UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI

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

MOTION SEEKING COURT AUTHORIZATION FOR DEBTORS TO OBTAIN WORKERS COMPENSATION INSURANCE FROM TRAVELERS PROPERTY CASUALTY

Farmland Foods, Inc. et al., debtors and debtors in possession (collectively, the "Debtors"), by and through their undersigned counsel, hereby respectfully submit this motion (the "Motion") for an order pursuant to Sections 105(a) and 363 of the Bankruptcy Code and Rules 2002, 6004 and 9006 of the Federal Rules of Bankruptcy Procedure authorizing the Debtors to obtain workers compensation coverage necessary for Farmland Foods, Inc. ("Foods").

BACKGROUND

1. Given the nature of the Debtors' businesses, it is necessary to have in place comprehensive insurance coverage for all the Debtors' operations to protect the Debtors, their employees, and their assets.

2. The state of Nebraska requires Foods to carry an insurance policy for workers compensation coverage.

3. For the past year, Debtors have had a fully insured policy with AIG. This policy expired on June 27, 2003. Debtors have received quotes from AIG for coverage from June 28, 2003 through June 27, 2004 which will cost $3.3 million in one, lump sum payment.

4. Debtors have diligently been working to find less expensive alternatives and have identified The Travelers Indemnity Company ("Travelers") as the most competitive insurance provider available to the Debtors.

5. Travelers offers Debtors lower expenses and cash outlays. Debtors intend to enter into an insurance agreement whereby Travelers will provide certain coverage to the Debtors for general liability workers' compensation coverage.

6. Travelers' coverage will be effective as of June 27, 2003, through June 27, 2004, under certain terms and conditions as more fully set forth in **Exhibit A** attached hereto.

7. Travelers' policy involves a $250,000 per occurrence deductible with an annual premium of $594,368. In addition to the premium, the Debtors will provide a one-time $30,000 Loss Fund deposit and $50,000 broker fee. Travelers also requires a $2 million letter of credit to secure the insurance obligations.

BENEFIT TO THE ESTATE

8. In the previous two years, workers' compensation losses in Nebraska have averaged less than $700,000 per year, bringing the total estimated workers' compensation cost to $1.3 million versus AIG's fully insured plan of $3.3 million. Additionally, the initial cash outlay under the Travelers plan is only $2.6 million.

JURISDICTION

9. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue 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). The

statutory predicates for the relief sought herein are Sections 105(a) and 363 of the Bankruptcy Code and Rules 2002, 6004 and 9006 of the Federal Rules of Bankruptcy Procedure.

RELIEF REQUESTED

10. As described herein, the Debtors propose to obtain workers' compensation insurance coverage from Travelers.

11. Section 363(c)(1) of the Bankruptcy Code authorizes the Debtors to "enter into transactions, including the sale or lease of property of the estate, in the ordinary course of business, without notice or a hearing, and may use property of the estate in the ordinary course of business without notice or a hearing." 11 U.S.C. § 363(c)(1). The Debtors believe the actions proposed in this Motion clearly fall within the purview of Section 363(c)(1), however, the Debtors seek Court authorization for these actions out of an abundance of caution.

12. Section 363(b)(1) of the Bankruptcy Code provides that the "trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." The decision to enter into transactions out of the ordinary course of a debtor's business is to be based on the reasonable business judgment of the debtor. In re Continental Air Lines, Inc., 780 F.2d 1223, 1226 (5th Cir. 1986). The court should approve a use, sale or lease of property under Bankruptcy Code section 363(b) if the debtor has established some articulated business justification for the proposed transaction. In re Lionel Corp., 722 F.2d 1063, 1070 (2d Cir. 1983); In re Walter, 83 B.R. 14, 16 (B.A.P. 9th Cir. 1988); In re Wilde Horse Enterprises, Inc., 136 B.R. 830 (Bankr. C.D. Cal. 1991).

13. The Debtors' decision to enter into the agreement described above is based upon the reasonable exercise of the Debtors' sound business judgment. Procurement of considerably less expensive insurance coverage constitutes a valuable benefit for the estate.

14. Time is of the essence in this matter. Accordingly, this Court should waive the ten-day period imposed by Bankruptcy Rule 6004(g).

15. This Motion is being filed under exigent circumstances. Therefore, Debtors respectfully request that the hearing of this Motion be set on the next hearing docket, which is scheduled for July 15, 2003.

WHEREFORE, the Debtors respectfully request that the Court enter an Order authorizing the Debtors to obtain workers' compensation coverage, as required by the state of Nebraska, from Travelers in accordance with Bankruptcy Code § 363 and to provide such other relief as is just and proper.

Dated: July 8, 2003

Respectfully submitted,

FARMLAND INDUSTRIES, INC., ET AL.

By: /s/ Laurence M. Frazen

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that the above referenced Motion Seeking Court Authorization for Debtors to Obtain Workers Compensation Insurance from Travelers Property Casualty was served by electronic notice on parties receiving electronic notification, and was served on those parties which do not receive electronic notice in these proceedings, via U.S. Mail, postage prepaid, on July 8, 2003.

____/s/ Michelle M. Masoner_____

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SUMMARY OF EXHIBITS

The following exhibit in reference to the Motion Seeking Court Authorization for Debtors to Obtain Workers Compensation Insurance from Travelers Property Casualty is available upon request:

Exhibit A: Agreement for Farmland Foods, Inc. dated June 26, 2003

FARMLAND INDUSTRIES, INC., ET AL.

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