FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

FARMLAND INDUSTRIES INC

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Business Address
3315 N OAK TRAFFICWAY
KANSAS CITY MO 64116
8164596000

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
{X} ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended AUGUST 31, 1993

OR

{ } TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 2-60372

Farmland Industries, Inc.
(Exact name of registrant as specified in its charter)

Kansas	44-0209330
(State or other jurisdiction of of incorporation or organization)	RS Employer Identification No.)

3315 N. Oak Trafficway, Kansas City, Missouri	64116-0005
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 816-459-6000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: None

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 {X} No { }

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (~229.405 of this chapter) 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. { }

Farmland Industries, Inc. is a cooperative. Its voting stock can only be held by its members. No public market for voting stock of Farmland Industries, Inc. is established and it is unlikely, in the foreseeable future, that a public market for such voting stock will develop.

Documents incorporated by reference: None

PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

THE COMPANY

Farmland Industries, Inc. ("Farmland") is a regional farm supply and marketing cooperative. Farmland is owned by its members and only its members are eligible to vote for directors or for the management or affairs of Farmland. Members are entitled to receive patronage refunds distributed by Farmland from its member-sourced annual net income. See "Business and Properties -Patronage Refunds and Distribution of Net Income."

Farmland was incorporated in Kansas in 1931. Its principal executive offices are at 3315 North Oak Trafficway, Kansas City, Missouri 64116 (telephone 816-459-6000). Unless otherwise noted, references to years are to fiscal years ended August 31.

Membership

Farmland's membership includes voting members and associate members. At August 31, 1993, Farmland's membership consisted of 1,557 cooperative associations of farmers and ranchers and 1,565 pork producers or associations of pork producers.

Voting Members

Membership requirements are determined by the Farmland Board of Directors. The current policy requirements are: 1) Membership is limited to: (a) farmers' and ranchers' cooperative associations which have purchased farm supplies from or provided grain to Farmland during Farmland's two most recently completed years, and (b) producers of hogs and cattle or associations of such producers which have provided hogs or cattle to Farmland during Farmland's two most recent years. 2) Members must maintain a minimum investment of $1,000 in par value of Farmland's common stock. 3) Cooperatives must limit voting to agricultural producers and conduct a majority of their business with voting producers.

Associate Members

Associate membership requirements in Farmland are as follows: 1) Any person meeting the requirements for membership can be an associate member. 2) Associate members must maintain a minimum investment of $1,000 in par value of Farmland's associate member common stock. 3) Associations other than those owned 100% by members, associate members or Farmland must conduct business on a cooperative basis. 4) Hog and/or cattle feeding businesses must derive a majority of earned income from such feeding business and agree to provide the information Farmland needs to pay patronage refunds from its hog and/or cattle marketing operations to members or other associate members that are eligible to receive such refunds.

Associate members have all the rights of membership except that they do not have the right to vote at a meeting of the shareholders.

BUSINESS

General

Farmland and subsidiaries (the"Company") conducts business primarily in two operating areas. On the input side of the agricultural industry, the Company operates as a farm supply cooperative. On the output side of the agricultural industry, the Company operates as a processing and marketing cooperative.

Cooperative farm supply operations consists of three product divisions--fertilizer and agricultural chemicals, petroleum and feed. Principal products of the fertilizer and agricultural chemicals division are nitrogen, phosphate and potash fertilizers and a complete line of insecticides, herbicides and mixed chemicals. Products of the petroleum division are principally refined fuels, propane, by-products of petroleum refining and a complete line of car, truck and tractor tires, batteries and accessories. Feed division products include swine, beef, poultry, mineral and specialty feeds, feed ingredients and animal health products.

Geographically, the Company's markets are mid-western states which comprise the corn belt and the wheat belt. The Company distributes products at wholesale. Its customers are primarily local farm cooperative associations who are members and owners of Farmland. These local cooperatives distribute products primarily to farmers and ranchers who utilize the products in the production of farm crops and livestock.

Cooperative marketing operations include the storage and marketing of grain, processing pork and beef, and marketing fresh pork, processed pork, fresh beef and boxed beef. Hogs and grain are supplied to the Company primarily by members. Cattle are purchased from producers in the proximity of the beef plants at Liberal and Dodge City, Kansas. The Company has made arrangements to allow beef producers to become members and supply cattle to the Company on a patronage basis (similar to the arrangement with pork producers).

A substantial portion of the Company's supply and marketing products are produced in facilities owned by the Company or operated by the Company under long-term lease arrangements. No material part of the business of any segment of the Company is dependent on a single customer or a few customers. Information regarding the Company's property and its business is presented below. Financial information about the Company's industry segments is presented in note 12 of the notes to consolidated financial statements.

The Company competes for market share with numerous participants with various levels of vertical integration, product and geographical diversification, sizes and types of operations. In the petroleum industry, competitors include major oil companies, independent refiners, other cooperatives and product brokers. The fertilizer and agricultural chemicals industry competitors include global producers of nitrogen and phosphate fertilizers (some of which are cooperatives) and product importers and brokers. The feed industry is comprised of an infinite variety of competitive participants. Approximately 60% of the Company's supply product sales are manufactured by the Company. See "Cooperative Farm Supply Business--Petroleum, Fertilizer and Agricultural Chemicals and Feed" for information regarding the Company's manufacturing properties by business segment.

COOPERATIVE FARM SUPPLY BUSINESS

Petroleum

Marketing

The principal product of this business segment is refined fuels. Approximately 69% of refined product sales in 1993 resulted from transactions with Farmland's members. The balance of the Company's refined product sales were principally through retailing chains in urban areas. Based on total volume of refined fuels withdrawn at terminal storage facilities along pipelines which serve most of the Company's trade territory, the

Company estimates its market share in rural markets is approximately 8%. Other petroleum products include lube oil, grease, by-products of petroleum refining, and a complete line of car, truck and tractor tires, batteries and accessories. Sales of petroleum products as a percent of the Company's consolidated sales for 1993, 1992 and 1991, respectively, were 19%, 29% and 33%, respectively.

Competitive methods in the petroleum industry include service, product quality and pricing. However, in refined fuel markets, price competition is most dominant. Many participants in the industry engage in one or more of the market processes (oil production and transportation, refining, wholesale distribution and retailing). The Company participates in the industry primarily as a midcontinent refiner and as a wholesale distributor of petroleum products.

Production

The Company owns a refinery at Coffeyville, Kansas and at Phillipsburg, Kansas. Prior to June 30, 1992 the Company owned approximately 30% of the National Cooperative Refinery Association ("NCRA"). NCRA operates a refinery at McPherson, Kansas with a daily production capacity of 70,000 barrels. As a 30% owner, Farmland was required to purchase 30% of the production of this refinery. During 1992, Farmland sold its ownership interest in NCRA. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Petroleum - Sales."

The refinery at Phillipsburg, Kansas operated through December 1991, primarily to produce asphalt for sale under a contract. On December 31, 1991, this refinery closed. A loading terminal located at the refinery remains in operation. The carrying value of this refinery at August 31, 1993 was approximately $3,305,000. The Company is evaluating alternative uses for this facility and cannot at this time determine the extent of any losses related to the closure of the refinery, but does not expect such losses to be significant. Sales associated with products of the Phillipsburg refinery amounted to approximately $20,900,000 in 1992 and approximately $72,000,000 in 1991. During the four months of 1992 in which it operated, the total barrels processed by the refinery was 871,000.

Refinery capacity at August 31, 1993 and production volume for 1993, 1992 and 1991 are as follows:

<TABLE>
<CAPTION>

Location	Estimated Daily Capacity August 31, 1993	Average Daily Production Based on 365 Days per Year (barrels) 1993	1992	1991
<S>	<C>	<C>	<C>	<C>
Coffeyville	56,500 barrels of crude oil (as certified by the Department of Energy)	53,000	57,000	51,000
Phillipsburg	26,400 barrels of crude oil per day	N/A	N/A	8,000

</TABLE>

The Coffeyville refinery produced 20 million barrels of motor fuels and heating fuels in 1993, 23 million barrels in

1992, and 21 million barrels in 1991. Approximately 77% of petroleum product sales in 1993 represented products produced at this location.

As a result of regulations by the Environmental Protection Agency, sulfur levels must be reduced in diesel fuels sold after September 30, 1993. To comply with these regulations, the Company has planned capital improvements of approximately $44,000,000 of which $31,451,000 has been expended at August 31, 1993.

Raw Materials

Farmland's refinery at Coffeyville, Kansas is designed to process high quality crude oil with low sulfur content ("sweet crude"). Competition for sweet crude and declining production in proximity of the refinery has increased its cost of raw material relative to such cost for coastal refineries with the capacity for processing and access to lower quality crude grades. The Company's pipeline gathering system collects approximately 25% to 30% of its crude oil supplies from producers near its refineries. Additional supplies are acquired from diversified sources.

Modifications to the Coffeyville refinery which increase its capability to efficiently process crude oil streams containing greater amounts of lower quality crude are continuing. The Company has entered negotiations with a potential purchaser of this refinery. See note 16 of the notes to consolidated financial statements.

Crude oil is purchased approximately 45 to 60 days in advance of the time the related refined products are marketed. Prior to March 1, 1991, hedging procedures were utilized to reduce certain risks of holding inventory. On March 1, 1991, the Company suspended its practice of hedging its petroleum inventories. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Petroleum - Operating Profit." The hedging of fixed crude oil advance purchase contracts and fixed price refined products advance sales contracts has been continued.

During periods of volatile crude oil price changes or in extremely short crude supply conditions, the Company's petroleum operations could be affected to a greater extent than petroleum operations of more vertically integrated competitors with crude oil supplies available from owned producing reserves. In past periods of relatively severe crude oil shortages, various governmental regulations such as price controls and mandatory crude oil allocating programs have been implemented to spread the adversity among all industry participants. There can be no assurance as to what, if any, government action would be taken in the event a crude oil shortage developed.

Fertilizer and Agricultural Chemicals

Marketing

Products of the Company's fertilizer and agricultural chemicals division include nitrogen-, phosphate- and potash-based fertilizers, and a complete line of insecticides, herbicides and mixed chemicals. Sales of this business segment as a percent of consolidated sales for 1993, 1992 and 1991 were 19%, 26% and 29%, respectively.

Competition in the fertilizer industry is dominated by price considerations. The industry's participants include many domestic producers with substantial manufacturing capacity including other cooperatives, major petroleum companies with chemical divisions, and integrated chemical companies. In addition, there are a number of import brokers with access to products manufactured in countries with lower cost natural gas supplies (the principal raw material in nitrogen-based fertilizer products). In certain cases, foreign producers of fertilizer for export to the U.S. may be subsidized by their governments.

In addition to price competition, demand for fertilizer is seasonal. During periods of peak demand, product distribution and rapid delivery service are significant competitive factors. Therefore, a significant seasonal investment in inventory and capital investment in storage and distribution facilities is required to support manufacturing operations. The Company maintains fertilizer custom blending, storage and distribution facilities at 15 locations throughout its trade territory. The Company's sales of fertilizer and agricultural chemicals are primarily at wholesale to local cooperative associations (the members, owners and customers of Farmland). In view of this supplier/customer relationship, management believes that, with respect to such customers, the Company has a slight competitive advantage.

Production

The Company is a manufacturer of nitrogen and phosphate fertilizer products. Based on total production capacity, the Company is one of the largest producers of anhydrous ammonia fertilizer in the U.S. Nitrogen-based fertilizers are produced at four anhydrous ammonia plants, four urea ammonium nitrate plants, and two urea plants which the Company owns and operates. Three other anhydrous ammonia plants are operated by the Company under long-term lease arrangements. Phosphate fertilizers are produced in one plant which is owned and operated by the Company and in two plants owned by ventures in which the Company has a 50% ownership interest. In addition, several custom dry blending and liquid fertilizer mixing facilities are operated on sites located throughout the Company's trade territory.

Nitrogen fertilizer production information is as follows:

<TABLE>
<CAPTION>

Plant Location	Estimated Annual Capacity Anhydrous Ammonia August 31, 1993 (based on 345 days per year)** (tons)	Actual Annual Production Anhydrous Ammonia 1993 (tons)	1992	1991
<S>	<C>	<C>	<C>	<C>
Lawrence	450,000	375,000	450,000	367,000
Dodge City	259,000	241,000	254,000	259,000
Fort Dodge	242,000	232,000	240,000	231,000
Beatrice	250,000	243,000	250,000	245,000
Enid (2 plants)*	1,017,000	969,000	1,017,000	1,001,000
Pollock*	500,000	490,000	501,000	501,000

* Indicates leased plants

** The capacities in the table above represent current instant capacity which has increased due to efficiency and capacity improvements.

</TABLE>

Synthetic anhydrous ammonia is the basic component of all commercially produced nitrogen fertilizers. Nitrogen fertilizer is a necessary plant nutrient to supply the protein building blocks for all life forms. More than 95% of the world's synthetic anhydrous ammonia is produced using natural gas as the major raw material.

Natural gas containing more than 90% methane is reformed in a high temperature catalytic process to produce hydrogen and carbon oxides. The process uses high temperature steam as part of the reaction. Modern processes utilize high pressure reforming to reduce the overall energy required in the process. The hot gases from the reformer are introduced into a catalytic chamber where air has been compressed and injected into the stream. In this vessel, the oxygen from the air is consumed completing the methane reformation and further oxidation of the carbon oxides toward carbon dioxide. The hot mixture is used to generate steam for the process and for motive power of the more than 25,000 horse power of compression required to move the gases through the process to the ammonia synthesis reactor. The carbon oxides are further reacted with steam to produce carbon dioxide. The resulting mixture of carbon dioxide, hydrogen, and nitrogen is refined in the carbon dioxide removal system.

With the carbon dioxide removed, the gas stream containing three parts of hydrogen and one part of nitrogen is further refined by converting any residual carbon oxides to methane and compressed to synthesis pressure of approximately 2,000 psi. The synthesis reactor is a recycle operation which converts approximately 10% of the reactants per pass through the reactor. The resulting anhydrous ammonia is removed by refrigeration. With the ammonia removed, the gases are recompressed for another pass through the synthesis reactor. The ammonia from the process is stored in refrigerated containers at atmospheric pressure or under pressure at ambient temperatures.

The ammonia is usable as a nitrogen fertilizer directly injected into soils or can be a raw material for the production of other forms of nitrogen fertilizer. Ammonia contains 82% nitrogen by weight.

The most available form of commercial fertilizer produced from ammonia raw materials is urea. Urea is produced by the reaction of ammonia with carbon dioxide. The reaction takes place at high pressure and is removed from the reaction mixture as an intermediate which decomposes to urea and ammonia. The urea is concentrated in evaporators and either prilled or granulated for use as a 46% form of nitrogen fertilizer. Urea is also used as a blend stock in the production of urea ammonium nitrate solutions containing 28-32% nitrogen.

Ammonia as a raw material can be oxidized with air in a catalytic bed to produce nitric acid which is further reacted with more ammonia to produce ammonium nitrate. Ammonium nitrate is concentrated through evaporation and prilled or granulated to produce a solid product containing 34% nitrogen by weight. The ammonium nitrate is also a blend stock for the urea ammonium nitrate solutions already mentioned.

Ammonia as the raw material is used in a reactor with phosphoric acid to produce monoammonium and diammonium phosphates. These products contain 11% or 18% nitrogen by weight.

Production of urea, ammonium nitrate, urea ammonium nitrate solutions, and other nitrogen fertilizer products from anhydrous ammonia (as a raw material) for 1993, 1992 and 1991 is as follows:

Actual Annual Production

Location	1993	1992	1991
	(tons)		
Lawrence	661,000	691,000	640,000
Enid	473,000	452,000	389,000
Dodge City	241,000	217,000	218,000
Beatrice	166,000	177,000	184,000

Prior to November 15, 1991, the Company owned and operated a phosphate chemical plant located in Green Bay, Florida. Effective November 15, 1991, Farmland and Norsk Hydro a.s. ("Hydro") formed Farmland Hydro, Limited Partnership ("Farmland Hydro, L.P.") to manufacture phosphate fertilizer products for distribution to international markets. Pursuant to the agreements, Farmland sold a 50% interest in its Green Bay, Florida phosphate fertilizer plant and certain phosphate rock reserves located in Hardee County, Florida to Hydro for an amount approximately equal to Farmland's carrying value in those assets. Subsequent to this sale, Farmland and Hydro each contributed their respective interests in the assets to Farmland Hydro, L.P. for a 50%-ownership interest in this partnership. Farmland provides management and administrative services to the joint venture and Hydro provides marketing services under a marketing agreement with Farmland Hydro, L.P. The Company's sales of products of the Green Bay assets amounted to approximately $65,137,000 during the two and one-half months prior to November 15, 1991 and $211,000,000 in fiscal year 1991. The plant produces phosphoric acid products (super acid, diammonium phosphate and monoammonium phosphate) with annual phosphoric acid production capacity of 752,000 tons.

The phosphate rock required to operate the phosphate plant at Green Bay, Florida is presently purchased from outside suppliers and adequate supplies of sulfur are available at the plant from several producers. Farmland owns land in Florida which contains an estimated 40 million tons of phosphate rock. In addition, Farmland Hydro, L.P. owns land in Florida which contains an estimated 40 million tons of phosphate rock. Plans for development of these reserves have not been established in view of the availability of adequate supplies of phosphate rock from alternative sources.

Farmland and J.R. Simplot Company ("Simplot") formed a joint venture to own and operate a phosphate mine located in Vernal, Utah, a phosphate chemical plant located in Rock Springs, Wyoming, and a 96-mile pipeline connecting the mine to the plant. The venture completed a purchase of these assets in April 1992. The plant produces monoammonium phosphate (MAP) and super acid (P_2O_5) with annual production capacities of 275,000 and 145,000 tons, respectively. Under the venture agreement, Farmland and Simplot purchase the production of the venture in proportion to their ownership.

As a result of arrangements with Hydro and Simplot, the Company increased its ownership interest in phosphate production facilities located in its trade territory and reduced its ownership interest in phosphate production facilities located in Florida.

<TABLE>

The Company owns a phosphate chemical plant located in Joplin, Missouri. Production capacity at August 31, 1993 and production for 1993, 1992 and 1991 at this plant are as follows:

<CAPTION>

Actual Annual Production

Location	Estimated Annual Capacity August 31, 1993	1993	1992	1991
	(tons)			
<S>	<C>	<C>	<C>	<C>
Joplin	150,000 tons of ammonium phosphate	72,000	88,000	96,000
	160,000 tons of feed grade phosphate	141,000	129,000	119,000

</TABLE>

The plant at Joplin, Missouri produces fertilizer by reacting anhydrous ammonia with phosphoric acid and sulfuric acid in a reactor pipe. The reaction produces ammonium phosphate and ammonium sulfate which are combined in varying ratios with muriate of potash to produce 13 different fertilizer grades. The ingredients are granulated in a drum granulator, dried and screened before transfer to product storage. Other minor nutrients, such as zinc, iron or manganese, can be added to formulations if desired.

Feed grade phosphate is produced in a granulation process using a blunger (a dual shaft mixer) to mix, granulate and promote reaction of the limestone and phosphoric acid raw materials. Granulated material passes from the blunger to a dryer and is finally screened before it is transferred to storage. The mixing and drying process is continuous. Granules continue to recycle through this process until obtaining proper size and then pass to storage. Two feed grade products are produced - monocalcium phosphate and dicalcium phosphate.

Raw Materials

Natural gas, the largest single component of nitrogen fertilizer production, is purchased directly from natural gas producers. Natural gas purchase contracts are generally market sensitive and contract prices change as the market price for natural gas changes. The Company's management believes that the flexible pricing attributes of its gas supply contracts, without relinquishing rights to long-term supplies, are essential to its competitive position. During 1993, natural gas prices increased substantially and had an adverse impact on the Company's operating results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Fertilizer and Agricultural Chemicals - Operating Profit." The Company initiated a hedging program utilizing natural gas futures and options to reduce risks of market price volatility.

Natural gas is delivered to the Company's facilities under pipeline transportation delivery contracts which have been negotiated with each plant's delivering pipeline. Transportation delivery contracts, for the most part, are interruptible as defined by the Federal Energy Regulatory Commission. No significant nitrogen production has been lost, and none is anticipated, because of curtailments in transportation.

Feed

Products in the Company's feed line include swine, beef, poultry, dairy, mineral and specialty feeds, feed ingredients, and animal health products.

<TABLE>

Sales of products of this business segment were approximately 10%, 13% and 13% of consolidated sales for the years 1993, 1992 and 1991, respectively. Approximately 46% of the Company's feed sales in 1993 was produced in the Company's feed mills. The Company operates feed mixing plants at 19 locations throughout its territory, an animal protein and premix plant located in Eagle Grove, Iowa and a pet food plant in Muncie, Kansas.

Feed production is as follows:

Location	Estimated Annual Capacity August 31, 1993 (tons)	Actual Annual Production 1993 (tons)	1992	1991
22 feed mills (combined)	1,580,000	1,030,000	954,000	921,000

In addition, the Company's feed operations include placement of Company-owned feeder pigs with individuals who have contractual arrangements with the Company to feed pigs on a fee basis until weight gain is finished. During 1993, 1992 and 1991, approximately 113,000 pigs, 46,300 pigs and 48,000 pigs, respectively, were finished under this program. The finished pigs were sold to Farmland Foods, Inc. ("Foods") for processing.

The Company and Yuma Farmers Mill and Mercantile, a local cooperative association, formed a joint venture for finishing feeder pigs at Yuma, Colorado. The venture constructed a farrowing facility which was completed in February 1993. This facility increased finishing capacity to approximately 130,000 head annually. The Company owns a 72% interest in this venture operation.

