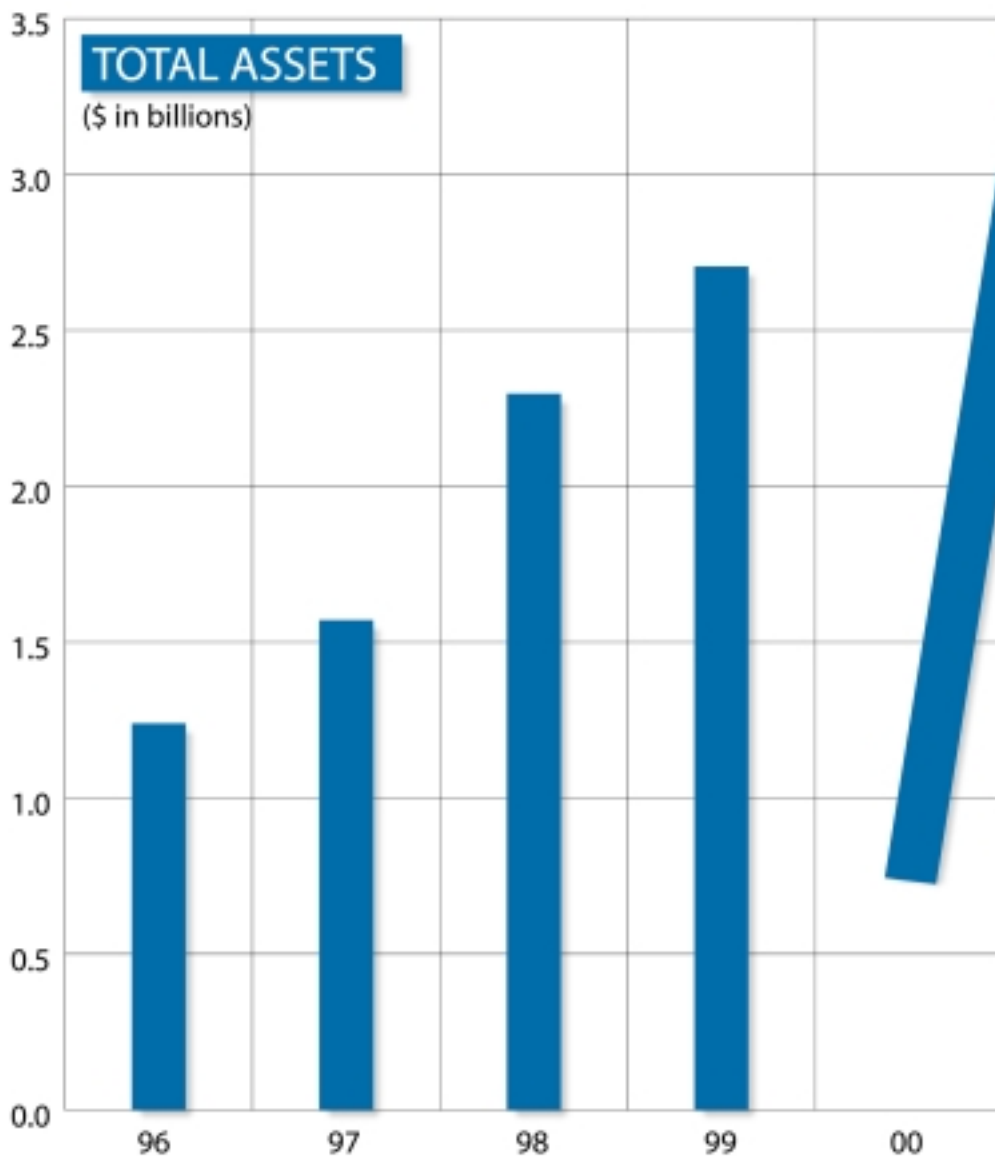


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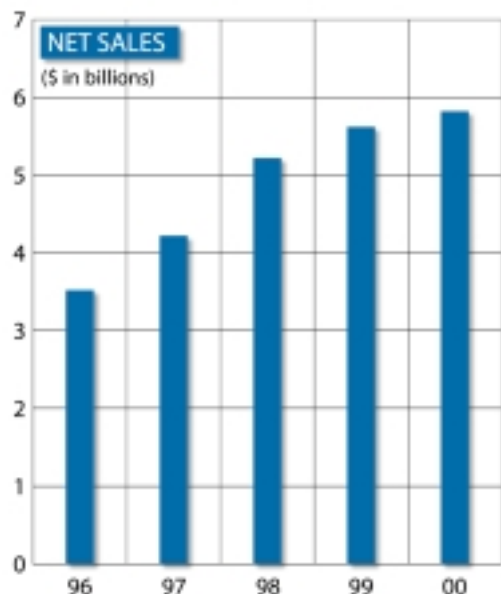


Management's Discussion and Analysis

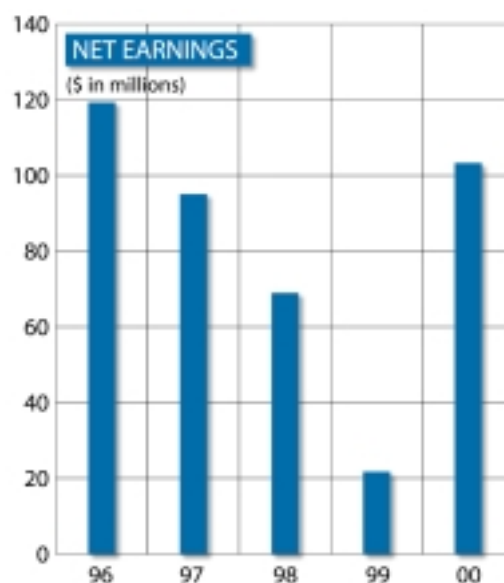
OVERVIEW

Net sales for Land O'Lakes, Inc. and subsidiaries (the "Company") in 2000 were \$5.8 billion, increasing \$.2 billion or three percent compared with 1999. The increase was primarily attributed to the January 2000 acquisition of Madison Dairy Produce Co. ("Madison Dairy"), the formation of a feed joint venture with Farmland Industries, Inc. ("Farmland") in October 2000 and the acquisition of numerous seed companies during the year. Volume growth within each of Land O'Lakes business segments and improved commodity prices for market hogs also contributed to the sales increase.

