EXHIBIT 1

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to _____________

Commission File No. 001-33674

AgFeed Industries, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Nevada	**20-2597168**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

Rm. A1001-1002, Tower 16
Hengmao Int'l Center
333 S. Guangchang Rd.
Nanchang, Jiangxi Province, PRC 330003
(Address of Principal Executive Offices, including zip code)

011-86-0791-6669093
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Common Stock, $0.001 par value	**The Nasdaq Stock Market LLC**
(Title of each class)	**(Name of each exchange on which registered)**

Securities registered under Section 12(g) of the Exchange Act: None

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

On March 10, 2009, 38,300,436 shares of the registrant's common stock were outstanding.

The aggregate market value of the voting stock held by non-affiliates as of June 30, 2008 was approximately $280,527,067.

Documents Incorporated by Reference: Portions of the registrant's proxy statement for its 2009 annual meeting of shareholders, which the registrant expects to file with the Securities and Exchange Commission ("SEC") within 120 days after December 31, 2008 are incorporated by reference into Part III of this annual report.

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EXHIBITS

The statements contained in this annual report that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to our financial condition, results of operations and business, which can be identified by the use of forward-looking terminology, such as "estimates," "projects," "plans," "believes," "expects," "anticipates," "intends," or the negative thereof or other variations thereon, or by discussions of strategy that involve risks and uncertainties. Management wishes to caution the reader of the forward-looking statements that such statements, which are contained in this annual report, reflect our current beliefs with respect to future events and involve known and unknown risks, uncertainties and other factors, including, but not limited to, economic, competitive, regulatory, technological, key employee, and general business factors affecting our operations, markets, growth, services, products, licenses and other factors discussed in our other filings with the Securities and Exchange Commission ("SEC"), and that these statements are only estimates or predictions. No assurances can be given regarding the achievement of future results, as actual results may differ materially as a result of risks facing us, and actual events may differ from the assumptions underlying the statements that have been made regarding anticipated events.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause our actual results to be materially different from any future results expressed or implied by us in those statements. Some of these risks are described in "Risk Factors" in Item 1A of this annual report.

These risk factors should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. All written and oral forward-looking statements made in connection with this annual report that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Further, the information about our intentions contained in this document is a statement of our intention as of the date of this document and is based upon, among other things, the existing regulatory environment, industry conditions, market conditions and prices, the economy in general and our assumptions as of such date. We may change our intentions, at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

PART I

In this Annual Report on Form 10-K, we will refer to AgFeed Industries, Inc., a Nevada corporation, as "AgFeed," "our company," "we," "us," and "our."

Item 1. Business.

OVERVIEW

We are a Nevada corporation engaged in the feed and commercial hog producing business in the People's Republic of China ("China" or the "PRC") through our operating subsidiaries. Our principal executive offices are located at Rm. A1001-1002, Tower 16, Hengmao Int'l Center, 333 S. Guangchang Rd., Nanchang, Jiangxi Province, PRC 330003. Our telephone number is +86-0791-6669099. Our website is http://www.agfeedinc.com.

Our feed business consists of the research and development, manufacture, marketing and sale of premix feed and blended feed for use in the domestic animal husbandry markets, primarily for hog production in China. Premix is an animal feed additive that is broadly used in commercial animal production worldwide. The use of premix feed can significantly reduce an animal's growth cycle, enabling the animal to reach market size sooner. We have been in the premix feed business since 1995 and now operate five premix feed manufacturing facilities located in the cities of Nanchang, Shandong, Shanghai, Nanning, and Hainan.

We entered the hog breeding and production business in November 2007. In this business, we mainly produce hogs for slaughter and sell breeding stock. We have one breeder farm and 29 meat hog producing farms in the Jiangxi, Shanghai, Hainan, Guangxi and Fujian provinces.

We were incorporated as Wallace Mountain Resources Corp. on March 30, 2005 in Nevada. Since October 31, 2006, our principal place of business has been based in China. As a result of a merger into a wholly-owned subsidiary, we changed our name to AgFeed Industries, Inc. on November 17, 2006.

FEED BUSINESS

We manufacture, distribute, market and sell two main product lines - additive premix fodder for use in all stages of a pig's life, and blended feeds. We conduct these operations through our subsidiaries Nanchang Best Animal Husbandry Co., Ltd. ("Nanchang Best"), Shanghai Best Animal Husbandry Co., Ltd. ("Shanghai Best"), Guangzxi Huijie Sci. & Tech. Feed Co., Ltd., ("Guangxi Huijie"), Shandong AgFeed Agribusiness Co., Ltd. ("Shandong Feed"), and Hainan HopeJia Feed Co., Ltd. ("HopeJia"). We also provide extensive technical and veterinary support free of charge to our customers.

Nanchang Best, Shanghai Best, Guangxi Huijie, Shandong Feed and HopeJia are collectively referred to as our "feed operating companies." They operate manufacturing facilities in Nanchang, Shanghai, Nanning, Shandong, and Hainan provinces, respectively. Nanchang Best and Guangxi Huijie are primarily responsible for our ongoing research and development efforts and share their expertise in this area with all of our manufacturing operations. There are no formal written agreements relating to these services as each of these companies are our wholly owned subsidiaries. AgFeed has received "Green Certification" from the Minister of Agriculture of PRC for its premix products under the brand label "BEST." This green certification laid the ground for our Hog Farms to produce hogs providing green pork.

Products

Livestock producers may directly buy animal feed in finished form, referred to as "blended" feed, which contains a concentrate of additive premix fodder ("premix") and the foundational grains blended together, or, they may choose to buy the premix and then combine it with protein, corn, hay, wheat and other elements readily available in the market to make their own blended feed. Additive premix fodder provides the essential amino acids and binder necessary for proper absorption of protein by pigs. Feeding pigs a balanced diet is an essential part of the pork profit equation. Management estimates that feed costs comprise 60-75% of a Chinese piggery's expenses; therefore the quality of feed and nutrition has a significant effect on piggery profits.

Our total combined feed output in 2008 was approximately 76,324 metric tons, consisting of 41,266 metric tons of premix fodder, 34,098 metric tons of blended feed, and 960 metric tons of other feed products.

Pork premix

According to the different growth stages of a pig, different additives are necessary to accelerate the growth of the animal and provide safe products for consumption. Premix additives are composed mainly of essential amino acids, vitamins, minerals, antibiotics and growth promoters. We market 21 different brands of premix fodder that are priced from standard to premium to satisfy wide ranging customer demand. Within each brand there are 7 different mixes that correspond to the different stages of a pig's life cycle: newborn to 15 kg, 15-30 kg, 30-60 kg, market ready, over 60 kg boar, mating/pregnant and lactating. We provide superior customer service by customizing the premix to the specific needs of each customer. Large scale pig farms are typically the biggest consumers of our premix. Our veterinarians work with these large pig farms to determine the optimal formulation of feed.

Premix sales represent approximately 54% of our annual feed revenues and carry a gross profit margin of approximately 36.8%. Our ability to formulate customized premix fodder to meet customer specifications enables us to charge a premium for our products. The average price of our premix is $875/metric ton. We are also able to justify premium pricing due to the strong brand name recognition of our operating companies, hands-on after market support, and superior, more effective products developed as a result of a strong R&D program. Large scale piggeries are willing to pay a premium for more effective products as they are concerned with producing healthy piglets, controlling disease and marketing profitable pork products.

Piglet blended feed

Our piglet blended feed is designed to both nourish and protect newborns and is composed primarily of proteins, such as fish meal and soy bean (30%), and raw material grains, such as corn and chaff (roughly 65%). Local climate and environment also influence the formulation of the piglet blend.

We sell blended feed for an average price of $658/metric ton. Blended feed contributes approximately 45% to our total feed revenues and has a gross margin of approximately 17.2%. As a result of government policies aimed at enhancing the commercialization of the hog industry and greater regulation requiring safeguards to the country's food supply and food safety, we enjoy strong competitive edge in the pork premix feed market and the piglet blended feed market.

Market Information

The feed industry in China, initially developed during the 1980s, was transformed by the issuance of the feed and feed additives regulations in the early 1990s. These regulations emphasized labeling standards for the different grades of product. These standards assisted in regulating the feed industry's expansion and aimed to eliminate substandard products and fraudulent labeling.

China's feed manufacturing industry is second only to the United States in volume. The feed industry grew to approximately 66 million tons in 1998, after growing at an annual rate of 15% from 1990 to 1998, and approximately 107 million tons in 2005 and 111 million tons in 2006. In 2007, China's feed industry grew to 123 million tons, 112 times the size in 1980. As incomes rise in China, annual meat consumption is expected to rise from the current 53 kg per person to around 70 kg per person in the coming years. The country's annual pork consumption almost doubled from 20kg per person in 1990 to 40kg per person in 2006. According to a report by the USDA Foreign Agricultural Services, developing countries average 24 kg per person annually while developed countries average 75 kg per person annually. It is estimated that 4 kg of feed grain are needed to produce 1 kg of pork.

The animal feed industry in China is highly competitive with many regional players and locally recognized brands. We believe that the initial capital requirements with respect to entry into the industry are low, and consequently there is a great deal of competition between many smaller companies. The animal feed sector for pork has three primary markets:

- additive premix fodder;
- proteins; and
- blended feed.

We predominantly produce premix and blended feeds and do not presently compete in the protein market. A nutritionally complete feed includes three components: energy sources, such as course grains; protein sources, such as fish and soy meals; and premix consisting of essential amino acids, vitamins, minerals, antibiotics and growth promoters. Premix and proteins together are often referred to in the industry as "concentrate." Premix fodders require greater technology to produce, and are often customized to each customer's specifications. As such, premix carries the highest selling price per metric ton of all feed components. Livestock producers may directly buy animal feed in finished form, referred to as "blended feed," or buy the component ingredients and mix the blend on their own. Typically, large-scale piggeries will purchase premix, as they have the scale to mix their own blended feeds.

Blended Feed Industry

According to published reports from the China Feed Industry Association and the Bureau of Animal Husbandry, Ministry of Agriculture of the PRC, the blended feed market for pork was approximately $12 and $14 billion for 2004 and 2005, respectively. The largest player in the market had approximately a 7% market share, and 40 companies shared the top 33% of the market. From 2000 to 2006, blended feed sales have grown at an average annual rate of 4.5%. From 2005 to 2006, blended feed sale growth was 4.6%. Pork blended feed production grew approximately 0.61%, to 24.1 million metric tons, from 2006 to 2007 and sales increased 3% over 2006 levels.

Premix Industry

From 2000 to 2006, according published reports from the China Feed Industry Association and the Bureau of Animal Husbandry, Ministry of Agriculture of the PRC, premix industry sales grew at an average annual rate of 13.5%. There is no single dominant participant in China's premix market. Pork premix production for 2007 was 2.8 million metric tons, up 5% from 2006, while sales remained level.

Sales and Marketing

Nanchang Best and Shanghai Best have aggressively marketed and promoted the “Best” brand since their inception. Guangxi Huijie markets its products under the “Huijie” brand name. HopeJia’s feed products are marketed under the brand name “HeJie” and Shandong markets its products under the “AgFeed” brand name. Our feed operating companies send their sales force and technicians to the pig farms to educate their clients on new product developments and improvements to existing products. They also conduct educational seminars in pig farming regions to explain the benefits of a balanced, nutritious diet for pigs in producing a healthy herd and to educate farmers to properly prepare and mix feed components. While these services are not unique among premix manufacturers, we believe our services in this area are superior to our competitors as we have a highly responsive and experienced technical services team while our sales persons, most of whom majored in animal or veterinary science, are equipped with general service capabilities. As we market and sell directly to pig farmers, we are able to collect and analyze data which assists in the preparation and design of new products. We attend agricultural conventions that take place in the market areas where we conduct business as well as in provinces that we expect to enter. We also place advertisements and promotional pieces in agricultural trade journals.

We sell our products directly to over 660 large-scale pig farms and to distributors reaching to the smaller privately-owned farms and backyard farmers. The sales data of distributors indicates that smaller farms tend to be more sensitive to price increases than the large-scale piggeries, with large-scale hog farms placing more emphasis on customer service and other ancillary services we provide.

Starting in January 2007, we began to work with independently-owned and operated premix feed product distribution stores that exclusively distribute AgFeed brand premix feed products throughout China. This program allows us to cost-effectively sell our products to the individual “mom and pop” farmer that may raise only a few hogs per year for personal consumption or for sale in the marketplace as an additional source of income. These distribution stores generally sell 3 to 5 metric tons of feed per month. As of December 31, 2008, there were more than 1,000 locations open and operating using the AgFeed brand name. These distributors do not pay an initiation fee to become exclusive distributors of our products but do receive marketing and technical training from our staff. Each distributor signs an exclusive agreement with us, agreeing not to sell any other brand of animal feed products and to decorate its store with approved AgFeed marketing materials and signage. Additionally, these distributors are encouraged to buy animal health care products, such as quality vaccines and veterinary drugs that we sell as agent, benefiting from a diversified product structure.

In addition, each distributor must: (i) during a three month probationary period pass a screening process based on performance benchmarks, (ii) abide by our rules and receive ongoing training from our sales and technical staff, (iii) support the sales of new AgFeed products when launched in the distributor’s territory, and (iv) remain within our guidelines for payment of products purchased from us.

Distributors receive discounted prices from the regular wholesale listed prices and have payment terms that are typically 15 days from the date of sale. These discounted prices earn the distributors an increased gross profit margin of approximately 5-10%. They build a relationship with the small farmers that in many cases are illiterate and continue to do business as they have always done. As part of the distribution arrangement, they have a specified territory that entitles them to the exclusive right to sell AgFeed products to small farm owners in that territory.

As of December 31, 2008, each of the feed operating companies has the following customers for their respective feed products:

	Local Distributors	Large Scale Pig Farm	Distribution Chain Stores	Total
Nanchang Best	85	202	320	607
Shanghai Best	138	206	191	535
Guangxi Huijie	126	189	301	616
Shandong Feed	78	15	101	194
HopeJia	46	57	89	192

Suppliers

Normally, purchases of raw materials are made on an “as needed” basis each month. Orders are managed by both our warehouse and purchasing managers together, each of whom is familiar with on-site inventory levels. We sign long-term contracts with leading soybean meal suppliers when our purchasing specialists deem it appropriate. We have also established long-term relationships with “accredited key suppliers” by setting up five supply bases in China’s largest corn production areas which centralize our purchasing and logistics resources, and reduce and remove agent commissions.

We have implemented a "supplier accreditation system." Regularly, suppliers of raw materials are jointly selected and rated by our purchasing center and technical center according to the quality of their supplies, price and credit record. Generally, all of our purchases are made from qualified suppliers. Raw materials are generally purchased by our purchasing center to take advantage of the economies of scale associated with our size.

Research and Development

We engage in continuous research and development to maintain a competitive advantage in the marketplace and keep pace with current developments. We conduct these activities primarily through Nanchang Best and Guangxi Huijie. Their research and development results are shared with each of the feed operating companies. We also sponsor research alliances with Jiangxi Agricultural University, South China Agricultural University, Nanjing Agricultural University and Zhejiang Agricultural University.

In addition to sponsoring national and provincial academic research projects at various academic institutions, in November 2004, Nanchang Best launched a fund called Best Fund contributing RMB 98,000 (US$12,250) to sponsor 12 research projects at Jiangxi Agricultural University. Nanchang Best retains proprietary rights to any research findings from these projects.

Intellectual Property

We have registered the "AgFeed," “Best,” “Huijie,” and "HeJie" trade names used on our products with the China Trademark Bureau and these names are known in the provinces in which we conduct business. We do not hold any patents or intend to apply for patents on proprietary technology or formulas relating to our feed products. The formulas for our feed products are considered trade secrets and are protected as such.

Government and Environmental Regulation

Our feed products and services are subject to substantial regulation by governmental agencies responsible for the agricultural and commerce industries. We are required to obtain business and company registrations and production licenses under the laws and regulations of the PRC, the provincial governments of Jiangxi, Shanghai, Hainan, Shandong, and Guangxi provinces and the Shanghai City government. All of our feed products are certified on a regular basis and must be in compliance with the laws and regulations of provincial and other local governments and industry agencies.

Prior to engaging in any production or marketing of feed products, all products must receive a earned formal approval production number pursuant to the National Code of Feed and Feed Additives, promulgated by the National State Council of the PRC and qualified products reports from the Technology and Supervision Bureau. All of our feed products have earned these formal approvals, which are valid for five years from the date of issuance.

There is no material cost in obtaining and maintaining these licenses, but it is illegal to do business without them. If any production license or product permit were lost, production would need to cease until a new license or permit was obtained, which would likely take a minimum of 30 to 45 days to receive, and the loss of which would result in the possibility of regulatory fines.

We are also subject to China’s National Environmental Protection Law as well as a number of other national and local laws and regulations involving pollutant discharge and air, water and noise pollution.

The central government, through the Ministry of Agriculture, issues production licenses. The Ministry of Agriculture dispatches officials at the local level to review staff qualifications, production facilities, quality control, and management departments for competency. These licenses are valid for five years from the date of issuance.

Provincial production permits are also required for all entities involved in the manufacture of animal feed and feed components. Provincial permits are issued for all products manufactured at each facility. Each facility has the necessary permits for all products produced at each of our operating facilities. These permits are valid for five years from the date of issuance.

Competition

The premix market in China is particularly fragmented with many companies and locally recognized brands. The largest player in the premix industry commands slightly more than 1% of the national market and no one company has yet taken a sizable market lead in terms of service, brand, or technology. Nanchang Best leads the pork premix market in the Jiangxi Province with an approximate 4% market share and also sells its products in neighboring regions such as Hubei, Henan and Fujian. Nanchang Best faces price competition from Da Bei Nong, one of its competitors in the large-scale farm market. We believe Da Bei Nong’s service is considered inferior to Nanchang Best’s, which has contributed to Nanchang Best's ability to maintain its lead in sales.

Sales made by Nanchang Best and Shanghai Best in Fujian province face strong competition in the large-scale piggery market from Fuj Minke Biology Company, which has well-known service, a flexible credit policy, and prices that are competitive with, if not lower than, the prices at which Nanchang Best and Shanghai Best sell their products. While both Nanchang Best and Shanghai Best are working to further develop and strengthen their connections to large-scale farms, Fuj Minke Biology Company does not pose a threat to their distributor sales.

Zheng Da, the Sino-Thai joint venture of Charoen Pokphand, the largest business conglomerate in Thailand, is one of the largest premix producers. However, based on informal discussions that we have had with our customers, its prices tend to be higher than the prices at which Nanchang Best and Shanghai Best sell their products, though there is not a significant difference in the quality of their products. Zheng Da focuses only on the distributor market.

Based on our independent investigations in the Shanghai area, Xinnong leads the market in sales with approximately 15,000 metric tons per year, competing directly with Shanghai Best on both pricing and service to large scale piggeries.

Guangxi Huijie has an approximate 13% share of the overall feed market in its home province of Guangxi and competes directly with Guangxi Provimi. Guangxi Provimi sells the same products as Guangxi Huijie at similar price points and is considered by the marketplace to offer a product of similar quality to Guangxi Huijie's. We believe that Guangxi Provimi does not provide the same quality of after sale technical support to its customers. Guangxi Huijie stands out in its market by providing its independently-owned distribution stores with an all-inclusive product package that includes quality veterinary drugs, vaccines, raw materials and breeders in addition to animal feed.

HopeJia leads the premix market in Hainan Province with an approximate 25% market share. The direct competition facing HopeJia is not its competitors, but its own ability to upgrade customized products. HopeJia is enhancing its competitiveness in the blended feed market, benefiting from the economies of scale resulting from the synergies in our businesses. It mainly competes with SBT and JiaDa as they have lower prices and have been in business in this area longer than HopeJia.

Shandong Feed is a newly founded premix feed company in Shandong Province. Benefiting from AgFeed's 14 year experience in the manufacturing, research and development, sales and marketing of pork premix feed, it is winning increasingly broader acceptance from the customers with its quality and high cost performance.

Employees

As of December 31, 2008, our feed operating companies had a total of 459 employees. The breakdown of our employees by location and department is:

	Nanchang Best	Shanghai Best	Guangxi Huijie	Shandong Feed	HopeJia
Management	2	2	2	2	2
General Administration and Human Resources	9	10	8	2	7
Production	39	21	50	12	36
Sales	56	31	42	29	23
Purchasing	1	1	3	1	1
Finance	7	6	5	3	3
Technical Services	7	2	2	1	3
Quality Control	2	2	7	3	5
Research and Development	2	1	4	1	1

Facilities

Nanchang Best is located in Chang Bei District Industrial Park, in Nanchang, Jiangxi province. It owns three buildings, one each for the office, manufacturing and an employee dormitory. Nanchang Best has been granted the right to use the land in Nanchang by the Municipal Administration of State-Owned Land through December, 2049.

Shanghai Best is located in Qingcun Town, Fengxian District, Shanghai. It rents two workshop buildings and office space on which it conducts all manufacturing and business operations. The annual rent on the Shanghai property is approximately $80,000 and the lease runs through December 2017.

Guangxi Huijie is located in Coastal Industrial Park, Liangqin District, Nanning City, Guangxi Province. Guangxu Huijie owns three buildings, an office building, production plant and an employee dormitory. The right to use the land was granted by Housing Bureau and Land Administrative Bureau of Langqin District, Nanning City through October, 2056.

Shandong Feed is located at No. 4 Chuangye Street, East New Area, in the city of Taian, Shandong Province. This facility consists of four buildings, one each for manufacturing, offices, warehouse and dormitory facilities. Shandong Feed has been granted the right to use this land by the Shandong Provisional Government through July, 2052.

HopeJia is located on South Wuting Road, Laocheng Development Zone, Chengmai County, Hainan Province. HopeJia owns three buildings, an office building, production plant and an employee dormitory. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Hainan Province through Januar,y 2056.

Commercial Hog Producing Business

We raise, breed and sell hogs for use in China's pork production and hog breeding markets. We own one breeder farm and 29 meat hog producing farms located in Jiangxi, Shanghai, Hainan, Guangxi, and Fujian provinces, which are strategically located in or near the largest pork consumption areas in the PRC.

We entered the hog farming business on November 9, 2007 as a result of our acquisition of ninety percent (90%) of the capital stock of Lushan Breeder Pig Farm Co., Ltd. ("Lushan"). Lushan owns and operates a breeder hog farm occupying 258,000 square meters located in the town of Hualin in Xingzi County, Jiangxi Province. Lushan is a mid-scale hog farm engaged in the business of raising, breeding and selling hogs in the PRC for use in the pork production market in the PRC. Lushan operates as a majority-owned subsidiary of Nanchang Best. In 2008, we acquired at least a majority interest in 29 meat hog producing farms in the Jiangxi, Shanghai, Hainan, Guangxi, and Fujian provinces through our subsidiaries - Nanchang Best, Shanghai Best, Guangxi Huijie and Jiangxi Best Swine Development Co. ("Best Swine").

Hog Production

Our 29 meat hog producing farms generate revenue primarily from the sale of meat hogs to slaughterhouses. Our meat hogs are sold primarily in Jiangxi, Shanghai, Hainan, Guangxi, Fujian, Guangdong and other neighboring provinces.

Lushan generates revenue primarily from the sale of breeder hogs to commercial hog farms and, to a lesser extent, the sale of meat hogs to hog slaughterhouses. It also generates revenue by providing consulting services to hog farmers in the areas of feed production, feed formulation and veterinary services. Lushan's customers include large-scale hog farms, mid-scale hog farms and small-scale farms. Our breeder hogs are sold throughout the PRC, primarily in southeastern China.

Breeder hogs are either purebred hogs or crossbred hogs that have the genetic trait for mating. Lushan uses hogs that contain this trait for breeding and it also sells them to commercial meat hog farms throughout the PRC so that the commercial farms may use the hogs in their own reproduction programs. Commercial sows (parent stock) are used for gestating and producing piglets.

Among the purebred hogs, Lushan’s primary varieties are the Yorkshire, the Landrace and the Duroc. The Yorkshire, which originated in England, is known for its rapid growth, high rate of lean meat and its reproductive capacity. The Landrace, originated in Denmark, is also known for its rapid growth and its high rate of lean meat. The Duroc, which originated in the United States, is considered a highly-successful male parent in crossbreeding.

Market Description

General

China is the world's biggest hog producer and pork consumer; the global pig meat market is dominated by China. According to statistics from the US Department of Agriculture, China produces 50% of all the pig meat production in the world. For 2009, China is expected to produce close to 47.0 million metric tons of an estimated world production of approximately 95.0 million metric tons.

According to a 2008 Agricultural Report published by Purdue University, China's pork production in 2009 is forecast to recover 3% to 46.8 million metric tons up from the 2008 production of approximately 45.6 million metric tons. China had approximately 592 million head of hogs at the end of 2008, up from 2006 and 2007. Production in those years was affected by PRRS (Blue Ear Disease). This disease is now effectively under control and is not anticipated to have a negative effect on China's hog production in 2009. During late 2007 and the first half of 2008, short pork supplies pushed prices up sharply. Increased food prices were major factors in the rise of China's consumer price index.

China consumes over 500 million pigs a year. In terms of meat consumption in China, beef accounts for approximately 9%, poultry for approximately 21% and pork for approximately 65% of total Chinese consumption, according to the National Statistics Bureau of China. China's pork consumption is forecast to increase to 47.0 million metric tons up from 44.9 million metric tons in 2008, an increase of about 3%. Projected pork demand by 2015 is estimated to approach 68.0 million metric tons, an increase of 45%.

Urbanization and the growth of the middle class (250 million people in 2008) along with PRC policies protecting the swine industry reflect the importance of hog production as a social, economic and security issue for the consumer market in China. The PRC instituted a number of laws to induce swine production. On January 1, 2008, the State Council announced a new regulation exempting companies involved in hog rearing from corporate income tax. Additionally, the Food Safety Law, which becomes effective on June 1, 2009, allows the government to take affirmative action that will strengthen food safety control "from the production line to the dining table." The PRC Government is creating a hog futures exchange to permit hedging of contracts. This is expected to be operational in the latter half of 2009. Further, the Government has developed a "Strategic Meat Reserve" that is stocked predominantly with pork reserves and a live herd of 500,000 pigs. These policies and programs stress the value the central PRC Government places on hog production.

Meat Hogs

According to the Foreign Agricultural Services, the PRC is the world's largest producer of pork and pork is the most widely-consumed meat in the PRC. The Foreign Agricultural Services determined that pork accounted for 65% of the total meat production in the PRC in 2008. A 2008 Agricultural Report published by Purdue University forecasts that China's pork imports in 2009 may increase by nine percent to 555,000 million metric tons slightly up from 505,000 million metric tons in 2008. Strong demand and short supply are forecast to drive imports, although it appears the recent downturn in the global economic picture will curtail the Chinese import of both frozen and live swine. There are over 40 local pig breeds in China. Chinese farms are looking to import foreign breeds that may improve the genetic profile of the PRC's hog population, with the result being healthier animals and lower production costs.

Meat hog production in the PRC is dominated by backyard farms (those that sell 5-10 hogs annually) and small farms (those that sell less than 100 hogs annually). These farms accounted for an estimated 75% of all PRC hog production during 2008. These farms sell their products to local rural markets. The remaining 25% of the PRC's hog production comes from larger farms - those that sell between 100 and 500 head a year account for 21% of the production, those that sell between 500 and 10,000 head account for an additional 3% and those that sell between 10,000 and 50,000 hogs account for the remaining 2% of the annual production.

Suppliers

Feed is the most significant cost of operating a hog farm. Historically, our Hog Farms purchased feed products and raw materials such as corn and soybeans from several feed suppliers under short-term contracts. Under our ownership, the Hog Farms primarily use our premix as the base of their feed supply and enter into long-term contracts with the suppliers of feed additives in order to meet their feed requirements. The use of our premix laid the groundwork for our Hog Farms to produce hogs that are accredited as "green" pork.

Research and Development

We have a seven member research and development team devoted to hog farming. Two members of the team have doctorate degrees and three have masters degrees in veterinary science and/or animal breeding and genetics. We are participants in two ongoing research programs. We have been selected into the National Hog Production System, where individuals from China's top 52 hog farms share their expertise and research and development results. We are also a member of the National Pig Genetics Association which focuses on the selection of high-lean meat breeder hogs and the other program focuses on improving the reproductive traits of breeder hogs.

Intellectual Property

Lushan has developed advanced mating technologies that are designed for foreign and domestic breeder hogs. It employs proprietary techniques to manage mating patterns. We do not hold any patents covering these technologies and have no present intention to apply for patents on them.

Government Regulation

Hog breeding is subject to substantial licensing requirements and regulation. In order to sell breeder hogs in the PRC a breeder hog farm must be awarded a breeder’s license by the local government authorities. Only those breeder hog farms that have qualified staff, specialized equipment and are in segregated locations to avoid the spread of disease are eligible for licensing. Meat hog farms do not require a license.

The Agricultural Department of Jiangxi Province issued a Breeder Hog Farm License to Lushan which is valid until April 1, 2010 and is renewable in three-year increments.

Competition

The hog production business in the PRC is highly segmented. As we discussed above, about 75% of the hogs produced in the country are produced by smaller farms, who sell their inventory to rural markets. Of the remaining 25% of hog producers, they are spread throughout the entirety of the PRC and the market for their inventory tends to be within their geographic territory. AgFeed primarily markets its products within Jiangxi, Shanghai, Hainan, Guangxi and Fujian provinces and the territory of the surrounding provinces that is close in proximity to our Hog Farms. As a result, we compete broadly with the producers in these geographic regions. However, none of our Hog Farms face competition from one or two single, significant customers. Our hog production business occupies the whole of southeastern China, including the metropolitan areas of Shanghai and Hong Kong.

Employees

As of December 31, 2008, our hog farms had a total of 1,398 employees, 51 of whom are employed by Lushan. The breakdown of our employees by location and department is:

	Lushan	Meat Hog Producing Farms
General Management	1	90
Production Administration and Technicians	6	238
Research and Development	1	5
Farm Labor	31	747
Finance	4	86
Administration	8	181

Facilities

Breeder Farm

Lushan's primary facility is a breeder hog farm located in the town of Hualin in Xingzi County, Jiangxi Province. The facility, which is situated on 258,000 square meters of developed land, is leased from the Chinese government for a period of 29 years and is scheduled to expire on April 13, 2034. Lushan's breeder hog farm contains two separated areas, one for sows and the other for boars and gilts, with a total of 15,800 square meters of buildings. Lushan pays a nominal annual rent under the terms of the lease.

Meat Hog Producing Farms

Wannian Xiandai Animal Husbandry Limited Liability Co. ("Wannian"), a wholly owned subsidiary of Nanchang Best, is located in Nanyan village in the town of Peimei in Wannian county, Jiangxi Province. Wannian subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from January 3, 2008.

Jiangxi Huyun Livestock Co., Ltd. ("Huyun"), a majority owned subsidiary of Nanchang Best, is located in the town of Huyun in Wannian county, Jiangxi Province. Huyun subleases the property from the other shareholders of Huyun and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from January 3, 2008.

Ganzhou Green Animal Husbandry Develop. Co., Ltd. ("Ganzhou"), a majority owned subsidiary of Nanchang Best, is located in Yuliang village in the town of Hengshui in Chingyi County, Ganzhou City, Jiangxi Province. Ganzhou subleases the property from the other shareholders of Ganzhou and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from January 4, 2008.

Gang Feng Animal Husbandry Co., Ltd. ("Gang Feng"), a wholly owned subsidiary of Nanchang Best, is located in the town of Fenglin in Dean county, Jiangxi Province. Gang Feng subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 6 and 1/2 years from January 7, 2008.

Yichun Tianpeng Domestic Livestock Farm, Ltd. ("Yichun"), a majority owned subsidiary of Nanchang Best, is located in Nanmiao Township, Yichun City, Jiangxi Province. Yichun subleases the property from the other shareholders of Yichun and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from January 9, 2008.

Zhejiang Pinghu Yongxin Hog Farm ("Zhejiang Yongxin"), a wholly owned subsidiary of Nanchang Best, is located in Pinghu City, Zhejiang Province. Zhejiang Yongxin subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 12 years from April 18, 2008.

Shanghai Fengxian Hog Farm ("Shanghai Fengxian"), a wholly owned subsidiary of Nanchang Best, is located in Yuantong Village, Qianqiao Town, Fengxian District, Shanghai City. Shanghai Fengxian subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 14 years from May 1, 2008.

Shanghai Tuanxi Hog Farm ("Shanghai Tuanxi"), a wholly owned subsidiary of Nanchang Best, is located in Tuanxi Village, Datuan Town, Nanjiang District, Shanghai. Shanghai Tuanxi subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from May 1, 2008.

Shanghai Senrong Hog Farm ("Shanghai Senrong"), a wholly owned subsidiary of Nanchang Best, is located in Wanglong Village, Xinnong Town, Jinshan District, Shanghai. Shanghai Senrong subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from May 1, 2008.

Fujian Xiamen Muxin Hog Farm ("Fujian Muxin"), a wholly owned subsidiary of Nanchang Best, is located in Tongan District, Xiamen City, Fujian Province. Fujian Muxin subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from April 30, 2008.

Xiamen Yuanshengtai Food Co., Ltd. ("Fujian Yuanshengtai"), a wholly owned subsidiary of Nanchang Best, is located in Xiamen, Fujian Province. Fujian Yuanshengtai subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from April 30, 2008.

Jiangxi Zhiliang Hog Farm (Jiangxi Zhiliang"), a wholly owned subsidiary of Nanchang Best, is located in Gancaoqian Village, Dayangzhou, Xingan County, Jiangxi Province. Jiangxi Zhiliang subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 22 years from April 30, 2008.

Shanghai WeiSheng Hog Raising Co., Ltd.("Shanghai Weisheng"), a wholly owned subsidiary of Nanchang Best, is located in the Jinshan District, Shanghai City. Shanghai Weisheng subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 30 years from June 1, 2008.

Nanping Minkang Hog Farm ("Nanping Minkang"), a wholly owned subsidiary of Shanghai Best, is located in the Fujian Province. Nanping Minkang subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from September 17, 2008.

Guangdong Lianjiang Xinfa Hog Farm ("Guangdong Xinfa"), a majority owned subsidiary of Guangxi Huijie, is located in Lianjiang City, Guangdong Province. Guangdong Xinfa subleases the property from the other shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from May 30, 2008.

Guangxi Nanning Wanghua Hog Farm ("Guangxi Wanghua"), a wholly owned subsidiary of Guangxi Huijie, is located in Nanning City, Guangxi Province. Guangxi Wanghua subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from May 30, 2008.

Guangxi Linxing Hog Farm ("Guangxi Linxing"), a wholly owned subsidiary of Guangxi Wanghua, is located in Guangxi Province. Guangxi Linxing subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from September 20, 2008.

Nanning Shunhua Hog Farm Co., Ltd. ("Nanning Shunhua"), a wholly owned subsidiary of Guangxi Wanghua, is located in Guangxi Province. Nanning Shunhua subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from October 28, 2008.

Nanning Shunan Hog Farm Co., Ltd.("Nanning Shunan"), a wholly owned subsidiary of Guangxi Wanghua, is located in Guangxi Province. Nanning Shunan subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from October 29, 2008.

Guangxi Guigang Gangda Hog Farm ("Guangxi Gangda"), a wholly owned subsidiary of Guangxi Huijie, is located in Guigang City, Guangxi Province. Guangxi Huijie acquired all of the rights to the land, pig houses, office buildings, heating system, power and water supply system in our acquisition of Guangxi Gangda. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Guangxi Province through March 31, 2025

Guangxi Gangxuan Hog Farm Co., Ltd. (“Guangxi Gangxuan”), a wholly owned subsidiary of Guangxi Gangda, is located in Guangxi Province. Guangxi Gangxuan subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 11 years from September 20, 2008.

Guangxi Xingye Guihong Hog Farm (“Guangxi Guihong”), a wholly owned subsidiary of Guangxi Huijie, is located in Kuiyang Town, Xingye County, Yulin City, Guangxi Province. Guangxi Huijie acquired all of the rights to the land, pig houses, office buildings, heating system, power and water supply system in our acquisition of Guangxi Guihong. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Guangxi Province through May 30,2025.

Hainan Haikou Meilan Hog Farm (“Hainan Meilan”), a wholly owned subsidiary of Guangxi Huijie, is located in Xianlai Village, Dazhipo Town, Haikou City, Hainan Province. Guangxi Huijie acquired all of the rights to the land, pig houses, office buildings, heating system, power and water supply system in our acquisition of Hainan Meilan. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Guangxi Province through April 12, 2033.

Hainan Haikou Wohao Hog Farm (“Hainan Wohao”), a wholly owned subsidiary of Guangxi Huijie, is located in Fuan Village, Shishan Town, Xiuying District, Haikou City, Hainan Province. Guangxi Huijie acquired all of the rights to the land, pig houses, office buildings, heating system, power and water supply system in our acquisition of Hainan Wohao. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Guangxi Province through April 18, 2038.

Guangxi Guilin Fuzhi Hog Farm (“Guangxi Fuzhi”), a majority owned subsidiary of Guangxi Huijie, is located in Sujia Village, Zhalin Town, Yanshan District, Guilin City, Guangxi Province. Guanxi Fuzhi subleases the property from the other shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 20 years from May 30, 2008.

Best Swine is currently being constructed on land situated in Futian Township, Wuning County, Jiangxi Province.

Fujian Jianhua Hog Farm (“Fujian Jianhua”), a wholly owned subsidiary of Best Swine, is located in Xudun Town, Jian’ou City, Fujian Province. Fujian Jianhua subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from April 22, 2008.

Fujian Fengxiang Agribusiness Co., Ltd. (“Fujian Fengxiang”), a wholly owned subsidiary of Best Swine, is located in Mawei District, Fuzhou City, Fujian Province. Fujian Fengxiang subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from April 30, 2008.

Nanping Kangda Animal Husbandry Co., Ltd. (“Nanping Kangda”), a wholly owned subsidiary of Best Swine, is located in Yanping District, Nanping City, Fujian Province. Nanping Kangda subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from May 27, 2008.

Fujian Jianxi Breeder Hog Farm Co., Ltd. (“Fujian Jianxi”), a wholly owned subsidiary of Best Swine, is located in Zhishan District, Jianou City, Fujian Province. Fujian Jianxi subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from May 25, 2008.

History

From incorporation to October 31, 2006, the business of our company, then known as Wallace Mountain Resources Corp., consisted of 18 unit mineral claims known as the South Wallace Mountain Project having a total surface area of approximately 946 acres. At that time the property was without known reserves and the proposed program was exploratory in nature. We paid a $3,000 retainer to the geologist to commence the Phase 1 exploration work on the claim.

On October 31, 2006, we entered into and closed a share purchase agreement with Nanchang Best and each of Nanchang Best's shareholders. Pursuant to this agreement, we acquired all of the issued and outstanding capital stock of Nanchang Best from the Nanchang Best shareholders in exchange for 5,376,000 shares of common stock.

Contemporaneously, on October 31, 2006, we entered into and closed a share purchase agreement with Shanghai Best, and each of Shanghai Best's shareholders. Pursuant to this agreement, we acquire all of the issued and outstanding capital stock of Shanghai Best from the Shanghai Best shareholders in exchange for 1,024,000 shares of common stock.

Concurrently with the closing of these transactions and as a condition thereof, we entered into an agreement with Robert Gelfand, our former President and Chief Financial Officer, pursuant to which Mr. Gelfand returned 2,600,000 shares of our common stock to the treasury for cancellation. Mr. Gelfand was not compensated in any way for the cancellation of his shares of our common stock. Upon completion of the foregoing transactions, we had an aggregate of 8,000,000 shares of common stock issued and outstanding. The shares of common stock issued to the shareholders of Nanchang Best and Shanghai Best were issued in reliance upon the exemption from registration provided by Regulation S under the Securities Act of 1933, as amended.

Subsequent to the acquisition of Nanchang Best and Shanghai Best, on October 31, 2006, Robert Gelfand resigned as our sole officer and Dr. Songyan Li was appointed as a director. On November 17, 2006, we declared a stock dividend of two additional shares of common stock for each share of common stock outstanding, and changed our name to AgFeed Industries, Inc.

On December 20, 2006, we acquired all the outstanding shares of Guangxi Huijie for a total purchase price of 8,600,000 Chinese yuan renminbi ("RMB") (approximately US$1.1 million). We obtained the funds needed to complete this acquisition by borrowing RMB8,600,000 from Sunrise Capital International, Inc. This loan accrued interest at the rate of seven percent per annum and all accrued interest and the principal amount of this loan was due and payable on June 20, 2007. We were permitted to prepay this note without penalty and did so in March 2007. Mr. Sheng Zhou, the brother of our corporate secretary and treasurer, Feng Zhou, is a director of Sunrise Capital, which is owned by his sister-in-law, Ms. Chun Mei Chang.

On June 24, 2008, we completed the acquisition of premix feed company HopeJia for a negotiated purchase price of RMB28,600,000 (approximately US$4.2 million).

On November 9, 2007, we acquired 90% of the issued and outstanding capital stock of Lushan, a hog breeding operation. The aggregate purchase price was RMB20,112,020, equivalent to approximately US$2.7 million on the date of the transaction. In connection with this transaction, we also assumed and satisfied at closing RMB4,919,980 (approximately US$660,400) of indebtedness owed by Lushan. The acquisition of Lushan marked our entrance into the hog production business. Since November 2007, we have acquired 30 operating meat hog producing farms.

In January 2008, we acquired at least a majority interest in five additional hog farms. Specifically:

- we acquired 70% of the issued and outstanding capital stock of Wannian on January 3rd for RMB12,250,000 (approximately US$1.7 million); we acquired the remaining 30% equity interest in Wannian on September 8th for RMB6,012,500 (approximately US$0.9 million);

- we acquired 70% of the issued and outstanding capital stock of Huyun on January 3rd for RMB6,482,000 (approximately US$0.9 million);

- we acquired 60% of the issued and outstanding capital stock of Ganzhou on January 4th for RMB6,480,000 (approximately US$0.9 million);

- we acquired all of the hogs and stock of Gang Feng on January 7th for RMB4,820,000 (approximately US$0.7 million); and

- we acquired 55% of the issued and outstanding capital stock of Yichun on January 9th for RMB8,855,000 (approximately US$1.2 million).

On March 19, 2008, Best Swine was formed as a wholly-owned subsidiary of AgFeed. Best Swine was incorporated under the laws of the PRC on March 19, 2008 and is being situated in Futian Township, Wuning County, Jiangxi Province, PRC. Best Swine is being built for the business of raising, breeding and selling hogs for use in PRC's pork production and hog breeding markets.

On April 30, 2008, we acquired all of the equity interest in an additional 16 hog farms. Specifically, we acquired:

Name of Hog Farm	Purchase Price in RMB	Purchase Price in US$ (1)
Guangxi Wanghua	26,030,000	$3.7 million
Guangxi Gangda	14,520,000	$2.1 million
Guangxi Guihong	42,500,000	$6.1 million
Hainan Meilan	14,700,000	$2.1 million
Hainan Wohao	15,200,000	$2.2 million
Guangxi Fuzhi	12,000,000	$1.7 million
Guangdong Xinfa	11,000,000	$1.6 million
Zhejiang Yongxin	10,480,000	$1.5 million
Shanghai Fengxian	35,000,000	$5.0 million
Shanghai Tuanxi	7,000,000	$1.0 million
Shanghai Senrong	30,000,000	$4.3 million
Fujian Muxin	29,320,000	$4.2 million
Fujian Yuanshengtai	26,200,000	$3.7 million
Fujian Jianhua	32,000,000	$4.6 million
Fujian Fengxiang	8,100,000	$1.2 million
Jiangxi Zhiliang	8,000,000	$1.1 million

(1) based on then-current conversion rate

On May 28, 2008, we acquired all of the equity interest in Nanping Kangda for RMB5,821,000 (approximately US$0.9 million) and all of the equity interest in Fujian Jianxi for RMB16,338,166 (approximately US$2.4 million).

On June 25, 2008, we acquired all of the equity interest in Shanghai Weisheng for RMB12,820,000 (approximately US$1.9 million).

In September 2008, we acquired all of the equity interest in three additional hog farms. Specifically:

- we purchased Nanping Minkang for RMB9,865,000 (approximately US$1.4 million) on September 8th; and

- we purchased Nanning Shunan for RMB9,256,000 (approximately US$1.4 million) and Guangxi Gangxuan for RMB8,569,000 (approximately US$1.3 million) on September 10th.

In October 2008, we acquired all of the equity interest in two more hog farms. Specifically:

- on October 28th, we purchased Guangxi Linxing for RMB7,850,000 (approximately US$1.2 million); and

- on October 29th, we purchased Nanning Shunhua for RMB8,260,000 (approximately US$1.2 million).

As of December 31, 2008, we held at least a majority interest in 30 Hog Farms and five pre-mix feed operations.

Item 1A. Risk Factors

RISK FACTORS

Investment in our securities is subject to various risks, including risks and uncertainties inherent in our business. The following sets forth factors related to our business, operations, financial position or future financial performance or cash flows which could cause an investment in our securities to decline and result in a loss.

General Risks Related to Our Business

Our success depends on our management team and other key personnel, the loss of any of whom could disrupt our business operations.

Our future success will depend in substantial part on the continued service of our senior management and founders. The loss of the services of one or more of our key personnel could impede implementation and execution of our business strategy and result in the failure to reach our goals. We do not carry key person life insurance for any of our officers or employees. Our future success will also depend on the continued ability to attract, retain and motivate highly qualified personnel in the diverse areas required for continuing our operations. The rapid growth of the economy in the PRC has caused intense competition for qualified personnel. We cannot assure you that we will be able to retain our key personnel or that we will be able to attract, train or retain qualified personnel in the future.

We need to successfully integrate our acquired businesses.

We have made 30 acquisitions since entering the hog farm business in November 2007. Prior to that time, we had limited experience in growth through acquisition. Our future financial results depend upon our ability to successfully integrate the acquired businesses. We also face pressure to adequately conduct our ongoing operations while working toward the integration of these businesses. While we are pleased with the progress of our integration efforts to date, there is no assurance that we will be able to complete the integration of the acquired businesses as projected or without disrupting other areas of our business that could have a negative effect on our future financial results.

Our acquisition strategy involves a number of risks. Even when an acquisition is completed, we may have integration issues that may not produce results as positive as management may have projected.

While we are taking a break from our acquisition program as we focus on integrating the companies we have acquired and increasing the efficiencies of our existing businesses, we intend to grow through additional acquisitions in the future. Acquisitions involve a number of special risks, including:

- failure of the acquired business to achieve expected results;
- diversion of management’s attention;
- failure to retain key personnel of the acquired business;
- additional financing, if necessary and available, could increase leverage, dilute equity, or both;
- the potential negative effect on our financial statements from the increase in goodwill and other

intangibles; and

- the high cost and expenses of completing acquisitions and risks associated with unanticipated events or liabilities.

These risks could have a material adverse effect on our business, results of operations and financial condition. In addition, our ability to further expand our operations through acquisitions may be dependent on our ability to obtain sufficient working capital, either through cash flows generated through operations or financing activities or both. There can be no assurance that we will be able to obtain any additional financing on terms that are acceptable to us, or at all.

Even though we have curtailed our aggressive acquisition of established farms, we expect to face increased competition for acquisition candidates. We cannot guarantee that we will be able to identify, acquire, or manage profitably additional businesses in the event that we resume our acquisition program. In future acquisitions, we also could incur additional indebtedness or pay consideration in excess of fair value, which could have a material adverse effect on our business, results of operations and financial condition. In addition, we may inadvertently assume unknown liabilities in acquisitions that we complete. Assumption of unknown liabilities in acquisitions may harm our financial condition and operating results. Acquisitions may be structured in such a manner that would result in the assumption of unknown liabilities not disclosed by the seller or uncovered during pre-acquisition due diligence. These obligations and liabilities could harm our financial condition and operating results.

Volatile energy prices could adversely affect our operating results.

In the last few years, energy prices have risen dramatically and are now volatile, which has resulted in increased and unpredictable costs for our businesses and raw materials costs for our branded feed products. Rising energy prices could adversely affect demand for our feed products and increase our operating costs, both of which would reduce our sales and operating income.

We face risks associated with currency exchange rate fluctuations; any adverse fluctuation may adversely affect our operating margins

Almost all of our revenues are denominated in Renminbi. Conducting business in currencies other than US dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the US dollar relative to other currencies impact our revenues, cost of revenues and operating margins and result in foreign currency translation gains and losses. If the exchange rate of the Renminbi is affected by lowering its value as against the US dollar, our reported profitability when stated in US dollars will decrease. Historically, we have not engaged in exchange rate hedging activities and have no current intention of doing so.

Risks Related to Our Feed Business

We cannot be certain that our feed product innovations and marketing successes will continue.

We believe that our past performance has been based on, and our future success will depend upon, in part, our ability to continue to improve our existing feed products through product innovation and to develop, market and produce new feed products. We cannot assure you that we will be successful in introducing, marketing and producing any new feed products or feed product innovations, or that we will develop and introduce in a timely manner innovations to our existing feed products which satisfy customer needs or achieve market acceptance. Our failure to develop new feed products and introduce them successfully and in a timely manner could harm our ability to grow our business and could have a material adverse effect on our business, results of operations and financial condition.

We rely on independently owned wholesale distributors who do not exclusively offer our feed products to their customers.

The loss of, or significant adverse change in, our relationship with any of our key wholesale distributors of our feed products could cause our net sales, income from operations and cash flow to decline. The loss of, or reduction in, orders from any significant customer, losses arising from customer disputes regarding shipments, fees, merchandise condition or related matters, or our inability to collect accounts receivable from any major customer could reduce our income from operations and cash flow.

We may not be able to reach our revenue and net income targets due to unpredictable market conditions.

The primary end-user customers for our feed products are commercial hog farms, individual farmers and slaughterhouses. Although hog prices in the PRC reached multi-year highs last year, hog prices declined during the last six months of 2008 as China substantially increased its imports of pork products. In addition, the price for corn, an important element in feed, has been volatile. A combination of lower hog sale prices and higher feed costs could constrain demand for our feed products.

We are a major purchaser of many commodities that we use for raw materials and packaging, and price changes for the commodities we depend on may adversely affect our profitability.

We enter into contracts for the purchase of raw materials at fixed prices, which are designed to protect us against raw material price increases during their term. However, when necessary, we attempt to recover our commodity cost increases by increasing prices, promoting a higher-margin product mix and creating additional operating efficiencies. Nevertheless, the raw materials used in our feed business are largely commodities that experience price fluctuations caused by external conditions and changes in governmental agricultural programs. We also use paper products, such as corrugated cardboard, aluminum products, films and plastics to package our feed products. Substantial increases in the prices of packaging materials or higher prices of our raw materials could adversely affect our operating performance and financial results. Commodity price changes may result in unexpected increases in raw material and packaging costs, and we may be unable to increase our prices to offset these increased costs without suffering reduced volume, revenue and income. Any substantial fluctuation in the prices of raw materials, if not offset by increases in our sales prices, could adversely affect our profitability.

Outbreaks of livestock disease can adversely affect sales of our products.

Outbreaks of livestock diseases can significantly affect demand for our feed products. An outbreak of disease could result in governmental restrictions on the sale of livestock products to or from customers, or require our customers to destroy their flocks. This could result in the cancellation of orders of feed products by our customers and create adverse publicity that may have a material adverse effect on the agricultural products industry and our ability to market our products successfully.

Our products and processes can expose us to product liability claims.

Product liability claims or product recalls can adversely affect our business reputation and expose us to increased scrutiny by local, provincial, and central governmental regulators. The packaging, marketing and distribution of agricultural feed products entail an inherent risk of product liability and product recall and the resultant adverse publicity. We may be subject to significant liability if the consumption of any of our products causes injury, illness or death of livestock, other animals or humans. We could be required to recall certain of our feed products in the event of contamination or damage to the products. In addition to the risks of product liability or product recall due to deficiencies caused by our production or processing operations, we may encounter the same risks if any third party tampers with our feed products. We cannot assure you that we will not be required to perform product recalls, or that product liability claims will not be asserted against us in the future. Any claims that may be made may create adverse publicity that would have a material adverse effect on our ability to market our feed products successfully or on our business, reputation, prospects, financial condition and results of operations. A successful product liability claim in excess of our insurance coverage could have a material adverse effect on us and could prevent us from obtaining adequate product liability insurance in the future on commercially reasonable terms.

We may not be able to obtain regulatory approvals for our feed products.

The manufacture and sale of agricultural products in the PRC is regulated by the central government and the local provincial governments. Although our licenses and regulatory filings are current, the uncertain legal environment in the PRC and within our industry may make us vulnerable to local government agencies or other parties who wish to renegotiate the terms and conditions of, or terminate their agreements or other understandings with us.

We require various licenses and permits to operate our business, and the loss of or failure to renew any or all of those licenses and permits could require us to suspend some or all of our production or distribution operations.

In accordance with the laws and regulations of the PRC, we are required to maintain various licenses and permits in order to operate our feed business. We are required to comply with applicable hygiene and food safety standards in relation to our feed production processes. Our premises and transportation vehicles are subject to regular inspections by the regulatory authorities for compliance with applicable regulations. Failure to pass these inspections, or the loss of or failure to renew our licenses and permits, could require us to temporarily or permanently suspend some or all of our feed production or distribution operations, which could disrupt our operations and adversely affect our revenues and profitability.

We face significant competition in the sales of our agricultural feed products.

Competition in the agricultural feed industry, especially with companies with greater resources, may make us unable to compete successfully in these industries, which could adversely affect our business.

In general, the competitive factors in the agricultural feed industry in the PRC include:

- price;
- product quality;
- brand identification;
- breadth of product line; and
- customer service.

To the extent that our products and services do not exhibit these qualities, our ability to compete will be hindered.

Concerns with the safety and quality of agricultural feed products could cause customers to avoid our products.

We could be adversely affected if our customers and the ultimate consumers of our feed products lose confidence in the safety and quality of various feed products. Adverse publicity about these types of concerns, such as the recent publicity concerning the use of the substance melamine in milk and infant formula, may discourage our customers from buying our products or cause production and delivery disruptions. Any negative change in customer perceptions about the safety and quality of our feed products could adversely affect our business and financial condition.

If our feed products become adulterated or misbranded, we would need to recall those items and may experience product liability claims if consumers are injured as a result.

Animal feed products occasionally contain contaminants due to inherent defects in those products or improper storage or handling. Under adverse circumstances, animal feed manufacturers may need to recall some of their products if they become adulterated or misbranded, and may also be liable if the consumption of any of their products causes injury. While we have never been required to recall any of our feed products and we maintain insurance that we believe is adequate to cover this type of loss, a widespread product recall could result in changes to one or more of our business processes, product shortages, loss of customer confidence in our food or other adverse effects on our business. If we are required to defend against a product liability claim, whether or not we are found liable under the claim, we could incur substantial costs, our reputation could suffer and our customers might substantially reduce their existing or future orders from us.

We may not be able to adequately protect and maintain our intellectual property, trademark, and brand names.

Our success will depend on our ability to continue to develop and market fodder and blended feed products. We currently have not applied for patents for our products or formulas, as our management believes an application for such patents would result in public knowledge of our proprietary technology and formulas. Since we do not have patent protection for our technology or formulas, we may not be able to protect our rights to this intellectual property if our competitors discover or illegally obtain this technology or formulas. Our inability to protect our rights to this intellectual property may adversely affect our ability to prevent competitors from using our products and developments.

Some of our significant customer and supplier contracts are short-term.

Some of our feed customers and suppliers operate through purchase orders or short-term contracts. Although we have long-term business relationships with many of our feed customers and suppliers and alternative sources of supply for key items, we cannot be sure that any of these customers or suppliers will continue to do business with us on the same basis. Additionally, although we will try to renew these contracts as they expire, there can be no assurance that these customers or suppliers will renew these contracts on terms that are favorable to us, if at all. The termination of or modification to any number of these contracts may adversely affect our business and prospects, including our financial performance and results of operations.

Risks Related to Our Hog Farming Business

Our limited operating history in hog farming makes it difficult to evaluate our future prospects and results of operations.

We have a limited operating history in the hog farming business. While we are a leader in the feed product industry, the current management team does not have the same depth of experience in the hog farming business. Accordingly, you should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving markets such as the market for breeding and selling hogs in the PRC. Some of these risks and uncertainties relate to our ability to:

- attract additional customers and increase spending per customer;
- increase awareness of our brand and continue to develop customer loyalty in the hog farming line of business;
- respond to competitive market conditions;
- respond to changes in our regulatory environment;
- maintain effective control of our costs and expenses;
- raise sufficient capital to sustain and expand our business; and
- attract, retain and motivate qualified personnel.

If we are unsuccessful in addressing any of these risks and uncertainties, our business may be materially and adversely affected.

Health risks to hogs and quality concerns could adversely affect production and our business.

