

Bill Kuser

Welcome everyone to the second quarter 2009 American Vanguard earnings review. Our principal speakers today will be Mr. Eric Wintemute, President and CEO of the company, Mr. Trevor Thorley, our COO, and Mr. David Johnson, our CFO, to contribute on financial matters.

Before beginning let's take a moment for our usual cautionary reminder. In today's call the Company may discuss forward looking information. Such information and statements are based on estimates and assumptions by the Company's management and are subject to various risks and uncertainties that may cause actual results to differ from managements current expectations. Such factors can include weather conditions, changes in regulatory policy, competitive pressures and various other risks as detailed in the Company's SEC report and filing. All forward looking statements represent the Company's best judgment as of the date of this call and such information will not necessarily be updated by the Company.

With that said we will turn this call over to Eric.

Eric Wintemute

Good morning everyone. Thank you for joining us today as we discuss this year's second quarter results. Hopefully, you have had the opportunity this morning to review our earnings release.

As we first indicated two weeks ago, we have experienced a very challenging business environment in recent months, and as a result, our operating and financial performance has been adversely affected.

The catalyst for much of what we will be discussing today has been the delayed and reduced order placement exhibited by farmers. They have reacted with caution to the uncertain effects of the U.S. "credit crisis" and to this year's lower level of agricultural commodity prices.

As industry reports and other agricultural chemical companies have cited, unfavorable Midwest weather also played a significant role in dampening demand and compressing the timeframe during which many of our products are applied. This conservative purchasing by end-users has

caused retail and distributor channels to embrace strict inventory control measures and refrain from replenishing stocks with newly manufactured goods. This “managed” shrinkage of the distribution inventory pipeline has had a material influence on American Vanguard’s second quarter sales volumes.

Both Trevor and I have personally visited many of our distributors in recent months and have first-hand knowledge of the intense financial pressure that many of these customers are facing as they “work-off” high cost stocks of glyphosate herbicide and fertilizers. Trevor will discuss in some detail his view of this situation and more importantly how we intend to deal with it. He will tell you about some organizational changes and other initiatives that will allow us to achieve much better results going forward.

The other implication of this demand drought has been operational in nature. In order to synchronize production output with this softened demand, we scaled-back our manufacturing to avoid building our own inventories. When chemical plants are run at lower utilization rates the absorption of fixed overhead costs is lower and this was a negative factor in the quarter. David will give you a good overview of the relative financial impact of our reduced sales volume and our factory overhead absorption on our earning performance this quarter and Trevor will elaborate on operational changes that will help improve this in the future.

Let me make it perfectly clear, our results in this quarter while explainable, are absolutely unacceptable to management, to the Board of Directors, to our employees, and of course to our shareholders.

Our prospects are much brighter than the results of this second quarter would suggest. We will re-load, re-focus and take whatever steps are necessary to deliver better performance and insure the strength of our balance sheet.

With that preface, I will let David fill you in on the second quarter and year-to-date financial specifics. David.

David Johnson

Thank you, Eric. Good morning and good afternoon to everyone.

My comments today will highlight important issues for the Company as we report our trading results for the second quarter of 2009. We will be filing our 10-Q for the quarter with the SEC shortly. That document contains additional detail on the Company's results of operations.

For the quarter ended June 30, 2009, we are reporting an 18% reduction in net sales as compared to the same quarter of the prior year. Included in this reduction, our crop segment sales are down 21% while our non-crop segment sales are down 4%. For crop, you will read in our 10-Q statement, sales of our herbicides and insecticides are down significantly. There are a number of factors driving this performance. For herbicides, our electronic market data reflects normal seasonal activity for our products from retailer to grower suggesting a significant channel inventory reduction. For insecticides, some of our key products are affected by reduced acres, although we believe that we are maintaining our share. We also have seen some impacts from adverse weather conditions and some specific insect pressures, but again, inventory management from distribution on down the supply chain, certainly seem to be playing a significant part.

Although our raw material costs have been volatile in the last 12-months, our overall product line margin levels have remained in line with last year suggesting that we are maintained pricing despite some difficult economic conditions. Clearly, the sales shortfall compared to last year is the main driver for the shortfall in gross profit.

