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CENEX HARVEST STATES COOPERATIVES

Form S-2

July 18, 2001

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON July 18, 2001

Registration No. 333-\_\_\_\_\_

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-2  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

CENEX HARVEST STATES COOPERATIVES  
(Exact name of Registrant as specified in its charter)

MINNESOTA  
(State or other jurisdiction of  
incorporation or organization)

41-0251095  
(I.R.S. Employer  
Identification Number)

5500 CENEX DRIVE  
INVER GROVE HEIGHTS, MINNESOTA 55077  
(651) 451-5151  
(Address, including zip code, and telephone number, including  
area code, of Registrant's principal executive offices)

DAVID KASTELIC  
SENIOR VICE PRESIDENT AND GENERAL COUNSEL  
CENEX HARVEST STATES COOPERATIVES  
5500 CENEX DRIVE  
INVER GROVE HEIGHTS, MINNESOTA 55077  
(651) 451-5151  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

COPIES TO:

William B. Payne  
Dorsey & Whitney LLP  
220 South Sixth Street  
Minneapolis, Minnesota 55402  
(612) 340-2722

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:  
As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a  
delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, check the following box. [X]

If the registrant elects to deliver its latest annual report to security  
holders, or a complete and legible facsimile thereof, pursuant to Item  
(11) (a) (1) of this Form, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant  
to Rule 462(b) under the Securities Act, please check the following box and list  
the Securities Act registration statement number of the earlier effective  
registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under  
the Securities Act, please check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering. [ ]

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

### ----- CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
8% Preferred Stock	50,000,000 shares	\$1.00	\$50,000,000	\$12,500

(1) Estimated solely for the purposes of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

=====

Up to 50,000,000 Shares of 8% Preferred Stock

CENEX HARVEST STATES COOPERATIVES

\$1.00 per share  
(a minimum investment of \$1,000 is required)

We are offering 50,000,000 shares of preferred stock designated as 8% Preferred Stock. Your purchase of the preferred stock requires a minimum investment of \$1,000. Holders of the preferred stock will be entitled to receive cash dividends at an annual rate of 8% per share. If you hold 10,000 shares or more of preferred stock, dividends will be payable monthly, when declared; otherwise you will receive quarterly dividends when declared. Dividends payable on the preferred stock are cumulative. The preferred stock is being issued in book-entry form only.

Investing in our preferred stock involves certain risks. See "Risk Factors" beginning on page 5.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
Public Offering Price	\$ 1.00	\$ 50,000,000
Sales Commission*	\$ .03	\$ 1,500,000
Proceeds to CHS (before expenses)	\$ .97	\$ 48,500,000

\*You will not incur a direct sales charge. All commissions will be paid by

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CHS. See "Plan of Distribution."

Miller & Schroeder Financial, Inc. will act as our agent in selling the preferred stock. It is not required to sell any specific number or dollar amount of preferred stock but will use its best efforts to sell the preferred stock offered.

MILLER & SCHROEDER FINANCIAL, INC.

The date of this prospectus is \_\_\_\_\_, 2001

	NINE MONTHS ENDED MAY 31,		YEARS ENDED AUGUST 31,		THREE MONTHS ENDED	YEARS ENDED MAY 31,		
	2001	2000	2000	1999	AUGUST 31, 1998 (1)	1998	1997	1996
	(UNAUDITED)	(UNAUDITED)						
(DOLLARS IN THOUSANDS, EXCEPT FOR RATIOS)								
<b>Income Statement Data:</b>								
<b>Revenues:</b>								
Net sales .....	\$ 5,903,801	\$ 6,227,645	\$ 8,435,805	\$ 6,328,618	\$ 1,518,253	\$ 8,345,175	\$ 9,658,052	\$ 10,361,315
Patronage dividends .....	5,621	5,019	5,494	5,876	5,111	70,387	71,070	47,170
Other revenues .....	94,519	83,360	103,199	85,128	18,290	89,785	77,440	73,361
	6,003,941	6,316,024	8,544,498	6,419,622	1,541,654	8,505,347	9,806,562	10,481,846
<b>Costs and expenses:</b>								
Cost of goods sold .....	5,688,252	6,112,181	8,240,415	6,144,519	1,463,120	8,149,251	9,475,367	10,183,141
Marketing, general and administrative .....	135,199	118,857	159,028	152,031	34,998	126,061	126,297	130,274
Interest .....	49,283	43,008	57,566	42,438	12,311	34,620	33,368	46,450
Equity (income) loss from investments .....	(13,519)	(21,238)	(28,325)	(22,363)	9,142	(8,381)	(7,635)	(6,216)
Minority interests .....	25,517	4,487	24,546	10,017	3,252	6,880	7,984	(147)
	5,884,732	6,257,295	8,453,230	6,326,642	1,522,823	8,308,431	9,635,381	10,353,502
Income before income taxes and cumulative effect of accounting change .....	119,209	58,729	91,268	92,980	18,831	196,916	171,181	128,344
Income taxes .....	(34,338)	2,576	3,880	6,980	2,895	19,615	19,280	13,139
Net income before cumulative effect of accounting change .....	153,547	56,153	87,388	86,000	15,936	177,301	151,901	115,205
Cumulative effect of accounting change, net of income tax benefit .....	(3,263)							
Net income .....	\$ 150,284	\$ 56,153	\$ 87,388	\$ 86,000	\$ 15,936	\$ 177,301	\$ 151,901	\$ 115,205
<b>Balance Sheet Data (at end of period):</b>								
Working capital .....	\$ 306,572	\$ 213,317	\$ 214,223	\$ 219,045	\$ 284,452	\$ 235,721	\$ 219,395	\$ 220,581
Net property, plant and equipment .....	1,028,481	1,025,730	1,034,768	968,333	915,770	868,073	798,757	713,643
Total assets .....	3,028,236	3,367,586	3,172,680	2,787,664	2,469,103	2,436,515	2,422,564	2,484,006
Long-term debt, including current maturities .....	572,058	510,961	510,500	482,666	456,840	378,408	335,737	315,985
Total equities .....	1,262,743	1,148,770	1,164,426	1,117,636	1,065,877	1,029,973	944,798	849,702
Ratio of earnings to fixed charges and preferred dividends (2) .....	3.5x	2.1x	2.7x	2.6x	3.0x	5.3x	4.7x	3.0x

(1) Reflects the Company's change in fiscal year end from May 31 to August 31.

(2) For purposes of computing the ratio of earnings to fixed charges and preferred dividends, earnings consist of earnings before income taxes and cumulative effect of accounting change on consolidated operations,

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distributed income from equity investees and fixed charges. Fixed charges consist of interest expense and one-third of rental expense, considered representative of that portion of rental expense estimated to be attributable to interest.