During 1992, the Company began leasing a facility for production of quality swine breeding stock. These animals are placed with farrowers under contractual arrangements. In addition, the Company purchases swine breeding stock for placement with such farrowers.

The Company conducts research in genetic selection, breeding animal health and nutrition services. Through local cooperative associations of farmers and ranchers, the Company participates in livestock and hog services designed to produce lean, feed-efficient animals and help livestock producers select feed formulations which maximize weight gain.

COOPERATIVE PROCESSING AND MARKETING BUSINESS AND PROPERTIES

Pork Processing and Marketing

Production

The Company's food processing and marketing operations are conducted through a 99%-owned subsidiary, Foods. Foods operates eight food processing facilities. Meat processing facilities at Springfield, Massachusetts, Carey, Ohio, and New Riegel, Ohio were purchased by Foods on April 1, 1991. Italian-style specialty meats are produced at the Springfield facility and ham products are processed at the two Ohio facilities. A facility at Wichita, Kansas processes pork into fresh sausage, and pork and beef into hot dogs, dry sausage and other luncheon meats. A facility at San Leandro, California was closed on September 1, 1993. A facility in Denison, Iowa and one in Crete, Nebraska function as pork abattoirs and have additional capabilities for processing pork into bacon, ham and smoked meats. An additional facility at Monmouth, Illinois was purchased on February 15, 1993. These facilities also process fresh pork into primal cuts for additional processing into fabricated meats which are sold to commercial users and to retail grocery chains, as well as case-ready and label-branded cuts for retail distribution. The eighth plant located in Carroll, Iowa is primarily a packaging facility for canned or cook-in-bag products. A previously closed pork processing plant at Iowa Falls, Iowa is currently held for sale.

Plant capacities at August 31, 1993 and production for 1993, 1992 and 1991 are as follows:

Location	Estimated Weekly Capacity August 31, 1993	Average Weekly Production 1993	1992	1991
	(pounds)	(pounds)		
Wichita	1,100,000 on a one-shift basis	1,514,000	1,618,000	1,315,000
San Leandro**	300,000 on a one-shift basis	243,000	269,000	297,000
Carroll	692,000 on a one-shift basis	1,204,000*	1,131,000*	835,000*

* All ham products were produced on 2 shifts during 1993, 1992 and 1991.

** Closed September 1, 1993

Location	Estimated Weekly Capacity August 31, 1993	Average Weekly Production 1993	1992	1991
Denison	37,500 head slaughtered on a one-shift basis	37,000	39,000	38,000
Crete	45,000 head slaughtered on a one-shift basis	45,000	47,000	42,000

The plant located at Springfield, Massachusetts has an annual capacity on a one-shift basis of 400,000 pounds per week.

Average weekly production in 1993 was 666,000 pounds compared to 560,000 pounds during 1992.

The plants located at Carey, Ohio and New Riegel, Ohio de-bone and process ham products. Annual capacity of the two plants on a one-shift basis is 260,000 pounds per week. Average weekly production during 1993 was 231,000 pounds compared with 220,000 pounds during 1992.

The plant located at Monmouth, Illinois has an estimated weekly capacity of 26,000 head slaughtered on a one-shift basis. Average weekly production during the 28 weeks of Company operation during 1993 was 25,000 head.

Marketing

The Company's pork marketing operations include meat processing, primarily pork, and marketing. Products marketed include fresh pork, fabricated pork, smoked meats, ham, bacon, fresh sausage, dry sausage, hot dogs, and packing house by-products. These products are marketed under Farmland, Maple River, Marco Polo, Carando, Regal, and other brand names. Product distribution is through national and regional retail food chains, food service accounts, distributors and international marketing activities.

Pork marketing is a highly competitive industry with many suppliers of live hogs, fresh pork and processed pork products.

Other meat products such as beef, poultry and fish also compete directly with pork products. Competitive methods in this segment include price, product quality, product differentiation and customer service.

Beef Processing and Marketing

Production

The Company's beef processing and marketing operations are conducted through two ventures. National Beef Packing Company, L.P., formed in April 1993, is located in Liberal, Kansas and is 58%-owned by Farmland. Hyplains Beef, L.C., formed in July 1992, is located in Dodge City, Kansas and is 50%-owned by Farmland. These facilities function as beef abattoirs and have capabilities for processing fresh beef into primal cuts for additional processing into fabricated or boxed beef. As of August 31, 1993, the two plants had an estimated daily capacity of 7,000 cattle and had operated during the year at 92% of capacity.

Marketing

Products in the Company's beef processing and marketing operations include fresh beef, boxed beef and packing house by-products. Product distribution is through national and regional retail and food service customers. There is also a limited amount of international product distribution.

Beef marketing is a highly competitive industry with many suppliers of live cattle, fresh beef and processed beef. Other meat products such as pork, poultry and fish also compete directly with beef products. Competitive methods in this industry include price, product quality and customer service.

Grain Marketing

Effective June 30, 1992, the Company acquired substantially all the business and assets of Union Equity Co-Operative Exchange ("Union Equity"). The Company conducts the grain marketing and storage operations, previously conducted by Union Equity, using the Union Equity name.

The Company markets wheat, milo, corn, soybeans, barley and oats, with wheat constituting the majority of the marketing business. The Company purchases grain from members, associate members and nonmembers located in the midwestern part of the United States. Once the grain is purchased, the Company assumes all risks related to selling such grain. Since grain is a commodity, pricing of grain in the United States is principally conducted through bids based on the commodity futures markets.

In 1993, approximately 60% of grain revenues have been from export sales. The five largest purchases in terms of total revenues from grain operations were Mexico (9%), Jordan (7%), India (6%), China (6%) and Egypt (4%). In 1992 and 1991, export sales or sales to domestic customers for export accounted for approximately 55% and 61%, respectively, of Union Equity's consolidated revenues. The Commonwealth of Independent States, formerly the Soviet Union ("Commonwealth States"), Mexico, China and Israel had historically represented Union Equity's largest foreign markets, but such may have varied from year to year.

A majority of the grain export sales are under price subsidies or credit arrangements guaranteed by the United States Government, primarily through programs administered by the United States Department of Agriculture ("USDA"). If the United States limits its credit guarantees or subsidies to foreign countries or otherwise limits grain sales to foreign countries, such would have a material adverse effect on operations. Since a substantial amount of grain revenues are related to the export markets, export-related sales are subject to international political upheavals and changes in other countries' trade policies which are not within the control of the United States or the Company. Foreign sales of grain are required to be paid in U.S. Dollars.

Storage of Grain

By law or regulations, the Company is required to accept for storage in its grain elevators grain suitable for storage owned by others. The Company's charges for storage, loading, and unloading, and inspection of grain are based on tariffs established by the Company, within guidelines set forth by the USDA.

Storage revenue accounted for approximately one percent (1%) of the Company's grain revenues in 1993 and 1992. Storage revenues in recent years have declined in part due to changes in farm policies of the United States from encouraging farmers to grow more product and, as a result, forcing farmers to store more grain, to encouraging farmers to grow only that which could be sold by planting less acres. It has become the United States Government's policy to subsidize grain sales to foreign countries rather than to support grain prices and pay for storage.

Seasonal and Business Fluctuations

Grain purchases are typically the greatest during the third and fourth quarters of each calendar year, resulting in substantial working capital requirements in order to carry increased inventories of grain during such periods. As grain inventories are sold, working capital requirements are reduced. The Company purchases a majority of its grain from its members, associate members, and other grain companies (not directly from grain producers).

Property

The Company owns or leases fifteen (15) inland terminal elevators and one (1) export elevator with a total licensed capacity of approximately 157,883,000 bushels of grain. The location, type, number and aggregate licensed capacity in bushels of the elevators at August 31, 1993 are as follows:

Location	Type	Number	Aggregate Capacity
Commerce City, Colorado	Inland	1	3,234,000
Fairfax, Kansas	Inland	1	10,047,000
Hutchinson, Kansas	Inland	3	25,268,000
Topeka, Kansas	Inland	1	12,055,000
Wichita, Kansas	Inland	1	10,503,000
Lincoln, Nebraska	Inland	1	5,099,000
Omaha, Nebraska	Inland	1	850,000
Enid, Oklahoma	Inland	4	50,300,000
Saginaw, Texas	Inland	2	37,274,000
Galveston, Texas	Export	1	3,253,000

The reduction in storage of grain has resulted in substantial under-utilization of the Company's elevators. Several of the above elevators are substantially under-utilized. Six (6) of these elevators were closed at the date Farmland purchased Union Equity and have remained closed through August 31, 1993. The six (6) elevators that were closed have an aggregate licensed bushel capacity of 58,030,000 bushels and include two elevators at Hutchinson, Kansas; one at Wichita, Kansas; two at Enid, Oklahoma; and one at Saginaw, Texas. The elevator at Commerce City, Colorado has been leased to another operator.

In May 1993, the Company sold an export elevator at Deer Park, Texas. The export elevator had a licensed aggregate capacity of 8,583,000 bushels.

RETAIL AND SERVICES OPERATIONS

The Company operates eight retail farm supply stores in rural areas which are not serviced by local cooperative members of Farmland. The stores serve as distribution points for farm supply products and provide farm services such as custom blending and delivery of fertilizer, custom animal feed blending and grain storage.

Beginning in 1988, the Company's operations were extended to include retail marketing operations. Retailing activities include distribution of petroleum products through Company operated convenience food and fuel stores using the Ampride name. At August 31, 1992, Farmland owned and operated six stores. Based on the operations of these stores, the Company decided to terminate its Ampride operations. At August 31, 1993, two Ampride stores remain in operation.

Prior to August 31, 1993, the Company's operations included financial services of two finance companies: The Cooperative Finance Association, Inc. ("CFA") and Farmland Financial Services Company ("FFSC"). CFA provides inventory, operating and facility loans, primarily to local cooperative members of Farmland and FFSC provides a credit source for agricultural producers. At August 30, 1993 Farmland reduced its ownership interest in CFA to 49%. In addition, CFA purchased the assets and operations of FFSC. CFA has proposed a recapitalization plan which limits the voting rights of any owner (including Farmland) to 20% or less regardless of the number of voting shares held. Accordingly, CFA is not a subsidiary of Farmland at August 31, 1993 and Farmland is no longer engaged in commercial lending operations.

PATRONAGE REFUNDS AND DISTRIBUTION OF NET INCOME

For purposes of this section, annual net income means net income of Farmland determined in accordance with federal income tax regulations. For this purpose, the term "member," means any member, associate member or any other person with which Farmland is a party to a currently effective patronage refund agreement.

Farmland operates on a cooperative basis. As a cooperative, Farmland distributes to its members (its owners and customers) all or part of its annual net income. Such distributions are referred to as patronage refunds. The total amount of patronage refunds distributed to members is the sum of the amounts of annual net income of Farmland's separate patronage refund allocation units which is identified to transactions with members. Each member's portion of the patronage refund is the amount of the total patronage refund identified to transactions with the member. The amount of patronage refunds payable for any year may be reduced, but not below zero: 1) to the extent of member-sourced loss carryforwards from transactions with members during previous years; and, 2) if immediately after such patronage refund distribution the balance of consolidated retained earnings (defined for this purpose as the sum of earned surplus and unallocated equity) would be less than 30% of the sum of the prior year-end balance of common stock and associate member common stock, capital credits, nonmember capital, and patronage refunds for reinvestment (the portion of the patronage refund payable in common stock, associate member common stock, or other forms of equity credits, if any, which the Board of Directors may have approved as a form for payment of patronage refunds). In such case, patronage refunds shall be reduced by the lesser of 15% or an amount necessary to increase the balance of the retained earnings account to the required 30%. The amount by which the patronage refund is so reduced is treated as if generated from transactions with patrons not eligible to receive patronage refunds and is subject to income taxes.

The Internal Revenue Code allows a cooperative to deduct from its otherwise taxable income the total amount of the patronage refunds distributed, provided at least 20% of the total patronage refund is distributed in cash.

Net income generated by Farmland on transactions with patrons not eligible to receive patronage refunds and extraneous income (income from sources unrelated to the type of transactions conducted by the cooperative with its members) is subject to income taxes computed on the same basis as such tax is computed on the income of other taxable corporations.

Farmland's annual patronage refund, and each members' portion thereof, is distributed to members as soon as practical after the end of each fiscal year. For the year ended August 31, 1993, Farmland incurred a loss and no patronage refund was paid.

Generally, a portion of the patronage refund is paid in cash and the balance (the "invested portion") is paid with Farmland common stock, associate member common stock or capital credits. The invested portion of the patronage refund is determined annually by Farmland's Board of Directors.

Farmland has established a base capital. The objective of the base capital plan is to achieve an equitable relationship between the dollar amount of business a member or associate member of Farmland (a "Participant") transacts with Farmland and the par value of Farmland equity which the Participant should hold (the Participant's "Base Capital Requirement"). This plan:

1) provides that the relationship between the actual investment in Farmland equity and the Base Capital Requirement of a Participant shall influence the cash portion of any patronage refund paid to the Participant, and;

2) provides a method for redemption by Farmland of its equities held by a Participant who has an investment in Farmland equity which exceeds the Participant's Base Capital Requirement.

The Base Capital Requirement of the base capital plan shall be determined annually by the Farmland Board of Directors.

The Farmland patronage refund for 1992 was $17.4 million and was paid 100% in cash. Additional cash payments of $6.7 million were made under the base capital plan for redemption of equities held by Participants.

In 1991, the Board of Directors determined that $14.4 million (an amount equal to 50% of Farmland's 1991 patronage refund) would be distributed in cash to Participants and patrons entitled to receive patronage refunds. Of such cash amount, $12.1 million represented payment of the cash portion of the 1991 patronage refunds payable and $2.3 million was distributed to redeem equities of Participants whose investment in Farmland exceeded their Base Capital Requirement. The reinvested portion of the Farmland 1991 patronage refund was $16.7 million.

Farmland's patronage refunds distributed in cash and equity from patronage-sourced income of the years ended 1993, 1992 and

1991 are as follows:

	Cash Portion of Patronage Refund	Invested Portion of Patronage Refund	Total Patronage Refund
	(Amounts in thousands)		
1993	$ -0-	$ -0-	$ -0-
1992	$ 17,449	$ -0-	$ 17,449
1991	$ 12,101	$ 16,740	$ 28,841

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the reasons for changes in income before income taxes and extraordinary item for 1992, 1991 and 1990.

Foods is a marketing cooperative which distributes patronage refunds to Farmland based on its annual net income multiplied by the percentage that Foods' purchases of meat from Farmland is to its total meat purchases. The refund Foods pays Farmland becomes part of Farmland's income and is distributed as part of Farmland's patronage refund payments as previously discussed.

In 1993 and 1992, Foods distributed a patronage refund of $2.5 million and $3.7 million, respectively, to Farmland. Foods had a patronage loss in 1990 that was retained and then applied to offset patronage refunds otherwise payable from its 1991 annual net income.

Under the Bylaws of Farmland, its Board of Directors has complete discretion with respect to the handling and ultimate disposition of any member-sourced portion of losses. The Board of Directors may, among other things, (1) determine that such losses shall be retained and recovered through offset against net income of subsequent years; or (2) may at any time determine to apply such losses to its members by offsetting such apportioned losses against, and cancellation of, patronage equities (common stock, associate member common stock, or other forms of equity credits) which, in prior years, had been distributed as the invested portion of patronage refunds. The 1993 net loss attributable to transactions with members will be carried forward and available to reduce net member-sourced income in future years.

OTHER MATTERS

Research

The Company operates a research and development farm near Bonner Springs, Kansas where many aspects of animal nutrition are studied. The research is directed toward improving the nutrition and feeding practices of livestock and pets.

During 1992, the Company commenced research related to production of tilapia in a climate-controlled environment, and research related to commercialization of a wheat processing plant to produce wheat gluten as a replacement source for raw material used in certain consumer products. Research activities related to production of tilapia indicate that further study is necessary. Accordingly, this research activity is continuing. Study in the wheat gluten processing is being continued. However, technology for an economically viable plant has been developed. Farmland has proposed formation of a joint venture with local cooperatives to build a wheat processing plant in Russell, Kansas that will process approximately 4.25 million bushels of wheat a year.

Expenditures related to Company-sponsored product and process improvements amounted to $3,303,000, $3,338,000 and $3,269,000 for the years ended 1993, 1992 and 1991, respectively.

Capital Expenditures

The Company plans capital expenditures of approximately $152.5 million during its two fiscal years ending August 31, 1994 and 1995.

Capital expenditures of approximately $55.8 million are planned for the fertilizer and agricultural chemicals business segment. A new urea ammonium nitrate ("UAN") facility is planned at the Fort Dodge, Iowa anhydrous ammonia plant. The new facility is expected to cost approximately $25.0 million of which $15.0 million is to be expended in fiscal 1995. This facility will upgrade anhydrous ammonia to produce approximately 115,000 tons of UAN per year. A UAN plant at the Lawrence, Kansas facility is being expanded. This expansion will cost approximately $11.1 million of which an estimated $2.9 million will be expended in fiscal 1994 to complete the project. This expansion will increase UAN capacity by approximately 128,000 tons per year. In addition, capital expenditures of $27.9 million are planned for operating efficiency improvements, necessities and replacements, and $10.0 million for environmental and safety issues, predominantly at nitrogen fertilizer plants.

Capital expenditures in the feed business segment are estimated to be $14.4 million and include $11.5 million at the feed mills and $2.9 million at livestock production facilities. These expenditures are for increased efficiencies, operating necessities and replacements.

Based on discussions with a potential purchaser of the Company's refinery at Coffeyville, Kansas (see note 16 of the notes to consolidated financial statements), capital expenditures in the petroleum business segment are expected to be $2.6 million. These expenditures are primarily for environmental modifications.

Capital expenditures of approximately $30.8 million are planned in the food marketing business segment. Capacity at the Wichita, Kansas processed meat plant is to be expanded at an estimated cost of $1.5 million. The remaining expenditures are mostly for operational improvements and replacements.

Heartland Wheat Growers, L.P. (a partnership between the Company and local cooperatives) located in Russell, Kansas, was formed for the purpose of constructing and operating a wheat processing facility to produce wheat gluten, wheat starch and derivative products and to market and distribute such products. The Company has a seventy-seven and one-half percent (77.5%) interest in the partnership. The Company's planned investment to finance construction of the wheat gluten plant amounts to approximately $23.4 million.

The Company intends to fund its capital program with cash from operations or from its primary sources of debt capital. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Financial Condition, Liquidity and Capital Resources."

Matters Involving the Environment

The Company's farm supply manufacturing and distribution operations and its food processing and marketing operations are presently, and will continue to be, affected to some extent by federal, state and local regulations regarding the environment. Protection of the environment will require expenditures by the Company for equipment or processes and such expenditures may impact the Company's future net income. However, the Company does not anticipate that its competitive position will be adversely affected by such expenditures or by laws and regulations enacted to protect the environment. Management believes the Company is currently in substantial compliance with existing environmental rules and regulations.

The Company has been designated as a potentially responsible party ("PRP") at eight sites currently listed on the U.S. Environmental Protection Agency's National Priority List ("NPL"). The Company has completely resolved its financial responsibility at one site and its responsibilities at four other sites appear to be de minimis or inconsequential. With respect to these NPL sites and other locations at which the Company is aware that it may have responsibility for investigation and remediation, appropriate accruals have been made in the consolidated financial statements.

Government Regulation

The Company's business is conducted within a legal environment created by numerous federal, state and local laws which have been enacted to protect the public's interest by promoting fair trade practices, safety, health and welfare. The Company's operating procedures conform to the intent of these laws and management believes that the Company is currently in compliance with all such laws the violation of which could have a material effect on the Company.

Certain policies may be implemented from time to time by the U.S. Department of Agriculture, the Department of Energy, or by other governmental agencies which may impact the demands of farmers and ranchers for the Company's products or which may impact the methods by which certain of the Company's operations are conducted. Such policies may impact the Company's farm supply and marketing operations.

Management is not aware of any newly implemented or pending policies having a significant impact or which may have a significant impact on operations of the Company.

Employee Relations

At August 31, 1993, the Company had approximately 14,100 employees. Approximately 31% of the Company's employees were represented by unions having national affiliations. The Company's relationship with employees is considered to be generally satisfactory. No labor strikes or work stoppages within the last three fiscal years have had a materially adverse effect on the Company's operating results. Current labor contracts expire on various dates through September 1996. There are no wage re-openers in any of the collective bargaining agreements.

Recent Accounting Pronouncements

See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 3. LEGAL PROCEEDINGS

In the opinion of Robert B. Terry, Vice President and General Counsel of Farmland, there is no litigation existing or pending against Farmland, or any of its subsidiaries, which if determined adversely, would have a material adverse effect on the financial position of the Company, and with respect to income tax matters as explained in note 7 of the notes to consolidated financial statements, he has no knowledge which would result in a different conclusion than the opinion of special tax counsel to the Company which is cited in note 7 of the notes to consolidated financial statements.

The Company is involved in two environmental regulatory matters with the government involving significant potential monetary sanctions as follows:

1) "The Company is party to an administrative enforcement action brought by the U.S. Environmental Protection Agency ("EPA") which alleges technical, non-willful violations of the Resource Conservation and Recovery Act, as amended, at its Coffeyville, Kansas refinery. This action has been tentatively settled based on payment of a civil fine in the approximate amount of $180,000.

2) The Company is also a party to an administrative enforcement action brought by the EPA which alleges violations of the Emergency Planning and Community Right-to-Know Act and the release reporting requirements of the Comprehensive Environmental Response, Compensation, and Liability Act, as amended, at its Coffeyville, Kansas refinery. This action, which is in its preliminary stages, involves alleged violations of release reporting requirements and seeks a civil fine in the amount of $350,000."