As you will have seen from our summary financial statements attached to the earnings announcement and will read in detail in the 10-Q statement, a great deal of management focus has been centered on our factory activity and inventory levels. As a team, our goal is to achieve inventory levels below the level of last year, by December 2009. To achieve this we are placing each product line under the microscope and establishing specific actions to achieve the target. Included in these sets of actions are decisions to limit factory output. This affected our profit performance in Q2 as we have not fully absorbed our overhead costs and these have

been taken as an expense in the period. This had the impact of reducing gross profit by 5-6% points.

Operating expenses have been well controlled and ended only 100,000 dollars higher than last year. In summary, product defense costs were up and freight costs were down. Consistent with our preliminary forecast announced on July 24, 2009, we achieved a break even performance for the quarter.

Our year to date performance can be summarized as a good initial sales performance in Q1 following a fall off in sales in Q2, particularly in our crop sector. Our non-crop segment sales have remained solid through the first six months of this year compared to last year. Pricing has remained stable for both our segments.

As reported in Q1 of 2009, we invested significant operating expenses in reviewing a potential acquisition. As indicated last conference call, these costs have not continued into Q2, during which our operating expenses are in line with last year.

Our interest rate continued to benefit from lower LIBOR rates offset by higher average borrowings. Although our total debt is higher than last year, as forecast, during the quarter we have reduced our overall indebtedness by more than the reduction achieved in the same quarter of last year. Our accounts receivable balance is down, mainly as a result of sales volume shortfall. Our collection performance and average days outstanding have improved.

I will now hand back to Eric.

Eric Wintemute

Thank you, David. I will now ask Trevor to add his perspective on industry conditions; on the reorganization of our Sales & Marketing function; and the efficiency improvements we are undertaking in Manufacturing. Trevor.

Trevor Thorley

Thank you, Eric.

To amplify on the current industry conditions, I would like to add my perspective, reached after six months of very close interaction and dialogue with Amvac's key distributors and retailers.

As you know for the second consecutive year, mid-west weather played havoc with the traditional planting of the U.S. corn crop. While approximately 84 million acres were eventually planted, the compressed timeframe created pressure on growers to concentrate primarily on seed and secondarily on crop protection chemicals.

Additionally, it is quite clear in speaking with a wide range of growers, that they held back and/or reduced their traditional purchase order patterns because of concerns with credit availability and the potentially lower commodity prices. This "uncertainty" has caused the use of crop protection chemicals to be delayed and to some extent reduced from prior expectations.

As Eric mentioned, this very conservative purchasing by end-users has caused distributor channels to institute strict inventory replenishment constraints in order to control their inventory and working capital levels.

It is important to recognize that many distributors and retailers are in the uncomfortable position of working off previously acquired high-cost stocks of fertilizer and glyphosate herbicide in a current market where prices have greatly declined. The pain of losing money on such transactions has prompted them to be unwilling to take into their inventory almost any product above the bare minimum stocking level.

While reliable industry market tracking data supports the fact that sales of Amvac products by distributors to end-users are roughly equivalent to the prior year, we and many other manufacturers have been unsuccessful at encouraging most distributors to re-stock to traditional levels.

This constriction of the distributor inventory pipeline represents a "step-change" adjustment that should allow future distributor demand to more closely reflect end-use grower demand. The flow of our products to the market may have been restricted, but they remain essential to improving agricultural productivity by enhancing yields and combating infestation.

In order to address the effectiveness of our Sales & Marketing efforts, I have initiated several changes.

Firstly, I have taken direct responsibility for sales and marketing leadership with our regional managers, product managers and heads of international and non-crop businesses all reporting directly to myself.

Secondly, I have started a reorganization of our sales force with some re-staffing of existing positions and the addition of a highly qualified National Accounts Manager.

Finally, we will be reinforcing our efforts with 12 sales and marketing initiatives. The focus is to enhance our customer relationships; clearer positioning and messages for all our products; and to deliver our sales and profit commitments.

As Eric and David have described, a portion of the second quarter's earnings potential was impacted by the under-absorption of fixed manufacturing costs caused by intentionally reduced production output. We continue to believe that our domestic operational capabilities are a valuable asset to our long-term ability to provide high-quality products on a sustainable basis to all of our markets. However, in periods of demand slowdown the choice to avoid building inventories inevitably leads to spreading our fixed costs over a smaller output volume.

