FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2000-11-22** | Period of Report: **2000-08-31**
SEC Accession No. 0000034616-00-000031

FILER

FARMLAND INDUSTRIES INC

CIK:**34616**| IRS No.: **440209330** | State of Incorp.:**KS** | Fiscal Year End: **0831**
Type: **10-K** | Act: **34** | File No.: **001-11629** | Film No.: **775593**
SIC: **2011** Meat packing plants

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2000

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 Incorporation or Organization)	(I.R.S. Employer Identification No.)
3315 North 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 (Section 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. [X]

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

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PART I

ITEMS 1 AND 2. BUSINESS AND PROPERTIES

THE COMPANY

Farmland Industries, Inc., founded in 1929 and formally incorporated in Kansas in 1931, is a farm supply and a processing and marketing cooperative. Its principal executive offices are at 3315 North Oak Trafficway, Kansas City, Missouri 64116 (telephone 816-459-6000). Farmland has grown from revenues of $310,000 during its first year of operation to approximately $12.2 billion during 2000. Unless the context requires otherwise, (i) "Farmland", "we", "us", or "our" refers to Farmland Industries, Inc. and its consolidated subsidiaries, (ii) all references to "year" or "years" are to fiscal years ended August 31, and (iii) the term "member" means (a) any voting member, (b) any associate member, or (c) any other person with which Farmland is a party to a currently effective patronage refund agreement (a "patron"). See "Business and Properties - Business - Patronage Refunds and Distribution of Annual Earnings."

Recent Developments

During the past three years, domestic agriculture producers generally have experienced difficult economic pressures as a result of depressed grain prices. This decline in farm income adversely affected the demand for plant foods, resulting in significant income declines for our crop production business. During the last half of 2000, demand for plant foods began to increase, which helped support plant food prices. However, over the last half of 2000, we experienced a significant and rapid increase in natural gas prices. As natural gas comprises approximately 80% of the total production cost of nitrogen-based plant foods, this recent development has largely offset the favorable impact of firmer nitrogen-based plant food prices. The reduction in income and cash flow from our crop production business combined with continued investments in our other businesses has resulted increased leverage.

Our management recognizes that reversing the negative financial trends of the recent past requires action. Accordingly, our Board and senior management have jointly reviewed and revised our strategic plan. Based upon this revision, we are actively:

- reviewing our organizational structure;
- assessing our portfolio of businesses
- businesses which are not central to our revised strategic plan will be considered for placement in a venture or disposition;
- we may enter into new business areas;
- developing new strategies to leverage our brand values;
- examining strategies for expanding our alliances with other cooperatives; and
- assigning responsibility to ensure we receive maximum returns from our current joint ventures.

Our goal is to generate additional earnings and cash, with a view to enabling us to: o reduce our debt level and our Credit Facility needs and o achieve an investment grade rating on senior debt securities from a nationally recognized statistical rating organization.

Membership

Farmland operates on a cooperative basis and is primarily owned by its members. Requirements for membership in the cooperative are established by the Articles of Incorporation of Farmland and by the Board of Directors.

As of August 31, 2000, Farmland's membership, associate membership and holders of capital credits consisted of approximately 2,000 cooperative associations of farmers and ranchers and 8,700 pork or beef producers or associations of such producers. See "Business and Properties - Business - Patronage Refunds and Distribution of Annual Earnings."

BUSINESS

General

In terms of revenue, Farmland is one of the largest cooperatives in the United States. In 2000, we had sales of $12.2 billion including export sales of approximately $2.8 billion to customers worldwide. Substantially all of our international sales are invoiced and collected in U.S. Dollars.

We conduct business primarily in two operating areas. First, on the input side of the agricultural industry, we operate as a farm supply cooperative. Second on the output side of the agricultural industry, we operate as a processing and marketing cooperative.

Our farm supply operations consist of three principal product divisions: crop production, petroleum, and feed. Principal products of the crop production division are nitrogen and phosphate-based fertilizers ("plant foods") and a complete line of insecticides, herbicides and mixed chemicals. Principal products of the petroleum division are refined fuels, propane and by-products of petroleum refining. Principal products of the feed division include swine, dairy, pet, beef, poultry, mineral and specialty feeds, feed ingredients and supplements, animal health products and livestock services. We manufactured approximately 28% of the dollar value of our sales of farm supply products in 2000. Approximately 64% of the farm supply products we sold in 2000 were at wholesale to farm cooperative associations which are members of Farmland, and who, in turn, distribute these products primarily to farmers and ranchers.

The output side of our business consists of the processing and marketing of pork and beef and the storage and marketing of grain. In 2000, approximately 71% of the hogs processed, 39% of the cattle processed and 66% of the domestic grain marketed by us were supplied to us by our members. Substantially all the pork and beef products we sold in 2000 was processed in plants we own.

No material part of the business of any segment of Farmland is dependent on a single customer or a few customers. Financial information about our industry segments is presented in Note 11 of the Notes to Consolidated Financial Statements.

The principal businesses of Farmland have been highly seasonal. Historically, the majority of sales of crop production products occur in the spring. Sales in grain marketing historically have been concentrated in the summer and fall, and summer is the lowest sales period for the feed business.

Farmland competes for market share with numerous participants of various sizes and with various levels of vertical integration, product and geographical diversification. Competitors in the crop production industry include global producers of nitrogen- and phosphate-based fertilizers, major chemical companies, and product importers and brokers. In the petroleum industry, competitors include major oil companies, independent refiners, and product brokers. The feed, grain, and meats industries are comprised of a large variety of competitive participants.

Business Risk Factors

Environmental Matters

Farmland is subject to various stringent federal, state and local environmental laws and regulations, including those governing the use, storage, discharge and disposal of hazardous materials, which may impose liability for cleanup of environmental contamination. Farmland uses hazardous materials and generates hazardous wastes in the ordinary course of our manufacturing processes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Financial Conditions Liquidity and Capital Resources - Matters Involving the Environment."

External Risk Factors That May Affect Farmland

Farmland's revenues, margins, net income and cash flow may be volatile due to factors beyond our control. External factors that affect agricultural conditions and Farmland's results of operations include:

1. **Regulatory:** Farmland's ability to grow through acquisitions and investments in ventures can be adversely affected by regulatory delays or other unforeseen factors beyond our control. Various federal and state regulations can affect the amount of crop nutrient and crop protection products used.

2. **Competition:** Competitors may have better access to equity capital markets and may offer more varied products or possess greater resources than Farmland.

3. **Imports and Exports:** Factors which affect the level of agricultural products imported or exported including foreign trade and monetary policies, laws and regulations, political and governmental changes, inflation and exchange rates, taxes, operating conditions and world demand. Fluctuations in the level of agricultural product imports and exports will likely impact our operations.

4. **Weather:** Weather conditions, both domestic and global, affect Farmland's operations. Weather conditions may either increase or decrease demand. Changes in demand affect selling prices and income of all our business segments. Weather conditions also may increase or decrease the supply of products. These changes in supply may affect costs related to Farmland's pork and beef processing and marketing, livestock production and grain storage and marketing business.

5. **Raw Materials Cost:** Historically, changes in the costs of raw materials have not necessarily resulted in corresponding changes in the prices at which finished products have been sold by Farmland.

6. **Other Factors:** Domestic variables, such as crop failures, federal agricultural programs and production efficiencies, and global variables, such as general economic conditions, conditions in financial markets, embargoes, political instabilities and local conflicts, affect the supply, demand and price of crude oil, refined fuels, natural gas and other commodities and may unfavorably impact Farmland's operations.

Management cannot determine the extent to which these factors may impact our future operations. Farmland's revenues, margins, net income and cash flow are likely to be volatile as conditions affecting agriculture and markets for our products change. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations for Years Ended August 31, 1998, 1999 and 2000."

Limited Access to Equity Capital Markets

As a cooperative, Farmland cannot sell its voting common equity to traditional public or private markets. Instead, equity is raised largely from payment of the noncash portion of patronage refunds with common stock, associate member common stock and capital credits, from offerings of preferred stocks and from net income on transactions with nonmembers. See "Business and Properties - Business - Patronage Refunds and Distribution of Annual Earnings" and " - Equity Redemption Plans."

Crop Production

Marketing

Effective January 1, 2000, Farmland and Cenex Harvest States formed UCB LLC, a holding company. UCB and Land O'Lakes formed Agriliance LLC, an agronomy venture that distributes and markets crop nutrients, crop protection products, and seed. Farmland has a 50% ownership interest in UCB, and UCB has a 50% ownership interest in Agriliance. Farmland contributed to UCB, and UCB contributed to Agriliance, among other assets, our 50% ownership in the WILFARM and Omnium ventures, which included manufacturing of crop protection products and the distribution of a complete line of crop protection products such as insecticides, herbicides and mixed chemicals. Our crop nutrients business includes nitrogen and phosphate-based plant foods, which we sell to Agriliance at a discount to the retail market price. Sales of the crop production business segment as a percent of consolidated sales for 1998, 1999, and 2000 were 13%, 9%, and 8%, respectively.

Competition in the crop production industry is dominated by price considerations. However, during the spring and fall application seasons, farming activities intensify and delivery service capacity is a significant competitive factor. We maintain a capital investment in distribution assets and a seasonal investment in inventory to enhance our manufacturing and distribution operations. We also contributed to UCB, and UCB contributed to Agriliance, certain warehouse and distribution facilities to further enhance distribution operations. Both Farmland and Agriliance own or lease custom dry blending, liquid mixing, storage and distribution facilities at a large number of locations throughout our trade territory to conform delivery capacity more closely to customer demands for delivery services.

Domestic competition, mainly from other regional cooperatives and integrated multinational plant foods companies, is intense due to customers' sophisticated buying tendencies and production strategies that focus on costs and service. Also, foreign competition exists from producers of plant foods products manufactured in countries with lower cost natural gas supplies (the principal raw material in nitrogen-based plant foods). In certain cases, foreign producers of plant foods for export to the United States may be subsidized by their respective governments.

Production

We manufacture nitrogen-based plant food products. Natural gas is the major raw material used in production of nitrogen-based plant foods, including synthetic anhydrous ammonia, urea, urea ammonium nitrate ("UAN") and other forms of nitrogen-based plant foods.

We operate seven anhydrous ammonia production plants (three of which are leased under long-term lease arrangements) at six locations in Kansas, Iowa, Nebraska, Oklahoma and Louisiana. (Due to unfavorable market conditions, we have temporarily ceased production of anhydrous ammonia at our Pollock, Louisiana facility.) In addition, Farmland and Mississippi Chemical Company are each 50% owners of a joint venture, Farmland MissChem, Limited, which owns an anhydrous ammonia production facility located in The Republic of Trinidad and Tobago. All output from this facility is sold to and distributed by the owners of the venture. Annual anhydrous ammonia production of nitrogen-based plant foods for fiscal years 1998, 1999 and 2000, including Farmland's 50% share of the output of Farmland MissChem, totaled approximately 3.0 million tons, 3.1 million tons and 2.8 million tons, respectively.

Five of our synthetic anhydrous ammonia plants have capacity to further process anhydrous ammonia into urea, UAN solutions and other forms of nitrogen plant nutrients. In 1998, 1999 and 2000, production of these upgraded products approximated 1.9 million tons, 2.1 million tons and 1.8 million tons, respectively.

In December 1997, we entered into a series of agreements which provided for the construction and operation, under a long-term lease, of plant food manufacturing facilities adjacent to our petroleum refinery at Coffeyville, Kansas. These facilities, which began operating September 1, 2000, convert petroleum coke by-products into anhydrous ammonia. The facility is capable of further processing the anhydrous ammonia into UAN solutions.

We own a phosphate chemical plant located in Joplin, Missouri, that produces feed grade phosphate (dicalcium phosphate) and ammonium phosphate, which is combined in varying ratios with muriate of potash to produce different plant foods products. Production of feed grade phosphate approximated 167,000 tons, 168,000 tons and 168,000 tons in 1998, 1999 and 2000, respectively and production of ammonium phosphate approximated 56,000 tons, 29,000 tons and 30,000 tons in 1998, 1999 and 2000, respectively.

Farmland and Norsk Hydro a.s. are each 50% owners of Farmland Hydro, L.P. ("Hydro"), a joint venture which owns a phosphate manufacturing plant at Bartow, Florida. Hydro's plant produces products such as super phosphoric acid, diammonium phosphate and monoammonium phosphate. Annual production of such products for 1998, 1999 and 2000 was 1,428,000 tons, 1,457,000 tons and 1,472,000 tons, respectively. We provide management and administrative services and Norsk Hydro a.s. provides marketing services to Hydro. Products of this plant are distributed principally to international markets.

Farmland is a 50% owner of SF Phosphates Limited Liability Company ("SF Phosphates"), a venture which operates a phosphate mine located in Vernal, Utah, a phosphate manufacturing plant located in Rock Springs, Wyoming and a 96-mile pipeline connecting the mine to the plant. The plant produces monoammonium phosphate and super phosphoric acid with annual production for 1998, 1999 and 2000, of 527,000 tons, 522,000 tons and 539,000 tons, respectively. Under the venture agreement, each owner purchases 50% of the venture's production.

Raw Materials

Natural gas, the largest single component of nitrogen-based plant foods 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. In addition, we have a hedging program which utilizes natural gas futures and options to reduce risks of market price volatility. See " Business and Properties - Business - Business Risk Factors - External Factors That May Affect the Company."

Natural gas is delivered to Farmland's facilities under pipeline transportation service agreements which have been negotiated with each plant's delivering pipeline. Natural gas delivery to the plants could be curtailed under regulations of the Federal Energy Regulatory Commission if a delivering pipeline's capacity was required to serve priority users such as residences, hospitals and schools. In such cases, production could be curtailed. No significant production has been lost because of curtailments in pipeline transportation and no such curtailment is anticipated.

Adequate supplies of the phosphate rock and sulfur required to operate Hydro's and SF Phosphate's plants are presently available from either owned phosphate reserves or from various suppliers. Hydro owns phosphate rock reserves located in Hardee County, Florida which contain an estimated 80 million tons of phosphate rock.

In 1998, Hydro began obtaining various permits and licenses necessary for mining the above properties. During the fall of 2000, Hydro plans to submit an official application for mine permitting and they expect the permit process to take approximately one year; therefore, Hydro does not anticipate mining any of the phosphate rock reserves within the next year.

Based on current recovery methods and the levels of the SF Phosphate plant production in recent years, we estimate that the phosphate rock reserves owned by SF Phosphates are adequate to provide the phosphate rock requirements of the plant for approximately 75 years.

Petroleum

Marketing

The principal products of this business segment are refined fuels, propane and by-products of the petroleum refinery. Other petroleum products include lube oil, grease, and car, truck and tractor tires, batteries and accessories. Sales of petroleum products as a percent of consolidated sales for 1998, 1999 and 2000 were 13%, 9% and 12%, respectively.

Farmland participates in the industry, primarily through ventures, as a mid-continent refiner and as a wholesale distributor of petroleum products. Effective September 1, 1998, Country Energy LLC, a joint venture with Cenex Harvest States, commenced operations. Country Energy LLC provides, on an agency basis, refined fuel, propane and lubricants marketing and distribution services for its owners. Because most of the Country Energy's energy product market is located in rural areas, sales activity tends to follow the planting and harvest cycles.

Competitive methods in the petroleum industry include service, product quality and price. However, in refined fuel markets, price competition is dominant. Many participants in the industry engage in one or more of the industry's processes (oil production, transportation, refining, wholesale distribution and retailing).

Refining

Effective September 1, 1999, we formed an alliance, Cooperative Refining, LLC, with National Cooperative Refinery Association ("NCRA"), a subsidiary of Cenex Harvest States. Cooperative Refining performs all activities related to operating NCRA's refinery at McPherson, Kansas and Farmland's refinery at Coffeyville, Kansas. Cooperative Refining's owners, Farmland and NCRA, purchase all Cooperative Refining's output.

Raw Materials

During periods of volatile crude oil price changes, or in extremely short crude oil supply conditions, Cooperative Refining's 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. There can be no assurance as to what, if any, government action would be taken if a crude oil shortage were to develop.

Feed

Feed products include swine, beef, poultry, dairy, pet, mineral and specialty feeds, feed ingredients and supplements, animal health products and farm and ranch supplies. The primary components of feed products are grain and grain by-products, which are generally available in the region in which we operate.

This business segment's sales were approximately 6%, 5% and 5% of consolidated sales for the years 1998, 1999 and 2000, respectively. Approximately 51% of the feed segment's sales in 2000 was attributable to products manufactured in our feed mills. Farmland operates feed mixing plants at 24 locations throughout its territory, an animal protein plant in Maquoketa, Iowa, an animal protein plant and a premix plant located in Eagle Grove, Iowa, a premix plant in Marion, Ohio and a pet food plant in Muncie, Kansas.

In June of 1998, we acquired six feed mills with an aggregate capacity of 747,000 tons through the acquisition of SF Services, Inc. In 1998 and 1999, feed mills with an aggregate capacity of approximately 415,000 tons were either sold or contributed to ventures. Our partners in these ventures are primarily local cooperatives. In addition, the feed mixing plant in Corson, South Dakota is not currently operating due to excess supply in that area.

In July 2000, Farmland entered into a joint venture agreement with Land O'Lakes that will combine all aspects of both partners feed businesses. This new venture, Land O'Lakes Farmland Feed, began operations October 1, 2000. Farmland owns approximately 31% of this venture.

Refrigerated Foods

Processing

Farmland's meat processing and marketing are conducted through Farmland National Beef Packing Company, L.P. ("National Beef") and Farmland Foods, Inc. ("Foods"), respectively. As of August 31, 2000, National Beef and Foods were 71%-owned and 99%-owned, respectively, by Farmland. During 1998, 1999 and 2000, we slaughtered approximately 2.4 million, 2.6 million and 2.7 million cattle, respectively, and approximately 7.7 million, 8.1 million, and 7.4 million hogs, respectively.

The Refrigerated Foods abattoirs are located in Liberal, Kansas, Dodge City, Kansas, Denison, Iowa, Monmouth, Illinois and Crete, Nebraska. The abattoirs have additional capabilities for processing meat. Other meat processing facilities are located in Springfield, Massachusetts, New Riegel, Ohio, Wichita, Kansas, Topeka, Kansas, Carroll, Iowa, Omaha, Nebraska and Albert Lea, Minnesota. The facilities take primal beef and pork cuts and further process them into fabricated or boxed meats, bacon, ham, sausage, smoked meats, Italian-style specialty meats and ham products, hot dogs, dry sausage, other luncheon meats, retailer case-ready, and canned or cooked-in-bag products.

Farmland also produces market hogs for processing. We currently have approximately 300 contracts with producers in eight states to finish hogs from our own production or from the production of Alliance Farms, an affiliate. The risks associated with the managing of hogs includes disease and genetic changes, as well as the general market price risk for hogs. In 2000, our integrated hog production operations provided approximately 10% of our total hog processing requirements.

Marketing

Refrigerated Foods' products include fresh and frozen beef, boxed beef, fresh pork, fabricated pork, smoked meats, ham, bacon, fresh sausage, dry sausage, hot dogs, and packing house by-products. These products are marketed under a variety of brand names including: Farmland, Black Angus Beef, Farmstead, OhSe, Maple River, Carando, Roegelein, Regal and Marco Polo. Product distribution is through national and regional retail and food service chains, distributors and in international markets.

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

World Grain

Marketing

Farmland markets wheat, corn, soybeans, milo, barley, oats and sugar. We purchase grain from members located in the Midwestern part of the United States and from nonmembers throughout the world, and we assume all risks related to selling such grain. Grain is priced in the United States and throughout the world principally through bids based on organized commodity markets.

Through our wholly owned subsidiaries, Tradigrain and Farmland-Atwood, we also provide risk management services, financial and grain support services and grain brokerage to our customers.

Farmland is exposed to price risk as a result of holding grain inventory and because, in the ordinary course of business, Farmland is a party to numerous fixed price sales and fixed price purchase contracts. To reduce the price change risk associated with holding positions in grain, Farmland may take opposite and offsetting positions by entering into grain commodity futures contracts. Generally, such contracts have terms of up to one year. Our strategy is to maintain hedged positions unless we perceive market opportunity, at which time we may decide to take a long or short position. Taking a long or short position increases both our risk of loss and our gain potential from changes in the market price of grain. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Financial Condition, Liquidity and Capital Resources - Results of Operations for Years Ended August 31, 1998, 1999 and 2000 - World Grain".

Sales are affected by the level of grain production worldwide. Furthermore, sales may be affected by international political events in countries' trade policies that are not within the control of Farmland.

Property

Farmland owns or leases 28 inland elevators and one export elevator in the United States with a total capacity of approximately 179.4 million bushels of grain. Farmland also owns an export elevator in Arroyo Seco, Argentina with a total capacity of approximately 3.7 million bushels of grain.

Research

Farmland formed a five-year research alliance, beginning in 1997, with Kansas State University. Expenditures related to all product research and process improvements sponsored by Farmland amounted to $2.4 million, $2.4 million and $1.9 million for 1998, 1999 and 2000, respectively.

Capital Expenditures and Investments in Ventures

In 2000, Farmland made capital expenditures totaling $100.9 million and cash investments in ventures totaling $13.3 million. Farmland is committed to expenditures of $93.5 million as of August 31, 2000.

The EPA has issued new rules limiting sulfur in gasoline to 30 parts per million and has published a proposed rule limiting sulfur in diesel fuel to 15 parts per million. The rules affecting gasoline were effective December 1, 1999 with a January 1, 2004 compliance date. The proposed rules for diesel fuel have a June 1, 2006 compliance date. Based on information currently available, we anticipate that material expenditures will be required to achieve compliance with these new and pending rules. Farmland has applied for, but has not received, regulatory extension of the deadlines until 2008. It is not certain whether Farmland will be granted this extension.

We intend to fund our capital program with cash from operations, through borrowings or through other capital market transactions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition, Liquidity and Capital Resources."

Government Regulation

Farmland'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 environmental protection, fair trade practices, safety, health and welfare. Farmland believes that its operating procedures conform to the intent of these laws and that we currently are in compliance with all such laws, the violation of which could have a material adverse effect on us.

Certain policies may be implemented from time to time by the United States Department of Agriculture, the Environmental Protection Agency, the Department of Energy or other governmental agencies which may impact agricultural producers' demands and consumers' needs for Farmland's products or which may impact the methods by which certain of our operations are conducted. Such policies may impact our farm supply, food processing and marketing and grain storage and marketing operations.

The Federal Agriculture Improvement and Reform Act ("FAIR") represents the most significant change in government farm programs in more than 60 years. Under FAIR, the former system of variable price-linked deficiency payments to farmers has been replaced by a program of fixed payments which decline over a seven-year period. In addition, FAIR eliminates federal planting restrictions and acreage controls. Whether demand for our products is favorably impacted depends in a large part on whether U.S. agriculture becomes more competitive in world markets as this industry moves toward greater market orientation, the extent which governmental actions expand international trade agreements and whether market access opportunities for U.S. agriculture are increased.

The U.S. Congress has in the past considered and may consider trade measures which, if passed, could enhance agricultural export potential. This year Congress passed permanent normal trade relations with China and removed trade sanctions on five key countries. Farmland believes "fast-track" (legislation which would authorize the President to submit a trade agreement to Congress with the assurance that it will be voted on within 90 days and not be subject to amendments), removal of trade sanctions on more countries and language to prohibit embargoes could benefit U.S. agricultural interests by opening markets, increasing exports and expanding trade opportunities with countries which import agricultural products. Absent such legislation, our access to international markets may be adversely impacted.

We are not aware of any newly implemented or pending policies, other than as discussed above, which may have a significant impact on our operations.

Employee Relations

At August 31, 2000, Farmland had approximately 15,000 employees. Approximately 44% of our employees were represented by unions having national affiliations. Farmland considers its relationship with employees to be generally satisfactory. No labor strikes or work stoppages within the last three fiscal years have had a materially adverse effect on our operating results. Current labor contracts expire on various dates through March 2004.

Patronage Refunds and Distribution of Annual Earnings

Farmland operates on a cooperative basis. In accordance with its bylaws, Farmland determines its annual net earnings from transactions with members ("member-sourced earnings"). For this purpose, annual net earnings means income before income tax determined in accordance with generally accepted accounting principles. The bylaws of Farmland provide that the Board of Directors has complete discretion with respect to the handling and ultimate disposition of any member-sourced losses. The member-sourced earnings (after handling of member-sourced losses) may be returned to members as patronage refunds in the form of qualified and/or nonqualified written notices of patronage refund allocation. Each member's portion of the annual patronage refund is determined by the earnings of Farmland attributed to the quantity or value of business transacted by the member with Farmland during the year for which the patronage is paid.

