, and given upon the authority of said firm as experts in accounting and auditing. The value of the Business and assistance in determining which real estate to value separately from the business was based upon the appraisal of and consultation with Clifton Gunderson LLP, 2700 Westown Parkway, Suite 400, West Des Moines, IA 50266-1411.

LEGAL MATTERS

The validity of the Class A Common Stock and Rights to be issued in connection with the Conversion will be passed upon by Ahlers & Cooney, P.C., 100 Court Avenue, Suite 600, Des Moines, Iowa, 50309. An opinion regarding the tax matters described in "Material Federal Income Tax Consequences" will be issued by McDermott Will & Emery LLP, 227 West Monroe Street, Chicago, Illinois, 60606-5096.

WHERE YOU CAN FIND MORE INFORMATION

The Company has not filed any annual, quarterly or current reports with the SEC and will not file any after the Conversion. You may contact Jerry Van Der Kamp at 700 SE Dalbey Drive, Ankeny, Iowa 50021, telephone (515) 944-2267 for further information.

You should rely only on the information contained in this document to vote on the Conversion. We have not authorized anyone to provide you with information that is different from what is contained in this document. This document is dated February 21, 2007. You should not assume that the information contained in this document is accurate as of any other date, and neither the mailing of this document to stockholders nor the issuance of common stock in the Conversion shall create any implication to the contrary.

DEFINITIONS

"AGRI" means American Grain and Related Industries (a Farmer-owned Cooperative), an Iowa cooperative association organized under Chapter 499 of the Iowa Code.

"AGRI-Bunge" refers to AGRI-Bunge, LLC, a joint venture between AGRI and Bunge North America, Inc.

"AGRI Industries" means AGRI Industries, Inc., an Iowa Corporation organized under Chapter 490 of the Iowa Code and the successor to AGRI.

"AGRI Preferred" means AGRI's preferred stock par value $100 per share.

"Audited Financial Statements" mean the AGRI Financial Statements and Auditor's Report, August 31, 2006 and 2005 which are attached hereto as Appendix F and the AGRI Financial Statements and Auditor's Report, August 31, 2005 and 2004 which are attached hereto as Appendix G.

"Bunge" means Bunge North America, Inc., a New York corporation, and AGRI's joint venture partner in AGRI-Bunge.

"Class A Common Stock" means the Class A Common Stock authorized by the Articles of Incorporation of AGRI Industries.

"Class A Member" and "Class B Member" refers to a Member holding the designated Class of Membership.

"Class A Membership" and "Class B Membership" means the Class A Common Stock and Class B Common Stock respectively of AGRI.

"Class A Vote" means the vote associated with the shares of Class A Common Stock at any given time, computed after taking into account whether any shares have 1/100th of a vote because they are Excess Shares.

"Common Stock" means the Class A Common Stock and Class B Common Stock of AGRI Industries.

"Conversion" or "conversion" means the restructuring of AGRI from a cooperative association to a business corporation pursuant to the Plan of Conversion.

"Disclosure Statement" means this Notice and Disclosure Statement re: the Plan of Conversion and Special Meeting.

"Effective Date" means the date on which AGRI completes the Conversion by distributing the Common Stock and Rights to its Members in complete liquidation. The Plan of Conversion anticipates that the Effective Date will be the close of business August 31, 2007.

"Excess Shares" means the number of shares of Common Stock of a Class beneficially owned by a person in excess of five percent of the issued and outstanding shares of either Class A or Class B Common Stock as the case may be.

"Fiscal Year" refers to the fiscal year of AGRI ending August 31 of the year referenced.

"Food Business" means the food processing and packing business operated by Mrs. Clark's.

"Grain Business" means the grain and oilseed merchandising business operated by AGRI-Bunge.

"IBCA" means the Iowa Business Corporation Act, Chapter 490 of the Iowa Code.

"Interim Condensed Financial Statements" means the interim Condensed Financial Statements of AGRI as of December 31, 2006 which is attached as Appendix H.

"Iowa Code" means of the Code of Iowa (2005) as amended to the date of this Disclosure Statement.

"Leasing Business" means the equipment and building leasing business operated by AGRI Financial Services, Inc.

"Member" means a Class A Member or Class B Member of AGRI.

"Membership" refers to both the Class A Membership and the Class B Membership.

"Membership Interests" means the Membership, AGRI Preferred and Patronage Based Interests in AGRI.

"Mrs. Clark's" refers to Mrs. Clark's Foods, LC , a wholly owned subsidiary of AGRI.

"Patronage-Based Interests" shall mean the Patronage-Based Interests described in Article IV of this Plan of Conversion. "Patronage Based Interests" includes (i) the rights of Members to the excess of the fair value of AGRI's assets over the book value of members' equity in AGRI (represented by the book value of the Membership and AGRI Preferred of the Members), and (ii) the rights of Members and former Members to any patronage-based distributions attributable to business done.

"Plan of Conversion" means the Plan of Conversion between AGRI and AGRI Industries dated as of the 21st day of February, 2007 that is attached as Appendix A.

"Reporting Transfer" means a transfer of Common Stock which would result in AGRI Industries becoming subject to the reporting requirements of the Securities Act of 1934, as amended from time to time.

"Right" means the right to receive one share of Class A Common Stock as of the Effective Date in accordance with this Plan of Conversion.

"Stockholder" means a Common Stockholder of AGRI Industries. Class A Stockholder refers to a holder of Class A Common Stock of AGRI Industries.

"Subscriber" means a person that has subscribed for a Class A Membership and made a part payment on the purchase price for such Membership as established by AGRI but has not yet fully paid the subscription price for its Membership.

"Transaction" means the transfer of AGRI assets to AGRI Industries for Class A Common Stock and Rights of AGRI Industries and assumption of AGRI's liabilities and the liquidation of AGRI as contemplated in the Plan of Conversion. The Transaction does not include the Class A Common Stock to be issued to the Members with respect to their 2007 Fiscal Year patronage earned.

"Total AGRI Industries Equities" means the total number of Rights and shares of Class A Common Stock to be issued in the Transaction.

"2006 Audited Financial Statements" mean the AGRI Financial Statements and Auditors Report, August 31, 2006 and 2005 which are attached hereto as Appendix F.

"2007 Fiscal Year" means the fiscal year of AGRI ending August 31, 2007.

"2007 Fiscal Year Patronage Dividend" means the patronage dividend the Board of Directors of AGRI shall declare with respect to the income (but not a loss) from business done by AGRI Members during the 2007 Fiscal Year.

APPENDICES

AGRI INDUSTRIES
PLAN OF CONVERSION

American Grain and Related Industries (a Farmer-owned Cooperative) ("AGRI") and AGRI Industries, Inc.("AGRI Industries") hereby enter into this agreement and plan of conversion ("Plan of Conversion") as of the 21st day of February, 2007. AGRI and AGRI Industries hereby agree as follows:

ARTICLE I

PURPOSE

AGRI is organized pursuant to Chapter 499 of the Code of the State of Iowa (2005) ("Iowa Code") and is doing business on a cooperative basis. AGRI Industries is a corporation organized under the Iowa Business Corporation Act (Chapter 490 of the Iowa Code) and is a wholly controlled subsidiary of AGRI. As of the Effective Date stated herein, AGRI wishes to transfer its assets to AGRI Industries by exchanging its assets for Class A Common Stock and Rights of AGRI Industries and assumption of AGRI's liabilities. AGRI will then distribute the stock of AGRI Industries in liquidation (the "Transaction"). Upon the Effective Date of the Transaction, AGRI will cease to operate and all ownership rights and interests of its Members shall be converted into Class A Common Stock and Rights to Class A Common Stock of AGRI Industries, as set forth in this Plan of Conversion. From and after the Effective Date, AGRI Industries will operate as a business corporation and not as a cooperative.

AGRI and AGRI Industries intend that the exchange of AGRI's assets for Class A Common Stock and Rights of AGRI Industries and the distribution of AGRI Industries Class A Common Stock and Rights to AGRI's Members in complete liquidation and dissolution of AGRI be treated as a single integrated Transaction. AGRI and AGRI Industries intend that the Transaction be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

ARTICLE II

DEFINITIONS

As used in this Plan of Conversion:

a. "AGRI Preferred" means AGRI's Preferred Stock par value $100 per share.

b. "Class A Common Stock" means the Class A Common Stock authorized by the Articles of Incorporation of AGRI Industries.

c. "Class A Membership" and "Class B Membership" means the Class A Common Stock and Class B Common Stock respectively of AGRI.

d. "Effective Date" means the effective date described in Article VIII, Section 1.

e. "Member" means the holder of a Class A Membership or Class B Membership.

f.. "Membership" refers to both the Class A Membership and the Class B Membership.

g. "Patronage-Based Interests" shall mean the Patronage-Based Interests described in Article VI of this Plan of Conversion.

h. "Plan of Conversion" means this agreement and plan of conversion.

i. "Right" means the right to receive one share of Class A Common Stock as of the Effective Date in accordance with this Plan of Conversion.

j. "Transaction" means the transfer of AGRI assets to AGRI Industries for Class A Common Stock and Rights of AGRI Industries and assumption of AGRI's liabilities and the liquidation of AGRI as contemplated in this Plan of Conversion. The Transaction does not include the Class A Common Stock to be issued to the Members with respect to their 2007 Fiscal Year patronage earned.

k. "Total AGRI Industries Equities" means the total number of Class A Common Stock and Rights to be issued in the Transaction.

l. "2007 Fiscal Year" means the fiscal year of AGRI ending August 31, 2007.

m. "2007 Fiscal Year Patronage Dividend" means the patronage dividend the Board of Directors of AGRI shall declare with respect to business done by AGRI Members during the 2007 Fiscal Year.

ARTICLE III

PLAN OF EXCHANGE

Section 1. On or prior to the Effective Date, provided this Plan of Conversion is adopted by the Class A Members of AGRI as contemplated herein and in accordance with the requirements of Section 499.47 of the Iowa Code:

a. AGRI will transfer all of its assets to AGRI Industries as contemplated herein and AGRI Industries will assume all of the liabilities of AGRI whether known or unknown, contingent or otherwise.

b. In exchange for the assets of AGRI, in addition to assumption of AGRI's liabilities, AGRI Industries will transfer to AGRI the Total AGRI Industries Equity in accordance with Section 2 and 3 of this Article.

Section 2. The Number of shares of its Class A Common Stock and Rights which constitutes the Total AGRI Industries Equity shall be determined as follows:

a. The value of 100% of the equity of AGRI has been determined by appraisal to be $32,150,000. The value so determined shall be referred to herein as the "Appraised Value".

b. The Appraised Value shall be divided by ten thousand dollars ($10,000.00) to arrive at a number of shares of Class A Common Stock and Rights that AGRI Industries will issue to AGRI ("Total AGRI Industries Equity").

Section 3. AGRI Industries shall issue and transfer to AGRI the Total AGRI Industries Equity as Rights or Class A Common Stock determined as follows:

a. AGRI Industries shall issue the number of whole shares of Class A Common Stock that are required for AGRI to make the distributions described in Section 1, 2, and 3 of Article V.

b. AGRI Industries shall issue Rights to AGRI for the remainder of the Total AGRI Industries Equity.

ARTICLE IV

PLAN OF LIQUIDATION AND DISSOLUTION

Provided this Plan of Conversion is adopted by the Class A Members of AGRI as contemplated herein and in accordance with the requirements of Section 499.47 of the Iowa Code:

a. AGRI's Board of Directors will direct the accrual of the 2007 Patronage Dividend and AGRI Industries agrees to distribute the 2007 Patronage Dividend in accordance with Article VII of this Plan of Conversion.

b. As of the Effective Date, AGRI shall cease to operate as a going concern, wind up its affairs, liquidate its assets, arrange for payment of its debts and expenses in the manner provided herein, and thereafter dissolve. Such events shall occur as soon as the trustees appointed in accordance with Section 499.47 of the Iowa Code determine practicable. In particular, on the Effective Date, AGRI shall distribute the Class A Common Stock and the Rights which it holds to its Members in complete liquidation of AGRI's assets and in exchange for cancellation of the Members' Class A Memberships, Class B Membership, AGRI Preferred and Patronage-Based Interests as contemplated herein.

c. The Members appoint the following three representatives of their number as trustees to replace the officers and directors of AGRI and to wind up its affairs as contemplated in Section 499.47 of the Iowa Code:

Paul Voga
Larry Petersen
Susan Tronchetti

In the event any one or more of the 3 trustees named above shall cease to serve as trustee for any reason, the remaining trustee or trustees shall and are hereby granted the authority to name a trustee or trustees to fill each vacancy so created. The date fixed when the trustees as designated above shall replace the officers and directors and wind up the affairs of AGRI shall be the Effective Date (determined as provided in Article VIII).

ARTICLE V

DISTRIBUTIONS WITH RESPECT TO COMMON SHARES, AGRI PREFERRED SHARES, AND SUBSCRIPTIONS

Section 1. AGRI shall distribute to each Member one share of Class A Common Stock in exchange for its Membership.

Section 2. AGRI will distribute one share of Class A Common Stock to each Member in exchange for each 100 shares of AGRI Preferred held by such Member. AGRI shall distribute fractional Rights in lieu of Class A Common Stock to each Member equal to any fractional share of Class A Common Stock the Member would otherwise be entitled to receive pursuant to this Section.

Section 3. On or prior to the Effective Date, AGRI shall pay in full discharge of its Membership interest to any subscriber to either a Class A Membership or Class B Membership which has not fully paid the subscription price by the date the Members adopt this Plan of Conversion cash in the amount which has been paid or credited toward the Membership. The subscriber will not be treated as a Member for purposes of determining the Patronage-Based Interests of the Members provided for in this Plan. At any time on or prior to March 30, 2007, each subscriber to a share of either a Class A Membership or Class B Membership may fully pay the balance of the subscription price of its Membership and upon such payment, the subscriber shall receive, in exchange for its fully paid Membership and AGRI Preferred the shares of Class A Common Stock contemplated in Sections 1 and 2 of this Article and shall receive any Rights to which it may be entitled in exchange for its Patronage-Based Interest and any Class A Common Stock to which it may be entitled for its 2007 Fiscal Year Patronage Dividend.

Section 4. Fractional Rights may be distributed pursuant to this Plan of Conversion, but no fractional shares of Class A Common Stock shall be issued pursuant to this Plan of Conversion. Any fractional Rights received by a Member pursuant to this Article shall first be added to any fractional Rights received by the Member in exchange for its Patronage-Based Interests pursuant to Article VI and fractional rights received for its 2007 Fiscal Year Patronage Dividend. Such Member shall then be entitled to any whole number of shares of Class A Common Stock resulting therefrom. Any Member otherwise holding a fractional Right after the addition and exchange provided in this Section shall receive, in lieu of a fractional share of Class A Common Stock an amount in cash equal to $10,000 multiplied by the remaining fraction. The cash received in lieu of fractional share of Common Stock shall be deemed to have been received for the fractional Rights in the following order of priority: first for all or any part of a fractional Right received for the 2007 Fiscal Year Patronage Dividend, then for all or any part of a fractional right received for AGRI Preferred and last for all or any part of a fractional Right received for the Patronage-Based Interest.

ARTICLE VI

DISTRIBUTIONS CANCELLING PATRONAGE-BASED INTERESTS

Section 1. All of the Patronage-Based Interests of the Members and former Members

("Patronage-Based Interests") shall be cancelled, and AGRI shall distribute to each Member in exchange for its Patronage-Based Interest the Rights AGRI received in accordance with Article III Section 3 on the basis of the formula provided in this Article VI. Such cancellation and distribution shall be deemed to occur as of the Effective Date. Without limiting the generality of the foregoing, the Patronage-Based Interests so cancelled shall include, but not be limited to: (a) the rights of Members and former Members to any patronage-based distributions attributable to business done on or after the Effective Date, (b) all Patronage-Based Interests accruing for business done before the Effective Date, (c) all rights in and to AGRI's reserves and undistributed surplus, (d) any rights to share in the proceeds of liquidation on the basis of business done, and (e) all rights to share in the proceeds of liquidation in proportion to the total of each Member's revolving fund, stock, or other equity interest in AGRI.

Section 2. In exchange for each Member's Patronage-Based Interest, AGRI shall distribute the Rights to each Member in proportion to the number of shares of AGRI Preferred (including AGRI Preferred which would have been issued for the 2007 Fiscal Year Patronage Dividend) held by such Member as of the Effective Date compared to the total number of shares of AGRI Preferred (including AGRI Preferred which would have been issued for the 2007 Fiscal Year Patronage Dividend) held by all Members as of the Effective Date. Fractional Rights may be distributed to each Member. As contemplated in Article V Section 4, such fractional Rights shall be added to any other fractional Rights held by a Member to permit the Member to receive an additional share of Class A Common Stock for each whole Right when so aggregated and cash in lieu of fractional shares for the balance.

ARTICLE VII

PATRONAGE FOR THE 2007 FISCAL YEAR

Section 1. Prior to the Effective Date the Board of Directors of AGRI shall declare a patronage dividend (but not a loss) with respect to business done by Members during the 2007 Fiscal Year ("2007 Fiscal Year Patronage Dividend"). The Board of Directors shall declare that 20% of the 2007 Fiscal Year Patronage Dividend be paid in cash and that the balance be paid in AGRI Preferred as provided by AGRI's Bylaws as in effect up to the Effective Date. The Board of Directors shall declare such 2007 Fiscal Year Patronage Dividend in a manner which results in the treatment of the AGRI Preferred which would have been distributed as a part of a qualified written notice of allocation. Any loss for the 2007 Fiscal Year will be applied against the surplus of AGRI and not allocated to its Members.

Section 2. As of the Effective Date, AGRI Industries assumes the obligation to pay the amount of such 2007 Fiscal Year Patronage Dividend. AGRI Industries shall pay in cash the amount which the Board of AGRI declared in cash. AGRI Industries shall pay in Class A Common Stock and Rights in lieu of fractional shares of Class A Common Stock the amount which would have been paid in AGRI Preferred prior to the Effective Date.

Section 3. AGRI Industries will distribute the amount of Class A Common Stock and fractional Rights to be distributed pursuant to this Article as soon as its Board of

Directors determines reasonably practicable after the Effective Date, but in any event in a manner that will qualify the distribution of any Class A Common Stock pursuant to this Article as a qualified written notice of allocation.

Section 4. As contemplated in Article V Section 4, such fractional Rights shall be added to any other fractional Rights held by a Member to permit the Member to receive an additional share of Class A Common Stock for each whole Right when so aggregated and cash in lieu of fractional shares for the balance.

ARTICLE VIII

EFFECTIVE DATE, DISTRIBUTION DATE; PLAN OF REORGANIZATION

Section 1. The Effective Date shall be the close of business on August 31, 2007 or such later date as may be determined by the Board of Directors of AGRI.

Section 2. It is intended (i) that the Transaction be taken as a single integrated transaction, (ii) that the Transaction will qualify as a tax free reorganization described in Section 368 of the Internal Revenue Code of 1986, as amended, and (iii) that this Plan of Conversion will constitute a plan of reorganization for that purpose.

Section 3. Except as otherwise provided in this Plan of Conversion, all exchanges and distributions shall be deemed to occur on the Effective Date, but shall be determined on the basis of the records of AGRI after giving effect to the distribution of the 2007 Fiscal Year Patronage Dividend. In furtherance of the foregoing AGRI may determine a date prior to the Effective Date but after the vote of the Members adopting this Plan of Conversion on which to effect with AGRI Industries the exchange of its assets for the assumption of its liabilities and the issuance of Class A Common Stock and Rights. The Effective Date shall also be the effective date of the liquidation or dissolution contemplated in Article XII of its Articles of Incorporation as amended by this Plan of Conversion. As soon as practicable after the Effective Date, AGRI Industries shall notify each Member as to the number of shares of Class A Common Stock each such Member receives and shall distribute cash in lieu of fractional shares.

ARTICLE IX

BOARD OF DIRECTORS

Immediately prior to the Effective Date, AGRI, as sole shareholder of AGRI Industries, shall hold the first shareholders' meeting contemplated in Section 490.805 of the Iowa Code. At that meeting AGRI shall cause each of the individuals set forth below to be elected to the Board of Directors of AGRI Industries for the term ending at the annual meeting in the year set forth opposite his or her name. The Directors so elected shall fill the vacancy created by the expiration of the term of each of the initial directors at such meeting.

DIRECTOR	TERM EXPIRES
Bruce Rohwer	2009
Susan Tronchetti	2008
Dean Markwardt	2008
Paul Voga	2010
Larry Petersen	2009
David Hemesath	2010

ARTICLE X

AMENDMENT TO THE ARTICLES OF INCORPORATION OF AGRI

Article XII of the Articles of Incorporation of AGRI shall be amended upon and by adoption of the amendment by AGRI's Members to read as follows:

> "On dissolution or liquidation, the assets of the corporation shall first pay liquidation expenses, next its obligations other than patronage dividends or certificates issued therefore, and the remainder shall be distributed in the following priority:
>
> 1. To pay preferred stock;
>
> 2. To pay any deferred patronage dividends or certificates issued therefore. If the fund is insufficient to pay them all, it shall be prorated;
>
> 3. To pay all members or common shareholders the amounts for which their memberships or shares were originally issued; and
>
> 4. Any remaining assets shall be distributed among the members in proportion to the revolving fund and preferred stock issued in exchange for revolving fund which is held by each member at the effective date of liquidation or dissolution."

ARTICLE XI

TRANSITION PROVISIONS

Section 1. This Plan of Conversion is subject to approval of the Class A Members and shall be null and void if not approved by vote of such Members on or before August 31, 2007. In particular the Class A Members shall:

a. by at least a two-thirds affirmative vote of all votes cast adopt the Amendment to AGRI's Articles of Incorporation set forth in Article X of this Plan of Conversion.

b. by at least a two-thirds affirmative vote of all votes cast at a meeting at which a majority of all voting Members vote, adopt this Plan of Conversion and vote in favor of the dissolution of AGRI as contemplated herein; and

c. ratify and affirm the acts of the Board of Directors and Officers of AGRI which each has taken in accordance with and to carry out the Transaction and acts contemplated by this Plan of Conversion.

Section 2. Notwithstanding adoption of this Plan of Conversion by the Class A Members at any time prior to the Effective Date:

a. Except for the proportion in which Members will receive Class A Common Stock in the Transaction, and except for the amendment to AGRI's Articles of Incorporation set forth in Article X of this Plan of Conversion, the Board of Directors of AGRI may modify and cause AGRI Industries to modify the terms and conditions of this Plan of Conversion; and

b. The Board of Directors of AGRI may, in its sole discretion, abandon this Plan of Conversion and the transactions contemplated herein without further action or approval of the Members.

Section 3. The Rights shall be issued without certificates or other written evidence except this Plan of Conversion and the records of AGRI Industries and AGRI.

Pursuant to authority granted by the Board of Directors of each of AGRI and AGRI Industries, AGRI and AGRI Industries each hereby execute this Plan of Conversion as of the date first written above.

American Grain and Related Industries
(a Farmer-owned Cooperative)

By Paul Voga

Paul Voga, President

AGRI Industries, Inc.

By

Jerry Van Der Kamp, President

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ARTICLES OF INCORPORATION OF AGRI INDUSTRIES, INC.

TO THE SECRETARY OF STATE
OF THE STATE OF IOWA

Pursuant to section 201 of the Iowa Business Corporation Act ("IBCA"), the undersigned incorporator or incorporators execute and deliver these Articles of Incorporation of AGRI Industries, Inc. for filing with the Secretary of State of the State of Iowa. Capitalized terms shall have the meaning set forth in Article XVI of these Articles of Incorporation.

ARTICLE I
NAME OF THE CORPORATION; INITIAL REGISTERED OFFICE AND AGENT; INCORPORATOR

Section 1: The name of the Corporation is AGRI Industries, Inc.

Section 2. The street address of the Corporation's initial registered office and the name of its initial registered agent at such address is as follows:

Jerry Van Der Kamp
700 SE Dalbey Drive
Ankeny, Iowa 50021

Section 3. The name and address of each incorporator is as follows:

Jerry Van Der Kamp
700 SE Dalbey Drive
Ankeny, Iowa 50021

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ARTICLE II
PURPOSES

The Corporation shall have unlimited power to engage in and to do any lawful act concerning any or all lawful businesses for which corporations may be organized under the Iowa Business Corporation Act.

ARTICLE III
AUTHORIZED SHARES

The Corporation shall have authority to issue three classes of stock in the aggregate amounts and with par values as follows:

Number Authorized	Class Designation	Par Value Per Share
100,000 shares	Class A Common Stock	No Par Value
100,000 shares	Class B Common Stock	No Par Value
2,000,000 shares	Preferred Stock	$1,000

ARTICLE IV
COMMON STOCK

Section 1. Class A Common Stock and Class B Common Stock are collectively referred to herein as "Common Stock". Each share of Common Stock shall have equal rights with each other share of Common Stock except as provided in these Articles of Incorporation. After providing for any rights and preferences of the Preferred Stock, the Common Stock shall be entitled to receive the net assets of the corporation upon dissolution.

Section 2. Before September 1, 2012, Class A Common Stock may be transferred only to (a) Farmer-Owned Cooperatives, (b) the Corporation (c) employees of the Corporation, (d) any pension, profit-sharing, stock bonus or other compensation plan maintained by the Corporation or by a member of a controlled group of corporations or trades or businesses of which the Corporation is a member, or any trust or custodial arrangement established in connection with any such plan, or (e) any holder as of August 31, 2007 of a share of Class B non-voting common stock of American Grain and Related Industries (a Farmer-owned Cooperative), a cooperative organization organized under Chapter 499 of the Code of Iowa (2005). After August 31, 2012, Class A Common Stock may be transferred to any Person.

Section 3. Class B Common Stock may be transferred to any Person.

Section 4. No transfer of shares of either Class A Common Stock or Class B Common Stock will be permitted and no such attempted transfer will be recognized on the official stock register of the Corporation if as a result of such transfer the Corporation would become subject to the reporting requirements of the Securities Act of 1934, as amended from time to time (such transfer being referred to herein as a "Reporting Transfer"). Any attempted transfer in violation of this Section 4 shall be null and void. The Corporation shall have the right to purchase any shares with respect to which an attempt to transfer has been made in violation of this Section. The terms of such right to purchase shall be set forth in the bylaws of the Corporation. Such terms may entitle the Corporation to purchase such shares at a price computed in accordance with the bylaws which price may be less than either the fair market value of the shares or the book value of the shares. Such terms may include a right for the Corporation to pay for such shares over a period of years, not to exceed five, and that such payment may be made without provision for interest or security other than the general credit of the Corporation. If the Corporation elects to purchase shares in accordance with the bylaws adopted in accordance with this Section, the Corporation shall have all rights pertaining to such shares as of the date the Corporation gives the Stockholder notice that the attempted transfer is a Reporting Transfer.

Section 5. The Common Stock of the Corporation may be transferred to Persons eligible to own it only as provided in these Articles of Incorporation and the bylaws. No attempted assignment or transfer of Common Stock, the rights or privileges attaching to such stock, or any vote or voice in the management of the affairs of the Corporation shall pass to any Person, unless and until such transfer is made in accordance with the Articles of Incorporation and the bylaws and such transfer has been recorded on the books of the Corporation. The Corporation may require that any statement of share ownership representing shares of Common Stock bear a conspicuous legend concerning such restrictions on transfer.

Section 6. Unless otherwise agreed, the Corporation shall have a lien on its issued Common Stock for indebtedness of the holders thereof to the Corporation or any of its subsidiaries or Affiliates.

ARTICLE V
PREFERRED STOCK

Pursuant to Section 602 of the Iowa Business Corporation Act and in the manner provided therein, but subject to the provisions of these Articles, the Board of Directors of the Corporation is hereby authorized to provide by resolution for the issuance of preferred stock in one or more series, to establish the number of shares to be included in each such series and to fix and state the designations, preferences, limitations, and relative rights, or qualifications, limitations or restrictions thereof, applicable to the shares of each series. As provided in Section 602, the Corporation shall file articles of amendment with the Secretary of State before issuing shares hereunder which designate the terms of the series of preferred shares to be issued, and such articles of amendment shall be referred to in these Articles as a "Certificate of Designation." The shares of each series of preferred stock authorized by the Board of Directors hereunder may vary from the shares of any other series as to preferences, rights, privileges, qualifications, limitations or restrictions applicable thereto.

