

**UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF MISSOURI**

In Re:)	In Proceedings Under Chapter 11
)	
FARMLAND INDUSTRIES, INC.)	Case No. 02-50557-JWV
)	
Debtor.)	

**STIPULATION BETWEEN DEBTORS AND NATIONAL COOPERATIVE
REFINING ASSOCIATION ("NCRA") REGARDING MOTION FOR
RELIEF FROM AUTOMATIC STAY OR FOR ADEQUATE PROTECTION**

COME NOW, Farmland Industries, Inc., debtors and debtors in possession ("Debtors"), and National Cooperative Refining Association ("NCRA") and hereby stipulate and agree that:

WHEREAS Debtors filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code on May 31, 2002 (the "Petition Date").

WHEREAS Farmland Industries, Inc. ("Farmland") and NCRA are parties to a Crude Oil Purchase Agreement, dated January 1, 2001 (the "Agreement"), and various related agreements.

WHEREAS Farmland's obligations to NCRA under the Agreement are secured by a \$8 million Letter of Credit ("LC") issued by CoBank. The LC requires, as a condition of payment, that NCRA give Farmland two days written notice to cure any default. The LC expires on November 27, 2002.

WHEREAS On August 21, 2002, NCRA filed its Motion for Relief from Automatic Stay or for Adequate Protection (the "Motion"), seeking relief from the automatic stay in order to provide Farmland with notice, which it asserts is a condition of payment under the LC, which NCRA maintains is not a part of the bankruptcy estate. In the alternative, NCRA requests adequate protection if it is not granted leave to draw upon the LC prior to its expiration on November 27, 2002. NCRA further seeks relief from the automatic stay in order to exercise its

right of set off, pursuant to 11 U.S.C. § 553, with respect to certain mutual pre-petition debts.

WHEREAS The Debtors filed an objection to NCRA's motion on or about October 4, 2002 (the "Objection").

WHEREAS The Debtors and NCRA desire to resolve the issues raised by NCRA's Motion and the Debtors' Objection thereto upon the following terms.

IT IS THEREFORE STIPULATED AND AGREED THAT:

1. As of the Petition Date, Farmland owed NCRA the sum of \$11,543,990.46 under the Agreement.

2. As of the Petition date, NCRA owed Farmland the sum of \$1,928,047.21, which obligation also arises under the Agreement.

3. Pursuant to 11 U.S.C. § 553(a), the parties desire to effect a setoff of the mutual debts owing between Farmland and NCRA as these mutual debts arose before the commencement of the case.

4. Farmland and NCRA agree to offset NCRA's claim of \$11,543,990.46 against Farmland's claim of \$1,928,047.21, resulting in an amount due and owing from Farmland to NCRA of \$9,615,943.25.

5. The Debtors hereby withdraw their objection to NCRA's Motion, and shall not oppose NCRA's efforts to draw upon the LC issued by CoBank. NCRA shall be entitled to relief from the automatic stay in order to take those actions necessary to exercise its rights under the LC.

6. Until such time as the Court enters an order approving Farmland's assumption or rejection of the Agreement in accordance with 11 U.S.C. § 365, or until such time as this Court orders otherwise, NCRA and Farmland agree to continue to do business with each other in

accordance with the terms of the Agreement and any related agreements, as modified by this Stipulation.

7. Farmland shall pay NCRA in advance for deliveries of crude oil under the Agreement, on a weekly basis.

8. NCRA agrees that, until such time as Farmland assumes or rejects the Agreement, Farmland's failure post a letter of credit in the amount of \$8 million to support its payment obligations under the Agreement, as required under Section 7.03 of the Agreement, shall not be deemed a breach or termination event under the Agreement or any related agreement between NCRA and Farmland. The parties reserve all other rights and obligations they may have under the Agreement and any related agreements.

WHEREFORE, Debtors and NCRA respectfully request the Court enter an order approving this Stipulation resolving the issues raised by NCRA's Motion for Relief from Automatic Stay or for Adequate Protection and Debtors' Objection thereto, and for such further relief as may be just and proper.

Dated: October 26, 2002

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

And

LATHROP & GAGE L.C.

By: /s/ Robert S. Baran
Robert S. Baran MO #50699
2345 Grand Blvd., Suite 2800
Kansas City, MO 64108-2612
Telephone: (816) 292-2000
Telecopier: (816) 292-2001

And

J. Michael Morris
Klenda, Mitchell, Austerman & Zuercher, LLC
301 North Main, Suite 1600
Wichita, KS 67202

Attorneys For National Cooperative Refining Assn.