

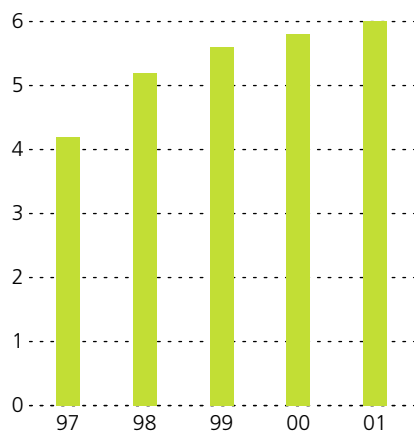
FINANCIAL OVERVIEW

SALES AND EARNINGS

Net sales for Land O'Lakes, Inc. and subsidiaries (the "Company") in 2001 were \$6.0 billion, increasing \$.2 billion or four percent compared with 2000. The divestiture of our fluid dairy assets in July 2000 and the contribution of certain agronomy assets to Agrilience on July 29, 2000 have impacted the year-to-year comparison. Excluding the effect of these prior year transactions, net sales in 2001 increased \$1.2 billion or 26 percent. The increase was primarily attributed to the full-year effect of the Land O'Lakes Farmland Feed joint venture, which began operations in October 2000, and the acquisition of Purina Mills, Inc. in October 2001. These transactions contributed \$453.0 million and \$195.4 million, respectively, in sales growth. Higher commodity prices for dairy food products and the full-year effect of a dairy plant acquisition contributed \$378.2 million to the increase. Volume growth in the seed and swine businesses and improved commodity prices for market hogs also added to the sales increase.

NET SALES

(\$ in billions)



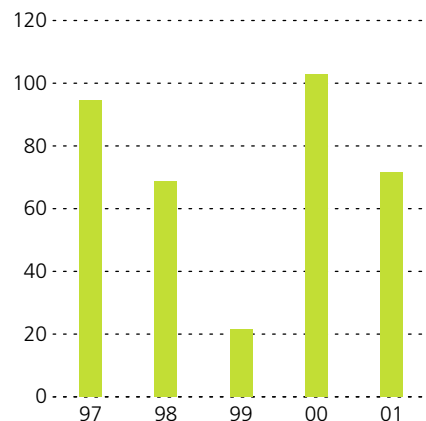
Net earnings were \$71.5 million in 2001 compared with \$102.9 million in 2000, a decrease of \$31.4 million. Net earnings were impacted by an \$18.1 million increase in extraordinary expense related

to the early extinguishment of debt associated with the Purina Mills acquisition and a \$17.3 million increase in income tax expense as a result of a reduction in non-member losses.

Earnings before income taxes and extraordinary item were \$89.5 million in 2001 compared with \$85.6 million in 2000, an increase of \$3.9 million. If restructuring and impairment charges and a gain from divestiture of businesses were excluded, earnings before income taxes and extraordinary item were \$93.3 million in 2001 compared with \$50.8 million in 2000. This \$42.5 million increase resulted primarily from an improvement in earnings from investments in affiliated companies, primarily Agrilience, stronger margins for dairy food products and increased unit sales and higher market prices for hogs. The increase was partially offset by lower volumes for dairy food products and reduced margins for crop seed products.

NET EARNINGS

(\$ in millions)



FINANCIAL CONDITION

The acquisition of Purina Mills in 2001 has temporarily increased the level of debt on Land O'Lakes balance sheet. The acquisition was financed with long-term debt, which significantly increased the Company's debt-to-capital ratio.

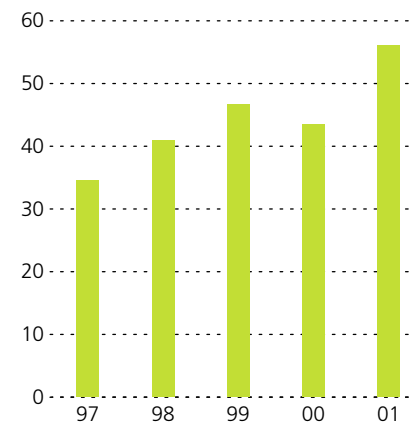
Debt is comprised of short-term and long-term debt, including capital securities. In the fourth quarter of 2001, a new financing package was arranged. The package currently consists of a \$250 million revolving credit facility, a 5-year term loan for \$325 million and a 7-year term loan for \$250 million. All of these facilities are senior debt and are secured by most of the assets of Land O'Lakes. In addition, a 10-year senior unsecured note offering for \$350 million was completed in November 2001.

Capital securities of \$200.0 million were issued in March 1998 by a subsidiary of Land O'Lakes. The capital securities carry a coupon interest rate of 7.45 percent and are due in 2028. In 2000, Land O'Lakes repurchased \$9.3 million of these securities at a discount, which resulted in an after-tax extraordinary gain of \$3.6 million. At December 31, 2001, the outstanding capital securities balance was \$190.7 million.

Long-term debt, including capital securities, was \$1,147.5 million at December 31, 2001. This amount is up \$484.8 million from the prior year, mostly due to the acquisition of Purina Mills. Land O'Lakes long-term debt-to-capital ratio, including capital securities, at December 31, 2001 was 56.1 percent, up from 43.5 percent at the end of 2000.

LONG-TERM DEBT-TO-CAPITAL (including capital securities)

(as a percent)



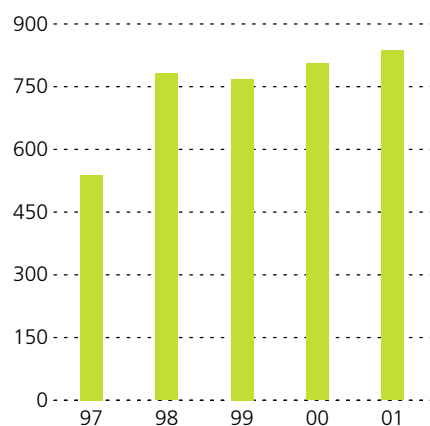
Short-term debt declined \$103.2 million to \$53.5 million at December 31, 2001 compared with \$156.7 million at December 31, 2000. Total debt increased \$381.5 million to \$1,201.0 million at December 31, 2001 compared with \$819.5 million at December 31, 2000.

Land O'Lakes credit ratings were lowered in 2001 due to the additional debt required to finance the Purina Mills acquisition. As of December 31, 2001, the Company's senior secured debt rating was BBB- (Standard & Poor's) and Ba2 (Moody's) and senior unsecured debt rating was BB (Standard & Poor's) and Ba3 (Moody's). Finally, the Company's capital securities ratings were B+ (Standard & Poor's) and Ba3 (Moody's).

Equities increased \$31.5 million in 2001 to \$836.5 million at December 31, 2001. The increase reflects net earnings in 2001, partially offset by equity revolvment, age retirements, estate redemptions and patronage refunds payable.

EQUITIES

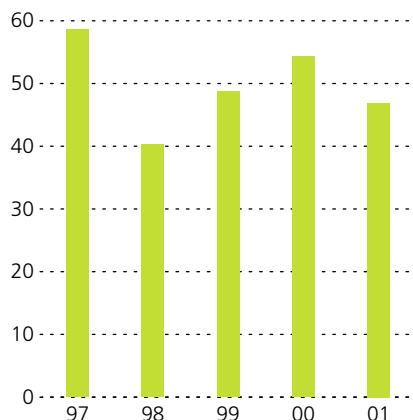
(\$ in millions)



Cash returns to members decreased \$7.4 million in 2001 to \$46.9 million. Members received \$13.4 million of equity revolvment, \$30.7 million of cash patronage related to prior year's earnings and \$2.8 million of age retirement, estate and other payments during the year.