ARTICLE VI
VOTING AND QUORUM

Section 1. Class A Common Stock shall be entitled to vote on all matters coming before the shareholders for decision. Except as provided in this Article, each share of Class A Common Stock shall be entitled to one vote on each matter voted on at a shareholder's meeting.

Section 2. If a Person shall become the beneficial owner of shares of Class A Common Stock in excess of five percent (5%) of the issued and outstanding shares of Class A Common Stock (whether by acquisition, reduction in number of shares outstanding or otherwise), the number of shares beneficially owned by such Person in excess of five percent (5%) shall be deemed to be "Excess Shares," and each such Excess Share shall be entitled to cast one hundredth (1/100) of one vote per share on each matter voted on at a shareholder's meeting, for so long as the shares are Excess Shares. If Shares are beneficially owned by a Person and its Affiliates, the Person together with its Affiliates may designate the shares entitled to one vote and the shares which are Excess Shares; if the Person fails to so designate, the largest blocks of shares held by the Person shall first be counted as the shares entitled to one vote per share and the balance shall be treated as Excess Shares.

Section 3. Class B Common Stock shall have no right to vote on any matters coming before the shareholders for decision except as otherwise provided in the Iowa Business Corporation Act. If a Person shall become the beneficial owner of shares of Class B Common Stock in excess of five percent (5%) of the issued and outstanding shares of Class B Common Stock (whether by acquisition, reduction in number of shares outstanding or otherwise), the number of shares beneficially owned by such Person in excess of five percent (5%) shall be deemed to be "Excess Shares," and on any matter on which the Class B Common Stock is entitled to vote as a class or otherwise, the Class B Common Stock shall be entitled to cast one hundredth (1/100) of one vote per share for each Excess Share, for so long as the shares are Excess Shares. If Shares are beneficially owned by a Person and its Affiliates, the Person together with its Affiliates may designate the shares entitled to one vote and the shares which are Excess Shares. If the Person and its Affiliates fail to so designate, the largest blocks of shares held by the Person and its Affiliates shall first be counted as the shares entitled to one vote per share and the balance shall be treated as Excess Shares.

Section 4. Preferred Stock of any series shall have only those voting rights as may be required by law or specified for such shares in the Certificate of Designation adopted by the Board of Directors pursuant to Article V.

Section 5. Shares possessing thirty percent of the Class A Votes shall constitute a quorum at a shareholders meeting. The quorum for Preferred Stock of any series shall be as provided in the Certificate of Designation adopted by the Board of Directors pursuant to Article V.

Section 6. Shareholders may only cause a special meeting of the Shareholders to be held if Shareholders having not less than twenty-five percent (25%) of all the votes entitled to be cast on any issue proposed to be considered at the special meeting deliver a written demand and otherwise comply with the requirements of Section 702(1) of the IBCA.

Section 7. Shareholders shall not be permitted to take action without a meeting as contemplated by Section 704 of the IBCA.

ARTICLE VII
REGULATION AND INTERPRETATION OF THE RIGHTS OF BENEFICIAL OWNERS

Section 1. The Board of Directors may, to the extent permitted by law, from time to time establish, modify, amend or rescind, by Bylaw or otherwise, regulations and procedures not inconsistent with the express provisions of Articles IV, V, VI, and VII for the orderly application, administration and implementation of those provisions. Such procedures and regulations shall be kept on file with the Secretary of the Corporation and, upon request, shall be mailed to any holder of Common Stock of the Corporation.

Section 2. When it appears that a particular Person holds Excess Shares or holds shares in violation of these Articles of Incorporation, the bylaws, or other rules and procedures established by the Board of Directors as contemplated by these Articles of Incorporation (the "Governing Provisions") and that the Governing Provisions require application, interpretation, or construction, then the Directors of the Corporation shall have the power and duty to interpret all of the terms and provisions of the Governing Provisions, and to determine, on the basis of information known to them after reasonable inquiry, the facts necessary to ascertain compliance with the Governing Provisions, including, without limitation, (i) the number of shares of Common Stock beneficially owned by any Person, (ii) whether a Person is an Affiliate of, or is acting in concert with, any other Person, (iii) whether a Person has an agreement, arrangement or understanding with any other Person as to the acquisition, holding, voting or disposition of any shares of the Common Stock, (iv) the application of any other definition or operative provision of the Governing Provisions to the given facts, or (v) any other matter relating to the applicability or effect of the Governing Provisions.

Section 3. The Board of Directors shall have the right to demand that any Person who is reasonably believed to be the beneficial owner of Excess Shares or any other shares in violation of the Governing Provisions (or who holds of record Common Stock owned by any Person reasonably believed to be the beneficial owner of Excess Shares or any other shares in violation of the Governing Provisions) supply the Corporation with complete information as to (i) the record owner(s) of all shares of Common Stock beneficially owned by such Person, and (ii) any other factual matter relating to the applicability or effect of the Governing Documents as may reasonably be requested of such Person.

Section 4. Any applications, interpretations, constructions or any other determinations made by the Board of Directors pursuant to this Article VII, in good faith and on the basis of such information and assistance as was then reasonably available for such purpose, shall be conclusive and binding upon the Corporation and its shareholders and neither the Corporation nor any of its shareholders shall have the right to challenge any such construction, application or determination. If any Person fails to provide complete information reasonably requested by the Board of Directors, the Board of Directors may deem the shares held by such Person to be Excess Shares.

Section 5. In the event any provision (or portion thereof) of the Governing Provisions including this Article VII shall be found to be invalid, prohibited or unenforceable for any reason, the remaining provisions (or portions thereof) shall remain in full force and effect, and shall be construed as if such invalid, prohibited or unenforceable provision had been stricken herefrom or otherwise rendered inapplicable, it being the intent of this Corporation and its shareholders that each such remaining provision (or portion thereof) of the Governing Provisions remain, to the fullest extent permitted by law, applicable and enforceable as to all shareholders notwithstanding any such finding.

Section 6. The restrictions set forth in Articles IV, V, VI and VII shall be noted conspicuously on all certificates or other records evidencing ownership of Common Stock.

ARTICLE VIII
BOARD OF DIRECTORS

The term of the initial Directors of the Corporation shall end at the first meeting of shareholders to be held in August, 2007 and when their successors have been elected and qualify. The initial Directors of the Corporation shall be the following:

Bruce Rohwer	Paul Voga
Susan Tronchetti	Larry Petersen
Dean Markwardt	David Hemesath

The Board of Directors shall consist of not less than three (3) nor more than fifteen (15) directors. The precise number of Directors shall be specified in the bylaws. The qualifications of Directors shall be as specified in the bylaws. Directors shall serve staggered terms as provided in the bylaws and shall be divided into three groups for this purpose. Members of the Board of Directors shall be nominated and elected for such terms and in such manner as may be prescribed in the bylaws. Directors shall be elected by a plurality of the Class A Votes cast in the election. Shareholders do not have the right to cumulate their votes for directors. A director may be removed, with or without cause, at a meeting called expressly for that purpose by a vote of a majority of the Class A Votes then entitled to vote at an election of Directors for a Director to fill the vacancy which would be created by the removal of such Director.

ARTICLE IX
CERTAIN BUSINESS COMBINATIONS

Section 1. Except as otherwise provided in this Article IX, if a Business Combination has been approved by the Board of Directors, such Business Combination shall require only such affirmative vote as is required by law or any provision of these Articles other than Section 2 of this Article.

Section 2. If a Business Combination has not been approved by the Board of Directors, then, in addition to any affirmative vote required by law, by these Articles, or by the provisions of any series of preferred stock that may at the time be outstanding, such Business Combination shall require the affirmative vote of not less than two-thirds (2/3) of the total number of the Class A Votes.

Section 3. When it appears that the provisions of this Article IX need to be applied or interpreted, then the Directors of the Corporation shall have the power and duty to interpret all of the terms and provisions of this Article IX, and to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to ascertain compliance with this Article IX, including, without limitation, (a) the number of shares of Common Stock beneficially owned by any Person, (b) whether a Person is an Affiliate of another (c) the Fair Market Value of (i) the assets that are the subject of any Business Combination, (ii) the securities to be issued or transferred by the Corporation in any Business Combination, (iii) the consideration other than cash to be received by holders of shares of any class or series of Common Stock in any Business Combination, (iv) the outstanding capital stock, or (v) any other item the Fair Market Value of which requires determination pursuant to this Article IX, and (d) whether the conditions set forth in this Article IX have been met with respect to any Business Combination. Any constructions, applications, or determinations made by the Directors pursuant to this Article IX, in good faith and on the basis of such information and assistance as was then reasonably available for such purpose, shall be conclusive and binding upon the Corporation and its shareholders, and neither the Corporation nor any of shareholders shall have the right to challenge any such construction, application or determination.

Section 4. Notwithstanding any other provisions of these Articles or the bylaws (and notwithstanding the fact that a lesser percentage may be specified by law, these Articles or the bylaws of the Corporation), in addition to any affirmative vote required by applicable law and any voting rights granted to or held by holders of preferred stock, any amendment, alteration, repeal or rescission of any provision of this Article IX must also be approved by the affirmative vote of not less than two-thirds (2/3) of the total number of Class A Votes cast in a vote in which not less than a majority of all of the Class A Votes are cast.

ARTICLE X
AMENDMENTS

The Corporation reserves the right from time to time to amend, alter, repeal or to add any provision to its Articles of Incorporation in the manner now or hereafter prescribed by law. In addition to any vote prescribed by law, the affirmative vote of a majority of the Class A Votes outstanding shall be required to amend, alter, repeal or to add any provision to the Articles of Incorporation.

ARTICLE XI
BYLAWS

Section 1. The bylaws of the Corporation shall be adopted by its Board of Directors.

Section 2. Either the Board of Directors or shareholders (except as otherwise provided herein) by a majority of the Class A Votes outstanding may amend or repeal the corporation's bylaws. The Board of Directors may amend or repeal any bylaw whether the bylaw amended or repealed was adopted by the Board of Directors or the shareholders unless the shareholders in amending or repealing a bylaw expressly provide that the board of directors shall not amend, repeal, or reinstate the bylaw.

Section 3. The bylaws may contain provisions restricting the transfer of shares.

ARTICLE XII
PREEMPTIVE RIGHTS

Except as may otherwise be provided by the Board of Directors, no holders of any shares of any class of stock of the Corporation shall have any preemptive right to purchase, subscribe for, or otherwise acquire any unissued or treasury shares of any class of stock of the Corporation now or hereafter authorized, or any securities exchangeable for or convertible into such shares, or any warrants or other instruments evidencing rights or options to subscribe for, purchase or otherwise acquire such shares.

ARTICLE XIII
LIMITATION OF LIABILITY OF DIRECTORS; INDEMNIFICATION

Section 1. A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for any action taken or failure to take any action as a director, except liability for any of the following: (1) the amount of a financial benefit received by a director to which the director is not entitled, (2) an intentional infliction of harm on the Corporation or the shareholders, (3) a violation of section 833 of the IBCA, or (4) an intentional violation of criminal law. If the IBCA is hereafter amended to permit further limitation on or elimination of the personal liability of the Corporation's Directors, then a director of the Corporation shall be exempt from such liability to the full extent permitted by the IBCA as so amended from time to time. Any repeal or modification of the foregoing provisions of this Article XIII, or the adoption of any provision inconsistent herewith shall not adversely affect any right or protection of a Director of the Corporation hereunder in respect of any act or omission of such Director occurring prior to such repeal, modification, or adoption of an inconsistent provision. This Article XIII shall not limit the liability of any Director for any act or omission occurring prior to the date these Articles become effective.

Section 2. The Corporation shall indemnify each director or officer (as defined in section 850 subsection 2 of the IBCA) for liability (as defined in section 850 subsection 5 of the IBCA) to any person for any action taken, or any failure to take any action, as a director, except liability for any of the following: (1) receipt of a financial benefit to which the person is not entitled, (2) an intentional infliction of harm on the Corporation or the shareholders, (3) a violation of section 833 of the IBCA, or (4) an intentional violation of criminal law.

ARTICLE XIV
DISSOLUTION

Any resolution to dissolve the corporation shall require for its adoption the affirmative vote of not less than a majority of the total number of Class A Votes outstanding. The affirmative vote of not less than a majority of the total number of Class A Votes outstanding shall also be required for the adoption of any amendment altering this provision.

ARTICLE XV
EFFECTIVE DATE

These Articles of Incorporation shall become effective on the date of filing with the Secretary of State of the State of Iowa.

ARTICLE XVI
DEFINITIONS

For purposes of these Articles of Incorporation, the following terms shall have the following meanings:

(a) "Affiliate" with respect to any Person means any other Person who directly or indirectly controls, is controlled by, or is under common control with such Person including in the case of any Person who is an individual, his or her spouse, any of his or her descendants (lineal or adopted) or ancestors, and any of their spouses.

(b) A Person shall be deemed the "beneficial owner" or to have "beneficial ownership," of any shares of Common Stock that:

(i) such Person or any of its Affiliates beneficially owns, directly or indirectly; or

(ii) such Person or any or its Affiliates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (but a Person shall not be deemed to be the beneficial owner of any Common Stock solely by reason of an agreement, arrangement or understanding with the Corporation to effect a Business Combination) or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise; or

(iii) is beneficially owned, directly or indirectly, by any other Person with which such first mentioned Person or any of its Affiliates has any agreement, arrangement or understanding for the purpose of acquiring, holding, or disposing of any shares of Common Stock; provided, however, that no director or officer of the Corporation (nor any Affiliate of any such director or officer) (y) shall solely by reason of any or all of such directors or officers acting in their capacities as such, be deemed, for any purposes hereof, to beneficially own any Common Stock of the Corporation beneficially owned by any other such director or officer (or any Affiliate thereof) or (z) shall be deemed to beneficially own any

Common Stock of the Corporation owned by any pension, profit-sharing, stock bonus or other compensation plan, maintained by the Corporation, or by a member of a controlled group of corporations or trades or businesses of which the Corporation is a member and/or any subsidiary or any trust or custodial arrangement established in connection with any such plan, not specifically allocated to such Person's personal account.

(c) The term "Business Combination" shall mean any transaction that is referred to in any one or more of the following paragraphs (i) through (v):

(i) any merger, consolidation or share exchange of the Corporation; or

(ii) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of transactions) that will leave the Corporation without a significant continuing business activity within the meaning of Section 490.1202 of the Iowa Code; or

(iii) the issuance or transfer by the Corporation (in one transaction or a series of transactions) of any securities of the Corporation other than (A) on a pro rata basis to all holders of Common Stock, (B) in connection with the exercise or conversion of securities issued pro rata that are exercisable for, or convertible into, securities of the Corporation or (C) the issuance or transfer of such securities having an aggregate Fair Market Value equal to less than twenty-five percent (25%) of the aggregate Fair Market Value of all of the outstanding Capital Stock; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its subsidiaries or any other transaction which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class or series of equity or convertible securities of the Corporation or any subsidiary that is directly or indirectly beneficially owned by any Person, except when the increase in beneficial ownership of any Person created by the reclassification does not exceed five percent (5%).

(d) "Class A Votes", "Class B Votes" and "Common Votes" shall mean the votes associated with the shares of Class A Common Stock, Class B Common Stock or both, respectively, at any given time computed in accordance with Articles VI and VII (and after taking into account whether any such shares are Excess Shares).

(e) The term "controlled group of corporations" shall mean a controlled group of corporations as defined in Section 1563(a) of the Internal Revenue Code of 1986, as amended.

(f) A "Farmer-Owned Cooperative" is any cooperative association (i) which is farmer-owned or farmer-controlled and which is engaged in marketing or handling grain or agricultural products or supplies or provides services for its members, and (ii) which qualifies under the Acts of Congress, commonly known as the Agricultural Marketing Act (12 USCA 1141(j)(a)).

(g) "Fair Market Value" shall mean (i) the fair market value on the date in question of a share of such stock as determined in good faith by a majority of the Directors then in office, in each case with respect to any class of stock, appropriately adjusted for any dividend or distribution in shares of such stock or any stock split or reclassification of outstanding shares of such stock into a greater number of shares of such stock or any combination or reclassification of outstanding shares of such stock into a smaller number of shares of such stock; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined in good faith by a majority of the Directors then in office.

(h) "Person" shall mean any corporation, limited liability company, partnership, trust, unincorporated organization or association, syndicate, any other entity or a natural person, together with any Affiliate of such person or any other person acting in concert with such person.

Incorporator:

Jerry Van Der Kamp

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BYLAWS OF AGRI INDUSTRIES, INC.
Adopted February 21, 2007

ARTICLE I
OFFICES

The principal office of the Corporation in the State of Iowa shall be located in the City of Ankeny, Polk County. The Corporation may have such other offices, within or without the State of Iowa, as the business of the Corporation may require from time to time.

The registered office of the Corporation required by the Iowa Business Corporation Act to be continuously maintained in Iowa shall be as recorded in the records of the Secretary of State of the State of Iowa and shall be subject to change from time to time by resolution of the Board of Directors and filing of a statement of said change as required by the Iowa Business Corporation Act.

ARTICLE II
SHAREHOLDERS

SECTION 1. ANNUAL MEETING.

1.1 The annual meeting of Stockholders shall be held on such date as the Board of Directors shall by resolution specify in the month of January. An election of directors shall take place at each annual meeting. If the election of directors shall not be held on the day designated for any annual meeting, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a meeting of the Stockholders as soon thereafter as it may conveniently be held. Other business as shall have been properly brought before the meeting as provided in these Bylaws may also be conducted at the annual meeting.

1.2 To be properly brought before an annual meeting of the Stockholders, business must be (a) specified in the notice of the meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a Stockholder of the Corporation who is a Stockholder of record who is entitled to vote at the annual meeting, and who complies with the notice procedures set forth in these Bylaws. For business to be properly brought before an annual meeting by a Stockholder, the Stockholder must have given a timely notice thereof in writing to the Secretary of the Corporation. To be timely, a Stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation not later than 180 days after the date of the last annual meeting, provided however, that if no annual meeting of Stockholders was held in the previous year then to be timely such notice by the Stockholder must be so received not later than the close of business on the first day of August preceding the annual meeting. Such Stockholder's notice addressed to the Secretary of the Corporation shall set forth: (a) a brief description of the business desired to be brought before the annual meeting including the wording of any resolution that the Stockholder proposes to be adopted at the meeting, (b) the reasons for conducting such business at the annual meeting, and any material interest in such business of such Stockholder and the beneficial owner (as such term is defined in the Corporation's Articles of Incorporation), if any, on whose behalf the proposal is made, (c) the name and address (as they appear on the Corporation's books) of the Stockholder giving the notice and of the beneficial owner, if any, on whose behalf the proposal is made; and (d) the class and number of shares of the Corporation that are beneficially owned (as such term is defined in the Corporation's Articles of Incorporation) and of record by such Stockholder and such beneficial owner. Notwithstanding anything in the Bylaws to the contrary, no business shall be conducted at the annual meeting except in accordance with the procedures set forth in this subparagraph 1.2. The Presiding Officer at the annual meeting of the Stockholders shall, if the facts warrant, have the power and duty to determine whether the business proposed to be brought before the meeting, was not made in accordance with the provisions of this subparagraph 1.2, and if he should so determine, he shall have the power and duty to declare at the meeting that such business not properly brought before the meeting shall be disregarded and not transacted.

SECTION 2. SPECIAL MEETINGS. Special meetings of the Stockholders may be called by the President, by the Chairman of the Board, by the Board of Directors or by any four (4) or more directors. The holders of shares having not less than twenty-five percent (25%) of all the votes entitled to be cast on any issue may demand a special meeting of the Stockholders to be held upon compliance with the requirements of Section 702 of the Iowa Business Corporation Act.

SECTION 3. PLACE OF MEETING. The Board of Directors may designate any place within the State of Iowa, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting is otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Iowa.

SECTION 4. NOTICE OF MEETINGS. Written or printed notice stating the place, day and hour of the meeting shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the Board of Directors or the officer or persons calling the meeting, to each Stockholder of record entitled to vote at such meeting. In the case of an annual meeting the notice shall include the information required to be included in the notice by Section 1.2 of this Article of these Bylaws. In the case of a special meeting, the notice shall include a description of the purpose or purposes for which the meeting is called. To the extent practicable the notice shall include the verbatim language of each resolution which will be voted upon at the meeting; provided that failure to include such verbatim language or amendments made to such language at the meeting shall not be grounds to object to action taken at the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Stockholder at its address as it appears on the stock transfer books of the Corporation, with postage thereon prepaid.

SECTION 5. CLOSING OF TRANSFER BOOKS AND FIXING RECORD DATE.

5.1 For the purpose of determining Stockholders entitled to notice of or to vote at any meeting of Stockholders or any adjournment thereof or in order to make a determination of Stockholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, sixty (60) days. If the stock transfer books shall be closed for the purpose of determining Stockholders entitled to notice of or to vote at any meeting of Stockholders, such books shall be closed for at least ten (10) days immediately preceding such meeting. In lieu of closing the stock transfer books, the

Board of Directors may fix in advance a date as the record date for any such determination of Stockholders; such date in any case to be not more than seventy (70) days and not less than ten (10) days prior to the date on which the particular action, requiring such determination of Stockholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of Stockholders, the date on which notice of the meeting is first mailed shall be the record date for such determination of Stockholders.

5.2 When a determination of Stockholders entitled to vote at any meeting of Stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date, which it must do if the meeting is adjourned to a date more than 120 days after the date fixed for the original meeting.

SECTION 6. STOCK LEDGER AND VOTING LIST. The officer or agent having charge of the stock transfer books for shares of the Corporation shall make an alphabetical list of the Stockholders entitled to vote at such meeting or any adjournment thereof, by voting group (and within such voting group by class or series of shares). The Stockholders List shall include the address of each Stockholder and the number of shares and the number of Excess Shares (as defined in the Articles of Incorporation) held by each. Such list shall be kept on file at the principal office of the Corporation, and shall be subject to inspection by any Stockholder at any time during usual business hours beginning two (2) days after notice of the meeting is given. Such record shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Stockholder during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the Stockholders entitled to examine such list or transfer books or to vote at any meeting of Stockholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting. The original or duplicate stock ledger shall be the only evidence as to who are the Stockholders entitled to examine the list required under this Article I, or the books of the Corporation, or to vote in person or by proxy at any meeting of Stockholders.

SECTION 7. QUORUM OF SHAREHOLDERS. Unless otherwise required by the Iowa Business Corporation Act, shares entitled to 30% of the total number of votes which may be cast at a meeting, represented in person or by proxy, shall constitute a quorum at a meeting of Stockholders. If a quorum is present, the affirmative vote of the majority votes represented at the meeting and entitled to vote on the subject matter shall be the act of the Stockholders, unless the vote of a greater number or voting by classes is required by the Iowa Business Corporation Act, the Articles of Incorporation or the Bylaws. If there shall not be a quorum at any meeting of the Stockholders, the holders of a majority of the votes entitled to be cast present at such meeting, in person or by proxy, may adjourn such meeting from time to time, without further notice to the Stockholders other than an announcement at such meeting, until holders of the amount of shares required to constitute a quorum shall be present in person or by proxy.

SECTION 8. PROXIES. At all meetings of the Stockholders, a Stockholder may vote either in person or by proxy executed in writing by the Stockholder or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

SECTION 9. VOTING OF SHARES. Subject to the provisions of Section 10 of this Article and to any terms to the contrary in the Articles of Incorporation or any Certificate of Designation, each outstanding share of common stock shall be entitled to the number of votes described in the Articles of Incorporation upon each matter submitted to vote at a meeting of the Stockholders. A Stockholder may vote the Stockholder's shares in person or by proxy granted in accordance with Section 722 of the Iowa Business Corporation Act. No share shall be considered outstanding unless and until fully paid and officially issued by the Corporation. Whenever any corporate action, other than the election of Directors, is to be taken by vote of the Stockholders, it shall, except as otherwise required by law or by the Articles of Incorporation or Bylaws, be authorized by a majority of the votes cast with respect to such action at a meeting of the Stockholders by the holders of shares entitled to vote thereon. Except as otherwise required by law or by the Articles of Incorporation, Directors of the Corporation shall be elected at a meeting of the Stockholders at which a quorum is present in the manner provided in Article III, Section 4 of these Bylaws.

SECTION 10. VOTING OF SHARES BY CERTAIN HOLDERS.

10.1 Shares of this Corporation owned directly or indirectly by another corporation shall not be voted at any meeting except as permitted by law if a majority of the shares entitled to vote for election of directors of such other corporation is held directly or indirectly by this Corporation. This Section shall not limit the power of the Corporation to vote any shares, including its own shares, held by it in a fiduciary capacity.

10.2 If the name signed on a vote, consent, waiver, or proxy appointment corresponds to the name of a Stockholder, the Corporation, if acting in good faith, is entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the Stockholder.

10.3 If the name signed on a vote, consent, waiver, or proxy appointment does not correspond to the name of a Stockholder, the Corporation, if acting in good faith, is nevertheless entitled to accept the vote, consent, waiver, or proxy appointment and give it effect as the act of the Stockholder if:

a. The Stockholder is an entity and the name signed purports to be that of an officer, director, or general manager, or full time executive employee (or the equivalent in the case of entities having, for example, a general partner or managers) of the entity.

b. The name signed purports to be that of an administrator, executor, guardian of the property, or conservator representing the Stockholder, and, if the Corporation requests, evidence of fiduciary status acceptable to the Corporation has been presented with respect to the vote, consent, waiver, or proxy appointment.

c. The name signed purports to be that of a receiver or trustee in bankruptcy of the Stockholder, and, if the Corporation requests, evidence of this status acceptable to the Corporation has been presented with respect to the vote, consent, waiver, or proxy appointment.

d. The name signed purports to be that of a pledgee, beneficial owner, or attorney-in-fact of the Stockholder, and, if the Corporation requests, evidence acceptable to the Corporation of the signatory's authority to sign for the Stockholder has been presented with respect to the vote, consent, waiver, or proxy appointment.

e. Two or more persons are the Stockholder as co-tenants or fiduciaries and the name signed purports to be the name of at least one of the co-owners and the person signing appears to be acting on behalf of all the co-owners.

10.4 The Corporation is entitled to reject a vote, consent, waiver, or proxy appointment if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the Stockholder.

10.5 The Corporation and its officer or agent who accept or reject a vote, consent, waiver, or proxy appointment in good faith and in accordance with the standards of Section 722 or Section 724 of the Iowa Business Corporation Act are not liable in damages to the Stockholder for the consequences of the acceptance or rejection.

10.6 Corporate action based on the acceptance or rejection of a vote, consent, waiver, or proxy appointment under Section 724 of the Iowa Business Corporation Act is valid unless a court of competent jurisdiction determines otherwise.

SECTION 11. PROCEDURE AT MEETINGS.

11.1 Meetings of the Stockholders shall be presided over by the Chairman of the Board, if any; or, in his or her absence by the Vice Chairman of the Board, if any; or, in his or her absence, by the President, if any; or, in his or her absence by the most senior Vice President in attendance, if any; or, in the absence of the foregoing, by a chairman chosen at or prior to the meeting by the Board of Directors, or if none is so chosen then by a chairman chosen at the meeting by the vote of a majority of the votes of the Stockholders present at the meeting. The Secretary; or, in his or her absence, an Assistant Secretary; or, in the absence of the Secretary and all Assistant Secretaries, a person whom the chairman of the meeting shall appoint, shall act as a secretary of the meeting and keep a record of the proceedings thereof.