The sale of fluid dairy assets in July 2000 and the formation of Agriliance, LLC ("Agriliance"), a new venture between Land O'Lakes, Cenex Harvest States Cooperatives ("CHS") and Farmland, limited the Company's sales growth to three percent in 2000. If the effects of divestitures and the formation of Agriliance were excluded from both 2000 and 1999, net sales were \$4.7 billion in 2000 or 11 percent greater than a year ago.



Net earnings were \$102.9 million in 2000 compared with \$21.4 million in 1999, an increase of \$81.5 million. The earnings improvement in 2000 mainly resulted from the effects of more stable market prices for cheese products, higher market prices for hogs, incremental gains from the divestiture of businesses and first-year contributions from acquisitions and joint ventures. Moderate changes in cheese market prices during 2000 were in sharp contrast to a year ago when major market fluctuations resulted in significant inventory write-downs. The earnings increase in 2000 was partially offset by restructuring and impairment charges and by losses associated with repositioning the agronomy retail distribution assets acquired in 1999.



BUSINESS SEGMENT ANALYSIS

The chart below provides a three-year profile of business segment and total company results. Unless otherwise indicated, all comparisons in this discussion and analysis refer to 2000 versus 1999. References to earnings within each business segment are before the effect of income taxes.

Sales and Earnings

(\$ in millions)

	Sales			Earnings		
	2000	1999	1998	2000	1999	1998
Dairy Foods	\$ 3,194	\$3,291	\$3,267	\$ 87.9	\$ 10.7	\$ 42.6
Feed	1,170	928	911	25.3	19.1	24.3
Seed	366	191	145	6.8	5.3	7.1
Swine	102	83	62	(1.9)	(25.8)	(26.0)
Agronomy	857	1,023	775	(29.5)	12.4	20.9
Other	67	97	14	1.4	(.2)	1.2
Income taxes				12.9	(.1)	(1.5)
Total	\$5,756	\$5,613	\$5,174	\$102.9	\$ 21.4	\$ 68.6

Dairy Foods Net sales decreased three percent in 2000 to \$3.2 billion. Excluding the effect of divestitures, net sales increased two percent to \$3 billion. Pretax earnings of \$87.9 million in 2000 were up \$77.2 million from the previous year. The earnings improvement was primarily due to more stable market prices, compared with the previous year, and an incremental gain from the divestiture of businesses and was partially offset by impairment charges.

Dairy Foods cheese and butter prices remained depressed throughout 2000 and averaged only slightly higher than government price support levels while nonfat dry milk prices were at or near support throughout the year. Butter prices remained volatile and market-driven. While 1999 price declines caused significant inventory devaluations, no write-down of inventory values took place in 2000.

Sales volumes in 2000 were up notably for Dairy Foods, with all major categories showing increases over the previous year. Total branded butter, both share and volume, reached record levels, with units up four percent versus 1999. The Madison Dairy acquisition in January 2000 added incremental private-label butter volume to Dairy Foods. Aseptic products experienced strong volume growth of 14 percent, and deli products reported a volume increase of two percent in a mature and competitive market.

During 2000, Land O'Lakes sold its fluid dairy assets to Dean Foods Company, which acquired the commodity fluid milk operations and the right to use the LAND O LAKES brand name on those products. This transaction helped strengthen the Company's balance sheet and provided improved financial capacity for future growth. As part of the sale, Land O'Lakes established an agreement to meet the raw milk requirements of the plants acquired by Dean Foods. Additionally, a 50/50 joint venture called Dairy Marketing Alliance was formed with Dean Foods to develop, market and license certain value-added fluid and cultured dairy products under the LAND O LAKES brand name.

Feed Both sales and earnings increased in 2000. Net sales improved 26 percent to \$1.2 billion mainly as a result of the new joint venture with Farmland. Earnings rose \$6.2 million or 33 percent in 2000 to \$25.3 million. Excluding the effect of a restructuring charge, earnings were \$32 million, up \$12.9 million.

On October 1, 2000, the Company and Farmland formed the Land O'Lakes Farmland Feed LLC joint venture, which combined all of their North American feed operations. Land O'Lakes holds a 69 percent ownership interest in the venture.

Feed reported strong volume increases in 2000 in both feed ingredients and vitamins. A major driver of the ingredient volume increase was the Grain and Ingredient Trading (GIT) program, which more than doubled its volume over 1999. GIT markets ingredient feed to non-traditional customers.

MoArk, LLC ("MoArk"), the new egg production and marketing joint venture established in 2000, got off to an excellent start and contributed \$2.1 million of pretax earnings to the feed segment.

Seed Net sales nearly doubled to \$366 million in 2000, reflecting the effect of seed acquisitions in 1999 and the purchase of WILFARM, LLC and Agro Distribution, LLC seed assets in 2000. Soybean sales volume nearly tripled over 1999, and double-digit growth also occurred in corn, wheat, turf, alfalfa, and forages. Pretax earnings of \$6.8 million in 2000 were up \$1.5 million or 28 percent from 1999 results.

During the year, the Company placed a major focus on integrating Land O'Lakes Croplan Genetics with the seed businesses acquired from Agro Distribution and WILFARM (a joint venture between Farmland and Wilbur Ellis). In addition, Land O'Lakes strengthened its position as the global alfalfa leader by purchasing certain forage assets from AgriBioTech, Inc.

Seed continued to work closely with Agrilience on local cooperative programs for financing of crop inputs, providing agronomic advice and administering retail sales. Several pilot programs in Wisconsin focused on providing Total Farm Solutions to targeted milk producers by linking all aspects of crop and milk production, including seed and crop fertility.

Swine Net sales grew \$19.3 million or 23 percent to \$102 million in 2000 due to improvements in market prices for hogs and increased unit sales. A loss of \$1.9 million in 2000, when compared with a loss of \$25.8 million in 1999, reflected both the rebound in market prices as well as improved production performance.

In 2000, reduced hog production and strong consumer demand increased the average market price to about \$45 per hundredweight versus an average market price of approximately \$34 in 1999, an amount substantially below the cost of production.