We take precautions to ensure that our hogs are healthy. Nevertheless, we are subject to risks relating to our ability to maintain animal health and control diseases. Disease can reduce the number of offspring produced, hamper the growth of the hogs to finished size and require in some cases the destruction of infected hogs, all of which could adversely affect our ability sell our hogs. Adverse publicity concerning any disease or heath concern could also cause customers to lose confidence in the safety and quality of our hogs. For example, blue ear disease, or PRRS, could result in significant loss in production of hogs. The PRC lost over 10 million pigs to PRRS in 2006 and 2007. Additionally, since our hogs will be fed almost exclusively with our feed products, safety and quality concerns over our feed products will also adversely affect the sales of our hogs.

We may not be able to maintain the necessary hog farming licenses.

Hog breeding is subject to substantial licensing requirements and regulation. In order to sell breeder hogs in the PRC a breeder hog farm must be awarded a breeder's license by the local government authorities. Only those breeder hog farms that have qualified staff, specialized equipment and are in segregated locations to avoid the spread of disease are eligible for licensing. Meat hog farms do not require a license. Currently, we have obtained a license to own and operate Lushan, our only breeder hog farm. We need to maintain the licenses we have and, if we pursue acquisitions of other breeder hog farms, we will need to obtain additional licenses to operate those farms. Our future success in the hog farming industry depends on our ability to acquire such licenses and permits to expand our business.

Our hog farming business could be adversely affected by fluctuations in pork and commodity prices.

The price at which we sell our hogs is directly affected by the supply and demand for pork products and other proteins in the PRC, all of which are determined by the constantly changing market forces of supply and demand as well as other factors over which we have little or no control. A downward fluctuation in the demand for pork may adversely impact our quarterly and annual results of operations for the hog farming business. Although hog prices in the PRC reached multi-year highs last year, hog prices declined during the last six months of 2008 as China substantially increased its imports of pork products. In addition, the price for corn, an important element in feed, has been volatile. Lower hog sale prices, higher feed costs, or both would have a negative effect on our results of operations.

Risks Related to Conducting Our Business in China

We are subject to economic and political risks in China over which we have little or no control, and may be unable to alter our business practice in time to avoid the possibility of reduced revenues.

All of our business is conducted in China. Doing business outside the United States, and particularly in China, subjects us to various risks and uncertainties, including changing economic and political conditions, major work stoppages, exchange rate controls, currency fluctuations, armed conflicts and unexpected changes in United States and foreign laws relating to tariffs, trade restrictions, transportation regulations, foreign investments and taxation. We have no control over most of these risks and may be unable to anticipate changes in international economic and political conditions. Therefore, we may be unable to alter our business practice in time to avoid the possibility of reduced revenues.

China's economic policies could affect our business.

All of our assets are located in China and all of our revenue is derived from our operations in China. Accordingly, our results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in China. While China's economy has experienced significant growth in the past twenty years, such growth has been uneven, both geographically and among various sectors of the economy. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of the PRC, but they may also have a negative effect on us. For example, our operating results and financial condition may be adversely affected by the government control over capital investments or changes in tax regulations. The economy of the PRC has been changing from a planned economy to a more market-oriented economy. In recent years the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform and the reduction of state ownership of productive assets, and the establishment of corporate governance in business enterprises. However, a substantial portion of productive assets in the PRC are still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over the PRC's economic growth through the allocation of resources, the control of payment of foreign currency-denominated obligations, the setting of monetary policy and the provision of preferential treatment to particular industries or companies.

If the Chinese government finds that the structure for operating our Chinese businesses do not comply with Chinese governmental restrictions on foreign investment, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

All of our operations are conducted through our subsidiaries in China. If we, our subsidiaries, or our corporate structure is found to be in violation of any existing or future PRC laws or regulations (for example, if we are deemed to be holding equity interests in an entity in which direct foreign ownership is restricted) the relevant PRC regulatory authorities, including the administration of industry and commerce, the administration of foreign exchange and relevant agencies of the Ministry of Commerce, would have broad discretion in dealing with such violations, including:

- revoking business and operating licenses
- confiscating income and imposing fines and other penalties
- requiring us to restructure our corporate structure or operations
- restricting or prohibiting our use of proceeds from our financings to finance our business and operations in China
- imposing conditions with which we or our subsidiaries may not be able to comply
- forcing us to relinquish our interests in our subsidiaries

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business.

We may have difficulty establishing adequate management, legal and financial controls in China.

China historically has not adopted a Western style of management, financial reporting concepts and practices, modern banking, computer or other control systems. We may have difficulty in hiring and retaining a sufficient number of qualified employees to work in China. As a result of these factors, we may experience difficulty in establishing management, legal and financial controls, and instituting business practices that meet Western standards. We may also experience difficulty in collecting financial data and preparing financial statements, books of account and corporate records.

Our bank accounts are not insured or protected against loss.

We maintain our cash with various banks and trust companies located in China. Our cash accounts are not insured or otherwise protected. Should any bank or trust company holding our cash deposits become insolvent, or if we are otherwise unable to withdraw funds, we would lose the cash on deposit with that particular bank or trust company.

As we have limited business insurance coverage in China, any loss which we suffer may not be insured or may be insured to only a limited extent.

The insurance industry in China is still in an early stage of development and insurance companies located in China offer limited business insurance products. In the event of damage or loss to our properties, our insurance may not provide as much coverage as if we were insured by insurance companies in the United States.

Tax laws and regulations in China are subject to substantial revision, some of which may adversely affect our profitability

The Chinese tax system is in a state of flux, and it is anticipated that China's tax regime will be altered in the coming years. Tax benefits that we presently enjoy may not be available in the wake of these changes, and we could incur tax obligations to our government that are significantly higher than anticipated. These increased tax obligations could negatively impact our financial condition and our revenues, gross margins, profitability and results of operations may be adversely affected as a result.

We may face judicial corruption in China.

Another obstacle to foreign investment in China is corruption. There is no assurance that we will be able to obtain recourse in any legal disputes with suppliers, customers or other parties with whom we conduct business, if desired, through China’s poorly developed and sometimes corrupt judicial systems.

We may face obstacles from the communist system in China.

Foreign companies conducting operations in China face significant political, economic and legal risks. The Communist regime in China, including a cumbersome bureaucracy, may hinder Western investment.

If relations between the United States and China worsen, investors may be unwilling to hold or buy our stock and our stock price may decrease.

At various times during recent years, the United States and China have had significant disagreements over political and economic issues. Controversies may arise in the future between these two countries. Any political or trade controversies between the United States and China, whether or not directly related to our business, could reduce the price of our common stock.

The government of China could change its policies toward private enterprise or even nationalize or expropriate private enterprises, which could result in the total loss of our and your investment.

Our business is subject to significant political and economic uncertainties and may be affected by political, economic and social developments in China. Over the past several years, the government of China has pursued economic reform policies including the encouragement of private economic activity and greater economic decentralization. The government of China may not continue to pursue these policies or may significantly alter them to our detriment from time to time with little, if any, prior notice.

Changes in policies, laws and regulations or in their interpretations or the imposition of confiscatory taxation, restrictions on currency conversion, restrictions or prohibitions on dividend payments to shareholders, or devaluations of currency could cause a decline in the price of our common stock, should a market for our common stock ever develop. Nationalization or expropriation could even result in the total loss of your investment.

The nature and application of many laws of China create an uncertain environment for business operations and they could have a negative effect on us.

The legal system in China is a civil law system. Unlike the common law system, the civil law system is based on written statutes where decided legal cases have little value as precedents. In 1979, China began to promulgate a comprehensive system of laws and has since introduced many laws and regulations to provide general guidance on economic and business practices in China and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. The promulgation of new laws, changes of existing laws and the abrogation of local regulations by national laws could cause a decline in the price of our common stock. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement involve significant uncertainty.

Limitations on the ability of our operating subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business and fund our operations

We are a holding company and conduct substantially all of our business through our operating subsidiaries in China. We will of necessity rely on dividends paid by our subsidiaries for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. In particular, regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with Chinese accounting standards and regulations. Our Chinese subsidiaries are also required to set aside at least 10% of their after-tax profit based on Chinese accounting standards each year to its general reserves until the accumulative amount of such reserves reaches 50% of their registered capital. These reserves are not distributable as cash dividends. In addition, they are required to allocate a portion of its after-tax profit to its staff welfare and bonus fund at the discretion of its board of directors. Moreover, if our subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Any limitation on the ability of our subsidiaries to distribute dividends and other distributions to us could materially and adversely limit our ability to make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

Recent Chinese regulations relating to the establishment of offshore special purpose companies by Chinese residents and registration requirements for employee stock ownership plans or share option plans may subject our China resident shareholders to personal liability and limit our ability to acquire Chinese companies or to inject capital into our operating subsidiaries in China, limit our subsidiaries' ability to distribute profits to us, or otherwise materially and adversely affect us.

The State Administration of Foreign Exchange (SAFE) issued a public notice in October 2005, requiring PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside of China, referred to as an "offshore special purpose company," for the purpose of acquiring any assets of or equity interest in PRC companies and raising funds from overseas. In addition, any PRC resident that is the shareholder of an offshore special purpose company is required to amend his or her SAFE registration with the local SAFE branch, with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, merger, division, equity investment or creation of any security interest over any assets located in China. To further clarify the implementation of Circular 75, the SAFE issued Circular 124 and Circular 106 on November 24, 2005 and May 29, 2007, respectively. Under Circular 106, PRC subsidiaries of an offshore special purpose company are required to coordinate and supervise the filing of SAFE registrations by the offshore holding company's shareholders who are PRC residents in a timely manner. If these shareholders fail to comply, the PRC subsidiaries are required to report to the local SAFE authorities. If the PRC subsidiaries of the offshore parent company do not report to the local SAFE authorities, they may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company and the offshore parent company may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the above SAFE registration requirements could result in liabilities under PRC laws for evasion of foreign exchange restrictions. Some of our PRC resident beneficial owners have not registered with the local SAFE branch as required under SAFE regulations. The failure or inability of these PRC resident beneficial owners to comply with the applicable SAFE registration requirements may subject these beneficial owners or us to fines, legal sanctions and restrictions described above.

On March 28, 2007, SAFE released detailed registration procedures for employee stock ownership plans or share option plans to be established by overseas listed companies and for individual plan participants. Any failure to comply with the relevant registration procedures may affect the effectiveness of our employee stock ownership plans or share option plans and subject the plan participants, the companies offering the plans or the relevant intermediaries, as the case may be, to penalties under PRC foreign exchange regime. These penalties may subject us to fines and legal sanctions, prevent us from being able to make distributions or pay dividends, as a result of which our business operations and our ability to distribute profits to you could be materially and adversely affected.

In addition, the National Development and Reform Commission ("NDRC") promulgated a rule in October 2004, or the NDRC Rule, which requires NDRC approvals for overseas investment projects made by PRC entities. The NDRC Rule also provides that approval procedures for overseas investment projects of PRC individuals must be implemented with reference to this rule. However, there exist extensive uncertainties in terms of interpretation of the NDRC Rule with respect to its application to a PRC individual’s overseas investment, and in practice, we are not aware of any precedents that a PRC individual’s overseas investment has been approved by the NDRC or challenged by the NDRC based on the absence of NDRC approval. Our current beneficial owners who are PRC individuals did not apply for NDRC approval for investment in us. We cannot predict how and to what extent this will affect our business operations or future strategy. For example, the failure of our shareholders who are PRC individuals to comply with the NDRC Rule may subject these persons or our PRC subsidiary to certain liabilities under PRC laws, which could adversely affect our business.

Restrictions on currency exchange may limit our ability to utilize our revenues effectively.

The Chinese government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive all of our revenues in RMB. Under our current structure, our income is primarily derived from dividend payments from our subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB are to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The Chinese government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Since our revenues are denominated in RMBs, any existing and future restrictions on currency exchange may limit our ability to utilize revenues to fund business activities outside of China that require foreign currencies.

Recent changes in China’s currency policies may cause a target business’s ability to succeed in the international markets to be diminished.

Historically, China “pegged” its currency to the U.S. dollar. This meant that each unit of PRC currency had a set ratio for which it could be exchanged for United States currency, as opposed to having a floating value like other countries’ currencies. Many countries argued that this system of keeping China currency low when compared to other countries gave PRC companies an unfair price advantage over foreign companies. Due to mounting pressure from outside countries, China recently reformed its economic policies to establish a floating value. As a result of this policy reform, we may be adversely affected since the competitive advantages that existed as a result of the former policies will cease. We cannot assure you that we will be able to compete effectively with the new policies in place.

If any dividend is declared in the future and paid in a foreign currency, you may be taxed on a larger amount in U.S. dollars than the U.S. dollar amount that you will actually ultimately receive.

If you are a United States holder, you will be taxed on the U.S. dollar value of your dividends, if any, at the time you receive them, even if you actually receive a smaller amount of U.S. dollars when the payment is in fact converted into U.S. dollars. Specifically, if a dividend is declared and paid in a foreign currency, the amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the payments made in the foreign currency, determined at the spot rate of the foreign currency to the U.S. dollar on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. dollars. Thus, if the value of the foreign currency decreases before you actually convert the currency into U.S. dollars, you will be taxed on a larger amount in U.S. dollars than the U.S. dollar amount that you will actually ultimately receive.

The admission of China into the World Trade Organization could lead to increased foreign competition for us.

Domestic competition in the animal feed industry is largely fragmented and foreign competition is minimal. However, as a result of China becoming a member of the World Trade Organization ("WTO"), import restrictions on agricultural products are expected to be reduced. The lowering of import restrictions and the WTO's requirement for a reduction of import tariffs as a condition of membership may result in an increase of foreign products, and could in turn lead to increased competition in the domestic agricultural market.

Risks Related to our Securities

It will be extremely difficult to acquire jurisdiction and enforce liabilities against our officers, directors and assets based in China.

As our executive officers and several of our directors, including the chairman of our Board of Directors, are Chinese citizens, it may be difficult, if not impossible, to acquire jurisdiction over these persons in the event a lawsuit is initiated against us and/or our officers and directors by a shareholder or group of shareholders in the United States. Also, because our operating subsidiaries and assets are located in China, it may be extremely difficult or impossible for investors to access those assets to enforce judgments rendered against us or our directors or executive officers by United States courts. In addition, the courts in China may not permit the enforcement of judgments arising out of United States federal and state corporate, securities or similar laws. Accordingly, United States investors may not be able to enforce judgments against us for violation of United States securities laws.

Our common stock price is subject to significant volatility, which could result in substantial losses for investors.

During the eight month period ended August 28, 2007, the high and low bid prices of our common stock on the Over-The-Counter Bulletin Board ("OTCBB") were $8.25 per share and $1.85 per share, respectively. Since our commencement of trading on the Nasdaq Stock Market on August 29, 2007 through March 10, 2009, the high and low sales prices of our common stock were $21.3099 and $0.90. Prices for our shares are determined in the marketplace and may accordingly be influenced by many factors, including, but not limited to:

- the depth and liquidity of the market for the shares;
- quarter-to-quarter variations in our operating results;
- announcements about our performance as well as the announcements of our competitors about the performance of their businesses;

- investors' evaluations of our future prospects and the food industry generally;
- changes in earnings estimates by, or failure to meet the expectations of, securities analysts;
- our dividend policy; and
- general economic and market conditions.

In addition, the stock market often experiences significant price fluctuations that are unrelated to the operating performance of the specific companies whose stock is traded. These market fluctuations could adversely affect the trading price of our shares.

The price at which investors purchase shares of our common stock may not be indicative of the price that will prevail in the trading market. Investors may be unable to sell their shares of common stock at or above their purchase price, which may result in substantial losses.

Future sales of shares of our common stock by our shareholders could cause our stock price to decline.

We cannot predict the effect, if any, that market sales of shares of our common stock or the availability of shares of common stock for sale will have on the market price prevailing from time to time. As of March 10, 2009, we had outstanding 38,300,436 shares of common stock. An aggregate of 3,880,004 shares of our common stock are issuable upon conversion of our outstanding convertible notes or upon exercise of our outstanding warrants and an aggregate of 180,000 shares of our common stock are issuable upon exercise of our outstanding options. Sales of shares of our common stock in the public market covered under an effective registration statement, or pursuant to Rule 144, or the perception that those sales may occur, could cause the trading price of our common stock to decrease or to be lower than it might be in the absence of those sales or perceptions.

We may issue additional shares of our capital stock or debt securities to raise capital or complete acquisitions, which would reduce the percentage equity interest of our shareholders.

Our certificate of incorporation authorizes the issuance of up to 75,000,000 shares of common stock, par value $0.001 per share. As of March 10, 2009, there were approximately 32,639,560 authorized and unissued shares of our common stock which have not been reserved and accordingly, are available for future issuance. Although we have not entered into any agreements as of this date to issue our unreserved shares of common stock, we may issue a substantial number of additional shares of our common stock to complete a business combination or to raise capital in the private or public markets. The issuance of additional shares of our common stock:

- may significantly reduce the equity interest of investors in this offering; and
- may adversely affect prevailing market prices for our common stock.

The elimination of monetary liability against our directors, officers and employees under Nevada law and the existence of indemnification rights to our directors, officers and employees may cause us to incur substantial expenditures and may discourage lawsuits against our directors, officers and employees.

Our articles of incorporation contain specific provisions that eliminate the liability of our directors for monetary damages to our company and shareholders, to the extent provided by Nevada law. We may also have or may create contractual indemnification obligations under our employment agreements with our officers. The foregoing indemnification obligations could result in our company incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and resultant costs may also discourage our company from bringing a lawsuit against directors and officers for breaches of their fiduciary duties, and may similarly discourage the filing of derivative litigation by our shareholders against our directors and officers even though such actions, if successful, might otherwise benefit our company and shareholders.

Our management owns a significant amount of our common stock, giving them influence or control in corporate transactions and other matters, and their interests could differ from those of other shareholders.

Our principal executive officers and directors beneficially own approximately 37.61% of our outstanding common stock. As a result, they are in a position to significantly influence the outcome of matters requiring a shareholder vote, including the election of directors, the adoption of any amendment to our articles of incorporation or bylaws, and the approval of significant corporate transactions. Their control may delay or prevent a change of control on, terms favorable to our other shareholders and may adversely affect your voting and other shareholders rights.

Our articles of incorporation, our bylaws and provisions of Nevada law could make it more difficult for a third party to acquire us, even if doing so could be in our shareholders' best interest.

Provisions of our articles of incorporation and bylaws could make it more difficult for a third party to acquire us, even if doing so might be in the best interest of our shareholders. It could be difficult for a potential bidder to acquire us because our articles of incorporation and bylaws contain provisions that may discourage takeover attempts. These provisions may limit shareholders' ability to approve a transaction that shareholders may think is in their best interests. These provisions include a requirement that certain procedures must be followed before matters can be proposed for consideration at meetings of our shareholders.

Provisions of Nevada's business combinations statute also restrict certain business combinations with interested shareholders. We have elected not to be governed by these provisions in our amended and restated articles of incorporation. However, this election may not be effective unless we meet certain conditions under the Nevada statute.

Capital outflow policies in China may hamper our ability to declare and pay dividends to our shareholders.

The PRC has adopted currency and capital transfer regulations. These regulations may require us to comply with complex regulations for the movement of capital. Although our management believes that we will be in compliance with these regulations, should these regulations or the interpretation of them by courts or regulatory agencies change, we may not be able to pay dividends to our shareholders outside of China. In addition, under current Chinese law, we must retain a reserve equal to 10 percent of net income after taxes, not to exceed 50 percent of registered capital. Accordingly, this reserve will not be available to be distributed as dividends to our shareholders. We presently do not intend to pay dividends in the foreseeable future. Our management intends to follow a policy of retaining all of our earnings to finance the development and execution of our strategy and the expansion of our business.

We have agreed with the staff of Nasdaq to seek shareholder ratification of the issuance of our securities in our December 2008 financing.

By letter dated February 27, 2009 to the staff of The NASDAQ Stock Market, we agreed to seek shareholder ratification at its upcoming annual meeting of shareholders for the issuance of common stock and warrants in the Company's registered direct offering on December 31, 2008. In the letter and subsequent conversations with the staff of NASDAQ, we also agreed to not effect exercises of the warrants prior to obtaining shareholder ratification of the issuance. We plan to seek shareholder ratification at our upcoming annual meeting of shareholders, which we plan to hold on June 11, 2009, well before the date the warrants become exercisable.

On December 31, 2008, we issued 5,000,006 shares of our common stock and warrants to purchase 3,500,000 shares of our common stock for aggregate gross proceeds of approximately $8,750,000. The sales were made under our shelf registration statement to four institutional investors. Nasdaq Marketplace Rule 4350(i)(1)(D)(ii) requires shareholder approval for the issuance of common stock or securities exercisable for common stock equal to 20% or more of the common stock outstanding before the issuance for less than the greater of book or market value of the stock. The shares of common stock were sold at a discount to market price, but only represented approximately 15.2% of our outstanding common stock prior to the sale, well below the 20% limit of Marketplace Rule 4350(i)(1)(D)(ii). However, the shares of our common stock issuable upon exercise of the warrants represented approximately 10.6% of our common stock prior to the sale. While the $2.50 exercise price of the warrants was greater than the market price of our common stock at the time of the sale, it was less the book value of our shares as of September 30, 2008.

Members of the Company's management having the right to vote 11,460,024 shares of the Company's common stock (representing approximately 35% of the outstanding common stock prior to the completion of the offering) have agreed to vote in favor of the ratification. The ratification will be approved if a majority of the votes cast on the ratification proposal at the annual meeting vote to approve it, not counting any votes represented by the shares of common stock issued in the offering.

If our stockholders do not ratify the issuance, the securities will remain duly issued and outstanding and the warrants will remain obligations of the Company

However, in the event that our stockholders do not ratify the issuance of these securities, Nasdaq may take formal action with respect to our issuance of the common stock and warrants, which could include a public reprimand of the Company and/or delisting our shares from the Nasdaq Global Market.

Risk Associated with the Global Economy

Deterioration of economic conditions could negatively impact our business.

Our business may be adversely affected by changes in global economic conditions, including inflation, interest rates, availability of capital markets, consumer spending rates, energy availability and costs (including fuel surcharges) and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for our products or the cost and availability of our needed raw materials, thereby negatively affecting our financial results.

The recent disruptions in credit and other financial markets and deterioration of global economic conditions, could, among other things:

- make it more difficult or costly for us to obtain financing for our operations or investments or to finance debt in the future;

- impair the financial condition of some of our customers, suppliers or counterparties to our derivative instruments, thereby increasing bad debts or non-performance by suppliers; and

- negatively impact demand for pre-mix feed or hog products, which could result in a reduction of sales, operating income and cash flows.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

We lease our headquarters office, located at at Rm. A1001-1002, Tower 16, Hengmao Int'l Center, 333 S. Guangchang Rd., Nanchang, Jiangxi Province, PRC 330003. The annual rent on this space is approximately $28,000 and the lease runs for two years through April 28, 2010.

Nanchang Best is located in Chang Bei District Industrial Park, in Nanchang, Jiangxi Province. It owns three buildings consisting of an office building, a factory and a dormitory. Nanchang Best has been granted the right to use the land in Nanchang by the Municipal Administration of state-owned land through December 2049. Nanchang Best also leases a feed manufacturing facility at No. 4 Chuangye Street, East New Area, in the city of Taian, Shandong Province. The facility consists of four buildings, one each for manufacturing, offices, warehouse and dormitory facilities. Nanchang Best has been granted the right to use the land in Shandong by the Shandong Provisional Government through July 2052.

Shanghai Best is located in Nanxiang, Jia Ding District, Shanghai. It rents to workshop buildings and office space in which it conducts all manufacturing and business operations. The annual rent on the Shanghai property is approximately $33,000 and the lease runs through September 2009.

Guangxi Huijie is located in Coastal Industrial Park, Liangqin District, Nanning City, Guangxi Province. Guangxi Huijie owns three buildings, an office building, a production plant and a worker dormitory. The right to use the land was granted by the Housing Bureau and Land Administrative Bureau of Langqin District, Nanning City through October 2056.

Shandong Feed is located at No. 4 Chuangye Street, East New Area, in the city of Taian, Shandong Province. This facility consists of four buildings, one each for manufacturing, offices, warehouse and dormitory facilities. Shandong Feed has been granted the right to use this land by the Shandong Provisional Government through July 2052.

HopeJia is located on South Wuting Road, Laocheng Development Zone, Chengmai County, Hainan Province. HopeJia owns three buildings, an office building, production plant and a worker dormitory. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Hainan Province through January 2056.

Lushan’s primary facility is a breeder hog farm located in the town of Hualin in Xingzi County, Jiangxi Province. The facility, which is situated on 258,000 square meters of developed land, is leased from the Chinese government for a period of 29 years and is scheduled to expire on April 13, 2034. Lushan’s breeder hog farm contains two separated areas, one for sows and the other for boars and gilts, with a total of 15,800 square meters of buildings. Lushan pays a nominal annual rent under the terms of the lease.

Wannian is located in Nanyan village in the town of Peimei in Wannian county, Jiangxi Province. Wannian subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from January 3, 2008.

Huyun is located in the town of Huyun in Wannian county, Jiangxi Province. Huyun subleases the property from the other shareholders of Huyun and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from January 3, 2008.

Ganzhou is located in Yuliang village in the town of Hengshui in Chingyi County, Ganzhou City, Jiangxi Province. Ganzhou subleases the property from the other shareholders of Ganzhou and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from January 4, 2008.

Gang Feng is located in the town of Fenglin in Dean county, Jiangxi Province. Gang Feng subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 6 and 1/2 years from January 7, 2008.

Yichun is located in Nanmiao Township, Yichun City, Jiangxi Province. Yichun subleases the property from the other shareholders of Yichun and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from January 9, 2008.

Zhejiang Yongxin is located in Pinghu City, Zhejiang Province. Zhejiang Yongxin subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 12 years from April 18, 2008.

Shanghai Fengxian is located in Yuantong Village, Qianqiao Town, Fengxian District, Shanghai City. Shanghai Fengxian subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 14 years from May 1, 2008.

Shanghai Tuanxi is located in Tuanxi Village, Datuan Town, Nanjiang District, Shanghai. Shanghai Tuanxi subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from May 1, 2008.

Shanghai Senrong is located in Wanglong Village, Xinnong Town, Jinshan District, Shanghai. Shanghai Senrong subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from May 1, 2008.

Fujian Muxin is located in Tongan District, Xiamen City, Fujian Province. Fujian Muxin subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from April 30, 2008.

Xiamen Yuanshengtai is located in Xiamen, Fujian Province. Fujian Yuanshengtai subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from April 30, 2008.

Jiangxi Zhiliang is located in Gancaoqian Village, Dayangzhou, Xingan County, Jiangxi Province. Jiangxi Zhiliang subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 22 years from April 30, 2008.

Shanghai WeiSheng is located in the Jinshan District, Shanghai City. Shanghai Weisheng subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 30 years from June 1, 2008.

Nanping Minkang is located in the Fujian Province. Nanping Minkang subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from September 17, 2008.

Guangdong Xinfa is located in Lianjiang City, Guangdong Province. Guangdong Xinfa subleases the property from the other shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from May 30, 2008.

Guangxi Wanghua is located in Nanning City, Guangxi Province. Guangxi Wanghua subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from May 30, 2008.

Guangxi Linxing is located in Guangxi Province. Guangxi Linxing subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from September 20, 2008.

Nanning Shunhua is located in Guangxi Province. Nanning Shunhua subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from October 28, 2008.

Nanning Shunan is located in Guangxi Province. Nanning Shunan subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 10 years from October 29, 2008.

Guangxi Gangda is located in Guigang City, Guangxi Province. Guangxi Huijie acquired all of the rights to the land, pig houses, office buildings, heating system, power and water supply system in our acquisition of Guangxi Gangda. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Guangxi Province through May 30, 2025.

Guangxi Gangxuan is located in Guangxi Province. Guangxi Gangxuan subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 11 years from September 20, 2008.

Guangxi Guihong is located in Kuiyang Town, Xingye County, Yulin City, Guangxi Province. Guangxi Huijie acquired all of the rights to the land, pig houses, office buildings, heating system, power and water supply system in our acquisition of Guangxi Guihong. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Guangxi Province through March 31, 2025.

Hainan Meilan is located in Xianlai Village, Dazhipo Town, Haikou City, Hainan Province. Guangxi Huijie acquired all of the rights to the land, pig houses, office buildings, heating system, power and water supply system in our acquisition of Hainan Meilan. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Guangxi Province through April 12, 2033.

Hainan Haikou Wohao Hog Farm (“Hainan Wohao”), a wholly owned subsidiary of Guangxi Huijie, is located in Fuan Village, Shishan Town, Xiuying District, Haikou City, Hainan Province. Guangxi Huijie acquired all of the rights to the land, pig houses, office buildings, heating system, power and water supply system in our acquisition of Hainan Wohao. The right to use the land was granted by Housing Bureau and Land Administration Bureau of Guangxi Province through April 18, 2038.

Guangxi Fuzhi is located in Sujia Village, Zhalin Town, Yanshan District, Guilin City, Guangxi Province. Guanxi Fuzhi subleases the property from the other shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 20 years from May 30, 2008.

Fujian Jianhua is located in Xudun Town, Jian'ou City, Fujian Province. Fujian Jianhua subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from April 22, 2008.

Fujian Fengxiang is located in Mawei District, Fuzhou City, Fujian Province. Fujian Fengxiang subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from April 30, 2008.

Nanping Kangda is located in Yanping District, Nanping City, Fujian Province. Nanping Kangda subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from May 27, 2008.

Fujian Jianxi is located in Zhishan District, Jianou City, Fujian Province. Fujian Jianxi subleases the property from the former shareholders and includes the land, pig houses, office buildings, heating system, power and water supply system. The lease runs for 15 years from May 25, 2008.

Item 3. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse affect on our business, financial condition or operating results.

Item 4. Submission of Matters to a Vote of Security Holders.

No matters were submitted to a vote of our security holders during the fourth quarter of our fiscal year ended December 31, 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities.

Market Information

Through August 28, 2007 our common stock was quoted on the Over-the-Counter Bulletin Board under the symbol "AGFI.OB." Our common stock is currently traded on the Nasdaq Global Market under the symbol FEED. The following table sets forth, for the periods indicated, the quarterly high and low selling prices for our common stock as reported by Nasdaq.

	For the Year Ended December 31,			
	2008		2007	
	High	Low	High	Low
First Quarter	$ 13.75	$ 8.40	$ 5.00	$ 1.85

Second Quarter	21.3099	11.61	6.00	4.55
Third Quarter	14.95	7.55	9.00	5.55
Fourth Quarter	8.09	1.10	16.36	7.16

The closing price for our common stock on March 10, 2009 was $1.05.

Holders

The number of record holders of our common stock as of March 10, 2009 was 58.

Dividend Policy

We have not paid any cash dividends on our common stock to date, and we have no intention of paying cash dividends in the foreseeable future. Whether we will declare and pay dividends in the future will be determined by our board of directors at their discretion, subject to certain limitations imposed under Nevada corporate law. In addition, our ability to pay dividends may be affected by the foreign exchange controls in the PRC. The timing, amount and form of dividends, if any, will depend on, among other things, our results of operations, financial condition, cash requirements and other factors deemed relevant by our board of directors.

Securities Authorized for Issuance Under Equity Compensation Plans

We adopted the AgFeed Industries, Inc. 2008 Long-Term Incentive Plan at our 2008 Annual Meeting of Shareholders. Prior to that time, we did not have a formal equity compensation plan in effect for employees or directors.

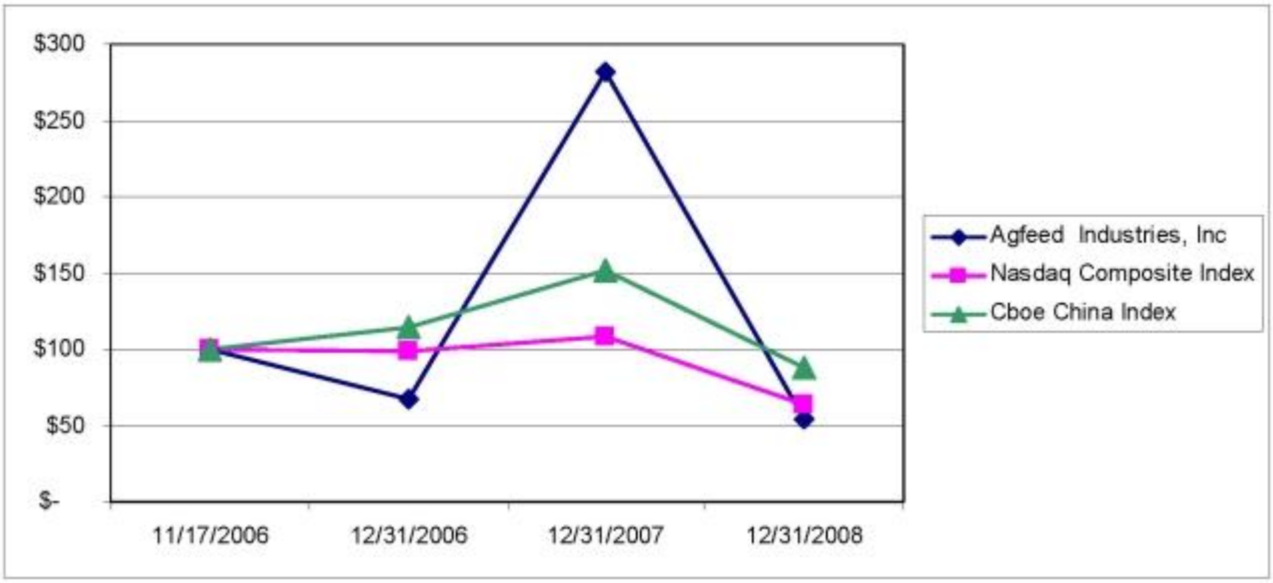
The following table provides information as of December 31, 2008 about our common stock that may be issued upon the exercise of options and rights granted to employees or members of our Board of Directors:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options	(b) Weighted-Average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	160,000	$ 9.32	840,000
Equity compensation plans not approved by security holders	20,000	$ 8.85	-0-
Total	180,000	$ 9.27	840,000

(1)Includes options to purchase 20,000 shares of our common stock, at an exercise price of $8.85 per share, granted to our independent directors in 2007 outside any plan.

Stock Price Performance Graph

The stock price performance graph below represents a comparison of the five year total return of our common stock, the Nasdaq Composite Index and the CBOE China Index. The graph assumes $100 was invested on November 17, 2006 and dividends are reinvested for all years ending December 31.



	11/17/2006	12/31/2006	12/31/2007	12/31/2008
Agfeed Industries, Inc	$ 100	$ 67	$ 282	$ 54
Nasdaq Composite Index	$ 100	$ 99	$ 108	$ 63
CBOE China Index	$ 100	$ 114	$ 152	$ 88

Purchases of Equity Securities

This table provides certain information with respect to our purchases of shares of our common stock during the fourth quarter of 2008:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan
October 6, 2008 through October 31, 2008	367,295	$ 4.93	367,295	$ 8,188,254(1)
Total	367,295	$ 4.93	367,295	$ 8,188,254(1)

(1)On October 6, 2008, AgFeed announced that the Board of Directors authorized a $10 million share buyback program. From October 6, 2008 through October 31, 2008, we repurchased 367,295 shares for gross proceeds of $1,811,746. We suspended the stock buyback program in December 2008.

Item 6. Selected Financial Data.

	For the Year Ended December 31,		
	2008	2007	2006

Net Revenue	$143,661,485	$36,163,339	$ 8,594,876
Cost of Revenue	109,224,565	25,763,479	5,446,332
Gross profit	34,436,920	10,399,860	3,148,544
Operating expenses	9,695,989	4,079,089	2,114,650
Income from operations	24,740,931	6,320,771	1,033,894
Non-operating income (expense)	(6,783,375)	148,921	41,000
efore minority interest and provision for income taxes	17,957,556	6,469,692	1,074,894
Minority Interest in Subsidiaries	(421,519)	-	-
Income before provision for income taxes	17,536,037	6,469,692	1,074,894
Provision (benefit) for income taxes	587,222	(193,203)	(100,386)
Net income	$ 16,948,815	$ 6,662,895	$ 1,175,280
Weighted average shares outstanding :			
Basic	31,557,742	26,093,376	17,911,296
Diluted	31,713,977	26,174,973	17,911,296
Earnings per share:			
Basic	$ 0.54	$ 0.26	$ 0.07
Diluted	$ 0.53	$ 0.25	$ 0.07

We believe that "adjusted net income" and "adjusted earnings per share" information, when taken in conjunction with reported results, provide a useful measure of financial performance since they eliminate the impact of certain non-recurring, non-cash charges. These non-GAAP measures should not be considered in isolation or as a substitute for the most comparable GAAP measures. Additionally, the non-GAAP financial measures used by AgFeed may not be comparable to non-GAAP financial measures used by other companies.

Adjusted Net Income and Earnings Per Share	**For the Year Ended December 31, 2008**	**2007**	**2006**
Net Income	$16,948,815	$ 6,662,895	$ 1,175,280
Adjustments			
terest and financing costs related to conversion of convertible debentures	$ 5,704,358	-	-
Foreign currency loss	$ 559,299	-	-
Adjusted Net Income	$23,212,472	$ 6,662,895	$ 1,175,280
Basic Weighted Shares Outstanding	31,557,742	26,093,376	17,911,296
Adjusted Earnings per Share	$ 0.74	$ 0.26	$ 0.07

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information contained in this section has been derived from the consolidated financial statements of AgFeed. Information contained herein should be read together with AgFeed's financial statements and related notes included elsewhere in this annual report.

Dollar amounts set forth in this Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" are in thousands (000s) unless otherwise indicated.

Overview

We are a leading producer of premix animal feed and commercial hog production in the PRC. Our premix feed business consists of the research and development, manufacture, marketing and sale of premix feed for use in the domestic animal husbandry markets, primarily the hog raising markets in the PRC. Premix is an animal feed additive that is broadly used in commercial animal production worldwide. The use of premix feed reduces the time it takes to grow an animal to reach market weight. We have been in the premix feed business since 1995 and currently operate five premix feed manufacturing facilities. Nanchang Best, Shanghai Best, Guangxi Huijie, Shandong Feed and HopeJia operate facilities Jiangxi, Shanghai, Guangxi, Shandong, and Hainan provinces, respectively.

In November 2007, we acquired Lushan and entered the hog breeding and production business. In addition to our premix feed business, we are also engaged in the business of raising, breeding and selling hogs in China. As of December 31, 2008, the Company owned 30 operating hog farms located in Jiangxi, Shanghai, Hainan, Guangxi and Fujian provinces, which are in or near the largest pork consumption areas in the PRC. The 30 hog farms are well-structured and well-managed through five hog production management branches featuring centralized resources including sales, human resources, purchasing and finance departments in Jiangxi, Shanghai, Guangxi, Fujian and Hainan provinces.

We have developed a system of centralized raw material purchases, accounting and internal control management, corporate marketing strategies and brand building. AgFeed has created, and centrally manages, an animal disease control response team. This team consists of experienced hog industry professionals that are used by each of our subsidiaries across both of our lines of business. Our increased size and economies of scale throughout 2008 have benefited us greatly in both raw materials cost savings and administrative efforts.

AgFeed had revenues of $143.66 million for the year ended December 31, 2008 compared to revenues of $36.16 million for the year ended December 31, 2007. The increase (297%) we experienced in this period was the result of our organic growth in our feed business and the hog farm acquisitions we made during the year.

Feed Business

In our feed business, we operate each subsidiary independently with regard to manufacturing and local marketing and sales efforts. We share sales referrals and leads among the subsidiaries, but our subsidiaries do not compete against each other for new sales. Most of our research and development occurs at Nanchang Best and Guangxi Huijie. The results of our R&D efforts are for the benefit of, and shared with, each of our feed operating companies.

As of December 31, 2008, we had established relationships with over 1,000 independently owned feed distribution chain stores that sell our products exclusively, targeting backyard and small hog farms. These complement our direct sales to more than 660 large size commercial hog farms. We rely on the distributors to market and sell our products to the smaller hog farms. Approximately 75% of China's total annual hog production is supplied by backyard and small farms that raise less than 100 hogs per year per family. Through our network of distributors and direct sales, we are able to market our premix feed to the producers of more than 90% of the annual hog production in China.

AgFeed is one of a handful of companies that have received "Green Certification" from the Minister of Agriculture of PRC for its premix products under the brand label "BEST." This means that these products are safe, environmentally-friendly, and can effectively promote the healthy growth of pigs. According to current government regulations, pork cannot be accredited by the government as "green" unless it is produced using government certified green feed. Having our feed certified as green requires us to adhere to strict operational controls and procedures. This green certification laid the ground for our Hog Farms to produce hogs providing green pork. It is also an incentive for other commercial hog farms to enter into sales contracts with our feed operations.

AgFeed invests capital in research and development to maintain and improve on a superior quality product while experimenting with environmentally sensitive premix formulas. We will continue to invest up to 1% of our revenues to increasing our long term profitability and competitiveness.

In the last year AgFeed managed to negotiate a number of agreements with dealers and suppliers to ensure that we receive supplies of key raw materials at a discount to market. This is an important aspect of our ongoing strategy to mitigate corn and soybean meal price disruptions. Additionally, to maintain reasonable profit, we increased our selling price in the spring of 2008 in the midst of the rising and uncertain raw material market.

The increase in our revenues during the year ended December 31, 2008 was due to increases in the volume of products sold as a direct result of new products launched and our expansion into new markets. Due to a stronger AgFeed brand name, we were able to raise our premix feed prices several times in our second quarter and successfully mitigate the effects of increased costs of raw materials during the year .

We also experienced increases in our cost of goods sold during the year ended December 31, 2008. The costs of corn and soybean meal, which are two of our main raw materials, increased approximately 5 to 12% and 15 to 50%, respectively. The cost of corn stabilized during the last half of 2008.

Hog Production Business

In our hog production business, we have grown our business through strategic acquisitions of current producing commercial hog farms. Since November 2007, we have acquired at least a majority interest in one breeder hog farm and an additional 29 operating hog farms. These farms are located in Jiangxi, Fujian, Shanghai and Guangxi provinces. All of our hog farms are immediately accretive to earnings. We sell live hogs in two of China’s wealthiest regions – Shanghai and Guangdong, both of which have China’s highest hog prices as well as deep pork consuming cultures.

We have effectively marketed our products through a team-based approach, sharing sales leads and referrals. Due to centralized procurement processes, we have been able to offset production costs related to corn, soybean meal, veterinary drugs and animal health products.

For 2009, AgFeed plans to achieve a production capacity of up to 650,000 hogs. This capacity is based on a projected average sow population of 31,500 head at an average production per sow of 17.6 hogs (554,400 hogs), coupled with the potential purchase and finishing of baby pigs as market conditions warrant. We believe this could add an additional 100,000 to 150,000 hogs to our sale total.

AgFeed is studying the entrance into a genetics program that can potentially significantly improve hog productivity and profitability through a higher number of piglets born per sow and lower feed costs due to improved feed to meat conversion ratios as better hog types grow faster while consume less feed.

AgFeed's future investment plans include modernization of our pork production facilities, investment in reporting and cash management systems and the training of our employees, environmental and health safety programs including an emphasis on upgrading bio security. These actions are part of our effort to improve on the standards of the new proposed China Safety Law to be implemented on June 1,2009 and to assure consistent high quality and safe pork.

According to the China Feed Industry Association, the PRC has the world's largest and most profitable markets for hog production with approximately 600 million hogs produced annually, compared to approximately 100 million in the US. More than 1.2 billion Chinese consume pork as their primary source of meat. 65% of all meat consumed in the PRC is pork. Chinese consumers consume more pork each year than the rest of the world combined. Pork production in China is a key political, social and security issue for consumers. The PRC Government supports hog producers with favorable tax status and subsidies, insurance, vaccines, caps on feed costs and land use grants. Hog production is exempt from all taxes and sow owners receive government grants and subsidies.

Examples of the importance that the PRC puts on hog production are exemplified by the adoption of new policies and enactment of new laws benefiting hog producers. In January 2008, the Chinese central government instituted a set of measures that could prevent large declines in hog prices with the view of stabilizing hog production and hog prices in order to protect the interest of hog farms. In July 2008, the NDRC announced that they were channeling $5.6 billion RMB for livestock farm construction and another $2.8 billion RMB to support live pig production. The Food Safety Law, which goes into effect on June 1, 2009, provides a legal basis for the government to strengthen food safety control “from the production line to the dining table.”

Critical Accounting Policies

In presenting our financial statements in conformity with accounting principles generally accepted in the United States, we are required to make certain estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it will likely result in a material adverse impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. Presented below are those accounting policies that we believe require subjective and complex judgments that could potentially affect reported results.

Use of Estimates. Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to impairment of long-lived assets and allowance for doubtful accounts. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

Areas that require estimates and assumptions include valuation of accounts receivable and inventory, determination of useful lives of property and equipment, estimation of certain liabilities and sales returns.

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers’ inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer’s ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment. Actual future losses from uncollectible accounts may differ from our estimates.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. We evaluate our ending inventories for estimated excess quantities and obsolescence. Our evaluation includes the analysis of future sales demand by product, within specific time horizons. Inventories in excess of projected future demand are written down to net realizable value. In addition, we assess the impact of changing technology on inventory balances and writes-down inventories that are considered obsolete. Inventory obsolescence and excess quantities have historically been minimal.

Long-Lived Assets. We periodically assess potential impairments to our long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires, among other things, that an entity perform an impairment review whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. Factors we considered include, but are not limited to: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for our overall business; and significant negative industry or economic trends. When we determine that the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows and eventual disposition is less than the carrying amount of the asset, we recognize an impairment loss. An impairment loss is reflected as the amount by which the carrying amount of the asset exceeds the fair market value of the asset, based on the fair market value if available, or discounted cash flows. To date, there has been no impairment of long-lived assets.

Property and Equipment. Useful lives of property and equipment is based on historical experience and industry norms. Changes in useful lives due to changes in technology or other factors can affect future depreciation estimates.

Revenue Recognition. Our revenue recognition policies are in compliance with Staff Accounting Bulletin (SAB) 104. Revenue is recognized when services are rendered to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of AgFeed exist and collectibility is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue. We are not subject to VAT withholdings. We give volume rebates to certain customers based on volume achieved. AgFeed accrues sales rebates based on actual sales volume. Sales returns and rebates included in our revenues were $1,192,157, $385,375 and $324,218 for the years ended December 31, 2008, 2007 and 2006, respectively.

We make estimates and judgments when determining whether the collectability of revenue from customers is reasonably assured. Management estimates regarding collectability impact the actual revenues recognized each period and the timing of the recognition of revenues. Our assumptions and judgments regarding future collectability could differ from actual events, thus materially impacting our financial position and results of operations.

Sales returns and allowances have historically been insignificant. Accordingly, estimating returns is not critical. However, if circumstances change, returns and allowance may impact the company's earnings.

There are no differences in our arrangements with our different types of customers. Accordingly, we do not have different revenue recognition policies for different types of customers. We offer credit terms ranging from 30 to 90 days for most customers. From some large customers, we may extend these terms beyond 90 days.

Recent Accounting Pronouncements

In June 2007, FASB issued FASB Staff Position No. EITF 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities", which addresses whether nonrefundable advance payments for goods or services used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been performed. Management is currently evaluating the effect of this pronouncement on our financial statements.

In December 2007, FASB issued SFAS No. 141 (Revised 2007), "Business Combinations." SFAS 141R changes how a reporting enterprise accounts for the acquisition of a business. SFAS 141R requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions, and applies to a wider range of transactions or events. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008. Early adoption and retrospective application is prohibited.

In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements," which is an amendment of ARB No. 51. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 changes the way the consolidated income statement is presented, thus requiring consolidated net income to be reported at amounts that include the amounts attributable to both parent and the noncontrolling interest. SFAS 160 is effective for the fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Based on current conditions, we do not expect the adoption of SFAS 160 to have a significant impact on our results of operations or financial position.

In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133." SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Based on current conditions, we do not expect the adoption of SFAS 161 to have a significant impact on our results of operations or financial position.

In May 2008, FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP in the United States. SFAS 162 will not have an impact on our financial statements.

In May 2008, FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts, an interpretation of FASB Statement No. 60." The scope of SFAS 163 is limited to financial guarantee insurance (and reinsurance) contracts, as described in this Statement, issued by enterprises included within the scope of Statement 60. Accordingly, SFAS 163 does not apply to financial guarantee contracts issued by enterprises excluded from the scope of Statement 60 or to some insurance contracts that seem similar to financial guarantee insurance contracts issued by insurance enterprises (such as mortgage guaranty insurance or credit insurance on trade receivables). SFAS 163 also does not apply to financial guarantee insurance contracts that are derivative instruments included within the scope of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 163 will not have an impact on our financial statements.

Results of Operations

Comparison of Fiscal Years Ended December 31, 2008 and December 31, 2007

	As of December31,			
	2008	**2007**	**$ Change**	**% Change**
Revenues	$143,661,485	$36,163,339	$107,498,146	297.3%
Cost of Sales	109,224,565	25,763,479	83,461,086	324.0
Gross Profits	34,436,920	10,399,860	24,037,060	231.1
Operating Expenses	9,695,989	4,079,089	5,616,900	137.7
Interest and financing costs	(5,704,358)	(153,723)	(5,550,635)	3,610.8
Net Income	16,948,815	6,662,895	10,285,920	154.4

Revenues. Compared to the same period in 2007, the increase in revenues was due to an increase in the volume of feed products that we sold and the acquisition of our hog farms. The increase in feed product sales was a result of expanding our distribution channels by the opening of additional exclusive distribution stores for our products. We experienced favorable market conditions that increased the demand for our feed products. A stronger "AgFeed" brand name allowed us to successfully increase our price twice in the second quarter of 2008. Due to softening in the market for hog prices, we experienced a decrease in the selling price for our hogs during the second half of 2008. However, as a result of economies of scale, we were able to cut hog production cost through centralized raw materials purchases, sales and marketing channels, and finance and internal control management.

Cost of Goods Sold. We experienced increases in the unit cost of goods sold for our two business lines during the twelve month period ended December 31, 2008 compared to the same period in 2007. The cost of goods sold included costs in both premix feed and hog production. These raw materials constitute approximately 60 - 75% of our raw material costs.

Gross Profit. Gross margins decreased to 23.97% from 28.76% during the twelve month period ended December 31, 2008 as compared to the same period last year. The decrease in gross margin can be attributed to the increase in the cost of hog feed during the 2008 last two quarters, and a substantial general sell-off of swine inventory resulting in falling prices after the 2008 Olympics ended. This was modified somewhat by actions taken in the first half of 2008, including expansion of our product distribution channels, and our entry into long-term contracts for key product ingredients which locked in favorable cost savings.

Selling, General and Administrative Expenses. General and administrative expense includes overhead expenses such as rent, management and staff salaries, general insurance, marketing, accounting, legal and offices expenses. The increase in our selling, general and administrative expense also reflects the addition of our new subsidiaries, which had a total of approximately $9.7 million in selling, general and administrative expenses during 2008. Selling expenses for the period increased by 46.32% due to costs associated with the aggressive expansion into markets in neighboring provinces, and the costs associated with the absorption of our new subsidiaries.

Interest and Financing Costs. We incurred interest and financing costs of approximately $5.7 million during 2008, principally as a result of the issuance of $19 million principal amount of convertible notes issued during February 2008. $15.2 million of the convertible notes were converted into shares of common stock, resulting in the non-recurring accelerated amortization of the debt issuance costs and debts discounts amounting to approximately $5.8 million.

Due to foreign exchange appreciation in RMB against the USD, we incurred a one-time, non-recurring loss on foreign translation of $559,299 during 2008, as it is hard to timely convert USD deposits into RMB to implement these procedures due to SAFE regulations.

Hog production is an income tax exempt sector in China and sow owners receive government grants and subsidies. Our feed manufacturing companies benefit from exemption from value-added tax.

Net Income. The increase in our net income was due to higher sales and the benefits from economies of scale in our business resulting in a modest increase in operating efficiency. This was offset by one time, non-operational related charges and interest expenses associated with the conversion of a portion of the $19 million of convertible notes by investors during 2008. We continued to benefit from the tax exempt status for our hog production business.

Comparison of Fiscal Years Ended December 31, 2007 and December 31, 2006

	As of December 31,			
	2007	**2006**	**$ Change**	**% Change**
Revenues	$36,163,339	$8,594,876	$27,568,463	321%
Cost of Sales	25,763,479	5,446,332	20,317,147	373
Gross Profits	10,399,860	3,148,544	7,251,316	230
lling, General and Administrative Expenses	4,079,089	2,114,650	1,964,436	93
Net Income	6,662,895	1,175,280	5,487,615	467

Revenues. The increase in revenues was due to an increase in the volume of feed products that we sold, the acquisition of Guangxi Huijie and the introduction in early 2007 of the Airubao Series, a new special blended feed product formulated especially for baby pigs. Guangxi Huijie contributed approximately 858 metric tons of premix volume during the fiscal year ended December 31, 2007, Nanchang Best experienced a decrease of approximately 838 metric tons and Shanghai Best experienced an increase of approximately 1,335 metric tons of premix during the year ended December 31, 2007 as compared to the year ended December 31, 2006 to account for the increase in premix volume. We focused on increasing sales of the Airubao Series, which is a special blended feed product. For comparative purposes, we will analyze the blended feed and Airubao Series together. This increase was due primarily to the new Airubao sales and approximately 394 metric tons of blended feed sold by Guangxi Huijie. Nanchang Best sold 12,165 metric tons during the year ended December 31, 2007 compared to 1,097 metric tons during the same period in 2006. Guangxi Huijie also accounted for 1,581 metric tons of other feed products, Nanchang Best sold 226 metric tons and Shanghai Best sold 231 metric tons of other feed products during the year ended December 31, 2007. Overall, the Guangxi Huijie acquisition provided approximately 31% of our revenues while Nanchang Best provided 42% and Shanghai Best provided 27% of our total revenues during the fiscal year ended December 31, 2007. Guangxi Huijie contributed approximately 29.3%, Nanchang Best approximately 48.1% and Shanghai Best approximately 22.6% of the total volume of feed sold during the year ended December 31, 2007. Nanchang Best's revenues increased approximately 226% during the year ended December 31, 2007 compared to the same period in 2006. Shanghai Best's revenues increased approximately 187% during the year ended December 31, 2007 compared to the same period in 2006. Lushan, acquired in November 2007, did not materially contribute to our overall revenues.

Cost of Goods Sold. We experienced an approximate 46% and 35% increase in the unit cost of goods sold for blended feed and premix products, respectively, during the twelve month period ended December 31, 2007 compared to the same period in 2006. In order to provide excellent customer service and differentiate ourselves from our competition, at our customers' request, we supply them with customized formulations of our products. In any given month, the cost of the various additives used fluctuates, which can result in temporary increases in unit cost of goods sold. We experienced an increase in the costs of corn and soybean meal of approximately 12 and 20%, respectively over their levels during the year ended December 31, 2007. These additives constitute approximately 70% of our raw material costs. These increased costs offset our increases in revenues. Even though this may have an adverse effect on our short term profits, we take the long-term view that this practice results in increased customer loyalty, builds the AgFeed brand and will ultimately lead to increased sales and gross profits. In addition, we are presently experiencing more stable pricing in these additives, which we anticipate will stabilize our cost of goods sold.

Nanchang Best experienced a 269% increase in cost of goods sold during the year ended December 31, 2007 compared to the same period in 2006. Shanghai Best experienced a 233% increase in cost of goods sold during the year ended December 31, 2007 compared to the same period in 2006.

Gross Profit. Gross margins decreased to 29% for the year ended December 31, 2007 from 37% for the same period in 2006. The decrease in gross margin can be attributed to several factors: (i) the cost of introducing the Airubao Series; (ii) we experienced an approximate 46% increase in the unit cost of goods sold of blended feed during the twelve months ended December 31, 2007 compared to the same period in 2006; (iii) the unit cost of goods sold for premix products increased approximately 35% during the year ended December 31, 2007 compared to the same period in 2006.

Gross margins at Nanchang Best for the year ended December 31, 2007 were approximately 26% compared to 34% for the same period in 2006. Gross margins at Shanghai Best for the year ended December 31, 2007 were 28% compared to 38% for the same period in 2006. Gross margins at Guangxi Huijie for the year ended December 31, 2007 were approximately 28%. Gross margin calculations for each subsidiary are calculated prior to any adjustments for intercompany sales, which are reflected in the consolidated financial statements.

Selling, General and Administrative Expenses. We incurred legal and audit expense in the year ended December 31, 2007 of approximately $450,000 associated with being a U.S. publicly traded reporting company that we did not incur during the same period in 2006. The increase in our general and administrative expense also reflects the addition of Guangxi Huijie, which had approximately $878,000 of general and administrative expenses during the year ended December 31, 2007. General and administrative expense includes overhead expenses such as rent, management and staff salaries, general insurance, marketing, accounting and legal and office expenses. Selling expenses for the period increased by 109% due to the 321% increase in revenues and the costs associated with entering markets in neighboring provinces as well as the addition of Guangxi Huijie, which had approximately $639,000 of selling expenses during the year ended December 31, 2007. We attempted to control our selling expenses through the use of strict cost controls and efficient use of our distribution channels.