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	NINE MONTHS ENDED MAY 31,		YEARS ENDED AUGUST 31,		THREE MONTHS ENDED AUGUST 31,	YEARS ENDED MAY 31,		
	2001	2000	2000	1999	1998 (1)	1998	1997	1996
	(UNAUDITED)	(UNAUDITED)	(DOLLARS IN THOUSANDS, EXCEPT FOR RATIOS)					
<b>Income Statement Data:</b>								
<b>Revenues:</b>								
Net sales .....	\$ 5,903,801	\$ 6,227,645	\$ 8,435,805	\$ 6,328,618	\$ 1,518,253	\$ 8,345,175	\$ 9,658,052	\$10,361,315
Patronage dividends .....	5,621	5,019	5,494	5,876	5,111	70,387	71,070	47,170
Other revenues .....	94,519	83,360	103,199	85,128	18,290	89,785	77,440	73,361
	6,003,941	6,316,024	8,544,498	6,419,622	1,541,654	8,505,347	9,806,562	10,481,846
<b>Costs and expenses:</b>								
Cost of goods sold .....	5,688,252	6,112,181	8,240,415	6,144,519	1,463,120	8,149,251	9,475,367	10,183,141
Marketing, general and administrative .....	135,199	118,857	159,028	152,031	34,998	126,061	126,297	130,274
Interest .....	49,283	43,008	57,566	42,438	12,311	34,620	33,368	46,450
Equity (income) loss from investments .....	(13,519)	(21,238)	(28,325)	(22,363)	9,142	(8,381)	(7,635)	(6,216)
Minority interests .....	25,517	4,487	24,546	10,017	3,252	6,880	7,984	(147)
	5,884,732	6,257,295	8,453,230	6,326,642	1,522,823	8,308,431	9,635,381	10,353,502
Income before income taxes and cumulative effect of accounting change .....	119,209	58,729	91,268	92,980	18,831	196,916	171,181	128,344
Income taxes .....	(34,338)	2,576	3,880	6,980	2,895	19,615	19,280	13,139
Net income before cumulative effect of accounting change .....	153,547	56,153	87,388	86,000	15,936	177,301	151,901	115,205
Cumulative effect of accounting change, net of income tax benefit .....	(3,263)							
Net income .....	\$ 150,284	\$ 56,153	\$ 87,388	\$ 86,000	\$ 15,936	\$ 177,301	\$ 151,901	\$ 115,205
<b>Balance Sheet Data (at end of period):</b>								
Working capital .....	\$ 306,572	\$ 213,317	\$ 214,223	\$ 219,045	\$ 284,452	\$ 235,721	\$ 219,395	\$ 220,581
Net property, plant and equipment .....	1,028,481	1,025,730	1,034,768	968,333	915,770	868,073	798,757	713,643
Total assets .....	3,028,236	3,367,586	3,172,680	2,787,664	2,469,103	2,436,515	2,422,564	2,484,006
Long-term debt, including current maturities .....	572,058	510,961	510,500	482,666	456,840	378,408	335,737	315,985
Total equities .....	1,262,743	1,148,770	1,164,426	1,117,636	1,065,877	1,029,973	944,798	849,702
Ratio of earnings to fixed charges and preferred dividends (2) .....	3.5x	2.1x	2.7x	2.6x	3.0x	5.3x	4.7x	3.0x

(1) Reflects the Company's change in fiscal year end from May 31 to August 31.

(2) For purposes of computing the ratio of earnings to fixed charges and preferred dividends, earnings consist of earnings before income taxes and cumulative effect of accounting change on consolidated operations, distributed income from equity investees and fixed charges. Fixed charges consist of interest expense and one-third of rental expense, considered representative of that portion of rental expense estimated to be attributable to interest.

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(DOLLARS IN THOUSANDS)	FOR THE YEAR	FOR THE YEAR	FOR THE	FOR THE YEAR
	ENDED	ENDED	THREE MONTHS	ENDED
	AUGUST 31,	AUGUST 31,	AUGUST 31,	MAY 31,
	2000	1999	1998	1998
<b>Revenues:</b>				
Net sales	\$ 8,435,805	\$ 6,328,618	\$ 1,518,253	\$ 8,345,175
Patronage dividends	5,494	5,876	5,111	70,387
Other revenues	103,199	85,128	18,290	89,785
	8,544,498	6,419,622	1,541,654	8,505,347
<b>Costs and expenses:</b>				
Cost of goods sold	8,240,415	6,144,519	1,463,120	8,149,251
Marketing, general and administrative	159,028	152,031	34,998	126,061
Interest	57,566	42,438	12,311	34,620
Equity (income) loss from investments	(28,325)	(22,363)	9,142	(8,381)
Minority interests	24,546	10,017	3,252	6,880
	8,453,230	6,326,642	1,522,823	8,308,431
Income before income taxes	91,268	92,980	18,831	196,916
Income taxes	3,880	6,980	2,895	19,615
Net income	\$ 87,388	\$ 86,000	\$ 15,936	\$ 177,301
<b>Distribution of net income:</b>				
Patronage refunds	\$ 87,400	\$ 57,500	\$ 32,650	\$ 144,578
Nonpatronage refunds				8,609
Deferred patronage	(24,900)	21,773	(24,134)	(2,482)
Unallocated capital reserve	24,888	6,727	7,420	26,596
Net income	\$ 87,388	\$ 86,000	\$ 15,936	\$ 177,301

The accompanying notes are an integral part of the consolidated financial statements.

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(DOLLARS IN THOUSANDS)	CAPITAL	NONPATRONAGE	COMMON	PREFERRED	WHEAT	OILSEED	PATRONAGE
	EQUITY	EQUITY			MILLING	PROCESSING	
	CERTIFICATES	CERTIFICATES	STOCK	STOCK	EPUS	& REFINING	REFUNDS
						EPUS	
Balances, June 1, 1997	\$ 267,384	\$ 15,144	\$ 20	\$ 469,201	\$ 9,574	\$ 4,296	\$ 83,420
Patronage determination							36,061
Patronage distribution	31,258	6,863		52,831			(119,481)
Equity retirement determination				27,453			
Equities retired	(9,542)	(520)		(27,362)			
Equities issued	10,561						
Other, net	128	(178)		(3,451)	(96)	(96)	
Comprehensive income:							
Net income		8,609					144,578
Other comprehensive loss							
Total comprehensive income							
Cash patronage and equity retirement provisions	(13,329)			(31,273)			(44,340)
Balances, May 31, 1998	286,460	29,918	20	487,399	9,478	4,200	100,238
Results of operations of CENEX, Inc. for the eight months ended							
May 31, 1998	(21)	(36)		52,639			(23,310)
Exchange of equities to effect pooling	540,058		(20)	(540,038)			
Included with May 31, 1998 equity retirements payable	4,429						
Equities retired	(4,429)	(13)					
Equities issued	911						
Other, net		(64)			(6)	(6)	
Comprehensive income:							