A qualified patronage refund must be paid at least 20% in cash. The portion of the qualified patronage refund not paid in cash (the allocated equity portion) is currently paid by Farmland in common shares, associate member common shares or capital credits (depending on the membership status of the recipient). The Board of Directors may determine to pay the allocated equity portion in any other form or forms of equities, all of which are non-interest bearing. The allocated equity portion of the qualified patronage refund is determined annually by the Board of Directors. Farmland is allowed an income tax deduction for the total amount (the cash portion and the allocated equity portion) of its qualified patronage refunds.

Nonqualified patronage refunds may be paid entirely in allocated equity; there are no minimum cash requirements. Nonqualified patronage refunds paid by Farmland have been recorded as book credits in the form of common shares, associate member common shares or capital credits (depending on the membership status of the recipient). The Board of Directors may determine to record the nonqualified patronage refund in any other form or forms of nonpreferred equities. Farmland is not allowed an income tax deduction for a nonqualified patronage refund in the year paid. The nonqualified patronage refund is deductible for federal income tax purposes only when such nonqualified written notices of allocation are redeemed for cash or tangible property.

For the years ended 1998, 1999 and 2000, patronage refunds authorized by the Board of Directors were:

	Equivalent Portion of Patronage Refunds	Non-Cash Portion of Patronage Refunds	Total Patronage Refunds
	(Amounts in Thousands)		
1998...............	$ 23,593	$ 35,528	$ 59,121
1999...............	$ 6,054	$ 24,215	$ 30,269
2000...............	$ -0-	$ 8,002	$ 8,002

Nonmember-sourced income (earnings attributed to transactions with persons not eligible to receive patronage refunds, i.e. nonmembers) and nonpatronage income or loss (income or loss from activities not directly related to the cooperative marketing or purchasing activities of Farmland) is subject to income taxes computed on the same basis as such taxes are computed on the income or loss of other corporations.

Equity Redemption Plans

The Equity Redemption Plans described below, namely the base capital plan and the special equity redemption plans (collectively, the “Plans”) may be changed at any time or from time to time at the sole and absolute discretion of the Board of Directors. The Plans are not binding upon the Board of Directors or Farmland, and the Board of Directors reserves the right to redeem, or not redeem, any of Farmland’ s equities without regard to whether such action or inaction is in accordance with the Plans. Factors which the Board of Directors may consider in determining when and under what circumstances Farmland may redeem equities include, but are not limited to, the terms of our base capital plan and other equity redemption plans, results of operations, financial position, cash flow, capital requirements, long-term financial planning needs, income and other tax considerations and other relevant considerations. By retaining discretion to determine the amount, timing and ordering of any equity redemptions, the Board of Directors believes that it can continue to assure that the best interests of Farmland and our owners will be protected.

Base Capital Plan

For the purposes of acquiring and maintaining adequate capital to finance Farmland’ s business, the Board of Directors has established a base capital plan.

The base capital plan provides a mechanism for determining Farmland’ s total capital requirements and each voting member’ s and associate member’ s share of such requirements (referred to as the “Base Capital Requirement”). As part of the Base Capital Plan, the Board of Directors may, in its discretion, provide for redemption of Farmland common shares or associate member common shares held by voting members or associate members whose holdings of common shares or associate member shares exceed the voting members’ or associate members’ Base Capital Requirement. The base capital plan provides a mechanism under which the cash portion of the patronage refund payable to voting members or associate members will depend upon the degree to which such voting members or associate members meet their Base Capital Requirements.

Special Equity Redemption Plans

From time to time, Farmland has redeemed portions of its outstanding equity under various special equity redemption plans. The special equity redemption plans have been and may be changed at any time or from time to time at the sole and absolute discretion of the Board of Directors. The special equity redemption plans are not binding upon the Board of Directors or Farmland, and the Board of Directors reserves the right to redeem, or not redeem, any equities without regard to whether such action or inaction is in accordance with the special equity redemption plans.

The special equity redemption plans are designed to return cash to members or former members of Farmland or Farmland Foods by providing a method for redemption of outstanding equity which may not be subject to redemption through other Plans, such as the base capital plan or the estate settlement plan. The order in which each type of equity is redeemed is determined by the Board of Directors.

Presented below are the amounts of equity approved for redemption by the Board of Directors of Farmland and Farmland Foods under our equity redemption plans for each of the years in the three-year period ended 2000. During the third quarter of 1998, Farmland approved and paid a special equity redemption of approximately $50.0 million. Substantially all other amounts approved for redemptions are paid in cash in the year following approval.

	Plan Redemptions	and other Redemptions(a)	Total Plan Redemptions
		(Amounts in Thousands)	
1998........	$ 8,868	$ 50,103	$ 58,971
1999........	$ -0-	$ 377	$ 377
2000........	$ -0-	$ 262	$ 262

(a) Includes redemptions of preferred stock.

ITEM 3. LEGAL PROCEEDINGS

Management believes there is no litigation existing or pending against Farmland or any of its subsidiaries that, based on the amounts involved or the defenses available, would have a material adverse effect on our financial statements.

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

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of equity holders.

PART II

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

There is no established public market for the voting common stock, associate member common stock or capital credits of Farmland. We believe that it is highly unlikely that a public market for any of these equities will develop in the foreseeable future for the following reasons:

1. The common stock, associate member common stock and capital credits are nondividend bearing;
2. The common stock, associate member common stock and capital credits are not transferable without consent of the Farmland Board of Directors.
3. The amount of patronage refunds a holder, who is eligible to receive patronage refunds, may receive is dependent on the earnings of Farmland attributable to the quantity or value of business such holder transacts with Farmland and not on the amount of equity held. See "Business and Properties - Business - Patronage Refunds and Distribution of Annual Earnings"; and
4. Farmland may redeem its equities from time to time at the sole and absolute discretion of the Board of Directors. See "Business and Properties - Business - Equity Redemption Plans".

At August 31, 2000, there are approximately 3,600 holders of common shares, 500 holders of associate member shares and 7,000 holders of capital credits based on holders of record.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

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, 2000 are derived from the Consolidated Financial Statements of Farmland, which have been audited by KPMG LLP, independent certified public accountants. The information set forth below should be read in conjunction these Consolidated Financial Statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and related notes.

	1996	1997	1998	1999	2000
Summary of Operations					
Net Sales.....................	$ 9,788,587	$ 9,147,507	$ 8,775,046	$ 10,709,073	$ 12,238,963
Operating Income of Industry Segments(1)................	288,370	296,264	192,344	193,731	172,548
Interest Expense..............	62,445	62,335	73,645	90,773	114,239
Net Income (loss).............	126,418	135,423	58,770	13,865	(29,250)
Distribution of Net Income:					
Patronage Refunds:					
Allocated Equity...........	$ 60,776	$ 68,079	$ 35,528	$ 24,215	$ 8,002
Cash and Cash Equivalents................	32,719	40,228	23,593	6,054	-0-
Earned Surplus and Other Equities...................	32,923	27,116	(351)	(16,404)	(37,252)
	$ 126,418	$ 135,423	$ 58,770	$ 13,865	$ (29,250)
Balance Sheets:					
Working Capital...............	$ 322,050	$ 242,211	$ 435,482	$ 450,439	$ 214,902
Property, Plant and Equipment, Net.............	717,224	783,108	827,149	833,203	826,962
Total Assets..................	2,568,446	2,645,312	2,874,618	3,257,649	3,282,187
Long-Term Borrowings (excluding Current maturities)........	616,258	580,665	728,103	808,413	646,160
Capital Shares and Equities...................	755,331	821,993	912,696	917,327	881,231

1. Includes segment gross income, segment selling, general, and administrative expenses, segment other income (loss), segment minority interest, and the segment's equity in income (loss) of investees.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Condition, Liquidity and Capital Resources

Farmland has historically maintained two primary sources for debt capital: a substantially continuous public offering of its subordinated debt and demand loan securities (the "continuous debt program") and bank lines of credit.

Farmland's debt securities issued under the continuous debt program generally are offered on a best-efforts basis through our wholly owned broker-dealer subsidiary, Farmland Securities Company and also may be offered by selected unaffiliated broker-dealers. The types of debt securities offered in the continuous debt program include certificates payable on demand and subordinated debenture bonds. The total amount of debt securities outstanding and the flow of funds to, or from, Farmland as a result of the continuous debt program are influenced by the rate of interest which we establish for each type or series of debt security offered and by options of Farmland to call for redemption certain of its outstanding debt securities. During the year ended August 31, 2000, the outstanding balance of demand certificates increased by $1.0 million and the outstanding balance of subordinated debenture bonds increased by $61.2 million.

In May 2000, Farmland established a 364 day, $750 million, revolving credit facility (the "Credit Facility") with a syndicate of banks. The Credit Facility, which replaced our $1.1 billion credit facility, expires May 9, 2001, and management believes the Credit Facility will be refinanced at that time.

At August 31, 2000, Farmland had $427.1 million of short-term borrowings under the Credit Facility. Additionally, $36.1 million of the Credit Facility was utilized to support letters of credit. Farmland pays commitment fees under the Credit Facility currently equal to 50 basis points annually on the unused portion of the credit. Borrowings under the Credit Facility are secured by a substantial portion of our accounts receivable, inventories and fixed assets. Interest rates under the credit facility are based on a spread over the base rate (as defined in the agreement) or a spread over LIBOR. The Credit Facility contains covenants related to Farmland's ratio of earnings before interest, taxes, depreciation and amortization to net interest expense, our ratio of total debt to total capitalization, and our ratio of senior debt to total capitalization, all as defined in the agreement. In addition to these financial covenants, our ability to borrow under the Credit Facility may be restricted based on our level of receivables and inventories. As calculated at August 31, 2000, availability under the Credit Facility was approximately $151.1 million.

Farmland National Beef Packing Company has a $130.0 million credit facility which expires March 31, 2003. This facility is provided by various participating banks and these borrowings are nonrecourse to Farmland or Farmland's other affiliates. At August 31, 2000, Farmland National Beef had borrowings under this facility of $14.0 million and $17.9 million of the facility was being utilized to support letters of credit. Assets with a carrying value at August 31, 2000, of $253.9 million have been pledged by Farmland National Beef to support its borrowings under the facility.

Tradigrain has borrowing agreements with various international banks which provide financing and letters of credit primarily to support current international grain trading transactions. Obligations of Tradigrain under these loan agreements are nonrecourse to Farmland or Farmland's other affiliates. At August 31, 2000, such borrowings totaled $224.0 million.

Farmland maintains other borrowing arrangements with banks and financial institutions. Under such agreements, at August 31, 2000, $17.2 million was borrowed.

Leveraged leasing has been utilized to finance railcars, a significant portion of our crop production equipment, and certain crop production manufacturing facilities.

Subordinated debt certificates have been issued under several indentures. Certain subordinated capital investment certificates may be redeemed prior to maturity at the option of the owner in accordance with the indenture. Subject to limitations in the indenture, Farmland has options to redeem certain subordinated capital investment certificates in advance of scheduled maturities. Additionally, upon written request we will redeem subordinated capital investment certificates and subordinated monthly income certificates in the case of death of an owner.

Farmland has issued and outstanding 2 million shares of 8% Series A Cumulative Redeemable Preferred Shares (the "Preferred Shares") with an aggregate liquidation preference of $100 million ($50 liquidation preference per share). The Preferred Shares are not redeemable prior to December 15, 2022. On and after December 15, 2022, the Preferred Shares may be redeemed for cash at our option, in whole or in part, at specified redemption prices declining to $50 per share on and after December 15, 2027, plus accumulated and unpaid dividends. The Preferred Shares do not have any stated maturity, are not subject to any sinking fund or mandatory redemption provisions and are not convertible into any other security.

In the opinion of management, these arrangements for debt capital are adequate for our present operating and capital plans. However, alternative financing arrangements are continuously evaluated.

Farmland operates on a cooperative basis. In accordance with its bylaws, Farmland determines its annual earnings before income tax in accordance with generally accepted accounting principles. Such earnings are then identified to the various patronage refund allocation units (groups of similar products or services) which have been established by the Board of Directors The earnings of each patronage refund allocation unit are then divided into 1) a member sourced portion determined on the basis of the quantity or value of business done by such allocation unit with or for its members who are eligible to receive patronage refunds and 2) a non-member sourced portion for which amounts are determined on the basis of the quantity or value of business done by such allocation unit with or for persons who are not eligible to receive patronage refunds, plus such net amount of earnings, expense or loss in an allocation unit which is unrelated to the cooperative operations carried on by Farmland for its members. The member sourced portion of each patronage refund allocation unit is allocated among the members transacting business with such allocation unit in the ratio that the quantity or value of the business done with or for each such member bears to the quantity or value of the business done with or for all of such members. The Board of Directors reasonably and equitably determines whether allocations within any allocation unit will be on the basis of the quantity or value. The non-member sourced portion of annual earnings and earnings unrelated to the cooperative operations carried on by Farmland for its members are transferred to earned surplus after appropriate reduction for income tax.

Under Farmland's bylaws, patronage refunds may be distributed to members from the member sourced earnings as determined above, unless the earned surplus account after such distribution is lower than 30% of the sum of the prior year-end balance of outstanding common shares, associate member shares, capital credits and patronage refunds for reinvestment. In such cases, the patronage refund is reduced by the lesser of 15% or an amount required to increase the earned surplus account 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 may be distributed to members as patronage refunds. For the years 1998, 1999 and 2000, the earned surplus account exceeded the required amount by $80.1 million, $57.3 million and $13.6 million, respectively.

The patronage refunds may be paid in the form of qualified or nonqualified written notices of allocation or cash. The nonqualified patronage refund and the allocated equity portion of the qualified patronage refund are sources of funds from operations which are retained for use in the business and which increase our equity base. Common shares and associate member common shares may be redeemed by cash payments from Farmland to holders of these equities who participate in Farmland's base capital plan. Common stock, associate member common stock, capital credits and other equities of Farmland and Farmland Foods may also be redeemed under other equity redemption plans. The base capital plan and other equity redemption plans are described under "Business and Properties - Business - Equity Redemption Plans".

The Board of Directors of this Association has complete discretion to determine the handling and ultimate disposition of the Association's patronage-sourced net losses (including allocation unit losses) and the form, priority and manner in which such losses or portions thereof are taken into account, retained, and ultimately disposed of or recovered. The Board may, as it did for fiscal year 2000, retain such losses of the Association and subsequently (i) dispose of them by offset against the net earnings of the Association of subsequent years, (ii) apply such losses to prior years' patronage allocation at any time in order to dispose of them by means of offset and cancellation against members' and patrons' equity account balances, or (iii) select and use any other method of disposition of such losses as the Board of Directors, in its sole discretion, from time to time determines.

Net cash of $23.9 million was provided from operating activities during 2000 compared with net cash of $150.5 million used by operating activities during 1999, reflecting a decrease in account receivables and an increase in other liabilities, partially offset by a decrease in accounts payable and net income. Major uses of cash for 2000 include: $100.9 million for capital expenditures, $35.1 million for acquisition of other long-term assets, $112.0 million from net decrease in bank loans and other notes payable and $36.6 million for acquisition of investments and notes receivable.

Major sources of cash include: $23.9 million from operations, $93.5 million from sale of investments and collection of notes receivable, $61.2 million from the net increase of subordinated debt certificates outstanding, $59.0 million of distributions from joint ventures, and $59.7 million from an increase in the balance of checks and drafts outstanding.

Results of Operations for Years Ended August 31, 1998, 1999 and 2000

Farmland's sales, gross margins and net income depend, to a large extent, on conditions in agriculture and may be volatile due to factors beyond our control, such as weather, crop failures, federal agricultural programs, production efficiencies and U.S. imports and exports. In addition, various federal and state regulations to protect the environment encourage farmers to reduce the use of fertilizers and other chemicals. Global variables which affect supply, demand and price of crude oil, refined fuels, natural gas and other commodities may impact our operations. Historically, changes in the costs of raw materials used in the manufacture of Farmland's finished products have not necessarily resulted in corresponding changes in the prices at which such products have been sold. Management cannot determine the extent to which these factors may impact our future operations. Farmland's cash flow and net income may continue to be volatile as conditions affecting agriculture and markets for our products change.

The table below shows the increase (decrease) in sales and income by business segment in each of the years in the three-year period ended 2000, compared with the respective prior year.

	1998 Compared with 1997	1999 Compared with 1998	2000 Compared with 1999

	(Amount in Millions)		
Increase (Decrease) of Business Segment Sales:			
..Crop Production	$ (105)	$ (155)	$ (23)
Petroleum	(195)	(183)	465
Feed	(68)	26	37
Refrigerated Foods	90	100	597
World Grain	(101)	2,029	362
Other Operating Units	7	117	92
Total Increase (Decrease) in Business Segment Sales	$ (372)	$ 1,934	$ 1,530

	Change in Business Segment Income		
	1998 Compared with 1997	1999 Compared with 1998	2000 Compared with 1999
	(Amount in Millions)		
Increase (Decrease) of Business Segment Income or Loss:			
..Crop Production	$ (110)	$ (60)	$ (2)
Petroleum	(35)	18	10
Feed	4	5	2
Refrigerated Foods	5	30	7
World Grain	26	5	(35)
Other Operating Units	6	3	(3)
Total Increase (Decrease) in Business Segment Income or Loss	$ (104)	$ 1	$ (21)
Corporate Expenses and Other:			
General corporate expenses (increase)	$ (8)	$ (27)	$ (5)
Interest expense (increase)	(11)	(17)	(23)
Other, net increase (decrease)	14	(6)	(7)
Income taxes decrease	32	4	13
Total (Decrease) in Net Income	$ (77)	$ (45)	$ (43)

In computing the change of business segment income or loss, income and expenses not identified to an industry segment and income taxes have been excluded. See Note 11 of the Consolidated Financial Statements.

Following is management' s discussion of business segment sales, segment income or loss and other factors affecting Farmland' s net income during 1998, 1999 and 2000.

Crop Production

Sales

Sales of the crop production segment decreased $23 million, or 2%, in 2000 as compared to 1999. The decline is primarily due to an approximate 4% decrease in unit sales of plant foods combined with a 12% decrease in the average unit selling prices for phosphate-based plant foods, partially offset by a 15% increase in the average unit selling prices of nitrogen-based plant foods. A portion of the sales decline is attributable to the formation of Agriliance, as Farmland sells plant food to Agriliance, a 25% owned venture, at a discount to the retail market price. The decline in the average unit selling price of phosphate-based plant foods is due to decreased demand by China and India. Nitrogen-based plant foods unit selling prices have rebounded from 1999 unit selling prices because supply has tightened due to industry-wide plant closings. During 1999, plant closings were in response to an imbalance in the supply and demand for nitrogen-based plant foods. During the last quarter of 2000, plants have been closed in response to the increased cost of natural gas, which is the primary raw material in anhydrous ammonia. To better manage our inventory costs, on September 1, 2000 we stopped production of anhydrous ammonia at our Pollock, Louisiana facility. To meet spring demand, we expect to resume production at Pollock during the second quarter of 2001.

Crop production unit sales in 1999 were comparable to unit sales in 1998; however, the average unit selling price for nitrogen-based plant foods decreased 16%. As a result, sales decreased $155 million, or 13%, in 1999 as compared to 1998. The nitrogen plant foods industry experienced market price declines due to increased worldwide supplies of nitrogen and decreased demand for plant foods in response to decreased unit prices that producers realize for their grain. These adverse conditions were exacerbated by heavy spring rains throughout Farmland' s market area, which restricted the use of fertilizer products. As a result of the above market conditions, Farmland temporarily ceased production of urea ammonia nitrate at our Enid, Oklahoma and Lawrence, Kansas facilities during the fourth quarter of 1999. We resumed production at these facilities during the first and second quarter, respectively, of 2000 in order to meet expected demand during the planting season.

In 1998, crop production and protection unit sales increased 2% compared to 1997. However, unit prices for nitrogen-based plant foods decreased 15% and unit prices for phosphate-based plant foods decreased 7%. As a result, crop production and protection sales decreased $105 million, or 8%, in 1998 compared with 1997. The decline in nitrogen-based plant foods prices resulted from pressures of rising capacity and inventories in the industry combined with decreased demand from East Asia and China.

Income

Income of the crop production segment decreased slightly, from $40.6 million in 1999 to $38.7 million in 2000. This decrease is primarily due to approximately $35.3 million of start-up costs related to the gasification plant located in Coffeyville, Kansas, lower phosphate-based plant foods margins due to lower demand by China and India, reducing our share of venture income by $16.6 million, $5.9 million in unrecovered fixed costs due to temporary shutdowns of two of our facilities during 2000, and $2.6 million in costs related to a write-off of certain natural gas inventory. These factors were largely offset by a $49.6 million pre-tax gain on the sale of a portion of our investment in the Agriliance venture to Land O' Lakes, and $8.9 million gain on futures positions closed as a result of anticipated natural gas purchases for our Pollock facility which will not occur. With the formation of the Agriliance venture, a portion of our nitrogen-based plant food income is now recognized as equity in income of investees, rather than as gross income. Also, certain of crop production' s selling, general and administrative expenses were transferred to Agriliance.

Income of the crop production segment decreased from $100.2 million in 1998 to $40.6 million in 1999. This decrease was primarily attributable to lower unit margins on nitrogen plant foods products. Unit margins declined as additional global plant foods production capacity combined with reduced domestic demand continued to decrease selling prices of nitrogen products in 1999. Partially offsetting the decline in gross margin, crop production and protection realized a $7.7 million gain on the sale of phosphate rock reserves, a $4.1 million gain on futures positions closed as a result of anticipated natural gas purchases which will not occur and $4.3 million from settlement of litigation related to the acquisition of raw materials.

Income of the crop production and protection segment decreased $109.8 million, or 52%, in 1998 compared with 1997. This decrease was primarily a result of lower nitrogen plant foods unit margins partially offset by higher unit margins for phosphate plant foods. Nitrogen margins decreased primarily due to lower selling prices which declined as a result of additional global plant foods production capacity combined with lower demand in the East Asian market, particularly China.

Petroleum

Sales

Sales of the petroleum business increased $465 million, or 49%, in 2000 compared to 1999. This increase was primarily a result of a 64% increase in product selling prices due to a decrease in worldwide inventories of crude oil.

Sales of the petroleum business decreased $183 million, or 16%, in 1999 compared to 1998. This decrease resulted in a 12% decrease in unit sales for refined fuels (gasoline, distillates and diesel) and a decrease in the average unit price for refined fuels and propane of 16% and 12%, respectively. The price decline was primarily due to a temporary excess of product supplies in the market relative to demand.

In 1998, unit sales of refined fuels increased by 8% compared to 1997. However, dollar sales of this business segment decreased by $195 million, or 15%, primarily due to a 15% decrease in the average unit price of refined fuels and a 29% decrease in the average unit price of propane.

Income

The petroleum business segment had income of $30.4 million in 2000 compared with $20.5 million in 1999. This increase resulted primarily when, during the last half of our fiscal year, refined fuel product prices increased more than crude oil prices increased. With the formation of Cooperative Refining, a significant portion of our petroleum income is now recognized as equity in income of investees, rather than gross income. Also, certain of petroleum' s selling, general and administrative expenses have been transferred to our ventures.

The petroleum business segment had income of $20.5 million in 1999 compared to $2.6 million in 1998. The increase in income is primarily a result of volatile market prices for energy products. In 1998, market prices fell sharply and we reduced our income and the carrying value of inventories by approximately $27.6 million to reflect this market value decline. In 1999, the market value increased. We increased income and the carrying value of petroleum inventories by $27.6 million to reflect this market value increase. In addition, we placed the operations of the Coffeyville refining in a venture which commenced operations on September 1, 1999. In anticipation of the venture' s operations, we were able to liquidate certain LIFO inventories and realize a $14.5 million gain. These increases in income were partially offset by strong industry-wide production of refined fuels combined with lower demand for these products, which reduced the spread between crude oil costs and refined product selling prices.

The petroleum business segment had income of $2.6 million in 1998 compared with $37.3 million in 1997. This decrease resulted primarily from the $27.6 million adjustment of year-end LIFO inventories to market value as explained above. Petroleum operating income also decreased as finished goods prices declined more than crude oil prices declined, resulting in lower unit margins.

Feed

Sales

Sales of the feed business increased $37 million, or 6%, in 2000 compared with 1999. The increase resulted primarily from a 5% increase in feed tons sold combined with higher unit prices for feed ingredients.

Sales of the feed business increased $26 million in 1999 compared with 1998. This increase resulted primarily from higher unit sales due to geographic expansion partially offset by lower per ton selling prices for livestock feed and feed ingredients.