Net Income. Our increase in net income was due to an increase in income from operations offset by an increase in non-operating income due to net interest expense offset by other income of approximately $149,000. The major reason for the increase in non-operating income during 2007 was interest earned on the net proceeds of our financings of approximately $142,000 and other income of approximately $160,000 offset by interest paid in connection with short term loans of approximately $154,000. In addition, our Nanchang Best subsidiary became a Sino Foreign Joint Venture due to an investment by a foreign investor in July 2006. Nanchang Best receives favorable tax status and is exempt from all income tax through July 14, 2008 after which will pay tax at a reduced rate of 15% for the next three years.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the year ended December 31, 2008 that have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

Liquidity and Capital Resources

At December 31, 2008, we had $24,839,378 in cash and cash equivalents on hand.

During first quarter of 2008, we completed a $41,000,000 financing. We received aggregate gross proceeds of $22,000,032 through the sale of 2,444,448 shares of common stock at $9 per share. We received aggregate proceeds of $19,000,000 through the issuance of three year convertible notes bearing interest at 7% per annum and convertible into common stock at $10 per share. In connection with the convertible notes, we issued 380,000 warrants which are exercisable immediately and have a $10 strike price. We paid $3,432,670 related to the sale of shares and $1,716,666 related to the issuance of the convertible notes.

On April 16, 2008, we entered into a Securities Purchase Agreement with institutional investors in connection with a registered direct offering of securities providing for the issuance of 625,000 shares of our common stock at price of $16.00 per share for aggregate gross proceeds of $10,000,000.

On April 22, 2008, we entered into Securities Purchase Agreements with institutional investors in connection with a registered direct offering of securities providing for the issuance of 1,322,836 shares of the Company's Common Stock at price of $19.05 per share for aggregate gross proceeds of $25,200,026.

On December 29, 2008, we completed a financing and raised gross proceeds of $8.75 million through the sale to institutional investors of 5 million newly issued common stock units at $1.75 per unit under an effective Form S-3 Registration Statement. Each unit consists of one share of newly issued common stock and a warrant to purchase 0.7 of a share of common stock for $2.50 a share, which is exercisable over a five-year period.

During the period from October 6, 2008 through October 31, 2008, the Company repurchased 367,295 shares of our common stock for gross proceeds of $1,811,746. No additional shares have been repurchased.

During the year ended December 31, 2007, we completed two private placement offerings of our securities. Through the final closing of the first private placement offering on April 29, 2007, we received aggregate gross proceeds of $6,830,259 from the sale of an aggregate of 2,276,753 units to 37 accredited investors. Each unit was priced at $3.00 and represented one share of our common stock and a warrant to purchase eight percent of one share of common stock. Accordingly, we issued an aggregate of 2,276,753 shares of our common stock and warrants to purchase an aggregate of 182,146 shares of our common stock to the 37 accredited investors who participated in this offering. In connection with the private placement, fees of eight percent of the securities placed were paid in cash and a number of common stock purchase warrants equal to eight percent of the units placed were paid to participating dealers and one finder. Accordingly, we paid $546,421 and issued warrants to purchase 182,141 shares of our common stock to the participating dealers and finder. All of the common stock purchase warrants issued have a three-year term and have an initial exercise price of $5.00. We received net proceeds from the private placement of $6,247,503, after deduction of the costs associated with the financing of $582,756

On June 22, 2007, we completed a second private placement offering pursuant to which we sold 750,000 units at an offering price of $4.00 per unit for gross proceeds of $3,000,000. Each unit sold consisted of one share of common stock and one warrant to purchase 25 percent of one share of common stock. Accordingly, we issued 750,000 shares of our common stock and warrants to purchase 187,500 shares of our common stock to the one accredited investor that participated in this offering. In connection with this private placement offering, a fee of eight percent of the securities placed was paid in cash and a number of common stock purchase warrants equal to eight percent of the units placed were paid to a finder. Accordingly, we paid $240,000 in cash and issued warrants to purchase 60,000 shares of our common stock to the finder. All stock purchase warrants are exercisable for a period of three years at an exercise price of $5.60 per share. We received net proceeds from the private placement of $2,760,000, after deduction of costs associated with the financing.

As of December 31, 2008, we had no outstanding loans. The loans that we entered into in 2006 and 2007 were paid in full during the second quarter of 2008.

During the year ended December 31, 2008, we generated $18,456,186 of cash from our operating activities. The cash was generated primarily due to net income of $16,948,815, non-cash expenses of $7,558,935 offset by an increase in operating assets, net of $6,051,564.

We used $78,327,198 in investing activities during the year ended December 31, 2008; of which $10,696,569 was for the acquisition of property and equipment, and $67,490,049 for the acquisition of the 29 Hog Farms and one feed company.

We received $76,466,637 in cash from financing activities. During the year ended December 31, 2008, we received $65,950,069 from the sale of our securities and paid $7,030,261 in offering costs. We also received $19,000,000 from the issuance of convertible notes and warrants, of which the Company paid $1,716,666 for the cost of issuing the convertible notes and warrants. In addition, warrants holders exercised 269,456 warrants resulting in gross proceeds to us of $2,138,848 and minority interest holders contributed $1,097,690.

At December 31, 2008, our accounts receivable balance was approximately $9.46 million, a reduction of $1.3 million in the last quarter alone. There is no accounts receivable for hog sales because the farmers purchasing hogs from us generally pay cash.

Our principal demands for liquidity are to increase capacity, raw materials purchase, sales distribution, and the possible acquisition of producing hog farms or joint ventures in our industry as opportunities present themselves, as well as general corporate purposes. We anticipate that the amount of cash we have on hand as of the date of this report as well as the cash that we will generate from operations will satisfy these requirements. We may seek additional funds from the capital markets as we identify additional acquisition candidates. We expect all of our hog farm acquisitions in the future to be accretive to earnings.

We intend to meet our liquidity requirements, including capital expenditures related to the purchase of equipment, purchase of raw materials, and the expansion of our business, through cash flow provided by operations and funds raised through cash investments.

The majority of the our revenues and expenses were denominated in RMB, the currency of the PRC. There is no assurance that exchange rates between the RMB and the USD will remain stable.

Contractual Obligations

No contractual obligation occurred during the year ended December 31, 2008 and therefore it is not expected to have any effect on our liquidity and cash flow in future periods.

Inflation and Seasonality

Demand for our products remains fairly consistent throughout the year and we do not believe our operations have been materially affected by inflation or seasonality.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Disclosures About Market Risk

We may be exposed to changes in financial market conditions in the normal course of business. Market risk generally represents the risk that losses may occur as a result of movements in interest rates and equity prices. We currently do not use financial instruments in the normal course of business that are subject to changes in financial market conditions.

Currency Fluctuations and Foreign Currency Risk

Substantially all of our operations are conducted in the PRC, with the exception of our limited export business and overseas purchases of raw materials. Most of our sales and purchases are conducted within the PRC in RMB, which is the official currency of the PRC. The effect of the fluctuations of exchange rates is considered minimal to our business operations.

Substantially all of our revenues and expenses are denominated in RMB. However, we use US dollars for financial reporting purposes. Conversion of RMB into foreign currencies is regulated by the People’s Bank of China through a unified floating exchange rate system. Exchange rate fluctuations may adversely affect the value, in U.S. dollar terms, of our net assets and income derived from its operations in the PRC.

Interest Rate Risk

We do not have significant interest rate risk, as loans we had entered into in 2006 and 2007 were paid in full during the second quarter of 2008.

Credit Risk

We have not experienced significant credit risk, as most of our customers are long-term customers with superior payment records. Our receivables are monitored regularly by our credit managers.

Item 8. Financial Statements and Supplementary Data.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures.

Our management, under the supervision and with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange "Act")) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Disclosure controls and procedures are those controls and procedures designed to provide reasonable assurance that the information required to be disclosed in our Exchange Act filings is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10K.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and or the Board of Directors of AgFeed; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of AgFeed's assets that could have a material effect on the interim or annual consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Under the supervision and with the participation of our chief executive officer and chief financial officer, management conducted an evaluation of the effectiveness of AgFeed's internal control over financial reporting as of December 31, 2008, using the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, our management concluded that our internal control over financial reporting was effective and that there was no material weakness or significant deficiency discovered as of December 31, 2008.

There are newly acquired subsidiaries excluded from our Sarbanes-Oxley compliance scope for 2008, whose aggregated financial statements constitute 71.1% of total assets, 67.6% of revenue, and 97.0% of net income of the consolidated financial statement amounts as of and for the year ended December 31, 2008.

Management's evaluation of the effectiveness of AgFeed's internal control over financial reporting as of December 31, 2008 has been audited by Goldman Parks Kurland Mohidin LLP, an independent registered public accounting firm, as stated in their report included on page F-1.

Remediation of Fiscal Year 2007 Material Weaknesses

We have previously disclosed in our Annual Report on Form 10K for the year ended December 31, 2007 that we have identified material weaknesses in internal control over financial reporting. The following summarizes the material weaknesses reported as of December 31, 2007 and the remedial action taken by AgFeed:

1. AgFeed did not maintain effective controls to ensure there is adequate analysis, documentation, reconciliation, and review of accounting records and supporting data, especially as it relates to subsidiary accounting records. AgFeed did not maintain effective controls over its financial reporting process. Specifically, AgFeed lacked policies, procedures, and controls for the preparation and review of the interim and annual consolidated financial statements and supporting schedules. This control deficiency contributed to the individual material weaknesses described below:

a) AgFeed did not maintain effective controls over its preparation, review, and approval of significant account reconciliations and journal entries. Specifically, AgFeed did not maintain effective controls over the completeness and accuracy of underlying data for supporting schedules and journal entries for all of its significant balance sheet and income statement accounts.

b) AgFeed did not maintain effective control over certain spreadsheets utilized in the period end financial reporting process. Specifically, AgFeed lacked effective controls related to the completeness, accuracy, validity, and restricted access to spreadsheets related to: fixed assets, including accumulated depreciation; payroll reconciliations and related journal entries; revenue and accounts receivable. This control deficiency did not result in audit adjustments to the 2007 interim or annual consolidated financial statements.

In summary with respect to the control deficiencies in a) through b) above could result in a material misstatement of the aforementioned accounts or disclosures that would result in a material misstatement to AgFeed's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that each of the control deficiencies described in a) through b) above constitutes a material weakness.

A number of actions were taken by AgFeed to remediate this, including:

- Implemented Kingdee K3, a new information technology ERP system.
- Embedded IT application controls about journal entry preparation, review and approval, posting and closing, functional reconciliation and analysis in Kingdee K3.
- Established and standardized manual controls to review journal entries, non-routine transactions, chart of accounts, accounting policies and estimates financial statements both at subsidiary level and consolidated level etc. to ensure accuracy and completeness.
- Established controls for the preparation and review of the financial reporting, which includes long-lived assets assessment, use of disclosure checklist, management discussion and analysis checklist, review and communication with senior management.
- Established end user controls over financial reporting, which include risk assessment of key spreadsheets, change controls, access controls, protect and logic verification controls, segregation of duty controls, backup controls etc.
- Implemented fixed assets module, Sales and Account Receivable module in Kingdee K3 to replace prior spreadsheets in these two business processes.

As of December 31, 2008, we have concluded that this material weakness has been remediated.

2. AgFeed did not maintain effective controls over changes to critical financial reporting applications and over access to these applications and related data. Specifically, certain of AgFeed's personnel had unrestricted access to various financial application programs and data beyond the requirements of their individual job responsibilities in processing accounts payable, inventory and revenue transactions. Such access was beyond the requirements of their assigned responsibilities and was not appropriately monitored. This control deficiency did not result in audit adjustments to the 2007 interim or annual consolidated financial statements. However, this control deficiency could result in a material misstatement of significant accounts or disclosures, including those described above, that would result in a material misstatement to AgFeed's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

A number of actions were taken by AgFeed to remediate this, including:

- Established change management policy, including controls and procedures about system change, software change, network change, emergency change etc.
- Established controls that the impact, implementation plan, rollback plan, user test result and feedback of any change were required to be prepared and submitted to the IT manager for approval.
- Established controls that different VLAN are used in finance and other departments and users of different departments could not visit each other VLAN.
- Established password management and configuration parameter in Kingdee K3 system.
- Established Kingdee K3 user accounts management policy to authorize user rights delivery and change, restrict super user's activity in K3 and detect redundant access rights periodically.
- Established log management policy. Servers, Kingdee K3 system and relevant database log functions have been activated and user's activities in the system are recorded and inspected periodically.

As of December 31, 2008, we have concluded that this material weakness has been remediated.

3. AgFeed does not maintain a sufficient level of IT personnel to execute general computing controls over our information technology structure, which include the implementation and assessment of information technology policies and procedures. This control deficiency did not result in an audit adjustment to the 2007 interim or annual consolidated financial statements, but could result in a material misstatement of significant accounts or disclosures, which would not have been prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

A number of actions were taken by AgFeed to remediate this, including:

- Established IT function in the headquarter in China and employed three full-time IT staff in-charge of the company's network and database management, Kingdee K3 application system management and operational system management, respectively. They all had academic background of information technology and a wealth of IT knowledge and experiences in their respective competence. IT staff are required to perform KPI evaluation quarterly.
- IT function established and implemented the information technology policies and procedures. IT policies and procedures include (but not limited to): Kingdee ERP development policy, change management policy, password management rules, user accounts management policy, log management policy, information security management policy, system and database SOD rules,

system configuration rules, and data operation procedures etc. IT manager is responsible for monitoring and reviewing the operating effectiveness for the policies and procedures regularly.

- Appointed an independent third party consultant to assist the management to perform periodical review and evaluation of IT entity level control, IT general control, IT application control and end user control.

As of December 31, 2008, we have concluded that this material weakness has been remediated.

4. AgFeed did not maintain adequate segregation of duties within its critical financial reporting applications, the related modules and financial reporting processes. This control deficiency did not result in audit adjustments to the 2007 interim or annual consolidated financial statements. This control deficiency could result in a misstatement of balance sheet and income statement accounts, in AgFeed's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that these control deficiencies constitute a material weakness.

A number of actions were taken by AgFeed to remediate this, including:

- Allocated appropriate access rights to Kingdee K3 users, especially for finance department, roles and responsibilities in business processes according to positions.
- Developed segregation of duties checklists for all significant business processes.
- Detected segregation of duty conflicts by finance manager of each subsidiary periodically.
- Established Kingdee K3 user accounts management policy to authorize user rights delivery and change, restrict super user's activity in K3 and detect redundant access rights periodically.

As of December 31, 2008, we have concluded that this material weakness has been remediated.

Changes in Internal Control Over Financial Reporting

The discussion above under "Remediation of Fiscal Year 2007 Material Weaknesses" includes descriptions of the material actual changes to AgFeed's internal control over financial reporting during the year of 2008 that materially affected, or are reasonably likely to materially affect, AgFeed's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item is incorporated by reference to the information contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders, which we will file with the SEC within 120 days after the end of 2008.

Item 11. Executive Compensation.

The information required by this Item is incorporated by reference to the information contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders, which we will file with the SEC within 120 days after the end of 2008.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

The information required by this Item is incorporated by reference to the information contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders, which we will file with the SEC within 120 days after the end of 2008.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item is incorporated by reference to the information contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders, which we will file with the SEC within 120 days after the end of 2008.

Item 14. Principal Accounting Fees and Services.

The information required by this Item is incorporated by reference to the information contained in our Proxy Statement for our 2009 Annual Meeting of Shareholders, which we will file with the SEC within 120 days after the end of 2008.

PART IV

Item 15. Exhibit, Financial Statement Schedules.

(a)(1) Financial Statements

See Item 8, "Financial Statements and Supplementary Data."

(a)(2) Financial Statement Schedules

All financial statement schedules for AgFeed and its subsidiaries have been included in the consolidated financial statements or the related notes or they are either inapplicable or not required.

(a)(3) Exhibits

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

AgFeed Industries, Inc. and Subsidiaries
Consolidated Financial Statements
For the Years Ended December 31, 2008, 2007, and 2006

Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders of
AgFeed Industries, Inc.

We have audited the accompanying consolidated balance sheets of AgFeed Industries, Inc as of December 31, 2008 and 2007, and the related consolidated statements of income and other comprehensive income, stockholders' equity and cash flows for the years ended December 31, 2008, 2007 and 2006. We also have audited AgFeed Industries, Inc.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). AgFeed Industries, Inc. 's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting. Management's Report on Internal Control is included in ITEM 9A of AgFeed Industries, Inc's Form 10-K for the year ended December 31, 2008. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding on internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our audits.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AgFeed Industries, Inc. as of December 31, 2008, and 2007, and the results of its operations and its cash flows for the years ended December 31, 2008 , 2007 and 2006, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, AgFeed Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management has excluded certain newly acquired entities from its assessment of internal control over financial reporting. These entities constitute 71.1% of total assets as of December 31, 2008 and 67.6% and 97.0% of revenue and net income, respectively, for the year ended December 31, 2008. Our opinion on internal control over financial reporting also excludes these entities.

Goldman Parks Kurland Mohidin LLP
Encino, California
March 12, 2009

AgFeed Industries, Inc. and Subsidiaries
Consolidated Balance Sheet
as of December 31, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 24,839,378	$ 7,696,209
ccounts receivable, net of allowance for doubtful accounts of $520,413 and $191,497	9,462,380	6,107,491
Advances to suppliers	518,829	442,851
Other receivable	2,066,030	459,034
Inventory	20,616,560	2,728,160
Prepaid expense	1,166,646	644,183
Debt issue costs	246,223	-
Total current assets	58,916,046	18,077,928
PROPERTY AND EQUIPMENT, net	20,810,094	3,930,715
CONSTRUCTION-IN-PROCESS	10,853,389	221,819
INTANGIBLE ASSETS	43,833,705	839,802
OTHER ASSETS	2,641,902	-
TOTAL ASSETS	$137,055,136	$23,070,264
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 5,214,596	$ 1,458,010
Other payables	5,766,741	705,150
Unearned revenue	321,664	99,848
Accrued expenses	164,558	18,223
Accrued payroll	818,052	168,560
Short term loans	-	1,110,413

Tax and welfare payable	465,875	9,534
Interest payable	121,139	-
Total current liabilities	12,872,625	3,569,738
CONVERTIBLE NOTES, net of debt discount of $579,444 and $0	3,220,556	-
TOTAL LIABILITIES	16,093,181	3,569,738
COMMITMENTS AND CONTINGENCIES (Note 13)	-	-
MINORITY INTEREST	2,117,611	-
STOCKHOLDERS' EQUITY:		
ommon stock, $0.001 per share; 75,000,000 shares authorized; 38,300,436 issued and 37,933,141 outstanding in 2008; and 27,026,756 issued and 27,026,756 outstanding in 2007	38,300	27,027
Additional paid-in capital	90,903,261	10,094,095
Other comprehensive income	4,167,217	780,907
Statutory reserve	3,236,054	752,225
Treasury stock	(1,811,746)	
Retained earnings	22,311,258	7,846,272
Total stockholders' equity	118,844,344	19,500,526
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$137,055,136	$23,070,264

The accompanying notes are an integral part of these consolidated financial statements.

AgFeed Industries, Inc. and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31, 2008, 2007 and 2006

	2008	**2007**	**2006**
Net Revenue	$143,661,485	$36,163,339	$ 8,594,876
Cost of Revenue	109,224,565	25,763,479	5,446,332
Gross profit	34,436,920	10,399,860	3,148,544
Operating expenses			
Selling expenses	3,941,247	2,693,613	1,287,110
General and administrative expenses	5,754,742	1,385,476	827,540
Total operating expenses	9,695,989	4,079,089	2,114,650
Income from operations	24,740,931	6,320,771	1,033,894
Non-operating income (expense):			
Other income (expense)	(710,683)	160,496	35,681
Interest income	190,965	142,148	28,851
Interest and financing costs	(5,704,358)	(153,723)	(23,532)
Foreign currency transaction loss	(559,299)	-	-

Total non-operating income (expense)	(6,783,375)	148,921	41,000
Income before minority interest and provision for income taxes	17,957,556	6,469,692	1,074,894
Minority interest in subsidiaries	(421,519)	-	-
Income before provision for income taxes	17,536,037	6,469,692	1,074,894
Provision (benefit) for income taxes	587,222	(193,203)	(100,386)
Net income	$ 16,948,815	$ 6,662,895	$ 1,175,280
Other comprehensive income			
Foreign currency translation gain	3,386,310	664,061	84,382
Comprehensive Income	$ 20,335,125	$ 7,326,956	$ 1,259,662
Weighted average shares outstanding :			
Basic	31,557,742	26,093,376	17,911,296
Diluted	31,713,977	26,174,973	17,911,296
Earnings per share:			
Basic	$ 0.54	$ 0.26	$ 0.07
Diluted	$ 0.53	$ 0.25	$ 0.07

The accompanying notes are an integral part of these consolidated financial statements.

AgFeed Industries, Inc. and Subsidiaries
Consolidated Statement of Shareholders' Equity
For The Years Ended December 31, 2008, 2007, and 2006

	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Other Comprehensive Income	Statutory Reserve	Treasury Stock	Retained Earnings	Total Stockholders' Equity
	15,006,720	$ 15,007	$ 722,527	$ 32,464	$ 118,061	$ -	$ 642,261	$ 1,530,320
Issuance of common stock for cash	4,193,283	4,193	221,890					226,083
Recapitalization on reverse acquisition	4,800,000	4,800	54,962					59,762
Capital contribution by stockholders			300,000					300,000
Change in foreign currency translation gain				84,382				84,382
Net income for the year ended December 31, 2006							1,175,280	1,175,280
Transfer to statutory reserve					153,054		(153,054)	-
Balance December 31, 2006	24,000,003	24,000	1,299,379	116,846	271,115	-	1,664,487	3,375,827
Issuance of common stock for cash	3,026,753	3,027	8,764,476	-	-		-	8,767,503
Chinese government subsidy	-	-	16,451	-	-		-	16,451
Stock compensation expense for options issued to employees	-	-	13,789	-	-		-	13,789
Change in foreign currency translation	-	-	-	664,061	-		-	664,061

gain								
Net income	-	-	-	-	-		6,662,895	6,662,895
Transfer to statutory reserve	-	-	-	-	481,110		(481,110)	-
Balance December 31, 2007	27,026,756	27,027	10,094,095	780,907	752,225	-	7,846,272	19,500,526
Issuance of common stock for cash	9,392,290	9,392	65,940,677					65,950,069
Payment of offering costs			(7,030,261)					(7,030,261)
Value of warrants issued with convertible debt			1,269,442					1,269,442
Beneficial conversion feature associated with convertible debt			2,770,443					2,770,443
Cashless exercise of warrants (199,131 warrants exercised)	91,934	92	(92)					-
Exercise of warrants for cash	269,456	269	2,138,579					2,138,848
Conversion of convertible debentures	1,520,000	1,520	15,198,480					15,200,000
Stock compensation expense for options issued to employees			231,368					231,368
Value of re-priced warrants			22,782					22,782
Value of change in conversion price of convertible notes			267,748					267,748
Purchase of treasury shares (367,295 shares)						(1,811,746)		(1,811,746)
Change in foreign currency translation gain				3,386,310				3,386,310
Net income							16,948,815	16,948,815
Transfer to statutory reserve					2,483,829		(2,483,829)	-
Balance December 31, 2008	38,300,436	$ 38,300	$ 90,903,261	$ 4,167,217	$ 3,236,054	$ (1,811,746)	$ 22,311,258	$ 118,844,344

The accompanying notes are an integral part of these consolidated financial statements.

AgFeed Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For The Years Ended December 31, 2008, 2007 and 2006

	2008	**2007**	**2006**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 16,948,815	$ 6,662,895	$ 1,175,280
djustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,580,843	140,510	100,469
Amortization	86,543	14,316	5,228
Loss on disposal of assets	17,248	37,345	-
Stock based compensation	231,368	13,789	-
Value of re-priced warrants	22,782	-	-
Value of change in conversion price of convertible notes	267,748	-	-
Amortization of debt issuance costs	1,470,443	-	-
Amortization of discount on convertible debt	3,460,441	-	-
Gain attributed to minority interest in subsidiaries	421,519	-	-
(Increase) / decrease in assets:			
Accounts receivable	(2,324,978)	(4,022,786)	(312,364)
Other receivable	(5,464,327)	(220,979)	47,323
Inventory	(8,815,870)	(915,874)	(113,084)

Due from related party	-	102,280	(46,550)
Advances to suppliers	(44,147)	(345,646)	(28,340)
Prepaid expense	(499,047)	(628,446)	1,725
Other assets	(2,239,491)	2,316	(2,205)
Increase / (decrease) in current liabilities:			
Accounts payable	3,300,773	465,573	(101,564)
Other payables	8,509,638	32,597	34,645
Due to related party	-	-	(182,812)
Unearned revenue	211,081	4,791	(17,001)
Accrued expenses	119,325	(77,717)	90,545
Accrued payroll	626,587	123,689	20,965
Tax and welfare payable	447,753	(281,837)	(151,976)
Interest payable	121,139	-	-
Net cash provided by operating activities	18,456,186	1,106,816	520,284
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(10,696,569)	(291,294)	(107,460)
Acquisition of intangible assets	(140,580)	(264,196)	-
Cash paid for purchase of subsidiary	-	(3,360,000)	(1,100,420)
Cash paid for purchase of hog farms, net	(67,490,049)	-	-
Cash acquired with acquisitions	-	661,216	213,922
Net cash used in investing activities	(78,327,198)	(3,254,274)	(993,958)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment to shareholders	-	(758,343)	(24,783)
Advances to related parties	-	-	(425,674)
Proceeds from notes payable	-	977,008	1,664,855
Proceeds from the sale of common stock	65,950,069	9,830,259	-
Offering costs	(7,030,261)	(1,062,756)	-
Proceeds from exercise of warrants	2,138,848	-	-
Payment on note payable	(1,161,297)	(1,723,414)	-
Collection of subscription receivable	-	226,083	-
Collection from related parties	-	950,707	-
Proceeds from the issuance of convertible notes	19,000,000	-	-
Issuance costs for convertible notes	(1,716,666)	-	-
Government subsidy received	-	16,451	-
Capital contributed by minority interest holders	1,097,690	-	-
Purchase of treasury shares	(1,811,746)	-	-
Contribution by stockholders to pay for merger expenses	-	-	300,000
Net cash provided by financing activities	76,466,637	8,455,995	1,514,398
Effect of exchange rate changes on cash and cash equivalents	547,544	183,572	26,970
NET INCREASE IN CASH & CASH EQUIVALENTS	17,143,169	6,492,109	1,067,694
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	7,696,209	1,204,100	136,406
CASH & CASH EQUIVALENTS, ENDING BALANCE	$ 24,839,378	$ 7,696,209	$ 1,204,100
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Interest paid	$ 363,191	$ 99,445	$ 30,213
Income taxes paid	$ 408,435	$ -	$ 73,339

The accompanying notes are an integral part of these consolidated financial statements.

AgFeed Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and 2007

Note 1 – Organization and Basis of Presentation

Organization and Line of Business

AgFeed Industries, Inc. formerly known as Wallace Mountain Resources Corp., (hereinafter referred to as the "Company" or "AgFeed") was incorporated in the State of Nevada on March 30, 2005.

On October 31, 2006, the Company entered into and closed a share purchase agreement with Nanchang Best Animal Husbandry Co., Ltd., a corporation formed under the laws of the People's Republic of China ("Nanchang Best"), and each of Nanchang Best's shareholders (the "Nanchang Purchase Agreement"). Pursuant to the Nanchang Purchase Agreement, the Company acquired all of the issued and outstanding capital stock of Nanchang Best from the Nanchang Best shareholders in exchange for 16,128,000 shares of common stock.

Contemporaneously, on October 31, 2006, the Company entered into and closed a share purchase agreement with Shanghai Best Animal Husbandry Co., Ltd., a corporation formed under the laws of the People's Republic of China ("Shanghai Best"), and each of Shanghai Best's shareholders (the "Shanghai Purchase Agreement"). Pursuant to the Shanghai Purchase Agreement, the Company acquired all of the issued and outstanding capital stock of Shanghai Best from the Shanghai Best shareholders in exchange for 3,072,000 shares of common stock.

The exchanges of shares with Nanchang Best and Shanghai Best were accounted for as a reverse acquisition under the purchase method of accounting since the stockholders of Nanchang Best and Shanghai Best obtained control of the Company. On November 17, 2006, Wallace Mountain Resources Corp. changed its name to AgFeed Industries, Inc. Accordingly, the merger of Nanchang Best and Shanghai Best into the Company were recorded as a recapitalization of Nanchang Best and Shanghai Best, with Nanchang Best and Shanghai Best being treated as the continuing entities. Nanchang Best and Shanghai Best had common shareholders and common management. The historical financial statements presented are the combined financial statements of both Nanchang Best and Shanghai Best. The share exchange agreements have been treated as a recapitalization and not as a business combination; therefore, no pro forma information is disclosed. At the date of this transaction, the net assets of the legal acquirer were $59,762.

As a result of the reverse merger transactions described above, the historical financial statements presented are those of Nanchang Best and Shanghai Best, the operating entities.

On December 20, 2006, the Company entered into and closed a share purchase agreement with Guangxi Huijie Sci. & Tech. Feed Co, Ltd., a company formed pursuant to the laws of the People's Republic of China ("Guangxi Huijie"), and the shareholders of Guangxi Huijie pursuant to which the Company acquired all the outstanding shares of Guangxi Huijie for a total purchase price of eight million six hundred thousand Chinese Renminbi (8,600,000 RMB), equivalent to approximately U.S. $1,100,420 based on exchange rates reported in the Wall Street Journal for December 20, 2006.

The Company obtained the funds for the acquisition of the Guangxi Huijie shares by borrowing 8,600,000 RMB from Sunrise Capital International, Inc. The proceeds of the loan from Sunrise Capital International, Inc. were paid directly to the selling shareholders of Guangxi Huijie as consideration and as provided by the share purchase agreement. The Company's repayment obligation is evidenced by a promissory note bearing interest at the rate of seven percent per annum (7%) and maturing in six months. The Company, at its option, may extend the maturity of the note an additional six months upon notice to the lender. This loan was repaid in March 2007.

On November 6, 2007, the Company entered into a Stock Purchase Agreement with Lushan Breeder Pig Farm Co., Ltd. ("Lushan"), a Peoples Republic of China company located in HuaLin Town of XingZi County in

Jiangxi Province, Peoples Republic of China, Huaping Yang and Hongyun Luo, the holders of ninety percent (90%) of the issued and outstanding capital stock of Lushan.

In 2008, the Company has purchased an additional 29 producing hog farms and one feed company. The Company's ownership interest in these hog farms range from 55% to 100%.

The Company is engaged in the research and development, manufacturing, marketing, distribution and sale of pre-mix fodder blended feed and feed additives primarily for use in China's domestic pork husbandry market as well as raising, breeding and sale of pigs. The Company operates production plants in Nanchang City, Shanghai City, Nanning City and Haikou City and has swine farms located in the southern provinces of the PRC. The Company sells to distributors and large-scale swine farms.

Stock Splits

On November 17, 2006, the Company declared a stock dividend of two additional shares of common stock for each share of common stock outstanding (effectively a three for one stock split). All share information for common shares has been retroactively restated for this stock split.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of AgFeed Industries, Inc. and its wholly-owned and majority-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The Company's functional currency is the RMB; however the accompanying consolidated financial statements have been translated and presented in USD.

Foreign Currency Translation

The accounts of the Company were maintained, and their consolidated financial statements were expressed in the Chinese Yuan Renminbi (RMB). Such consolidated financial statements were translated into U.S. Dollars (USD) in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," with the RMB as the functional currency. According to the Statement, all assets and liabilities were translated at the exchange rate on the balance sheet date, stockholder's equity are translated at the historical rates and statement of operations items are translated at the weighted average exchange rate for the year. The resulting translation adjustments are reported under other comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income".

Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Reclassification

Certain prior period amounts have been reclassified to conform to the year ended December 31, 2008 presentation.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Advances to Suppliers

The Company makes advances to certain vendors for purchase of its material. The advances to suppliers are interest free and unsecured.

Inventories

Inventory is stated at the lower of cost, as determined by weighted-average method, or market. Management compares the cost of inventories with the market value, and allowance is made for writing down the inventories to their market value, if lower. Costs of raised animals include proportionate costs of breeding, including depreciation of the breeding herd, plus the costs of maintenance through the balance sheet date. Purchased cattle are carried at purchase cost plus costs of maintenance through the balance sheet date.

Property & Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives as follows:

Office equipment	5 years
Operating equipment	10 years
Vehicles	5 years
Buildings	20 years

The following are the details of the property and equipment at December 31, 2008 and 2007:

	2008	2007
Office equipment	$ 433,157	$ 100,072
Operating equipment	2,042,522	547,560
Vehicles	655,853	271,652
Swines for reproduction	13,137,425	1,568,816
Buildings	6,673,822	1,940,784
Total	22,942,779	4,428,884

Less accumulated depreciation	(2,132,685)	(498,169)
	$20,810,094	$3,930,715

AgFeed Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2008 and 2007

Depreciation expense for the years ended December 31, 2008, 2007, and 2006 was $1,580,843, $140,510 and $100,649, respectively.

Construction-in-Process

Construction-in-process consists of amounts expended for building construction and for growing breeder hogs. Once building construction is completed and the breeder hogs are grown, the cost accumulated in construction-in-process is transferred to property and equipment.

Long-Lived Assets

The Company applies the provisions of Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of,” and the accounting and reporting provisions of APB Opinion No. 30, “Reporting the Results of Operations for a Disposal of a Segment of a Business.” The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS 144. SFAS 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets’ carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on its review, the Company believes that, as of December 31, 2008 and 2007 there were no significant impairments of its long-lived assets.

Intangible Assets

Net intangible assets at December 31, 2008 and 2007 are as follows:

	2008	2007
Right to use land	$ 809,174	$589,489
Customer list	293,400	274,176
Computer software	108,135	15,366
Intangible related to hog farm acquisitions	42,744,247	-
Total	43,954,956	879,031
Less Accumulated amortization	(121,251)	(39,229)
Intangibles, net	$43,833,705	$839,802

Per the People's Republic of China's (“PRC”) governmental regulations, the PRC Government owns all land. The Company leases land per real estate contracts with the government of the PRC for fifty years. Accordingly, the right to use land for these feed companies is amortized over a period of 50 years and the computer software is amortized over nine years. For hog farms, the Company generally signed land leasing contracts with original owners of the farms.

Amortization expense for the Company's intangible assets for the years ended December 31, 2008, 2007 and 2006 was $86,543, $14,316 and $5,228, respectively.

Revenue Recognition

The Company's revenue recognition policies are in compliance with Staff accounting bulletin (SAB) 104. Revenue is recognized when services are rendered to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectibility is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue. The Company is not subject to VAT withholdings. The Company gives volume rebates to certain customers based on volume achieved. The Company accrues sales rebates based on actual sales volume. Sales returns and rebates included in the Company's revenues were $1,192,157, $385,375 and $324,218 for the years ended December 31, 2008, 2007 and 2006, respectively.

Advertising Costs

The Company expenses the cost of advertising as incurred or, as appropriate, the first time the advertising takes place. Advertising costs for the years ended December 31, 2008, 2007 and 2006 were not significant.

Stock-Based Compensation

The Company accounts for its stock-based compensation in accordance with SFAS No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123." The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. There were 180,000 options outstanding at December 31, 2008.

Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the implementation of FIN 48, the company made a comprehensive review of its portfolio of tax positions in accordance with recognition standards established by FIN 48. As a result of the implementation of Interpretation 48, the Company recognized no material adjustments to liabilities or stockholders' equity. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits are classified as interest expense and penalties are classified in selling, general and administrative expenses in the statements of income. The adoption of FIN 48 did not have a material impact on the Company's financial statements.

Foreign Currency Transactions and Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company is Chinese Renminbi. The unit of Renminbi is in Yuan. Translation gains of $4,167,217 and $780,908 at December 31, 2008 and 2007, respectively, are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet. During the years ended December 31, 2008, 2007 and 2006, other comprehensive income in the consolidated statements of income and other comprehensive income included translation gains of $3,386,310, $664,062 and $84,382, respectively.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with the Statement of financial accounting standards No. 128 (SFAS No. 128), "Earnings Per Share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15). Net earnings per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period..

The following is a reconciliation of the number of shares (denominator) used in the basic and diluted earnings per share computations:

	2008		2007		2006	
	Shares	Per Share Amount	Shares	Per Share Amount	Shares	Per Share Amount
Basic earnings per share	31,557,742	$ 0.54	26,093,376	$ 0.26	$17,911,296	$ 0.07
Effect of dilutive stock options	156,235	-	81,597	-	-	-
Diluted earnings per share	31,713,977	$ 0.53	26,174,973	$ 0.25	$17,911,296	$ 0.07

Statement of Cash Flows

In accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," cash flows from the Company's operations are calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet.

Minority Interest

The Company purchased interest in 29 producing hog farms and one feed company ranging from 55% to 100%. As a result of these purchases, the Company recognized initial minority interest on its consolidated balance sheet in the amount of $508,150. The income (loss) attributed to minority interest has been separately designated in the accompanying statement of operations.

Segment Reporting

Statement of Financial Accounting Standards No. 131 ("SFAS 131"), "Disclosure About Segments of an Enterprise and Related Information" requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company has determined that it has four reportable segments (See Note 11).

Fair value of financial instruments

On January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements." "SAS 157 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. The carrying amounts reported in the balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of December 31, 2008, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

Recent Pronouncements

In June 2007, FASB issued FASB Staff Position No. EITF 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services Received for use in Future Research and Development Activities" which addresses whether nonrefundable advance payments for goods or services that are used or rendered for research and development activities should be expensed when the advance payment is made or when the research and development activity has been performed. Management is currently evaluating the effect of this pronouncement on financial statements.

In December 2007, FASB issued SFAS No. 141 (Revised 2007), "Business Combinations." SFAS 141R changes how a reporting enterprise accounts for the acquisition of a business. SFAS 141R requires an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value, with limited exceptions, and applies to a wider range of transactions or events. SFAS 141R is effective for fiscal years beginning on or after December 15, 2008 and early adoption and retrospective application is prohibited.

In December 2007, FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements," which is an amendment of Accounting Research Bulletin No. 51. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS 160 changes the way the consolidated income statement is presented, thus requiring consolidated net income to be reported at amounts that include the amounts attributable to both parent and the noncontrolling interest. SFAS 160 is effective for the fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008. Based on current conditions, the Company does not expect the adoption of SFAS 160 to have a significant impact on its results of operations or financial position.

In March 2008, FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Based on current conditions, the Company does not expect the adoption of SFAS 161 to have a significant impact on its results of operations or financial position.

In May 2008, FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles." SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles ("GAAP") in the United States (the "GAAP hierarchy"). SFAS 162 will not have an impact on the Company's financial statements.

In May 2008, FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts, an interpretation of FASB Statement No. 60." The scope of SFAS 163 is limited to financial guarantee insurance (and reinsurance) contracts, as described in this Statement, issued by enterprises included within the scope of Statement 60. Accordingly, SFAS 163 does not apply to financial guarantee contracts issued by enterprises excluded from the scope of Statement 60 or to some insurance contracts that seem similar to financial guarantee insurance contracts issued by insurance enterprises (such as mortgage guaranty insurance or credit insurance on trade receivables). SFAS 163 also does not apply to financial guarantee insurance contracts that are derivative instruments included within the scope of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 163 will not have an impact on the Company's financial statements.

Note 3 – Notes Payable

Notes payable at December 31, 2008 and 2007 were as follows:

	2008	2007
Short-term bank loan; interest rate of 7.884% and 7.02% payable monthly. The term of the loan is from May 28, 2007 to May 27, 2008 and May 18, 2006 to May 17, 2007. This loan was collateralized by the Company's office building, workshop, employee dorms and use right of land. This loan was repaid on May 28, 2008.	$ -	$ 822,528
Short-term bank loan; interest rate of 6.57% and 6.12%. The term of the loan was from May 25, 2007 to May 24, 2008 and December 5, 2006 to December 4, 2007. This loan was collateralized by the Company's right to use land, machinery and equipment. This loan was repaid on May 25, 2008.	-	287,885
	$ -	$1,110,413

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Note 4 – Convertible Notes

On February 25, 2008, the Company entered into a Securities Purchase Agreement with Apollo Asia Opportunity Master Fund, L.P., Jabcap Multi-Strategy Master Fund Limited, J-Invest Ltd., and Deutsche Bank AG London Branch (the "Investors") in connection with a private placement transaction providing for, among other things, the issuance of senior convertible notes for aggregate gross proceeds of $19 million (the "Notes") and warrants to purchase up to an aggregate of 380,000 shares (the "Warrants") of the Company's $0.001 par value per share common stock. The notes mature on the third anniversary of the issuance date, bear interest at 7% per annum and are convertible into shares of the Company's common stock at an initial conversion price of $10.00 per share. The conversion price is subject to a "weighted average ratchet" anti-dilution adjustment. The conversion price is also subject to adjustment on a proportional basis, to the extent that the Company's audited net income for the fiscal years ending 2008 and 2009 is less than $30 million and $40 million, respectively; subject to a per share floor price of $5.00. Due to the Company not generating $30 million net income for the year ended December 31, 2008, the conversion price on the convertible notes was reduced to $5.00. Due to the re-pricing of the conversion price, the Company recorded financing cost of $267,748 which represents the difference between the fair value of the conversion feature at a $5.00 conversion price and the original $10.00 conversion price. The fair value was determined by using the Black-Scholes pricing model with the following assumptions: expected life of 2.2 years, a risk free interest rate of 2.0%, a dividend yield of 0% and volatility of 102%.

The Notes impose penalties on the Company for any failure to timely deliver any shares of its common stock issuable upon conversion.

In connection with the issuance of the Notes and the Warrants issued to the Investor on February 25, 2008, the Company paid $1,716,666 in debt issuance cost which is being amortized over the life of the Notes. For the year ended December 31, 2008, the Company amortized $1,470,443 of the aforesaid issuance costs as interest and financing costs in the accompanying consolidated statements of operations.

The Notes contain certain limitations on conversion. For example, they provide that no conversion may be made if, after giving effect to the conversion, the Investor would own in excess of 9.99% of the Company's outstanding shares of common stock. In addition, the Notes provide that no conversion may be made if the conversion would cause the Company to be in breach of its obligations under the rules and regulations of the Nasdaq Global Market, unless the Company obtains stockholder approval for such issuances as required by such rules and regulations.

The Warrants are immediately exercisable, expire on the third anniversary of their issuance and entitle their holders, in the aggregate, to purchase up to $3,800,000 worth of shares of common stock at an initial exercise price of $10.00 per share.

The exercise price of the Warrants is subject to a "weighted average ratchet" anti-dilution adjustment. The exercise price is also subject to adjustment, on a proportional basis, to the extent that the Company's audited net income for the fiscal years ending 2008 and 2009 is less than $30 million and $40 million, respectively; subject to a per share floor price of $5.00. Due to the Company not generating $30 million net income for the year ended December 31, 2008, the exercise price on the warrants was reduced to $5.00. Due to the re-pricing of the exercise price, the Company recorded financing cost of $22,782 which represents the difference between the fair value of the $5.00 exercise price and the original $10.00 exercise price. The fair value was determined by using the Black-Scholes pricing model with the following assumptions: expected life of 2.2 years, a risk free interest rate of 2.0%, a dividend yield of 0% and volatility of 102%.

The Warrants contain certain limitations on exercise. For example, they provide that no exercise may be made if, after giving effect to the exercise, the Investor would own in excess of 9.99% of the Company's outstanding shares of common stock. In addition, the Warrants provide that no exercise may be made if it would cause the Company to be in breach of its obligations under the rules and regulations of the Nasdaq Global Market, unless the Company obtains stockholder approval for such issuances as required by such rules and regulations.

The Warrants granted to the Investor on February 25, 2008 and conversion feature in the above Notes are not considered derivative instruments that need to be bifurcated from the original security since the Warrants and the Notes since the conversion price of the Notes have a floor of $5.00, which means the Company can determine the maximum shares that could be issued upon conversion. The Company determined the fair value of the detachable warrants issued in connection with the Notes to be $1,269,442, using the Black-Scholes option pricing model and the following assumptions: expected life of 1 year, a risk free interest rate of 2.10%, a dividend yield of 0% and volatility of 70%. In addition, the Company determined the value of the beneficial conversion feature to be $2,770,442. The combined total discount for the Notes is $4,039,885 and is being amortized over the term of the Notes. For the year ended December 31, 2008, the Company amortized $3,460,441of the aforesaid discounts as interest and financing costs in the accompanying consolidated statements of operations.

During the year ended December 31, 2008, $15,200,000 of the Notes were converted into 1,520,000 shares of common stock.

Note 5 – Stockholders' Equity

<u>Treasury Stock</u>

During the year ended December 31, 2008, the Company purchased 367,295 shares of its own common stock on the open market (treasury shares) for gross proceeds of $1,811,746. The Company has accounted for the purchase of these treasury shares using the cost method.

<u>2008 Transactions</u>

In February 2008, the Company entered into a Securities Purchase Agreement with Focus Trading Investments Limited, Advantage Consultants Limited, and CD Capital Investments, Ltd. In connection with a registered direct offering of securities providing for the issuance of 2,444,448 shares of the Company's common stock at a price of $9.00 per share for aggregate gross proceeds of $22,000,032. The Company paid commissions and expenses associated with this offering of $3,432,670. The Common Stock for the registered offering was issued pursuant to a prospectus supplement filed with the Commission on February 26, 2008, in connection with a shelf takedown from the Company's Registration Statement on Form S-3 (File No. 333-144386) which was declared effective by the Commission on January 11, 2008.

On April 16, 2008, the Company entered into a Securities Purchase Agreement with two institutional investors in connection with a registered direct offering of securities providing for the issuance of 625,000 shares of the Company's Common Stock at price of $16.00 per share for aggregate gross proceeds of $10,000,000. The Common Stock for the registered offering was issued pursuant to a prospectus supplement filed with the Commission on April 21, 2008, in connection with a shelf takedown from the Company's Registration Statement on Form S-3 (File No. 333-148386) which was declared effective by the Commission on January 11, 2008. The closing under the Securities Purchase Agreement took place on April 21, 2008. The placement agent for this transaction was Rodman & Renshaw, LLC, which received a fee of six percent (6%) of the gross proceeds, or $600,000. The Securities Purchase Agreement contains representations, warranties, and covenants of the Company and the Investors which are typical for transactions of this type.

On April 22, 2008, the Company entered into Securities Purchase Agreements with a group of 14 institutional investors in connection with a registered direct offering of securities providing for the issuance of 1,322,836 shares of the Company's common stock at price of $19.05 per share for aggregate gross proceeds of $25,200,026. The Common Stock for the registered offering was issued pursuant to a prospectus supplement filed with the Commission on April 24, 2008, in connection with a shelf takedown from the Company's Registration Statement on Form S-3 (File No. 333-148386) which was declared effective by the Commission on January 11, 2008. The closing under the Securities Purchase Agreements took place on April 24, 2008. The placement agent for the sale of 797,901 shares of Common Stock at an aggregate purchase price of $15,200,014.05 was Rodman & Renshaw, LLC, which received a fee of $638,401 (4.2% of the gross proceeds). Additionally, the Company paid a finder's fee of $350,000 to Advantage Consultants Limited in connection with the offering.

On December 28, 2008, the Company entered into Securities Purchase Agreements with four institutional investors in connection with a registered direct offering of securities providing for the issuance of 5,000,006 units (the "Units"), each consisting of one share of the Company's common stock, par value $0.001 and a warrant to purchase seven-tenths of one share of common stock at a purchase price of $1.75 per unit for aggregate gross proceeds of $8,750,010. The securities for the registered offering were issued pursuant to a prospectus supplement filed with the Securities and Exchange Commission on December 31, 2008, in connection with a shelf takedown from the Company's Registration Statement on Form S-3 (File No. 333-144386) which was declared effective by the Commission on January 11, 2008. The closing under the Securities Purchase Agreement took place on December 31, 2008. The placement agent for this transaction was Rodman & Renshaw, LLC, which received a cash fee of six percent (6%) of the gross proceeds, or $525,000, and warrants to purchase up to 300,000 shares of the Company's Common Stock. The warrants issued to Rodman & Renshaw, LLC have the same terms and are subject to the same limitations as the Warrants. The Warrants are exercisable in whole or in part beginning on June 30, 2009 and remain exercisable until June 30, 2014. The exercise price of the Warrants is $2.50 per share of the Company's common stock, subject to adjustment in certain circumstances, including merger, consolidation, sale of subsidiaries or significant assets, or recapitalization as set forth in the Warrant.

During the year ended December 31, 2008 the Company issued 91,934 shares upon the cashless exercise of 197,500 warrants. In addition, the Company received proceeds of $2,138,848 upon the exercise of 269,456 warrants.

<u>2007 Transactions</u>

On February 6, 2007, the Company's Board of Directors approved the sale of 2,750,000 units in a private placement offering. Each unit consisted of one common share and warrants to purchase common shares equal to 8% of the number of common shares subscribed. The warrants expire in three years and have an exercise price of $5.00 per share. On February 28, 2007, the Company received the minimum required placement of $3,000,000 USD of units of its securities consisting of shares of common stock and stock purchase warrants (8% warrant coverage) in a private placement exempt from registration under the Securities Act. A total of 1,000,000 units, each unit representing one share of the Company's common stock and a three year common stock purchase warrant, were sold through the end of business February 28, 2007. Each unit was priced at $3.00 with $3,000,000 in total having been received. Fees of (i) 8% of the securities placed payable in cash, and (ii) a number of common stock purchase warrants equal to 8% of the number of units placed were paid to participating selected dealers. The stock purchase warrants have a term of three years and are exercisable for one share of common stock at an initial exercise price of $5.00. The securities offered in the private placement were not registered under the Securities Act, or any state securities laws, and until so registered, could not be sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. In connection with the above mentioned private placement offering, the Company paid commissions and fees totaling $276,335.

On April 6, 2007, the Company sold an additional 712,753 units for $3.00 per unit for total proceeds of $2,138,259. Each unit represents one share of the Company's common stock and a three year common stock purchase warrant 8% coverage or (57,020 warrants). Fees of (i) 8% of the securities placed payable in cash, and (ii) a number of common stock purchase warrants equal to 8% of the number of units placed were paid to participating selected dealers and a finder. The stock purchase warrants have a term of three years and are exercisable for one share of common stock at an initial exercise price of $5.00. The securities offered in the private placement were not registered under the Securities Act, or any state securities laws, and unless so registered, could not be sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

On April 29, 2007, the Company sold an additional 564,000 units for $3.00 per unit for total proceeds of $1,692,000. Each unit represents one share of the Company's common stock and a three year common stock purchase warrant 8% coverage or 45,120 warrants). Fees of (i) 8% of the securities placed payable in cash, and (ii) a number of common stock purchase warrants equal to 8% of the number of units placed were paid to participating selected dealers and a finder. The stock purchase warrants have a term of three years and are exercisable for one share of common stock at an initial exercise price of $5.00. The securities offered in the private placement were not registered under the Securities Act, or any state securities laws, and unless so registered, could not be sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The value of the 364,280 warrants mentioned above of $664,717 was determined using the Black-Scholes pricing model with the following assumptions: discount rate - 5.0%; dividend yield - 0%; expected volatility - 50% and term of 3 years. The recording of the value of these warrants had no impact in the financial statements as the entry was to debit and credit additional paid in capital for the value of the warrants.

On June 22, 2007, the Company completed a private placement offering of units pursuant to which it sold 750,000 units at an offering price of $4.00 per unit for aggregate gross proceeds of $3,000,000. Each unit consisted of one share of common stock and a warrant to purchase 25% of one share of common stock (187,500). The warrants are exercisable for a period of three years at an exercise price of $5.60 per share. The Company compensated Four Tong Investments, Ltd. for assisting it in the sale of securities in this private placement offering by (i) paying them $240,000, plus (ii) issuing them warrants to purchase 60,000 shares of its common stock on the same terms and conditions as the warrants granted in the offering.

The value of the 247,500 warrants mentioned above of $546,511 was determined using the Black-Scholes pricing model with the following assumptions: discount rate - 5.0%; dividend yield - 0%; expected volatility - 50% and term of 3 years. The recording of the value of these warrants had no impact in the financial statements as the entry was to debit and credit additional paid in capital for the value of the warrants.

In connection with the private placement, the Company gave the investors registration rights whereby the Company was obligated to file a registration statement within 60 days of the final closing of the offering or be subject to non-registration penalties equal to 2% per month. The Company has filed the registration statement within 60 days of the closing and does not expect to incur any non-registration penalties. In addition, there were penalties if the registration statement was not effective within 180 days. The registration statement was declared effective by the Securities and Exchange Commission on October 25, 2007.

During the year ended December 31, 2007, one of the Company's subsidiaries received a $16,451 subsidy from the Chinese government which has been recorded directly to additional paid in capital.

Note 6 – Employee Common Welfare

The total expense for the employee common welfare was $207,709, $18,525 and $62,431 for the years ended December 31, 2008, 2007 and 2006, respectively. The Company has recorded welfare payable of $3,336 and $5,383 at December 31, 2008 and 2007, which is included in tax and welfare payable in the accompanying consolidated balance sheet. The Chinese government abolished the 14% welfare plan policy at the beginning of 2007. The Company is not required to establish welfare and common welfare reserves. The balance of welfare payable is remaining amount due under the welfare plan provided for prior to 2007.

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Note 7 – Statutory Common Welfare Fund

As stipulated by the Company Law of the People's Republic of China (PRC), net income after taxation can only be distributed as dividends after appropriation has been made for the following:

i. Making up cumulative prior years' losses, if any;

ii. Allocations to the "Statutory surplus reserve" of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital;

iii. Allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company's "Statutory common welfare fund", which is established for the purpose of providing employee facilities and other collective benefits to the Company's employees; and

iv. Allocations to the discretionary surplus reserve, if approved in the stockholders' general meeting.

Pursuant to the new Corporate Law effective on January 1, 2006, there is now only one "Statutory surplus reserve" requirement. The reserve is 10 percent of income after tax, not to exceed 50 percent of registered capital.

The Company has appropriated $2,483,829, $481,110 and $153,054 as reserve for the statutory surplus reserve and welfare fund for the years ended December 31, 2008, 2007 and 2006, respectively.

Note 8 – Stock Options and Warrants

Stock Options

Following is a summary of the stock option activity:

	Options outstanding	Weighted Average Exercise Price	Weighted average remaining contractual life	Aggregate Intrinsic Value
Outstanding, December 31, 2006	-	-		$ -
Granted	42,000	$ 7.00		
Forfeited	-	-		
Exercised	-	-		
Outstanding, December 31, 2007	42,000	$ 7.00	4.62	$ 80,620
Granted	185,000	$ 9.32		
Forfeited	(47,000)	$ 7.43		
Exercised	-	-		
Outstanding, December 31, 2008	180,000	$ 9.27	4.65	$ -
Exercisable, December 31, 2008	6,666	$ 8.85	3.92	$ -

The assumptions used in calculating the fair value of options granted using the Black-Scholes option- pricing model for options granted during the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Risk-free interest rate	3.0%	5.0%
Expected life of the options	5 years	5 years
Expected volatility	76%	34%
Expected dividend yield	0	0

The exercise price for options outstanding at December 31, 2008 is as follows:

Number of Options		Exercise Price
20,000	$	8.85
160,000	$	9.32
180,000		

For options granted during the year ended December 31, 2008 where the exercise price equaled the stock price at the date of the grant, the weighted-average fair value of such options was $5.81 and the weighted-average exercise price of such options was $9.32. No options were granted during the year ended December 31, 2008, where the exercise price was less than the stock price at the date of the grant or the exercise price was greater than the stock price at the date of grant. At December 31, 2008, the compensation costs related to nonvested options amounted to $822,417, which will be expensed through the third quarter of 2011.

Warrants

Following is a summary of the warrant activity:

Outstanding, December 31, 2006	-
Granted	611,787
Forfeited	-
Exercised	-
Outstanding, December 31, 2007	611,787
Granted	4,180,004
Forfeited	-
Exercised	(468,587)
Outstanding, December 31, 2008	4,323,204

The exercise price for warrants outstanding at December 31, 2008 is as follows:

Number of Options		Exercise Price
3,800,004	$	2.50
123,200	$	5.00
180,000	$	5.60
220,000	$	10.00
4,323,204		

Note 9 – Related Party Transactions

Sales to related parties amounted to $0, $0 and $170,069 for the years ended December 31, 2008, 2007 and 2006, respectively.

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Purchases from related parties amounted to $0, $0 and $708 for the years ended December 31, 2008, 2007 and 2006, respectively.

The parties are related through one common shareholder who is a majority shareholder in all the related entities.

Note 10 – Taxes

Local PRC Income Tax

Pursuant to the tax laws of China, general enterprises are subject to income tax at an effective rate of 25% for the year ended December 31, 2008 and 33% for the years ended December 31, 2007 and 2006.

