LAND O'LAKES, INC.

MS 5310
1080 County Road F West
Shoreview, MN 55126

Mailing: P.O. Box 64281, MS 5310
St. Paul, MN 55164-0281

651-375-1476
ejcramer@landolakes.com
www.landolakesinc.com

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

February 15, 2013

Pennsylvania Public Utility Commission Secretary
Keystone Building, 2nd Floor Room N21
Harrisburg, PA 17120

To Whom It May Concern:

Enclosed please find the Commonwealth of Pennsylvania Electric Generation Supplier License Application for Land O'Lakes, Inc. As requested, we have included a signed in ink and verified (via notarized application affidavit – Appendix A) original, one copy and a CD-ROM containing a searchable PDF version of our application. We have bookmarked the PDF to correspond with each Appendix section in the hard copy for your convenience.

If you have any questions, please don't hesitate to call or e-mail me (contact information listed above) and I'll be glad to help.

Thank you for your consideration.

Sincerely,

Eric Cramer
Energy Manager
Sourcing & Commodity Merchandising
Land O'Lakes, Inc.

enclosures

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Land O'Lakes, Inc., d/b/a ______, for approval to offer, render, furnish, or supply electricity or electric generation services as a(n) Supplier of Electricity to the public in the Commonwealth of Pennsylvania (Pennsylvania).

To the Pennsylvania Public Utility Commission:

1. IDENTIFICATION AND CONTACT INFORMATION

a. **IDENTITY OF THE APPLICANT**: Provide name *(including any fictitious name or d/b/a)*, primary address, web address, and telephone number of Applicant:

Land O'Lakes, Inc.
4001 Lexington Avenue, N
Arden Hills, MN 55126-2998
www.landolakesinc.com
1-800-328-9680

b. **PENNSYLVANIA ADDRESS / REGISTERED AGENT**: If the Applicant maintains a primary address outside of Pennsylvania, provide the name, address, telephone number, and fax number of the Applicant's secondary office within Pennsylvania. If the Applicant does not maintain a physical location within Pennsylvania, provide the name, address, telephone number, and fax number of the Applicant's Registered Agent within Pennsylvania.

Land O'Lakes, Inc.
405 Park Drive
Carlisle, PA 17015
Phone: 651-375-1476
Fax: 717-486-3152

c. **REGULATORY CONTACT**: Provide the name, title, address, telephone number, fax number, and e-mail address of the person to whom questions about this Application should be addressed.

Eric Cramer - Energy Manager
Land O'Lakes, Inc.
1080 County Road F West, MS 5310
Shoreview, MN 55126
Phone: 651-375-1476
EJCramer@landolakes.com

d. **ATTORNEY**: Provide the name, address, telephone number, fax number, and e-mail address of the Applicant's attorney. If the Applicant is not using an attorney, explicitly state so.

Katie Lichty - Counsel
Land O'Lakes, Inc.
4001 Lexington Avenue N, MS 2500
Arden Hills, MN 55126
Phone: 651-375-2818
KMLichty@landolakes.com

e. **CONTACTS FOR CONSUMER SERVICE AND COMPLAINTS:** Provide the name, title, address, telephone number, FAX number, and e-mail of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints filed with the Applicant, the Electric Distribution Company, the Pennsylvania Public Utility Commission, or other agencies. The main contact's information will be listed on the Commission website list of licensed EGSs.

Applicant is only going to self-supply electricity, no customers.
Eric Cramer - Energy Manager
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Phone: 651-375-1476
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2. BUSINESS ENTITY FILINGS AND REGISTRATION

a. FICTITIOUS NAME: *(Select appropriate statement and provide supporting documentation as listed.)*

☐ The Applicant will be using a fictitious name or doing business as ("d/b/a")

Provide a copy of the Applicant's filing with Pennsylvania's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

or

☒ The Applicant will not be using a fictitious name.

b. BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:
(Select appropriate statement and provide supporting documentation. As well, understand that Domestic means being formed within Pennsylvania and foreign means being formed outside Pennsylvania.)

☐ The Applicant is a sole proprietor.

- If the Applicant is located outside the Commonwealth, provide proof of compliance with 15 Pa. C.S. §4124 relating to Department of State filing requirements.

or

☐ The Applicant is a:

☐ domestic general partnership (*)
☐ domestic limited partnership (15 Pa. C.S. §8511)
☐ foreign general or limited partnership (15 Pa. C.S. §4124)
☐ domestic limited liability partnership (15 Pa. C.S. §8201)
☐ foreign limited liability general partnership (15 Pa. C.S. §8211)
☐ foreign limited liability limited partnership (15 Pa. C.S. §8211)

- Provide proof of compliance with appropriate Department of State filing requirements as indicated above.
- Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.
- Provide the state in which the business is organized/formed and provide a copy of the Applicant's charter documentation.
- * If a corporate partner in the Applicant's domestic partnership is not domiciled in Pennsylvania, attach a copy of the Applicant's Department of State filing pursuant to 15 Pa. C.S. §4124.

or

☐ The Applicant is a:

- ☒ domestic corporation (15 Pa. C.S. §1308)
- ☐ foreign corporation (15 Pa. C.S. §4124)
- ☐ domestic limited liability company (15 Pa. C.S. §8913)
- ☐ foreign limited liability company (15 Pa. C.S. §8981)
- ☐ Other (Describe):

- Provide proof of compliance with appropriate Department of State filing requirements as indicated above. - "Appendix J"

- Provide the state in which the business is incorporated/organized/formed and provide a copy of the Applicant's charter documentation. - "Appendix K"

- Give name and address of officers. - "Appendix L"

3. AFFILIATES AND PREDECESSORS

(both in state and out of state)

a. **AFFILIATES:** Give name and address of any affiliate(s) currently doing business and state whether the affiliate(s) are jurisdictional public utilities. If the Applicant does not have any affiliates doing business, explicitly state so. Also, state whether the applicant has any affiliates that are currently applying to do business in Pennsylvania.

Turner Energy, LLC, 272 Plains Road, Turner, ME 04282
This affiliate self-supplies some of our facilities in the Eastern United States.

b. **PREDECESSORS**: Identify the predecessor(s) of the Applicant and provide the name(s) under which the Applicant has operated within the preceding five (5) years, including address, web address, and telephone number, if applicable. If the Applicant does not have any predecessors that have done business, explicitly state so.

Land O'Lakes, Inc. does not have any Predecessors.

4. OPERATIONS

a. APPLICANT'S PRESENT OPERATIONS: *(select and complete the appropriate statement)*

☐ The Applicant is presently doing business in Pennsylvania as a

- ☐ municipal electric corporation
- ☐ electric cooperative
- ☐ local gas distribution company
- ☐ provider of electric generation, transmission or distribution services
- ☒ Other; Identify the nature of service being rendered.
  - Dairy processor, feed manufacturer and distribution center looking to self-supply electric needs.

or

☐ The Applicant is not presently doing business in Pennsylvania.

b. APPLICANT'S PROPOSED OPERATIONS: The Applicant proposes to operate as a (*may check multiple*):

- ☐ Generator of electricity
- ☒ Supplier of electricity
- ☐ Aggregator engaged in the business of supplying electricity
- ☐ Broker/Marketer engaged in the business of supplying electricity services
- ☐ Electric Cooperative and supplier of electric power
- ☐ Other (Describe):

Definitions

- Supplier – an entity that sells electricity to end-use customers utilizing the jurisdictional transmission and distribution facilities of an EDC.
- Aggregator - an entity that purchases electric energy and takes title to electric energy as an intermediary for sale to retail customers.
- Broker/Marketer - an entity that acts as an intermediary in the sale and purchase of electric energy but does not take title to electric energy.

c. PROPOSED SERVICES: Describe in detail the electric services or the electric generation services which the Applicant proposes to offer.

- Land O'Lakes, Inc. is applying to serve only facilities owned and operated by applicant within the Commonwealth of Pennsylvania.

d. PROPOSED SERVICE AREA: Provide a list of each Electric Distribution Company for which the Applicant proposes to provide service.

- Metropolitan Edison and Penelec (First Energy Companies), PPL Electric Utilities

e. CUSTOMERS: Applicant proposes to provide services to:

- ☐ Residential Customers
- ☐ Small Commercial Customers - (25 kW and Under)
- ☐ Large Commercial Customers - (Over 25 kW)
- ☐ Industrial Customers
- ☐ Governmental Customers
- ☐ All of above
- ☒ Other (Describe): To serve facilities owned and operated by Applicant within the Commonwealth of Pennsylvania.

f. PROPOSED MARKETING METHOD *(check all that apply)*

- ☐ Internal – Applicant will use its own internal resources/employees for marketing
- ☐ External EGS – Applicant will contract with a PUC **LICENSED EGS** broker/marketer
- ☐ Affiliate – Applicant will use a **NON-EGS** affiliate marketing company and or individuals.
- ☐ External Third-Party – Applicant will contract with a **NON-EGS** third party marketing company and or individuals
- ☒ Other (Describe): To serve facilities owned and operated by Applicant within the Commonwealth of Pennsylvania.

g. DOOR TO DOOR SALES: Will the Applicant be implementing door to door sales activities?

- ☐ Yes
- ☒ No

If yes, will the Applicant be using a Third Party Verification procedure?

- ☐ Yes
- ☒ No

If yes, describe the Applicant's Third Party Verification procedures.

h. START DATE: Provide the approximate date the Applicant proposes to begin services within the Commonwealth.

- May 1, 2013

5. COMPLIANCE

a. CRIMINAL/CIVIL PROCEEDINGS: State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application, has been or is currently the defendant of a criminal or civil proceeding within the last five (5) years.

Identify all such proceedings (active or closed), by name, subject and citation; whether before an administrative body or in a judicial forum. If the Applicant has no proceedings to list, explicitly state such.

- Please refer to "Appendix M".

b. SUMMARY: If applicable; provide a statement as to the resolution or present status of any such proceedings listed above.

- Please refer to "Appendix M".

c. CUSTOMER/REGULATORY/PROSECUTORY ACTIONS: Identify all formal or escalated actions or complaints filed with or by a customer, regulatory agency, or prosecutory agency against the Applicant, an affiliate, a predecessor of either, or a person identified in this Application, for the prior five (5) years, including but not limited to customers, Utility Commissions, and Consumer Protection Agencies such as the Offices of Attorney General. If the Applicant has no actions or complaints to list, explicitly state such.

- The Applicant has had no such actions or complaints to list.

d. SUMMARY: If applicable; provide a statement as to the resolution or present status of any actions listed above.

- Not applicable.

6. PROOF OF SERVICE

(Example Certificate of Service is attached at Appendix C)

a.) **STATUTORY AGENCIES:** Pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14, provide proof of service of a signed and verified Application with attachments on the following:

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Office of the Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

b.) **EDCs:** Pursuant to Sections 1.57 and 1.58 of the Commission's Regulations, 52 Pa. Code §§1.57 and 1.58, aprovide Proof of Service of the Application and attachments upon each of the Electric Distribution Companies the Applicant proposed to provide service in. Upon review of the Application, further notice may be required pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14. Contact information for each EDC is as follows.

Allegheny Power:
Legal Department
West Penn Power d/b/a Allegheny Power
800 Cabin Hill Drive
Greensburg, PA 15601-1689

Duquesne Light:
Regulatory Affairs
Duquesne Light Company
411 Seventh Street, MD 16-4
Pittsburgh, PA 15219

Met-Ed, Penelec and Penn Power:
Legal Department
First Energy
2800 Pottsville Pike
Reading PA, 19612

Citizens' Electric Company:
Citizens' Electric Company
Attn: EGS Coordination
1775 Industrial Boulevard
Lewisburg, PA 17837

Wellsboro Electric Company:
Wellsboro Electric Company
Attn: EGS Coordination
33 Austin Street
P. O. Box 138
Wellsboro, PA 16901

PECO:
Manager Energy Acquisition
PECO Energy Company
2301 Market Street
Philadelphia, PA 19101-8699

PPL:
Legal Department
Attn: Paul Russell
PPL
Two North Ninth Street
Allentown, PA 18108-1179

UGI:
UGI Utilities, Inc.
Attn: Rates Dept. – Choice Coordinator
2525 N. 12th Street, Suite 360
Post Office Box 12677
Reading, Pa 19612-2677

Pike County Light & Power Company:
Director of Customer Energy Services
Orange and Rockland Company
390 West Route 59
Spring Valley, NY 10977-5300

7. FINANCIAL FITNESS

a. **BONDING:** In accordance with 66 Pa. C.S. Section 2809(c)(1)(i), the Applicant is required to file a bond or other instrument to ensure its financial responsibilities and obligations as an EGS. Therefore, the Applicant is...

☐ Furnishing the **original** (along with copies) of an initial bond, letter of credit or proof of bonding to the Commission in the amount of $250,000.

☐ Furnishing the **original** (along with copies) of another initial security for Commission approval, to ensure financial responsibility.

☒ Filing for a modification to the $250,000 requirement and furnishing the **original** (along with copies) of an initial bond, letter of credit or proof of bonding to the Commission in the amount of $10,000. Applicant is required to provide information supporting an amount less than $250,000. Such supporting information must include indication that the Applicant will not take title to electricity and will not pay electricity bills on behalf of its customers. Further details for modification may be described as well.

- *At the conclusion of Applicant's first year of operation it is the intention of the Commission to tie security bonds to a percentage of Applicant's gross receipts resulting from the sale of generated electricity consumed in Pennsylvania. The amount of the security bond will be reviewed and adjusted on an annual basis.*
- *Example version of a bond and letter of credit are attached at Appendix D & E, Applicant's security must follow language from these examples.*
- *Any deviation from these examples must be identified in the application and may not be acceptable to the Commission.*
- Land O'Lakes, Inc. requests a bond of $0.00 and is not supplying a Letter of Credit, based on self-supp

b. **FINANCIAL RECORDS, STATEMENTS, AND RATINGS:** Applicant must provide sufficient information to demonstrate financial fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- Actual (or proposed) organizational structure including parent, affiliated or subsidiary companies.
- Published Applicant or parent company financial and credit information (i.e. 10Q or 10K). (SEC/EDGAR web addresses are sufficient)
- Applicant's accounting statements, including balance sheet and income statements for the past two years.
- Evidence of Applicant's credit rating. Applicant may provide a copy of its Dun and Bradstreet Credit Report and Robert Morris and Associates financial form, evidence of Moody's, S&P, or Fitch ratings, and/or other independent financial service reports.
- A description of the types and amounts of insurance carried by Applicant which are specifically intended to provide for or support its financial fitness to perform its obligations as a licensee.
- Audited financial statements exhibiting accounts over a minimum two year period.
- Bank account statement, tax returns from the previous two years, or any other information that demonstrates Applicant's financial fitness.
- Please refer to "Appendix N".

c. **ACCOUNTING RECORDS CUSTODIAN**: Provide the name, title, address, telephone number, FAX number, and e-mail address of Applicant's custodian for its accounting records.

Brad Pahl - Energy Manager
Land O'Lakes, Inc.
1080 County Road F West, MS 5370
Shoreview, MN 55126
Phone: 651-375-8788
BAPahl@landolakes.com

d. TAXATION: Complete the <u>TAX CERTIFICATION STATEMENT</u> attached as Appendix F to this application.

All sections of the Tax Certification Statement must be completed. Absence (submitting N/A) of any of the TAX identifications numbers (items 7A through 7C) shall be accompanied by supporting documentation or an explanation validating the absence of such information.

Items 7A and 7C on the Tax Certification Statement are designated by the Pennsylvania Department of Revenue. Item 7B on the Tax Certification Statement is designated by the Internal Revenue Service.

8. TECHNICAL FITNESS:

To ensure that the present quality and availability of service provided by electric utilities does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided.

a.) EXPERIENCE, PLAN, STRUCTURE: such information may include:

- Applicant's previous experience in the electricity industry.
- Summary and proof of licenses as a supplier of electric services in other states or jurisdictions.
- Type of customers and number of customers Applicant currently serves in other jurisdictions.
- Staffing structure and numbers as well as employee training commitments.
- Business plans for operations within the Commonwealth.
- Documentation of membership in PJM, ECAR, MAAC, other regional reliability councils, or any other membership or certification that is deemed appropriate to justify competency to operate as an EGS within the Commonwealth.
- Any other information appropriate to ensure the technical capabilities of the Applicant.
- Please refer to "Appendix O".
- Land O'Lakes, Inc. will be using Benchfront Energy Scheduling, LLC to provide scheduling and other services. Land O'Lakes, Inc. will be using Beeson & Associates, Inc. for risk management services.

b.) OFFICERS: Identify Applicant's chief officers including names and their professional resumes.

- Please refer to "Appendix P".

c.) FERC FILING: Applicant has:

☒ Filed an Application with the Federal Energy Regulatory Commission to be a Power Marketer.

☐ Received approval from FERC to be a Power Marketer at Docket or Case Number ____________.

☐ Not applicable

9. DISCLOSURE STATEMENT:

Disclosure Statements: If proposing to serve Residential and/or Small Commercial (under 25 kW) customers, provide a Residential and/or Small Commercial disclosure statement. A sample disclosure statement is provided as Appendix G to this Application.

- Electricity should be priced in clearly stated terms to the extent possible. Common definitions should be used. All consumer contracts or sales agreements should be written in plain language with any exclusions, exceptions, add-ons, package offers, limited time offers or other deadlines prominently communicated. Penalties and procedures for ending contracts should be clearly communicated.

Not applicable for an applicant applying for a license exclusively as a broker/marketer.

Land O'Lakes is applying for a license exclusively as a broker/marketer.

10. VERIFICATIONS, ACKNOWLEDGEMENTS, AND AGREEMENTS

a. **PJM LOAD SERVING ENTITY REQUIREMENT:** As a prospective EGS, the applicant understands that those EGSs which provide retail electric supply service (i.e. takes title to electricity) must provide either:

- proof of registration as a PJM Load Serving Entity (LSE), or
- proof of a contractual arrangement with a registered PJM LSE that facilitates the retail electricity services of the EGS.

The Applicant understands that compliance with this requirement must be filed within 120 days of the Applicant receiving a license. As well, the Applicant understands that compliance with this requirement may be filed with this instant application.

(Select only one of the following)

☐ AGREED - Applicant has included compliance with this requirement in the instant application, labeled in correspondence with this section (10).

☒ AGREED - Applicant will provide compliance with this requirement within 120 days of receiving its license

☐ ACKNOWLEDGED - Applicant is not proposing to provide retail electric supply service at this time, and therefore is not presently obligated to provide such information

b. **STANDARDS OF CONDUCT AND DISCLOSURE:** As a condition of receiving a license, Applicant agrees to conform to any Uniform Standards of Conduct and Disclosure as set forth by the Commission. Further, the Applicant agrees that it must comply with and ensure that its employees, agents, representatives, and independent contractors comply with the standards of conduct and disclosure set out in Commission regulations at 52 Pa. Code § 54.43.

☒ AGREED

c. **REPORTING REQUIREMENTS**: Applicant agrees to provide the following information to the Commission or the Department of Revenue, as appropriate:

- Retail Electricity Choice Activity Reports: The regulations at 52 Pa. Code §§ 54.201--54.204 require that all active EGSs report sales activity information. An EGS will file an annual report reporting for customer groups defined by annual usage. Reports must be filed using the appropriate report form that may be obtained from the PUC's Secretary's Bureau or the forms officer, or may be down-loaded from the PUC's internet web site.

- Reports of Gross Receipts: Applicant shall report its Pennsylvania intrastate gross receipts to the Commission on a quarterly and year to date basis no later than 30 days following the end of the quarter.

- The Treasurer or other appropriate officer of Applicant shall transmit to the Department of Revenue by March 15, an annual report, and under oath or affirmation, of the amount of gross receipts received by Applicant during the prior calendar year.

- Applicant shall report to the Commission the percentages of total electricity supplied by each fuel source on an annual basis:

- Applicant will be required to meet periodic reporting requirements as may be issued by the Commission to fulfill the Commission's duty under Chapter 28 pertaining to reliability and to inform the Governor and Legislature of the progress of the transition to a fully competitive electric market.

[X] AGREED

d. **TRANSFER OF LICENSE:** The Applicant understands that if it plans to transfer its license to another entity, it is required to request authority from the Commission for permission prior to transferring the license. See 66 Pa. C.S. Section 2809(D). Transferee will be required to file the appropriate licensing application.

[X] AGREED

e. **ASSESSMENT:** The Commission does not presently assess Electric Generation Suppliers for the purposes of recovery of regulatory expenses; see *PPL Energyplus, LLC v. Commonwealth, 800 A.2d 360 (Pa. Cmwlth. 2002).*

[X] ACKNOWLEDGED

f. **FURTHER DEVELOPMENTS:** Applicant is under a continuing obligation to amend its application if substantial changes occur to the information upon which the Commission relied in approving the original filing. See 52 Pa. Code § 54.34.

[X] AGREED

g. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.

[X] AGREED

h. **NOTIFICATION OF CHANGE:** If your answer to any of these items changes during the pendency of your application or if the information relative to any item herein changes while you are operating within the Commonwealth of Pennsylvania, you are under a duty to so inform the Commission, within twenty (20) days, as to the specifics of any changes which have a significant impact on the conduct of business in Pennsylvania. See 52 Pa. Code § 54.34.

[X] AGREED

i. **CEASING OF OPERATIONS:** Applicant is also required to officially notify the Commission if it plans to cease doing business in Pennsylvania, 90 days prior to ceasing operations.

[X] AGREED

j. **Electronic Data Interchange:** The Applicant acknowledges the Electronic Data Interchange (EDI) requirements and the relevant contacts for each EDC, as listed at appendix J.

[X] AGREED

k. **FEE:** The Applicant has enclosed or paid the required initial licensing fee of $350.00 payable to the Commonwealth of Pennsylvania.