Sales of the feed business decreased $68 million in 1998 compared with 1997. The decrease resulted primarily from lower prices. Unit sales were approximately the same volume as in the prior year.

Income

Income of the feed business increased $1.8 million in 2000 compared to 1999. The increase was primarily due to higher unit margins in formula feed, feed ingredients, and basic products. In July 2000, Farmland entered into a joint venture agreement with Land O' Lakes that will combine all aspects of their feed businesses. This new venture, Land O' Lakes Farmland Feed, began operations effective October 1, 2000.

Income of the feed business increased $4.7 million in 1999 compared to 1998. The increase was primarily due to higher unit margins on pet/specialty/equine feeds.

Income of the feed business increased $4.0 million in 1998 compared with 1997. The increase was primarily attributable to higher margins per ton in livestock feed, feed ingredients and pet/specialty/equine feeds as well as lower expenses.

Refrigerated Foods

Sales

Sales in the refrigerated foods segment increased $597 million, or 16%, in 2000 compared with 1999. This increase is attributable to a 6% increase in volume of meat sold combined with a 10% increase in unit selling prices of meat products.

The refrigerated foods segment sales increased $100 million, or 3% in 1999 compared with 1998. The increase was attributable to higher unit sales of both beef and pork, partly offset by a decrease in unit sales price of pork.

The refrigerated foods segment sales increased $90 million, or 3%, in 1998 compared with 1997. The increase was attributable to increases in the number of cattle and hogs processed. This increase was partly offset by lower wholesale prices received for our meat products.

Income

Income of the refrigerated foods segment increased $7.7 million, or 10%, in 2000 compared with 1999. This increase is attributable to increased unit sales combined with increased margins per pound of beef. This increase was partially offset by higher selling and marketing expenses and an $11.5 million loss recognized on the sale of our Dubuque, Iowa pork processing plant.

Income of the refrigerated foods segment increased $29.9 million in 1999 compared with 1998. This increase was primarily due to increased gross margins as a result of a decline in raw material prices and an increase in selling prices. This increase was partially offset by an increase in promotional, advertising and storage expenses.

Income of the refrigerated foods segment increased $4.0 million in 1998 compared with 1997. This increase was primarily due to increased unit margins.

World Grain

Sales

Sales of the world grain segment increased $362 million, or 9%, in 2000 compared to 1999. This increase is primarily due to unit sale increases in grain, oilseeds and sugar, partially offset by lower grain unit prices.

In 1999, world grain sales increased 95% or $2.0 billion. The primary cause of this increase in sales was the change in our international grain marketing business from grain brokerage operations to buy/sell operations. Due to this change, it is appropriate to record the full value of the grain sold as revenue ($2.0 billion in 1999) and related costs of grain acquisition as cost of goods sold (1.9 billion in 1999), rather than recognizing as revenue only the net margins on grain transactions.

World grain sales decreased $101 million in 1998 compared with 1997. This decrease resulted from decreases in commodity prices.

Income

World grain income decreased $35.5 million in 2000 compared to 1999. This decrease is primarily the result of Farmland terminating grain contracts after we determined the risk associated with these contracts could no longer be evaluated. Lower per unit margins from wheat marketing was also a contributing factor. This decrease was partly offset by the capturing of deferred shipment values, commonly referred to as "carry," which is revenue in excess of the cost of holding grain for deferred execution.

In 1999, world grain income increased 14%, or $5.0 million. This increase resulted primarily from higher storage revenues.

The world grain segment income increased $26.1 million in 1998 compared to 1997. This increase in operating income was primarily attributable to higher margins combined lower selling, general and administrative expenses.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses decreased $4.0 million in 2000 compared with 1999. SG&A expenses directly associated with business segments decreased $9.3 million (primarily related to formation of the Agriliance and Cooperative Refining joint ventures and lower agency fees paid to Country Energy) and has been included in the determination of the operating income of business segments. General corporate expenses not identified to business segments increased $5.3 million primarily as a result of higher employee-related costs.

Selling, general and administrative expenses increased $48.8 million, or 11%, in 1999 compared with 1998. SG&A and expenses directly associated with business segments increased $21.6 million (primarily related to the pork business and acquisition of SF Services, Inc.) and has been included in the determination of the operating income of business segments. General corporate expenses not identified to business segments increased $27.2 million primarily as a result of the increased cost of management information systems and increased expenses related to geographic expansion.

Selling, general and administrative expenses increased $22.6 million, or 6%, in 1998 compared with 1997. SG&A directly associated with business segments increased $15.1 million (primarily related to the grain marketing and meats businesses) and has been included in the determination of the operating income of business segments. General corporate expenses not identified to business segments increased $7.5 million primarily as a result of the increased cost of management information systems and the acquisition of SF Services, Inc.

Other Income (Deductions)

Interest Expense

Interest expense increased $23.4 million in 2000 compared with 1999, primarily due to an increase in the average interest rate and the amortization of costs related to establishing our new senior secured credit facility.

Interest expense increased $17.1 million in 1999 compared with 1998, primarily reflecting higher average borrowings.

Interest expense increased $11.3 million in 1998 compared with 1997, primarily reflecting higher average borrowings.

Other, Net

Other income and deductions not identified to segments, interest income, and corporate equity in net income of investees decreased $6.6 million in 2000 compared with 1999, primarily as a result of a $6.9 million loss from our 24.5% ownership in VantagePoint Network LLC, a joint venture providing information services to production agriculture.

The decrease in other income and deductions in 1999 compared to 1998 is primarily due to non-recurring income recognized in 1998 and not reflected in 1999 including the $2.2 million gain on the sale of Cooperative Service Company and the $7.2 million gain on the sale of a 3.8% interest in National Beef Packing Co. L.P.

The increase in other income and deductions in 1998 compared to 1997 of $14.6 million is principally a gain of $7.2 million on the sale of a 3.8% interest in National Beef Packing Co. L.P. and a $2.2 million gain on the sale of Cooperative Service Company, a wholly owned subsidiary engaged in insurance and auditing services

Capital Expenditures

See "Business and Properties - Business - Capital Expenditures and Investments in Ventures."

Matters Involving the Environment

Farmland is subject to various stringent federal, state and local environmental laws and regulations, including those governing the use, storage, discharge and disposal of hazardous materials, as we use hazardous substances and generate hazardous wastes in the ordinary course of our manufacturing processes. Liabilities related to remediation of contaminated properties are recognized when the related costs are probable and can be reasonably estimated. Estimates of these costs are based upon currently available facts, existing technology, undiscounted site specific costs and currently enacted laws and regulations. In reporting environmental liabilities, no offset is made for potential recoveries. Such liabilities include estimates of Farmland' s share of costs attributable to potentially responsible parties which are insolvent or otherwise unable to pay. All liabilities are monitored and adjusted regularly as new facts or changes in law or technology occur.

Farmland wholly or jointly owns or operates grain elevators and manufacturing properties and has potential responsibility for environmental conditions at a number of former manufacturing facilities and at waste disposal facilities operated by third parties. Farmland also has been identified as a potentially responsible party ("PRP") under the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") at various National Priority List sites and has unresolved liability with respect to the past disposal of hazardous substances at five such sites. CERCLA may impose joint and several liability on certain statutory classes of persons for the costs of investigation and remediation of contaminated properties, regardless of fault or the legality of the original disposal. These persons include the present and former owners or operators of a contaminated property and companies that generated, disposed of, or arranged for the disposal of hazardous substances found at the property. We are investigating or remediating contamination at 31 properties under CERCLA and/or the state and federal hazardous waste management laws. During 1998, 1999 and 2000, we paid approximately $3.1 million, $7.2 million and $2.3 million, respectively, for environmental investigation and remediation.

Farmland currently is aware of probable obligations for environmental matters at a number of properties. As of August 31, 2000, we had an environmental accrual in our Consolidated Balance Sheet for probable and reasonably estimated cost for remediation of contaminated property of $12.9 million. We periodically review and, as appropriate, revise our environmental accruals. Based on current information and regulatory requirements, we believe that the accruals established for environmental expenditures are adequate. Farmland has also recorded, as a receivable, approximately $1.3 million of estimated, probable insurance proceeds related to an environmental issue which has been remediated.

Some environmental matters are in preliminary stages and the timing, extent and costs of actions which governmental authorities may require are currently unknown. As a result, certain costs of addressing environmental matters are either not probable or not reasonably estimable and, therefore, have not been accrued. In management' s opinion, it is reasonably possible that Farmland may incur $10.5 million of costs in addition to the $12.9 million which has been accrued.

Under the Resource Conservation Recovery Act of 1976 (' 'RCRA"), Farmland has three closure and four post-closure plans in place for five locations. Closure and post-closure plans also are in place for three landfills and two injection wells as required by state regulations. Such closure and post-closure costs are estimated to be $4.8 million at August 31, 2000 (and are in addition to the $10.5 million discussed in the prior paragraph). These liabilities are accrued when plans for termination of plant operations have been made. Operations are being conducted at these locations and we do not plan to terminate such operations in the foreseeable future. Therefore, these environmental exit costs have not been accrued.

There can be no assurance that the environmental matters described above, or environmental matters which may develop in the future, will not have a material adverse effect on our business, financial condition or results of operations.

Protection of the environment requires us to incur expenditures for equipment or processes. These expenditures may impact our future net income. The EPA has issued new rules limiting sulfur in gasoline to 30 parts per million and has published a proposed rule limiting sulfur in diesel fuel to 15 parts per million. The rules affecting gasoline were effective December 1, 1999 with a January 1, 2004 compliance date. The proposed rules for diesel fuel have a June 1, 2006 compliance date. Based on information currently available, we anticipate that material expenditures will be required to achieve compliance with these new and pending rules. Farmland has applied for, but has not received, regulatory extension of the deadlines until 2008. It is not certain whether Farmland will be granted this extension.

Environmental expenditures are capitalized when such expenditures provide future economic benefits. In 1998, 1999 and 2000, Farmland had capital expenditures of approximately $8.7 million, $6.5 million and $6.8 million, respectively, to improve our environmental compliance and the efficiency of our operations. Management believes we currently are in substantial compliance with existing environmental rules and regulations.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued in June 1998 by the FASB and is effective for fiscal periods beginning after June 15, 2000. On adoption, the provisions of SFAS 133 must be applied prospectively. We plan to adopt SFAS 133 beginning September 1, 2000. It is estimated that adoption of SFAS 133 will result in Farmland recording a net transition adjustment gain of $13 million in pre-tax income, and a net transition adjustment gain of $30 million, before tax effect, in accumulated other comprehensive income at September 1, 2000. Further, the adoption of SFAS 133 will result in our recognizing $55 million of derivative instrument assets and $12 million of derivative instrument liabilities.

SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" was also issued by the FASB and is effective for transfers occurring after March 31, 2001 and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000 (our fiscal year 2001). We are currently evaluating the impact, if any, that adoption of these provisions would have on our financial statements.

Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" was issued in December 1999 by the staff of the SEC and is effective no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. We expect that the adoption of SAB 101 will not have a significant effect on our financial statements.

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

Farmland is including the following cautionary statement in this Form to make applicable and take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statement made by, or on behalf of, Farmland. The factors identified in this cautionary statement are important factors (but not necessarily all important factors) that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Farmland. Where any such forward-looking statement includes a statement of the assumptions or basis underlying such forward-looking statement, Farmland cautions that, while it believes such assumptions or basis to be reasonable and makes them in good faith, assumed facts or basis almost always vary from actual results and the differences between the assumed facts or basis and actual results can be material, depending upon the circumstances. Where, in any forward-looking statement, Farmland, or its management, expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. Such forward looking statements include, without limitation, statements regarding the seasonal effects upon the business, the effects of actual, pending and possible legislation and regulation (including, but not limited to, the effects of FAIR, "fast-track" and certain environmental laws), the anticipated expenditures for environmental remediation, the potential capital expenditures required to comply with recently enacted and proposed regulations related to low sulfur gasoline and diesel fuel, our ability to fully and timely complete modifications and expansions with respect to certain manufacturing facilities, the redemption of the our various equities, and the adequacy of certain raw material reserves and supplies. Discussion containing such forward-looking statements is found in the material set forth under "Business and Properties" (including, without limitation, "Business Risk Factors"), "Market for the Registrant' s Common Equity and Related Stockholder Matters", "Management' s Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements", as well as within this Form 10-K generally.

Taking into account the foregoing, the following are identified as important factors that could cause actual results to differ materially from those expressed in any forward-looking statement made by, or on behalf of, Farmland:

1. Weather patterns (flood, drought, frost, etc.) or crop failure.

2. Federal or state regulations regarding agricultural programs and production efficiencies.

3. Federal or state regulations regarding the amounts of fertilizer and other chemical applications used by farmers.

4. Factors affecting the export of U.S. agricultural produce (including foreign trade and monetary policies, laws and regulations, political and governmental changes, inflation and exchange rates, taxes, operating conditions and world demand).

5. Factors affecting supply, demand and price of crude oil, refined fuels, natural gas and other commodities.

6. Regulatory delays and other unforeseeable obstacles beyond our control that may affect growth strategies through unification, acquisitions and investments in ventures.

7. Competitors in various segments which may be larger than Farmland, offer more varied products or possess greater resources.

8. Technological changes are more difficult or expensive to implement than anticipated.

9. Unusual or unexpected events such as, among other things, litigation settlements, adverse rulings or judgments and environmental remediation costs in excess of amounts accrued.

10. Federal or state regulations regarding environmental matters.

11. The factors identified in "Business and Properties - Business - Business Risk Factors".

ITEM 7A. Quantitative and qualitative disclosures about Market Risk

Sensitivity Analysis

Farmland is exposed to various market risks, including commodity price risk, foreign currency risk and interest rate risk. To manage the volatility related to these risks, we enter into various derivative transactions pursuant to our policies in areas such as counterparty exposure and hedging practices. Within limits approved by the Board of Directors, we may take net long or short grain and sugar positions. Otherwise, Farmland does not hold or issue derivative instruments for trading purposes. Commodities to which we have risk exposure include: feedgrains, wheat, oilseeds, soybean meal, sugar, cattle, hogs, natural gas and refined fuels. Farmland maintains risk management control systems to monitor its commodity risks and the offsetting hedge positions.

The following table presents one measure of market risk exposure using sensitivity analysis. Market risk exposure is defined as the change in the fair value of the derivative commodity instruments assuming a hypothetical change of 10% in market prices. Actual changes in commodity market prices may differ from hypothetical changes. Fair value was determined for derivative commodity contracts using the average quoted market prices for the three near-term contract periods. For derivative commodity instruments, fair value was based on the Company' s net position by commodity at year-end. The market risk exposure excludes the underlying positions that are being hedged. The underlying commodities hedged have a high inverse correlation to price changes of the derivative commodity instruments.

As of August 31 (Amounts in Millions)	1999	2000
Derivative Commodity Contracts:		
Grains:		
Trading	$ 18.9	$ 10.2
Other than trading	$ 23.0	$ 20.7
Energy, other than trading	$ 11.3	$ 14.5
Meats, other than trading	$ 3.2	$ 0.7

Farmland uses interest rate swaps to hedge a portion of its variable interest rate exposure and uses foreign currency forward contracts to hedge its exposure related to certain foreign currency denominated transactions. Farmland also has fair value exposure to interest rate risk as a result of our fixed rate debt. Assuming an adverse interest rate movement of 100 basis points, the impact on fair value of interest positions held at August 31, 1999 and 2000 would be $30.7 million and $32.7 million, respectively. Assuming an adverse movement in the foreign currency spot price of 10%, the impact on fair value of currency positions held at August 31, 1999 and 2000 would be $2.6 million and $1.2 million, respectively. Market risk on other than trading transactions is not material to our results of operations or financial position, as we have offsetting physical positions. The market risk of trading positions is unlikely to have a material impact on our financial position, but could have a material impact on our results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FARMLAND CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of DirectorsFarmland Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Farmland Industries, Inc. and subsidiaries as of August 31, 1999 and 2000, 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, 2000. These consolidated financial statements are the responsibility of the Company' s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 1999 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended August 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Kansas City, MissouriOctober 26, 2000

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS

	August 31	
	1999	2000
	(Amounts in Thousands)	
Current Assets:		
Accounts receivable - trade	$ 794,237	$ 740,026
Inventories (Note 2)	840,504	832,687
Deferred income taxes (Note 6)	49,495	45,589
Other current assets	153,833	207,127
Total Current Assets	$ 1,838,069	$ 1,825,429
Investments and Long-Term Receivables (Note 3)	$ 329,729	$ 399,889
Property, Plant and Equipment (Notes 4 and 5):		
Property, plant and equipment, at cost	$ 1,744,252	$ 1,787,614
Less accumulated depreciation and amortization	911,049	960,652
Net Property, Plant and Equipment	$ 833,203	$ 826,962
Other Assets	$ 256,648	$ 229,907

Total Assets	$ 3,257,649	$ 3,282,187

See accompanying Notes to Consolidated Financial Statements.

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

LIABILITIES AND EQUITIES

	August 31	
	1999	2000
	(Amounts in Thousands)	
Current Liabilities:		
Checks and drafts outstanding	$ 76,128	$ 135,799
Short-term notes payable (Note 5)	546,180	689,477
Current maturities of long-term debt (Note 5)	44,771	32,222
Accounts payable - trade	463,296	345,286
Customer advances on product purchases	13,715	120,731
Other current liabilities	243,540	287,012
Total Current Liabilities	$ 1,387,630	$ 1,610,527
Long-term Liabilities:		
Long-term borrowings (excluding current maturities) (Note 5)	$ 808,413	$ 646,160
Other long-term liabilities	40,212	40,134
Total Long-Term Liabilities	$ 848,625	$ 686,294
Deferred Income Taxes (Note 6)	$ 63,058	$ 54,676
Minority Owners' Equity in Subsidiaries (Note 7)	$ 41,009	$ 49,459
Capital Shares and Equities (Note 8):		
Preferred shares, Authorized 8,000,000 shares, 8% Series A cumulative redeemable preferred shares, stated at redemption value, $50 per share, 2,000,000 shares issued and outstanding	$ 100,000	$ 100,000
Other preferred shares, $25 par value, -0- shares issued and outstanding (2,743 shares in 1999)	69	-0-
Common shares, $25 par value -- Authorized 50,000,000 shares, 20,915,040 shares issued and outstanding (20,321,160 shares in 1999)	508,029	522,876
Associate member common shares (nonvoting), $25 par value -- Authorized 2,000,000 shares, 1,212,840 shares issued and outstanding (1,075,560 shares in 1999)	26,889	30,321
Earned surplus and other equities	282,340	228,034
Total Capital Shares and Equities	$ 917,327	$ 881,231
Contingent Liabilities and Commitments (Notes 5 and 9)		
Total Liabilities and Equities	$ 3,257,649	$ 3,282,187

See accompanying Notes to Consolidated Financial Statements.

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended August 31		
	1998	1999	2000
	(Amounts in Thousands)		
Sales	$ 8,775,046	$ 10,709,073	$ 12,238,963
Cost of sales	8,299,505	10,231,081	11,767,482

Gross income	$ 475,541	$ 477,992	$ 471,481
Selling, general and administrative expenses	$ 431,999	$ 480,839	$ 476,808
Other income (expense):			
Interest expense	$ (73,645)	$ (90,773)	$ (114,239)
Interest income	5,436	8,337	14,248
Other, net (Note 15)	30,265	43,322	22,691
Total other income (expense)	$ (37,944)	$ (39,114)	$ (77,300)
Income (loss) before equity in net income of investees, minority owners interest in net income of subsidiaries and income tax benefit	$ 5,598	$ (41,961)	$ (82,627)
Equity in net income of investees (Note 3)	56,434	65,510	56,891
Minority owners' interest in net income of subsidiaries	(7,005)	(17,727)	(24,996)
Income (loss) before income taxes (Note 6)	55,027	5,822	(50,732)
Income tax benefit (Note 6)	3,743	8,043	21,482
Net income (loss)	$ 58,770	$ 13,865	$ (29,250)
Distribution of net income (loss) (Note 8):			
Patronage refunds:			
Farm supply patrons	$ 51,513	$ 20,320	$ -0-
Pork marketing patrons	1,274	4,050	-0-
Beef marketing patrons	3,817	5,420	8,002
Grain marketing patrons	2,517	479	-0-
	$ 59,121	$ 30,269	$ 8,002
Earned surplus and other equities	(351)	(16,404)	(37,252)
	$ 58,770	$ 13,865	$ (29,250)

See accompanying Notes to Consolidated Financial Statements.

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended August 31		
	1998	1999	2000
	(Amounts in Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 58,770	$ 13,865	$ (29,250)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	101,833	109,184	108,126
Equity in net income of investees	(56,434)	(65,510)	(56,891)
Minority owners' equity in net income of subsidiaries	7,005	17,727	24,996
(Gain) loss on disposition of investments	(9,450)	189	(50,234)
Patronage refunds received in equities	(1,099)	(2,143)	(1,284)
Proceeds from redemption of patronage equities	6,546	4,598	3,123
Deferred income taxes	(641)	10,230	(4,476)
Adjustment of LIFO inventories	27,593	(27,593)	-0-
Other	2,501	7,929	(5,450)
Changes in assets and liabilities (exclusive of assets and liabilities of businesses acquired):			
Accounts receivable	25,398	(181,454)	54,211
Inventories	17,295	(76,190)	(45,737)
Other assets	6,893	(30,592)	(11,214)
Accounts payable	(67,286)	105,028	(118,010)
Other liabilities	(79,784)	(35,791)	155,960
Net cash provided by (used in) operating activities	$ 39,140	$ (150,523)	$ 23,870

CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	$ (108,837)	$ (121,184)	$ (100,865)
Distributions from joint ventures	57,635	54,121	58,962
Acquisition of investments and notes receivable	(69,466)	(69,811)	(36,568)
Acquisition of other long-term assets	(27,267)	(38,240)	(35,081)
Proceeds from sale of investments and collection of notes receivable	40,884	61,993	93,530
Proceeds from sale of fixed assets	20,632	22,023	16,825
Acquisition of businesses, net of cash acquired	(2,766)	(5,829)	-0-
Other	2,642	(233)	-0-
Net cash used in investing activities	$ (86,543)	$ (97,160)	$ (3,197)

See accompanying Notes to Consolidated Financial Statements.

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year Ended August 31		
	1998	1999	2000
	(Amounts in Thousands)		
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments of patronage refunds	$ (40,449)	$ (23,593)	$ (6,054)
Payments for redemption of equities	(80,243)	(9,050)	(480)
Payments of dividends on preferred shares	(4,937)	(8,004)	(8,000)
Proceeds from bank loans and notes payable	612,634	2,739,865	3,335,921
Payments of bank loans and notes payable	(516,391)	(2,624,938)	(3,447,962)
Proceeds from issuance of subordinated debt Certificates	99,309	121,630	101,786
Payments for redemption of subordinated debt certificates	(66,000)	(20,376)	(40,538)
Net increase (decrease) in checks and drafts outstanding	(47,243)	76,128	59,671
Proceeds from issuance of preferred shares	100,000	-0-	-0-
Partner Distributions	(1,472)	(11,957)	(16,204)
Other increase (decrease)	(471)	644	1,187
Net cash provided by financing activities	$ 54,737	$ 240,349	$ (20,673)
Net increase (decrease) in cash and cash equivalents	$ 7,334	$ (7,334)	$ -0-
Cash and cash equivalents at beginning of year	-0-	7,334	-0-
Cash and cash equivalents at end of year	$ 7,334	$ -0-	$ -0-
SUPPLEMENTAL SCHEDULE OF CASH PAID FOR INTEREST AND INCOME TAXES:			
Interest	$ 76,087	$ 77,143	$ 107,991
Income taxes paid (refunded), net	$ 13,446	$ (4,045)	$ (17,622)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Equities and minority owners' interest called for redemption	$ 8,868	$ -0-	$ -0-
Transfer of assets in exchange for investment in joint ventures	$ 4,601	$ 300	$ 69,150
Appropriation of current year's net income as patronage refunds	$ 59,121	$ 30,269	$ 8,002
Acquisition of businesses:			
Fair value of assets acquired	$ 168,409	$ 32,883	$ -0-
Goodwill	14,819	14,574	-0-
Equity issuable	(26,323)	-0-	-0-
Cash paid or payable	(2,766)	(7,750)	-0-
Liabilities assumed	$ 154,139	$ 39,707	$ -0-

See accompanying Notes to Consolidated Financial Statements.