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Net income							32,650
Other comprehensive loss							
Total comprehensive income							
Cash patronage and equity retirement provisions	1,832						(9,800)
Balances, August 31, 1998	829,240	29,805	--	--	9,472	4,194	99,778
Patronage and equity retirement determination	19,412						44,150
Patronage distribution	99,052	(612)					(143,928)
Equities retired	(23,700)	(97)					
Equities issued	14,714						
Other, net	(674)	(311)			(214)	(6)	
Comprehensive income:							
Net income							57,500
Other comprehensive loss							
Total comprehensive income							
Cash patronage and equity retirement provisions	(25,750)						(17,250)
Balances, August 31, 1999	912,294	28,785	--	--	9,258	4,188	40,250
Patronage and equity retirement determination	25,750						17,250
Patronage distribution	41,182						(57,500)
Equities retired	(28,615)	(82)					
Equities issued	7,921						
Other, net	(178)	(194)			(12)	(6)	
Comprehensive income:							
Net income							87,400
Other comprehensive loss							
Total comprehensive income							
Cash patronage and equity retirement provisions	(17,474)						(26,220)
Balances, August 31, 2000	\$ 940,880	\$ 28,509	\$ --	\$ --	\$ 9,246	\$ 4,182	\$ 61,180

The accompanying notes are an integral part of the consolidated financial statements.

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DEFERRED PATRONAGE	UNALLOCATED CAPITAL RESERVE	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ALLOCATED CAPITAL RESERVE	TOTAL EQUITIES
\$ (71,725)	\$ 158,003	\$ 1,281	\$ 8,200	\$ 944,798
	(309)			35,752
	(7,511)			(36,040)
				27,453
				(37,424)
				10,561
	299		(6)	(3,400)
(2,482)	26,596			177,301
		(86)		(86)
				177,215
				(88,942)
(74,207)	177,078	1,195	8,194	1,029,973
(13,086)	13,401			29,587
				--
				4,429
				(4,442)
				911
	(1,177)		(2)	(1,255)

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(24,134)	7,420	(1,294)		15,936 (1,294)
				----- 14,642 -----
				(7,968)
-----	-----	-----	-----	-----
(111,427)	196,722	(99)	8,192	1,065,877
	1,738			63,562 (43,750) (23,797)
	350		(44)	14,714 (899)
21,773	6,727	(1,071)		86,000 (1,071)
				----- 84,929 -----
				(43,000)
-----	-----	-----	-----	-----
(89,654)	205,537	(1,170)	8,148	1,117,636
	(1,588)			43,000 (17,906) (28,697)
	453		(28)	7,921 35
(24,900)	24,888	(1,257)		87,388 (1,257)
				----- 86,131 -----
				(43,694)
-----	-----	-----	-----	-----
\$ (114,554)	\$ 229,290	\$ (2,427)	\$ 8,120	\$ 1,164,426
=====	=====	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

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(DOLLARS IN THOUSANDS)	For the year ended August 31, 2000	For the year ended August 31, 1999	For the three months ended August 31, 1998	For the year ended May 31, 1998
-----				
Cash flows from operating activities:				
Net income	\$ 87,388	\$ 86,000	\$ 15,936	\$ 177,301
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization	92,699	81,246	20,570	69,877
Noncash net (income) loss from joint ventures	(28,325)	(22,363)	9,142	(8,381)
Minority interests	24,546	10,017	3,252	6,880
Adjustment of inventories to market value		(35,346)	12,108	10,153
Noncash portion of patronage dividends received	(6,825)	(4,847)	(9,305)	(61,732)
Loss (gain) on sale of property, plant and equipment	1,167	(1,706)	(458)	(7,487)
Other, net	(3,130)	196		(978)
Changes in operating assets and liabilities:				
Receivables	(229,067)	(133,641)	92,897	63,221
Inventories	1,717	(34,623)	31,178	25,753
Other current assets and other assets	(7,508)	(29,483)	(3,441)	2,929
Customer credit balances	(8,191)	3,646	(1,552)	10,594
Customer advance payments	4,180	(20,266)	39,533	(45,531)
Accounts payable and accrued expenses	202,980	66,968	(89,932)	(18,215)
Other liabilities	(3,244)	12,383	3,968	5,196
	-----	-----	-----	-----
Net cash provided by (used in) operating activities	128,387	(21,819)	123,896	229,580
	-----	-----	-----	-----
Cash flows from investing activities:				

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Acquisition of property, plant and equipment	(153,796)	(124,471)	(41,152)	(145,231)
Proceeds from disposition of property, plant and equipment	7,655	6,785	824	21,877
Investments	(35,297)	(63,324)	(37)	(3,125)
Equity investments redeemed	41,250	8,829	360	12,686
Investments redeemed	2,638	2,412	31	17,247
Changes in notes receivable	600	334	792	(5,036)
Acquisitions of intangibles	(26,513)			
Distribution to minority owners	(21,089)	(2,255)	(2,809)	(1,892)
Other investing activities, net	(339)	926	(1,671)	(3,330)
Net cash used in investing activities	(184,891)	(170,764)	(43,662)	(106,804)
<hr style="border-top: 1px dashed black;"/>				
Cash flows from financing activities:				
Changes in notes payable	20,940	196,511	(53,025)	(88,901)
Long-term debt borrowings	49,914	40,000	359,078	83,916
Principal payments on long-term debt	(22,502)	(14,585)	(317,228)	(42,171)
Changes in checks and drafts outstanding	35,481	(6,137)	(28,141)	(7,548)
Retirements of equity	(28,697)	(23,797)	(4,442)	(36,880)
Cash patronage dividends paid	(17,906)	(43,750)		(35,898)
Net cash provided by (used in) financing activities	37,230	148,242	(43,758)	(127,482)
<hr style="border-top: 1px dashed black;"/>				
Net cash flows of CENEX, Inc. from October 1, 1997 through May 31, 1998			14,734	
<hr style="border-top: 1px dashed black;"/>				
Net (decrease) increase in cash and cash equivalents	(19,274)	(44,341)	51,210	(4,706)
Cash and cash equivalents at beginning of period	75,667	120,008	68,798	73,504
<hr style="border-top: 1px dashed black;"/>				
Cash and cash equivalents at end of period	\$ 56,393	\$ 75,667	\$ 120,008	\$ 68,798
<hr style="border-top: 1px dashed black;"/>				

The accompanying notes are an integral part of the consolidated financial statements.