[X] PAYMENT ENCLOSED

11. AFFIDAVITS

a.) **APPLICATION AFFIDAVIT:** Complete and submit with your filing an officially notarized Application Affidavit stating that all the information submitted in this application is truthful and correct. An example copy of this Affidavit can be found at Appendix A.

b.) **OPERATIONS AFFIDAVIT:** Provide an officially notarized affidavit stating that you will adhere to the reliability protocols of the North American Electric Reliability Council, the appropriate regional reliability council(s), and the Commission, and that you agree to comply with the operational requirements of the control area(s) within which you provide retail service. An example copy of this Affidavit can be found at Appendix B.

12. NEWSPAPER PUBLICATIONS

Notice of filing of this Application must be published in newspapers of general circulation covering each county in which the applicant intends to provide service. Below is a list of newspapers which cover the publication requirements for Electric Generation Suppliers looking to do business in Pennsylvania.

The newspapers in which proof of publication is required is dependent on the service territories the applicant is proposing to serve. The chart below dictates which newspapers are necessary for each EDC. If the applicant is proposing to serve the entire Commonwealth, please file proof of publication in all seven newspapers.

Please file with the Commission the Certification of Publication, along with a photostatic copy of the notice to complete the notice requirements.

Proof of newspaper publications must be filed with the initial application. Applicants **do not** need a docket number in their publication. Docket numbers will be issued when all criteria on the item 14 checklist (see below) are satisfied.

- Please refer to "Appendix H".

	Duquesne	Met Ed	PECO	Penelec	Penn Power	PPL	UGI	West Penn	Entire Commonwealth
Philadelphia Daily News		X	X			X			X
Harrisburg Patriot-News		X		X		X		X	X
Scranton Times Tribune		X		X		X	X		X
Williamsport Sun Gazette				X		X		X	X
Johnstown Tribune Democrat				X				X	X
Erie Times-News				X	X				X
Pittsburgh Post-Gazette	X				X			X	X

(Example Publication is provided at Appendix H)

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13. SIGNATURE

Applicant:: Land O'Lakes, Inc.

By: [signature]

Title: VP, Sourcing & Commodity Merchandising

14. CHECKLIST

For the applicant's convenience, please use the following checklist to ensure all relevant sections are complete. The Commission Secretary's Bureau will not accept an application unless each of the following sections are complete.

Applicant: Land O'Lakes, Inc.

Applicant's Use		PUC Secretary's Bureau Use
X	**Signature**	√
X	**Filing Fee**	√
X	**Application Affidavit**	√
X	**Operations Affidavit**	√
X	**Proof of Publication**	√
N/A	**Bond or Letter of Credit** [self supply request = $0.00 bond]	
X	**Tax Certification Statement**	√
X	**Commonwealth Department of State Verification**	√
X	**Certificate of Service**	√

Appendix A

APPLICATION AFFIDAVIT

[Commonwealth/State] of Minnesota :

: ss.

County of Ramsey :

Kevin C. Shriver, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/she is the VP, Sourcing & Commodity Merchandising (Office of Affiant) of Land O'Lakes, Inc. (Name of Applicant);]

[That he/she is authorized to and does make this affidavit for said Applicant;]

That the Applicant herein Kevin C. Shriver has the burden of producing information and supporting documentation demonstrating its technical and financial fitness to be licensed as an electric generation supplier pursuant to 66 Pa. C.S. § 2809 (B).

That the Applicant herein Kevin C. Shriver has answered the questions on the application correctly, truthfully, and completely and provided supporting documentation as required.

That the Applicant herein Kevin C. Shriver acknowledges that it is under a duty to update information provided in answer to questions on this application and contained in supporting documents.

That the Applicant herein Kevin C. Shriver acknowledges that it is under a duty to supplement information provided in answer to questions on this application and contained in supporting documents as requested by the Commission.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief, and that he/she expects said Applicant to be able to prove the same at hearing.

Signature of Affiant

Sworn and subscribed before me this 8th day of February, 2013.

Signature of official administering oath

My commission expires 1/31/2016.

RENEE C. FINER
COMM. #31009124
Notary Public
State of Minnesota
My Commission Expires 1/31/2016

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Appendix B

OPERATIONS AFFIDAVIT

[Commonwealth/State] of Minnesota :

: ss.

County of Ramsey :

Kevin C. Shriver, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

[He/she is the VP, Sourcing & Commodity Merchandising (Office of Affiant) of Land O'Lakes, Inc. (Name of Applicant);]

[That he/she is authorized to and does make this affidavit for said Applicant;]

That Kevin C. Shriver, the Applicant herein, acknowledges that [Applicant] may have obligations pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; or with other applicable statutes or regulations including Emergency Orders which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

That Kevin C. Shriver, the Applicant herein, asserts that [he/she/it] possesses the requisite technical, managerial, and financial fitness to render electric service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

That Kevin C. Shriver, the Applicant herein, certifies to the Commission that it is subject to , will pay, and in the past has paid, the full amount of taxes imposed by Articles II and XI of the Act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Act of 1971 and any tax imposed by Chapter 28 of Title 66. The Applicant acknowledges that failure to pay such taxes or otherwise comply with the taxation requirements of Chapter 28, shall be cause for the Commission to revoke the license of the Applicant. The Applicant acknowledges that it shall report to the Commission its jurisdictional Gross Receipts and power sales for ultimate consumption, for the previous year or as otherwise required by the Commission. The Applicant also acknowledges that it is subject to 66 Pa. C.S. §506 (relating to the inspection of facilities and records).

As provided by 66 Pa. C.S. §2810 (C)(6)(iv), Applicant, by filing of this application waives confidentiality with respect to its state tax information in the possession of the Department of Revenue, regardless of the source of the information, and shall consent to the Department of Revenue providing that information to the Pennsylvania Public Utility Commission.

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SECRETARY'S BUREAU

Appendix B (Continued)

That Kevin C. Shriver, the Applicant herein, acknowledges that it has a statutory obligation to conform with 66 Pa. C.S. §506, §2807 (C), §2807(D)(2), §2809(B) and the standards and billing practices of 52 PA. Code Chapter 56.

That the Applicant agrees to provide all consumer education materials and information in a timely manner as requested by the Bureau of Public Liaison or other Commission bureaus. Materials and information requested may be analyzed by the Commission to meet obligations under applicable sections of the law.

That the facts above set forth are true and correct/true and correct to the best of his/her knowledge, information, and belief.

Signature of Affiant

Sworn and subscribed before me this 8th day of February, 2013.

Signature of official administering oath

My commission expires 1/31/2016.

RENEE C. FINER
COMM. #31009124
Notary Public
State of Minnesota
My Commission Expires 1/31/2016

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Appendix C

CERTIFICATE OF SERVICE

On this the 8th day of February 2013, I certify that a true and correct copy of the foregoing application form for licensing within the Commonwealth of Pennsylvania as an Electric Generation Supplier and all attachments have been served upon the following:

Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

Legal Department
First Energy
2800 Pottsville Pike
Reading PA, 19612

Legal Department
Attn: Paul Russell
PPL
Two North Ninth Street
Allentown, PA 18108-1179

Kevin C. Shriver
VP, Sourcing & Commodity Merchandising
Land O'Lakes, Inc.

Appendix D

Electric Generation Supplier License Bonds

Bonds submitted in order to satisfy the licensing process must comply with the following:

The bond in the amount of $250,000 should name the Pennsylvania Public Utility Commission as the obligee or beneficiary, and should contain the following language:

> This bond is written in accordance with Section 2809(c)(1)(i) of the Public Utility Code, 66 Pa. C.S. § 2809(c)(1)(i), to assure compliance with applicable provisions of the Public Utility Code, 66 Pa. C.S. §§101, et seq., and the rules and regulations of the Pennsylvania Public Utility Commission by the Principle as a licensed electric generation supplier; to ensure the payment of Gross Receipts Tax as required by Section 2810 of the Public Utility Code, 66 Pa. C.S. § 2810; and to ensure the supply of electricity at retail in accordance with contracts, agreements or arrangements. Payment of claims shall have the following priority: (i) The Commonwealth; (ii) Electric Distribution Companies for the reimbursement of Gross Receipts Tax; and (iii) Private individuals. Proceeds of the bond may not be used to pay any penalties or fines levied against the Principal for violations of the law, or for payment of any other tax obligations owed to the Commonwealth.

The original and two copies of the bond must be submitted to the Office of the Secretary, Pa. Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265. The entry date of the Commission's Order will be the effective date for the license.

Land O'Lakes, Inc. requests a bond of $0.00, based on self-supply.

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

NOT APPLICABLE

Example Bond

Bond Number:____________________

KNOW ALL MEN BY THESE PRESENTS that ***APPLICANT NAME*** as Principal, and XYZ Insurance Company of ***CITY, STATE***, as Surety, are firmly bound unto Pennsylvania Public Utility Commission, as obligee, in the penal sum of ____________________dollars ($__________), lawful money of the United States of America for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors and administrators, successors and assigns, jointly, severally, and firmly by these presents.

SIGNED, SEALED AND DATED THIS day of Month, Year

THE CONDITION OF THIS OBLIGATION IS SUCH, that Whereas the Principal has made application for a license to the Obligee to offer, render, furnish or supply electricity or electric generation services to the public.

NOW THEREFORE, the condition of this obligation is such that the Principal must act in accordance with Section 2809(c)(1)(i) of the Public Utility Code, 66 Pa. C.S. 2809(c)(1)(i), to assure compliance with applicable provisions of the Public Utility Code, 66 Pa. C.S. 101, et seq. and the rules and regulation of the Pennsylvania Public Utility Commission by the Principal as a licensed electric generation supplier; to ensure the payment of Gross Receipts Tax as required by Section 2810 of the Public Utility Code, 66 Pa. C.S. 2810; and to ensure the supply of electricity at retail in accordance with contracts, agreements or arrangement. Payment of claims shall have the following priority: (I) The Commonwealth of Pennsylvania; (II) Electric Distribution Companies for the reimbursement of Gross Receipts Tax; and (III) Private Individuals. Proceeds of the bond may not be used to pay any penalties or fines levied against the Principal for violations of the law, or for the payment of any other tax obligations owed to the Commonwealth of Pennsylvania.

NOW THEREFORE, if the Principal shall, during the period commencing on the aforesaid date, faithfully observe and honestly comply with such rules, regulations and statutes that are applicable to an electric generation supplier licensed in Pennsylvania and fulfills its obligation to pay the Gross Receipts Tax to the Commonwealth, and to deliver electricity at retail in accordance with contracts, agreements and arrangements, require the execution of this bond, then this obligation shall become void and of no effect.

PROVIDED, the Surety may terminate its future liability under this Bond sixty (60) days after furnishing written notice of such intention to terminate. This termination shall not affect the liability of the Surety and the Principal for any liability incurred by the Principal prior to the effective date of such termination. Any claim under this bond must be instituted within three (3) months of the effective date of termination.

THIS BOND WILL EXPIRE Month Day, Year, but may be continued by continuation certificate signed by Principal and XYZ. XYZ may at any time terminate its liability by giving sixty (60) days written notice of the Obligee, and XYZ shall not be liable for any default after such sixty-day notice period, except for defaults occurring prior thereto.

Signed, sealed and dated Month Day, Year.

____
Principal

COUNTERSIGNED BY

____
Surety

____
Surety Agent

By______________________________
Attorney-in-Fact

Appendix E

LETTER OF CREDIT

Land O'Lakes, Inc. has not included a Letter of Credit, based on self-supply.

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Appendix G

DISCLOSURE STATEMENT

"Not applicable for an applicant applying for a license exclusively as a broker/marketer."

Land O'Lakes, Inc. is applying for a license exclusively as a broker/marketer.

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Appendix H

NOTICE PUBLICATIONS

This section includes appropriate Notice Publications for counties in which Land O'Lakes, Inc. intends to provide service.

Philadelphia Daily News	Metropolitan Edison, PPL
Patriot-News (Harrisburg)	Metropolitan Edison, PPL, Penelec
Scranton Times Tribune	Metropolitan Edison, PPL, Penelec
Williamsport Sun Gazette	PPL, Penelec
Johnstown Tribune Democrat	Penelec
Erie Times-News	Penelec

Proof of Publication in The Philadelphia Daily News
Under Act. No 587, Approved May 16, 1929

STATE OF PENNSYLVANIA
COUNTY OF PHILADELPHIA

Florence Devlin being duly sworn, deposes and says that **The Philadelphia Daily News** is a newspaper published daily, except Sunday, at Philadelphia, Pennsylvania, and was established in said city in 1925, since which date said newspaper has been regularly issued in said County, and that a copy of the printed notice of publication is attached hereto exactly as the same was printed and published in the regular editions and issues of the said newspaper on the following dates:

January 21, 2013

Affiant further deposes and says that she is an employee of the publisher of said newspaper and has been authorized to verify the foregoing statement and that she is not interested in the subject matter of the aforesaid notice of publication, and that all allegations in the foregoing statement as to time, place and character of publication are true.

Florence Devlin

Sworn to and subscribed before me this 21st day of January, 2013.

Mary Anne Logan
Notary Public

My Commission Expires:

NOTARIAL SEAL
Mary Anne Logan, Notary Public
City of Philadelphia, Phila. County
My Commission Expires 3/30/2013

Copy of Notice of Publication

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
NOTICE

Application of **Land O'Lakes, Inc.** For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Generator And Supplier Of Electric Power, A Marketer/Broker Engaged In The Business Of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania.

Land O'Lakes, Inc. will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a generator and supplier of electric power, (2) a broker/marketer engaged in the business of supplying electricity, and (3) an aggregator engaged in the business of supplying electricity. **Land O'Lakes, Inc.** proposes to sell electricity and related services throughout all of Pennsylvania under the provisions of the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of **Land O'Lakes, Inc.** may be files within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to **Land O'Lakes, Inc.'s** attorney at the address listed below.

By and through Counsel: Katie Lichty
Land O'Lakes, Inc.
4001 Lexington Avenue North, MS 2500
Arden Hills, MN 55126

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FEB 14 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

The Patriot-News Co.
2020 Technology Pkwy
Suite 300
Mechanicsburg, PA 17050
Inquiries - 717-255-8213

The Patriot-News
Now you know

LAND O'LAKES, INC
1080 COUNTY ROAD F WEST, MS 5380
ATTN: KATHLEEN ROBINSON

SHOREVIEW MN 55126

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SECRETARY'S BUREAU

THE PATRIOT NEWS
THE SUNDAY PATRIOT NEWS

Proof of Publication

Under Act No. 587, Approved May 16, 1929
Commonwealth of Pennsylvania, County of Dauphin} ss

Marianne Miller, being duly sworn according to law, deposes and says:

That she is a Staff Accountant of The Patriot News Co., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, with its principal office and place of business at 2020 Technology Pkwy, Suite 300, in the Township of Hampden, County of Cumberland, State of Pennsylvania, owner and publisher of The Patriot-News and The Sunday Patriot-News newspapers of general circulation, printed and published at 1900 Patriot Drive, in the City, County and State aforesaid; that The Patriot-News and The Sunday Patriot-News were established March 4th, 1854, and September 18th, 1949, respectively, and all have been continuously published ever since;

That the printed notice or publication which is securely attached hereto is exactly as printed and published in their regular daily and/or Sunday/ Community Weekly editions which appeared on the date(s) indicated below. That neither she nor said Company is interested in the subject matter of said printed notice or advertising, and that all of the allegations of this statement as to the time, place and character of publication are true; and

That she has personal knowledge of the facts aforesaid and is duly authorized and empowered to verify this statement on behalf of The Patriot-News Co. aforesaid by virtue and pursuant to a resolution unanimously passed and adopted severally by the stockholders and board of directors of the said Company and subsequently duly recorded in the office for the Recording of Deeds in and for the County of Dauphin in Miscellaneous Book "M", Volume 14, Page 317.

PENNSYLVANIA
PUBLIC UTILITY COMMISSON
NOTICE

Application of Land O'Lakes, Inc. For Approval to Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Generator And Supplier Of Electric Power, A Marketer/Broker Engaged In The Business Of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth of Pennsylvania.

Land O'Lakes, Inc. will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a generator and supplier of electric power, (2) a broker/marketer engaged in the business of supplying electricity, and (3) an aggregator engaged in the business of supplying electricity. Land O'Lakes, Inc. proposes to sell electricity and related services throughout all of Pennsylvania under the provisions of the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Land O'Lakes, Inc. may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to Land O'Lakes, Inc.'s attorney at the address listed below.

By and through Counsel: Katie Lichty
Land O'Lakes, Inc.
4001 Lexington Avenue North, MS 2500
Arden Hills, MN 55126

This ad# 0002246305 ran on the dates shown below:

January 24, 2013

Sworn to and subscribed before me this 25 day of January, 2013 A.D.

Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Holly Lynn Warfel, Notary Public
Washington Twp., Dauphin County
My Commission Expires Dec. 12, 2016
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

The Scranton Times (Under act P.L. 877 No 160. July 9, 1976)
Commonwealth of Pennsylvania, County of Lackawanna

LAND O'LAKES INC
DANIELLE STORM
4001 LEXINGTON AVENUE NORTH ARDEN HILLS MN 55126

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FEB 14 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Account # 570213
Order # 81044552
Ad Price: 223.40

Gina Krushinski
Being duly sworn according to law deposes and says that she is Billing clerk for The Scranton Times, owner and publisher of The Scranton Times, a newspaper of general circulation, established in 1870, published in the city of Scranton, county and state aforesaid, and that the printed notice or publication hereto attached is exactly as printed in the regular editions of the said newspaper on the following dates:

10/10/2012

Affiant further deposes and says that neither the affiant nor The Scranton Times is interested in the subject matter of the aforesaid notice or advertisement and that all allegations in the foregoing statement as time, place and character or publication are true Gina Krushinski.

Sworn and subscribed to before me
this 10th day of October A.D., 2012

Sharon Venturi
(Notary Public)

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Sharon Venturi, Notary Public
City of Scranton, Lackawanna County
My Commission Expires Feb. 12, 2014
Member, Pennsylvania Association of Notaries

LEGAL NOTICE

PENNSYLVANIA PUBLIC UTILITY COMMISSION NOTICE

*Application of **Land O'Lakes, Inc.** For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Generator And Supplier Of Electric Power, A Marketer/Broker Engaged In The Business Of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania.*

Land O'Lakes, Inc. will be filing an application with the Pennsylvania Public Utility Commission (PUC) for a license to supply electricity or electric generation services as (1) a generator and supplier of electric power, (2) a broker/marketer engaged in the business of supplying electricity, and (3) an aggregator engaged in the business of supplying electricity. **Land O'Lakes, Inc.** proposes to sell electricity and related services throughout all of Pennsylvania under the provisions of the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of **Land O'Lakes, Inc.** may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to **Land O'Lakes, Inc.** attorney at the address listed below.

By and through Counsel: Katie Lichty
Land O'Lakes, Inc.
4001 Lexington Avenue North
Arden Hills, MN 55126

No. Term, 19

PROOF OF PUBLICATION OF NOTICE IN THE WILLIAMSPORT SUN-GAZETTE UNDER ACT NO. 587, APPROVED MAY 16, 1929

STATE OF PENNSYLVANIA
COUNTY OF LYCOMING SS:

Bernard A. Oravec Publisher of the Sun-Gazette Company, publishers of the Williamsport, Sun-Gazette, successor to the Williamsport Sun and the Gazette & Bulletin, both daily newspapers of general circulation, published at 252 West Fourth Street, Williamsport, Pennsylvania, being duly sworn, deposes and says that the Williamsport Sun was established in 1870 and the Gazette & Bulletin was established in 1801, since which dates said successor, the Williamsport Sun-Gazette, has been regularly issued and published in the County of Lycoming aforesaid, and that a copy of the printed notice is attached hereto exactly as the same was printed and published in the regular editions of said Williamsport Sun-Gazette on the following dates, viz:

January 27, 2013

Affiant further deposes that he is an officer daily authorized by the Sun-Gazette Company, publisher of the Williamsport Sun-Gazette, to verify the foregoing statement under oath and also declares that affiant is not interested in the subject matter of the aforesaid notice of publication, and that all the allegations in the foregoing statement as to time, place and character of publication are true.

PENNSYLVANIA PUBLIC UTILITY COMMISSION
NOTICE

Application of Land O'Lakes, Inc. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Generator And Supplier Of Electric Power, A Marketer/Broker Engaged In The Business Of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania.

Land O'Lakes, Inc. will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a generator and supplier of electric power, (2) a broker/marketer engaged in the business of supplying electricity, and (3) an aggregator engaged in the business of supplying electricity. Land O'Lakes, Inc. proposes to sell electricity and related services throughout all of Pennsylvania under the provisions of the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Land O'Lakes, Inc. may be files within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to Land O'Lakes, Inc.'s attorney at the address listed below:

By and through Counsel:
Katie Lichty
Land O'Lakes, Inc.
4001 Lexington Avenue North, MS 2500
Arden Hills, MN 55126

Bernard A. Oravec

SUN-GAZETTE COMPANY

Sworn to and subscribed before me the 23rd day of January 2013

Cathy A Billey
Notary Public

NOTARIAL SEAL
CATHY A. BILLEY, Notary Public
City of Williamsport, Lycoming County
My Commission Expires May 15, 2015

STATEMENT OF ADVERTISING COSTS

To the Sun-Gazette Company, Dr.:
For publishing the notice attached hereto on the above state dates......$255.52
Probated same......$
Total......$255.52

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

THE SUN-GAZETTE COMPANY hereby acknowledges receipt of the aforesaid advertising and publication costs and certifies that the same have been fully paid.

SUN-GAZETTE COMPANY

BY Bernard A. Oravec

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FEB 14 2013
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

COMMONWEALTH OF PENNSYLVANIA
County of Cambria } SS

LEGAL NOTICE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
NOTICE

Application of Land O'Lakes, Inc. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Generator And Supplier Of Electric Power, A Marketer/Broker Engaged In The Business Of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania.