To improve on this condition, we must increase the profitable manufacturing throughput of our facilities and make our processes as efficient as possible. We continue to pursue toll manufacturing arrangements to increase the capacity utilization of our factories.

In addition, John Kilmer, our Head of Technology, is examining all aspects within the Technology Group that can improve our process technology, minimize waste generation and optimize capacity utilization. We expect to achieve some important initial results from this program during the second half of 2009.

In general we are focusing on cost reduction in all functional areas of the company. We have always been a lean, efficient, entrepreneurial organization; however, there is always room for

self-improvement, new approaches and technology-aided solutions. We have already identified a number of improvements, are implementing necessary changes and will begin achieving cost savings in the second half of this year.

Now back to Eric for his concluding remarks.

Eric Wintemute

Thank you, Trevor.

A year ago, those of us in the Agricultural sector were enjoying a marketplace characterized by strong demand, elevated commodity prices, and a belief that our industry was immune to the brewing economic turmoil in the United States and abroad. What a difference a year makes! This spring we have seen a marketplace characterized by concerns over credit availability, crop commodity price deflation and inclement weather that has clearly dampened demand.

We should remember that despite this Industry's lack of immunity to the economic downturn and the "credit crisis", the underlying demand for nutrition is ever-increasing. The compelling need to satisfy world hunger requires greater agricultural output and enhancing agricultural productivity and this is what crop protection chemical companies like American Vanguard do with great expertise. As we have previously asserted, we will continue to pursue many important initiatives to enhance agricultural productivity and protect public health.

Although, as previously stated, the financial performance in this quarter, regardless of the reasons, is unacceptable, we have several reasons to be bullish about our future!

To highlight a few, these include:

- Corn yield enhancement through the use of soil insecticides in tandem with genetically modified seeds. Our core strength in corn soil insecticides is being increased with the introduction of SmartChoice® to our family of granular Corn Soil Insecticide's. Although genetically engineered seed has dramatically reduced this \$200 million market, we are positioning ourselves as market leaders in this redefined segment.

- In addition, we are introducing several new products for use by professional pest management operators. Of great interest is the “BedBug” application for our Nuvan® insecticide. It has been getting rave reviews during recent performance trials, and it will be an important weapon in the effort to control what is rapidly becoming the nation’s number one nuisance pest.

- Our Vapam®/K-Pam® franchise with its comprehensive geographic coverage, the new SmartDrop® application equipment, and our industry-leading training program make American Vanguard the leader in this field.

We will continue to seek growth through our business model that has brought us many great opportunities by acquiring and licensing products that complement our existing market strengths, have growth potential and can be procured at an attractive price. We will maintain financial discipline in any and all transactions that we undertake.

As Trevor has indicated, we will, re-focus and drive our Sales organization to execute our marketing strategies and be consistently “Customer Focused”.

In Manufacturing our goal is to streamline our cost structure, increase capacity utilization and maintain the high product quality, workplace safety and environmental compliance that have characterized our operations for many years.

Additionally, we will continue to expand internationally with our own efforts in Latin America and perhaps through collaborative arrangements in other parts of the world.

We remain very confident in our potential for growth, solid profitability, and improved long-term enterprise value. We appreciate the support that we have received from our long-term investors and we are working harder than ever to earn that support.

Thank you, and now we would be happy to answer your questions you may have operator.

Caller Nick Genova (B. Riley & Co.)

<Q – Nick>: First question is, given the absence of the strategic review cost in this quarter does that mean any potential deal you guys were working on is now off the table?

<Eric>: It does not mean that. The deal has been put on hold, so to speak, and we do not know an actual timing of when that would be renewed. There is no assurance that we would be successful, however it is still out there.

<Q – Nick>: Is it possible that you guys will again incur those costs later this year or whenever the deal comes back?

<Eric>: There could be additional costs in the future, but we believe we have already incurred the majority of costs associated with that potential acquisition opportunity.

<Q – Nick>: On the inventory side it sounds like you are maintaining the guidance that you want to reduce your inventory by the end of the year on a year-over-year basis. Is that still pretty reasonable here given the slowing revenues you have? How realistic is that goal in your mind?