Land O'Lakes operates two swine programs, Farrow-to-Finish and Swine Aligned. The Farrow-to-Finish program allows producers to participate in swine production with limited risk through production contracts for farrowing and finishing hogs owned by the Company. The program generated \$2.2 million of pretax earnings in 2000 compared with a loss of \$10.9 million in 1999.

Under the Swine Aligned program, the Company farrows feeder pigs for sale to local cooperatives, which in turn sell the feeder pigs to independent producers. Swine Aligned realized a loss of \$2.1 million in 2000, primarily due to start-up expenses. To reduce hog market price risk for Swine Aligned producers as well as other Land O'Lakes feed customers, the Company offered a cost-plus marketing program which set a floor price for the producer. The program yielded a loss of \$2 million in 2000.

Agronomy In 2000, Land O'Lakes, CHS and Farmland created Agrilience, the largest North American distributor of crop nutrients, crop protection products and other agronomic inputs and services. The Company holds a 50 percent ownership interest in Agrilience. Agrilience consists of the agronomy marketing operations of Land O'Lakes, CHS and Farmland, which were previously managed through various operating entities. Agrilience established its own external credit facilities on July 29, 2000, became a self-financed entity and secured ownership of the previously managed assets. Subsequent to this date, Land O'Lakes recognized 50 percent of Agrilience's earnings based on the equity method of accounting for investments. Consequently, business segment results included seven months of consolidated sales and earnings from the Company's agronomy businesses prior to July 29, 2000 and five months of earnings from Agrilience for the remainder of 2000.

In 2000, Agronomy recognized a loss of \$29.5 million compared with earnings of \$12.4 million in the previous year. The earnings decline in 2000 was primarily due to costs associated with the repositioning of retail distribution assets acquired in 1999, including an asset impairment charge. In addition, the southern retail operations of Agrilience were negatively impacted by intense competition, loss of personnel and adverse weather conditions in some markets.

Land O'Lakes has a 34 percent ownership interest in CF Industries, Inc. ("CF"), an interregional plant food manufacturer. In 2000, the Company did not receive patronage income from its investment in CF due to the world-wide over-supply of nitrogen.

RESULTS OF OPERATIONS

Cost of sales as a percent of net sales decreased two percent in 2000, largely due to lower raw material costs. All of the Company's business segments realized declines in variable product costs.

The Company's cost of sales is reduced by the amount of patronage income received from other cooperatives that is directly attributable to product purchases. The following chart reflects the amounts received during the past three years.

Patronage Income

(\$ in millions)

	2000	1999	1998
Ag Processing Inc	\$ 1.4	\$ 3.6	\$ 5.8
CF Industries, Inc.	.0	.0	1.9
Prairie Farms Dairy, Inc.	1.5	1.5	1.9
Other	1.0	2.3	2.3
Total patronage income	\$ 3.9	\$ 7.4	\$ 11.9

Selling and administration expense was \$478.6 million in 2000 compared with \$501.2 million in 1999. The \$22.7 million decrease primarily resulted from the effect of divestitures and the formation of Agriliance.

Advertising and promotion expense of \$155.3 million in 2000 represents a nine percent increase versus 1999 and a slight increase as a percent of net sales. The increase was primarily associated with market specific promotions for consumer dairy products.

Research and development expenditures were \$20.2 million in 2000 compared with \$18.8 million last year. Excluding the effect of divestitures, research and development expenditures increased \$3.5 million or 21 percent.

Restructuring and impairment charges in 2000 were \$54.2 million compared with \$3.9 million in the prior year. Impairment charges of \$44.5 million in 2000 and \$3.9 million in 1999 related to the underutilization of certain Dairy Foods assets. A restructuring charge of \$9.7 million in 2000 was attributed to consolidation efforts within the new Land O'Lakes Farmland Feed LLC joint venture.

Interest expense in 2000 was \$59.2 million compared with \$50.4 million a year ago. The \$8.8 million increase primarily resulted from the effect of cash outlays for acquisitions and higher interest rates. Average debt increased by \$86.6 million over 1999. Combined interest rates for seasonal and long-term borrowings averaged 7.1 percent in 2000, compared with 6.2 percent in 1999.

Equity in loss of affiliated companies was \$35.6 million in 2000 compared with equity in earnings of affiliated companies of \$7.3 million in 1999. The decline in 2000 primarily was due to the impact of losses in the agronomy segment.

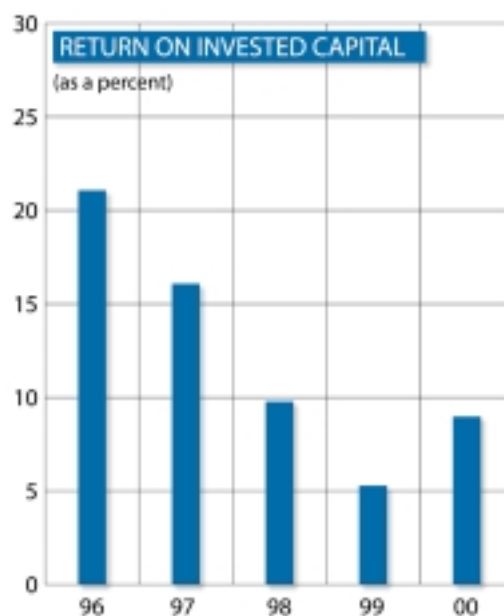
Income taxes decreased \$13 million to a tax benefit of \$12.9 million in 2000 compared with a tax expense of \$.1 million in 1999. The tax benefit was attributed to non-member losses, which included impairment charges and losses associated with the repositioning of agronomy retail distribution assets acquired in 1999. The tax

benefit from the non-member losses was partially offset by the non-member portion of the gain from the divestiture of the fluid dairy assets.