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

Years Ended August 31, 1998, 1999 and 2000

	Preferred Shares	Common Shares	Associate Member Common Shares	Earned Surplus and Other Equities	Total Capital Shares and Equities
	(Amounts in Thousands)				
Balance at August 31, 1997	$ 72	$ 442,012	$ 22,248	$ 357,661	$ 821,993
Appropriation of current year's net income	-0-	-0-	-0-	58,770	58,770
Patronage refund payable in cash transferred To current liabilities	-0-	-0-	-0-	(23,593)	(23,593)
Base capital redemptions transferred To current liabilities	-0-	(8,738)	(130)	-0-	(8,868)
Prior year patronage refund allocation	-0-	60,238	7,551	(67,789)	-0-
Dividends on preferred shares	-0-	-0-	-0-	(6,933)	(6,933)
Exchange of common stock, associate member common shares and other equities	-0-	(2,058)	123	1,935	-0-
Equity issuable for purchase of SF Services, Inc.	-0-	-0-	-0-	26,323	26,323
Issue, redemption and cancellation of equities	99,999	(39,650)	(1,284)	(14,061)	45,004
Balance at August 31, 1998	$ 100,071	$ 451,804	$ 28,508	$ 332,313	$ 912,696
Appropriation of current year's net income	-0-	-0-	-0-	13,865	13,865
Patronage refund payable in cash transferred to current liabilities	-0-	-0-	-0-	(6,054)	(6,054)
Prior year patronage refund allocation	-0-	32,481	3,046	(35,527)	-0-
Dividends on preferred stock	-0-	-0-	-0-	(8,004)	(8,004)
Exchange of common stock, associate member common stock and other equities	-0-	(1,821)	(1,393)	3,214	-0-
Issue, redemption and cancellation of equities	(2)	25,565	(3,272)	(17,467)	4,824
Balance at August 31, 1999	$ 100,069	$ 508,029	$ 26,889	$ 282,340	$917,327
Appropriation of current year's net loss	-0-	-0-	-0-	(29,250)	(29,250)
Prior year patronage refund allocation	-0-	18,241	3,757	(21,998)	-0-
Dividends on preferred stock	-0-	-0-	-0-	(8,000)	(8,000)
Exchange of common stock, associate member common stock and other equities	-0-	(2,209)	(345)	2,554	-0-
Issue, redemption and cancellation of equities	(69)	(1,185)	20	2,388	1,154
Balance at August 31, 2000	$ 100,000	$ 522,876	$ 30,321	$ 228,034	$ 881,231

See accompanying Notes to Consolidated Financial Statements.

FARMLAND INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Farmland Industries, Inc., a Kansas corporation, is organized and operated as a cooperative and its mission is to be a global, consumer-driven, producer-owned, farm-to-table cooperative system.

General -- The consolidated financial statements include the accounts of Farmland Industries, Inc. and all of its majority-owned subsidiaries ("Farmland", "we", "us", "our", or the "Company", unless the context requires otherwise). All significant intercompany accounts and transactions have been eliminated. When necessary, the financial statements include amounts based on informed estimates and judgments of management. Our fiscal year ends August 31. Accordingly, all references to "year" or "years" are to fiscal years ended August 31.

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

Investments -- Investments in companies over which Farmland exercises significant influence (20% to 50% voting control) are accounted for by the equity method. Other investments are stated at cost, less any provision for impairment which is other than temporary.

Accounts Receivable -- Farmland uses the allowance method to account for doubtful accounts and notes.

Inventories -- Grain inventories are valued at market adjusted for net unrealized gains or losses on open commodity contracts. Crude oil and refined petroleum products are valued at the lower of last-in, first-out ("LIFO") cost or market. Other inventories are valued at the lower of first-in, first-out ("FIFO") cost or market. Supplies are valued at cost.

Property, Plant and Equipment -- Assets, including assets under capital leases, are stated at cost. Depreciation and amortization are computed principally using the straight-line method over the estimated useful lives of the assets and the remaining terms of the capital leases, respectively.

Goodwill and Other Intangible Assets -- The excess of cost over the fair market value of assets of businesses purchased is amortized on a straight-line basis over a period of 15 to 25 years. Farmland assesses the recoverability of goodwill and measures impairment, if any, by determining whether the unamortized balance can be recovered over its remaining life through undiscounted future operating cash flows. Goodwill is reflected in the accompanying Consolidated Balance Sheets net of accumulated amortization of $18.4 million and $23.1 million, respectively, at August 31, 1999 and 2000. Other intangible assets, primarily software, are amortized over three to ten years.

Sales -- Farmland recognizes sales at the time product is shipped. Farmland' s international grain trading business ("Tradigrain") has changed from a grain brokerage operation to a buy/sell operation. Accordingly, only the net margins of the international grain business were included in sales during 1998. Sales and cost of sales for 1999 and 2000 include the gross value of the international grain business transactions. Consistent with this change, Tradigrain' s 1999 and 2000 bank borrowings and repayments have been included as cash flows from financing activities.

Derivative Commodity Instruments -- Farmland uses derivative commodity instruments, including forward contracts, futures and options contracts, primarily to reduce its exposure to risk of loss from changes in commodity prices. Derivative commodity instruments which are designated as hedges and for which changes in value exhibit high correlation to changes in value of the underlying position are accounted for as hedges.

Gains and losses on hedges of inventory are deferred as part of the carrying amount of the related inventories and, upon sale of the inventory, recognized in cost of sales. Gains and losses related to qualifying hedges of firm commitments or anticipated transactions also are deferred and are recognized as an adjustment to the carrying amounts of the commodities when the underlying hedged transaction occurs. When a qualifying hedge is terminated or ceases to meet the specified criteria for use of hedge accounting, any deferred gains or losses through that date continue to be deferred. To the extent an anticipated transaction is no longer likely to occur, related hedges are closed with gains or losses charged to operations.

Our world grain business may use derivative commodity instruments to establish positions for trading purposes. Instruments used for this purpose are marked-to-market and all related gains and losses are included in operations. Cash flows from commodity instruments are classified in the same category as cash flows from the hedged commodities in the Consolidated Statements of Cash Flows.

Farmland enters into interest rate exchange agreements which involve the exchange of fixed-rate and variable-rate interest payments over the life of the agreements and effectively results in the conversion of specifically identified, variable-rate debt into fixed-rate debt. Differences to be paid or received are accrued as interest and are recognized as an adjustment to interest expense.

Gains and losses on termination of interest rate exchange agreements are deferred and recognized over the term of the underlying debt instrument as an adjustment to interest expense. In cases where there is no remaining underlying debt instrument, gains and losses on termination are recognized currently in other income (expense).

Environmental Expenditures -- Liabilities related to remediation of contaminated properties are recognized when the related costs are considered probable and can be reasonably estimated. Estimates of these costs are based upon currently available facts, existing technology, undiscounted site specific costs and currently enacted laws and regulations. In reporting environmental liabilities, no offset is made for potential recoveries. All liabilities are monitored and adjusted as new facts or changes in law or technology occur. Environmental expenditures are capitalized when such costs provide future economic benefits.

Federal Income Taxes -- Farmland is subject to income taxes on all income not distributed to patrons as qualified patronage refunds. Farmland files consolidated federal and state income tax returns.

Reclassifications -- Certain prior year amounts have been reclassified to conform with the current year presentation.

(2) Inventories

Major components of inventories are as follows:

	1999	2000
	(Amounts in Thousands)	
Finished and in-process products.....	$ 719,118	$ 750,057
Materials...........................	54,387	16,939
Supplies............................	66,999	65,691
	$ 840,504	$ 832,687

Income before income taxes for the year ended August 31, 1998 was reduced by $27.6 million to recognize a non-cash charge for the adjustment of crude oil and refined petroleum inventories to market value. In fiscal year 1999, the inventories market value exceeded LIFO cost and the lower of LIFO cost or market adjustment made in 1998 was reversed.

The carrying values of crude oil and refined petroleum inventories stated under the lower of LIFO cost or market at August 31, 1999 and 2000, were $113.2 million and $39.1 million, respectively. Replacement cost approximated the carrying values of petroleum inventories at August 31, 1999. Replacement cost is higher than the carrying values of petroleum inventories at August 31, 2000 by $24.7 million.

During 1999 and 2000, LIFO inventory quantities were reduced, resulting in a liquidations of LIFO inventory layers. The effect of these layer liquidations was to decrease cost of goods sold and increase income before income taxes by approximately $14.5 million and $3.2 million, respectively.

(3) Investments and Long-Term Receivables

Investments and long-term receivables are as follows:

	1999	2000
	(Amounts in Thousands)	
Investments accounted for by the equity method................	$ 205,047	$ 277,633
Investments in and advances to other cooperatives.............	42,037	39,540
National Bank for Cooperatives................................	22,362	20,201
Other investments and long-term receivables...................	60,283	62,515
	$ 329,729	$ 399,889

National Bank for Cooperatives ("CoBank") requires its borrowers to maintain an investment in stock of the bank. The amount of investment required is based on the average amount borrowed from CoBank during the previous five years. At August 31, 1999 and 2000, Farmland' s investment in CoBank approximated its requirement. CoBank maintains a statutory lien on the investment held by Farmland in CoBank.

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

	1999	2000

	(Amounts in Thousands)	
Current Assets	$ 488,447	$ 2,615,992
Long-Term Assets	707,548	920,548
Total Assets	$ 1,195,995	$ 3,536,540
Current Liabilities	$ 418,183	$ 2,279,139
Long-Term Liabilities	370,882	643,942
Total Liabilities	$ 789,065	$ 2,923,081
Net Assets	$ 406,930	$ 613,459

	Year Ended August 31		
	1998	1999	2000
	(Amounts in Thousands)		
Net sales	$ 1,859,159	$ 2,618,163	$ 6,770,839
Net income	$ 115,241	$ 125,826	$ 173,081
Farmland's equity in net income	$ 56,434	$ 65,510	$ 56,891

Our investments accounted for by the equity method consist principally of :

- 50% equity interests in three manufacturers of plant foods products, Farmland Hydro, L.P., SF Phosphates Limited Company and Farmland MissChem, Limited;
- beginning January 1, 2000, an approximate 50% equity interest in UCB LLC, which in turn holds a 50% equity interest in Agriliance LLC, an agronomy distribution and marketing venture;
- during the year ended August 31, 1999, a 50% equity interest in a grain marketer, Concourse Grain, LLC;
- during the year ended August 31, 2000, an approximate 42% equity interest in Cooperative Refining, LLC, which operates two refineries; and
- at August 31, 2000, our share of the undistributed earnings of all ventures accounted for by the equity method totaled $61.0.

(4) Property, Plant and Equipment

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

	1999	2000
	(Amounts in Thousands)	
Land and improvements	$ 59,072	$ 70,085
Buildings	291,131	304,855
Machinery and equipment	1,067,838	1,103,155
Automotive equipment	71,948	75,417
Furniture and fixtures	56,463	57,446
Capital leases	54,461	50,351
Leasehold improvements	38,231	40,793
Other	5,622	5,217
Construction in progress	99,486	80,295
	$ 1,744,252	$ 1,787,614

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

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

	August 31	
	1999	2000
	(Amounts in Thousands)	
Subordinated capital investment certificates --6.25% to 10.00%, maturing 2001 through 2014	$ 404,218	$ 446,968
Subordinated monthly income certificates --7.0% to 10.00%, maturing 2001 through 2010	103,314	121,947
Syndicated Credit Facility	180,000	-0-
Other bank notes--7.12% to 10.75%, maturing 2001 through 2004	94,272	31,153
Industrial revenue bonds--3.25% to 6.75%, maturing 2002 through 2021	25,500	38,423
Promissory notes--7% to 9%, maturing 2001 through 2003	6,513	8,224
Other--1.64% to 12.77%	39,367	31,667
	$ 853,184	$ 678,382
Less current maturities	44,771	32,222
	$ 808,413	$ 646,160

Farmland has a $750 million revolving credit facility, expiring May 9, 2001, with a group of domestic and international banks (“the Credit Facility”). At August 31, 2000, Farmland had outstanding $427.1 million of short-term borrowings under the Credit Facility; additionally $36.1 million of the Credit Facility was being utilized to support letters of credit issued on our behalf.

Farmland pays commitment fees under the Credit Facility, currently equal to 50 basis points annually, on the unused portion of the credit. Borrowings under the Credit Facility are secured by a substantial portion of our accounts receivable, inventories and fixed assets. Interest rates under the credit facility are based on a spread over the base rate (as defined in the agreement) or a spread over LIBOR. The Credit Facility contains covenants related to Farmland’ s ratio of earnings before interest, taxes, depreciation and amortization to net interest expense, our ratio of total debt to total capitalization, and our ratio of senior debt to total capitalization, all as defined in the agreement. In addition to these financial covenants, our ability to borrow under the Credit Facility may be restricted based on our level of receivables and inventories. As of August 31, 2000, we were in compliance with all covenants under the Credit Facility.

Farmland National Beef Packing Company, L.P., a consolidated subsidiary, has a five-year, $130.0 million, credit facility. This facility, which expires March 31, 2003, is provided by various participating banks and all borrowings thereunder are nonrecourse to Farmland. At August 31, 2000, Farmland National Beef had borrowings under this facility of $14.0 million, and $17.9 million of the facility was being utilized to support letters of credit. Farmland National Beef has pledged assets with a carrying value at August 31, 2000, of $253.9 million to support its borrowings under the facility.

Farmland maintains other borrowing arrangements with banks and financial institutions. At August 31, 2000, $17.2 million was borrowed under these agreements.

Tradigrain, a consolidated subsidiary, has borrowing agreements with various banks which provide financing and letters of credit to support current grain trading transactions. At August 31, 2000, these short-term borrowings totaled $224.0 million. Obligations of Tradigrain under these loan agreements are nonrecourse to Farmland or Farmland' s other affiliates.

Subordinated debt certificates have been issued under several indentures. Certain subordinated capital investment certificates may be redeemed prior to maturity at the option of the owner in accordance with the indenture. Subject to limitations in the indenture, Farmland has options to redeem certain subordinated capital investment certificates in advance of scheduled maturities. Additionally, upon written request we will redeem subordinated capital investment certificates and subordinated monthly income certificates in the case of death of an owner.

Outstanding subordinated debt certificates are subordinated to senior indebtedness ($543.2 million at August 31, 2000) and certain additional financings (principally long-term operating leases). See Note 9.

At August 31, 2000, under industrial revenue bonds and other agreements, assets with a carrying value of $16.4 million have been pledged.

Borrowings from CoBank, under both the Syndicated Credit Facility and short-term notes payable, totaling $71.0 million at August 31, 2000, are partially secured by liens on the equity investment held by Farmland in CoBank. See Note 3.

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

2001...........................	$ 32,222
2002...........................	77,569
2003...........................	64,492
2004...........................	36,741
2005...........................	45,535
2006 and after.................	421,823
	$ 678,382

At August 31, 1999 and 2000, we had demand loan certificates and short-term bank debt outstanding of $546.2 million (weighted average interest rate of 6.45%) and $689.5 million (weighted average interest rate of 8.55%), respectively.

During 1998, 1999 and 2000, Farmland capitalized interest of $3.9 million, $0.3 million and $1.7 million, respectively.

(6) Income Taxes

a. Tax Litigation

On November 29, 1999, the United States Tax Court issued an opinion holding that the gains and losses we realized in 1983 and 1984 on the sale of the stock of Terra Resources, Inc. and certain other assets were patronage-sourced and that we had reported these gains and losses correctly. By ruling in our favor, the Tax Court rejected claims of the Internal Revenue Service that would have resulted in material additional federal income taxes plus accumulated interest. This ruling also means that we do not owe additional state income tax and accumulated interest related to these transactions. The statutory time period for the Internal Revenue Service to appeal the Tax Court' s decision expired on September 6, 2000.

b. Other Income Tax Matters

The Internal Revenue Service ("IRS") has examined the Federal income tax returns of Farmland and its subsidiaries through the year ended August 31, 1992. The results of the examinations for fiscal years ended August 31, 1988 through August 31, 1992 have been protested with the Appeals Office of the IRS. Management believes that any liability remaining upon a final determination of the issues will not be material. The IRS has informed Farmland that they will not be conducting audits for the fiscal years ended August 31, 1993 through August 31, 1995. Our returns for fiscal years ended August 31, 1996 through August 31, 1999 have been filed but have not been reviewed by the IRS.

Income (loss) before income taxes include the following components:

	1998	1999	2000
Foreign..................................	$ 30,269	$ 27,381	$ (12,873)
Domestic.................................	24,758	(21,559)	(37,859)
Total....................................	$ 55,027	$ 5,822	$ (50,732)

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

	Year Ended August 31		
	1998	1999	2000
	(Amounts in Thousands)		
Federal:			
Current..................................	$ (5,610)	$ (23,440)	$ (14,147)
Deferred.................................	(512)	12,119	(5,286)
	$ (6,122)	$ (11,321)	$ (19,433)
State:			
Current..................................	$ (981)	$ (4,135)	$ (2,497)
Deferred.................................	(90)	2,138	(932)
	$ (1,071)	$ (1,997)	$ (3,429)
Foreign:			
Current..................................	$ 2,967	$ 1,362	$ 1,140
Deferred.................................	483	3,913	240
	$ 3,450	$ 5,275	$ 1,380
Total income tax (benefit).................	$ (3,743)	$ (8,043)	$ (21,482)

Income tax expense (benefit) differs from the "expected" income tax expense (benefit) using a statutory rate of 35% as follows:

	Year Ended August 31		
	1998	1999	2000
Computed "expected" income tax expense (benefit) on income before income taxes....................	35.0 %	35.0 %	(35.0)%
Increase (reduction) in income tax expense (benefit) attributable to:			
Patronage refunds......................	(37.6)	(181.7)	(5.5)
Patronage-sourced items for which no benefit is available..................	-0-	-0-	8.9
State income tax expense (benefit), net of federal income tax effect..........	3.3	2.4	(3.6)
Other, net.............................	(7.5)	6.2	(7.1)
Income tax (benefit).......................	(6.8)%	(138.1)%	(42.3)%

The tax effect of temporary differences that give rise to significant portions of deferred tax liabilities and deferred tax assets at August 31, 1999 and 2000 are as follows:

	August 31	
	1999	2000
	(Amounts in Thousands)	
Deferred tax liabilities:		
Property, plant and equipment, ...principally due to differences in depreciation.........................	$ 90,321	$ 94,945
Prepaid pension cost......................	16,114	13,237
Income from foreign subsidiaries..........	16,776	12,141
Basis differences in pass-through ventures................................	6,446	6,461
Other....................................	7,701	10,883
Total deferred tax liabilities..........	$ 137,358	$ 137,667
Deferred tax assets:		
Safe harbor leases........................	$ 3,435	$ 3,034
Accrued expenses..........................	55,241	58,111
Benefit of nonqualified written notices.........................	39,542	42,317
Alternative minimum tax credit............	15,389	17,689
Accounts receivable, principally due to allowance for doubtful accounts.........	6,359	4,496
Other....................................	3,829	2,933
Total deferred tax assets...............	$ 123,795	$ 128,580
Net deferred tax liability.................	$ 13,563	$ 9,087

At August 31, 2000, Farmland has nonmember-sourced loss carryforwards, expiring from 2019 to 2020, amounting to $86.9 million, available to offset future nonmember-sourced income. Farmland also has alternative minimum tax credit carryovers amounting to $17.7 million available to reduce future federal income taxes payable.

At August 31, 2000, Farmland has member-sourced loss carryforwards, expiring from 2010 through 2020, amounting to $36.5 million available to offset future member-sourced income. No deferred tax asset has been established for these carryforwards as member-sourced losses will be available to offset future patronage refunds.

(7) Minority Owners' Equity in Subsidiaries

A summary of the equity of subsidiaries owned by others is as follows:

	1999	2000
	(Amounts in Thousands)	
Farmland National Beef Packing Company, L.P................	$ 36,414	$ 45,737
Farmland Foods, Inc.......................................	3,723	3,341
Other subsidiaries..	872	381
	$ 41,009	$ 49,459

(8) Preferred Stock, Earned Surplus and Other Equities

A summary of preferred stock is as follows:

August 31	
1999	2000

	(Amounts in Thousands)	
Preferred shares - Authorized 8,000,000 shares: 8%, Series A cumulative redeemable preferred shares, stated at redemption value, $50 per share, 2,000,000 shares issued and outstanding	$ 100,000	$100,000
5-1/2% and 6%, $25 par value - 0 shares issued and outstanding (2,743 shares in 1999)	69	-0-
	$ 100,069	$ 100,000

Dividends on the Series A preferred shares accumulate whether or not: Farmland has earnings; funds are legally available for the payment; or such dividends are declared. These preferred shares are redeemable, beginning on December 15, 2022, at our sole discretion. No redemption is allowed prior to that time. Series A preferred shares each have a liquidation preference of $50 per share, plus an amount equal to accumulated and unpaid dividends, if any, thereon. The preferred shares are not entitled to vote.

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

	August 31	
	1999	2000
	(Amounts in Thousands)	
Earned surplus	$ 226,476	$ 180,508
Patronage refund payable in equities	24,215	8,002
Capital credits	26,453	32,167
Additional paid-in surplus	5,102	7,248
Other	94	109
	$ 282,340	$ 228,034

Patronage refunds payable in equities represent the portion of patronage refunds, payable from current year earnings, in the form of common shares, associate member common shares and capital credits.

In July 1998, Farmland acquired all of the common stock of SF Services, Inc. in exchange for $26.3 million in Farmland equity, $2.8 million in cash and warrants which, when exercisable, may be exchanged for $21.7 million in Farmland equity. The right to exercise the warrants is contingent on achieving a specified volume of purchases over seven years. As of August 31, 2000, $0.9 million in warrants had been converted to Farmland equity. SF Services operated as a regional farm supply cooperative, serving local cooperative members in Arkansas, Mississippi, Louisiana and Alabama.

Capital credits are issued: 1) for payment of patronage refunds to patrons who do not satisfy requirements for membership or associate membership and 2) upon conversion of common stock or associate member common stock held by persons who no longer meet qualifications for membership or associate membership in Farmland.

(9) Contingent Liabilities and Commitments

Farmland leases various equipment and real properties under long-term operating leases. For 1998, 1999 and 2000, rental expense totaled $64.3 million, $66.3 million, and $71.1 million, respectively. Rental expense is reduced for sublease income, primarily rental income received on leased railroad cars and ammonia trailers ($1.1 million in 1998, $1.0 million in 1999, and $1.1 million in 2000).

The lease agreements have various remaining terms ranging from one to sixteen years. Some agreements are renewable, at our option, for additional periods. The minimum required payments for these agreements during the fiscal years ending August 31 are as follows:

2001	$ 88,092
2002	74,923
2003	59,826
2004	50,046
2005	248,832
2006 and after	35,231
	$556,950

Commitments for capital expenditures and investments in joint ventures aggregated $93.5 million at August 31, 2000.

Farmland has been designated by the Environmental Protection Agency as a potentially responsible party (“PRP”) under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), at various National Priority List (“NPL”) sites. In addition, we are aware of possible obligations associated with environmental matters at other sites, including sites where no claim or assessment has been made. Our accrued liability for probable and reasonably estimable obligations for resolution of environmental matters at NPL and other sites was $13.3 million and $12.9 million at August 31, 1999 and 2000, respectively.

The ultimate costs of resolving certain environmental matters are not quantifiable because many such matters are in preliminary stages and the timing and extent of actions which governmental authorities may ultimately require are unknown. It is possible that the costs of such resolution may be greater than the liabilities which, in the opinion of management, are probable and reasonably estimable at August 31, 2000. In the opinion of management, it is reasonably possible for such costs to approximate an additional $10.5 million.

In the ordinary course of conducting grain trading activities, as of August 31, 2000, we were contingently liable in the amount of $78.5 million of performance and bid bonds, guarantees and letters of credit.

Farmland is involved in various lawsuits arising in the normal course of business. In the opinion of management, the ultimate resolution of these litigation issues is not expected to have a material adverse effect on our Consolidated Financial Statements.

(10) Employee Benefit Plans

The Farmland Industries, Inc. Employee Retirement Plan (the “Plan”) is a defined benefit plan in which substantially all employees may participate. Participation in the Plan is optional prior to age 34, but mandatory thereafter. 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 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 bonds, short-term investment funds, private REITS and venture capital funds.

The funding policy for the Plan is at the sole discretion of the Farmland Employee Retirement Plan Committee. The Committee' s current strategy is to limit contributions to an amount not to exceed the amount deductible for federal income tax purposes. Farmland charges pension costs as accrued based on the actuarial valuation of the plan.

Components of Farmland' s pension cost are as follows:

	1998	1999	2000
	(Amounts in Thousands)		
Service cost	$ 12,013	$ 15,126	$ 16,175
Interest cost	21,403	23,405	25,168
Expected return on Plan assets	(28,192)	(34,621)	(35,207)
Net amortization	207	207	207
Pension expense	$ 5,431	$ 4,117	$ 6,343

The following table sets forth the Plan' s funded status and amounts recognized as assets in our Consolidated Balance Sheets at August 31, 1999 and 2000. Such prepaid pension cost is based on the Plan' s funded status as of May 31, 1999 and 2000.

