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 PROCEDURES FOR THE SALE OF TRAILERS AND REQUEST FOR EXPEDITED HEARING

COME NOW, Farmland Industries, Inc., et al., Debtors and Debtors in Possession ("Debtors"), and submit their Motion For Approval of Procedures For The Sale of Trailers and Request for Expedited Hearing (the "Motion"). In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION AND VENUE

1. On May 31, 2002, the Debtors filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

2. No trustee or examiner has been appointed. Two official committees of creditors have been established.

3. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. Venue of Debtors' Chapter 11 cases in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter constitutes a core proceeding pursuant to 28 U.S.C. § 157(b)(2).

BACKGROUND

4. Debtor Farmland Industries, Inc. ("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 other Debtors and other

non-debtor consolidated subsidiaries (a) manufactures and markets fertilizer, (b) operates a petroleum refinery, (c) operates an integrated food and food processing business, (d) engages in wholesale and retail farm supply business, and (e) engages in the transportation brokerage business.

5. Farmland owns 240 anhydrous ammonia trailers (the "Trailers") that are used by Farmland in its business operations involving the production, distribution and sale of nitrogen fertilizer products (the "Fertilizer Business"). Farmland's fleet of Trailers is among the largest of its kind in the nation.

6. The Debtors are in the process of divesting themselves of their Fertilizer Business. In the course of marketing the Fertilizer Business, the Debtors have learned that most prospective purchasers, while interested in acquiring a portion of the fleet of Trailers, are not interested in acquiring the entire fleet in connection with the acquisition of the Fertilizer Business. The Trailers are no longer necessary for the Debtors' remaining operations.

7. Accordingly, Debtors seek authority to sell the Trailers in accordance with procedures designed to maximize the value to be obtained for the Trailers while minimizing the transaction costs associated with their sale.

RELIEF REQUESTED

8. Debtors request approval of these procedures for the sale of the Trailers pursuant to Sections 105 and 363 of the Bankruptcy Code and Federal Rules of Bankruptcy Procedure 2002, 6004 and 6006.

9. The Trailers are located across the country at various facilities of the Debtors. The cost of transporting the Trailers to a central location for auction would be prohibitive and would erode much of the expected value which might be received at such a sale. Alternatively,

Debtors might hold individual auctions at various locations throughout the country. However, the relatively small volume of these Trailers at any one location would not generate sufficient interest to justify an auction. Auctioneers' fees together with the administrative cost of approving individual auctioneers for each sale would further reduce the net gain to the estate from the sale of the assets at numerous individual auctions.

10. Accordingly, Debtors believe that a greater value will be obtained for the Trailers through one or more private sales rather than through public actions.

11. Numerous parties, including local cooperatives and small transport companies, have expressed interest in purchasing small numbers of the trailers from the Debtors.

12. Debtors estimate that each of the Trailers has a value of at least $18,000. However, Debtors believe that if the Trailers are sold as a fleet, the value per trailer will be substantially less than if the Trailers are sold individually or in small groups. As such, Debtors believe that selling the Trailers individually or in small groups will yield a higher return for the estates than selling the Trailers as a fleet.

13. The Trailers are all subject to liens in favor of the Pre-Petition and/or DIP Lenders (the "Bank Group"). Any sales of Trailers are, in effect, sales of the Bank Group's collateral. Because of the reduction in cost and the resulting increased return by the proposed sale procedures, Counsel for the Bank Group has indicated approval for the relief requested herein.

SALE PROCEDURES FOR TRAILERS

14. Debtors move the Court for authority to sell the Trailers in a series of private sales, without the necessity of any further hearing if Debtors follow these procedures (the "Sale Procedures"): (a) All sales will be for cash; (b) No Trailer sold pursuant to this Motion shall be sold for less than $18,000; and (c) The selling Debtor will file and serve a Notice of Sale (the

"Notice of Sale") upon Counsel for the Unsecured Creditors' Committee, Counsel for the Bondholders' Committee, Counsel to the Bank Group, the United States Trustee, and any party asserting a lien against the Trailer(s) (collectively, the "Notice Parties"). A proposed form of Notice of Sale is attached hereto as Exhibit A.

15. The Notice of Sale will provide the following information under oath:

(1) A description of the Trailer(s) to be sold including the present location and ownership of the asset(s);

(2) The original purchase price and date, depreciation life, depreciated value, net book value and the age of the Trailer(s) to be sold;

(3) The proposed sales price for the Trailer(s) and a description of the manner in which the price was obtained or negotiated including the number of bids received, and any other relevant factors that justify the sales price;

(4) The identity of the purchaser and a statement that the purchaser has no connection with Debtors which would otherwise prohibit it from making an arms-length offer to purchase the Trailer(s);

(5) A statement that if no written objections to the Notice of Sale are received within five (5) business days from receipt of the Notice of Sale, Debtors will be authorized to sell the Trailer(s) at the proposed price pursuant to the order granting this Motion;

(6) A copy of the proposed Bill of Sale.