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	August 31, 2000	August 31, 1999	August 31, 1998
<hr style="border-top: 1px dashed black;"/>			
(DOLLARS IN THOUSANDS)			
Trade	\$ 834,349	\$ 595,403	\$ 474,454
Other	23,643	34,493	20,377
	857,992	629,896	494,831
Less allowances for doubtful accounts	23,249	23,255	23,315
	\$ 834,743	\$ 606,641	\$ 471,516
<hr style="border-top: 1px dashed black;"/>			

All export sales are denominated in U.S. dollars. Export sales for the years ended August 31, 2000 and 1999, for the three months ended August 31, 1998 and for the year ended May 31, 1998 are as follows:

	For the year ended August 31, 2000	For the year ended August 31, 1999	For the three months ended August 31, 1998	For the year ended May 31, 1998
<hr style="border-top: 1px dashed black;"/>				
(DOLLARS IN MILLIONS)				
Africa	\$ 191	\$ 158	\$ 94	\$ 280
Asia	552	310	149	1,217
Europe	304	358	79	404
North America	324	198	104	331
South America	119	122	10	268
	\$ 1,490	\$ 1,146	\$ 436	\$ 2,500
<hr style="border-top: 1px dashed black;"/>				



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### 3. INVENTORIES:

Inventories as of August 31, 2000, 1999 and 1998 are as follows:

(DOLLARS IN THOUSANDS)	August 31, 2000	August 31, 1999	August 31, 1998
Energy	\$ 286,276	\$ 209,661	\$ 170,544
Grain and oilseed	215,570	202,166	153,384
Agronomy		69,050	67,760
Processed grain and oilseed	32,993	14,342	37,464
Feed and farm supplies	63,909	50,908	47,842
Other	3,637	3,576	2,740
	\$ 602,385	\$ 549,703	\$ 479,734

As of August 31, 2000, the Company valued approximately 40% of inventories, primarily related to energy, using the lower of cost, determined on the LIFO method, or market (29% and 22% as of August 31, 1999 and 1998, respectively). As of August 31, 2000, 1999 and 1998, reserves amounting to no dollars, \$20.4 million and \$61.7 million, respectively, have been established to reduce energy inventories to estimated market value. If the FIFO method of accounting for inventories had been used, inventories would have been higher than the reported amount by \$86.3 million and \$5.3 million at August 31, 2000 and August 31, 1999, respectively. In fiscal 2000, the liquidation of certain LIFO layers decreased cost of goods sold by \$4.3 million. The inventories in these LIFO layers were acquired in prior years at lower costs.

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(DOLLARS IN THOUSANDS)	August 31, 2000	August 31, 1999	August 31, 1998
<b>Cooperatives:</b>			
CF Industries, Inc.	\$152,996	\$152,996	\$152,996
National Bank for Cooperatives (CoBank)	32,817	33,942	37,630
Ag Processing, Inc.	23,036	23,252	19,438
Land O'Lakes, Inc.	21,967	19,256	15,489
<b>Joint Ventures:</b>			
Ventura Foods, LLC	87,315	55,562	41,666
Cenex/Land O' Lakes Agronomy Company		36,933	34,068
Agro Distribution, LLC		45,741	
United Country Brands, LLC	70,099		
Tacoma Export Marketing Company	9,378	8,821	6,849
Other	53,603	51,393	39,198
	\$451,211	\$427,896	\$347,334

In March 2000, the Company purchased an additional 10% interest in Ventura Foods, LLC, its consumer products and packaging joint venture for approximately \$25.6 million. The Company now has a 50% interest in this joint venture.

The following provides summarized financial information for Ventura Foods, LLC as of and for the periods indicated below.

(DOLLARS IN THOUSANDS)	August 31, 2000	August 31, 1999	August 31, 1998
Current assets	\$133,112	\$141,763	\$125,898
Non-current assets	222,334	220,037	176,573
Current liabilities	107,570	149,238	150,167

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Non-current liabilities	117,822	97,232	73,689
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(DOLLARS IN THOUSANDS)	For the 12 months ended August 31, 2000	For the 12 months ended August 31, 1999	For the three months ended August 31, 1998	For the 12 months ended May 31, 1998
Net sales	\$873,922	\$881,016	\$208,242	\$780,501
Gross profit	143,394	107,326	17,830	83,019
Net income	55,115	30,475	2,245	17,797

Effective January 1, 2000, Cenex Harvest States, Farmland and Land O'Lakes created Agriliance, a distributor of crop nutrients, crop protections products and other agronomy inputs and services. At formation, Agriliance managed the agronomy marketing operations of Cenex Harvest States, Farmland and Land O'Lakes, with the Company exchanging the right to use its agronomy operations for 26.455% of the results of the jointly managed operations.

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(DOLLARS IN THOUSANDS)	Estimated useful life in years	August 31, 2000	August 31, 1999	August 31, 1998
Energy refineries	3-40	\$ 682,823	\$ 660,424	\$ 633,149
Distribution and general	3-40	323,361	298,931	283,773
Grain terminals and country elevators	3-50	304,451	272,311	243,005
Energy pipelines and terminals	3-40	241,687	220,367	211,781
Grain processing plants	3-40	230,756	208,210	164,026
Feed plants	3-40	26,630	27,216	27,081
Construction in progress		79,163	64,508	77,548
		1,888,871	1,751,967	1,640,363
Less accumulated depreciation and amortization		854,103	783,634	724,593
		\$1,034,768	\$ 968,333	\$ 915,770

### 6. OTHER ASSETS:

Other assets as of August 31, 2000, 1999 and 1998 are as follows:

(DOLLARS IN THOUSANDS)	August 31, 2000	August 31, 1999	August 31, 1998
Intangible assets, less accumulated amortization of \$16,753, \$15,348, and \$20,886, respectively	\$ 44,904	\$ 21,539	\$22,888
Prepaid pension cost and other benefit plan assets	92,767	78,668	52,825
Notes receivable	5,201	4,547	6,172
Other assets	12,531	15,256	15,149
	\$155,403	\$120,010	\$97,034

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(DOLLARS IN THOUSANDS)	Interest rates at August 31, 2000	August 31, 2000	August 31, 1999	August 31, 1998
Notes payable (a) (f)	7.00% to 8.42%	\$217,926	\$196,986	\$ 475
Long-term debt:				
Revolving term loans from cooperative banks, payable in installments through 2009, when the balance is due (b) (c) (f)	6.48% to 14.32%	\$259,657	\$227,211	\$192,005
Private placement, payable in equal installments beginning in 2008 through 2013 (d) (f)	6.81%	225,000	225,000	225,000
Industrial Revenue Bonds, Payable in installments through 2010 (e)	5.23% to 9.26%	18,535	27,045	36,155
Other notes and contracts	4.00% to 12.00%	7,308	3,410	3,680
Total long-term debt		510,500	482,666	456,840
Less current portion		30,173	21,562	13,855
Long-term portion		\$480,327	\$461,104	\$442,985