CASH RETURNS TO MEMBERS

(\$ in millions)



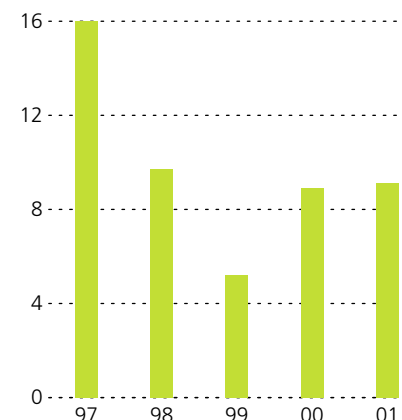
PERFORMANCE MEASURES

Land O'Lakes is committed to improving profitability in each core business through the effective use of invested capital and increased returns to members. The Company uses two primary performance measures – return on invested capital (ROIC) and return on equity (ROE). ROIC indicates the operating return on permanently invested capital before considering the costs of permanent financing and income taxes. ROE combines the results of operating performance with the effects of financial leverage and income taxes to measure the return on members' investment in Land O'Lakes.

Return on invested capital The Company showed a slight increase in its return on invested capital, from 8.9 percent in 2000 to 9.1 percent in 2001. Land O'Lakes average ROIC for the five-year period ended in 2001 was 9.8 percent.

RETURN ON INVESTED CAPITAL

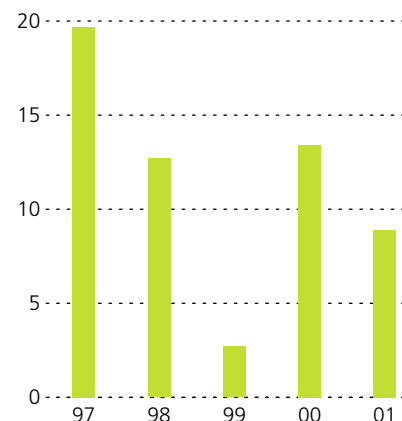
(as a percent)



Return on equity The 2001 earnings decline resulted in a 4.5 percentage point decrease in ROE from 13.4 percent in 2000 to 8.9 percent in 2001. Average ROE for the five-year period ended in 2001 was 11.5 percent.

RETURN ON EQUITY

(as a percent)



SEC REPORTING

As a result of the recent issue of 10-year senior notes, Land O'Lakes has agreed to issue publicly registered notes in an exchange offer and to file annual (10-K), quarterly (10-Q) and current (8-K) reports with the SEC. The Company anticipates filing a registration statement with the SEC in the first quarter of 2002. Effectiveness of the registration is subject to completion of the SEC review process.

Consolidated Statements of Operations

Land O'Lakes, Inc.
(\$ in thousands)

Years Ended December 31

	2001	2000	1999
Net sales	\$ 5,973,433	\$ 5,768,790	\$ 5,615,794
Cost of sales	5,378,614	5,146,110	5,100,414
Gross profit	594,819	622,680	515,380
Selling and administration	487,161	485,306	506,921
Restructuring and impairment charges	3,733	54,226	3,856
Earnings from operations	103,925	83,148	4,603
Interest expense, net	56,086	52,439	44,702
Gain from divestiture of businesses	-	(89,034)	(54,175)
Equity in (earnings) loss of affiliated companies	(48,583)	35,566	(7,282)
Minority interest in earnings (loss) of subsidiaries	6,882	(1,405)	(140)
Earnings before income taxes and extraordinary item	89,540	85,582	21,498
Income tax expense (benefit)	3,601	(13,715)	99
Earnings before extraordinary item	85,939	99,297	21,399
Extraordinary loss (gain) on early extinguishment of debt, net of income tax (benefit) expense of \$(9,002) and \$815 in 2001 and 2000, respectively	14,451	(3,635)	-
Net earnings	\$ 71,488	\$ 102,932	\$ 21,399
Applied to:			
Member equities			
Allocated patronage refunds	\$ 70,552	\$ 142,271	\$ 34,860
Deferred equities	2,708	(5,347)	(7,547)
	73,260	136,924	27,313
Retained earnings	(1,772)	(33,992)	(5,914)
	\$ 71,488	\$ 102,932	\$ 21,399

See accompanying notes to consolidated financial statements.

Land O'Lakes, Inc.
(\$ in thousands)

December 31

2001

2000

Assets

Current assets:

Cash and short-term investments	\$ 130,169	\$ 3,994
Receivables, net	574,011	586,058
Inventories	450,774	436,089
Prepaid expenses	185,490	173,460
Other current assets	27,038	24,686

Total current assets	1,367,482	1,224,287
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Investments	568,130	465,849
Property, plant and equipment, net	675,277	489,089
Goodwill, net	255,027	161,407
Other intangibles	108,987	8,788
Other assets	116,475	123,923

Total assets	\$ 3,091,378	\$2,473,343
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Liabilities and Equities

Current liabilities:

Notes and short-term obligations	\$ 33,971	\$ 87,783
Current portion of long-term debt	19,546	68,936
Accounts payable	652,309	493,173
Accrued expenses	187,569	212,751
Patronage refunds payable	28,900	37,493

Total current liabilities	922,295	900,136
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Long-term debt	1,147,465	662,742
Employee benefits and other liabilities	82,801	50,424
Deferred tax liabilities	42,495	-
Minority interests	59,806	55,087

Equities:

Capital stock	2,305	2,345
Member equities	805,860	768,941
Retained earnings	28,351	33,668

Total equities	836,516	804,954
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Commitments and contingencies

Total liabilities and equities	\$ 3,091,378	\$2,473,343
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See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Land O'Lakes, Inc.
(\$ in thousands)

Years Ended December 31

	2001	2000	1999
Cash flows from operating activities:			
Net earnings	\$ 71,488	\$ 102,932	\$ 21,399
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	97,288	83,621	81,675
Bad debt expense	1,871	4,550	4,576
Proceeds from patronage revolvment received	2,895	16,350	2,066
Non-cash patronage income	(4,999)	(9,914)	(4,568)
Increase in other assets	(1,699)	(23,580)	(18,998)
Increase in other liabilities	3,778	673	9,531
Restructuring and impairment charges	3,733	54,226	3,856
Gain from divestiture of businesses	-	(89,034)	(54,175)
Equity in (earnings) losses of affiliated companies	(48,583)	35,566	(7,282)
Minority interests	6,882	(1,405)	(140)
Other	(6,153)	1,164	5,711
Changes in current assets and liabilities, net of acquisitions and divestitures:			
Receivables	37,298	(25,568)	(43,959)
Inventories	21,139	103,641	29,486
Other current assets	747	74,179	(63,539)
Accounts payable	124,402	(283,313)	79,629
Accrued expenses	(35,783)	71,073	13,736
Net cash provided by operating activities	274,304	115,161	59,004
Cash flows from investing activities:			
Additions to property, plant and equipment	(83,936)	(104,343)	(109,267)
Acquisitions, net of cash acquired	(371,858)	(101,076)	(73,912)
Payments for investments	(46,189)	(86,611)	(55,344)
Net proceeds from divestiture of businesses	-	184,106	75,893
Proceeds from sale of investments	5,264	3,248	9,241
Proceeds from sale of property, plant and equipment	30,224	25,189	6,368
Other	5,293	(3,088)	(54)
Net cash used by investing activities	(461,202)	(82,575)	(147,075)
Cash flows from financing activities:			
(Decrease) increase in short-term debt	(53,812)	(42,762)	32,299
Proceeds from issuance of long-term debt	1,369,528	58,955	303,306
Payments on principal of long-term debt	(935,104)	(179,133)	(8,249)
Payments for debt issuance costs	(20,265)	-	-
Payments for purchase of Capital Securities	-	(9,300)	-
Payments for redemption of member equities	(46,896)	(54,260)	(48,660)
Other	(378)	109	2,722
Net cash provided (used) by financing activities	313,073	(226,391)	281,418
Net increase (decrease) in cash	126,175	(193,805)	193,347
Cash and cash equivalents at beginning of year	3,994	197,799	4,452
Cash and cash equivalents at end of year	\$ 130,169	\$ 3,994	\$ 197,799

See accompanying notes to consolidated financial statements.