	August 31	
	1999	2000
	(Amounts in Thousands)	
Change in Projected Benefit Obligation:		
Projected Benefit Obligation, beginning of year	$ 342,548	$ 344,987
Service Cost	15,126	16,175
Expected Employee Contributions	5,961	6,800
Interest Cost	23,405	25,168
Actuarial (Gain) Loss	(30,293)	(46,092)
Benefits Paid	(11,760)	(13,096)
Projected Benefit Obligation, end of year	$ 344,987	$ 333,942
Change in Fair Value of Plan Assets:		
Plan Assets at fair value, beginning of year	$ 385,112	$ 392,792
Return on Plan Assets	13,052	44,298
Company Contributions	427	-0-
Actual Employee Contributions	5,961	6,120
Benefits Paid	(11,760)	(13,096)
Plan Assets at fair value, end of year	$ 392,792	430,114
Funded Status and Prepaid Pension Cost:		
Funded Status of the Plan, end of year	$ 47,805	$ 96,172
Unrecognized Prior Service Cost	207	-0-
Unrecognized Net (Gain) Loss	(3,337)	(57,840)
Prepaid Pension Cost, end of year	$ 44,675	$ 38,332

The following rates were used when calculating service cost, interest cost, expected return on plan assets, the projected benefit obligation and the Plan' s funded status.

	Year Ended August 31		
	1998	1999	2000
Discount rate	7.25%	7.5%	8.25%
Rate of increase in future compensation levels	4.5%	4.9%	4.92%
Expected long-term rate of return on plan assets	9.0%	9.0%	9.0%

(11) Industry Segment Information

Farmland adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" for the year ended August 31, 1999. This statement requires companies to report certain information about operating segments in their financial statements and establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS 131 defines operating segments as components of an enterprise about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. Comparative information for prior years presented has been restated to conform to our current organizational structure.

Farmland conducts business primarily in two operating areas: agricultural inputs and outputs. On the input side of the agricultural industry, we operate as a farm supply cooperative. On the output side of the agricultural industry, we operate as a processing and marketing cooperative.

Our farm supply operations consist of three segments: crop production, petroleum, and feed. Principal products of the crop production segment are nitrogen-based and phosphate-based plant foods and a complete line of insecticides, herbicides and mixed chemicals. Principal products of the petroleum division are refined fuels, propane, jet fuels and by-products of petroleum refining. Principal products of the feed division include swine, dairy, pet, beef, poultry, mineral and specialty feeds; feed ingredients and supplements, animal health products and livestock services.

On the output side, Farmland' s operations consist of two segments: the processing and marketing of meat products ("Refrigerated Foods") and the origination, storage and marketing of grain ("World Grain").

Other operations primarily include financial, management, printing and transportation services.

The operating income (loss) of each industry segment includes the revenue generated on transactions involving products within that industry segment less identifiable expenses. Corporate assets include cash, investments in other cooperatives, and certain other assets.

Unallocated includes income and expense items which are not directly attributed to or allocated to any operating segment. Examples of such items include interest expense and certain legal, human resources, and finance expenses.

Following is a summary of industry segment information as of and for the years ended August 31, 1998, 1999 and 2000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1998 (Page 1 of 3)
(Amounts in Thousands)

	CONSOLIDATED SEGMENTS		
	Combined Segments	Unallocated	Consolidated
Sales & transfers	$ 8,985,984	$ -	$ 8,985,984
Transfers between segments	(210,938)	-	(210,938)
Net sales	$ 8,775,046	$ -	$ 8,775,046
Cost of sales	8,299,505	-	8,299,505
Gross income	$ 475,541	$ -	$ 475,541
Selling, general and administrative expenses	$ 335,789	$ 96,210	$ 431,999
Other income (expense):			
Interest expense	$ -	$ (73,645)	$ (73,645)
Interest income	-	5,436	5,436
Other, net	6,587	23,678	30,265
Total other income (expense)	$ 6,587	$ (44,531)	$ (37,944)
Equity in income/(loss) of investees	53,010	3,424	56,434
Minority owners' interest in net (income)/loss of subsidiaries	(7,005)	-	(7,005)
Income tax benefit	-	3,743	3,743
Net income (loss)	$ 192,344	$ (133,574)	$ 58,770
Investment in and advances to investees	$ 188,104	$ 8,002	$ 196,106
Total assets	$ 2,603,827	$ 270,791	$ 2,874,618
Depreciation and amortization expense	$ 87,168	$ 14,665	$ 101,833
Capital expenditures	$ 150,878	$ 3,351	$ 154,229

1998 (Page 2 of 3)
(Amounts in Thousands)

	INPUT AND OTHER SEGMENTS				
	Crop Production	Petroleum	Feed	Other Operating Units	Total Input and Other Segments
Sales & transfers	$ 1,162,239	$ 1,141,090	$ 570,622	$ 163,761	$ 3,037,712
Transfers between					

segments	(4,396)	(4,162)	(20,890)	(27,304)	(56,752)
Net sales	$ 1,157,843	$ 1,136,928	$ 549,732	$ 136,457	$ 2,980,960
Cost of sales	1,081,640	1,114,081	509,418	103,869	2,809,008
Gross income	$ 76,203	$ 22,847	$ 40,314	$ 32,588	$ 171,952
Selling, general and administrative expenses	$ 28,219	$ 22,485	$ 31,132	$ 37,561	$ 119,397
Other income (expense):					
Interest expense	$ -	$ -	$ -	$ -	$ -
Interest income	-	-	-	-	-
Other, net	1,969	1,938	272	2,778	6,957
Total other income (expense)	$ 1,969	$ 1,938	$ 272	$ 2,778	$ 6,957
Equity in net income/(loss) of investees	49,967	260	1,123	566	51,916
Minority owners' interest in net (income)/loss of subsidiaries	281	-	-	884	1,165
Income tax benefit	-	-	-	-	-
Net income (loss)	$ 100,201	$ 2,560	$ 10,577	$ (745)	$ 112,593
Investment in and advances to investees	$ 153,476	$ 1,087	$ 7,308	$ 4,862	$ 166,733
Total assets	$ 654,915	$ 433,117	$ 98,555	$ 231,440	$ 1,418,027
Depreciation and amortization expense	$ 22,271	$ 14,609	$ 4,500	$ 7,480	$ 48,860
Capital expenditures	$ 26,072	$ 26,172	$ 5,627	$ 47,950	$ 105,821

1998 (Page 3 of 3)
(Amounts in Thousands)

	OUTPUT SEGMENTS		
	Refrigerated Foods	World Grain	Total Output Segments
Sales & transfers	$ 3,709,524	$ 2,238,748	$ 5,948,272
Transfers between segments	(53,184)	(101,002)	(154,186)
Net sales	$ 3,656,340	$ 2,137,746	$ 5,794,086
Cost of sales	3,438,171	2,052,326	5,490,497
Gross income	$ 218,169	$ 85,420	$ 303,589
Selling, general and administrative expenses	$ 162,267	$ 54,125	$ 216,392
Other income (expense):			
Interest expense	$ -	$ -	$ -
Interest income	-	-	-
Other, net	(2,044)	1,674	(370)
Total other income (expense)	$ (2,044)	$ 1,674	$ (370)
Equity in net income/(loss) of investees	(1,092)	2,186	1,094
Minority owners' interest			

in net (income)/loss of subsidiaries	(8,170)	-	(8,170)
Income tax benefit	-	-	-
Net income (loss)	$ 44,596	$ 35,155	$ 79,751
Investment in and advances to investees	$ 7,986	$ 13,385	$ 21,371
Total assets	$ 642,336	$ 543,464	$ 1,185,800
Depreciation and amortization expense	$ 33,225	$ 5,083	$ 38,308
Capital expenditures	$ 40,914	$ 4,143	$ 45,057

1999 (Page 1 of 3)
(Amounts in Thousands)

	CONSOLIDATED SEGMENTS		
	Combined Segments	Unallocated	Consolidated
Sales &transfers	$ 11,038,775	$ -	$ 11,038,775
Transfers between segments	(329,702)	-	(329,702)
Net sales	$ 10,709,073	$ -	$ 10,709,073
Cost of sales	10,231,081	-	10,231,081
Gross income	$ 477,992	$ -	$ 477,992
Selling, general and administrative expenses	357,440	123,399	480,839
Other income (expense):			
Interest expense	-	(90,773)	(90,773)
Interest income	-	8,337	8,337
Other, net	28,634	14,688	43,322
Total other income (expense)	$ 28,634	$ (67,748)	$ (39,114)
Equity in income/(loss) of investees	62,272	3,238	65,510
Minority owners' interest in net (income)/loss of subsidiaries	(17,727)	-	(17,727)
Income tax benefit	-	8,043	8,043
Net income (loss)	$ 193,731	$ (179,866)	$ 13,865
Investment in and advances to investees	$ 198,824	$ 6,223	$ 205,047
Total assets	$ 2,912,526	$ 345,123	$ 3,257,649
Depreciation and amortization expense	$ 94,219	$ 14,965	$ 109,184
Capital expenditures	$ 114,986	$ 6,198	$ 121,184

1999 (Page 2 of 3)
(Amounts in Thousands)

	INPUT AND OTHER SEGMENTS				
	Crop Production	Petroleum	Feed	Other Operating Units	Total Input and Other Segments
Sales & transfers	$ 1,009,266	$ 954,220	$ 599,208	$ 284,756	$ 2,847,450
Transfers between segments	(6,735)	(48)	(23,661)	(30,837)	(61,281)
Net sales	$ 1,002,531	$ 954,172	$ 575,547	$ 253,919	$ 2,786,169
Cost of sales	1,004,441	918,186	530,246	216,879	2,669,752
Gross income	$ (1,910)	$ 35,986	$ 45,301	$ 37,040	$ 116,417
Selling, general and administrative expenses	$ 30,089	$ 20,553	$ 30,774	$ 41,555	$ 122,971
Other income (expense):					
Interest expense	$ -	$ -	$ -	$ -	$ -
Interest income	-	-	-	-	-
Other, net	18,408	2,726	355	6,128	27,617
Total other income (expense)	$ 18,408	$ 2,726	$ 355	$ 6128	$ 27,617
Equity in net income/(loss) of investees	54,056	2,366	906	229	57,557
Minority owners' interest in net (income)/loss	167	-	(504)	781	444
Income tax benefit	-	-	-	-	-
Net income (loss)	$ 40,632	$ 20,525	$ 15,284	$ 2,623	$ 79,064
Investment in and advances to investees	$ 162,811	$ 4,383	$ 7,771	$ 6,658	$ 181,623
Total assets	$ 678,109	$ 491,137	$122,765	$ 107,714	$ 1,399,725
Depreciation and amortization expense	$ 23,498	$ 16,039	$ 4,844	$ 10,597	$ 54,978
Capital expenditures	$ 6,689	$ 26,841	$ 4,970	$ 11,758	$ 50,258

1999 (Page 3 of 3)
(Amounts in Thousands)

	OUTPUT SEGMENTS		
	Refrigerated Foods	World Grain	Total Output Segments
Sales& transfers	$3,802,953	$ 4,388,372	$ 8,191,325
Transfers between segments	(47,237)	(221,184)	(268,421)
Net sales	$3,755,716	$ 4,167,188	$ 7,922,904
Cost of sales	3,487,521	4,073,808	7,561,329

Gross income	$ 268,195	$ 93,380	$ 361,575
Selling, general and administrative expenses	$ 178,230	$ 56,239	$ 234,469
Other income (expense):			
Interest expense	$ -	$ -	$ -
Interest income	-	-	-
Other, net	1,814	(797)	1,017
Total other income (expense)	$ 1,814	$ (797)	$ 1,017
Equity in net income/(loss) of investees	870	3,845	4,715
Minority owners' interest in net (income)/loss of subsidiaries	(18,171)	-	(18,171)
Income tax benefit	-	-	-
Net income (loss)	$ 74,478	$ 40,189	$ 114,667
Investment in and advances to investees	$ 11,837	$ 5,364	$ 17,201
Total assets	$ 683,961	$ 828,840	$ 1,512,801
Depreciation and amortization expense	$ 33,902	$ 5,339	$ 39,241
Capital expenditures	$ 44,125	$ 20,603	$ 64,728

2000 (Page 1 of 3)
(Amounts in Thousands)

	CONSOLIDATED SEGMENTS		
	Combined Segments	Unallocated	Consolidated
Sales & transfers	$ 14,065,907	$ -	$ 14,065,907
Transfers between segments	(1,826,944)	-	(1,826,944)
Net sales	$ 12,238,963	$ -	$ 12,238,963
Cost of sales	11,767,482	-	11,767,482
Gross income (loss)	$ 471,481	$ -	$ 471,481
Selling, general and administrative expenses	348,084	128,724	476,808
Other income (expense):			
Interest expense	-	(114,239)	(114,239)
Interest income	-	14,248	14,248
Other, net	15,447	7,244	22,691
Total other income (expense)	$ 15,447	$ (92,747)	$ (77,300)
Equity in income/(loss) of investees	58,700	(1,809)	56,891
Minority owners' interest in net (income)/loss of subsidiaries	(24,996)	-	(24,996)
Income tax benefit	-	21,482	21,482
Net income (loss)	$ 172,548	$ (201,798)	$ (29,250)

Investment in and advances to investees	$ 279,330	$ (1,697)	$ 277,633
Total assets	$ 2,966,046	$ 316,141	$ 3,282,187
Depreciation and amortization expense	$ 95,507	$ 12,619	$ 108,126
Capital expenditures	$ 96,027	$ 4,838	$ 100,865

2000 (Page 2 of 3)
(Amounts in Thousands)

	INPUT AND OTHER SEGMENTS				
	Crop Production	Petroleum	Feed	Other Operating Units	Total Input and Other Segments
Sales & transfers	$ 984,782	$ 1,419,423	$ 672,697	$ 847,116	$ 3,924,018
Transfers between segments	(5,601)	-	(60,125)	(500,849)	(566,575)
Net sales	$ 979,181	$ 1,419,423	$ 612,572	$ 346,267	$ 3,357,443
Cost of sales	983,056	1,395,507	565,075	306,709	3,250,347
Gross income (loss)	$ (3,875)	$ 23,916	$ 47,497	$ 39,558	$ 107,096
Selling, general and administrative expenses	$ 13,674	$ 13,654	$ 31,742	$ 43,174	$ 102,244
Other income (expense):					
Interest expense	$ -	$ -	$ -	$ -	$ -
Interest income	-	-	-	-	-
Other, net	18,777	(142)	511	5,173	24,319
Total other income (expense)	$ 18,777	$ (142)	$ 511	$ 5,173	$ 24,319
Equity in net income/(loss) of investees	37,445	20,299	293	(2,094)	55,943
Minority owners' interest in net (income)/loss	-	-	504	6	510
Income tax benefit	-	-	-	-	-
Net income (loss)	$ 38,673	$ 30,419	$ 17,063	$ (531)	$ 85,624
Investment in and advances to investees	$ 182,296	$ 62,107	$ 7,126	$ 5,584	$ 257,113
Total assets	$ 596,354	$ 411,860	$124,999	$124,068	$ 1,257,281
Depreciation and amortization expense	$ 23,968	$ 15,966	$ 5,774	$ 13,700	$ 59,408
Capital expenditures	$ 6,563	$ 6,986	$ 5,390	$ 4,572	$ 23,511

2000 (Page 3 of 3)

(Amounts in Thousands)

	OUTPUT SEGMENTS		
	Refrigerated Foods	World Grain	Total Output Segments
Sales &transfers	$5,277,033	$ 4,864,856	$ 10,141,889
Transfers between segments	(924,629)	(335,740)	(1,260,369)
Net sales	$4,352,404	$ 4,529,116	$ 8,881,520
Cost of sales	4,054,673	4,462,462	8,517,135
Gross income (loss)	$ 297,731	$ 66,654	$ 364,385
Selling, general and administrative expenses	$ 185,801	$ 60,039	$ 245,840
Other income (expense):			
Interest expense	$ -	$ -	$ -
Interest income	-	-	-
Other, net	(6,600)	(2,272)	(8,872)
Total other income (expense)	$ (6,600)	$ (2,272)	$ (8,872)
Equity in net income/(loss) of investees	2,397	360	2,757
Minority owners' interest in net (income)/loss of subsidiaries	(25,506)	-	(25,506)
Income tax benefit	-	-	-
Net income (loss)	$ 82,221	$ 4,703	$ 86,924
Investment in and advances to investees	$ 14,452	$ 7,765	$ 22,217
Total assets	$ 714,309	$ 994,456	$ 1,708,765
Depreciation and amortization expense	$ 33,975	$ 2,124	$ 36,099
Capital expenditures	$ 55,191	$ 17,325	$ 72,516

Substantially all of Farmland's long-lived assets are located in the United States. Sales by country, determined by customer location, were as follows:

	Year Ended August 31		
	1998	1999	2000
	(Amounts in Thousands)		
United States.........................	$ 7,474,758	$ 7,520,565	$ 8,706,211
Mexico................................	472,955	570,959	533,524
Egypt.................................	94,232	133,012	303,884
Japan.................................	157,022	220,763	283,833
Other.................................	576,079	2,263,774	2,411,511
Total.................................	$ 8,775,046	$ 10,709,073	$ 12,238,963

(12) Significant Group Concentration of Credit Risk

Farmland extends credit to its customers on terms generally no more favorable than standard terms of sale for the industries it serves. A substantial portion of our receivables are concentrated in the agricultural industry. Collection of these receivables may be dependent upon economic returns from farm crop and livestock production. A significant amount of trade receivables are with customers located in foreign countries. Although Farmland does not currently foresee a credit risk associated with these receivables, repayment is dependent upon the financial stability of those countries' national economies. Farmland has counterparty performance risk on forward contracts we have entered into with producers and local cooperatives. In the past, Farmland has not had significant problems with non-performance on these contracts and we do not anticipate having significant non-performance problems in the future. However, the risk of non-performance always exists and such risk may change as the agricultural economy changes. Our credit risks are continually reviewed and management believes that adequate provisions have been made for doubtful accounts.

Farmland enters into interest rate swap agreements and natural gas/financial swap agreements with financial institutions. We continually monitor our positions with, and the credit quality of, the financial institutions which are counterparties to our financial instruments and we do not anticipate non-performance by counterparties.

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 upon the agribusiness economic sector. See Note 3.

(13) Disclosures About Fair Value of Financial Instruments

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.

Investments in the equities of other cooperatives which have been purchased are carried at cost and equities received as patronage refunds are carried at par value, less provisions for other than temporary impairment. Management believes it is not practicable to estimate the fair value of these equities because there is no established market for these equities and estimated future cash flows, which are largely dependent on the future equity redemption policy of each cooperative, are not determinable. At August 31, 1999 and 2000, the carrying value of our investments in other cooperatives' equities totaled $53.4 million and $50.8 million, respectively.

For all other financial instrument assets, the fair value has been estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. The estimated fair value of the fixed rate financial instrument liabilities was calculated using a discount rate equal to the interest rate on financial instruments with similar maturities currently offered for sale by Farmland. The carrying value and the estimated fair value of our subordinated debenture bonds at August 31, 2000 is $569 million and $530 million, respectively. The estimated fair value of our remaining variable rate financial instruments approximates the carrying value.

(14) Related Party Transactions

Farmland has a 50% interest in three manufacturers of crop nutrient products, Farmland Hydro, L.P., SF Phosphates Limited Company and Farmland MissChem Limited. Beginning January 1, 2000, we acquired an approximate 50% equity interest in UCB LLC, which in turn holds a 50% equity interest in Agriliance LLC, an agronomy distribution and marketing venture. During the year ended August 31, 2000, we acquired an approximate 42% equity interest in Cooperative Refining, LLC, which operates two refineries, and a 50% interest in OneSystem Group, LLC, which is an information technology service.

During 1998, 1999 and 2000, Farmland purchased $231.5 million, $224.1 million and $1,082.4 million, respectively, of products and services from ventures and had sales to a venture of $0, $0 and $55.4 million, respectively. Farmland had accounts payable of $14.6 million and $27.9 million due to ventures at August 31, 1999 and 2000, respectively, and a note payable due to a venture of $12.6 million and $12.5 million at August 31, 1999 and 2000, respectively. Accounts receivable owed to us at August 31, 1999 and 2000 totaled $6.2 million and $36.0 million, respectively. Notes receivable due from ventures totaled $35.4 million and $20.3 million at August 31, 1999 and 2000, respectively.

(15) Other Income

During 2000, we realized a cash gain of $49.6 million on the sale of our direct interest in Agriliance, LLC to Land O' Lakes. In connection with the temporary shutdown of the Pollock, Louisiana fertilizer production facility, we realized an $8.9 million gain on futures positions closed as a result of anticipated natural gas purchases which will not occur. The above gains were partially offset by $35.3 million in startup costs related to the coke gasification facilities in Coffeyville, Kansas and a $11.5 million of loss related to the sale of the Dubuque, Iowa pork processing facility.

During 1999, Farmland realized a $10.3 million gain from the favorable settlement of various lawsuits involving natural gas pricing, crude oil supply, and environmental recoveries. Farmland also sold its investment in its Florida phosphate reserves with a resulting gain of approximately $7.7 million before income taxes. In connection with the temporary shutdown of the Lawrence fertilizer production facility, Farmland realized a $4.1 million gain on futures positions closed as a result of anticipated natural gas purchases which will not occur.

During 1998, we sold: (1) an approximate 3.8% interest in Farmland National Beef, resulting in a gain before income taxes of $7.2 million; and (2) all of our interest in Cooperative Services Company, formerly a wholly-owned subsidiary, resulting in a gain before income taxes of $2.2 million.

(16) Subsequent Events

In July 2000, Farmland entered into a joint venture agreement with Land O' Lakes that will combine all aspects of their feed businesses. This new venture, Land O' Lakes Farmland Feed, began operations October 1, 2000. Farmland owns approximately 31% of this venture.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors of Farmland are as follows:

Name	Age as of August 31, 2000	Positions Held With Farmland	Expiration of Present Term as Director	Years of Service as Board Member	Business Experience During Last Five Years
Albert J. Shivley	57	Chairman of the Board	2001	16	General Manager--American Pride Co-op Association, Brighton, Colorado, a local cooperative association of farmers and ranchers.
Jody Bezner	59	Vice Chairman and Vice President	2000	9	Producer--Texline, Texas. Mr. Bezner serves as President of Dalhart Consumers Fuel Association, Inc., Board of Directors, Dalhart, Texas, a local cooperative association of farmers and ranchers.
Lyman Adams, Jr.	49		2001	8	General Manager--Cooperative Grain and Supply, Hillsboro, Kansas, a local cooperative association of farmers and ranchers.
Ronald J. Amundson	56		2000	12	General Manager--Central Iowa Cooperative, Jewell, Iowa, a local cooperative association of farmers and ranchers.
Baxter Ankerstjerne	64		2002	10	Producer--Peterson, Iowa. From 1988 to 1997, Mr. Ankerstjerne

				served as Chairman of the Board of Directors of Farmers Cooperative Association, Marathon, Iowa.
Steven Erdman	50	2001	8	Producer--Bayard, Nebraska. Mr. Erdman serves as Secretary, Panhandle Co-op, Scottsbluff, Nebraska, a local cooperative association of farmers and ranchers.
Harry Fehrenbacher	52	2002	4	Producer--Newton, Illinois. Mr. Fehrenbacher serves as President of the Board of Directors of Effingham Equity, Effingham, Illinois, a local cooperative association of farmers and ranchers.
Martie Floyd	52	2000	3	Producer--Johnson, Kansas. Mr. Floyd serves as Secretary/Treasurer of the Board of Directors of Johnson Cooperative Grain Co, Inc., Johnson, Kansas, a local cooperative association of farmers and ranchers.
Donald Gales	38	2002	1	General Manager--South Dakota Wheat Growers, Aberdeen, SD a local cooperative association of farmers and ranchers.
Warren Gerdes	52	2001	6	General Manager--Farmers Cooperative Elevator Company, Buffalo Lake, Minnesota, a local cooperative association of farmers and ranchers.
Thomas H. Gist	65	2002	2	Producer--Marianna, Ark. Mr. Gist serves as Secretary of the Board of Directors of Tri-County Farmers Association of Brinkley, Ark. A local cooperative association of farmers and ranchers.
Ben Griffith	51	2001	11	General Manager--Central Cooperatives, Inc., Pleasant Hill, Missouri, a local cooperative association of farmers and ranchers.
Gail D. Hall	58	2000	12	General Manager--Lexington Cooperative Oil Company, Lexington, Nebraska, a local cooperative association of farmers and ranchers. Mr. Hall retired from the position of General Manager in February 1999.
Barry Jensen	55	2002	10	Producer--White River, South Dakota. Mr. Jensen currently serves as a Director of Dakota Pride Cooperative, Winner, South Dakota, a local cooperative association of farmers and ranchers.
Ron Jurgens	62	2001	5	General Manager--Agri Co-op in Holdrege, Nebraska, a local cooperative association of farmers and ranchers.
William F. Kuhlman	51	2002	4	Producer--Oakley, Kansas. Mr. Kuhlman serves on the Boards of Directors of Kansas Retail Venture Group. Formerly, he was President and CEO of Cooperative Agricultural Services, Inc., Oakley, Kansas and General Manager of Menlo-Rexford Cooperative, local cooperative associations of farmers and ranchers.
Greg Pfenning	51	2000	8	Producer--Hobart, Oklahoma. Past Director and President of The Farmers Cooperative Association, Hobart, Oklahoma, a local cooperative association of farmers and ranchers.
Monte Romohr	47	2002	10	Producer--Gresham, Nebraska Mr. Romohr serves as a Director of Farmers Co-op Business Association, Shelby, Nebraska, a local cooperative association of farmers and ranchers.
Joe Royster	48	2002	7	General Manager--Dacoma Farmers Cooperative, Inc., Dacoma, Oklahoma, a local cooperative association of farmers and ranchers.
E. Kent Stamper	54	2002	4	Producer--Plainville, Kansas. Mr. Stamper serves as Director and Vice President of the Board of Directors of Midland Marketing Coop, Hays, Kansas, a local cooperative association of farmers and ranchers. He is a member of the Director Development Committee of the Kansas Cooperative Council.
Eli F. Vaughn	51	2000	3	General Manager--Farmers Cooperative Company, Afton, Iowa, a local cooperative association of farmers and ranchers.