11.2 The Board of Directors of the Corporation shall be entitled to make such rules or regulations for the conduct of meetings of the Stockholders, as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the Chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such Chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedure for maintaining order at the meeting and the safety of those present, limitations on participation at such meeting to the Stockholders of record of the Corporation and their duly authorized and constituted proxies, and such other persons as the Chairman of the meeting shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting and matters which are to be voted on by ballot consistent with Section 708(4) of the Iowa Business Corporation Act. Unless, and to the extent determined by the Board of Directors or the Chairman of the meeting, meetings of the Stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

11.3 Voting on any question or in any election may be by voice vote unless the presiding officer shall order or any Stockholder shall demand that voting be by ballot.

11.4 The Board of Directors may appoint one or more Inspectors of Election to serve at every meeting of the Stockholders at which Directors are to be elected.

11.5 Unless a Stockholder appeals a ruling of the chairman at a meeting and objects to the propriety of a vote or action taken at a meeting and confirms such objection in writing addressed to the Secretary and delivered to the Corporations principal place of business within 5 business days after the meeting, each vote or other action taken at a meeting shall be final upon adjournment of the meeting at which the vote or action is taken.

SECTION 12. ADJOURNMENT. When any meeting of the Stockholders is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the adjourned meeting any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if, after such adjournment the Board of Directors shall fix a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each Stockholder of record entitled to vote at such meeting.

ARTICLE III
DIRECTORS

SECTION 1. GENERAL POWERS. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, the Board of Directors.

SECTION 2. NUMBER OF DIRECTORS. The business and affairs of the Corporation shall be managed, conducted and controlled by a board of six (6) elected directors:

a. The Board of Directors shall be comprised as follows: (i) four (4) of the directors shall be persons engaged in producing agricultural products (hereinafter "producers") who are members of Class A Common Stockholders that are Farmer-owned Cooperatives, and (ii) two (2) of the directors shall be general managers of Class A Common Stockholders that are Farmer-owned Cooperatives (hereinafter referred to as "managers").

b. To be eligible to be a producer-director, a nominee must be an active agricultural producer, an active member of a local Class A Common Stockholder that is a Farmer-owned Cooperative, and not over the age of sixty-five (65) on the date of election.

c. To be eligible to be a manager-director, a nominee must be a general manager of a Class A Common Stockholder that is a Farmer-owned Cooperative and be not over the age of sixty-five (65) on the date of election.

d. A Farmer-owned Cooperative is a cooperative association (i) which is farmer-owned or farmer-controlled and which is engaged in marketing or handling grain or agricultural products or supplies or provides services for its members, and (ii) which qualifies under the Acts of Congress, commonly known as the Agricultural Marketing Act (12 USCA 1141(j)(a)).

e. No employee of the Corporation may serve as a director while still an employee of the Corporation.

SECTION 3. NOMINATING COMMITTEES. Except for the first annual meeting to be held in 2007, not later than October 15 of each year, the Chairman of the Board of Directors shall appoint a four (4) member nominating committee (not more than 2 of which may be current directors) to submit the names of nominees for directors to be elected at the next annual meeting. Any Class A Common Stockholder may propose candidates for each particular vacancy to the nominating committee. The nominating committee shall select at least two (2) qualified nominees for each particular vacancy (and not nominate a slate from which all vacancies will be filled). The nominating committee shall certify the nominees to the Chairman and Secretary of the Corporation not later than December 1 of each year. The notice of the annual meeting shall set forth the names and addresses of the nominees selected for each vacancy by the nominating committee. Nominations for directors may not be made from the floor at any meeting of the Stockholders. The nominating committee will take into account, among other things, the geographic distribution, and business activity of the various Class A Common Stockholders to nominate individuals that will result in representation of a cross-section of the Class A Common Stockholders on the Board of Directors. The Board of Directors may, by resolution, vary the dates set forth in this Section as they deem necessary or appropriate to reflect changes in the date of the next annual meeting.

SECTION 4. ELECTION OF DIRECTORS.

4.1 The Class A Common Stockholders shall elect a director to fill each vacancy from the nominees for each particular vacancy. The authorized representatives of the Class A Common Stockholder shall be eligible to vote. Each Stockholder may vote all of its Class A Votes for one of the nominees for each particular vacancy or may split its Class A Votes between the nominees for a particular vacancy. A Class A Common Stockholder may not accumulate its Class A Votes for one vacancy and cast them for a nominee for a different vacancy. The nominee for each vacant seat receiving a plurality of all votes cast with respect to that seat shall be elected.

4.2 Voting shall be by written ballot, signed by each Class A Common Stockholder and setting forth the number of Class A Votes cast for each nominee. If a Class A Common Stockholder fails to specify the number of votes it casts for a particular nominee, the ballot shall not be disqualified, but all of the votes of the Class A Common Stockholder shall be considered cast for the nominee indicated on the ballot.

4.3 Certification of election results shall be made by the Chairman immediately following the election.

SECTION 5. TERMS OF DIRECTORS.

5.1 Each director elected by the Stockholders shall be elected to serve for a period of three (3) years and until his successor is elected and qualified or until his death, resignation or removal. The terms of the directors shall be staggered, and the directors shall be divided into three groups for this purpose.

5.2 At the first annual meeting held in 2007, successors to the initial board of directors shall be elected for the term set forth as follows:

Initial Director	Term Expires
Bruce Rohwer	2009
Susan Tronchetti	2008
Dean Markwardt	2008
Paul Voga	2010
Larry Petersen	2009
David Hemesath	2010

5.3 At the annual meeting at which the term of a director expires, such director's successor shall be elected by the holders of shares of Common Stock entitled to vote thereon, to serve until the third succeeding annual meeting of Stockholders and until a successor has been elected and qualified. No decrease in the number of directors shall have the effect of shortening the terms of office of any incumbent director.

SECTION 6. REGULAR MEETINGS. Unless specified to the contrary by a resolution of the Board at least thirty (30) days before the annual meeting of Stockholders, specifying a different time and place and providing notice thereof to be given to each director, a regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of Stockholders. The Board of Directors may provide by resolution the time and place, either within or without the State of Iowa for the holding of additional regular meetings without other notice than such resolution.

SECTION 7. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chairman, the President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Iowa, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 8. NOTICE. Notice of any special meeting shall be given at least two (2) days prior thereto by written notice, unless oral notice is reasonable under the circumstances, of the date, time and place. Written notice may be given by facsimile transmission or by other electronic means creating a photo image of the notice. If mailed, such notice must be deposited in the United States mail correctly addressed and postage prepaid at least eight (8) days prior to the date of the meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 9. QUORUM. A majority of directors qualified and serving shall constitute a quorum for the transaction of business; provided, that if less than a majority of such number of directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

SECTION 10. MANNER OF ACTING. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors except to the extent otherwise provided in the Articles of Incorporation.

SECTION 11. VACANCIES. Any vacancy among the directors occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors even though less than a quorum of the Board of Directors or by the affirmative vote of a majority of the votes of the Class A Stockholders. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. A vacancy that will occur at a specific later date, by reason of a resignation effective at a later date or otherwise, may be filled before the vacancy occurs, but the new director shall not take office until the vacancy occurs.

SECTION 12. COMPENSATION. The Board of Directors, by the affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any of its members, shall have authority to establish reasonable compensation of all directors or other persons for services to the Corporation as directors, officers or otherwise. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board.

SECTION 13. PRESUMPTION OF ASSENT. A director of the Corporation who is present at a meeting of its Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless (i) he objects at the beginning of the meeting or promptly upon his arrival to holding the meeting or transacting business at it; (ii) his dissent or abstention from the action taken is entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the presiding officer of the meeting before the adjournment thereof or shall forward such dissent by registered or certified mail to the Corporation immediately after the adjournment of the meeting. Such right to dissent or abstention shall not apply to a director who voted in favor of such action.

SECTION 14. ACTION WITHOUT MEETING OF THE BOARD OF DIRECTORS. Any action required by the Iowa Business Corporation Act to be taken at a meeting of directors of the Corporation, or any action which maybe taken at a meeting of the directors or of a committee of directors, may be taken without a meeting if each of the directors or each of the members of the committee of directors signs a written consent setting forth the action so taken. The consents of all of the directors or members of the committee shall be included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this section is effective when the last director signs the consent unless the consent specifies a different effective date. A consent signed under this section has the effect of a meeting vote and may be described as such in any document.

SECTION 15. TELEPHONE CONFERENCE MEETINGS. Subject to other applicable provisions contained in these Bylaws, any action required by the Iowa Business Corporation Act to be taken at a meeting of directors of the Corporation, or any action which may be taken at a meeting of the directors, or a committee of directors, may be taken by means of a conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other, and the participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.

ARTICLE IV
OFFICERS

SECTION 1. NUMBER. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer, and such Assistant Treasurers, Assistant Secretaries or other officers as may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of Stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and qualified or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 3. REMOVAL AND RESIGNATIONS OF OFFICERS. (a) Any officer or agent may be removed by the Board of Directors with or without cause, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. (b) An officer may resign at any time by delivering notice to the Corporation. A resignation is effective when the notice is delivered unless the notice specifies a later effective date. If the Corporation accepts the future effective date, its Board of Directors may fill the pending vacancy before the effective date if the Board of Directors provides that the successor does not take office until the effective date.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. CHAIRMAN OF THE BOARD. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and of the Stockholders. He shall be the principal officer of the Board of Directors and as such shall regularly advise and consult with the President to the end that the President may supervise and control the business and affairs of the Corporation within the framework and bounds of the orders, resolutions and policies from time to time enacted and established by the Board of Directors. The Chairman of the Board of Directors shall from time to time report to the Board of Directors all matters affecting the interests of the Corporation which, in his judgment, should be brought to the attention of the Board of Directors. The Chairman of the Board shall perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 6. THE VICE CHAIRMAN OF THE BOARD. In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice Chairman of the Board shall perform the duties of the Chairman of the Board, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board. The Vice Chairman of the Board shall perform such other duties as from time to time may be assigned to him by the Chairman of the Board or by the Board of Directors.

SECTION 7. THE PRESIDENT. The President shall be the chief executive officer of the Corporation and shall in general supervise and control all of the business and affairs of the Corporation, subject to the general powers of the Board of Directors. He may sign deeds, mortgages, bonds, notes, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed. In general, he shall perform all duties incident to the office of the President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 8. THE VICE PRESIDENT(S). In the absence of the President, or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated), shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President shall perform such other duties as from time to time may be assigned to him by the Chairman of the Board, the President or by the Board of Directors.

SECTION 9. THE TREASURER. The Treasurer shall perform such duties with respect to the finances of the Corporation as may from time to time be assigned to him by the Chairman, the President or Board of Directors. The Treasurer's books and accounts shall be open at all times during business hours to the inspection of any director of the Corporation. The Board of Directors may require that the Treasurer give bond with such sureties and in such form as it specifies. Such bond shall be purchased by and be an expense of the Corporation.

SECTION 10. THE SECRETARY. The Secretary shall keep the minutes of the Stockholders and of the Board of Directors meetings in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; be custodian of the corporate records; keep a register of the post office address of each Stockholder which shall be furnished to the Secretary by each Stockholder; have general charge of the stock transfer books of the Corporation; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the Chairman, the President or Board of Directors.

SECTION 11. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform such duties as shall be assigned to them by the Treasurer or the Secretary, respectively, or by the Chairman of the Board, the President or the Board of Directors.

SECTION12. SALARIES. The salary of the Chairman of the Board, Vice Chairman of the Board, and President shall be fixed from time to time by the Board of Directors. Salaries of other officers may be fixed by the President, subject to such review by the Board of Directors as it determines to exercise.

ARTICLE V
CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 2. LOANS. No loans or series of loans in excess of $50,000 shall be contracted on behalf of the Corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3. CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents, of the Corporation, and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VI
CERTIFICATES FOR SHARES
AND THEIR TRANSFER

SECTION 1. NO CERTIFICATES. The shares of the Corporation shall be issued without certificates as provided in Section 626 of the Iowa Business Corporation Act. In lieu of any certificates the Corporation shall issue a written statement of the information required on share certificates within a reasonable time after the issue or transfer of any of the Corporation's shares.

SECTION 2. RECORD OWNERSHIP. The Corporation shall maintain records of share ownership which shall set forth the name of the person to whom the shares are issued, with the number of shares held and date of issue. Such record shall be deemed conclusive evidence of share ownership rights.

SECTION 3. RESTRICTIONS ON TRANSFER OF COMMON SHARES.

3.1 No Common Stockholder shall sell, assign or otherwise transfer, donate or dispose of any of its shares (any of the foregoing being a "transfer") of common stock ("Common Stock", whether Class A Common Stock or Class B Common Stock) without first offering it to the Corporation in accordance with this Section 3, except:

a. Common Stock may be transferred to any Class A Common Stockholder.

b. Common Stock may be transferred in connection with the sale of substantially all of the assets of a Class A Common Stockholder to a Farmer-Owned Cooperative or in connection with a merger in which a Farmer-Owned Cooperative is the surviving corporation.

c. Common Stock may be transferred to any transferee other than as set forth in a and b of this Section approved in advance by the Board of Directors if the transferee is otherwise eligible in accordance with the Articles of Incorporation and these Bylaws.

d. Common Stock issued to any profit sharing plan or other plan for the benefit of employees of the Corporation or for the benefit of employees of a controlled group of corporations or trades or businesses of which the Corporation is a member shall be transferable as provided in such Plan.

3.2 A Common Stockholder desiring to sell or transfer all or any part of its shares of Common Stock of the Corporation ("Offering Stockholder") other than as set forth in a, b, c, or d of Section 3.1 shall first offer, by written notice to the President, to sell all of its shares of Common Stock to the Corporation for the Purchase Price. The Purchase Price shall be the lowest purchase price per share of each class of Common Stock which the Offering Stockholder would be willing to accept for its stock from any third party.

a. The Corporation may elect to purchase all such shares at any time within a period of sixty (60) days after the receipt of notice of said offer. The right to purchase shares under this subsection 3.2 may be exercised only with respect to all shares so offered.

b. If the Corporation elects to purchase the shares, the Corporation shall receive the shares, free and clear of all liens and encumbrances, and thereupon pay the Purchase Price in full in cash on a date specified by it not later than 90 days after receipt of the notice from the Offering Stockholder.

c. If the Corporation does not purchase all of the shares of Common Stock offered to it, the Offering Stockholder may proceed to sell any or all of its shares of Common Stock to any third party that is otherwise eligible (in accordance with the Articles of Incorporation and these Bylaws) to own such shares, but only at a purchase price per share no less than the Purchase Price at which it offered such shares to the Corporation.

d. The Offering Shareholder must again offer to the Corporation in accordance with this Section any shares of Common Stock which it has not sold within ninety (90) days following the earlier of the expiration date of the sixty-day purchase period pursuant to the foregoing, or the date of any notice of non-exercise of such option given by the Corporation.

3.3 A transferee of Common Stock (including any transferee by operation of law) that has acquired its shares in accordance with this Article will nonetheless be required to comply with the terms of this Article VI before it transfers any of its shares of Common Stock.

3.4 The foregoing notwithstanding, restrictions on the transfer of shares owned by any trust created by an employee stock ownership plan adopted by the Board of Directors shall be governed by the terms of the plan and the trust, not by this Section.

3.5 When validation or approval of any governmental authority is required for the validity or effectiveness of any transfer of shares, the periods of time prescribed above during which the acceptance or performance by any party or the sale or transfer to a third party is required to be made shall be extended to the time 30 days after the date that such government validation or approval is obtained.

3.6 Notwithstanding anything otherwise contained in this Section 3 to the contrary, no transfer of shares of either Class A Common Stock or Class B Common Stock will be permitted and no such attempted transfer will be recognized on the official stock register of the Corporation if as a result of such transfer the Corporation would become subject to the reporting requirements of the Securities Act of 1934, as amended from time to time (such transfer being referred to herein as a "Reporting Transfer"). Any attempted Reporting Transfer shall be null and void. The Corporation shall have the right to purchase any shares with respect to which a Reporting Transfer has been attempted on the following terms:

a. Upon determining that an attempted transfer is a Reporting Transfer, the Corporation shall immediately give the Stockholder attempting the transfer notice (i) that the attempted transfer is a Reporting Transfer, (ii) that such transfer is null and void, (iii) that if such Stockholder does not advise the Corporation that it has rescinded such attempted transfer within 60 days following the date the Corporation gave notice pursuant to this Section, the Corporation will have the right to purchase the shares on the terms provided in this Section, and (iv) of the terms provided in this Section.

b. Within 60 days following the date the Corporation gave notice pursuant to this Section, the Stockholder may notify the Corporation in writing that it has rescinded the attempted transfer, in which case the Stockholder shall have the right to retain the shares as the full owner of the shares but subject to the restrictions on transfer set forth in the Articles of Incorporation and these Bylaws applicable to all Stockholders.

c. If the Stockholder fails to notify the Corporation in writing that it has rescinded the attempted transfer within 60 days following the date that the Corporation gave notice pursuant to this Section, then the Corporation shall have the right to purchase the shares from the Stockholder, effective as of the date of the attempted transfer on the terms set forth in this Section 3.6.

d. If the Corporation exercises its right to purchase shares pursuant to this Section 3.6, the purchase price for such shares shall be equal to 30% of the book value of the shares as computed by the Corporation's certified public accounts on the basis of generally accepted accounting principles as of the date of and from the Corporation's most recent audited financial statements.

e. The Corporation may pay the Stockholder the purchase price for such shares in not more than five equal annual installments ending not more than five years after the date the Corporation first received notice of the attempted Reporting Transfer. The Corporation shall not be obligated to pay interest on the unpaid balance of the purchase price and the Stockholder shall not be entitled to any security for such payments other than the general credit of the Corporation.

f. If the Corporation does not elect to purchase shares in accordance with this Section 3.6, the Reporting Transfer shall be null and void, the Reporting Transfer shall not be recognized by the Corporation for any purposes and the Stockholder attempting the Reporting Transfer shall be treated for all purposes as the true and beneficial owner of the shares.

3.7 Preferred shares shall be subject to such restrictions on transfer as may be established by the Board of Directors upon their issuance.

SECTION 4. TRANSFERS OF SHARES. Subject to the restrictions on transfer contained in the Articles of Incorporation and Bylaws of the Corporation, transfers of shares of the Corporation shall be made only on the books of the Corporation by the holder of record thereof, or by its legal representative, who shall furnish proper evidence of authority to transfer, or by its attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation. Except as otherwise provided by law, the person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation (except to the extent the Corporation otherwise treats beneficial ownership pursuant to the terms of the Articles of Incorporation and these Bylaws. The Corporation shall not recognize the transfer of any shares until the Corporation has been informed of the price or valuation of the shares transferred.

ARTICLE VII
FISCAL YEAR

The fiscal year of the Corporation shall end on the last day of August in each year.

ARTICLE VIII
DIVIDENDS

SECTION 1. COMMON STOCK DIVIDENDS. Dividends shall be paid on common stock to the extent declared by the Board of Directors.

SECTION 2. PREFERRED STOCK DIVIDENDS. Dividends on preferred stock shall be paid as provided by the Board of Directors at the time of their issuance.

ARTICLE IX
SEAL

This Corporation shall have no corporate seal.

ARTICLE X
WAIVER OF NOTICE

SECTION 1. WAIVER OF NOTICE BY SHAREHOLDERS.

1.1 A Stockholder may waive any notice required by the Iowa Business Corporation Act, the Articles of Incorporation, or the Bylaws before or after the date and time stated in the notice. The waiver must be in writing, be signed by the Stockholder entitled to the notice, and be delivered to the Corporation for inclusion in the minutes or filing with the corporate records.

1.2 A Stockholder's attendance at a meeting:

a. Waives objection to lack of notice or defective notice of the meeting unless the Stockholder at the beginning of the meeting or promptly upon the Stockholder s arrival objects to holding the meeting or transacting business at the meeting.

b. Waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Stockholder objects to considering the matter when it is presented.

SECTION 2. WAIVER OF NOTICE BY DIRECTORS.

2.1 A director may waive any notice required by the Iowa Business Corporation Act, the Articles of Incorporation, or Bylaws before or after the date and time stated in the notice. Except as provided by Section 2.2 of this Article, the waiver must be in writing, signed by the director entitled to the notice, and filed with the minutes or corporate records.

2.2 A director's attendance at or participation in a meeting waives any required notice to that director of the meeting unless the director at the beginning of the meeting or promptly upon the director's arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

ARTICLE XI
AMENDMENTS

These Bylaws (including Bylaws adopted by the Stockholders unless the Stockholders expressly provide otherwise) may be altered, amended or repealed and new Bylaws may be adopted at any meeting of the Board of Directors of the Corporation at which a quorum is present, by a majority vote of the directors present at the meeting. These Bylaws may also be altered, amended or repealed, or new Bylaws may be adopted, at any meeting of the Stockholders of the Corporation at which a quorum is present, by a majority of votes outstanding entitled to be cast by the Class A Stockholders.

ARTICLE XII
VOTING OF STOCK IN OTHER CORPORATIONS AND OF INTERESTS IN PARTNERSHIPS OR LIMITED LIABILITY COMPANIES

In the absence of a resolution of the Board of Directors to the contrary, the Chairman of the Board, the Vice Chairman of the Board, the President or the Vice President of this Corporation is authorized and empowered to act for and on behalf of the Corporation to attend meetings, vote shares, grant proxies, waive notice, grant any formal consent, or take similar or related actions, all respecting stock of other corporations or interests in partnerships or limited liability companies which are owned by the Corporation, all without further authority than as herein contained. The Board of Directors may, in its discretion, designate any officer or person as a proxy or attorney-in-fact to vote the shares of stock in any other corporation or interests in partnerships or limited liability companies in which this Corporation may own or hold shares of stock or interests.

ARTICLE XIII
INDEMNIFICATION

SECTION 1. OFFICERS AND DIRECTORS. The Corporation shall indemnify and advance expenses to any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including a grand jury proceeding) and whether formal or informal, by reason of the fact that such person (i) is or was a director or officer of the Corporation, or (ii) while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, agent, partner or trustee (or in a similar capacity) of another corporation, partnership, joint venture, trust, employee benefit plan, American Grain and Related Industries (a Farmer-owned Cooperative), or other entity to the maximum extent it is empowered to indemnify and advance expenses to a director by the Corporation's Articles of Incorporation or by Part E of Division VIII of the Iowa Business Corporation Act as the same exists or may hereafter be amended or changed (but, in the case of any such amendment or change, only to the extent that such amendment or change empowers the Corporation to provide broader indemnification than said law empowered the Corporation to provide prior to such amendment or change). . Such indemnity shall include but not be limited to indemnity against reasonable expenses (including attorneys' fees), judgments, fines, penalties, including an excise tax assessed with respect to an employee benefit plan, and amounts paid in settlement actually and reasonably incurred by such person in connection with such claim, action, suit or proceeding or any appeal thereof.

SECTION 2. EMPLOYEES. The Corporation shall indemnify and advance expenses to any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including a grand jury proceeding) and whether formal or informal, by reason of the fact that such person (i) is or was an employee of the Corporation acting on behalf of the Corporation at its requests (ii) is or was an employee of the Corporation performing the duties for which he is employed by the Corporation, or (ii) while an employee of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, agent, partner or trustee (or in a similar capacity) of another corporation, partnership, joint venture, trust, employee benefit plan, American Grain and Related Industries (a Farmer-owned Cooperative), or other entity to the maximum extent it is empowered to indemnify and advance expenses to a director (as if the employee is or was such director) by the Corporation's Articles of Incorporation or by Part E of Division VIII of the Iowa Business Corporation Act as the same exists or may hereafter be amended. Such indemnity shall include but not be limited to indemnity against reasonable expenses (including attorneys' fees), judgments, fines, penalties, including an excise tax assessed with respect to an employee benefit plan, and amounts paid in settlement actually and reasonably incurred by such person in connection with such claim, action, suit or proceeding or any appeal thereof.

SECTION 3. WITNESSES. The Corporation shall indemnify and advance expenses to any person who was or is a witness in or is threatened to be made a witness in any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including a grand jury proceeding) and whether formal or informal, by reason of the fact that such person (a) is or was a director or officer of the Corporation, or (b) while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, agent, partner or trustee (or in a similar capacity) of another corporation, partnership, joint venture, trust, American Grain and Related Industries (a Farmer-owned Cooperative), or other enterprise, or employee benefit plan, to the same extent that such person would be entitled to indemnification and advancement of expenses under this Article if such person were, or were threatened to be made, a party to such claim, action, suit or proceeding, against reasonable expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with such claim, action, suit or proceeding or any appeal thereof.

SECTION 4. CONDITIONS TO INDEMNIFICATION. Except as provided in Section 5 of this Article with respect to proceedings seeking to enforce rights of indemnification, entitlement to the indemnifications provided in this Article XIII shall be conditional upon the Corporation being afforded the opportunity to participate directly on behalf of such person in such claim, action, suit or proceeding or any settlement discussions relating thereto, and with respect to any settlement or other non-adjudicated disposition of any threatened or pending claim, action, suit or proceeding, entitlement to indemnification shall be further conditional upon the prior approval by the Corporation of the proposed settlement or non-adjudicated disposition.

SECTION 5. PAYMENT. Any indemnification or advancement of expenses required under this Article shall be made promptly upon, and in any event within thirty (30) days after, the written request of the person entitled thereto. If the Corporation denies a written request for indemnity or advancement of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty (30) days of the date such request is received by the Corporation, the person seeking indemnification or advancement of expenses as granted by this Section may at any time within the applicable statute of limitations bring suit against the Corporation in any court of competent jurisdiction to establish such person's right to indemnity or advancement of expenses. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification in any such action or proceeding shall also be indemnified by the Corporation. It shall be a defense to any action brought against the Corporation to compel indemnification (other than an action brought to enforce a claim for the advancement of expenses pursuant to this Section where the written affirmation of good faith or the undertaking to repay as required above has been received by the Corporation) that the claimant has not met the standard of conduct set forth in Section 490.851 or 490.856 of the Iowa Business Corporation Act, as applicable, but the burden of proving such defense shall be on the Corporation. Neither (a) the failure of the Corporation (including its board of directors, committee, special legal counsel or the shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 490.851 or 490.856 of the Iowa Business Corporation Act, as applicable nor (b) the fact that there has been an actual determination by the Corporation (including its board of directors, committee, special legal counsel or the shareholders) that the claimant has not met such applicable standard of conduct, shall create a presumption that the claimant has not met the applicable standard of conduct. In the event that the applicable standard of conduct has been met as to some claims, actions, suits or proceedings, but not as to others, a person who has a right of indemnification pursuant to this Article shall be indemnified against all expenses (including attorney fees) actually and reasonably incurred by such person in connection with the claim, action, suit or proceeding as to which the applicable standard has been met. Nothing contained in this Article shall limit the obligation, duty or ability of the Corporation to indemnify such person as provided elsewhere in this Article.

SECTION 6. ACTIONS AGAINST THE CORPORATION. Notwithstanding any other provision of this Article except Section 5 of this Article with respect to proceedings seeking to enforce rights of indemnification, no officer, director, or employee shall have the right to indemnification pursuant to this Article XII with respect to any threatened, pending or completed claim, action, suit or proceeding, (i) which the Corporation asserts against the officer, director, or employee or (ii) which the officer, director, or employee asserts against the Corporation. This Section shall not be construed to prohibit the Corporation from providing, in its discretion, indemnification to an officer, director, or employee in accordance with by Part E of Division VIII of the Iowa Business Corporation Act as the same exists or may hereafter be amended.

SECTION 7. ADDITIONAL RIGHTS. In addition, except as otherwise expressly provided by the Iowa Business Corporation Act, indemnification provided for under the Iowa Business Corporation Act shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any provision in the Articles of Incorporation or Bylaws, agreements, vote of Stockholders or disinterested directors or otherwise.

ARTICLE XIV
EXECUTIVE COMMITTEE

SECTION 1. CREATION. The Board of Directors may by resolution create an Executive Committee, and may by like action abolish the same at any time. If created, the Executive Committee shall consist of three (3) members who shall be the Chairman, Vice Chairman and Secretary of the Corporation. The resolution creating or abolishing the Executive Committee shall be adopted by not less than a majority of the number of directors fixed by these Bylaws. The existence of the Executive Committee shall be confirmed annually at the annual meeting of the Board of Directors.