- (a) The Company finances its working capital needs through short-term lines of credit with a syndication of banks. In June 1998, the Company established a 364-day credit facility of \$400.0 million, and in May 2000, the Company renewed and expanded this credit facility to \$500.0 million, all of which is committed, and of which \$185.7 million was outstanding on August 31, 2000. In addition to this short-term line of credit, the Company has a 364-day credit facility dedicated to NCRA with a syndication of banks in the amount of \$50.0 million, all of which is committed, with \$31.0 million outstanding on August 31, 2000. Other miscellaneous notes payable totaled \$1.2 million at August 31, 2000.
- (b) In June 1998, the Company established a \$200.0 million five-year revolving credit facility with a syndication of banks. On August 31, 2000, the Company had an outstanding balance of \$45.0 million.
- (c) In June 1998, the Company repaid certain of its existing debt and established a new long-term credit agreement under which the term loan balance outstanding as of May 31, 1998 was repaid and partially refinanced through the new agreement. This long-term agreement committed \$200.0 million of long-term borrowing capacity to the Company through May 31, 1999, of which \$164.0 million was drawn before the expiration date of that commitment. On August 31, 2000, \$157.4 million was outstanding. NCRA term loans are collateralized by NCRA's investment in CoBank.
- (d) In June 1998, as a part of the refinancing program for the merged operations, the Company entered into a private placement with several insurance companies for long-term debt in the amount of \$225.0 million.
- (e) Industrial Revenue Bonds are collateralized by property, plant and equipment, primarily energy refinery equipment, with a cost of approximately \$155.7 million, \$155.9 million and \$156.1 million, less accumulated depreciation of approximately \$103.6 million, \$97.5 million and \$91.3 million as of August 31, 2000, 1999 and 1998, respectively.

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(DOLLARS IN THOUSANDS)	For the year ended August 31, 2000	For the year ended August 31, 1999	For the three months ended August 31, 1998	For the year ended May 31, 1998

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Current	\$4,347	\$5,783	\$ 5,189	\$17,886
Deferred	(467)	1,197	(2,294)	1,729
Income taxes	\$3,880	\$6,980	\$ 2,895	\$19,615

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities as of August 31, 2000, 1999 and 1998 are as follows:

(DOLLARS IN THOUSANDS)	August 31, 2000	August 31, 1999	August 31, 1998
<b>Deferred tax assets:</b>			
Accrued expenses and valuation reserves	\$10,970	\$10,741	\$10,017
Postretirement health care and pension liabilities	3,282	3,665	3,137
Alternative minimum tax credit and patronage loss carryforward	4,842	883	920
Other	5,718	5,880	6,340
Total deferred tax assets	24,812	21,169	20,414
<b>Deferred tax liabilities:</b>			
Property, plant and equipment	3,345	3,185	3,169
Equity method investments	11,405	8,513	6,279
Other	3,289	3,165	3,505
Total deferred tax liabilities	18,039	14,863	12,953
Net deferred tax assets	\$ 6,773	\$ 6,306	\$ 7,461

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	For the year ended August 31, 2000	For the year ended August 31, 1999	For the three months ended August 31, 1998	For the year ended May 31, 1998
Statutory federal income tax rate	35.0%	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	3.9	3.9	4.1	4.2
Patronage earnings	(37.3)	(24.1)	(67.4)	(29.1)
Tax effect of changes in deferred patronage	4.4	(6.8)	51.3	0.5
Rate changes on deferred tax assets and liabilities	(2.5)	0.5	(11.2)	
Other	0.8	(1.0)	3.6	(0.6)
Effective tax rate	4.3%	7.5%	15.4%	10.0%

The principal differences between financial statement income and taxable income for the years ended August 31, 2000 and 1999, for the three months ended August 31, 1998 and for the year ended May 31, 1998 are as follows:

(DOLLARS IN THOUSANDS)	For the year ended August 31, 2000	For the year ended August 31, 1999	For the three months ended August 31, 1998	For the year ended May 31, 1998
Income before income taxes	\$ 91,268	\$ 92,980	\$ 18,831	\$ 196,916
<b>Financial reporting/tax differences:</b>				
Environmental reserves	(728)	1,343	(563)	1,916
Oil and gas activities, net	2,600	18,005	8,448	(405)
Energy inventory market reserves	(19)	(48,445)	7,150	(9,279)
Other, net	3,255	9,258	12,310	2,488
Patronage refund provisions	(87,400)	(57,500)	(32,650)	(144,578)

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Taxable income \$ 8,976 \$ 15,641 \$ 13,526 \$ 47,058

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(DOLLARS IN THOUSANDS)	Pension Benefits			Other Benefits		
	August 31, 2000	August 31, 1999	August 31, 1998	August 31, 2000	August 31, 1999	August 31, 1998
<b>Change in benefit obligation:</b>						
Benefit obligation at beginning of period	\$ 266,651	\$ 265,045	\$ 245,444	\$ 28,543	\$ 23,474	\$ 22,210
Service cost	8,777	8,733	5,212	657	1,421	387
Interest cost	18,058	17,817	11,771	1,470	1,769	956
Plan participants' contributions						131
Plan amendments	251	10,673	772	(7,679)	(630)	
Actuarial (gain) loss	(13,616)	(8,322)	6,021	226	3,993	517
Assumption change		(6,103)	5,348		(146)	326
Settlements		275	674			
Benefits paid	(22,062)	(21,467)	(10,197)	(1,778)	(1,338)	(1,053)
<b>Benefit obligation at end of period</b>	<b>\$ 258,059</b>	<b>\$ 266,651</b>	<b>\$ 265,045</b>	<b>\$ 21,439</b>	<b>\$ 28,543</b>	<b>\$ 23,474</b>
<b>Change in plan assets:</b>						
Fair value of plan assets at beginning of period	\$ 259,360	\$ 241,949	\$ 252,659			
Actual return (loss) on plan assets	22,240	35,622	(6,263)			
Company contributions	7,358	3,256	5,750	\$ 1,778	\$ 1,338	\$ 922
Other						131
Benefits paid	(22,062)	(21,467)	(10,197)	(1,778)	(1,338)	(1,053)
<b>Fair value of plan assets at end of period</b>	<b>\$ 266,896</b>	<b>\$ 259,360</b>	<b>\$ 241,949</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
<b>Funded status:</b>						
Employer contributions after measurement date	4,586	5,331		2,618	200	97
Unrecognized actuarial loss (gain)	11,976	27,869	59,511	(9,046)	(2,341)	(6,372)
Unrecognized transition (asset) obligation	(1,570)	(2,690)	(3,938)	12,069	13,004	13,941
Unrecognized prior service cost	10,821	10,386	524	(660)	(592)	3
<b>Prepaid (accrued) benefit cost</b>	<b>\$ 34,650</b>	<b>\$ 33,605</b>	<b>\$ 33,001</b>	<b>\$ (16,458)</b>	<b>\$ (18,272)</b>	<b>\$ (15,805)</b>
<b>Amounts recognized on balance sheets consist of:</b>						
Prepaid benefit cost	\$ 43,516	\$ 42,099	\$ 41,554			
Accrued benefit liability	(12,253)	(13,158)	(9,396)	\$ (16,458)	\$ (18,272)	\$ (15,805)
Intangible asset	2,148	3,272	350			
Accumulated other comprehensive loss	1,239	1,392	493			
<b>Net amounts recognized</b>	<b>\$ 34,650</b>	<b>\$ 33,605</b>	<b>\$ 33,001</b>	<b>\$ (16,458)</b>	<b>\$ (18,272)</b>	<b>\$ (15,805)</b>