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

There is no established public market for the common stock, associate member common stock and capital credits of Farmland. In view of the following, it is unlikely in the foreseeable future that a public market for these equities will develop:

1) the common stock, associate member common stock and capital credits are nondividend bearing;

2) the right of any holder of common stock, associate member common stock and capital credits to receive patronage refunds (including any cash patronage refunds) from Farmland is dependent on whether the holder is an eligible member or associate member of Farmland or is a party to a currently effective patronage refund agreement with Farmland;

3) the amount of patronage refunds (including any cash patronage refunds) a holder, eligible to receive patronage refunds, may receive is dependent on the net income of Farmland which is attributable to the quantity or value of business such holder transacts with Farmland and the amount by which a holder's investment in Farmland varies from such holder's Base Capital Requirement;

4) Farmland intends to redeem its common stock and associate member common stock only in accordance with provisions of its base capital plan which provisions are determined annually by the Farmland Board of Directors at its sole discretion; and

5) Farmland intends to redeem capital credits only when and in the amounts the Farmland Board of Directors determines at its sole discretion.

A market for Farmland common stock, associate member common stock and capital credits may develop among members or associate members of Farmland but it is unlikely that brokers or dealers will become involved in such resales.

There are approximately 2,867 holders of common stock, 255 holders of associate member common Stock, and 10,078 holders of capital credits based upon the number of recordholders.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

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The following selected consolidated financial data as of the end of, and for each of the years in the five-year period ended August 31, 1993 are derived from the consolidated financial statements of the Company, which consolidated financial statements have been audited by KPMG Peat Marwick, independent certified public accountants. The consolidated financial statements as of August 31, 1993 and 1992 and for each of the years in the three-year period ended August 31, 1993, and the report thereon, are included elsewhere in this Form 10-K. The information set forth below should be read in conjunction with information included elsewhere in this Form 10-K: Management's Discussion and Analysis of Financial Condition and Results of Operations, the consolidated financial statements and related notes, and the independent auditors' report which contains an explanatory paragraph concerning income tax adjustments proposed by the Internal Revenue Service on the gain on sale of and certain distributions by Terra Resources, Inc.

<CAPTION>

Year Ended August 31 (Dollars in Thousands)	1993	1992	1991	1990	1989
<S>	<C>	<C>	<C>	<C>	<C>
Summary of Operations: (3)(4)(5)					
Net Sales	$4,722,940	$3,429,307	$3,638,072	$3,377,603	$2,975,240
Interest Expense (net of interest capitalized)	$ 36,764	$ 27,965	$ 36,951	$ 30,090	$ 27,364
Income (Loss) Before Income Taxes and extraordinary item (1)(2)	$ (36,833)	$ 70,504	$ 50,166	$ 58,184	$ 110,472
Net income (Loss) (1)(2)	$ (30,400)	$ 62,313	$ 42,693	$ 48,580	$ 99,164
Distribution of Net Income:					
Patronage Refunds:					
Equity Reinvestments	$ 1,155	$ 1,038	$ 17,837	$ 24,403	$ 40,764
Cash or Equivalent	495	17,918	12,571	8,800	14,477
Allocation to Minority Owners	-0-	-0-	-0-	-0-	1,711
Earned Surplus and Other Equities	(32,050)	43,357	12,285	15,377	42,212
	$ (30,400)	$ 62,313	$ 42,693	$ 48,580	$ 99,164
Balance Sheets:					
Working Capital	$ 260,519	$ 208,629	$ 122,124	$ 121,518	$ 96,628
Property, Plant and Equipment, Net	$ 504,378	$ 446,002	$ 490,712	$ 469,710	$ 411,469
Total Assets	$1,719,981	$1,526,392	$1,369,231	$1,352,889	$1,182,401
Long-Term Debt	$ 485,861	$ 322,377	$ 291,192	$ 273,071	$ 221,261
Capital Shares and Equities	$ 561,707	$ 588,129	$ 497,364	$ 476,011	$ 458,543

</TABLE>

(1) On On July 28, 1983, Farmland sold the stock of Terra Resources, Inc. ("Terra"), a wholly-owned subsidiary engaged in oil and gas exploration and production operations, and exited its oil and gas exploration and production activities. The gain from the sale of Terra amounted to $237,200,000 for tax reporting purposes. During 1983, and prior to the sale of the Terra stock, Farmland received certain distributions from Terra totaling $24,800,000. For tax purposes, Farmland claimed intercorporate dividends-received deductions for the

entire amount of such distributions.

On March 24, 1993, the Internal Revenue Service ("IRS") issued a statutory notice to Farmland asserting deficiencies in federal income taxes (exclusive of statutory interest thereon) in the aggregate amount of $70,775,000. The asserted deficiencies relate primarily to the Company's tax treatment of the sale of the Terra stock and the distributions received from Terra prior to the sale. The IRS asserts that Farmland incorrectly treated the Terra sale gain as income against which certain patronage-sourced operating losses could be offset, and that, as a nonexempt cooperative, Farmland was not entitled to an intercorporate dividends-received deduction in respect of the 1983 distribution by Terra. It further asserts that Farmland incorrectly characterized gains for tax purposes aggregating approximately $14,600,000, and a loss of approximately $2,300,000, from the disposition of certain other assets. On June 11, 1993, Farmland filed a petition in the United States Tax Court contesting the asserted deficiencies in their entirety. A trial date has not yet been set.

If the IRS ultimately prevails on all of the adjustments asserted in the statutory notice, Farmland would have additional federal and state income tax liabilities aggregating approximately $85,800,000 plus accumulating statutory interest thereon (through October 31, 1993, of approximately $133,500,000). In addition, such adjustments would affect the computation of Farmland's taxable income for its 1989 tax year and, as a result, could increase Farmland's federal and state income taxes for that year by approximately $5,000,000 plus applicable statutory interest thereon.

No provision has been made in the consolidated financial statements for federal or state income taxes (or interest thereon) in respect of the IRS claims described above. Farmland believes that it has meritorious positions with respect to all of these claims and will continue to vigorously pursue their favorable resolution through the pending litigation.

In the opinion of Bryan Cave, Farmland's special tax counsel, it is more likely than not that the courts will ultimately conclude that (i) Farmland's treatment of the Terra sale gain was substantially, if not entirely, correct; and (ii) Farmland properly claimed a dividends-received deduction in respect of the 1983 distributions which it received from Terra prior to the sale of the Terra stock. Counsel has further advised, however, that none of the issues involved in these disputes is

free from doubt, and that there can be no assurance that the courts will ultimately rule in favor of Farmland on any of these issues.

Should the IRS ultimately prevail on all of its asserted claims, all claimed federal and state income taxes as well as accrued interest would become immediately due and payable, and would be charged to current operations. In such case, the Company would be required to renegotiate agreements with its banks to maintain compliance with various requirements of such agreements, including working capital and funded indebtedness provisions. However, no assurance can be given that such renegotiation would be successful. Alternatives could include other financing arrangements or the possible sale of assets.

(2) During the year ended August 31, 1991, the Company changed its method for inventory pricing of certain petroleum inventories from the first-in, first out (FIFO) method previously used to the last-in, first out (LIFO) method because the LIFO method better matches current costs with current revenues. Pro forma effects of retroactive application of the LIFO method are not determinable.

(3) Effective June 30, 1992, the Company acquired the grain

marketing assets of Union Equity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and note 2 of the notes to consolidated financial statements.

(4) During 1993, Farmland obtained a 58% interest in NBPC, a limited liability company. Effective April 15, 1993, NBPC acquired Idle Wild Food's beef packing plant and feed lot located in Liberal, Kansas. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and note 2 of the notes to consolidated financial statements.

(5) At August 30, 1993, Farmland reduced its ownership interest in CFA to 49%. In addition, CFA purchased the assets and operations of FFSC. CFA has proposed a recapitalization plan which limits the voting rights of any owner (including Farmland) to 20% or less regardless of the number of voting shares held. Accordingly, CFA is not a subsidiary of Farmland at August 31, 1993 and Farmland is no longer engaged in commercial lending operations.

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company maintains two primary sources for debt capital: a continuous public offering of its debt securities and bank lines of credit, primarily with the National Bank for Cooperatives ("CoBank").

The Company's debt securities are offered through a wholly-owned broker/dealer subsidiary on a best-efforts basis. The types of securities offered include certificates payable on demand and five-, ten- and twenty-year subordinated debt certificates. The total amount of such debt outstanding and the flow of funds to, or from, the Company as a result of this public offering is influenced by the rate of interest which Farmland establishes for each type of debt certificate offered and by options of Farmland to call for redemption certain of its outstanding debt certificates. During 1993, the outstanding balance of demand loan and subordinated debt certificates increased $42.7 million.

The Company's credit lines with CoBank provide a source of long-term and short-term funds and provide support for letters of credit issued by the bank on behalf of Farmland. Under these lines, seasonal loans are available for financing inventories and operations, and term loans are available for facility additions. The agreements with CoBank are reviewed and/or revised at least annually. The next date scheduled for review of the agreements is February 15, 1994.

At August 31, 1993, the maximum borrowings available to Farmland under existing lines of credit with CoBank totaled $508.9 million, of which seasonal and term borrowings were $156.7 million and $66.1 million, respectively, and $86.8 million was being utilized for support of letters of credit issued on behalf of Farmland by CoBank. The agreements with CoBank stipulate that by February 15, 1994, the maximum credit available from CoBank to the Company shall be reduced to an amount not in excess of CoBank's then applicable lending limit to a single borrower. At August 31, 1993, the Company's lines of credit with CoBank exceeded the bank's normal lending limit to a single borrower by approximately $133,600,000.

Farmland's loan agreements with CoBank contain provisions which require the Company to maintain consolidated working capital of not less than $150 million and to maintain consolidated net worth of not less than $425 million. In addition, the agreements require the Company to maintain funded indebtedness and senior funded indebtedness of not more than 52% and 43% of capitalization, respectively. All computations are based on consolidated financial data adjusted to exclude nonrecourse subsidiaries (any subsidiary for which Farmland is not directly or indirectly liable for any of such subsidiary's indebtedness). At August 31, 1993, working capital was $210.7 million, net worth was $561.3 million and funded indebtedness and senior funded indebtedness were 45.1% and 21.1% of capitalization, respectively.

Farmland also has credit facilities with various commercial banks. At August 31, 1993, Farmland's available credit from commercial banks under committed and uncommitted arrangements was $215.0 million and $30.0 million, respectively. Borrowings under these committed and uncommitted credit facilities were $131.3 million and $10.0 million, respectively, at August 31, 1993. In addition, $18.2 million was used to support letters of credit issued by such banks on Farmland's behalf. Financial covenants of these arrangements are not more restrictive than Farmland's credit lines with CoBank.

Management considers these arrangements for debt capital to be adequate for the Company's present operating and capital plans. However, alternative financing arrangements are continuously evaluated.

Leveraged leasing has been utilized to finance data processing equipment, railcars, and a substantial portion of nitrogen fertilizer production equipment. Under the most restrictive covenants of its leases, the Company has agreed to maintain working capital of at least $75 million, consolidated funded indebtedness not greater than 65% of consolidated capitalization, and consolidated senior funded indebtedness not greater than 50% of consolidated capitalization.

As a cooperative, Farmland's annual net income or loss determined in accordance with currently effective income tax regulations is identified to transactions with members eligible to receive patronage refunds ("member-sourced income") or to transactions with parties not entitled to receive patronage refunds ("nonmember-sourced income"). The annual nonmember-sourced income or loss is adjusted for the amount of applicable income tax expense or benefit thereon and the amount remaining is transferred to retained earnings. The member-sourced income is distributed to members as patronage refunds unless the sum of the earned surplus and unallocated equity accounts, after such distribution, would be lower than 30% of the sum of the prior year-end balance of outstanding common, associate member stock, capital credits, nonmember capital and patronage refunds for reinvestment. In such cases, member-sourced income shall be reduced by the lesser of 15% or an amount required to increase the sum of the earned surplus and unallocated equity accounts to the required 30%. The amount by which the member-sourced income is so reduced is treated as nonmember-sourced income. The member-sourced income remaining is distributed to members as patronage refunds. For the years ended August 31, 1993, 1992 and 1991, the retained earnings account exceeded the required amount by $3.9 million, $49.5 million and $9.6 million, respectively. In 1993, Farmland incurred a member-sourced loss of approximately $8,155,000 which is available to offset future member-sourced income.

Generally a portion of the patronage refund is distributed in cash and the balance (the "invested portion") is distributed in common stock, associate member common stock, or capital credits (depending on the membership status of the recipient), or the Board of Directors may determine to distribute the invested portion in any other form or forms of equities. The invested portion of the patronage refund is determined annually by the Board of Directors but such invested portion shall not, for any year, exceed 80% of the total patronage refunds. The invested portion of the patronage refund is a source of funds from operations which is retained for use in the business and increases Farmland's equity base. Subsequently, common stock and associate member common stock representing the invested portion of patronage refunds may be redeemed by cash payments from Farmland to holders thereof who participate in Farmland's base capital plan as explained under the heading "Patronage Refunds and Distribution of Net Income."

Major sources of cash during 1993 include $139.5 million from a net increase in bank loans and notes payable, $87.2 million from the disposition of a subsidiary, $55.9 million from a net increase in subordinated debt certificates and $12.1 million from the disposition of investments. Major uses of cash during 1993 were $113.5 million from operations, $98.2 million for capital additions and improvements, $50.4 million for acquisition of investments, $17.9 million for dividends and patronage refunds distributed from income of the 1992 fiscal year, $13.5 million for redemption of equities, and $13.2 million for redemption of demand loan certificates.

As a result of regulations by the Environmental Protection Agency, sulfur levels must be reduced in diesel fuels sold after September 30, 1993. To comply with these regulations, the Company has committed to approximately $44.0 million of improvements to the Coffeyville refinery. As of August 31, 1993, approximately $31.5 million has been spent.

On July 28, 1983, Farmland sold the stock of Terra Resources, Inc. ("Terra"), a wholly-owned subsidiary engaged in oil and gas exploration and production operations, and exited its oil and gas exploration and production activities. The gain from the sale of Terra amounted to $237,200,000 for tax reporting purposes. During 1983, and prior to the sale of the Terra stock, Farmland received certain distributions from Terra totaling $24,800,000. For tax purposes, Farmland claimed intercorporate dividends-received deductions for the entire amount of such distributions.

On March 24, 1993, the Internal Revenue Service ("IRS") issued a statutory notice to Farmland asserting deficiencies in federal income taxes (exclusive of statutory interest thereon) in the aggregate amount of $70,775,000. The asserted deficiencies relate primarily to the Company's tax treatment of the sale of the Terra stock and the distributions received from Terra prior to the sale. The IRS asserts that Farmland incorrectly treated the Terra sale gain as income against which certain patronage-sourced operating losses could be offset, and that, as a nonexempt cooperative, Farmland was not entitled to an intercorporate dividends-received deduction in respect of the 1983 distribution by Terra. It further asserts that Farmland incorrectly characterized gains for tax purposes aggregating approximately $14,600,000, and a loss of approximately $2,300,000, from the disposition of certain other assets. On June 11, 1993, Farmland filed a petition in the United States Tax Court contesting the asserted deficiencies in their entirety. A trial date has not yet been set.

If the IRS ultimately prevails on all of the adjustments asserted in the statutory notice, Farmland would have additional federal and state income tax liabilities aggregating approximately $85,800,000 plus accumulating statutory interest thereon (through October 31, 1993, of approximately $133,500,000). In addition, such adjustments would affect the computation of Farmland's taxable income for its 1989 tax year and, as a result, could increase Farmland's federal and state income taxes for that year by approximately $5,000,000 plus applicable statutory interest thereon.

No provision has been made in the consolidated financial statements for federal or state income taxes (or interest thereon) in respect of the IRS claims described above. Farmland believes that it has meritorious positions with respect to all of these claims and will continue to vigorously pursue their favorable resolution through the pending litigation.

In the opinion of Bryan Cave, Farmland's special tax counsel, it is more likely than not that the courts will ultimately conclude that (i) Farmland's treatment of the Terra sale gain was substantially, if not entirely, correct; and (ii) Farmland properly claimed a dividends-received deduction in respect of the 1983 distributions which it received from Terra prior to the sale of the Terra stock. Counsel has further advised, however, that none of the issues involved in these disputes is free from doubt, and that there can be no assurance that the courts will ultimately rule in favor of Farmland on any of these issues.

Should the IRS ultimately prevail on all of its asserted claims, all claimed federal and state income taxes as well as accrued interest thereon would become immediately due and payable, and would be charged to current operations. In such case, the Company would be required to renegotiate agreements with its banks to maintain compliance with various requirements of such agreements, including working capital and funded indebtedness provisions. However, no assurance can be given that such renegotiation would be successful. Alternatives could include other financing arrangements or the possible sale of assets.

RESULTS OF OPERATIONS

The Company's revenues depend to a large extent on conditions in agriculture and may be volatile due to factors beyond the Company's control, such as weather, crop failures, federal agricultural programs, production efficiencies, and direct imports or exports. In addition, global variables which affect supply, demand and price of crude oil and refined fuels impact the Company's petroleum operations. Management cannot determine the extent to which future operations of the Company may be impacted by these factors. The Company's cash flow and net income may continue to be volatile as conditions affecting agriculture and markets for the Company's products change.

<TABLE>

The increase (decrease) in sales and operating profit by business segment in each of the years in the three-year period ended August 31, 1993, compared with the prior year is presented in the table below. Management's discussion of business segment sales, operating profit or loss and other factors affecting the Company's income before income taxes and extraordinary item during 1993, 1992 and 1991 follows.

<CAPTION>

	Sales-Increase (Decrease)			Income Before Income Taxes and Extraordinary Item-Increase (Decrease)		
	1993 Compared with 1992	1992 Compared with 1991	1991 Compared with 1991	1993 Compared with 1992	1992 Compared with 1991	1991 Compared with 1990
	(Amounts in Millions)			(Amounts in Millions)		
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Sales and Operating Profit of Business Segments:						
Petroleum..................	$ (92)	$ (210)	$ 63	$ (13)	$ 19	$ (66)
Fertilizer and Agricultural Chemicals....	(13)	(138)	70	(52)	(16)	39
Feed.......................	34	(21)	2	(1)	(3)	1
Food Marketing and Processing	563	21	117	(9)	14	9
Grain Marketing............	798	155	*	1	(1)	*
Retail, Services and Other.	4	(16)	8	3	(1)	2
	$1,294	$ (209)	$ 260	$ (71)	$ 12	$ (15)

</TABLE>
<TABLE>
<CAPTION>
<S> <C> <C> <C>
Corporate Expenses and Other:

General corporate expenses (increase) decrease	$ 6	$ 5	$ (1)
Other income and deductions (net) increase (decrease)	6	(5)	14
Interest expense (increase) decrease	(9)	9	(5)
Share of net (losses) of ventures	(10)	(1)	(1)
Provision for (loss) on disposition of assets	29)	-0-	-0-
Income before income taxes and extraordinary item	$ (107)	$ 20	$ (8)

* Grain marketing operations were acquired in 1992

</TABLE>

In computing the operating profit (loss) of a business segment, none of the following have been added or deducted: corporate, general and administrative expenses which cannot practicably be identified or allocated to a business segment, interest expense, equity in income (loss) of investees, and miscellaneous income or deductions.

Petroleum

Sales

Sales of the petroleum segment decreased $92.2 million in 1993 compared with 1992, primarily a result of 12% lower unit sales of refined fuels (gasoline, diesel and distillates) and a 2% decline of the average selling price. Unit sales decreased mostly because the Company sold its investment in National Cooperative Refinery Association ("NCRA") in June 1992. In connection with that divestiture, the Company reduced its participation in the distribution of more than one billion gallons of products produced at NCRA's refinery. The refined fuels unit sales decrease reduced sales in 1993 by approximately $92.2 million compared with 1992 and lower prices reduced sales by $17.7 million. In addition, sales of other products (principally asphalt and coke) decreased $12.4 million. Propane sales increased approximately $30.1 million in 1993 due to 27% higher unit sales and 18% higher prices.

In 1992, sales of petroleum products declined $209.7 million compared with 1991. This decrease resulted primarily because the average price and unit sales of refined products (gasoline, distillate and diesel) were lower in 1992 than in the prior year by 16% and 19%, respectively. The price and unit sales declines reduced sales of these products by approximately $154.2 million and $37.3 million, respectively. In addition, propane prices in 1992 averaged approximately 82% of the prior year's level, which reduced sales by approximately $13.5 million.

On December 31, 1991, Farmland closed its refinery at Phillipsburg, Kansas. A loading terminal located at the refinery remains in operation. Sales associated with products of the Phillipsburg refinery amounted to approximately $20,900,000 in 1992 and $72,000,000 in 1991.

Sales of petroleum products increased in 1991 compared with 1990 due to higher prices. Unit sales in 1991 were 7% lower than in 1990. Average unit prices for diesel, gasoline and distillate rose 14%, 15% and 17%, respectively, in 1991 and the average price of propane increased 19%. The effect of higher prices was

to increase sales for 1991 by $141.7 million. The effect of the lower unit sales reduced sales for 1991 by $76.5 million.

Operating Profit

Operating profit of the petroleum segment decreased $13.2 million in 1993 compared with 1992. The favorable effects of improved margins in propane and lower marketing and administrative expenses were more than offset by the unfavorable impact of lower income from distributing fuels produced by NCRA and the write-down to market value of certain petroleum inventories.