Land O'Lakes, Inc. will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a generator and supplier of electric power, (2) a broker/marketer engaged in the business of supplying electricity, and (3) an aggregator engaged in the business of supplying electricity. Land O'Lakes, Inc. proposes to sell electricity and related services throughout all of Pennsylvania under the provisions of the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Land O'Lakes, Inc. may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to Land O'Lakes, Inc.'s attorney at the address listed below.

By and through Counsel:
Katie Lichty
Land O'Lakes, Inc.
4001 Lexington Avenue North, MS 2500
Arden Hills, MN 55126

On this 25th day of January A.D. 2013, before me, the subscriber, a Notary Public in and for said County and State, personally appeared Christine Marhefka, who being duly sworn according to law, deposes and says as Classified Advertising Manager of the Tribune-Democrat, Johnstown, PA, a newspaper of general circulation as defined by the "Newspaper Advertising Act", a merger September 8,1952, of the Johnstown Tribune, established December 7,1853; and of the Johnstown Democrat, established March 5, 1863, published continuously at Johnstown Pa. in the County of Cambria, and Commonwealth of Pennsylvania and that the annexed is a true copy of a notice in the above matter published in said publication in the regular issues of The Johnstown Tribune-Democrat, Johnstown, PA, on January 25, 2013; and that the Affiant is not interested in the subject matter of said notice or advertising and that all of the allegations as to time, place and character of said publication are true.

Christine Marhefka

STATEMENT OF ADVERTISING COSTS

Sworn and Subscribed before me this
25th day of January, 2013.

Vivian Ohs

65 Lines @ $2.50 per line	162.50
0.00 Inches @ $25.00 per inch	0.00
Notary Fee	5.00
Clerical Fee	2.50
Total Cost	170.00

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Vivian Ohs, Notary Public
City of Johnstown, Cambria County
My Commission Expires Dec. 6, 2016
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

To The Tribune-Democrat, Johnstown, PA
For publishing the notice or publication attached hereto on the above stated dates.

PUBLISHER'S RECEIPT FOR ADVERTISING COSTS

____________________ for publisher of ____________________
a newspaper of general circulation, hereby acknowledges receipt of the aforesaid and publication costs and certifies that the same has been duly paid.

____
(Name of Newspaper)

By____________________

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FEB 14 2013
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PROOF OF PUBLICATION
In
THE ERIE TIMES-NEWS

COMBINATION EDITION

LAND O LAKES INC
1080 COUNTY RD W
MS 5380
SHOREVIEW MN 55126-2910

REFERENCE: L0005881
2099354 PUC NOTICE

STATE OF PENNSYLVANIA)
COUNTY OF ERIE) SS:

Debra McGraw, being duly sworn, deposes and says that: (1) she is a designated agent of the Times Publishing Company (TPC) to execute Proofs of Publication on behalf of the TPC; (2) the TPC, whose principal place of business is at 205 W. 12th Street, Erie, Pennsylvania, owns and publishes the Erie Times-News, established October 2, 2000, a daily newspaper of general circulation, and published at Erie, Erie County Pennsylvania; (3) the subject notice or advertisement, a true and correct copy of which is attached, was published in the regular edition(s) of said newspaper on the date(s) referred to below. Affiant further deposes that he/she is duly authorized by the TPC, owner and publisher of the Erie Times-News, to verify the foregoing statement under oath, and affiant is not interested in the subject matter of the aforesaid notice or advertisement, and that all allegations in the foregoing statement as to time, place and character of publication are true.

PUBLISHED ON: 01/24

TOTAL COST: 294.00 AD SPACE: 7.000 INCH
FILED ON: 01/24/13

RECEIVED

FEB 14 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

LEGAL NOTICE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
NOTICE

Application of Land O'Lakes, Inc. For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Generator And Supplier Of Electric Power, A Marketer/ Broker Engaged In The Business Of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania.

Land O'Lakes, Inc. will be filing an application with the Pennsylvania Public Utility Commission ("PUC") for a license to supply electricity or electric generation services as (1) a generator and supplier of electric power, (2) a broker/marketer engaged in the business of supplying electricity, and (3) an aggregator engaged in the business of supplying electricity. Land O'Lakes, Inc. proposes to sell electricity and related services throughout all of Pennsylvania under the provisions of the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of Land O'Lakes, Inc. may be files within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to Land O'Lakes, Inc.'s attorney at the address listed below.

By and through Counsel: Katie Lichty

Land O'Lakes, Inc.
4001 Lexington Avenue North, MS 2500
Arden Hills, MN 55126

2099354

Sworn to and subscribed before me this

24th day of January 2013 Affiant: Debra McGraw

NOTARY: Barbara J Moore

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Barbara J. Moore, Notary Public
City of Erie, Erie County
My Commission Expires March 23, 2016
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

Appendix I

Electronic Data Interchange and Internet Requirements

Prior to doing business in an EDC service territory, the EGS must meet the Electronic Data Interchange (EDI) certification requirements of the EDC. Certification is a testing process using the Commission approved Internet protocol. To initiate this process, the EGS is encouraged to contact the EDC as early as possible after filing an application for a license with the Commission, since certification may require as many as four months to complete and customer service contract dates may not commence prior to certification. EDC requirements of new suppliers may be found on the respective EDC home web page. Pennsylvania's industry stakeholder group the Electronic Data Exchange Working Group (EDEWG) develops and maintains the EDI transactions and related business practices, which are found on the Pa. PUC website at http://www.puc.state.pa.us/electric/electric_electronic_data_exchange.aspx. The EDEWG meets telephonically the first Thursday of each month at 2:00pm ET to discuss EDI change control requests and other issues.

To keep current with Pennsylvania EDI practices and policies, a newly licensed EGS is strongly encouraged to participate in the EDEWG by contacting the following:

PA EDEWG EDI Contacts

Entity Name	Contact Name	Telephone	Email	Preference
PA PUC	Matthew Wurst	717-787-5553	mwurst@pa.gov	None
PA EDEWG LDC Co-Chair	Sue Scheetz	610-774-3616	smscheetz@pplweb.com	Email
PA EDEWG ESP Co-Chair	Matthew Sigg	713-236-4311	Matt.Sigg@Constellation.com	Email
PA EDEWG Secretary & Regional EDI Change Control Manager	Brandon Siegel	412-817-8004	bsiegel@ista-na.com	Email

PA EDC EDI Contacts

Company Name	Contact Name	Telephone	Email	Preference
Duquesne Light Co	Supplier Service Center	412-393-6282	DLC_SSC@duqlight.com	Email
FirstEnergy - Metropolitan Edison Co, Pennsylvania Electric, Penn Power, JCP&L, WPP & Potomac Edison	Supplier Support	330-761-4348	SupplierSupport@firstenergycorp.com	Email
PECO	Electric & Gas Choice Hotline	215-841-3700	egc@exeloncorp.com	Email
PPL Electric Utilities	Donna M. Hirst	610-774-6349	dmhirst@pplweb.com	None
	Susan Scheetz	610-774-3616	smscheetz@pplweb.com	Email
	Supplier Support	610-774-6396	PPLUtilitiesSupplier@pplweb.com	Email
	EDI Team	610-774-5757	EDIUtilAdm@pplweb.com	Email
UGI Utilities Inc.	EDI Technical Support	610-736-5471	edi@ugi.com	Email

Appendix J

PROOF OF COMPLIANCE

Attached is the Proof of Compliance with the appropriate Department of State filing requirements as requested in 2.b.

COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF STATE

OCTOBER 1, 2012

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

I DO HEREBY CERTIFY THAT,

LAND O'LAKES, INC.

is duly qualified as a Foreign Corporation under the laws of the Commonwealth of Pennsylvania and remains a subsisting corporation so far as the records of this office show, as of the date herein.

I DO FURTHER CERTIFY THAT, This Subsistence Certificate shall not imply that all fees, taxes, and penalties owed to the Commonwealth of Pennsylvania are paid.

SECRETARY OF THE COMMONWEALTH PENNSYLVANIA

IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

Secretary of the Commonwealth

Certification Number: 10595056-1
Verify this certificate online at http://www.corporations.state.pa.us/corp/soskb/verify.asp

Appendix K

CHARTER DOCUMENTATION

Land O'Lakes, Inc. was incorporated in the state of Minnesota. Attached is a copy of the Applicant's charter documentation.

RECEIVED

FEB 14 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Land O'Lakes, Inc.
Restated Articles of Incorporation and By-Laws

As Amended, February 2012

RECEIVED

FEB 14 2013

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

ARTICLES OF INCORPORATION

ARTICLE I

The name of this corporation is Land O'Lakes, Inc.

ARTICLE II

The nature of the business, or the objects or purposes to be transacted, promoted or carried on, are:

1. To engage in any activity in connection with the production, grading, handling, processing, manufacturing, preserving, drying, packing, transportation, storage, warehousing, financing, advertising, buying, selling, marketing or distributing directly or through agents, in intrastate, interstate, or foreign commerce, of any agricultural product or products derived therefrom for itself, its stockholder members, and other farmer-owned and operated associations of producers of such agricultural products;
2. To promote, foster and encourage the orderly marketing of agricultural products through collective action; and to represent and advise its stockholders in matters relating to the production, procurement, storage, handling, transportation, processing, manufacturing, distribution, marketing, and promotion of the use and sale of agricultural products;
3. To purchase, manufacture, process, mine, store, handle, sell, transport, and distribute feed, seed, chemicals, fertilizers, petroleum, and petroleum products, building materials, and all commodities, supplies, services and equipment, related to agricultural operation, for the use and benefit of its stockholders and other patrons;
4. To carry out all or any part of the foregoing objects as principal, factor, agent, contractor, joint venturer or otherwise, either alone or through or in conjunction with any person, firm, partnership, association or corporation;
5. To provide management, financial, promotional, educational and other services for stockholders and patrons in connection with any of the foregoing objects and purposes;
6. To engage in and carry on any other business which may conveniently be conducted in conjunction with the business of the corporation;
7. To purchase, lease, hire or otherwise acquire, hold, own, construct, erect, improve, manage and operate, and to aid and subscribe toward the acquisition, construction or improvement of mines, plants, mills, factories, works, buildings, machinery, equipment, and facilities and any other property or appliances which may appertain to or be useful in the conduct of the business of the corporation.

For such purposes, it shall have and may exercise all the powers permitted under the laws of the State of Minnesota.

ARTICLE III

The corporation shall have perpetual existence.

ARTICLE IV

1. The amount of the total authorized capital stock of this corporation is Four Hundred and Two Million Five Hundred Sixty Thousand Dollars ($402,560,000.00) divided into Sixteen Million (16,000,000) shares of preferred stock or equity instruments, par value Twenty Five Dollars ($25.00) per share, or such other amount established by the Board of Directors as specified below; Two Thousand (2,000) shares of Class A Common Stock, par value One Thousand Dollars ($1,000.00) per share; Fifty Thousand (50,000) shares of Class B Common Stock, par value One Dollar ($1.00) per share; Five Hundred (500) shares of Class C Stock, par value One Thousand Dollars ($1,000.00) per share; and Ten Thousand (10,000) shares of Class D Stock, par value One Dollar ($1.00) per share.

2. Class A Common Stock shall only be issued to and held by farmers' cooperative associations as defined in the Agricultural Marketing Act (12 U.S.C.A. 1141j (a)). Class B Common Stock shall only be issued to and held by individual farmers, or corporations which are engaged primarily in farming operations, substantially all of whose stockholders, officers and directors are farmers or share in the productivity of the farm. Class C Stock may be issued to and held by any association, firm, corporation or any other entity doing business on a cooperative basis other than an entity which is eligible to hold Class A Common Stock. Class D Stock may be issued to and held by any individual other than an individual who is eligible to hold Class B Common Stock. Shares of preferred stock or equity instruments may be issued to and held by any person, firm or corporation.

3. The voting power shall be vested in the holders of Class A and Class B Common Stock exclusively. Individuals owning Class B Common Stock and corporations owning Class B Common Stock shall be restricted to one (1) vote in the affairs of this corporation; provided, however, if an individual or a corporation who is a Class B Dairy Foods member also has a second membership for Ag Services by virtue of direct procurement of agricultural supplies or services, such individual or corporation shall be entitled to cast a vote for each membership; one based upon the marketing of dairy or food products in the Dairy Foods region and one based upon the direct procurement of agricultural supplies or services in the Ag Services region. Class A common stockholders may have additional votes as provided for in the By-laws. Class C and Class D stockholders and holders of shares of preferred stock or equity instruments shall not be entitled to vote in the affairs of this corporation. Shares of stock shall be transferable only with the approval of the Board of Directors of this corporation, however, shares of any class or series of preferred stock or equity instruments shall be free of any obligation to offer such shares for sale to the corporation, any other preemptive or similar right to issue shares to any person or any other restriction on transfer contained in the Bylaws unless otherwise expressly authorized by the Board of Directors at the time the establishment of the preferred stock or equity instruments is approved.

4. The Board of Directors may, by resolution, establish and issue to any person (whether member, nonmember patron, or other person) one or more classes or series of preferred stock or equity instruments, may set forth the designation of classes or series of

such preferred stock or equity instruments, and may fix the relative powers, designations, preferences and relative, participating, optional and other special rights of each class or series of preferred stock or equity instruments and any qualifications, limitations or restrictions thereof. Unless otherwise specified by the Board of Directors in such resolution at the time the establishment of a series or class of preferred stock or equity instrument is approved, the preferred stock or equity instruments shall not be subject to any lien created in favor of the corporation in the Bylaws.

5. No dividends shall be paid on common stock of any class. Dividends on preferred stock or equity instruments shall not exceed eight percent (8%) per annum and shall be non-cumulative unless so specified by the Board of Directors at the time of the establishment of the applicable class or series of preferred stock or equity instruments. Dividends payable on any series or class of preferred stock or equity instruments shall be deducted in determining annual net earnings, unless otherwise specified by the Board of Directors at the time that the establishment of such class or series of preferred stock or equity instruments is approved.

6. Subject to any restrictions approved by the Board of Directors, at the time of the establishment of any class or series of preferred stock or equity instruments, any series or class of preferred stock or equity instruments may be retired in whole or in part at any time as determined by the Board of Directors, upon payment of the par value thereof plus any unpaid dividends accumulated thereon.

7. In case of any winding up, dissolution or liquidation, the holders of preferred stock or equity instruments shall be entitled and limited to receive the par value thereof, plus any unpaid dividends accumulated thereon, before any payment is made to the holders of Class A and Class B Common Stock or Class C and Class D Stock.

8. Annual net earnings in excess of dividends and additions to reserves shall be distributed on the basis of patronage, as provided for in the By-laws, and the records of the corporation may show the interest of patrons, stockholders of any classes, and members in the reserves, as provided for in the By-laws.

ARTICLE V

This corporation shall have its registered and principal office at 4001 Lexington Avenue North, Arden Hills, Minnesota, and may have other offices in other localities.

ARTICLE VI

These Articles of Incorporation may be amended as provided by law.

ARTICLE VII

The members of the Board of Directors of this association shall not be held personally liable to this association or its members and patrons for any monetary damages for breach of fiduciary duty, except for: a breach of the director's duty of loyalty to this association or its members; for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; for a transaction from which the director derived an improper personal benefit; or for an act or omission occurring prior to the effective date of this provision, which is the date on which the amendment to the Articles of Incorporation of this association adding this provision is filed in the office of the Minnesota Secretary of State as required by law.

BY-LAWS

ARTICLE I
NAME AND LOCATION

Section 1. Name. The name of this association shall be Land O'Lakes, Inc.

Section 2. Location of Office. The principal office shall be located in Arden Hills, Minnesota. Other offices for the transaction of business shall be located at such places as the Board of Directors may determine.

ARTICLE II
PURPOSES

The nature of the business, and the objects and purposes of this association are set forth in the Articles of Incorporation.

ARTICLE III
MEMBERSHIP

Section 1. Qualification of Members. Persons and associations eligible for membership in this association who shall enter into a business transaction with this association shall be deemed to have applied for membership herein as of the date of the first business transaction within the year of application for membership. Membership in this association shall be of four (4) classes, as follows:

(a) *Class A.* An association of producers of agricultural products operating on a cooperative basis, and (1) engaged in the processing, preparing for market, handling or marketing of farm products of its members; or (2) engaged in purchasing, producing, distributing and furnishing of farm supplies and farm business services, may become a corporate member of this association upon approval of the Board of Directors by the purchase of a share of Class A Common Stock, par value $1,000, and compliance with such uniform conditions as may be prescribed by the Board of Directors.

(b) *Class B.* Any person (including an individual, partnership, limited liability company, corporation, and landlord and tenant in a share tenancy) who is actually engaged in the production of agricultural commodities in the territory in which this association is doing business may become an individual member of this association upon approval of the Board of Directors by the purchase of a share of Class B Common Stock, par value $1.00, and compliance with such uniform conditions as may be prescribed by the Board of Directors.

(c) *Class C.* Any association, firm, corporation or any other entity, doing business on a cooperative basis other than an entity which is eligible to hold Class A Common Stock, may become a non-voting member of this association upon the approval of the Board of

Directors, by the purchase of a share of Class C Stock, par value $1,000, and compliance with such uniform conditions as may be prescribed by the Board of Directors.

(d) *Class D.* Any individual other than an individual which is eligible to hold Class B Common Stock may become a non-voting member of this association upon the approval of the Board of Directors, by the purchase of a share of Class D Stock, par value $1.00, and compliance with such uniform conditions as may be prescribed by the Board of Directors.

Section 2. Voting. Each member of this association holding one or more shares of Class B Stock shall have one (1) vote in the affairs of this association at all membership meetings. Each member of this association holding one or more shares of Class A Stock shall have such number of votes in the affairs of this association at all membership meetings as its annual volume of patronage business with this association bears to a representative volume of business of an individual member marketing products through, or purchasing supplies from, this association. Each corporate member shall, by action of its board of directors or of its membership, appoint a person to act as delegate to cast its multiple votes at membership meetings.

Individual members may, by action of the Board of Directors, be grouped into voting units and may be represented at membership meetings by delegates of their own choosing who shall cast the votes of all of the members of the unit or part of the unit they represent, except the votes of any members who have informed this association of their desire to personally cast their votes. A voting unit may be, but is not required to be, referred to as either a Dairy/Foods Unit or an Ag Service Unit. For purposes of these By-laws, a voting unit and the members thereof shall be deemed to be located in that region which, compared to any other region, contains the most residences of the members of such unit.

The Board of Directors may submit any motion, resolution or amendment, including final action upon nominees, and alternates, for the office of director to the membership for a vote by electronic means or by mail on a ballot in the form prescribed in Section 308A.635, Minnesota Statutes, and submitted in conformity with the procedure defined in said section.

Whenever the term "member" is used herein, except in Article VIII, Method of Operation, it shall refer to voting members only; that is, the holders of Class A Common Stock or Class B Common Stock.

Section 3. Termination of Members. The Board of Directors shall have the power to terminate the membership of any member for cause or whenever, in its judgment, such member has ceased adequately to patronize this association under the same terms and conditions as other members. Furthermore, the Board shall have the power, in its sole discretion, to terminate the membership of any member whenever such member has executed an agreement with any third party organization, in which such third party acts as an intermediary or agent either in the sale of the member's products or in the procurement for the member of product or supplies, and such relationship is deemed by the Board to be detrimental to this association. The Board's determination as to cancellation of membership shall be final and conclusive without requirement of prior notice.

Termination of membership shall mean cancellation of voting rights. If at any time a Class B member fails to meet the requirements set forth in the Capper-Volstead Act providing that all members of a Capper-Volstead cooperative be engaged in the production of agricultural products, the membership of such person shall automatically terminate, without the requirement of notice, effective on the date the person fails to meet Capper-Volstead requirements. In any case in which a membership has been terminated, the stock of such member shall automatically become non-voting stock, and notice to that effect shall be mailed to the member. Such termination, however, shall not affect the member's property interest in this association. This association may redeem at par value any common stock which has become non-voting common stock.

Section 4. Affiliation of Members. When so provided by marketing agreements with members, the Board of Directors shall have the power to enter into one or more contracts of affiliation with another cooperative, appointing such other cooperative as the agent for the marketing of milk of this association's members and agreeing that each member covered by the contract shall, with respect to such contract and during the term thereof, be deemed to be an affiliated member of such other cooperative.

ARTICLE IV
REGIONS

Section 1. Regions. The territory in which the members of this association, both individual and corporate, are located shall initially be divided into five contiguous Ag Service Regions and twelve Dairy/Foods Regions, the boundaries of which have been determined by action of the Board of Directors. The boundaries of such regions shall be so defined that when the volume of patronage business done by this association with the members located within each region is divided by the number of directors to be nominated from that region, the result among the regions shall not be excessively disproportionate. To achieve this objective, the Board shall adopt a formula which may include, but which is not limited to, the following factors; the number of directors nominated from each region; amount of sales of agricultural products for members; amount of sales of equipment, supplies, and services to members; amount of equities of active member patrons attributable to patronage. Anything in this Section to the contrary notwithstanding, at no time shall the number of directors serving or to be nominated from any geographic group (Eastern, Mid-western, or Western) of Dairy/Foods Regions exceed one-half of the total number of directors from the Dairy/Foods Regions taken as a whole.