Years Ended December 31, 2001, 2000 and 1999

	Capital Stock	Member Equities			Retained Earnings	Total Equities
		Allocated	Deferred	Net		
Balance, December 31, 1998	\$ 2,170	\$ 705,386	\$ (1,398)	\$ 703,988	\$ 74,986	\$ 781,144
Capital stock issued	20					20
Capital stock redeemed	(117)					(117)
1999 earnings, as applied		34,860	(7,547)	27,313	(5,914)	21,399
Less portion stated as current liability		(10,515)		(10,515)		(10,515)
Portion of member equities stated as current liability		(8,835)		(8,835)		(8,835)
Cash patronage and redemption of member equities		(48,660)		(48,660)		(48,660)
Redemption included in prior year's liabilities		31,580		31,580		31,580
Other, net		(1,142)	1,251	109	2,710	2,819
Balance, December 31, 1999	2,073	702,674	(7,694)	694,980	71,782	768,835
Capital stock issued	411					411
Capital stock redeemed	(139)					(139)
2000 earnings, as applied		142,271	(5,347)	136,924	(33,992)	102,932
Less portion stated as current liability		(28,593)		(28,593)		(28,593)
Portion of member equities stated as current liability		(8,900)		(8,900)		(8,900)
Equities issued for mergers and acquisitions		2,250		2,250		2,250
Cash patronage and redemption of member equities		(54,260)		(54,260)		(54,260)
Redemption included in prior year's liabilities		19,350		19,350		19,350
Deferred equities transfer			8,290	8,290	(8,290)	-
Other, net		129	(1,229)	(1,100)	4,168	3,068
Balance, December 31, 2000	2,345	774,921	(5,980)	768,941	33,668	804,954
Capital stock issued	65					65
Capital stock redeemed	(105)					(105)
2001 earnings, as applied		70,552	2,708	73,260	(1,772)	71,488
Less portion stated as current liability		(19,900)		(19,900)		(19,900)
Portion of member equities stated as current liability		(9,000)		(9,000)		(9,000)
Cash patronage and redemption of member equities		(46,896)		(46,896)		(46,896)
Redemption included in prior year's liabilities		37,493		37,493		37,493
Other, net		(608)	2,570	1,962	(3,545)	(1,583)
Balance, December 31, 2001	\$ 2,305	\$ 806,562	\$ (702)	\$ 805,860	\$ 28,351	\$ 836,516

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(\$ in thousands in tables)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations Land O'Lakes, Inc. is a dairy food and agricultural cooperative serving family farmers throughout the United States. Land O'Lakes, Inc. procures 12 billion pounds of member milk annually, markets more than 300 dairy products and provides nearly 1,400 member cooperatives with agronomic production materials including feed, seed, crop nutrients and crop protection products.

Revenue Recognition Sales are primarily recognized upon shipment of product to the customer.

Statement Presentation The consolidated financial statements include the accounts of Land O'Lakes, Inc. and wholly-owned and majority-owned subsidiaries and limited liability companies ("Land O'Lakes" or the "Company"). Intercompany transactions and balances have been eliminated. Certain reclassifications have been made to the 2000 and 1999 consolidated financial statements to conform to the 2001 presentation.

Cash and Short-Term Investments Cash and short-term investments include short-term, highly liquid investments with original maturities of three months or less.

Inventories Inventories are valued at the lower of cost or market. Cost is determined on a first-in, first-out or average cost basis.

Derivative Commodity Instruments The Company uses derivative commodity instruments, primarily futures contracts, to reduce the exposure to changes in commodity prices. These contracts are not designated as hedges under Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". Accordingly, since the adoption of SFAS No. 133, effective January 1, 2001, the futures contracts are marked to market each month and gains and losses are recognized in earnings. Unrealized losses related to future contracts recognized in 2001 results totaled \$6.6 million.

Investments Investments in other cooperatives are stated at cost plus unredeemable patronage refunds received, or estimated to be received, in the form of capital stock and other equities. Estimated patronage refunds are not recognized for tax purposes until notices of allocation are received. The Company believes it is not practical to estimate the fair value of investments in other cooperatives due to the excessive cost involved as there is no established market for these investments. The equity method of accounting is used for investments in other companies in which Land O'Lakes voting interest is 20 to 50 percent. Investments in less than 20 percent owned companies are stated at cost.

Property, Plant and Equipment Property, plant and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives (15 to 30 years for land improvements and buildings, 5 to 10 years for machinery and equipment and 5 years for software) of the respective assets in accordance with the straight-line method. Accelerated methods of depreciation are used for income tax purposes.

Intangibles The excess purchase price paid over net assets of businesses acquired (goodwill) is generally amortized on a straight-line basis over periods ranging from 15 to 20 years, except for acquisitions completed after June 30, 2001. Accumulated amortization of goodwill at December 31, 2001 and 2000 was \$35.0 million and \$21.3 million, respectively.

Recoverability of Long-Lived Assets The Company assesses the recoverability of goodwill and other long-lived assets whenever events or changes in circumstances indicate that expected future undiscounted cash flows might not be sufficient to support the carrying amount of an asset. The Company deems an asset to be impaired if a forecast of undiscounted future operating cash flows is less than its carrying amount. If an asset is determined to be impaired, the loss is measured as the amount by which the carrying value of the asset exceeds its fair value.

Income Taxes Land O'Lakes is a non-exempt agricultural cooperative and is taxed on all non-member earnings and any member earnings not paid or allocated to members by qualified written notices of allocation as that term is used in section 1388(c) of the Internal Revenue Code. The Company files a consolidated tax return with its fully taxable subsidiaries.

The Company establishes deferred income tax assets and liabilities based on the difference between the financial and income tax carrying values of assets and liabilities using existing tax rates.

Research and Development Expenditures for research and development are charged to administration expense in the year incurred. Total research and development expenses were \$23.8 million, \$20.2 million and \$18.8 million in 2001, 2000 and 1999, respectively.

Fair Value of Financial Instruments All financial instruments are carried at amounts that approximate estimated fair value, except for investments in cooperatives, for which it is not practicable to provide fair value information.

Recent Accounting Pronouncements The Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, effective January 1, 2001. The Standard requires derivatives to be recorded on the balance sheet as assets or liabilities, measured at fair value. The impact of the adoption did not have a material effect on the consolidated financial statements.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 was effective immediately and SFAS No. 142 is effective January 1, 2002. Under the provisions of SFAS No. 141, no amortization of goodwill will be recorded on acquisitions (except for acquisitions of cooperatives) completed after June 30, 2001. Existing goodwill and other intangible assets were amortized until the January 1, 2002 adoption of SFAS No. 142. Goodwill related to the acquisition of cooperatives and the formation of joint ventures will continue to be amortized at least until the Financial Accounting Standards Board provides further guidance. Because of the extensive effort needed to comply with adopting SFAS No. 141 and SFAS No. 142, it is not practicable to reasonably estimate the impact of adopting these Statements on the financial statements at the date of this report, including whether it will require the recognition of any transitional impairment losses as a cumulative effect of a change in accounting principle. Amortization expense related to goodwill that will cease to be amortized under SFAS No. 142 was \$6.2 million for the year ended December 31, 2001. As of January 1, 2002, the Company had unamortized goodwill in the amount of \$160.7 million and unamortized identifiable intangible assets in the amount of \$0.0, which will be subject to the transition provisions of SFAS No. 141 and SFAS No. 142.