SECTION 2. AUTHORITY. The Executive Committee shall possess and may exercise only the powers of the Board of Directors may from time to time by resolution delegate to it. The Committee may not, however:

a. Authorize dividends or other distributions to Stockholders;

b. Approve or propose to Stockholders action that the Iowa Business Corporation Act requires be approved by Stockholders;

c. Fill vacancies on the Board of Directors or on any of its committees;

d. Amend the Articles of Incorporation pursuant to section 1002 of the Iowa Business Corporation Act;

e. Adopt, amend or repeal Bylaws;

f. Approve a plan of merger not requiring Stockholder approval;

g. Authorize or approve reacquisition of shares, except according to a formula or method prescribed by the Board of Directors; or

h. Authorize or approve the issuance or sale or contract for sale of shares or determine the designation and relative rights, preferences and limitations of a class or series of shares, except as may be done within limits specifically prescribed by the Board of Directors.

SECTION 3. COMMITTEE PROCEEDINGS. The Executive Committee shall select its own

Chairman. The Executive Committee shall hold meetings at such time and place as it may determine. Special meetings of the Executive Committee shall be held upon not less than twenty-four (24) hours written notice. Special meetings may be called by the Chairman or any two (2) members of the Executive Committee. The act of the majority of the members present at a meeting at which a quorum is present shall be the act of the Executive Committee.

SECTION 4. REPORTS. Minutes of all proceedings of the Executive Committee shall be maintained, and the Executive Committee shall report all business transacted by it to the Board of Directors at the meeting of the Board of Directors next succeeding any action taken by the Executive Committee. The Board of Directors shall review said minutes or other reports of the Executive Committee and shall take such action thereon as the Board of Directors may deem appropriate.

SECTION 5. INFORMAL ACTION. Any action required to be taken at a meeting of the Executive Committee, or any other action which may be taken at a meeting of the Executive Committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all members of the Executive Committee, and included in the minutes or filed with the corporate records reflecting the action taken. Such action is effective when the last committee member signs the consent, unless the consent specifies a different effective date.

SECTION 6. QUORUM. All members of the Execute Committee shall constitute a quorum for the transaction of business provided, that if not all members are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

ARTICLE XV
PATRONAGE ALLOCATION TAXABILITY

Each entity which was as of August 31, 2007 a Class A voting common stockholder or a Class B non-voting common stockholder ("Member") of American Grain and Related Industries (a Farmer-owned Cooperative), a cooperative association organized under Chapter 499 of the Code of Iowa (2005), shall, by such act alone, consent that the amounts of any distributions with respect to AGRI's patronage occurring after February 28,1963, which are made in written notices of allocation (as outlined in 26 U.S.C. Section 1388) and which are received by such Member from AGRI or the Corporation, will be taken into account by such Member at their stated dollar amounts in the manner provided in 26 U.S.C. Section 1385(a) in the taxable year in which such written notices of allocations are received by it. Written notification of and a copy of this section of the provision has been given to each Member as a part of the Plan of Conversion between AGRI and the Corporation dated as of February 21, 2007 before such Member became a Stockholder of the Corporation.

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APPENDIX D

AMENDED AND SUBSTITUTED ARTICLES OF INCORPORATION
(Including Amendments to These Amended and Substituted Articles Through March 10, 2006)
OF
AMERICAN GRAIN AND RELATED INDUSTRIES
(A Farmer-owned Cooperative)

ARTICLE I

The name of this corporation shall be American Grain and Related Industries (a Farmer-owned Cooperative). Its principal place of business shall be at West Des Moines, in the County of Polk, State of Iowa, and the corporation may have such other places of business as its Board of Directors shall determine.

ARTICLE II

The corporation shall have all the powers and privileges permitted by Chapter 499 of the Code of Iowa, as now in effect and as hereafter amended, to engage in and do any lawful act concerning any and all lawful businesses for which cooperative associations may be organized under said Chapter.

The purposes for which this corporation is formed are: to buy and sell grain and farm products of all kinds; to produce, grade, blend, preserve, process, store, warehouse, market, buy, sell, or handle any agricultural product or by-product thereof; to be a general storage business and act as a public warehouseman in respect of such products or by-products; to acquire, own, dispose of, or operate elevators, warehouses, and other facilities suitable for its business; to purchase, sell, produce, or supply machinery, equipment, feed, fertilizer, petroleum products, or any sort of supplies to or for agricultural producers or associations thereof and to furnish to such producers or associations any business, reporting, or educational services; to act as a commission merchant and broker of grain and other commodities and to engage in any cooperative activity connected with any said purposes.

ARTICLE III

This corporation shall be operated on a cooperative basis. The Bylaws of the corporation may restrict the amount of business done by the corporation with nonmembers and may limit the corporation's dealings to members only.

ARTICLE IV

Section 1. This corporation shall be a federated cooperative, and its Class A membership shall be restricted to cooperative companies which are farmer-owned or farmer-controlled and which are engaged in marketing or handling grain or agricultural products or supplies or are providing services for its members. No one shall be eligible to subscribe to or be record owner of a share of Class A common stock except agricultural cooperative associations which qualify under the Acts of Congress, commonly known as the Capper-Volstead Act (7 USCA 291) and the Agricultural Marketing Act (12 USCA 1141-Ja), and no eligible association shall be permitted to subscribe for or be record owner of more than one share of Class A common stock.

Section 2. The Board of Directors shall determine the eligibility of an applicant for membership and shall have the authority to accept or reject, within its discretion, applications for Class A or Class B common stock. Any eligible cooperative may apply to become a member of this corporation by submitting an application in a form required by the Board of Directors and, in the event the Board of Directors accepts such application, such cooperative shall become a member upon the payment of the subscription price for the share of common stock.

Section 3. At all meetings of the corporation each Class A member, including subscribers, shall have one vote, and no more, on any matter. The vote shall be cast by a representative duly authorized in writing by said member and holding credentials issued as prescribed in the By-Laws. Votes shall be cast in person or by a signed written vote in the manner prescribed by law.

Section 4. Class B common stock of this corporation shall be held by members who are not eligible to hold Class A common stock, and they shall have all the privileges of Class A members except the right to vote and to hold office.

ARTICLE V

Section 1. The total par value of the authorized capital stock of this corporation shall be $79,500,000, divided into the following classes and shares, to-wit:

(a) 400 shares of Class A voting common stock, having a par value of Ten Thousand Dollars ($10,000.00) per share;

(b) 50 shares of Class B non-voting common stock, having a par value of Ten Thousand Dollars ($10,000.00) per share; and

(c) 750,000 shares of preferred stock, having a par value of One Hundred Dollars ($100.00) per share.

Section 2. No share of Class A or Class B common stock shall be issued until the full par value thereof has been paid. The Board of Directors may, in its discretion, allow applicants to subscribe for a share of Class A or Class B common stock and be accorded all of the privileges of a Class A or Class B common stockholder, as applicable, except the right to hold office, provided such applicant makes part payment on the purchase price for such share of Class A or Class B common stock, as applicable, in an amount set forth in the Bylaws or, if not set forth in the Bylaws, in an amount established by the Board of Directors, and has otherwise complied with all other requirements of Chapter 499. The Board of Directors may apply preferred stock and deferred patronage dividends issued to a subscriber toward the payment of the subscriber's unpaid subscription.

Section 3. Noncumulative dividends in an amount determined from time to time by the Board of Directors but not exceeding eight percent (8%) of the par value per share per annum shall be payable on either Class A common stock or Class B common stock when and if declared by the Board of Directors. In addition, the holders of Class A common stock and Class B common stock shall participate in the allocation of patronage dividends as provided in Article VI hereof. Common stock shall have identical rights and priorities except that only Class A common stock shall be entitled to vote. Neither Class A common stock nor Class B common stock shall be transferable in any manner or by any device whatever but may be retired by the corporation as provided in Section 6 of this Article V. Dividends upon Class A common stock and Class B common stock shall not be required but may be declared by the Board of Directors as provided in this section. Failure to declare or provide for dividends during any period shall not affect the allocation of net earnings of the corporation or distribution of patronage dividends or redemption of preferred stock.

Section 4. Preferred stock shall be issued in such amount and at such times as the directors may determine. Each holder of a certificate issued for deferred patronage dividends, or of credits in the patronage revolving fund of the corporation, or of any allocated but unpaid patronage dividends credited to said holder, shall receive, in exchange thereof, at the discretion of the Board of Directors, shares of preferred stock, having an aggregate par value equal to the dollar amount of said certificates or credits so exchanged, and a certificate, or certificates, of preferred stock shall be issued to each such holder as a result of such exchange. Preferred stock shall have no vote, and it shall not bear dividends but shall have preference on dissolution or liquidation as provided by Article XII hereof.

Section 5. The Board of Directors, at any time and within its sole discretion, shall have the power to redeem, at the par value, all or any portion of the shares of Preferred Stock. If redemption is in part only, the Board of Directors shall redeem the Preferred Stock in the order and the manner specified in the Bylaws or in a plan established, from time to time, by resolution of the Board of Directors (which order and manner need not be pro rata and may, if the Board so desires, be based on the year or order of issuance or such other manner as set forth in the Bylaws or in the resolution adopted by the Board of Directors as the Board of Directors shall determine). No share of Preferred Stock may be sold, assigned, transferred, conveyed or encumbered without the approval of the Board of Directors.

Section 6. Class A or Class B common stock shall not be transferable. If a holder of common stock fails to patronize the corporation for three (3) consecutive fiscal years of the corporation or if a holder of common stock fails to do a minimum amount of business with the corporation as set forth in the Bylaws, during any three (3) consecutive fiscal years of the corporation, the Board of Directors may, by a majority vote of the entire Board of Directors, expel such shareholder. If a member is dissolved, becomes ineligible, or is expelled, its membership stock or subscription shall forthwith be cancelled. In case of expulsion, the corporation shall pay said member the value of its share of common stock, as shown by the books on the date of cancellation (which shall be the book value determined from, and as of the date of, the financial statement for the most recently audited prior period), but not more than its original issuing price, within sixty (60) days thereafter. In cases of dissolution or ineligibility of the member, the corporation shall pay such value to the member, or his representative, within two (2) years thereafter, without interest.

Section 7. This corporation shall have a lien on all stock and on all allocated patronage dividends of any member in whose name the same stands or who may be holding the same, for any sum due the corporation from said member, or for any debt or liability of whatever kind of said member to the corporation.

Section 8. The corporation shall have the right to purchase, take, receive, or otherwise acquire, hold, pledge, or otherwise dispose of its own shares, but no purchases of its own shares shall be made at any time when the corporation is insolvent or when such purchase would make it insolvent.

ARTICLE VI

Section 1. The Board of Directors shall annually dispose of the net earnings of the corporation among its members and subscribers to common stock ratably in proportion to the business they have done with the corporation in accordance with Section 499 of the Code of Iowa, as now in effect and as hereafter amended, and in the manner provided in the Bylaws.

Section 2. The Board of Directors shall and is hereby authorized to treat losses of the corporation in such manner as it shall provide, from time to time, in the By-laws of the corporation or by resolution from time to time adopted by the Board of Directors; such treatment may include (but is not limited to) provision for the allocation of all or any part of such losses among members and former members and/or the cancellation of patronage dividends or any stock or subscription (in whole or in part) which was issued, or to the extent it was issued, in exchange for patronage dividends (based on the value for which originally issued) in a manner which the Board of Directors, in its sole discretion, determines to be equitable to the members holding or entitled to patronage dividends or any stock issued (in whole or in part) for patronage dividends.

ARTICLE VII

Section 1. Until the annual meeting of the members of the corporation held in 2006, the affairs of the corporation shall be managed by a board of seven (7) directors comprised as follows: (i) five (5) of the directors shall be persons engaged in producing agricultural products (hereinafter "producers") who are members of a Class A common shareholder, one (1) to be chosen from each of five (5) districts, and (ii) two (2) of the directors shall be general managers of a Class A common shareholder (hereinafter "managers"), one (1) to be chosen from each of two (2) districts.

Commencing as of the annual meeting of the members of the corporation held in 2006, the affairs of the corporation shall be managed by a board of six (6) directors comprised as follows: (i) four (4) of the directors shall be producers who are members of a Class A common shareholder, one (1) to be chosen from each of four (4) districts and (ii) two (2) of the directors shall be managers. The reduction of the number of producer directors from five (5) to four (4) shall be effectuated by the elimination of the producer directorship position of that producer director whose term expires as of the 2006 annual meeting of the members of the corporation.

Directors shall have such other qualifications as may be provided by the By-Laws.

Section 2. If an incumbent director becomes ineligible as a producer or manager or, in the event said director is no longer a member or manager of a Class A shareholder from the district in which the director was elected, his office shall stand vacant. The remaining members of the Board of Directors may appoint an eligible producer or manager, as the case may be, to fill the vacancy for the remainder of the unexpired term in the district in which the vacancy occurred.

Section 3. Each of the directors shall serve a three (3) year term.

Section 4. Directors shall be elected by districts. Only one (1) director shall be elected from each district. A director shall be elected by a majority of the votes cast by the Class A shareholders located in the applicable district. The location of a Class A shareholder for purposes of the foregoing provisions of this Section 4 shall be as set forth in the Bylaws of the corporation.

Section 5. Producer-directors shall be elected from Districts 1 through 4 and manager-directors shall be elected from Districts A and B. The boundaries of each district shall be established in the By-Laws.

Section 6. Director districts shall be reapportioned from time to time so that the districts contain as nearly as possible an equal number of members. The Board of Directors shall reapportion from time to time by amendment of the By-Laws of the corporation to revise the boundaries of the districts from which nominees to the Board of Directors will be selected following the reapportionment. Nominees will be selected from each district by a nominating committee of three (3) persons whose member-association is located within the district. No nominations for director may be made from the floor at any meeting of the members. The nominating committee for each district shall be selected as provided in the By-Laws, at least ninety (90) days in advance of the election of directors. District changes shall become effective immediately upon approval by the Board of Directors, and all directors whose districts are changed because of reapportionment shall be deemed to represent the counties in the new district until their respective terms expire.

ARTICLE VIII

The fiscal year of the corporation shall end on the 31st day of August or on such other day as may be determined by resolution of the Board of Directors.

ARTICLE IX

Section 1. The annual meeting of members shall be held in January of each year on such date and at such time and place as shall be determined by the Board of Directors. Ten (10) days written notice of the date, time, and place of all annual meetings shall be given in person or by mail directed to the address of the voting shareholders as shown by the books of the corporation.

Section 2. Special meetings of shareholders may be called at any time by the President on ten (10) days notice in person or by mail directed to the address of the voting shareholders as shown by the books of the corporation and shall be called by him at any time upon the written demand of twenty percent (20%) of the voting shareholders. Notice of a special meeting shall specify the date, time, place, and the purpose of the meeting.

Section 3. Except as otherwise provided by law, the presence of thirty percent (30%) of all the holders of Class A common stock, including subscribers for a share of Class A common stock, at any meeting of the members shall constitute a quorum. Each voting shareholder shall be entitled to only one (1) vote on any matter, question, or election coming before the meeting. Such votes shall be cast in person; provided, however, that votes may be cast by signed written vote when a copy of the proposition to be voted upon accompanies the vote, as provided by law.

ARTICLE X

The private property of the shareholders shall be exempt from corporate liability. This Article shall not be changed except by unanimous consent of all members.

ARTICLE XI

The life of this corporation shall continue to be perpetual unless sooner dissolved by action of the shareholders.

ARTICLE XII

On dissolution or liquidation, the assets of the corporation shall first pay liquidation expenses, next its obligations other than patronage dividends or certificates issued therefor, and the remainder shall be distributed in the following priority:

(a) To pay preferred stock;

(b) To pay any deferred patronage dividends or certificates issued therefor. If the fund is insufficient to pay them all, it shall be prorated;

(c) To pay all members or common shareholders the amounts for which their memberships or shares were originally issued; and

(d) Any remaining assets shall be proportionately distributed among the members and former members based upon the business done over a period of years determined by the Board of Directors to be practicable under the circumstances.

ARTICLE XIII

Directors shall be entitled to receive such fees for attendance at meetings of the Board as may be fixed in the By-Laws of the corporation. Officers' salaries and expenses of the directors and officers of the corporation, if any, may be fixed from time to time by resolution of the Board.

ARTICLE XIV

The corporation shall have the power to indemnify and hold harmless any director or officer, against expenses actually and reasonably incurred by him in connection with the defense of any action, suit, or proceedings, civil or criminal, in which he is made a party by reason of being, or having been, such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit, or proceedings, to be liable for actual bad faith, gross negligence, or fraudulent conduct in the performance of his duties; and the corporation shall have the authority to procure insurance for such purposes.

ARTICLE XV

The directors, by vote of seventy-five percent (75%) thereof, irrespective of any personal interest of any of the directors, may adopt, alter, amend, or repeal bylaws for the corporation which shall remain in force until altered, amended, or repealed by a vote of seventy-five percent (75%) of the voting members present at any annual meeting or special meeting of the membership; provided, however, at least ten days prior written notice of the impending membership vote has been mailed to all voting members of the association with a copy or summary of the proposed adoption, alteration, amendment, or repeal of the Bylaws.

ARTICLE XVI

Amendments to these Articles of Incorporation, excepting Article X, may be made at any annual or special meeting by an affirmative vote of sixty-six and two thirds percent (66 % %) of the members having voting privileges who are present and voting or represented by a signed written vote, provided that a copy of the proposed amendments or summary thereof and notice of the time and place of meeting shall have been first mailed to each member at least ten (10) days prior to such meeting.

AMERICAN GRAIN AND RELATED INDUSTRIES (A Farmer-owned Cooperative)

By: ______________________________

By: ______________________________

STATE OF IOWA)
) SS:
COUNTY OF POLK)

On _______________________, before me, a Notary Public, in and for the state of Iowa, personally appeared _________________________________ to me personally known, who being by me duly sworn, did say that they are the President and Secretary, respectively, of said association, that said instrument was signed on behalf of said association by authority of its Board of Directors, and that said persons respectively acknowledged the execution of said instrument to be the voluntary act and deed of said association by it voluntarily executed.

____
Notary Public in and for the state of Iowa

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BYLAWS
OF
AMERICAN GRAIN AND RELATED INDUSTRIES
(a Farmer-owned Cooperative)
(as amended through March 3, 2006)

ARTICLE I. OFFICES

The principal office of the Corporation in the State of Iowa shall be located in the City of Ankeny, County of Polk. The Corporation may have such other offices, either within or without the State of Iowa, as the Board of Directors may designate or as the business of the Corporation may from time to time require.

ARTICLE II. MEMBERSHIP

SECTION 1. MEMBERSHIP. Membership in the Corporation shall be limited to: (1) associations or groups organized on a cooperative basis within the meaning of 7 U.S.C.A. 291 and 12 U.S.C.A. 114lj(a), which have been approved for membership by the Board of Directors and which have purchased or subscribed to purchase a share of Class A voting common stock, and (2) entities which are not eligible to hold Class A common stock, which have been approved for membership by the Board of Directors and which have purchased or subscribed to purchase a share of Class B non-voting common stock. Holders of common stock in this Corporation are hereinafter referred to as "shareholders", "members", or "member-corporations". No member shall more than one (1) share of common stock.

SECTION 2. ELIGIBILITY. Application for membership shall be received by the Board in the form of a subscription for Class A common stock or Class B common stock. Determination of eligibility shall be made by the Board on the basis of whether the applicant meets the requirements of the Articles of Incorporation. The Board's determinations on eligibility shall be final.

ARTICLE III. MEETINGS

SECTION 1. ANNUAL MEETING. An annual meeting of the shareholders shall be held in January of each year on such date and at such time and place as shall be determined by the Board of Directors. The Board of Directors may, within its discretion, elect to have the annual meeting of the Corporation held at multiple locations. In no event shall the annual meeting be held at the same time at more than one location.

SECTION 2. SPECIAL MEETINGS. Special meetings of the shareholders may be called at any time by the President and shall be called by the President at any time upon the written demand of either a majority of the Board of Directors or by the holders of twenty percent (20%) of the Class A common stock; in the case of the President's neglect or refusal to call a meeting, twenty percent

(20%) of the Class A shareholders may join in a call of the meeting upon the same notice herein provided in this Article.

SECTION 3. NOTICE. At least ten (10) days' written notice of the time and place of all meetings shall be given to each shareholder in person or by mail directed to its address as shown on the books of the Corporation. If mailed, such notice shall be deemed to be given when deposited in the United States mail, addressed to the shareholder at its address as shown on the books of the Corporation with postage thereon prepaid. Notice of a special meeting shall also include the purpose or purposes of the meeting. If the Board of Directors elects to have the annual meeting held at multiple locations, the notice of the annual meeting shall set forth the locations at which the annual meeting will be held and shall set forth the date on which the annual meeting will be held at each location and the time it will be held at each location.

A written waiver of notice signed by a shareholder, whether before or after the time of the meeting stated herein, shall be equivalent to the giving of such notice in due time as required by these Bylaws. Attendance of a shareholder at a meeting shall constitute a waiver of notice of such meeting except where a shareholder attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 4. QUORUM. Thirty percent (30%) of all Class A shareholders, including subscribers shall constitute a quorum at annual and special meetings of the shareholders. If, however, such quorum shall not be present or represented at any meeting of the shareholders, the shareholders entitled to vote thereat, present in person, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present, any business may be transacted at the meeting as originally notified.

A shareholder who is not present in person but who votes by written vote shall be counted as present for purposes of determining whether a quorum is present to act on the question on which such shareholder casts such written vote but shall not be counted present for purposes of determining the presence of a quorum to transact any other business.

The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

SECTION 5. VOTING. Each Class A shareholder shall be entitled to one (1) vote. Votes shall be cast in person except that an absent shareholder may cast its signed written vote when a copy of any particular question, resolution, or motion to be voted on is attached to such vote and if the mail votes are returned to the Corporation and received prior to the time specified for the meeting.

Shareholders shall cast their votes through a representative duly authorized in writing. A credential form shall be provided to each shareholder for the proper identification of its authorized representative. In the event more than one person is named as the authorized representative, other than an alternate, the majority vote of the Credentials Committee, which shall be appointed by the Board of Directors, shall determine which representative, if any, is authorized to cast the vote on behalf of the shareholder. A representative must be a member, or the manager, of the shareholder; and no representative shall be authorized to represent more than one (1) shareholder at a meeting.

Voting by shareholders on any question or in any election may be by voice vote unless the presiding officer shall order or any shareholder shall demand that voting be by ballot.

SECTION 6. ORDER OF BUSINESS. The chairman at any meeting of shareholders shall conduct the meeting in a manner fair to the shareholders and shall determine the order of business and procedure at the meeting, including such regulation of the manner of voting and the conduct of business as seem to him or her to be in order. No motion shall be in order to table any proposition on which absent members are casting a signed written vote unless the motion to table passes by a vote equal to more than 50% of the sum of the number of shareholders present and voting at the meeting plus the number of absent shareholders voting on the proposition by signed written ballot.

For a proposition to be considered at an annual meeting or special meeting of the shareholders, the proposition must either have been approved by the Board of Directors or submitted in writing by two (2) or more Class A shareholders to the Secretary of the Corporation at least thirty (30) days before the meeting. All propositions to be submitted to a special or annual meeting of the shareholders shall be set forth in the notice of the meeting.

If the annual meeting is held at multiple locations, the annual meeting shall be first convened at the first location as set forth in the notice of annual meeting. At such time as the chairman of the meeting deems it appropriate, within the chairman's discretion, to recess the meeting at such location with the meeting to reconvene at the next location, the chairman shall call a recess and announce that the meeting will reconvene at the next location as set forth on the notice of the annual meeting on the date set forth in the notice of the annual meeting and at the time set forth in the notice of the annual meeting. The annual meeting shall continue in the foregoing manner until the meeting has been held at all of the locations set forth in the notice of the annual meeting. No motion for final adjournment of the annual meeting shall be in order unless such motion is made at the final location of the annual meeting as set forth in the notice of the annual meeting.

SECTION 7. DISTRICT MEETINGS. Meetings of the members of a director district may be held separate and apart from the meetings of all of the members for (i) the purpose of voting on the removal of a director as provided in Article IV, Section 8 of these Bylaws, (ii) for the purpose of electing a director to fill any vacancy resulting from the removal of a director who was elected by such district or (iii) any other proper purpose. Notice of any such meetings, voting at such meetings, the quorum requirements for such meetings and the conduct of business at such meetings shall be governed by the provisions of these Bylaws with respect to meetings of the members as a whole; provided, however, that references in such provisions to the members shall be deemed for the foregoing purposes to be references to the members of the applicable district. If a meeting of the members of a director district is held, other than in connection with an annual meeting, for the election of a director to fill a vacancy as a result of the removal of a director, such meeting shall not be held until at least ninety (90) days after the appointment of a nominating committee for such district is appointed by the President, as provided in Section 5 of this Article IV, and for the foregoing purposes the references in Section 5 of Article IV to the annual meeting shall be deemed to be references to the district member meeting.

ARTICLE IV. BOARD OF DIRECTORS

SECTION 1. MANAGEMENT OF BUSINESS. The Board of Directors shall have general supervision and control of the business and the affairs of the Corporation and shall make all rules and regulations, not inconsistent with law, the Articles of Incorporation, or these Bylaws, for the management of the business and the guidance of the officers, employees, and agents of the Corporation. The Board of Directors shall have installed an accounting system adequate to the requirements of the business, and it shall be its duty to require proper records to be kept of all business transactions and to have the books and records audited at least once each year by a certified public accountant. A report of the financial condition of the Corporation and of the business done shall be reported to the shareholders at the annual meeting.

SECTION 2. NUMBER. The business and affairs of the corporation shall be managed, conducted and controlled by a board of six (6) elected directors comprised as follows: (i) four (4) of the directors shall be persons engaged in producing agricultural products (hereinafter "producers") who are members of a Class A shareholder, one (1) to be chosen from each of four (4) districts and (ii) two (2) of the directors shall be general managers of a Class A shareholder (hereinafter referred to as "managers") one (1) to be chosen from each of two (2) districts. Managers must be members or officers of a Class A shareholder. The boundaries of Districts 1 through 4 and Districts A and B for the years 2006 through 2009 are as follows:

District 1:

The Iowa counties of Cherokee, Clay, Dickinson, Emmet, Hancock, Howard, Kossuth, Lyon, Mitchell, O'Brien, Osceola, Palo Alto, Plymouth, Sioux, Winnebago and Worth; and the Minnesota counties of Jackson, Fillmore, Watonwan, Dakota and Ramsey.

District 2:

The Iowa counties of Allamakee, Bremer, Butler, Cerro Gordo, Chickasaw, Clayton, Fayette, Floyd, Franklin and Winneshiek; all Minnesota counties other than those included in District 1; and the State of Wisconsin.

District 3:

The Iowa counties of Adair, Adams, Audubon, Boone, Buena Vista, Calhoun, Carroll, Cass, Clarke, Crawford, Dallas, Decatur, Freemont, Greene, Guthrie, Hamilton, Harrison, Humboldt, Ida, Lucas, Madison, Marion, Mills, Monona, Montgomery, Page, Polk, Pottawattamie, Pocahontas, Ringgold, Sac, Shelby, Taylor, Union, Warren, Wayne, Webster, Woodbury and Wright; and the state of Nebraska.

District 4:

The Iowa counties of Appanoose, Benton, Black Hawk, Buchanan, Cedar, Clinton, Davis, Delaware, Des Moines, Dubuque, Grundy, Hardin, Henry, Iowa, Jackson, Jasper, Jefferson, Johnson, Jones, Lee, Linn, Louisa, Keokuk, Mahaska, Marshall, Monroe, Muscatine, Poweshiek, Scott, Story, Tama, Van Buren, Wapello and Washington; and the state of Illinois.