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(DOLLARS IN THOUSANDS)	Pension Benefits				Other Benefits			
	For the year ended August 31, 2000	For the year ended August 31, 1999	For the three months ended August 31, 1998	For the year ended May 31, 1998	For the year ended August 31, 2000	For the year ended August 31, 1999	For the three months ended August 31, 1998	For the year ended May 31, 1998
Components of net periodic benefit cost:								
Service cost	\$ 8,777	\$ 8,733	\$ 5,212	\$ 7,046	\$ 657	\$ 1,421	\$ 387	\$ 727
Interest cost	18,058	17,817	11,771	16,275	1,470	1,769	956	1,525
Expected return on assets	(20,485)	(26,552)	(14,809)	(18,199)				
Prior service cost amortization	1,182	812	214	189	(77)	(38)	(1)	1
Actuarial (gain) loss amortization	(530)	8,145	671	1,307	(604)	(82)	(268)	(354)
Transition amount amortization	(1,120)	(1,248)	(1,143)	(2,506)	936	936	503	937
Special termination benefits			674					
Other		275						
<b>Net periodic benefit cost</b>	<b>\$ 5,882</b>	<b>\$ 7,982</b>	<b>\$ 2,590</b>	<b>\$ 4,112</b>	<b>\$ 2,382</b>	<b>\$ 4,006</b>	<b>\$ 1,577</b>	<b>\$ 2,836</b>
Weighted-average assumptions:								
Discount rate	7.50%	7.30%	6.83%	7.25%	7.50%	7.30%	6.85%	7.42%
Expected return on plan assets	9.00%	8.50%	8.63%	8.40%	N/A	N/A	N/A	N/A
Rate of compensation increase	5.00%	5.00%	5.02%	5.08%	5.00%	5.00%	4.90%	5.13%

The aggregate projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows as of August 31, 2000, 1999 and 1998:

(DOLLARS IN THOUSANDS)	August 31, 2000	August 31, 1999	August 31, 1998
Projected benefit obligation	\$23,864	\$25,264	\$22,268
Accumulated benefit obligation	19,978	19,746	17,002
Fair value of plan assets	8,602	8,092	7,604

The Company provides defined life insurance and health care benefits for certain retired employees. The plan is contributory based on years of service and family status, with retiree contributions adjusted annually.

The Company has other contributory defined contribution plans covering substantially all employees. Total contributions by the Company to these plans were approximately \$4.6 million, \$4.5 million, \$1.1 million and \$4.2 million, for the years ended August 31, 2000 and 1999, for the three months ended August 31, 1998 and for the year ended May 31, 1998, respectively.

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(DOLLARS IN THOUSANDS)	1% point increase	1% point decrease
Effect on total of service and interest cost components	\$ 177	\$ (150)
Effect on postretirement benefit obligation	1,350	(1,170)

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(DOLLARS IN THOUSANDS)	Agronomy	Energy	Grain Marketing	Country Operations	Processed Grains and Foods	Other	Reconciling Amounts	Total
For the year ended August 31, 2000:								
Net sales	\$ 808,659	\$2,959,622	\$3,428,020	\$1,404,106	\$ 553,580		\$ (718,182)	\$8,435,805
Patronage dividends	224	311	861	3,830	100	\$ 168		5,494
Other revenues	5,817	2,792	15,440	74,050	(10)	5,110		103,199
	814,700	2,962,725	3,444,321	1,481,986	553,670	5,278	(718,182)	8,544,498
Cost of goods sold	764,744	2,862,715	3,414,076	1,404,062	513,000		(718,182)	8,240,415
Marketing, general and administrative	20,832	43,332	19,956	45,478	25,224	4,206		159,028
Interest	(3,512)	27,926	8,701	12,782	9,851	1,818		57,566
Equity loss (income) from investments	4,336	(856)	(6,452)	(1,007)	(24,367)	21		(28,325)
Minority interests		24,443		103				24,546
Income (loss) before income taxes	\$ 28,300	\$ 5,165	\$ 8,040	\$ 20,568	\$ 29,962	\$ (767)	\$ --	\$ 91,268
Total identifiable assets at August 31, 2000								
	\$ 228,277	\$1,379,019	\$ 321,813	\$ 660,358	\$ 391,286	\$ 191,927	\$ --	\$3,172,680
For the year ended August 31, 1999:								
Net sales	\$ 653,629	\$1,381,282	\$3,176,490	\$1,266,129	\$ 532,174		\$ (681,086)	\$6,328,618
Patronage dividends	184	(1,236)	(393)	7,146	(492)	\$ 667		5,876
Other revenues		717	17,267	64,554	3	2,587		85,128
	653,813	1,380,763	3,193,364	1,337,829	531,685	3,254	(681,086)	6,419,622
Cost of goods sold	621,165	1,264,995	3,159,295	1,271,254	508,896		(681,086)	6,144,519
Marketing, general and administrative	16,605	51,057	22,419	41,307	17,852	2,791		152,031
Interest	1,413	16,584	7,510	10,184	6,561	186		42,438
Equity loss (income) from investments	1,386	(4,741)	(5,145)	(1,250)	(12,193)	(420)		(22,363)
Minority interests		9,889		128				10,017
Income before income taxes	\$ 13,244	\$ 42,979	\$ 9,285	\$ 16,206	\$ 10,569	\$ 697	\$ --	\$ 92,980
Total identifiable assets at August 31, 1999								
	\$ 361,381	\$1,112,127	\$ 281,912	\$ 568,833	\$ 293,499	\$ 169,912	\$ --	\$2,787,664