Operating profit of the petroleum segment was $5.8 million in 1992 compared with a $13.0 million loss in 1991. Most of this improvement resulted from elimination in 1992 of losses experienced in 1991 on petroleum futures contracts. The Company changed its hedging practice in March 1991.

The petroleum segment had an operating loss of $13.0 million in 1991 compared with an operating profit of $53.3 million in 1990. The decrease resulted primarily from volatile world-wide petroleum market prices and from transactions involving petroleum futures contracts. By transacting in futures (hedging), management expected to reduce certain risk of holding inventory. Management expected that gains or losses from increases or decreases in the market value of petroleum products held by the Company as inventory would, for the most part, be offset by a closely correlated but opposite change in the market value of its futures contracts. Accordingly, a gain from an increase in the market value of inventory would be partly offset by a loss on the related futures position and visa versa. The net result of such offsetting gains and losses was expected to insulate operating profit from certain effects of market value variances. However, in 1991, crude oil and refined fuels price changes were extremely volatile due to the fear of crude oil supply interruptions and shortages which rose from threats to peace in major oil producing nations. Under such conditions, the assumed correlation between market value changes of futures contracts and inventory was not as expected and the risk of holding petroleum inventory was not reduced as expected. The Company changed its practice of hedging petroleum inventories on March 1, 1991. Transactions involving petroleum futures contracts are principally utilized to hedge its fixed price advanced purchase contracts and fixed price advance sales contracts.

During the year ended August 31, 1991, the Company changed its method for inventory pricing of petroleum inventories from the first-in, first-out (FIFO) used previously to the last-in, first-out (LIFO) method. Pro forma effects of retroactive application of the LIFO method are not determinable. The effect of the change was to reduce the operating loss of the petroleum segment and increase the Company's income before income taxes for the year ended August 31, 1991 by $3.6 million.

Fertilizer and Agricultural Chemicals

Sales

Sales of the fertilizer and agricultural chemicals segment decreased $13.0 million in 1993 compared with 1992. Nitrogen fertilizer sales increased $54.1 million due to 8% higher unit sales and because the average selling price increased 3%. Phosphate fertilizer sales decreased $67.1 million. This decrease is primarily a result of the sale of the Green Bay, Florida phosphate plant to a 50%-owned joint venture. Subsequent to this sale (on November 15, 1991) export sales from the Green Bay plant have not been reported in the Company's operations. In 1992, the Company's sales included export sales from the Green Bay plant of $60.9 million.

The fertilizer and agricultural chemicals segment's sales declined $137.7 million in 1992 compared with 1991. Substantially all of this decrease resulted from lower unit sales and prices for phosphate fertilizers. The Company reported 30% lower phosphate unit sales in 1992 which reduced sales approximately $117.3 million. This decrease resulted principally from the sale on November 15, 1992 of the Green Bay, Florida phosphate plant to a 50%-owned joint venture. In addition, sales of phosphate fertilizer decreased approximately $18.2 million, because the average price was 7% lower. Sales of turf and garden products were approximately $2.9 million lower.

Sales of fertilizer and agricultural chemicals in 1991 were $70.3 million higher than in 1990. This increase was a result of 9% higher fertilizer prices and unit sales. The price and unit sales increase generated higher sales of $79.7 million and $62.4 million, respectively. Sales of other chemical products were $77.8 million lower in 1991 than in 1990. This sales change was principally an effect of repositioning the Company in the distribution chain. In years prior to 1991, the Company functioned as a wholesale distributor for certain manufacturers of chemical products. In this capacity, the value of products sold was recorded as the Company's sales. In 1991, the Company expanded the portion of its chemical business conducted as a commissioned agent for manufacturers. As a commission agent, only commissions received by the Company for arranging sales transactions are recorded as revenues (but not the value of the products sold).

Operating Profit

Operating profit of the fertilizer and agricultural chemicals segment decreased $52.4 million in 1993 compared with 1992, primarily because of 29% higher natural gas cost (the principal raw material consumed in producing nitrogen fertilizer) which was not recovered through selling prices. Fertilizer margins decreased approximately $43.2 million because of higher gas cost. In addition, phosphate fertilizer margins decreased approximately $7.1 million because decreased phosphate fertilizer selling prices more than offset decreased cost.

The Company owns a 50%-interest in two phosphate fertilizer joint ventures. Farmland Hydro L.P., a venture in Florida, primarily serves export markets. SF Phosphate Limited Company operates a phosphate mine in Utah and a chemical plant in Wyoming. The income or loss of these entities is not a component of the Company's operating profit. The Company's share of the net loss of these ventures has been included in the Company's statement of operations in the caption, "Equity in loss of investees." During 1993, the Company's share of the net loss of these ventures was $8.2 million compared with a loss of $1.3 million in 1992.

The fertilizer and agricultural chemicals segment's operating profit of $101.4 million decreased $16.1 million in 1992 compared with 1991. The decrease resulted primarily from lower phosphate fertilizer selling prices and from realignment of the Company's phosphate fertilizer production operations into two 50%-owned ventures - Farmland Hydro, L.P. and SF Phosphate Limited Company. See "Business and Properties - Cooperative Farm Supply Business - Fertilizer and Agricultural Chemicals."

Operating profit of the fertilizer and agricultural chemicals segment of $117.5 million in 1991 exceeded the prior year by $38.6 million. Approximately $30.3 million of this increase was a result of higher unit margins. Unit margins increased because the average selling price per ton increased by approximately 8.6% while the average unit cost rose approximately 5.7%. Increased fertilizer unit sales of approximately 9% generated additional operating profit of about $8.0 million and operating profit from distribution of other chemical products improved by $1.6 million.

Feed

Sales

Sales of the feed segment increased $33.9 million in 1993 compared with 1992, primarily because of higher unit sales. Formula feed unit sales increased approximately 9% which increased sales $20.3 million. Feed ingredients unit sales increased approximately 12% which increased sales by $18.0 million. In addition, sales of animal health products increased $2.5 million. Lower formula feed selling prices partly offset the effect of higher unit sales.

The feed segment's sales for 1992 decreased $20.9 million compared with the prior year, principally because of a 22% decline of feed ingredients unit sales. Unit sales decreased because sales efforts were directed from feed ingredient products with near break-even margins to products with higher margins. Feed ingredient sales were reduced by approximately $41.7 million because of the unit sales decline. However, feed ingredient prices increased an average of 8% which increased sales by approximately $11.2 million and formula feed sales increased $6.8 million, principally due to higher unit sales.

Sales of the feed segment in 1991 exceeded the prior year by $1.9 million. The increase was primarily $3.9 million higher sales of animal health products and $2.1 million lower sales of formulated feeds and feed ingredients.

Operating Profit

Operating profit of the feed segment decreased slightly in 1993 compared with 1992 due to the impact of lower selling prices on unit margins.

Operating profit of the feed segment for 1992 of $20.2 million fell $2.9 million from the prior year. The decline resulted from $1.3 million lower patronage refund income on purchases from other cooperatives and from $2.2 million higher expenses partly offset by $.4 million higher gross margins.

Operating profit of the feed segment of $23.1 million in 1991 increased $1.0 million compared with 1990. The increase was primarily attributable to $1.9 million higher operating profit from feed ingredients reduced by lower operating profit from animal health products and formula feeds of $.6 million and $.3 million, respectively.

Food Processing and Marketing

Sales

Food marketing sales increased $562.5 million in 1993 compared with 1992, primarily due to business acquisitions. In April 1993, the Company and partners organized National Beef Packing Company, L.P. ("NBPC"). Farmland retained a 58% ownership interest in NBPC which acquired a beef packing plant and feedlot located in Liberal, Kansas. As a result of this acquisition, the Company's sales included beef sales of $442.1 million in 1993. In February 1993, Foods, a 99%-owned subsidiary, purchased a pork processing plant located at Monmouth, Illinois. As a result of this acquisition, sales of pork products increased approximately $90.0 million. Sales of fabricated pork products at the Company's other plants increased $17.0 million and sales of specialty meats of the Carando division increased $8.3 million.

Sales of the food marketing segment in 1992 increased $21.1

million compared with 1991. Sales of specialty meats increased $50.3 million primarily because these products were not included in sales for 1991 prior to April 1, when the Company acquired three specialty meats plants. Fresh and processed pork sales were lower than in 1991 because the effect of lower wholesale prices was greater than the effect of higher unit sales.

Sales of food products in 1991 exceeded the prior year by $117.5 million. Approximately $58.0 million of this increase was a result of a 10% expansion of unit sales of fabricated pork products, hams, bacon and sausage, and $16.4 million was a result of increased prices for these products. In addition, Foods acquired three specialty meats processing plants in April 1991. Sales of specialty meats from these facilities were $25.9 million in 1991. Specialty meats were not marketed by Foods prior to acquisition of these plants. The balance of the food product sales increase in 1991 was mostly due to higher unit sales of primal pork cuts.

Operating Profit

Operating profit of the food marketing segment decreased $8.7 million in 1993 compared with 1992. The decrease is primarily due to 4.6% higher live hog cost. Margins on fabricated products and hams increased $3.6 million and $4.4 million, respectively, and margins on beef products were $4.2 million. These increases resulted from acquisitions which increased sales as discussed above. However, these increases were more than offset by the effects of 4.6% higher cost of live hogs which could not be fully recovered through increased wholesale prices of fresh and processed pork products and by higher selling and administrative expenses.

Operating profits of the food marketing segment for 1992 increased $13.8 million compared with 1991. The improvement includes higher gross margins of approximately $26.8 million, partially offset by approximately $13.4 million higher selling, general and administrative expenses. The gross margin increase includes $9.9 million higher margins on specialty meats attributable to ownership of specialty meats plants during all of 1992, compared with only five months of 1991. Additional improvements of gross margins resulted from a more favorable spread between the costs of live hogs and wholesale pork prices, from higher unit sales, and from a shift of sales to value-added products with higher unit margins. Selling, general and administrative expenses of this segment increased, primarily due to expenses incurred in connection with the specialty meats plants which were operated by the Company for only five months in the prior year.

Operating profit of the food marketing segment in 1991 increased $9.3 million compared with 1990. This improvement resulted from higher unit margins, primarily on hams and processed sausage and from higher unit sales. In addition, margins of $2.9 million were generated from sales of the specialty meats which were added to this business segment in April, 1991, when Foods acquired three specialty meat processing plants. In the aggregate, gross margins of this business segment were $15.4 million higher than in 1990. However, selling, general and administrative expenses in 1991 were higher than in 1990 principally due to advertising campaigns and the additional costs associated with the specialty meat plants acquired during the year.

Grain Marketing

Sales and Operating Profit

Grain operations, acquired in July 1992, reported sales for the full year in 1993 of $953.5 million. Sales for two months ended August 31, 1992 were $155.2 million.

In 1993, operating profit of the grain business was $.1 million compared with a loss of $.7 million in the two months ended August 31, 1992. In 1993, grain marketing operations were relocated to Kansas City from Enid, Oklahoma, an export elevator at Houston, Texas was sold and certain duplicative administrative assets costs were eliminated. As a result, cost reductions have been realized in 1993.

Selling, General and Administrative Expenses

These expenses decreased $12.3 million in 1993 compared with 1992 primarily due to selling, general and administrative expenses directly connected to business segments. Corporate, general and administrative expenses, not identified to business segments (see note 12 of the notes to consolidated financial statements), decreased $6.3 million in 1993 compared with 1992.

Corporate general and administrative expenses decreased primarily because expenses in 1992 included charges of $2.7 million for environmental remediation at Commerce City, Colorado, and $1.0 million higher provision for doubtful receivables, and because costs in 1993 of selling the Company's debt securities are being amortized over the related term of the debt. In 1992, these costs were charged to operations as incurred.

In 1992, corporate general and administrative expenses not identified to business segments decreased $5.2 million compared with 1991. This decrease was mostly lower retirement plan costs, reduced corporate advertising and reduced coverage and cost of liability insurance. Corporate general and administrative expenses in 1991 were about the same level as in 1990.

Interest Expense

Interest expense increased $8.8 million in 1993 compared with 1992 due to an increase of the average level of borrowings, partly offset by lower interest rates. Interest expense decreased $8.9 million in 1992 compared with 1991. The decrease results from lower borrowings and lower interest rates. Interest expense increased $6.9 million in 1991 compared with 1990, primarily because of higher borrowings, partly offset by lower costs for borrowed funds.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company will adopt FASB Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" during the first quarter of its 1994 fiscal year. Upon adoption, the cost for providing life insurance during an employee's retirement years will be accrued during the active service period of the employee. Previously unrecognized costs related to the service period already rendered (the transition obligation) will be recognized over 20 years. The annual cost of providing life insurance for retired employees, determined following Statement 106, is estimated to be $1,000,000.

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," was issued by the FASB in February 1992 and is effective for fiscal years beginning after December 15, 1992 (the Company's 1994 fiscal year). Statement 109 requires a change from the deferred method currently used by the Company, to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The Company has determined that implementation of Statement 109 in the first fiscal quarter of 1994 will not have a significant impact on its consolidated financial statements.

Statement of Financial Accounting Standards No. 112, "Employer's Accounting for Postemployment Benefits", was issued by the FASB in November 1992 and is effective for fiscal years beginning after December 15, 1993 (the Company's 1995 fiscal year). Statement 112 establishes standards of accounting and reporting for the estimated cost of benefits provided to former or inactive employees. Management expects that the adoption of Statement 112 will not have a significant impact on the Company's consolidated financial statements.

Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," was issued by the Financial Accounting Standards Board ("FASB") in May 1993 and is effective for fiscal years beginning after December 15, 1993 (the Company's 1995 fiscal year). Statement 115 expands the use of fair value accounting and the reporting for certain investments in debt and equity securities. Management expects the adoption of Statement 115 will not have a significant impact on the Company's consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

Page

Financial Statements

Financial Statement Schedules

Farmland Industries, Inc. and Subsidiaries for each of the years in the three-year period ended August 31, 1993:

All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Farmland Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Farmland Industries, Inc. and subsidiaries as of August 31, 1993 and 1992, and the related consolidated statements of operations, cash flows and capital shares and equities for each of the years in the three-year period ended August 31, 1993. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedules as listed in the accompanying index. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Farmland Industries, Inc. and subsidiaries as of August 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three-year period ended August 31, 1993, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in note 7 to the consolidated financial statements, the Internal Revenue Service (IRS) has examined the Company's tax returns for the years ended August 31, 1984 and 1983, and has proposed certain adjustments. Should the IRS ultimately prevail, the federal and state income taxes and statutory interest thereon could be significant. Farmland believes it has meritorious positions with respect to such claims and, based upon the opinion of special tax counsel, management believes it is more likely than not that the courts will ultimately conclude that Farmland's treatment of such items was substantially, if not entirely, correct. The ultimate outcome of this matter can not presently be determined. Therefore, no provision for such income taxes and interest has been made in the accompanying consolidated financial statements.

KPMG PEAT MARWICK

Kansas City, Missouri
October 29, 1993

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

ASSETS

<CAPTION>

	August 31	
	1993	1992
	(Amounts in Thousands)	
<S>	<C>	<C>
Current Assets:		
Cash and cash equivalents	$ 28,373	$ 34,739
Accounts receivable--trade	320,980	192,165
Finance companies' notes receivable (notes 2 and 4)	-0-	127,843
Inventories (note 3)	496,690	408,599
Other current assets	69,357	36,976
Total Current Assets	$ 915,400	$ 800,322
Investments and Long-Term Receivables (notes 4 and 6)	$ 183,312	$ 140,301
Finance Companies' Notes Receivable (notes 2 and 4)	$ -0-	$ 36,385
Property, Plant and Equipment (notes 5 and 6):		
Property, plant and equipment, at cost	$1,154,343	$1,036,439
Less accumulated depreciation and amortization	649,965	590,437
Net Property, Plant and Equipment	$ 504,378	$ 446,002
Other Assets	$ 116,891	$ 103,382
Total Assets	$1,719,981	$1,526,392

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND EQUITIES

<CAPTION>

	August 31	
	1993	1992
	(Amounts in Thousands)	
<S>	<C>	<C>
Current Liabilities:		
Demand loan certificates	$ 29,860	$ 43,084
Short-term notes payable	256,655	184,843
Current maturities of long-term debt (note 6)	31,947	40,434
Accounts payable--trade	217,982	176,295
Other current liabilities	118,437	147,037
Total Current Liabilities	$ 654,881	$ 591,693
Long-Term Debt (excluding current maturities) (note 6)	$ 485,861	$ 322,377
Deferred Income Taxes	$ 2,169	$ 5,632

Minority Owners' Equity in Subsidiaries (note 8)	$ 15,363	$ 18,561
Capital Shares and Equities (note 9):		
Preferred shares, $25 par value--Authorized 8,000,000 shares, 148,325 shares issued and outstanding (148,535 shares in 1992)	$ 3,708	$ 3,713
Common shares, $25 par value -- Authorized 50,000,000 shares, 15,199,833 shares issued and outstanding (15,055,334 shares in 1992).	379,996	376,383
Associate member common shares (nonvoting), $25 par value -- Authorized 2,000,000 shares, 327,828 shares issued and outstanding (327,024 shares in 1992)	8,196	8,176
Earned surplus and other equities	169,807	199,857
Total Capital Shares and Equities	$ 561,707	$ 588,129
Contingent Liabilities and Commitments (notes 4, 6, 7, 10 and 11)		
Total Liabilities and Equities	$1,719,981	$1,526,392

<FN>
See accompanying notes to consolidated financial statements.
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FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>

	Year Ended August 31		
	1993	1992	1991
	(Amounts in Thousands)		
<S>	<C>	<C>	<C>
Sales	$ 4,722,940	$ 3,429,307	$ 3,638,072
Cost of Sales	$ 4,470,290	$ 3,099,316	$ 3,346,722
Gross Income	$ 252,650	$ 329,991	$ 291,350
Selling, General and Administrative Expenses	$ 223,792	$ 236,065	$ 214,906
Other Income (Deductions):			
Interest expense	$ (36,764)	$ (27,965)	$ (36,951)
Interest income	4,189	2,667	2,694
Equity in losses of investees (note 4)	(12,394)	(2,341)	(856)
Provision for loss on disposition of assets (note 16)	(29,430)	-0-	-0-
Other, net	9,536	4,217	8,835
	$ (64,863)	$ (23,422)	$ (26,278)
Income (loss) before income taxes, minority owners' interest and extraordinary item	$ (36,005)	$ 70,504	$ 50,166
Income tax benefit (expense) (note 7)	6,433	(9,458)	(7,473)
Minority owners' interest in income of subsidiaries	(828)	-0-	-0-
Income (loss) before extraordinary item	$ (30,400)	$ 61,046	$ 42,693
Extraordinary item - Utilization of loss carryforward (note 7)	-0-	1,267	-0-
Net income (loss)	$ (30,400)	$ 62,313	$ 42,693
Distribution of net income (note 9):			
Patronage refunds:			
Farm supply patrons	$ -0-	$ 16,229	$ 28,841
Pork marketing patrons	-0-	1,245	-0-

The Cooperative Finance Association's patrons	1,650	1,482	1,567
	$ 1,650	$ 18,956	$ 30,408
Earned surplus and other equities	(32,050)	43,357	12,285

<FN>
See accompanying notes to consolidated financial statements.
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FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPITON>

	Year Ended August 31		
	1993	1992	1991
	(Amounts in Thousands)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	$ (30,400)	$ 62,313	$ 42,693
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	57,730	50,784	55,733
Provision for loss on disposition of assets	29,430	-0-	-0-
Provision for environmental matters	-0-	3,150	1,750
Loss (gain) on disposition of fixed assets	(385)	(1,181)	2,484
Patronage refunds received in equities	(2,241)	(2,320)	(15,007)
Proceeds from redemption of patronage equities	1,731	7,727	6,613
Equity in losses of investees	12,394	2,341	856
Unfunded pension expense	3,367	1,287	4,923
Other	774	1,456	(5,360)
Changes in assets and liabilities (exclusive of assets and liabilities of businesses acquired):			
Accounts receivable	(92,024)	9,095	10,317
Inventories	(65,402)	(27,483)	19,859
Other assets	(30,154)	11,490	24,304
Accounts payable	19,630	(48,425)	(3,221)
Other liabilities	(17,981)	10,367	(10,974)
Net cash provided by (used in) operating activities	$(113,531)	$ 80,601	$ 134,970
Cash flows from investing activities:			
Advances to borrowers by finance companies	$(624,618)	$(733,403)	$(491,482)
Collections from borrowers by finance companies	631,668	685,383	446,547
Acquisition of businesses	(10,500)	-0-	(31,575)
Proceeds from disposal of investments and notes receivable	12,115	71,582	13,515
Acquisition of investments and notes receivable	(50,378)	(58,979)	(2,493)
Capital expenditures	(98,238)	(79,954)	(69,964)
Proceeds from sale of assets to joint venture partner	-0-	62,104	-0-
Distributions from joint venture, net	-0-	29,324	-0-
Proceeds from disposition of subsidiary (note 2)	87,227	-0-	-0-
Other	8,760	8,191	6,170
Net cash used in investing activities	$ (43,964)	$ (15,752)	$(129,282)

</TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

<TABLE>
<CAPTION>

	Year Ended August 31		
	1993	1992	1991
	(Amounts in Thousands)		
	<C>	<C>	<C>
Cash flows from financing activities:			
Net decrease of demand loan certificates	$ (13,224)	$ (13,712)	$ 12,628
Proceeds from bank loans and notes payable	916,799	669,608	424,371
Payments of bank loans and notes payable	(777,268)	(711,101)	(434,889)
Proceeds from issuance of subordinated debt certificates	72,423	57,780	47,678
Payments for redemption of subordinated debt certificates	(16,490)	(22,557)	(38,060)
Payments for redemption of equities	(13,505)	(8,046)	(20,322)
Payments of patronage refunds and dividends	(17,946)	(12,204)	(9,507)
Other	340	(3,853)	4
Net cash provided by (used in) financing activities	$ 151,129	$ (44,085)	$ (18,097)
Net increase (decrease) in cash and cash equivalents	$ (6,366)	$ 20,764	$ (12,409)
Cash and cash equivalents at beginning of year	34,739	13,975	26,384
Cash and cash equivalents at end of year	$ 28,373	$ 34,739	$ 13,975
CASH PAID FOR INTEREST AND INCOME TAXES:			
Interest	$ 41,136	$ 35,626	$ 43,497
Income taxes (net of refunds)	$ 1,479	$ 12,181	$ 5,197
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Equities called for redemption	$ -0-	$ 13,365	$ 7,671
Transfer of assets in exchange for investment in joint venture (note 4)	$ -0-	$ 63,911	$ -0-
Issuance of Farmland equities to minority owners of Foods	$ -0-	$ 16,680	$ -0-
Appropriation of current year's net income as patronage refunds	$ -0-	$ 18,956	$ 30,408
Acquisition of businesses:			
Fair value of net assets acquired	$ 1,414	$ 30,321	$ 27,661
Goodwill	16,086	20,976	3,914
Minority owners' investment	(7,000)	-0-	-0-

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

<TABLE>
FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITAL SHARES AND EQUITIES

<CAPTION>

			Years Ended August 31, 1993, 1992 and 1991		
	Preferred Shares	Common Shares	Associate Member Common Shares	Earned Surplus And Other Equities	Total Capital Shares And Equities
	(Amounts in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance at August 31, 1990.......................$	3,737	$ 315,691	$ 7,218	$ 149,365	$476,011
Issue, redemption and cancellation of equities...	(4)	14	-0-	-0-	10
Appropriation of current year's net income.........	-0-	-0-	-0-	42,693	42,693
Transfers to current liabilities..................	-0-	(7,665)	(6)	(12,571)	(20,242)
Transfers to minority owners' equity...............	-0-	-0-	-0-	(1,097)	(1,097)
Dividends on preferred stock......................	-0-	-0-	-0-	(7)	(7)
Distribution to farm supply patrons in common and associate member common shares........	-0-	22,293	992	(23,289)	(4)
Exchange of common and associate member common stock and other equities..................	-0-	313	(524)	211	-0-
Balance at August 31, 1991.......................$	3,733	$ 330,646	$ 7,680	$ 155,305	$497,364
Issue, redemption and cancellation of equities....	(20)	44,297	(15)	13	44,275
Appropriation of current year's net income..........	-0-	-0-	-0-	62,313	62,313
Transfers to current liabilities...................	-0-	(12,045)	(6)	(19,329)	(31,380)
Transfers from minority owners' equity.............	-0-	5,570	-0-	10,072	15,642
Dividends on preferred stock......................	-0-	-0-	-0-	(5)	(5)
Distribution to farm supply patrons in common stock, associate member common stock and other equities..	-0-	15,807	873	(16,760)	(80)
Exchange of common stock, associate member common stock and other equities...................	-0-	(7,892)	(356)	8,248	-0-
Balance at August 31, 1992.......................$	3,713	$ 376,383	$ 8,176	$ 199,857	$588,129
Issue, redemption and cancellation of equities....	(5)	6,740	(49)	(1,058)	5,628
Appropriation of current year's net loss...........	-0-	-0-	-0-	(30,400)	(30,400)
Transfers to current liabilities...................	-0-	-0-	-0-	(1,650)	(1,650)
Exchange of common stock, associate member common stock and other equities...................	-0-	(3,127)	69	3,058	-0-
Balance at August 31, 1993.......................$	3,708	$ 379,996	$ 8,196	$ 169,807	$561,707

<FN>
See accompanying notes to consolidated financial statements.
</TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Farmland is organized and operated as a cooperative and is intended to be a producer-driven and profitable ag supply to consumer foods cooperative system.

Principles of Consolidation --The consolidated financial statements include the accounts of Farmland Industries, Inc. ("Farmland") and all its majority-owned subsidiaries (the "Company"). All significant intercompany accounts and transactions have been eliminated. Certain previously reported amounts have been reclassified to conform to the 1993 presentation.

Investments --Investments in cooperatives are stated at cost plus the par value of equity certificates received as payment of patronage refunds less such equity certificates redeemed. Investments in companies owned 20% to 50% by Farmland are accounted for by the equity method. All other investments are stated at cost.

Accounts Receivable --The Company uses the allowance method to account for uncollectible accounts and notes. Uncollectible accounts and notes receivable from members are reduced by offsets against the common stock of Farmland held by members prior to charging uncollectible accounts to operations.

Inventories --Grain inventories are valued at market adjusted for net unrealized gains or losses on open commodity contracts. Crude oil, refined petroleum products, cattle and beef inventories are valued at the lower of last-in, first-out cost or market. Supplies are valued at cost. All other inventories are valued at the lower of first-in, first-out cost or market. To the extent practical, the Company hedges certain inventories, advance sales and purchase contracts with fixed prices and anticipated purchases of raw materials.

Property, Plant and Equipment --Assets are stated at cost and depreciated principally on a straight-line basis over the estimated useful life of the individual asset (3 to 40 years). Leasehold improvements are amortized on a straight-line basis over the terms of the individual leases (15 to 21 years). Upon disposition of these assets any resulting gain or loss is included in income. Major repairs and maintenance costs are capitalized. Normal repairs and maintenance costs are charged to operations.

Research and Development Costs --Total research and development costs for the Company for the years ended August 31, 1993, 1992 and 1991 were $3,303,000, $3,338,000 and $3,269,000, respectively.

Goodwill --The excess of cost over net assets of businesses purchased is being amortized on a straight-line basis over a period of 25 to 40 years.

Federal Income Taxes --Farmland and its cooperative subsidiaries are subject to income taxes on all income not distributed to patrons as patronage refunds. Farmland and all its subsidiaries, except Farmland Foods, Inc. ("Foods") and National Beef Packing Company, L.P. ("NBPC") file consolidated federal and state income tax returns.

Cash and Cash Equivalents --Investments with maturities of less than three months are included in "Cash and cash equivalents."

(2) Acquisitions and Dispositions

During 1993, Farmland and partners organized NBPC, a limited partnership. Farmland retained a 58% ownership interest in NBPC by investing $10,500,000 in cash. NBPC's purpose is to carry on the business of Idle Wild Foods, Inc. ("Idle Wild"). On April 15, 1993, NBPC acquired Idle Wild's beef packing plant and feedlot located in Liberal, Kansas. NBPC acquired these assets by assuming liabilities of Idle Wild with a fair market value of approximately $130,605,000, including bank loans which are nonrecourse to NBPC's partners. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of NBPC have been included in the Company's consolidated financial statements from April 15, 1993. The liabilities assumed over the fair value of the net identifiable assets acquired ($16,086,000) has been recorded as goodwill and is being amortized on a straight-line basis over 25 years.

Effective June 30, 1992, Farmland acquired substantially all the business and assets of Union Equity Co-Operative Exchange ("Union Equity") in exchange for 2,051,880 shares of Farmland common stock with a par value of $51,297,000 and Farmland's assumption of substantially all of Union Equity's liabilities. The acquisition has been accounted for as a purchase and, accordingly, the results of operations of Union Equity have been included in the Company's consolidated financial statements from June 30, 1992. The excess of the purchase price over the fair value of the net identifiable assets acquired ($20,976,000) has been recorded as goodwill and is being amortized on a straight-line basis over 25 years.

To establish The Cooperative Finance Association ("CFA") as an independent finance association for its members, CFA purchased 10,113,000 shares of its voting common stock held by Farmland for a purchase price comprised of $1,541,000 in cash, equities of Farmland (with a par value of $2,406,000) held by CFA and a $6,166,000 subordinated promissory note payable to Farmland bearing interest of 5.3%. In addition, CFA: 1) purchased the lending operations and notes receivable of Farmland Financial Services Company ("FFSC"), a wholly-owned subsidiary of Farmland. The purchase price approximated the face amount of FFSC's notes receivable and consisted of $60,505,000 in cash and a $2,128,000

6% subordinated promissory note payable; 2) repaid its operating loan to Farmland ($25,181,000); and, 3) proposed a recapitalization plan which limits the voting rights of any owner (including Farmland) to 20% or less regardless of the number of voting shares held. Farmland repaid $87,227,000 of its borrowings from National Bank for Cooperatives ("CoBank") with proceeds received from CFA. As a result of CFA's purchase of its stock, Farmland's voting percentage in CFA was reduced to 49%. Accordingly, CFA is not included in the consolidated balance sheet of the Company as of August 31, 1993.

The following unaudited financial information, for the years ended August 31, 1993 and 1992, presents pro forma results of operations of the Company as if the disposition of CFA and the acquisitions of Union Equity and NBPC had occurred at the beginning of each period presented. The pro forma financial information includes adjustments for amortization of goodwill, additional depreciation expense and increased interest expense on debt assumed in the acquisitions. The pro forma financial information does not necessarily reflect the results of operations that would have occurred had the Company been a single entity which excluded CFA and included Union Equity and NBPC for the full years 1993 and 1992.

	August 31 (Unaudited)	
	1993	1992
	(Amounts in Thousands)	
Net sales..............................	$5,357,867	$5,441,303
Income (loss) before extraordinary item..	$ (44,040)	$ 47,225

(3) Inventories

Major components of inventories are as follows:

August 31	
1993	1992
(Amounts in Thousands)	

Grain	$ 91,990	$ 67,459
Beef	27,754	-0-
Materials	43,857	42,702
Supplies	41,388	38,445
Finished and in-process products	285,947	258,358
	$490,936	$406,964
LIFO adjustment	5,754	1,635
	$496,690	$408,599

Earnings for the year ended August 31, 1993 have been reduced by $8,346,000 to recognize the write-down of certain crude oil and refined petroleum inventories to market. Inventories, for these products, stated under the last-in, first-out (LIFO) method at August 31, 1993 and 1992, were $84,088,000 and $92,094,000, respectively. Had the lower of first-in, first-out (FIFO) cost or market been used to value these products, inventories at August 31, 1993 and 1992 would have been lower by $5,754,000 and $1,635,000, respectively. The LIFO valuation method had the effect of increasing income before income taxes and patronage refunds by $4,119,000 in 1993, reducing such income by $1,953,000 in 1992 and increasing such income by $3,588,000 in 1991. Liquidation of prior year inventory layers in 1992 and 1991 reduced income before income taxes and patronage refunds in these years by $3,302,000 and $4,177,000, respectively.

The carrying value of beef inventories stated under the LIFO method was $27,754,000 at August 31, 1993. The LIFO method of accounting for beef inventories had no effect on the carrying value of inventories or on the loss reported in 1993, because market value of these inventories was lower than LIFO or FIFO cost.

(4) Investments and Long-Term Receivables

<TABLE>

The investments and long-term receivables are as follows:

<CAPTION>

	August 31	
	1993	1992
	(Amounts in Thousands)	
<S>	<C>	<C>
Notes receivable from ventures, 20% to 50% owned	$ 60,204	$ 33,801
Investments accounted for by the equity method	37,456	45,644
National Bank for Cooperatives (CoBank)	31,824	31,646
Investments in and advances to other cooperatives	37,690	10,776
Other investments and long-term receivables	16,138	18,434
	$183,312	$140,301

</TABLE>

The Company's investments accounted for by the equity method consist principally of 50% equity interests in Farmland Hydro L.P., SF Phosphates Limited Company and Hyplains Beef L.C.

<TABLE>

Summarized financial information of investees accounted for by the equity method is as follows:

<CAPTION>

	August 31 1993	August 31 1992
	(Amounts in Thousands)	
Current Assets	$ 66,532	$ 64,899
Long-Term Assets	223,937	194,155
Total Assets	$290,469	$259,054
Current liabilities	$ 79,224	$ 60,422
Long-Term Liabilities	141,991	118,207
Total Liabilities	$221,215	$178,629
Net Assets	$ 69,254	$ 80,425

</TABLE>

<TABLE>
<CAPTION>

	Year Ended August 31 1993	1992	1991
	(Amounts in Thousands)		
Net sales	$601,194	$218,913	$ 9,843
Net loss	$(22,755)	$ (5,046)	$ (2,581)
Farmland's equity in loss	$(12,394)	$ (2,341)	$ (856)

</TABLE>

On November 15, 1991, Farmland and Norsk Hydro a.s. ("Hydro") formed a joint venture company, Farmland Hydro, to manufacture phosphate fertilizer products for distribution to international markets. As part of the joint venture agreement, Farmland sold a 50% interest in its Green Bay, Florida phosphate fertilizer plant and certain phosphate rock reserves located in

Hardee County, Florida to Hydro for an amount approximately equal to Farmland's carrying value of the assets. Subsequently, Farmland and Hydro contributed the assets to the joint venture. Farmland operates the plant under a management agreement with the joint venture and Hydro provides international marketing services. See note 15 of the notes to consolidated financial statements.

Farmland and J. R. Simplot formed a joint venture (SF Phosphates, Limited Company) to operate a phosphate mine located in Vernal, Utah, a fertilizer plant located in Rock Springs, Wyoming, and a 96-mile pipeline that connects the mine with the fertilizer plant. The purchase of the mine, plant and pipeline from Chevron Corporation was completed in April 1992.

Prior to August 31, 1993, CFA was a 99%-owned finance subsidiary of the Company. CFA provides specialized financial services for Farmland's local cooperative members. CFA operates on a fiscal year ending August 31. For the years ended August 31, 1993, 1992 and 1991, interest income of CFA amounting to $7,614,000, $7,840,000 and $7,382,000, respectively, has been included in sales and interest expense of $5,498,000, $6,248,000 and $5,202,000, respectively, has been included in cost of sales in the accompanying consolidated statements of operations. A condensed balance sheet of CFA as of August 31, 1992 and condensed statements of operations for the period ended August 30, 1993 and the years ended August 31, 1992 and 1991 are shown below. See note 2 of the notes to consolidated financial statements.

<TABLE>

THE COOPERATIVE FINANCE ASSOCIATION, INC.

CONDENSED BALANCE SHEET

<CAPTION>

ASSETS	August 31 1992
	(Amounts in Thousands)
<S>	<C>
Cash	$ 389
Notes Receivable	102,602
Investment in National Bank for Cooperatives	3,471
Investment in Farmland	1,689
Other	80
Total Assets	$108,231
LIABILITIES AND EQUITIES	
Notes and long-term debt payable to banks	$ 3,131
Notes payable to Farmland	69,167
Other	1,940
Total Liabilities	$ 74,238
Capital Shares and Equities:	
Farmland and subsidiaries	$ 22,653
Other patrons	11,340
Total Capital Shares and Equities	$ 33,993
Total Liabilities and Equities	$108,231

</TABLE>

<TABLE>

THE COOPERATIVE FINANCE ASSOCIATION, INC.

CONDENSED STATEMENTS OF OPERATIONS

<CAPTION>

	Year Ended August 31		
	1993	1992	1991
	(Amounts in Thousands)		
<S>	<C>	<C>	<C>
Total income	$ 7,742	$ 8,818	$ 8,275
Total expenses	5,077	6,423	5,829
Income before income taxes and patronage refunds	$ 2,665	$ 2,395	$ 2,446
Income taxes	600	430	402
Net income before patronage refunds	$ 2,065	$ 1,965	$ 2,044
Patronage refunds	1,732	1,645	1,746
Applied to earned surplus	$ 333	$ 320	$ 298

</TABLE>

Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," was issued by the Financial Accounting Standards Board ("FASB") in May 1993 and is effective for fiscal years beginning after December 15, 1993 (the Company's 1995 fiscal year). Statement 115 expands the use of fair value accounting and the reporting for certain investments in debt and equity securities. Management expects the adoption of Statement 115 will not have a significant impact on the Company's consolidated financial statements.

(5) Property, Plant and Equipment

A summary of cost for property, plant and equipment is as follows:

	August 31	
	1993	1992
	(Amounts in Thousands)	
Land and improvements	$ 11,825	$ 11,437
Site improvements	26,878	15,308
Buildings	215,420	193,215
Machinery and equipment	655,117	593,014
Furniture and fixtures	45,405	37,850
Automotive equipment	51,179	46,324
Mining properties	26,786	26,569
Fertilizer properties	48,695	48,695
Construction in progress	57,242	53,812
Leasehold improvements	15,796	10,215
Total	$1,154,343	$1,036,439

Mining properties represent phosphate rock reserves and construction and development costs of a mine in Hardee County, Florida and the surrounding area. The Company has deferred the development of this phosphate mine. See note 4 of the notes to consolidated financial statements.

For the years ended August 31, 1993, 1992 and 1991, the Company capitalized construction period interest of $1,611,000, $330,000 and $328,000, respectively.

(6) Bank Loans, Subordinated Debt Certificates and Notes Payable

<TABLE>

Bank loans, subordinated debt certificates and notes payable are as follows:

<CAPTION>

<S>	August 31 1993 <C>	1992 <C>
	(Amounts in Thousands)	
CoBank--4.08% to 9.2%, maturing 1994 through 2001	$ 66,098	$ 95,750
Other bank notes--3.7% to 6.25%, maturing 1996 through 2001	138,244	-0-
Subordinated certificates of investment and capital investment certificates--7.25% to 10.5%, maturing 1994 through 2018	192,857	147,977
Subordinated monthly interest certificates --7.25% to 12%, maturing 1994 through 2018	62,913	51,829
Industrial revenue bonds--5.75% to 9.25%, maturing 1994 through 2007.	27,880	28,770
Promissory notes--7% to 10%, maturing 1994 through 2001	13,805	15,689
Other--5% to 13%	16,011	22,796
	$517,808	$362,811
Less current maturities	31,947	40,434
	$485,861	$322,377

</TABLE>

The Company maintains various credit agreements with CoBank that allow the Company to borrow under terms as the Company and CoBank mutually agree upon. These facilities provide for both seasonal and term borrowings. At August 31, 1993, total credit lines available were approximately $508,900,000. Seasonal and term borrowings under these agreements at August 31, 1993 were $156,650,000 and $66,098,000, respectively, and $86,819,000 was used to support letters of credit issued on behalf of Farmland by CoBank. The agreements with CoBank stipulate that by February 15, 1994 the maximum credit available from CoBank to the Company shall be reduced to an amount not in excess of CoBank's then applicable lending limit to a single borrower.

Under loan agreements with CoBank, the Company has pledged its investment in CoBank stock carried at $31,824,000. Under industrial revenue bonds and lease agreements, property, plant and equipment with a carrying value of $31,394,000 has been pledged. Under bank loan agreements of NBPC, all of its assets (carried at $152,745,000) are pledged to support its borrowings. Such borrowings of NBPC are nonrecourse to its partners.

Farmland's loan agreements with CoBank contain provisions which require the Company to maintain consolidated working

capital of not less than $150,000,000 and to maintain consolidated net worth of not less than $425,000,000. In addition, the agreements require the Company to maintain funded indebtedness and senior funded indebtedness of not more than 52%

and 43% of capitalization, respectively. All computations are based on consolidated financial data adjusted to exclude nonrecourse subsidiaries (any subsidiary for which Farmland is not directly or indirectly liable for any of such subsidiary's indebtedness). As computed under provisions of the agreement, at August 31, 1993, working capital was $210,744,000, net worth was $561,303,000, funded indebtedness was 45.14%, and senior funded indebtedness was 21.10% of capitalization.

Borrowers from CoBank are required to maintain an investment in CoBank stock based on the average amount borrowed from CoBank during the previous five years. At August 31, 1993, the Company's investment in CoBank approximated the requirement.

Farmland has credit facilities with various commercial banks. At August 31, 1993, Farmland had $215,000,000 of available credit from commercial banks under committed arrangements and $30,000,000 of credit available under uncommitted arrangements. Borrowings at August 31, 1993 under these committed and uncommitted credit facilities were $131,300,000 and $10,000,000, respectively. In addition, $18,237,000 was used at August 31, 1993 to support letters of credit issued by such banks on Farmland's behalf. Covenants of these arrangements are not more restrictive than Farmland's credit lines with CoBank.

Subordinated debt certificates have been issued under several different indentures and therefore the terms of such securities are not identical. Farmland may redeem subordinated certificates of investments and capital investment certificates in advance of scheduled maturities. Farmland will redeem subordinated certificates of investments, capital investment certificates and subordinated monthly interest certificates upon death of the holder. Holders of certificates of investment and capital investment certificates have the right to exchange such securities after a minimum holding period for similar securities. The outstanding subordinated debt certificates are subordinated to senior indebtedness. At August 31, 1993, senior indebtedness included $449,454,000 for money borrowed, and other instruments (principally long-term operating leases) which provide for aggregate payments over ten years of approximately $116,250,000.

Bank loans, subordinated debt certificates and notes payable mature during the fiscal years ending August 31 in the following amounts:

	(Amounts in Thousands)
1994	$ 31,947
1995	33,794
1996	94,075
1997	51,997
1998	73,643
1999 and after	232,352
	$517,808

(7) Income Taxes

On July 28, 1983, Farmland sold the stock of Terra Resources, Inc. ("Terra"), a wholly-owned subsidiary engaged in oil and gas exploration and production operations, and exited its oil and gas exploration and production activities. The gain from the sale of Terra amounted to $237,200,000 for tax reporting purposes. During 1983, and prior to the sale of the Terra stock, Farmland received certain distributions from Terra totaling $24,800,000. For tax purposes, Farmland claimed intercorporate dividends-received deductions for the entire amount of such distributions.

