UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI

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

NOTICE OF HEARING, AUCTION AND BID PROCEDURES

PLEASE TAKE NOTICE that, upon the Motion Under Sections 105(a), 363 and 365 of the Bankruptcy Code to (i) Approve Auction and Bid Procedures, (ii) Approve the Sale of Certain of the Debtors' Assets, Currently Located in Iowa, Louisiana and Mowata, Louisiana, Outside the Ordinary Course of Business Free and Clear of Liens and Interests, (iii) Assume and Assign Unexpired Leases and Contracts and (iv) Set a Date for a Sale Hearing (the "Motion"), a hearing (the "Sale Hearing") to approve the highest or best bid and approve the assumption and assignment of unexpired leases and contracts has been scheduled before the Honorable Jerry Venters, the United States Bankruptcy Judge, on **September 10, 2002, at 2:30 p.m.** at the United States Bankruptcy Court for the Western District of Missouri, Courtroom 6A, 400 East Ninth Street, Kansas City, Missouri (the "Courtroom"). Unless otherwise defined herein, capitalized terms shall have the meaning defined in the Motion.

PLEASE TAKE FURTHER NOTICE that, prior to the Sale Hearing, Debtors shall conduct an Auction of Debtors' Assets, currently located in Iowa, Louisiana and Mowata Louisiana, as further described in the proposed Asset Sale and Purchase Agreement, attached to the Motion as Exhibit B, pursuant to Section 363 of the Bankruptcy Code free and clear of all liens, claims and encumbrances, pursuant to the following terms and conditions:

SUBMISSION OF COMPETING BIDS. Any person (other than the Buyer as defined in the Purchase Agreement [the "Lead Bidder"]) that would like to purchase the Transferred Assets must submit a bid (a "Competing Bid") prior to 5:00 p.m. on September 5, 2002 (the "Competing Bid Deadline"). Each Bid must (i) be in writing; (ii) be for consideration in an amount equal to or greater than the Alternative Minimum Purchase Price (as defined below); (iii) specify the property that is being bid upon; (iv) identify the bidder and the members of its investor group, as applicable; (v) provide information to demonstrate the financial wherewithal of the bidder to consummate the proposed transaction; (vi) include a copy of the Purchase Agreement signed by the Bidder (with any changes from the Purchase Agreement with the Lead Bidder marked electronically); and (vii) be accompanied with a Deposit equal to the Deposit set forth in the Purchase Agreement. The Bids should be submitted to Tim Daugherty, Regional Vice President, Farmland Industries, Inc., 12200 North Ambassador Drive, Kansas

City, MO 64163. Potential Bidders may obtain copies of the Purchase Agreement with the Lead Bidder from Mr. Daugherty.

Seller, in its discretion and after consultation with counsel for the Bank Group, the Creditors' Committee and the Bondholders' Committee, will qualify potential bidders according to their financial qualifications to consummate any purchase of the Transferred Assets.

LEAD BID. The Lead Bidder has been granted certain bid protections as follows: (i) a Break-Up Fee in the amount of 3% of the Purchase Price (the "Break-up Fee"); and (ii) a requirement that Seller will not accept any bid from any other party (an "Alternative Purchaser") that does not include a total purchase price of at least 103.5% of the Purchase Price for the Transferred Assets (the "Alternative Minimum Purchase Price").

In the event Seller receives a Bid from an Alternative Purchaser and consummates a transaction involving the sale of the Transferred Assets to an Alternative Purchaser, for a purchase price equal to or greater than the Alternative Minimum Purchase Price; and provided that the Lead Bidder is not in default under the Asset Sale and Purchase Agreement, the Lead Bidder shall at the closing of the sale of the Transferred Assets to the Alternative Purchaser receive the Break-up Fee. The Lead Bidder shall not be entitled to the Break-up Fee if sale to an Alternative Purchaser is not consummated on or before 30 days after the Sale Hearing (as defined below). If a Bid indicates that it seeks the assumption and assignment of certain executory contract(s) or unexpired lease(s), the bid must include sufficient information to permit the Bankruptcy Court, Seller, the Bank Group, the Creditors' Committee, the Bondholders' Committee and the affected non-debtor party to the applicable contract or lease to determine the proposed assignee's ability to comply with Section 365 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such assignee's ability to perform in the future.

AUCTION. If one or more Competing Bids have been received prior to the Competing Bid Deadline, then at 1:30 p.m. on September 9, 2002, or such other date as the Bankruptcy Court may determine, Seller shall conduct an auction of the Transferred Assets at the offices of Bryan Cave LLP, 1200 Main Street, Suite 3500, Kansas City, Missouri 64105 (the "Auction"). Each Bid submitted at the Auction must comply with the procedures set forth herein.