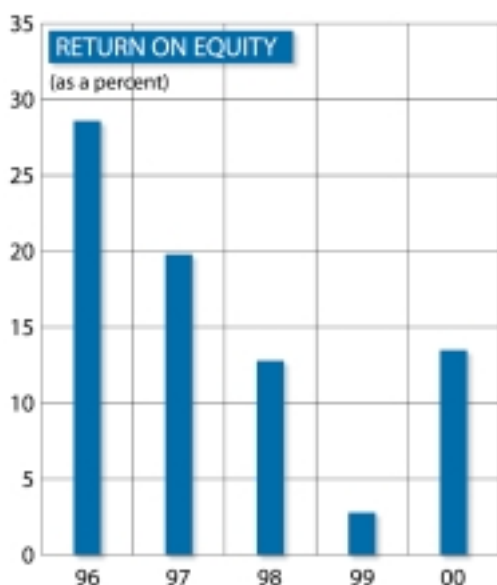
PERFORMANCE MEASURES

Land O'Lakes is committed to improve profitability in each core business through the effective use of invested capital and increased returns to members. This is indicated through the Company's use of 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. Land O'Lakes has established performance targets for each measure with a 19 percent target for ROIC and 22 percent target for ROE. Because of the commodity nature of some of our businesses, these returns will fluctuate from year-to-year. Accordingly, the Company believes it is also important to look at the averages over time.

Return on invested capital Improved earnings, somewhat offset by the effect of investment spending, yielded an ROIC of 8.9 percent for 2000. This was 3.7 percentage points above the ROIC of 5.2 percent for 1999. Land O'Lakes average ROIC for the five-year period ended in 2000 was 12.2 percent.



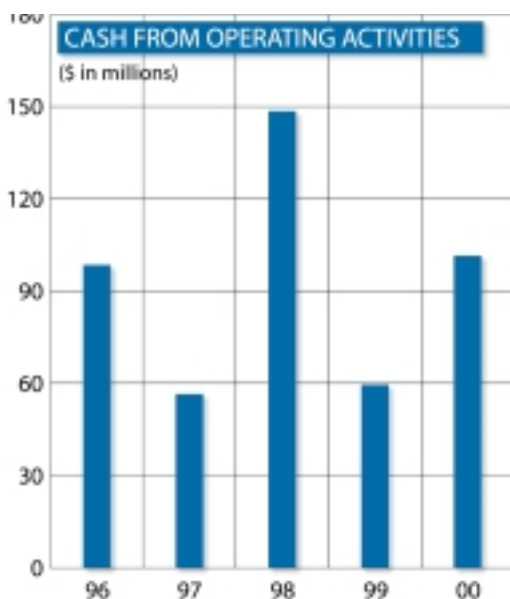
Return on equity The 2000 earnings increase resulted in a 10.7 percentage point increase in ROE from 2.7 percent in 1999 to 13.4 percent in 2000. Average ROE for the five-year period ended in 2000 was 15.4 percent.



FINANCIAL CONDITION

Land O'Lakes financial condition remained strong throughout the year. Cash generated during the year and the strength of the balance sheet enabled the Company to grow and re-invest in core businesses and return \$54.3 million in cash to members in 2000. Earnings improved significantly over 1999 which led to a \$42 million increase in cash from operations.

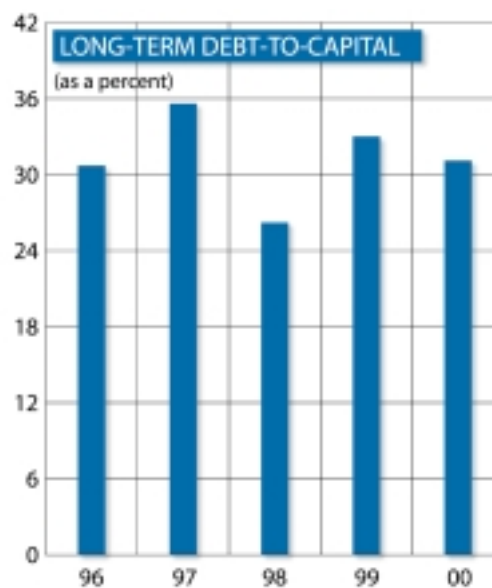
Cash flow from operations was \$102 million in 2000 compared with \$59 million in 1999. The increase in operating cash flows was primarily due to higher earnings for the year. Net cash outflows for working



capital were \$72 million in 2000 compared with a cash inflow of \$15 million in 1999. The change in working capital was mainly due to a decrease in seasonal accounts payable as a result of the formation of Agrilliance.

Debt is comprised of short-term and long-term debt. Land O'Lakes finances its seasonal working capital needs with short-term debt. In 2000, seasonal debt peaked at \$197 million in October and reached a low point of zero in July. Seasonal working capital requirements were financed with a syndicated \$250 million, 364-day revolving credit facility arranged by Chase Securities, Inc. and CoBank, ACB. Long-term debt was \$472 million at December 31, 2000, down \$11 million from 1999.

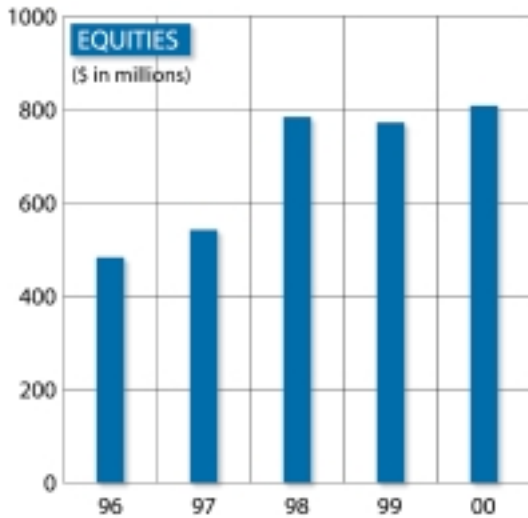
Land O'Lakes long-term debt-to-capital ratio at December 31, 2000 was 31 percent, down from 32.9 percent at the end of 1999. Land O'Lakes objective is to remain an investment grade rated company with a long-term debt-to-capital ratio of 25 percent.



Capital securities of \$200 million were issued in March 1998 by 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 purchased \$9.3 million of these securities at a discount, which resulted in a gain of \$4.5 million. The Company is currently holding these securities for potential resale in 2001. At December 31, 2000, the outstanding capital securities balance was \$190.7 million.

Land O'Lakes credit ratings enabled the Company to access financing at reasonable costs in 2000. As of December 31, 2000, the Company's senior debt rating was BBB+ (Standard & Poor's) and Baa3 (Moody's). The Company's capital securities ratings were BBB- (Standard & Poor's) and Ba2 (Moody's).