District A:

The Iowa counties of Allamakee, Bremer, Buena Vista, Bremer, Cerro Gordo, Cherokee, Chickasaw, Clay, Dickinson, Emmet, Floyd, Franklin, Hancock, Howard, Humboldt, Kossuth, Lyon, Mitchell, O'Brien, Osceola, Palo Alto, Plymouth, Pocahontas, Sioux, Winnebago, Wright, Worth and Winneshiek; and the states of Minnesota and Wisconsin.

District B:

The Iowa counties of Adair, Adams, Appanoose, Audubon, Benton, Black Hawk, Boone, Buchanan, Calhoun, Carroll, Cass, Cedar, Clarke, Clayton, Clinton, Crawford, Dallas, Davis, Decatur, Delaware, Des Moines, Dubuque, Fayette, Freemont, Greene, Grundy, Guthrie, Hamilton, Hardin, Harrison, Henry, Ida, Iowa, Jackson, Jasper, Jefferson, Johnson, Jones, Keokuk, Lee, Linn, Louisa, Lucas, Madison, Mahaska, Marion, Marshall, Mills, Monona, Monroe, Montgomery, Muscatine, Page, Polk, Pottawattamie, Poweshiek, Ringgold, Sac, Scott, Shelby, Story, Tama, Taylor, Union, Van Buren, Wapello, Warren, Washington, Wayne, Webster and Woodbury; and the states of Nebraska and Illinois.

In order to carry out the requirements of Article VII, Section 6, of the Articles of Incorporation that director districts be reapportioned from time to time so that the districts contain as nearly as possible an equal number of shareholders of the corporation, the President shall at least one hundred eighty (180) days before the annual meeting of members to be held in 2009 and every third year thereafter appoint a redistricting committee to consist of three (3) members of the Board of

Directors. Such redistricting committee may require the assistance of such officers and employees of the Corporation and employ such other persons as it deems necessary to accomplish its duties.

The function and duty of the redistricting committee shall be to formulate producer-director and manager-director districts having as nearly equal numbers of shareholders and to make its recommendation to the Board of Directors for its approval not later than one hundred twenty (120) days prior to the annual meeting of members referred to above. The Board of Directors shall receive the report of the redistricting committee and determine the district boundaries by accepting or amending such report not later than ninety (90) days prior to such annual meeting. The report as so approved or amended shall constitute an amendment to Section 2 of this Article IV and shall apply to directors elected at the ensuing annual meeting and thereafter until the district boundaries are again changed.

SECTION 4. QUALIFICATIONS. To be eligible to be a producer-director, a nominee must be an active agricultural producer, an active member of a local Class A shareholder, not over the age of sixty-five (65) on the date of election, and a resident of the district from which he is a nominee. All producer-directors must be and remain residents in the district from which they are elected, excepting only those incumbent directors whose district is changed during a term of office. In the event a district is changed during the term of an incumbent director thereby making him ineligible to be elected from that district, he shall nevertheless continue to serve the remainder of the term to which he was elected.

To be eligible to be manager-director, a nominee must be a manager of a Class A shareholder whose principal place of business is located in the district from which he is a nominee, be a member or officer of such Class A shareholder and be not over the age of sixty-five (65) on the date of election. All manager-directors must be and remain managers of a Class A shareholder having its principal place of business in the district from which the manager-director is elected and be a member or officer of such Class A shareholder.

SECTION 5. NOMINATION. At least ninety (90) days before each annual meeting of the members, the President shall appoint a three (3) member nominating committee for each producer-director district and for each manager-director district from which a director is to be elected to submit the names of nominees for directors to be elected at such meeting. Each district nominating committee shall select at least two (2) qualified nominees for each vacancy and shall certify said nominees to the President and Secretary of the Corporation at least sixty (60) days prior to the annual meeting. One of the nominees shall be the incumbent director which holds the directorship for the respective vacancy provided that such incumbent director is qualified and desires to serve. The notice of the annual meeting shall set forth the names and addresses of the nominees selected by each of the district nominating committees. Nominations for directors may not be made from the floor at any meeting of the members.

SECTION 6. ELECTION OF DIRECTORS. Election of directors shall be by districts. The authorized representatives of the Class A shareholders located in each district from which a director is to be elected shall be eligible to vote. A majority of all votes cast shall be required to elect. Proper minutes of each district meeting shall be maintained and incorporated as part of the minutes of the annual meeting of shareholders. At each district meeting, a quorum of thirty percent (30%) of the Class A shareholders located in such district shall be required. The nominee receiving a majority of all votes cast shall be elected. Voting may be via voice vote, or, if any authorized representative demands, by secret ballot. In the event the district fails to elect a director for any reason, the incumbent director shall continue to serve as a director until his successor is elected. Certification of election results shall be made by the President immediately following the election. For purposes of determining in which district a Class A shareholder is entitled to vote for the election of directors, a Class A shareholder shall be deemed to be located in the district in which the Class A shareholder's principal place of business is located.

SECTION 7. TERM OF OFFICE OF DIRECTORS. Each director elected by the shareholders shall be elected to serve for a period of three (3) years and until his successor is elected and qualified or until his death, resignation or removal.

SECTION 8. REMOVAL. A director shall be subject to removal at a meeting of the Class A shareholders called for that purpose by the vote of a majority of the Class A shareholders of the Corporation. A director may likewise be removed by a vote of a majority of all Class A shareholders in such director's district at a district meeting of the Class A shareholders of such director's district called for the purpose of the removal of such director. The vacancy created by the removal of a director shall be filled by the Board of Directors appointing, by a majority vote of the remaining directors though less than a quorum, an eligible person from such removed director's district to fill the vacancy resulting from such removal until the next annual meeting of the members or until the next district meeting of the members of such district which is called for the purposes of electing a person to fill such vacancy, whichever is earlier. The election by the members of the applicable district of the person to fill the vacancy created by the removal of a director, as provided above, shall be done in the same manner as provided for in the Articles of Incorporation and Bylaws for the election of directors generally.

SECTION 9. RESIGNATION. Any director may resign at any time by giving written notice to the President or to the Secretary of the Corporation. The resignation of any director shall take effect upon receipt of notice thereof or at such later date as shall be specified in such notice; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 10. VACANCY. Any vacancy occurring in the Board of Directors through death, resignation, or any cause other than removal may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected to hold office for the remainder of the unexpired term. A vacancy in the office of director shall occur: (1) if a producer-director moves from the district from which he was elected or (2) if a manager-director ceases to be a general manager, and a member or officer of the Class A shareholder of which he is general manager, in the district from which he was elected.

SECTION 11. QUORUM. A majority of the number of directors then holding office shall constitute a quorum for the transaction of business; but, if any meeting of the Board of Directors there shall be less than a quorum present, a majority of the directors present may adjourn the meeting from time to time until a quorum shall be present. Notice of any adjourned meeting need not be given at any meeting of the Board of Directors. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless a greater number is required by law or the Articles of Incorporation or these Bylaws.

SECTION 12. COMPENSATION OF DIRECTORS. Directors shall be entitled to be reimbursed for expenses paid by them on account of attendance at any regular or special meeting of the Board of Directors or any committee of the Board of Directors, and the Board of Directors may provide that the Corporation shall pay each director such compensation for his services as a director as may be fixed from time to time by resolution of the Board of Directors adopted at any regular meeting of the Board of Directors.

SECTION 13. DIRECTOR'S ASSENT ASSUMED. A director of the Corporation who is present at a meeting of its Board of Directors at which action on any matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered or certified mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 14. BOARD MEETINGS. The annual meeting of the Board of Directors shall be held following the annual meeting of shareholders at a time and place announced by the President. Other meetings of the Board of Directors, regular and special, shall be held from time to time, at the office of the Corporation or elsewhere as may be specified in the call for the meeting. Regular meetings shall be held at such times as the Board of Directors may direct without notice; provided, however, that the Board of Directors shall meet at least once every month. Special meetings of the Board of Directors shall be held upon call of the President or upon written request of five (5) members of the Board of Directors at a time and place to be specified in the call. Notice of any special meeting shall be given at least two (2) days prior to the meeting Notice may be communicated in person, by mail, or other method of delivery, or by telephone, voice mail or other electronic means. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. If notice is given by electonic means, such notice shall be deemed given when electronically transmitted to the director in the manner authorized by the director. Any director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 15. TELEPHONIC MEETINGS. Members of the Board of Directors or any committee designated by the Board of Directors, may participate in a regular or special meeting of the Board of Directors or such committee through the use of any means of communication by which all directors participating are able to simultaneously hear each other during the meeting. A director participating in a meeting pursuant to this section is deemed to be present in person at the meeting.

SECTION 16. ACTION WITHOUT A MEETING. Any action required or permitted by law to be taken at a meeting of the Board of Directors may be taken without a meeting if the action is taken by all members of the Board of Directors and if one or more consents in writing describing the actions so taken shall be signed by each director then in office and filed with the corporate records reflecting the action taken. Action taken under this section is effective when the last director signs the consent, unless the consent specifies a different effective date. A consent signed pursuant to this section is deemed to have the same effect as a meeting vote and may be described as such in any document.

SECTION 17. COMMITTEES. There is hereby established an Executive Committee of the Board of Directors consisting of the President, who shall also serve as chairman of such committee, the Vice-President and Secretary . The Executive Committee, except as otherwise provided by resolution or in these Bylaws, shall have and exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation in the interim between meetings of the Board of Directors, except the power to fill vacancies in its own membership or in the Board of Directors or to amend Bylaws. The Executive Committee shall fix its own rules governing the conduct of its activities. Minutes shall be kept of all Executive Committee meetings.

In addition, the Board of Directors by resolution adopted by the affirmative vote of a majority of the number of directors then in office may establish one (1) or more other committees, each committee to consist of three (3) or more directors elected by the Board of Directors. Any such committee shall serve at the will of the Board of Directors. Each such committee shall have the power and duties delegated to it by the Board of Directors. Each such committee shall elect a chairman and secretary and fix its own rules governing the conduct of its activities. Minutes shall be kept of all committee meetings.

SECTION 18. MARKETING AGREEMENTS. The Board of Directors shall have the power on behalf of the Corporation to make, deliver, and execute marketing agreements with its several shareholder-corporations providing for the orderly marketing of all or some specified amount of the grain of such members and their producer-shareholders upon a cooperative marketing basis. The Corporation shall have the sole responsibility to market the grain covered by the marketing agreement in such manner as to best utilize the facilities of its member-corporations and of this Association. The Board of Directors shall have the authority to participate in any federal program, including, but not limited to, the Commodity Credit Corporation program for price support of certain commodities.

ARTICLE V. OFFICERS

SECTION 1. OFFICERS. The directors shall elect from their own number the executive officers of the Corporation a President, one (1) or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer. The office of Secretary and

Treasurer may be combined and the incumbent known as Secretary-Treasurer. Two (2) or more offices may be held by the same person except the President may not hold any other office.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

SECTION 3. REMOVAL. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of any officer or agent shall not of itself create contract rights. An officer may also be removed by the Class A shareholders in the manner provided in Section 499.38 of the Code of Iowa.

SECTION 4. RESIGNATIONS. Any officer may resign at any time by giving written notice of such resignation to the President or to the Secretary. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 7. POWERS AND DUTIES OF THE VICE-PRESIDENTS. In the absence of the President or in the event of his death, inability, or refusal to act, the Vice-President, who was selected by the Board of Directors from their own number, shall perform the duties of the President and when so acting shall have all the powers of and be subject to all the restrictions upon the President. Any Vice-President may sign, with the Secretary or Assistant Secretary or Treasurer or Assistant Treasurer, certificates for membership in the Corporation and shall perform such other duties and have such authority as from time to time may be assigned to him by the President or by the Board of Directors.

SECTION 8. POWERS AND DUTIES OF THE SECRETARY. The Secretary shall (i) keep minutes of all meetings of the shareholders and of the Board of Directors in books provided for that purpose and read such minutes at the proper subsequent meeting; (ii) attend to giving and serving all notices of the Corporation as provided by these Bylaws or as required by law; (iii) be custodian of the corporate seal, if any, the stock certificate books and such other books, records, and papers as the Board of Directors may direct and shall affix the corporate seal (if any) to all stock certificates and to all documents on which such seal is deemed necessary or proper, the execution of which on behalf of the Corporation is duly authorized; (iv) keep a shareholder's record and subscriber's record showing the names of all shareholders of the Corporation and their post office addresses as furnished by each member; (v) sign with the President or a Vice-President stock certificates of the Corporation, the issuance of which shall have been duly authorized; and (vi) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or the Board of Directors.

SECTION 9. POWERS AND DUTIES OF THE TREASURER. The Treasurer shall perform such duties with respect to the finances of the Corporation as may from time to time be assigned to him by the President or Board of Directors. The Treasurer's books and accounts shall be open at all times during business hours to the inspection of any director of the Corporation. The Treasurer shall give bond in such form and with such sureties as shall be required by the Board of Directors, which bond shall be purchased by and be an expense of the Corporation.

SECTION 10. OTHER OFFICERS. There shall be such number of Assistant Vice-Presidents, Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time authorize and appoint. The Assistant Secretaries may sign, with the President or a Vice-President, stock certificates of the Corporation, the issuance of which shall have been authorized by a resolution of the Board of Directors and may attest the signature of the President or Vice-Presidents. The Assistant Treasurers shall, respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine, and such bonds shall be purchased by and be an expense of the Corporation. The Assistant Vice-Presidents, Assistant Secretaries and Assistant Treasurers, in general, shall perform such other duties as shall be assigned to them by the Vice-President, the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

SECTION 11. CHIEF EXECUTIVE OFFICER. Board of Directors may employ a Chief Executive Officer and may require him to give a bond purchased by and at the expense of the Corporation. The Chief Executive Officer shall perform such duties and shall exercise such authority as the Board of Directors may from time to time vest in him. Under the general supervision of the Board of Directors, the Chief Executive Officer shall have general charge of the ordinary and usual business operations of the Corporation. He shall render annual and other statements in form and manner prescribed by the Board of Directors. He shall employ, supervise and discharge any and all employees of the Corporation. Subject to the direction of the Board of Directors and the President, he shall have the power to direct or control litigation in which the Corporation may be employed or interested and employ its counsel therein. He shall have authority to sign, execute and acknowledge all contracts, deeds, mortgages, bonds, leases or other obligations on behalf of the Corporation as he may deem necessary or proper to be executed in the course of the Corporation's regular business or in connection with other transactions which are authorized by the Board of Directors. He may sign, in the name of the Corporation, reports and all other documents or instruments which are necessary or proper to be executed in the course of the Corporation's business.

ARTICLE VI. PATRONAGE ALLOCATION TAXABILITY

Each entity which hereafter applies for and is accepted to membership in this Corporation and each member of this Corporation on March 1, 1963, which continues as a member after such date, shall, by such act alone, consent that the amounts of any distributions with respect to its patronage occurring after February 28, 1963, which are made in written notices of allocation (as outlined in 26 U.S.C. Section 1388) and which are received by it from the Corporation, will be taken into account by it at their stated dollar amounts in the manner provided in 26 U.S.C. Section 1385(a) in the taxable year in which such written notices of allocations are received by it. Written notification of and a copy of this section of the provision shall be given to each shareholder and prospective shareholders before it becomes a shareholder of the Corporation.

ARTICLE VII. TREATMENT OF LOSSES

The Board of Directors, or the Executive Committee thereof, shall treat losses of the Corporation for any fiscal year in any manner permitted for federal income tax purposes by the Internal Revenue Service or the regulations issued thereby, including, without limitation, any of the following if then permitted:

(1) making an assessment against the patrons of the Corporation proportionate to the amount of business done with the Corporation during the fiscal year in which the loss occurred; provided, however, that this clause shall not be construed in a manner which will cause the members to be liable for the debts of the Corporation except to the extent of unpaid amounts on common stock subscribed for by the shareholder;

(2) establishing an account receivable on the books of the Corporation from the patron proportionate to the amount of business done with the Corporation during the fiscal year in which the loss occurred, provided that this clause shall not be construed to be in a manner which will cause the shareholders to be liable for the debts of the Corporation except to the extent of unpaid amounts on common stock subscribed for by the shareholder;

(3) canceling outstanding patronage credited to the account of any patron or preferred stock issued for patronage dividends held by a patron proportionate to the amount of business done with the Corporation in the year in which the loss occurred;

(4) canceling any reserve or surplus account which may be held on the books of the Corporation which is available for application against such losses; and

(5) carrying the loss forward for one (1) year as a net operating loss from the department of the Corporation in which the loss occurred, but only if such loss carried forward does not prove inequitable to the patrons of the Corporation.

ARTICLE VIII. CANCELLATION OF MEMBERSHIP

After providing notice and opportunity for hearing to a shareholder, the Board of Directors, upon a unanimous vote of all members of the Board of Directors, may cancel the membership of any common shareholder and have the shareholder expelled if any of the following actions is found to have occurred: (1) if the shareholder has attempted to transfer its common stock in violation of the Articles of Incorporation; (2) if the shareholder has willfully failed to deliver grain or other products dealt in by the Corporation or otherwise has willfully defaulted in performance on an oral or written contract with the Corporation; (3) if the shareholder has willfully dealt with the Corporation in a manner indicating a lack of good faith on the part of the shareholder; or (4) if the shareholder has willfully failed to pay its account when due, after being given due and timely notice of the amount unpaid. If a holder of common stock fails to patronize the Corporation for three (3) consecutive fiscal years of the Corporation or if a holder of common stock fails to do at least One Hundred Thousand Dollars ($100,000.00) of business with the Corporation during any three (3) consecutive fiscal years of the Corporation, the Board of Directors may, by a majority vote of the entire Board of Directors, expel the shareholder and, in the event the shareholder is expelled (i) such shareholder's common stock shall be canceled, and, (ii) the Corporation shall pay to such shareholder the value of the shareholder's common stock, but not more than its issuing price, within sixty (60) days thereafter.

ARTICLE IX. DISTRIBUTION OF EARNINGS

SECTION 1. The Board of Directors shall annually dispose of the earnings of this Corporation in excess of its operating expenses as follows:

(1) Provide a reasonable reserve for bad debts, contingent losses or expenses, depreciation, and obsolescence, as may be allowable for income tax purposes, to be finally determined as of the close of each year by the President and/or the Chief Executive Officer, and the auditor, whose decision shall be final unless modified for good cause by the Board of Directors within twenty (20) days after the audit is reported. No contingent losses or expenses shall be the subject of any reserve unless, for cause determined by the Board of Directors and entered on its members before the end of the fiscal year, such reserve are found required or warranted by special situations which make such losses or expenses imminent and require a provision for them in exercise of sound business practices, and then only in such reasonable sum as may be found to be there required and entered of record in the minutes.

(2) At least ten percent (10%) of the remaining earnings must be added to surplus until surplus equals the greater of either (i) thirty percent (30%) of the total of all capital paid in for capital stock of all classes, plus all unpaid patronage dividends, plus certificates of indebtedness payable upon liquidation, plus the aggregate of all earnings from non-member business, plus regional deferred patronage dividends held by the Association (such regional deferred patronage dividends being deemed to be the earnings of the Corporation from such source), or (ii) One Thousand Dollars ($1,000.00). No additions shall be made to surplus whenever it exceeds fifty percent (50%) of the total described in (i) of the preceding sentence or One Thousand Dollars ($1,000.00) whichever is greater, without the approval of the Class A shareholders..

(3) An educational fund may be provided in an amount of not less than one percent (1%) and not more than five percent (5%) of the net earnings of the Corporation after the establishment of the reserves set forth herein. The Board of Directors shall order such fund to be created during the first thirty (30) days of the fiscal year, and said

fund may be used as the directors deem suitable for teaching or promoting cooperation.

(4) No dividends will be paid or allowed on common or preferred stock, as such; but the holders of common stock shall participate in the allocation of patronage dividends.

(5) All remaining net earnings shall be and are hereby allocated to a revolving fund and credited to the account of each shareholder, in proportion to its patronage.

(6) The revolving fund and the surplus shall be distributed to those to whom the same belong in the same time and manner as provided by Sections 499.30 and 499.48 of the Code of Iowa, so that all business and activities of this Corporation shall be conducted on a cooperative basis without profit or financial gain to it and so as to procure for its shareholder the highest return for their products.

SECTION 2. The net earnings of the Corporation and the business each shareholder has done with the Corporation may in the discretion of the Board of Directors, from time to time, be calculated according to the departments or branches of the Corporation and net earnings from each such department or branch allocated to each member on the basis of the business such shareholder has done with the particular department or branch after charging each branch or department such portion of the expenses of the Corporation which, in the judgment of the Board of Directors, is fair and reasonable. If the Board of Directors so determines, business done by the shareholders of the Corporation with any entity treated as a partnership for federal income tax purposes in which the Corporation has an investment, including but not limited to AGRI-Bunge L.L.C. (a venture of the Corporation and Bunge North America, Inc.), shall be deemed to be business done with the Corporation and earnings and related income and distributions of such entity may be treated as a separate department or branch of the Corporation, and net earnings allocated to each member on the basis of the business such shareholder has done with such entity.

ARTICLE X. CONTRACTS, LOANS, CHECKS, AND DEPOSITS

SECTION 1. CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances.

SECTION 2. LOANS. No loans shall be contracted on behalf of the Corporation, and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3. CHECKS, DRAFTS, OR OTHER ORDERS. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE XI. MISCELLANEOUS PROVISIONS

SECTION 1. VOTING OF STOCKS OWNED BY THE CORPORATION. In the absence of a resolution of the Board of Directors to the contrary, the President of the Corporation, Chief Executive Officer, or any Vice President acting within the scope of his authority as provided in these Bylaws, is authorized and empowered on behalf of the Corporation to attend, vote, and grant discretionary proxies to be used at any meeting of members or shareholders of any association or corporation in which this Corporation holds or owns shares of stock or membership interests and, in that connection, on behalf of the Corporation, to execute a waiver of notice of any such meeting. The Board of Directors shall have authority to designate any officer or person as a proxy or attorney-in-fact to vote shares of stock or membership interest in any other corporation or association in which this Corporation own or hold shares of stock or a membership interest.

SECTION 2. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

a. Indemnity. The Corporation shall indemnify and advance expenses to any person who was or is a party to or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including a grand jury proceeding) and whether formal or informal, by reason of the fact that such person (i) is or was a director or officer of the Corporation, or (ii) while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, agent, partner or trustee (or in a similar capacity) of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan, to the maximum extent it is empowered to indemnify and advance expenses to a director by Part E of Division VIII of the Iowa Business Corporation Act, Iowa Code Chapter 490, as the same exists or may hereafter be amended or changed (but, in the case of any such amendment or change, only to the extent that such amendment or change empowers the Corporation to provide broader indemnification than said law empowered the Corporation to provide prior to such amendment or change), against reasonable expenses (including attorneys' fees), judgments, fines, penalties, including an excise tax assessed with respect to an employee benefit plan, and amounts paid in settlement actually and reasonably incurred by such person in connection with such claim, action, suit or proceeding or any appeal thereof; provided, however, that except as provided in paragraph (b) of this Section of these Bylaws with respect to proceedings seeking to enforce rights of indemnification, entitlement to such indemnification shall be conditional upon the Corporation being afforded the opportunity to participate directly on behalf of such person in such claim, action, suit or proceeding or any settlement discussions relating thereto, and with respect to any settlement or other nonadjudicated disposition of any threatened or pending claim, action, suit or proceeding, entitlement to indemnification shall be further conditional upon the prior approval by the Corporation of the proposed settlement or nonadjudicated disposition.

The determination that a director has met the relevant standard of conduct shall be made in one of the following manners:

(i) By a majority vote of all disinterested directors if there are two or more disinterested directors, a majority of whom shall for such purpose constitute a quorum.

(ii) By a majority of the members of a committee of two or more disinterested directors appointed by a vote of the board of directors in accordance with subparagraph (i) above.

(iii) By special legal counsel:

(A) selected by the board of directors in accordance with subparagraphs (i) or (ii) above; or

(B) if there are fewer than two disinterested directors, by the board of directors, in which case those directors who do not qualify as disinterested directors may participate in the voting on the selection.

(iv) By the shareholders, but shares owned by or voted under the control of a director who at the time does not qualify as a disinterested director shall not be voted on the determination.

A disinterested director is a director who, at the time of a vote referred to above, is neither a party to the proceeding nor an individual having a familial, financial, professional, or employment relationship with the director whose indemnification or advance for expenses is the subject of the decision being made, which relationship would, in the circumstances, reasonably be expected to exert an influence on the director's judgment when voting on the decision being made.

Approval or disapproval by the Corporation of any proposed settlement or other nonadjudicated disposition shall not subject the Corporation to any liability to or require indemnification or reimbursement of any party whom the Corporation would not otherwise have been required to indemnify or reimburse. The right to indemnification conferred in this Article shall include the right to payment or reimbursement by the Corporation of reasonable expenses incurred in connection with any such claim, action, suit or proceeding in advance of its final disposition; provided, however, that the payment or reimbursement of such expenses in advance of the final disposition of such claim, action, suit or proceeding shall be made only upon (a) delivery to the Corporation of a written undertaking, by or on behalf of the person claiming indemnification under this Section to repay all amounts so advanced if (i) the director is not entitled to mandatory indemnification under Iowa Code Chapters 490, or (ii) it shall ultimately be determined under the Iowa Code Chapter 490 that such person is not entitled to be indemnified under this Section or otherwise, or (b) delivery to the Corporation of a written affirmation of such person's good faith belief that (i) such person has met the relevant standard of conduct necessary to require indemnification by the Corporation pursuant to this Section or otherwise, or (ii) the proceeding involved conduct for which liability has been eliminated under a provision of the Articles of Incorporation, or (c) a determination that the facts then known to those making the determination would not preclude indemnification under this Section.

b. Payment. Any indemnification or advancement of expenses required under this Section shall be made promptly upon, and in any event within thirty (30) days after, the written request of the person entitled thereto. If the Corporation denies a written request for indemnity or advancement of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty (30) days of the date such request is received by the Corporation, the person seeking indemnification or advancement of expenses as granted by this Section may at any time within the applicable statute of limitations bring suit against the Corporation in any court of competent jurisdiction to establish such person's right to indemnity or advancement of expenses. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification in any such action or proceeding shall also be indemnified by the Corporation. It shall be a defense to any action brought against the Corporation to compel indemnification (other than an action brought to enforce a claim for the advancement of expenses pursuant to this Section where the written affirmation of good faith or the undertaking to repay as required above has been received by the Corporation) that the claimant has not met the standard of conduct set forth in Section 490.851 or 490.856 of the Iowa Business Corporation Act, as applicable, but the burden of proving such defense shall be on the Corporation. Neither (a) the failure of the Corporation (including its board of directors, committee, special legal counsel or the shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in Section 490.851 or 490.856 of the Iowa Business Corporation Act, as applicable nor (b) the fact that there has been an actual determination by the Corporation (including its board of directors, committee, special legal counsel or the shareholders) that the claimant has not met such applicable standard of conduct, shall create a presumption that the claimant has not met the applicable standard of conduct. In the event that the applicable standard of conduct has been met as to some claims, actions, suits or proceedings, but not as to others, a person who has a right of indemnification pursuant to this Section shall be indemnified against all expenses (including attorney fees) actually and reasonably incurred by such person in connection with the claim, action, suit or proceeding as to which the applicable standard has been met. Nothing contained in this section shall limit the obligation, duty or ability of the Corporation to indemnify such person as provided elsewhere in this Section.

c. Contract. The provisions of this Section shall be deemed a contract between the Corporation and each director and officer who serves in such capacity at any time while this Section and the relevant provisions of the Iowa Business Corporation Act and of Chapter 499 of the Code of Iowa are in effect, and any repeal or modification of any such laws or of this Section shall not adversely affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any claim, action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon any such state of facts.

d. Witnesses. The Corporation shall indemnify and advance expenses to any person who was or is a witness in or is threatened to be made a witness in any threatened, pending or completed claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including a grand jury proceeding) and whether formal or informal, by reason of the fact that such person (a) is or was a director or officer of the Corporation, or (b) while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, agent, partner or trustee (or in a similar capacity) of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan, to the same extent that such person would be entitled to indemnification and advancement of expenses under this Section if such person were, or were threatened to be made, a party to such claim, action, suit or proceeding, against reasonable expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with such claim, action, suit or proceeding or any appeal thereof.

e. Applicability. This Section shall be applicable to all claims, actions, suits or proceedings commenced after the effective date hereof, whether arising from acts or omissions occurring before or after the effective date hereof. Each person who is now serving or who shall hereafter serve as a director or officer of the Corporation shall be deemed to be doing so in reliance upon the rights of indemnification provided for in this Section, and such rights of indemnification shall continue as to a person who has ceased to be a director or officer, and shall inure to the benefit of the heirs, executors, administrators and legal or personal representatives of such a person. If this Section or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and officer of the Corporation to the maximum extent permitted by any applicable portion of this Section that shall not have been invalidated.

f. Initiation of Claims. Notwithstanding anything in this Section to the contrary, except with respect to proceedings initiated to enforce rights of indemnification to which such person is entitled under this Section or otherwise, the Corporation shall indemnify any such person in connection with a claim, action, suit or proceeding (or part thereof) initiated by such person only if the initiation of such claim, action, suit or proceeding (or part thereof) was authorized by the board of directors.

g. Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself and any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against such person and incurred by such person in such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Section, the Iowa Business Corporation Act, Chapter 499 of the Code of Iowa or otherwise. The Corporation may create a trust fund, grant a security interest and/or use other means (including, without limitation, letters of credit, surety bonds and/or similar arrangements), as well as enter into contracts providing for indemnification to the maximum extent permitted by law and including as part thereof any or all of the foregoing, to ensure the payment of such sums as may become necessary to effect full indemnification. The Corporation's obligation to make indemnification and pay expenses pursuant to this Section shall be in excess of any insurance purchased and maintained by the Corporation and such insurance shall be primary. To the extent that indemnity or expenses of a person entitled to indemnification and payment of expenses pursuant to this Section are paid on behalf of or to such person by such insurance such payments shall be deemed to be in satisfaction of the Corporation's obligation to such person to make indemnification and pay expenses pursuant to this Section.