Section 2. Assignment of Members to Regions. Each member of this association shall be assigned to an Ag Service Region if they transact business with this association on a cooperative basis in the procurement of agricultural supplies or services. Each member of this association shall be assigned to a Dairy/Foods Region if they transact business with this association on a cooperative basis in the marketing of dairy or food products. In the event a person (entity) is a Class B or Class D member for both Ag Services and Dairy/Foods (two separate memberships), such person (entity) shall be assigned to both an Ag Services and a Dairy/Foods Region. In the event a member with multiple votes transacts business on a cooperative basis in both the procurement of agricultural supplies or services and the marketing of dairy or food products, such member shall be assigned to both an Ag Service Region and a Dairy/Foods Region. Persons (entities) who are both Ag Services and Dairy/Foods members shall be entitled to cast vote(s) based upon the procurement of agricultural supplies or services in the Ag Services Region and to cast vote(s) upon marketing of dairy or food products in the Dairy/Foods Region. Members assigned to voting units shall be assigned to regions as set forth in Article III, Section 2 of these by-laws. Members not assigned to voting units shall be assigned to regions dependent on the location of his or her farm residence if an individual or its principal place of business if an entity.

Section 3. Representation Committee. At any time up to five years from the establishment of the original regions, as provide herein, the Board of Directors shall appoint a Representation Committee. The Representation Committee shall review the number of directors nominated from the Ag Service Regions taken as a group and from the Dairy/Foods Regions taken as a group and shall adjust the apportionment thereof as necessary to achieve the objective stated in Section 1 of this Article. With such objective, the Representation Committee shall then review the number and boundaries of the Dairy/Foods Regions and shall recommend for final action by the Board of Directors such changes in the number and boundaries and any reallocation among the Dairy/Foods Regions of the total number of directors to be nominated from the Dairy/Foods Regions as they deem necessary. With the same objective, the Representation Committee shall also review the volume of ag service patronage business done by this association with the members located within each Ag Service Region and shall, to the extent it deems necessary, recommend for final action by the Board of Directors any change in the number and boundaries of Ag Service Regions and any reallocation among the Ag Service Regions of the total number of directors to be nominated from the Ag Service Regions. The number and boundaries of all regions and the number of directors to be nominated from each of the regions shall be the subject of review in this manner at least every five years. Whenever the boundaries or number of director nominations allocated to a region are varied as the result of this section, the terms of all directors meeting substantially similar qualifications in affected regions shall end as of the next following annual meeting without regard to the amount of time otherwise remaining in their terms. At such meeting, elections shall be held to fill all then open directorships.

Section 4. Region Councils. Within each region, a council shall be constituted in accordance with policies and procedures adopted from time to time by the Board of Directors of this association. Each such council shall, subject to the policies and procedures of the Board of Directors, determine their internal governance and representatives, shall provide nominations for director candidates from such district, and shall participate in regional and association programs and communication efforts within the region as requested by the Board of Directors.

ARTICLE V
MEETINGS OF MEMBERS

Section 1. Annual Meeting of Members. The annual meeting of the members of this association shall be held in Minneapolis, Minnesota, in Saint Paul, Minnesota, or at such other place as may be chosen by the Board of Directors, within six months after the end of the fiscal year. The Chairman of this association shall preside at such meetings.

Section 2. Special Meetings of Members. Special meetings of the members of this association may be called at any time by the Board of Directors or on the petition of twenty per cent (20%) of the members.

Section 3. Notice of Meetings. Notice of all regular and special meetings of this association shall be given by the Secretary of this association in this association's regular publication mailed to all of its members at least two (2) weeks previous to the date of the meeting, or by mailing notice thereof to each and every member personally; or in the case of an association, to the Secretary thereof at the post address of such association not less than fifteen (15) days previous to the date of the meeting.

Section 4. Meetings of Members within Regions. A meeting of the members may be held annually in each Ag Service Region and each Dairy/Foods Region. Notice of all such meetings shall be provided to each member in such region as provided by law.

Section 5. Quorum. A quorum at all general meetings of this association (regular and special) shall be such number as is provided in Section 308A.631 of the Minnesota Statutes.. A quorum at all Ag Service Region and Dairy/Foods Region meetings shall be not less than ten percent of the members assigned to such region.

Section 6. Election of Directors. At each annual meeting of this association, the election of directors shall be as follows: The Chairman of this association shall present to the meeting the name of each nominee from each region from which a director is to be elected and all of the members from all of the Ag Service Regions and Dairy/Foods Regions assembled at the annual meeting shall vote acceptance or rejection of said nominee. If the nominee is rejected, the Chairman of this association shall present the name of the alternate nominee from that region and all of the members assembled at the annual meeting shall vote acceptance or rejection of said alternate nominee. If the alternate nominee is rejected, there shall be nominations from the floor of persons eligible for the vacant directorship from such region and election by ballot by majority vote of all the members present and voting.

ARTICLE VI
BOARD OF DIRECTORS

Section 1. Number. The Board of Directors shall consist of twenty-four (24) persons, twelve nominated from Ag Service Regions and twelve nominated from Dairy Foods Regions, elected in the manner provided for herein. In addition to the elected Board of

Directors, the Board may appoint annually for a term of one (1) year, up to three additional persons, who shall be non-voting members of the Board of Directors, but who need not be members of this association, who possess special qualifications deemed valuable in determining the policies of this association.

Section 2. Term of Office. Except as may result from the operation of Article VI, Section 4, the term of office of an elected director shall be four years, provided, however, that the terms of office of directors elected shall be so arranged that approximately one-fourth of the Board shall regularly be elected annually.

No person shall be elected to an additional consecutive term as director if such person has then served as a director for more than 20 consecutive years.

Section 3. Qualifications. The qualifications for the office of director are as follows:

(a) The candidate must be less than sixty-five years of age at the date of election.

(b) The director must, at the time of election and at all times during the term of his or her service, be (1) an active producer of agricultural commodities who is a Class B common stockholder; (2) an active producer of agricultural commodities who is a member of an association which is a Class A common stockholder; or (3) a manager or other employee of a Class A common stockholder whose reporting relationship within such stockholder is directly with, and who can only be hired and fired by, its board of directors. At all times during the term of his or her service directors hereafter elected must remain affiliated with the region with respect to which they were nominated and maintain the nature of the affiliation at the time of their election, both as to whether they are a producer or a manager as above described and as to whether their relationship to this association is primarily one of Dairy/ Foods orientation or of Ag Service orientation.

(c) The serving director must have no loyalties to other organizations that transcend or interfere with the director's loyalty to this association, and the director's loyalty to the member association of this association with which the director is connected if she or he has such connections.

(d) The person must not at any time during the term of directorship serve as an officer, director or manager of, or advisor to, any business organization which, in the determination of this association's Board of Directors, is significantly competing with this association in the procurement of milk or in the marketing of food products or agricultural supplies.

(e) At least one of the directors serving from each Ag Service Region shall, at all times, be an active producer of agricultural commodities. If there are two or more directors serving from an Ag Service Region, at least one of such directors shall at all times meet the qualifications of Section 3(b)(3) above. At no time shall the number of managers serving as directors from any Ag Service Region exceed the number of active producers of agricultural commodities serving as directors from such region. Directors nominated from Dairy/Foods Regions who are active producers of agricultural products must at all times during the term of directorship market dairy products through this association or through a Class A common stockholder of this association. Whenever a member of the Board of Directors becomes disqualified to hold office before his or her term expires, the Board shall declare the office vacant.

Section 4. Apportionment of Directors. Hereafter, all apportionment of the right to nominate directors shall be determined in accordance with Article IV, Section 3. All terms of all open directorships shall be for such length, not exceeding four years, as the Board of Directors determines will best facilitate staggered terms for the Board of Directors.

Section 5. Nomination of Directors. Prior to the annual meeting in each Region in which a vacancy on the Board of Directors will occur, the Region Council shall act as a nominating committee and shall meet and nominate at least two (2) eligible candidates as nominees for each vacancy for the office of director. Such Region Council shall report the names of such persons to the meeting. Additional nominations may be made by submission of a nominating petition to the Region Council documenting the eligibility of the proposed candidate and evidencing the support of either (1) fifteen or more members, or (2) a lesser number of members who together hold at least 10% of the votes eligible to be cast for nominees. The members attending the annual meeting in such region shall select one nominee and one alternate for the office of director. The names of those selected shall then be certified to the annual meeting of the members of this association for final action as provided in Article V of these By-laws. Said nominee, if a Class B member, must either reside in the region or be a member of a recognized voting unit which is located in said region; if the nominee is a member of a Class A member or a manager of a Class A member, then the Class A member's principal place of business must be located within said region.

Section 6. Vacancies. Whenever a vacancy occurs on the Board of Directors, other than from expiration of a term of office, the remaining directors may appoint a qualified person from the region affected who will serve until a successor director shall be duly nominated, qualified and elected pursuant to these Bylaws.

Section 7. Removal of Directors. Any director may be removed from office for cause after reasonable notice and opportunity for hearing, by majority vote of the members of this association attending a general or special meeting of this association. A vacancy resulting from such action shall be filled by the members at said meeting by election of a qualified person from the region affected who will serve until the next annual meeting.

Any director may be removed from office for cause after reasonable notice and opportunity for hearing, by a two-thirds vote of the remaining directors. A vacancy resulting from such action shall be filled by the remaining directors pursuant to the provisions set forth in Article VI, Section 6 of these Bylaws.

Section 8. Meetings. The annual meeting of the Board of Directors for the election of officers and for the transaction of such other business as may properly come before the meeting shall be held within thirty days after the annual general meeting of this association.

Regular meetings of the Board of Directors may be held without call or formal notice at such time and place and in such manner as the Board may determine. Special meetings may be held at any place designated by the Chairman of this association or by a majority of the members of the Board of Directors.

Notice of meetings of the Board of Directors shall be given as provided by law.

Section 9. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at all meetings thereof, and the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 10. Powers and Duties. The directors shall have and exercise full control of the affairs of this association, except such as are conferred by law, these By-laws, or the Articles of Incorporation upon the stockholders or upon an officer of this association.

Section 11. Annual Audit. At least once annually the Board of Directors shall secure the services of a competent and disinterested certified public accountant, who shall make a certified audit of the books and accounts of this association and render a report in writing thereon, which report shall be submitted to the stockholders.

Section 12. Compensation. Directors of this association may receive such compensation as may be fixed by resolution of the Board.

Section 13. Executive Committee. The Board of Directors shall establish an Executive Committee consisting of the Chairman of this association, the two Vice-Chairmen, and the Secretary, plus such additional members as determined by the Board of Directors from time to time. The Chairman of this association shall serve as Chairman of the Committee. The Executive Committee shall meet upon call of the Chairman and shall, subject to the limits provided by law, have such powers and duties as may, from time to time, be granted by the Board of Directors. Minutes of all meetings of the Executive Committee shall be taken and submitted to the Board at its next meeting. The Board of Directors may, in its discretion, appoint such other committees as it may deem necessary.

ARTICLE VII
OFFICERS

Section 1. Officers. The Board of Directors shall elect from amongst their number the following officers at each annual meeting of the Board: A Chairman, a First Vice Chairman, a Second Vice Chairman, and a Secretary. Said officers shall hold office until the next annual Board meeting and until their successors take office. The Board shall have power to fill a vacancy in any of such offices.

Section 2. Duties of Chairman. The Chairman of this association shall preside at all general meetings of this association, and all meetings of the Board of Directors at which he or she is present, and shall perform such other duties as may be assigned by these By-laws or by the Board of Directors. The Chairman shall serve as an ex officio member on all committees of the Board of Directors.

Section 3. Duties of Vice Chairmen. The First Vice Chairman shall, at the request of the Chairman, or in the case of her or his absence, perform temporarily the functions of the Chairman. In the event of death, resignation, or the ineligibility of the Chairman, the First Vice Chairman shall succeed to the office of Chairman. The Second Vice Chairman shall perform such duties as may be assigned by the Chairman or by the Board.

Section 4. Duties of Secretary. The Secretary shall record the proceedings of all general meetings of this association and all meetings of the Board of Directors. The Secretary shall have charge of the stock ledger and shall compile a list of all stockholders eligible to vote at each member meeting. He or she shall act as custodian of the records of this association and the seal of this association. He or she shall be responsible for publication and mailing of all notices of meetings. He or she shall execute all documents required to bear the corporate seal. He or she shall do and perform all other functions and duties customarily performed by corporate secretaries and have the power and authority incident to that office. The Board of Directors may appoint any number of assistant secretaries, who need not be members of the Board, from amongst nominees as submitted by the President, who may exercise such authority and powers of the office of Secretary as the Board shall prescribe.

Section 5. Duties of Treasurer. The Treasurer, who shall be elected by the Board of Directors from amongst a nominee, or nominees, as presented by the President, shall be the financial officer of this association and shall perform all the powers and duties incident to that office. The Board of Directors may appoint any number of assistant treasurers, who need not be members of the Board, from amongst nominees as submitted by the President, and shall prescribe their powers and duties.

Section 6. President and Vice Presidents. The Board of Directors shall elect a President of this association who shall not be a member of the Board of Directors. The Board of Directors may also elect such Vice Presidents and Executive Vice Presidents from amongst nominees for such offices as presented to the Board by the President. Each Vice President shall have such duties as are assigned from time to time by the President.

Section 7. Duties of President. The President shall be the chief executive of this association and as such shall have general charge and management of the business of this association, and shall sign or countersign all certificates, contracts or other instruments of this association as authorized by the Board of Directors, shall make reports to the Board of Directors and members, and shall perform such other duties as are incident to the office or are properly required by the Board of Directors. The President shall be responsible for the direction and supervision of all personnel within his or her appointive powers and shall also have the power to discipline or discharge such personnel. In the event any office is held by an employee who is not a member of the Board of Directors, then such office shall be terminated upon termination or discharge of said employee by the President.

The President shall sit with the Board of Directors and the Executive Committee in deliberation upon all matters pertaining to the general business and policies of this association.

Section 8. Compensation of Personnel. The compensation of the President shall be determined by the Board of Directors. The compensation of all other employees shall be set by the President, and may be reviewed by the Board of Directors. No member of the Board of Directors shall be regularly employed by this association.

Section 9. Removal. All officers who have been elected by the Board of Directors shall be subject to removal at any time by the affirmative vote of a majority of the Board of Directors.

ARTICLE VIII
METHOD OF OPERATION

Section 1. This association shall be operated upon the cooperative basis in carrying out its business within the scope of the objects and purposes defined in Article II of the Articles of Incorporation. It shall be operated in such manner as to qualify this association as a farmers cooperative association as defined in the Agricultural Marketing Act (12 U.S.C.A. 1141j(a)), and the Capper-Volstead Act (7 U.S.C.A. 291).

Section 2. The term "patron" as used in the Article of Incorporation shall mean member-patron. Whenever the term "member-patron" or "member" is used in this Article, it shall mean all member-patrons or members whether voting or non-voting. Each transaction between this association and each member-patron shall be subject to and shall include as a part of its terms, whether or not the same be expressly referred to in said transaction, the following provisions:

(a) This association shall apportion to each member-patron within eight and one-half (8 1/2) months after the close of the fiscal year such member's proportionate share of the annual net earnings of this association from the business done with or for its member-patrons as hereinafter more particularly described; provided, however, that a member-patron shall not be entitled to a distribution of net earnings on any product marketed with this association unless there is a marketing agreement between the member-patron and this association which provides for the payment of net earnings on such product. Any marketing or membership agreement between the member-patron and this association which does not otherwise specify a different term or termination procedure may be terminated by either party providing the other prior written notice of not less than 365 days.

(b) Annual net earnings shall be determined in accordance with generally accepted accounting principles ("GAAP accounting"); provided, however, (i) that gains and losses on futures contracts or other positions entered into for hedging purposes shall be included in net earnings only when such contracts or positions are closed or otherwise disposed of (and open contracts or positions shall not be marked to market), and (ii) rebates from third-party vendors shall be included in net earnings in accordance with the accounting method historically used by this association prior to the effective date of EITF 02-16. The Board of Directors may authorize other exceptions to the use of GAAP accounting for patronage accounting purposes if the Board determines (a) that the use of GAAP accounting for a particular item of income or expense will not reflect the year in which the item should be recognized for patronage accounting purposes as accurately as an alternative non-GAAP method of accounting, (b) that the effect over a period of years on the sharing of patronage dividends is expected to be material, and (c) that use of the alternative method for the item will result in a patronage accounting system that is more fair and equitable to members and other patrons.

(c) The Board of Directors shall also deduct such amount for the payment of dividends on preferred stock or equity instruments as provided for in the resolution of the Board of Directors at the time the establishment of such preferred stock or equity instruments is approved and amounts necessary to establish reasonable reserves for any necessary purpose.

(d) Annual net earnings from member-patron business may be calculated according to the several departments or divisions of said business and distribution thereof as between departments or divisions need not be uniform, provided, however, that there shall be no discrimination between member-patrons of the same department or division. Any amounts paid as interest on debt shall reduce such earnings even if such debt is owed to a division or entity included in the consolidated financial statements of this association in accordance with generally accepted accounting principles.

(e) There shall be set aside in a reserve an amount equal to the sum of the following, determined in accordance with generally accepted accounting principles:

(1) Annual net earnings after provisions for income taxes thereon derived from sources other than member-patron business; and

(2) An amount equal to such percentages from zero to twenty-five percent (25%) as may be determined by the Board of Directors of the annual net earnings from each of the profitable member-patron business pools less the amount of provision for income taxes thereon; provided that, current members participating in such pools shall have been notified of the amount of such determination as to each of the pools prior to the beginning of the fiscal year and new members shall have been notified of such determinations prior to becoming members. Provided, however, that for any such pool with respect to which the above required notice of percentage determination is not provided prior to the beginning of the fiscal year such percentage for such pool is hereby fixed at 10% for such year.

In any event, however, this association shall be operated as provided for in Section 1 of this Article.

Said reserve shall be credited to a retained earnings account, and said account may be used for any lawful purpose as determined by the Board of Directors.

(f) The annual net earnings after any deductions as provided for in clauses (c) and (e) above shall be distributed on a patronage basis in the form of cash or in the form of equity credits evidenced by written notices of allocation (whether such notices are qualified written notices of allocation within the meaning of 26 U.S.C.A. 1388(c) or otherwise), or any combination thereof. The records of this association shall reflect the amount credited to each member, and notice shall be given to each member of the amount so credited to the member's account.

(g) All equity credits may be paid or redeemed in whole or in part at such time, in such manner and in such order as shall be determined by the Board of Directors and the payment thereof whether arising as the result of patronage with this association or otherwise shall be payable subject to the discretion of the Board of Directors.

(h) If this association has sustained an annual loss in its member-patron business, it shall have the power and authority to allocate such loss to the member-patrons for such year or years on a patronage basis and apply the same against the equity credits of said member-patrons.

(i) Each person (including individuals, partnerships, limited liability companies, corporations and cooperative associations) who becomes a member-patron of this association and each member-patron of this association on the effective date of this By-law who continues as such after said date shall, by such act alone, consent (i) to the payment for and on his or its behalf of the cost of a one-year subscription to the general membership magazine published by this association; and (ii) for each year in which a business transaction occurs between said member-patron and this association, to the annual renewal of said subscription and to the payment for and on his or its behalf of the subscription price for each annual renewal; provided, however, that any subscription may be terminated by giving written notice to this association.

Because this association is a cooperative owned by its members of which it is their agent, payment of such subscription price by this association on behalf of said members is actually payment by them.

(j) The Board of Directors shall establish and maintain, not necessarily to the exclusion of other programs established by the Board of Directors, an Equity Target Program which shall, subject to the discretion of the Board of Directors, provide the basis for redemption of equity credits issued to members and patrons of this association hereunder in conjunction with the cooperative marketing of such members milk or other food products ("Dairy/Foods Equity Credits"). Such program shall contain elements as hereafter set forth. The Board of Directors shall from time to time determine a level of equity per hundredweight of milk (or its food equivalent as measured by value) marketed through the association (or such other measure as the Board deems appropriate) which level the Board deems would provide a fair and adequate level of equity capitalization for the operations of the association in conjunction with such marketing. Such level, referred to as the "Equity Target" is subject to change by the Board of Directors. Using such Equity Target, there shall be calculated with respect to each member a "Current Equity Target" which shall be used for purposes of determining the portion of the allocated patronage payable to such member in cash. The Current Equity Target shall be calculated with respect to each member as of the end of each fiscal year by multiplying the Equity Target by such member's volume of milk or food product marketed with the association during such year. Any member whose Calculated Dairy/Foods Equity Credits (measured at 60% of face value with respect to credits originally issued pursuant to notices of allocation which were not qualified notices of allocation within the meaning of 26 U.S.C.A. 1388(c) and at face value with respect to other credits) exceed the amount of such member's Current Equity Target as of December 31 of any year shall, subject to the approval of the Board of Directors, be entitled to receive in cash 100% of such year's patronage earnings otherwise allocable to such member in conjunction with the cooperative marketing during such year of such member's milk and food products. For purposes of determining eligibility for redemption of Dairy/Foods Equity Credits, an "Averaged Equity Target" shall also be calculated with respect to each member and equity holder by multiplying the Equity Target by a rolling average of such member's or equity holder's volume of milk or food product marketed with the association over a period of years determined by the Board of Directors and called the "Averaging Period". The Averaging Period is initially set at six years at the time of adoption of this by law and is expected to be increased by the Board of directors by one year on December 31 of each year hereafter until the Averaging Period is twelve years. All holders of equity credits who had been inactive during the calendar year 1995 shall each, subject to the approval of the Board of Directors, have their equities redeemed during a twelve year period. Subject to the approval of the Board of Directors, the redemption of all such equity held by such inactive persons shall be made, in aggregate, in twelve equal annual installments on an oldest first basis beginning in the year 1996. Any member who holds equity exceeding the amount of such member's Averaged Equity Target at the time of the adoption of this bylaw and for so long as shall such member's Dairy/Foods Equity Credits continue to exceed such member's Current Equity Target shall have, subject to the approval of the Board of Directors, equities redeemed at one twelfth of the amount of such initial excess each year reduced by a ratable portion of any such equities assigned or transferred by such holder. Following the adoption of this bylaw and except as above provided, when the Calculated Dairy/Foods Equity Credits of any holder are in excess of such holders Averaged Equity Target measured as of any fiscal year end, Dairy/Foods Equity Credits of such member in an amount sufficient to equalize the Calculated Dairy/Foods Equity Credits and the Averaged Equity Target shall be redeemed, subject to the approval of the Board of Directors, during the following year. For purposes of determining eligibility for such redemption, any Dairy/Foods equities held as the result of assignment, bequest, purchase or other method of accumulation excepting the earning of such equities in conjunction with the marketing of products through the association shall be credited to the account of the holder of Dairy/Foods Equity Credits at the rate of one-twelfth of the amount of the equities thus otherwise acquired in each year following the acquisition. It is envisioned that Dairy/Foods Equity Credits shall be the primary source of equity for members to reach Averaged Equity Targets. However, the Board of Directors shall have the authority, under any circumstances it deems extraordinary, to require members contribute such cash as may be necessary to achieve a specified percentage of each member's Average Equity Target. Such requirement would be a condition of the agreement providing for the continued marketing of such member's product through the association. The foregoing provisions of this Section 2 shall not be deemed to limit the ability of the Board of Directors to establish one or more other dairy foods pools for specific purposes which shall have their respective included businesses, participation eligibility requirements, capital needs, equity targets, equity redemption programs, and transitionary provisions, all as determined by the Board of Directors from time to time.