A reconciliation of tax at United States federal statutory rate to provision for income tax recorded in the financial statements is as follows:

	For the Years Ended December 31,		
	2008	2007	2006
Tax provision (credit) at statutory rate	34%	34%	34%
Foreign tax rate difference	(9)%	(1)%	(1)%
S NOL for which no benefit is realized	(2)%	(2)%	(2)%
fect of tax holiday and waiver of current and prior year's tax liability	(20)%	(34)%	(40)%
	3%	(3)%	(9)%

In July 2006, as a result of an investment by a foreign investor in one of the Company's subsidiaries, the Company's subsidiary (Nanchang Best) became a Sino-Foreign Joint Venture. Pursuant to the Chinese income tax law, the Company's subsidiary became fully exempt from income tax for a period of two years from July 14, 2006 to July 14, 2008, followed by a reduced tax rate of 15% for the next three years. Concurrent with the exemption, the tax authorities waived approximately 3,400,000 RMB ($425,429) in taxes due.

On June 5, 2007, Shanghai Best received a tax exemption certificate from the local tax bureau and is exempt from income tax from January 1, 2007 to December 31, 2008, followed by a reduced tax rate of 15% for the next three years.

On April 25, 2007, Guangxi Huijie also received an exemption from income tax for the period from January 1, 2006 to December 31, 2008. The exemption was issued by the local government because Guangxi Huijie is located in a zone where the federal government encourages the establishment of new entities. However, a new income tax law came into effect on January 1, 2008, that eliminated Guangxi Huijie exemption from income tax. Effective January 1, 2008, Guangxi Huijie's income tax rate is 25%.

The effect of the change of tax status has been accounted for in accordance with SFAS No. 109, par. 28, which states that the effect of a change in tax status is computed as of the date of change and is included in the tax provision for continuing operations. Management believes that the local tax authorities would not have waived past taxes had it not been for the change in the Company's subsidiary's tax status.

If the Company had not been exempt from paying income taxes due to the Sino-Foreign Joint Venture described above, income tax expense for the year ended December 31, 2008 would have been approximately $4,384,000 and earnings per share would have been reduced from $0.54 to $0.42; income tax expense for the year ended December 31, 2007 would have been approximately $2,255,000 and earnings per share would have been reduced from $0.26 to $0.17 and income tax expense for the year ended December 31, 2006 would have been approximately $325,000 and earnings per share would have been reduced from $0.07 to $0.04.

The Company also has approximately $1.6 million in net operating loss carryforwards for United States tax purposes that begin to expire in 2021. A 100% valuation allowance has been made for the tax benefit of such net operating loss due to the uncertainty of its realization.

Note 11 – Acquisitions

Purchases of Hog Farms

On January 3, 2008, the Company acquired 70% of the issued and outstanding capital stock of Wannian Xiandai Animal Husbandry Limited Liability Co., a PRC company located in Jiangxi Province. The aggregate purchase price was 12,250,000 RMB, equivalent to $1,666,666 based on the exchange rate at the time of the acquisition. Under the terms of the transaction documents, the master lease position for the facilities remains with the shareholders of the selling party and the Company will lease the underlying facilities under a 10-year lease agreement. The lease agreement calls for semi-annual rent payments totaling 900,000 RMB (approximately $122,450) per year in exchange for use of the facilities.

On January 3, 2008, the Company acquired 70% of the issued and outstanding capital stock of Jiangxi Huyun Livestock Co., Ltd., a PRC company located in Jiangxi Province. The aggregate purchase price was 6,482,000 RMB, equivalent to $881,905 based on the exchange rate at the time of the acquisition. Under the terms of the transaction documents, the master lease position for the facilities remains with the shareholders of the selling party and the Company will lease the underlying facilities under a 10-year lease agreement. The lease agreement calls for semi-annual rent payments totaling 900,000 RMB (approximately $122,450) for the first year and 450,000 RMB (approximately $61,225) for every 10,000 hogs sold beginning in the second year and thereafter in exchange for use of the facilities.

On January 4, 2008, the Company acquired 60% of the issued and outstanding capital stock of Ganzhou Green Animal Husbandry Development Co., Ltd., a PRC company located in Jiangxi Province. The aggregate purchase price was 6,480,000 RMB, equivalent to $881,633 based on the exchange rate at the time of the acquisition. Under the terms of the transaction, the master lease position for the facilities remains with the shareholders of the selling party and the Company will lease the underlying facilities under a 10-year lease agreement. The lease agreement calls for semi-annual rent payments totaling 700,000 RMB (approximately $97,000) per year in exchange for use of the facilities.

On January 7, 2008, the Company acquired 100% of the hogs and stock of Gang Feng Animal Husbandry Co., Ltd., a PRC company located in Jiangxi Province. The aggregate purchase price was 4,820,000 RMB, equivalent to $655,782 based on the exchange rate at the time of the acquisition, Under the terms of the transaction, the master lease position for the facilities remains with the shareholders of the selling party and the Company will lease the underlying facilities under a 6.5-year lease agreement. The lease agreement calls for semi-annual rent payments totaling 450,000 RMB (approximately $61,225) per year in exchange for use of the facilities.

On January 9, 2008, the Company acquired 55% of the issued and outstanding capital stock of Yichun Tianpeng Domestic Livestock Farm, Ltd., a PRC company located in Jiangxi Province. The aggregate purchase price was 8,855,000 RMB, equivalent to $1,204,761 based on the exchange rate at the time of the acquisition. Under the terms of the transaction, the master lease position for the facilities remains with the shareholders of the selling party and the Company will lease the underlying facilities under a 10-year lease agreement. The lease agreement calls for semi-annual rent payments totaling 800,000 RMB (approximately $108,844) per year in exchange for use of the facilities.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Guangxi Nanning Wanghua Hog Farm, located in Guangxi Province, PRC from Fan Xianfang and Wu Yuhua for a purchase price of RMB26,030,000 (USD$3,722,300 based on the exchange rate at the time of the acquisition). Guangxi Nanning Wanghua Hog Farm has annual hog production capability of 36,000 hogs.

In April 2008, the Company acquired all of the equity interest, together with all of their assets, including existing rights for land use, pig houses, office buildings, power and water supply facilities, existing inventory of hogs, feed and veterinary drugs, in the Guangxi Guigang Gangda Hog Farm, located in Guangxi Province, PRC for a purchase price of RMB14,520,000 (USD$2,076,400 based on the exchange rate at the time of the acquisition). Guangxi Guigang Gangda Hog Farm has annual hog production capability of approximately 12,000 hogs.

In April 2008, the Company acquired all of the equity interest, together with all of their assets, including existing rights for land use, pig houses, office buildings, power and water supply facilities, existing inventory of hogs, feed and veterinary drugs, in the Guangxi Xingye Guihong Hog Farm, located in Guangxi Province, PRC, for a purchase price of RMB42,500,000 (USD$6,077,500 based on the exchange rate at the time of the acquisition). Guangxi Xinye Guihong Hog Farm has annual hog production capability of approximately 50,000 hogs.

In April 2008, the Company acquired all of the equity interest, together with all of their assets, including existing rights for land use, pig houses, office buildings, power and water supply facilities, existing inventory of hogs, feed and veterinary drugs, in the Hainan Haikou Meilan Hog Farm, located in Hainan Province, PRC, for a purchase price of RMB14,700,000 (USD$2,102,100 based on the exchange rate at the time of the acquisition). Hainan Haikou Meilan Hog Farm has annual hog production capability of approximately 21,500 hogs.

In April 2008, the Company acquired all of the equity interest, together with all of their assets, including existing rights for land use, pig houses, office buildings, power and water supply facilities, existing inventory of hogs, feed and veterinary drugs, in the Hainan Haikou Wohao Hog Farm, located in Hainan Province, PRC, for a purchase price of RMB15,200,000 (USD$2,173,600 based on the exchange rate at the time of the acquisition). Hainan Haikou Wohao Hog Farm has annual hog production capability of approximately 20,000 hogs.

In April 2008, the Company acquired ninety percent (60%) of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Guangxi Guilin Fuzhi Hog Farm, located in Guangxi Province, PRC, for a purchase price of RMB12,000,000 (USD$1,716,000 based on the exchange rate at the time of the acquisition). Guangxi Guilin Fuzhi Hog Farm has annual hog production capability of approximately 20,000 hogs.

In April 2008, the Company acquired eighty percent (80%) of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Guangdong Lianjiang Xinfa Hog Farm, located in Guangdong Province, PRC, for a purchase price of RMB11,000,000 (USD$1,573,000 based on the exchange rate at the time of the acquisition). Guangdong Lianjiang Xinfa Hog Farm has annual hog production capability of approximately 22,000 hogs.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Zhejiang Pinghu Yongxin Hog Farm, located in Zhejiang Province, PRC for a purchase price of RMB10,480,000 (USD$1,498,600 based on the exchange rate at the time of the acquisition). Zhejiang Pinghu Yongxin Hog Farm has annual hog production capability of approximately 11,000 hogs.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Shanghai Fengxian Hog Farm, located in Shanghai City, PRC, for a purchase price of RMB35,000,000 (USD$5,005,000 based on the exchange rate at the time of the acquisition). Shanghai Fengxian Hog Farm has annual hog production capability of approximately 32,000 hogs.

AgFeed Industries, Inc. and Subsidiaries
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For the Years Ended December 31, 2008 and 2007

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Shanghai Tuanxi Hog Farm, located in Shanghai, PRC, for a purchase price of RMB7,000,000 (USD$1,001,000 based on the exchange rate at the time of the acquisition). Shanghai Tuanxi Hog Farm has annual hog production capability of approximately 8,500 hogs.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Shanghai Senrong Hog Farm, located in Shanghai, PRC, for a purchase price of RMB30,000,000 (USD$4,290,000 based on the exchange rate at the time of the acquisition). Shanghai Senrong Hog Farm has annual hog production capability of approximately 30,000 hogs.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Fujian Xiamen Muxin Hog Farm, located in Xiamen City, PRC, for a purchase price of RMB29,320,000 (USD$4,192,800 based on the exchange rate at the time of the acquisition). Fujian Xiamen Muxin Hog Farm has annual hog production capability of approximately 50,000 hogs.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Xiamen Yuanshengtai Food Co., Ltd., a hog farm located in Fujian Province, PRC, for a purchase price of RMB26,200,000 (USD$3,746,600 based on the exchange rate at the time of the acquisition). Xiamen Yuanshengtai Food Co. has annual hog production capability of approximately 38,000 hogs.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Fujian Jianhua Hog Farm, located in Fujian Province, PRC, for a purchase price of RMB32,000,000 (USD$4,576,000 based on the exchange rate at the time of the acquisition). Fujian Jianhua Hog Farm has annual hog production capability of approximately 34,000 hogs.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in Fujian Fengxiang Agribusiness Co., Ltd., a hog farm locatedin Fujian Province, PRC, for a purchase price of RMB8,100,000 (USD$1,158,300 based on the exchange rate at the time of the acquisition). Fujian Fengxiang Agribusiness has annual hog production capability of approximately 10,000.

In April 2008, the Company acquired all of the equity interest, as well as the inventory of hogs, feed and veterinary drugs, in the Jiangxi Zhiliang Hog Farm, located in Jiangxi Province, PRC, for a purchase price of RMB8,000,000 (USD$1,144,000 based on the exchange rate at the time of the acquisition). Jiangxi Zhiliang Hog Farm has annual hog production capability of approximately 10,000 hogs.

In May 2008, the Company acquired all of the equity interest in Nanping Kangda Animal Husbandry Co., Ltd., a hog farm located in Fujian Province, PRC, for a purchase price of RMB5,821,000 (USD$838,664 based on the exchange rate at the time of the acquisition). Nanping Kangda Animal Husbandry Co., Ltd. has annual hog production capability of approximately 12,000 hogs.

In May 2008, the Company acquired all of the equity interest in Fujian Jianxi Breeder Hog Farm Co., Ltd., a breeder hog farm located in Fujian Province, PRC, for a purchase price of RMB16,338,166 (USD$2,353,931 based on the exchange rate at the time of the acquisition). Fujian Jianxi Breeder Hog Farm Co., Ltd. has annual hog production capability of approximately 8,000 breeder hogs and 13,000 meat hogs.

In June 2008, the Company acquired all of the equity interest in Shanghai WeiSheng Hog Raising Co., Ltd.(“Shanghai Weisheng”), a hog farm located in Shanghai City, PRC, for a negotiated purchase price of RMB12,820,000 (USD$1.87 million based on the exchange rate at the time of the acquisition). Shanghai Weisheng has annual hog production capability of approximately 15,000 hogs.

On September 8, 2008, the Company acquired all of the equity interest in a hog farm located in the Fujian Province, PRC, for a negotiated purchase price of RMB9,865,000 (US$1,441,451 based on the exchange rate at the time of the acquisition). The acquired farm has annual hog production capability of approximately 13,500 hogs, with existing facilities for additional expansion.

In addition on September 8, 2008, the Company acquired the remaining 30% equity interest in Wannian Xiandai Animal Husbandry Limited Liability Co. for a negotiated purchase price of RMB6,012,500 (US$878,532 based on the exchange rate at the time of the acquisition).

On September 10, 2008, the Company acquired of all of the equity interest in a hog farm located in the Guangxi Province, PRC, for a negotiated purchase price of RMB9,256,000 (US$1,354,206 based on the exchange rate at the time of the acquisition). This farm has annual hog production capability of approximately 12,500 hogs, with existing facilities for additional expansion.

On September 10, 2008, the Company acquired of all of the equity interest in a hog farm located in the Guangxi Province, PRC, for a negotiated purchase price of RMB8,569,000 (US$1,253,694 based on the exchange rate at the time of the acquisition). This farm has annual hog production capability of approximately 11,000 hogs, with existing facilities for additional expansion.

On October 28, 2008, the Company, completed the acquisition of all of the equity interest in a commercial producing hog farm located in the Guangxi Province, PRC for a negotiated purchase price of RMB7,850,000 (US$1,147,913 based on the exchange rate based on the exchange rate at the time of the acquisition). On October 29, 2008, the Company completed the acquisition of all of the equity interest in a second commercial producing hog farm located in the Guangxi Province, PRC for a negotiated purchase price of RMB8,260,000 (US$1,207,777 based on the exchange rate on October 29, 2008). These two farms have an aggregate annual hog production capability of approximately 29,000 hogs, with existing facilities for additional expansion.

Acquisition of Feed Company

In June 2008, the Company acquired all of the equity interest in Hainan HopeJia Feed Co., Ltd. ("HopeJia"), located in the Hainan province of the PRC. for a negotiated purchase price of RMB28,600,000 or approximately US$4.16 million based on the exchange rate at the time of the acquisition.

The hog farms and feed company were purchased as part of the Company’s strategic growth plan.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the exchange rates at the date of acquisition.

Cash	$ 95,573
Accounts receivable	388,384
Other receivables	20,795
Inventory	9,300,800
Other assets	353,753
Property and equipment	16,102,598
Construction in process	1,375,372
Intangible assets	41,164,296
Accounts payable	(318,197)
Other payables	(389,602)
Minority Interest	(508,150)
	$67,585,622

The intangible asset related to the purchase of the hog farms is a preliminary allocation that is subject to change upon the completion of a formal appraisal.

The following pro forma financial information presents the consolidated operations of the Company as if the 30 above mentioned acquisitions had occurred on January 1, 2007.

For the year ended December 31, 2008 and 2007:

	2008	2007
Net Revenue	$149,863,158	$60,915,880
Gross profit	$ 36,206,682	$16,218,816
Income from operations	$ 26,109,067	$10,721,020
Minority Interest in Subsidiaries	$ 421,519	$ 73,925
Net income	$ 18,209,692	$10,708,965
Basic earnings per share	$ 0.58	$ 0.41

Acquisition of Lushan Breeder Pig Farm Co., Ltd.

On November 6, 2007, the Company entered into a Stock Purchase Agreement with Lushan Breeder Pig Farm Co., Ltd. ("Lushan"), a Peoples Republic of China company located in HuaLin Town of XingZi County in Jiangxi Province, Peoples Republic of China, Huaping Yang and Hongyun Luo, the holders of ninety percent (90%) of the issued and outstanding capital stock of Lushan. Under the terms of the Stock Purchase Agreement, the Company agreed to purchase 90% of the issued and outstanding capital stock of Lushan from Hongyun Luo for an aggregate purchase price of 20,112,020 RMB, equivalent to $2,699,600. In addition, under the terms of the Stock Purchase Agreement, the Company assumed 4,919,980 RMB equivalent to $660,400 of indebtedness owed by Lushan. The Company assigned the Shares to Nan Chang Best Animal Husbandry Co., Ltd, its wholly owned subsidiary. The Company purchased Lushan to expand its operations into the pre-mix fodder blended feed and feed additives for use in the pork husbandry market as well as raising, breeding and the sale of pigs.

The operating results of Lushan are included in the accompanying consolidated statements of operations from the acquisition date. For convenience of reporting the acquisition for accounting purposes, November 1, 2007 has been designated as the acquisition date.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

Cash	$ 661,216
Accounts receivable	7,663
Other receivables	11,544
Inventory	896,848
Advances to related parties	190
Other current assets	611
Property and equipment	1,784,049
Construction-in-process	709,563
Intangible assets	2,513
Accounts payable	(106,070)
Other payables	(597,603)
Unearned revenue	(7,468)
Tax and welfare payable	(3,056)

Purchase price	$3,360,000

Acquisition of Guangxi Huijie Sci. & Tech. Feed Co, Ltd

On December 20, 2006, the Company completed its acquisition of Guangxi Huijie. The Company acquired 100% of Guangxi Huijie's issued and outstanding shares of common stock for $1,100,420 which was paid in cash. Guangxi Huijie is engaged in the research & development, manufacture, marketing, distribution and sale of premix fodder blended feed and feed additives primarily for use in China's domestic pork husbandry market. Guangxi Huijie operates a production plant in Nanning City and sells to distributors and large-scale swine farms. The Company acquired Guangxi Huijie as part of its strategic growth plan.

The operating results of Guangxi Huijie are included in the accompanying consolidated statements of operations from the acquisition date. For convenience of reporting the acquisition for accounting purposes, December 31, 2006 has been designated as the acquisition date. Net income for the 11 days from December 20, 2006 to December 31, 2006 was approximately $31,000.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition. The fair values are based on third-party valuation.

Cash	$ 151,990
Accounts receivable	473,976
Other receivables	166,741
Inventory	290,184
Other current assets	57,809
Property and equipment	614,510
Intangible assets	464,246
Accounts payable	(218,131)
Notes payable	(115,326)
Advances from related party	(737,827)
Other current liabilities	(47,752)
Purchase price	$1,100,420

Note 12 – Segment Information

The Company's predominant businesses are the research and development, manufacture, marketing, distribution, and sale of pre-mix fodder blended feed and feed additives primarily for use in China's domestic pork husbandry market and the raising, breeding, and selling of pigs. The Company operates in four segments: Shanghai, Guangxi, Nanchang, and hog farms.

Shanghai is located in the Qingcun Town, Fengxian district, Shanghai and sells its products to approximately 535 customers, consisting of 329 distributors and 206 large scale pig farms. Guangxi is located in Coastal Industrial Park, Liangqin district, Nanning city, Guangxi Province and sells its products to approximately 616 customers, consisting of 427 distributors and 189 large scale pig farms. Nanchang is located in Chang Bei District Industrial Park, in Nanchang, Jiangxi province and sells its products to approximately 607 customers, consisting of 405 distributors and 202 large scale pig farms. The hog farms are engaged mainly in raising, breeding, and sale of pigs all over the country and are located in the PRC provinces of Jiangxi, Shanghai, Hainan, Guangxi and Fujian.

The following tables summarize segment information for the years ended December 31, 2008, 2007 and 2006:

	Years Ended December 31,		
	2008	2007	2006
Revenues from unrelated entities			
Shanghai	$ 18,063,213	$ 9,659,457	$3,180,407
Guangxi	13,698,616	11,048,487	-
Nanchang	19,983,515	15,366,849	5,414,469
Hog farms	91,916,141	88,546	-
	$143,661,485	$36,163,339	$8,594,876
Intersegment revenues			
Shanghai	$ 1,193,171	$ -	$ 182,564
Guangxi	4,116,154	-	-
Nanchang	2,865,221	2,280,320	708
Hog farms	1,518,230	-	-
	$ 9,692,776	$ 2,280,320	$ 183,272
Total Revenues			
Shanghai	$ 19,256,384	$ 9,659,457	$3,362,971
Guangxi	17,814,770	11,048,487	-
Nanchang	22,848,736	17,647,169	5,415,177
Hog farms	93,434,371	88,546	-
Less Intersegment revenues	(9,692,776)	(2,280,320)	(183,272)
	$143,661,485	$36,163,339	$8,594,876
Income from operations			
Shanghai	$ 3,688,912	$ 1,737,962	$ 516,364
Guangxi	959,795	2,224,098	-
Nanchang	3,131,770	2,807,786	846,243
Hog farms	18,041,498	847	-
Holding Company	(1,081,044)	(449,922)	(328,713)
	$ 24,740,931	$ 6,320,771	$1,033,894
Interest income			
Shanghai	$ 2,825	$ 1,092	$ 262
Guangxi	24,830	2,738	-
Nanchang	63,331	22,640	28,589
Hog farms	20,405	56	-
Holding Company	79,574	115,622	-
	$ 190,965	$ 142,148	$ 28,851

Interest and financing costs			
Shanghai	$ 4,045	$ -	$ -
Guangxi	8,465	33,597	-
Nanchang	27,351	61,078	23,532
Hog farms	22	28,468	-
Holding Company	5,664,475	30,580	-
	$ 5,704,358	$ 153,723	$ 23,532
Income tax expense (benefit)			
Shanghai	$ -	$ (152,108)	$ 171,370
Guangxi	338,795	(41,095)	-
Nanchang	248,428	-	(271,756)
Hog farms	-	-	-
Holding Company	-	-	-
	$ 587,223	$ (193,203)	$ (100,386)
Net Income			
Shanghai	$ 3,689,684	$1,904,894	$ 358,671
Guangxi	483,279	2,263,795	-
Nanchang	2,517,285	2,887,001	1,145,322
Hog farms	16,923,585	(27,915)	-
Holding Company	(6,665,018)	(364,880)	(328,713)
	$16,948,815	$6,662,895	$1,175,280
Provision for depreciation			
Shanghai	$ 21,834	$ 25,624	$ 74,347
Guangxi	40,047	46,177	-
Nanchang	59,932	81,529	26,122
Hog farms	1,459,030	(12,820)	-
	$ 1,580,843	$ 140,510	$ 100,469

	As of December 31,	
	2008	**2007**
Total Assets		
Shanghai	$ 8,633,418	$ 3,206,606
Guangxi	14,356,062	4,652,914
Nanchang	8,087,484	13,312,356
Hog farms	96,454,117	693,893
Holding Company	9,524,055	1,204,495
	$137,055,136	$23,070,264

Note 13 – Commitments and Contingencies

At December 31, 2008, the Company had commitments to expend $7,372,875 in connection to building construction currently in process and $984,804 in connection with the growing of breeder hogs.

Note 14 – Selected Quarterly Data (unaudited)

	Quarterly Periods Ended			
	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008
Net Revenue	$12,147,084	$35,635,327	$ 49,426,274	$ 46,452,800
Gross Profit	$ 3,432,961	$11,034,825	$ 12,302,216	$ 7,666,918
Income from operation	$ 1,725,118	$ 8,772,157	$ 9,310,399	$ 4,933,257
Other income (expense)	$ (515,511)	$ (4,566,771)	$ (828,031)	$ (873,062)
Net income	$ 919,297	$ 3,921,513	$ 8,216,155	$ 3,891,850
Earnings per share (basic)	$ 0.03	$ 0.12	$ 0.25	$ 0.13

	Quarterly Periods Ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
Net Revenue	$ 4,978,295	$ 6,891,153	$ 11,888,283	$ 12,405,608
Gross Profit	$ 1,543,206	$ 2,009,926	$ 3,243,065	$ 3,603,663
Income from operation	$ 977,891	$ 1,220,524	$ 2,057,364	$ 2,064,992
Other income (expense)	$ (23,412)	$ 24,719	$ 17,515	$ 130,099
Net income	$ 779,181	$ 1,461,002	$ 2,075,174	$ 2,347,538
Earnings per share (basic)	$ 0.03	$ 0.06	$ 0.08	$ 0.09

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, we have duly caused this Annual Report to be signed on our behalf by the undersigned, thereunto duly authorized on the 16th day of March, 2009.

AgFeed Industries Inc.

By: /s/ Junhong Xiong
Junhong Xiong
Chief Executive Officer, President,
Director and Vice Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report has been signed below by the following persons on behalf of AgFeed and in the capacities and on the dates indicated. The undersigned hereby appoints Songyan Li and Junhong Xiong, each with full power of substitution, as his true and lawful attorney-in-fact and agent, for him and in his name and place, to sign the name of the undersigned in the capacity or capacities indicated below to the Annual Report of AgFeed Industries, Inc. on Form 10-K for the year ended December 31, 2008 and any and all amendments to such Form 10-K and to file the same, with all exhibits thereto and other documents in connection therewith, with all necessary or appropriate governmental or other entities, including, but not limited to, the Securities and Exchange Commission and the NASDAQ Stock Market LLC, granting to such attorney-in-fact and agent full power and authority to perform each act necessary to be done as fully to all intents and purposes as he might do in person, hereby ratifying and confirming all that such attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ Junhong Xiong Junhong Xiong	irector, President, Chief Executive Officer and Vice Chairman	March 16, 2009

/s/ Liangfan Yan Liangfan Yan	ıief Financial Officer and Chief Accounting Officer	March 16, 2009
/s/ Songyan Li Songyan Li	ıairman of the Board and Director	March 16, 2009
/s/ Lixiang Zhang Lixiang Zhang	Director	March 16, 2009
/s/ Fredric W. Rittereiser Fredric W. Rittereiser	Director	March 16, 2009
/s/ Arnold Staloff Arnold Staloff	Director	March 16, 2009

EXHIBIT INDEX

Exhibit No.	Description
2.1	Share Purchase Agreement with Nanchang Best and each of Nanchang Best's shareholders (incorporated by reference to Exhibit 2.1 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on November 6, 2006)
2.2	Share Purchase Agreement with Shanghai Best and each of Shanghai Best's shareholders (incorporated by reference to Exhibit 2.2 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on November 6, 2006)
3(i).1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 of AgFeed's Registration Statement on Form SB-2 (Commission File No. 333-126674) filed with the SEC on July 18, 2005)
3(i).2	Articles of Merger dated November 14, 2006 pursuant to which AgFeed Industries, Inc. was merged into Wallace Mountain Resources Corp. and the name of the surviving entity was changed to AgFeed Industries, Inc. (incorporated by reference to Exhibit 3.3 of AgFeed's Registration Statement on Form SB-2 (Commission File No. 333-144131), filed with the SEC on June 28, 2007)
3(ii).1	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on May 15, 2007)
4.1	Specimen common stock certificate (incorporated by reference to Exhibit 4 of AgFeed's Annual Report on Form 10-KSB (Commission File No. 001-33674) filed with the SEC on March 13, 2007)
4.2	Form of Common Stock Purchase Warrant forming part of units sold, and also issued as compensation to selected dealers in our private placement offering that had a final closing in April 2007 (incorporated by reference to Exhibit 4.2 of AgFeed's Amended Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on August 17, 2007)
4.3	Form of Registration Rights Agreements dated February 2007 (incorporated by reference to Exhibit 4.3 of AgFeed's Amended Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on August 17, 2007)
4.4	Form of Common Stock Purchase Warrant forming part of units sold and also issued as compensation to selected dealers in our June 2007 private placement offering (incorporated by reference to Exhibit 4.4 of AgFeed's Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on June 28, 2007)

4.5	Registration Rights Agreement dated as of June 22, 2007 by and between AgFeed and Apollo Asia Opportunity Master Fund, L.P. (incorporated by reference to Exhibit 4.5 of AgFeed's Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on June 28, 2007)
10.1	Share Purchase Agreement dated December 20, 2006 among AgFeed, Guangxi Huijie and the shareholders of Guangxi Huijie (incorporated by reference to Exhibit 10.1 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on December 20, 2006)
10.2	Promissory Note of AgFeed payable to order of Sunrise Capital International, Inc. in the amount of 8,600,000 RMB (incorporated by reference to Exhibit 10.2 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on December 26, 2006)

10.3	Form of Subscription Package for private placement offering that had final closing on April 29, 2007 (incorporated by reference to Exhibit 10.5 of AgFeed's Amended Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on August 17, 2007)
10.4	Subscription Agreement by and between AgFeed and Apollo Asia Opportunity Master Fund, L.P. dated June 22, 2007 (incorporated by reference to Exhibit 10.6 of AgFeed's Amended Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on August 17, 2007)
10.5	Stock Purchase Agreement as of November 6, 2007 by and among AgFeed, Lushan and Huaping Yang and Hongyun Luo, being the holders of ninety percent of the issued and outstanding shares of Lushan (incorporated by reference to Exhibit 10.1 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on November 9, 2007)
10.6	Securities Purchase Agreement, dated February 25, 2008, by and among Agfeed and the certain investors listed on the Schedule of Buyers to such Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.7	Form of Registration Rights Agreement dated February 2008 (incorporated by reference to Exhibit 10.2 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.8	Form of Senior Convertible Note dated February 2008 (incorporated by reference to Exhibit 10.3 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.9	Form of Warrant dated February 2008 (incorporated by reference to Exhibit 10.4 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.10	Equity Securities Purchase Agreement, dated February 25, 2008, by and among Agfeed and the certain investors listed on the Exhibit A to such Equity Securities Purchase Agreement (incorporated by reference to Exhibit 10.5 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.11	Securities Purchase Agreement, dated April 16, 2008, by and between AgFeed and certain investors named on Exhibit A thereto (incorporated by reference to Exhibit 10.13 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on April 22, 2008)
10.12	Securities Purchase Agreement, dated April 22, 2008, by and between AgFeed and certain investors named on Exhibit A thereto (incorporated by reference to Exhibit 10.14 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on April 29, 2008)

10.13	Securities Purchase Agreement, dated April 22, 2008, by and between AgFeed and certain investors named on Exhibit A thereto (incorporated by reference to Exhibit 10.15 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on April 29, 2008)
10.14	Employment Agreement, dated as of the 19th day of August, 2008, by and between Nanchang Best Animal Husbandry Co., Ltd. and Gerard Daignault (incorporated by reference to Exhibit 10.16 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on August 20, 2008)

10.15	AgFeed Industries, Inc. 2008 Long-Term Incentive Plan (incorporated by reference to Appendix A of AgFeed's Definitive Proxy Statement filed with the SEC on April 29, 2008 (Commission File No. 001-33674))
10.16	Securities Purchase Agreement, dated as of December 28, 2008, by and between AgFeed and each of certain Investors (incorporated by reference to Exhibit 10.18 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on January 9, 2009)
10.17	Form of Common Stock Purchase Warrant, dated December 31, 2008 (incorporated by reference to Exhibit 10.19 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on January 9, 2009)
21.1	List of Subsidiaries
23.1	Consent of Goldman Parks Kurland Mohidin, LLP, independent registered public accounting firm.
24.1	Power of Attorney (included in signature page)
31.1	Certification of the Company’s Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Company’s Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Company’s Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Company’s Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EX-21.1 3 v142776_ex21-1.htm

Exhibit 21.1

Direct and Indirect Subsidiaries of AgFeed Industries, Inc.*

NAME OF SUBSIDIARY	PERCENT OWNERSHIP
Nanchang Best Animal Husbandry Co., Ltd.	100
Shanghai Best Animal Husbandry Co., Ltd.	100
Guangzxi Huijie Sci. & Tech. Feed Co., Ltd.	100
Shandong AgFeed Agribusiness Co., Ltd.	100
Hainan HopeJia Feed Co., Ltd.	100
Lushan Breeder Pig Farm Co., Ltd.	90
Jiangxi Best Swine Development Co.	100
Wannian Xiandai Animal Husbandry Limited Liability Co.	100
Jiangxi Huyun Livestock Co., Ltd.	70
Ganzhou Green Animal Husbandry Develop. Co., Ltd.	60
Gang Feng Animal Husbandry Co., Ltd.	100
Yichun Tianpeng Domestic Livestock Farm, Ltd.	55
Zhejiang Pinghu Yongxin Hog Farm	100
Shanghai Fengxian Hog Farm	100
Shanghai Tuanxi Hog Farm	100
Shanghai Senrong Hog Farm	100
Fujian Xiamen Muxin Hog Farm	100
Xiamen Yuanshengtai Food Co., Ltd.	100
Jiangxi Zhiliang Hog Farm	100
Shanghai WeiSheng Hog Raising Co., Ltd.	100
Nanping Minkang Hog Farm	100
Guangdong Lianjiang Xinfa Hog Farm	100
Guangxi Nanning Wanghua Hog Farm	100
Guangxi Linxing Hog Farm	100
Nanning Shunhua Hog Farm Co., Ltd.	100
Nanning Shunan Hog Farm Co., Ltd.	100
Guangxi Guigang Gangda Hog Farm	100
Guangxi Gangxuan Hog Farm Co., Ltd.	100
Guangxi Xingye Guihong Hog Farm	100
Hainan Haikou Meilan Hog Farm	100
Hainan Haikou Wohao Hog Farm	100
Guangxi Guilin Fuzhi Hog Farm	100
Fujian Jianhua Hog Farm	100
Fujian Fengxiang Agribusiness Co., Ltd.	100
Nanping Kangda Animal Husbandry Co., Ltd.	100
Fujian Jianxi Breeder Hog Farm Co., Ltd.	100

* All subsidiaries are organized and existing under the laws of the People's Republic of China

EX-23.1 4 v142776_ex23-1.htm

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Registration No. **333-156493**) and the Registration Statement on Form S-3 (Registration No. 333-148386) of our report dated March 12, 2009 relating to the financial statements and effectiveness of internal control over financial reporting of AgFeed Industries, Inc. (the "Company") which appear in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

/s/ Goldman Parks Kurland Mohidin LLP
Goldman Parks Kurland Mohidin LLP
Encino, California
March 16, 2009

EX-31.1 5 v142776_ex31-1.htm

Exhibit 31.1

CERTIFICATION

Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Junhong Xiong, certify that:

1. I have reviewed this Annual Report on Form 10-K of AgFeed Industries, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2009

By: /s/ Junhong Xiong
Name: Junhong Xiong
Title: Chief Executive Officer

EX-31.2 6 v142776_ex31-2.htm

Exhibit 31.2

CERTIFICATION
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Liangfan Yan, certify that:

1. I have reviewed this Annual Report on Form 10-K of AgFeed Industries, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 16, 2009

By: /s/ Liangfan Yan
Name: Liangfan Yan
Title: Chief Financial Officer

EX-32.1 7 v142776_ex32-1.htm

EXHIBIT 32.1

CERTIFICATION
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of AgFeed Industries, Inc. (the “Company”) for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Junhong Xiong, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2009	By: /s/ Junhong Xiong
	Name: Junhong Xiong
	Title: Chief Executive Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EX-32.2 8 v142776_ex32-2.htm

EXHIBIT 32.2

CERTIFICATION
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K of AgFeed Industries, Inc. (the “Company”) for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Liangfan Yan, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2009	By: /s/ Liangfan Yan
	Name: Liangfan Yan
	Title: Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 2

10-K/A 1 v148044_10ka.htm

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K/A
(Amendment No. 1)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to _____________

Commission File No. 001-33674

AgFeed Industries, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Nevada	**20-2597168**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

Rm. A1001-1002, Tower 16
Hengmao Int'l Center
333 S. Guangchang Rd.
Nanchang, Jiangxi Province, PRC 330003
(Address of Principal Executive Offices, including zip code)

011-86-0791-6669093
(Registrant's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

Common Stock, $0.001 par value	**The Nasdaq Stock Market LLC**
(Title of each class)	**(Name of each exchange on which registered)**

Securities registered under Section 12(g) of the Exchange Act: None

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☐		Accelerated filer ☒
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

On March 10, 2009, 38,300,436 shares of the registrant's common stock were outstanding.

The aggregate market value of the voting stock held by non-affiliates as of June 30, 2008 was approximately $280,527,067.

Documents Incorporated by Reference: None

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EXPLANATORY NOTE

The Annual Report on Form 10-K for the year ended December 31, 2008 (the "Original Filing") for AgFeed Industries, Inc. was filed with the Securities and Exchange Commission (the "SEC") on March 16, 2009. This Amendment No. 1 on Form 10-K/A (this "Amendment") is filed for the purpose of providing the information required by Items 10 through 14 of Part III of Form 10-K which had previously been omitted from the Original Filing in reliance on General Instruction G(3) to Form 10-K. The reference on the cover of the Original Filing to the incorporation by reference of AgFeed's 2009 Annual Meeting Proxy Statement into Part III of the Original Filing has been deleted, and Items 10 through 14 and 15(a)(3) of the Original Filing have been amended and restated in their entirety. Capitalized terms used but not otherwise defined in this Amendment have the meanings given in the Original Filing. Except as expressly set forth in this Amendment, the Original Filing has not been amended, updated or otherwise modified.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Executive Officers and Directors

The following sets forth certain biographical information concerning our directors and executive officers as of April 25, 2009:

Songyan Li , PhD	42	Dr. Li has served as our executive Chairman and as Chairman of our board of directors since December 2006 and as our Chief Technology Officer since April 2009. Dr. Li served as chairman of the boards of Nanchang Best and Shanghai Best from July 2004 to December 2006. As one of the original founders of Nanchang Best, Mr. Li served as the manager of the Technical Research and Development Department of Nanchang Best from 1995 to July 2004. Prior to that, he worked as the technical manager in Guangxi Peter Hand Premix Feed Company, a Chinese subsidiary of global animal nutrition conglomerate Provimi S.A. from 1991 to 1994. He received his Ph.D. in Animal Nutrition from Nanjing Agricultural University in 2004.
Fredric W. Rittereiser	72	Mr. Rittereiser joined our board of directors in November 2007. From October 1996 until retiring in 2002, Mr. Rittereiser served as chairman of the board and chief executive officer of Ashton Technology Group, Inc., a company that develops and commercializes online transaction systems for the financial industry. Mr. Rittereiser has served on the board of directors of SmartHeat Inc., a manufacturer of plate heat exchanger products, since 2008.
Arnold Staloff	64	Mr. Staloff joined our board of directors in November 2007. From December 2005 to May 2007, Mr. Staloff served as chairman of the board of SFB Market Systems, Inc., a New Jersey-based company that provides technology solutions for the management and generation of options series data. From March 2003 to December 2005, Mr. Staloff was an independent consultant. From June 1990 to March 2003, Mr. Staloff served as president and chief executive officer of Bloom Staloff Corporation, an equity and options market-making firm and foreign currency options floor broker. Mr. Staloff served as a director for Lehman Brothers Derivative Products Inc. from 1994 until October 2008. Mr. Staloff has served on the boards of directors of Shiner International, Inc., a packaging and anti-counterfeit plastic film company, since 2007 and SmartHeat Inc. since 2008.
Junhong Xiong	38	Mr. Xiong joined our board of directors in November 2006 and has served as our Chief Executive Officer and Vice Chairman since that time. Mr. Xiong has also served as chief executive officer of Nanchang Best since its founding in 1995. Prior to that, Mr. Xiong worked for Guangzhou Huashi Animal Nutritionals Company as a sales representative, sales manager, and head of marketing from 1993 to 1995. He was a technician at the Chongming Progressing Farm Company in Shanghai from 1992 to 1993. Mr. Xiong graduated from Animal Husbandry & Veterinary College in Jiangxi Agricultural University and received a Bachelors Degree in 1992.

Lixiang Zhang, PhD	42	Dr. Zhang joined our board of directors in May 2007. Dr. Zhang is a leading expert in animal nutritional science and management consulting in China. Dr. Zhang is a professor of Agricultural Management and has served as the assistant dean of the College of Agricultural Development at Renmin University of China since July 2003. In 2006, Dr. Zhang was awarded the title of Excellent Teacher by Renmin University. In 2005, he was named a Top Ten Enterprise Strategist by the Chinese government. In 2004, Dr. Zhang was named a Top Ten Best Management Consulting Expert by the Chinese Government. In 2002, he was awarded the top prize for Innovative Management Science by the Chinese

		Ministry of Commerce. Dr. Zhang has authored over 60 books and articles on the topics of agricultural science and management science. He has conducted management training programs for global companies including SONY, Panasonic, General Motors, Motorola, China Life Insurance, China Telecom among others. Dr. Zhang received a PhD in Management Science from Renmin University in 2003.
Selina Jin	34	Ms. Jin was appointed our chief financial officer on April 15, 2009. Ms. Jin joined AgFeed as its assistant chief financial officer in June 2008. Prior to joining AgFeed, Ms. Jin was employed as chief financial officer of Changsha Zhan Hong Energy Chemical Co. Ltd. from 2004 to 2006. From 2003 to 2004, Ms. Jin was assistant chief executive officer at Citia International Ltd. N. Z., Ms. Jin was an assistant professor in the Business School of Central South University from 1997 to 2003. Ms. Jin received her bachelor’s degree in accounting from Hunan University in 1997 and her Master of Business Administration in Finance and Accounting from Shanghai University of Financial and Economics in 2008. Ms. Jin is a member of the China Association of Chief Financial Officers), the Institute of Management Accountants and the International Financial Management Association.
Gerard Daignault	50	Mr. Daignault has served as our chief operating officer since August 2008. Prior to joining AgFeed, Mr. Daignault served as founder and managing director of Spectrum Agribusiness LLC from October 2007 until August 2008. Prior to founding Spectrum Agribusiness, Mr. Daignault served as CFO/Director of Finance for PIC North America, Inc. from May 2004 to October 2007 through the acquisition by Genus PLC of Sygen PLC (parent company of PIC North America, Inc.) in December 2005. During his 26+ year career, Mr. Daignault has held a number of financial and managerial positions including 18 years at the CFO level for domestic and international agribusiness, including Purina Mills LLC, PMAG Products (a subsidiary of Tate & Lyle, N.A.), and Newsham Hybrid Genetics. He received a Bachelor’s degree in finance and accounting from the University of Missouri in 1979.
Feng Zhou	40	Mr. Zhou has served as our vice president, financial controller and corporate secretary since our founding in 1995. Prior to 1995, he worked at Guangzhou Huashi Industries for two years as a sales representative. Mr. Zhou received his bachelor degree in Animal Nutrition in 1992 from Jiangxi Agricultural University and upon graduation worked at Shanghai Daying Industry as a technician from July 1992 through October 1993. He obtained his EMBA degree from Tsinghua University in 2004.

Zhengru Xiong	40	Mr. Xiong has served as our Vice President of Technical Operations since our founding in 1995. He is the current chairman of Jiangxi Province Hog Farm Association. He graduated from Jiangxi Agricultural University in 1992 with a Bachelor's Degree in Animal Farming and from 1992 through 1994 he worked at Jiangxi Agricultural and Technology Company as a section chief. Mr. Xiong has an EMBA degree from Tsinghua University.
Jinfeng Yuan	29	Dr. Yuan has served as our Vice President of Technology since joining AgFeed in 2006. Dr. Yuan earned a Ph.D. degree in animal genetics from Huazhong Agricultural University and the University of Cambridge. He has studied at the PIC (the international leader in providing genetically superior pig breeding stock) research lab at the University of Cambridge, Tianzhong Breeder Pig Company (one of China's top breeder hog companies) and the World Wildlife Fund (WWF) China.

Yunlin Zheng	40	Mr. Zheng has served as our Vice President of Marketing since February 2007. From September 2003 to February 2007, he was the general manager of Nanchang Best. Prior to his appointment as general manager, he held various senior positions including sales manager and deputy general manager of Nanchang Best since our founding in 1995. Mr. Zhou received his bachelor degree in Animal Nutrition in 1992 from Jiangxi Agricultural University and, upon graduation, taught Animal Nutrition courses in Jiangxi Agricultural University until 1995. He obtained his EMBA degree from Tsinghua University in 2004.

In addition to our current executive officers listed above, Mr. Liangfan Yan, 55, served as our chief financial officer from 2006 to April 15, 2009. As of April 15, 2009, Mr. Yan became AgFeed's internal controller. Mr. Yan has almost two decades of accounting and auditing experience. Prior to joining AgFeed, Mr. Yan served as financial controller for the New Hope Group, China's No. 1 animal nutrition company with almost US$2 billion in annual sales from 2001 to 2006. Prior to New Hope, he was a senior manager at a major accounting firm in Chengdu, China. Mr. Yan is a registered CPA and holds a BA degree in accounting from the Correspondence College of Economics in Beijing.

Our directors are elected by the vote of a plurality in interest of the holders of our voting stock and hold office for a term of one year and until a successor has been elected and qualified. Our executive officers are appointed annually by the Board of Directors, at a meeting of the Board of Directors following our annual meeting or shareholders, to hold such office until an officer's successor has been duly appointed and qualified, unless an officer sooner dies, resigns or is removed by the Board. Messrs. Rittereiser and Staloff and Dr. Zhang qualify as "independent" directors within the meaning of Nasdaq Rule 5605(a)(2).

Code of Conduct

We have adopted a code of conduct that applies to our chief executive officer, chief financial officer and all of our other officers, employees and directors, a copy of which may be viewed in the "Management" section of our website located at www.agfeedinc.com/html/investor.asp or obtained by making a written request to Feng Zhou, Corporate Secretary of AgFeed Industries, Inc., at Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003.

Committees of the Board of Directors

The board of directors has established an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

The Audit Committee is responsible for monitoring the quality, reliability and integrity of the accounting policies and financial statements of AgFeed; overseeing our compliance with legal and regulatory requirements; reviewing the independence, qualifications and performance of our internal and external auditors; overseeing the performance of AgFeed's internal audit function and independent auditors; reviewing and monitoring the provisions of non-audit services performed by our independent auditors; and preparing a committee report as required by the SEC to be included in our annual proxy statement.

The Compensation Committee is responsible for recommending compensation arrangements for our executive officers; evaluating the performance of our chief executive officer; and administering our compensation plans.

The Nominating and Corporate Governance Committee is responsible for, among other thing, assisting the board in identifying individuals qualified to become members of the board and executive officers, selecting, or recommending that the board select, director nominees for election as directors by the shareholders, developing and recommending to the board a set of effective governance policies and procedures applicable to AgFeed, and recommending to the board director nominees for each committee.

All of the members of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee are non-employee directors. Mr. Staloff has been appointed to sit on the audit committee to serve as the audit committee financial expert. Mr. Staloff is considered independent within the meaning of Nasdaq listing standards.

Our Board of Directors has appointed the following members to following designated committees:

Audit	Messrs. Rittereiser and Staloff and Dr. Zhang, with Mr. Staloff as Chairman.
Compensation:	Messrs. Rittereiser and Staloff and Dr. Zhang, with Mr. Rittereiser as Chairman.
Nominating and Corporate Governance:	Messrs. Rittereiser and Staloff and Dr. Zhang, with Mr. Rittereiser as Chairman.

Audit Committee Financial Expert

The board of directors has an audit committee, which is comprised of Dr. Zhang and Messrs. Staloff and Rittereiser. The board has examined the composition of the audit committee in light of the listing standards of the Nasdaq Stock Market and the regulations under the Securities Exchange Act of 1934 ("Exchange Act") applicable to audit committees. Based upon this examination, the board of directors has determined that each of the audit committee members is an “independent” director within the meaning of such listing standards and the Exchange Act and the rules and regulations thereunder. Mr. Staloff qualifies as an “audit committee financial expert” as that term is defined in applicable regulations of the SEC.

Procedure for Shareholder Nominations of Directors

Nominations for the election of directors may only be made by the board of directors in consultation with its nominating and corporate governance committee. A shareholder of record may recommend to the committee a candidate for consideration as a nominee. The committee will consider a shareholder nominee only if a shareholder provides written notice to: AgFeed Industries, Inc., Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003, Attention: Corporate Secretary for the Nominating and Corporate Governance Committee, with a copy to our counsel, William W. Uchimoto, Esq., Buchanan, Ingersoll & Rooney PC, 50 S. 16th Street, Suite 3200, Philadelphia, PA 19102-2555.

In order to provide sufficient time to enable the committee to evaluate candidates recommended by shareholders in connection with selecting candidates for nomination in connection with AgFeed's annual meeting of shareholders, the corporate secretary must receive the shareholder’s recommendation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary of the mailing of the proxy statement for the annual meeting of shareholders for the preceding year. Each such notice must include the following information about the candidate:

- Name;
- Age;
- Business and current residence addresses, as well as residence addresses for the past 20 years;
- Principal occupation or employment and employment history (name and address of employer and job title) for the past 10 years (or such shorter period as the candidate has been in the workforce);
- Educational background;
- Permission for AgFeed to conduct a background investigation, including the right to obtain education, employment and credit information;
- The number of shares of AgFeed common stock beneficially owned by the candidate, if any;
- The information that would be required to be disclosed by AgFeed about the candidate under the rules of the SEC in a proxy statement soliciting proxies for the election of such candidate as a director (which currently includes information required by Items 401, 404 and 405 of

Regulation S-K); and

- A signed consent of the nominee to serve as a director of AgFeed, if elected.

Nominees properly proposed by eligible shareholders will be evaluated by the committee in the same manner as nominees identified by the committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors, executive officers and persons who are the beneficial owners of more than 10% of our common stock to file reports of their ownership and changes in ownership of our equity securities with the SEC. The reporting persons are required by SEC regulation to furnish us with copies of all Section 16 reports they file. Based on a review of the copies of such forms furnished to us and other written representations that no other reports were required during the year ended December 31, 2008, we believe our directors, executive officers and greater than ten percent beneficial owners timely filed all Section 16(a) reports required during the year, with the following exception: Liangfan Yan, our former chief financial officer, did not timely file an "Initial Statement of Beneficial Ownership of Securities" on Form 3 when he became an executive officer in October 2006. Mr. Yan has never held any of our securities and a Form 3 was filed reflecting his status as an executive officer on February 13, 2009. Effective as of April 15, 2009, Mr. Yan is no longer an executive officer of AgFeed. He remains AgFeed's internal controller.

Item 11. Executive Compensation.

Compensation Discussion and Analysis

Overview

This Compensation Discussion and Analysis (*"CD&A"*) describes the material elements of compensation paid to our executive officers in 2008 as well as the objectives and material factors underlying our compensation policies and decisions.

The compensation committee (for purposes of this CD&A, the *"Committee"*) of the board of directors has responsibility for establishing, implementing and monitoring adherence with AgFeed's compensation philosophy. The Committee ensures that the total compensation paid to our *"named executives"* is fair, reasonable and competitive. Our chairman reviews and revises individual compensation and presents his recommendations to the Committee for its ultimate review and approval. The chairman participates in Committee meetings to assist the Committee with its understanding of the market in the PRC. Neither the chairman nor our chief executive officer is involved in decisions relating to their respective compensation.

The information in this CD&A explains how the Committee made its compensation decisions for our named executives in 2008. For 2008, our named executives were: our executive Chairman, Dr. Songyan Li; our Chief Executive Officer and Vice Chairman, Mr. Junhong Xiong; our Chief Financial Officer during all of 2008, Mr. Liangfan Yan; and our next two most highly compensated executive officers - our Chief Operating Officer, Mr. Gerard Daignault and our Financial Controller and Secretary, Mr. Feng Zhou.

Compensation Philosophy and Objectives of Our Executive Compensation Program

We maintain the philosophy that determination of compensation for our executive officers is based on the primary goal of maximizing corporate performance and thereby creating value for you, our shareholders. To achieve this goal we have designed our executive compensation program to achieve the following objectives:

- *Retain and attract qualified executives* — The compensation of our executives must be competitive with the organizations with which we compete for talent so that we may attract and retain talented and experienced executives. Our executives have, on average, approximately 20 years of experience in the premix feed and commercial hog production industries.

- *Reward outstanding performance* — A significant portion of our executives' compensation should be subject to corporate performance measures and therefore be "at risk." Performance-based compensation can vary widely from year to year depending on an executive's performance and the economic tensions relating to our business.

- *Align compensation with our strategic business objectives* — We believe that a component of our executives' compensation should be related to the degree to which we meet or exceed both our short- and long-term strategic business objectives.

- *Align the interests of our executives with those of our shareholders*— Equity-based awards can be an effective means of aligning an executive's financial interests with those of our shareholders by providing value to the executive only if the market price of our stock increases.

<u>2008 Executive Compensation Components</u>

With this in mind, we have created a compensation package designed to reward individual performance based on our short-term and long term performance and how this performance links to our corporate strategy. The components of our total compensation for executive officers, including our named executives, are as follows:

Rewarding Short-Term Performance

- <u>Salary</u> - the fixed amount of compensation for performing day-to-day responsibilities.

Base salaries are intended to provide a minimum level of compensation sufficient to attract and retain an effective management team when considered in combination with the performance-based and other components of our executive compensation program. Base salaries for our executive officers are determined not only on the basis of the Committee's assessment of individual performance, but also on the total compensation paid to persons holding equivalent positions by companies in the PRC engaged in similar businesses.

Salaries are reviewed annually to determine if they are equitably aligned within AgFeed and are at sufficient levels to attract and retain top talent. The Committee believes that any increases in base salary should be based upon a favorable evaluation of individual performance relative to individual goals, the functioning of the executive's team within the corporate structure, success in furthering the corporate strategy and goals, and individual management skills, responsibilities and anticipated workload.

Mr. Daignault's 2008 salary was determined in negotiations between AgFeed and Mr. Daignault and is a key term of his employment agreement. His base salary was determined in relation to his significant years of experience and the extent of his knowledge of the hog production business in both the United States and China.

- <u>Bonus</u> - Cash bonus awards earned for achieving our short-term financial goals and other strategic objectives measured over the year.

We may pay discretionary bonuses to incentivize and reward executives based on our overall performance, as well as on the performance of each executive officer's area of responsibility or operating group. Measures of performance may be financial or strategic. Financial elements are based on a comparison of our revenues and earnings per share year over year. Strategic elements may include improvements in operations and contributions to our strategic business objectives.

For 2008, actual bonuses paid to our named executives were determined by the Committee based on its subjective evaluation of each executive's performance with input from Dr. Li. Based on Dr. Li's evaluation of each executive's performance during the year, together with the Committee's evaluation of each executive's performance, the executive's relative contribution to our overall performance and the executive's response to unplanned or unforeseen events (i.e., the economic downturn, decreases in the cost of hogs and increased in the cost of certain raw materials), the Committee determined the bonus awards to be paid to the executives. The Committee placed significant emphasis on our financial and strategic performance, the execution and integration of our business acquisitions during the year and the adherence of our executives to our established governance policies.

In determining Dr. Li's and Mr. Xiong's bonus for 2008 performance, the Committee considered its evaluation of their performance which included AgFeed's overall performance, our expansion into the hog production line of business, their overall management of AgFeed and their handling of unexpected challenges.

2008 was a year of significant growth for AgFeed. The Committee believes that our executive officers executed the company's strategic goals for the year, capitalizing on the synergies of our previously existing line of business, feed production, by expanding into the hog production business beginning at the end of 2007. This was accomplished through the successful acquisition and integration of 30 producing hog farms, one feed processing plant and the establishment of exclusive relationships with more than 500 independently owned retail distributors, as well as the growth of our existing operations, led by the talents of our executive management.

As a result of AgFeed's internal growth and strategic acquisitions during 2008, our revenues increased $107.5 million year over year and our earnings per share more than doubled. This growth was effectively managed by our team of seasoned executives, led by Dr. Li and Mr. Xiong, with the financial experience provided by our chief financial officer and financial controller, Messrs. Yan and Zhou, and the hog production expertise of Mr. Daignault.

For 2008 performance, in March 2009, the Committee made the following bonus awards to our named executives: Dr. Li - $60,000; Mr. Xiong - $40,000; Mr. Daignault, $22,500; Mr. Yan, $10,000; and Mr. Zhou, $20,000.

Rewarding Long-Term Performance

Long-Term Equity Incentive Awards - may be granted to retain executives, build executive ownership and align compensation with the achievement of our long-term financial goals, creating shareholder value and achieving strategic objectives as measured over multi-year periods.

Executives are eligible for equity awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, and performance grants under the AgFeed Industries, Inc. 2008 Long-Term Incentive Plan. Awards are made at the discretion of the Committee. The number of shares awarded to any individual depends on individual performance, salary level and competitive data, and the impact that such employee’s productivity may make to shareholder value over time. In addition, in determining the number of stock options, stock appreciation rights, restricted shares, restricted stock units or performance shares to grant to each executive, the Committee reviews the current ownership interest of each executive to determine the whether or not an additional grant will incentivize that individual to make a long term commitment to remain with AgFeed. By giving executives an equity interest in AgFeed, the value of which depends upon stock performance, we seek to further align management and shareholder interests. During 2008, with the exception of a stock option awarded Mr. Daignault upon his appointment as our chief operating officer, we determined that it was not necessary to grant equity awards to our named executives because each of them held a number of shares of our common stock sufficient to align their respective interests and commitments with those of our shareholders.