On March 24, 1993, the Internal Revenue Service ("IRS") issued a statutory notice to Farmland asserting deficiencies in federal income taxes (exclusive of statutory interest thereon) in the aggregate amount of $70,775,000. The asserted deficiencies relate primarily to the Company's tax treatment of the sale of the Terra stock and the distributions received from Terra prior to the sale. The IRS asserts that Farmland incorrectly treated the Terra sale gain as income against which certain patronage-sourced operating losses could be offset, and that, as a nonexempt cooperative, Farmland was not entitled to an intercorporate dividends-received deduction in respect of the 1983 distribution by Terra. It further asserts that Farmland incorrectly characterized gains for tax purposes aggregating approximately $14,600,000, and a loss of approximately $2,300,000, from the disposition of certain other assets. On June 11, 1993, Farmland filed a petition in the United States Tax Court contesting the asserted deficiencies in their entirety. A trial date has not yet been set.

If the IRS ultimately prevails on all of the adjustments asserted in the statutory notice, Farmland would have additional federal and state income tax liabilities aggregating approximately $85,800,000 plus accumulating statutory interest thereon (through October 31, 1993, of approximately

$133,500,000). In addition, such adjustments would affect the computation of Farmland's taxable income for its 1989 tax year and, as a result, could increase Farmland's federal and state income taxes for that year by approximately $5,000,000 plus applicable statutory interest thereon.

No provision has been made in the consolidated financial statements for federal or state income taxes (or interest thereon) in respect of the IRS claims described above. Farmland believes that it has meritorious positions with respect to all of these claims and will continue to vigorously pursue their favorable resolution through the pending litigation.

In the opinion of Bryan Cave, Farmland's special tax counsel, it is more likely than not that the courts will ultimately conclude that (i) Farmland's treatment of the Terra sale gain was substantially, if not entirely, correct; and (ii) Farmland properly claimed a dividends-received deduction in respect of the 1983 distributions which it received from Terra prior to the sale of the Terra stock. Counsel has further advised, however, that none of the issues involved in these disputes is free from doubt, and that there can be no assurance that the courts will ultimately rule in favor of Farmland on any of these issues.

Should the IRS ultimately prevail on all of its asserted claims, all claimed federal and state income taxes as well as accrued interest would become immediately due and payable, and would be charged to current operations. In such case, the Company would be required to renegotiate agreements with its banks to maintain compliance with various requirements of such agreements, including working capital and funded indebtedness provisions. However, no assurance can be given that such renegotiation would be successful. Alternatives could include other financing arrangements or the possible sale of assets.

Income tax expense (benefit) is comprised of the following:

	Year Ended August 31		
	1993	1992	1991
	(Amounts in Thousands)		
Federal:			
Current	$ (2,502)	$ 6,600	$ 6,644
Deferred	(2,944)	1,490	(205)
	$ (5,446)	$ 8,090	$ 6,439
State:			
Current	$ (468)	$ 1,106	$ 1,064
Deferred	(519)	262	(30)
	$ (987)	$ 1,368	$ 1,034
	$ (6,433)	$ 9,458	$ 7,473

<TABLE>

Income tax expense (benefit) differs from the "expected" income tax expense (benefit) using statutory rate of 34%, as follows:

<CAPTION>

	Year Ended August 31		
	1993	1992	1991
<S>	<C>	<C>	<C>
Computed "expected" income tax expense (benefit) on income (loss) before income taxes	(34.0)%	34.0%	34.0%
Increase (reduction) in income tax expense (benefit) attributable to:			
Patronage refunds	(4.0)	(9.2)	(20.7)
Utilization of member-sourced losses	-0-	(11.4)	(.1)
Patronage-sourced items for which no benefit (expense) is available (provided)	26.5	-0-	-0-
State income tax expense (benefit) net of federal income tax effect	(2.2)	1.2	1.4
Benefit associated with exempt income of foreign sales corporation	(1.4)	(1.5)	-0-
Other, net	(2.7)	.3	.3
Income tax expense (benefit)	(17.8)%	13.4%	14.9%

</TABLE>

<TABLE>

Deferred income taxes result from timing differences in the recognition of nonmember-sourced income and expenses for financial reporting and income tax reporting purposes. The sources of these timing differences and their tax effect are as follows:

<CAPTION>

	August 31 1993	1992	1991
	(Amounts in Thousands)		
<S>	<C>	<C>	<C>
Depreciation.......................................	$ 473	$ 1,562	$ 3,352
Safe harbor lease rentals..........................	(378)	(478)	(869)
Closed petroleum futures contracts.................	-0-	61	(2,394)
Provision for loss on proposed sale of assets.......	(3,454)	-0-	-0-
Unfunded pension expense...........................	(355)	(129)	(892)
Reinstatement of deferred income taxes previously offset by net operating loss carryforwards for financial reporting purposes..................	-0-	1,294	-0-
Other, net...	251	(558)	568
	$ (3,463)	$ 1,752	$ (235)

</TABLE>

The current tax benefit for the year ended August 31, 1993 results from the carryback of nonpatronage-sourced losses to reduce the amount of federal and state income taxes paid during prior years.

During the year ended August 31, 1992, all of Foods' nonmember-sourced loss carryforwards were utilized and deferred income taxes amounting to $1,294,000 were reinstated. During the year ended August 31, 1992, Farmland utilized nonmember-sourced loss carryforwards amounting to $3,168,000 to reduce income tax expense for financial reporting purposes by $1,267,000. Utilization of these loss carryforwards has been presented as an extraordinary item in the accompanying consolidated statement of operations for the year ended August 31, 1992.

In connection with the acquisition of Union Equity, Farmland acquired member-sourced and nonmember-sourced loss carryforwards from Union Equity amounting to approximately $18,600,000 and $10,600,000, respectively. For the year ended August 31, 1992, Farmland was able to utilize member-sourced and nonmember-sourced loss carryforwards amounting to $18,600,000 and $2,800,000, respectively. The benefit of the utilization of the nonmember-sourced loss carryforward amounting to $1,134,000 has been recorded as a reduction of goodwill in the accompanying consolidated balance sheet as of August 31, 1992. See note 2 of the notes to consolidated financial statements.

At August 31, 1993, Farmland has nonmember-sourced loss carryforwards amounting to approximately $7,597,000, which expire in 2006 and 2007. At August 31, 1993, Farmland and its consolidated subsidiaries have alternative minimum tax credit carryforwards of approximately $2,502,000.

At August 31, 1993, Farmland has patronage-sourced loss carryforwards available to offset future patronage-sourced income of $8,155,000 which expire in 2008.

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," was issued by the FASB in February 1992 and is effective for fiscal years beginning after December 15, 1992 (the Company's 1994 fiscal year). Statement 109 requires a change from the deferred method currently used by the Company, to the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The Company has determined that implementation of Statement 109 in the first fiscal quarter of 1994 will not have a significant impact on its consolidated financial statements.

(8) Minority Owners' Equity in Subsidiaries

<TABLE>

Minority owners' equity in subsidiaries represents other owners' interest in common stock and patronage refund equities of majority-owned subsidiaries of Farmland. A summary of minority owners' equity in subsidiaries is as follows:

<CAPTION>

	August 31	
	1993	1992
	(Amounts in Thousands)	
<S>	<C>	<C>
Farmland Foods, Inc.	$ 6,401	$ 6,419
National Beef Packing Company, L.P...........	7,865	-0-
The Cooperative Finance Association, Inc.....	-0-	11,340
Others.......................................	1,097	802
	$ 15,363	$ 18,561

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

During the year ended August 31, 1993, Farmland reduced its voting interest in CFA to 49%. See note 2 of the notes to consolidated financial statements.

(9) Preferred Stock, Earned Surplus and Other Equities

<TABLE>
(A) A summary of preferred stock is as follows:

<CAPTION>

	August 31	
	1993	1992
	(Amounts in Thousands)	
<S>	<C>	<C>
Preferred shares, $25 par value-Authorized 8,000,000 shares:		
6% - 624 shares issued and outstanding (652 shares in 1992)..........	$ 15	$ 16
5-1/2% - 2,832 shares issued and outstanding (3,000 shares in 1992)..	71	75
Series F - 144,869 shares issued and outstanding (144,883 shares in 1992)...	3,622	3,622
	$ 3,708	$ 3,713

</TABLE>

The 5-1/2% and 6% preferred stocks have preferential liquidation rights over the Series F preferred stock. Dividends on the 5-1/2% and 6% preferred stock are cumulative only to the extent earned each year. Series F preferred stock is nondividend bearing. Upon liquidation, holders of all preferred stock are entitled to the par value thereof and, with respect to the 5-1/2% and 6% preferred stock, any declared or unpaid earned dividends.

(B) A summary of earned surplus and other equities is as follows:

	August 31	
	1993	1992
	(Amounts in Thousands)	
Earned surplus................	$123,974	$136,175
Nonmember capital.......... ..	104	104
Capital credits...............	38,105	35,765
Unallocated equity............	6,021	25,877
Additional paid-in surplus....	1,603	1,936
	$169,807	$199,857

Nonmember capital represents patronage refunds distributed in the form of book credits.

Capital credits are issued: 1) for payment of the portion of patronage refunds distributed in equity to patrons who do not satisfy requirements for membership or associate membership; and, 2) upon conversion of an equal par value amount of common stock or associate member common stock held by persons who no longer meet qualifications for membership or associate membership in Farmland. During the year ended August 31, 1992, Farmland issued $11,110,000 of capital credits to owners of Foods in exchange for an equivalent par value of their ownership of Foods common stock and capital equity fund certificates.

Unallocated equity represents the cumulative difference between the amount of member-sourced income determined for financial reporting purposes and the amount of member-sourced income for income tax reporting purposes. The difference in the two income amounts results principally from differences in timing between book expense and tax deductions.

Additional paid-in surplus results from members donating Farmland equity to Farmland.

None of the aforementioned equities are held by or for the account of Farmland or in any sinking or other special fund of Farmland and none have been pledged by Farmland.

The bylaws of Farmland provide that the patronage refund payable for any year be reduced if immediately after the payment of such patronage refund, the amount of retained earnings (defined for this purpose as the sum of earned surplus and unallocated equity) would be less than 30% of the previous year-end balance of members' equity accounts (defined for this purpose as the sum of common stock, associate member common stock, capital credits, nonmember capital and patronage refunds payable in equities). The reduction of patronage refunds would be the lesser of 15% or the amount required to increase the balance of the retained earnings account to the required 30%. As of August 31, 1993, 1992 and 1991, retained earnings exceeded the required amount by approximately $3,874,000, $49,451,000 and $9,623,000, respectively.

Farmland established a base capital plan in 1991. The plan's objective is to achieve proportionality between the dollar amount of business a member or associate member of Farmland ("Participant") transacts with Farmland and the par value of Farmland equity which the Participant should hold (hereinafter referred to as the Participants' "Base Capital Requirement"). This plan: 1) provides that the relationship between the par value of a Participant's actual investment in Farmland equity and the Participant's Base Capital Requirement shall influence the cash portion of any patronage refund paid to the Participant; and, 2) provides a method for redemption by Farmland of its

equities held by a Participant when the par value of the Participant's investment exceeds his Base Capital Requirement.

The Base Capital Requirement shall be determined annually by the Farmland Board of Directors at its sole discretion. No patronage refunds were paid by Farmland for 1993.

(10) Contingent Liabilities and Commitments

The Company leases various equipment and real properties under long-term operating leases. For the years ended August 31, 1993, 1992 and 1991, rental expenses totaled $41,104,000, $43,300,000 and $43,029,000, respectively. Rental expense is reduced for mileage credits received on leased railroad cars ($1,939,000 in 1993, $663,000 in 1992 and $1,773,000 in 1991).

The leases have various remaining terms ranging from over one year to 16 years. Some leases are renewable, at Farmland's option, for additional periods. The minimum amount Farmland must pay for these leases during the fiscal years ending August 31 are as follows:

	(Amounts in Thousands)
1994	$ 38,673
1995	29,370
1996	23,532
1997	21,603
1998	17,528
1999 and after	67,881
	$198,587

Farmland and its subsidiaries are involved in various lawsuits incidental to the businesses. In the opinion of management, the ultimate resolution of these litigation issues will not have a material adverse effect on the Company's consolidated financial statements.

The Company has certain throughput agreements, take-or-pay agreements, minimum quantity agreements, and minimum charge agreements for various raw material supplies and services through 1996. The Company's minimum obligations under such agreements are: $2,548,000 in 1994; $1,248,000 in 1995; and $924,000 in 1996.

As a result of regulations by the Environmental Protection

Agency, sulfur levels must be reduced in diesel fuels sold after September 30, 1993. To comply with these regulations, the Company has committed to approximately $44,000,000 of improvements to the Coffeyville refinery. As of August 31, 1993, approximately $31,451,000 has been spent.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(11) Employee Benefit Plans

The Farmland Industries, Inc. Employee Retirement Plan ("the Plan") is a defined benefit plan covering substantially all employees of Farmland and its subsidiaries who meet minimum age and length-of-service requirements. Benefits payable under the Plan are based on years of service and the employee's average compensation during the highest four of the employee's last ten years of employment.

The Company's funding policy is to make the maximum annual contribution that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The assets of the Plan are maintained in a trust fund. The majority of the Plan's assets are invested in common stocks, corporate bonds, United States Government securities and short-term investment funds. Plan assets at August 31, 1993 and 1992 included Farmland subordinated debt certificates and Farmland demand loan certificates totalling $280,000 and $5,832,000, respectively.

In connection with Farmland's acquisition of Union Equity, Union Equity's defined benefit plan's assets and actuarial liabilities were transferred to Farmland's retirement plan.

<TABLE>

Components of the Company's pension cost are as follows:

<CAPTION>

	August 31 1993	1992	1991
	(Amounts in Thousands)		
<S>	<C>	<C>	<C>
Service cost - benefits earned during the period..........	$ 7,449	$ 6,519	$ 6,717
Interest cost on projected benefit obligation.............	12,134	11,332	9,927
Actual return on Plan assets..............................	(15,842)	(20,591)	(20,163)
Net amortization and deferral.............................	(374)	4,027	6,042
Change in plan benefits-from extending full retirement benefits to employees obtaining age 58 by December 31, 1991 and accepting the program before September 30, 1991.......	-0-	-0-	2,400
Pension expense..	$ 3,367	$ 1,287	$ 4,923

</TABLE>

The discount rate and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations at August 31, 1993 were 8.5% and 5%, respectively (9% and 5% at August 31, 1992 and 1991, respectively). The expected long-term rates of return on assets at August 31, 1993, 1992 and 1991 were 8.5%, 9% and 9.5%, respectively.

<TABLE>

The following table sets forth the Plan's funded status and amounts recognized in the Company's balance sheet at August 31, 1993 and 1992. Such prepaid pension cost is based on the Plan's funded status as of May 31, 1993 and 1992.

<CAPTION>

	August 31 1993	1992
	(Amounts in Thousands)	
<S>	<C>	<C>
Actuarial present value of benefit obligations:		
Vested benefits	$123,061	$110,002
Nonvested benefits	7,102	4,440
Accumulated benefit obligation	$130,163	$114,442
Increase in benefits due to future compensation increases	51,633	41,313
Projected benefit obligation	$181,796	$155,755
Estimated fair value of Plan assets	212,647	198,173
Plan assets in excess of projected benefit obligation	$ 30,851	$ 42,418
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	21,754	14,117
Unrecognized net transition asset being recognized over 10 years	(1,866)	(2,799)
Unrecognized prior service cost	2,590	2,960
Prepaid pension cost at end of year	$ 53,329	$ 56,696

</TABLE>

The Company provides life insurance benefits for retired employees through an insurance company. Any employee hired before January 1, 1988 who reaches normal retirement age while working for the Company is eligible for the benefit. Annual premiums for providing this employee benefit and for providing group life insurance for active employees are based on payments made by the insurance company during the year. Costs of life insurance provided for retired employees are not separable from costs of providing group life insurance for active employees. The Company recognizes costs for providing life insurance for retired and active employees by charging operations for the annual insurance premium paid. For the years ended August 31, 1993, 1992 and 1991, such insurance premiums were $1,178,000, $783,000 and $462,000, respectively.

The Company will adopt FASB Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" during the first quarter of its 1994 fiscal year. Upon adoption, the cost for providing life insurance during an employee's retirement years will be accrued during the active service period of the employee. Previously unrecognized costs related to the service period already rendered (the transition obligation) will be recognized over 20 years. The annual cost of providing life insurance for retired employees, determined following Statement 106, is estimated to be $1,000,000.

Statement of Financial Accounting Standards No. 112, "Employer's Accounting for Postemployment Benefits", was issued by the FASB in November 1992 and is effective for fiscal years beginning after December 15, 1993 (the Company's 1995 fiscal year). Statement 112 establishes standards of accounting and reporting for the estimated cost of benefits provided to former or inactive employees. Management expects that the adoption of Statement 112 will not have a significant impact on the Company's consolidated financial statements.

An Annual Employee Variable Compensation Plan, a Long-Term Management Incentive Plan, and an Executive Deferred Compensation Plan have been established by the Company to meet the competitive salary programs of other companies, and to provide a method of compensation which is based on the Company's performance.

Under the Company's Variable Compensation Plan, all regular salaried employees are eligible to receive an annual cash bonus that is based on the employee's position, income before extraordinary items of the Company, and income or other performance criteria of the individual's operating unit. Amounts accrued under this plan for the years ended August 31, 1993, 1992 and 1991 amounted to $-0-, $10,033,000 and $-0-, respectively. Distributions under this plan are made annually after the close of each fiscal year.

Under the Long-Term Management Incentive Plan, the Company's executive management employees are paid cash bonus amounts determined by a formula which takes into account the level of management and the average annual net income of the Company over a three-year period. The current Long-Term Management Incentive Plan ends August 31, 1996. The Company's performance did not reach a level where incentive was earned under the Long-Term Management Incentive Plan that covered the three-year period ended August 31, 1993. As a result, operations in 1993 were credited by $2,463,000 to reverse provisions for management incentive awards previously charged against operations in 1992 and 1991 ($1,171,000 and $1,292,000, respectively).

The Company's Executive Deferred Compensation Plan permits certain employees to defer part of their salary and/or part or all of their bonus compensation. The amount to be deferred and the period for deferral is specified by an election made

semi-annually. Payments of deferred amounts shall begin at the earlier of the end of the specified deferral period, retirement, disability or death. The employee's deferred account balance is credited annually with interest at the highest rate of interest paid by the Company on any subordinated debt certificate sold during the year. Payment of an employee's account balance shall, at the employee's election, be a lump sum or in ten annual installments. At August 31, 1993 and 1992, the Company's obligations under this plan amounted to $8,240,000 and $7,649,000, respectively.

(12) Industry Segment Information

The Company's business is conducted within three general operating areas: cooperative farm supply operations, cooperative marketing operations, and retail and service operations. As a farm supply cooperative, the Company engages in manufacturing and wholesale distribution of input products of agricultural production. The Company's principal farm supply products are petroleum, fertilizer and agricultural chemicals, and feed.

Petroleum products include gasoline, distillate, diesel fuel, propane, lube oils, grease and automotive parts and accessories. Products in the fertilizer and agricultural chemicals area include nitrogen, phosphate and potash fertilizers, herbicides, insecticides and other farm chemicals. Feed products include a complete line of formulated feeds. Supply products are sold primarily at wholesale to local farm cooperatives.

Marketing operations include pork and beef processing, marketing and the distribution of fresh meat products, ham, bacon, sausage, deli meats, Italian specialty meats and boxed beef, and the marketing and storage of grain. In 1993, export sales of grain totaled $570,171,000.

The retail and service operations include convenience fuel and food stores, farm supply stores, finance company operations and services such as accounting, financial, management, environmental and safety, and transportation. See note 2 of the notes to consolidated financial statements.