In April 2001, the Emerging Issue's Task Force (EITF) issued a consensus on EITF No. 00-25, "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services." EITF No. 00-25 deals with the accounting for consideration paid from a vendor (typically a manufacturer or distributor) to a retailer, including slotting fees, cooperative advertising arrangements and buy-downs. The guidance in EITF 00-25 generally requires that these incentives be classified as a reduction of sales. The consensus is effective for the Company in the first quarter of fiscal year 2002.

The Company is currently assessing the impact of adopting EITF No. 00-25, which has no impact on net earnings.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which supersedes both SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" (Opinion 30), for the disposal of a segment of a business (as previously defined in that Opinion). SFAS No. 144 retains the fundamental provisions in SFAS No. 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS No. 121. For example, SFAS No. 144 provides guidance on how a long-lived asset that is used as part of a group should be evaluated for impairment, establishes criteria for when a long-lived asset is held for sale and prescribes the accounting for a long-lived asset that will be disposed of other than by sale. SFAS No. 144 retains the basic provisions of Opinion 30 on how to present discontinued operations in the income statement but broadens that presentation to include a component of an entity (rather than a segment of a business). Unlike SFAS No. 121, an impairment assessment under SFAS No. 144 will never result in a write-down of goodwill. Rather, goodwill is evaluated for impairment under SFAS No. 142, "Goodwill and Other Intangible Assets".

The Company has elected to adopt SFAS No. 144 as of January 1, 2001 and has applied its provisions in these financial statements. The impact of the adoption did not have a material effect on the consolidated financial statements.

Accounting Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. RECEIVABLES

A summary of receivables at December 31 is as follows:

	2001	2000
Trade accounts	\$ 287,229	\$ 472,698
Notes and contracts	50,626	65,384
Notes from sale of trade receivables (see Note 3)	192,403	-
Other	66,707	65,846
	596,965	603,928
Less allowance for doubtful accounts	22,954	17,870
Total receivables, net	\$ 574,011	\$ 586,058

A substantial portion of Land O'Lakes receivables is concentrated in the agricultural industry. Collections of these receivables may be dependent upon economic returns from farm crop and livestock production. The Company's credit risks are continually reviewed, and management believes that adequate provisions have been made for doubtful accounts.

3. RECEIVABLES PURCHASE FACILITY

In December 2001, the Company established a \$100.0 million receivables purchase facility with CoBank, ACB (CoBank). A wholly-owned unconsolidated special purpose entity (SPE) was established to purchase certain receivables from the Company. CoBank has been granted an interest in the pool of receivables owned by SPE. The transfers of the receivables from the Company to the SPE are structured as sales and, accordingly, the receivables transferred to the SPE are not reflected in the consolidated bal-

ance sheet. However, the Company retains credit risk related to the repayment of the notes receivable from the SPE, which in turn is dependent upon the credit risk of the SPE's receivables pool. Accordingly, the Company has retained reserves for estimated losses. The Company expects no significant gains or losses from the facility. At December 31, 2001, \$75.8 million was outstanding under this facility and \$24.2 million remained available. The total accounts receivable sold during 2001 was \$383.2 million.

4. INVENTORIES

A summary of inventories at December 31 is as follows:

	2001	2000
Raw materials	\$ 81,923	\$ 48,542
Work in process	37,423	42,650
Finished goods	331,428	344,897
Total inventories	\$ 450,774	\$ 436,089

5. INVESTMENTS

A summary of investments at December 31 is as follows:

	2001	2000
CF Industries, Inc.	\$ 248,502	\$ 248,502
Agriliance LLC	84,030	44,212
Ag Processing Inc	38,977	35,339
MoArk LLC	47,593	31,950
Advanced Food Products LLC	27,487	-
CoBank, ACB	21,549	20,618
Melrose Dairy Proteins, LLC	8,253	-
PEC Mark II (Malta Cleyton)	7,681	13,511
Universal Cooperatives	6,196	6,094
Prairie Farms Dairy, Inc.	4,754	5,710
Other-principally cooperatives and joint ventures	73,108	59,913
Total investments	\$ 568,130	\$ 465,849

During 2001, the Company made an additional cash investment of \$27.7 million in MoArk LLC, an egg production and marketing company, of which \$13.1 million was recorded as goodwill.

In a non-cash transaction, the Company contributed its aseptic processing assets of \$24.5 million in exchange for a 35% equity investment in Advanced Food Products LLC.

Effective January 1, 2000, Land O'Lakes, Cenex Harvest States Cooperatives (CHS) and Farmland Industries, Inc. (Farmland) formed Agriliance LLC ("Agriliance"), a distributor of crop nutrients, crop protection products and other agronomic inputs and services. From formation through July 2000, Agriliance jointly managed the agronomy marketing operations of Land O'Lakes, CHS and Farmland.

In a series of transactions from January through July 2000, Land O'Lakes paid \$57.0 million in cash and exchanged \$11.2 million of property, plant and equipment and 50% ownership positions in Cenex/Land O'Lakes Agronomy Company and Agro Distribution, LLC for a 50% equity ownership interest in Agriliance. The other 50% ownership interest in Agriliance is held equally by CHS and Farmland and was obtained through similar exchanges of assets. In addition, Agriliance purchased from its respective owners the net working capital related to agronomy operations. Subsequent to July 2000, Land O'Lakes accounted for its ownership interest in Agriliance earnings under the equity method.

The Company retained its ownership in CF Industries, Inc., an interregional cooperative involved in the manufacture of crop nutrients, and its interest in an agronomy distribution business in Canada.

Also during 2000, Land O'Lakes made a cash investment of \$28.5 million for 50% ownership interest in MoArk LLC.

Summarized financial information for the Company's three largest equity investments, which comprise most of the equity investments, is as follows:

	2001	2000
Net sales	\$4,726,434	\$1,151,794
Gross profit	449,995	103,730
Net income (loss)	45,935	(45,837)
Current assets	1,571,554	1,724,209
Non-current assets	368,828	319,523
Current liabilities	1,400,215	1,628,362
Non-current liabilities	234,088	220,532
Total equity	306,079	194,838

6. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31 is as follows:

	2001	2000
Land and land improvements	\$ 51,818	\$ 43,144
Buildings and building equipment	311,499	222,860
Machinery and equipment	560,244	401,076
Software	38,438	30,430
Construction in progress	56,769	74,453
Total property, plant and equipment	1,018,768	771,963
Less accumulated depreciation	343,491	282,874
Total property, plant and equipment, net	\$ 675,277	\$ 489,089

7. DEBT OBLIGATIONS

The Company had notes and short-term obligations at December 31, 2001 and 2000 of \$34.0 million and \$87.8 million, respectively. The Company also has a \$250.0 million 5-year revolving credit facility with a variable interest rate based on LIBOR. There were no borrowings on this facility as of December 31, 2001.