Other Elements of Total Compensation

- Perquisites and Other Personal Benefits - Historically, we have not provided our named executives with perquisites or other personal benefits because it is not customary to provide such perquisites and personal benefits in the PRC.

- Retirement Benefits - Currently, we do not provide any company-sponsored retirement benefits or deferred compensation programs to any employee, including the named executives (other than a mandatory state pension scheme in which all of our employees in the PRC participate) because it is not customary to provide such benefits and programs in the PRC.

Tax and Accounting Implications

- Deductibility of Executive Compensation - Pursuant to Section 162(m) of the Internal Revenue Code, compensation in excess of $1 million paid to named executives is not deductible by us, subject to certain exceptions. The Committee has considered the effect of Section 162(m) of the Code on our executive compensation and we believe that the compensation paid to our executive officers generally is fully deductible for federal income tax purposes.

- Accounting for Share-Based Compensation - We account for share-based compensation in accordance with the requirements of FASB Statement 123(R). The Committee takes into consideration the tax consequences of compensation to the named executives, but tax considerations are not a significant part of the company’s compensation policy.

Employment and Severance Agreements

With the exception of Mr. Daignault, we did not have any written employment or severance agreements (including any that might pertain to a "change-in-control of AgFeed) with any of our named executives in 2008. Mr. Daignault's employment agreement provides that he will serve as chief operating officer of AgFeed and its wholly-owned subsidiary, Nanchang Best Animal Husbandry Co., Ltd. The current term of Mr. Daignault's agreement extends until August 19, 2011. His initial base salary is $216,000, subject to annual review and possible adjustment. Mr. Daignault's employment agreement is more fully discussed in the "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table" and the "Potential Payments Upon Termination or Change-in-Control" sections on pages 21 and 22, respectively, of this document.

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with AgFeed's management and, based upon such review and discussion, the compensation committee recommended to our board that the Compensation Discussion and Analysis be included in this proxy statement.

By the Compensation Committee of the board of directors:

Fredric Rittereiser, Chairman
Arnold Staloff
Lixiang Zhang

The foregoing Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of AgFeed under the Securities Act of 1933 or the Exchange Act, except to the extent that AgFeed specifically incorporates the Compensation Committee Report by reference therein.

Compensation Committee Interlocks and Insider Participation

During fiscal 2008 and as of the date of this proxy statement, none of the members of the compensation committee was or is an officer or employee of AgFeed, and no executive officer of AgFeed served or serves on the compensation committee or board of any company that employed or employs any member of AgFeed's compensation committee or board of directors.

Summary Compensation Table

The following table shows the compensation of each of our named executives in 2008.

Name and Principal Position	Year	Salary[1] ($)	Bonus[2] ($)	Option Awards ($)	Total Compensation ($)

Songyan Li Executive Chairman	2008 2007	11,600 20,000	60,000 0		71,600 20,000
Junhong Xiong Chief Executive Officer and Vice Chairman	2008 2007	12,700 13,000	40,000 5,000		52,700 18,000
Liangfan Yan [3] Chief Financial Officer	2008 2007	11,000 11,000	10,000 5,000		21,000 16,000
Gerard Daignault [4] Chief Operating Officer	2008	72,000	22,500	104,754	199,254
g Zhou Vice President, Financial Controller and	2008	11,000	20,000		31,000
Secretary	2007	11,000	5,000		16,000

(1) The salary for each of the named executives, except Mr. Daignault, was calculated and paid in RMB. The amounts in the foregoing table represent the US dollar equivalent based on a conversion rate of RMB1 = $0.1466 at December 31, 2008 and RMB1 - $0.137088 at December 31, 2007.

(2) The bonus amounts awarded to each of our named executives were paid in February 2009 for services rendered to Agfeed during 2008.

(3) Mr. Yan served as our chief financial officer throughout 2008. However, it should be noted that, effective April 15, 2009, Mr. Yan is no longer our chief financial officer. He remains AgFeed's internal controller.

(4) Mr. Daignault joined AgFeed as its Chief Operating Officer in August 2008. The salary set forth herein would be $216,000 on an annualized basis. Mr. Daignault was awarded an option to purchase 100,000 shares of our common stock on September 25, 2008. The exercise price is $9.32 per share and the option vests over a three year period, with 66,667 shares vesting on the second anniversary of the grant date and 33,333 shares vesting on the third anniversary of the grant date, provided that Mr. Daignault remains employed by AgFeed on the vesting dates. The option is exercisable for five years from the date of grant. The value of the option award is based on the amount recognized for financial statement reporting purposes in 2008 computed in accordance with FAS 123R (disregarding any estimates of forfeitures related to service-based vesting conditions). See Note 8 of the consolidated financial statements in our Annual Report on Form 10-K regarding assumptions underlying the valuation of stock option grants.

Grants of Plan-Based Awards

The following table provides information on stock options granted in 2008 to each of our named executives.

Name	Grant Date	All Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Closing Market Price on Grant Date ($/Sh)	Grant Date Fair Value of Option Awards [1] ($/Sh)
Songyan Li	—	—	—	—	—
Junhong Xiong	—	—	—	—	—
Liangfan Yan	—	—	—	—	—
Gerard Daignault	9/25/2008	100,000	9.32	9.32	5.91
Feng Zhou	—	—	—	—	—

(1) This column shows the fair value of the stock options as of the grant date computed in accordance with FAS 123R.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table.

With the exception of Mr. Daignault, we have no employment agreements with our named executives. For 2008, the only compensation earned by our named executives, other than Mr. Daignault, was salary and bonus. In the future, named executives may be eligible to receive other forms of compensation.

Terms of Daignault Employment Agreement. Nanchang Best Animal Husbandry Co., Ltd., a subsidiary of AgFeed, entered into an employment agreement with Mr. Daignault on August 19, 2008, pursuant to which Mr. Daignault agreed to serve as AgFeed's chief operating officer. The current term of Mr. Daignault's employment agreement ends on August 19, 2011, and the agreement term automatically renews for successive biennial terms unless terminated in advance of the end of the initial term or any renewal term.

Pursuant to the employment agreement, Mr. Daignault is entitled to the following: (i) an initial base salary of $216,000 per year, (ii) a potential bonus, (iii) two weeks of paid vacation, (iv) reimbursement of pre-approved business expenses and (v) living expenses while traveling in the People's Republic of China. In the event of Mr. Daignault's termination without "cause," or in the event of death or disability or a "constructive termination," we shall pay Mr. Daignault a lump sum severance amount commensurate with the length of his service. Additionally, Mr. Daignault was granted a stock option to acquire 100,000 shares of AgFeed's common stock, par value $0.001 per share, under AgFeed's 2008 Long-Term Incentive Plan which vest in two installments: 66,667 shares vesting on the second anniversary and 33,333 shares vesting on the third anniversary of the date of the grant provided that Mr. Daignault is employed by AgFeed on such vesting dates.

Outstanding Equity Awards at December 31, 2008

The following table sets forth certain information with regard to all unexercised options held by our named executives at December 31, 2008.

Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options[(1)] (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Songyan Li	—	—	—	—	—
Junhong Xiong	—	—	—	—	—
Liangfan Yan	—	—	—	—	—
Gerard Daignault	9/25/2008	0	100,000	9.32	9/25/2013
Feng Zhou	—	—	—	—	—

Potential Payments upon Termination or Change-in-Control

During 2008, Mr. Daignault was the only named executive that had a compensation arrangement or agreement with AgFeed that provides for any payment in the event of termination or change-in-control.

In the event of Mr. Daignault's termination without "cause," or in the event of death or disability or a "constructive termination," Mr. Daignault will be entitled to receive a lump sum severance amount equal to:

(i) $36,000, if such termination or constructive termination occurs on or before August 19, 2009;

(ii) $60,000, if such termination or constructive termination occurs after August 19, 2009 but on or before August 19, 2010; or

(iii) $100,000, if such termination or constructive termination occurs after August 19, 2010.

Additionally, in the event of Mr. Daignault's termination without cause, or in the event of death or disability or a constructive termination, the options granted to Mr. Daignault shall vest immediately and may be exercised in full or in part within one (1) year from the date of termination, death or disability, or constructive termination.

In the event that Mr. Daignault voluntarily terminates his employment or AgFeed terminates his employment for "cause" he shall not be entitled to any severance payment. The effect of any other termination on options granted to Mr. Daignault shall be the immediate cancellation and forfeiture of any unexercised portion of the option (whether or not vested).

"Cause" has been defined to mean (1) a refusal, failure, or inability to perform any reasonable assigned duties; (2) a material breach or violation of the employment agreement; (3) conduct by Mr. Daignault that constitutes gross negligence or wilful misconduct; (4) material failure to follow AgFeed's policies, directives, or orders applicable to AgFeed employees holding comparable positions; (5) intentional destruction or theft of AgFeed property or falsifications of AgFeed documents; (6) conviction of a felony or any crime involving moral turpitude or a misdemeanor where imprisonment in excess of fifteen (15) days is imposed; or (7) violation of AgFeed's code of conduct.

"Constructive termination" has been defined to mean: (1) material reduction of the scope of Mr. Daignault's duties for forty (40) consecutive "business days," (2) a material reduction in Mr. Daignault base salary, or (3) the continued assignment to Mr. Daignault of any duties materially inconsistent with the level of his position; provided that none of the foregoing events shall be deemed to result in a constructive termination if Mr. Daignault consents to such events or if such events are the result of actions of AgFeed or its board of directors that are applicable to all of our officers.

A "business day" has been defined to mean any day other than a Saturday, Sunday or legal holiday, or a day on which commercial banks in Beijing, China are authorized or required by law to close.

Based on the foregoing analysis, in the event that Mr. Daignault's employment terminated as of December 31, 2008 without cause, or in the event of his death, disability or a constructive termination, Mr. Daignault or his estate would have been entitled to received a severance payment of $36,000 and his option to acquire 100,000 shares of AgFeed common stock would have vested. This option would remain exercisable until December 31, 2009.

In the event Mr. Daignault's employment terminated as of December 31, 2008 for any other reason, no severance payments would be made and Mr. Daignault's unvested option would have been canceled and forfeited. In the event that the employment of any of our other named executives was terminated for any reason as of December 31, 2008, no severance payments would be made to them.

Director Compensation

The following table provides information concerning the compensation of our non-executive directors for the period from January 1, 2008 through December 31, 2008.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	Total ($)
ric Rittereiser	40,000	31,426	71,426
Arnold Staloff	77,000	31,426	108,426
Lixiang Zhang	14,662(2)	—	14,662

(1) The options awarded to Messrs. Staloff and Rittereiser on September 25, 2008 have an exercise price of $9.32 per share and vests over a three year period, with 20,000 vesting on the

first anniversary of the grant date, 5,000 vesting on the second anniversary of the grant date and 5,000 vesting on the third anniversary of the grant date. The option is exercisable for five years from the date of grant. The values of the option awards are based on the amount recognized for financial statement reporting purposes in 2008 computed in accordance with FAS 123R (disregarding any estimates of forfeitures related to service-based vesting conditions). See Note 8 of the consolidated financial statements in our Annual Report on Form 10-K regarding assumptions underlying the valuation of stock option grants.

(2) Dr. Zhang received annual base compensation in Chinese Yuan Renminbi (RMB) of RMB100,000. Based on a conversion rate of RMB1 = $0.1466 at December 31, 2008, this was approximately $14,662 for 2008.

Narrative to Director Compensation Table.

Neither of our executive chairman nor chief executive officer receives any compensation for serving on the board of directors. For 2008, our board paid the following annual compensation to our independent directors. Mr. Rittereiser received $40,000 in cash per year, paid in equal quarterly installments. Mr. Staloff received $77,000 in cash per year, paid in equal quarterly installments. Dr. Zhang received RMB100,000 per year. Additionally, each of Messrs. Staloff and Rittereiser received options to purchase 30,000 shares of our common stock, expiring on September 25, 2013, at an exercise price of $9.32 per share, with a three year vesting schedule.

Our board has agreed to pay the following annual compensation to our independent directors for 2009. Mr. Rittereiser is entitled to receive $50,000 in cash per year, paid in equal quarterly installments. Mr. Staloff is entitled to receive $86,000 in cash per year, paid in equal quarterly installments. Dr. Zhang is entitled to receive RMB100,000 per year.

The board of directors recognizes that each of our independent directors has made a unique and invaluable contribution to AgFeed and, in recognition of this, in February 2009, the board awarded each of our independent directors a 2009 one-time extraordinary cash bonus. Mr. Rittereiser received $55,000, Mr. Staloff received $13,000 and Dr. Zhang received $8,000.

Each of the independent directors has abstained from discussions of, and voting on, the setting of his individual compensation.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

Security Ownership of Certain Beneficial Owners and Management

The table below sets forth information, as of May 1, 2009, concerning (a) each person that is known to us to be the beneficial owner of more than 5% of AgFeed's common stock; (b) each of our named executives; (c) each director; and (d) all of the directors and executive officers as a group. Unless otherwise indicated, to our knowledge, all persons listed below have sole voting and investment power with respect to their shares, except to the extent spouses share authority under applicable law. Beneficial ownership is determined in accordance with the rules of the SEC. At the close of business on May 1, 2009, we had 38,093,141 shares of common stock outstanding. In computing the number and percentage of shares beneficially owned by a person, shares that may be acquired by such person within 60 days of May 1, 2009 are counted as outstanding, while these shares are not counted as outstanding for computing the percentage ownership of any other person.

Name and Address of Beneficial Owner [1]	Number of Shares Beneficially Owned	Percentage of Shares Beneficially

		Owned [2]
5% Shareholders		
JunQing Xiong [3] No. 107 Wulonnang, Floor 4 Zhang Gong Qu Guangzhou, China 341000	4,752,152	11.97%
Enable Capital Management, LLC [4] Enable Growth Partners, L.P. Mitchell S. Levine One Ferry Building Suite 255 San Francisco, CA 94111	3,884,724	9.79
Directors and Named Executives		
Songyan Li	1,766,328	4.45
Junhong Xiong [3]	4,036,074	10.17
Liangfan Yan	0	—
Selina Jin	0	—
Gerard Daignault	200	*
Feng Zhou	1,885,674	4.75
Fredric W. Rittereiser [5]	5,433	*
Arnold Staloff [6]	4,333	*
Lixiang Zhang	0	—
All officers and directors as a group (11 persons)	11,469,390	28.89%

* Less than 1 percent

(1) Except as otherwise indicated, the address of each beneficial owner is c/o AgFeed, Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003.

(2) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Unless otherwise noted, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

(3) This information is derived from Amendment No. 1 to Schedule 13D filed jointly by Messrs. JunQing Xiong and Junhong Xiong, our chief executive officer, on January 5, 2009. Mr. JunQing Xiong has sole voting and dispositive power with respect to 716,078 of these shares. Under the terms of an Irrevocable Proxy, dated December 2, 2008, Mr. Junhong Xiong maintains sole voting and dispositive power with respect to the remaining 4,036,074 shares that were gifted to JunQing Xiong until December 2, 2011. All 4,752,152 are also the subject of a Lock-Up Agreement with AgFeed that remains in effect until October 6, 2009.

(4) This information is derived from Schedule 13G filed jointly by Enable Capital Management, LLC, Enable Growth Partners, L.P. and Mitchell S. Levine on January 8, 2009. 2,285,720 shares are beneficially owned by Enable Capital Management by or for the benefit of Enable Growth Partners. An additional 1,600,004 shares are issuable under warrants that are exercisable within 60 days of May 1, 2009. Enable Capital Management is the general partner and investment manager of Enable Growth Partners. Mr. Levine is the managing member and majority owner of Enable Capital Management. Each of the parties has sole voting and dispositive power with respect to the shares. However, each of Enable Capital Management and Mr. Levine disclaim beneficial ownership with respect to the shares, except to the extent of its or his pecuniary interests therein.

(5) Mr. Rittereiser's address is 20 Maple Street, Toms River, NJ 08753 U.S.A. The shares reported include 2,000 shares held by Mr. Rittereiser's daughter. Mr. Rittereiser disclaims beneficial ownership of such shares. The shares reported also include 3,333 shares issuable upon the exercise of currently exercisable options granted to Mr. Rittereiser.

(6) Mr. Staloff's address is 1605 Mayflower Lane, Cherry Hill, NJ 08003 U.S.A. The shares reported include 3,333 shares issuable upon the exercise of currently exercisable options granted to Mr. Staloff.

Equity Compensation Plan Information

The following table sets forth information with respect to compensatory stock options granted to certain officers and directors of the Company, both under the Company's 2008 Long-Term Incentive Plan approved by the shareholders at the 2008 annual meeting and outside the plan.

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	160,000	$ 9.32	840,000
Equity compensation plans not approved by security holders	20,000	$ 8.85	0
Total	180,000	$ 9.27	840,000

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Transactions with Related Persons

On January 17, 2008, our board authorized and approved the establishment of an AgFeed Advisory Board. In connection with the establishment of the advisory board, the board entered into a relationship with Mr. Robert Rittereiser pursuant to which the board elected Mr. Rittereiser to serve as chairman of our advisory board. In recognition of this new relationship, our board granted Mr. Rittereiser an option to purchase up to 25,000 shares of our common stock at an exercise price of $9.31 per share. The option had a term of five years and vested in three equal annual installments on the first, second and third anniversary of its grant date. Mr. Rittereiser resigned from the advisory board on December 30, 2008. Upon his resignation, his option was canceled and forfeited. Mr. Rittereiser is the brother of our director, Fredric Rittereiser.

Related Party Transaction Approval Policy

It is our policy that the audit committee review and approve in advance all related party transactions that are required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC. If advance approval is not feasible, the audit committee must approve or ratify the transaction at the next scheduled meeting of the committee. Transactions required to be disclosed pursuant to Item 404 include any transaction between AgFeed and any officer, director or certain affiliates of AgFeed that has a value in excess of $120,000. In reviewing related party transactions, the audit committee evaluates all material facts about the transaction, including the nature of the transaction, the benefit provided to AgFeed, whether the transaction is on commercially reasonable terms that would have been available from an unrelated third-party and any other factors necessary to its determination that the transaction is fair to AgFeed.

Director Independence

Our board has determined that each of Messrs. Rittereiser and Staloff and Dr. Zhang are independent directors within the meaning of applicable Nasdaq and SEC rules. Each of Messrs. Rittereiser and Staloff and Dr. Zhang serve on our audit, compensation and nominating and corporate governance committees. No other directors serve on these committees. In considering director independence, the board studied the shares of AgFeed common stock beneficially owned by each of the directors as set forth under "Security Ownership of Certain Beneficial Owners and Management."

Item 14. Principal Accounting Fees and Services.

The firm of Goldman Parks Kurland Mohidin LLP has been selected by the audit committee of our board as the independent registered certified public accounting firm to audit the books and accounts of our company and its subsidiaries for the fiscal year ending December 31, 2008. This firm has served as independent public accountants for our company since 2006. A representative of Goldman Parks Kurland Mohidin LLP is not expected to be present at the annual meeting.

The following table sets forth fees billed to us by Goldman Parks Kurland Mohidin LLP for professional services rendered for 2008 and 2007:

	2008	**2007**
ıdit Fees (including 404 audit fees for 2008)	$ 304,000	$ 165,000
ıdit-Related Fees	$ 10,000	$ 5,800
ɔtal	$ 314,000	$ 170,800

Audit Fees. This category includes the aggregate fees billed for professional services rendered for the audits of our consolidated financial statements for fiscal years 2008 and 2007, respectively, for the reviews of the financial statements included in our quarterly reports on Form 10-Q and for services that are normally provided by Goldman Parks Kurland Mohidin LLP in connection with statutory and regulatory filings or engagements for the relevant fiscal year.

Audit-Related Fees. This category includes the aggregate fees billed during the period for fiscal years 2008 and 2007, respectively, for assurance and related services by Goldman Parks Kurland Mohidin LLP that are reasonably related to the performance of the audits or reviews of the financial statements and are not reported above under "Audit Fees," and generally consist of fees for due diligence accounting consultation with respect to our registration statements and agreed-upon procedure reports.

The audit committee has considered the compatibility of the non-audit services performed by and fees paid to Goldman Parks Kurland Mohidin LLP in fiscal year 2008 and has determined that such services and fees were compatible with the independence of the accountants. During fiscal year 2008, Goldman Parks Kurland Mohidin LLP did not utilize any personnel in connection with the audit other than its full-time, permanent employees.

Policy for Approval of Audit and Non-audit Services. The audit committee has adopted an approval policy regarding the approval of audit and non-audit services provided by the independent accountants, which approval policy describes the procedures and the conditions pursuant to which the audit committee may grant general pre-approval for services proposed to be performed by our independent accountants. All services provided by our independent accountants, both audit and non-audit, must be pre-approved by the audit committee. Our audit committee has delegated to the chairman of the audit committee the authority to grant pre-approvals of non-audit services provided by Goldman Parks Kurland Mohidin LLP. The decisions of the chairman of the audit committee to pre-approve such a service are required to be reported to the audit committee at its next regularly scheduled meeting.

In determining whether to approve a particular audit or permitted non-audit service, the audit committee will consider, among other things, whether such service is consistent with maintaining the independence of the independent accountant. The audit committee will also consider whether the independent accountant is best positioned to provide the most effective and efficient service to our company and whether the service might be expected to enhance our ability to manage or control risk or improve audit quality.

PART IV

Item 15. Exhibit, Financial Statement Schedules.

(a)(3) Exhibits

The exhibits required by this item are set forth on the Exhibit Index attached hereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, AgFeed Industries, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 5th day of May, 2009.

AgFeed Industries Inc.

By: /s/ Junhong Xiong
Junhong Xiong
Chief Executive Officer, President,
Director and Vice Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of AgFeed Industries, Inc. and in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ Junhong Xiong Junhong Xiong	irector, President, Chief Executive Officer and ice Chairman	May 5, 2009
/s/ Selina Jin Selina Jin	hief Financial Officer and Chief Accounting fficer	May 5, 2009
* Songyan Li	hairman of the Board and Director	May 5, 2009

* Lixiang Zhang	irector	May 5, 2009
* Fredric W. Rittereiser	irector	May 5, 2009
* Arnold Staloff	irector	May 5, 2009

* By:/s/ Junhong Xiong
Junhong Xiong
Attorney-in-fact

EXHIBIT INDEX

Exhibit No.	Description
2.1	Share Purchase Agreement with Nanchang Best and each of Nanchang Best’s shareholders (incorporated by reference to Exhibit 2.1 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on November 6, 2006)
2.2	Share Purchase Agreement with Shanghai Best and each of Shanghai Best’s shareholders (incorporated by reference to Exhibit 2.2 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on November 6, 2006)
3(i).1	Articles of Incorporation (incorporated by reference to Exhibit 3.1 of AgFeed's Registration Statement on Form SB-2 (Commission File No. 333-126674) filed with the SEC on July 18, 2005)
3(i).2	Articles of Merger dated November 14, 2006 pursuant to which AgFeed Industries, Inc. was merged into Wallace Mountain Resources Corp. and the name of the surviving entity was changed to AgFeed Industries, Inc. (incorporated by reference to Exhibit 3.3 of AgFeed's Registration Statement on Form SB-2 (Commission File No. 333-144131), filed with the SEC on June 28, 2007)
3(ii).1	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on May 15, 2007)
4.1	Specimen common stock certificate (incorporated by reference to Exhibit 4 of AgFeed's Annual Report on Form 10-KSB (Commission File No. 001-33674) filed with the SEC on March 13, 2007)
4.2	Form of Common Stock Purchase Warrant forming part of units sold, and also issued as compensation to selected dealers in our private placement offering that had a final closing in April 2007 (incorporated by reference to Exhibit 4.2 of AgFeed's Amended Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on August 17, 2007)
4.3	Form of Registration Rights Agreements dated February 2007 (incorporated by reference to Exhibit 4.3 of AgFeed's Amended Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on August 17, 2007)
4.4	Form of Common Stock Purchase Warrant forming part of units sold and also issued as compensation to selected dealers in our June 2007 private placement offering (incorporated by reference to Exhibit 4.4 of AgFeed's Registration Statement on Form SB-2 (Commission File

No. 333-144131) filed with the SEC on June 28, 2007)

4.5	Registration Rights Agreement dated as of June 22, 2007 by and between AgFeed and Apollo Asia Opportunity Master Fund, L.P. (incorporated by reference to Exhibit 4.5 of AgFeed's Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on June 28, 2007)
10.1	Share Purchase Agreement dated December 20, 2006 among AgFeed, Guangxi Huijie and the shareholders of Guangxi Huijie (incorporated by reference to Exhibit 10.1 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on December 20, 2006)
10.2	Promissory Note of AgFeed payable to order of Sunrise Capital International, Inc. in the amount of 8,600,000 RMB (incorporated by reference to Exhibit 10.2 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on December 26, 2006)
10.3	Form of Subscription Package for private placement offering that had final closing on April 29, 2007 (incorporated by reference to Exhibit 10.5 of AgFeed's Amended Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on August 17, 2007)
10.4	Subscription Agreement by and between AgFeed and Apollo Asia Opportunity Master Fund, L.P. dated June 22, 2007 (incorporated by reference to Exhibit 10.6 of AgFeed's Amended Registration Statement on Form SB-2 (Commission File No. 333-144131) filed with the SEC on August 17, 2007)

10.5	Stock Purchase Agreement as of November 6, 2007 by and among AgFeed, Lushan and Huaping Yang and Hongyun Luo, being the holders of ninety percent of the issued and outstanding shares of Lushan (incorporated by reference to Exhibit 10.1 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on November 9, 2007)
10.6	Securities Purchase Agreement, dated February 25, 2008, by and among Agfeed and the certain investors listed on the Schedule of Buyers to such Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.7	Form of Registration Rights Agreement dated February 2008 (incorporated by reference to Exhibit 10.2 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.8	Form of Senior Convertible Note dated February 2008 (incorporated by reference to Exhibit 10.3 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.9	Form of Warrant dated February 2008 (incorporated by reference to Exhibit 10.4 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.10	Equity Securities Purchase Agreement, dated February 25, 2008, by and among Agfeed and the certain investors listed on the Exhibit A to such Equity Securities Purchase Agreement (incorporated by reference to Exhibit 10.5 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on February 28, 2008)
10.11	Securities Purchase Agreement, dated April 16, 2008, by and between AgFeed and certain investors named on Exhibit A thereto (incorporated by reference to Exhibit 10.13 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on April 22,

	2008)
10.12	Securities Purchase Agreement, dated April 22, 2008, by and between AgFeed and certain investors named on Exhibit A thereto (incorporated by reference to Exhibit 10.14 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on April 29, 2008)
10.13	Securities Purchase Agreement, dated April 22, 2008, by and between AgFeed and certain investors named on Exhibit A thereto (incorporated by reference to Exhibit 10.15 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on April 29, 2008)
10.14	Employment Agreement, dated as of the 19th day of August, 2008, by and between Nanchang Best Animal Husbandry Co., Ltd. and Gerard Daignault (incorporated by reference to Exhibit 10.16 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on August 20, 2008)
10.15	AgFeed Industries, Inc. 2008 Long-Term Incentive Plan (incorporated by reference to Appendix A of AgFeed's Definitive Proxy Statement filed with the SEC on April 29, 2008 (Commission File No. 001-33674))
10.16	Securities Purchase Agreement, dated as of December 28, 2008, by and between AgFeed and each of certain Investors (incorporated by reference to Exhibit 10.18 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on January 9, 2009)
10.17	Form of Common Stock Purchase Warrant, dated December 31, 2008 (incorporated by reference to Exhibit 10.19 of AgFeed's Current Report on Form 8-K (Commission File No. 001-33674) filed with the SEC on January 9, 2009)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 of AgFeed's Annual Report on Form 10-K filed with the SEC on March 16, 2009 (the "Original 2008 10-K") (Commission File No. 001-33674))
23.1	Consent of Goldman Parks Kurland Mohidin, LLP, independent registered public accounting firm.
24.1	Power of Attorney (included in signature page of the Original 2008 10-K and incorporated by reference herein)

31.1	Certification of the Company’s Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Company’s Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Company’s Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Company’s Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EX-23.1 2 v148044_ex23-1.htm

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Registration No. 333-156493) and the Registration Statements on Form S-3 (Registration Nos. 333-148386, 333-149689 and 333-148390) of our report dated March 12, 2009 relating to the financial statements and effectiveness of internal control over financial reporting of AgFeed Industries, Inc. (the "Company") which appears in the Company's Annual Report on Form 10-K for the year ended December 31, 2008, as amended by Amendment No. 1.

/s/ Goldman Parks Kurland Mohidin LLP

Goldman Parks Kurland Mohidin LLP
Encino, California
May 5, 2009

EX-31.1 3 v148044_ex31-1.htm

Exhibit 31.1

CERTIFICATION

Pursuant to 18 U.S.C. 1350

(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Junhong Xiong, certify that:

1. I have reviewed the Annual Report on Form 10-K/A of AgFeed Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 5, 2009

By: /s/ Junhong Xiong

Name: Junhong Xiong

Title: Chief Executive Officer

EX-31.2 4 v148044_ex31-2.htm

Exhibit 31.2

CERTIFICATION
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Selina Jin, certify that:

1. I have reviewed the Annual Report on Form 10-K/A of AgFeed Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 5, 2009

By: /s/ Selina Jin
Name: Selina Jin
Title: Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K/A of AgFeed Industries, Inc. (the “Company”) for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Junhong Xiong, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2009	By: /s/ Junhong Xiong
	Name: Junhong Xiong
	Title: Chief Executive Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EX-32.2 6 v148044_ex32-2.htm

EXHIBIT 32.2

CERTIFICATION
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)

In connection with the Annual Report on Form 10-K/A of AgFeed Industries, Inc. (the “Company”) for the year ended December 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Selina Jin, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2009

By: /s/ Selina Jin
Name: Selina Jin
Title: Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 3

10-Q 1 v165262_10q.htm

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

Form 10-Q

☒ Quarterly report pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2009

☐ Transition report pursuant Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _______ to _______

001-33674
(Commission file number)

AGFEED INDUSTRIES, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	**20-2597168**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Rm. A1001-1002, Tower 16
Hengmao Int'l Center
333 S. Guangchang Rd.
Nanchang, Jiangxi Province
China 330003
(Address of principal executive offices)

011-86-0791-6669093
(Issuer's telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

On November 5, 2009, 43,925,263 shares of the registrant's common stock were outstanding.

TABLE OF CONTENTS

AGFEED INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

	September 30, 2009 (unaudited)	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 36,480,253	$ 24,839,378
Accounts receivable, net of allowance for doubtful accounts of $246,847 and $520,413	16,222,992	9,462,380
Advances to suppliers	1,211,852	518,829
Other receivables	408,620	2,066,030
Inventory	22,019,710	20,616,560
Prepaid expenses	1,506,462	1,166,646
Debt issue costs	42,291	246,223
Total current assets	77,892,180	58,916,046
PROPERTY AND EQUIPMENT, net	23,060,443	20,810,094
CONSTRUCTION-IN-PROCESS	10,276,793	10,853,389
INTANGIBLE ASSETS	43,819,722	43,833,705
OTHER ASSETS	2,887,066	2,641,902
TOTAL ASSETS	$ 157,936,204	$ 137,055,136
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Short-term loans	$ 4,401,000	$ -
Accounts payable	6,738,882	5,214,596
Other payables	1,104,883	5,766,741
Unearned revenue	365,163	321,664
Accrued expenses	452,612	164,558
Accrued payroll	685,234	818,052
Tax and welfare payable	385,503	465,875
Interest payable	102,531	121,139
Total current liabilities	14,235,808	12,872,625
CONVERTIBLE NOTES, net of debt discount of $99,524 and $579,444	900,476	3,220,556
TOTAL LIABILITIES	15,136,284	16,093,181
COMMITMENTS AND CONTINGENCIES (Note 11)	-	-
EQUITY:		
AgFeed stockholders' equity:		
Common stock, $0.001 per share; 75,000,000 shares authorized; 43,917,558 issued and 43,550,263 outstanding at September 30, 2009 38,300,436 issued and 37,933,141 outstanding at December 31, 2008	43,918	38,300
Additional paid-in capital	107,654,125	90,903,261
Other comprehensive income	4,187,956	4,167,217
Statutory reserve	4,230,516	3,236,054
Treasury stock (367,295 shares)	(1,811,746)	(1,811,746)
Retained earnings	28,458,229	22,311,258
Total AgFeed stockholders' equity	142,762,998	118,844,344
Noncontrolling interest	36,922	2,117,611

Total equity	142,799,920	120,961,955
TOTAL LIABILITIES AND EQUITY	$ 157,936,204	$ 137,055,136

The accompanying notes are an integral part of these consolidated financial statements.

AGFEED INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

	Three Months Ended September 30, 2009	2008	Nine Months Ended September 30, 2009	2008
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues	$ 45,115,442	$ 49,426,274	$ 117,072,486	$ 97,208,685
Cost of goods sold	37,554,278	37,124,058	98,486,258	70,438,683
Gross profit	7,561,164	12,302,216	18,586,228	26,770,002
Operating expenses				
Selling expenses	960,574	970,268	2,823,783	2,597,470
General and administrative expenses	2,888,845	2,021,549	6,606,537	4,364,858
Total operating expenses	3,849,419	2,991,817	9,430,320	6,962,328
Income from operations	3,711,745	9,310,399	9,155,908	19,807,674
Non-operating income (expense):				
Other expense	(387,979)	(257,493)	(384,503)	(283,063)
Interest income	75,344	44,860	188,460	171,095
Interest and financing costs	(192,963)	(605,391)	(970,391)	(5,244,592)
Foreign currency transaction loss	(18,121)	(10,007)	(14,819)	(553,753)
Total non-operating income (expense)	(523,719)	(828,031)	(1,181,253)	(5,910,313)
Income before provision for income taxes	3,188,026	8,482,368	7,974,655	13,897,361
Provision for income taxes	292,647	201,904	794,155	414,993
Net income including noncontrolling interest	2,895,379	8,280,464	7,180,500	13,482,368
Less: Net income (loss) attributed to noncontrolling interest	(962)	64,309	39,067	425,403
Net income attributed to AgFeed	2,896,341	8,216,155	7,141,433	13,056,965
Other comprehensive income				
Foreign currency translation gain	168,640	315,925	20,739	3,104,053
Comprehensive Income	$ 3,064,981	$ 8,532,080	$ 7,162,172	$ 16,161,018
Weighted average shares outstanding :				
Basic	42,420,914	33,267,815	39,984,438	31,049,732
Diluted	43,329,228	33,557,457	40,641,679	31,377,267
Earnings per share attributed to AgFeed common stockholders:				
Basic	$ 0.07	$ 0.25	$ 0.18	$ 0.42
Diluted	$ 0.07	$ 0.24	$ 0.18	$ 0.42

The accompanying notes are an integral part of these consolidated financial statements.

AGFEED INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2009 (unaudited)	2008 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income including noncontrolling interest	$ 7,180,500	$ 13,482,368
Adjustments to reconcile net income including noncontrolling interest to net cash provided by operating activities:		
Depreciation	1,952,213	973,164
Amortization	49,286	35,240
Loss on disposal of assets	882,854	16,774
Stock based compensation	427,551	55,962
Amortization of debt issuance costs	203,932	1,441,624
Amortization of discount on convertible debt	479,920	3,392,619
(Increase) / decrease in assets:		
Accounts receivable	(6,759,546)	(3,439,556)
Other receivables	1,201,329	(1,837,551)
Inventory	(1,777,302)	(8,312,612)
Advances to suppliers	(716,870)	(478,535)
Prepaid expenses	(340,333)	(261,938)
Other assets	(244,980)	(1,552,469)
Increase / (decrease) in current liabilities:		
Accounts payable	1,624,279	3,454,401
Other payables	(2,347,476)	2,849,755
Unearned revenue	43,465	118,530
Accrued expenses	287,838	571,447
Accrued payroll	(132,716)	374,101
Tax and welfare payable	(80,312)	213,163
Interest payable	(18,608)	251,319
Net cash provided by operating activities	1,915,024	11,347,806
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(7,486,470)	(9,052,476)
Acquisition of intangible assets	(35,314)	(72,262)
Cash paid for purchase of subsidiaries	(2,518,089)	(65,134,359)
Cash from the sale of subsidary	835,770	-
Net cash used in investing activities	(9,204,103)	(74,259,097)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the sale of common stock	10,000,000	57,200,058
Offering costs paid	(1,740,072)	(6,079,530)
Proceeds from short-term loans	4,541,500	-
Proceeds from exercise of warrants	6,580,010	2,138,848
Proceeds from issuance of convertible notes	-	19,000,000
Issuance costs for convertible notes	-	(1,716,666)
Payment on note payable	-	(1,161,297)
Capital contributed by noncontrolling interest holders	118,664	936,320
Repayment of contribution of noncontrolling interest holder	(586,800)	-
Net cash provided by financing activities	18,913,302	70,317,733
Effect of exchange rate changes on cash and cash equivalents	16,652	462,472
NET INCREASE IN CASH & CASH EQUIVALENTS	11,640,875	7,868,914
CASH & CASH EQUIVALENTS, BEGINNING BALANCE	24,839,378	7,696,209
CASH & CASH EQUIVALENTS, ENDING BALANCE	$ 36,480,253	$ 15,565,123

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Interest paid	$	212,414	$	164,810
Income taxes paid	$	616,693	$	209,582

The accompanying notes are an integral part of these consolidated financial statements.

AGFEED INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 1 - Organization and Basis of Presentation

The unaudited consolidated financial statements were prepared by AgFeed Industries, Inc. pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods. Certain information and footnote disclosures normally present in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America were omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K. The results for the nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009.

Organization and Lines of Business

AgFeed Industries, Inc. formerly known as Wallace Mountain Resources Corp., (hereinafter referred to as the "Company" or "AgFeed") was incorporated in the State of Nevada on March 30, 2005.

On October 31, 2006, the Company entered into and closed a share purchase agreement with Nanchang Best Animal Husbandry Co., Ltd., a corporation formed under the laws of the People's Republic of China ("Nanchang Best"), and each of Nanchang Best's shareholders (the "Nanchang Purchase Agreement"). Pursuant to the Nanchang Purchase Agreement, the Company acquired all of the issued and outstanding capital stock of Nanchang Best from the Nanchang Best shareholders in exchange for 16,128,000 shares of common stock.

Contemporaneously, on October 31, 2006, the Company entered into and closed a share purchase agreement with Shanghai Best Animal Husbandry Co., Ltd., a corporation formed under the laws of the People's Republic of China ("Shanghai Best"), and each of Shanghai Best's shareholders (the "Shanghai Purchase Agreement"). Pursuant to the Shanghai Purchase Agreement, the Company acquired all of the issued and outstanding capital stock of Shanghai Best from the Shanghai Best shareholders in exchange for 3,072,000 shares of common stock.

The exchanges of shares with Nanchang Best and Shanghai Best were accounted for as a reverse acquisition under the purchase method of accounting since the stockholders of Nanchang Best and Shanghai Best obtained control of the Company. On November 17, 2006, Wallace Mountain Resources Corp. changed its name to AgFeed Industries, Inc. Accordingly, the merger of Nanchang Best and Shanghai Best into the Company were recorded as a recapitalization of Nanchang Best and Shanghai Best, with Nanchang Best and Shanghai Best being treated as the continuing entities. Nanchang Best and Shanghai Best had common shareholders and common management. The share exchange agreements were treated as a recapitalization and not as a business combination; therefore, no pro forma information is disclosed. At the date of this transaction, the net assets of the legal acquirer were $59,762.

On December 20, 2006, the Company acquired 100% of the capital stock of Guangxi Huijie Sci. & Tech. Feed Co, Ltd. ("Guangxi Huijie"). On November 6, 2007, the Company acquired 90% of the capital stock of Lushan Breeder Pig Farm Co., Ltd. ("Lushan"). In 2008, the Company purchased 29 more hog producing farms and one feed company. The Company's ownership interest in these hog farms ranges from 80% to 100%.

The Company is engaged in the research and development, manufacturing, marketing, distribution and sale of pre-mix fodder blended feed and feed additives primarily for use in China's domestic pork husbandry market. The Company operates production plants in Nanchang, Shanghai, Nanning, Shandong, and Hainan provinces. The Company sells to distributors and large-scale swine farms. The Company is also engaged in the business of raising, breeding and selling hogs for use in China's pork production and hog breeding markets through one breeder farm and 29 meat hog producing farms located in Jiangxi, Shanghai, Hainan, Guangxi, and Fujian provinces.

AGFEED INDUSTRIES, INC. AND SUBSIDIARIES
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Basis of Presentation

The accompanying consolidated financial statements include the accounts of AgFeed Industries, Inc. and its wholly-owned and majority-owned subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). The Company's functional currency is the Chinese Yuan Renminbi ("RMB"); however the accompanying consolidated financial statements have been translated and presented in USD.

Noncontrolling Interest

In 2008, the Company purchased interests in 29 producing hog farms and one feed company ranging from 55% to 100% (The Company has subsequently purchased the noncontrolling interest in certain of these hog farms). As a result of these purchases, the Company recognized initial noncontrolling interest on its consolidated balance sheet of $508,150. The net income (loss) attributed to noncontrolling interest has been separately designated in the accompanying statement of income and other comprehensive income.

Certain amounts presented for prior periods that were previously designated as minority interest have been reclassified to conform to the current year presentation. Effective January 1, 2009, the Company adopted SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51" (codified in Financial Accounting Standards ("FASB") Accounting Standards Codification ("ASC") Topic 810), which established new standards governing the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests) be treated as a separate component of equity, not as a liability (as was previously the case); that increases and decreases in the parent's ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also required changes to certain presentation and disclosure requirements. The provisions of the standard were applied to all NCIs prospectively, except for the presentation and disclosure requirements, which were applied retrospectively to all periods presented. As a result, upon adoption, the Company retroactively reclassified the "Minority interest" balance previously included in the "Other liabilities" section of the consolidated balance sheet to a new component of equity with respect to NCIs in consolidated subsidiaries. The adoption also impacted certain captions previously used on the consolidated statement of income and other comprehensive income, largely identifying net income including NCI and net income attributable to AgFeed.

Foreign Currency Translation

The accounts of the Company's Chinese subsidiaries are maintained in RMB and the accounts of the U.S. parent company are maintained in the U.S. Dollar (USD). The accounts of the Chinese subsidiaries were translated into USD in accordance with SFAS No. 52, "Foreign Currency Translation" (codified in FASB ASC Topic 830), with the RMB as the functional currency for the Chinese subsidiaries. According to the Statement, all assets and liabilities were translated at the exchange rate on the balance sheet date, stockholders' equity are translated at the historical rates and statement of operations items are translated at the weighted average exchange rate for the period. The resulting translation adjustments are reported under other comprehensive income in accordance with SFAS No. 130, "Reporting Comprehensive Income" (codified in FASB ASC Topic 220).

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Note 2 – Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Reclassification

Certain prior period amounts were reclassified to conform to the current presentation.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and cash in time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Advances to Suppliers

The Company makes advances to certain vendors for purchases of material. The advances to suppliers are interest free and unsecured.

Inventories

Inventory is stated at the lower of cost, as determined by weighted-average method, or market. Management compares the cost of inventories with the market value, and allowance is made for writing down the inventories to their market value, if lower. Costs of raised animals include proportionate costs of breeding, including depreciation of the breeding herd, plus the costs of maintenance through the balance sheet date. Purchased pigs are carried at purchase cost plus costs of maintenance through the balance sheet date.

Property & Equipment

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to earnings as incurred; additions, renewals and betterments are capitalized. When property and equipment are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in operations. Depreciation of property and equipment is provided using the straight-line method for substantially all assets with estimated lives as follows:

Office equipment	5 years
Operating equipment	10 years
Vehicles	5 years
Swine for reproduction	3.5 years
Buildings	20 years

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The following are the details of the property and equipment at September 30, 2009 and December 31, 2008:

	September 30, 2009	December 31, 2008
Office equipment	$ 525,041	$ 433,157
Operating equipment	2,978,045	2,042,522
Vehicles	818,872	655,853
Swines for reproduction	13,332,849	13,137,425
Buildings	9,104,282	6,673,822
Total	26,759,089	22,942,779
Less accumulated depreciation	(3,698,646)	(2,132,685)
	$ 23,060,443	$ 20,810,094

Depreciation expense for the three and nine months ended September 30, 2009 and 2008 was $669,254 and $1,952,213, and $424,729 and $973,164, respectively.

Construction-in-Process

Construction-in-process consists of amounts expended for building construction. Once building construction is completed, the cost accumulated in construction-in-process is transferred to property and equipment.

Long-Lived Assets

The Company applies the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (codified in FASB ASC Topic 360), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations for a Disposal of a Segment of a Business." The Company periodically evaluates the carrying value of long-lived assets to be held and used in accordance with SFAS No. 144. SFAS No. 144 requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. In that event, a loss is recognized based on the amount by which the carrying amount exceeds the fair market value of the long-lived assets. Loss on long-lived assets to be disposed of is determined in a similar manner, except that fair market values are reduced for the cost of disposal. Based on its review, the Company believes that, as of September 30, 2009 there were no significant impairments of its long-lived assets.

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Intangible Assets

Net intangible assets at September 30, 2009 and December 31, 2008 are as follows:

	September 30, 2009	December 31, 2008
Right to use land	$ 825,007	$ 809,174
Customer list	293,400	293,400
Computer software	143,475	108,135
Intangible related to hog farm acquisitions	42,744,247	42,744,247
Total	44,006,129	43,954,956
Less Accumulated amortization	(186,407)	(121,251)
Intangibles, net	$ 43,819,722	$ 43,833,705

Per the People's Republic of China's ("PRC") governmental regulations, the PRC Government owns all land. The Company leases land per real estate contracts with the government of the PRC for varying period ranging from 30 years to 50 years. Accordingly, the right to use land for these feed companies is amortized over 50 years or the lease term, if shorter, and the computer software is amortized over three to nine years. For hog farms, the Company generally signed land leases with original owners of the farms.

Revenue Recognition

The Company's revenue recognition policies are in compliance with SEC Staff Accounting Bulletin (SAB) 104. Revenue is recognized when services are rendered to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of the Company exist and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue. The Company is not subject to VAT withholdings. The Company gives volume rebates to certain customers based on volume achieved. The Company accrues sales rebates based on actual sales volume.

Advertising Costs

The Company expenses the cost of advertising as incurred or, as appropriate, the first time the advertising takes place. Advertising costs for the three and nine months ended September 30, 2009 and 2008 were not significant.

Stock-Based Compensation

The Company accounts for its stock-based compensation in accordance with SFAS No. 123R, "Share-Based Payment, an Amendment of FASB Statement No. 123" (codified in FASB ASC Topic 718). The Company recognizes in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and non-employees. There were 210,000 options outstanding at September 30, 2009.

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Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes" (codified in FASB ASC Topic 740), which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company adopted the provisions of FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes," on January 1, 2007. As a result of the implementation of FIN 48, the company made a comprehensive review of its portfolio of tax positions in accordance with recognition standards established by FIN 48. As a result of the implementation of Interpretation 48, the Company recognized no material adjustments to liabilities or stockholders' equity. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits is classified as interest expense and penalties are classified in selling, general and administrative expenses in the statements of income. The adoption of FIN 48 has no material impact on the Company's financial statements.

Foreign Currency Transactions and Comprehensive Income

US GAAP requires that recognized revenue, expenses, gains and losses be included in net income. Certain statements, however, require entities to report specific changes in assets and liabilities, such as gain or loss on foreign currency translation, as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income. The functional currency of the Company's Chinese subsidiaries is the RMB. The unit of Renminbi is in Yuan. Translation gains of $4,187,956 and $4,167,217 at September 30, 2009 and December 31, 2008, respectively, are classified as an item of other comprehensive income in the stockholders' equity section of the consolidated balance sheet. During the three and nine months ended September 30, 2009 and 2008, other comprehensive income in the consolidated statements of income and other comprehensive income included translation gain of $168,640 and $20,739, and $315,925 and $3,104,053, respectively.

Basic and Diluted Earnings Per Share

Earnings per share is calculated in accordance with the SFAS No. 128, "Earnings Per Share". SFAS No. 128 superseded Accounting Principles Board Opinion No.15 (APB 15) (codified in FASB ASC Topic 260). Net earnings per share for all periods presented has been restated to reflect the adoption of SFAS No. 128. Basic earnings per share is based upon the weighted average number of common shares outstanding. Diluted earnings per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

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The following is a reconciliation of the number of shares (denominator) used in the basic and diluted earnings per share computations for the three and nine months ended September 30, 2009 and 2008:

Three Months Ended	September 30, 2009		September 30, 2008	
	Shares	Per Share Amount	Shares	Per Share Amount
Basic earnings per share	42,420,914	$ 0.07	33,267,815	$ 0.25
Effect of dilutive stock options and warrants	908,314	-	289,642	(0.01)
Diluted earnings per share	43,329,228	$ 0.07	33,557,457	$ 0.24

Nine Months Ended	September 30, 2009		September 30, 2008	
	Shares	Per Share Amount	Shares	Per Share Amount
Basic earnings per share	39,984,438	$ 0.18	31,049,732	$ 0.42
Effect of dilutive stock options and warrants	657,241	-	327,535	-
Diluted earnings per share	40,641,679	$ 0.18	31,377,267	$ 0.42

Statement of Cash Flows

In accordance with SFAS No. 95, "Statement of Cash Flows" (codified in FASB ASC Topic 230), cash flows from the Company's operations are calculated based upon the local currencies. As a result, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheet.

Segment Reporting

SFAS No. 131, "Disclosure About Segments of an Enterprise and Related Information" (codified in FASB ASC Topic 280) requires use of the "management approach" model for segment reporting. The management approach model is based on the way a company's management organizes segments within the company for making operating decisions and assessing performance. The Company determined it has two reportable segments (See Note 10). The Company had previously reported its feed operations as three separate segments since the three operations were located in difference Provinces. The Company has determined that its feed operations should be reported as one segment.

Fair Value of Financial Instruments

On January 1, 2008, the Company adopted SFAS No. 157, "Fair Value Measurements" (codified in FASB ASC Topic 820). SFAS No.157 defines fair value, establishes a three-level valuation hierarchy for disclosures of fair value measurement and enhances disclosures requirements for fair value measures. The carrying amounts reported in the balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels are defined as follow:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

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- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of September 30, 2009, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

Joint Venture / Alliance

On April 15, 2009 a strategic alliance was signed between the Company and Hypor, a Hendrix Genetics company, to complement the Company's growth strategy through genetics. Hypor will provide top line breeding stock to the Company's existing base of 22,125 breeding sows and 4,043 gilts and will provide genetically superior animals to a new to- be-constructed sows farrow-to-finish nucleus unit known as the Wunnin farm. Hypor will join AgFeed International Protein (defined below) in establishing a western style of production taking the role as a long-term supplier of high health top quality genetics. This arrangement could lead to a multi level joint venture serving the Pan Asian market.

On July 13, 2009, the Company formed a joint venture with M2P2, LLC, a leading U.S. hog production and industry management consulting company. The new company, AgFeed International Protein Technology Corp. ("AgFeed International Protein") will focus on enhancing hog production systems for Chinese and other Pan Asian clients based on modern western standards to increase productivity and ensure the highest bio-security health standards in the Pan Asian hog industry. AgFeed International Protein was formed to take advantage of the coming commercialization and consolidation of the hog industry being fostered by the Chinese central and local governments. The Company will be the joint venture's first client. AgFeed International Protein is owned 80.1% by the Company and certain affiliates and 19.9% by M2P2.

Recent Accounting Pronouncements

On July 1, 2009, the Company adopted Accounting Standards Update ("ASU") No. 2009-01, "Topic 105 - Generally Accepted Accounting Principles - amendments based on Statement of Financial Accounting Standards No. 168 , "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles" ("ASU No. 2009-01"). ASU No. 2009-01 re-defines authoritative US GAAP for nongovernmental entities to be only comprised of the FASB Accounting Standards Codification™ ("Codification") and, for SEC registrants, guidance issued by the SEC. The Codification is a reorganization and compilation of all then-existing authoritative US GAAP for nongovernmental entities, except for guidance issued by the SEC. The Codification is amended to effect non-SEC changes to authoritative US GAAP. Adoption of ASU No. 2009-01 only changed the referencing convention of US GAAP in Notes to the Consolidated Financial Statements.

In April 2009, the Financial Accounting Standards Board ("FASB") issued FSP No. SFAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP No. SFAS 157-4"). FSP No. SFAS 157-4, which is codified in FASB ASC Topics 820-10-35-51 and 820-10-50-2, provides additional guidance for estimating fair value and emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. The Company adopted FSP No. SFAS 157-4 beginning April 1, 2009. This FSP had no material impact on the Company's financial position, results of operations or cash flows.

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In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," which is codified in FASB ASC Topic 320-10. This FSP modifies the requirements for recognizing other-than-temporarily impaired debt securities and changes the existing impairment model for such securities. The FSP also requires additional disclosures for both annual and interim periods with respect to both debt and equity securities. Under the FSP, impairment of debt securities will be considered other-than-temporary if an entity (1) intends to sell the security, (2) more likely than not will be required to sell the security before recovering its cost, or (3) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). The FSP further indicates that, depending on which of the above factor(s) causes the impairment to be considered other-than-temporary, (1) the entire shortfall of the security's fair value versus its amortized cost basis or (2) only the credit loss portion would be recognized in earnings while the remaining shortfall (if any) would be recorded in other comprehensive income. This FSP requires entities to initially apply the provisions of the standard to previously other-than-temporarily impaired debt securities existing as of the date of initial adoption by making a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The cumulative-effect adjustment potentially reclassifies the noncredit portion of a previously other-than-temporarily impaired debt security held as of the date of initial adoption from retained earnings to accumulated other comprehensive income. The Company adopted FSP No. SFAS 115-2 and SFAS 124-2 beginning April 1, 2009. This FSP had no material impact on the Company's financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. SFAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," which is codified in FASB ASC Topic 825-10-50. This FSP essentially expands the disclosure about fair value of financial instruments that were previously required only annually to also be required for interim period reporting. In addition, the FSP requires certain additional disclosures regarding the methods and significant assumptions used to estimate the fair value of financial instruments. These additional disclosures are required beginning with the quarter ending June 30, 2009.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," codified in FASB ASC Topic 855-10-05, which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009, and accordingly, the Company adopted this pronouncement during the second quarter of 2009. SFAS No. 165 requires that public entities evaluate subsequent events through the date that the financial statements are issued. The Company has evaluated subsequent events through November 8, 2009.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140," codified as FASB ASC Topic 860, which requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. SFAS No. 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional disclosures. SFAS No. 166 is effective for fiscal years beginning after November 15, 2009. The Company does not believe the adoption of SFAS No. 166 will have an impact on its financial condition, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," codified as FASB ASC Topic 810-10, which modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. SFAS No. 167 clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS No. 167 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. SFAS No. 167 also requires additional disclosures about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. SFAS No. 167 is effective for fiscal years beginning after November 15, 2009. The Company does not believe the adoption of SFAS No. 167 will have an impact on its financial condition, results of operations or cash flows.

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Note 3 – Convertible Notes and Warrants

On February 25, 2008, the Company entered into a Securities Purchase Agreement with Apollo Asia Opportunity Master Fund, L.P., Jabcap Multi-Strategy Master Fund Limited, J-Invest Ltd., and Deutsche Bank AG London Branch (the "Investors") in connection with a private placement transaction providing for, among other things, the issuance of senior convertible notes for aggregate gross proceeds of $19 million (the "Notes") and warrants to purchase up to an aggregate of 380,000 shares (the "Warrants") of the Company's $0.001 par value per share common stock. The notes mature on the third anniversary of the issuance date, bear interest at 7% per annum and are convertible into shares of the Company's common stock at an initial conversion price of $10.00 per share. The conversion price is subject to a "weighted average ratchet" anti-dilution adjustment. The conversion price is also subject to adjustment on a proportional basis, to the extent that the Company's audited net income for the fiscal years ending 2008 and 2009 is less than $30 million and $40 million, respectively; subject to a per share floor price of $5.00. Due to the Company not generating $30 million net income for the year ended December 31, 2008, the conversion price on the convertible notes was reduced to $5.00. Due to the re-pricing of the conversion price, the Company recorded financing cost of $267,748 during the year ended December 31, 2008 which represents the difference between the fair value of the conversion feature at a $5.00 conversion price and the original $10.00 conversion price. The fair value was determined by using the Black-Scholes pricing model with the following assumptions: expected life of 2.2 years, a risk free interest rate of 2.0%, a dividend yield of 0% and volatility of 102%.

The Notes impose penalties on the Company for any failure to timely deliver any shares of its common stock issuable upon conversion.

In connection with the issuance of the Notes and the Warrants issued to the Investors on February 25, 2008, the Company paid $1,716,666 in debt issuance cost which is amortized over the life of the Notes. For the three and nine months ended September 30, 2009 and 2008, the Company amortized $7,584 and $203,932 and $148,766 and $1,441,624, respectively, of the aforesaid issuance costs as interest and financing costs in the accompanying consolidated statements of operations.