Frank Wilson	52	2001	5	General Manager--Elkhart Farmers Co-op Association, Elkhart, Texas, a local cooperative association of farmers and ranchers.

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 the Board of Directors is elected each year. The executive committee consists of Jody Bezner, Ben Griffith, Ron Jurgens, Monte Romohr, Albert Shivley and Robert Honse. With the exception of Robert Honse, President and Chief Executive Officer, members of the executive committee serve as chairmen of standing committees of the Board of Directors as follows: Ron Jurgens, corporate responsibility committee; Ben Griffith, audit committee; Jody Bezner, compensation committee; Monte Romohr, finance committee; and Albert Shivley, executive committee and governance committee.

Name	Age as of August 31, 2000	Principal Occupation and Other Positions
H. D. "Harry" Cleberg	61	President and Chief Executive Officer - Mr. Cleberg has been with Farmland since 1968. He was appointed to his present position effective April 1991. Prior to April 1991 Mr. Cleberg held senior leadership positions in Farmland's input and output businesses and in corporate areas responsible for transportation and logistics, sales, marketing and research. Effective September 1, 2000, Mr. Cleberg retired.
Robert Honse	57	Executive Vice President and Chief Operating Officer - Effective September 1, 2000 Mr. Honse was appointed President and Chief Executive Officer. Mr. Honse has been with Farmland since 1973. He was appointed to Executive Vice President and Chief Operating Officer in February 1999. From September 1995 to February 1999, he served as Executive Vice President and Chief Operating Officer, Ag Input Businesses. From January 1992 to September 1995, he served as Executive Vice President, Agricultural Inputs Operations.
John Berardi	57	Executive Vice President and Chief Financial Officer - Effective August 31, 2000, Mr. Berardi was appointed Chief Financial Officer. Mr. Berardi joined Farmland in March 1992, serving as Executive Vice President and Chief Financial Officer. From July 1996 through August 2000, he served as Executive Vice President and President, Grain and Grain Businesses.
Bernie Sanders	59	Senior Vice President and Corporate Secretary - Dr. Sanders had 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.
Stan Riemann	49	Executive Vice President and President, Crop Production - Mr. Riemann joined Farmland in March 1974. He has held various positions in the Crop Nutrients and Crop Protection areas. He was appointed to his present position as Executive Vice President and President, Crop Production in May 1999, and also serves as Co-President of Agriliance, LLC since its formation in 2000.
Kent Nunn	44	Vice President and Chief Information Officer Farmland Industries; President and Chief Executive Officer OneSystem Group, LLC - Mr. Nunn joined Farmland in 1990. He was appointed to his present position of Vice President and Chief Information Officer in 1995, and has served as President and CEO of OneSystem Group, LLC since its formation in 1997.
Bob Terry	44	Executive Vice President, Administrative Group and General Counsel - Effective September 2000, Mr. Terry was appointed to his present position. Mr. Terry joined Farmland in 1989 as a corporate counsel. From 1993 through August 2000, Mr. Terry served as Vice President and General Counsel.
William Fielding	53	Executive Vice President and President, Refrigerated Foods - Mr. Fielding joined Farmland in January 2000. Prior to his current position Mr. Fielding served as President, Dickey Environmental from 1998 to 1999, as President, Conagra Refrigerated Meats from 1996 to 1998, and as President, Cargill Meat Sector from 1995 to 1996.
Tim Daughterty	47	Executive Vice President and President, World Grain - Mr. Daugherty joined Farmland in 1985. He was appointed to his current position in September of 1996. Prior to his current position, he served as Vice President of Marketing for a geographic territory that included Kansas, Colorado and Utah.

ITEM 11. EXECUTIVE COMPENSATION

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 Farmland in all capacities during 1998, 1999 and 2000.

		Annual Compensation			Long-Term Compensation
Name and Principal Position	Year Ending August 31	Salary	Bonus	Employee Variable Compensation Plan	LTIP Payouts
H. D. "Harry" Cleberg,	1998	$ 578,878	$ -0-	$ 213,564	$ 400,436
President and	1999	$ 623,814	$ -0-	$ -0-	$ -0-
Chief Executive Officer	2000	$ 633,584	$ 700,000	$ -0-	$ -0-
Robert Honse,	1998	$ 347,328	$ -0-	$ 110,144	$ 200,218
Executive Vice President and	1999	$ 426,224	$ -0-	$ -0-	$ -0-
Chief Operating Officer	2000	$ 552,057	$ -0-	$ -0-	$ -0-
John Berardi,	1998	$ 326,016	$ -0-	$ 110,144	$ 200,218
Executive Vice President and	1999	$ 340,680	$ -0-	$ -0-	$ -0-
Chief Financial Officer	2000	$ 361,110	$ -0-	$ -0-	$ -0-
Stan Riemann	1998	$ 246,264	$ -0-	$ 61,781	$ 133,479
Executive Vice President and	1999	$ 261,314	$ -0-	$ -0-	$ -0-

President, Crop Production Group	2000	$ 292,197	$ -0-	$ 68,956(1)	$ -0-
William Fielding	1998	$ -0-	$ -0-	$ -0-	$ -0-
Executive Vice President and	1999	$ -0-	$ -0-	$ -0-	$ -0-
President, Refrigerated Foods	2000	$ 204,166	$ 375,000	$ -0-	$ -0-

(1) Compensation earned under the Agriliance variable compensation program for 2000.

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

Under the Annual Employee Variable Compensation Plan, all regular salaried employees' total compensation is based on a combination of base and variable pay. The variable compensation award is dependent upon the employee' s position and the year-to-date performance of Farmland and/or the selected performance criteria of the operating or service unit where the individual is employed. Variable compensation is awarded only in each quarter that Farmland and/or the operating or service unit achieves a threshold performance level as approved each year by the Board of Directors. We intend for our total cash compensation (base plus variable) to be competitive, recognizing that in the event Farmland and/or the operating or service unit fails to achieve a predetermined threshold level of performance, the base pay alone will place the employees well under market rates. This system of variable compensation allows us to keep our fixed costs (base salaries) lower and only increase payroll costs consistent with our ability to pay. Distributions under this plan are made quarterly after the close of each fiscal quarter.

Mr. Riemann is also eligible for an award under Agriliance's Variable Pay Program. This program was established January 1, 2000. Payout is based on operating results and the achievement of specific synergy objectives.

In view of our recent results, we have terminated, except as discussed below, all previously awarded Management Long-Term Incentive Plans. We did not make any payouts under any of these plans. The Board of Directors, in its sole discretion, may establish a new Management Long-Term Incentive Plan or Plans.

Under an employment contract commencing February 1, 2000, Mr. Fielding' s total compensation is based on a combination of base, variable and long-term incentive pay that is separate from the arrangements for other employees. The variable compensation award is dependent on Farmland Foods achieving earnings in excess of a base amount plus a return on incremental capital expenditures. The base amount is the average of 1998, 1999 and 2000 Farmland Food' s pre-tax earnings plus $15 million for 2001, $30 million for 2002, $40 million for 2003 and $50 million for 2004. Distributions under this plan are made annually after the close of each fiscal year.

Mr. Fielding' s long-term incentive is defined in his employment agreement commencing February 1, 2000. Under the agreement, payout is only made when income over the four year plan period exceeds a calculated amount. The amount, which cannot be calculated until the close of the 2004 year, equals the average of Farmland Food' s pre-tax earnings for the three year period 1998 through 2000 plus a return on incremental capital expenditures plus $50 million. The amount paid is 10% of the first $50 million over the base pre-tax earnings and 5% of any additional excess pre-tax earnings.

Mr. Fielding's long term incentive award payout, contingent on satisfying the terms and conditions of his plan as set forth above, is set forth below.

(A)	(B)	(C)	Non-Stock Price Based Plans		
Name	Number of Shares, Units or Other Rights (1)	Performance or Other Period Until Maturation or Payout	(D) Threshold	(E) Target	(F) Maximum
	(Amounts in Thousands)				
William Fielding		2001 - 2004	Note 1	Note 1	Note 1

(1) Mr. Fielding' s long-term incentive plan does not specify a target or maximum. Threshold level is the average of Farmland Food' s pre-tax earnings for the three year period 1998 through 2000 plus a return on incremental capital expenditures plus $50 million. Payout, if any, will occur after the close of the 2004 year.

Our Executive Deferred Compensation Plan permits executive employees to defer part of their salary and/or part or all of their variable and incentive 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 Farmland 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 deferred pursuant to the plan for the accounts of the named individuals during the years 1998, 1999 and 2000 are included in the cash compensation table.

Farmland established the Farmland Industries, Inc. Employee Retirement Plan (the "Retirement Plan") in 1986. Generally, employees whose customary employment is at the rate of at least 15 hours per week may participate in the Retirement Plan. Participation in the Retirement Plan is optional prior to age 34, but mandatory thereafter. Approximately 6,900 active and 8,500 inactive employees were participants in the Retirement Plan on August 31, 2000. The Retirement Plan is funded by employer and employee contributions to provide lifetime retirement income at normal retirement age 62, or a reduced income beginning as early as age 55. The Retirement Plan also contains provisions for death and disability benefits. The Retirement Plan has been determined qualified under the Internal Revenue Code. The Retirement Plan is administered by a committee appointed by the Board of Directors and all funds are held by a bank trustee in accordance with the terms of the trust agreement. The funding policy for the Plan is at the sole discretion of the Farmland Employee Retirement Plan Committee. The Committee' s current strategy is to limit contributions to an amount not to exceed the amount deductible for federal income tax purposes. Farmland' s contributions made to the Retirement Plan for the years ended August 31, 1998, 1999 and 2000 were $-0- million, $ 1.7 million and $-0- million, respectively.

Payments to participants in the Retirement Plan are based upon length of participation and compensation reported for the four highest of the last ten years of employment. Compensation for this purpose includes base salary and compensation earned under the Annual Employee Variable Compensation Plan discussed above. However, at the present time, the maximum compensation per participant which may be covered by a qualified pension plan is limited to $170,000 annually and the maximum retirement benefit which may be paid by such plan is limited to $135,000 annually by the Internal Revenue Code ("IRC").

We established a Supplemental Executive Retirement Plan ("SERP") effective January 1, 1994. The SERP is intended to supplement the retirement income of executive participants in the Retirement Plan whose retirement benefit is reduced because of the limitation of the IRC on the amount of annual salary which can be included in the computation of retirement income or the amount of annual retirement benefit which may be paid by a qualified retirement plan. Under terms of the SERP, Farmland' s obligation is to make up 100% of the employer provided retirement benefit that would otherwise be lost under the Retirement Plan due to the IRC limits discussed above for qualified plans.

The following table sets forth, for compensation levels up to $170,000, the estimated annual benefits payable at age 62 for members of the Retirement Plan. These benefits are not reduced to take into account Social Security payments. The following table also sets forth, for compensation levels exceeding $170,000, the combined estimated annual benefits payable under the Retirement Plan and SERP assuming: (1) Retirement occurs on or after age 62; (2) The portion of the employee' s benefit lost (due to the IRC limitations) which would have been provided by the employer' s contribution to the Retirement Plan is 85% of the total benefit lost; (3) Benefits have been computed using an IRC 401(a)(17) Final Average Wage of $157,500, which represents the average of the compensation limits for the last four years; and (4) Grandfathered benefits, if any, have been ignored. Grandfather benefits (prior to 1995) would alter the amounts paid from either the Retirement Plan or the SERP, but would not materially alter the total benefit amount shown in this chart.

Wage	15	20	25	30	35

$ 100,000	$ 26,250	$ 35,000	$ 43,750	$ 52,500	$ 61,250
125,000	32,813	43,750	54,688	65,625	76,563
150,000	39,375	52,500	65,625	78,750	91,875
200,000	50,728	67,769	84,711	101,653	118,595
250,000	61,983	82,644	103,305	123,966	144,627
300,000	73,139	97,519	121,898	146,278	170,658
350,000	84,295	112,394	140,492	168,591	196,689
400,000	95,452	127,269	159,086	190,903	222,720
450,000	106,608	142,144	177,680	213,216	248,752
500,000	117,764	157,019	196,273	235,528	274,783
600,000	140,077	186,769	233,461	280,153	326,845
700,000	162,389	216,519	270,648	324,778	378,908
800,000	184,702	246,269	307,836	369,403	430,970
900,000	207,014	276,019	345,023	414,028	483,033
1,000,000	229,327	305,769	382,211	458,653	535,095
1,100,000	251,639	335,519	419,398	503,278	587,158
1,200,000	273,952	365,269	456,586	547,903	639,220
1,300,000	296,264	395,019	493,773	592,528	691,283
1,400,000	318,577	424,769	530,961	637,153	743,345
1,500,000	340,889	454,519	568,148	681,778	795,408

The following table sets forth the credited years of service for certain of Farmland's executive officers at August 31, 2000.

Name	Years of Creditable Service
H. D. "Harry" Cleberg	35
Robert Honse	26
John Berardi	8
Stan Riemann	24
William Fielding	-0-

Compensation Committee Interlocks and Insider Participation

The following persons, none of whom, except as indicated below, is either currently or formerly an officer or employee of Farmland or any of its subsidiaries, served as members of the compensation committee during 2000: Messrs. Jody Bezner, Tom Gist, Ron Amundson, Barry Jensen and Bill Kuhlman. Mr. Bezner has served as Vice Chairman and Vice President of the Board of Farmland from December 1997 to the current date. No executive officer of Farmland (i) served as a member of a compensation committee (or other board committee performing equivalent functions or, in the absence of such committee, the entire board of directors) of another entity, one of whose executive officers served on the compensation committee of Farmland, (ii) served as a director of another entity, one of whose executive officers served on the compensation committee of Farmland, or (iii) served as a member of a compensation committee (or other board committee performing equivalent functions or, in the absence of such committee, the entire board of directors) of another entity, one of whose executive officers served as a director of Farmland.

Compensation of Directors

Directors' compensation consists of payment of three hundred dollars ($300.00) per day of Farmland business (including, for example, board and committee meetings and other similar activities), plus reimbursement of necessary expenses incurred in connection with their official duties. In addition, we pay annual retainers of $30,000 to the Chairman; $25,000 to each member of the Executive Committee, other than the Chairman and President; and $20,000 to all other directors.

Farmland provides each director a $100,000 life insurance benefit. Farmland also has established a $100,000 supplemental life insurance benefit for directors. A director is eligible for this benefit on commencement of a second elected term of office.

ITEM 12. EQUITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Farmland' s equity consists of preferred shares, common shares, associate member common shares and capital credits. Only the common shares have voting rights.

At August 31, 2000, no person was known by Farmland to be the beneficial owner of more than five percent of Farmland' s common shares.

At August 31, 2000, the directors and executive officers of Farmland, neither individually nor as a group, beneficially owned in excess of one percent of any class of Farmland' s equity.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Farmland 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 members.

Exhibit No. Description of Exhibits

PART IV

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

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

(1) Financial Statements

Consolidated Balance Sheets, August 31, 1999 and 2000 Consolidated Statements of Operations for each of the years in the three-year period ended August 31, 2000 Consolidated Statements of Cash Flows for each of the years in the three-year period ended August 31, 2000

Consolidated Statements of Capital Shares and Equities for each of the years in the three-year period ended August 31, 2000

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

(d) The separate financial statements of a significant fifty percent or less owned subsidiary - Cooperative Refining, LLC.

(3) Exhibits

Articles of Incorporation and Bylaws:

3.(i)A Articles of Incorporation and Bylaws of Farmland Industries, Inc. effective December 10, 1998. (Incorporated by Reference - Form S-1/A, filed December 16, 1998)

Instruments Defining the Rights of Security Holders, including Indentures*:

4.(i)A Form of Trust Indenture with UMB Bank, National Association, providing for issuance of unsubordinated debt securities, including form of Demand Loan Certificates. (Incorporated by Reference - Form S-1, No. 33-40759, effective December 31, 1997)

4.(i)B Form of Trust Indenture with Commerce Bank, National Association, providing for issuance of subordinated debt securities, including forms of Ten-Year Bond, Series A, Ten-Year Bond, Series B, Five-Year Bond, Series C, Five-Year Bond, Series D, Ten-Year Monthly Income Bond, Series E, Ten-Year Monthly Income Bond, Series F, Five-Year Monthly Income Bond, Series G and Five-Year Monthly Income Bond, Series H. (Incorporated by Reference - Form S-1, No.

33-40759, effective December 31, 1997)

4.(i)C Certificate of Designation for a Series of Preferred Shares Designated as 8% Series A Cumulative Redeemable Preferred Shares, dated December 19, 1997. (Incorporated by Reference - Form S-2, filed April 3, 1998)

4(.ii)A Syndicated Credit Facility between Farmland Industries, Inc. and various banks dated May 10, 2000 (Incorporated by Reference - Form 10-Q filed July 17, 2000)

Material Contracts:

Management Remunerative Plans:

10.(iii)A Employee Variable Compensation Plan (September 1, 2000 - August 31, 2001)

10.(iii)B Board of Directors Insurance

10.(iii)C Farmland Industries, Inc. Supplemental Executive Retirement Plan (As Amended and Restated Effective September 1, 1999) (Incorporated by Reference - Form 10-K filed November 19, 1999).

10.(iii)C(1)Resolution Approving the Revision of Appendix A and Appendix A (Incorporated by Reference - Form 10-K, filed November 27, 1996)

10.(iii)D Farmland Industries, Inc. Executive Deferred Compensation Plan (As Amended and Restated Effective November 1, 1996) (Incorporated by Reference - Form 10-K, filed November 27, 1996).

10.(iii)E Employment agreement between Farmland and Mr. H. D. Cleberg, dated March 1, 2000 (Incorporated by Reference - Form 10-Q, filed July 17, 2000).

10.(iii)F Employment agreement between Farmland and Mr. Robert W. Honse, dated August 1, 2000

10.(iii)G Employment agreement between Farmland and Mr. William Fielding, dated January 31, 2000 (Incorporated by Reference Form 10-Q filed April 14, 2000).

10.(iii)H Agriliance Staff Variable Pay Program FY2000.

21 Subsidiaries of the Registrant

24 Power of Attorney

27 Financial Data Schedule

* Long-term debt instruments pursuant to which the debt issuable thereunder does not exceed 10% of Farmland' s total assets have not been filed. At the Commission' s request, we agree to furnish a copy of such instruments or agreements.

(B) Reports on Form 8-K

Farmland filed a report on Form 8-K, Item 5 "Other Events" on July 24, 2000. The report announced an agreement to establish Land O' Lakes Farmland Feed LLC, a joint venture that consolidates all aspects of the feed businesses of Land O' Lakes and Farmland.

Farmland filed a report on Form 8-K, Item 5 "Other Events" on August 29, 2000. This report describes Farmland' s financial performance.

Farmland filed a report on Form 8-K on October 13, 2000, Item 2, "Acquisition or Disposition of Assets", describes the formation of Land O' Lakes Farmland Feed LLC, a joint venture, Item 7, "Financial Statements and Exhibits", illustrates the effects of the contribution of certain feed assets and certain feed liabilities by the venture.

Supplemental Information to be Furnished With Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act

As of the filing of this Form 10-K, no annual report covering the Registrant' s last fiscal year and no proxy statement, form of proxy or other proxy soliciting material, has been sent to holders of the Registrant' s securities. At such time as any such annual report or proxy soliciting material is sent to holders of the Registrant' s securities subsequent to the filing of this Form 10-K, four copies of the same will be furnished to the Commission as and to the extent required by the Instructions to Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, Farmland Industries, Inc. has duly caused this report on 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 22, 2000.

FARMLAND INDUSTRIES, INC.

By /s/ JOHN F. BERARDI
John F. Berardi
Executive Vice President and
Chief Financial Officer

By /s/ ROBERT B. TERRY
Robert B. Terry
Executive Vice President and General Counsel

Pursuant to the requirements of the Securities Act of 1934, this Form 10-K has been signed for the following persons on behalf of Farmland Industries, Inc. and in the capacities and on the date indicated pursuant to valid Power of Attorney executed on October 25, 2000.

Signature	Title	Date
* Albert J. Shivley	Chairman of the Board, Director	November 22, 2000
* Jody Benzer	Vice Chairman of Board, Vice President and Director	November 22, 2000
* Lyman L. Adams, Jr.	Director	November 22, 2000
* Ronald J. Amundson	Director	November 22, 2000
* Baxter Ankerstjerne	Director	November 22, 2000
* Steven Erdman	Director	November 22, 2000
* Harry Fehrenbacher	Director	November 22, 2000
* Martie Floyd	Director	November 22, 2000
* Donald Gales	Director	November 22, 2000
* Warren Gerdes	Director	November 22, 2000
* Thomas H. Gist	Director	November 22, 2000
* Ben Griffith	Director	November 22, 2000
* Gail D. Hall	Director	November 22, 2000
Barry Jensen	Director	November 22, 2000
* Ron Jurgens	Director	November 22, 2000
*	Director	November 22, 2000

William F. Kuhlman		
*	Director	November 22, 2000
Greg Pfenning		
*	Director	November 22, 2000
Monte Romohr		
*	Director	November 22, 2000
Joe Royster		
*	Director	November 22, 2000
E. Kent Stamper		
*	Director	November 22, 2000
Eli F. Vaughn		
*	Director	November 22, 2000
Frank Wilson		
/s/ ROBERT W. HONSE	President,	November 22, 2000
Robert W. Honse	Chief Executive Officer	
/s/ JOHN F. BERARDI	Executive Vice President	November 22, 2000
John F. Berardi	And Chief Financial Officer (Principal Financial Officer)	
/s/ MERL DANIEL	Vice President and	November 22, 2000
Merl Daniel	Controller (Principal Accounting Officer)	

*BY /s/ JOHN F. BERARDI
John F. Berardi
Attorney-In-Fact

Cooperative Refining, LLC

BALANCE SHEET
August 31, 2000
(Dollars in Thousands)

ASSETS	
Current assets:	
Cash and cash equivalents	$ 3,000
Accounts receivable, primarily from Members (see Note 2)	314,865
Inventories	184,884
Other current assets	1,647
Total assets (all current)	$ 504,396
LIABILITIES AND EQUITIES	
Current liabilities:	
Accounts payable	$ 362,471
Accrued expenses	8,898
Members' distributions payable	1,725
Total liabilities (all current)	373,094
Equities	131,302
Total liabilities and equities	$ 504,396

The accompanying notes are an integral part of the financial statements

STATEMENT OF OPERATIONS AND
MEMBERS' EQUITY
For the period from September 1, 1999 (date of inception) to
August 31, 2000

(Dollars in Thousands)

Net sales, primarily to members (see Note 2)	$	2,074,018
Cost of sales		2,024,112
Gross margin		49,906
Distribution, marketing and administrative expenses		8,690
Interest, net		(2,243)
Net income		43,459
Contributed capital		128,195
Distributions to members		(40,352)
Members' equity, August 31, 2000	$	131,302

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
For the period from September 1, 1999 (date of inception) to August 31, 2000
(Dollars in Thousands)

Cash flows from operating activities:		
Net income	$	43,459
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts receivable		(314,865)
Inventories		(56,689)
Other current assets		(1,647)
Accounts payable and accrued expenses		370,720
Net cash provided by operating activities		40,978
Cash flows from financing activities:		
Distributions to members		(38,627)
Change in book cash overdraft		649
Net cash used in financing activities		(37,978)
Net increase in cash and cash equivalents		3,000
Cash and cash equivalents at beginning of period		-0-
Cash and cash equivalents at end of period	$	3,000
Supplemental cash flow information:		
Cash paid during the period for interest	$	342
Significant non-cash financing activities:		
Contributions of inventories from members	$	128,195
Declaration of distribution payable to members		1,725

The accompanying notes are an integral part of the financial statements

Report of Independent Accountants

To the Board of Managers and Members of Cooperative Refining, LLC:

In our opinion, the accompanying balance sheet and the related statements of operations and members' equity and cash flows present fairly, in all material respects, the financial position of Cooperative Refining, LLC (CRLLC) at August 31, 2000, and the results of its operations and its cash flows for the period from September 1, 1999 (date of inception) to August 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of CRLLC' s management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLPMinneapolis, Minnesota

October 6, 2000

Notes to Financial Statements

1. Summary of Significant Accounting Policies: Organization:

On September 1, 1999, National Cooperative Refinery Association (NCRA) and Farmland Industries, Inc. (Farmland) formed Cooperative Refining, LLC (CRLLC), a joint venture established to operate and manage the refineries and related pipelines and terminals of NCRA and Farmland. In conjunction with the formation of CRLLC, NCRA contributed inventories with a fair market value of $73.8 million in exchange for a 57.6 percent ownership in CRLLC, and Farmland contributed inventories with a fair market value of $54.4 million in exchange for a 42.4 percent ownership in CRLLC. The profits and losses of CRLLC are to be allocated to NCRA and Farmland in proportion to their respective ownership percentages, subject to certain adjustments outlined in the joint venture agreements, and cash distributions are to be made monthly based on certain criteria described in the joint venture agreements.