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(DOLLARS IN THOUSANDS)	Agronomy	Energy	Grain Marketing	Country Operations	Processed Grains and Foods	Other	Reconciling Amounts	Total
For the three months ended August 31, 1998:								
Net sales	\$ 99,309	\$ 357,123	\$ 762,584	\$ 281,741	\$ 145,834		\$ (128,338)	\$1,518,253
Patronage dividends		51	22	4,891		\$ 147		5,111
Other revenues		15	3,544	13,980	990	(239)		18,290
	99,309	357,189	766,150	300,612	146,824	(92)	(128,338)	1,541,654
Cost of goods sold	84,331	320,145	759,370	288,705	138,907		(128,338)	1,463,120
Marketing, general and administrative	3,813	12,340	5,327	8,886	3,937	695		34,998
Interest	78	4,389	1,471	4,694	1,208	471		12,311
Equity loss (income) from investments	10,124	(11)	299	(299)	(898)	(73)		9,142
Minority interests		3,260		(8)				3,252
Income (loss) before income taxes	\$ 963	\$ 17,066	\$ (317)	\$ (1,366)	\$ 3,670	\$ (1,185)	\$ --	\$ 18,831
Total identifiable assets at August 31, 1998								
	\$ 314,469	\$ 943,004	\$ 271,447	\$ 454,551	\$ 296,340	\$ 189,292	\$ --	\$2,469,103
For the year ended May 31, 1998:								
Net sales	\$ 762,790	\$1,930,609	\$4,419,230	\$1,337,460	\$ 615,667		\$ (720,581)	\$8,345,175
Patronage dividends	57,552	1,276	631	10,806		\$ 122		70,387
Other revenues		521	20,599	61,232	3,163	4,270		89,785
	820,342	1,932,406	4,440,460	1,409,498	618,830	4,392	(720,581)	8,505,347
Cost of goods sold	727,292	1,813,290	4,410,884	1,349,480	568,886		(720,581)	8,149,251
Marketing, general and administrative	14,637	42,637	18,837	30,964	13,830	5,156		126,061

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Interest	43	15,163	7,945	7,659	4,143	(333)	34,620
Equity loss (income) from investments	1,295	(854)	(2,983)	(707)	(7,121)	1,989	(8,381)
Minority interests		6,749		131			6,880
Income (loss) before income taxes	\$ 77,075	\$ 55,421	\$ 5,777	\$ 21,971	\$ 39,092	\$ (2,420)	\$ --
	\$ 196,916						

### 12. COMMITMENTS AND CONTINGENCIES:

#### ENVIRONMENTAL:

The Company is required to comply with various environmental laws and regulations incidental to its normal business operations. In order to meet its compliance requirements, the Company establishes reserves for the future costs of remediation of identified issues, which are included in cost of goods sold in the consolidated statements of operations. Additional costs for matters which may be identified in the future cannot be presently determined; while the resolution of any such matters may have an impact on the Company's consolidated financial results for a particular reporting period, management believes any such matters will not have a material adverse effect on the consolidated financial position of the Company.

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(DOLLARS IN THOUSANDS)	Rail Cars	Vehicles	Equipment and other	Total
2001	\$14,248	\$ 7,785	\$11,954	\$ 33,987
2002	10,968	5,589	11,400	27,957
2003	7,149	3,652	9,671	20,472
2004	3,353	2,450	8,154	13,957
2005	1,879	1,708	1,939	5,526
Thereafter	6,433	3,935	4,616	14,984
Total minimum future lease payments	\$44,030	\$25,119	\$47,734	\$116,883

### 13. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION:

Additional information concerning supplemental disclosures of cash flow activities for the years ended August 31, 2000 and 1999, for the three months ended August 31, 1998 and for the year ended May 31, 1998 is as follows:

(DOLLARS IN THOUSANDS)	For the year ended August 31, 2000	For the year ended August 31, 1999	For the three months ended August 31, 1998	For the year ended May 31, 1998
Net cash paid during the period for:				
Interest	\$ 57,062	\$ 42,765	\$ 10,851	\$ 36,632
Income taxes	3,785	8,161	8,248	21,409
Other significant noncash transactions:				
Contribution of inventories from minority interest	54,399			
Capital equity certificates issued in exchange for elevator properties	7,921	14,714	911	10,561

Summarized financial information of Cenex for the period October 1, 1997 through May 31, 1998 is as follows (dollars in thousands):



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Net sales	\$ 1,798,219
Net income	62,776
Cash flow from:	
Operating activities	\$ 83,118
Investing activities	(49,666)
Financing activities	(18,718)
	-----
Net cash flow	\$ 14,734
	=====

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### ASSETS

(dollars in thousands)	MAY 31, 2001	AUGUST 31, 2000	MAY 31, 2000
	(Unaudited)	-----	(Unaudited)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 84,114	\$ 56,393	\$ 42,914
Receivables	684,086	834,743	963,705
Inventories	495,170	602,385	674,876
Other current assets	83,897	37,777	58,620
	-----	-----	-----
Total current assets	1,347,267	1,531,298	1,740,115
INVESTMENTS	461,428	451,211	466,718
PROPERTY, PLANT AND EQUIPMENT	1,028,481	1,034,768	1,025,730
OTHER ASSETS	191,060	155,403	135,023
	-----	-----	-----
Total assets	\$ 3,028,236	\$ 3,172,680	\$ 3,367,586
	=====	=====	=====

### LIABILITIES AND EQUITIES

<b>CURRENT LIABILITIES</b>			
Notes payable	\$ 255,019	\$ 217,926	\$ 343,037
Current portion of long-term debt	26,517	30,173	20,602
Customer credit balances	44,550	36,779	36,427
Customer advance payments	58,929	131,935	138,404
Checks and drafts outstanding	61,058	84,086	58,726
Accounts payable	401,854	624,772	758,682
Accrued expenses	133,238	147,710	141,092
Patronage dividends and equity retirements payable	59,530	43,694	29,828
	-----	-----	-----
Total current liabilities	1,040,695	1,317,075	1,526,798
LONG-TERM DEBT	545,541	480,327	490,359
OTHER LIABILITIES	92,481	84,929	79,808
MINORITY INTERESTS IN SUBSIDIARIES	86,776	125,923	121,851
COMMITMENTS AND CONTINGENCIES			
EQUITIES	1,262,743	1,164,426	1,148,770
	-----	-----	-----
Total liabilities and equities	\$ 3,028,236	\$ 3,172,680	\$ 3,367,586
	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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(dollars in thousands)	FOR THE NINE MONTHS ENDED MAY 31,	
	2001	2000
	-----	-----
<b>REVENUES:</b>		
Net sales	\$ 5,903,801	\$ 6,227,645
Patronage dividends	5,621	5,019
Other revenues	94,519	83,360
	-----	-----
	6,003,941	6,316,024
	-----	-----
<b>COSTS AND EXPENSES:</b>		
Cost of goods sold	5,688,252	6,112,181