SECTION 3. TRANSACTIONS IN WHICH OFFICERS AND DIRECTORS ARE INTERESTED. An officer or director of this Corporation shall not be disqualified by his office from dealing or contracting with this Corporation either as a vendor, purchaser, or otherwise, nor shall any transaction or contract of this Corporation be void or voidable by reason of the fact that any officer or director of any firm of which any officer or director is a member or any corporation or association of which an officer or director is a shareholder, officer, or director, is in any way interested in such transaction or contract; provided, that after such interest shall have been disclosed, such transaction or contract is or shall be authorized, ratified, or approved by a vote of a majority of a quorum of the Board of Directors without counting in such majority or quorum any director so interested or any director who is a member of a firm so interested or a shareholder, officer, or director of a corporation or association so interested; nor shall any officer or director be liable to account to this Corporation for any profits realized by or from or through any such transaction or contract of this Corporation authorized, ratified, or approved as aforesaid by reason of the fact that he, or any firm of which he is a member or any corporation or association of which he is a shareholder, officer, or director, was interested in such transaction or contract. Nothing herein contained shall create liability in the events above described to prevent the authorization, ratification, or approval of such contracts in any other manner provided by law.

Transactions between any officer or director of this Corporation or any corporation, association, or firm in which any officer or director is a member, shareholder, officer, director, or employee, for the purchase or sale of goods, commodities, or services of this Corporation, in the ordinary course of this Corporation's business at the prevailing market prices established by this Corporation in effect at the time the goods, commodities, or services are contracted are hereby approved without further action of the Board of Directors.

SECTION 4. EXECUTION OF CERTIFICATES. The certificates for shares of common stock of the Corporation shall be numbered in the order in which they shall be issued and shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary of the Corporation and may be sealed with the seal of the Corporation (if any) or a facsimile thereof.

ARTICLE XII. AMENDMENTS OF BYLAWS

Any of the Bylaws (regardless of by whom originally adopted, altered, amended or repealed) may be altered, amended or repealed or added to by the affirmative vote of seventy-five percent (75%) of the directors at any regular meeting of the Board of Directors or at a special meeting called for that purpose. The Bylaws may also be altered, amended or repealed at any annual or special meeting of the Class A shareholders by the affirmative vote of seventy-five percent (75%) of the Class A shareholders, provided, that a copy of the proposed amendment shall have been mailed or delivered to each Class A shareholder at least ten (10) days prior to such meeting. Proposals by the Class A shareholders to adopt, alter, amend, or repeal Bylaws by the vote of the Class A shareholders shall be presented to the Corporation's registered office for mailing to the Class A shareholders at least twenty (20) days prior to the meeting at which the proposed change is to be considered.

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APPENDIX F

AMERICAN GRAIN AND RELATED INDUSTRIES (A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

AUGUST 31, 2006 AND 2005

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Grain and Related Industries and subsidiaries

We have audited the accompanying consolidated balance sheets of American Grain and Related Industries and subsidiaries as of August 31, 2006 and 2005 and the related consolidated statements of operations, changes in members' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of AGRI-Bunge, LLC, a joint venture. The Company's investment in the joint venture represents $2,532,083 and $1,164,067 of the Company's total assets as of August 31, 2006 and 2005, respectively. The Company's equity in the net income of the joint venture was $1,368,016 and $759,581 for the years ended August 31, 2006 and 2005, respectively. The financial statements of AGRI-Bunge, LLC as of and for the years ended August 31, 2006 and 2005 were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for AGRI-Bunge, LLC, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Grain and Related Industries and subsidiaries as of August 31, 2006 and 2005, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 18-20 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
December 8, 2006

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2006 AND 2005

ASSETS

	2006	2005
CURRENT ASSETS		
Cash	$ 407,921	$ 434,114
Short-term investments	1,912,070	1,983,192
Cash and cash equivalents	2,319,991	2,417,306
Trade receivables, net of allowance for doubtful accounts of $83,419 for 2006 and $25,880 for 2005	6,988,906	6,258,516
Inventories	6,040,206	5,349,429
Deferred income taxes	275,000	200,000
Other current assets	300,272	268,127
Total Current Assets	15,924,375	14,493,378
PROPERTY AND EQUIPMENT		
Land	3,176,381	3,024,881
Buildings	14,725,036	13,977,027
Machinery and equipment	20,639,551	20,770,652
Construction in process	427,301	136,204
	38,968,269	37,908,764
Less accumulated depreciation	22,608,271	21,539,239
Net Property and Equipment	16,359,998	16,369,525
OTHER ASSETS		
Investment in joint venture	2,532,083	1,164,067
Investments in other cooperatives	1,859,552	2,241,723
Deferred income taxes	195,000	400,000
Other assets	2,762,397	2,792,637
Total Other Assets	7,349,032	6,598,427
TOTAL ASSETS	$ 39,633,405	$ 37,461,330

See notes to consolidatd financial statements.

LIABILITIES AND MEMBERS' EQUITY

	2006	2005
CURRENT LIABILITIES		
Disbursements in excess of bank balance	$ 1,652,573	$ 766,941
Patronage refunds payable	169,008	458,012
Accounts payable	2,632,060	2,989,894
Accrued expenses	1,267,490	1,473,820
Accrued income taxes	22,950	-
Lines of credit	-	2,500,000
Current maturities of long-term debt	781,146	783,640
Total Current Liabilities	6,525,227	8,972,307
LONG-TERM DEBT, less current maturities	10,283,524	6,215,060
TOTAL LIABILITIES	16,808,751	15,187,367
MEMBERS' EQUITY		
Preferred stock	7,564,901	7,131,576
Common stock	975,128	1,027,697
Additional paid-in capital	182,754	31,516
Allocated loss	(48)	(48)
Accumulated other comprehensive income	22,894	11,158
Retained savings	14,079,025	14,072,064
Total Members' Equity	22,824,654	22,273,963
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 39,633,405	$ 37,461,330

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED AUGUST 31, 2006 AND 2005

	2006	2005
NET OPERATING REVENUES		
Revenues	$ 65,559,679	$ 64,003,335
Cost of sales and direct costs	60,429,056	59,781,867
	5,130,623	4,221,468
OTHER OPERATING REVENUES		
Equity in net income of joint ventures	1,368,016	759,581
Other	3,172	3,992
	1,371,188	763,573
OPERATING EXPENSES		
Divisional operating expenses	3,713,644	3,244,894
General and administrative	990,920	1,434,213
Total Operating Expenses	4,704,564	4,679,107
OPERATING INCOME	1,797,247	305,934
OTHER INCOME (EXPENSE)		
Interest	(682,836)	(708,699)
Gain on disposal of property and equipment	40,375	304,249
Other non-operating income (expense), net	(147,783)	230,008
	(790,244)	(174,442)
SAVINGS BEFORE INCOME TAX EXPENSE (BENEFIT)	1,007,003	131,492
INCOME TAX EXPENSE (BENEFIT)	155,000	(101,367)
NET SAVINGS	$ 852,003	$ 232,859

See notes to consolidated financial statements.

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED AUGUST 31, 2006 AND 2005

	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	Preferred Stock	Common Stock	Additional Paid-in Capital	Allocated Loss	Retained Savings	Total
BALANCE, AUGUST 31, 2004		$ 30,234	$ 8,016,784	$ 1,039,656	$ 31,516	$ (48)	$ 14,297,828	$ 23,415,970
Comprehensive Income:								
Net savings	$ 232,859	-	-	-	-	-	232,859	232,859
Unrealized loss on hedging account	(19,076)	(19,076)	-	-	-	-	-	(19,076)
Total comprehensive income	$ 213,783							
Shares Redeemed		-	(885,208)	(12,571)	-	-	-	(897,779)
Allocation of patronage earnings		-	-	612	-	-	(458,623)	(458,011)
BALANCE, AUGUST 31, 2005		11,158	7,131,576	1,027,697	31,516	(48)	14,072,064	22,273,963
Comprehensive Income:								
Net savings	$ 852,003	-	-	-	-	-	852,003	852,003
Unrealized gain on hedging account	11,736	11,736	-	-	-	-	-	11,736
Total comprehensive income	$ 863,739							
Shares Redeemed		-	(241,594)	(53,684)	151,238	-	-	(144,040)
Allocation of patronage earnings		-	674,919	1,115	-	-	(845,042)	(169,008)
BALANCE, AUGUST 31, 2006		$ 22,894	$ 7,564,901	$ 975,128	$ 182,754	$ (48)	$ 14,079,025	$ 22,824,654

See notes to consolidated financial statements.

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net savings	$ 852,003	$ 232,859
Adjustments to reconcile net savings to net cash provided (used) by operating activities:		
Depreciation and amortization	1,961,811	2,130,259
Write-down of investments to fair value	375,612	-
Equity in undistributed net income of joint ventures	(1,368,016)	(759,581)
Gain on disposal of property and equipment	(40,375)	(264,024)
Realized loss on hedging activity	43,944	115,225
Provision for doubtful accounts	66,000	43,308
Deferred income taxes	130,000	(100,000)
Patronage income not received in cash	(46,020)	(66,097)
Change in:		
Hedging account	(25,429)	(118,552)
Accounts receivable	(796,390)	(495,231)
Inventories	(690,777)	(181,253)
Accounts payable and accrued expenses	(541,214)	205,049
Other assets	(37,017)	(85,231)
Net cash provided (used) by operating activities	(115,868)	656,731
CASH FLOWS FROM INVESTING ACTIVITIES		
Direct-financing leases and notes receivable	-	15,907
Purchase of property and equipment	(2,137,533)	(1,995,804)
Proceeds from sale of property and equipment	253,957	3,374,797
Proceeds from distributions from other cooperatives	102,579	169,433
Investment in other cooperatives	(50,000)	-
Net cash provided (used) by investing activities	(1,830,997)	1,564,333
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in disbursements in excess of bank balance	885,632	766,941
Proceeds from long-term debt	929,685	500,000
Proceeds from lines of credit	9,800,000	9,885,000
Principal payments on long-term debt	(1,663,715)	(718,654)
Principal payments on lines of credit	(7,500,000)	(13,075,000)
Patronage paid to members	(1,134,046)	(214,116)
Redemption of members' equity	531,994	(897,167)
Net cash provided (used) by financing activities	1,849,550	(3,752,996)
Net decrease in cash	(97,315)	(1,531,932)
CASH AND CASH EQUIVALENTS, beginning of year	2,417,306	3,949,238
CASH AND CASH EQUIVALENTS, end of year	$ 2,319,991	$ 2,417,306

See notes to consolidated financial statements.

	2006	2005
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	$ 931,890	$ 793,789
Income taxes	$ 2,050	$ -

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION – The consolidated financial statements include the accounts of American Grain and Related Industries (a Farmer-owned Cooperative) (the Company) and its wholly-owned subsidiaries: AGRI Acquisition (AGAC), AGRI Financial Services, Inc. (AFS), AGRI Terminal Corporation (ATC), Industrial & Transportation Equipment Company (ITEC), Country Properties, and Mrs. Clark's Foods, L.C. and subsidiary (Mrs. Clark's). All material intercompany balances and transactions have been eliminated in consolidation.

Consolidated revenues result primarily from the revenues of Mrs. Clark's (99% and 98% of total revenues in 2006 and 2005, respectively). The 2006 and 2005 consolidated net savings are primarily from the operations of Mrs. Clark's and the Company's share of net earnings from AGRI-Bunge, LLC (AGRI-Bunge).

NATURE OF BUSINESS – The Company is organized on a cooperative basis to provide grain marketing and other related services for its members. The majority of the Company's members are located in Iowa. Grain marketing services are provided through AGRI-Bunge, which is a joint venture formed by the Company and Bunge North America, Inc. (Bunge). The Company leases facilities located on the Mississippi River to AGRI-Bunge.

AGAC leased property and equipment to MaxYield Cooperative through July 2005, when the property and equipment was sold to MaxYield Cooperative. AGRI holds an equity investment in MaxYield Cooperative. AGAC was dissolved during 2006.

AFS is a lessor of agricultural and other equipment.

ATC provides bulk fertilizer handling and storage services. The facility is located on property adjacent to the Company's Fulton, Illinois, grain terminal on the Mississippi River. The ATC facility is temporarily closed.

ITEC provided rail car mover repair and service, industrial blasting and painting and sales of rail car movers from a facility located in Carlisle, Iowa. ITEC was an authorized dealership for the Trackmobile brand of equipment. The Company ceased operations in December 2003 and disposed of its remaining assets during 2006.

Country Properties operates two bed and baths located in McGregor, Iowa.

Mrs. Clark's has plants located in Ankeny, Iowa and Hendersonville, North Carolina, where it manufactures and markets juices, salad dressings and sauces primarily for private label retail markets.

ACCOUNTING ESTIMATES AND ASSUMPTIONS – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

AMERICAN GRAIN AND RELATED INDUSTRIES (A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

SHORT-TERM INVESTMENTS AND CREDIT RISK - Short-term investments are comprised of various money market funds and certificates of deposit that are stated at cost, which approximate fair value. For purposes of the consolidated statements of cash flows, the Company considers all short-term investments to be cash equivalents. The Company had bank deposits in excess of federally insured limits totaling approximately $1.2 million at August 31, 2006. The Company also had $1.0 million held in uninsured money market accounts at August 31, 2006.

HEDGING ACTIVITIES - Mrs. Clark's generally follows a policy of hedging a portion of its commodity oil transactions to protect and stabilize the cost of commodity oil used in production activities from short term market fluctuations. Gains and losses from those hedge transactions are reflected in cost of goods sold. For the years ended August 31, 2006 and 2005, total unrealized gains (losses) included in accumulated other comprehensive income were $11,736 and ($19,076), respectively. The fair value of the Company's hedging account at August 31, 2006 and 2005 totaled $105,112 and $111,891, respectively, and is included in other current assets on the consolidated balance sheet. The Company reports any unrealized hedging gains (losses) as a component of other comprehensive income.

TRADE RECEIVABLES - Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within thirty days from the invoice date and are stated at the amount billed. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Company uses the allowance method to provide for doubtful accounts. Management determines the allowance by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

INVENTORIES - Inventories are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost. Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major replacements and betterments are charged to the asset accounts.

Depreciation is computed primarily by the straight-line method over the following range of estimated useful lives:

	Years
Buildings, leasehold improvements and facilities	5 - 39
Machinery and equipment	3 - 20

ADVERTISING COSTS - Advertising costs are expensed as incurred. Advertising costs included in divisional operating expenses totaled $47,386 and $36,310 for 2006 and 2005, respectively.

INVESTMENTS IN JOINT VENTURES - The Company accounts for its investments in joint ventures by the equity method of accounting. Under the equity method, the Company's proportionate share of net income (loss) of the joint venture is added to (subtracted from) the investment account. Distributions received are treated as a reduction in the investment account.

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

INVESTMENTS IN OTHER COOPERATIVES – The Company's less than 20% ownership in investments in other cooperatives are stated at cost, plus noncash qualified patronage allocations. Any entitlement to undistributed savings and nonqualified patronage refunds is recognized as income upon distribution or liquidation of the related entities. Investments in other cooperatives are reduced for losses of other cooperatives only when such losses are allocated by the cooperative or when there has been a permanent impairment of the value of the investment.

GOODWILL – Goodwill is tested annually for impairment using the fair value based approach. No impairment of value was identified during 2006 and 2005. At August 31, 2006 and 2005, other assets include $2,494,161 of goodwill related to the acquisition of Mrs. Clark's.

FAIR VALUES - The estimated fair value of the Company's long-term debt and line of credit approximates their carrying value as the applicable borrowing rates are comparable to current market rates.

INCOME TAXES – The Company operates as a nonexempt cooperative under Sections 1381 through 1388 of the Internal Revenue Code. Accordingly, federal income taxes are based on nonmember savings and the portion of member savings not allocated as patronage refunds.

The Company and its wholly-owned subsidiaries file consolidated federal income tax returns.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, is it more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

REVENUE RECOGNITION – Sales are recognized at the time of shipment.

SHIPPING AND HANDLING REVENUE AND EXPENSES - Shipping and handling costs are recorded as a component of costs of goods sold. Charges to customers for shipping and handling costs are recorded as an offset to costs of goods sold.

RECLASSIFICATIONS - Certain reclassifications to the 2005 financial statements have been made to conform to the 2006 presentation.

NOTE B – INVENTORIES

Inventories, stated at the lower of cost (first-in, first-out method) or market consisted of the following:

	2006	2005
Ingredients	$ 2,765,083	$ 2,084,994
Packaging	1,030,273	1,020,525
Finished products	2,244,850	2,243,910
	$ 6,040,206	$ 5,349,429

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - INVESTMENTS IN JOINT VENTURES

Effective March 1, 2004, the Company became a member in AGRI-Bunge, LLC, which originates and merchandises grain and oil seeds, and engages in other related activities. The agreement between the members expires March 31, 2014. All profits and losses are allocated among the members according to agreed-upon proportionate share interests. The Company currently receives 66% of the profits and losses and holds 50% of the voting rights of AGRI-Bunge.

Summary information of the joint venture in AGRI-Bunge as of August 31, 2006 and 2005, and for the years then ended, are as follows:

	2006	2005
Assets	$ 19,147,368	$ 27,108,538
Liabilities	15,189,667	25,223,589
Net Assets	$ 3,957,701	$ 1,884,949
Revenues	$ 397,414,331	$400,209,898
Net income	$ 2,072,752	$ 1,150,880
Company's interest:		
Equity in net assets - beginning of year	$ 1,164,067	$ 404,486
Share of net income	1,368,016	759,581
Equity in net assets - end of year	$ 2,532,083	$ 1,164,067

NOTE D - INVESTMENTS IN OTHER COOPERATIVES

The following is a summary of investments in other cooperatives as of August 31, 2006 and 2005:

	2006	2005
CHS, Inc.	$ 285,633	$ 358,075
tecTERRA Food Capital Fund	375,612	751,223
MaxYield Cooperative	700,000	700,000
CoBank	279,631	263,731
Others	218,676	168,694
	$ 1,859,552	$ 2,241,723

AMERICAN GRAIN AND RELATED INDUSTRIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE E – INCOME TAXES

Actual income tax expense (benefit) differs from the expected amount, based upon a federal income tax rate of 34% in 2006 and 2005 as follows:

	2006	2005
Expected income tax expense	$ 342,381	$ 44,707
Patronage refunds to members	(287,314)	(155,932)
Write-down of investment to fair value	118,644	-
Patronage income allocation	45,342	126,135
Inventory valuation allowance	15,396	(96,288)
Other	(79,449)	(19,989)
Income tax expense (benefit)	$ 155,000	$ (101,367)

Deferred income taxes relating to nonpatronage sources arise from temporary differences between book and tax basis financial statements and are primarily related to alternative depreciation methods and net operating loss carryforwards. At August 31, 2006 and 2005, the Company had net deferred income tax assets of approximately $470,000 and $600,000, respectively, from these temporary differences. At August 31, 2006 and 2005, no valuation allowance was considered necessary by management. The ultimate realization of the deferred income tax assets is dependent upon the generation of future taxable income. Deferred taxes are not established for temporary differences relating to patronage sources that are expected to be distributed. The change in these differences is reflected as patronage income allocation in the above schedule. Net operating loss carryforwards of approximately $2,973,000 begin to expire in 2023.

The provision for income taxes consists of:

	2006	2005
Current	$ 25,000	$ (1,367)
Deferred	130,000	(100,000)
Net income tax expense (benefit)	$ 155,000	$ (101,367)

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
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NOTE F – NOTES PAYABLE

The Company has a $7,000,000 revolving line of credit that matures September 1, 2007. Any outstanding balances at that date are to be repaid prior to March 1, 2008. The line bears interest at a variable rate (7.95% at August 31, 2006). Borrowings on the line of credit were $4,800,000 and $2,500,000 at August 31, 2006 and 2005, respectively. Borrowings under the line of credit at August 31, 2006 are a component of long-term debt as repayment or refinancing is not required prior to August 31, 2007. Borrowings under the line of credit at August 31, 2005 are classified as current liabilities as the outstanding balance was repaid or refinanced prior to May 1, 2006.

Following is a summary of the Company's long-term debt at August 31, 2006 and 2005:

	2006	2005
Note payable to CoBank with interest due monthly at variable rate of .1% under CoBank base rate (8.15% on August 31, 2006). The note requires monthly principal installments of $46,000 with the remaining balance due July 2014. (A)	$ 4,370,348	$ -
Notes payable to CoBank refinanced during 2006.	-	4,887,178
Revolving line of credit with CoBank. (A)	4,800,000	-
Note payable to an individual in annual installments of $333,333, including interest at 5.50% through May 2013. The note is collateralized by land, building and certain machinery and equipment.	1,894,322	2,111,522
	11,064,670	6,998,700
Less current maturities	(781,146)	(783,640)
	$ 10,283,524	$ 6,215,060

(A) The notes payable are collateralized by substantially all of Mrs. Clark's assets. The related loan agreements contain various restrictive covenants limiting indebtedness, the ability to sell assets and restricting the ability to lend money.

Aggregate future maturities of long-term debt, as of August 31, 2006, are as follows:

2007	$ 781,146
2008	5,593,749
2009	807,045
2010	821,072
2011	835,871
Thereafter	2,225,787
	$ 11,064,670

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE G – MEMBERS' EQUITY

The Company's Board of Directors voted to pay patronage allocations to fully-subscribed members as follows for the years ending August 31:

	2006	2005
Cash	20%	100%
Stock	80%	-

Patronage refunds payable in cash totaled $169,008 and $458,012 as of August 31, 2006 and 2005, respectively. Subscribed common stock of $1,115 and $612 was issued relating to the allocation of patronage to common stockholders during the years ended August 31, 2006 and 2005, respectively. Subscribed preferred stock of $674,919 (675 shares) was issued relating to the allocation of patronage during the year ended August 31, 2006.

During the years ended August 31, 2006 and 2005, preferred stock was redeemed in the amount of $210,371 (2,104 shares) and $856,524 (8,565 shares), respectively, under a percentage redemption program authorized by the Board of Directors. During the years ended August 31, 2006 and 2005, another $25,287 (253 shares) and $28,684 (287 shares), were redeemed under the estate equity redemption program.

The following is a summary of the Company's capital stock at August 31, 2006 and 2005:

	Issued and Outstanding Shares	
	2006	2005
Preferred stock, nonvoting, nondividend-bearing, $100 par value, 750,000 shares authorized	75,649	71,316
Common stock:		
Class A, voting, nondividend-bearing, $10,000 par value, 400 shares authorized	94	99
Class B, nonvoting, nondividend-bearing, $10,000 par value, 50 shares authorized	1	1

Common stock amounts include $25,128 and $27,697 of subscribed Class A stock at August 31, 2006 and 2005.

During the years ended August 31, 2006 and 2005, common stock in the amount of $50,000 (5 shares) and $10,000 (1 share), respectively, were redeemed.

Class A common stock may be issued only to members who are agricultural cooperative associations. Class B common stock, which has the same privileges as Class A common stock, except the right to vote and hold office, is issued to other members. Both classes of the Company's common stock participate in the allocation of patronage. No member may own more than one share of Class A or Class B common stock. Preferred stock results primarily from the allocation of patronage to common stockholders. The preferred stock has preference upon liquidation or dissolution. Except for the initial subscription price, patronage allocations may be utilized to purchase common stock.

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H - LEASE COMMITMENTS AND RENT EXPENSE

POSITION AS LESSEE - Mrs. Clark's leases equipment under various noncancelable operating lease arrangements, which expire at various dates through June 2009. Mrs. Clark's also leases other manufacturing equipment on a month-to-month basis.

Minimum lease rental commitments at August 31, 2006, under the leases with initial or remaining terms of one year or more, are due as follows:

Year Ending August 31,	
2007	$ 154,950
2008	96,595
2009	30,666
	$ 282,211

Rent expense for the years ended August 31, 2006 and 2005 totaled approximately $445,491 and $491,459, respectively.

POSITION AS LESSOR - The Company leases an elevator facility and related equipment to AGRI-Bunge under various operating lease agreements which expire March 31, 2014.

The Company leases other transportation equipment, agricultural related equipment, a warehouse and land to unrelated parties through operating lease agreements with original lease terms primarily of two to eight years.

Following are schedules of the cost and book value of assets under operating lease agreements at August 31, and minimum future rental income over the remaining life of the leases.

	2006	2005
Cost:		
Elevator facilities	$ 12,010,768	$ 11,999,531
Building	464,835	464,773
Equipment	860,150	1,198,929
Total cost	13,335,753	13,663,233
Less accumulated depreciation	10,741,485	10,576,492
	$ 2,594,268	$ 3,086,741

NOTE H – LEASE COMMITMENTS AND RENT EXPENSE - continued

	Related Party	Other	Total
Approximate minimum future rental income:			
2007	$ 415,000	$ 208,000	$ 623,000
2008	415,000	170,000	585,000
2009	242,000	125,000	367,000
2010	-	66,000	66,000
2011	-	50,000	50,000
Thereafter	-	92,000	92,000
	$ 1,072,000	$ 711,000	$ 1,783,000

Rental income was approximately $653,000 and $922,000 (including $420,000 from affiliates) for the years ended August 31, 2006 and 2005, respectively.

NOTE I – EMPLOYEE BENEFITS

The Company and its wholly-owned subsidiaries (except for Mrs. Clark's) participate in The Noncontributory Retirement Plan for Cooperatives, a defined benefit plan, which covers all employees. The Company and its subsidiaries' policy is to fund amounts which are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The Company made contributions of approximately $6,560 and $1,312 to this plan for the years ended August 31, 2006 and 2005, respectively. In connection with this plan, the Company recognized approximately $(734) and $22,205 of benefit expense (income) for the years ended August 31, 2006 and 2005, respectively. The plan was frozen during June 2006.