(k) All patronage equity credits shall be assignable or transferable by the holders thereof only when and as approved pursuant to policies adopted by the Board of Directors. Any Dairy/Foods Equity Credits assigned shall for purposes of any redemption pursuant to the provisions of (j) above be deemed to be a ratable assignment of each year's Dairy/Foods Equity Credits held by the assignor.

(l) Non-member patrons, organized as limited liability companies, may be allowed to participate in the distribution of net income on equal terms with member patrons provided that 100 percent of the limited liability company's governance and financial rights are owned by member patrons of Land O'Lakes, Inc. and subject to the Board of Director's approval of such distribution.

Section 3. Each person who applies for and is accepted to membership in this association and each member of this association on the effective date of this By-law who continues as a member after such date shall, by such act alone, consent that the amount of any distributions with respect to his, her, or its patronage occurring in any fiscal year beginning after December 31, 1962, which are made in written notices of allocation (other than those which are designated on their face to be "nonqualified") and which are received by him or it from this association, will be taken into account by him, her, or it at their stated dollar amounts in the manner provided in 26 U.S.C.A. 1385 in the taxable year in which such written notices of allocation are received by him or it -- it being the intent of this By-law to provide a consent binding on all members who retain or obtain membership in this association after the adoption of this By-law and receipt of a written notification and copy of this By-law, for the purpose of making such distributions "qualified written notices of allocation" within the meaning of 26 U.S.C.A. 1388(c).

ARTICLE IX
MISCELLANEOUS

Section 1. Business with Non-Members. This association shall not deal in the products of non-members in an amount greater in value than such as are handled for its members, and shall not purchase supplies, machinery, equipment, or render services for non-members in an amount greater in value than the supplies, machinery, equipment, purchased for or services rendered for members.

Section 2. Lien. This association shall have a first lien upon all the shares of its capital stock and all patronage credits standing on its books for any indebtedness of the respective holders or owners thereof to this association, and shall have the right of offset for the face amount thereof against such indebtedness; provided, however, that unless so specified by the Board of Directors in a resolution at the time that the issuance of a series or class of preferred stock is approved, the preferred stock or equity instruments shall not be subject to any lien created in favor of the association.

Section 3. Transfer of Stock. Class A Common Stock, Class B Common Stock, Class C Stock, Class D Stock and preferred stock or equity instruments of this association shall be transferable only with the consent of the Board of Directors and only after the same shall have been offered for sale to this association, however, shares of any class or series of preferred stock or equity instruments shall be free of any obligation to offer such shares for sale to the association and any other preemptive or similar right to issue shares to any person unless otherwise expressly authorized by the Board of Directors at the time the establishment of such class or series of preferred stock or equity instruments is approved. Upon receipt of any such offer in writing, this association shall have ninety (90) days thereafter in which to purchase the share so offered. If this association within said period shall pay or tender to the holder an amount equal to the par value of the share offered, the holder shall endorse and deliver the Certificate therefor to this association, and such share may be held as treasury stock or cancelled. If this association shall fail to pay or tender said amount within said period, the holder shall be free to dispose of said share provided that no stock shall be transferred to anyone not eligible to hold the same.

ARTICLE X
DISSOLUTION

Section 1. Upon the dissolution of this association the debts of this association shall first be paid; and the remaining assets, if any, shall be paid as follows: First, to the Preferred stockholders up to the par value of their stock, plus unpaid dividends, if any, accumulated thereon; second, to the Class A and Class B Common stockholders, Class C and Class D stockholders up to the par value of their stock; and third, to all patrons, whether voting or non-voting members, all the remainder of the assets which shall be distributed to them on a patronage basis according to the patronage credits standing in their names on the books of this association.

ARTICLE XI
FISCAL YEAR

The fiscal year of this association shall begin on January 1 and end on December 31.

Appendix L

OFFICERS

Names and addresses of chief officers of Land O'Lakes, Inc.

Chris Policinski	President and Chief Executive Officer
Dan Knutson	Executive Vice President and Chief Financial Officer
Peter Janzen	General Counsel and Chief Administrative Officer
Beth Ford	Executive Vice President, Chief Supply Chain & Operations Officer
Barry Wolfish	Chief Marketing Officer and Senior Vice President, Corporate Strategy
Dave Hoogmoed	Executive Vice President and Chief Operating Officer, Feed
Mike Vande Logt	Executive Vice President and Chief Operating Officer in Winfield Solutions
Jim Fife	Executive Vice President, Ag Businesses
Jerry Kaminski	Executive Vice President, Dairy Foods Businesses

Address: 4001 Lexington Avenue North
Arden Hills, MN 55126-2998

Phone: 651-375-2222

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Appendix M

COMPLIANCE

- **Case Name**
  - *Our Related Parties*
  - *Citation*
  - *Date filed*
  - *Subject*
  - *Administrative body or judicial forum*
  - *Resolution/Status*

  - **LESTER TODD, CLAIMANT v. LAND O'LAKES, DEFENDANT**
    - Land O'Lakes
    - 2007 WL 1558664 (Pa.Work.Comp.App.Bd.)
    - May 15, 2007
    - Workers' Compensation Appeal Board
    - Administrative body
    - Dismissed
  - **ZEQIRI CORP. v. MICHAEL FOODS, INC. et al**
    - Land O'Lakes
    - 2:09-cv-00204-GP
    - 01/15/2009
    - Clayton Act
    - Judicial forum
    - Date of last filing: 12/22/2009
  - **Barclay Transportation v. Land O'Lakes, Inc.**
    - Land O'Lakes
    - 1:07-cv-02065-YK
    - 11/14/2007
    - Property Damage
    - Judicial forum
    - Disposition: Dismissed - Settled 02/19/2009
  - **T.K. RIBBING'S FAMILY RESTAURANT v. UNITED EGG PRODUCERS, INC. et al**
    - Moark
    - 2:08-cv-04653-GP
    - 09/25/2008
    - Antitrust Litigation
    - Judicial forum
    - Date of last filing: 04/01/2009
  - **OASIS FOODS COMPANY v. MICHAEL FOODS, INC. et al**
    - Land O'Lakes
    - 2:09-cv-00205-GP
    - 01/15/2009
    - Antitrust Litigation
    - Judicial forum
    - Date of last filing: 04/01/2009
  - **SICILIAN CHEFS, INC. v. MICHAEL FOODS, INC. et al**
    - Land O'Lakes, Moark
    - 2:09-cv-00203-GP
    - 01/15/2009
    - Clayton Act
    - Judicial forum
    - Date of last filing: 04/01/2009

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- **SENSORYEFFECTS FLAVOR CO. v. UNITED EGG PRODUCERS, INC. et al**
  - Land O'Lakes, Moark, Norco Ranch
  - 2:09-cv-00201-GP
  - 01/15/2009
  - Clayton Act
  - Judicial forum
  - Date of last filing: 04/01/2009
- **ADAM PROPERTIES, INC. v. MICHAEL FOODS, INC. et al**
  - Land O'Lakes, Moark
  - 2:09-cv-00202-GP
  - 01/15/2009
  - Antitrust Litigation
  - Judicial forum
  - Date of last filing: 05/01/2009
- **COUNTRY FOODS v. HILLANDALE FARMS OF PA, INC. et al**
  - Land O'Lakes, Moark, Norco Ranch
  - 2:08-cv-05078-GP
  - 10/23/2008
  - Antitrust Litigation
  - Judicial forum
  - Disposition: Dismissed - Voluntarily 06/22/2009
- **WINN-DIXIE STORES, INC. et al v. MICHAEL FOODS, INC., ET AL**
  - Land O'Lakes, Moark, Norco Ranch
  - 2:11-cv-00510-GP
  - 01/25/2011
  - Antitrust Litigation
  - Judicial forum
  - Date of last filing: 07/16/2012
- **GIANT EAGLE, INC. v. UNITED EGG PRODUCERS, INC. et al**
  - Also Moark, Norco Ranch
  - 2:11-cv-00820-GP
  - 02/02/2011
  - Antitrust Litigation
  - Judicial forum
  - Date of last filing: 04/30/2012
- **GIANT EAGLE, INC. v. UNITED EGG PRODUCERS, INC. et al**
  - Land O'Lakes, Moark, Norco Ranch
  - 2:11-cv-00974-GP
  - 02/09/2011
  - Antitrust Litigation
  - Judicial forum
  - Disposition: Dismissed - Settled 02/11/2011
- **STEPHEN L. LAFRANCE HOLDING INC. et al v. NATIONAL MILK PRODUCERS FEDERATION et al**
  - Land O'Lakes
  - 2:12-cv-00070-MAM
  - 01/06/2012
  - Antitrust Litigation
  - Judicial forum
  - Disposition: Dismissed - Settled 07/31/2012

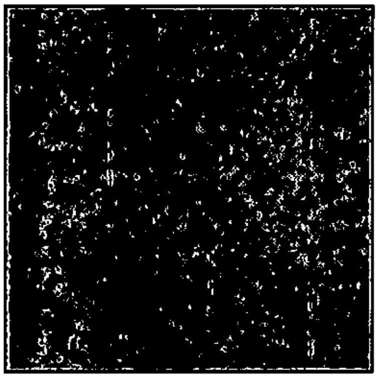
Appendix N

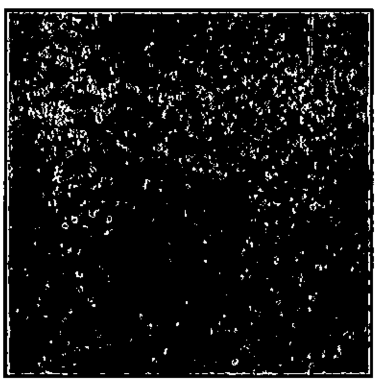
FINANCIAL FITNESS

Land O'Lakes, Inc.'s organization structure and published financials.

LAND O'LAKES, INC.
2011 Financial Results

A Future of Growth in a World of Opportunity





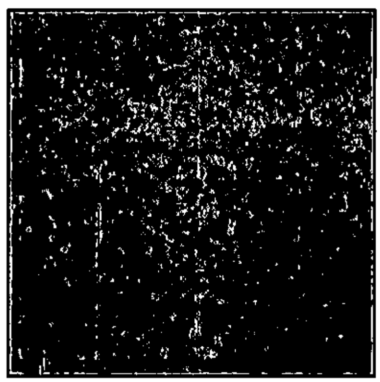


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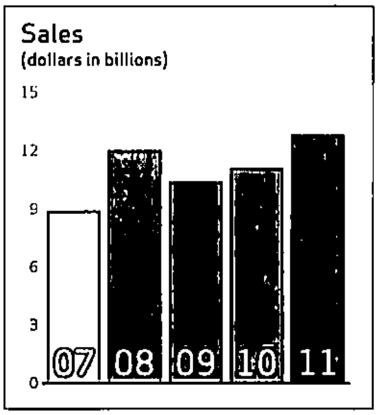
Table of Contents

FINANCIAL OVERVIEW

Land O'Lakes, Inc. ("Land O'Lakes" or the "Company") operates in four segments: Dairy Foods, Feed, Crop Inputs and Layers. Dairy Foods develops, produces, markets and sells a variety of premium butter, spreads, cheese and other related dairy products. Feed develops, produces, markets and distributes animal feed to both the lifestyle and livestock animal markets. Crop Inputs develops, markets and sells seed for a variety of crops (including alfalfa, corn and soybeans) and distributes crop protection products (including herbicides, pesticides, fungicides and adjuvants). Layers produces, markets and distributes shell eggs.

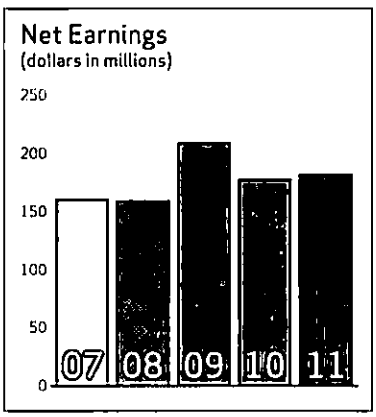
SALES AND EARNINGS

Net Sales for Land O'Lakes in 2011 were $12.8 billion, compared with $11.1 billion in 2010, an increase of $1.7 billion or 15 percent ahead of last year. Sales increased across all business segments.



Dairy Foods sales increased primarily due to higher butter, cheese and milk market prices. Feed sales rose mainly due to the effect of higher ingredient prices in the ingredients, livestock and lifestyle businesses and volume gains in livestock. Crop Inputs sales increased due to higher volumes in crop protection products and seed. Sales in Layers increased due to higher egg prices, as well as growth in the volume of specialty eggs sold.

Net Earnings for Land O'Lakes in 2011 were $182.2 million, compared with $178.1 million in 2010, an increase of $4.1 million. In 2011, earnings increased in Layers and declined in Dairy Foods, Feed and Crop Inputs.



These results include the impact of the year-to-year change in unrealized hedging gains and losses on derivative contracts. In 2011, unrealized hedging losses decreased net earnings by $9.0 million, net of income taxes, and in 2010, unrealized hedging gains increased net earnings by $3.8 million, net of income taxes. Unrealized gains and losses in earnings represent the changes in value of futures contracts from one period to another. Based on the accounting rules, the offsetting gain or loss on the underlying commodity purchase or product sale being hedged is excluded from earnings until the transaction is completed.

Dairy Foods earnings were lower in 2011 due to increased selling, general and administrative ("SG&A") costs related to new product launches and reduced margins due to higher distribution costs. Feed earnings decreased in 2011 primarily due to the effect of a one-time gain in 2010 on the sale of its investment in Pro-Pet, LLC of $7.9 million, net of income taxes, which was, partially offset by improved livestock volume and margins. Crop Inputs earnings in 2011 were slightly lower than a year ago as increased SG&A costs were mostly offset by increased margins in alfalfa, corn, adjuvant and micronutrient products. Higher SG&A expense was attributable to an increase in Answer Plot® locations and additional spending on advertising. Earnings in Layers improved in 2011 as earnings in 2010 were impacted by the establishment of a legal reserve of $16.7 million, net of income taxes. The effect of higher feed costs on 2011 margins was partially offset by increased egg market prices, which averaged $1.19 per dozen in 2011 compared to $1.11 per dozen in 2010.

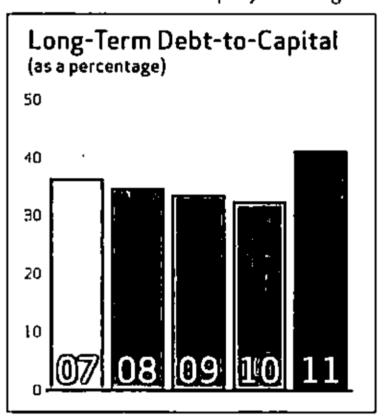
Earnings from equity in affiliated companies were lower in 2011 than a year ago in each of the segments.

FINANCIAL CONDITION

Debt includes notes and short-term obligations, the current portion of long-term debt and long-term debt. Notes and short-term obligations at December 31, 2011 were $114.9 million, compared with $85.6 million at December 31, 2010. Long-term debt, including current portion, was $800.2 million at December 31, 2011, compared with $532.0 million at December 31, 2010. The increase in total debt was primarily due to an increase in seasonal working capital, based upon the timing of customer and vendor prepayments in Crop Inputs.

In 2011, the Company refinanced certain debt facilities in order to, among other things, extend the term of its debt portfolio, to provide liquidity for general operating purposes and to take advantage of lower rates.

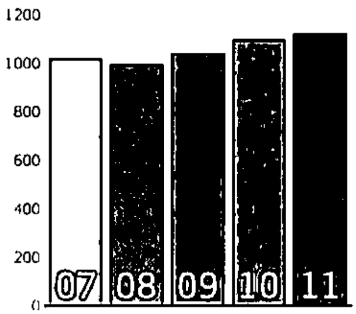
The refinancing included the following elements: the execution of a new $150.0 million term loan; the amendment of the exisiting revolving credit facility to increase borrowing capacity from $375.0 million to $475.0 million and to extend the term; and the amendment of the Company's existing $400.0 million receivables securitization facility to extend the term.



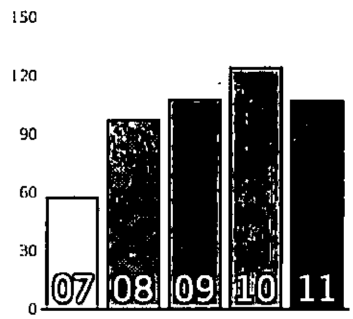
At December 31, 2011, the Company maintained a $475 million revolving credit facility (the "Revolver"), which is secured by the majority of the Company's assets and matures in August 2016. Borrowings bear interest at the London Interbank Offered Rate ("LIBOR") or an alternative base rate plus applicable spreads. As of December 31, 2011, there were no outstanding borrowings and $426.5 million was available after giving effect to $48.5 million of outstanding letters of credit.

At December 31, 2011, the Company maintained a $400 million receivables securitization facility that matures in August 2016. The Company's wholly owned, consolidated special purpose entity ("SPE") enters into borrowings under this facility. Borrowings are secured solely by the SPE's receivables and bear interest at LIBOR plus an applicable margin. As of December 31, 2011, there were no outstanding borrowings and $400 million was available under this facility. Liquidity, which includes cash and availability under credit facilities, was $909.4 million at December 31, 2011, compared with $941.4 million at December 31, 2010.

Equities
(dollars in millions)



Cash Returned to Members
(dollars in millions)



Land O'Lakes long-term debt-to-capital ratio was 41.3percent at December 31, 2011, compared with 32.5 percent a year ago.

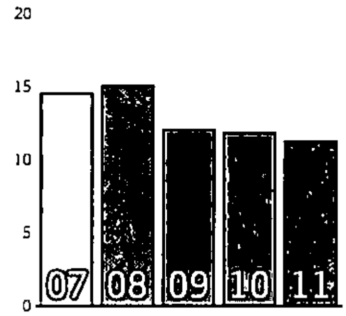
Equities at December 31, 2011 were $1,121.6 million, compared with $1,097.7 million at December 31, 2010. The increase of $23.9 million resulted primarily from $182.2 million in net earnings less the current period equity revolvement, age retirements, estate redemptions and patronage refunds payable.

Cash returned to members in 2011 was $107.7 million, compared with $124.6 million in 2010. Members received $58.0 million of equity revolvement, $46.0 million of cash patronage related to the prior year earnings and $3.7 million of age retirement, estate and other payments during the year.

PERFORMANCE MEASURES

Land O'Lakes is committed to increasing returns to members and enhancing ownership value by improving profitability in each segment through the effective use of invested capital and equity. The Company uses two primary performance measures: return on invested capital ("ROIC") and return on equity ("ROE"). ROIC indicates the operating return on invested capital before considering the costs of 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' equity in Land O'Lakes.

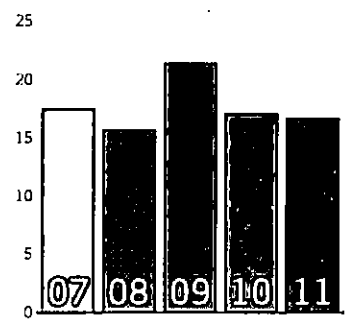
Return on Invested Capital
(as a percentage)



Return on invested capital in 2011 was 11.3 percent, compared with 11.9 percent in 2010. This decrease was the result of higher average invested capital in 2011. Land O'Lakes average ROIC for the five-year period ended in 2011 was 13.1 percent.

Return on equity in 2011 was 16.7 percent, compared with 17.2 percent in 2010. This decrease was driven by similar net earnings when compared to higher equity in 2011. Average ROE for the five-year period ended in 2011 was 17.7 percent.

Return on Equity
(as a percentage)



FIVE YEARS IN REVIEW

($ in millions)	2011	2010	2009	2008	2007
Operations:					
Net sales	**$12,849**	$11,146	$10,409	$12,039	$8,925
Earnings before income taxes	**181**	189	232	190	199
Net earnings	**182**	178	209	160	161
Allocated patronage equities	**124**	138	152	114	97
Cash returned to members	**108**	125	108	98	58
Financial Position:					
Working capital	**$ 818**	$ 585	$ 528	$ 348	$ 441
Investments	**171**	169	197	314	304
Property, plant and equipment	**846**	745	704	658	565
Total assets	**5,438**	4,885	4,924	4,981	4,419
Long-term debt	**790**	529	530	532	587
Equities	**1,122**	1,098	1,042	996	1,021
Financial Measures:					
Return on equity	**17%**	17%	21%	16%	18%
Return on invested capital	**11%**	12%	12%	15%	15%
Long-term debt-to-capital	**41.3%**	32.5%	33.7%	34.8%	36.5%
Current ratio	**1.27**	1.20	1.18	1.11	1.17

CONSOLIDATED BALANCE SHEETS

LAND O'LAKES, INC.