Each entity seeking to bid at the Auction must (i) be the Lead Bidder or have submitted a Competing Bid as provided above prior to the Competing Bid Deadline and (ii) appear in person at the Auction or through a duly authorized representative physically present at the Auction.

If Seller receives one or more Competing Bids prior to the Competing Bid Deadline which satisfy the bid requirements, each qualified bidder and the Lead Bidder shall have the right (and opportunity) to continue to improve its Bid at the Auction. All such additional Bids

must exceed the then highest Bid by no less than .5% of the Purchase Price (as set forth in the Purchase Agreement with the Lead Bidder).

Seller, after consultation with Bank Group, the Creditors' Committee and Bondholders' Committee, will select the bid at the conclusion of the Auction which it believes to be the highest or best bid for the Transferred Assets ("Winning Bid"). Seller, after consultation with the Bank Group, and the Creditors' and Bondholders 'Committees, reserves the right to select the best bid, even if not the highest bid. The determination of the Winning Bid shall remain, however, subject to Bankruptcy Court approval. The Winning Bidder must complete and sign all agreements or other documents with Seller evidencing and containing the terms and conditions upon which its Winning Bid was made before the Auction is concluded.

SALE HEARING. On September 10, 2002 at 2:30 p.m., or such other date and time as Seller may request, subject to Bankruptcy Court approval, the Bankruptcy Court shall hold a hearing to determine whether to approve the Winning Bid accepted by Seller as the highest or best bid at the Auction (the "Sale Hearing"). If the Lead Bidder objects to Seller's determination of an authorized competing Bid as the highest or best bid, the Lead Bidder's sole and exclusive remedy shall be to bid under protest at the Auction and have standing at the Sale Hearing to contest Seller's determination.

FAILURE OF WINNING BIDDER TO CONSUMMATE SALE. If for any reason a Winning Bidder fails to consummate a sale of the Transferred Assets, or any part thereof, the offeror of the second highest or best bid (subject to same reservations) for the Transferred Assets (as determined by Seller, after consultation with the Bank Group, the Creditors' Committee and Bondholders' Committee), will automatically be deemed to have submitted the highest and best bid and Seller is authorized to effect the sale of the Transferred Assets, or any part thereof, to such offeror as soon as is commercially reasonable without further order of the Bankruptcy Court. If such failure to consummate the purchase is the result of a breach by the Winning Bidder, such bidder's Deposit, if any, shall be forfeited to Seller, and Seller specifically reserves the right to seek, in addition, all available damages from the defaulting bidder.

After the Sale Hearing, if the Winning Bid has been selected and sale of the Transferred Assets to the Winning Bidder, approved by the Bankruptcy Court, has closed, Deposits given by bidders who are not the Winning Bidder shall be returned.

SELLER'S RESERVATION OF RIGHTS. Seller reserves its rights after consultation with the Bank Group, Bondholders' Committee and the Creditors' Committee to (i) impose, at or prior to the Auction, additional terms and conditions on a sale of the Transferred Assets; (ii) extend the deadlines from those set forth herein, adjourn the Auction at the Auction, and/or adjourn the Sale Hearing in open court without further notice; (iii) withdraw from sale the Transferred Assets at any time prior to or during the Auction and to make subsequent attempts to market the same and (iv) reject all bids if, in Seller's reasonable judgment, no bid is for a fair and adequate price.

FOR FURTHER INFORMATION, contact the Debtors' counsel listed below. A copy of the Bid Procedures is attached hereto as Exhibit A.

FARMLAND INDUSTRIES, INC., et al.

By: /s/ Laurence M. Frazen

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EXHIBIT A

Auction and Bid Procedures

Seller has entered an Asset Sale and Purchase Agreement dated _____, 2002 (the "Purchase Agreement"). The consummation of the transaction contemplated by the Purchase Agreement is subject to the Procedures described herein. Seller shall conduct an auction of the Transferred Assets (as described in the Purchase Agreement), pursuant to Section 363 of the Bankruptcy Code, pursuant to the following terms and conditions:

Submission of Competing Bids. Any person (other than the Buyer as defined in the Purchase Agreement [the "Lead Bidder"]) that would like to purchase the Transferred Assets must submit a bid (a "Competing Bid") prior to 5:00 p.m. on September 5, 2002 (the "Competing Bid Deadline"). Each Bid must (i) be in writing; (ii) be for consideration in an amount equal to or greater than the Alternative Minimum Purchase Price (as defined below); (iii) specify the property that is being bid upon; (iv) identify the bidder and the members of its investor group, as applicable; (v) provide information to demonstrate the financial wherewithal of the bidder to consummate the proposed transaction; (vi) include a copy of the Purchase Agreement signed by the Bidder (with any changes from the Purchase Agreement with the Lead Bidder marked electronically); and (vii) be accompanied with a Deposit equal to the Deposit set forth in the Purchase Agreement. The Bids should be submitted to Tim Daugherty, Regional Vice President, Farmland Industries, Inc., 12200 North Ambassador Drive, Kansas City, MO 64163. Potential Bidders may obtain copies of the Purchase Agreement with the Lead Bidder from Mr. Daugherty.