A summary of long-term debt at December 31 is as follows:

	2001	2000
Term A loan – quarterly installments through 2006; (variable rate based on LIBOR)	\$ 325,000	\$ -
Term B loan – quarterly installments through 2008; (variable rate based on LIBOR)	250,000	-
Senior unsecured notes – due 2011; (8.75%)	350,000	-
Syndicated Loan Agreement – due 2001 through 2004; retired 2001; (7.47%)	-	175,000
CoBank fixed interest loans – quarterly installments through 2008; retired 2001; (5.41% to 7.85%)	-	186,000
The Prudential Insurance Co. of America – due 2002 through 2009; retired 2001; (6.18% to 6.58%)	-	135,000
Industrial development revenue bond and other secured notes payable – due 2002 through 2016; (.95% to 6.00%)	26,329	13,572
Capital Securities of Trust Subsidiary – due 2028; (7.45%)	190,700	190,700
Other debt	24,982	31,406
	1,167,011	731,678
Less current portion	19,546	68,936
Total long-term debt	\$ 1,147,465	\$ 662,742

During 2001, the Company obtained a Term A loan for \$325.0 million and a Term B loan for \$250.0 million. In addition, a long-term bond offering for \$350.0 million, due 2011, was completed in November 2001. Debt covenants include certain minimum financial ratios that were all satisfied.

The early extinguishment of previous credit facilities in 2001 resulted in an extraordinary loss, net of income taxes, of \$14.5 million.

The Company has loans to producers facilitated through the LOL Finance Co., a wholly-owned, consolidated subsidiary of Land O'Lakes. At December 31, 2001 and 2000, \$42.6 million and \$41.8 million, respectively, of long-term debt financed these loans.

Land O'Lakes Capital Trust I (the "Trust") was created for the sole purpose of issuing \$200.0 million of Capital Securities and investing the proceeds thereof in an equivalent amount of debentures of the Company. The sole assets of the Trust, \$206.2 million principal amount Junior Subordinated Deferrable Interest Debentures (the "Debentures") of the Company, bearing interest at 7.45% and maturing on March 15, 2028, are eliminated upon consolidation. The Capital Securities are guaranteed to the extent set forth in the Offering Memorandum of the Capital Securities by the Company and bear the same interest rate and maturity date as the Debentures.

During 2000, the Company purchased \$9.3 million of Capital Securities, which resulted in an extraordinary gain, net of income taxes, of \$3.6 million. The Company did not purchase any Capital Securities in 2001 and \$190.7 million remained outstanding at December 31, 2001.

Interest paid, including interest paid on capital securities and net of amounts capitalized (\$0.1 million, \$1.5 million and \$1.7 million in 2001, 2000 and 1999, respectively), was \$55.7 million, \$59.8 million and \$49.9 million in 2001, 2000 and 1999, respectively.

The maturity of long-term debt for the next five years and thereafter is as follows:

Year	Amount
2002	\$ 19,546
2003	82,588
2004	77,519
2005	102,385
2006	77,336
2007 and thereafter	807,637

8. LEASE COMMITMENTS

The Company leases various equipment and real properties under long-term operating leases. Total rental expense was \$29.8 million in 2001, \$31.7 million in 2000 and \$26.7 million in 1999. The minimum annual lease payments for the next five years and thereafter are as follows:

Year	Amount
2002	\$ 27,323
2003	28,430
2004	23,957
2005	21,704
2006	20,447
2007 and thereafter	111,277

Most of the leases require payment of operating expenses applicable to the leased assets. Management expects that in the normal course of business most leases that expire will be renewed or replaced by other leases.

9. INCOME TAXES

The components of the income tax provision are summarized as follows:

	2001	2000	1999
Current (benefit) expense			
Federal	\$ (14,516)	\$ 15,945	\$ (3,953)
State	(1,979)	2,164	(667)
	(16,495)	18,109	(4,620)
Deferred expense (benefit)	20,096	(31,824)	4,719
Income tax expense (benefit)	\$ 3,601	\$ (13,715)	\$ 99

The effective tax rate differs from the statutory rate primarily as a result of the following:

	2001	2000	1999
Statutory rate	35.0%	35.0%	35.0%
Patronage refunds	(27.6)	(57.3)	(57.3)
State income tax, net of federal benefit	0.6	(1.3)	0.2
Amortization of goodwill	0.3	5.5	11.7
Effect of foreign operations	1.1	0.9	9.3
Disposal of investment	(3.8)	-	-
Other, net	(1.6)	1.2	1.6
Effective tax rate	4.0%	(16.0)%	0.5%

The significant components of the deferred tax assets and liabilities are as follows:

	2001	2000	1999
Deferred tax assets related to:			
Deferred patronage	\$ 12,443	\$ 12,810	\$ -
Accrued expenses	33,145	21,017	25,501
Allowance for doubtful accounts	12,040	5,557	6,140
Inventories	5,064	3,588	4,171
Asset impairments	8,037	16,020	-
Joint ventures	1,680	20,898	2,863
Other, net	3,829	3,710	6,501
Total deferred tax assets	76,238	83,600	45,176
Deferred tax liabilities related to:			
Property, plant and equipment	77,904	12,946	15,588
Intangibles	16,944	10,085	863
Total deferred tax liabilities	94,848	23,031	16,451
Net deferred tax (liabilities) assets	\$ (18,610)	\$ 60,569	\$ 28,725

SFAS No. 109 "Accounting for Income Taxes" requires consideration of a valuation allowance if it is "more likely than not" that benefits of deferred tax assets will not be realized. Management has determined, based on prior earnings history and anticipated earnings, that no valuation allowance is necessary.

Income taxes paid (recovered) in 2001, 2000, and 1999 were \$22.3 million, \$5.1 million and (\$18.5) million, respectively.

10. PENSION AND OTHER POSTRETIREMENT PLANS

The Company has a defined pension plan, which covers all eligible employees not participating in a labor negotiated plan. Plan benefits are generally based on years of service and employees' highest compensation during five consecutive years of employment. Annual payments to the pension trust fund are determined in compliance with the Employee Retirement Income Security Act (ERISA).

The Company also sponsors plans that provide certain health care benefits for retired employees. Employees become eligible for these benefits upon meeting certain age and service requirements. The Company funds only the plans' annual cash requirements. Reconciliation of the funded status of the plans and the amounts included in the balance sheets are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2001	2000	2001	2000
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 288,267	\$ 279,726	\$ 51,530	\$ 47,679
Service cost	9,471	9,749	818	794
Interest cost	21,091	19,931	3,918	3,649
Plan amendments	750	-	-	3,724
Actuarial loss (gain)	10,922	(5,139)	8,112	(579)
Benefits paid	(16,821)	(16,000)	(5,082)	(3,737)
Benefit obligation at end of year	\$ 313,680	\$ 288,267	\$ 59,296	\$ 51,530
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 304,506	\$ 284,335	\$ -	\$ -
Actual (loss) return on plan assets	(5,702)	23,171	-	-
Company contributions	2,000	13,000	5,082	3,737
Benefits paid	(16,821)	(16,000)	(5,082)	(3,737)
Fair value of plan assets at end of year	\$ 283,983	\$ 304,506	\$ -	\$ -
Reconciliation of prepaid (accrued) benefits:				
Funded status	\$ (29,697)	\$ 16,239	\$ (59,296)	\$ (51,530)
Unrecognized net actuarial loss	65,591	20,538	28,191	21,405
Unrecognized transition obligation	-	-	7,071	7,714
Unrecognized prior service cost	3,823	3,887	3,192	3,458
Prepaid (accrued) benefit cost	\$ 39,717	\$ 40,664	\$ (20,842)	\$ (18,953)
Weighted-average assumptions:				
Discount rate	7.25%	7.50%	7.25%	7.50%
Expected return on plan assets	9.50%	9.50%	N/A	N/A
Rate of compensation increase	4.75%	4.75%	N/A	N/A

For measurement purposes, a 6.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for all years. The health care cost trend rate assumption affects the amounts reported. For example, a 1% increase in the assumed trend rate for health care costs would have increased the service cost and the interest cost components of 2001 postretirement health care benefits expense by \$0.3 million and the accumulated postretirement benefit obligation by \$4.2 million as of December 31, 2001. In contrast, a 1% decrease in the assumed trend rate for health care costs would have decreased the service cost and interest cost components of 2001 postretirement health care benefits expense by \$0.2 million and the accumulated postretirement benefit obligation by \$3.5 million as of December 31, 2001.

