UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI

In Re:	)	**In Proceedings Under Chapter 11**
	)	
FARMLAND INDUSTRIES, INC., et al.,	)	**Case No. 02-50557**
	)	**Joint Administration**
Debtors.	)	

MOTION FOR APPROVAL OF PROPOSED SETTLEMENT
WITH IOWA DOUBLE CIRCLE, L.C. AND FARMERS COOPERATIVE KEOTA

Farmland Industries, Inc. ("Farmland" or "Debtor"), a debtor and debtor in possession in these jointly administered cases, pursuant to Rule 9019(a), Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and Section 105(a) of the Bankruptcy Code, 11 U.S.C. §§ 101-1330 (the "Bankruptcy Code"), hereby moves for entry of an Order approving the proposed settlement between Iowa Double Circle, L.C., and Farmers Cooperative Keota (collectively, the "Retailers"), and Cenex Harvest States Cooperatives, Country Energy, L.L.C., and Farmland (collectively, the "Wholesalers"), (the "Settlement").

Background

1. On May 31, 2002, (the "Petition Date"), Farmland (along with certain affiliates) commenced its reorganization case by filing a Voluntary Petition for relief under Chapter 11 of the Bankruptcy Code. Pursuant to this Court's Order entered May 31, 2002, these Chapter 11 cases are being jointly administered for procedural purposes only.

2. Debtors are continuing in possession of their respective properties and are operating and managing their business, as debtors in possession, pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

3. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

4. Farmland, a Kansas corporation headquartered in Kansas City, Missouri, is organized and operated as a cooperative system of agricultural and food-related businesses. Farmland, in conjunction with the debtor subsidiaries and others, as well as through joint venture relationships, (a) manufactures and markets fertilizer, (b) operates a petroleum refinery, (c) operates an integrated food and food processing business, (d) engages in the wholesale and retail farm supply business, and (e) engages in the transportation brokerage business.

Underlying Basis of the Claims

5. On or about September 6, 1999, an explosion and fire occurred in Richland, Iowa, killing seven people and injuring six others.

6. Propane products liability litigation ensued in the District Court of Polk County, Iowa. The lawsuits are captioned Countryman, et. al. v. Iowa Double Circle, L.C., et. al., Case No. CL82913, and Schmidt v. Iowa Double Circle, L.C., Case No. CL 87420, (the "Litigation").

7. The Wholesalers made written demand for indemnity relating to the Litigation upon the Retailers.

8. In March, 2002, Allianz, the excess carrier for Farmland and Cenex Harvest States Cooperatives, funded a settlement with the Litigation propane products liability plaintiffs. Even though Farmland was a party to the settlement, Farmland made no monetary contribution to nor paid any portion of its self-insured retention toward the settlement.

9. In April, 2002, the Retailers and Wholesalers also agreed to settle all their pending indemnity claims related to the Litigation.

10. The amount of the Settlement is confidential by agreement; however, Farmland will not receive any proceeds from the Settlement because the proceeds will be paid

directly to Allianz due to its subrogation rights arising from the settlement with the propane products liability plaintiffs.

11. Farmland paid no money and will receive no money. The Settlement was reached prior to the Petition Date, but not executed.

12. The Settlement provides for the mutual release of all claims associated with the Litigation limited to the September 6, 1999, explosion and fire.

Applicable Standards

13. In deciding whether the proposed Settlement is fair, equitable and in the best interests of the Debtors' estates and creditors, this Court should consider four factors that have been distilled from the United States Supreme Court's decision in Protective Committee for Independent Stockholders of TMT Trailer Ferry, Inc. v. Anderson, 390 U.S. 414, 424-25, 88 S. Ct. 1157, 1163 (1968). These factors are: (1) the probability of success in the litigation, (2) the difficulties likely to be involved in collection, (3) the complexity of the litigation, and (4) the paramount interests of creditors. Id.; see also Drexel Burnham Lambert Inc. v. Flight Transp. Corp. (In re Flight Transp. Corp. Securities Litig.), 730 F.2d 1128, 1135-36 (8th Cir. 1984); American Can Co. v. Herpel (In re Jackson Brewing Co.), 624 F.2d 605, 607 (5th Cir. 1980); In re Revelle, 256 B.R. 905, 911-12 (Bankr. W.D. Mo. 2001); In re Apex Oil Co., 92 B.R. 847, 865-67 (Bankr. E.D. Mo. 1998). In deciding to settle and compromise the claims against the Retailers, Farmland has considered the TMT Trailer Ferry factors and has determined, in the exercise of its sound business judgment, that the proposed Settlement is fair, equitable, and in the best interests of the Debtors' estates.

14. Accordingly, Farmland requests that the Court approve the Settlement pursuant to Bankruptcy Code § 105(a) and Bankruptcy Rule 9019(a).

WHEREFORE, Farmland respectfully requests that the Court enter an order pursuant to Bankruptcy Rule 9019(a), (i) approving the proposed Settlement and (ii) granting Farmland such other and further relief as the Court may deem just or proper under the circumstances.

Respectfully submitted,

FARMLAND INDUSTRIES, INC., ET AL.

By: /s/ Robert M. Thompson

Laurence M. Frazen MO #31309
Cynthia Dillard Parres MO #37826
Robert M. Thompson MO #38156
BRYAN CAVE LLP
3500 One Kansas City Place
1200 Main Street
Kansas City, Missouri 64105
Telephone: (816) 374-3200
Telecopy: (816) 374-3300

Attorneys for Debtors and Debtors in Possession

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the above-referenced Motion for Approval of Proposed Settlement with Iowa Double Circle, L.C. and Farmers Cooperative Keota was served on those parties listed below and on those parties which do not receive electronic notice in these proceedings, via U.S. Mail, postage prepaid, on October 30, 2002.

David R. Schlee
Stacy L. McLey
Schlee, Huber, McMullen & Krause, P.C.
4050 Pennsylvania, Suite 300
PO Box 32430
Kansas City, MO 64171-5430

Attorneys for Iowa Double Circle, L.C.

John G. Hansen
The Johnson Law Group, L.L.C.
2600 Grand Boulevard
Kansas City, MO 64108-4606

Attorneys for Country Energy, L.L.C., and Cenex Harvest States Cooperatives

./s/ Michelle M. Masoner