The Notes contain certain limitations on conversion. For example, they provide no conversion may be made if, after giving effect to the conversion, the Investor would own in excess of 9.99% of the Company's outstanding shares of common stock. In addition, the Notes provide no conversion may be made if the conversion would cause the Company to breach of its obligations under the rules and regulations of the Nasdaq Global Market, unless the Company obtains stockholder approval for such issuances as required by such rules and regulations.

The Warrants are immediately exercisable, expire on February 25, 2011 and entitle their holders, in the aggregate, to purchase up to $3,800,000 worth of shares of common stock at an initial exercise price of $10.00 per share.

The exercise price of the Warrants is subject to a "weighted average ratchet" anti-dilution adjustment. The exercise price is also subject to adjustment, on a proportional basis, to the extent that the Company's audited net income for the fiscal years ending 2008 and 2009 is less than $30 million and $40 million, respectively; subject to a per share floor price of $5.00. Due to the Company not generating $30 million net income for the year ended December 31, 2008, the exercise price on the Warrants was reduced to $5.00. Due to the re-pricing of the exercise price, the Company recorded financing cost of $22,782 which represents the difference between the fair value of the $5.00 exercise price and the original $10.00 exercise price. The fair value was determined by using the Black-Scholes pricing model with the following assumptions: expected life of 2.2 years, a risk free interest rate of 2.0%, a dividend yield of 0% and volatility of 102%.

The Warrants contain certain limitations on exercise. For example, they provide that no exercise may be made if, after giving effect to the exercise, the Investor would own in excess of 9.99% of the Company's outstanding shares of common stock. In addition, the Warrants provide that no exercise may be made if it would cause the Company to be in breach of its obligations under the rules and regulations of the Nasdaq Global Market, unless the Company obtains stockholder approval for such issuances as required by such rules and regulations.

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The Warrants granted to the Investor on February 25, 2008 and conversion feature in the above Notes are not considered derivative instruments that need to be bifurcated from the original security since the Warrants and the conversion price of the Notes have a floor of $5.00, which means the Company can determine the maximum shares that could be issued upon conversion. The Company determined the fair value of the detachable warrants issued in connection with the Notes to be $1,269,442, using the Black-Scholes option pricing model and the following assumptions: expected life of 1 year, a risk free interest rate of 2.10%, a dividend yield of 0% and volatility of 70%. In addition, the Company determined the value of the beneficial conversion feature to be $2,770,442. The combined total discount for the Notes is $4,039,885 and is being amortized over the term of the Notes. For the three and nine months ended September 30, 2009 and 2008, the Company amortized $17,848 and $479,920 and $350,096 and $3,392,619, respectively, of the aforesaid discounts as interest and financing costs in the accompanying consolidated statements of operations.

During the year ended December 31, 2008, $15,200,000 of the Notes were converted into 1,520,000 shares of common stock and during the nine months ended September 30, 2009, $2,800,000 of the Notes were converted into 560,000 shares of common stock.

Note 4 – Short-Term Loans

Short term loans at September 30, 2009 are follows:

Short term bank loan payable to Shanghai Pudong Development Bank. The loan accrues interest at 5.84% and is due May 24, 2010. The loan is collateralized by buildings and land use rights.	$4,401,000
	$4,401,000

Note 5 – Stockholders' Equity

Treasury Stock

During the year ended December 31, 2008, the Company purchased 367,295 shares of its common stock on the open market (treasury shares) for $1,811,746. The Company accounted for the purchase of these treasury shares using the cost method.

Private Placement

On May 8, 2009, the Company closed a private placement offering by issuing 2,329,645 shares of common stock for gross proceeds of $10 million. The Company paid $1,103,835 in costs related to this offering which was offset against the offering proceeds. The Company also issued 1,164,822 common stock purchase warrants to the investors and 244,613 common stock purchase warrants to the placement agent. The warrants are exercisable immediately; have an exercise price of $4.50 per share and expire on May 8, 2014. The Company determined the fair value of the 1,409,435 warrants issued in connection with this private placement offering to be $4,379,181, using the Black-Scholes option pricing model and the following assumptions: expected life of 5 year, a risk free interest rate of 2.50%, a dividend yield of 0% and volatility of 109%. The value of the warrants was recorded directly to additional paid in capital as these warrants were issued in connection with the sale of the Company's equity securities.

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Exercise of Warrants

During the nine months ended September 30, 2009, certain warrants holders exercised 300,000 warrants in connection with a cashless exercise provision in the warrant agreement that resulted in the issuance of 95,473 shares of the Company's common stock. In addition, during the nine months ended September 30, 2009, certain warrant holders exercised 2,632,004 warrants that resulted in gross proceeds to the Company of $6,580,010.

Equity Credit Agreement

On September 9, 2009, the Company entered into an Equity Credit Agreement with an institutional investor, which was amended and restated as of November 9, 2009, providing for, among other things, the issuance of shares of its common stock at any time and from time to time during the next two years for gross proceeds of up to $50,000,000. In connection with the closing of the transaction, the Company also issued warrants to purchase an additional 400,000 shares of its common stock during a five year period at an exercise price of $5.75 per share. The fair value of these warrants was charged to additional paid in capital as they were issued in connection with an equity instrument. This transaction closed on September 9, 2009. No shares have been issued under the terms of the Equity Credit Agreement.

Note 6 – Employee Common Welfare

The total expense for the employee common welfare was $44,548 and $259,747, and $12,009 and $101,426 for the three and nine months ended September 30, 2009 and 2008, respectively. The Company has recorded welfare payable of $1,938 and $3,336 at September 30, 2009 and December 31, 2008, respectively, which is included in tax and welfare payable in the accompanying consolidated balance sheet. The Chinese government abolished the 14% welfare plan policy at the beginning of 2007. The Company is not required to establish welfare and common welfare reserves. The balance of welfare payable is remaining amount due under the welfare plan provided for prior to 2007.

Note 7 – Statutory Common Welfare Fund

As stipulated by the Company Law of the PRC, net income after taxation can only be distributed as dividends after appropriation has been made for the following:

i. Making up cumulative prior years' losses, if any;

ii. Allocations to the "Statutory surplus reserve" of at least 10% of income after tax, as determined under PRC accounting rules and regulations, until the fund amounts to 50% of the Company's registered capital;

iii. Allocations of 5-10% of income after tax, as determined under PRC accounting rules and regulations, to the Company's "Statutory common welfare fund", which is established for the purpose of providing employee facilities and other collective benefits to the Company's employees; and

iv. Allocations to the discretionary surplus reserve, if approved in the stockholders' general meeting.

Pursuant to the new Corporate Law effective on January 1, 2006, there is now only one "Statutory surplus reserve" requirement. The reserve is 10 percent of income after tax, not to exceed 50 percent of registered capital.

The Company appropriated $392,124 and $994,462 and $296,845 and $1,145,668 as reserve for the statutory surplus reserve and welfare fund for the three and nine months ended September 30, 2009 and 2008, respectively.

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Note 8 – Stock Options and Warrants

Stock Options

Following is a summary of stock option activity:

	Options outstanding	Weighted Average Exercise Price	Weighted average remaining contractual life	Aggregate Intrinsic Value
Outstanding, December 31, 2008	180,000	$ 9.27	4.65	$ -
Granted	30,000	3.30		
Forfeited	-	-		
Exercised	-	-		
Outstanding, September 30, 2009	210,000	$ 8.42	3.99	$ 61,200
Exercisable, September 30, 2009	6,666	$ 8.85	3.42	$ -

The assumptions used in calculating the fair value of options granted using the Black-Scholes option- pricing model for options granted during 2009:

Risk-free interest rate	2.5%
Expected life of the options	5 years
Expected volatility	109%
Expected dividend yield	0%

The exercise price for options outstanding at September 30, 2009 is as follows:

Number of Options	Exercise Price
30,000	$ 3.30
20,000	$ 8.85
160,000	$ 9.32
210,000	

For options granted during 2009 where the exercise price equaled the stock price at the date of the grant, the weighted-average fair value of such options was $2.61 and the weighted-average exercise price of such options was $3.30. No options were granted during 2009, where the exercise price was less than the stock price at the date of the grant or the exercise price was greater than the stock price at the date of grant. At September 30, 2009, the unamortized compensation costs related to nonvested options amounted to $473,134, which will be expensed through the second quarter of 2012.

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Warrants

Following is a summary of the warrant activity:

Outstanding, December 31, 2008	4,323,204
Granted	1,809,435
Forfeited	-
Exercised	2,932,004
Outstanding, September 30, 2009	3,200,635

The exercise price for warrants outstanding at September 30, 2009 is as follows:

Number of Warrants	Exercise Price
1,168,000	$ 2.50
1,409,435	$ 4.50
3,200	$ 5.00
400,000	$ 5.75
220,000	$ 10.00
3,200,635	

Note 9 – Taxes

Local PRC Income Tax

Pursuant to the tax laws of China, general enterprises are subject to income tax at an effective rate of 25%.

On June 5, 2007, Shanghai Best received a tax exemption certificate from the local tax bureau and is exempt from income tax from January 1, 2007 to December 31, 2008, followed by a reduced tax rate of 15% for the next three years.

Hog production is an income tax exempt sector in China and sow owners receive government grants and subsidies.

A reconciliation of tax at United States federal statutory rate to provision for income tax recorded in the financial statements is as follows:

	For the Three Months Ended September 30, 2009	September 30, 2008
Tax provision at statutory rate	34%	34%
Foreign tax rate difference	(9)%	(9)%
US NOL for which no benefit is realized	2%	-
Effect of tax holiday/tax exemption	(18)%	(23)%
	9%	2%

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	For the Nine Months Ended September 30, 2009	September 30, 2008
Tax provision at statutory rate	34%	34%
Foreign tax rate difference	(9)%	(9)%
US NOL for which no benefit is realized	2%	1%
Effect of tax holiday/tax exemption	(17)%	(23)%
	10%	3%

The effect of the change of tax status was accounted for in accordance with SFAS No. 109, par. 28, which states that the effect of a change in tax status is computed as of the date of change and is included in the tax provision for continuing operations. Management believes that the local tax authorities would not have waived past taxes had it not been for the change in the Company's subsidiary's tax status.

If the Company had not been exempt from paying income taxes, income tax expense for the three and nine months September 30, 2009 would have been approximately $956,000 and $2,251,000 and earnings per share would have been reduced by $0.02 and $0.05; and income tax expense for the three and nine months ended September 30, 2008 would have been approximately $2,711,000 and $4,309,000 and earnings per share would have been reduced by $0.08 and $0.13, respectively.

Foreign pretax earnings approximated $9,600,000 and $18,900,000 for the nine months ended September 30, 2009 and 2008 respectively. Pretax earnings of a foreign subsidiary are subject to U.S. taxation when effectively repatriated. The Company provides income taxes on the undistributed earnings of non-U.S. subsidiaries except to the extent that such earnings are indefinitely invested outside the United States. At September 30, 2009, approximately $38,300,000 of accumulated undistributed earnings of non-U.S. subsidiaries was indefinitely invested. At the existing U.S. federal income tax rate, additional taxes of $3,400,000 would have to be provided if such earnings were remitted currently.

Note 10 – Segment Information

The Company's predominant businesses are the research and development, manufacture, marketing, distribution, and sale of pre-mix, concentrates and complete feeds and feed additives primarily for use in China's domestic pork husbandry market and the raising, breeding, and selling of pigs. The Company operates in two segments: animal feed nutrition and hog production.

The Company's feed company in Shanghai is located in the Qingcun Town, Fengxian district, Shanghai and sells its products to approximately 651 customers, consisting of 425 distributors and 261 large scale pig farms. Its feed company in Guangxi is located in Coastal Industrial Park, Liangqin district, Nanning city, Guangxi Province and sells its products to approximately 686 customers, consisting of 471 distributors and 215 large scale pig farms. Its feed company in Nanchang is located in Chang Bei District Industrial Park, in Nanchang, Jiangxi province and sells its products to approximately 693 customers, consisting of 474 distributors and 219 large scale pig farms. The hog farms are engaged mainly in raising, breeding, and sale of pigs all over the country and are located in the PRC provinces of Jiangxi, Shanghai, Hainan, Guangxi and Fujian.

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The following tables summarize segment information for the three and nine months ended September 30, 2009 and 2008:

	Three Months Ended 9/30/2009	Three Months Ended 9/30/2008	Nine Months Ended 9/30/2009	Nine Months Ended 9/30/2008
Revenues from unrelated entities				
Animal feed nutrition	$17,150,476	$12,434,506	$ 38,400,249	$33,664,079
Hog production	27,964,966	36,991,768	78,672,237	63,544,606
	$45,115,442	$49,426,274	$117,072,486	$97,208,685
Intersegment revenues				
Animal feed nutrition	$ 3,343,116	$ 3,275,020	$ 9,789,287	$ 5,115,566
Hog production	232,027	659,209	550,882	665,191
	$ 3,575,143	$ 3,934,229	$ 10,340,169	$ 5,780,757
Total Revenues				
Animal feed nutrition	$20,493,592	$15,709,526	$ 48,189,536	$38,779,645
Hog production	28,196,993	37,650,977	79,223,119	64,209,797
Less Intersegment revenues	(3,575,143)	(3,934,229)	(10,340,169)	(5,780,757)
	$45,115,442	$49,426,274	$117,072,486	$97,208,685
Income from operations				
Animal feed nutrition	$ 2,105,772	$ 2,621,737	$ 5,231,919	$ 6,319,700
Hog production	2,265,649	6,913,473	5,452,101	14,276,685
Holding Company	(659,676)	(224,811)	(1,528,112)	(788,711)
	$ 3,711,745	$ 9,310,399	$ 9,155,908	$19,807,674
Interest income				
Animal feed nutrition	$ 19,911	$ 27,372	$ 68,770	$ 80,524
Hog production	8,780	5,420	19,093	12,820
Holding Company	46,653	12,068	100,597	77,751
	$ 75,344	$ 44,860	$ 188,460	$ 171,095
Interest and financing costs				
Animal feed nutrition	$ 85,632	$ 27,270	$ 100,991	$ 35,055
Hog production	64,011	209	71,156	211
Holding Company	43,320	577,912	798,244	5,209,326
	$ 192,963	$ 605,391	$ 970,391	$ 5,244,592
Income tax expense				
Animal feed nutrition	$ 292,647	$ 201,904	$ 794,155	$ 414,993
Hog production	-	-	-	-
Holding Company	-	-	-	-
	$ 292,647	$ 201,904	$ 794,155	$ 414,993
Net Income				
Animal feed nutrition	$ 1,756,494	$ 2,439,622	$ 4,689,193	$ 5,399,943
Hog production	1,802,712	6,564,762	4,677,829	13,577,045
Holding Company	(662,865)	(788,229)	(2,225,589)	(5,920,023)
	$ 2,896,341	$ 8,216,155	$ 7,141,433	$13,056,965
Provision for depreciation				
Animal feed nutrition	$ 33,626	$ 62,380	$ 202,685	$ 143,540
Hog production	635,628	362,349	1,749,528	829,624

$ 669,254	$ 424,729	$ 1,952,213	$ 973,164

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	As of 9/30/08	As of 12/31/08
Total Assets		
Animal feed nutrition	$ 36,025,899	$ 31,076,964
Hog production	104,471,526	96,454,117
Holding Company	17,438,779	9,524,055
	$157,936,204	$137,055,136

Note 11 – Commitments and Contingencies

At September 30, 2009, the Company had commitments to expend approximately $732,000 in connection to building construction currently in process.

Note 12 – Acquisition and Dispositions

During the three months ended June 30, 2009, the Company purchased the non-controlling interest of 30% and 45% in two hog farms for $370,026 and $896,348, respectively. As a result of the purchase of the non-controlling interest, the excess of the purchase price over the carrying value of the non-controlling interest of $159,249 and $263,291, respectively, was recorded against additional paid in capital.

During the three months ended September 30, 2009, the Company purchased the non-controlling interest of 40% and 40% in two hog farms for $987,655 and $264,060, respectively. As a result of the purchase of the non-controlling interest, the excess of the purchase price over the carrying value of the non-controlling interest of $639,754 and $248,713, respectively was recorded against additional paid in capital.

Also, during the three months ended June 30, 2009, the Company sold its 70% interest in a subsidiary for $307,650. This subsidiary had not commenced operations. In addition, during the three months ended September 30, 2009, the Company sold its 60% interest in a subsidiary for $528,120 and recognized a gain on disposition of $54,382.

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Note 13 – Subsequent Events

The Company has evaluated subsequent events through November 8, 2009, the date management and audit committee approved the financial statements.

In October 2009, in connection with the construction of its first large western model farm in Da Hua, China, the Company placed $4,000,000 in a separate bank account for the construction of this farm. In addition, the Company paid a construction deposit of $1,001,050 to an international construction company for the construction of the Da Hua farm.

Subsequent to September 30, 2009, the Company issued 375,000 shares of its common stock for as a result of the exercise of warrants.

CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act". We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," anticipate," believe," estimate," continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those listed under the heading "Risk Factors" and those listed in our other SEC filings. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report. Throughout this Quarterly Report we will refer to AgFeed Industries, Inc., together with its subsidiaries, as "AgFeed," the "Company," "we," "us," and "our."

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a Nevada corporation engaged in the animal nutrition (premix, concentrates and complete feeds) and commercial hog producing business in China through our operating subsidiaries.

Our animal nutrition business consists of the research and development, manufacture, marketing and sale of premix feed and blended feed for use in the domestic animal husbandry markets, primarily for hog production in China. Premix is an animal feed additive that is broadly used in commercial animal production worldwide. The use of premix feed can significantly reduce an animal's growth cycle, enabling the animal to reach market size sooner. We have been in the premix feed business since 1995 and now operate five premix feed manufacturing facilities located in the cities of Nanchang, Shandong, Shanghai, Nanning, and Hainan.

We entered the hog breeding and production business in November 2007. In this business, we mainly produce hogs for slaughter and sell breeding stock. We have one breeder farm and 29 meat hog producing farms in the Jiangxi, Shanghai, Hainan, Guangxi and Fujian provinces.

We were incorporated as Wallace Mountain Resources Corp. on March 30, 2005 in Nevada. Since October 31, 2006, our principal place of business has been based in China. As a result of a merger into a wholly-owned subsidiary, we changed our name to AgFeed Industries, Inc. on November 17, 2006.

AgFeed had revenues of $117.07 million for the nine months ended September 30, 2009 compared to revenues of $97.21 million for the nine months ended September 30, 2008. The increase (20.4%) was the result of expanding market share in our feed business and the hog farm acquisitions and expansions we made beginning in late 2007 and throughout 2008.

Animal Nutrition Business

We manufacture, distribute, market and sell three main product lines - additive premix, concentrates and complete feeds for use in all stages of a pig's life. We conduct these operations through our subsidiaries Nanchang Best, Shanghai Best, Guangxi Huijie, Shandong AgFeed Agribusiness Co., Ltd. ("Shandong Feed"), and Hainan HopeJia Feed Co., Ltd. ("HopeJia"). We also provide extensive technical and veterinary support free of charge to our customers.

Nanchang Best, Shanghai Best, Guangxi Huijie, Shandong Feed and HopeJia are collectively referred to as our "feed operating companies." They operate manufacturing facilities in Nanchang, Shanghai, Nanning, Shandong, and Hainan provinces, primarily serving the Hog industry. Each subsidiary independently conducts local marketing and sales efforts. We share sales referrals and leads among the subsidiaries, but our subsidiaries do not compete against each other for new sales. Nanchang Best and Guangxi Huijie are primarily responsible for our ongoing research and development efforts and share their expertise in this area with all of our manufacturing operations. There are no formal written agreements relating to these services as each of these companies are our wholly owned subsidiaries.

As of September 30, 2009, we have established relationships with approximately 1,286 independently owned feed distribution chain stores that sell our products exclusively, targeting backyard and small hog farms. These complement our direct sales to approximately 775 large commercial hog farms. We rely on the distributors to market and sell our products to smaller hog farms. Approximately 80% of China's total annual hog production is supplied by backyard and small farms that raise less than 100 hogs per year per family. Through our network of distributors and direct sales, we are able to market our premix feed to the producers of more than 65% of China's annual hog production.

AgFeed is one of a handful of companies that received "Green Certification" from the Minister of Agriculture of PRC for its premix products under the brand label "BEST." This means that these products are safe, environmentally friendly, and can effectively promote the healthy growth of pigs. According to current government regulations, pork cannot be accredited by the government as "green" unless it is produced using government certified green feed. Having our feed certified as green requires us to adhere to strict operational controls and procedures. This green certification laid the foundation for our Hog Farms to produce hogs providing high quality "Green" pork products. It is also an incentive for other commercial hog farms to enter into sales contracts with our feed operations.

AgFeed invests capital in research and development to maintain and improve on a superior quality product while experimenting with environmentally sensitive premix formulas. We will continue to invest up to 1% of our revenues to increasing our long-term profitability and competitiveness.

Revenue increased in our animal feed lines due to our aggressive sales practices and the anticipated increases of corn and soy prices by hog farmers due to the country wide drought suffered in the past year.

According to the Access Asia Limited 2008 market analysis in their study titled "Fresh & Processed Meat in China 2009," food preferences are changing rapidly in China. Chinese people now eat much more meat than previously. But there is also a growing diversity in the average diet. The fresh meat market is expected to grow over 23% from 2009 to 2013. This market value is estimated to be over $70.0 billion by 2013. Pork will continue to be 62.5% of all fresh meat sold. Poultry, lamb, veal, mutton and beef will constitute 36% of the growth. In view of this we decided to explore the expansion and funding to serve the animal nutrition products needed for this growing market.

Hog Production Business

We breed, raise and sell hogs for use in China's pork production and hog breeding markets. We own one breeder farm (Lushan) and 29 meat hog producing farms located in Jiangxi, Shanghai, Hainan, Guangxi, and Fujian provinces, which are strategically located in or near the largest pork consumption areas in the PRC.

We entered the hog farming business on November 9, 2007 as a result of our acquisition of ninety percent (90%) of the capital stock of Lushan. Lushan owns and operates a breeder hog farm in Jiangxi Province. Lushan is a mid-scale hog farm engaged in the business of raising, breeding and selling hogs in the PRC for use in the pork production market in the PRC. Lushan operates as a majority-owned subsidiary of Nanchang Best. In 2008, we acquired at least a majority interest in 29 meat hog producing farms in the Jiangxi, Shanghai, Hainan, Guangxi, and Fujian provinces through our subsidiaries - Nanchang Best, Shanghai Best, Guangxi Huijie and Jiangxi Best Swine Development Co. ("Best Swine"). Our meat hog producing farms generate revenue primarily from the sale of meat hogs to slaughterhouses. Our meat hogs are sold primarily in Jiangxi, Shanghai, Hainan, Guangxi, Fujian, Guangdong and other neighboring provinces.

Lushan generates revenue primarily from the sale of breeder hogs to commercial hog farms and, to a lesser extent, the sale of meat hogs to hog slaughterhouses. It also generates revenue by providing consulting services to hog farmers in the areas of feed production, feed formulation and veterinary services. Lushan's customers include large-scale hog farms, mid-scale hog farms and small-scale farms. Our breeder hogs are sold throughout the PRC, primarily in southeastern China.

Capital spending for the first nine months of 2009 consisted of approximately $3.97 million on building renovations, equipment purchases and environmental expenditures, $1.84 million on swine purchases for reproduction and $3.51 million related to construction in progress. Our current capital spending plans over the next two and a half years include an estimated $4.2 million for bio security, $4.0 million for environmental compliance and projects and $8.3 million for genetics programs. For 2009, AgFeed plans to achieve a production capacity of up to 650,000 hogs. In the first nine months of 2009 AgFeed sold approximately 409,000 head with an average selling price of $166 per head as compared to sales of 410,000 hogs with an average selling price of $219 per head for all of 2008 for market weight (lard) pigs. There were additional pigs sold at various weights so the cumulative total is 511,000 total head for the nine months ended September 30, 2009.

On April 15, 2009 we formed a strategic alliance with Hypor. The alliance has four phases: (1) upgrading the genetic base of our existing herds; (2) creating a sow farrow-to -finish nucleus facility (Wunnin Farms) to supply superior breeding stock to be utilized in our production systems and for sale to outside commercial hog farms; (3) establishing high health, top quality genetics to the farms being developed by AgFeed International Protein; and (4) developing gene transfer centers to maximize the use of the top performing boars in China across AgFeed's production system.

On July 13, 2009, we formed a joint venture with M2P2. This joint venture, AgFeed International Protein Technology Corp., will focus on enhancing hog production systems for Chinese and other Pan Asian clients based on modern western standards to increase productivity and ensure the highest bio-security health standards in the Pan Asian hog industry. The joint venture was formed to take advantage of the coming commercialization and consolidation of the hog industry being fostered by the Chinese central and local governments. We will be the joint venture's first client. AgFeed International Protein is owned 80.1% by us and certain affiliates and 19.9% by M2P2. On November 9, 2009 a groundbreaking ceremony will be held in Da Hua, China (Jiangxi Province) celebrating the start of construction of our first large western model farm. This is the first of six farms that will be constructed in South China. AgFeed International Protein Technology Corp.has completed all phases of design and blueprints for these farms and has been working with international and local construction firms to ensure success.

AgFeed's current strategic plan calls for development of a platform for the production and sale of approximately 2.5 million hogs into the Chinese market between now and the end of 2011. The key element to this future growth is scientific breeding, which is underscored by our arrangement with Hypor. In April 2009 we began this by stocking the 1,200 sow farrow-to-finish Lushan Breeding Farm with the Hypor Large White Pureline Sows, the Hypor Landrace Pureline Boars and the Duroc Terminal Sire. Starting in November 2009, AgFeed will stock its second breeder farm (GANDA) with like genetics. In the third quarter, AgFeed International Protein will begin to build the first of six new farms that will house an additional 20,000 genetically superior sows and 400 boars. When fully operational, we anticipate that these farms will produce 500,000 pigs per year. We believe the genetics program will be accretive to earnings by second half 2010. It is anticipated that the cost to build the six farms will be approximately $45 to $50 million over the next two years.

AgFeed's investment plans also include modernization of our existing pork production facilities, investment in reporting and cash management systems and the training of our employees, and the development of enhanced environmental and health safety programs including upgraded bio security measures. These actions are part of our effort to improve on the standards of the new China Food Safety Law that was implemented on June 1, 2009 and to ensure the production of consistently high quality, safe pork.

According to the China Feed Industry Association, the PRC has the world's largest and most profitable market for hog production, which processed 625 million hogs in 2008, compared to approximately 100 million in the US. More than 1.2 billion Chinese consume pork as their primary source of meat. 63% of all meat consumed in the PRC is pork. Chinese consumers consume more pork each year than the rest of the world combined. Pork production in China is a key political, social and security issue for consumers. The Chinese government supports hog producers with favorable tax status and subsidies, insurance, vaccines, caps on feed costs and land use grants. Hog production is exempt from all taxes and sow owners receive government grants and subsidies. The Food Safety Law, which went into effect on June 1, 2009, provides a legal basis for the government to strengthen food safety control "from the production line to the dining table."

The importance the PRC puts on hog production is exemplified by the adoption of new policies and enactment of new laws benefiting hog producers. In January 2008, the Chinese central government instituted a set of measures that could prevent large declines in hog prices with the view of stabilizing hog production and hog prices in order to protect the interest of hog farms. In July 2008, the NDRC announced that they were channeling $5.6 billion RMB for livestock farm construction and another $2.8 billion RMB to support live pig production. China needs a minimum of 410,000,000 live hogs to balance the anticipated consumption rate for 2009. As of June 2009, China had 450,000,000 live hogs to meet that demand.

Critical Accounting Policies

In presenting our financial statements in conformity with accounting principles generally accepted in the United States, we are required to make certain estimates and assumptions that affect the amounts reported therein. Several of the estimates and assumptions we are required to make relate to matters that are inherently uncertain as they pertain to future events. However, events that are outside of our control cannot be predicted and, as such, they cannot be contemplated in evaluating such estimates and assumptions. If there is a significant unfavorable change to current conditions, it will likely result in a material adverse impact to our consolidated results of operations, financial position and liquidity. We believe that the estimates and assumptions we used when preparing our financial statements were the most appropriate at that time. Presented below are those accounting policies that we believe require subjective and complex judgments that could potentially affect reported results.

Use of Estimates. Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to impairment of long-lived assets and allowance for doubtful accounts. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates, including those for the above-described items, are reasonable.

Areas that require estimates and assumptions include valuation of accounts receivable and inventory, determination of useful lives of property and equipment, estimation of certain liabilities and sales returns.

Allowance For Doubtful Accounts. We continually monitor customer payments and maintain a reserve for estimated losses resulting from our customers' inability to make required payments. In determining the reserve, we evaluate the collectability of our accounts receivable based upon a variety of factors. In cases where we become aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance against amounts due. For all other customers, we recognize allowances for doubtful accounts based on our historical write-off experience in conjunction with the length of time the receivables are past due, customer credit worthiness, geographic risk and the current business environment. Actual future losses from uncollectible accounts may differ from our estimates.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. We evaluate our ending inventories for estimated excess quantities and obsolescence. Our evaluation includes the analysis of future sales demand by product, within specific time horizons. Inventories in excess of projected future demand are written down to net realizable value. In addition, we assess the impact of changing technology on inventory balances and writes-down inventories that are considered obsolete. Inventory obsolescence and excess quantities have historically been minimal.

Long-Lived Assets. We periodically assess potential impairments to our long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 requires, among other things, that an entity perform an impairment review whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. Factors we considered include, but are not limited to: significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for our overall business; and significant negative industry or economic trends. When we determine that the carrying value of a long-lived asset may not be recoverable based upon the existence of one or more of the above indicators of impairment, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows and eventual disposition is less than the carrying amount of the asset, we recognize an impairment loss. An impairment loss is reflected as the amount by which the carrying amount of the asset exceeds the fair market value of the asset, based on the fair market value if available, or discounted cash flows. To date, there has been no impairment of long-lived assets.

Property and Equipment. Useful lives of property and equipment is based on historical experience and industry norms. Changes in useful lives due to changes in technology or other factors can affect future depreciation estimates.

Revenue Recognition. Our revenue recognition policies are in compliance with SEC Staff Accounting Bulletin (SAB) 104. Revenue is recognized when services are rendered to customers when a formal arrangement exists, the price is fixed or determinable, the delivery is completed, no other significant obligations of AgFeed exist and collectability is reasonably assured. Payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as unearned revenue. We are not subject to VAT withholdings. We give volume rebates to certain customers based on volume achieved.

We make estimates and judgments when determining whether the collectability of revenue from customers is reasonably assured. Management estimates regarding collectability impact the actual revenues recognized each period and the timing of the recognition of revenues. Our assumptions and judgments regarding future collectability could differ from actual events, thus materially impacting our financial position and results of operations.

Sales returns and allowances have historically been insignificant. Accordingly, estimating returns is not critical. However, if circumstances change, returns and allowance may impact the company's earnings. There are no differences in our arrangements with our different types of customers. Accordingly, we do not have different revenue recognition policies for different types of customers. We offer credit terms ranging from 30 to 90 days for most customers. From some large customers, we may extend these terms beyond 90 days.

Recent Accounting Pronouncements

On July 1, 2009, we adopted Accounting Standards Update ("ASU") No. 2009-01, "Topic 105 - Generally Accepted Accounting Principles - amendments based on Statement of Financial Accounting Standards No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles." ASU No. 2009-01 re-defines authoritative US GAAP for nongovernmental entities to be only comprised of the FASB Accounting Standards Codification™ ("Codification") and, for SEC registrants, guidance issued by the SEC. The Codification is a reorganization and compilation of all then-existing authoritative US GAAP for nongovernmental entities, except for guidance issued by the SEC. The Codification is amended to effect non-SEC changes to authoritative US GAAP. Adoption of ASU No. 2009-01 only changed the referencing convention of US GAAP in Notes to the Consolidated Financial Statements.

In April 2009, the FASB issued FSP No. SFAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly." FSP No. SFAS 157-4, which is codified in FASB ASC Topics 820-10-35-51 and 820-10-50-2, provides additional guidance for estimating fair value and emphasizes that even if there has been a significant decrease in the volume and level of activity for the asset or liability and regardless of the valuation technique(s) used, the objective of a fair value measurement remains the same. The Company adopted FSP No. SFAS 157-4 beginning April 1, 2009. This FSP had no material impact on our financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," which is codified in FASB ASC Topic 320-10. This FSP modifies the requirements for recognizing other-than-temporarily impaired debt securities and changes the existing impairment model for such securities. The FSP also requires additional disclosures for both annual and interim periods with respect to both debt and equity securities. Under the FSP, impairment of debt securities will be considered other-than-temporary if an entity (1) intends to sell the security, (2) more likely than not will be required to sell the security before recovering its cost, or (3) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). The FSP further indicates that, depending on which of the above factor(s) causes the impairment to be considered other-than-temporary, (1) the entire shortfall of the security's fair value versus its amortized cost basis or (2) only the credit loss portion would be recognized in earnings while the remaining shortfall (if any) would be recorded in other comprehensive income. This FSP requires entities to initially apply the provisions of the standard to previously other-than-temporarily impaired debt securities existing as of the date of initial adoption by making a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The cumulative-effect adjustment potentially reclassifies the noncredit portion of a previously other-than-temporarily impaired debt security held as of the date of initial adoption from retained earnings to accumulated other comprehensive income. The Company adopted FSP No. SFAS 115-2 and SFAS 124-2 beginning April 1, 2009. This FSP had no material impact on our financial position, results of operations or cash flows.

In April 2009, the FASB issued FSP No. SFAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," which is codified in FASB ASC Topic 825-10-50. This FSP essentially expands the disclosure about fair value of financial instruments that were previously required only annually to also be required for interim period reporting. In addition, the FSP requires certain additional disclosures regarding the methods and significant assumptions used to estimate the fair value of financial instruments. These additional disclosures are required beginning with the quarter ending June 30, 2009.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," codified in FASB ASC Topic 855-10-05, which provides guidance to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 also requires entities to disclose the date through which subsequent events were evaluated as well as the rationale for why that date was selected. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009, and accordingly, we adopted this pronouncement during the second quarter of 2009. SFAS No. 165 requires that public entities evaluate subsequent events through the date that the financial statements are issued. We have evaluated subsequent events through November 8, 2009.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140," codified as FASB ASC Topic 860, which requires entities to provide more information regarding sales of securitized financial assets and similar transactions, particularly if the entity has continuing exposure to the risks related to transferred financial assets. SFAS No. 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets and requires additional disclosures. SFAS No.166 is effective for fiscal years beginning after November 15, 2009. We do not believe the adoption of SFAS No.166 will have an impact on our financial condition, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," codified as FASB ASC Topic 810-10, which modifies how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. SFAS No. 167 clarifies that the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. SFAS No. 167 requires an ongoing reassessment of whether a company is the primary beneficiary of a variable interest entity. SFAS No. 167 also requires additional disclosures about a company's involvement in variable interest entities and any significant changes in risk exposure due to that involvement. SFAS No.167 is effective for fiscal years beginning after November 15, 2009. We do not believe the adoption of SFAS No. 167 will have an impact on our financial condition, results of operations or cash flows.

Results of Operations

Comparison of Three Months Ended September 30, 2009 and 2008:

	Three Months Ended September 30,		$	%
	2009	2008	Change	Change
Revenues	$45,115,442	$49,426,274	$(4,310,832)	(8.72)
Cost of goods sold	37,554,278	37,124,058	430,220	1.16
Gross profit	7,561,164	12,302,216	(4,741,052)	(38.54)
Operating expenses	3,849,419	2,991,817	857,602	28.66
Interest and financing costs	192,963	605,391	(412,428)	(68.13)
Net income	2,896,341	8,216,155	(5,319,814)	(64.75)

Revenues. The decrease of $4.3 million was primarily due to a decrease in the selling price of hogs plus the high quantity sold (183,878 versus 96,415) which was offset by the increase in animal feed sales. On a year-over-year basis hog sales declined by $9.1 million of which $3.6 million is attributed to the quantity sold (weight) and $5.5 million was due to actual sales prices.

Feed revenues were up by $3.5 million although the average sales price per unit was lower than last year due to aggressive sales programs and the increases in price of corn and soy. A key milestone is the increase in the sales of complete feed. Our total feed sales in the third quarter of 2009 were approximately 23.3 thousand metric tons which added to our first half of 2009 of 43.5 thousand metric tons which equals 76.8 thousand metric tons for the nine months ended September 30, 2009. Our goal for 2009 is 100,000 metric tons.

The decrease in revenues as described above was due to a sell off of hog inventory sell off, consumer reaction to H1N1A scare, the country wide drought, an increased in corn prices of 7% and soybeans by 4%, and aggressive sales programs all had negative effects of results of operations.

Cost of Goods Sold. We experienced increases in the unit cost of goods sold for our two business lines during the three months ended September 30, 2009 compared to the same period in 2008. These raw materials constitute approximately 60 - 75% of our raw material costs. Corn and soybean meal cost rose 7% and 4%, respectively, versus the 3rd quarter of 2008. China has implemented programs to mitigate additional price increases in order to stabilize these markets.

In order to provide excellent customer service and differentiate ourselves from our competition, at our customers' request, we supply them with customized formulations of our products. In any given month, the cost of various additives used in our production fluctuates, which can result in temporary increases in the unit cost of goods sold. These increased costs offset our increases in revenues. Even though this may have an adverse effect on our short term profits, we take the long-term view that this practice results in increased customer loyalty, builds the AgFeed brand and will ultimately lead to increased sales and gross profits. In addition, we are presently experiencing more stable pricing in these additives, which we anticipate will stabilize our cost of goods sold.

Gross Profit. Gross margins decreased to 16.8% from 24.9% during the three months September 30, 2009 as compared to the same period in 2008. The decrease in gross margin can be attributed to the increase in the cost of hog feed and the lower sales price as compared to 2008 selling prices that averaged $0.45 per kilogram higher. This was offset somewhat by actions taken at the beginning of 2009, including expansion of our product distribution channels, and our entry into long-term contracts for key product ingredients which locked in favorable cost savings.

Selling, General and Administrative Expenses. Selling, general and administrative expense includes overhead expenses such as rent, management and staff salaries, general insurance, marketing, accounting, legal and offices expenses. Our selling expenses for the three months ended September 30, 2009 were approximately 1% less than the corresponding period in 2008. General and administrative expenses for our feed business increased by approximately $400,000 or approximately 94% from the corresponding period in 2008 principally due to the overall expansion of our feed business and the increase of our allowance for doubtful accounts of approximately $210,000. Our corporate expenses also increased by approximately $430,000 due to higher professional fees. General and administrative expenses for our hog farms for the three months ended September 30, 2009 increased by approximately 3% over the corresponding period in 2008 due to more hog farms being in operation in 2009.

Interest and Financing Costs. We incurred interest and financing costs of $192,963 and $605,391during the three months ended September 30, 2009 and 2008, respectively, principally as a result of the interest on our of convertible notes issued during February 2008 and short-term loans. During the three months ended September 30, 2009 and 2008, $0 and $1.5 million, respectively, of the convertible notes were converted into shares of common stock which resulted in accelerated amortization of the debt discounts and debt issue costs associated with the convertible debt.

Due to appreciation in RMB against the USD in 2008, we incurred a loss on foreign translation of $10,007 during the three months ended September 30, 2008, as we could not timely convert USD deposits into RMB as a result of bank policies and related banking rules in the PRC. This was a one time, non-recurring charge for the period.

Income Taxes. Hog production is an income tax exempt sector in China and sow owners receive government grants and subsidies. Some of our feed manufacturing companies benefit from exemption from value-added tax.

Net Income. The decrease in our net income was due to a decrease in our sales, the increase in our cost of sales and higher operating expenses. We continued to benefit from the tax exempt status for our hog production business.

Comparison of Nine Months Ended September 30, 2009 and 2008:

	Nine Months Ended September 30, 2009	2008	$ Change	% Change
Revenues	$117,072,486	$97,208,685	$19,863,801	20.43
Cost of goods sold	98,486,258	70,438,683	28,047,575	39.82
Gross profit	18,586,228	26,770,002	(8,183,774)	(30.57)
Operating expenses	9,430,320	6,962,328	2,467,992	35.45
Interest and financing costs	970,391	5,244,592	(4,274,201)	(81.50)
Net income	7,141,433	13,056,965	(5,915,532)	(45.31)

Revenues. The increase was due to volume sales of both hogs and animal feed products. Hog sales of 511,000 for nine months ended September 30, 2009 exceeded total hog sales of 410,000 hogs for all of 2008. Animal feed sales volume for nine months ended September 30, 2009 exceeded 73,000 metric tons doubling the volume for the comparative period of 2008. However, the increase in revenue described above was offset by lower sales prices, an increase in ingredient costs, consumer reaction to the H1N1A scare and the country wide drought.

Cost of Goods Sold. We experienced increases in the unit cost of goods sold for our two business lines during the nine months ended September 30, 2009 compared to the same period in 2008. These raw materials constitute approximately 60 - 75% of our raw material costs. Corn and soybean meal cost rose 7% and 4%, respectively, versus the nine months ended September 30, 2008. China has implemented programs to mitigate additional price increases in order to stabilize these markets.

In order to provide excellent customer service and differentiate ourselves from our competition, at our customers' request, we supply them with customized formulations of our products. In any given month, the cost of various additives used in our production fluctuates, which can result in temporary increases in the unit cost of goods sold. These increased costs offset our increases in revenues. Even though this may have an adverse effect on our short term profits, we take the long-term view that this practice results in increased customer loyalty, builds the AgFeed brand and will ultimately lead to increased sales and gross profits. In addition, we are presently experiencing more stable pricing in these additives, which we anticipate will stabilize our cost of goods sold.

Gross Profit. Gross margins decreased to 15.9% from 27.5% during the nine months September 30, 2009 as compared to the same period in 2008. The decrease in gross margin can be attributed to the increase in the cost of hog feed that began in the last half of 2008 and continued into 2009 and a reduction in the selling price for our hogs. The increase in the cost of hog feed was offset somewhat by actions taken in the first quarter of 2009, including expansion of our product distribution channels, and our entry into long-term contracts for key product ingredients which locked in favorable cost savings.

Selling, General and Administrative Expenses. Selling, general and administrative expense includes overhead expenses such as rent, management and staff salaries, general insurance, marketing, accounting, legal and offices expenses. Our selling expenses for the nine months ended September 30, 2009 were approximately 9% more than the corresponding period in 2008 due to the expansion of our feed and hog farm operations and related increases in sales. General and administrative expenses for our feed segment increased by approximately $530,000 or approximately 52% from the corresponding period in 2008 principally due to the overall expansion of our feed business and the increase of our allowance for doubtful accounts of approximately $210,000. Our corporate expenses also increased by approximately $740,000 due to higher professional fees. General and administrative expenses for our hog farms for the nine months ended September 30, 2009 increased by approximately $965,000 for 52% over the corresponding period in 2008 to due to more hog farms being in operations in 2009.

Interest and Financing Costs. We incurred interest and financing costs of $0.97 million and $5.24 million during the nine months ended September 30, 2009 and 2008, respectively, principally as a result of the issuance of $19 million principal amount of convertible notes issued during February 2008. During the nine months ended September 30, 2009 and 2008, $2.8 million and $15.2 million, respectively, of the convertible notes were converted into shares of common stock which resulted in accelerated amortization of the debt discounts and debt issue costs associated with the convertible debt.

Due to appreciation in RMB against the USD in 2008, we incurred a loss on foreign translation of $553,753 during the nine months ended September 30, 2008, as we could not timely convert USD deposits into RMB as a result of bank policies and banking rules in the PRC. This was a one time, non-recurring charge.

Income Taxes. Hog production is an income tax exempt sector in China and sow owners receive government grants and subsidies. Some of our feed manufacturing companies benefit from exemption from value-added tax.

Net Income. The decrease in our net income was due to the increase in cost of goods sold and higher operating expenses. We continued to benefit from the tax-exempt status for our hog production business. The higher sales and the benefits from economies of scale in our business resulting in a modest increase in operating efficiency was offset by higher cost of sales and a charge to earnings to reflect the increase in our derivative liability. We continued to benefit from the tax-exempt status for our hog production business.

Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the nine months ended September 30, 2009 that have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

Liquidity and Capital Resources

At September 30, 2009, we had $36.5 million in cash and cash equivalents on hand.

During first quarter of 2008, we completed two financings. We received aggregate gross proceeds of $22 million through the sale of 2,444,448 shares of common stock at $9 per share. We received aggregate proceeds of $19 million through the issuance of three year convertible notes bearing interest at 7% and convertible into common stock at $10 per share. In connection with the convertible notes, we issued 380,000 warrants which are exercisable immediately and have a $10 strike price. The exercise price on the warrants was subsequently reduced to $5 per share. We paid offering costs of $3,432,670 related to the sale of shares and $1,716,666 related to the issuance of the convertible notes.

On April 16, 2008, we entered into a Securities Purchase Agreement with institutional investors in connection with a registered direct offering of securities providing for the issuance of 625,000 shares of our common stock at price of $16.00 per share for aggregate gross proceeds of $10,000,000. We paid $703,472 in costs related to this offering.

On April 22, 2008, we entered into Securities Purchase Agreements with institutional investors in connection with a registered direct offering of securities providing for the issuance of 1,322,836 shares of the Company's Common Stock at $19.05 per share for aggregate gross proceeds of $25.2 million. We paid $1,772,752 in costs related to this offering.

On December 29, 2008, we completed a financing and raised gross proceeds of $8.75 million through the sale to institutional investors of 5 million newly issued common stock units at $1.75 per unit under an effective Form S-3 Registration Statement. Each unit consists of one share of newly issued common stock and a warrant to purchase 0.7 of a share of common stock for $2.50 a share, which is exercisable over a five-year period. We paid costs related to this offering of $1,227,616.

From October 6, 2008 through October 31, 2008, the Company repurchased 367,295 shares of our common stock for $1,811,746. No additional shares have been repurchased.

On May 8, 2009, we closed a private placement by issuing 2,329,645 shares of common stock for gross proceeds of $10 million to certain institutional investors. We also issued 1,164,822 common stock purchase warrants to the investors and 244,613 common stock purchase warrants to the placement agent for the transaction. The warrants are exercisable immediately have an exercise price of $4.50 per share and expire on May 8, 2014. We paid costs related to this offering of $1.1 million.

On September 9, 2009, we entered into an Equity Credit Agreement with an institutional investor, which was amended and restated as of November 9, 2009, providing for, among other things, the issuance of shares of its common stock at any time and from time to time during the next two years for gross proceeds of up to $50,000,000. In connection with the closing of the transaction, we also issued warrants to purchase an additional 400,000 shares of its common stock during a five year period at an exercise price of $5.75 per share. This transaction closed on September 9, 2009. No shares have been issued under the terms of the Equity Credit Agreement.

During the third quarter of 2009, certain warrant holders exercised 2,632,004 warrants that resulted in gross proceeds of $6,580,010.

As of September 30, 2009, we had short-term loans outstanding of $4,401,000. The loan was entered into during the second quarter of 2009 and is due in May 2010.

During the nine months ended September 30, 2009, we generated $1,915,024 of cash from our operating activities. The cash generated was generated primarily through the net income including noncontrolling interest, a decrease in other receivables and an increase in accounts payable offset by an increase in accounts receivable and inventory and a decrease in other payables.

We used approximately $9.2 million in investing activities during the nine months ended September 30, 2009; of which $7.5 million was for the acquisition of property and equipment and $2.5 million was for the purchase of the noncontrolling interest in two subsidiaries. We also sold our interest in two subsidiaries for $835,770.

We generated $18.9 million in cash from financing activities as a result of the sale of 2,329,645 shares of our common stock for gross proceeds of $10 million and the exercise of 2,632,004 warrants for proceeds of $6.6 million. We generated cash of $4,541,500 from issued short-term loans.

At September 30, 2009, our accounts receivable balance was approximately $16.2 million, an increase of $6.8 million from December 31, 2008.

Our principal demands for liquidity are to increase capacity, purchase raw materials, distribute our products, consolidate our existing farm operations and make strategic acquisitions or investments in our industry as opportunities present themselves, as well as general corporate purposes. We intend to use the net proceeds from the latest PIPE for the development of our genetics program and other growth initiatives. We may seek additional funds from the capital markets to further support our genetics program to increase hog production and profitability. We expect our genetics program to be accretive to earnings in the near future.

We intend to meet our liquidity requirements, including capital expenditures related to the purchase of equipment, purchase of raw materials, and the expansion of our business, through cash flow provided by operations and funds raised through cash investments.

The majority of our revenues and expenses were denominated in RMB, the currency of the PRC. There is no assurance that exchange rates between the RMB and the USD will remain stable.

Contractual Obligations

No contractual obligation occurred during the nine months ended September 30, 2009 and therefore it is not expected to have any effect on our liquidity and cash flow in future periods.

Inflation and Seasonality

Demand for our products remains fairly consistent throughout the year and we do not believe our operations have been materially affected by inflation or seasonality.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Disclosures About Market Risk

We may be exposed to changes in financial market conditions in the normal course of business. Market risk generally represents the risk that losses may occur as a result of movements in interest rates and equity prices. We currently do not use financial instruments in the normal course of business that are subject to changes in financial market conditions.

Currency Fluctuations and Foreign Currency Risk

Substantially all of our operations are conducted in the PRC, with the exception of our limited export business and overseas purchases of raw materials. Most of our sales and purchases are conducted within the PRC in RMB, which is the official currency of the PRC. The effect of the fluctuations of exchange rates is considered minimal to our business operations.

Substantially all of our revenues and expenses are denominated in RMB. However, we use US dollars for financial reporting purposes. Conversion of RMB into foreign currencies is regulated by the People's Bank of China through a unified floating exchange rate system. Exchange rate fluctuations may adversely affect the value, in U.S. dollar terms, of our net assets and income derived from its operations in the PRC.

Interest Rate Risk

We have interest rate risk related to the short-term notes entered into during the quarter ended September 30, 2009; however, we do not believe this interest rate risk is significant.

Credit Risk

We have not experienced significant credit risk, as most of our customers are long-term customers with superior payment records. Our receivables are monitored regularly by our credit managers.

Item 4. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in the Exchange Act Rule 13a-15(e)) as of the end of the period covered by this quarterly report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

There was no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We know of no pending legal proceedings to which we are a party which are material or potentially material, either individually or in the aggregate. We are from time to time, during the normal course of our business operations, subject to various litigation claims and legal disputes. We do not believe that the ultimate disposition of any of these matters will have a material adverse effect on our consolidated financial position, results of operations or liquidity.

Item 1A. Risk Factors

There have been no material changes from the disclosure provided in Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008, as amended.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description of Exhibit
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AgFeed Industries, Inc.

November 9, 2009

By: /s/ Xiong Junhong

Xiong Junhong
Chief Executive Officer (Principal Executive Officer)

November 9, 2009

By: /s/ Selina Jin

Selina Jin
Chief Financial Officer
(Principal Financial and Accounting Officer)

EX-31.1 2 v165262_ex31-1.htm

Exhibit 31.1

CERTIFICATIONS

I Junhong Xiong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AgFeed Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 9, 2009

By: /s/ Xiong Junhong

Xiong Junhong
Chief Executive Officer

EX-31.2 3 v165262_ex31-2.htm

Exhibit 31.2

CERTIFICATIONS

I, Selina Jin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AgFeed Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 9, 2009

By: /s/ Selina Jin
Selina Jin
Chief Financial Officer

EX-32.1 4 v165262_ex32-1.htm

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of AgFeed Industries, Inc. (the “Company”) for the quarter ending September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Xiong Junhong, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2009

By: /s/ Xiong Junhong
Xiong Junhong
Chief Executive Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EX-32.2 5 v165262_ex32-2.htm

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of AgFeed Industries, Inc. (the "Company") for the quarter ending September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Selina Jin, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 9, 2009

By: /s/ Selina Jin
Selina Jin
Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 4

DEF 14A 1 v147883_def14a.htm

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant ☒ Filed by Party other than Registrant☐

Check the appropriate box:

☐ Preliminary proxy statement

☐ **Confidential, for Use of the Commission Only(as permitted by Rule 14a-6(e)(2))**

☒ Definitive proxy statement

☐ Definitive additional materials

☐ Soliciting Materials pursuant to Rule 14a-11(c) or Rule 14a-12

AGFEED INDUSTRIES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

---

(2) Aggregate number of securities to which transaction applies:

---

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

Dear Shareholders,

On behalf of the board of directors of AgFeed Industries, I cordially invite you to attend the 2009 annual meeting of shareholders to be held the offices of Buchanan Ingersoll & Rooney PC, located at Two Liberty Place, 50 S. 16th Street, Suite 3200, Philadelphia, PA 19102, on June 11, 2009 at 10:00 a.m. Eastern Daylight Time.

At the annual meeting, you will be asked to vote to elect five directors to serve until the 2010 annual meeting of shareholders and to approve the issuance of securities pursuant to a Securities Purchase Agreement (the "Purchase Agreement") we entered into with several institutional investors in December 2008.

Under the terms of the Purchase Agreement, on December 31, 2008, we sold our common stock and warrants to purchase our common stock to the investors for gross proceeds of approximately $8.75 million in a registered securities offering. We issued an aggregate of 5,000,006 shares of our common stock and warrants to purchase up to 3,500,004 shares of our common stock at an exercise price of $2.50 per share (subject to certain anti-dilution protections set forth therein). The issuance of the shares and the warrants and the other actions contemplated by the Purchase Agreement are collectively referred to as the "December 2008 Financing."

Following the December 2008 Financing, Nasdaq — the market on which our shares are listed — determined that we were non-compliant with Nasdaq Marketplace Rule 5635(d)(2) that requires shareholder approval for the issuance of securities representing 20% or more of a listed company's outstanding securities for a price less than the greater of market price or book value in a transaction which is not a public offering. Nasdaq's staff conditioned the continued listing of our common stock on the Nasdaq Global Market with our regaining compliance with Rule 5635(d)(2) by obtaining shareholder approval of the December 2008 Financing. Proposal Two included in the attached proxy statement describes this important financing, and the Nasdaq requirements, in detail.

IF SHAREHOLDERS DO NOT APPROVE THE DECEMBER 2008 FINANCING, OUR SHARES MAY BE DELISTED FROM THE NASDAQ GLOBAL MARKET. THIS WOULD RESULT IN A LESS LIQUID TRADING MARKET FOR OUR SECURITIES AND COULD ADVERSELY AFFECT OUR FUTURE EFFORTS TO RAISE ADDITIONAL CAPITAL.

Your vote is important, regardless of the number of shares you own and regardless of whether you plan to attend the annual meeting. We encourage you to read the proxy materials carefully and to vote by proxy as promptly as possible.

You may vote by mail or by Internet in advance of the meeting. This will not prevent you from voting in person, but it will assure that your vote will be counted if you are unable to attend the annual meeting. If you do decide to attend the annual meeting and feel for whatever reason that you want to change your vote at that time, you will be able to do so.

Thank you for your cooperation and your support and interest in AgFeed Industries, Inc.

Songyan Li	Junhong Xiong
Chairman	Chief Executive Officer

AGFEED INDUSTRIES, INC.
Suite A1001-1002, Tower 16
Hengmao International Center

Nanchang, Jiangxi Province, China 330003

NOTICE OF ANNUAL MEETING

to be held on June 11, 2009

The 2009 annual meeting of shareholders of AgFeed Industries, Inc., a Nevada corporation, will be held at the offices of Buchanan, Ingersoll & Rooney PC, located at Two Liberty Place, 50 S. 16th Street, Suite 3200, Philadelphia, PA 19102, on June 11, 2009 at 10:00 a.m. Eastern Daylight Time, and at any adjournments thereof, for the following purposes:

1. To elect our board of directors to serve until our 2010 annual meeting of shareholders, or such later time as their successors may be elected and are qualified;

2. To approve the sale and issuance, in a registered offering to certain institutional investors in December 2008, of 5,000,006 shares of our common stock and warrants to acquire 3,500,004 shares of our common stock for aggregate gross proceeds of $8.75 million, not including the proceeds we may receive from any exercise of the warrants; and

3. To transact such other business as may properly come before the meeting.

A proxy statement describing the matters to be considered at the annual meeting is attached to this notice. Only shareholders of record of at the close of business on April 15, 2009 are entitled to notice of, and to vote at, the meeting and any adjournments thereof.

We hope that you will be able to attend the meeting. Whether or not you plan to be present at the meeting, we urge you to vote your shares promptly. You can vote your shares in advance of the meeting in three ways:

- **via the Internet at the website indicated on your proxy card;**

- **via telephone by calling the toll free number on your proxy card; or**

- **by returning the enclosed proxy card.**

By Order Of The Board Of Directors

Feng Zhou
Vice President and Secretary

Nanchang, China
May 4, 2009

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 11, 2009

AgFeed's notice of annual meeting, proxy statement, proxy card and the annual report on Form 10-K for the year ended December 31, 2008 are also available to you on the Internet at www.agfeedinc.com/annualmeeting.