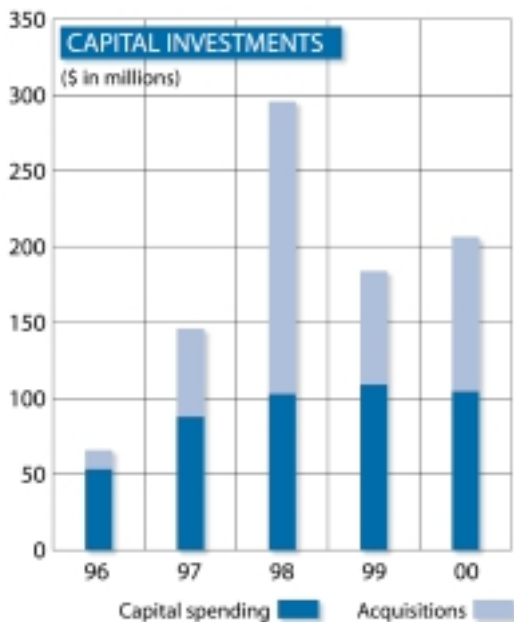
Equities increased \$36.1 million in 2000 to \$805 million on December 31, 2000. The increase resulted from the net earnings increase in 2000 and was partially offset by equity revolvment, age retirements, estate redemptions and patronage refunds payable.



Capital investments totaled \$205 million in 2000 compared with \$183 million in 1999. The increase in spending in 2000 was attributed to an increase in acquisition activity.

Capital spending in 2000 decreased \$5 million to \$104 million. The amount spent during the year represented spending initiatives related to increasing Dairy Foods industrial production capabilities and a variety of other projects within core businesses to improve operating efficiencies.

In 2000, Land O'Lakes acquired Madison Dairy and several seed companies. Acquisition spending totaled \$101 million, an increase of 37 percent over 1999.



Investments represent Land O'Lakes ownership position in other companies, primarily other cooperatives and 50/50 joint ventures. Investments grew \$6 million during the year to \$466 million on December 31, 2000. The increase includes an investment of \$32 million in MoArk. In addition, the Company received investment income of \$9.9 million from non-cash patronage from other cooperatives and incurred losses of \$35.6 million of equity in loss of affiliated companies.

Cash returns to members increased \$5.6 million in 2000 to \$54.3 million. Members received \$40.6 million of equity revolvment, \$10.6 million of cash patronage related to prior year's earnings and \$3.1 million of age retirement, estate and other payments during the year.



COMMODITY MARKET RISK

In the ordinary course of business, Land O'Lakes is subject to market risk resulting from changes in commodity prices associated with dairy and other agricultural markets. The production and purchase of various agricultural commodities is core to Land O'Lakes business operations. On the dairy side, Land O'Lakes is a purchaser of raw milk and a producer of butter and cheese. With respect to agricultural inputs and production, Land O'Lakes participates in the grain and hog markets as a purchaser and seller respectively and is also a participant in the crop nutrients market through its ownership positions in CF Industries and Agriliance.

Crop nutrients production, particularly nitrogen production, is highly dependent on the cost of natural gas. The large increase in energy costs since the fall of 2000 is likely to negatively impact production costs and earnings at least in the near future.

The prices of agricultural commodities constantly fluctuate due to the intricacies of the market supply and demand balance. To manage the potential negative impact of price fluctuations, Land O'Lakes engages in various hedging and other risk management activities.

Consolidated Statements of Operations

(\$ in thousands)

Years Ended December 31	2000	1999	1998
Net sales	\$ 5,756,265	\$ 5,612,981	\$5,174,241
Cost of sales	5,133,585	5,097,601	4,680,044
Selling and administration	478,559	501,242	391,415
Restructuring and impairment charges	54,226	3,856	0
Earnings from operations	89,895	10,282	102,782
Interest expense, net	59,186	50,381	31,832
Gain from divestiture of businesses	(89,034)	(54,175)	0
Equity in loss (earnings) of affiliated companies	35,566	(7,282)	818
Minority interest in (loss) earnings of subsidiaries	(1,405)	(140)	84
Other income	(4,450)	0	0
Earnings before income taxes	90,032	21,498	70,048
Income tax (benefit) expense	(12,900)	99	1,498
Net earnings	\$ 102,932	\$ 21,399	\$ 68,550
Applied to:			
Member equities			
Allocated patronage refunds	\$ 142,271	\$ 34,860	\$ 75,577
Deferred equities	(5,347)	(7,547)	(1,318)
	136,924	27,313	74,259
Retained earnings	(33,992)	(5,914)	(5,709)
	\$ 102,932	\$ 21,399	\$ 68,550

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

(\$ in thousands)

December 31	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,994	\$ 197,799
Receivables, net	586,058	570,476
Inventories	436,089	522,659
Other current assets	198,146	254,288
Total current assets	1,224,287	1,545,222
Investments	465,849	459,981
Property, plant and equipment, net	467,783	461,808
Other assets	315,424	233,113
Total assets	\$2,473,343	\$ 2,700,124
Liabilities and Equities		
Current liabilities:		
Notes and short-term obligations	\$ 87,783	\$ 130,193
Current portion of long-term debt	68,936	170,348
Accounts payable	493,173	727,118
Accrued expenses	212,751	136,161
Patronage refunds payable	37,493	19,350
Total current liabilities	900,136	1,183,170
Long-term debt	472,042	483,375
Other liabilities	50,424	49,858
Minority interests	55,087	14,886
Capital Securities of Trust Subsidiary	190,700	200,000
Equities:		
Capital stock	2,345	2,073
Member equities	768,941	694,980
Retained earnings	33,668	71,782
Total equities	804,954	768,835
Total liabilities and equities	\$2,473,343	\$2,700,124

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(\$ in thousands)