<Eric>: We still believe we are on target to reach those objectives by year end.

<Q – Nick>: I know you don't give specific guidance, but looking at the channel inventory purchases that you experienced in Q2 do you think the inventory levels are at a point that going forward you do not see any further material pressures, at least from that prospective.

<Eric>: I think that is probably a little premature to say at this point. As David has indicated, we have this under a microscope. We have looked at every line item and taken steps that we believe will get us to the level that we are targeting for year end. It may not be the exact mix that we have originally laid out, but we believe we will get to the same end result. Similar to our sales forecast, we have forecasts for products that we do not always reach the level on each one, but there are upsides and downsides and that would apply to our inventory as well.

<Q – Nick>: Ok, thanks.

Caller Jim Bartlett (Bartlett Investors)

<Q – Jim>: On the last call you were talking about sluggishness demand of the first quarter and the reluctance to purchase due to the economic credit causing the let's wait till the last minute order pattern. Then you said in March that it changed and April shipments were strong. Can you help me understand the pattern that you saw or why you did not pick this up earlier?

<Eric>: We did have a good April and when we talked about it much was dependent upon our corn herbicide. Again, the second half of the year is usually our stronger half of the year, however, in the Midwest segment, which is driven by corn, we were looking at our corn herbicide

as a variable and that did not materialize. We did not see the volume that we thought we would see in that market and for the reasons that we have stated in this conference call there seems to be a compressed time of application for that product. Corn went in a good month behind last year and corn was late last year. There was a much shortened season and as such we did not see the growth in the corn herbicide that we were expecting. Trevor, do you want to add to that?

<Trevor>: Yes, the corn planting as Eric mentioned was particularly late, especially to the east of the Mississippi we thought we were still in a good position. In fact, as we mentioned earlier, our on the ground sales were very similar to last year and our market share of that segment is very similar to last year, but we did not have the sales to the same level into the distribution, because of what we mentioned earlier on this conference call. I am quite pleased with what went on the ground, but I'm not pleased that I didn't get the sales into distribution.

<Eric>: We do see across our product lines where the use of our products in some cases is similar and in some cases we are gaining market share, but we do believe that inventory levels in the channel are very low at this point.

Caller Nick Genova (B. Riley & Co.)

<Q – Nick>: I wanted to ask a question on your Dibrom product. You guys had a pretty good year last year and I know you have been looking at expanding into Texas more and more. What is the out look of that product this year?

<Trevor>: Well, I turned on CNN this morning and I saw them talking about Hurricane Enrique and Felicia and then I realized they were in the Pacific heading to Hawaii and not in the Atlantic heading to Florida and Texas. I actually had a phone call yesterday with our people in that market, it still is a little early for the hurricane season. We have some reasonable sales at this point, but most of the business is ahead of us. When I see some hurricanes coming across the Atlantic I'll get more excited, it is pretty quiet at the moment. So that is where we are now, but there is a lot ahead of us in the next two to three months for that particular market.

<Eric>: As Trevor stated, as far as the penetration in the marketplace in the broader base use of Dibrom, it is clearly the leader as far as efficacy. Expansion is not only occurring in Texas, but many other states are becoming more and more clear as to what their first line of defense is as an aduenticide. Traditionally, our market is driven by the wetness that hits Florida, Louisiana, and as we have seen more recently, Texas. We do not need to see hurricanes of devastating nature, we just need tropical pressure. I think we have had some wetness down in the

southeast that is flowing materially above of where normal levels might be, but what really puts us over the top are those storms.

<Q – Nick>: On the tolling agreements, do you guys have a pretty good pipeline? Are you still working toward those? What is your sense of how much business you can do in that to try to set off the lower absorption you are experiencing on the fixed cost line?

<Eric>: In the fourth quarter we put on our own metam sodium at Axis facility. We did add a couple of products and are looking at two other products that would really take us to where we want to be. We are hopeful that we will implement those over the next 12 months. As Trevor stated we have to produce to our demand and if that means we have some overhead that is not covered we have to look at it on a longer term basis and figure out how to skinny down those costs. Our ultimate goal is to utilize our manufacturing assets for the products we need internally to support our sales and fill in with tolling opportunities in the meantime.