As of December 31 ($ in thousands)	2011	2010
Assets:		
Current assets:		
Cash and cash equivalents	$ 59,940	$ 147,271
Restricted cash	25,000	25,000
Receivables, net	1,171,661	1,075,210
Inventories	1,403,825	1,221,054
Prepaid assets	1,100,972	881,295
Other current assets	80,693	97,083
Total current assets	3,842,091	3,446,913
Investments	171,348	168,616
Property, plant and equipment, net	846,256	744,602
Goodwill, net	293,724	273,179
Other intangibles, net	124,044	111,934
Other assets	160,114	139,420
Total assets	$5,437,577	$4,884,664
Liabilities and Equities:		
Current liabilities:		
Notes and short-term obligations	$ 114,920	$ 85,580
Current portion of long-term debt	10,169	3,184
Accounts payable	1,255,780	1,087,118
Customer advances	1,201,338	1,267,570
Accrued liabilities	400,247	374,167
Patronage refunds and other member equities payable	41,245	44,621
Total current liabilities	3,023,699	2,862,240
Long-term debt	790,058	528,781
Employee benefits and other liabilities	502,186	395,963
Commitments and contingencies (Note 22)	—	—
Equities:		
Capital stock	925	949
Member equities	1,029,770	1,006,609
Accumulated other comprehensive loss	(245,895)	(183,241)
Retained earnings	320,334	265,682
Total Land O'Lakes, Inc. equities	1,105,134	1,089,999
Noncontrolling interest	16,500	7,681
Total equities	1,121,634	1,097,680
Total liabilities and equities	$5,437,577	$4,884,664

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

LAND O'LAKES, INC.

Years Ended December 31 ($ in thousands)	2011	2010	2009
Net sales	**$12,849,321**	$11,146,375	$10,408,509
Cost of sales	**11,845,700**	10,218,284	9,448,987
Gross profit	**1,003,621**	928,091	959,522
Selling, general and administrative	**793,114**	731,544	680,943
Restructuring and impairment	**1,176**	2,634	11,822
Gain on insurance settlements	—	(1,652)	(3,239)
Earnings from operations	**209,331**	195,565	269,996
Interest expense, net	**41,925**	41,929	53,353
Other expense (income), net	**214**	(14,286)	(7,200)
Equity in earnings of affiliated companies	**(13,964)**	(20,944)	(8,199)
Earnings before income taxes	**181,156**	188,866	232,042
Income tax expense	**(2,452)**	9,999	26,720
Net earnings	**$ 183,608**	$ 178,867	$ 205,322
Less: net earnings (loss) attributable to noncontrolling interests	**1,452**	728	(3,778)
Net earnings attributable to Land O'Lakes, Inc.	**$ 182,156**	$ 178,139	$ 209,100
Applied to:			
Member equities			
Allocated patronage	**$ 123,597**	$ 137,798	$ 151,913
Deferred equities	**2,654**	3,646	3,911
	126,251	141,444	155,824
Retained earnings	**55,905**	36,695	53,276
	$ 182,156	$ 178,139	$ 209,100

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

LAND O'LAKES, INC.

Years Ended December 31 ($ in thousands)	2011	2010	2009
Cash flows from operating activities:			
Net earnings	$183,608	$ 178,867	$205,322
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	109,294	102,168	94,586
Amortization of deferred financing costs	2,948	3,456	4,709
Bad debt expense	8,441	9,167	8,133
Proceeds from patronage revolvement received	2,691	2,419	3,150
Non-cash patronage income	(3,852)	(2,539)	(1,102)
Deferred income tax expense (benefit)	9,261	12,305	39,990
Restructuring and impairment	1,176	2,634	11,822
Loss on legal reserve	—	27,000	—
Loss (gain) from divestiture of businesses	214	(1,542)	866
Gain on sale of investments	—	(12,744)	(7,589)
Gain on insurance settlements	—	(1,652)	(3,239)
Equity in earnings of affiliated companies	(13,964)	(20,944)	(8,199)
Dividends from investments in affiliated companies	10,141	18,292	38,197
Other	(2,217)	(2,635)	(8,275)
Changes in assets and liabilities, net of acquisitions and divestitures:			
Restricted cash for legal reserve	—	(25,000)	—
Receivables	(102,675)	43,545	(14,486)
Inventories	(170,042)	(47,547)	(47,158)
Prepaid and other current assets	(204,135)	248,882	195,513
Accounts payable	166,645	4,773	121,267
Customer advances	(66,232)	(61,444)	(137,660)
Accrued liabilities	12,932	(15,008)	(94,027)
Other assets	42	(7,035)	(876)
Other liabilities	12,059	9,416	24,974
Net cash (used) provided by operating activities	(43,665)	464,834	425,918
Cash flows from investing activities:			
Additions to property, plant and equipment	(177,201)	(139,242)	(148,051)
Acquisitions, net of cash acquired	(11,865)	(54,023)	(37,118)
Investments in affiliates	(750)	(6,718)	(3,415)
Distributions from investments in affiliated companies	8,101	55,000	70,000
Net proceeds from divestiture of businesses	2,079	5,653	13,812
Net proceeds from sale of investments	—	12,087	17,596
Proceeds from sale of property, plant and equipment	4,781	2,858	1,626
Insurance proceeds for replacement assets	1,268	7,617	7,708
Change in notes receivable	4,711	(26,885)	(13,054)
Other	—	—	1,145
Net cash used by investing activities	(168,876)	(143,653)	(89,751)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	29,340	(76,289)	(218,966)
Proceeds from issuance of long-term debt	210,000	873	329,459
Principal payments on long-term debt and capital lease obligations	(5,050)	(2,409)	(326,204)
Payments for debt issuance costs	(4,326)	—	(11,961)
Payments for redemption of member equities	(107,742)	(124,620)	(108,266)
Other	2,988	(253)	(2,261)
Net cash provided (used) by financing activities	125,210	(202,698)	(338,199)
Net (decrease) increase in cash and cash equivalents	(87,331)	118,483	(2,032)
Cash and cash equivalents at beginning of year	147,271	28,788	30,820
Cash and cash equivalents at end of year	$ 59,940	$ 147,271	$ 28,788

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITIES AND COMPREHENSIVE INCOME

LAND O'LAKES, INC.

($ in thousands)	Capital Stock	Member Equities Allocated	Member Equities Deferred	Member Equities Net	Accumulated Other Comperhensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Equities
Balance, December 31, 2008	$ 1,611	$ 959,072	$ (11,931)	$ 947,141	$ (150,277)	$178,377	$18,922	$ 995,774
Capital stock issued	7	—	—	—	—	—	—	7
Capital stock redeemed	(633)	—	—	—	—	—	—	(633)
Cash patronage and redemption of member equities	—	(108,266)	—	(108,266)	—	—	—	(108,266)
Redemption included in prior year's liabilities	—	37,751	—	37,751	—	—	—	37,751
Other, net	—	3,200	(13)	3,187	—	(3,327)	(7,965)	(8,105)
Comprehensive income:								
2009 earnings, as applied	—	151,913	3,911	155,824	—	53,276	(3,778)	205,322
Other comprehensive loss, net of income taxes	—	—	—	—	(30,654)	—	—	(30,654)
Total comprehensive income								174,668
Effects of changing the pension plan measurement date of an equity method investee, net of income taxes	—	—	—	—	29	—	—	29
Patronage refunds payable	—	(49,298)	—	(49,298)	—	—	—	(49,298)
Balance, December 31, 2009	985	994,372	(8,033)	986,339	(180,902)	228,326	7,179	1,041,927
Capital stock issued	4	—	—	—	—	—	—	4
Capital stock redeemed	(40)	—	—	—	—	—	—	(40)
Cash patronage and redemption of member equities	—	(124,620)	—	(124,620)	—	—	—	(124,620)
Redemption included in prior year's liabilities	—	49,298	—	49,298	—	—	—	49,298
Other, net	—	(1,243)	12	(1,231)	—	661	(217)	(787)
Comprehensive income:								
2010 earnings, as applied	—	137,798	3,646	141,444	—	36,695	728	178,867
Other comprehensive loss, net of income taxes	—	—	—	—	(2,339)	—	(9)	(2,348)
Total comprehensive income								176,519
Patronage refunds payable	—	(44,621)	—	(44,621)	—	—	—	(44,621)
Balance, December 31, 2010	949	1,010,984	(4,375)	1,006,609	(183,241)	265,682	7,681	1,097,680
Capital stock issued	5	—	—	—	—	—	—	5
Capital stock redeemed	(29)	—	—	—	—	—	—	(29)
Cash patronage and redemption of member equities	—	(107,742)	—	(107,742)	—	—	—	(107,742)
Redemption included in prior year's liabilities	—	44,621	—	44,621	—	—	—	44,621
Other, net	—	1,276	—	1,276	—	(1,253)	7,367	7,390
Comprehensive income:								
2011 earnings, as applied	—	123,597	2,654	126,251	—	55,905	1,452	183,608
Other comprehensive income, net of income taxes	—	—	—	—	(62,654)	—	—	(62,654)
Total comprehensive income								120,954
Patronage refunds payable	—	(41,245)	—	(41,245)	—	—	—	(41,245)
Balance, December 31, 2011	$ 925	$1,031,491	$ (1,721)	$1,029,770	$ (245,895)	$ 320,334	$ 16,500	$1,121,634

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

($ IN THOUSANDS IN TABLES)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations Land O'Lakes, Inc. ("Land O'Lakes" or the "Company") is a diversified member-owned food and agricultural cooperative serving agricultural producers throughout the United States. Through its four segments of Dairy Foods, Feed, Crop Inputs and Layers, Land O'Lakes procures approximately 13.0 billion pounds of member milk annually, markets premium butter, spreads, cheese and other related dairy products, provides member cooperatives, farmers and ranchers with an extensive line of agricultural supplies (including feed, seed and crop protection products) and, through its Moark, LLC ("Moark") subsidiary, produces, markets and distributes shell eggs.

Basis of Presentation

Basis of Consolidation The consolidated financial statements include the accounts of Land O'Lakes and its wholly owned and majority-owned subsidiaries. Intercompany transactions and balances have been eliminated.

Fiscal Year The Company's fiscal year ends on December 31 each year. However, the Company's Moark subsidiary is a wholly owned, consolidated subsidiary with a 52- to 53-week reporting period ending in December. The 2011 and 2010 Moark fiscal years each consisted of 52-week periods and the 2009 Moark fiscal year consisted of a 53-week period.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Significant estimates include, but are not limited to, allowance for doubtful accounts, sales returns and allowances, vendor rebates receivable, asset impairments, valuation of goodwill and unamortized other intangible assets, tax contingency reserves, deferred tax valuation allowances, trade promotion and consumer incentives, and assumptions related to pension and other postretirement plans.

Revenue Recognition The Company's revenues are derived from a wide range of products sold to a diversified base of customers. Revenue is recognized when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivables is reasonably assured, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Sales include shipping and handling charges billed to customers and are reduced by customer incentives and trade promotion activities, which are estimated based on redemption rates, customer participation and performance levels, and historical experience. Estimated product returns in the Company's Crop Inputs segment are deducted from sales at the time of shipment based on various factors including historical returns, and market trends and conditions. For certain crop protection product sales within Crop Inputs, customers receive a one-time, non-repeatable extension of credit for unused purchased product for a defined additional period. For these sales arrangements, revenue related to the unused purchased product is recognized upon collection of the amount re-billed.

The Company periodically enters into prepayment contracts with customers in the Crop Inputs and Feed segments and receives advance payments for product to be delivered in future periods. These payments are recorded as customer advances in the consolidated balance sheet. Revenue associated with customer advances is deferred and recognized as shipments are made and title, ownership and risk of loss pass to the customer.

Advertising and Promotion Costs Advertising and promotion costs are expensed as incurred and included in selling, general and administrative expense in the consolidated statements of operations. Advertising and promotion costs were $74.2 million, $62.6 million and $74.2 million in 2011, 2010 and 2009, respectively.

Research and Development Expenditures for research and development are charged to administrative expense in the year incurred. Total research and development expenses were $57.3 million, $47.2 million and $35.1 million in 2011, 2010 and 2009, respectively.

Share-based Compensation The Company offers a Value Appreciation Right ("VAR") Awards plan to certain eligible employees. Participants are granted an annual award of VAR Units, which are not traditional stock. The Company measures its liability for this plan at intrinsic value.

Environmental Expenditures Liabilities related to remediation of contaminated properties are recognized when the related costs are considered probable and can be reasonably estimated. Estimates of environmental costs are based on current available facts, existing technology, undiscounted site-specific costs, and currently enacted laws and regulations. Recoveries, if any, are recorded in the period in which recovery is received. Liabilities are monitored and adjusted as new facts or changes in law or technology occur.

Income Taxes Land O'Lakes is a nonexempt agricultural cooperative and is taxed on all nonmember 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 recognizes interest and penalties accrued related to unrecognized tax benefits as components of income tax expense, when applicable. Deferred income tax assets and liabilities are established based on the difference between the financial and income tax carrying values of assets and liabilities using enacted tax rates.

The Company records taxes collected from customers and remitted to governmental authorities on a net basis within the consolidated financial statements.

Cash and Cash Equivalents Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

Vendor Rebates Receivable The Company receives vendor rebates primarily from seed and chemical suppliers. These rebates are usually covered by binding arrangements, which are signed agreements between the vendor and the Company or published vendor rebate programs; but they can also be open-ended, subject to future definition or revisions. Rebates are recorded as earned when probable and reasonably estimable based on terms defined in binding arrangements, or, in the absence of such arrangements, when cash is received. Rebates covered by binding arrangements that are not probable and reasonably estimable are accrued when certain milestones are achieved. Because of the timing of vendor crop year programs relative to the Company's fiscal year end, a significant portion of rebates have been collected prior to the end of the Company's year end for the prior crop year. The actual amount of rebates recognized, however, can vary year over year, largely due to the timing of when binding arrangements are finalized.

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

Vendor Prepayments The Company prepays a substantial amount for seed and crop protection products, which it will procure and distribute at a later date. The Company also accepts prepayments from its customers, which generally exceed the amount it sends to its suppliers. In the event that one of the suppliers to whom a prepayment is made is unable to continue as a going concern or is otherwise unable to fulfill its contractual obligations, the Company may not be able to take delivery of all of the product for which it has made a prepayment and, as a trade creditor, may not be able to reclaim the remaining amounts of cash held by such supplier in its prepaid account.

As of December 31, 2011 and 2010, vendor prepayments for seed and crop protection products, which are presented as prepaid assets in the consolidated balance sheets, were $1,062.2 million and $847.8 million, respectively, most of which was concentrated with Monsanto Company, Syngenta and Bayer AG.

Derivative Commodity Instruments In the normal course of operations, the Company purchases commodities such as: milk, butter and soybean oil in Dairy Foods; soybean meal and corn in Feed; corn, alfalfa and soybeans in Crop Inputs; and corn and soybean meal in Layers. Derivative commodity instruments, consisting primarily of futures contracts offered through regulated commodity exchanges, are used to reduce exposure to changes in commodity prices. These contracts are not designated as hedges. The futures contracts are marked-to-market each month and gains and losses ("unrealized hedging gains and losses") are recognized in cost of sales. The Company has established formal limits to monitor its positions.

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. Investments in less than 20%-owned companies are generally stated at cost as the Company does not have the ability to exert significant influence. The equity method of accounting is used for investments in other companies, including joint ventures, in which the Company has significant influence, but not control, and voting interests of 20% to 50%. Investments with voting interests that exceed 50% are consolidated. Significant investments, whether accounted for under the cost or equity method, are reviewed regularly to evaluate if they have experienced an other than temporary decline in fair value.

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 (10 to 30 years for land improvements and buildings and building equipment, three to 10 years for machinery and equipment, and three to seven years for software) of the respective assets. Accelerated methods of depreciation are used for income tax purposes.

Costs associated with software developed for internal use are capitalized when both the preliminary project stage is completed and it is probable that computer software being developed will be completed and placed in service. Capitalized costs include only external direct costs of materials and services consumed in developing or obtaining internal-use software, payroll and other related costs for employees who are directly associated with and who devote time to the internal-use software project and interest costs incurred while developing internal-use software. The Company ceases capitalization of such costs no later than the point at which the project is substantially complete and ready for its intended use.

Goodwill and Other Intangible Assets Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to assets acquired and liabilities assumed.

Other intangible assets consist primarily of trademarks, patents, customer relationships and agreements not to compete. Certain trademarks are not amortized because they have indefinite lives. The remaining other intangible assets are amortized using the straight-line method over their estimated useful lives, ranging from three to 25 years.

Recoverability of Long-lived Assets The test for goodwill impairment is a two-step process and is performed on at least an annual basis. The first step is a comparison of the fair value of the reporting unit with its carrying amount, including goodwill. If this step reflects impairment, then the loss would be measured in the second step as the excess of recorded goodwill over its implied fair value. Implied fair value is the excess of fair value of the reporting unit over the fair value of all identified assets and liabilities. The test for impairment of unamortized other intangible assets is performed on at least an annual basis. The Company deems unamortized other intangible assets to be impaired if the carrying amount of an asset exceeds its fair value. The fair value of the Company's unamortized trademarks and license agreements is determined using a discounted cash flow model with assumed royalty fees and sales projections. The Company tests the recoverability of all 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 these other assets to be impaired if a forecast of undiscounted future operating cash flows is less than its carrying amount. If these other assets were determined to be impaired, the loss is measured as the amount by which the carrying value of the asset exceeds its fair value.

While the Company currently believes that goodwill and unamortized trademarks are not impaired, materially different assumptions regarding the future performance of its businesses could result in significant impairment losses. Specifically, within Feed, detrimental changes in the current business conditions could bring about significant differences between actual and projected financial results and cause the Company to incur an impairment loss related to its goodwill.

3. RECENT ACCOUNTING PRONOUNCEMENTS

During 2010, the FASB issued several Accounting Standards Updates ("ASU"): ASU No. 2010-1 through ASU No. 2010-29. In 2011, the FASB issued ASU No. 2011-1 through ASU No. 2011-12. Except for the ASUs discussed below, the ASUs entail technical corrections to existing guidance or affect guidance related to specialized industries or topics and therefore have minimal, if any, impact on the Company.

In July 2010, the FASB issued ASU No. 2010-20, which amends Receivables (ASC Topic 310-10) to require enhanced disclosures regarding the credit quality of an entity's financing receivables and its allowance for credit losses. In addition, this update requires an entity to disclose credit quality indicators, past due information and modifications of its financing receivables. For nonpublic entities, the disclosures are effective for annual reporting periods ending on or after December 31, 2011. The adoption of this standard did not have an impact to the results of operations or financial position.

In May 2011, the FASB issued ASU No. 2011-4, which amends Fair Value Measurements and Disclosures – Overall (ASC Topic 820-10). This guidance revises common fair value measurement and disclosure requirements. For nonpublic entities, the guidance is effective for annual periods beginning after December 15, 2011, with earlier application permitted for interim periods beginning after December 15, 2011. Accordingly, the Company adopted this standard in 2012. The adoption of this standard did not have a material impact on the results of operations or financial position.

In June 2011, the FASB issued ASU No. 2011-5, which amends Comprehensive Income (ASC 220-10). This guidance requires entities to present net income and other comprehensive income ("OCI") in either a single continuous statement or in separate consecutive statements. The guidance does not change the components of net income or OCI. In December 2011, the FASB issued ASU No. 2011-12, which defers the requirement in ASU No. 2011-5 to disclose reclassifications adjustments out of accumulated other comprehensive income by component in both the statement in which net earnings is presented and the statement in which OCI is presented. This deferral does not affect the effective date of the other provisions in ASU No. 2011-5. The guidance is effective for fiscal years beginning after December 15, 2011 and the Company adopted this standard in 2012. The adoption of this standard will not have a material impact on the results of operations or financial position, as it relates to presentation only.

In September 2011, the FASB issued ASU No. 2011-8, which amends Intangibles – Goodwill and Other (ASC 350) to give entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. The guidance is effective for annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this standard will not have an impact on the results of operations or financial position.

In September 2011, the FASB issued ASU No. 2011-9, which amends Compensation – Retirement Benefits – Multiemployer Plans (ASC 715-80) by increasing the qualitative and quantitative disclosures an employer is required to provide about its participation in significant multiemployer plans that offer pension or other postretirement benefits. The ASU is effective for nonpublic entities for fiscal years ending after December 15, 2012, with early adoption permitted. As ASU 2011-9 is only disclosure related, it will not have an impact on the Company's financial position, results of operations or cash flow.

In December 2011, the FASB issued ASU No. 2011-11, which amends Balance Sheet (ASC 210) by creating new disclosure requirements about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new disclosure requirements are effective for annual reporting periods beginning on or after January 1, 2013 and interim periods therein, with retrospective application required. The Company is currently evaluating the impact of this guidance on its disclosures, but we do not expect the adoption of this standard to have an impact on the results of operations or financial position.

4. BUSINESS COMBINATIONS

2011 Acquisitions

On August 26, 2011, Winfield Solutions, LLC ("Winfield"), a Land O'Lakes wholly owned subsidiary, entered into a stock purchase agreement to acquire 60% of the outstanding stock of Global Seed Genetics, S.A. de C.V. ("GSG"), a Mexican corporation, for $10.0 million in cash. GSG specializes in the development of proprietary conventional tropical corn seeds.