Also in conjunction with the formation of CRLLC, NCRA and Farmland entered into a Personnel Lease Agreement and a Refinery Operating and Product Output Purchase Agreement, which establish the terms and conditions by which NCRA and Farmland will lease their respective employees to CRLLC and operate CRLLC' s activities. In these agreements, NCRA and Farmland give CRLLC the right to occupy, use and operate specified assets, primarily property, plant and equipment, which are to remain the sole property of the respective owners. NCRA and Farmland shall each have a right of first refusal for the purchase of all refined petroleum products produced by CRLLC to the extent of their respective ownership interest in CRLLC. All other products, including specified by-products, shall be marketed by CRLLC. During the year ended August 31, 2000, CRLLC made payments of $90.6 million and $90.3 million to NCRA and Farmland, respectively, for reimbursement of their refinery operating expenses. In addition, payables to NCRA and Farmland of $8.2 million and $9.3 million, respectively, for refinery operating expenses not yet reimbursed are reflected in Accounts payable in the balance sheet at August 31, 2000. Effective August 30, 2000, NCRA gave notice of its intent to terminate the aforementioned agreements and dissolve CRLLC, in accordance with the provisions of the agreements, effective no later than September 1, 2001.

Cash Equivalents and Short-Term Investments:

Cash equivalents include short-term highly liquid investments with original maturities of three months or less at the date of acquisition. Investments with original maturities in excess of three months are classified as short-term or long-term investments based on the remaining maturities. A book cash overdraft of $0.6 million is included in Accounts payable in the balance sheet at August 31, 2000.

Inventories and Hedging:

Inventories are valued at the lower of cost or market, with cost deter-mined on the last-in, first-out (LIFO) method.

Gains and losses on futures and options transactions related to inventories are credited or charged to cost of sales as such inventories are sold or reduced to the lower of cost or market. Gains and losses on hedge contracts not yet closed are accounted for as unrealized gains and losses and, accordingly, are deferred in the balance sheet.

Commodity trading in petroleum futures and option contracts is a natural extension of cash market trading. The commodity futures and option markets have underlying principles of increased liquidity and longer trading periods than the cash market. Hedging is one method of reducing exposure to the price risk inherent in the petroleum business. Typically, trading is conducted to manage price risk for near-term supply requirements. CRLLC' s use of futures and option contracts reduces the effects of price volatility, thereby protecting against adverse short-term price movements, while somewhat limiting the benefits of short-term price movements.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (FAS 133). In June 1999, the FASB issued Statement of Financial Accounting Standards No. 137, Deferral of the Effective Date of FASB Statement No. 133. FAS 133, as amended, is effective for CRLLC' s fiscal year beginning September 1, 2000. FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair-value hedge transactions, in which a company is hedging changes in an asset' s, liability' s, or firm commitment' s fair value, changes in the fair value of the derivative instrument will generally be offset in the statements of operations by changes in the hedged item' s fair value. For cash-flow hedge transactions, in which a company is hedging the variability of cash flows related to a variable-rate asset, liability, or forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current-period earnings. CRLLC has not yet determined the impact that the adoption of FAS 133 will have on its operations or statement of financial position.

Fair Value of Financial Instruments:

Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments, requires disclosure of the fair value of all financial instruments to which CRLLC is a party. All financial instruments are carried at amounts that approximate estimated fair value.

Revenue Recognition:

Revenues are recognized as products are shipped, primarily with FOB shipping point terms.

Income Taxes:

CRLLC is organized as a limited liability corporation and is not subject to federal income tax. All earnings of CRLLC are passed through to its members.

Use of Estimates:

The preparation of CRLLC' s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. Accounts Receivable:

CRLLC' s net sales are primarily to its members. Accordingly, accounts receivable is comprised primarily of amounts due from these members. There was no allowance for doubtful accounts at August 31, 2000. At certain times during fiscal 2000, the members paid their respective amounts owed to CRLLC prior to the required payment date as specified by the payment terms. In return, CRLLC paid interest to its members based on the federal short-term rate and the number of days between actual payment date and required payment date. The federal short-term rate was 6.27 percent at August 31, 2000.

3. Inventories:

	($ in thousands)
Refined products	$ 68,432
Crude oil	116,452
	$ 184,884

If the first-in, first-out (FIFO) method of accounting for inventories had been used by CRLLC, inventories would have been higher than the reported amount by $56.8 million at August 31, 2000.

4. Contingencies:

CRLLC is required to comply with various environmental laws and regulations incident to its normal business operations. In order to meet its compliance requirements, CRLLC will establish reserves for future costs of remediation as issues are identified. CRLLC is involved in certain legal claims and disputes which are in the normal course of CRLLC' s business. While the resolution of any of the above matters may have an impact on CRLLC' s financial results for a particular reporting period, management believes any such matters will not have a material adverse effect on the financial position of CRLLC.

EXHIBIT 99

EXHIBIT INDEX

The following exhibits are filed as a part of this Form 10-K Registration Statement. Certain of these exhibits are incorporated by reference as indicated. Items marked with an asterisk (*) are filed herein.

	Exhibit No.	Description of Exhibits
		Articles of Incorporation and Bylaws:
	3.(i)A	Articles of Incorporation and Bylaws of Farmland Industries, Inc. effective December 10, 1998. (Incorporated by Reference - Form S-1/A, filed December 16, 1998)
		Instruments Defining the Rights of Security Holders, including Indentures**:
	4.(i)A	Form of Trust Indenture with UMB Bank, National Association, providing for issuance of unsubordinated debt securities, including form of Demand Loan Certificates. (Incorporated by Reference - Form S-1, No. 33-40759, effective December 31, 1997)
	4.(i)B	Form of Trust Indenture with Commerce Bank, National Association, providing for issuance of subordinated debt securities, including forms of Ten-Year Bond, Series A, Ten-Year Bond, Series B, Five-Year Bond, Series C, Five-Year Bond, Series D, Ten-Year Monthly Income Bond, Series E, Ten-Year Monthly Income Bond, Series F, Five-Year Monthly Income Bond, Series G and Five-Year Monthly Income Bond, Series H. (Incorporated by Reference - Form S-1, No. 33-40759, effective December 31, 1997)
	4.(i)C	Certificate of Designation for a Series of Preferred Shares Designated as 8% Series A Cumulative Redeemable Preferred Shares, dated December 19, 1997. (Incorporated by Reference - Form S-2, filed April 3, 1998)
	4(.ii)A	Syndicated Credit Facility between Farmland Industries, Inc. and various banks dated May 10, 2000 (Incorporated by Reference - Form 10-Q filed July 17, 2000)
		Material Contracts:
		Management Remunerative Plans:
*	10.(iii)A	Employee Variable Compensation Plan (September 1, 2000 - August 31, 2001)
*	10.(iii)B	Board of Directors Life Insurance
	10.(iii)C	Farmland Industries, Inc. Supplemental Executive Retirement Plan (As Amended and Restated Effective September 1, 1999) (Incorporated by Reference - Form 10-K filed November 19, 1999).
		10.(iii)C(1) Resolution Approving the Revision of Appendix A and Appendix A (Incorporated by Reference - Form 10-K, filed November 27, 1996)
	10.(iii)D	Farmland Industries, Inc. Executive Deferred Compensation Plan (As Amended and Restated Effective November 1, 1996) (Incorporated by Reference - Form 10-K, filed November 27, 1996).
	10.(iii)E	Employment agreement between Farmland and Mr. H. D. Cleberg, dated March 1, 2000 (Incorporated by Reference - Form 10-Q, filed July 17, 2000).
*	10.(iii)F	Employment agreement between Farmland and Mr. Robert W. Honse, dated August 1, 2000
	10.(iii)G	Employment agreement between Farmland and Mr. William Fielding, dated January 31, 2000 (Incorporated by Reference - Form 10-Q filed April 14, 2000).
*	10.(iii)H	Agriliance Staff Variable Pay Program FY200
*	21	Subsidiaries of the Registrant
*	24	Power of Attorney
*	27	Financial Data Schedule

EXHIBIT 10.(iii)A

FY 2001 CORPORATE EMPLOYEE COMPENSATION PLAN
(SEPTEMBER 1, 2000 - AUGUST 31, 2001)

OBJECTIVE

To pay additional cash beyond base salary to eligible employees of Farmland Industries, Inc., who are not tied to any single business or service unit, contingent upon the company's financial performance. Farmland Industries, Inc. ("Corporate") must achieve a threshold or minimum net income before taxes and extraordinary items, or no payout occurs.

This plan includes four important exhibits which are an integral part of the plan structure. Please be aware of and consult them. They include the following:

Exhibit A	-	Corporate financial performance criteria and levels
Exhibit B	-	A summary schedule of payout opportunities by earnings level
Exhibit C	-	Additional detail on determination of payout
Exhibit D	-	Descriptions and definitions of accounting terms and methodologies relevant to this plan

PLAN STRUCTURE

The plan provides the opportunity for a cash payment following the conclusion of each quarter in FY 2001 to eligible employees for the attainment of corporate objectives year to date. The corporate standard measure is net income before taxes and extraordinary items.

A further requirement for payout to Farmland Industries, Inc. appointed corporate officers is that cash patronage payments to members must occur; if not, this group will receive no payout under the terms of this plan.

The structure and format of the Corporate Employee compensation plan may differ in some respects from unit customized plans. Plan requirements and rules for such items as eligibility for participation, proration of payout, etc., supersede those of any customized plans should conflicts occur (Note: some details in sales incentive plans may vary given the difference in nature between sales and non-sales variable pay plans.)

ELIGIBILITY

The following types of employees are ineligible for any single quarterly payout under the
                                   ----
Corporate Employee Compensation Plan:

- o Employees whose terms and conditions of employment are subject to collective bargaining.
- o Employees hired after September 1, 2000; December 1, 2000; March 1, 2001; or June 1, 2001 (Waived if the employee is a former regular full time employee during FY 2001. Payout is prorated.)
- o Regular part time employees with less than 125 hours of service during any one quarter in FY 2001.
- o Temporary employees with less than 250 hours of service during a FY 2001 quarter.
- o Employees terminated for cause prior to the end of a quarter.
- o Employees who terminate voluntarily prior to the end of a quarter (Employees who terminate to accept a position with a member cooperative may be eligible for a prorated payout.)
- o Employees included in variable compensation plans other than the corporate employee compensation plan. Exceptions must be approved by the Chief Executive Officer and by the VP, Human Resources.

Certain classes of employees who terminate prior to the end of a quarter will receive payout based on their eligible earnings during the quarter:

Death/Disability
Retirement
Reduction in Force
Focus Team member obtaining outside employment
Layoff
Leave of Absence

Involuntary separations, other than for reasons included in the list above, which are not for performance or for cause, may result in prorated payout.

Employees who voluntarily terminate prior to the end of a quarter for the purpose of assuming a position with a system member cooperative may be eligible to receive a payout. To secure eligibility, the employee must notify Corporate Human Resources, in writing, at the time of separation and ensure that the system member cooperative notifies Farmland's Corporate Human Resources Department, in writing, to verify employment from the point of separation through the conclusion of the plan quarter.

Employees on formal disciplinary or performance probation are ineligible for that portion of the fiscal quarter or year.

DETERMINATION OF PAYOUT

Payout is determined as a percentage of eligible gross wages or salary paid during the fiscal quarter, as shown in Exhibits B and C. Corporate performance measurements are labeled "threshold", "target", and "maximum".

Threshold - The minimal performance level required for the plan to pay out. No payout occurs for achievement below threshold.

Target - Identifies the actual performance objective.

Maximum - A performance level exceeding target at which the payout as a percentage of eligible gross wages or salary is frozen. No payout occurs beyond these percentages regardless of performance.

Payout for performance between threshold and target or target and maximum is prorated.

In the event of a merger, change of control, or other major organizational structure change during the course of the plan year, the rate of earnings for the quarter, year to date, would be projected to the end of the quarter in order to derive net income performance estimate.

MODIFICATION OF THE PLAN

Farmland Management and/or the Board of Directors reserve the right to modify this plan, including changing details, temporarily suspending the plan, or terminating the plan altogether prior to the conclusion of any fiscal year quarter. They reserve the same right relative to any business or service unit variable pay plan.

APPROVED:

ROBERT HONSE

Robert Honse
President and CEO

EXHIBIT A

FY 2001 PERFORMANCE CRITERIA AND GOALS

Corporate Net Income before taxes and extraordinary items (full fiscal year):

Threshold	$44,100700
Target	$63,000,000
Maximum	$88,200,000

Quarterly Objectives:

1st Quarter

Threshold	$5,600,000
Target	$8,000,000
Maximum	$11,200,000

2nd Quarter (year to date)

Threshold	$5,600,000
Target	$8,000,000
Maximum	$11,200,000

3rd Quarter (year to date)

Threshold	$33,600,000
Target	$48,000,000
Maximum	$67,000,000

4th Quarter (full year)

Threshold	$44,100,000
Target	$63,000,000
Maximum	$88,200,000

EXHIBIT B

FY 2001 Payout Calculation Grid

Threshold - Target - Maximum	Earnings	V Comp Calculation Point*
3 - 5 - 8	All Non - Exempt**	Any Earnings
3 - 5 - 8	Below $36,050 Exempt	Actual Earnings
3 - 6 - 10	$36,050 - $39,654	$37,855
4 - 7 - 12	$39,655 - $43,619	$41,640
5 - 8 - 15***	$43,620 - $50,164	$46,895
5 - 10 - 18	$50,165 - $57,689	$53,930
6 - 12 - 22	$57,690 - $66,344	$62,020
7 - 15 - 27	$66,345 - $76,299	$71,325
8 - 18 - 33	$76,300 - $87,744	$82,025
10 - 22 - 40	$87,745 - $100,909	$94,330
12 - 25 - 46	$100,910 - $116,049	$108,480
12 - 25 - 46	$116,050 - $133,459	$124,755
12 - 25 - 46	$133,460 - $153,479	$143,470
14 - 28 - 52	$153,480 +	Actual Earnings (Non - FII Executives)

* I.E., for any exempt employee whose earnings fall within a particular range, the payout is calculated on this middle value. Annual figures are divided by 4 to determine quarterly payouts.

** Includes Truck Drivers

*** Employees legitimately considered Production Supervisors will receive at least this percentage payout opportunity level, regardless of actual pay. Calculation point against which percentage is applied is based on actual pay.

Executives

Threshold - Target - Maximum	Earnings	V Comp Calculation Point
18 - 36 - 67		Designated FII Executives

22 - 45 - 83		Designated FII Executives
Determined by Board		President and CEO
	$92,700 - $111,239	$101,970
	$111,240 - $133,489	$122,365
	$133,490 - $160,189	$146,840
	$160,190 - $192,229	$176,210
	$192,230 - $230,674	$211,455
	$230,675 - $276,809	$253,745
	$276,810 - $332,169	$304,490
	$332,170 - $398,604	$365,390
	$398,605 - $478,324	$438,465
	$478,325 - $573,989	$526,160
	$573,990 - $688,789	$631,390
	$688,790 - $826,549	$757,170
	$826,550 +	Actual Earnings

Note: These scales are the same as those used in Fiscal Year 2000.

EXHIBIT C

DETAIL ON DETERMINATION OF PAYOUT

Non-Exempt Employees:

Payout is determined as a percentage of eligible gross earnings paid during any quarter of fiscal year 2001.

Note: Eligible gross wages may exclude some lump sums.

Exempt/Management Employees:

Payout is determined as a percentage of the Variable Comp Calculation Point based on eligible gross wages during any quarter of fiscal year 2001. Exhibit B grid lists the percentage opportunities assigned to each Variable Comp Calculation Point.**

NOTE: Lump Sum amounts given during the fiscal year will not be included in Eligible gross wages unless they were given in lieu of merit increase.

**Variable Comp Calculation Point and designated percentage will be used unless comparison to FY 96 salary range midpoint and grade determined percentage results in a higher payout amount; but once a person has transitioned to the current variable pay computation method, that person cannot return to receiving a payout based on the FY 96 salary range midpoint. Individuals hired, promoted or demoted after 9/1/96 are ineligible for this comparison.

Eligible Earnings:

Base earnings, merit increase pay, lump sum in lieu of a merit increase, shift differential, bridge differential, and geographic differential.
Production supervisors flat rate overtime payments.

Non-exempt overtime payments.

Non-eligible Earnings:

The following is list of the most common items not included as earnings:

Vacation and personal holiday balance lump sum payments
Previous FY variable compensation payment
Sales Commission, SPIFFs payment, bonus, etc.
Severance pay
Relocation reimbursements

Exceptions to normal eligibility or ineligibility of earnings must be approved in advance by the Vice President, Human Resources and the Director, Compensation.

EXHIBIT D

DETERMINATION OF EXTRAORDINARY ITEM

If Farmland achieves its performance goals, but experiences a loss year due to extraordinary items, the Board of Directors of Farmland Industries, Inc. maintains the discretion to authorize, adjust, or deny payout of any portion of the Variable Compensation Plan not yet paid. This also applies to employees who participate in customized business or service unit plans. Employees on sales incentive plans are not affected by this provision unless specific portions of their plans are tied to corporate performance.

GUIDELINES FOR "EXTRAORDINARY" DESIGNATION

The Chief Financial Officer and the Chief Executive Officer must approve the classification of any item as "extraordinary." Transactions deemed as "extraordinary" and therefore excluded in the determination of Income for variable compensation include:

- The punitive portion of litigation results in favor of or against Farmland, excluding redemptive payments on normal business matters where the intent is to substantially restore net income to where it would have been had the incident not occurred.

- The loss generated from the impairment of asset value of a major asset, group of assets, or investments.

- The loss from any new business activity or business unit added subsequent to the approval of the Business Plan, provided that the acquisition was such that it required specific Board of Director approval outside of the business plan.

The impact of adjustments resulting from LIFO inventory computations or reserves.

- Other items as approved.

Specific requests by an operating unit for treatment of an item as "extraordinary" must be approved by the Senior Management representative before review by the Chief Financial Officer and the Chief Executive Officer.

EXHIBIT 10.(iii)F

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective as of August 1, 2000 by and between Robert W. Honse (hereafter "Executive") and Farmland Industries, Inc., a Kansas cooperative corporation (together with all affiliates, the "Company").

WHEREAS, Executive has been designated as the Company' s President and Chief Executive Officer, effective September 1, 2000;

NOW, THEREFORE, it is hereby agreed as follows:

1. Employment. The Company hereby agrees to employ Executive as its Chief Executive Officer effective September 1, 2000, and Executive hereby agrees to accept employment with the Company in such position upon the terms and conditions set forth in this Agreement.

2. Period of Employment; Termination of Agreement. The period of employment as Chief Executive Officer shall commence on September 1, 2000 and continue for a rolling three (3) year period until written notice on non-extension is provided by either party. In no event, will such term be automatically extended beyond Executive' s 65th birthday. Executive' s employment may be earlier terminated by either party subject to the rights and obligations of the parties set forth herein.

3. Position, Duties, Responsibilities. Executive shall be employed as the Chief Executive Officer. Executive shall exercise such authority and perform such duties and services, consistent with such position, as may be assigned to him from time to time by the Board of Directors (the "Board").

4. Devotion of Time and Best Efforts. Except for vacations and absences due to temporary illness, Executive shall devote his full time, best efforts and undivided attention and energies during his employment to the performance of his duties and to advance the Company' s interests, as determined by the Board. During his employment, Executive shall not, without the prior approval of the Board, be engaged in any other business activity which conflicts with the duties of Executive hereunder, whether or not such business activity is pursued for gain, profit or other pecuniary advantage. Executive may continue his current civic and charitable activities and his current service on various boards.

5. Compensation and Benefits.

(a) Base Salary. The Company shall pay Executive an initial "Base Salary" at the rate of Five Hundred Eighty One Thousand, Two Hundred and Twenty-Four Dollars ($581,224) per year. The Board shall annually review the amount of Base Salary. Such review and any increase shall occur on the current customary schedule. Any such upward adjustment shall not require a written amendment to this Agreement.

(b) Other Compensation and Employee Benefits. During the term of this employment hereunder Executive shall be eligible to participate in the Company' s variable pay and long-term incentive compensation programs. Executive shall be entitled to participate in any additional executive compensation programs and employee benefit plans generally applicable to senior management employees of the Company pursuant to the terms and conditions of such programs and plans. Nothing contained in this Agreement shall preclude the company from terminating or amending any such plan or program in its sole discretion.

(c) Business Expenses. The Company shall bear such ordinary and necessary business expenses incurred by executive in performing his duties hereunder as the Company determined from time to time, provided that Executive accounts promptly for such expenses to the Company in the manner prescribed from time to time by the Company.

6. Early Termination. This Agreement may be terminated prior to its scheduled expiration as follows:

(a) Death. Executive's employment shall terminate upon Executive's death.

(b) Termination by the Company.

(1) Request for Resignation. The Company, by action of the Board, may request Executive's resignation at any time and for any reason whatsoever, without cause, effective in accordance with the delivery of a written request for resignation to Executive. Executive agrees to immediately tender his resignation upon receipt of any such request.

(2) For Cause. The Company, by action of the Board, may terminate the Executive's employment at any time for Cause, effective upon delivery of written notice of termination to Executive. If such termination by the Company is asserted to be for Cause, such termination notice shall state the grounds that the Board claims constitute Cause. As used herein, "Cause" shall mean (a) willful misconduct by Executive which is damaging or detrimental to the business and affairs of the Company, monetarily or otherwise, as determined by the Board in the exercise of its good faith business judgment; (b) a material breach of this Agreement by Executive, (c) chronic alcoholism or any other form of substance addiction on the part of Executive, (d) the commission by Executive of any act involving fraud or dishonesty or moral turpitude, (e) the indictment for, being bound over for trial following a preliminary hearing, or the conviction of Executive of, any criminal act in either a state or federal court proceeding, or (f) willful refusal to implement policies promulgated by the Board.

(3) Disability. The Company, by action of the Board, may terminate the Executive's employment if Executive sustains a disability which is serious enough that Executive is not able to perform the essential functions of Executive's job, with or without reasonable accommodations, as defined and if required by applicable state and federal disability laws. Executive shall be presumed to have such a disability for purpose of this Agreement if Executive qualifies, because of illness or incapacity, to begin receiving disability income insurance payments under the long-term disability income insurance policy that the Company maintains for the benefit of Executive. If there is no such policy in effect at the date of Executive's potential disability, or if Executive does not qualify for such payments, Executive shall nevertheless be presumed to have such a disability if Executive is substantially incapable of performing Executive's duties for a period of more than twelve (12) weeks.