AGFEED INDUSTRIES, INC.
Suite A1001-1002, Tower 16
Hengmao International Center
Nanchang, Jiangxi Province, China 330003

PROXY STATEMENT

2009 Annual Meeting of Shareholders

June 11, 2009

The board of directors of AgFeed Industries, Inc. is soliciting proxies for use at the annual meeting of shareholders to be held at the offices of Buchanan, Ingersoll & Rooney PC, located at Two Liberty Place, 50 S. 16th Street, Suite 3200, Philadelphia, PA 19102, on June 11, 2009 at 10:00 a.m. Eastern Daylight Time, and at any adjournments thereof. Distribution to shareholders of the attached notice of annual meeting, this proxy statement, the enclosed proxy card, and our annual report on Form 10-K for 2008 (which is not part of the proxy soliciting materials) is scheduled to begin on or about May 4, 2009 to each shareholder of record at the close of business on April 15, 2009, the "record date" set for this meeting.

Frequently Asked Questions About the Annual Meeting and Proxy Voting

Questions About the Meeting

Why did I receive these proxy materials?

We are providing these proxy materials in connection with the solicitation by our board of directors of proxies to be voted at our 2009 annual meeting of shareholders and at any adjournment or postponement.

You are invited to attend the annual meeting. It takes place on June 11, 2009, beginning at 10:00 a.m., Eastern Daylight Time, at the offices of Buchanan, Ingersoll & Rooney PC, located at Two Liberty Place, 50 S. 16th Street, Suite 3200, Philadelphia, PA. See the inside back cover of this proxy statement for directions.

Shareholders will be admitted to the annual meeting beginning at 9:30 a.m., Eastern Daylight Time.

Do I need to present identification to attend the annual meeting?

Yes. You will need to present valid personal identification (*i.e.*, a current driver's license or valid passport) and proof of stock ownership to be admitted to Two Liberty Place to attend the annual meeting. If you plan to attend the annual meeting, please vote your proxy but bring the notice of annual meeting attached to this proxy statement or a bank or brokerage account statement showing your AgFeed stock ownership with you to the annual meeting.

Questions About the Proposals

What will be voted on at the annual meeting?

We are aware of two items to be voted on by shareholders at the annual meeting:

• *Election of directors (Proposal One):* To elect five directors to the AgFeed board of directors, to serve until our 2010 annual meeting of shareholders, or such later time as their successors may be elected and are qualified; and

- *Approval of December 2008 Financing (Proposal Two):* To approve the sale and issuance, in a registered offering to certain institutional investors in December 2008, of 5,000,006 shares of our common stock and warrants to acquire 3,500,004 shares of our common stock for aggregate gross proceeds of $8.75 million, not including the proceeds we may receive from any exercise of the warrants (the "December 2008 Financing").

Does AgFeed have a recommendation on voting?

Yes. The board of directors recommends that you vote “FOR” each of the proposals set forth in this proxy statement.

Questions About Proposal One

Who are the nominees for election to the board of directors?

The nominating and corporate governance committee has recommended, and the board of directors has nominated, the following individuals to be elected to serve as a director of AgFeed:

Songyan Li
Fredric W. Rittereiser
Arnold Staloff
Junhong Xiong
Lixiang Zhang

Each of the nominees is a current member of AgFeed's board of directors.

What is the term of each director's service on the board?

Our charter documents require our entire board of directors to be elected annually. Therefore, the terms of directors elected at this annual meeting expire at the 2010 annual meeting or as soon thereafter as their successors are duly elected and qualified.

Questions About Proposal Two

What is the December 2008 Financing?

We entered into a Securities Purchase Agreement dated as of December 28, 2008 (the "Purchase Agreement") with four institutional investors (collectively, the "Investors") in connection with a registered offering of securities providing for the issuance of 5,000,006 units (the "Units"), each consisting of one share of our common stock and a warrant to purchase seven-tenths of one share of our common stock for aggregate gross proceeds of $8,750,010.25, or $1.75 per Unit. Pursuant to the terms of the Purchase Agreement, we issued an aggregate of 5,000,006 shares of our common stock and warrants to purchase up to 3,500,004 shares of our common stock at an exercise price of $2.50 per share (subject to certain anti-dilution protections set forth therein).

Why am I being asked to vote on the December 2008 Financing?

While the shares of common stock and warrants we sold to the investors in the December 2008 Financing were validly issued under Nevada law, they resulted in the issuance of stock and warrants representing more than 20% of our then outstanding common stock for an effective price less than the book value of our common stock. Nasdaq Marketplace Rule 5635(d)(2) requires shareholder approval for such issuances in a transaction which is not a public offering.

Following the December 2008 Financing, Nasdaq's staff determined that we were non-compliant with Marketplace Rule 5635(d)(2) and conditioned the continued listing of our common stock on the Nasdaq Global Market with our regaining compliance with this rule by June 12, 2009. As a result, we are now seeking required shareholder approval of the issuance of common stock and warrants in the December 2008 Financing. This is set forth in greater detail in Proposal Two, beginning on page 24 of this document.

If we do not obtain shareholder approval for the December 2008 Financing, the shares and warrants will remain outstanding, but Nasdaq's staff has indicated that it will send us written notice that our securities will be delisted, subject to our right to appeal the staff's determination. This may result in the delisting of our shares from the Nasdaq Global Market. If we do obtain shareholder approval for the December 2008 Financing, we will remain listed on the Nasdaq Global Market.

Why did AgFeed undertake the December 2008 Financing?

In the latter part of 2008, we developed a strategic plan providing for investment to: (i) develop and implement advanced management and process systems; (ii) implement a science-based set of genetic programs to increase throughput and birthing rates; and (iii) expand our marketing activities for our premix business products through the "BEST" brand label.

We concluded that these investment activities would require additional external funding. Taking into account the trading price of our common stock, the general state of the capital markets at the end of 2008 and our limited access to a variety of capital sources, we determined that a registered offering of shares of our common stock and warrants under our existing "shelf" registration statement to institutional investors was the best means to obtain this external funding. We also believed that the terms and conditions of the December 2008 Financing were fair and reasonable and that the contemplated transaction could be consummated in a timely manner. We therefore determined to pursue the December 2008 Financing. The board of directors authorized the issuance of the Units and, upon satisfaction of conditions to closing, the December 2008 Financing was consummated on December 31, 2008.

What if Proposal Two is not approved?

If we do not obtain shareholder approval for the December 2008 Financing, the shares and warrants will remain outstanding, but Nasdaq's staff has indicated that it will send us written notice that our securities will be delisted, subject to our right to appeal the staff's determination. This may result in the delisting of our shares from the Nasdaq Global Market. In the event our common stock is delisted from the Nasdaq Global Market, our shares may be eligible to trade on the over-the-counter market. However, delisting would result in a less liquid market for our securities and could make it more difficult to raise money in future financings.

Questions About Voting

Who is entitled to vote at the annual meeting?

Holders of record of our common stock at the close of business on April 15, 2009 are eligible to vote at the annual meeting. On the record date, there were 37,933,141 shares of our common stock outstanding.

What shares can I vote?

- With respect to Proposal One, you may vote all shares of our common stock owned by you as of April 15, 2009. This includes all shares you hold directly as the record holder and all shares you hold indirectly as the beneficial owner.

- With respect to Proposal Two, you may vote all shares of our common stock owned by you as of April 15, 2009, unless you were one of the investors in our December 2008 Financing. If you were an investor in our December 2008 Financing, you will not be entitled to vote any of the shares you purchased in that financing on Proposal Two.

What is the difference between record ownership and beneficial ownership?

Most shareholders own their shares through a stockbroker or other nominee rather than directly in their own names. There are some differences in how to vote, depending on how you hold your shares.

You are the record owner of shares if those shares are registered directly in your name with our transfer agent. If you are a record owner, these proxy materials are being sent to you directly from our transfer agent, StockTrans, Inc.

You are the beneficial owner of shares if you hold those shares in “street name” through a broker, bank or other holder of record. If you are a beneficial owner, these proxy materials are being sent to you through your broker, bank or other holder of record, together with a voting instruction card.

How do I vote?

You may vote on all matters that come before the meeting using any of the following methods:

- ***By mail***

Be sure to complete, sign and date the proxy card or voting instruction card and return it in the prepaid envelope. If you are a shareholder of record and you return your signed proxy card but do not indicate your voting preferences, the persons named in the proxy card will vote the shares represented by that proxy as recommended by the board of directors.

- ***By telephone or on the Internet***

The telephone and Internet voting procedures established by AgFeed for shareholders of record are designed to authenticate your identity, to allow you to give your voting instructions and to confirm that those instructions have been properly recorded. Telephone and Internet voting facilities for shareholders of record will be available 24 hours a day, and will close at 11:59 p.m. Eastern Daylight Time on June 10, 2009.

The toll-free number for telephone voting is 1-866-578-5350. Please have your proxy card handy when you call. Easy-to-follow voice prompts allow you to vote your shares and confirm that your instructions have been properly recorded. If you are located outside the U.S. and Canada, see your proxy card for additional instructions.

The website for Internet voting is www.votestock.com. Please have your proxy card handy when you go online. As with telephone voting, you can confirm that your instructions have been properly recorded. If you vote on the Internet, you also can request electronic delivery of future proxy materials.

The availability of telephone and Internet voting for beneficial owners will depend on the voting processes of your broker, bank or other holder of record. Therefore, we recommend that you follow the voting instructions in the materials you receive. If you vote by telephone or on the Internet, you do not have to return your proxy card or voting instruction card.

- ***In person at the annual meeting***

All shareholders may vote in person at the annual meeting. You may also be represented by another person at the annual meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares, you must obtain a legal proxy from your broker, bank or other holder of record and present it to the inspector of election with your ballot to be able to vote at the annual meeting. Your vote is important. You can save us the expense of a second mailing by voting promptly.

What can I do if I change my mind after I vote my shares?

If you are a shareholder of record, you can revoke your proxy before it is exercised by:

- written notice to our Corporate Secretary;
- timely delivery of a valid, later-dated proxy or a later-dated vote by telephone or on the Internet; or

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- voting by ballot at the annual meeting.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your broker, bank or other holder of record. You may also vote in person at the annual meeting if you obtain a legal proxy as described in the answer to the previous question.

All votes that have been properly cast and not revoked will be voted at the annual meeting.

What vote is required to approve each proposal?

- *Election of directors (Proposal One).* The five nominees for director receiving the highest number of affirmative votes cast in person or by proxy at the annual meeting will be elected. If you mark your proxy so as to withhold your vote for a particular nominee on your proxy card, your vote will not count either "for" or "against" the nominee.

- *Approval of December 2008 Financing (Proposal Two).* The affirmative vote of a majority of the votes cast on Proposal Two is required to approve the December 2008 Financing.

In order to have a valid shareholder vote, a shareholder quorum must exist at the annual meeting. A quorum will exist when shareholders holding a majority of the issued and outstanding shares of our common stock are present at the meeting, either in person or by proxy. Proxies received but marked as abstentions and "broker non-votes" will be counted as present for purposes of determining whether a quorum exists for the annual meeting. Abstentions and broker non-votes on a proposal will not be considered votes cast on that proposal and, therefore, will not be counted for purposes of determining the outcome of a proposal. Broker non-votes occur when brokers or nominees have not received instructions from beneficial owners or persons entitled to vote and the brokers or nominees do not have discretionary voting power under the applicable rules of the stock exchange or other self regulatory organization of which they are members.

In addition, any shares purchased in the December 2008 Financing which are voted on Proposal Two by an investor in the December 2008 Financing will not be considered as votes cast on that proposal.

How will my proxy be voted?

Shares represented by a properly executed and returned proxy will be voted at the meeting in accordance with the directions noted on the proxy card. If you sign and return the proxy card but do not make specific choices, the proxy holders named in the proxy card will vote your shares "FOR" the election of all nominees for director recommended by the board and listed on the proxy card and "FOR" Proposal Two. Junhong Xiong and Gerard Daignault, our chief executive officer and chief operating officer, respectively, have agreed to act as proxy holders.

Who counts the votes cast at the annual meeting?

Our inspector of election will tabulate votes at the annual meeting. The inspector of election's duties include determining the number of shares represented at the meeting and entitled to vote, determining the qualification of voters, conducting and accepting the votes, and, when the voting is completed, ascertaining and reporting the number of shares voted, or withheld from voting with respect to the election of directors and voted for, against or abstaining from voting, with respect to Proposal Two.

Do I have any appraisal or dissenters' rights with respect to any of the actions to be taken at the annual meeting?

Under Nevada General Corporation Law, you will not have any appraisal rights or dissenter rights in connection with the passage of either Proposal One, Election of Directors, or Proposal Two, Approval of the December 2008 Financing. Additionally, in the event that Proposal Two is not passed and our common stock is delisted by Nasdaq, you will not have any appraisal rights or dissenter rights with respect to your shares of our common stock.

General Questions

Can I receive materials relating to annual shareholder meetings electronically?

To assist AgFeed in reducing costs related to the annual meeting, shareholders who vote via the Internet may consent to electronic delivery of mailings related to future annual shareholder meetings. We also make our proxy statements and annual reports available online and may eliminate mailing hard copies of these documents to those shareholders who consent in advance to electronic distribution. If you hold shares in your own name and you are voting via the Internet, you may consent online when you vote. If you hold shares through an intermediary, such as a bank or broker, please refer to the information provided by your bank or broker for instructions on how to consent to electronic distribution.

INFORMATION ABOUT OUR BOARD OF DIRECTORS

The size of our board of directors has been set at five directors by action of the board of directors. Set forth below are the names, ages (as of April 25, 2009), principal occupations, and length of service of each of the members of our board of directors. Each of these individuals has been nominated for re-election to the board of directors.

Songyan Li , PhD	42	Dr. Li has served as our executive Chairman and as Chairman of our board of directors since December 2006 and as our Chief Technology Officer since April 2009. Dr. Li served as chairman of the boards of Nanchang Best and Shanghai Best from July 2004 to December 2006. As one of the original founders of Nanchang Best, Mr. Li served as the manager of the Technical Research and Development Department of Nanchang Best from 1995 to July 2004. Prior to that, he worked as the technical manager in Guangxi Peter Hand Premix Feed Company, a Chinese subsidiary of global animal nutrition conglomerate Provimi S.A. from 1991 to 1994. He received his Ph.D. in Animal Nutrition from Nanjing Agricultural University in 2004.
Fredric W. Rittereiser	72	Mr. Rittereiser joined our board of directors in November 2007. From October 1996 until retiring in 2002, Mr. Rittereiser served as chairman of the board and chief executive officer of Ashton Technology Group, Inc., a company that develops and commercializes online transaction systems for the financial industry. Mr. Rittereiser has served on the board of directors of SmartHeat Inc., a manufacturer of plate heat exchanger products, since 2008.
Arnold Staloff	64	Mr. Staloff joined our board of directors in November 2007. From December 2005 to May 2007, Mr. Staloff served as chairman of the board of SFB Market Systems, Inc., a New Jersey-based company that provides technology solutions for the management and generation of options series data. From March 2003 to December 2005, Mr. Staloff was an independent consultant. From June 1990 to March 2003, Mr. Staloff served as president and chief executive officer of Bloom Staloff Corporation, an equity and options market-making firm and foreign currency options floor broker. Mr. Staloff served as a director for Lehman Brothers Derivative Products Inc. from 1994 until October 2008. Mr. Staloff has served on the boards of directors of Shiner International, Inc., a packaging and anti-counterfeit plastic film company, since 2007 and SmartHeat Inc. since 2008.
Junhong Xiong	38	Mr. Xiong joined our board of directors in November 2006 and has served as our Chief Executive Officer and Vice Chairman since that time. Mr. Xiong has also served as chief executive officer of Nanchang Best since its founding in 1995. Prior to that, Mr. Xiong worked for Guangzhou Huashi Animal Nutritionals Company as a sales representative, sales manager, and head of marketing from 1993 to 1995. He was a technician at the Chongming Progressing Farm Company in Shanghai from 1992 to 1993. Mr. Xiong graduated from Animal Husbandry & Veterinary College in Jiangxi Agricultural University and received a Bachelors Degree in 1992.

Lixiang Zhang, PhD	42	Dr. Zhang joined our board of directors in May 2007. Dr. Zhang is a leading expert in animal nutritional science and management consulting in China. Dr. Zhang is a professor of Agricultural Management and has served as the assistant dean of the College of Agricultural Development at Renmin University of China since July 2003. In 2006, Dr. Zhang was awarded the title of Excellent Teacher by Renmin University. In 2005, he was named a Top Ten Enterprise Strategist by the Chinese government. In 2004, Dr. Zhang was named a Top Ten Best Management Consulting

Expert by the Chinese Government. In 2002, he was awarded the top prize for Innovative Management Science by the Chinese Ministry of Commerce. Dr. Zhang has authored over 60 books and articles on the topics of agricultural science and management science. He has conducted management training programs for global companies including SONY, Panasonic, General Motors, Motorola, China Life Insurance, China Telecom among others. Dr. Zhang received a PhD in Management Science from Renmin University in 2003.

Composition of the Board

Our board of directors oversees our business and affairs and monitors the performance of management. Management is responsible for the day-to-day operations of our company. As of the date of this proxy statement, our board has five directors. Our board has determined that each of Messrs. Rittereiser and Staloff and Dr. Zhang are independent directors within the meaning of applicable Nasdaq Stock Market rules and the rules promulgated by the Securities and Exchange Commission ("SEC").

During 2008, the board met nine times and acted by unanimous written consent on six occasions. We had three standing committees in 2008. Those committees consisted of an audit committee, compensation committee and nominating committee. Each of our directors attended at least 75% of the regularly scheduled and special meetings of the board and, with the exception of Dr. Zhang, meetings of the committees on which they served that were held in 2008. Dr. Zhang attended 63% of the audit committee meetings that were held in 2008. We strongly encourage our board of directors to attend our annual meeting of shareholders. In 2008, all of our directors attended the annual meeting of shareholders, except Dr. Zhang, who was unable to attend due to other obligations in China.

Committees of the Board

The table below provides 2008 membership and meeting information for each of the committees.

Name	Audit	Compensation	Nominating and Corporate Governance
Songyan Li			
Fredric Rittereiser	X	X	X*
Arnold Staloff	X*	X*	X
Junhong Xiong			
Lixiang Zhang	X	X	X
2008 Meetings	8	0	0
2008 Consents	0	2	0

* Committee Chair

<u>*Audit Committee*</u>

The audit committee is responsible for: monitoring the quality, reliability and integrity of the accounting policies and financial statements of AgFeed; overseeing our compliance with legal and regulatory requirements; reviewing the independence, qualifications and performance of our internal and external auditors; overseeing the performance of AgFeed's internal audit function and independent auditors; reviewing and monitoring the provisions of non-audit services performed by our independent auditors; and preparing a committee report as required by the SEC to be included in our annual proxy statement. In March 2009, the Nominating and Corporate Governance Committee recommended, and our board of directors approved, the appointment of Messrs. Staloff (Chair) and Rittereiser and Dr. Zhang to serve on our audit committee for the upcoming year. Our board of directors has made an affirmative determination that each member of the audit committee (a) is an “independent director” as that term is defined by Nasdaq Marketplace Rules and (b) satisfies Nasdaq

Marketplace Rules relating to financial literacy and experience. Our board of directors has adopted a written audit committee charter, a copy of which may be viewed on the "Board and Advisors" page of the Management section of our website located at www.agfeedinc.com/html/board.asp or a printed copy may be obtained by making a written request to Feng Zhou, Corporate Secretary of AgFeed Industries, Inc., at Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003.

Audit Committee Financial Expert

The board of directors has an audit committee, which is comprised of Dr. Zhang and Messrs. Staloff and Rittereiser. The board has examined the composition of the audit committee in light of the listing standards of the Nasdaq Stock Market and the regulations under the Securities Exchange Act of 1934 ("Exchange Act") applicable to audit committees. Based upon this examination, the board of directors has determined that each of the audit committee members is an “independent” director within the meaning of such listing standards and the Exchange Act and the rules and regulations thereunder. Mr. Staloff qualifies as an “audit committee financial expert” as that term is defined in applicable regulations of the SEC.

Compensation Committee

The compensation committee is responsible for recommending compensation arrangements for our executive officers; evaluating the performance of our chief executive officer; and administering our compensation plans. In March 2009, the Nominating and Corporate Governance Committee recommended, and our board of directors approved, the appointment of Messrs. Rittereiser (Chair) and Staloff and Dr. Zhang to serve on our compensation committee for the upcoming year. All members of the compensation committee are independent under the standards for independence established by the applicable Nasdaq Marketplace Rules. Our board of directors has adopted a written compensation committee charter, a copy of which may be viewed on the "Board and Advisors" page of the Management section of our website located at www.agfeedinc.com/html/board.asp or a printed copy may be obtained by making a written request to Feng Zhou, Corporate Secretary of AgFeed Industries, Inc., at Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003.

Compensation Committee Interlocks and Insider Participation

During fiscal 2008 and as of the date of this proxy statement, none of the members of the compensation committee was or is an officer or employee of AgFeed, and no executive officer of AgFeed served or serves on the compensation committee or board of any company that employed or employs any member of AgFeed's compensation committee or board of directors.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee is responsible for, among other thing, assisting the board in identifying individuals qualified to become members of the board and executive officers, selecting, or recommending that the board select, director nominees for election as directors by the shareholders, developing and recommending to the board a set of effective governance policies and procedures applicable to AgFeed, and recommending to the board director nominees for each committee. In March 2009, the Nominating and Corporate Governance Committee recommended, and our board of directors approved, the appointment of Messrs. Rittereiser (Chair) and Staloff and Dr. Zhang to serve on this committee for the upcoming year. All members of the nominating committee are independent under the standards for independence established by the applicable Nasdaq Marketplace Rules. The nominating committee acts under a written charter adopted by our board of directors (a copy of which may be viewed on the "Board and Advisors" page of the Management section of our website located at www.agfeedinc.com/html/board.asp or a printed copy may be obtained by making a written request to Feng Zhou, Corporate Secretary of AgFeed Industries, Inc., at Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003).

Strategic Planning and Finance Committee

In March 2009, our board of directors determined that it would be advantageous to the growth of AgFeed to form a committee, consisting of members of senior management and our board of directors, to advise management on achieving and implementing its strategic plan. The committee will report its findings and recommendations to the full board of directors. Mr. Rittereiser (Chair), Dr. Li and Messrs. Xiong, Daignault and Staloff are the current members of the strategic planning and finance committee.

Director Compensation

The following table provides information concerning the compensation of our non-executive directors for the period from January 1, 2008 through December 31, 2008.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	Total ($)
ric Rittereiser	40,000	31,426	71,426
Arnold Staloff	77,000	31,426	108,426
Lixiang Zhang	14,662(2)	—	14,662

(1) The options awarded to Messrs. Staloff and Rittereiser on September 25, 2008 have an exercise price of $9.32 per share and vests over a three year period, with 20,000 vesting on the first anniversary of the grant date, 5,000 vesting on the second anniversary of the grant date and 5,000 vesting on the third anniversary of the grant date. The option is exercisable for five years from the date of grant. The values of the option awards are based on the amount recognized for financial statement reporting purposes in 2008 computed in accordance with FAS 123R (disregarding any estimates of forfeitures related to service-based vesting conditions). See Note 8 of the consolidated financial statements in our Annual Report on Form 10-K regarding assumptions underlying the valuation of stock option grants.

(2) Dr. Zhang received annual base compensation in Chinese Yuan Renminbi (RMB) of RMB100,000. Based on a conversion rate of RMB1 = $0.1466 at December 31, 2008, this was approximately $14,662 for 2008.

Narrative to Director Compensation Table.

Neither of our executive chairman nor chief executive officer receives any compensation for serving on the board of directors. For 2008, our board paid the following annual compensation to our independent directors. Mr. Rittereiser received $40,000 in cash per year, paid in equal quarterly installments. Mr. Staloff received $77,000 in cash per year, paid in equal quarterly installments. Dr. Zhang received RMB100,000 per year. Additionally, each of Messrs. Staloff and Rittereiser received options to purchase 30,000 shares of our common stock, expiring on September 25, 2013, at an exercise price of $9.32 per share, with a three year vesting schedule.

Our board has agreed to pay the following annual compensation to our independent directors for 2009. Mr. Rittereiser is entitled to receive $50,000 in cash per year, paid in equal quarterly installments. Mr. Staloff is entitled to receive $86,000 in cash per year, paid in equal quarterly installments. Dr. Zhang is entitled to receive RMB100,000 per year.

The board of directors recognizes that each of our independent directors has made a unique and invaluable contribution to AgFeed and, in recognition of this, in February 2009, the board awarded each of our independent directors a 2009 one-time extraordinary cash bonus. Mr. Rittereiser received $55,000, Mr. Staloff received $13,000 and Dr. Zhang received $8,000.

Each of the independent directors has abstained from discussions of, and voting on, the setting of his individual compensation.

Shareholder Communications

Our shareholders may communicate directly with the members of the board of directors or individual members by writing directly to it or them, care of Feng Zhou, Corporate Secretary of AgFeed Industries, Inc., at Suite

A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003. Shareholders are required to provide appropriate evidence of their stock ownership with any communications. Communications received in writing are distributed to our board or to individual directors as appropriate depending on the facts and circumstances outlined in the communication received.

Procedure for Shareholder Nominations of Directors

Nominations for the election of directors may only be made by the board of directors in consultation with its nominating and corporate governance committee. A shareholder of record may recommend to the committee a candidate for consideration as a nominee. The committee will consider a shareholder nominee only if a shareholder provides written notice to: AgFeed Industries, Inc., Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003, Attention: Corporate Secretary for the Nominating and Corporate Governance Committee, with a copy to our counsel, William W. Uchimoto, Esq., Buchanan, Ingersoll & Rooney PC, 50 S. 16th Street, Suite 3200, Philadelphia, PA 19102-2555.

In order to provide sufficient time to enable the committee to evaluate candidates recommended by shareholders in connection with selecting candidates for nomination in connection with AgFeed's annual meeting of shareholders, the corporate secretary must receive the shareholder's recommendation not less than sixty (60) days nor more than ninety (90) days prior to the anniversary of the mailing of the proxy statement for the annual meeting of shareholders for the preceding year. Each such notice must include the following information about the candidate:

- Name;
- Age;
- Business and current residence addresses, as well as residence addresses for the past 20 years;
- Principal occupation or employment and employment history (name and address of employer and job title) for the past 10 years (or such shorter period as the candidate has been in the workforce);
- Educational background;
- Permission for AgFeed to conduct a background investigation, including the right to obtain education, employment and credit information;
- The number of shares of AgFeed common stock beneficially owned by the candidate, if any;

- The information that would be required to be disclosed by AgFeed about the candidate under the rules of the SEC in a proxy statement soliciting proxies for the election of such candidate as a director (which currently includes information required by Items 401, 404 and 405 of Regulation S-K); and
- A signed consent of the nominee to serve as a director of AgFeed, if elected.

Nominees properly proposed by eligible shareholders will be evaluated by the committee in the same manner as nominees identified by the committee. To date, no shareholder or group of shareholders has put forth any director nominees.

CORPORATE GOVERNANCE MATTERS

Code of Conduct

We have adopted a code of conduct that applies to our chief executive officer, chief financial officer and all of our other officers, employees and directors, a copy of which may be viewed in the "Management" section of our website located at www.agfeedinc.com/html/investor.asp or obtained by making a written request to Feng Zhou, Corporate Secretary of AgFeed Industries, Inc., at Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003.

Transactions with Related Persons

On January 17, 2008, our board authorized and approved the establishment of an AgFeed Advisory Board. In connection with the establishment of the advisory board, the board entered into a relationship with Mr. Robert Rittereiser pursuant to which the board elected Mr. Rittereiser to serve as chairman of our advisory board. In recognition of this new relationship, our board granted Mr. Rittereiser an option to purchase up to 25,000 shares of our common stock at an exercise price of $9.31 per share. The option had a term of five years and vested in three equal annual installments on the first, second and third anniversary of its grant date. Mr. Rittereiser resigned from the advisory board on December 30, 2008. Upon his resignation, his option was canceled and forfeited. Mr. Rittereiser is the brother of our director, Fredric Rittereiser.

Related Party Transaction Approval Policy

It is our policy that the audit committee review and approve in advance all related party transactions that are required to be disclosed pursuant to Item 404 of Regulation S-K promulgated by the SEC. If advance approval is not feasible, the audit committee must approve or ratify the transaction at the next scheduled meeting of the committee. Transactions required to be disclosed pursuant to Item 404 include any transaction between AgFeed and any officer, director or certain affiliates of AgFeed that has a value in excess of $120,000. In reviewing related party transactions, the audit committee evaluates all material facts about the transaction, including the nature of the transaction, the benefit provided to AgFeed, whether the transaction is on commercially reasonable terms that would have been available from an unrelated third-party and any other factors necessary to its determination that the transaction is fair to AgFeed.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth information, as of May 1, 2009, concerning (a) each person that is known to us to be the beneficial owner of more than 5% of AgFeed's common stock; (b) each of our named executives; (c) each director; and (d) all of the directors and executive officers as a group. Unless otherwise indicated, to our knowledge, all persons listed below have sole voting and investment power with respect to their shares, except to the extent spouses share authority under applicable law. Beneficial ownership is determined in accordance with the rules of the SEC. At the close of business on May 1, 2009, we had 38,093,141 shares of common stock outstanding. In computing the number and percentage of shares beneficially owned by a person, shares that may be acquired by such person within 60 days of May 1, 2009 are counted as outstanding, while these shares are not counted as outstanding for computing the percentage ownership of any other person.

Name and Address of Beneficial Owner (1)	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned (2)
5% Shareholders		
JunQing Xiong (3) No. 107 Wulonnang, Floor 4 Zhang Gong Qu Guangzhou, China 341000	4,752,152	11.97%
Enable Capital Management, LLC (4) Enable Growth Partners, L.P. Mitchell S. Levine One Ferry Building Suite 255	3,884,724	9.79

San Francisco, CA 94111		
Directors and Named Executives		
Songyan Li	1,766,328	4.45
Junhong Xiong [(3)]	4,036,074	10.17
Liangfan Yan	0	—
Selina Jin	0	—
Gerard Daignault	200	*
Feng Zhou	1,885,674	4.75
Fredric W. Rittereiser [(5)]	5,433	*
Arnold Staloff [(6)]	4,333	*
Lixiang Zhang	0	—
All officers and directors as a group (11 persons)	11,469,390	28.89%

* Less than 1 percent

(1) Except as otherwise indicated, the address of each beneficial owner is c/o AgFeed, Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003.

(2) Beneficial ownership has been determined in accordance with Rule 13d-3 under the Exchange Act. Unless otherwise noted, we believe that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

(3) This information is derived from Amendment No. 1 to Schedule 13D filed jointly by Messrs. JunQing Xiong and Junhong Xiong, our chief executive officer, on January 5, 2009. Mr. JunQing Xiong has sole voting and dispositive power with respect to 716,078 of these shares. Under the terms of an Irrevocable Proxy, dated December 2, 2008, Mr. Junhong Xiong maintains sole voting and dispositive power with respect to the remaining 4,036,074 shares that were gifted to JunQing Xiong until December 2, 2011. All 4,752,152 are also the subject of a Lock-Up Agreement with AgFeed that remains in effect until October 6, 2009.

(4) This information is derived from Schedule 13G filed jointly by Enable Capital Management, LLC, Enable Growth Partners, L.P. and Mitchell S. Levine on January 8, 2009. 2,285,720 shares are beneficially owned by Enable Capital Management by or for the benefit of Enable Growth Partners. An additional 1,600,004 shares are issuable under warrants that are exercisable within 60 days of May 1, 2009. Enable Capital Management is the general partner and investment manager of Enable Growth Partners. Mr. Levine is the managing member and majority owner of Enable Capital Management. Each of the parties has sole voting and dispositive power with respect to the shares. However, each of Enable Capital Management and Mr. Levine disclaim beneficial ownership with respect to the shares, except to the extent of its or his pecuniary interests therein.

(5) Mr. Rittereiser's address is 20 Maple Street, Toms River, NJ 08753 U.S.A. The shares reported include 2,000 shares held by Mr. Rittereiser's daughter. Mr. Rittereiser disclaims beneficial ownership of such shares. The shares reported also include 3,333 shares issuable upon the exercise of currently exercisable options granted to Mr. Rittereiser.

(6) Mr. Staloff's address is 1605 Mayflower Lane, Cherry Hill, NJ 08003 U.S.A. The shares reported include 3,333 shares issuable upon the exercise of currently exercisable options granted to Mr. Staloff.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors, executive officers and persons who are the beneficial owners of more than 10% of our common stock to file reports of their ownership and changes in ownership of our equity securities with the SEC. The reporting persons are required by SEC regulation to furnish us with copies of all Section 16 reports they file. Based on a review of the copies of such forms furnished to us and other written representations that no other reports were required during the year ended December 31, 2008, we believe our directors, executive officers and greater than ten percent beneficial owners timely filed all Section 16(a) reports required during the year, with the following exception: Liangfan Yan, our former chief financial officer, did not timely file an "Initial Statement of Beneficial Ownership of Securities" on Form 3 when he became an executive officer in October 2006. Mr. Yan has never held any of our securities and a Form 3 was filed reflecting his status as an executive officer on February 13, 2009. Effective as of April 15, 2009, Mr. Yan is no longer an executive officer of AgFeed. He remains AgFeed's internal controller.

EXECUTIVE COMPENSATION AND STOCK OPTION INFORMATION

COMPENSATION DISCUSSION AND ANALYSIS

Overview

This Compensation Discussion and Analysis (*"CD&A"*) describes the material elements of compensation paid to our executive officers in 2008 as well as the objectives and material factors underlying our compensation policies and decisions.

The compensation committee (for purposes of this CD&A, the *"Committee"*) of the board of directors has responsibility for establishing, implementing and monitoring adherence with AgFeed's compensation philosophy. The Committee ensures that the total compensation paid to our *"named executives"* is fair, reasonable and competitive. Our chairman reviews and revises individual compensation and presents his recommendations to the Committee for its ultimate review and approval. The chairman participates in Committee meetings to assist the Committee with its understanding of the market in the PRC. Neither the chairman nor our chief executive officer is involved in decisions relating to their respective compensation.

The information in this CD&A explains how the Committee made its compensation decisions for our named executives in 2008. For 2008, our named executives were: our executive Chairman, Dr. Songyan Li; our Chief Executive Officer and Vice Chairman, Mr. Junhong Xiong; our Chief Financial Officer during all of 2008, Mr. Liangfan Yan; and our next two most highly compensated executive officers - our Chief Operating Officer, Mr. Gerard Daignault and our Financial Controller and Secretary, Mr. Feng Zhou.

Compensation Philosophy and Objectives of Our Executive Compensation Program

We maintain the philosophy that determination of compensation for our executive officers is based on the primary goal of maximizing corporate performance and thereby creating value for you, our shareholders. To achieve this goal we have designed our executive compensation program to achieve the following objectives:

- *Retain and attract qualified executives* — The compensation of our executives must be competitive with the organizations with which we compete for talent so that we may attract and retain talented and experienced executives. Our executives have, on average, approximately 20 years of experience in the premix feed and commercial hog production industries.

- *Reward outstanding performance* — A significant portion of our executives' compensation should be subject to corporate performance measures and therefore be "at risk." Performance-based compensation can vary widely from year to year depending on an executive's performance and the economic tensions relating to our business.

- *Align compensation with our strategic business objectives* — We believe that a component of our executives' compensation should be related to the degree to which we meet or exceed both our short- and long-term strategic business objectives.

- *Align the interests of our executives with those of our shareholders*— Equity-based awards can be an effective means of aligning an executive's financial interests with those of our shareholders by providing value to the executive only if the market price of our stock increases.

2008 Executive Compensation Components

With this in mind, we have created a compensation package designed to reward individual performance based on our short-term and long term performance and how this performance links to our corporate strategy. The components of our total compensation for executive officers, including our named executives, are as follows:

Rewarding Short-Term Performance

- Salary - the fixed amount of compensation for performing day-to-day responsibilities.

Base salaries are intended to provide a minimum level of compensation sufficient to attract and retain an effective management team when considered in combination with the performance-based and other components of our executive compensation program. Base salaries for our executive officers are determined not only on the basis of the Committee's assessment of individual performance, but also on the total compensation paid to persons holding equivalent positions by companies in the PRC engaged in similar businesses.

Salaries are reviewed annually to determine if they are equitably aligned within AgFeed and are at sufficient levels to attract and retain top talent. The Committee believes that any increases in base salary should be based upon a favorable evaluation of individual performance relative to individual goals, the functioning of the executive's team within the corporate structure, success in furthering the corporate strategy and goals, and individual management skills, responsibilities and anticipated workload.

Mr. Daignault's 2008 salary was determined in negotiations between AgFeed and Mr. Daignault and is a key term of his employment agreement. His base salary was determined in relation to his significant years of experience and the extent of his knowledge of the hog production business in both the United States and China.

- Bonus - Cash bonus awards earned for achieving our short-term financial goals and other strategic objectives measured over the year.

We may pay discretionary bonuses to incentivize and reward executives based on our overall performance, as well as on the performance of each executive officer's area of responsibility or operating group. Measures of performance may be financial or strategic. Financial elements are based on a comparison of our revenues and earnings per share year over year. Strategic elements may include improvements in operations and contributions to our strategic business objectives.

For 2008, actual bonuses paid to our named executives were determined by the Committee based on its subjective evaluation of each executive's performance with input from Dr. Li. Based on Dr. Li's evaluation of each executive's performance during the year, together with the Committee's evaluation of each executive's performance, the executive's relative contribution to our overall performance and the executive's response to unplanned or unforeseen events (i.e., the economic downturn, decreases in the cost of hogs and increased in the cost of certain raw materials), the Committee determined the bonus awards to be paid to the executives. The Committee placed significant emphasis on our financial and strategic performance, the execution and integration of our business acquisitions during the year and the adherence of our executives to our established governance policies.

In determining Dr. Li's and Mr. Xiong's bonus for 2008 performance, the Committee considered its evaluation of their performance which included AgFeed's overall performance, our expansion into the hog production line of business, their overall management of AgFeed and their handling of unexpected challenges.

2008 was a year of significant growth for AgFeed. The Committee believes that our executive officers executed the company's strategic goals for the year, capitalizing on the synergies of our previously existing line of business, feed production, by expanding into the hog production business beginning at the end of 2007. This was accomplished through the successful acquisition and integration of 30 producing hog farms, one feed processing plant and the establishment of exclusive relationships with more than 500 independently owned retail distributors, as well as the growth of our existing operations, led by the talents of our executive management.

As a result of AgFeed's internal growth and strategic acquisitions during 2008, our revenues increased $107.5 million year over year and our earnings per share more than doubled. This growth was effectively managed by our team of seasoned executives, led by Dr. Li and Mr. Xiong, with the financial experience provided by our chief financial officer and financial controller, Messrs. Yan and Zhou, and the hog production expertise of Mr. Daignault.

For 2008 performance, in March 2009, the Committee made the following bonus awards to our named executives: Dr. Li - $60,000; Mr. Xiong - $40,000; Mr. Daignault, $22,500; Mr. Yan, $10,000; and Mr. Zhou, $20,000.

Rewarding Long-Term Performance

Long-Term Equity Incentive Awards - may be granted to retain executives, build executive ownership and align compensation with the achievement of our long-term financial goals, creating shareholder value and achieving strategic objectives as measured over multi-year periods.

Executives are eligible for equity awards in the form of stock options, stock appreciation rights, restricted stock, restricted stock units, and performance grants under the AgFeed Industries, Inc. 2008 Long-Term Incentive Plan. Awards are made at the discretion of the Committee. The number of shares awarded to any individual depends on individual performance, salary level and competitive data, and the impact that such employee's productivity may make to shareholder value over time. In addition, in determining the number of stock options, stock appreciation rights, restricted shares, restricted stock units or performance shares to grant to each executive, the Committee reviews the current ownership interest of each executive to determine the whether or not an additional grant will incentivize that individual to make a long term commitment to remain with AgFeed. By giving executives an equity interest in AgFeed, the value of which depends upon stock performance, we seek to further align management and shareholder interests. During 2008, with the exception of a stock option awarded Mr. Daignault upon his appointment as our chief operating officer, we determined that it was not necessary to grant equity awards to our named executives because each of them held a number of shares of our common stock sufficient to align their respective interests and commitments with those of our shareholders.

Other Elements of Total Compensation

- Perquisites and Other Personal Benefits - Historically, we have not provided our named executives with perquisites or other personal benefits because it is not customary to provide such perquisites and personal benefits in the PRC.

- Retirement Benefits - Currently, we do not provide any company-sponsored retirement benefits or deferred compensation programs to any employee, including the named executives (other than a mandatory state pension scheme in which all of our employees in the PRC participate) because it is not customary to provide such benefits and programs in the PRC.

Tax and Accounting Implications

- Deductibility of Executive Compensation - Pursuant to Section 162(m) of the Internal Revenue Code, compensation in excess of $1 million paid to named executives is not deductible by us, subject to certain exceptions. The Committee has considered the effect of Section 162(m) of the Code on our executive compensation and we believe that the compensation paid to our executive officers generally is fully deductible for federal income tax purposes.

- Accounting for Share-Based Compensation - We account for share-based compensation in accordance with the requirements of FASB Statement 123(R). The Committee takes into consideration the tax consequences of compensation to the named executives, but tax considerations are not a significant part of the company's compensation policy.

Employment and Severance Agreements

With the exception of Mr. Daignault, we did not have any written employment or severance agreements (including any that might pertain to a "change-in-control of AgFeed) with any of our named executives in 2008. Mr. Daignault's employment agreement provides that he will serve as chief operating officer of AgFeed and its wholly-owned subsidiary, Nanchang Best Animal Husbandry Co., Ltd. The current term of Mr. Daignault's agreement extends until August 19, 2011. His initial base salary is $216,000, subject to annual review and possible adjustment. Mr. Daignault's employment agreement is more fully discussed in the "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table" and the "Potential Payments Upon Termination or Change-in-Control" sections on pages 21 and 22, respectively, of this document.

COMPENSATION COMMITTEE REPORT

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with AgFeed's management and, based upon such review and discussion, the compensation committee recommended to our board that the Compensation Discussion and Analysis be included in this proxy statement.

By the Compensation Committee of the board of directors:

Fredric Rittereiser, Chairman
Arnold Staloff
Lixiang Zhang

The foregoing Compensation Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of AgFeed under the Securities Act of 1933 or the Exchange Act, except to the extent that AgFeed specifically incorporates the Compensation Committee Report by reference therein.

EXECUTIVE OFFICERS

Our executive officers, in addition to Dr. Li and Mr. Xiong, are listed below:

Selina Jin	34	Ms. Jin was appointed our chief financial officer on April 15, 2009. Ms. Jin joined AgFeed as its assistant chief financial officer in June 2008. Prior to joining AgFeed, Ms. Jin was employed as chief financial officer of Changsha Zhan Hong Energy Chemical Co. Ltd. from 2004 to 2006. From 2003 to 2004, Ms. Jin was assistant chief executive officer at Citia International Ltd. N. Z., Ms. Jin was an assistant professor in the Business School of Central South University from 1997 to 2003. Ms. Jin received her bachelor's degree in accounting from Hunan University in 1997 and her Master of Business Administration in Finance and Accounting from Shanghai University of Financial and Economics in 2008. Ms. Jin is a member of the China Association of

		Chief Financial Officers), the Institute of Management Accountants and the International Financial Management Association.
Gerard Daignault	50	Mr. Daignault has served as our chief operating officer since August 2008. Prior to joining AgFeed, Mr. Daignault served as founder and managing director of Spectrum Agribusiness LLC from October 2007 until August 2008. Prior to founding Spectrum Agribusiness, Mr. Daignault served as CFO/Director of Finance for PIC North America, Inc. from May 2004 to October 2007 through the acquisition by Genus PLC of Sygen PLC (parent company of PIC North America, Inc.) in December 2005. During his 26+ year career, Mr. Daignault has held a number of financial and managerial positions including 18 years at the CFO level for domestic and international agribusiness, including Purina Mills LLC, PMAG Products (a subsidiary of Tate & Lyle, N.A.), and Newsham Hybrid Genetics. He received a Bachelor's degree in finance and accounting from the University of Missouri in 1979.
Feng Zhou	40	Mr. Zhou has served as our vice president, financial controller and corporate secretary since our founding in 1995. Prior to 1995, he worked at Guangzhou Huashi Industries for two years as a sales representative. Mr. Zhou received his bachelor degree in Animal Nutrition in 1992 from Jiangxi Agricultural University and upon graduation worked at Shanghai Daying Industry as a technician from July 1992 through October 1993. He obtained his EMBA degree from Tsinghua University in 2004.
Zhengru Xiong	40	Mr. Xiong has served as our Vice President of Technical Operations since our founding in 1995. He is the current chairman of Jiangxi Province Hog Farm Association. He graduated from Jiangxi Agricultural University in 1992 with a Bachelor's Degree in Animal Farming and from 1992 through 1994 he worked at Jiangxi Agricultural and Technology Company as a section chief. Mr. Xiong has an EMBA degree from Tsinghua University.
Jinfeng Yuan	29	Dr. Yuan has served as our Vice President of Technology since joining AgFeed in 2006. Dr. Yuan earned a Ph.D. degree in animal genetics from Huazhong Agricultural University and the University of Cambridge. He has studied at the PIC (the international leader in providing genetically superior pig breeding stock) research lab at the University of Cambridge, Tianzhong Breeder Pig Company (one of China's top breeder hog companies) and the World Wildlife Fund (WWF) China.
Yunlin Zheng	40	Mr. Zheng has served as our Vice President of Marketing since February 2007. From September 2003 to February 2007, he was the general manager of Nanchang Best. Prior to his appointment as general manager, he held various senior positions including sales manager and deputy general manager of Nanchang Best since our founding in 1995. Mr. Zhou received his bachelor degree in Animal Nutrition in 1992 from Jiangxi Agricultural University and, upon graduation, taught Animal Nutrition courses in Jiangxi Agricultural University until 1995. He obtained his EMBA degree from Tsinghua University in 2004.

In addition to our current executive officers listed above, Mr. Liangfan Yan, 55, served as our chief financial officer from 2006 to April 15, 2009. As of April 15, 2009, Mr. Yan became AgFeed's internal controller. Mr. Yan has almost two decades of accounting and auditing experience. Prior to joining AgFeed, Mr. Yan served as financial controller for the New Hope Group, China's No. 1 animal nutrition company with almost US$2 billion in annual sales from 2001 to 2006. Prior to New Hope, he was a senior manager at a major accounting firm in Chengdu, China. Mr. Yan is a registered CPA and holds a BA degree in accounting from the Correspondence College of Economics in Beijing.

Summary Compensation Table

The following table shows the compensation of each of our named executives in 2008.

Name and Principal Position	Year	Salary(1) ($)	Bonus(2) ($)	Option Awards ($)	Total Compensation ($)
Songyan Li	2008	11,600	60,000		71,600
Executive Chairman	2007	20,000	0		20,000
Junhong Xiong	2008	12,700	40,000		52,700
f Executive Officer and Vice Chairman	2007	13,000	5,000		18,000
Liangfan Yan (3)	2008	11,000	10,000		21,000
f Financial Officer	2007	11,000	5,000		16,000
Gerard Daignault (4)	2008	72,000	22,500	104,754	199,254
Chief Operating Officer					
; Zhou	2008	11,000	20,000		31,000
President, Financial Controller and Secretary	2007	11,000	5,000		16,000

(1) The salary for each of the named executives, except Mr. Daignault, was calculated and paid in RMB. The amounts in the foregoing table represent the US dollar equivalent based on a conversion rate of RMB1 = $0.1466 at December 31, 2008 and RMB1 - $0.137088 at December 31, 2007.

(2) The bonus amounts awarded to each of our named executives were paid in February 2009 for services rendered to Agfeed during 2008.

(3) Mr. Yan served as our chief financial officer throughout 2008. However, it should be noted that, effective April 15, 2009, Mr. Yan is no longer our chief financial officer. He remains AgFeed's internal controller.

(4) Mr. Daignault joined AgFeed as its Chief Operating Officer in August 2008. The salary set forth herein would be $216,000 on an annualized basis. Mr. Daignault was awarded an option to purchase 100,000 shares of our common stock on September 25, 2008. The exercise price is $9.32 per share and the option vests over a three year period, with 66,667 shares vesting on the second anniversary of the grant date and 33,333 shares vesting on the third anniversary of the grant date, provided that Mr. Daignault remains employed by AgFeed on the vesting dates. The option is exercisable for five years from the date of grant. The value of the option award is based on the amount recognized for financial statement reporting purposes in 2008 computed in accordance with FAS 123R (disregarding any estimates of forfeitures related to service-based vesting conditions). See Note 8 of the consolidated financial statements in our Annual Report on Form 10-K regarding assumptions underlying the valuation of stock option grants.

Grants of Plan-Based Awards

The following table provides information on stock options granted in 2008 to each of our named executives.

Name	**Grant Date**	**All Option Awards: Number of Securities Underlying Options** (#)	**Exercise or Base Price of Option Awards** ($/Sh)	**Closing Market Price on Grant Date** ($/Sh)	**Grant Date Fair Value of Option Awards** (1) ($/Sh)
Songyan Li	—	—	—	—	—

Junhong Xiong	—	—	—	—	—
Liangfan Yan	—	—	—	—	—
Gerard Daignault	9/25/2008	100,000	9.32	9.32	5.91
Feng Zhou	—	—	—	—	—

(1) This column shows the fair value of the stock options as of the grant date computed in accordance with FAS 123R.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table.

With the exception of Mr. Daignault, we have no employment agreements with our named executives. For 2008, the only compensation earned by our named executives, other than Mr. Daignault, was salary and bonus. In the future, named executives may be eligible to receive other forms of compensation.

Terms of Daignault Employment Agreement. Nanchang Best Animal Husbandry Co., Ltd., a subsidiary of AgFeed, entered into an employment agreement with Mr. Daignault on August 19, 2008, pursuant to which Mr. Daignault agreed to serve as AgFeed's chief operating officer. The current term of Mr. Daignault’s employment agreement ends on August 19, 2011, and the agreement term automatically renews for successive biennial terms unless terminated in advance of the end of the initial term or any renewal term.

Pursuant to the employment agreement, Mr. Daignault is entitled to the following: (i) an initial base salary of $216,000 per year, (ii) a potential bonus, (iii) two weeks of paid vacation, (iv) reimbursement of pre-approved business expenses and (v) living expenses while traveling in the People's Republic of China. In the event of Mr. Daignault's termination without "cause," or in the event of death or disability or a "constructive termination," we shall pay Mr. Daignault a lump sum severance amount commensurate with the length of his service. Additionally, Mr. Daignault was granted a stock option to acquire 100,000 shares of AgFeed's common stock, par value $0.001 per share, under AgFeed's 2008 Long-Term Incentive Plan which vest in two installments: 66,667 shares vesting on the second anniversary and 33,333 shares vesting on the third anniversary of the date of the grant provided that Mr. Daignault is employed by AgFeed on such vesting dates.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008

The following table sets forth certain information with regard to all unexercised options held by our named executives at December 31, 2008.

Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options[1] (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Songyan Li	—	—	—	—	—
Junhong Xiong	—	—	—	—	—
Liangfan Yan	—	—	—	—	—
Gerard Daignault	9/25/2008	0	100,000	9.32	9/25/2013
Feng Zhou	—	—	—	—	—

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

During 2008, Mr. Daignault was the only named executive that had a compensation arrangement or agreement with AgFeed that provides for any payment in the event of termination or change-in-control.

In the event of Mr. Daignault's termination without "cause," or in the event of death or disability or a "constructive termination," Mr. Daignault will be entitled to receive a lump sum severance amount equal to:

(i) $36,000, if such termination or constructive termination occurs on or before August 19, 2009;

(ii) $60,000, if such termination or constructive termination occurs after August 19, 2009 but on or before August 19, 2010; or

(iii) $100,000, if such termination or constructive termination occurs after August 19, 2010.

Additionally, in the event of Mr. Daignault's termination without cause, or in the event of death or disability or a constructive termination, the options granted to Mr. Daignault shall vest immediately and may be exercised in full or in part within one (1) year from the date of termination, death or disability, or constructive termination.

In the event that Mr. Daignault voluntarily terminates his employment or AgFeed terminates his employment for "cause" he shall not be entitled to any severance payment. The effect of any other termination on options granted to Mr. Daignault shall be the immediate cancellation and forfeiture of any unexercised portion of the option (whether or not vested).

"Cause" has been defined to mean (1) a refusal, failure, or inability to perform any reasonable assigned duties; (2) a material breach or violation of the employment agreement; (3) conduct by Mr. Daignault that constitutes gross negligence or wilful misconduct; (4) material failure to follow AgFeed's policies, directives, or orders applicable to AgFeed employees holding comparable positions; (5) intentional destruction or theft of AgFeed property or falsifications of AgFeed documents; (6) conviction of a felony or any crime involving moral turpitude or a misdemeanor where imprisonment in excess of fifteen (15) days is imposed; or (7) violation of AgFeed's code of conduct.

"Constructive termination" has been defined to mean: (1) material reduction of the scope of Mr. Daignault's duties for forty (40) consecutive "business days," (2) a material reduction in Mr. Daignault base salary, or (3) the continued assignment to Mr. Daignault of any duties materially inconsistent with the level of his position; provided that none of the foregoing events shall be deemed to result in a constructive termination if Mr. Daignault consents to such events or if such events are the result of actions of AgFeed or its board of directors that are applicable to all of our officers.

A "business day" has been defined to mean any day other than a Saturday, Sunday or legal holiday, or a day on which commercial banks in Beijing, China are authorized or required by law to close.

Based on the foregoing analysis, in the event that Mr. Daignault's employment terminated as of December 31, 2008 without cause, or in the event of his death, disability or a constructive termination, Mr. Daignault or his estate would have been entitled to received a severance payment of $36,000 and his option to acquire 100,000 shares of AgFeed common stock would have vested. This option would remain exercisable until December 31, 2009.

In the event Mr. Daignault's employment terminated as of December 31, 2008 for any other reason, no severance payments would be made and Mr. Daignault's unvested option would have been canceled and forfeited. In the event that the employment of any of our other named executives was terminated for any reason as of December 31, 2008, no severance payments would be made to them.

PROPOSAL NUMBER ONE
ELECTION OF DIRECTORS

Our charter documents require our entire board of directors to be elected annually. Our board has designated the five individuals listed below as candidates for election. None of the nominees has a family relationship with the other nominees, any existing director or any executive officer of our company. Each is currently serving as a director. Unless otherwise specified in the proxy card, the proxies solicited by the board will be voted “FOR” the election of these candidates.

Songyan Li

Fredric Rittereiser
Arnold Staloff
Junhong Xiong
Lixiang Zhang

You may find additional information about each of the nominees under the heading "Information About Our board of directors," beginning on page 4 of this document. In case any of these candidates becomes unavailable to stand for election to the board, an event that is not anticipated, the proxy holders will have full discretion and authority to vote or refrain from voting for any substitute nominee in accordance with their judgment.

The terms of directors elected at the annual meeting expire at the 2010 annual meeting or as soon thereafter as their successors are duly elected and qualified. The board has no reason to believe that any of the nominees will be unable or unwilling to serve as a director if elected.

Directors are elected by a plurality vote of shares present at the meeting, meaning that the nominee with the most affirmative votes for a particular seat is elected for that seat. If you do not vote for a particular nominee, or if you withhold authority to vote for a particular nominee on your proxy card, your vote will not count either "for" or "against" the nominee.

The board of directors unanimously recommends that you vote "FOR" the election of each nominee listed above.

Director Qualification Standards

Our nominating and corporate governance committee has created a set of criteria to assist them in identifying, evaluating and recommending candidates to become members of our board of directors. The goal of these guidelines is to create a balance of knowledge and experience that serve the long-term interests of AgFeed and our shareholders. The committee considers and evaluates each director-candidate based upon its assessment of the following criteria:

- Whether the candidate is independent pursuant to the requirements of the Nasdaq Stock Market LLC.
- Whether the candidate is accomplished in his or her field and has a reputation, both personal and professional, that is consistent with AgFeed's image and reputation.
- Whether the candidate has the ability to read and understand basic financial statements. The committee will also determine if a candidate satisfies the criteria for being an "audit committee financial expert," as defined by the SEC.
- Whether the candidate has relevant experience and expertise and would be able to provide insights and practical wisdom based upon that experience and expertise.
- Whether the candidate has knowledge of AgFeed and issues affecting it.
- Whether the candidate is committed to enhancing shareholder value.
- Whether the candidate fully understands, or has the capacity to fully understand, the legal responsibilities of a director and the governance processes of a public company.
- Whether the candidate is of high moral and ethical character and would be willing to apply sound, objective and independent business judgment, and to assume broad fiduciary responsibility.
- Whether the candidate has, and would be willing to commit, the required hours necessary to discharge the duties of board membership.

- Whether the candidate has any prohibitive interlocking relationships or conflicts of interest.
- Whether the candidate is able to develop a good working relationship with other board members and contribute to the board's working relationship with our senior management.
- Whether the candidate is able to suggest business opportunities to AgFeed.