Years Ended December 31	2000	1999	1998
Cash flows from operating activities:			
Net earnings	\$ 102,932	\$ 21,399	\$ 68,550
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	83,621	81,675	61,399
Proceeds from patronage revolvment received	16,350	2,066	3,625
Non-cash patronage	(9,914)	(4,568)	(20,099)
Increase in other assets	(25,667)	(18,998)	(30,043)
Increase (decrease) in other liabilities	673	9,531	(17,989)
Restructuring and impairment charges	54,226	3,856	0
Gain from divestiture of businesses	(89,034)	(54,175)	0
Equity in loss (earnings) of affiliated companies	35,566	(7,282)	818
Minority interests	1,405	140	(84)
Other	2,904	10,007	10,284
Changes in current assets and liabilities, net of acquisitions and divestitures:			
Receivables	(25,568)	(43,959)	(55,923)
Inventories	103,641	29,486	(13,225)
Other current assets	74,179	(63,539)	(20,779)
Accounts payable	(283,313)	79,629	163,237
Accrued expenses	59,516	13,736	(2,113)
Net cash provided by operating activities	101,517	59,004	147,658
Cash flows from investing activities:			
Additions to property, plant and equipment	(104,343)	(109,267)	(103,134)
Acquisitions, net of cash acquired	(101,076)	(73,912)	(191,862)
Payments for investments	(86,611)	(55,344)	(3,218)
Net proceeds from divestiture of businesses	184,106	75,893	0
Proceeds from sale of investments	14,805	9,241	1,715
Proceeds from sale of property, plant and equipment	25,189	6,368	4,364
Other	(1,001)	(54)	(3,324)
Net cash used by investing activities	(68,931)	(147,075)	(295,459)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(42,762)	32,299	(73,260)
Proceeds from issuance of long-term debt	58,955	303,306	156,381
Proceeds from issuance of Capital Securities of Trust Subsidiary	0	0	200,000
Payments on principal of long-term debt	(179,133)	(8,249)	(103,430)
Payments for purchase of Capital Securities	(9,300)	0	0
Payments for redemption of member equities	(54,260)	(48,660)	(40,290)
Other	109	2,722	(978)
Net cash (used) provided by financing activities	(226,391)	281,418	138,423
Net increase (decrease) in cash	(193,805)	193,347	(9,378)
Cash and cash equivalents at beginning of year	197,799	4,452	13,830
Cash and cash equivalents at end of year	\$ 3,994	\$ 197,799	\$ 4,452

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equities

(\$ in thousands)

Years Ended December 31, 2000, 1999 and 1998

	Capital Stock	Member Equities			Retained Earnings	Total Equities
		Allocated	Deferred	Net		
Balance, December 31, 1997	\$2,148	\$455,236	\$ (80)	\$455,156	\$82,103	\$539,407
Capital stock issued	146					146
Capital stock redeemed	(124)					(124)
1998 earnings, as applied		75,577	(1,318)	74,259	(5,709)	68,550
Less portion stated as current liability		(20,424)		(20,424)		(20,424)
Portion of member equities stated as current liability		(11,156)		(11,156)		(11,156)
Equities issued for mergers and acquisitions		222,031		222,031		222,031
Cash patronage and redemption of member equities		(40,290)		(40,290)		(40,290)
Redemption included in prior year's liabilities		24,778		24,778		24,778
Other, net		(366)		(366)	(1,408)	(1,774)
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)	0
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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(\$ in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations Land O'Lakes, Inc. ("Land O'Lakes" or the "Company") is a diversified food and agricultural cooperative serving family farmers throughout the United States. The Company processes 12 billion pounds of member milk annually, markets more than 600 dairy products and provides nearly 1,400 member cooperatives with agronomic production materials including feed, seed, crop nutrients and crop protection products.

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. Intercompany transactions and balances have been eliminated.

Certain reclassifications have been made to the 1999 and 1998 consolidated financial statements to conform to the 2000 presentation.

Cash Equivalents Cash equivalents 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. A policy of hedging commodity and ingredient prices is followed to minimize risk.

Investments Investments in other cooperatives are stated at cost plus unredeemed 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 and as it is not possible to estimate future cash flows which are largely dependent on future earnings of the cooperatives.

Property, Plant and Equipment Property, plant and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful life of each asset. Accelerated methods of depreciation are used for income tax purposes.

Intangibles The excess purchase price paid over net assets of businesses acquired is generally amortized on a straight-line basis over periods ranging from 15 to 20 years.

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 \$20.2 million, \$18.8 million and \$17.7 million in 2000, 1999 and 1998, 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.

Future Accounting Requirements Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities," effective for the year ending December 31, 2001, will require

derivatives to be recorded on the balance sheet as assets or liabilities, measured at fair value. The Company has determined that the impact of the adoption will not have a material effect on its 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:

	2000	1999
Trade accounts	\$ 472,698	\$ 492,757
Notes and contracts	65,384	50,159
Other	65,846	42,915
	603,928	585,831
Less allowance for doubtful accounts	17,870	15,355
Total receivables, net	\$ 586,058	\$ 570,476

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. INVENTORIES

A summary of inventories at December 31 is as follows:

	2000	1999
Dairy Foods	\$ 210,919	\$ 218,066
Ag Services	225,170	304,593
Total inventories	\$ 436,089	\$ 522,659

4. INVESTMENTS

A summary of investments at December 31 is as follows:

	2000	1999
CF Industries, Inc.	\$ 248,502	\$ 248,502
Agrilliance, LLC	44,212	0
Ag Processing Inc	35,339	34,924
MoArk, LLC	31,950	0
CoBank, ACB	20,618	19,721
PEC Mark II (Malta Cleyton)	13,511	13,058
Universal Cooperatives	6,094	5,956
Prairie Farms Dairy, Inc.	5,710	5,520
Agro Distribution, LLC	0	50,000
Cenex/Land O'Lakes Agronomy Company	0	34,284
Other-principally cooperatives and joint ventures	59,913	48,016
Total investments	\$ 465,849	\$ 459,981

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

July 2000, Agrilliance 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 million in cash and exchanged \$11.2 million of property, plant and equipment and 50 percent ownership positions in Cenex/Land O'Lakes Agronomy Company and Agro Distribution, LLC for a 50 percent equity ownership interest in Agrilliance. The other 50 percent ownership interest in Agrilliance is equally held by CHS and Farmland and was obtained through similar exchanges of assets. In addition, Agrilliance 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 Agrilliance's earnings under the equity method.