The operating income (loss) of each industry segment includes the revenue generated on transactions involving products within that industry segment less identifiable and allocated expenses. In computing operating income (loss) of industry segments none of the following items have been added or deducted: other income (deductions) or corporate expenses (included in the accompanying statements of operations as selling, general and administrative expenses), which cannot practicably be identified or allocated by industry segment. Operating income (loss) of industry segments for the years ended August 31, 1992 and 1991 have been restated for comparative purposes to include certain costs which were not identified to business segments in 1992 and 1991 but which were identified to business segments in 1993.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Corporate assets include cash, investments in other cooperatives, the corporate headquarters of Farmland and certain other assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

<TABLE>

Following is a summary of industry segment information as of and for the years ended August 31, 1993, 1992 and 1991:

<CAPTION>

	Cooperative Farm Supply			Cooperative Marketing and Processing		Retail, Services and Other	Unallocated Corporate Items and Inter-Segment Eliminations	Consolidated
	Petroleum	Fertilizer & Agricultural Chemicals	Feed	Foods	Grain			
	(Amounts in Thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1993								

	Petroleum	Fertilizer & Agricultural Chemicals	Feed	Foods	Grain	Retail Services and Other	Unallocated Corporate Items and Inter-Segment Eliminations	Consolidated
Sales to unaffiliated customers...	$887,389	$884,811	$479,205	$1,412,634	$953,521	$105,380	$ -0-	$4,722,940
Transfers between segments........	5,591	7,970	2,330	3,496	-0-	-0-	(19,387)	-0-
Total sales and transfers......	$892,980	$892,781	$481,535	$1,416,130	$953,521	$105,380	$(19,387)	$4,722,940
Operating income (loss) of industry segments...........	$ (7,429)	$ 48,981	$ 19,376	$ 16,485	$ 105	$ (458)		$ 77,060
Equity in loss of investees (note 4)	2	$ (8,223)	$ (35)	$ (3,306)		$ (832)		$ (12,394)
Provision for loss on disposition of assets (note 16)............	(20,022)	(6,155)		(3,253)				(29,430)
General corporate expenses.........								(48,201)
Other corporate income...............								13,724
Interest expense.....................								(36,764)
Minority interest....................								(828)
Income (loss) before income taxes and extraordinary item..............								$ (36,833)
Identifiable assets at August 31, 1993.................	$308,731	$324,956	$ 94,948	$ 391,152	$254,734	$ 35,986		$1,410,507
Investment in and advances to investees..........	$ 526	$ 72,166	$ 1,572	$ 18,686	-	$ 3,553	$ 1,606	$ 98,109
Corporate assets.....................								211,365
Total assets......................								$1,719,981
Provision for depreciation and amortization................	$ 13,546	$ 13,843	$ 4,487	$ 10,807	$ 2,637	$ 3,369	$ 9,041	$ 57,730
Capital expenditures (including $48,362,000 of capital assets of business acquired)..........	$ 35,629	$ 17,972	$ 6,590	$ 73,561	$ 1,894	$ 3,613	$ 7,341	$ 146,600

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

<TABLE>

<CAPTION>

	Cooperative Farm Supply			Cooperative Marketing and Processing		Retail	Unallocated Corporate Items and	
		Fertilizer & Agricultural				Services and	Inter-Segment	
	Petroleum	Chemicals	Feed	Foods	Grain	Other	Eliminations	Consolidated
		(Amounts in Thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1992								
Sales to unaffiliated customers...	$979,542	$897,820	$445,338	$850,103	$155,169	$101,335	$ -0-	$3,429,307
Transfers between segments.........	5,727	9,744	2,531	4,064	-0-	-0-	(22,066)	-0-
Total sales and transfers......	$985,269	$907,564	$447,869	$854,167	$155,169	$101,335	$(22,066)	$3,429,307
Operating income (loss) of industry segments............	$ 5,758	$101,408	$ 20,204	$ 25,162	$ (726)	$ (3,348)		$ 148,458
Equity in loss of investees (note 4).	(31)	$ (1,362)	$ 15			$ (963)		$ (2,341)
General corporate expenses..........								(54,528)
Other corporate income...............								6,880
Interest expense.....................								(27,965)
Income before income taxes and extraordinary item..............								$ 70,504
Identifiable assets at August 31, 1992..................	$289,021	$313,943	$ 76,300	$201,726	$173,376	$207,274		$1,261,640

Investment in and advances to investees	$ 139	$ 66,899	$ 1,143	$ 6,004	$ 1,197	$ 4,408		$ 79,790
Corporate assets								184,962
Total assets								$1,526,392
Provision for depreciation and amortization	$ 12,269	$ 14,888	$ 3,013	$ 9,051	$ 613	$ 4,513	$ 6,437	$ 50,784
Capital expenditures (including $47,977,000 of capital assets of business acquired)	$ 25,089	$ 17,119	$ 5,115	$ 14,862	$ 48,440	$ 11,141	$ 6,165	$ 127,931

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

<TABLE>
<CAPTION>

	Cooperative Farm Supply						
	Petroleum	Fertilizer & Agricultural Chemicals	Feed	Cooperative Food Marketing and Processing	Retail, Services, and Other	Unallocated Corporate Items and Inter-Segment Eliminations	Consolidated
	(Amounts in Thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1991							
Sales to unaffiliated customers.	$1,189,210	$1,035,532	$466,258	$828,964	$118,108	$ -0-	$3,638,072
Transfers between segments	13,771	10,898	4,147	3,940	4,779	(37,535)	-0-
Total sales and transfers	$1,202,981	$1,046,430	$470,405	$832,904	$122,887	(37,535)	$3,638,072
Operating income (loss) of industry segments	$ (12,963)	$ 117,490	$ 23,095	$ 11,380	$ (2,854)		$ 136,148
Equity in loss of investees (note 4)			$ (15)		$ (841)		(856)
General corporate expenses							(59,704)
Other corporate income							11,529
Interest expense (note 6)							(36,951)
Income before income taxes and extraordinary item							$ 50,166
Identifiable assets at August 31, 1991	$ 282,634	$ 442,271	$ 72,744	$192,582	$164,754		$1,154,985
Investment in and advances to investees	$ 68,083		$ 85		$ 1,220		69,388
Corporate assets							144,858
Total assets							$1,369,231
Provision for depreciation and amortization	$ 11,401	$ 22,214	$ 3,005	$ 7,788	$ 4,079	$ 7,246	$ 55,733
Capital expenditures (including $14,156,000 of capital assets of businesses acquired).	$ 17,302	$ 26,548	$ 3,639	$ 25,083	$ 3,827	$ 7,721	$ 84,120

</TABLE>

(13) Significant Group Concentration of Credit Risk

Farmland extends credit to its customers on terms no more favorable than standard terms of the industries it serves. A substantial portion of Farmland's receivables are concentrated in the agricultural industry. Collections on these receivables may be dependent upon economic returns from farm crop and livestock production. The Company's credit risks are continually received and management believes that adequate provisions have been made for doubtful accounts.

Farmland maintains investments in and advances to cooperatives, cooperative banks and joint ventures from which it purchases products or services. A substantial portion of the business of these investees is dependent on the agribusiness economic sector. See note 4 of the notes to consolidated financial statements.

(14) Disclosures About Fair Value of Financial Instruments

<TABLE>

Estimates of fair values are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could affect the estimates. Except as follows, the fair market value of the Company's financial instruments approximates its carrying value:

<CAPTION>

	August 31, 1993	
	Carrying Amount	Fair Value
<S>	<C>	<C>
Financial Assets:		
Investment and long-term receivables:		
Notes receivable from investees, 20% to 50% owned	$ 60,204	$ 58,111
National Bank for Cooperatives	31,824	****
Other cooperatives:		
Equities	22,877	****
Notes receivable	14,813	13,408
Financial Liabilities:		
Long-term debt:		
Subordinated certificates of investment, capital investment certificates and subordinated monthly interest certificates	$255,770	$287,168

</TABLE>

The estimated fair value of notes receivable has been determined by discounting future cash flows using a market interest rate.

The estimated fair value of the subordinated debt certificates was calculated using the discount rate for subordinated debt certificates with similar maturities currently offered for sale.

**** Investments in CoBank and other cooperatives' equities which have been purchased are carried at cost and securities received as patronage refunds are carried at par value, less provisions for permanent impairment. The Company believes it is not practicable to estimate the fair value of these securities because there is no established market for these securities and it is inappropriate to estimate future cash flows which are largely dependent on future patronage earnings of the cooperatives.

(15) Related Party Transactions

Farmland Hydro, L.P. and Hyplains Beef, L.C. (50% owned investees) and National Beef Packing Company, L.P. (a 58% owned

consolidated limited partnership) have credit agreements with various banks. Borrowings under these agreements are nonrecourse to the Company. Cash distributions by these entities to their owners are restricted by these credit agreements. In addition, Farmland advances funds and provides management and administrative services for these entities and, in certain instances, on terms less advantageous to Farmland than transactions conducted in the ordinary course of business. At August 31, 1993, Farmland's notes receivable from these entities amounted to $38,368,000.

(16) Provision for Loss on Disposition of Assets

The Board of Directors authorized management to proceed with negotiations to sell the Company's refinery at Coffeyville, Kansas. Based on terms of the transaction contemplated, a $20,022,000 provision for loss on the sale of the refinery has been included in the accompanying consolidated statement of operations for the year ended August 31, 1993. Accordingly, at August 31, 1993, the net carrying value of property, plant and equipment has been reduced by $17,622,000, and a liability of $2,400,000 has been recorded for completion of capital projects. The transaction is subject to certain conditions including negotiation of final definitive agreements.

The Company entered discussions with a potential purchaser of a dragline. Based on these discussions, the Company estimates a loss of $6,155,000 from the sale. Accordingly, at August 31, 1993, the carrying value of the dragline has been written down by $6,155,000 and a provision for this loss is included in the Company's consolidated statement of operations for the year then ended.

The carrying value of a pork processing plant at Iowa Falls, Iowa was written down by $3,253,000 to an estimated disposal value.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No disagreement on any matter of accounting principles or practices or financial statement disclosure was reported.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors of Farmland are as follows:

<TABLE>

<CAPTION>

<S> <C><C> <C> <C> <C>

Name	Age as of August 31, 1993	Positions Held With Farmland	Expiration of Present Term as Director	Total Years of Service as Board Member	Business Experience During Last Five Years
Albert J. Shivley	50	Chairman of Board	1995	9	General Manager--American Pride Co-op Association, Brighton, Colorado, a local cooperative association of farmers and ranchers.
H. D. Cleberg	54	President and Chief Executive Officer	1994	3	Mr. Cleberg has been with Farmland since 1968. He was named as president-elect in February 1991 and became President in April 1991. From September 1990 to Field Services and Operations Support.
Otis H. Molz	62	Vice Chairman and Vice President	1994	5	Farmer--Deerfield, Kansas. Mr. Molz has served as Chairman of the Board of the National Bank for Cooperatives since January 1993. He served as Chairman of the Board of Directors of Farmland for Cooperatives.
Lyman Adams	42		1995	1	Manager--Cooperative Grain and Supply, Hillsboro, Kansas, a local cooperative association of farmers and ranchers.
Ronald J. Amundson	49		1994	5	General Manager--Central Iowa Cooperative, Jewell, Iowa, a local cooperative association of farmers and ranchers.
Baxter Ankerstjerne	57		1993	3	Farmer--Peterson, Iowa. Since December 1988 Mr. Ankerstjerne has served as Chairrman of
Jody Bezner	52		1994	2	Farmer--Texline, Texas.
Richard L. Detten	59		1993	6	Farmer--Ponca City, Oklahoma.
Willard Engel	54		1995	5	General Manager--Lyon County Co-op Oil Company, Marshall, Minnesota, a local cooperative association of farmers and ranchers.
Steven Erdman	43		1995	1	Farmer--Bayard, Nebraska.
Ben Griffith	44		1995	4	General Manager--Central Cooperatives, Inc., Pleasant Hill, Missouri, a local cooperative association of farmers and ranchers.
Gail D. Hall	51		1994	5	General Manager--Lexington Cooperative Oil Company, Lexington, Nebraska, a local cooperative association of farmers and ranchers.
Barry Jensen	48		1993	3	Farmer--White River, South Dakota. Since May 1989 Mr. Jensen has served as President of Farmers Co-op Oil Association, Winner, South Dakota, a local cooperative association of farmers and ranchers.
Robert Merkle	64		1994	11	Farmer--Ashkum, Illinois and a Director of Tri Central Co-op, Ashkum, Illinois, a local cooperative assoc-
Greg Pfenning	44		1994	1	Farmer--Hobart, Oklahoma
Vonn Richardson	60		1993	6	Farmer--Plains, Kansas. President of The Plains Equity Exchange and Cooperative Union, Plains,
Monte Romohr	40		1993	3	Farmer--Gresham, Nebraska. In March 1988, Mr. Romohr became President of Farmers Co-op
Paul Ruedinger	63		1995	10	Farmer--Van Dyne, Wisconsin. Prior to March 1989, he was President of Agri-land Co-op, Fond DuLac, Wisconsin, a local cooperative association of farmers and ranchers.

Raymond J. Schmitz	62	1993	1	Farmer--Baileyville, Kansas.
Dale Stenerson	58	1993	3	Farmer -- Hillsboro, North Dakota.
Theodore J. Wehrbein	48	1995	7	Farmer--Plattsmouth, Nebraska. Past Director of Newawka Farmers Cooperative Company, Nehawka, Nebraska, a local cooperative association of farmers and ranchers, having served as Secretary of the Board of Directors from December 1985 to January 1989.
Robert Zinkula	63	1993	3	Farmer--Mount Vernon, Iowa. Secretary and Treasurer of Linn Cooperative Oil Company, Marion, Iowa, a local cooperative association of farmers and ranchers.

<FN>

</TABLE>

Directors are elected for a term of three years by the shareholders of Farmland at its annual meeting. The expiration dates for such three-year terms are sequenced so that about one-third of Farmland's Board of Directors is elected each year. H. D. Cleberg is serving as director-at-large; the remaining twenty-one directors were elected from nine geographically defined districts in Farmland's territory. The executive committee consists of Willard Engel, Robert Merkle, Otis Molz, Paul Ruedinger, Albert Shivley, and H. D. Cleberg. The audit committee consists of Willard Engel, Steven Erdman, Greg Pfenning, Vonn Richardson and Raymond Schmitz.

The executive officers of Farmland are:

Name	Age as of August 31, 1993	Principal Occupation and Other Positions
J. F. Berardi	50	Executive Vice President and Chief Financial Officer - Mr. Berardi joined Farmland March 1, 1992 to serve in his present position. Mr. Berardi served as Executive Vice President and Treasurer of Harcourt Brace Jovanovich, Inc., a diversified Fortune 200 company, and was a member of its Board of Directors from 1988 until 1990. From 1986 to 1989 Mr. Berardi served as Senior Vice President and Chief Financial Officer of Harcourt Brace Jovanovich, Inc.
H. D. Cleberg	54	President and Chief Executive Officer - Mr. Cleberg has been with Farmland since 1968. He was appointed to his present position effective April 1991. From September 1990 to March 1991 he served as Senior Vice President and Chief Operating Officer. From April 1989 to August 1990 he served as Executive Vice President, Operations. From October 1987 to March 1989 he served as Vice President and General Manager, Fertilizer and Ag Chemicals Operations, and from July 1986 to September 1987 he served as President, Farmland Foods. Prior to July 1986 he held several executive management positions, most recently Vice President, Field Services and Operations Support.
S. P. Dees	50	President and General Manager of Farmland Industrias, S.A. de C.V. - Mr. Dees was appointed to his present

position in September 1993. From October 1990 to September 1993 he served as Executive Vice President, Administrative Group and General Counsel. Mr. Dees joined Farmland in October 1984, serving as Vice President and General Counsel, Law and Administration until September 1990. He was a partner in the law firm of Stinson, Mag and Fizzell, Kansas City, Missouri, from 1971 until his employment by Farmland.

G. E. Evans 49 Senior Vice President, Agricultural Production Marketing/Processing - Mr. Evans has been with Farmland since 1971. He was appointed to his present position in January 1992. From April 1991 to January 1992 he served as Senior Vice President, Agricultural Inputs. He served as Executive Vice President, Agricultural Marketing from October 1990 to March 1991. He served as Executive Vice President, Operations from January 1990 to September 1990. He served as Vice President, Farmland Industries and President, Farmland Foods from October 1987 to December 1989. He served as Vice President and General Manager, Feed Operations from June 1986 to September 1987, and from May 1983 to June 1986 he served as Vice President, Feed Operations.

R. W. Honse 50 Executive Vice President, Agricultural Inputs Operations - Mr. Honse has been with Farmland since September 1983. He was appointed to his present position in January 1992, and served as Executive Vice President, Agricultural Operations from October 1990 to January 1992. From April 1989 to September 1990, he served as Vice President and General Manager, Fertilizer and Agricultural Chemicals Operations. From July 1986 to March 1989 he served as General Manager of the Florida phosphate fertilizer complex.

B. L. Sanders 52 Vice President and Corporate Secretary - Dr. Sanders has been with Farmland since 1968. He was appointed to his present position in September 1991. From April 1990 to September 1991 he served as Vice President, Strategic Planning and Development. From October 1987 to March 1990 he served as Vice President, Planning. From July 1986 to September 1987 he served as Director, Management Information Services. From July 1984 to June 1986 he served as Executive Director, Corporate Strategy and Research and from 1968 to June 1984, as Executive Director, Economic and Market Research.

EXECUTIVE COMPENSATION

<TABLE>

The following table sets forth the annual compensation awarded to, earned by, or paid to the Chief Executive Officer and the Company's next four most highly compensated executive officers for services rendered to the Company in all capacities during 1993, 1992 and 1991.

<CAPTION>

Annual Compensation

Name and Principal Position	Year Ending August 31	Salary	Employee Variable Compensation Plan
<S>	<C>	<C>	<C>
H. D. Cleberg,	1993	$ 433,506	
President and	1992	$ 408,972	$185,745
Chief Executive Officer	1991	$ 293,440	
G. E. Evans,	1993	$ 278,304	
Senior Vice President	1992	$ 255,900	$114,257
Agricultural Production	1991	$ 205,270	
Marketing/Processing			
R. W. Honse,	1993	$ 231,964	
Executive Vice President	1992	$ 204,686	$ 94,433
Agricultural Inputs Operations	1991	$ 158,503	
J. F. Berardi,	1993	$ 206,016	
Executive Vice President	1992	$ 100,008	$ 28,075
and Chief Financial Officer	1991	$ (a)	
S. P. Dees,			
President and General	1993	$ 205,366	
Manager of Farmland	1992	$ 195,738	$ 51,521
Industrias, S.A. de C. V.	1991	$ 187,249	

(a) Mr. Berardi joined Farmland March 1, 1992.
</TABLE>

An Annual Employee Variable Compensation Plan, a Long-Term Management Incentive Plan, and an Executive Deferred Compensation Plan have been established by the Company to meet the competitive salary programs of other companies, and to provide a method of compensation which is based on the Company's performance.

Under the Company's Annual Employee Variable Compensation Plan, all regular salaried employees are eligible to receive an annual cash bonus that is based on the employee's position, income before extraordinary items of the Company, and income or other performance criteria of the individual's operating unit. Amounts

accrued under this plan for the years ended August 31, 1993, 1992 and 1991 amounted to $-0-, $10,033,000 and $-0-, respectively. Distributions under this plan are made annually after the close of each fiscal year.

Under the Long-Term Management Incentive Plan, the Company's executive management employees are paid cash bonus amounts determined by a formula which takes into account the level of management and the average annual net income of the Company over a three-year period. The current Long-Term Management Incentive Plan ends August 31, 1996. The Company's performance did not reach a level where incentive was earned under the Long-Term Management Incentive Plan that covered the three-year period ended August 31, 1993. As a result, operations in 1993 were credited by $2,463,000 to reverse provisions for management incentive awards previously charged against operations in 1992 and 1991 ($1,171,000 and $1,292,000, respectively).

The Company's Executive Deferred Compensation Plan permits executive employees to defer part of their salary and/or part or all of their bonus compensation. The amount to be deferred and the period for deferral is specified by an election made semi-annually. Payments of deferred amounts shall begin at the earlier of the end of the specified deferral period, retirement, disability or death. The employee's deferred account balance is credited annually with interest at the highest rate of interest paid by the Company on any subordinated debt certificate sold during the year. Payment of an employee's account balance shall, at the employee's election, be a lump sum or in ten annual installments. Amounts accrued pursuant to the plan for the accounts of the named individuals during the fiscal years 1993, 1992 and 1991 are included in the cash compensation table.

The Company established Farmland Industries, Inc. Employee Retirement Plan in 1986 for all employees whose customary employment is at the rate of at least 1000 hours per year. Participation in this plan is optional prior to age 34, but mandatory thereafter. Approximately 6,480 active and 6,900 inactive employees were participants in the plan on August 31, 1993. The plan is funded by employer and employee contributions to provide lifetime retirement income at normal retirement age 65, or a reduced income beginning as early as age 55. The Retirement Plan has been determined qualified under the Internal Revenue Code. The plan is administered by a committee appointed by the Board of Directors of Farmland, and all funds of the plan are held by a bank trustee in accordance with the terms of the trust agreement. It is the present intent to continue this plan indefinitely. Payments to participants in the plan are based upon length of participation and compensation (limited to $235,840 annually for any employee) reported to the plan for the four highest of the last ten years of employment. The plan also contains provisions for death and disability benefits. The Company made no contributions to the plan in 1993, 1992 and 1991. At August 31, 1993 (based upon the Plan's funded status as of May 31, 1993), the present value of the accumulated benefit obligation was $130,163,000 and the estimated fair value of plan assets was $212,647,000.

In 1982, the Tax Equity and Fiscal Responsibility Act (TEFRA) imposed a maximum retirement benefit which may be paid by a qualified retirement plan. At the present time, that limit is $115,641.

<TABLE>

The following table sets forth the estimated annual benefits payable at age 65 for members of the Retirement Plan, which benefits are not reduced by virtue of Social Security payments:

<CAPTION>

Remuneration	Years of Service			
Salaries	15	20	25	30
<S>	<C>	<C>	<C>	<C>
$100,000.........................	$26,250	$ 35,000	$ 43,750	$ 52,500
125,000.........................	32,812	43,750	54,687	65,625
150,000.........................	39,375	52,500	65,625	78,750
175,000.........................	45,937	61,250	76,562	91,875
200,000.........................	52,500	70,000	87,500	105,000
225,000.........................	59,062	78,750	98,437	118,125*
250,000.........................	65,625	87,500	109,375	131,250*
275,000.........................	72,187	96,250	120,312*	144,375*
300,000.........................	78,750	105,000	131,250*	157,500*

<FN>

*Exceeds the actual amount which can be paid pursuant to the present limitations of TEFRA.

</TABLE>

Subject to the $235,840 maximum limit on annual compensation which may be covered by a qualified pension plan, amounts included in the cash compensation table do not vary substantially from the compensation covered by the pension plan.