The following table sets forth the plan's funded status as of August 31, 2006 and 2005, respectively, and the amount recognized in the accompanying balance sheets:

	2006	2005
Benefit obligation	$ 757,182	$ 724,975
Fair value of plan assets	702,989	663,488
Accrued benefit cost recognized on the balance sheet	$ 54,193	$ 61,487
Net period pension costs	$ 3,052	$ 4,351

Assumptions used by the Company in the determination of pension plan information consisted of the following as of August 31, 2006 and 2005:

	2006	2005
Discount rate	7.00%	7.00%
Expected long-term rate of return on plan assets	8.00	8.00
Compensation increases	2.75 - 7.25	2.75 - 7.25

The Company expects to make annual benefit payments of the following:

2007	$ 27,000
2008	28,000
2009	29,000
2010	37,000
2011	46,000
2012-2015	288,000

NOTE I – EMPLOYEE BENEFITS - continued

The Plan has an investment strategy with a long-term horizon that is tolerant of return volatility. Over the long term, the Plan should achieve a minimum average total rate of return of 4% above the rate of inflation as measured by the Consumer Price Index. The real rate of return goal assumes a 6% real rate of return for equities and a 2% real rate of return for fixed income. The target asset allocation is for equity securities not to exceed 65% of plan assets and fixed income securities not to exceed 40% of plan assets. The Plan has the following asset allocations as of August 31, 2006 and 2005, respectively:

	2006	2005
Equity securities	71.6%	73.0%
Debt securities	27.1	24.2
Other	1.3	2.8

The Company and its wholly-owned subsidiaries (except Mrs. Clark's) also sponsor a 401(k) defined contribution plan. Under the terms of this plan, qualifying employees may elect to contribute a percentage of their compensation to the plan. Such contributed compensation to the plan is partially matched by the Company and its subsidiaries. During the years ended August 31, 2006 and 2005, approximately $17,500 and $19,600, respectively, were contributed to this plan by the Company.

Mrs. Clark's sponsors a 401(k) profit sharing plan for qualifying employees with four months of service who have attained the age of 21. Employees of Mrs. Clark's may contribute up to the allowable federal limits. Mrs. Clark's matches 50% of the first 6% of compensation contributed by each participant and may make discretionary contributions, as determined by their Board of Directors. During the years ended August 31, 2006 and 2005, approximately $86,000 and $62,000, respectively, were contributed to the plan by Mrs. Clark's.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, entitled Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. SFAS No. 158 requires the recognition in change in net assets of gains or losses and prior service costs or credits arising during the period but which are not included as components of periodic benefit cost, the measurement of defined benefit plan assets and obligations as of the statement of financial position date, and disclosure of additional information about the effects on periodic benefit cost for the following fiscal year arising from delayed recognition in the current period. In addition, SFAS No. 158 amends SFAS No. 87, entitled Employers' Accounting for Pensions and SFAS No. 106, entitled Employers' Accounting for Postretirement Benefits Other Than Pensions, to include guidance regarding selection of assumed discount rates for use in measuring the benefit obligation. SFAS No. 158 is effective for the Association's year ending August 31, 2007. The Association is not currently able to quantify the effects of the adoption of SFAS No. 158 since actual amounts will depend on year-end calculations; however, based on the August 31, 2006 consolidated balance sheet, the Company estimates that, as a result of the adoption, pension liabilities will increase by approximately $16,000 and retained earnings will be reduced by approximately $16,000.

NOTE J – COMMITMENTS

As of August 31, 2006, Mrs. Clark's has commitments with various vendors to purchase ingredients at fixed prices totaling approximately $4,328,000 with delivery dates scheduled throughout fiscal year 2007.

AMERICAN GRAIN AND RELATED INDUSTRIES
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K – MAJOR CUSTOMERS

Net sales for the years ended August 31, 2006 and 2005, and receivables at those dates include approximate sales to, and receivables from, the following major customers:

	Net Sales	
	2006	2005
Customer A	$ 15,634,000	$ 15,649,000
Customer B	9,295,000	9,300,000
	$ 24,929,000	$ 24,949,000

	Trade Receivables Balance	
	2006	2005
Customer A	$ 1,387,000	$ 1,322,000
Customer B	669,000	555,000
	$ 2,056,000	$ 1,877,000

SUPPLEMENTARY INFORMATION

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
AUGUST 31, 2006

	AGRI Industries	Country Properties	AGRI Financial	ITEC	AGRI Terminal	Mrs. Clark's	Eliminations	Consolidated
CURRENT ASSETS								
Cash	$ 340,189	$ 4,140	$ 48,470	$ -	$ 15,122	$ -	$ -	$ 407,921
Short-term investments	1,912,070	-	-	-	-	-	-	1,912,070
Cash and cash equivalents	2,252,259	4,140	48,470	-	15,122	-	-	2,319,991
Trade receivables, net of allowance	22,703	-	-	-	105	6,981,931	(15,833)	6,988,906
Intercompany - AFS	585,070	-	(585,070)	-	-	-	-	-
Intercompany - ITEC	-	-	-	-	-	-	-	-
Intercompany - ATC	1,086,114	-	-	-	(1,086,114)	-	-	-
Intercompany - CP	255,719	(255,719)	-	-	-	-	-	-
Intercompany - Mrs. Clark's	2,000,000	-	-	-	-	-	(2,000,000)	-
Inventories	-	-	-	-	-	6,040,206	-	6,040,206
Deferred income taxes	275,000	-	-	-	-	-	-	275,000
Other current assets	10,371	-	-	-	-	289,901	-	300,272
Total Current Assets	6,487,236	(251,579)	(536,600)	-	(1,070,887)	13,312,038	(2,015,833)	15,924,375
PROPERTY AND EQUIPMENT								
Land	1,258,401	-	-	-	1,251,480	666,500	-	3,176,381
Buildings	6,661,871	195,796	295,294	-	485,206	7,086,869	-	14,725,036
Machinery and equipment	5,720,480	35,053	2,496,611	-	615,021	11,772,386	-	20,639,551
Construction in process	366,338	-	-	-	-	60,963	-	427,301
	14,007,090	230,849	2,791,905	-	2,351,707	19,586,718	-	38,968,269
Less accumulated depreciation	10,482,577	43,870	1,063,114	-	981,878	10,036,832	-	22,608,271
Net Property and Equipment	3,524,513	186,979	1,728,791	-	1,369,829	9,549,886	-	16,359,998
OTHER ASSETS								
Notes receivable, less current portion	1,000,000	-	-	-	-	-	(1,000,000)	-
Investment in joint venture	2,532,083	-	-	-	-	-	-	2,532,083
Investments in other cooperatives	1,619,432	-	-	-	-	240,120	-	1,859,552
Deferred income taxes	195,000	-	-	-	-	-	-	195,000
Other assets	203,473	-	-	-	-	64,763	-	268,236
Goodwill	1,797,126	-	-	-	-	697,035	-	2,494,161
Investment in subsidiaries	1,820,184	-	-	-	-	-	(1,820,184)	-
Total Other Assets	9,167,298	-	-	-	-	1,001,918	(2,820,184)	7,349,032
TOTAL ASSETS	$ 19,179,047	$ (64,600)	$ 1,192,191	$ -	$ 298,942	$ 23,863,842	$ (4,836,017)	$ 39,633,405

	AGRI Industries	Country Properties	AGRI Financial	ITEC	AGRI Terminal	Mrs. Clark's	Eliminations	Consolidated
CURRENT LIABILITIES								
Disbursements in excess of bank balance	$ -	$ -	$ -	$ -	$ -	$ 1,652,573	$ -	$ 1,652,573
Patronage refunds payable	169,008	-	-	-	-	-	-	169,008
Accounts payable	4,265	-	-	-	3,487	2,624,308	-	2,632,060
Accrued expenses	137,882	3,053	12,793	-	9,038	1,120,557	(15,833)	1,267,490
Accrued income taxes	22,950	-	-	-	-	-	-	22,950
Lines of credit	-	-	-	-	-	-	-	-
Current maturities of long-term debt	-	-	-	-	-	2,781,146	(2,000,000)	781,146
Total Current Liabilities	334,105	3,053	12,793	-	12,525	8,178,584	(2,015,833)	6,525,227
LONG-TERM DEBT, less current maturities	-	-	-	-	-	11,283,524	(1,000,000)	10,283,524
TOTAL LIABILITIES	334,105	3,053	12,793	-	12,525	19,462,108	(3,015,833)	16,808,751
MEMBERS' EQUITY								
Preferred stock	7,564,901	-	400,000	-	-	-	(400,000)	7,564,901
Common stock	975,128	100	100,000	-	50,000	1,105,084	(1,255,184)	975,128
Additional paid-in capital	182,754	-	-	-	165,000	-	(165,000)	182,754
Allocated loss	(48)	-	-	-	-	-	-	(48)
Accumulated other comprehensive income	-	-	-	-	-	22,894	-	22,894
Retained savings	10,122,207	(67,753)	679,398	-	71,417	3,273,756	-	14,079,025
Total Members' Equity	18,844,942	(67,653)	1,179,398	-	286,417	4,401,734	(1,820,184)	22,824,654
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 19,179,047	$ (64,600)	$ 1,192,191	$ -	$ 298,942	$ 23,863,842	$ (4,836,017)	$ 39,633,405

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE) AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2006

	AGRI Industries	Country Properties	AGRI Financial	ITEC	AGRI Terminal	Mrs. Clark's	Eliminations	Consolidated
NET OPERATING REVENUES								
Revenues	$ 437,004	$ 12,342	$ - 512,479	$ 51,470	$ 11,526	$ 64,851,214	$ (316,356)	$ 65,559,679
Cost of sales and direct costs	251,520	1,848	371,167	50,588	25,875	60,044,414	(316,356)	60,429,056
	185,484	10,494	141,312	882	(14,349)	4,806,800	-	5,130,623
OTHER OPERATING REVENUES								
Equity in net income of joint ventures	1,368,016	-	-	-	-	-	-	1,368,016
Other	3,166	6	-	-	-	-	-	3,172
	1,371,182	6	-	-	-	-	-	1,371,188
OPERATING EXPENSES								
Divisional operating expenses	-	21,709	4,105	502	102,676	3,584,652	-	3,713,644
General and administrative	1,044,920	-	-	-	-	-	(54,000)	990,920
Total Operating Expenses	1,044,920	21,709	4,105	502	102,676	3,584,652	(54,000)	4,704,564
OPERATING INCOME (LOSS)	511,746	(11,209)	137,207	380	(117,025)	1,222,148	54,000	1,797,247
OTHER INCOME (EXPENSE)								
Interest	329,693	(14,750)	(54,211)	6,660	-	(950,228)	-	(682,836)
Gain on disposal of property and equipment	3,792	-	59,171	(1,389)	-	(21,199)	-	40,375
Other non-operating income, net	(330,735)	-	-	-	-	236,952	(54,000)	(147,783)
	2,750	(14,750)	4,960	5,271	-	(734,475)	(54,000)	(790,244)
SAVINGS (LOSS) BEFORE TAX EXPENSE (BENEFIT)	514,496	(25,959)	142,167	5,651	(117,025)	487,673	-	1,007,003
INCOME TAX EXPENSE (BENEFIT)	144,347	-	38,695	848	(28,890)	-	-	155,000
NET SAVINGS (LOSS)	$ 370,149	$ (25,959)	$ 103,472	$ 4,803	$ (88,135)	$ 487,673	$ -	$ 852,003

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APPENDIX G

AMERICAN GRAIN AND RELATED INDUSTRIES
(A FARMER-OWNED COOPERATIVE)
AND SUBSIDIARIES

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

AUGUST 31, 2005 AND 2004

CONTENTS

McGowen
Hurst
Clark
&
Smith, P.C.
Certified Public Accountants
Business Advisors

David W. Hurst, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Grain and Related Industries and subsidiaries

We have audited the accompanying consolidated balance sheet of American Grain and Related Industries and subsidiaries as of August 31, 2005 and the related consolidated statements of operations, changes in members' equity, and cash flows for the year then ended. These consolidated 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 did not audit the financial statements of AGRI-Bunge, LLC, a joint venture. The Company's investment in the joint venture represents $1,164,067 of the Company's total assets as of August 31, 2005. The Company's equity in the net income of the joint venture was $759,581 for the year ended August 31, 2005. The financial statements of AGRI-Bunge, LLC as of and for the year ended August 31, 2005 were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for AGRI-Bunge, LLC, is based solely on the report of the other auditors. The consolidated financial statements of American Grain and Related Industries and subsidiaries as of August 31, 2004, were audited by other auditors whose report dated October 14, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Grain and Related Industries and subsidiaries as of August 31, 2005, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 17-19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
November 18, 2005

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AMERICAN GRAIN AND RELATED INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AUGUST 31, 2005 AND 2004

ASSETS

	2005	2004
CURRENT ASSETS		
Cash	$ 434,114	$ 2,493,059
Short-term investments	1,983,192	1,456,179
Cash and cash equivalents	2,417,306	3,949,238
Trade receivables, net of allowance for doubtful accounts of $25,880 for 2005 and $63,100 for 2004	6,258,516	5,806,593
Inventories	5,349,429	5,168,176
Notes receivable, current portion	-	6,504
Other current assets	268,127	296,738
Total Current Assets	14,293,378	15,227,249
PROPERTY AND EQUIPMENT		
Land	3,024,881	3,559,661
Buildings	13,977,027	15,762,020
Machinery and equipment	20,770,652	18,480,581
Construction in process	136,204	771,116
	37,908,764	38,573,378
Less accumulated depreciation	21,539,239	18,983,625
Net Property and Equipment	16,369,525	19,589,753
OTHER ASSETS		
Notes receivable, less current portion	-	9,403
Investment in joint venture	1,164,067	404,486
Investments in other cooperatives	2,241,723	2,345,059
Deferred income taxes	600,000	500,000
Other assets	2,792,637	2,719,544
Total Other Assets	6,798,427	5,978,492
TOTAL ASSETS	$ 37,461,330	$ 40,795,494

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND MEMBERS' EQUITY

	2005	2004
CURRENT LIABILITIES		
Disbursements in excess of bank balance	$ 766,941	$ -
Patronage refunds payable	458,012	213,505
Accounts payable	2,989,894	2,835,404
Accrued expenses	1,473,820	1,423,261
Lines of credit	2,500,000	5,690,000
Current maturities of long-term debt	783,640	711,887
Total Current Liabilities	8,972,307	10,874,057
LONG-TERM DEBT, less current maturities	6,215,060	6,505,467
TOTAL LIABILITIES	15,187,367	17,379,524
MEMBERS' EQUITY		
Preferred stock	7,131,576	8,016,784
Common stock	1,027,697	1,039,656
Additional paid-in capital	31,516	31,516
Allocated loss	(48)	(48)
Accumulated other comprehensive income	11,158	30,234
Retained savings	14,072,064	14,297,828
Total Members' Equity	22,273,963	23,415,970
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 37,461,330	$ 40,795,494

AMERICAN GRAIN AND RELATED INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED AUGUST 31, 2005 AND 2004

	2005	2004
NET SALES		
Revenues	$ 64,003,335	$ 73,664,801
Cost of sales and direct costs	59,781,867	68,702,360
	4,221,468	4,962,441
OTHER OPERATING REVENUES		
Equity in net income (loss) of joint ventures	759,581	(2,326,969)
Other	3,992	165,897
	763,573	(2,161,072)
OPERATING EXPENSES		
Divisional operating expenses	3,244,894	3,796,587
General and administrative	1,434,213	1,531,898
Total Operating Expenses	4,679,107	5,328,485
OPERATING INCOME (LOSS)	305,934	(2,527,116)
OTHER INCOME (EXPENSE)		
Interest	(708,699)	(620,113)
Gain (loss) on disposal of property and equipment	304,249	(16,946)
Other non-operating income (expense), net	230,008	(331,917)
	(174,442)	(968,976)
SAVINGS (LOSS) BEFORE INCOME TAX EXPENSE (BENEFIT)	131,492	(3,496,092)
INCOME TAX EXPENSE (BENEFIT)	(101,367)	(556,540)
NET SAVINGS (LOSS)	$ 232,859	$ (2,939,552)

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN GRAIN AND RELATED INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED AUGUST 31, 2005 AND 2004

	Comprehensive Income (Loss)	Accumulated Other Comprehensive Income (Loss)	Preferred Stock	Common Stock	Additional Paid-in Capital	Allocated Loss	Retained Savings	Total
BALANCE, AUGUST 31, 2003		$ (719,277)	$ 8,925,945	$ 1,099,136	$ 31,516	$ (49)	$ 17,451,408	$ 26,788,679
Comprehensive Income:								
Net loss	$ (2,939,552)	-	-	-	-	-	(2,939,552)	(2,939,552)
Other comprehensive income, minimum pension liability adjustment	719,277	719,277	-	-	-	-	-	719,277
Unrealized gain on hedging account	30,234	30,234	-	-	-	-	-	30,234
Total comprehensive loss	$ (2,190,041)							
Shares Redeemed		-	(909,161)	(60,002)	-	-	-	(969,163)
Allocation of patronage earnings		-	-	522	-	1	(214,028)	(213,505)
BALANCE, AUGUST 31, 2004		30,234	8,016,784	1,039,656	31,516	(48)	14,297,828	23,415,970
Comprehensive Income:								
Net savings	$ 232,859	-	-	-	-	-	232,859	232,859
Unrealized loss on hedging account	(19,076)	(19,076)	-	-	-	-	-	(19,076)
Total comprehensive income	$ 213,783							
Shares Redeemed		-	(885,208)	(12,571)	-	-	-	(897,779)
Allocation of patronage earnings		-	-	612	-	-	(458,623)	(458,011)
BALANCE, AUGUST 31, 2005		$ 11,158	$ 7,131,576	$ 1,027,697	$ 31,516	$ (48)	$ 14,072,064	$ 22,273,963

The accompanying notes are an integral part of these consolidated financial statements.

AMERICAN GRAIN AND RELATED INDUSTRIES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net savings (loss)	$ 232,859	$ (2,939,552)
Adjustments to reconcile net savings (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,130,259	2,246,157
Equity in undistributed net (income) loss of joint ventures	(759,581)	2,905,649
(Gain) loss on disposal of equipment	(264,024)	491,575
Provision for doubtful accounts	43,308	127,725
Deferred income taxes	(100,000)	(600,000)
Patronage (income) loss not received in cash	(66,097)	193,902
Change in:		
Accounts receivable	(495,231)	2,122,908
Inventories	(181,253)	2,704,963
Accounts payable and accrued expenses	205,049	(2,452,784)
Income tax refund receivable	-	530,000
Other assets	(85,231)	(173,659)
Net cash provided by operating activities	660,058	5,156,884
CASH FLOWS FROM INVESTING ACTIVITIES		
Finance income earned	-	(11,032)
Direct-financing leases and notes receivable	15,907	1,660,631
Payment on notes receivable	-	(20,000)
Purchase of property and equipment	(1,995,804)	(1,330,889)
Proceeds from sale of property and equipment	3,371,470	225,200
Proceeds from distributions from other cooperatives	169,433	40,000
Investments in other cooperatives	-	(121,019)
Investments in joint ventures	-	(250,000)
Net cash provided by investing activities	1,561,006	192,891
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in disbursements in excess of bank balance	766,941	-
Proceeds from long-term debt	500,000	158,000
Proceeds from lines of credit	9,885,000	10,290,000
Principal payments on long-term debt	(718,654)	(875,651)
Principal payments on lines of credit	(13,075,000)	(11,660,241)
Patronage paid to members	(214,116)	(429,301)
Redemption of members' equity	(897,167)	(969,163)
Net cash used by financing activities	(3,752,996)	(3,486,356)
Net increase (decrease) in cash	(1,531,932)	1,863,419
CASH AND CASH EQUIVALENTS, beginning of year	3,949,238	2,085,819
CASH AND CASH EQUIVALENTS, end of year	$ 2,417,306	$ 3,949,238

The accompanying notes are an integral part of these consolidated financial statements.

	2005	2004
SUPPLEMENTAL DISCLOSURES		
Cash paid (received) during the year for:		
Interest	$ 793,789	$ 613,416
Income taxes	-	(486,540)
Noncash investing and financing activities		
Property and equipment distributed from joint ventures	$ -	$ 678,420
Investment in other cooperatives distributed from joint ventures	-	762,966

AMERICAN GRAIN AND RELATED INDUSTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION – The consolidated financial statements include the accounts of American Grain and Related Industries (a Farmer-owned Cooperative) (the Company) and its wholly-owned subsidiaries: AGRI Acquisition (AGAC), AGRI Financial Services, Inc. (AFS), AGRI Terminal Corporation (ATC), Industrial & Transportation Equipment Company (ITEC), Country Properties, MCF Foods, L.C. (MFC), and Mrs. Clark's Foods, L.C. and subsidiary (Mrs. Clark's). All material intercompany balances and transactions have been eliminated in consolidation.

Consolidated revenues are comprised primarily from the revenues of Mrs. Clark's (98% and 95% of total revenues in 2005 and 2004, respectively). The 2005 and 2004 consolidated net savings (loss) are primarily from the operations of Mrs. Clark's and the Company's share of net earnings (loss) from AGRI Grain Marketing (AGM) and AGRI-Bunge.

NATURE OF BUSINESS – The Company is organized on a cooperative basis to provide grain marketing and other related services for its members. The majority of the Company's members are located in Iowa. Grain marketing services are provided through AGRI-Bunge, LLC (AGRI-Bunge), which is a joint venture formed by the Company and Bunge North America, Inc. (Bunge). The Company leases its facilities located on the Mississippi to AGRI-Bunge.

AGAC leased property and equipment to MaxYield Cooperative through July 2005, when the property and equipment was sold to MaxYield Cooperative. AGAC holds an equity investment in MaxYield Cooperative.

AFS is a lessor of agricultural and other equipment.

ATC provides bulk fertilizer handling and storage services. The facility is located on property adjacent to the Company's Fulton, Illinois, grain terminal on the Mississippi River. The ATC facility is temporarily closed.

ITEC provided rail car mover repair and service, industrial blasting and painting and sales of rail car movers from a facility located in Carlisle, Iowa. ITEC was an authorized dealership for the Trackmobile brand of equipment. The Company ceased operations in December 2003 and is in the process of disposing of its remaining assets.

Country Properties operates two bed and breakfasts located in McGregor, Iowa.

Mrs. Clark's is located in Ankeny, Iowa and Hendersonville, N.C., with principal operations being the manufacturing of juices, salad dressings and sauces.

SHORT TERM INVESTMENTS AND CREDIT RISK - Short-term investments are comprised of various money market funds and certificates of deposit that are stated at cost, which approximate fair value. For purposes of the consolidated statements of cash flows, the Company considers all short-term investments to be cash equivalents. The Company had bank deposits in excess of federally insured limits totaling approximately $1.6 million at August 31, 2005.

REVENUE RECOGNITION – Sales are recognized at the time of shipment.

AMERICAN GRAIN AND RELATED INDUSTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

TRADE RECEIVABLES - Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within thirty days from the invoice date and are stated at the amount billed. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Company uses the allowance method to provide for doubtful accounts. Management determines the allowance by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

COMPREHENSIVE INCOME (LOSS) - The Company reported its share of a former joint venture's minimum pension liability adjustment as a component of other comprehensive (loss) through the date of the joint venture's termination. The Company reports any unrealized hedging gains (losses) as a component of other comprehensive income.

ADVERTISING COSTS - Advertising costs are expensed as incurred. Advertising costs included in selling expenses totaled $6,036 and $4,211 for 2005 and 2004, respectively.

INVESTMENTS IN JOINT VENTURES - The Company is accounting for its investments in joint ventures by the equity method of accounting. Under the equity method, the Company's proportionate share of net income (loss) of the joint venture is added to (subtracted from) the investment account. Distributions received are treated as a reduction in the investment account.

INVESTMENTS IN OTHER COOPERATIVES - The Company's less than 20% ownership in investments in other cooperatives are stated at cost, plus noncash qualified patronage allocations. Any entitlement to undistributed savings and nonqualified patronage refunds is recognized as income upon distribution or liquidation of the related entities. Investments in other cooperatives are reduced for losses of other cooperatives only when such losses are allocated by the cooperative or when there has been a permanent impairment of the value of the investment.

HEDGING ACTIVITIES - Mrs. Clark's generally follows a policy of hedging a portion of its commodity oil transactions to protect and stabilize the cost of commodity oil used in production activities from short term market fluctuations. Gains and losses from those hedge transactions are reflected in cost of goods sold. For the years ended August 31, 2005 and 2004, total unrealized gains (losses) included in accumulated other comprehensive income were ($19,076) and $30,234, respectively. The fair value of the Company's hedging account at August 31, 2005 and 2004 totaled $111,891 and $127,640, respectively, and is included in other current assets on the consolidated balance sheet.

PROPERTY AND EQUIPMENT - Property and equipment are recorded at cost. Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major replacements and betterments are charged to the asset accounts.

Depreciation is computed primarily by the straight-line method over the following range of estimated useful lives:

	Years
Buildings, leasehold improvements and facilities	5 - 39
Machinery and equipment	3 - 20

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

ACCOUNTING ESTIMATES AND ASSUMPTIONS - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

INCOME TAXES - The Company operates as a nonexempt cooperative under Sections 1381 through 1388 of the Internal Revenue Code. Accordingly, federal income taxes are based on nonmember savings and the portion of member savings not allocated as patronage refunds.

The Company and its wholly-owned subsidiaries file consolidated federal income tax returns.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, is it more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

GOODWILL - Goodwill is tested annually for impairment using the fair value based approach. No impairment of value was identified during 2005 and 2004. At August 31, 2005 and 2004, other assets include $2,494,161 of goodwill related to the acquisition of Mrs. Clark's.

FAIR VALUES - The estimated fair value of the Company's long-term debt and line of credit approximates their carrying value as the applicable borrowing rates are comparable to current market rates.

SHIPPING AND HANDLING REVENUE AND EXPENSES - Shipping and handling costs are recorded as a component of costs of goods sold. Charges to customers for shipping and handling costs are recorded as an offset to costs of goods sold.

RECLASSIFICATIONS - Certain reclassifications to the 2004 financial statements have been made to conform to the 2005 presentation.

NOTE B - INVENTORIES

Inventories, stated at the lower of cost (first-in, first-out method), or market consisted of the following:

	2005	2004
Ingredients	$ 2,084,994	$ 1,818,046
Packaging	1,020,525	1,165,540
Finished products	2,243,910	2,184,590
	$ 5,349,429	$ 5,168,176

AMERICAN GRAIN AND RELATED INDUSTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE C - INVESTMENTS IN JOINT VENTURES

The Company was a partner with Cargill in AGM which originated and merchandised grain and oil seeds, and engaged in other related activities. The partnership ceased operation on February 29, 2004 and was terminated on May 31, 2004. All profits and losses were shared based upon the capital contribution percentages of each partner. The Company owned 50% of AGM.

The Company was also a member in Ag Max, whose business activities included purchasing, producing, grading, blending, storing, warehousing, marketing, selling, and handling agricultural products. The Company owned 50% of Ag Max, which was terminated on December 12, 2003 upon agreement between the members.

Effective March 1, 2004, the Company became a member in AGRI-Bunge, LLC, which originates and merchandises grain and oil seeds, and engages in other related activities. The agreement between the members expires March 31, 2014. All profits and losses are allocated among the members according to agreed-upon proportionate share interests. The Company currently receives 66% of the profits and losses and holds 50% of the voting rights of AGRI-Bunge.