The Company retained its ownership in CF Industries, Inc., an inter-regional 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 percent ownership interest in MoArk, LLC, a new egg production and marketing company.

5. PROPERTY, PLANT AND EQUIPMENT

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

	2000	1999
Land and land improvements	\$ 43,144	\$ 38,569
Buildings and building equipment	222,860	264,192
Machinery and equipment	401,076	474,572
Construction in progress	74,453	58,239
	741,533	835,572
Less accumulated depreciation	273,750	373,764
Total property, plant and equipment, net	\$ 467,783	\$ 461,808

6. LONG-TERM DEBT

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

	2000	1999
Syndicated Loan Agreement – due 2001 through 2004; (7.47%)	\$ 175,000	\$ 219,700
CoBank fixed interest loans – quarterly installments through 2008; (5.41% to 7.85%)	186,000	202,000
The Prudential Insurance Co. of America – due 2002 through 2009; (6.18% to 6.58%)	135,000	135,000
Industrial development revenue bonds and other secured notes payable – due 2001 through 2007; (5.5% to 8.50%)	13,572	13,950
Sanwa Bank Ltd.	0	50,000
Other debt	31,406	33,073
	540,978	653,723
Less current portion	68,936	170,348
Total long-term debt	\$ 472,042	\$ 483,375

Credit facilities, both short-term and long-term, include a Credit Agreement syndicated with various banks totaling \$500 million, a Loan Agreement from CoBank of \$190 million and a Shelf Agreement with The Prudential Insurance Co. of America of \$175 million. On December 31, 2000, \$577.8 million was in use. Short-term rates ranged from 7.32% to 7.44% at December 31, 2000. Debt covenants include certain minimum financial ratios that were all satisfied.

At December 31, 2000 and 1999, \$41.8 million and \$37.8 million, respectively, of long-term debt was attributed to producer financing programs. Loans to producers are facilitated through the LOL Finance Co., a wholly-owned, consolidated subsidiary of Land O'Lakes.

Interest paid, including interest paid on capital securities and net of amount capitalized, was \$59.8 million, \$49.9 million and \$26.7 million in 2000, 1999 and 1998, respectively.

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

Year	Amount
2001	\$ 68,936
2002	94,652
2003	82,137
2004	93,490
2005	43,036
2006 and thereafter	158,727

7. CAPITAL SECURITIES OF TRUST SUBSIDIARY

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 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 and \$190.7 million remained outstanding at December 31, 2000. The purchase resulted in a gain of \$4.5 million, which is reflected in other income in the Consolidated Statements of Operations.

8. LEASE COMMITMENTS

Total rental expense was \$31.7 million in 2000, \$26.7 million in 1999 and \$25.5 million in 1998. The minimum annual lease payments for the next five years and thereafter are as follows:

Year	Amount
2001	\$ 15,479
2002	23,493
2003	25,879
2004	23,183
2005	21,224
2006 and thereafter	102,567

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:

	2000	1999	1998
Current expense (benefit)			
Federal	\$ 16,678	\$ (3,953)	\$ (1,654)
State	2,266	(667)	(294)
	18,944	(4,620)	(1,948)
Deferred (benefit) expense	(31,844)	4,719	3,446
Income tax (benefit) expense	\$(12,900)	\$ 99	\$ 1,498

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

	2000	1999	1998
Statutory rate	35.0%	35.0%	35.0%
Patronage refunds	(55.4)	(57.3)	(37.8)
State income tax, net of federal benefit	(1.2)	.2	.2
Amortization of goodwill	5.2	11.7	2.4
Effect of foreign operations	.8	9.3	1.0
Other, net	1.3	1.6	1.3
Effective tax rate	(14.3)%	.5%	2.1%

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

	2000	1999	1998
Deferred tax assets related to:			
Deferred patronage	\$ 12,810	\$ 0	\$ 0
Accrued expenses	21,017	25,501	22,666
Allowance for doubtful accounts	5,557	6,140	4,851
Inventory	3,588	4,171	4,050
Asset impairments	16,020	0	0
Joint ventures	20,898	2,863	3,471
Other, net	3,710	6,501	8,460
Total deferred tax assets	83,600	45,176	43,498
Deferred tax liabilities related to:			
Property, plant and equipment	12,946	15,588	5,750
Intangibles	10,085	863	4,320
Total deferred tax liabilities	23,031	16,451	10,070
Net deferred tax assets	\$ 60,569	\$ 28,725	\$ 33,428

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 2000, 1999 and 1998 were \$5.1 million, (\$18.5) million and \$9.2 million, respectively.

10. PENSION AND OTHER POSTRETIREMENT PLANS

	2000	1999	1998
Pension Benefits:			
Total plan assets at fair value	\$ 304,506	\$ 284,335	\$ 191,035
Total projected benefit obligation	288,267	279,726	218,051
Funded status	\$ 16,239	\$ 4,609	\$ (27,016)
Prepaid benefit cost recognized in the consolidated balance sheet			
	\$ 40,664	\$ 31,242	\$ 2,383
Benefit cost	\$ 3,578	\$ 7,612	\$ 7,351
Employer contribution	\$ 13,000	\$ 26,000	\$ 8,688
Benefits paid	\$ 16,000	\$ 14,937	\$ 9,222
Discount rate	7.50%	7.25%	7.00%
Expected return on plan assets	9.50%	9.50%	9.50%
Rate of compensation increase	4.75%	4.50%	4.50%

In addition to the defined benefit retirement plan, the Company has a supplemental executive retirement plan, which is an unfunded defined

benefit plan. The actuarial present value of the projected benefit obligation totaled \$15.7 million, \$16.0 million and \$13.0 million at December 31, 2000, 1999 and 1998, respectively. Pension expense of \$1.9 million, \$2.3 million and \$1.6 million was recorded for 2000, 1999 and 1998, respectively.

Certain eligible employees are covered by defined contribution plans. The expense for these plans was \$5.8 million, \$6.8 million and \$4.9 million for the years ended December 31, 2000, 1999 and 1998, respectively.

