

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

<b>In re:</b>	)	<b>In Proceedings Under Chapter 11</b>
	)	
<b>FARMLAND INDUSTRIES, INC., ET AL.,</b>	)	<b>Case No. 02-50557-JWV</b>
	)	<b>Joint Administration</b>
<b>Debtors.</b>	)	

**AFFIDAVIT OF WILLIAM D. DAVIS, JR. IN SUPPORT OF DEBTORS' MOTION TO  
ASSUME FACILITY LEASE AGREEMENT AND PROVIDE NOTICE OF INTENT  
TO EXERCISE OPTION UNDER THE LEASE TO PURCHASE THE FACILITY  
AND REQUEST FOR EXPEDITED HEARING**

STATE OF MISSOURI     )  
  ) ss.  
COUNTY OF JACKSON    )

William D. Davis, Jr., being duly sworn, deposes and says:

1. I am a resident of Kansas City, Missouri.
2. I am the owner of Appraisal Associates, an appraisal firm based in Kansas City, Missouri.
3. I am 68 years old, and have been in the appraisal business almost 45 years.
4. Over the years, my firm and I have tended to specialize in the appraisal of special purpose agricultural properties. I have appraised flour mills, manufacturing facilities, Ethanol facilities, packing houses and fertilizer manufacturing facilities. A more complete list of my qualifications and experience is attached under Tab A.
5. I have been asked to evaluate and appraise a nitrogen production facility operated by Farmland Industries near Enid, Oklahoma.

6. The nitrogen production facility consists of a UAN plant, a Urea plant and two ammonia production plants which are leased, and which are the subject of an option to purchase by Farmland.

7. My engagement is to value the entire complex; separately value the ammonia plants; and separately value the UAN and urea plants.

8. I have used three traditional approaches to valuation; cost, income and market data.

9. After a careful consideration of and the values indicated by each of the approaches relied upon, it is the judgment of the appraiser that the Market Value of the property appraised as of October 17, 2002 was as follows:

The Value of the entire plant	\$140,000,000.00
The Value of the two 1,000 ton per day anhydrous ammonia plants	60,000,000.00
The Value of the Urea and UAN plants should a nearby supply of anhydrous ammonia cease to exist	9,000,000.00

10. These are preliminary conclusions and are subject to change as research continues for the complete appraisal which is expected to be completed within the next 30 days.

11. Our compensation is not contingent upon the reporting of a predetermined value or direction in value change that favors the cause of the client or facilitates the attainment of a particular result or the occurrence of a subsequent event.

12. I was also asked to review and determine the likely salvage value for the facilities. My research indicates that each of these facilities would have a salvage value of

approximately 7 ½ to 10 percent of new cost. My research indicates that new cost of construction of the ammonia plants is approximately \$200,000,000.00, yielding an approximate salvage value of \$20,000,000.00. In addition, the urea plant would have a salvage value of \$10,000,000.00 to \$12,000,000.00. Similarly, the UAN plant would have a salvage value of approximately \$1,000,000.00. It is my belief that the salvage value of the entire facility is approximately \$33,000,000.00, with \$20,000,000.00 of that amount coming from the ammonia facilities.

13. I have detailed these findings in my draft appraisal report which is submitted with this affidavit.

/s/ William D. Davis, Jr.

Subscribed and sworn to before me this 29th day of October 2002.

/s/ Molly A. Forge

Notary Public

My Commission Expires:

January 5, 2003

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 ) **Joint Administration**  
**Debtors.** )

**SUMMARY OF EXHIBIT[S]**

The following exhibit in reference to the Affidavit of William D. Davis, Jr. in Support of Debtors' Motion to Assume Facility Lease Agreement and Provide Notice of Intent to Exercise Option Under the Lease to Purchase the Facility and request for Expedited Hearing is available upon request.

Tab A: Resume of William D. Davis, Jr.

Dated: October 29, 2002.

**FARMLAND INDUSTRIES, INC., ET AL.**

By:           /s/ Cynthia Dillard Parres            
Laurence M. Frazen           MO #31309  
Cynthia Dillard Parres       MO #37826  
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