Summary information of the joint ventures as of August 31, 2005 and 2004, and for the years then ended, are as follows:

	2005	2004		
	AGRI-Bunge	AGRI-Bunge	AGM	Ag Max
Assets	$ 27,108,538	$ 15,154,826	$ -	$ -
Liabilities	25,223,589	14,420,757	-	-
Net Assets	$ 1,884,949	$ 734,069	$ -	$ -
Sales	$ 398,871,866	$ 206,695,521	$ 688,202,238	$ 4,565,737
Net income (loss)	$ 1,151,000	$ 234,069	$ (4,821,880)	$ (141,028)
Company's interest:				
Equity in net assets - beginning of year	$ 404,486	$ -	$ 2,906,721	$ 875,523
Capital contributions	-	250,000	365,977	158,000
Share of net income (loss)	759,581	154,486	(2,410,940)	(70,515)
Capital distribution	-	-	(1,581,035)	(963,008)
Other comprehensive income	-	-	719,277	-
Equity in net assets - end of year	$ 1,164,067	$ 404,486	$ -	$ -

AMERICAN GRAIN AND RELATED INDUSTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE D - INVESTMENTS IN OTHER COOPERATIVES

The following is a summary of investments in other cooperatives as of August 31, 2005 and 2004:

	2005	2004
CHS, Inc.	$ 358,075	$ 428,078
tecTERRA Food Capital Fund	751,223	751,223
MaxYield Cooperative	700,000	700,000
CoBank	263,731	197,802
Others	168,694	267,956
	$ 2,241,723	$ 2,345,059

Subsequent to August 31, 2005, a portion of one of the investments held by tecTERRA Food Capital Fund was sold. Although a capital loss is expected, the extent of the loss is unknown. No valuation adjustment to the Company's investment in tecTERRA Food Capital Fund has been recorded at August 31, 2005, as it is not feasible at this time to estimate the amount of permanent impairment, if any, of the value of the Company's investment in tecTERRA.

NOTE E - INCOME TAXES

Actual income tax expense (benefit) differs from the expected amount, based upon a federal income tax rate of 34% in 2005 and 2004 as follows:

	2005	2004
Expected income tax expense (benefit)	$ 44,707	$ (1,188,671)
Patronage refunds to members	(155,932)	(72,770)
Patronage income allocation	-	582,284
Other	9,858	122,617
Income tax benefit	$ (101,367)	$ (556,540)

Deferred income taxes relating to nonpatronage sources arise from temporary differences between book and tax basis financial statements and are primarily related to alternative depreciation methods and net operating loss carryforwards. At August 31, 2005 and 2004, the Company had net deferred income tax assets approximately $600,000 and $500,000, respectively, from these temporary differences. At August 31, 2005 and 2004, no valuation allowance was considered necessary by management. The ultimate realization of the deferred income tax assets is dependent upon the generation of future taxable income. Deferred taxes are not established for temporary differences relating to patronage sources that are expected to be distributed. The change in these differences is reflected as patronage income allocation in the above schedule.

Deferred income tax benefits generated for the years ended August 31, 2005 and 2004 were approximately $100,000 and $500,000, respectively. Net operating loss carryforwards of approximately $4,271,000 begin to expire in 2023.

AMERICAN GRAIN AND RELATED INDUSTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE F – NOTES PAYABLE

The Company has a $7,000,000 revolving line of credit that matures May 1, 2006. The line bears interest at a variable rate (6.83% at August 31, 2005). Borrowings on this line were $2,500,00 and $5,690,000 at August 31, 2005 and 2004, respectively.[A]

Following is a summary of the Company's long-term debt at August 31, 2005 and 2004:

	2005	2004
Note payable to CoBank with interest due monthly at variable rate (6.98% on August 31, 2005). The note requires quarterly principal installments of $37,100 with the remaining balance due May 2015.[A]	$ 1,446,515	$ 1,587,123
Note payable to CoBank with interest due monthly at a variable rate (6.98% on August 31, 2005). The note requires quarterly principal installments of $92,000 with the remaining balance due November 2008.[A]	2,944,833	3,312,833
Note payable to an individual in annual installments of $333,333, including interest at 5.50% through May 2013. The note is collateralized by land, building and certain machinery and equipment.	2,111,522	2,317,398
Note payable to CoBank with interest due monthly at a variable rate (6.98% on August 31, 2005). The note requires monthly principal installments of $4,170 with the remaining balance due July 2015.[A]	495,830	-
	6,998,700	7,217,354
Less current maturities	(783,640)	(711,887)
	$ 6,215,060	$ 6,505,467

(A) These notes are collateralized by substantially all of Mrs. Clark's assets and corporate guarantees. The loan agreements contain various restrictive covenants.

Aggregate future maturities of long-term debt, as of August 31, 2005, are as follows:

2006	$ 783,640
2007	795,585
2008	808,189
2009	821,485
2010	835,512
Thereafter	2,954,289
	$ 6,998,700

NOTE G – MEMBERS' EQUITY

The Company's Board of Directors voted to pay patronage allocations to fully-subscribed members as follows for the years ending August 31:

	2005	2004
Cash	100%	100%
Stock	-	-

Patronage refunds payable in cash totaled $458,012 and $213,505 as of August 31, 2005 and 2004, respectively. Subscribed common stock of $612 and $522 was issued relating to the allocation of patronage to common stockholders during the years ended August 31, 2005 and 2004, respectively.

During the years ended August 31, 2005 and 2004, preferred stock was redeemed in the amount of $856,524 (8,565 shares) and $875,189 (8,751 shares), respectively, under a percentage redemption program authorized by the Board of Directors. Another $28,684 (287 shares) and $33,972 (340 shares), respectively, were redeemed under the estate equity redemption program.

The following is a summary of the Company's capital stock at August 31, 2005 and 2004:

	Issued and Outstanding Shares	
	2005	2004
Preferred stock, nonvoting, nondividend-bearing, $100 par value, 750,000 shares authorized	71,316	80,168
Common stock:		
Class A, voting, nondividend-bearing, $10,000 par value, 400 shares authorized	99	100
Class B, nonvoting, nondividend-bearing, $10,000 par value, 50 shares authorized	1	1

Common stock amounts include $27,697 and $29,656 of subscribed Class A stock at August 31, 2005 and 2004.

During the years ended August 31, 2005 and 2004, common stock in the amount of $10,000 (1 share) and $60,000 (6 shares), respectively, were redeemed.

Class A common stock may be issued only to members who are agricultural cooperative associations. Class B common stock, which has the same privileges as Class A common stock, except the right to vote and hold office, is issued to other members. Both classes of the Company's common stock participate in the allocation of patronage. No member may own more than one share of Class A or Class B common stock. Preferred stock results primarily from the allocation of patronage to common stockholders. The preferred stock has preference upon liquidation or dissolution. Except for the initial subscription price, patronage allocations may be utilized to purchase common stock.

AMERICAN GRAIN AND RELATED INDUSTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE H - LEASE COMMITMENTS AND RENT EXPENSE

POSITION AS LESSEE - Mrs. Clark's leases equipment under various noncancelable operating lease arrangements, which expire at various dates through June 2009. Mrs. Clark's also leases other manufacturing equipment on a month-to-month basis.

Minimum lease rental commitments at August 31, 2005, under the leases with initial or remaining terms of one year or more, are due as follows:

Year Ending August 31,	
2006	$ 198,972
2007	70,568
2008	15,713
2009	1,267
	$ 286,520

Rent expense for the years ended August 31, 2005 and 2004 totaled approximately $491,459 and $582,000, respectively.

POSITION AS LESSOR - The Company leases an elevator facility and related equipment to AGRI-Bunge under various operating lease agreements which expire March 31, 2014.

The Company leases other transportation equipment, agricultural related equipment, a warehouse and land to unrelated parties through operating lease agreements with original lease terms primarily of two to eight years.

Following are schedules of the cost and book value of assets under operating lease agreements at August 31, and minimum future rental income over the remaining life of the leases.

	2005	2004
Cost:		
Elevator facilities	$ 11,999,531	$ 16,029,671
Building	464,773	434,326
Equipment	1,198,929	1,975,325
Total cost	13,663,233	18,439,322
Less accumulated depreciation	10,576,492	11,853,017
	$ 3,086,741	$ 6,586,305

NOTE H – LEASE COMMITMENTS AND RENT EXPENSE - continued

	Related Party	Other	Total
Approximate minimum future rental income:			
2006	$ 415,000	$ 205,000	$ 620,000
2007	415,000	168,000	583,000
2008	415,000	130,000	545,000
2009	242,000	88,000	330,000
2010	-	66,000	66,000
Thereafter	-	142,000	142,000
	$ 1,487,000	$ 799,000	$ 2,286,000

Rental income, net of rail car expense, was approximately $922,000 and $1,721,000 (including $420,000 and $719,000 from affiliates) for the years ended August 31, 2005 and 2004, respectively.

NOTE I – EMPLOYEE BENEFITS

The Company and its wholly-owned subsidiaries (except for Mrs. Clark's) participate in The Noncontributory Retirement Plan for Cooperatives, a defined benefit plan, which covers all employees. The Company and its subsidiaries' policy is to fund amounts which are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. The Company made contributions of approximately $1,312 and $17,000 to this plan for the years ended August 31, 2005 and 2004, respectively. In connection with this plan, the Company recognized approximately $22,205 and ($36,000) of benefit expense (income) for the years ended August 31, 2005 and 2004, respectively.

The following table sets forth the plan's funded status as of August 31, 2005 and 2004, respectively, and the amount recognized in the accompanying balance sheets:

	2005	2004
Benefit obligation	$ 724,975	$ 676,948
Fair value of plan assets	663,488	636,354
Accrued benefit cost recognized on the balance sheet	$ 61,487	$ 40,594
Net period pension costs	$ 4,351	$ 44,543

Assumptions used by the Company in the determination of pension plan information consisted of the following as of August 31, 2005 and 2004:

	2005	2004
Discount rate	7.00%	7.00%
Expected long-term rate of return on plan assets	8.00	8.50
Compensation increases	2.75 - 7.25	0.00

The Company expects to make annual benefit payments of the following:

2006	$ 26,000
2007	28,000
2008	29,000
2009	31,000
2010	37,000
2011-2015	271,000

AMERICAN GRAIN AND RELATED INDUSTRIES
NOTES TO FINANCIAL STATEMENTS

NOTE I - EMPLOYEE BENEFITS - continued

The Plan has an investment strategy with a long-term horizon that is tolerant of return volatility. Over the long term, the Plan should achieve a minimum average total rate of return of 4% above the rate of inflation as measured by the Consumer Price Index. The real rate of return goal assumes a 6% real rate of return for equities and a 2% real rate of return for fixed income. The target asset allocation is for equity securities not to exceed 65% of plan assets and fixed income securities not to exceed 40% of plan assets. The Plan has the following asset allocations as of August 31, 2005 and 2004, respectively:

	2005	2004
Equity securities	73.0%	70.7%
Debt securities	24.2	25.9
Other	2.8	3.4

The Company and its wholly-owned subsidiaries (except Mrs. Clark's) also sponsor a 401(k) defined contribution plan. Under the terms of this plan, qualifying employees may elect to contribute a percentage of their compensation to the plan. Such contributed compensation to the plan is partially matched by the Company and its subsidiaries. During the years ended August 31, 2005 and 2004, approximately $21,300 and $25,000, respectively, were contributed to this plan by the Company.

Mrs. Clark's sponsors a 401(k) profit sharing plan for qualifying employees. Employees of Mrs. Clark's may contribute up to the allowable federal limits. Mrs. Clark's matches a portion of the employee's contribution and may make discretionary contributions as determined by their Board of Directors. During the years ended August 31, 2005 and 2004, approximately $62,000 and $71,000, respectively, were contributed to the plan by Mrs. Clark's.

NOTE J - COMMITMENTS

As of August 31, 2005, Mrs. Clark's has commitments with various vendors to purchase ingredients at fixed prices totaling approximately $4,220,000 with delivery dates scheduled throughout fiscal year 2006.

NOTE K - MAJOR CUSTOMERS

Net sales for the years ended August 31, 2005 and 2004, and receivables at those dates include approximate sales to, and receivables from, the following major customers:

	Net Sales	
	2005	2004
Customer A	$ 15,649,000	$ 18,151,000
Customer B	9,300,000	9,216,000
	$ 24,949,000	$ 27,367,000

	Trade Receivables Balance	
	2005	2004
Customer A	$ 1,322,000	$ 1,531,000
Customer B	555,000	487,000
	$ 1,877,000	$ 2,018,000

SUPPLEMENTARY INFORMATION

AMERICAN GRAIN AND RELATED INDUSTRIES AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
AUGUST 31, 2005

	AGRI Industries	Country Properties	AGRI Acquisition	AGRI Financial	ITEC	AGRI Terminal	MCF Foods	Mrs. Clark's	Eliminations	Consolidated
CURRENT ASSETS										
Cash	$ 429,882	$ 680	$ -	$ 1,718	$ 1,500	$ 334	$ -	$ -	$ -	$ 434,114
Short-term investments	1,983,192	-	-	-	-	-	-	-	-	1,983,192
Cash and cash equivalents	2,413,074	680	-	1,718	1,500	334	-	-	-	2,417,306
Trade receivables, net of allowance	19,504	-	-	5,542	35,454	4,836	-	6,208,551	(15,371)	6,258,516
Intercompany - AFS	1,173,441	-	-	(1,173,441)	-	-	-	-	-	-
Intercompany - ITEC	(107,689)	-	-	-	107,689	-	-	-	-	-
Intercompany - ATC	1,040,059	-	-	-	-	(1,040,059)	-	-	-	-
Intercompany - MCF Foods	(8,670)	-	-	-	-	-	8,670	-	-	-
Intercompany - CP.	236,411	(236,411)	-	-	-	-	-	-	-	-
Intercompany - Mrs. Clark's	2,500,000	-	-	-	-	-	-	-	(2,500,000)	-
Intercompany - AGAC	1,607,301	-	(1,607,301)	-	-	-	-	-	-	-
Inventories	-	-	-	-	75,773	-	-	5,273,656	-	5,349,429
Other current assets	11,595	-	-	-	-	5,688	-	250,844	-	268,127
Total Current Assets	8,885,026	(235,731)	(1,607,301)	(1,166,181)	220,416	(1,029,201)	8,670	11,733,051	(2,515,371)	14,293,378
PROPERTY AND EQUIPMENT										
Land	1,258,401	-	-	-	-	1,251,480	-	515,000	-	3,024,881
Buildings	6,661,871	195,796	-	295,294	-	485,206	-	6,338,860	-	13,977,027
Machinery and equipment	5,702,852	35,053	-	2,835,390	9,128	615,021	-	11,573,208	-	20,770,652
Construction in process	87,341	-	-	-	-	-	-	48,863	-	136,204
	13,710,465	230,849	-	3,130,684	9,128	2,351,707	-	18,475,931	-	37,908,764
Less accumulated depreciation	10,271,140	33,198	-	875,784	4,453	928,554	-	9,426,110	-	21,539,239
Net Property and Equipment	3,439,325	197,651	-	2,254,900	4,675	1,423,153	-	9,049,821	-	16,369,525
OTHER ASSETS										
Notes receivable, less current portion	1,000,000	-	-	-	-	-	-	-	(1,000,000)	-
Investments in joint venture	1,164,067	-	-	-	-	-	-	-	-	1,164,067
Investments in other cooperatives	1,347,623	-	700,000	-	-	-	-	194,100	-	2,241,723
Deferred income taxes	600,000	-	-	-	-	-	-	-	-	600,000
Other assets	211,806	-	-	-	-	-	-	86,670	-	298,476
Goodwill	1,797,126	-	-	-	-	-	-	697,035	-	2,494,161
Investment in subsidiaries	2,130,184	-	-	-	-	-	-	-	(2,130,184)	-
Total Other Assets	8,250,806	-	700,000	-	-	-	-	977,805	(3,130,184)	6,798,427
TOTAL ASSETS	$ 20,575,157	$ (38,080)	$ (907,301)	$ 1,088,719	$ 225,091	$ 393,952	$ 8,670	$ 21,760,677	$ (5,645,555)	$ 37,461,330

	AGRI Industries	Country Properties	AGRI Acquisition	AGRI Financial	ITEC	AGRI Terminal	MCF Foods	Mrs. Clark's	Eliminations	Consolidated
CURRENT LIABILITIES										
Disbursements in excess of bank balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 766,941	$ -	$ 766,941
Patronage refunds payable	458,012	-	-	-	-	-	-	-	-	458,012
Accounts payable	94,177	393	-	-	12,200	10,420	-	2,872,979	(275)	2,989,894
Accrued expenses	244,192	3,220	-	12,793	-	8,979	-	1,219,732	(15,096)	1,473,820
Lines of credit	-	-	-	-	-	-	-	2,500,000	-	2,500,000
Current maturities of long-term debt	-	-	-	-	-	-	-	3,283,640	(2,500,000)	783,640
Total Current Liabilities	796,381	3,613	-	12,793	12,200	19,399	-	10,643,292	(2,515,371)	8,972,307
LONG-TERM DEBT, less current maturities	-	-	-	-	-	-	-	7,215,060	(1,000,000)	6,215,060
TOTAL LIABILITIES	796,381	3,613	-	12,793	12,200	19,399	-	17,858,352	(3,515,371)	15,187,367
MEMBERS' EQUITY										
Preferred stock	7,131,576	-	-	400,000	-	-	-	-	(400,000)	7,131,576
Common stock	1,027,697	100	10,000	100,000	300,000	50,000	-	1,105,084	(1,565,184)	1,027,697
Additional paid-in capital	31,516	-	-	-	-	165,000	-	-	(165,000)	31,516
Allocated loss	(48)	-	-	-	-	-	-	-	-	(48)
Accumulated other comprehensive income	-	-	-	-	-	-	-	11,158	-	11,158
Retained savings	11,588,035	(41,793)	(917,301)	575,926	(87,109)	159,553	8,670	2,786,083	-	14,072,064
Total Members' Equity	19,778,776	(41,693)	(907,301)	1,075,926	212,891	374,553	8,670	3,902,325	(2,130,184)	22,273,963
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 20,575,157	$ (38,080)	$ (907,301)	$ 1,088,719	$ 225,091	$ 393,952	$ 8,670	$ 21,760,677	$ (5,645,555)	$ 37,461,330

AMERICAN GRAIN AND RELATED INDUSTRIES AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2005

	AGRI Industries	Country Properties	AGRI Acquisition	AGRI Financial	ITEC	AGRI Terminal	MCF Foods	Mrs. Clark's	Eliminations	Consolidated
NET SALES										
Revenues	$ 436,504	$ 12,964	$ 232,000	$ 482,284	$ 127,283	$ 204,304	$ 76,000	$ 62,759,723	$ (327,727)	$ 64,003,335
Cost of sales and direct costs	264,125	3,403	275,570	338,136	122,278	90,220	48,598	58,939,862	(300,325)	59,781,867
	172,379	9,561	(43,570)	144,148	5,005	114,084	27,402	3,819,861	(27,402)	4,221,468
OTHER OPERATING REVENUES										
Equity in net income of joint ventures	759,581	-	-	-	-	-	-	-	-	759,581
Other	3,992	-	-	-	-	-	-	-	-	3,992
	763,573	-	-	-	-	-	-	-	-	763,573
OPERATING EXPENSES										
Divisional operating expenses	-	24,360	5,131	3,931	3,073	208,154	18,532	3,009,115	(27,402)	3,244,894
General and administrative	1,449,963	-	-	-	-	-	-	-	(15,750)	1,434,213
Total Operating Expenses	1,449,963	24,360	5,131	3,931	3,073	208,154	18,532	3,009,115	(43,152)	4,679,107
OPERATING INCOME (LOSS)	(514,011)	(14,799)	(48,701)	140,217	1,932	(94,070)	8,870	810,746	15,750	305,934
OTHER INCOME (EXPENSE)										
Interest	293,380	(9,395)	(103,392)	(44,387)	1,479	(41,419)	(200)	(804,765)	-	(708,699)
Gain on disposal of property and equipment	(10,635)	-	312,803	1,899	182	-	-	-	-	304,249
Other non-operating income, net	12,951	-	-	-	-	-	-	232,807	(15,750)	230,008
	295,696	(9,395)	209,411	(42,488)	1,661	(41,419)	(200)	(571,958)	(15,750)	(174,442)
SAVINGS (LOSS) BEFORE TAX EXPENSE (BENEFIT)	(218,315)	(24,194)	160,710	97,729	3,593	(135,489)	8,670	238,788	-	131,492
INCOME TAX EXPENSE (BENEFIT)	(150,127)	-	52,941	23,877	673	(28,731)	-	-	-	(101,367)
NET SAVINGS (LOSS)	$ (68,188)	$ (24,194)	$ 107,769	$ 73,852	$ 2,920	$ (106,758)	$ 8,670	$ 238,788	$ -	$ 232,859

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APPENDIX H

American Grain and Related Industries (A Farmer-Owned Cooperative) and Subsidiaries
Condensed Consolidated Balance Sheets

		(Unaudited) 12/31/2006	8/31/2006
Cash and cash equivalents	$	2,473,413	2,319,991
Receivables, net		5,857,010	6,988,906
Inventories		6,412,687	6,040,206
Deferred income taxes		275,000	275,000
Prepaid expenses and other assets		305,814	300,272
Total Current Assets		15,323,924	15,924,375
Property, plant & equipment		39,743,267	38,968,269
Accumulated depreciation		(23,151,404)	(22,608,271)
Net property, plant & equipment		16,591,863	16,359,998
Investment in joint venture		1,737,059	2,532,083
Investments in other cooperatives		1,549,993	1,859,552
Deferred income taxes		195,000	195,000
Other assets		2,766,803	2,762,397
Total Assets	$	38,164,642	39,633,405
Liabilities and Members' Equity			
Current Liabilities			
Disbursements in excess of bank balance	$	1,978,706	1,652,573
Patronage refunds payable		-	169,008
Accounts payable		4,001,601	2,632,060
Accrued expenses and other		1,385,124	1,290,440
Current maturities, long-term debt		781,145	781,146
Total Current Liabilities	$	8,146,576	6,525,227
Long-term debt		7,099,525	10,283,524
Total Liabilities		15,246,101	16,808,751
Members' Equity			
Preferred stock		7,563,508	7,564,901
Common stock		965,128	975,128
Allocated loss		(48)	(48)
Additional paid-in capital		182,754	182,754
Accumulated other comprehensive income		121,505	22,894
Retained savings		14,085,694	14,079,026
Total Members' Equity		22,918,541	22,824,654
Total Liabilities and Members' Equity	$	38,164,642	39,633,405

See accompanying notes to Condensed Consolidated Financial Statements

AGRI Industries and Subsidiaries
Condensed Consolidated Statement of Operations (Unaudited)
For the Four Months Ended

		(Unaudited) 12/31/2006	*(Unaudited)* 12/31/2005
Operating revenues	$	21,599,075	20,787,910
Cost of sales and direct costs		19,535,647	19,226,691
		2,063,428	1,561,219
Other operating revenues:			
Equity in net income of joint ventures		(135,024)	874,977
Other		2,233	1,369
		(132,791)	876,346
Divisional operating expenses		1,351,484	1,114,605
General & administrative expenses		317,753	461,859
Operating income		261,400	861,101
Other income (expense)			
Interest		(211,413)	(194,287)
(Loss) gain on disposal of property and equipment		(8,459)	33,217
Other		(26,639)	15,667
Savings before income tax expense		14,889	715,698
Income tax expense		8,220	113,883
Net Savings	$	6,669	601,815

See accompanying notes to Condensed Consolidated Financial Statements

American Grain and Related Industries (A Farmer-Owned Cooperative) and Subsidiaries
Condensed Consolidated Statement of Cash Flows (Unaudited)
For the Four Months Ended

		(Unaudited) 12/31/2006	(Unaudited) 12/31/2005
Cash flows from operating activites			
Net savings	$	6,669	601,815
Adjustments to reconcile net savings to net cash provided by operating activities:			
Depreciation and amortization		658,880	642,046
Write-down of investment to fair value		94,831	-
Equity in undistributed net loss (income) of joint ventures		135,024	(874,977)
(Gain)/Loss on disposal of assets		8,659	(31,425)
Realized (gain) loss on hedging activity		(42,534)	(21,510)
Change in assets and liabilities		2,346,287	1,537,257
Net Cash Provided by (Used in) Operations		3,207,816	1,853,206
Cash Flows from Investing Activities			
Purchase of property and equipment		(973,297)	(931,145)
Proceeds from disposal of property and equipment		82,443	68,525
Proceeds from distributions of joint ventures		660,000	-
Proceeds from distributions of other cooperatives		214,728	-
Net Cash Provided by (Used in) Investing		(16,126)	(862,620)
Cash Flows From Financing Activities			
Increase in disbursements in excess of bank balance		326,133	424,685
Principal payments on long-term debt and line of credit		(3,184,000)	(1,195,780)
Patronage paid to members		(169,008)	(458,012)
Redemption of members' equity		(11,393)	(43,043)
Net Cash Provided by (Used in) Financing		(3,038,268)	(1,272,150)
Net decrease in cash and cash equivalents		153,422	(281,564)
Cash and equivalents, beginning of period		2,319,991	2,417,306
Cash and equivalents, end of period	$	2,473,413	2,135,742

See accompanying notes to Condensed Consolidated Financial Statements

1. Basis of Presentation

The condensed consolidated financial statements include the accounts of American Grain and Related Industries (a Farmer-owned Cooperative) and its wholly-owned subsidiaries (the Company). All material intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated financial statements as of December 31, 2006, and for the four months ended December 31, 2006 and 2005, are unaudited but, in management's opinion, include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of interim periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for the entire year.

These consolidated financial statements, including the related notes, are condensed and presented in accordance with accounting principles generally accepted in the United States of America (GAAP). These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended August 31, 2006.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 158, entitled Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. SFAS No. 158 requires the recognition in change in net assets of gains or losses and prior service costs or credits arising during the period but which are not included as components of periodic benefit cost, the measurement of defined benefit plan assets and obligations as of the statement of financial position date, and disclosure of additional information about the effects on periodic benefit cost for the following fiscal year arising from delayed recognition in the current period. In addition, SFAS No. 158 amends SFAS No. 87, entitled Employers' Accounting for Pensions and SFAS No. 106, entitled Employers' Accounting for Postretirement Benefits Other Than Pensions, to include guidance regarding selection of assumed discount rates for use in measuring the benefit obligation. SFAS No. 158 is effective for the Association's year ending August 31, 2007. The Association is not currently able to quantify the effects of the adoption of SFAS No. 158 since actual amounts will depend on year-end calculations; however, based on the August 31, 2006 consolidated balance sheet, the Company estimates that, as a result of the adoption, pension liabilities will increase by approximately $16,000 and retained earnings will be reduced by approximately $16,000.

2. Inventories

Inventories, stated at the lower of cost (first-in, first-out method) or market consisted of the following:

	December 31, 2006	August 31, 2006
Ingredients	$ 2,752,887	$ 2,765,083
Packaging	1,192,448	1,030,273
Finished products	2,467,352	2,244,850
	$ 6,412,687	$ 6,040,206

3. Investment in Joint Ventures

Summary information of the joint venture in AGRI-Bunge, LLC as of December 31, 2006 and August 31, 2006, and for the four months and year then ended, are as follows:

	December 31, 2006	August 31, 2006
Assets	$ 53,538,833	$19,147,368
Liabilities	50,785,714	15,189,667
Net Assets	$ 2,753,119	$ 3,957,701
Revenues	$170,618,462	$397,414,331
Net income	$ (204,582)	$ 2,072,752
Company's interest:		
Equity in net assets - beginning of year	$ 2,532,083	$ 1,164,067
Share of net (loss) income	(135,024)	1,368,016
Cash distributions	(660,000)	-
Equity in net assets	$ 1,737,059	$ 2,532,083

The results of AGRI-Bunge, LLC are subject to the seasonal fluctuations of grain and oil seed origination and merchandising. If reported on a 12 month period ending December 31, 2006 and 2005, net income of AGRI-Bunge, LLC would be $993,193 and $ 2,165,293, respectively.

4. Notes Payable

Following is a summary of the Company's long-term debt:

	December 31, 2006	August 31, 2006
Note payable to CoBank	$ 4,186,349	$ 4,370,348
Revolving line of credit with CoBank.	1,800,000	4,800,000
Note payable to an individual	1,894,322	1,894,322
	7,880,671	11,064,670
Less current maturities	(781,145)	(781,146)
	$ 7,099,525	$ 10,283,524

5. Other Comprehensive Income

The Company generally follows a policy of hedging a portion of its commodity oil transactions to protect and stabilize the cost of commodity oil used in production activities from short term market fluctuations. The Company's comprehensive income includes unrealized hedging gains (losses) as a component of comprehensive income. Total comprehensive income for the four months ended December 31, 2006 and 2005, was $98,612 and ($28,708), respectively.