	2000	1999	1998
Other Postretirement Benefits:			
Total plan assets at fair value	\$ 0	\$ 0	\$ 0
Total projected benefit obligation	51,530	47,679	46,812
Funded status	\$ (51,530)	\$ (47,679)	\$ (46,812)
Accrued benefit cost recognized in the consolidated balance sheet			
	\$ (18,953)	\$ (15,992)	\$ (12,650)
Benefits cost	\$ 6,698	\$ 5,855	\$ 5,631
Benefits paid	\$ 3,737	\$ 3,669	\$ 3,652
Discount rate	7.50%	7.25%	7.00%

For measurement purposes, a six percent annual rate of increase in the per capita cost of covered health care benefits was assumed for all years.

11. EQUITIES

The authorized capital stock at December 31, 2000 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, 2000:

	NUMBER OF SHARES				Preferred
	Common				
	A	B	C	D	
December 31, 1997	831	8,230	114	1,868	119,439
New Members	126	872	17	1,884	0
Redemptions	(46)	(815)	(4)	(674)	(7,362)
December 31, 1998	911	8,287	127	3,078	112,077
New Members	22	405	3	703	0
Redemptions	(55)	(938)	(13)	(682)	(5,354)
December 31, 1999	878	7,754	117	3,099	106,723
New Members	327	295	84	671	0
Redemptions	(39)	(2,159)	(4)	(2,270)	(9,289)
December 31, 2000	1,166	5,890	197	1,500	97,434

Patronage refunds to members of \$142.3 million, \$34.9 million and \$75.6 million for the years ended December 31, 2000, 1999 and 1998, respectively, are based on earnings in specific patronage or product categories and in proportion to the business each member does within each category. For 2000, Land O'Lakes will issue qualified and non-qualified patronage refunds in the amount of \$108.3 million and \$34.0 million, respectively. 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 allocation to retained earnings of \$(34.0) million in 2000, \$(5.9) million in 1999 and \$(5.7) million in 1998 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

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, LLC, Advanta Seeds, Inc. and 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 \$.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 named Land O'Lakes Farmland Feed LLC. Land O'Lakes owns 69 percent of the venture; 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 a selected portion 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.

In 1998, Company acquisitions required cash outlays of \$191.9 million. In October 1998, Land O'Lakes acquired selected feed, seed, and agronomy assets of Countrymark Cooperative, Inc. The asset purchase price of \$310.9 million included a cash payment of \$158.8 million and the issuance of \$152.1 million of Land O'Lakes equities. Other acquisitions during 1998 included the purchase of a cultured manufacturing facility in Wisconsin, a deli cheese business, three seed businesses, feed operations in New Mexico and Washington and an increased ownership in the feed mill in Poland in which the Company already held majority ownership interest.

Effective July 1, 1998, Land O'Lakes merged with Dairyman's Cooperative Creamery Association (Dairyman's), a California cooperative association. All outstanding shares and patronage refunds of Dairyman's were exchanged for share and equity interests of Land O'Lakes, Inc.

All of the above acquisitions and mergers 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:

	2000	1999	1998
Restructuring	\$ 9,700	\$ 0	\$ 0
Impairment	44,526	3,856	0
Total restructuring and impairment charges	\$ 54,226	\$ 3,856	\$ 0

In 2000, the Company recorded restructuring and impairment charges of \$54.2 million. The restructuring charge of \$9.7 million resulted from initiatives within the newly formed Land O'Lakes Farmland Feed LLC joint venture to consolidate facilities and reduce personnel. The Company's share of the restructuring charge is \$6.7 million based on its 69 percent ownership interest in the joint venture. 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 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 under-utilization of the Company's cheese production assets in Poland.

14. CONTINGENCIES

The Company is subject to contingencies, including legal proceedings and claims arising out of its businesses that cover a wide range of matters, including, among others, product liability, warranty and product recalls and environmental matters. It is management's opinion that settlement of all litigation and claims would not require payment of an amount which would be material to the financial position of Land O'Lakes.

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.

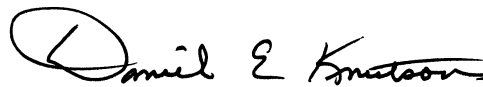
Land O'Lakes maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly executed and reported. The system of internal controls is supported by comprehensive written policies and procedures, selection of trained 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, 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, 2000 and 1999, and the related consolidated statements of operations, cash flows and equities for each of the years in the three-year period ended December 31, 2000, appearing on pages 24 through 31. 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 at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.



Minneapolis, Minnesota
January 26, 2001

Ten Years in Review

(\$ in millions)

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Operations:										
Net sales	\$ 5,756	\$ 5,613	\$ 5,174	\$ 4,195	\$ 3,486	\$ 3,014	\$ 2,859	\$ 2,733	\$ 2,562	\$ 2,458
Earnings before income taxes	90	21	70	107	129	132	82	51	65	59
Net earnings	103	21	69	95	119	121	75	47	57	54
Allocated patronage refunds	142	35	76	84	101	104	66	41	48	50
Cash returned to members	54	49	40	59	53	46	41	40	37	29
Financial Position:										
Working capital	\$ 324	\$ 362	\$ 305	\$ 228	\$ 199	\$ 185	\$ 151	\$ 151	\$ 158	\$ 152
Investments	466	460	397	242	240	184	152	129	125	126
Plant and equipment	468	462	450	283	218	205	180	165	153	144
Total assets	2,473	2,700	2,292	1,566	1,235	1,149	943	866	841	823
Long-term debt	472	483	347	297	212	180	155	160	147	147
Capital Securities of Trust Subsidiary	191	200	200	0	0	0	0	0	0	0
Equities	805	769	781	539	480	417	353	326	318	300
Financial Measures:										
Return on equity	13%	3%	13%	20%	29%	34%	23%	15%	19%	19%
Return on invested capital	9%	5%	10%	16%	21%	24%	17%	12%	16%	16%
Long-term debt-to-capital	31%	33%	26%	35%	30%	30%	30%	33%	31%	33%
Current ratio	1.36	1.31	1.34	1.34	1.40	1.36	1.38	1.42	1.44	1.42

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

Al Giese

Co-President, Agriliance

Don Berg

Vice President, Public Affairs

David Hettinga

Vice President, Research, Technology and Engineering

Jack Martin

Vice President, Human Resources

John Rebane

Vice President, General Counsel

Jim Wahrenbrock

Vice President, Planning and Business Development