PROPOSAL NUMBER TWO
APPROVAL OF THE DECEMBER 2008 FINANCING

We are seeking shareholder approval of the sale and issuance in December 2008 to certain institutional investors of 5,000,006 shares of our common stock and warrants to purchase 3,500,004 shares of our common stock to avoid the delisting of our shares from the Nasdaq Global Market.

As a company with shares listed on Nasdaq's Global Market, we are subject to Nasdaq's Marketplace Rules. Marketplace Rule 5635(d)(2) (which superceded Marketplace Rule 4350(i)(1)(D)(ii) as of April 13, 2009) requires shareholder approval for the issuance of securities representing 20% or more of a listed company's outstanding securities for a price less than the greater of market price or book value in a transaction which is not a public offering.

Following the completion of the December 2008 Financing, Nasdaq's staff determined that the transaction violated Nasdaq's shareholder approval requirements and provided us with an extension until June 12, 2009 to obtain shareholder approval. The staff also advised us that if we do not satisfy those requirements, the staff will notify us that our shares will be delisted from the Nasdaq Global Market, subject to our right to appeal the staff's determination to a Listing Qualifications Panel.

IF SHAREHOLDERS DO NOT APPROVE THE DECEMBER 2008 FINANCING, OUR SHARES MAY BE DELISTED FROM THE NASDAQ GLOBAL MARKET. THIS WOULD RESULT IN A LESS LIQUID TRADING MARKET FOR OUR SECURITIES AND COULD ADVERSELY AFFECT OUR FUTURE EFFORTS TO RAISE ADDITIONAL CAPITAL.

The December 2008 Financing

We entered into the Purchase Agreement with Hudson Bay Overseas Fund Ltd., Hudson Bay Fund L.P., Cranshire Capital L.P. and Enable Growth Partners, L.P. (collectively, the "investors") in connection with a registered offering of securities providing for the issuance of 5,000,006 Units, each consisting of one share of our common stock and a warrant to purchase seven-tenths of one share of our common stock for aggregate gross proceeds of $8,750,010.25, or $1.75 per Unit.

The purchase price for the Units was established through negotiations with the investors. The 5,000,006 shares of common stock were sold at a discount to market price, but only represented approximately 15.2% of our outstanding common stock prior to the sale, well below the 20% limit of Marketplace Rule 5635(d)(2). However, the 3,500,004 shares of our common stock issuable upon exercise of the warrants represented approximately 10.6% of our common stock prior to the sale. While the exercise price of the warrants was set at $2.50 to be greater than the market price of our common stock at the time of the sale in compliance with Marketplace Rule 5635(d)(1), that exercise price was inadvertently set at less than the $3.29 book value of our shares, as reflected in the financial statements included in our Form 10-Q Quarterly Report for the third quarter ended September 30, 2008.

Registration of the Securities

The securities for the registered offering were issued pursuant to a prospectus supplement we filed with the SEC on December 31, 2008, in connection with a shelf takedown from our Registration Statement on Form S-3 (File No. 333-144386) which was declared effective by the SEC on January 11, 2008. Under the Registration Statement, we were authorized to sell and issue, from time to time, shares, and warrants to purchase shares, of our common stock for an aggregate offering value of up to $75 million. Prior to the December 2008 Financing, we had sold and issued an aggregate of 4,392,274 shares for an aggregate purchase price of $57.2 million.

Description of the Purchase Agreement

The following description of the Purchase Agreement is summary in nature and is qualified in its entirety by reference to the full text of the Purchase Agreement which was filed as an exhibit to the Current Report on Form 8-K we filed with the Securities and Exchange Commission on January 2, 2009.

Pursuant to the terms of the Purchase Agreement, dated as of December 28, 2008, we agreed to sell to the investors, and the investors agreed to purchase, an aggregate of 5,000,006 Units, each consisting of one share of our common stock and a warrant to purchase seven-tenths of one share of our common stock at an exercise price of $2.50 per share.

Representations and Warranties

The Purchase Agreement contains representations and warranties by AgFeed relating to its subsidiaries, AgFeed's organization and qualification, the authorization and enforceability of the Purchase Agreement, the issuance of the common stock and warrants, its SEC reports and financial statements, regulatory compliance, and other matters that are customary for registered offerings of this type.

Termination of Obligations to Effect Closing

The Purchase Agreement could have been terminated by any investor, as to its obligations only and without any effect whatsoever on the obligations of the other investors, if the closing was not consummated on or before January 6, 2009. The closing occurred on December 31, 2008.

Closing Conditions

Unless waived, the obligations of the parties to the Purchase Agreement are conditioned upon:

- delivery of the executed Purchase Agreement by both parties;
- AgFeed's issuance of irrevocable instructions to its transfer agent to deliver the issued shares to the Depository Trust Company Deposit Withdrawal Agent Commission System and AgFeed's delivery of the warrants;
- AgFeed's delivery of the prospectus, a prospectus supplement, and an opinion of AgFeed's counsel;
- the investor's payment of the purchase price for the Units;
- the representations and warranties of the respective parties being true and correct in all material respects at or on the closing date;
- all obligations of the parties required to be performed prior to the closing having been performed;
- there having been no material adverse effect with respect to AgFeed; and
- there not having occurred a suspension of trading in AgFeed's securities or other specified adverse market developments.

Covenants

The Purchase Agreement contains the following obligations of AgFeed:

- the obligation to issue shares of common stock upon exercise of the warrants free of all legends, to notify the holders of the warrants if the registration statement for the sale of such shares is no longer effective, and the obligation to use AgFeed's best efforts to keep the registration statement effective;

- the obligation to file all reports required under the Exchange Act;

- the obligation not to offer or sell any security that would be integrated with the offer and sale of the common stock and warrants requiring shareholder approval under Nasdaq's rules without obtaining such shareholder approval;

- the obligation to file a Current Report on Form 8-K disclosing the material terms of the transactions under the Purchase Agreement and restrictions on certain disclosures without the consent of the other parties, other than disclosures required by federal securities laws or listing requirements;

- the obligation not to claim that any of the Investors is an acquiring person under any control share acquisition or rights plan or arrangement;

- the obligation not to disclose to any Investor material non-public information without having a written confidentiality agreement in effect;

- the obligation not to use the proceeds of the transaction to satisfy debt, redeem stock, or settle litigation;

- the obligation to indemnify the Investors and their related parties for certain losses arising from the breach of AgFeed's representations, warranties, or covenants in the Purchase Agreement or any action instituted against an Investor or its affiliates with respect to the transactions under the Purchase Agreement;

- the obligation to reserve sufficient shares of common stock for issuance upon exercise of the warrants;

- the obligation to use AgFeed's best efforts to maintain the listing of its common stock on Nasdaq;

- the obligation not to provide any consideration to any person to amend or waive compliance with the transaction documents unless the same consideration is offered to all parties to the transaction documents;

- except in the case of certain exempt issuances (involving issuances under stock option plans, upon exercise of outstanding warrants or options, or issuances in acquisitions or other strategic transactions), the obligation to not issue, agree to issue, or announce the issuance or proposed issuance of common stock or common stock equivalents during the 30 day period following the closing;

- the obligation not to enter into a variable rate transaction (generally involving a price that is based upon or varies with the trading price of securities or that is reset based upon a contingency or the trading price of securities) or an equity line of credit; and

- the obligation not to enter into a reverse or forward stock split or reclassification of common stock, except for a reverse split required to maintain a minimum bid price for continued listing purposes.

Description of our Common Stock

The following description of our common stock summarizes general terms and provisions that apply to our common stock, including the shares issued in the December 2008 Financing. There are no differences between the shares of common stock that were issued in the December 2008 Financing and the other outstanding shares or our common stock. The summary is subject to and qualified in its entirety by reference to our articles of incorporation and our bylaws, which have been filed with the SEC as exhibits to our Annual Report on Form 10-K for the year ended December 31, 2008 and are incorporated by reference into this document.

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Holders of our common stock are entitled to receive proportionately any dividends if and when such dividends are declared by our board of directors.. Upon the liquidation, dissolution or winding up of our company, the holders of our common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights.

Description of the Warrants

The following description of the warrants is summary in nature and is qualified in its entirety by reference to the full text of the form of warrant which was filed as an exhibit to the Current Report on Form 8-K we filed with the Securities and Exchange Commission on January 2, 2009.

Each warrant entitles the holder to purchase, at an exercise price of $2.50, one share of our common stock. Each warrant is exercisable in whole or in part during the period beginning on June 30, 2009 and ending on June 30, 2014.

The warrants are generally exercisable by the holder, in whole or in part, by delivering to us a notice of exercise (unless a holder's warrants have been exercised in full, in which case the warrants must be surrendered) and payment by the holder of the aggregate exercise price in cash, or, in limited circumstances, by effecting a cashless exercise. Upon any exercise of the warrants, we are required to have our transfer agent credit to the account of the holder's prime broker with the Depositary Trust Company through its Deposit Withdrawal Agent Commission system if we are then a participant in such system or otherwise deliver a physical certificate, in each case for the shares purchased within three trading days after proper exercise. The shares of common stock purchased by the holder upon exercise of the warrant will be deemed to have been issued as of the date we receive payment of the exercise price (or the date of cashless exercise, if permitted).

The terms of the warrants prohibit exercise of the warrants to the extent that exercise of the warrants would result in the holder, together with its affiliates, beneficially owning in excess of 4.9% (9.9% in the case of certain holders) of our outstanding shares of common stock. For purpose of calculating such beneficial ownership limitation, the shares of common stock being issued upon exercise of the warrants are included, but the remaining unexercised shares are excluded as well as the shares of common stock issuable upon the exercise or conversion of other securities of AgFeed that have similar limitations on their exercise. This calculation and the determination of how it limits the exercise of the warrants is to be made in the sole discretion of the holder. The holders of our common stock are third party beneficiaries of this limitation and we cannot waive this limitation without the consent of the holders of a majority of our outstanding common stock.

The exercise price payable and the number of shares issuable upon exercise of a warrant will generally be adjusted in the event we:

- pay a stock dividend or otherwise make a distribution on the shares of our common stock;
- subdivide or combine the outstanding shares of our common stock;
- issue shares of capital stock in reclassification of our common stock.

The exercise price payable upon exercise of a warrant is also subject to adjustment if we issue rights, options, warrants, evidences of indebtedness or other assets to all holders of our common stock.

In the event of certain "fundamental transactions" specified in the warrant, the holders of the warrants will have the right to receive, upon subsequent exercise of the warrants, the shares of stock of an acquiring corporation and other consideration received by the holders of our common stock in such fundamental transaction. In the event of a fundamental transaction that (1) is an all cash transaction, (2) is a "Rule 13e-3 transaction", or (3) is with a acquiring corporation which does not have securities listed on a national securities exchange, the Nasdaq Global Select Market, the Nasdaq Global Market, or the Nasdaq Capital Market, a holder of the warrants will have the option to require the warrants to be repurchased for an amount of cash equal to the "Black Scholes Value" of the unexercised portion of such warrants as of the date of such "fundamental transaction."

Except as described above, a holder of a warrant will not have any of the rights of a holder of common stock before the common stock is purchased upon exercise of the warrant. Therefore, before a warrant is exercised, the holder of the warrant will not be entitled to receive any dividend payments or exercise any voting or other rights associated with the shares of common stock which may be purchased when the warrant is exercised.

The warrants are transferable upon surrender of the warrant, together with a duly executed written assignment in the form attached to the warrant.

The terms of the Purchase Agreement and the warrants are complex. The description of those documents contained in this proxy statement contains a summary of all of the material terms of the Purchase Agreement and warrants and is qualified by reference to the actual forms of the Purchase Agreement and warrant, both of which were filed as exhibits to the Current Report on Form 8-K we filed with the Securities and Exchange Commission on January 2, 2009. Shareholders desiring a more complete understanding of the terms of the Purchase Agreement and the warrants and the December 2008 Financing are urged to read those documents.

Reasons for the December 2008 Financing

In the latter part of 2008, we developed a strategic plan providing for investment to: (i) develop and implement advanced management and process systems; (ii) implement a science-based set of genetic programs to increase throughput and birthing rates; and (iii) expand our marketing activities for our premix business products through the "BEST" brand label.

We concluded that these investment activities would require additional external funding. Taking into account the trading price of our common stock, the general state of the capital markets at the end of 2008 and our limited access to a variety of capital sources, we determined that a registered offering of shares of our common stock and warrants under our existing "shelf" registration statement to institutional investors was the best means to obtain this external funding. We also believed that the terms and conditions of the December 2008 Financing were fair and reasonable and that the contemplated transaction could be consummated in a timely manner. We therefore determined to pursue the December 2008 Financing. The board of directors authorized the issuance of the Units and, upon satisfaction of conditions to closing, the December 2008 Financing was consummated on December 31, 2008.

Nasdaq Determination Letter

Following completion of the December 2008 Financing and discussions with Nasdaq's staff over the inadvertent setting of the exercise price of the warrants at less than the book value of our shares, we agreed to seek shareholder approval of the December 2008 Financing at this meeting. By a letter dated February 27, 2009 and supplemented by a letter dated March 19, 2009, we also agreed to not effect exercises of the warrants at an exercise price less than $3.29 per share prior to receiving shareholder approval for the December 2008 Financing.

On April 13, 2009, we received a letter from the Listing Qualifications Department of Nasdaq (the "Staff Determination Letter") advising the us that the December 2008 Financing violated the shareholder approval requirement of Marketplace Rule 5635(d)(2) and providing us with an extension until June 12, 2009 to establish our compliance with that requirement.

While the exercise price of the warrants was set at $2.50 to be greater than the market price of our common stock at the time of the sale in compliance with Marketplace Rule 5635(d)(1), that exercise price was inadvertently set at less than the $3.29 book value of our shares, as reflected in the financial statements included in our Form 10-Q Quarterly Report for the third quarter ended September 30, 2008.

Effect of Failure to Obtain Shareholder Approval

If shareholders do not approve the December 2008 Financing, the shares of common stock will remain duly and issued and outstanding and the warrants will remain obligations of AgFeed. Shareholder approval was not required for the issuance of the common stock and warrants under the Nevada Business Corporation Act.

However, in the event that shareholders do not approve the December 2008 Financing on or before June 12, 2009, we will not have satisfied the requirements of the Staff Determination Letter, and, pursuant to that letter, we expect the Nasdaq staff would notify us that our shares will be delisted from the Nasdaq Global Market. If that were to happen, we would have the right to appeal the delisting to a Listing Qualifications Panel at Nasdaq.

The delisting of our shares from the Nasdaq Global Market could have an adverse effect on our business by making it more difficult to raise capital in the future. It would also result in a less liquid trading market for our shares and could result in a lower trading price for our outstanding shares.

Vote Required for Approval

The affirmative vote of a majority of the votes cast on this proposal is required to approve the December 2008 Financing. Members of AgFeed's management having the right to vote 11,460,024 shares of the Company's common stock (representing approximately 30% of the shares eligible to vote at this meeting) have agreed to vote in favor of this proposal.

Any shares purchased in the December 2008 Financing which are voted on this proposal by an investor in the December 2008 Financing will not be considered as votes cast on that proposal.

Our Board of Directors has determined that it is in the best interests of AgFeed and our shareholders to approve the proposal approving the issuance of the securities in the December 2008 Financing. Accordingly, our Board of Directors unanimously recommends that you vote "FOR" Proposal Two.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The firm of Goldman Parks Kurland Mohidin LLP has been selected by the audit committee of our board as the independent registered certified public accounting firm to audit the books and accounts of our company and its subsidiaries for the fiscal year ending December 31, 2008. This firm has served as independent public accountants for our company since 2006. A representative of Goldman Parks Kurland Mohidin LLP is not expected to be present at the annual meeting.

The following table sets forth fees billed to us by Goldman Parks Kurland Mohidin LLP for professional services rendered for 2008 and 2007:

	2008	2007
ıdit Fees (including 404 audit fees for 2008)	$ 304,000	$ 165,000
ıdit-Related Fees	$ 10,000	$ 5,800
ɔtal	$ 314,000	$ 170,800

Audit Fees. This category includes the aggregate fees billed for professional services rendered for the audits of our consolidated financial statements for fiscal years 2008 and 2007, respectively, for the reviews of the financial statements included in our quarterly reports on Form 10-Q and for services that are normally provided by Goldman Parks Kurland Mohidin LLP in connection with statutory and regulatory filings or engagements for the relevant fiscal year.

Audit-Related Fees. This category includes the aggregate fees billed during the period for fiscal years 2008 and 2007, respectively, for assurance and related services by Goldman Parks Kurland Mohidin LLP that are reasonably related to the performance of the audits or reviews of the financial statements and are not reported above under "Audit Fees," and generally consist of fees for due diligence accounting consultation with respect to our registration statements and agreed-upon procedure reports.

The audit committee has considered the compatibility of the non-audit services performed by and fees paid to Goldman Parks Kurland Mohidin LLP in fiscal year 2008 and has determined that such services and fees were compatible with the independence of the accountants. During fiscal year 2008, Goldman Parks Kurland Mohidin LLP did not utilize any personnel in connection with the audit other than its full-time, permanent employees.

Policy for Approval of Audit and Non-audit Services. The audit committee has adopted an approval policy regarding the approval of audit and non-audit services provided by the independent accountants, which approval policy describes the procedures and the conditions pursuant to which the audit committee may grant general pre-approval for services proposed to be performed by our independent accountants. All services provided by our independent accountants, both audit and non-audit, must be pre-approved by the audit committee. Our audit committee has delegated to the chairman of the audit committee the authority to grant pre-approvals of non-audit services provided by Goldman Parks Kurland Mohidin LLP. The decisions of the chairman of the audit committee to pre-approve such a service are required to be reported to the audit committee at its next regularly scheduled meeting.

In determining whether to approve a particular audit or permitted non-audit service, the audit committee will consider, among other things, whether such service is consistent with maintaining the independence of the independent accountant. The audit committee will also consider whether the independent accountant is best positioned to provide the most effective and efficient service to our company and whether the service might be expected to enhance our ability to manage or control risk or improve audit quality.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The audit committee has reviewed and discussed with management of AgFeed and Goldman Parks Kurland Mohidin LLP, AgFeed's independent registered public accounting firm, the audited financial statements of AgFeed as of and for the year ended December 31, 2008, including the year ended December 31, 2007, and the year ended December 31, 2006 (the "Audited Financial Statements"). In addition, we have discussed with Goldman Parks Kurland Mohidin LLP the matters required to be discussed by Statement on Auditing Standards No. 114 effective December 15, 2006 ("Communication with Audit Committees").

The audit committee also has received the written disclosures and the letter from Goldman Parks Kurland Mohidin LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has discussed with that firm its independence from AgFeed and its subsidiaries. The audit committee also discussed with AgFeed's management and Goldman Parks Kurland Mohidin LLP such other matters and received such assurances from them as we deemed appropriate.

Management is responsible for the internal controls and the financial reporting process of AgFeed and its subsidiaries. Goldman Parks Kurland Mohidin LLP is responsible for performing an independent audit of AgFeed's financial statements and of its internal control over financial reporting in accordance with generally accepted auditing standards and issuing a report thereon. The audit committee's responsibility is to monitor and oversee these processes.

Based on the foregoing review and discussions with management and a review of the report of Goldman Parks Kurland Mohidin LLP with respect to the Audited Financial Statements, and relying thereon, the audit committee has recommended to the board the inclusion of the Audited Financial Statements in AgFeed's Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the SEC.

By the Audit Committee of the board of directors:

Arnold Staloff, Chairman
Fredric Rittereiser
Lixiang Zhang

The foregoing Audit Committee Report does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other filing of AgFeed under the Securities Act of 1933 or the Exchange Act, except to the extent that AgFeed specifically incorporates the Audit Committee Report by reference therein.

GENERAL INFORMATION

Shareholder Proposals

In order for a proposal by a shareholder to be included in the proxy statement and proxy for the 2010 annual meeting, we must receive such proposal at our principal executive office, to the attention of Feng Zhou, Corporate Secretary of AgFeed Industries, Inc., at Suite A1001-1002, Tower 16, Hengmao International Center, Nanchang, Jiangxi Province, China 330003 no later than December 31, 2009 (which is not more than 120 days prior to the anniversary of the mailing date of this proxy statement), assuming that the date of the annual meeting to be held in 2010 is not changed by more than 30 days from the date of this annual meeting. In such event, we will provide notice of the date by which such proposals must be received in order to be included. Our determination of whether we will oppose inclusion of any proposal in its proxy statement and proxy will be made on a case-by-case basis in accordance with our judgment and the rules and regulations promulgated by the SEC.

With respect to shareholder recommendations of a candidate for election to the board of directors, in order to provide sufficient time to enable the nominating and corporate governance committee to evaluate the candidate in connection with selecting candidates for nomination in connection with our 2010 annual meeting of shareholders, the corporate secretary must receive the shareholder’s recommendation not later than March 1, 2010 nor earlier than January 31, 2010 (which is not less than 60 nor more than 90 days prior to the anniversary of the mailing of this proxy statement).

Any shareholder who intends to present a proposal at the 2010 annual meeting without requesting that we include such proposal in our proxy statement should be aware that he or she must notify us at our principal executive office, attention corporate secretary, not later than March 16, 2010 (which is 45 days prior to the anniversary of the mailing date of this proxy statement) of the intention to present the proposal. Otherwise, we may exercise discretionary voting with respect to such shareholder proposal pursuant to authority conferred by proxies to be solicited by our board and delivered in connection with the meeting.

As of the date of this proxy statement, the board is not aware of any matters to come before the annual meeting other than those set forth on the notice accompanying this proxy statement. If any other matters come before the annual meeting, the proxy card, if executed and returned, gives discretionary voting authority to the persons named as proxy holders, Junhong Xiong and Gerard Daignault, our chief executive officer and chief operating officer, respectively, with respect to such matters.

Additional Information

Nevada General Corporation Law, which governs AgFeed, does not provide for either appraisal rights or dissenter rights in connection with the passage of either Proposal One, Election of Directors, or Proposal Two, Approval of the December 2008 Financing.

Beginning on May 15, 2009, a list of holders of record of our common stock as of the record date will be available at our principal executive office during ordinary business hours for examination by any shareholder holding any of our common stock on the record date for any purpose germane to the annual meeting.

We will pay the cost of preparing, assembling and mailing the notice of annual meeting, this proxy statement, the enclosed proxy card, our annual report on Form 10-K for the year ended December 31, 2008. We will also pay the costs of the solicitation of proxies for the annual meeting. We have retained Morrow & Co., LLC, a professional proxy solicitation firm, to assist in the solicitation of proxies. It is currently expected that the cost of this solicitation will be approximately $7,500, plus reimbursements for expenses.

Our directors, officers and other regular employees may solicit proxies. None of them will receive any additional compensation for such solicitation. People soliciting proxies may contact you in person, by telephone, via e-mail or by facsimile. We will pay brokers or other persons holding stock in their names or the names of their nominees for their reasonable and customary expenses of forwarding soliciting material to their principals.

We will, upon the written request of any person who is a beneficial owner of our common stock on the record date, furnish without charge a copy of our annual report on Form 10-K for the year ended December 31, 2008, together with the accompanying financial statements. We will also furnish a copy of the exhibits to the annual report, if requested. Such requests should contain a representation that the person requesting this material was a beneficial owner of our common stock on the record date and be sent to the corporate secretary of our company at the address indicated on the first page of this proxy statement.

By Order Of The Board Of Directors

Feng Zhou
Vice President and Corporate Secretary

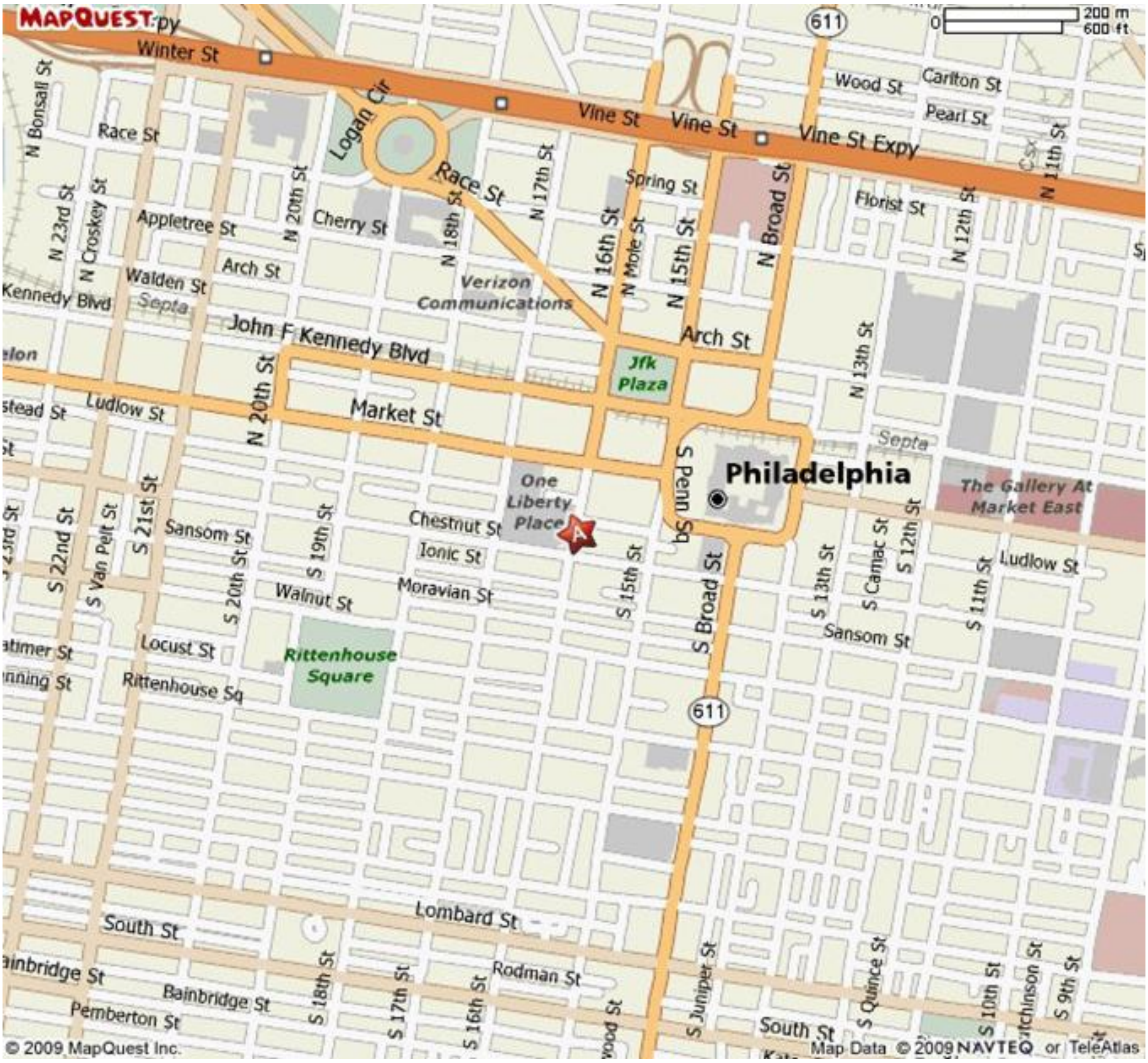
Nanchang City, China
May 4, 2009

Directions

Buchanan, Ingersoll & Rooney PC
Two Liberty Place
50 S. 16th Street, Suite 3200
Philadelphia, PA 19102

Detailed driving directions may be found at www.bipc.com/offices.php?OfficeID=7&page=directions

50 S. 16th Street is located on west side of South 16th Street between Chestnut and Ranstead Streets and the entrance is identified as "North Lobby."



PROXY FOR ANNUAL MEETING OF SHAREHOLDERS OF AGFEED INDUSTRIES, INC.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF AGFEED INDUSTRIES, INC.
FOR THE ANNUAL MEETING OF SHAREHOLDERS ON JUNE 11, 2009 AT 10:00 AM

Two Liberty Place, 50 S. 16th Street, Suite 3200, Philadelphia, PA 19102

The undersigned shareholder of AgFeed Industries, Inc. (the "Company") hereby constitutes and appoints Junhong Xiong, Chief Executive Officer of the Company, and Gerard Daignault, Chief Operating Officer of the Company, and each of them, the proxies of the undersigned, with power to act without the other and with full power of substitution, to attend and represent the undersigned at the Annual Meeting of Shareholders of the Company to be held at the offices of Buchanan Ingersoll & Rooney PC, located at Two Liberty Place, 50 S. 16th Street, Suite 3200, Philadelphia, PA 19102, on Thursday, June 11, 2009, at 10:00 a.m. Eastern Daylight Time, and at any adjournment or postponement thereof, and to vote all of such shares that the undersigned is entitled to vote at such Annual Meeting or at any adjournment or postponement thereof, as stated on the reverse side.

1. Proposal One - Election of Directors

The Board of Directors unanimously recommends a vote FOR all director nominees

☐ **Mark here to vote <u>FOR</u> all nominees**	**Mark here to <u>WITHHOLD</u> vote from all nominees**	☐ **\ll <u>EXCEPT</u>** To withhold authority to vote for any individual nominee(s), mark this box with an X and the numbered box to the left from the numbered list of nominees
☐ (01) Junhong Xiong	(02) Songyan Li	
☐ (03) Lixiang Zhang	(04) Fredric W. Rittereiser	
☐ (05) Arnold Staloff		

2. Proposal Two -To approve the issuance of 5,000,006 shares of common stock and warrants to acquire 3,500,004 shares of commons stock previously issued to certain investors (the "December 2008 Financing").

The Board of Directors unanimously recommends a vote FOR Proposal Two

To approve the December 2008 Financing ☐ FOR ☐ AGAINST ☐ ABSTAIN

The signing shareholder hereby acknowledges receipt of the Notice of Annual Meeting and proxy statement and hereby revokes any proxy or proxies heretofore given. This proxy may be revoked at any time prior to the Annual Meeting. If you received more than one proxy card, please date, sign and return all cards in the accompanying envelope.

THIS PROXY WILL BE VOTED BY THE PROXIES AS DIRECTED, OR IF NO DIRECTION IS INDICATED, WILL BE VOTED "FOR" PROPOSALS ONE AND TWO AND IN ACCORDANCE WITH THEIR BEST JUDGMENT UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE ANNUAL MEETING OR ANY ADJOURNMENT OR POSTPONEMENT THEREOF.

Authorized Signatures - Sign Here - This section must be completed for your instructions to be executed.

Signature **Date**

Signature **Date**

NOTE: Please sign exactly as name appears on this proxy. If joint owners, EACH should sign this proxy. When signing as attorney, executor, administrator, trustee, guardian or corporate officer, please give your FULL title as such and the name of such trust, corporation or other organization.

EXHIBIT 5

8-K 1 v131227_8k.htm

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 10, 2008

AgFeed Industries, Inc.
(Exact Name of Registrant as Specified in Charter)

Nevada	001-33674	20-2597168
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1095 Qing Lan Avenue
Economic and Technical Development Zone
Nan Chang City, Jiangxi Province
China, 330013
(Address of principal executive offices; zip code)

Registrant's telephone number, including area code: 86-0791-2189636

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e 4(c))

Item 7.01. Regulation FD Disclosure.

Beginning on November 10, 2008, AgFeed Industries, Inc. (the "Company") will be making the investor presentation furnished as Exhibit 99.1 hereto. That exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

99.1 Investor Presentation dated November 2008

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 10, 2008

AGFEED INDUSTRIES, INC.

By: /s/ Junhong Xiong
Junhong Xiong
Chief Executive Officer

EX-99.1 2 v131227_ex99-1.htm

Safe Harbor Statement

This presentation contains "forward-looking statements" within "safe-harbor" provisions of the Securities Litigation Reform statements involve known and unknown risks, uncertainties an could cause the actual results of the Company to differ materia expressed or implied by such statements, including change levels of sales, future national or regional economic and com changes in relationships with customers, access to capital, diffic and marketing new products, marketing existing products, cust existing and new products, and other factors. Accordingly, alth believes that the expectations reflected in such forward-looki reasonable, there can be no assurance that such expectatio correct. The Company has no obligation to update the forward- contained in this presentation.

Part 1.

Who is AGFEED

A highly profitable market leader in agricultural sector

- **AgFeed is:**

- **China's largest premix animal feed company (revenues)**
- **China's largest commercial hog producer (annual hog prod**
  Rapid growth through strategic acquisitions of producing hog farr
  Anticipate sales of 400,000 hogs in 2008 and 650,000 hogs in 20

- **A highly profitable US company with primary operations in**
- 1,800 staff
- 5 feed manufacturing plants
- 30 commercial hog farms as of October 2008

- **13 years of entrepreneurial success:**
- Founded in 1995 by current management /largest shareholders
- Management currently owns more than 34% of AgFeed:
- A highly experienced management team. All senior management/ advanced degrees in business and agricultural science.
- Strong Board of Directors including senior Wall Street executives

AgFeed - strong balance sheet, rapid earnings growth

- **Strong balance sheet**
- Completed $41 million financing advised by Deutsche Bank – I
- Completed $35.2 million in equity financing at $16 and $19.05
- Shareholder's equity: $98.3 million (2Q08), no long term debt

- **Rapid earnings growth**
- 2007 revenue of $36 million, up 321% from 2006
- 2007 net income of $6.7 million, up 467% from 2006
- Q2/2008 revenue of $35.6 million, up 417% from Q2/07
- Q2/2008 adjusted net income* of $8.6 million, up 585% from net income

* Adjusted net income excludes non-cash stocked based charges and amortization o offering. See Exhibit 99.1 to Current Report on Form 8-K filed on August 11, 200 income

Part 2.

No. 1 in Premix Feed

Market leader in a highly fragmente premix feed market

- **AgFeed is the largest company in China's highly fragmente**
  - market leader in Shanghai's lactating and gestating sow mar
  - largest 20% share in Hainnan's premix market
  - 12% share in Guangxi's premix feed category
  - market leading 3.5% share in Nanchang's premix market

- **Highly fragmented industry:** China's premix feed sector is com mainly "mom-and-pop" competitors[1]
  - most of AgFeed's competitors lack scale, distribution footprin knowledge/expertise and therefore compete on a very local b
  - significant opportunity to leverage AgFeed's infrastructure to the sector
  - AgFeed continues to gain market share in its core premix sec of its competitors (Da Bei Nong, Provimi, Fuj Minke and Xinn competitors focus on lower margin/low tech feed products.

1 – China Bureau of Statistics 2005

Premix feed distribution – wholesal
and retail chain stores

- **Retail distribution through 900 exclusive independently o**
  - **complements** core distribution model by expanding produ backyard hog farmers (individual small backyard hog farms approximately 75% of the hog raising industry in China)
  - retail store owners retain full ownership of premix inventor
  - stores receive regular marketing and technical training fron sell AgFeed products
  - different product branding and greater profit margins for AgFeed than sales to larger hog farms

- **More than 650 wholesale channels directly targeting commercial hog farms end users**
- Strong brand loyalty among grass root farming communities – **target 500 million Chinese farmers**
- Strong synergies between feed and hog raising businesses

Extensive feed distribution footprint

- **5 manufacturing facilities:** AgFeed's strategically located facilities in Nanchang, Nanning, Hainan, Shandong and Shanghai, provide the opportunity to penetrate the country's main pork producing regions (China's east coast and southwest provinces)
- The Company enjoys the most **expansive distribution footprint** in China's premix market among its competitors
- New outlet expansion through organic growth and strategic acquisitions
- Significant growth opportunities still remain in China's other major hog producing hubs
  - Northern, Southeastern, and East coast regions

Part 3.

No. 1 in Hog Product

China – the world's most profitable [cut off] producing market

- 600 million slaughtered pigs a year, compared to 100 [cut off]
- 1.4 Billion Chinese, 500 million farmers, pork consum[cut off] per person/year
- Highly fragmented hog production market, lacks large[cut off] hog producers
- Migration from the countryside to the cities - hog prod[cut off] hog consumers; hog shortage created
- Increasing individual wealth – wealthier consumers de[cut off] and better quality pork supplies.
- Backyard farms are declining – need rises in commerc[cut off]
- **Tremendous government support: hog productio[cut off] exemption from all taxes, subsidies granted to h[cut off]**

Growth through strategic acquisitio

- **Successful acquisition strategy - 30 commercial hog farn (through October 2008)**
- Average hog farm size: 20,000 annual hog production

- **Synergic benefits from premix feed sales and hog produc**
- Feed sales to over 660 commercial hog producers, representing million hogs in annual production
- 13 years of feed sales have built long standing trust with hog fa
- Acquisitions of existing, producing commercial hog farms have accretive to earnings
- centralized raw material purchases, centralized disease control accounting/internal control create greater operating efficiency a margins

-

AgFeed feed plants and hog farm loc

Major g
produc

530,0
38% o
popula

315,0
of Chi

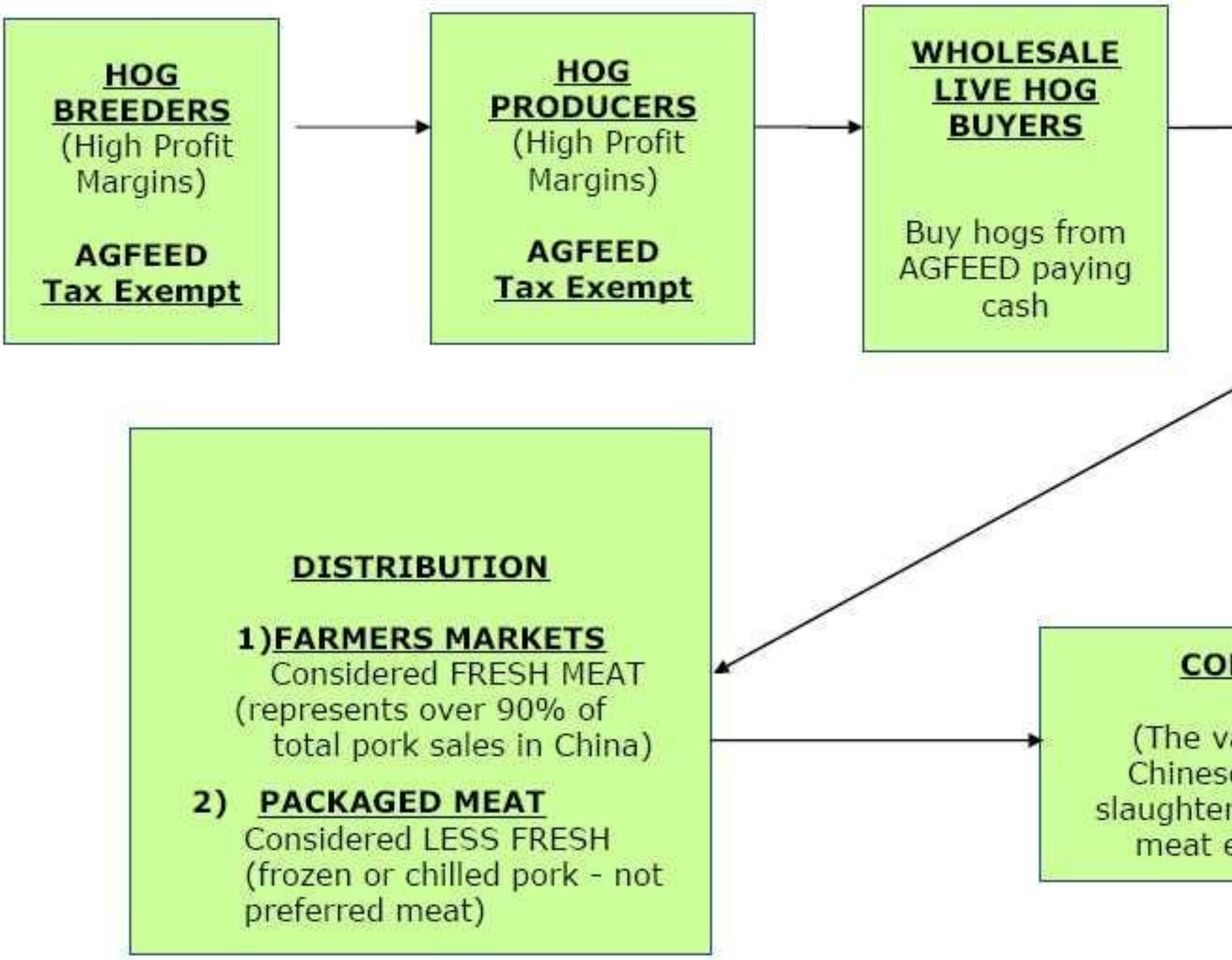
-AgFeed ho
has feed pro
same region

-As of Octob
total of 30 h
manufactur

AgFeed hog farm locations

-

China's hog/pork distribution value



-

Part 4.

Competitive Advanta

AgFeed's unique integrated advanta
Premix feed and hog production

- 13 years of successful feed business provides AgFeed wi
  intelligence on potential hog farm acquisition targets
- Nutrition expertise allows AgFeed to formulate products
  needs at various phases of production and efficiently pro
  makes up 62% to 67% of the cost of raising an animal
- Developing a larger commercial system allows AgFeed to
  technical service people and bring best practices to prod
- Acquiring / Partnering with on-going farms and construc
  hog farms and large-scale meat hog farms

AgFeed's swine genetics benefits

	Current Operations	With Genetics Program	
Selling Price (238lb. Hog)	$200	$200	*no change*
Feed to Meat Conversions Ratio	3.4	3.05	*0.35lb.of fee*
Pigs Marketed Per Sow	17.17	20	*additional 2.*
Feed Cost Per Hog	$131.49	$117.95	*$13.53 lower*

AgFeed is currently reviewing a genetics program that can potentially significantly improve hog productivity and profitability through:

•Higher number of piglets born per sow

•Lower feed costs due to improved feed to meat conversion ratios (better hog types grow faster while consume less feed)

•Higher operating margins

Benefits of a Genetics Program Per Year	Per 1,(
Additional Pigs Sold	
Additional Revenues	
Additional Feed Costs	
Additional Operating Income	

AgFeed - Strong balance sheet

Balance Sheet As of June 30, 2008 (US$)

Assets		Liabilities and
Current Assets:		**Current Liabiliti**
Cash and cash equivalents	**31,267,717**	Accounts payable
Net Accounts Receivable	8,322,615	Other payables
Advances to suppliers	1,206,924	Short term loans
Other receivable	688,185	Acquisitions payal
Due from former stockholders	320,799	Other
Inventory	17,834,531	
Prepaid expense	818,299	**Total Current Liabilities**
Debt issue costs	423,808	
Other current assets	491,144	Net Convertible N
Total Current Assets	**61,374,022**	**Total Liabilities**
Property and Equipment	17,526,028	Minority Interest
Construction-in-Process	4,272,102	**Stockholder's E**
Intangibles	40,639,331	
Other assets	1,629,286	**Total Liabilities**
Total Assets	125,440,769	**Stockholder's E**

Strong management team

Name	Title	Officer since	Previous/r
Songyan Li, PhD	Founder & Chairman of the Board	2004	**Former CTO of Pe** Subsidiary (Provim feed company with Animal Nutrition fr University
Junhong Xiong, MBA	Founder, CEO & Vice Chairman	1995	Former head of ma Huashi Animal Nutr a B.S. in Animal H Agricultural Univers vet at a major hog
Liangfan Yan, CPA	CFO	2006	**Former Financial Welcome, China's**
Gerry Daignault	Chief Operating Officer	2008	**Former CFO of PI breeder hog com** Finance Director of feed company in th expert
Zhengru Xiong, MBA	Founder, Vice President – Hog Farm Operations	1995	**The current Chai Hog Farm Associ**

Strong board and corporate governa

Name	Title	Director since	Previous/re
Songyan Li, PhD	Chairman of the Board	2004	**Former CTO of Peter H** (Provimi is a leading Fren €1.9bn in sales); PhD in
Robert Rittereiser	Chairman of Advisory Board	2007	**Former CFO of Merrill** E.F.Hutton, and former C
Junhong Xiong, MBA	Vice Chairman & CEO	1995	**Former head of marke largest animal feed co** Husbandry, 2 years of ex **hog farm**
Arnold Staloff	Independent Board Member, Chairman of the Audit Committee and Chairman of Compensation Committee	2007	40 years of capital mark executive. **Former Pres Commodity Exchange** of SFB Market Systems, options symbols within th
Fredric Rittereiser	Independent Board Member, Chairman of the Nominating Committee	2007	40 years of capital mark executives at numerous **President of Instinet C** electronic securities tradi **Troster Singer**, a Wall S
Lixiang Zhang, PhD	Independent Board Member	2007	Dean of the Agricultural Beijing, renowned Chines agriculture industry expe
Edward McMillan	M&A Advisor	2008	**Former CEO of Purina** nutritional products comp Chairman, US Feed Indus

EXHIBIT 6

8-K 1 v131885_8k.htm

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 13, 2008

AgFeed Industries, Inc.
(Exact Name of Registrant as Specified in Charter)

Nevada	001-33674	20-2597168
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Rm. A1001-1002, Tower 16
Hengmao Int'l Center
333 S. Guangchang Rd.
Nanchang City, Jiangxi Province
China, 330003
(Address of principal executive offices; zip code)

Registrant's telephone number, including area code: 86-0791-6669099

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e 4(c))

Item 2.02 Results of Operations and Financial Condition.

On November 13, 2008, AgFeed Industries, Inc. ("AgFeed" or the "Company") issued a press release announcing its financial results for the quarter ended September 30, 2008. The information contained in the press release is deemed to be "filed" under the Securities Exchange Act of 1934 as Exhibit 99.1 to this report, and such press release is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1 Press Release of AgFeed Industries, Inc. dated November 13, 2008. Exhibit 99.1 is deemed to be "filed" under the Securities Exchange Act of 1934 in this Current Report on Form 8-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 13, 2008

AGFEED INDUSTRIES, INC.

By: /s/ Junhong Xiong

Junhong Xiong
President and Chief Executive Officer

EX-99.1 2 v131885_ex99-1.htm

Exhibit 99.1

AgFeed Industries, Inc. Reports Record 3rd Quarter Financial Results, Revises 2008 Earnings Guidance

NEW YORK, NY--(MARKET WIRE)--Nov 13, 2008 -- AgFeed Industries, Inc. (FEED - News), the largest commercial hog producer and the largest premix feed company in China, today announced record financial results for the quarter ended September 30, 2008:

- Revenue grew year over year by 316% to approximately $49.4 million from $11.9 million
- Gross Profit increased 279% year over year to $12.3 million from $3.2 million
- Comprehensive Income increased by 279% to $8.5 million for the third quarter of 2008 from $2.3 million for the third quarter of 2007
- Income from Operations of $9.3 million, an increase of 353% from 2007 period
- Net Income of $8.2 million, up 296% from 2007 Q3 Net Income of $2.1 million and 110% from 2008 Q2 Net Income of $3.9 million
- Earnings per Share of $0.25, up 222% from 2007 Q3 Earnings per Share of $0.08
- Revises 2008 earnings estimate downward
- Strategic discussions with leading global genetic companies

Record 3rd Quarter Revenue

AgFeed recorded increased revenues in its hog production and premix feed production businesses Revenue from premix feed sales was $12.4 million, up from $11.9 million in the third quarter of 2007 and $12.2 million in the second quarter of 2008. Revenue from hog production was $37.0 million in the third quarter of 2008, up from $23.4 million in the prior quarter. The increase in premix feed sales was due to expanded independently owned, exclusive AgFeed retail distribution store sales (now more than 900 stores), broadened commercial hog farm direct sales channels, coupled with the effects of two previously implemented price increases in their premix feed products. Expanding customer recognition of the quality "AgFeed" brand name products continues to stimulate revenue growth. The increase in revenue from hog sales was, in part, due to the successful integration of recently acquired producing hog farms. AgFeed sold more than 150,000 hogs during the quarter, up significantly from production in the prior quarter.

Record 3rd Quarter Earnings

AgFeed reported premix feed related income from operations of $2.6 million, compared to $2.2 million in the corresponding quarter of 2007 and $1.7 million from the immediately preceding quarter. These results reflected 20% net income margins and were in line with the Company's expectations. Strong premix feed earnings performance was driven by efficient cost management, increased economies of scale on raw material purchases, and long term annual supply agreements entered in early 2008 for key raw materials. Reported hog sales related income from operations for AgFeed were $6.9 million, up slightly from the prior quarter. AgFeed's income from hog operations for the quarter is reflective, in part, of the successful integration of 28 hog farms acquired since late 2007. The anticipated synergistic benefits derived from acquired hog farms, including increased operating efficiencies, economies of scale, advanced disease control initiatives and centralized cash/accounting management have exceeded the Company's initial targets.

Earnings Guidance

AgFeed's business is being negatively impacted by, among other factors, a decrease in the price of hogs, a surge in the supply of swine, and the overall economic downturn in China and worldwide. We are conscientiously maintaining efficient cost of production. Additionally, the Company has made a strategic determination to scale back its planned expansion of the hog farm business during the current economic downturn.

As a result of these factors, the Company believes that its previous 2008 earnings guidance of adjusted net earnings per share guidance of between $1.10 and $1.20 per share is no longer accurate. Management believes that adjusted earnings per share should range from $0.55 to $0.65 for 2008. AgFeed believes that its premix feed production will remain steady and that it is on course to produce approximately 650,000 hogs on an annual basis. Due to the current volatility in the markets in China and worldwide, the Company has chosen not to provide earnings guidance beyond 2008, and retracts the guidance it had previously provided for 2009.

Management Comments

Our record results were driven primarily by volume increases, offset by the results of a surge in the market supply of swine, peak pricing of key raw ingredients and a consumption slowdown that compressed margins.

Our board and management remain totally committed to enhancing shareholder value through solid earnings growth and good corporate governance. We will continue to execute our business plan in a favorable business environment in which we see our strong operating efficiencies and increased economies of scale benefiting our financial performance. Our management's agreement to enter into share lock up agreements is a reflection of our total commitment to the interest of our public shareholders.

We operate in a generally favorable market environment. China produces approximately 600 million hogs annually, making it the largest market for pork in the world. More than 1.2 billion Chinese consume pork as their primary source of meat. 65% of all meat consumed in China is pork. Chinese consumers consume more pork each year than the rest of the world combined. We are geographically positioned to take advantage of the most favorable segment of this market. Our hogs are sold in some of the wealthiest regions in China -- Shanghai and Guangdong -- where some of the highest hog prices in China are captured due to the large local population and its high income levels as well as deep pork consuming cultures. Historically, hog prices in our target markets have been approximately 5.5% higher than China 's national average prices. Our hog farms are strategically located to effectively access this market. Our hog farms are in Shanghai, Guangdong, Guangxi, Jiangxi, Fujian and Hainan provinces, neighboring provinces to our consumer markets. These geographic locations represent more than 67% of China 's total annual hog production. AgFeed is a market leader in these regions.

Additionally, we have a feed cost efficiency advantage. Our feed manufacturing plants are located in the same regions as our hog farms, permitting significant cost savings on raw material purchases from which greater economies of scale are realized, thanks to our integrated feed to hog production model.

AgFeed management has a realistic understanding of our business through the last 13 years of our successful corporate history. We have highly skilled founders/managers who are industry experts. We believe the pork consuming Chinese population of approximately 1.2 billion people will continue to demand fresh pork on a daily basis. Additionally, it is our belief that China's rapid urbanization, and the reduction in backyard hog production, will present long-term opportunities for commercial production systems to develop and grow. AgFeed intends to continue to capitalize on this situation to position AgFeed as a quality, low cost producer of premix feed and hogs going forward.

AgFeed Completes Acquisition of Previously Announced Commercial Hog Farms

In late October 2008, AgFeed completed the acquisition of all of the equity interest in two commercial producing hog farms located in the Guangxi Province, PRC. These farms have an aggregate annual hog production capability of approximately 29,000 hogs, with existing facilities for additional expansion.

Commodity Prices Relevant to Our Premix Feed Business

The current quarter has seen corn and soybean meal prices begin to decline. Corn represents about 70% of our total feed component in swine diets. Corn costs in China have moved up slightly with world markets but have dropped recently, declining approximately 11% from the average price for the first six months of 2008. Our increased economies of scale on raw material purchases resulted in a price discount of approximately 4.8% on our overall raw materials costs, compared to market prices in general. With expected increases in seasonal consumption along with seasonal supply pressure AgFeed believes that it may see improving margins in our premix feed business in the coming months.

Efficient Hog Farm Management Process

AgFeed believes that a combination of local hog farm management and centralized operations is efficient to the overall success of its hog farm business. As a result, the Company has maintained on-site operational management and staff of each of its commercial hog farms following acquisition and has established a pre-determined set of corporate operating efficiency standards, which is applicable to all farms. The Company further has established centralized systems for all operations to further maximize operating efficiency, including: accounting and internal control; raw material purchasing; disease prevention and bio-security response teams; and sales and marketing operations. This management system has been successfully implemented in the past and will continue to be utilized going forward in our hog farm operations.

Hog Genetics Program

AgFeed intends to implement a hog genetics program. We believe a quality hog genetics program utilizing the right genotypes could reduce hog production cost from our current cost levels. AgFeed is currently in strategic discussions with several leading global hog genetics companies in an effort to further this goal.

About AgFeed Industries, Inc.

NASDAQ Global Market listed AgFeed Industries (www.agfeedinc.com) is a US company with its primary operations in China . AgFeed has two profitable business lines -- premix animal feed and hog production. AgFeed is China 's largest commercial hog producer in terms of total annual hog production as well as the largest premix feed company in terms of revenues. China is the world's largest hog producing country that produces over 600 million hogs per year, compared to approximately 100 million hogs in the US . China also has the world's largest consumer base for pork consumption. Over 65% of total meat consumed in China is pork. Hog production in China enjoys income tax free status. The pre-mix feed market in which AgFeed operates is an approximately $1.6 billion segment of China's $40 billion per year animal feed market, according to the China Feed Industry Association.

SAFE HARBOR DISCLOSURE NOTICE: The information contained in this earnings release and the attachments is as of November 13, 2008. The Company assumes no obligation to update any forward-looking statements contained in this earnings release or the attachments as a result of new information or future events or developments.

This earnings release and the attachments contain forward-looking information about the Company's financial results and estimates, business plans and prospects that involve substantial risks and uncertainties. You can identify these statements by the fact that they use words such as "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "forecast" and other words and terms of similar meaning in connection with any discussion of future operating or financial performance or business plans and prospects. Among the factors that could cause actual results to differ materially are the following: the availability and prices of live hogs, raw materials, fuel and supplies; food safety; livestock disease; live hog production costs; product pricing; the competitive environment and related market conditions; operating efficiencies; interest rate and foreign currency exchange rate fluctuations; access to capital; the cost of compliance with environmental and health standards; actions of the PRC government; governmental laws and regulations affecting our operations, including tax obligations; the ability to make effective acquisitions at the prices we expect and successfully integrate newly acquired businesses into existing operations; the success of our research and development activities, changes in generally accepted accounting principles; uncertainties related to general economic, political, business, industry, regulatory and market conditions; any changes in business, political and economic conditions due to the threat of terrorist activity; and other risks and uncertainties described in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 and in its subsequent Quarterly Reports on Form 10-Q. Readers are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement that the Company makes speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

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EXHIBIT 7

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 24, 2008

AgFeed Industries, Inc.
(Exact Name of Registrant as Specified in Charter)

Nevada	001-33674	20-2597168
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Suite A1001-1002, Tower 16,
Hengmao Int'l Center
Nanchang City, Jiangxi Province,
China 330003
(Address of principal executive offices; zip code)

Registrant's telephone number, including area code: 86-791-6669093

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e 4(c))

Item 7.01. Regulation FD Disclosure.

On October 6, 2008, AgFeed Industries, Inc. (the "Company") announced that members of AgFeed's management had agreed to enter into one year share lock up agreements with the Company. This announcement was filed in a Current Report on Form 8-K filed with the SEC on October 7, 2008. Based upon a recent request by Junhong Xiong, AgFeed's CEO, the Board of Directors of the Company has determined to allow him to transfer, for personal reasons, 100% of the shares of common stock in the Company currently held by him (4,036,074 shares) to Mr. Junqing Xiong, his brother, subject to Junqing Xiong agreeing to enter into a lock up agreement similar to the one agreed to by Junhong Xiong on October 6, 2008 with respect to all of his shares of the Company's common stock. Prior to the transfer, Mr. Junqing Xiong held 716,078 shares of the Company's common stock. Junqing Xiong has agreed to enter into a lock up agreement on all 4,752,152 shares for a period coextensive with management's lock up. Junqing Xiong also has granted an irrevocable proxy to Junhong Xiong allowing the latter Mr. Xiong to vote the transferred shares for a three year period.

Junhong Xiong reaffirmed his continuing commitment to the success of AgFeed, commenting "my decision to transfer my shares in AgFeed was not a negative reflection of my belief in the Company, its management or its future. Rather it was made for personal reasons. I remain firmly committed to the success of the Company and the creation of value for our shareholders. As CEO I will continue to work diligently to make sure that AgFeed remains pre-eminent in China’s commercial hog production and premix feed industry for the foreseeable future."

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: December 24, 2008

AGFEED INDUSTRIES, INC.

By:/s/ Junhong Xiong

Junhong Xiong
Chief Executive Officer