<Q – Nick>: Thanks again guys.

Jay Harris (Goldsmith & Harris)

<Q – Jay>: Eric, my question is more of a challenge. 2009 will be the fourth year in a row where the numbers have basically been unacceptable. I think you have to state clear reasons why investors should own the stock. We have a \$230-240 million company, where are these opportunities that you outlined in your formal remarks? What are the revenue potentials? Not that you get a 100% of them. I think you have to give investors more information.

<Eric>: I appreciate your thoughts.

Neil Vanhorn (Guyasuta Investor) - SPELLING

<Q – Neil>: I was curious in terms of how the environment has changed over the past year, how that effects the outlook for your acquisition policy and what's out there that you might consider and then the notion of your non-crop versus crop business and how you have tried to expand the non-crop offerings. How do you look at all this going forward?

<Eric>: Clearly, with the credit restraints we see in the banking industry the valuation of acquisitions has changed. Not only in our industry, but in all industries and we are obviously taking that into account when we are making a proposal on an acquisition. So if your question is have we seen a decrease in the valuation of products that we would acquire or license, yes that is definitely the case. With regards to non-crop we have not seen the same effect that we have seen in the crop area, but that is not necessarily due to a lowering of demand of our product, but probably a better penetration of the market. Certainly in the termite industry, the lowering of

housing development has lowered demand, consumer purchases of products are lower, but I think we are seeing success from the initiatives we have put in place. We believe we have several good growth opportunities in that sector. Trevor do you want to elaborate?

<Trevor>: Yes, specifically on the non-crop question, that is a great question. We actually see a lot of opportunities in that side of the market. Eric mentioned the bed bug situation and we need to look at how we can really maximize that opportunity. In fact, we added another sales person to the non-crop group. We have not been adding head counts and we have been watching our costs very strongly. In fact, we have had a cost contingency program in place for quite a while which we are now turning into cost saving, but we have added one more person because we see quite clearly that when we are in front of customers we are making sales. It is a small product group, mainly the Nuvan ProStrips and some other products are in a growth mode. We have added an experienced person in the southern part of the United States and I see extra sales coming from the non-crop part of the business. We have been very cautious on cost, but did make that change because we see good opportunity.

Brad Evans (Heartland Advisors)

<Q – Brad>: In light of the more difficult operating environment of late and the relatively disappointing financial performance we are obviously having difficulty managing our existing asset base to earn adequate returns, why would we consider a large acquisition at this point?

<Eric>: Well, we began this process back in September of last year and obviously we did not conclude. There are aspects of that business that we feel would be accretive and if we could put together something accretive than that would be the reason we would continue to review. As I mentioned, the valuation of businesses and products has changed, but it does not change our overall thought. Your concern, as is ours, if we are going to increase debt is this going to be accretive and we are very aware of the thought of leverage, but we do believe that we have some opportunity to drive cash in this organization and that is what we are focusing on in the second half of this year.

<Q – Brad>: Eric, I appreciate the answer, but as I look at where the stock is right now, it is obviously very depressed in the valuation on an earnings profile, I think you would accept that the company is undervalued. With the stock price where it is today it seems that the market is not paying you to do acquisitions. It is asking you to manage your business more effectively and not loose sight of maximizing the value of the existing portfolio versus expanding and diversifying and potentially bringing additional risks to the balance sheet. Any thoughts there?

<Eric>: I do not disagree with what your saying Brad. That is, given the focus that we have. With that being said at some point a deal becomes attractive to our company. We are not going to say that all deals are off, but I can telling you that we have taking a more conservative approach and we have passed on acquisitions where we did not feel that they would be accretive to our business at this stage of the game. I can not say we are closing off that window, but we are clearly driving with the existing assets that we have and we are looking to improving the performance of those assets at the same time as generating cash for this organization.

<Q – Brad>: My last thought, of course it is up to you to decide, but imagine the hurdle rate relative to even buying back your own stock at this level, there is probably a potential for comparable type of returns. If I could just ask a question about the longer turn, do you see anything secularly that would prevent you from getting back to an operating margin profile that we saw the company produce in the '06, '07 timeframe?