The following table summarizes the recognized amounts of identifiable assets and liabilities acquired based upon independent appraisals and management estimates:

Current assets	$ 571
Property, plant and equipment	6
Other intangibles	10,024
Current liabilities	(96)
Noncontrolling interests	(5,966)
Total fair value of identifiable assets, liabilities and noncontrolling interest	4,539
Purchase price, net of cash assumed	10,000
Goodwill	$ 5,461

Goodwill was calculated as the excess of the purchase price over the fair value of identifiable assets, liabilities and noncontrolling interests acquired. The primary items that generated goodwill were the premiums paid for the right to control the business acquired and gain entry to the Mexican market. The goodwill has been assigned to our Crop Inputs segment. Acquired intangible assets consist of intellectual property, which is being amortized over its estimated useful life of 15 years. The Company determined the fair value of the noncontrolling interest based on the total enterprise value less discounts for lack of control and marketability.

On November 11, 2011, Moark, LLC ("Moark"), a Land O'Lakes wholly owned subsidiary, entered into a lease agreement with DeCoster Enterprises, LLC, New England Agricultural Investment Fund, LLC, Turner Energy, LLC, Contract Farming of Maine, LLC and Maine Contract Farming, LLC (together, the "Sellers") to lease a shell egg production business in the state of Maine. This has been classified as a capital lease and acquisition of a business. The capital lease has a 10-year term with three one-year renewal periods and an option to purchase. The acquisition will result in a supply of brown eggs for Moark's expansion on the east coast. Cash paid for the transaction was $1.9 million.

The following table summarizes the recognized amounts of identifiable assets and liabilities acquired based upon independent appraisals and management estimates:

Inventories	$ 12,938
Property, plant and equipment	26,125
Other intangibles	8,000
Accrued liabilities	(147)
Total fair value of identifiable assets and liabilities	49,916
Long-term debt issued as consideration	61,691
Purchase price, net of cash assumed	1,865
Goodwill	$ 16,640

Goodwill was calculated as the excess of the purchase price over the fair value of identifiable assets and liabilities acquired and has been assigned to our Layers segment. The primary items that generated goodwill were the premiums paid for expected synergies. Acquired intangible assets consist of customer relationships, which are being amortized over their estimated useful lives of 15 years. The fair value of the customer relationships was determined using an income approach, whereby the asset's fair value is equal to the present value of the incremental after-tax cash flows attributable solely to the intangible asset over its remaining useful life. The fair value of the capital lease obligation was calculated using a present value calculation based on available information on prevailing market rates for similar securities.

2010 Acquisitions

As of January 1, 2010, Winfield entered into a stock sale agreement with Agriliance LLC ("Agriliance"), a 50/50 joint venture between the Company and United Country Brands, LLC (a wholly owned subsidiary of CHS Inc. ("CHS")), to purchase the outstanding stock of Agriliance de Mexico, S.A. de C.V., a Mexican corporation, for $1.9 million in cash. The Company determined the fair value of the assets acquired, primarily inventory, exceeded the purchase price by approximately $1.4 million, which was recorded as a bargain purchase gain within selling, general and administrative expense in the consolidated statements of operations.

On September 1, 2010, as part of the ongoing restructuring of Agriliance, Winfield entered into an operating lease agreement with Agriliance. Winfield completed the transaction and closed on the property, plant and equipment in December 2010. Under the terms of the transaction documents, Winfield began operating six former Agriliance retail locations in Florida and purchased the working capital, primarily inventory, and fixed assets associated with such locations for $27.3 million. The Company recorded a bargain purchase gain of $0.3 million as a result of the fair value of the assets acquired exceeding the purchase price. An additional $1.2 million of gain on the acquisition was deferred and will be recognized over the life of the assets acquired, as this was a related party transaction. The primary purpose of the transaction was to maintain certain retail distribution channels for the Company's crop protection and seed products.

On September 30, 2010, Winfield acquired the assets of Estes, Incorporated ("Estes"). Estes was primarily a wholesale distributor of agricultural, range and pasture, and specialty crop protection products through 17 leased locations in Texas, Oklahoma, Arkansas and Colorado. The total cash paid for this acquisition was $21.1 million in cash, and it was primarily allocated to inventory, equipment and customer relationships.

For the acquisitions described above, the business operations of the acquired entities were included in the Crop Inputs segment upon acquisition. These acquisitions were accounted for as business combinations. Accordingly, the assets and liabilities of the acquired entities were recorded at their estimated fair values at the date of the acquisitions. The aggregate purchase price allocations are summarized in the following table:

Receivables, net	$ 5,573
Inventories	42,917
Prepaid assets	55
Property, plant and equipment	5,154
Other intangibles, net	3,505
Current liabilities	(4,992)
Employee benefits and other liabilities	(268)
Total fair value of identifiable assets and liabilities	51,944
Cash paid for 2010 acquisitions, net of cash acquired	50,290
Bargain purchase gain	$ 1,654

2009 Acquisitions

In January 2009, Feed contributed $0.3 million in cash to Superior Feed Solutions, LLC, a 50/50 joint venture with Ceres Solutions LLP. The joint venture is accounted for under the equity method of accounting.

On April 9, 2009, the Company announced that Agriliance entered into an operating lease and an asset purchase agreement with Agri-AFC, LLC ("Agri-AFC"), a wholesale and retail crop inputs supplier. At the time of this transaction, Agri-AFC was a consolidated joint venture between Winfield and Alabama Farmers Cooperative, Inc. ("AFC"). Under the terms of the transaction documents, Agri-AFC began operating nine former Agriliance retail locations located in Georgia and Mississippi and purchased the working capital, primarily inventory, associated with such locations for $18.3 million. In July 2009, Agri-AFC completed the transaction and acquired the property, plant and equipment located at these sites for $2.8 million in cash.

In August 2009, Feed contributed $0.3 million in cash to DaLOL Bio-Nutrition (HK) Co., Ltd, a 50/50 joint venture with Hwabei Agri Corporation. The joint venture is accounted for under the equity method of accounting.

On October 2, 2009, Retail Agronomy Solutions, LLC ("RAS"), a wholly owned subsidiary of Winfield, entered into an operating lease agreement with Agriliance. The primary purpose of the transaction was to maintain the retail distribution channels for the Company's crop protection and seed products. Under the terms of the transaction documents, RAS began operating 34 former Agriliance retail locations in Louisiana, Arkansas and Mississippi and purchased the working capital, primarily inventory, associated with such locations for $24.8 million. In December 2009, RAS completed the transaction and closed on the property, plant and equipment located at these sites for $11.4 million in cash. As part of the closing, RAS also assumed potential future environmental liability in return for a payment of $1.9 million from Agriliance. Since RAS obtained control over these retail locations on October 2, 2009, the results of operations are included in the consolidated financial statements from that date forward and the purchase price allocation was determined as of that date. In March 2010, RAS paid a working capital adjustment of $0.7 million in cash to Agriliance.

The following table summarizes the recognized amounts of identifiable assets and liabilities acquired based upon independent appraisals and management estimates:

Receivables, net	$ 880
Inventories	24,707
Property, plant and equipment	11,815
Customer advances	(364)
Employee benefits and other liabilities	(947)
Total fair value of identifiable assets and liabilities	36,091
Purchase price, net of cash assumed	34,937
Bargain purchase gain	$ 1,154

The Company determined that the fair value of assets acquired exceeded the purchase price by approximately $1.2 million, which was recorded as a bargain purchase gain within selling, general and administrative expense in the consolidated statements of operations. An additional $0.9 million of gain on the acquisition was deferred and will be recognized over the life of the assets acquired, as this was a related party transaction.

5. RECEIVABLES

A summary of receivables at December 31 is as follows:

	2011	2010
Trade accounts	$ 894,584	$ 860,221
Notes and contracts	140,989	137,342
Vendor rebates	78,918	56,397
Other	74,845	38,901
	1,189,336	1,092,861
Less allowance for doubtful accounts	(17,675)	(17,651)
Total receivables, net	$1,171,661	$1,075,210

A substantial portion of the Company's receivables is concentrated in agriculture, as well as in the wholesale and retail food industries. Collection of receivables may be dependent upon economic returns in these industries. The Company's credit risks are continually reviewed, and management believes that adequate provisions have been made for doubtful accounts.

The Company operates a wholly owned subsidiary, LOL Finance Co., which provides operating loans and facility financing to farmers and livestock producers, which are collateralized by the real estate, equipment and livestock of their farming operations. These loans, which relate primarily to dairy, swine, cattle and other livestock production, are presented as notes and contracts for the current portion and as other assets for the noncurrent portion. Total notes and contracts were $165.4 million at December 31, 2011 and $171.7 million at December 31, 2010, of which $111.2 million and $108.5 million, respectively, were the current portions included in the table above. Commitments to extend credit totaled $31.2 million and $34.8 million at December 31, 2011 and 2010, respectively.

A loan is considered impaired, based on current information or events, if it is probable that LOL Finance Co. will be unable to collect all amounts due according to the contractual terms of the loan. Loans reviewed for impairment include loans that are past due, non-performing or in bankruptcy. As of Decemer 31,2011, LOL Finance Co. had a recorded investment of $10.4 million in impaired loans. The Company considers a loan past due if any portion of a contractual payment is due and unpaid for more than 60 days. For both impaired loans and loans past due, recognition of income is suspended and the loan is placed on nonaccrual status when management determines that collection of future income is not probable (generally after 120 days past due). Accrual is resumed, and previously suspended income is recognized, when the loan becomes contractually current and/or collection doubts are removed. Cash receipts on impaired loans are recorded against the receivable and then to any unrecognized income.

An allowance for loan losses is maintained to provide for probable losses inherent in the loan portfolio, including the effects of impaired loans. LOL Finance Co. evaluates the collectability of loans on a specific identification basis, based on the amount and quality of the collateral obtained, and records specific loan loss reserves when appropriate. A general reserve is also maintained based on a periodic analysis of the loan portfolio and management considers general economic conditions, loan portfolio composition and historical loss experience. In total, LOL Finance Co.'s specific and general loan loss reserves were $3.2 million and $2.3 million at December 31, 2011 and 2010, respectively.

Vendor rebate receivables are primarily generated as a result of seed and chemical purchases. These receivables can vary significantly from period to period based on a number of factors, including, but not limited to, specific terms and conditions set forth in the underlying agreements, the timing of when such agreements become binding arrangements, and the timing of cash receipts. The Company may, on occasion, enter into inventory purchase commitments with vendors in order to achieve an optimal rebate return.

Other receivables include margin receivables from commodity brokers on open derivative instruments, interest and expected insurance settlements.

6. INVENTORIES

A summary of inventories at December 31 is as follows:

	2011	2010
Raw materials	$ 244,026	$ 200,425
Work in process	1,432	1,112
Finished goods	1,158,367	1,019,517
Total inventories	$1,403,825	$1,221,054

7. INVESTMENTS

A summary of investments at December 31 is as follows:

	2011	2010
AFP advanced food products, LLC	$ 36,266	$ 37,136
Ag Processing Inc	29,192	29,294
Agri-AFC, LLC	11,381	10,241
Delta Egg Farm, LLC	11,308	13,032
Melrose Dairy Proteins, LLC	10,516	11,643
Universal Cooperatives, Inc.	7,843	7,843
Golden State Feed & Grain LLC	7,750	6,232
CoBank, ACB	6,215	5,857
Other — principally cooperatives and joint ventures	50,877	47,338
Total investments	$171,348	$168,616

As of December 31, 2011, the Company maintained a 50% voting interest in numerous joint ventures, including Agri-AFC, LLC in Crop Inputs, Melrose Dairy Proteins, LLC in Dairy, and Golden State Feed & Grain LLC in Feed. Moark maintained a 50% voting interest in Delta Egg Farm, LLC. The Company also maintained a 35% voting interest in Advanced Food Products, LLC in Dairy at December 31, 2011. The Company's largest investments in other cooperatives as of December 31, 2011 were Ag Processing Inc, Universal Cooperatives, Inc. and CoBank, ACB ("CoBank").

The Company reviews its investments for indicators of impairment on a periodic basis or if an event occurs or circumstances change to indicate the carrying amount may be other than temporarily impaired. When such indicators are present, the Company performs an in-depth review for impairment. If a decline in fair value below the carrying value is determined to be other than temporary, the carrying value is written down to fair value and the amount of the write-down is included in the consolidated statement of operations.

In 2011, the Company's investment in Agriliance, LLC decreased by $5.4 million to a credit balance of $25.6 million, primarily due to $8.0 million of dividends received, $0.1 million of equity income for the period and $2.5 million of other comprehensive income for the period related to Agriliance's annual pension adjustments. The negative investment in Agriliance has been reclassified to employee benefits and other liabilities on the consolidated balance sheet. The credit balance reflects our share of Agriliance's other comprehensive income related to its pension plan partially offset by our share of other Agriliance equities.

In 2010, the investment in Agriliance decreased by $64.5 million to a credit balance of $20.2 million, primarily due to $55.0 million of dividends received, $1.7 million in equity losses for the period and a $7.8 million other comprehensive loss related to Agriliance's annual pension adjustments.

In December 2010, the Company sold its investment in Pro-Pet, LLC. In exchange for its ownership interests in Pro-Pet, LLC, the Company received $12.0 million of cash, 20% of the common shares in Pet Foods Holdings, Inc., and preferred shares in Pet Foods Holding, Inc. that have a par value of $4.0 million. The Company recognized a gain of $12.7 million related to this transaction through other income, net.

In August 2010, Feed and J.D. Heiskell Holdings, LLC ("JDH") created Golden State Feed & Grain LLC ("Golden State"), a 50/50 joint venture. Feed entered into an operating lease with Golden State for its Guernsey, CA, feed mill and contributed the associated customer relationships and sales volume. In addition, Feed paid JDH $4.5 million in cash in order to equalize ownership of the joint venture. The joint venture is accounted for under the equity method of accounting.

In March 2009, Golden Oval Eggs, LLC ("Golden Oval") sold substantially all of its assets to Rembrandt Enterprises, Inc. The cash generated by the sale was distributed to the owners, resulting in an $11.8 million gain in 2009. The Company does not expect to receive any further cash distributions from Golden Oval related to the asset sale; therefore the Class A units held by the Company are deemed to have no remaining value.

8. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment, which includes assets under capital leases, at December 31 is as follows:

	2011	2010
Machinery and equipment	$ 868,836	$ 809,778
Buildings and building equipment	528,011	469,465
Land and land improvements	91,305	83,427
Software	135,062	99,732
Construction in progress	87,909	47,208
	1,711,123	1,509,610
Less accumulated depreciation	864,867	765,008
Total property, plant and equipment, net	$ 846,256	$ 744,602

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The carrying amount of goodwill by segment at December 31 is as follows:

	2011	2010
Feed	$124,084	$124,084
Dairy Foods	68,525	68,525
Crop Inputs	66,178	61,345
Layers	34,937	19,225
Total goodwill	$293,724	$273,179

In 2011 and 2010, the effect of foreign currency translation adjustments on goodwill in the Crop Inputs segment was a loss of $1.1 million and $0, respectively.

Crop Inputs goodwill increased by $5.5 million and Layers increased by $16.6 million due to acquisitions in 2011. See Note 4 for further information on these acquisitions.

Feed goodwill decreased by $0.8 million in 2010 due to the divestiture of certain facilities. See Note 21 for further information.

Other Intangible Assets

A summary of other intangible assets at December 31 is as follows:

	2011	2010
Amortized other intangible assets:		
Dealer networks and customer relationships, less accumulated amortization of $9,537 and $7,088, respectively	$ 52,985	$ 47,434
Patents, less accumulated amortization of $11,849 and $10,735, respectively	4,862	5,976
Trademarks, less accumulated amortization of $4,634 and $4,002, respectively	2,980	3,612
Other intangible assets, less accumulated amortization of $5,174 and $4,572, respectively	11,592	3,287
Total amortized other intangible assets	72,419	60,309
Total non-amortized other intangible assets — trademarks	51,625	51,625
Total other intangible assets	$124,044	$111,934

Amortization expense for the years ended December 31, 2011, 2010 and 2009 was $4.8 million, $5.0 million and $5.2 million, respectively. The estimated amortization expense related to other intangible assets subject to amortization for the next five years will approximate $6.1 million annually. The weighted-average life of the intangible assets subject to amortization is approximately 15 years. Non-amortized other intangible assets relate to Feed and the majority of the amortized other intangible assets relate to Feed, Crop Inputs and Layers.

10. ACCRUED LIABILITIES

A summary of accrued liabilities at December 31 is as follows:

	2011	2010
Employee compensation and benefits	$129,291	$120,420
Unrealized hedging losses and deferred option premiums received	16,753	18,143
Marketing programs and consumer incentives	81,472	70,571
Other	172,731	165,033
Total accrued liabilities	$400,247	$374,167

Other accrued liabilities primarily include accrued taxes, interest, self-insurance reserves and environmental liabilities.

11. DEBT OBLIGATIONS

Notes and Short-term Obligations

The Company had notes and short-term obligations at December 31, 2011 and 2010 of $114.9 million and $85.6 million, respectively. The Company maintains credit facilities to finance its short-term borrowing needs, including a revolving credit facility and a receivables securitization facility.

The Company's primary sources of debt and liquidity at December 31, 2011 included an undrawn $475 million revolving credit facility, an undrawn $400 million receivables securitization facility, $325 million in 6.24%-6.77% private placement notes, a $150 million term loan and $190.7 million of 7.45% capital securities.

Effective August 9, 2011, the Company refinanced certain debt facilities in order to, among other things, extend the term of its debt portfolio to provide liquidity for general corporate purposes and to take advantage of lower rates. The refinancing included the following elements: the execution of a new $150 million term loan; the amendment of the existing revolving credit facility to increase the borrowing capacity from $375 million to $475 million and to extend the term; and the amendment of the Company's existing $400 million receivables securitization facility to extend the term.

The Company maintains a $475 million revolving credit facility (the "Revolving Credit Facility"). Under the terms of the Revolving Credit Facility, lenders have committed to make advances and issue letters of credit until August 2016 in an aggregate amount not to exceed $475 million. Borrowings bear interest at a variable rate (either LIBOR or an Alternative Base Rate) plus an applicable margin. The margin is dependent upon the Company's leverage ratio. Based on the leverage ratio at the end of December 2011, the LIBOR margin for the Revolving Credit Facility was 150.0 basis points. Spreads for the Alternative Base Rate are 100 basis points lower than the applicable LIBOR spreads. LIBOR may be set for one-, two-, three- or six-month periods at the Company's election. At December 31, 2011, there was $0 outstanding on the Revolving Credit Facility and $426.5 million was available after giving effect to $48.5 million of outstanding letters of credit, which reduced availability. At December 31, 2010, there was $0 outstanding on the Revolving Credit Facility and $334.1 million was available after giving effect to $40.9 million of outstanding letters of credit, which reduced availability.

The Company's $400 million, five-year receivables securitization facility arranged by CoBank matures in August 2016. The Company and certain wholly owned consolidated entities sell Dairy Foods, Feed, Crop Inputs and certain other receivables to LOL SPV, LLC, a wholly owned, consolidated special purpose entity (the "SPE"). The SPE enters into borrowings that are effectively secured solely by the SPE's receivables. The SPE has its own separate creditors that are entitled to be satisfied out of the assets of the SPE prior to any value becoming available to the Company. Borrowings under the receivables securitization facility bear interest at LIBOR plus 137.5 basis points. At December 31, 2011 and 2010, the SPE's receivables were $726.7 million and $707.2 million, respectively. At December 31, 2011 and 2010, outstanding balances under the facility, recorded as notes and short-term obligations, were $0 and availability was $400.0 million.

The Company also had $87.9 million and $85.5 million as of December 31, 2011 and 2010, respectively, of notes and short-term obligations outstanding under a revolving line of credit and other borrowing arrangements for a wholly owned subsidiary that provides operating loans and facility financing to farmers and livestock producers. These outstanding notes and short-term obligations are collateralized by the wholly owned subsidiary's loans receivable from the farmers and livestock producers.

On October 31, 2011, Moark refinanced its debt in order to increase the capacity of the revolving credit facility from $40 million to $50 million and extend the term to five years. The loan was repriced on a leverage-based grid at LIBOR plus 150 to 350 basis points. Borrowings bear interest at a variable rate (either LIBOR or an Alternative Base Rate) plus an applicable margin. At December 31, 2011 and 2010, the outstanding borrowings were $27.0 million and $0, respectively. Moark's facility is not guaranteed by the Company nor is it secured by Company assets.

The weighted-average interest rate on short-term borrowings and notes outstanding at December 31, 2011 and 2010 was 1.85% and 1.50%, respectively.

Long-term Debt

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

	2011	2010
Private Placement Notes, due 2016-2021 (6.24%-6.77%)	**$325,000**	$ 325,000
Capital Securities of Trust Subsidiary, due 2028 (7.45%)	**190,700**	190,700
Term Loan, due 2021 (variable rate based on LIBOR, swapped into a fixed rate of 4.44%)	**150,000**	—
Moark, LLC debt, due 2011 through 2022 (4.31% weighted average)	**69,001**	13,663
Moark, LLC capital lease obligations (5.89% weighted average)	**60,829**	2,307
Other debt, including discounts and fair value adjustments	**4,697**	295
Total debt	**800,227**	531,965
Less current portion	**10,169**	3,184
Total long-term debt	**$790,058**	$ 528,781

The $150 million Term Loan (the "Term Loan") is secured on a pari passu basis with the Revolving Credit Facility and the Private Placement Notes by substantially all of the Company's assets and the assets and guarantees of certain of the Company's wholly owned domestic subsidiaries. The Term Loan bears interest at a variable rate based on LIBOR plus a margin of 150 basis points. As of December 31, 2011, the floating interest rate of the Term Loan was 1.81%. At its inception, the Term Loan was hedged via a floating-to-fixed interest rate swap which effectively converts the floating rate into a fixed rate of approximately 4.44%, as discussed below.