(c) Termination by Executive.

(1) Voluntary Resignation. Executive may terminate the Employment Period and Executive's employment at any time and for any reason whatsoever, effective upon delivery of written notice of resignation to the Company.

(2) Good Reason Resignation. Executive may terminate the Employment Period and resign his employment at any time for Good Reason, effective upon delivery of written notice of resignation to the Company. If such resignation by Executive is asserted to be for "Good Reason," such resignation and notice shall state the grounds that Executive claims constitute Good Reason. As used herein "Good Reason" shall mean a material breach of this Agreement by the Company, which breach is not cured within thirty (30) days of the Company's receipt of notice of such breach, or a demotion such that Executive does not serve as the Chief Executive Officer of the Company.

7. Post-Termination Payments by the Company.

(a) Resignation Requested by Company or Resignation for Good Reason. In the event that Executive's employment is terminated prior to expiration of the term by the Company through a Request for Resignation or by Executive for Good Reason, and the Executive:

(1) signs (and does not rescind, as allowed by law) a Release of Claims in a form satisfactory to the Company which assures, among other things, that Executive will not commence any type of litigation or other claims as a result of his employment or termination of employment; and

(2) honors all of Executive's other obligations as required by this Agreement;

the Company will provide Executive severance benefits ("Severance Benefits") as follows:

(i) a severance payment equal to Executive's then existing Base Salary through the unexpired portion of the term of this Agreement;

(ii) additional severance in the form of pro-rata payouts under any variable compensation plan, long-term incentive program or other bonus arrangements then in effect;

(iii) vested benefits under the Company-sponsored pension plan, 401(k) plan, SERP, and deferred compensation plan, in accordance with the terms and conditions of such plans;

(iv) if such termination occurs prior to Executive attaining the age of sixty-two (62), the Company shall pay Executive the difference between the retirement benefit he would have received under the Company-sponsored retirement plan had he retired at age sixty-two (62) and the retirement benefit he would receive under such plan based on his date of termination of employment;

(v) if such termination occurs prior to August 31, 2005, the Company shall also provide Executive the following continued employment benefits (or their equivalent) through August 31, 2005 on the same terms generally available to other senior officers: life insurance, health and dental insurance, and other non-pension, non-retirement benefits then generally provided to senior officers of the Company;

(vi) Executive may continue to have family coverage under the Company-sponsored medical plan until he reaches age 65, becomes eligible for Medicare or becomes eligible for coverage by another group plan, but Executive shall be responsible for paying the retiree premium rate for such coverage.

(b) Termination by Reason of Death or Disability, Termination by the Company for Cause or Termination by Executive Through Voluntary Resignation. If Executive's employment is terminated prior to expiration of the term by reason of the Executive's death or disability, by the Company for Cause, or by Executive as a Voluntary Resignation, Executive shall be entitled only to his rights (a) to receive the unpaid portion of this Base Salary, prorated to the date of termination, (b) to receive reimbursement for any ordinary and reasonable business expenses for which he had not yet been reimbursed, (c) to receive payment for accrued and unused vacation days, (d) to receive his variable or incentive compensation for each full or partial year (on a pro rata basis) during which he was employed, to the extent earned and accrued, pursuant to the terms and conditions of the applicable compensation plan(s), (e) to receive vested benefits under the Company's pension plan, 401(k) plan, SERP, deferred compensation or other benefit plans in which the Executive has participated, all to the extent and in accordance with the terms of such plans, and (f) to continue certain health insurance at his expense pursuant to COBRA.

(c) Sole Source of Payments. The post-termination payments provided herein shall be in lieu of all other compensation, or other payments or consideration of any kind under any contract, plan program or practice related to Executive's employment.

8. Nonrenewal of Agreement. The Company may elect not to renew this Agreement, and thereby to terminate Executive's employment hereunder without any severance obligations, upon at lest three (3) year's prior written notice of non-extension to Executive.

9. Consulting. If Executive qualifies for Severance Benefits under Paragraph 7(a), Executive agrees to make himself available to the Company as needed to consult for a period of one year following termination of employment. Executive shall be available to consult up to an average of forty (40) hours per month. Executive shall be entitled to reasonable compensation for his time in providing such consulting services and to reimbursement of his out of pocket expenses.

10. Other Executive Obligations. Executive agrees that the following provisions will apply throughout Executive's period of employment and for the specified post-employment period, regardless of the reason for termination or resignation;

(a) Nondisclosure of Confidential Information. Except to the extent required in furtherance of the Company's business in connection with matters as to which Executive is involved as an employee, Executive will not, during the term of his employment and for an unlimited period thereafter, directly or indirectly: (1) disclose or furnish to, or discuss with, any other person or entity any confidential information concerning the Company or its business or employees, acquired during the period of his employment by the Company; (2) individually or in conjunction with any other person or entity, employ or cause to be employed, any such confidential information in any way whatsoever or (3) without the written consent of the Company, publish or deliver any copies, abstracts or summaries of any papers, documents, lists, plans, specifications or drawings containing any such confidential information.

(b) Non-Interference. Executive will not, during the term of his employment and for an unlimited period thereafter, directly or indirectly attempt to encourage, induce or otherwise solicit any employee or other person or entity to breach any agreement with the Company or otherwise interfere with the advantageous business relationship of the Company with any person or entity. Executive specifically agrees not to solicit, on Executive's own behalf or on behalf of another, any of the Company's employees to resign from their employment with the Company in order to go to work elsewhere. Executive further specifically agrees not to make any disparaging remarks of any sort or otherwise communicate any disparaging remarks about the Company or any of its members, equity holders, directors, officers or employees, directly or indirectly, to any of the Company's employees, members, equity holders, directors, customers, vendors, competitors, or other people or entities with whom the Company has a business or employment relationship.

(c) Non-Competition. Executive agrees that during the term of his employment and thereafter for a period of two (2) years, Executive will not directly or indirectly engage in or carry on a business that is in direct competition with any significant business unit of the Company as conclusively determined by the Board of Directors. Further, Executive agrees that during this same period of time he will not act as an agent, representative, consultant, officer, director, independent contractor or employee of any entity or enterprise that is in direct competition with any significant business unit of the Company as conclusively determined by the Board of Directors.

(d) Cooperation in Claims. For an unlimited period following his period of employment, at the request of the Company, Executive will cooperate with the Company with respect to any claims or lawsuits by or against the Company where Executive has knowledge of the facts involved in such claims or lawsuits. Executive shall be entitled to reasonable compensation for Executive's time and expense in rendering such cooperation. Further, Executive will decline to voluntarily aid, assist or cooperate with any party who has claims or lawsuits against the Company, or with their attorneys or agents. The Company and Executive both acknowledge, however, that nothing in this paragraph shall prevent Executive from honestly testifying at an administrative hearing, arbitration, deposition or in court, in response to a lawful and properly served subpoena in a proceeding involving the Company.

(e) Remedies. The parties recognize and agree that, because any breach by Executive of the provisions of this Paragraph 10 would result in damages difficult to ascertain, the Company shall be entitled to injunctive and other equitable relief to prevent a breach or threatened breach of the provisions of this Paragraph 10. Accordingly, the parties specifically agree that the Company shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Paragraph 10 and that such relief may be granted without the necessity of proving actual damages or irreparable harm.

(f) Enforceability. Executive agrees that considering Executive's relationship with the Company, and given the terms of this Agreement, the restrictions and remedies set forth in Paragraph 10 are reasonable. Notwithstanding the foregoing, if any of the covenants set forth above shall be held to be invalid or unenforceable, the remaining parts thereof shall nevertheless continue to be valid and enforceable as though the invalid or unenforceable parts have not been included therein. In the event the provisions relating to time periods and/or areas of restriction shall be declared by a court of competent jurisdiction to exceed the maximum time periods or areas of restriction permitted by law, then such time periods and areas of restriction shall be amended to become and shall thereafter be the maximum periods and/or areas of restriction which said court deems reasonable and enforceable. Executive also agrees that the Company's action in not enforcing a particular breach of any part of Paragraph 10 will not prevent the Company from enforcing any other breaches that the Company discovers, and shall not operate as a waiver by the Company against any future enforcement of a breach.

11. Notices. Notices hereunder shall be in writing and shall be delivered personally or sent return receipt requested and postage prepaid, addressed as follows:

c/o Farmland Industries, Inc.
3315 North Oak Trafficway
Kansas City, MO 64116

If to the Company:	Chairman of the Board c/o Corporate Secretary Farmland Industries, Inc. 3315 North Oak Trafficway Kansas City, MO 64116
with a copy to:	Vice President and General Counsel Farmland Industries, Inc. 3315 North Oak Trafficway Kansas City, MO 64116

12. Binding Agreement. The provisions of this Agreement shall be binding upon, and shall inure to the benefit of, the respective heirs, legal representatives and successors of the parties hereto.

13. Missouri Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Missouri, unless otherwise pre-empted by federal law.

14. Captions and Section Headings. Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

15. Invalid Provisions. If any provision of this Agreement shall be unlawful, void, or for any reason unenforceable, it shall be deemed severable from, and shall in no way affect the validity or enforceability of, the remaining provisions of this Agreement.

16. Waiver of Breach. The failure to enforce at any time any of the provisions of this Agreement, or to require at any time performance by the other party of any of the provisions hereof, shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement or any part hereof or the right of either party thereafter to enforce each and every provision in accordance with the terms of this Agreement.

17. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, representations and understandings of the parties with respect thereto. No modification or amendment of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto and signed by Executive and a member of the Board upon authorization of the Board to do so.

IN WITNESS WHEREOF, the parties have executed this Agreement effective as of the date set forth above.

EXECUTIVE	FARMLAND INDUSTRIES, INC.
/s/ROBERT W. HONSE Robert W. Honse	By: /S/ALBERT SHIVELY Albert Shivley, Chairman of the Board of Directors
	By: /S/JODY BEZNER Jody Bezner, Vice-Chairman of the Board of Directors

Exhibit 10.(iii)H

AGRILIANCE
STAFF
VARIABLE PAY PROGRAM 2000

I. Purpose of the Plan

The purpose of the plan is to enhance overall profitability through increased sales and margins by rewarding eligible employees for their contribution toward achievement of those goals.

The plan is designed to integrate the compensation plan with key business strategies and foster a team effort in achieving overall success for Agriliance and its parent companies, Cenex Harvest States, Farmland and Land O' Lakes.

II. Eligibility in the Plan

All full-time exempt, non-exempt and regularly scheduled part-time employees except for those participating in another incentive plan. Seasonal and temporary employees are not eligible.

Part-time employees working at least 500 hours per fiscal year are eligible to participate at 50% of award formula.

New employees must be on the payroll March 1, 2000 in order to qualify for a partial-year award.

III. Administration of the Plan

The incentive plan administration is based on a fiscal year basis. For the plan year 2000 it will be based on the inception date of Agriliance, January 1, 2000 through August 31, 2000. The Presidents of Cenex Harvest States, Farmland and Land O' Lakes will be responsible for reviewing and approving the plan and receiving a report on the results. The Agriliance co-presidents will be responsible for administering the plan.

IV. Funding of the Incentive Award

The funding of the Staff Incentive Award Program is based on operating results of Agriliance (including Agro Distribution) and established annualized synergy realization. The specific goals for the incentive pool are as follows.

A. 60% Operating income results for Agriliance
B. 40% Annualized established synergy realization

Agriliance Operating Income

Operating Income	Percent of Award
115M	80%
110M	70%
105M	60% (target)
90M	45%
75M	30%

Synergy Objective

Synergy Amount	Percent of Award
11M	40% (target)
10M	30%
9M	20%

V. Basis of the Incentive Award

The starting point in determining the staff incentive award is the base salary as of August 31, 2000 times a payout percent. The actual financial performance and synergy attainment for Agriliance is compared to established goals.

Exempt: Annual Salary as of August 31, 2000. Non-exempt: Hourly rate as of August 31, 2000 times 2080 hours. Part-time: Hourly rate as of August 31, 2000 times 2080 hours times half the pay out percent times the pro-rated time worked in fiscal year.

VI. Payment of the Award

The incentive award payments will be paid as soon as practical after the close of business August 31, 2000. To be eligible for payment, employees must be actively employed by Agriliance on August 31, 2000.

VII. Special Provisions

If an employee becomes permanently disabled, retires, is deceased, or meets the criteria in the severance plan applicable to them, s/he shall cease to participate in the Incentive Award Program as of the end of the month coincident with disability, retirement, death or reduction in force. The proportionate incentive award will be recommended by the co-presidents of Agriliance and will be paid as soon as practical after the fiscal year close of business.

Employees accepting a regular position with a system member cooperative or Agro Distibution, LLC., may be eligible for a payout.

There is nothing in the Staff Incentive Award Probram or by being an eligible participant that is intended to create an employment contract between the employee and Agriliance.

EXHIBIT 10.(iii)B

Insurance

1. The Board shall periodically review insurance coverage of the Association. The President/CEO shall report to the Board annually on such insurance coverage.

2. Directors shall be provided life insurance coverage according to the following terms:

a) Upon being elected by the voting membership to a first term of office, a Split Dollar Life Insurance Program will be provided with Farmland Industries owning the policy and paying the premiums. The director' s beneficiary(s) will receive $100,000 in benefits if death occurs during a term of office as a director and $50,000 if death occurs following retirement from the Board.

b) Each director will be eligible for a supplemental life insurance benefit upon commencement of a second-elected term of office. While serving as a director, a policy with a benefit of $100,000 will be owned by the director and collaterally assigned to Farmland with Farmland paying the premiums. Farmland shall pay the premiums for the greater of ten years or the length of the director' s term. Upon retirement from the Board or the ten-year Farmland obligation period, the director will have the following options:

- continue paying the full premium and continue $100,000 in coverage
- reduce the benefit and premium
- elect to take a reduced paid-up policy
- surrender the policy for cash

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

Fiscal Year 2000

Aggrow Finance, Inc., a wholly-owned subsidiary, was formed under the laws of the State of Arkansas. Aggrow Finance, Inc. has been included in the Consolidated Financial Statements filed in this registration.

Agronomy Service Bureau, L.L.C., a 56%-owned subsidiary, was formed under the laws of the State of Mississippi. Agronomy Service Bureau has been included in the Consolidated Financial Statements filed in this registration.

Atwood Commodities, LLC, a wholly-owned subsidiary, was formed under the laws of the State of Delaware. Atwood Commodities, LLC has been included in the consolidated Financial Statements filed in this registration.

Ceres Realty Corporation, a wholly-owned subsidiary, was formed under the laws of the State of Missouri. Ceres Realty Corporation has been included in the Consolidated Financial Statements filed in this registration.

Colorado Boar Stud Real Estate LLC, a wholly-owned subsidiary, was formed under the laws of the State of Minnesota. Colorado Boar Stud Real Estate LLC been included in the Consolidated Financial Statements filed in this registration.

Double Circle Farm Supply Company, a wholly-owned subsidiary, was formed 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.

Equity Country, Inc., a wholly-owned subsidiary, was formed under the laws of the State of Delaware. Equity Country, Inc. has been included in the Consolidated Financial Statements filed in this registration.

Farmers Petroleum, Inc., a wholly-owned subsidiary, was formed under the laws of the State of Michigan. Farmers Petroleum Inc. has been included in the Consolidated Financial Statements filed in this registration.

Farmland-Atwood Company, LLC, a wholly-owned subsidiary, was formed under the laws of the State of Delaware. Farmland-Atwood Company, LLC has been included in the Consolidated Financial Statements filed in this registration.

Farmland Foods, Inc., a 99%-owned subsidiary, was formed under the laws of the State of Kansas. Farmland Foods, Inc. has been included in the Consolidated Financial Statements filed in this registration.

Farmland-Harvest States, L.L.C., an 80%-owned subsidiary, was formed under the laws of the State of Delaware. Farmland-Harvest States, L.L.C. has been included in the Consolidated Financial Statements filed in this registration.

Farmland Industrias S.A. de C.V., a wholly-owned subsidiary, was formed under the laws of Mexico. Farmland Industrias S.A. de C.V. has been included in the Consolidated Financial Statements filed in this registration.

Farmland Industries, Ltd., a wholly-owned subsidiary, was formed under the laws of the United States Virgin Islands. Farmland Industries, Ltd. has been included in the Consolidated Financial Statements filed in this registration.

Farmland Insurance Agency, a wholly-owned subsidiary, was formed under the laws of the State of Missouri. Farmland Insurance Agency has been included in the Consolidated Financial Statements filed in this registration.

Farmland International Business, Ltd., a wholly-owned subsidiary, was formed under the laws of the State of Missouri. Farmland International Business, Ltd. Has been included in the Consolidated Financial Statements filed in this registration.

Farmland National Beef Foreign Sales Corporation, a 71.2%-owned subsidiary, was formed under the laws under the United States Virgin Islands. Farmland National Beef Foreign Sales Corporation has been included in the Consolidated Financial Statements filed in this registration.

Farmland National Beef Packing Company, L.P., a 71.2%-owned subsidiary, was formed under the laws of the State of Delaware. National Beef Packing Company, L.P. has been included in the Consolidated Financial Statements filed in this registration.

Farmland Pipeline Company, a wholly-owned subsidiary, was formed under the laws of the State of Kansas. Farmland Pipeline Company has been included in the Consolidated Financial Statements filed in this registration.

Farmland Securities Company, a wholly-owned subsidiary, was formed under the laws of the State of Delaware. Farmland Securities Company has been included in the Consolidated Financial Statements filed in this registration.

Farmland Transportation, Inc., a wholly-owned subsidiary, was formed under the laws of the State of Missouri. Farmland Transportation, Inc. has been included in the Consolidated Financial Statements filed in this registration.

Heartland Wheat Growers, Inc., a 79%-owned subsidiary, was formed under the laws of the State of Kansas. Heartland Wheat Growers, Inc. has been included in the Consolidated Financial Statements filed in this registration.

Heartland Wheat Growers, L.P., a 78%-owned subsidiary, was formed under the laws of the State of Kansas. Heartland Wheat Growers, L.P. has been included in the Consolidated Financial Statements filed in this registration.

Invest Grain, Ltd., a wholly-owned subsidiary, was formed under the laws of the British Virgin Islands. Invest Grain, Ltd. has been included in the Consolidated Financial Statements filed in this registration.

Kansas City Steak Company, L.L.C., a 71.2%-owned subsidiary, was formed under the laws of the State of Missouri. Kansas City Steak Company, L.L.C. has been included in the Consolidated Financial Statements filed in this registration.

National Carriers, Inc., a 99%-owned subsidiary, was formed under the laws of the State of Kansas. National Carriers, Inc. has been included in the Consolidated Financial Statements filed in this registration.

NCI LEASING, INC., A 99%-owned subsidiary, was formed under the laws of the State of Kansas. NCI Leasing, Inc. has been included in the Consolidated Financial Statements filed in this registration.

NBPCo, L.L.C., a wholly-owned subsidiary, was formed under the laws of the State of Kansas. NBPCo, L.L.C. has been included in the Consolidated Financial Statements filed in this registration.

Northeast Arkansas Oil Company, L.L.C., a wholly-owned subsidiary, was formed under the laws of the State of Arkansas. Northeast Arkansas Oil Company, L.L.C. has been included in the Consolidated Financial Statements in this registration.

Southern Farmers Association, Inc., a wholly-owned subsidiary, was formed under the laws of the State of Arkansas. Southern Farmers Association, Inc. has been included in the Consolidated Financial Statements in this registration.

Southern Farm Fish Processors, Inc., a wholly-owned subsidiary, was formed under the laws of the State of Arkansas. Southern Farm Fish Processors, Inc. has been included in the Consolidated Financial Statements in this registration.

Tradigrain Agricultural Products Trading, LLC, a wholly-owned subsidiary, was formed under the laws of Turkey. Tradigrain Agricultural Products Trading, LLC has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain del Peru, S.A., a wholly-owned subsidiary, was formed under the laws of Peru. Tradigrain del Peru S.A. has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain DO Brasil LTDA, a wholly-owned subsidiary, was formed under the laws of Brazil. Tradigrain DO Brasil LTDA has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain GmbH, a wholly-owned subsidiary, was formed under the laws of Germany. Tradigrain GmbH has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain LTD., a wholly-owned subsidiary, was formed under the laws of Great Britain. Tradigrain LTD. has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain S.A., a wholly-owned subsidiary, was formed under the laws of Switzerland. Tradigrain S.A. of Switzerland has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain S.A., a wholly-owned subsidiary, was formed under the laws of Argentina. Tradigrain S.A. of Argentina has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain S.A., a wholly-owned subsidiary, was formed under the laws of France. Tradigrain S.A. of France has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain Shipping S.A., a wholly-owned subsidiary, was formed under the laws of Switzerland. Tradigrain Shipping S.A. has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain, Inc., a wholly-owned subsidiary, was formed under the laws of the State of Tennessee. Tradigrain, Inc. has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain Kft Budapest, a wholly-owned subsidiary, was formed under the laws of Hungary. Tradigrain Kft Budapest has been included in the Consolidated Financial Statements filed in the registration.

Tradigrain Ltd. Moscow, a wholly-owned subsidiary, was formed under the laws of Russia. Tradigrain Ltd. Moscow has been included in the Consolidated Financial Statements filed in the registration.

Tradigrain Singapore PTE LTD, wholly-owned subsidiary, was formed under the laws of Singapore. Tradigrain Singapore PTE LTD has been included in the Consolidated Financial Statements filed in this registration.

Tradigrain Ukraine, Ltd., a wholly-owned subsidiary, was formed under the laws of Ukraine. Tradigrain Ukraine, Ltd. has been included in the Consolidated Financial Statements filed in the registration.

Tradigrain Uruguay S.A., a wholly-owned subsidiary, was formed under the laws of Uruguay. Tradigrain Uruguay S.A. has been included in the Consolidated Financial Statements filed in the registration.

Triumph Pork Group LLC, a 56%-owned subsidiary, was formed under the laws of the State of Missouri. Triumph Pork Group LLC has been included in the Consolidated Financial Statements filed in the registration.

Exhibit 24

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose name appears below constitutes and appoints Robert B. Terry and John F. Berardi, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all Farmland Industries, Inc. ‘s 20002000 annual reports prepared, pursuant to Sections 13 or 15d of the Securities Act of 1934, (including any amendments thereto), and file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

This Power of Attorney may be executed in multiple counterparts, each of which shall be deemed an original, but which taken together shall constitute one instrument.

s/s ALBERT J. SHIVLEY ----------------------------------- Albert J. Shivley	Chairman of Board and Director	October 25, 2000
s/s JODY BEZNER ----------------------------------- Jody Bezner	Vice Chairman of Board and Director	October 25, 2000
s/s LYMAN L. ADAMS, JR. ----------------------------------- Lyman L. Adams, Jr.	Director	October 25, 2000
s/s RONALD J. AMUNDSON ----------------------------------- Ronald J. Amundson	Director	October 25, 2000
s/s BAXTER ANKERSTJERNE ----------------------------------- Baxter Ankerstjerne	Director	October 25, 2000
s/s STEVEN ERDMAN ----------------------------------- Steven Erdman	Director	October 25, 2000
s/s HARRY FEHRENBACHER ----------------------------------- Harry Fehrenbacher	Director	October 25, 2000
s/s MARTIE FLOYD ----------------------------------- Martie Floyd	Director	October 25, 2000
s/s DONALD GALES ----------------------------------- Donald Gales	Director	October 25, 2000
s/s WARREN GERDES -----------------------------------	Director	October 25, 2000

Warren Gerdes		
s/s THOMAS H. GIST ------------------------------------ Thomas H. Gist	Director	October 25, 2000
s/s BEN GRIFFITH ------------------------------------ Ben Griffith	Director	October 25, 2000
s/s GAIL D. HALL ------------------------------------ Gail D. Hall	Director	October 25, 2000
------------------------------------ Barry Jensen	Director	October 25, 2000
s/s RON JURGENS ------------------------------------ Ron Jurgens	Director	October 25, 2000
s/s WILLIAM F. KUHLMAN ------------------------------------ William F. Kuhlman	Director	October 25, 2000
s/s GREG PFENNING ------------------------------------ Greg Pfenning	Director	October 25, 2000
s/s MONTE ROMOHR ------------------------------------ Monte Romohr	Director	October 25, 2000
s/s JOE ROYSTER ------------------------------------ Joe Royster	Director	October 25, 2000
s/s E. KENT STAMPER ------------------------------------ E. Kent Stamper	Director	October 25, 2000
s/s ELI F. VAUGHN ------------------------------------ Eli F. Vaughn	Director	October 25, 2000
s/s FRANK WILSON ------------------------------------ Frank Wilson	Director	October 25, 2000

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