Seller, in its discretion and after consultation with counsel for the Bank Group, the Creditors' Committee and the Bondholders' Committee, will qualify potential bidders according to their financial qualifications to consummate any purchase of the Transferred Assets.

Lead Bid. The Lead Bidder has been granted certain bid protections as follows: (i) a Break-Up Fee in the amount of 3% of the Purchase Price (the "Break-up Fee"); and (ii) a requirement that Seller will not accept any bid from any other party (an "Alternative Purchaser") that does not include a total purchase price of at least 103.5% of the Purchase Price for the Transferred Assets (the "Alternative Minimum Purchase Price").

In the event Seller receives a Bid from an Alternative Purchaser and consummates a transaction involving the sale of the Transferred Assets to an Alternative Purchaser, for a purchase price equal to or greater than the Alternative Minimum Purchase Price; and provided that the Lead Bidder is not in default under the Asset Sale and Purchase Agreement, the Lead Bidder shall at the closing of the sale of the Transferred Assets to the Alternative Purchaser receive the Break-up Fee. The Lead Bidder shall not be entitled to the Break-up Fee if sale to an Alternative Purchaser is not consummated on or before 30 days after the Sale Hearing (as defined below). If a Bid indicates that it seeks the assumption and assignment of certain executory contract(s) or unexpired lease(s), the bid must include sufficient information to permit

the Bankruptcy Court, Seller, the Bank Group, the Creditors' Committee, the Bondholders' Committee and the affected non-debtor party to the applicable contract or lease to determine the proposed assignee's ability to comply with Section 365 of the Bankruptcy Code (to the extent applicable), including providing adequate assurance of such assignee's ability to perform in the future.

Auction. If one or more Competing Bids have been received prior to the Competing Bid Deadline, then at 1:30 p.m. on September 9, 2002, or such other date as the Bankruptcy Court may determine, Seller shall conduct an auction of the Transferred Assets at the offices of Bryan Cave LLP, 1200 Main Street, Suite 3500, Kansas City, Missouri 64105 (the "Auction"). Each Bid submitted at the Auction must comply with the procedures set forth herein.

Each entity seeking to bid at the Auction must (i) be the Lead Bidder or have submitted a Competing Bid as provided above prior to the Competing Bid Deadline and (ii) appear in person at the Auction or through a duly authorized representative physically present at the Auction.

If Seller receives one or more Competing Bids prior to the Competing Bid Deadline which satisfy the bid requirements, each qualified bidder and the Lead Bidder shall have the right (and opportunity) to continue to improve its Bid at the Auction. All such additional Bids must exceed the then highest Bid by no less than .5% of the Purchase Price (as set forth in the Purchase Agreement with the Lead Bidder).

Seller, after consultation with Bank Group, the Creditors' Committee and Bondholders' Committee, will select the bid at the conclusion of the Auction which it believes to be the highest or best bid for the Transferred Assets ("Winning Bid"). Seller, after consultation with the Bank Group, and the Creditors' and Bondholders 'Committees, reserves the right to select the best bid, even if not the highest bid. The determination of the Winning Bid shall remain, however, subject to Bankruptcy Court approval. The Winning Bidder must complete and sign all agreements or other documents with Seller evidencing and containing the terms and conditions upon which its Winning Bid was made before the Auction is concluded.

Sale Hearing. On September 10, 2002 at 2:30 p.m., or such other date and time as Seller may request, subject to Bankruptcy Court approval, the Bankruptcy Court shall hold a hearing to determine whether to approve the Winning Bid accepted by Seller as the highest or best bid at the Auction (the "Sale Hearing"). If the Lead Bidder objects to Seller's determination of an authorized competing Bid as the highest or best bid, the Lead Bidder's sole and exclusive remedy shall be to bid under protest at the Auction and have standing at the Sale Hearing to contest Seller's determination.

Failure of Winning Bidder to Consummate Sale. If for any reason a Winning Bidder fails to consummate a sale of the Transferred Assets, or any part thereof, the offeror of the second highest or best bid (subject to same reservations) for the Transferred Assets (as determined by

Seller, after consultation with the Bank Group, the Creditors' Committee and Bondholders' Committee), will automatically be deemed to have submitted the highest and best bid and Seller is authorized to effect the sale of the Transferred Assets, or any part thereof, to such offeror as soon as is commercially reasonable without further order of the Bankruptcy Court. If such failure to consummate the purchase is the result of a breach by the Winning Bidder, such bidder's Deposit, if any, shall be forfeited to Seller, and Seller specifically reserves the right to seek, in addition, all available damages from the defaulting bidder.

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