Components of net periodic benefit cost are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2001	2000	1999	2001	2000	1999
Service cost	\$ 9,471	\$ 9,749	\$ 9,433	\$ 818	\$ 794	\$ 472
Interest cost	21,091	19,931	19,047	3,918	3,649	3,264
Expected return on assets	(28,428)	(26,916)	(23,249)	-	-	-
Amortization of prior service cost	814	814	814	266	266	-
Amortization of actuarial loss	-	-	1,567	1,326	1,346	1,476
Amortization of transition obligation	-	-	-	643	643	643
Net periodic benefit cost	\$ 2,948	\$ 3,578	\$ 7,612	\$ 6,971	\$ 6,698	\$ 5,855

In addition to the defined benefit pension plan, the Company has a noncontributory, supplemental executive retirement plan (SERP), which is an unfunded, defined benefit plan. The projected benefit obligation of the unfunded plan was \$14.4 million and \$15.7 million at December 31, 2001 and 2000, respectively. The accumulated benefit obligation of this plan and the accrued SERP liability were \$13.2 million and \$12.8 million at December 31, 2001 and 2000, respectively. Net periodic pension cost was \$1.2 million, \$1.9 million and \$2.3 million for 2001, 2000 and 1999, respectively.

Certain eligible employees are covered by defined contribution plans. The expense for these plans was \$4.9 million, \$5.8 million and \$6.8 million for 2001, 2000 and 1999, respectively.

As a result of the acquisition of Purina Mills on October 11, 2001, the Company has two additional defined benefit pension plans as of December 31, 2001. As of the November 30, 2001 measurement date, the pension plan for production employees and the discretionary capital accumulation plan had estimated projected benefit obligations of \$26.2 million and \$24.9 million, respectively. The fair value of assets was \$20.9 million and \$0.0 million, respectively. At December 31, 2001, the accrued pension liability was \$5.3 million and the accrued discretionary capital accumulation liability was \$24.9 million.

11. EQUITIES

The authorized capital stock at December 31, 2001 consists of 2,000 shares of Class A Common, \$1,000 par value; 50,000 shares of Class B Common, \$1 par value; 500 shares of nonvoting Class C Common, \$1,000 par value; 10,000 shares of nonvoting Class D Common, \$1 par value; and 1,000,000 shares of nonvoting, 8% non-cumulative Preferred \$10 par value.

The following details the activity in membership shares during the three years ended December 31, 2001:

	NUMBER OF SHARES				
	Common				Preferred
	A	B	C	D	
December 31, 1998	911	8,287	127	3,078	112,077
New Members	22	405	3	703	-
Redemptions	(55)	(938)	(13)	(682)	(5,354)
December 31, 1999	878	7,754	117	3,099	106,723
New Members	327	295	84	671	-
Redemptions	(39)	(2,159)	(4)	(2,270)	(9,289)
December 31, 2000	1,166	5,890	197	1,500	97,434
New Members	47	716	18	364	-
Redemptions	(41)	(739)	(15)	(426)	(4,865)
December 31, 2001	1,172	5,867	200	1,438	92,569

Patronage refunds to members of \$70.6 million, \$142.3 million and \$34.9 million for the years ended December 31, 2001, 2000 and 1999, respectively, are based on earnings in specific patronage or product categories and in proportion to the business each member does within each category. For 2001, Land O'Lakes will issue qualified patronage refunds in the amount of \$70.6 million. Qualified patronage refunds are tax deductible by the Company when qualified written notices of allocation are issued and non-qualified patronage refunds are tax deductible when redeemed with cash. The Company will not issue any non-qualified patronage refunds for 2001.

The allocation to retained earnings of \$(1.8) million in 2001, \$(34.0) million in 2000 and \$(5.9) million in 1999 represent losses generated by non-member businesses plus amounts under the retained earnings program as provided in the by-laws of the Company.

12. ACQUISITIONS, MERGERS AND DIVESTITURES

On October 11, 2001, the Company acquired 100% of the outstanding stock of Purina Mills, Inc. (Purina Mills). The Company contributed the stock to Land O'Lakes Farmland Feed LLC in exchange for increasing its ownership in the LLC from its initial ownership percentage of 69% to 92%. The results of operations of Purina Mills are included in the consolidated financial statements since that date. Purina Mills is a commercial and lifestyle feed company. This acquisition allowed the Company to diversify into lifestyle feed products.

The aggregate purchase price was approximately \$359.0 million, net of cash acquired, of which \$247.0 million represented cash payments for stock and acquisition costs and \$112.0 million represented debt retirement. In connection with the acquisition, the Company refinanced certain existing bank financing arrangements and entered into new bank financing arrangements (see Note 7).

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. The Company is in the process of obtaining final third party valuations of certain assets; thus, the allocation of the purchase price is subject to refinement.

	At October 11, 2001
Current assets	\$ 92,486
Investments	10,430
Property, plant and equipment	218,913
Goodwill	86,872
Other intangibles	98,940
Other assets	32,892
Total assets acquired	540,533
Current liabilities	64,338
Other liabilities	117,638
Total liabilities assumed	181,976
Net assets acquired	\$ 358,557

Goodwill of \$86.9 million was recognized and assigned to the Feed segment. None of the goodwill is expected to be deductible for tax purposes. Of the \$98.9 million of acquired identifiable intangible assets, \$76.5 million is not subject to amortization, and relates primarily to trade names and trademarks. The remaining intangible assets of \$22.4 million, have a weighted average useful life of approximately 12 years and consists of patents in the amount of \$16.4 million (14 year weighted average useful life) and contracts of \$6.0 million (3 year weighted average useful life).

The following table summarizes the unaudited pro forma results of operations for the years ended December 31, 2001 and 2000 for the Company as if the Purina Mills acquisition had occurred on January 1, 2001 and 2000, respectively. The unaudited pro forma results of operations are for informational purposes only and do not purport to represent what the Company's results of operations would have been if the acquisition had actually occurred on those dates.

	Pro Forma Year Ended December 31	
	2001	2000
Net sales	\$6,638,743	\$6,608,595
Earnings before extraordinary item	84,705	101,520
Net earnings	70,305	90,735

During 2000, Land O'Lakes completed acquisitions that required cash outlays of \$101.1 million. The Company received \$184.1 million of net cash proceeds from divestitures.

In January 2000, Land O'Lakes expanded its butter production capacity with the acquisition of Madison Dairy Produce Co. in Madison, Wisconsin. The Company broadened its seed operations during the year by acquiring the seed assets of several companies, including WilFarm LLC, Agro Distribution, Advanta Seeds, Inc. and certain of the seed assets of AgriBioTech Inc. Other acquisitions in 2000 included the purchase of a cheese plant in Gustine, California and a feed mill in Neosho, Missouri.

In April 2000, the Company divested of a swine business in North Carolina for net proceeds of \$4.4 million which resulted in a gain of \$0.5 million. In July 2000, the Company sold its fluid dairy assets to Dean Foods Company for net proceeds of \$179.7 million which resulted in a gain of \$88.5 million.