<Eric>: Clearly '09 hit a number of companies in our sector by surprise; I don't think a number of the big leaders foresaw this happening. For us 2008, although we did not necessarily hit all of our targets, was certainly a record year in sales and profitability. Going into 2009 all the dynamics and key indexes were there for a strong year and I think people went into that year believing it would be strong. But as you saw commodity prices fall and energy prices fall. When fertilizers and glyphosate prices dropped so dramatically, farmers took the position that the longer they took to place orders, or in the case of fertilizers just skipped the year; there was push back. However, all of those indexes are still there. The world population has not shrunk, demands are still there on a long term basis, we have spoken with our customer base and with the more traditional business that occurs in the second half of the year, and they all seem bullish on the sale of our products. Having misread, as many did, the first half of the year though, we can not say this is going to happen. We have orders in place and it looks good. We are buoyed by the fact that our products are being used and consumed in more normal fashion, eventhough the sales are not materializing. That can only mean one thing, that the inventory levels in the channels are reducing. Will 2010 look more like 2008 or 2009, that is a good question. I think part of it is driven by the existing economic crisis. I guess it is a little naïve of us to believe that even the big industrial farmers that are making the decisions are not the same people that are going into the grocery store and saying I'll go with store brand rather than paying an extra 5% for a name brand. Those buying patterns I think are throughout our market, nobody is unaffected at this point. We believe those indexes that are sitting there for our industry are going to make us

pretty resistant to that and I still believe we are less influenced by those factors than other industries. But, to say that we were immune was probably naïve on our part.

<Q – Brad>: Do you think the company in the future assuming reasonable market conditions can generate a 15% operating margin or has something changed that you think may prevent you from levels of profitability that we saw in 2006 and 2007.

<Eric>: I guess what I am coming to on that is no, we do not see factors that will prohibit us from getting growth levels back to the channels and the return on assets that we have experienced in the past. All those factors are there, whether it takes a bottoming out or economic recovery before we see changes, I do not know. I do believe we will be back on track with our patterns and we will see over the second half of the year with regards to 2009 and if our normal business falls in line with where our expectations are.

<Q – Brad>: Two more follow-ons. Can you speak to what you have seen so far in sales for July 2009 versus both sequentially June-July of 2008?

<Trevor>: Our market change from the first half of the year shows our fumigant market is looking pretty strong. I am quite pleased with all the shipments that we have there. One or two of our very large end users have confirmed orders that are very similar to last year. Insecticides are moving; this morning I can see orders from distribution in Georgia, Texas, Missouri and Minnesota, a lot of that is going on cotton and soybeans. I would like to see some more activity for the mosquito business, last year was very strong, and I see a normal year. To be blunt I would like to see a little more. The non-crop market has brought some good orders in the last few weeks and continues to perform better than the crop side. There is quite a lot of product movement at the moment as we are in the middle of the insecticide season and we are in a good position going forward with our K-Pam/Vapam business.

<Q – Brad>: So it sounds like the July trends this year are more favorable versus the prior year versus what we saw in the May, June time frame?

<Trevor>: I would say we are running at a fairly similar level. We are in the middle of it now, I look at the total third quarter and we have some goals to achieve and I think we are on track to get where we need to be.

<Q – Brad>: What is the working capital goal? What kind of working capital performance or improvement do you think you will see in the back half of the year? As a source of cash what is the opportunity from a working capital perspective in the second half to this year?

<David>: As far as inventory levels are concerned, we are at about \$112 million at the end of Q2 at December of 2008 we were at \$91 million. Our target that we are aiming at is to beat that number by a few million dollars to getting down to about the mid-high \$80's.

<Q – Brad>: Are there financial incentives within your organizations amongst those that are responsible for working capital.

<Eric>: We have targeted, we have people that are responsible for that and it is clear within our organization that that is an objective they need to obtain. The answer to your question is, Yes.

<Q – Brad>: Ok, I've seen it work in the past where if you give somebody a bonus for making a working capital target it usually works. Thanks a lot.

Eric Wintemute

Thank you everyone for joining us this morning / afternoon. Again the next time we talk we talk we hope to be reporting on the improvements we have outlined in our discussion today.

Thank you.