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Marketing, general and administrative	135,199	118,857
Interest	49,283	43,008
Equity income from investments	(13,519)	(21,238)
Minority interests	25,517	4,487
	-----	-----
	5,884,732	6,257,295
	-----	-----
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE		
Income taxes	119,209	58,729
	(34,338)	2,576
	-----	-----
NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	153,547	56,153
Cumulative effect of accounting change, net of income tax benefit	(3,263)	
	-----	-----
NET INCOME	\$ 150,284	\$ 56,153
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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	FOR THE NINE MONTHS ENDED MAY 31,	
(dollars in thousands)	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 150,284	\$ 56,153
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Cumulative effect of accounting change, net of income tax benefit	3,263	
Depreciation and amortization	82,795	66,697
Noncash net income from equity investments	(13,519)	(21,238)
Minority interests	25,517	4,487
Noncash portion of patronage dividends received	(3,837)	(3,368)
Gain on sale of property, plant and equipment	(13,599)	(577)
Other, net	(968)	378
Changes in operating assets and liabilities:		
Receivables	150,657	(354,411)
Inventories	52,816	(70,773)
Other current assets and other assets	(90,184)	(28,728)
Customer credit balances	7,771	(8,543)
Customer advance payments	(73,006)	10,649
Accounts payable and accrued expenses	(237,390)	330,272
Other liabilities	5,045	(8,365)
	-----	-----
Net cash provided by (used in) operating activities	45,645	(27,367)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(73,205)	(121,763)
Proceeds from disposition of property, plant and equipment	29,181	4,494
Investments	(13,372)	(35,283)
Equity investments redeemed	20,836	17,688
Investments redeemed	1,186	2,519
Changes in notes receivable	(1,643)	(1,124)
Acquisition of intangibles	(7,038)	(9,250)
Distribution to minority owners	(13,108)	(5,596)
Other investing activities, net	4,190	255
	-----	-----
Net cash used in investing activities	(52,973)	(148,060)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Changes in notes payable	37,093	146,051
Long-term debt borrowings	116,809	45,000
Principal payments on long-term debt	(55,251)	(17,126)
Changes in checks and drafts outstanding	(23,028)	10,121
Retirements of equities	(14,444)	(23,452)
Cash patronage dividends paid	(26,130)	(17,920)
	-----	-----
Net cash provided by financing activities	35,049	142,674

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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,721	(32,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	56,393	75,667
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 84,114	\$ 42,914

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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	MAY 31, 2001	AUGUST 31, 2000	MAY 31, 2000
Trade	\$ 682,585	\$ 834,349	\$ 972,865
Other	26,235	23,643	15,002
	708,820	857,992	987,867
Less allowances for doubtful accounts	24,734	23,249	24,162
	\$ 684,086	\$ 834,743	\$ 963,705

### NOTE 3. INVENTORIES

	MAY 31, 2001	AUGUST 31, 2000	MAY 31, 2000
Energy	\$ 207,149	\$ 286,276	\$ 294,622
Grain and oilseed	176,656	215,570	208,948
Feed and farm supplies	81,368	63,909	65,447
Processed grain and oilseed	25,929	32,993	21,551
Agronomy	--	--	80,684
Other	4,068	3,637	3,624
	\$ 495,170	\$ 602,385	\$ 674,876

### NOTE 4. INVESTMENTS

The following provides summarized unaudited financial information for Ventura Foods, LLC and Agriliance, LLC for the nine-month periods as indicated below.

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	AGRONOMY	ENERGY	GRAIN MARKETING	COUNTRY OPERATIONS	PROCESSED GRAINS AND FOODS	OTHER	RECONCILING AMOUNTS	TOTAL
For the Nine Months Ended May 31, 2001								
Net sales		\$2,185,794	\$2,665,893	\$1,187,692	\$ 456,104		\$ (591,682)	\$5,903,801
Patronage dividends	\$ 196	666	756	3,412	339	\$ 252		5,621
Other revenues		1,731	16,708	67,964	35	8,081		94,519
	196	2,188,191	2,683,357	1,259,068	456,478	8,333	(591,682)	6,003,941
Cost of goods sold		2,004,803	2,666,654	1,182,847	425,630		(591,682)	5,688,252
Marketing, general and administrative	6,281	34,465	16,732	40,093	34,304	3,324		135,199
Interest	(3,713)	20,117	6,449	12,192	10,541	3,697		49,283
Equity loss (income) from investments	259	(859)	(3,120)	(45)	(21,425)	11,671		(13,519)
Minority interests		25,301		216				25,517

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(Loss) income before income taxes and cumulative effect of accounting change	\$ (2,631)	\$ 104,364	\$ (3,358)	\$ 23,765	\$ 7,428	\$ (10,359)	\$ --	\$ 119,209
Total identifiable assets	\$ 223,789	\$1,194,434	\$ 251,774	\$ 721,028	\$ 410,229	\$ 226,982	\$ --	\$3,028,236
For the Nine Months Ended May 31, 2000								
Net sales	\$ 601,392	\$2,105,664	\$2,626,375	\$1,066,581	\$ 396,937		\$ (569,304)	\$6,227,645
Patronage dividends	131	279	810	3,549	100	\$ 150		5,019
Other revenues	8,214	1,382	11,550	57,022	155	5,037		83,360
Cost of goods sold	609,737	2,107,325	2,638,735	1,127,152	397,192	5,187	(569,304)	6,316,024
Marketing, general and administrative	572,279	2,058,640	2,615,479	1,063,411	371,676		(569,304)	6,112,181
Interest	13,688	35,312	16,178	36,723	14,269	2,687		118,857
Equity loss (income) from investments	(1,786)	20,481	6,797	9,306	5,841	2,369		43,008
Minority interests	3,922	(1,018)	(6,128)	(731)	(17,303)	20		(21,238)
Income (loss) before income taxes	4,487	4,403		84				4,487
Total identifiable assets	\$ 21,634	\$ (10,493)	\$ 6,409	\$ 18,359	\$ 22,709	\$ 111	\$ --	\$ 58,729
Total identifiable assets	\$ 465,891	\$1,364,749	\$ 332,712	\$ 701,801	\$ 377,846	\$ 124,587	\$ --	\$3,367,586

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PREFERRED STOCK

PROSPECTUS  
, 2001

MILLER & SCHROEDER FINANCIAL, INC.