In October 2000, the Company and Farmland entered into a new venture that combined both of their feed businesses into a single entity—Land O'Lakes Farmland Feed, LLC. Land O'Lakes owned 69% of the venture at the date of combination; and as majority-owner, fully consolidates its operating activities.

Land O'Lakes acquisitions in 1999 required cash outlays of \$73.9 million. In June 1999, Land O'Lakes acquired the majority of Terra Industries, Inc. (Terra) agricultural retail distribution assets, primarily the assets located in Indiana, Michigan and Ohio. The remainder of Terra retail distribution

assets was acquired by Agro Distribution, LLC, a joint venture company that was equally owned by Land O'Lakes and Cenex Harvest States Cooperatives. Other acquisitions in 1999 included the purchase of a seed company and a retail farm supply business. The Company also disposed of a flavoring business for \$75.9 million of net cash proceeds, which resulted in a gain of \$54.2 million.

All of the above acquisitions have been accounted for as purchases and accordingly the acquired assets and liabilities have been recorded at their estimated fair value at the date of acquisition. The operating results are included in the Statements of Operations from the date of acquisition.

13. RESTRUCTURING AND IMPAIRMENT CHARGES

A summary of restructuring and impairment charges is as follows:

	2001	2000	1999
Restructuring (reversals) charges	\$ (4,067)	\$ 9,700	\$ -
Impairment charges	7,800	44,526	3,856
Total restructuring and impairment charges	\$ 3,733	\$ 54,226	\$ 3,856

In 2001, the Company recorded restructuring and impairment charges of \$3.7 million. Dairy Foods recorded a restructuring charge of \$1.7 million, which had not been paid at December 31, 2001, for severance costs for 63 production employees resulting from the consolidation of production facilities. Feed reversed \$5.7 million of a prior-year restructuring charge primarily due to a change in business strategy following the Purina Mills acquisition, which resulted in the decision to continue to operate plants that were held for sale at December 31, 2000. An impairment charge of \$6.0 million related to the Company's feed operation in Mexico and held for sale at December 31, 2001, was recorded in order to value the business at its expected selling price less costs of disposal. Swine recorded an impairment charge of \$1.8 million to reduce undeveloped land with permit issues to its estimated fair value.

In 2000, the Company recorded restructuring and impairment charges of \$54.2 million. The restructuring charge of \$9.7 million resulted from initiatives within Land O'Lakes Farmland Feed LLC to consolidate facilities and reduce personnel. Of the \$9.7 million, \$7.2 million related to the closing and planned sale of 12 plants and consisted of \$5.5 million to write down the book value of the plants and \$1.7 million for demolition and environmental clean-up. The remaining \$2.5 million represented severance and outplacement costs for 119 non-plant employees. The impairment charge of \$44.5 million resulted from a reduction in the carrying amounts of certain impaired assets to their estimated fair value, determined on the basis of third-party appraisals or estimated cash flows. The impairment was related to cheese marketing and production assets that were significantly underutilized due to changes in consumer product preferences and costs associated with sourcing raw materials. The impairment charge of \$3.9 million in 1999 was related to underutilization of the Company's cheese production assets in Poland.

14. CONTINGENCIES

The Company is currently and from time to time involved in litigation and environmental claims incidental to the conduct of business. The damages claimed in some of these cases are substantial. Although the amount of liability that may result from these matters cannot be ascertained, the Company does not currently believe that, in the aggregate, they will result in liabilities material to the Company's consolidated financial condition, future results of operations or cash flows.

In a letter dated January 18, 2001, the Company was identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party for the hazardous waste located at the Hudson Refinery Superfund Site in Cushing, Oklahoma. The letter invited the Company to enter into negotiations with the EPA for the performance of a remedial investigation and feasibility study in connection with the site, and also demanded that the Company reimburse the EPA approximately \$8.9 million for remediation expenses already incurred at the site. The Company has responded to the EPA denying any responsibility. No further communication has been received from the EPA.

The Company is contingently liable for a lease obligation at Cheese and Protein International, LLC (CPI), a 70% owned joint venture consolidated by Land O'Lakes. In the event CPI defaults on its obligations under the lease, the Company could elect one of the following options: (i) assume the obligations of CPI, (ii) purchase the leased assets, (iii) fully cash collateralize the lease or (iv) nominate a replacement lessee to be approved by the lessor. If the Company elected to assume the obligations of CPI, the Company would be liable for up to \$79.8 million at December 31, 2001.

15. SEGMENT INFORMATION

The Company operates in five segments: dairy foods, animal feed, crop seed, swine and agronomy.

The dairy foods segment produces, markets and sells products such as butter, spreads, cheese and other dairy related products. Products are sold under well-recognized national brand names including LAND O LAKES, the Indian Maiden logo and Alpine Lace, as well as under regional brand names such as New Yorker and Lake to Lake.

The animal feed segment is made up of a 92% ownership position in Land O'Lakes Farmland Feed LLC. Land O'Lakes Farmland Feed LLC develops, produces, markets and distributes animal feeds such as ingredient feed, formula feed, milk replacers, vitamins and additives.

The crop seed segment is a supplier and distributor of crop seed products in the United States. A variety of crop seed is sold, including alfalfa, soybeans, corn and forage and turf grasses.

The swine segment has three programs, farrow-to-finish, swine aligned and cost-plus. The farrow-to-finish program produces and sells market hogs. The swine aligned program raises feeder pigs which are sold to local member cooperatives. The cost-plus program provides minimum hog price guarantees to producers in exchange for swine feed sales and profit participation.

The agronomy segment consists primarily of the Company's 50% ownership in Agrilience LLC, which is accounted for under the equity method. Agrilience LLC markets and sells two primary product lines: crop protection (including herbicides and pesticides) and crop nutrients (including fertilizers and micronutrients).

The Company allocates corporate administration expense to all of its business segments, both directly and indirectly. Corporate staff functions that are able to determine actual services provided to each segment allocate expense on a direct and predetermined basis. All other corporate staff functions allocate expense indirectly based on each segment's percent of total invested capital. A majority of corporate administration expense is allocated directly.

(See table on page 27.)

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2001					
Net sales	\$1,400,622	\$1,399,091	\$1,443,114	\$1,730,606	\$5,973,433
Gross profit	139,133	140,445	121,451	193,790	594,819
Earnings (loss) before extraordinary item	12,207	51,464	(4,551)	26,819	85,939
Net earnings (loss)	15,218	42,568	(4,988)	18,690	71,488

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2000					
Net sales	\$1,472,086	\$1,761,988	\$1,146,280	\$1,388,436	\$5,768,790
Gross profit	166,008	180,429	116,666	159,577	622,680
Earnings (loss) before extraordinary item	30,274	34,593	49,172	(14,742)	99,297
Net earnings (loss)	26,841	38,190	50,642	(12,741)	102,932