16. The Notice Parties will have five (5) business days after service of the Notice of Sale to file a written objection to the proposed sale. If an objection is filed, Debtors shall notice the sale for a hearing on the Court's next available hearing docket. If no such objection is submitted, without need for any further notice or hearing, and Debtors will deliver to the purchaser the Bill of Sale, a copy of the Notice of Sale and a copy of the Order granting this Motion. Each proposed Bill of Sale shall include a statement that delivery of the Bill of Sale to the purchaser constitutes a certification by the selling Debtor that it has delivered a Notice of Sale in compliance with the Order granting this Motion, that no objections from the Notice

Parties were received, and that title is being transferred free and clear of liens pursuant to the Order.

17. Should any party object to the proposed sale of any individual Trailer(s), Debtors may file a separate motion pursuant to 11 U.S.C. § 363 seeking specific Court approval for the transaction.

18. Any sale undertaken pursuant to these proposed Sale Procedures would be made only in the sound business judgment of the Debtors. All sales will be free and clear of liens and claims pursuant to 11 U.S.C. §363 with any such lien or claims attaching to the proceeds of the sale. Debtors shall be authorized to deliver certificates of title and to take such other reasonable actions necessary to effectuate a transfer of the Trailers sold pursuant to these Sale Procedures.

19. Debtors submit that the proposed Sale Procedures will result in a fair and reasonable price, will maximize the value of the Trailers to the estate, and contain protections in the form of a review of the proposed sale by the Bank Group, the Unsecured Creditor's Committee and the Bondholders' Committee, to ensure that the price obtained is sufficient and the result of an arms length offer.

20. To further ensure the integrity of the Sale Procedures, Debtors will maintain a record of all sales made pursuant to the proposed procedures and will, on or before confirmation of any plan, file and serve a report of the sales of Trailers which lists (1) the Trailers sold, (2) the depreciated value and net book value of the Trailers sold, (3) the price obtained, and (4) the identity of the purchasers. A copy of this report describing and summarizing the results of the sales will be served on all parties entitled to notice.

21. Any remaining Trailers not sold pursuant to the Sale Procedures set forth in this Motion may be sold pursuant to the traditional sale process under Section 363 of the Bankruptcy

Code, or may be sold through the Miscellaneous Asset Sale Process approved by this Court's Order of September 27, 2002.

22. Accordingly, Debtors move the Court to enter an order approving the sale of Trailers in conformance with the terms set out above, and shortening and limiting notice of such sales as requested.

ARGUMENT AND AUTHORITIES

23. The Sale Procedures requested herein should be approved because they (i) are the product of Debtors' sound business judgment; (ii) are in the best interest of Debtors' estates and all other interested parties; (iii) will maximize the value of the Trailers; and (iv) they are fair and reasonable under the circumstances.

24. Because the proposed Sale Procedures are a sound business decision, made in good faith and with full information, this Court should approve the Sale Procedures pursuant to the "business judgment rule." In re Integrated Resources, Inc., 135 B.R. 746, 753 (Bankr. S.D.N.Y. 1992), aff'd, 147 B.R. 650 (S.D.N.Y. 1992), appeal dismissed, 3 F.3d 49 (2d Cir. 1993) (the standard under the business judgment rule is whether the debtor's actions were "taken in good faith and in the exercise of honest judgment in the lawful and legitimate furtherance of corporate purposes.").

25. Applying this standard to the Sale Procedures proposed by Debtors, the Court should grant the Motion. Under the business judgment rule, the Sale Procedures are a sound business decision, made in good faith and with full information. The proposed Sale Procedures are designed to maximize the value to be realized for the Trailers while minimizing transaction costs. Debtors believe that the Sale Procedures are in Debtors' best interests.

26. Debtors submit that the Sale Procedures to be used as set forth herein constitutes good and adequate notice of the sale of Trailers and the proceedings related thereto. Debtors therefore request this Court approve the notice procedure set forth herein as sufficient to satisfy the requirements of the Bankruptcy Code, the Bankruptcy Rules, and due process under the circumstances.

27. Debtors further request that the Court hear this Motion on an expedited basis at the next docket hearing on February 25, 2003, so that the Debtors may take advantage of the opportunity to sell the Trailers for use in the rapidly approaching 2003 crop season. No party in interest will be prejudiced by shortening the time for notice of the Motion. All of the major constituent groups involved in these proceedings have participated in discussions regarding the proposed Sale Procedures.

WHEREFORE, Debtors respectfully request the entry of an order (i) granting this Motion and approving the proposed Sale Procedures and the form of Notice of Sale for the Trailers; and (ii) granting Debtors such other and further relief to which they are entitled, either at law or in equity.

Dated: February 21, 2003.

Respectfully submitted,

FARMLAND INDUSTRIES, INC., ET AL.

By: /s/Cynthia Dillard Parres

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the above referenced Motion For Approval of Procedures For The Sale of Trailers and Request for Expedited Hearing was served on those parties which do not receive electronic notice in these proceedings, via U.S. Mail, postage prepaid, on February 19, 2003.

/s/Cynthia Dillard Parres

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SUMMARY OF EXHIBIT

The following exhibit in reference to Debtors' Motion For Approval of Procedures For The Sale of Trailers and Request for Expedited Hearing, is available upon request.

Exhibit A: Notice of Sale

Respectfully submitted,

FARMLAND INDUSTRIES, INC., ET AL.

By: /s/ Laurence M. Frazen

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