CERTAIN TRANSACTIONS

The Company transacts business in the ordinary course with its directors and with its local cooperative members with which the directors are associated on terms no more favorable than those available to its other local cooperative members.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

No person owns of record or is known to own beneficially more than five percent of Farmland's equity securities.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company transacts business in the ordinary course with its directors and with its local cooperative members with which the directors are associated on terms no more favorable than those available to its other local cooperative members.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(A) Listing of Financial Statements, Financial Statement Schedules and Exhibits

(1) Financial Statements

Independent Auditors' Report
Consolidated Balance Sheets, August 31, 1993 and 1992
Consolidated Statements of Operations for each of the years in the three-year period ended August 31, 1993
Consolidated Statements of Cash Flows for each of the years in the three-year period ended August 31, 1993
Consolidated Statements of Capital Shares and Equities for each of the years in the three-year period ended August 31, 1993
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Farmland Industries, Inc. and Subsidiaries for each of the years in the three-year period ended August 31, 1993:

V--Property, Plant and Equipment

VI--Accumulated Depreciation and Amortization of Property, Plant and Equipment

IX--Short-term Borrowings

X--Supplementary Income Statement Information

All other schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(3) Exhibits

Articles of Incorporation and Bylaws:

3.A Articles of Incorporation and Bylaws of Farmland Industries, Inc. effective August 30, 1990. (Incorporated by Reference - Form SE, filed November 21, 1990)

Instruments Defining the Rights of Owners of the Debt Securities Being Registered:

4.A(1) Trust Indenture dated November 20, 1981, as amended January 4, 1982, including specimen of Demand Loan Certificates. (Incorporated by Reference - Form S-1, No.2-75071, effective January 7, 1982)

4.A(2) Trust Indenture dated November 8, 1984, as amended January 3, 1985, including specimen of 20-year Subordinated Capital Investment Certificates. (Incorporated by Reference - Form S-1, No.2-94400, effective December 31, 1984)

4.A(2)(1) Amendment Number 2, dated December 3, 1991, to Trust Indenture dated November 8, 1984 as amended January 3, 1985, covering Farmland Industries, Inc.'s 20-Year Subordinated Capital Investment Certificates (Incorporated by Reference - Form SE, filed December 3-2, 1991)

4.A(3) Trust Indenture dated November 8, 1984, as amended January 3, 1985, including specimen of 10-year Subordinated Capital Investment Certificates. (Incorporated by Reference - Form S-1, No.2-94400, effective December 31, 1984)

4.A(3)(1) Amendment Number 2, dated December 3, 1991, to Trust Indenture dated November 8, 1984 as amended January 3, 1985, covering Farmland Industries, Inc.'s 10-Year Subordinated Capital Investment Certificates. (Incorporated by Reference -

Form SE, filed December 3-3, 1991)

4.A(4) Trust Indenture dated November 8, 1984, as amended January 3, 1985, including specimen of 5-year Subordinated Capital Investment Certificates. (Incorporated by Reference - Form S-1, No.2-94400, effective December 31, 1984)

4.A(4)(1) Amendment Number 2, dated December 3, 1991, to Trust Indenture dated November 8, 1984 as amended January 3, 1985, covering Farmland Industries, Inc.'s 5-Year Subordinated Capital Investment Certificates. (Incorporated by Reference - Form SE, filed December 3-4, 1991)

4.A(5) Trust Indenture dated November 8, 1984, as amended January 3, 1985 and November 20, 1985, including specimen of 10-year Subordinated Monthly Income Capital Investment Certificates. (Incorporated by Reference - Form S-1, No. 2-94400, effective December 31, 1984)

4.A(6) Trust Indenture dated November 11, 1985 including specimen of the 5-year Subordinated Monthly Income Capital Investment Certificates. (Incorporated by Reference - Form S-1, No. 33-1970, effective December 31, 1985)

Instruments Defining Rights of Owners of Indebtedness not Registered:

4.B(1) National Bank for Cooperatives Master Loan Agreement for Farmland Industries, Inc., dated April 23, 1993. (Incorporated by Reference - Form 10-Q, filed July 14, 1993)

4.B(2) List identifying contents of all omitted schedules referenced in and not filed with, the National Bank for Cooperatives Master Loan Agreement for Farmland Industries, Inc. (Incorporated by Reference - Form 10-Q, filed July 14, 1993)

Material Contracts:

Lease Contracts:

10.A(1) The First National Bank of Chicago, not individually but solely as Trustee for FNBC Leasing Corporation, the First Chicago Leasing Corporation, The Boatmen's National Bank of St. Louis, Firstier Bank, N.A., and Norwest Bank Minnesota, National Association and Farmland Industries, Inc. consummated a leveraged lease in the amount of $73,153,000 dated September 6, 1991. (Incorporated by Reference - Form SE, filed December 3-1, 1991.)

10.A(2) Iowa-Des Moines National Bank as Trustee for Citicorp Lescaman as Owner-Participant and Farmland Industries, Inc. consummated a leveraged lease in the amount of $18,774,476 dated June 15, 1975. (Incorporated by Reference - Form S-1, No.2-57765, effective January 10, 1977)

10.A(3) The First National Bank of Commerce as Trustee for General Electric Credit Corporation as Beneficiary and Farmland Industries, Inc. consummated a leveraged lease in the amount of $51,909,257.90 dated March 17, 1977. (Incorporated by Reference - Form S-1, No.2-60372, effective December 22, 1977)

Management Remunerative Plans Filed Pursuant to Item 14C of this Report.

10.(iii)(A) Annual Employee Variable Compensation Plan (September 1, 1993 - August 31, 1994)

10.(iii)(A) Farmland Industries, Inc. Management Long-Term Incentive Plan (Effective September 1993)

10.(iii)(A) Farmland Industries, Inc. Executive Deferred Compensation Plan (Incorporated by Reference - Form SE, filed November 23, 1987)

22. Subsidiaries of the Registrant

Farmland Foods, Inc., a 99%-owned subsidiary, was incorporated under the laws of the State of Kansas. Farmland Foods, Inc. has been included in the consolidated financial statements filed in this registration.

Farmland Insurance Agency, a wholly-owned subsidiary, was incorporated under the laws of the State of Missouri. Farmland Insurance Agency has been included in the consolidated financial statements filed in this registration.

Farmers Chemical Company, a wholly-owned subsidiary, was incorporated under the laws of the State of Kansas. Farmers Chemical Company has been included in the consolidated financial statements filed in this registration.

Farmland Securities Company, a wholly-owned subsidiary, was incorporated under the laws of the State of Delaware. Farmland Securities Company has been included in the consolidated financial statements filed in this registration.

Cooperative Service Company, a wholly-owned subsidiary, was incorporated under the laws of the State of Nebraska. Cooperative Service Company has been included in the consolidated financial statements filed in this registration.

Double Circle Farm Supply Company, a wholly-owned subsidiary, was incorporated under the laws of the State of Nevada. Double Circle Farm Supply Company has been included in the consolidated financial statements filed in this registration.

National Beef Packing Company, L.P., a 58%-owned subsidiary, was incorporated under the laws of the State of Delaware. National Beef Packing Company has been included in the consolidated financial statements included in this registration.

Farmland Financial Services Company, a wholly-owned subsidiary, was incorporated under the laws of the State of Kansas. Farmland Financial Services Company has been included in the consolidated financial statements included in this registration.

Farmland Transportation, Inc., a wholly-owned subsidiary, was incorporated under the laws of the State of Missouri. Farmland Transportation, Inc. has been included in the consolidated financial statements included in this registration.

Environmental and Safety Services, Inc., a wholly-owned subsidiary, was incorporated under the laws of the State of Missouri. Environmental and Safety Services, Inc. has been included in the consolidated financial statements included in this registration.

Penterra, Inc., a 81%-owned subsidiary, was incorporated under the laws of the State of Kansas. Penterra, Inc. has been included in the consolidated financial statements included in this registration.

Farmland Industries, Ltd., a wholly-owned subsidiary, was incorporated under the laws of the United States Virgin Islands. Farmland Industries, Ltd. has been included in the consolidated financial statements included in this registration.

Heartland Data Services, Inc., a wholly-owned subsidiary, was incorporated under the laws of the State of Kansas. Heartland Data Services, Inc. has been included in the consolidated financial statements included in this registration.

Yuma Feeder Pig, Inc., a 72%-owned subsidiary, was incorporated under the laws of the state of Colorado. Yuma Feeder Pig, Inc. has been included in the consolidated financial statements included in this registration.

Equity Country, Inc., a wholly-owned subsidiary, was incorporated under the laws of the State of Delaware. Equity Country, Inc. has been included in the consolidated financial statements included in this registration.

Equity Export Oil and Gas Company, Inc., a wholly-owned subsidiary, was incorporated under the laws of the State of Oklahoma. Equity Export Oil and Gas Company, Inc. has been included in the consolidated financial statements included in this registration.

Uneco Investor Services, Inc., a wholly-owned subsidiary, was incorporated under the laws of the State of Delaware. Uneco Investor Services, Inc. has been included in the consolidated financial statements included in this registration.

24. Power of Attorney

(B) Reports on Form 8-K

A Form 8-K was filed September 15, 1993, pursuant to Item 2 of the Form 8-K, as a result of the disposition of The Cooperative Finance Association. Financial statements filed with the Form 8-K:

a) Unaudited pro forma statements of operations for the year ended August 31, 1992 and the nine months ended May 31, 1993;

b) Unaudited pro forma balance sheet as of May 31, 1993; and

c) Notes to unaudited pro forma financial statements.

(C) Exhibits

The exhibits required by Item 601 of Regulation S-K are filed herewith or have been filed with the Securities and Exchange Commission and are incorporated by reference as part of this Form 10-K. See Item 14(A)(3).

(D) Financial Statement Schedules required by Regulation are filed herewith: See Item 14(A)(2).

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED AUGUST 31, 1993

<CAPTION>

Classification	Balance September 1, 1992	Additions at Cost	Retirements or Sales	Other Charges Add/ (Deduct)	Balance August 31, 1993
	(Amounts in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Land and Land Improvements........	$ 11,437	$ 880	$ 1,043	$ 551	$ 11,825
Site Improvements.................	15,308	10,087	96	1,579	26,878
Buildings.........................	193,215	34,531	9,806	(2,520)	215,420
Machinery and Equipment...........	593,014	77,998	11,409	(4,486)	655,117
Furniture and Fixtures............	37,850	7,251	1,491	1,795	45,405
Automotive Equipment..............	46,324	6,459	2,032	428	51,179
Mining Properties.................	26,569	217	-0-	-0-	26,786
Fertilizer Properties.............	48,695	-0-	-0-	-0-	48,695
Construction and Acquisitions in Progress(a)..................	53,812	3,432	-0-	(2)	57,242
Leasehold Improvements............	10,215	5,745	158	(6)	15,796
Total Property, Plant and Equipment...................	$1,036,439	$ 146,600	$26,035	$ (2,661)	$1,154,343

<FN>
(a) Construction and acquisitions in progress reflects the net change for the period after transfers to other classifications.
</TABLE>

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED AUGUST 31, 1992

<CAPTION>

Classification	Balance September 1, 1991	Additions at Cost	Other Charges Retirements or Sales	Balance Add/ (Deduct)	August 31, 1992
	(Amounts in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Land and Land Improvements........	$ 12,560	$ 2,618	$ 3,534	$ (207)	$ 11,437
Site Improvements.................	19,751	425	6,146	1,278	15,308
Buildings.........................	154,062	50,132	10,217	(762)	193,215
Machinery and Equipment...........	711,751	35,653	151,368	(3,022)	593,014
Furniture and Fixtures............	37,166	5,462	5,264	486	37,850
Automotive Equipment..............	44,328	8,071	5,852	(223)	46,324
Mining Properties.................	82,672	-0-	54,826	(1,277)	26,569
Fertilizer Properties.............	49,544	-0-	849	-0-	48,695
Construction and Acquisitions in Progress(a)..................	35,207	24,821	4,574	(1,642)	53,812
Leasehold Improvements............	9,465	749	-0-	1	10,215
Total Property, Plant and Equipment...................	$1,156,506	$ 127,931	242,630	$ (5,368)	$1,036,439

<FN>
(a) Construction and acquisitions in progress reflects the net change for the period after transfers to other classifications.
</TABLE>

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE V--PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED AUGUST 31, 1991

<CAPTION>

Classification	Balance September 1, 1990	Additions at Cost	Other Charges Retirements or Sales	Balance Add/ (Deduct)	August 31, 1991
	(Amounts in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Land and Land Improvements........	$ 12,778	$ 309	$ 399	$ (128)	$ 12,560
Site Improvements.................	18,747	1,443	450	11	19,751
Buildings.........................	150,125	13,941	9,029	(975)	154,062
Machinery and Equipment...........	636,238	95,399	19,146	(740)	711,751
Furniture and Fixtures............	31,500	4,826	1,019	1,859	37,166
Automotive Equipment..............	46,652	2,977	5,247	(54)	44,328
Mining Properties.................	82,510	263	-0-	(101)	82,672
Fertilizer Properties.............	49,539	5	-0-	-0-	49,544
Construction and Acquisitions in Progress(a)..................	75,111	(40,087)	-0-	183	35,207
Leasehold Improvements............	4,422	5,044	-0-	(1)	9,465
Total Property, Plant and Equipment..................	$1,107,622	$ 84,120	$35,290	$ 54	$1,156,506

<FN>
(a) Construction and acquisitions in progress reflects the net change for the period after transfers to other classifications.
</TABLE>

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE VI--ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED AUGUST 31, 1993

<CAPTION>

Additions
Charged to Other

Classification	Balance September 1, 1992	Profit and Loss of Income	Retirements, Renewals and Replacements	Charges Add/ (Deduct)	Balance August 31, 1993
			(Amounts in Thousands)		
Land Improvements	$ 153	$ 1	$ -0-	$ -0-	$ 154
Site Improvements	10,377	2,439	94	(26)	12,696
Buildings	69,907	7,832	875	(1,482)	75,382
Machinery and Equipment(a)	418,331	28,720	10,499	20,393	456,945
Furniture and Fixtures	21,537	6,398	1,333	1,103	27,705
Automotive Equipment	32,827	4,366	1,474	76	35,795
Fertilizer Properties	34,094	3,199	78	1	37,216
Construction and Acquisitions in Progress(b)	-0-	-0-	-0-	-0-	-0-
Leasehold Improvements	3,211	872	11	-0-	4,072
Totals	$590,437	$53,827	$14,364	$20,065	$649,965

<FN>

(a) Based on negotiations with potential purchasers, the carrying values of the Coffeyville, Kansas refinery and a dragline were reduced by adjusting accumulated depreciation by $17,622,000 and $6,155,000, respectively.

(b) Construction and acquisitions in progress reflects the net change for the period after transfers to other classifications.

NOTE: The following percentages are used for computing depreciation:

Land Improvements	6 to 10%
Site Improvements	3 to 30%
Buildings	2 to 10%
Machinery and Equipment	3 to 20%
Furniture and Fixtures	10 to 20%
Automotive Equipment	10 to 33%
Leasehold Improvements	4 to 6%
Fertilizer Properties	6 to 7%

</TABLE>

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE VI--ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED AUGUST 31, 1992

<CAPTION>

Classification	Balance September 1, 1991	Additions Charged to Profit and Loss of Income	Retirements, Renewals and Replacements	Other Charges Add/ (Deduct)	Balance August 31, 1992
		(Amounts in Thousands)			
Land Improvements	$ 153	$ 1	$ -0-	$ (1)	$ 153
Site Improvements	13,666	676	3,968	3	10,377
Buildings	72,369	5,810	8,261	(11)	69,907
Machinery and Equipment	488,684	29,592	98,262	(1,683)	418,331
Furniture and Fixtures	22,075	3,738	5,486	1,210	21,537
Automotive Equipment	32,293	3,149	2,626	11	32,827
Fertilizer Properties	34,066	3,591	3,563	-0-	34,094
Construction and Acquisitions					

in Progress(a)..................	113	-0-	-0-	(113)	-0-
Leasehold Improvements...........	2,375	836	-0-	-0-	3,211
Totals.................	$665,794	$47,393	122,166	$ (584)	$590,437

<FN>
(a) Construction and acquisitions in progress reflects the net change for the period after transfers to other classifications.

NOTE: The following percentages are used for computing depreciation:

Land Improvements...........................	6 to 10%
Site Improvements...........................	3 to 30%
Buildings...................................	2 to 10%
Machinery and Equipment......................	3 to 20%
Furniture and Fixtures......................	10 to 20%
Automotive Equipment........................	10 to 33%
Leasehold Improvements........................	4 to 6%
Fertilizer Properties.........................	6 to 7%

</TABLE>

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE VI--ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED AUGUST 31, 1991

<CAPTION>

Classification	Balance September 1, 1990	Additions Charged to Profit and Loss of Income	Retirements, Renewals and Replacements	Other Charges Add/ (Deduct)	Balance August 31, 1991
	(Amounts in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Land Improvements.................	$ 149	$ 3	$ -0-	$ 1	$ 153
Site Improvements.................	13,160	878	323	(49)	13,666
Buildings.........................	71,094	5,640	4,011	(354)	72,369
Machinery and Equipment...........	471,149	33,404	16,732	863	488,684
Furniture and Fixtures............	17,856	5,143	915	(9)	22,075
Automotive Equipment..............	32,505	2,764	2,911	(65)	32,293
Fertilizer Properties.............	30,201	3,865	-0-	-0-	34,066
Construction and Acquisitions					
in Progress(a)..................	113	-0-	-0-	-0-	113
Leasehold Improvements............	1,685	690	-0-	-0-	2,375
Totals.................	$637,912	$52,387	$24,892	$ 387	$665,794

<FN>
(a) Construction and acquisitions in progress reflects the net change for the period after transfers to other

classifications.

NOTE: The following percentages are used for computing depreciation:

Land Improvements	6 to 10%
Site Improvements	3 to 30%
Buildings	2 to 10%
Machinery and Equipment	3 to 20%
Furniture and Fixtures	10 to 20%
Automotive Equipment	10 to 33%
Leasehold Improvements	4 to 6%
Fertilizer Properties	6 to 7%

</TABLE>

<TABLE>

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

SCHEDULE IX--SHORT-TERM BORROWINGS

<CAPTION>

(Dollars in Thousands)

Category of Aggregate Short-Term Borrowings	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During the Period	Average Amount Outstanding During the Period	Weighted Average Interest Rate During the Period
<S>	<C>	<C>	<C>	<C>	<C>
August 31, 1993:					
Demand Loan Certificates	$ 29,860	3.8%	$ 46,403	$ 35,002	4.3%
Bank Debt	$ 268,783	4.1%	$ 370,726	$ 348,230	4.2%
August 31, 1992:					
Demand Loan Certificates	$ 43,084	5.5%	$ 58,684	$ 50,516	6.3%
Bank Debt	$ 200,072	4.5%	$ 200,822	$ 174,397	5.3%
August 31, 1991:					
Demand Loan Certificates	$ 56,796	7.0%	$ 58,896	$ 55,144	7.6%
Bank Debt	$ 164,844	6.4%	$ 191,019	$ 158,038	7.5%

<FN>
(1) The weighted average interest rate was calculated by dividing an interest amount on short-term borrowings by the average daily balance of short-term borrowings during the period.
</TABLE>

<TABLE>

SCHEDULE X--SUPPLEMENTARY INCOME STATEMENT INFORMATION

<CAPTION>

Charged to Costs and Expenses

For the Year Ended August 31

(Amounts in Thousands)

Item	1993	1992	1991
<S>	<C>	<C>	<C>
1. Maintenance and repairs	$ 61,273	$ 50,252	$ 66,607

<FN>

NOTE: All other items required by Schedule X are excluded as such items are less than one (1) percent of total sales for each of the years presented.

</TABLE>

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT, FARMLAND INDUSTRIES, INC. HAS DULY CAUSED THIS FORM 10-K TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED IN THE CITY OF KANSAS CITY, STATE OF MISSOURI ON NOVEMBER 29, 1993.

FARMLAND INDUSTRIES, INC.

BY H. D. Cleberg

H. D. Cleberg
President and Chief Executive Officer

BY John F. Berardi

John F. Berardi
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Form 10-K has been signed for the following persons on the date indicated pursuant to valid Power of Attorney executed on October 21, 1993.

Signature	Title	Date
ALBERT J. SHIVLEY Albert J. Shivley	Chairman of Board, Director	November 29, 1993
OTIS H. MOLZ Otis H. Molz	Vice Chairman of Board, Director	November 29, 1993
LYMAN ADAMS Lyman Adams	Director	November 29, 1993
RONALD J. AMUNDSON Ronald J. Amundson	Director	November 29, 1993
BAXTER ANKERSTJERNE Baxter Ankerstjerne	Director	November 29, 1993
JODY BEZNER Jody Bezner	Director	November 29, 1993
RICHARD L. DETTEN Richard L. Detten	Director	November 29, 1993
WILLARD ENGEL Willard Engel	Director	November 29, 1993
STEVEN ERDMAN	Director	November 29, 1993

Steven Erdman

BEN GRIFFITH	Director	November 29, 1993
Ben Griffith		
GAIL D. HALL	Director	November 29, 1993
Gail D. Hall		
BARRY JENSEN	Director	November 29, 1993
Barry Jensen		
ROBERT MERKLE	Director	November 29, 1993
Robert Merkle		
GREG PFENNING	Director	November 29, 1993
Greg Pfenning		
VONN RICHARDSON	Director	November 29, 1993
Vonn Richardson		
MONTE ROMOHR	Director	November 29, 1993
Monte Romohr		
PAUL RUEDINGER	Director	November 29, 1993
Paul Ruedinger		
RAYMOND J. SCHMITZ	Director	November 29, 1993
Raymond J. Schmitz		
DALE STENERSON	Director	November 29, 1993
Dale Stenerson		
THEODORE J. WEHRBEIN	Director	November 29, 1993
Theodore J. Wehrbein		
ROBERT ZINKULA	Director	November 29, 1993
Robert Zinkula		