SEGMENT INFORMATION

	Dairy Foods	Feed	Seed	Swine	Agronomy	Other	Consolidated
For the year ended December 31, 2001							
Net sales	\$ 3,572,420	\$ 1,864,029	\$ 413,567	\$ 109,895	\$ -	\$ 13,522	\$ 5,973,433
Cost of sales	3,228,430	1,691,317	354,175	96,980	-	7,712	5,378,614
Selling and administration	277,507	130,442	48,980	5,155	16,394	8,683	487,161
Restructuring and impairment charges	1,661	272	-	1,800	-	-	3,733
Interest expense, net	20,046	13,786	6,481	6,182	8,057	1,534	56,086
Equity in (earnings) loss of affiliated companies	(4,940)	(4,437)	324	(3,325)	(34,704)	(1,501)	(48,583)
Minority interest in (loss) earnings of subsidiaries	(1,000)	7,992	6	-	-	(116)	6,882
Earnings (loss) before income taxes and extraordinary item	\$ 50,716	\$ 24,657	\$ 3,601	\$ 3,103	\$ 10,253	\$ (2,790)	\$ 89,540
For the year ended December 31, 2000							
Net sales	\$ 3,194,175	\$ 1,182,230	\$ 365,522	\$ 101,991	\$ 857,004	\$ 67,868	\$ 5,768,790
Cost of sales	2,822,973	1,064,772	308,498	93,449	794,564	61,854	5,146,110
Selling and administration	299,328	84,384	44,007	7,888	39,545	10,154	485,306
Restructuring and impairment charges	44,526	9,700	-	-	-	-	54,226
Interest expense, net	29,437	4,300	6,419	6,477	6,109	(303)	52,439
Gain from divestiture of business	(88,530)	-	-	(504)	-	-	(89,034)
Equity in (earnings) loss of affiliated companies	(1,301)	(2,433)	(147)	(3,485)	46,033	(3,101)	35,566
Minority interest in (loss) earnings of subsidiaries	(171)	(1,786)	1	40	211	300	(1,405)
Earnings (loss) before income taxes and extraordinary item	\$ 87,913	\$ 23,293	\$ 6,744	\$ (1,874)	\$ (29,458)	\$ (1,036)	\$ 85,582
For the year ended December 31, 1999							
Net sales	\$ 3,291,095	\$ 931,247	\$ 190,832	\$ 82,719	\$ 1,023,298	\$ 96,603	\$ 5,615,794
Cost of sales	3,003,528	829,152	151,979	93,165	933,758	88,832	5,100,414
Selling and administration	298,116	80,712	33,175	9,984	75,292	9,642	506,921
Restructuring and impairment charges	3,856	-	-	-	-	-	3,856
Interest expense, net	30,326	3,907	2,038	4,878	4,908	(1,355)	44,702
Gain from divestiture of business	(54,175)	-	-	-	-	-	(54,175)
Equity in (earnings) loss of affiliated companies	(474)	(2,238)	(1,674)	488	(3,083)	(301)	(7,282)
Minority interest in (loss) earnings of subsidiaries	(754)	627	22	(34)	-	(1)	(140)
Earnings (loss) before income taxes	\$ 10,672	\$ 19,087	\$ 5,292	\$ (25,762)	\$ 12,423	\$ (214)	\$ 21,498
2001							
Total assets	\$ 730,365	\$ 981,229	\$ 379,912	\$ 77,911	\$ 411,738	\$ 510,223	\$ 3,091,378
Depreciation and amortization	42,466	31,707	5,008	5,575	6,321	6,211	97,288
Capital expenditures	37,749	24,872	2,685	7,310	-	11,320	83,936
2000							
Total assets	\$ 715,267	\$ 446,249	\$ 335,260	\$ 95,999	\$ 417,602	\$ 462,966	\$ 2,473,343
Depreciation and amortization	42,766	18,618	5,583	6,180	4,624	5,850	83,621
Capital expenditures	60,291	21,507	3,521	9,572	-	9,452	104,343
1999							
Total assets	\$ 741,284	\$ 231,505	\$ 220,576	\$ 102,943	\$ 497,754	\$ 906,062	\$ 2,700,124
Depreciation and amortization	47,426	14,739	2,685	7,879	3,388	5,558	81,675
Capital expenditures	63,310	17,366	4,803	13,950	-	9,838	109,267

REPORT OF MANAGEMENT

The management of Land O'Lakes, Inc. is responsible for the preparation and integrity of the consolidated financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using management's estimates and judgments where necessary.

Land O'Lakes maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly executed and reported. The system of internal controls is supported by comprehensive written policies and procedures, selection of trained and qualified personnel and is continuously reviewed and augmented by our internal audit program.

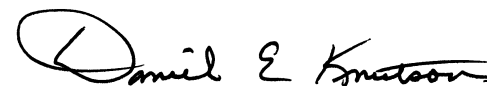
The Board of Directors, through the Audit Committee, is responsible for assuring that management fulfills its responsibilities in the preparation of the financial statements. The Audit Committee meets regularly with the independent auditors, management and internal auditors, both jointly and separately, to review the activities of each and to insure that

each is properly discharging its responsibilities. The Audit Committee reports to the Board of Directors on its activities and findings.

KPMG LLP, independent auditors, is retained to audit the consolidated financial statements. Their report follows.



John E. Gherty
President and Chief Executive Officer



Daniel E. Knutson
Senior Vice President and Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Land O'Lakes, Inc:

We have audited the accompanying consolidated balance sheets of Land O'Lakes, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and equities for each of the years in the three-year period ended December 31, 2001, appearing on pages 16 through 27. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Land O'Lakes, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, in 2001, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activity", as amended by Statement No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities"; Statement No. 141, "Business Combinations"; and Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".



Minneapolis, Minnesota
January 28, 2002

TEN YEARS IN REVIEW

(\$ in millions)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Operations:										
Net sales	\$ 5,973	\$ 5,769	\$ 5,616	\$ 5,174	\$ 4,195	\$ 3,486	\$ 3,014	\$ 2,859	\$ 2,733	\$ 2,562
Earnings before income taxes and extraordinary item	90	86	21	70	107	129	132	82	51	65
Net earnings	71	103	21	69	95	119	121	75	47	57
Allocated patronage refunds	71	142	35	76	84	101	104	66	41	48
Cash returned to members	47	54	49	40	59	53	46	41	40	37
Financial Position:										
Working capital	\$ 445	\$ 324	\$ 362	\$ 305	\$ 228	\$ 199	\$ 185	\$ 151	\$ 151	\$ 158
Investments	568	466	460	397	242	240	184	152	129	125
Plant and equipment	675	489	462	450	283	218	205	180	165	153
Total assets	3,091	2,473	2,700	2,292	1,566	1,235	1,149	943	866	841
Long-term debt (including capital securities)	1,147	663	683	547	297	212	180	155	160	147
Equities	837	805	769	781	539	480	417	353	326	318
Financial Measures:										
Return on equity	9%	13%	3%	13%	20%	29%	34%	23%	15%	19%
Return on invested capital	9%	9%	5%	10%	16%	21%	24%	17%	12%	16%
Long-term debt (including capital securities)- to-capital	56%	44%	47%	41%	35%	30%	30%	30%	33%	31%
Current ratio	1.48	1.36	1.31	1.34	1.34	1.40	1.36	1.38	1.42	1.44

SENIOR STRATEGY TEAM

JACK GHERTY

President and Chief Executive Officer, Land O'Lakes, Inc.

DUANE HALVERSON

Executive Vice President, Chief Operating Officer, Ag Services

CHRIS POLICINSKI

Executive Vice President, Chief Operating Officer, Dairy Foods Value-Added Group

JACK PRINCE

Executive Vice President, Chief Operating Officer, Dairy Foods Industrial Group

DAN KNUTSON

Senior Vice President, Chief Financial Officer

BOB DEGREGORIO

President, Land O'Lakes Farmland Feed

DON BERG

Vice President, Public Affairs

KAREN GRABOW

Vice President, Human Resources

DAVID HETTINGA

Vice President, Research, Technology and Engineering

JOHN REBANE

Vice President, General Counsel

JIM WAHRENBROCK

Vice President, Planning and Business Development