In January 2011, Moark amended one of its promissory notes such that the outstanding principle balance was reduced by $4.8 million. In exchange, Moark released its right to exercise a purchase option at one of its leased manufacturing locations, which was leased from the same lender. As a result of the reduction in the outstanding principle balance, a gain of $4.4 million has been recorded in selling, general and administrative expenses on the consolidated statements of operations.

In December 2009, the Company entered into a Note Purchase Agreement with certain institutional lenders that governs the issuance of $325 million of privately placed notes (the "Private Placement Notes"). The Private Placement Notes were issued and sold in three series, as follows: 1) $155 million aggregate principal amount of 6.24% notes, due December 2016, 2) $85 million aggregate principal amount of 6.67% notes, due December 2019 and 3) $85 million aggregate principal amount of 6.77% notes, due December 2021. The Private Placement Notes are secured on a pari passu basis with the debt issued under the Revolving Credit Facility (described above), by substantially all of the Company's assets and the assets and guarantees of certain of the Company's wholly owned domestic subsidiaries. The Note Purchase Agreement imposes certain restrictions on the Company and certain of its subsidiaries, including, but not limited to, the Company's ability to incur additional indebtedness, make payments to members, make investments, grant liens, sell assets and engage in certain other activities.

In March 1998, the Company issued $200.0 million of Capital Securities through a wholly owned trust subsidiary. The securities are subordinated to all other debt and bear interest at 7.45% maturing on March 15, 2028. The Company repurchased certain of these securities, which it holds in treasury. The outstanding balance of these Capital Securities as of December 31, 2011 and 2010 was $190.7 million.

As part of the refinancing of Moark's debt in October 2011, Moark entered into a new $60 million five year term loan priced at 3.82%. The funds will be used to finance Moark's capital expenditures and for general corporate purposes. Moark's facility is not guaranteed by the Company nor is it secured by Company assets.

At December 31, 2011 and 2010, Moark had $60.8 million and $2.3 million, respectively, in obligations under capital lease, which represent the present value of the future minimum lease payments. The increase in capital leases during 2011 was primarily due to the lease of selected facilities in Maine. Moark is now the operator of these facilities and has an option to purchase. In addition, Moark leases machinery, buildings and equipment at various other locations. Minimum commitments for obligations under capital leases at December 31, 2011 total $60.8 million, comprising of $2.9 million in 2012, and $3.0 million in 2013, $3.2 million in 2014, $4.0 million in 2015, $4.4 million in 2016 and $43.3 million after 2016.

In December 2008, the Company entered into a transaction with the City of Russell, Kansas (the "City"), whereby the City purchased the Company's Russell, Kansas, feed facility (the "Facility") by issuing $4.9 million in industrial development revenue bonds due December 2018 and leased the Facility back to the Company for an identical term under a capital lease. The City's bonds were purchased by the Company. Because the City has assigned the lease to a trustee for the benefit of the Company as the sole bondholder, the Company, in effect, controls enforcement of the lease against itself. As a result of the capital lease treatment, the Facility will remain a component of property, plant and equipment in the Company's consolidated balance sheets and no gain or loss was recognized related to this transaction. The capital lease obligation and the corresponding bond investment have been eliminated upon consolidation. Additional bonds may be issued to cover the costs of certain improvements to the Facility. The maximum amount of bonds authorized for issuance is $6.0 million.

Substantially all of the Company's assets, excluding assets of Moark and its subsidiaries, have been pledged to its lenders under the terms of the Revolving Credit Facility and the Private Placement Notes. As of December 31, 2011 and 2010, the Company's debt covenants were all satisfied.

The maturity of long-term debt, including capital leases, for the next five years and thereafter is summarized in the table below:

Year	Amount
2012	$ 10,169
2013	11,788
2014	8,833
2015	9,756
2016	50,262
2017 and thereafter	709,419

Interest paid on debt obligations was $54.6 million, $50.3 million and $58.7 million in 2011, 2010 and 2009, respectively.

12. OTHER COMPREHENSIVE INCOME

	2011	2010	2009
Net earnings	$183,608	$178,867	$205,322
Pension and other postretirement adjustments, net of income taxes of $32,551, $1,441 and $19,028, respectively	(52,550)	(2,327)	(30,717)
Cash flow hedge adjustments, net of income taxes of $5,481, $0 and $0, respectively	(8,848)	—	—
Foreign currency translation adjustment, net of income taxes of $778, $4 and $(40), respectively	(1,256)	(5)	64
Unrealized loss on available-for-sale securities, net of income taxes of $0, $5 and $0, respectively	—	(16)	(1)
Total comprehensive income	120,954	176,519	174,668
Less: Other comprehensive (earnings) loss attributable to noncontrolling interests	(1,452)	(719)	3,778
Total comprehensive income attributable to Land O'Lakes, Inc.	$119,502	$175,800	$178,446

The pension and other postretirement adjustment, net of income taxes, for 2011, 2010 and 2009 reflects $(53.6) million, $1.0 million and $(14.0) million, respectively, for Land O'Lakes defined benefit pension plans. Also, the Company recorded its portion of pension and other postretirement adjustments for its ownership percentage in its joint ventures, primarily Agriliance, for $1.1 million, $(3.3) million and $(16.7) million for 2011, 2010 and 2009, respectively.

The components of accumulated other comprehensive loss as of December 31 are as follows:

	2011	2010
Pension and other postretirement adjustments, net of income taxes of $146,294 and $113,743, respectively	$(236,174)	$(183,624)
Cash flow hedges adjustments, net of income taxes of $5,481 and $0, respectively	(8,848)	—
Foreign currency translation adjustment, net of income taxes of $541 and $(237), respectively	(873)	383
Accumulated other comprehensive loss	$(245,895)	$(183,241)

13. DERIVATIVE INSTRUMENTS

Commodity Price and Foreign Currency Risk

The Company is exposed to the impact of price fluctuations in dairy and agriculture commodity inputs consumed in operations and the impact of fluctuations in the relative value of currencies. The Company periodically enters into derivative instruments in order to mitigate the effects of changing commodity prices and to mitigate its foreign currency risks.

In the normal course of operations, the Company purchases commodities such as: milk, butter, soybean oil and various energy needs ("energy") in Dairy Foods; soybean meal, corn and energy in Feed and Layers; and soybeans, corn and energy in Crop Inputs. The Company's commodity price risk management strategy is to use derivative instruments to reduce risk caused by volatility in commodity prices due to fluctuations in the market value of inventories and fixed or partially fixed purchase and sales contracts. The Company enters into futures, forward and options contract derivative instruments for periods consistent with the related underlying inventory and purchase and sales contracts. These contracts are not designated as hedges under ASC 815, "Derivatives and Hedging." The futures and option contracts are marked-to-market each month and unrealized hedging gains and losses are primarily recognized in cost of sales. The Company has established formal position limits to monitor its price risk management activities and executes derivative instruments only with respect to those commodities that the Company consumes or produces in its normal business operations.

The unrealized (gains) and losses on derivative instruments related to commodity contracts and foreign currency exchange contracts not designated as hedging instruments for the year ended December 31 are as follows:

Derivatives not designated as hedging instruments	Location	2011	2010	2009
Commodity derivatives	Cost of sales	$14,402	$ (6,312)	$(34,740)
Commodity derivatives	Selling, general and administrative	—	—	(1,140)
Foreign currency exchange contracts	Cost of sales	193	291	(1,488)
Foreign currency exchange contracts	Other income, net	—	—	341

In November 2011, the Company entered into a cross currency swap contract to hedge the foreign currency risk related to both the interest and principal payments on a Euro-denominated note receivable, with a principal balance of $3.7 million. This contract has been designated as a cash flow hedging instrument. As of December 31, 2011, the fair value of the cross currency swap was $0.1 million, which was recorded as a gain in accumulated other comprehensive income.

Interest Rate Risk

The Company is exposed to interest rate volatility with regard to its variable rate debt. To manage its interest rate exposures, the Company entered into a $150 million interest rate swap agreement in August 2011 to exchange the variable rate interest payment obligations related to the $150 million Term Loan for fixed rate interest payments. The Company has designated this interest rate swap as a cash flow hedging instrument. The effective date of the swap was August 12, 2011 and expires in August 2021. The swap agreement has an effective fixed interest rate of 4.44%. Effective gains and losses are deferred to accumulated other comprehensive income and reclassified into interest expense over the term of the underlying debt. Any ineffectiveness is recorded as interest expense, net. For the year ended December 31, 2011, the Company recognized $0 of hedge ineffectiveness. The amount of the existing losses at December 31, 2011 that is expected to be reclassified into the consolidated statements of operations within the next 12 months is $0.8 million.

Derivative Instruments Additional Information

The notional or contractual amount of derivative instruments provides an indication of the extent of the Company's involvement in such instruments at that time, but does not represent exposure to market risk or future cash requirements under certain of these instruments. The gross fair market value of all derivative instruments and their location in the consolidated balance sheet are shown by those in an asset or liability position and are further categorized by commodity, interest rate and foreign currency derivatives:

	December 31, 2011			December 31, 2010		
	Notional or	Fair Value		Notional or	Fair Value	
Derivatives not designated as hedging instruments	Contractual Amount	Asset Derivatives[a]	Liability Derivatives[a]	Contractual Amount	Asset Derivatives[a]	Liability Derivatives[a]
Commodity derivatives[a]	$344,448	$8,290	$15,739	$288,060	$19,112	$12,159
Foreign currency exchange contracts[a]	2,950	80	—	986	272	—
Total		$8,370	$15,739		$19,384	$12,159
Derivatives designated as hedging instruments						
Interest rate swap[b]	$150,000	—	$14,411	—	—	—
Cross currency swap[b]	3,651	82	—	—	—	—
Total		$8,452	$30,150		$19,384	$12,159

[a]Asset derivative instruments are recorded in other current assets and liability derivative instruments are recorded in accrued liabilities in the consolidated balance sheets.

[b]Asset derivative instruments are recorded in other assets and liability derivative instruments are recorded in employee benefits and other liabilities in the consolidated balance sheets.

The Company enters into derivative instruments with a variety of counterparties. These instruments are primarily purchased and sold through brokers and regulated commodity exchanges. By using derivative financial instruments to manage exposures to changes in commodity prices and exchange rates, the Company exposes itself to the risk that the counterparty might fail to perform its obligations under the terms of the derivative contracts. The Company mitigates this risk by entering into transactions with high-quality counterparties and does not anticipate any losses due to nonperformance. The Company manages its concentration of counterparty credit risk on derivative instruments prior to entering into derivative contracts by evaluating the counterparty's external credit rating, where available, as well as assessing other relevant information such as current financial statements, credit agency reports and/or credit references. As of December 31, 2011 and 2010, the maximum amount of loss that the Company would incur if the counterparties to derivative instruments fail to meet their obligations, not considering collateral received or netting arrangements, was $8.5 million and $19.4 million, respectively. The Company reviewed its counterparties and believes that a concentration of risk does not exist and that a failure of any or all counterparties would not have a material effect on the consolidated financial statements as of December 31, 2011.

14. FAIR VALUE MEASUREMENTS

The carrying amounts and estimated fair values of the Company's financial instruments are as follows as of:

	December 31, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Derivatives:				
Commodity derivative assets	$ 8,290	$ 8,290	$ 19,112	$ 19,112
Commodity derivative liabilities	15,739	15,739	12,159	12,159
Foreign currency exchange contract assets	80	80	272	272
Interest rate swap liability	14,411	14,411	—	—
Cross currency swap asset	82	82	—	—
Available-for-sale securities	5	5	5	5
Loans receivable	162,186	163,994	169,574	170,244
Debt:				
Private Placement Notes, due 2016-2021	325,000	377,780	325,000	351,546
Capital Securities of Trust Subsidiary, due 2028	190,700	195,168	190,700	190,700
Term Loan, due 2021	150,000	150,759	—	—
Moark, LLC fixed-rate debt, including capital lease obligations	129,830	132,666	15,970	19,029

Unrealized gains and losses on financial derivative instruments are recorded at fair value in the consolidated financial statements.

The fair value of derivative instruments is determined using quoted prices in active markets or is derived from prices in underlying futures markets. The fair value of the interest rate swap was determined based on models that consider various assumptions, including time value, yield curves, as well as other relevant economic measures, which are inputs that are classified as Level 2 in the valuation hierarchy. The fair value of the cross currency swap was determined based on a model that considers the forward interest rate curve and time value, which are other observable inputs classified as Level 2 in the valuation hierarchy.

The fair value of loans receivable, which are loans made to farmers and livestock producers by the Company's financing subsidiary, was estimated using a present value calculation based on similar loans made or loans repriced to borrowers with similar credit risks. This methodology is used because no active market exists for these loans and the Company cannot determine whether the fair values presented would equal the value negotiated in an actual sale. The Company manages its credit risk related to these loans by using established credit limits, conducting ongoing credit evaluation and account monitoring procedures, and securing collateral when deemed necessary. Negative economic factors that may impact farmers and livestock producers could increase the level of losses within this portfolio.

The fair value of fixed-rate long-term debt was estimated through a present value calculation based on available information on prevailing market interest rates for similar securities.

The carrying value of financial instruments classified as current assets and current liabilities, such as cash and cash equivalents, trade receivables, accounts payable and notes and short-term obligations, approximate fair value due to the short-term maturity of the instruments. The Company invests its excess cash in deposits with major banks and limits the amounts invested in any single institution to reduce risk. The Company regularly evaluates its credit risk to the extent that financial instruments are concentrated in certain industries or with significant customers and vendors, including the collectibility of receivables and prepaid deposits with vendors.

The fair value of certain current and noncurrent notes receivable with a financial statement carrying value of $29.2 million and $5.4 million as of December 31, 2011 and $24.6 million and $5.7 million as of December 31, 2010, respectively, was not estimated because it is not feasible to readily determine the fair value.

ASC 820, "Fair Value Measurements and Disclosures," establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3: inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The following table provides the assets and liabilities carried at fair value measured on a recurring basis:

		Fair Value Measurements at December 31, 2011 Using:		
	Fair value at December 31, 2011[a]	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Commodity derivative assets	$ 8,290	$ 8,166	$ 124	$ —
Commodity derivative liabilities	15,739	14,873	866	—
Interest rate swap liability	14,411	—	14,411	—
Cross currency swap asset	82	—	82	—
Foreign currency exchange contract assets	80	—	80	—
Available-for-sale securities	5	5	—	—

		Fair Value Measurements at December 31, 2010 Using:		
	Fair value at December 31, 2010[a]	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Commodity derivative assets	$19,112	$17,374	$1,738	$—
Commodity derivative liabilities	12,159	11,819	340	—
Foreign currency exchange contract assets	272	—	272	—
Available-for-sale securities	5	5	—	—

(a) ASC 815-10 permits, but does not require, companies that enter into master netting arrangements to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or the obligation to return cash collateral. The Company has master netting arrangements with brokers for its exchange-traded futures and option contracts; however, it does not elect to offset fair value amounts recognized for derivative instruments under such master netting arrangements with amounts recognized for margin balances due from or due to brokers.

Since commodity derivative forward contracts and the foreign currency exchange forward contracts are not actively traded, they are priced at a fair value derived from an underlying futures market for the commodity or currency. Therefore, they have been categorized as Level 2. The available-for-sale equity securities and puts, calls and commodity futures are measured at fair value based on quoted prices in active markets and as such are categorized as Level 1.

15. INCOME TAXES

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

	2011	2010	2009
Current (benefit) expense:			
Federal	$(12,784)	$ (2,377)	$(13,448)
State	1,071	71	178
	(11,713)	(2,306)	(13,270)
Deferred expense (benefit):			
Federal	8,608	10,475	35,361
State	653	1,830	4,629
	9,261	12,305	39,990
Income tax expense	$ (2,452)	$ 9,999	$ 26,720

In 2011 and 2010, the Company recorded income tax (benefit) expense of $(2.5) million and $10.0 million, respectively, primarily as a result of nonmember earnings offset by the domestic production activities deduction and a reduction in the reserve for unrecognized tax benefits resulting from tax positions taken.

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

	2011	2010	2009
Statutory rate	35.0%	35.0%	35.0%
Patronage refunds	(23.9)	(25.5)	(22.9)
State income tax, net of federal benefit	0.9	0.7	1.3
Amortization of goodwill	—	0.1	0.3
Effect of foreign operations	(0.2)	0.2	—
Additional tax (benefit) expense	(8.9)	(1.9)	0.4
Meals and entertainment	1.1	1.1	1.0
Tax credits	(0.7)	(0.7)	(0.4)
Section 199 manufacturing deduction	(4.7)	(4.5)	(3.8)
Noncontrolling interests in LLCs	(0.1)	—	0.6
Other, net	0.1	0.8	—
Effective tax rate	(1.4)%	5.3%	11.5%

The significant components of the deferred tax assets and liabilities at December 31 are as follows:

	2011	2010
Deferred tax assets related to:		
Deferred patronage	$ 33,743	$ 34,095
Accrued liabilities	200,757	181,654
Allowance for doubtful accounts	7,384	5,099
Asset impairments	4,398	9,877
Joint ventures	35,133	23,117
Loss carryforwards	1,175	4,817
Deferred revenue	6,896	4,744
Deferred tax credits	357	1,560
Other	6,168	—
Gross deferred tax assets	296,011	264,963
Valuation allowance	(16,620)	(16,620)
Total deferred tax assets	279,391	248,343
Deferred tax liabilities related to:		
Property, plant and equipment	115,446	110,525
Inventories	5,373	7,076
Intangibles	35,691	40,572
Other	11,554	9,638
Total deferred tax liabilities	168,064	167,811
Net deferred tax assets	$111,327	$ 80,532

ASC 740 requires consideration of a valuation allowance if it is "more likely than not" that benefits of deferred tax assets will not be realized. As a result of the crop protection product asset distribution from Agriliance in 2007, a valuation allowance of $16.6 million was established to reduce the Company's deferred tax asset to an amount that is more likely than not to be realized.

The net deferred tax assets are classified in the consolidated balance sheets at December 31 as follows:

	2011	2010
Other current assets	$ 68,000	$ 64,680
Other assets	43,327	15,852
Total net deferred tax assets	$111,327	$ 80,532

At December 31, 2011 and 2010, the Company had unrecognized tax benefits of approximately $3.2 million and $18.5 million, respectively, including $0.1 million and $1.4 million, respectively, of interest. For the years ended December 31, 2011 and 2010, the effective tax rate was impacted by decreases of $13.3 million and $2.9 million, respectively, to income tax (benefit) expense due to changes in the reserve for unrecognized tax benefits resulting from tax positions taken. In 2011, the reserve decreased due to the completion of a U.S. federal government audit for the years 2006, 2007 and 2008. The Company does not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease during the next 12 months.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years 2008 and prior.

As of December 31, 2011, the Company had loss carryforwards of approximately $3.1 million for tax purposes available to offset future taxable income. If not used, these carryforwards will expire, primarily in the years 2023 and 2031.

Income taxes paid/(recovered) in 2011, 2010 and 2009 were $4.3 million, $1.3 million and $(38.0) million, respectively. At December 31, 2011 and 2010, prepaid income taxes were $6.6 million and $5.8 million, respectively.

16. PENSION AND OTHER POSTRETIREMENT PLANS

The Company has a qualified, defined benefit pension plan, which generally covers all eligible employees hired before January 1, 2006 not participating in a labor-negotiated plan. Plan benefits are generally based on years of service and 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"). In addition, the Company has a noncontributory, supplemental executive retirement plan and a discretionary capital accumulation plan, both of which are non-qualified, defined benefit pension plans and are unfunded.

The Company also sponsors plans that provide certain health care benefits for retired employees. Generally, employees hired by the Company prior to October 1, 2002 become eligible for these benefits upon meeting certain age and service requirements; employees hired by the Company after September 30, 2002 are eligible for access-only retirement health care benefits at their expense. The Company funds only the plans' annual cash requirements.

Pension Obligation and Funded Status at December 31

	Pension Benefits			
	Qualified Plan		Non-qualified Plans	
	2011	2010	2011	2010
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 664,705	$ 606,700	$ 70,591	$ 61,922
Service cost	16,311	14,559	1,604	1,013
Interest cost	35,791	34,995	3,749	3,515
Actuarial loss	47,203	33,945	12,176	9,360
Benefits paid	(27,312)	(25,494)	(5,810)	(5,219)
Benefit obligation at end of year	$ 736,698	$ 664,705	$ 82,310	$ 70,591
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 542,517	$ 475,203	$ —	$ —
Actual gain on plan assets	2,071	72,808	—	—
Company contributions	25,000	20,000	5,810	5,219
Benefits paid	(27,312)	(25,494)	(5,810)	(5,219)
Fair value of plan assets at end of year	$ 542,276	$ 542,517	$ —	$ —
Amounts recognized in the consolidated balance sheets consist of:				
Accrued liabilities	$ —	$ —	$ (4,758)	$ (4,921)
Employee benefits and other liabilities	(194,422)	(122,188)	(77,552)	(65,670)
Net amount recognized	$(194,422)	$(122,188)	$(82,310)	$(70,591)
Amounts recognized in accumulated other comprehensive income (pretax) consist of:				
Prior service cost	$ 163	$ 215	$ (130)	$ (206)
Net loss	299,113	226,448	37,569	27,688
Ending balance	$ 299,276	$ 226,663	$ 37,439	$ 27,482

The accumulated benefit obligation for the Company's defined benefit pension plan was $693.1 million and $620.9 million at December 31, 2011 and 2010, respectively. The accumulated benefit obligation for the Company's non-qualified, defined benefit pension plans was $73.7 million and $63.2 million at December 31, 2011 and 2010, respectively.

The following table sets forth the plans' projected benefit obligations, fair value of plan assets and funded status at December 31, as follows:

	Pension Benefits			
	Qualified Plan		Non-qualified Plans	
	2011	2010	2011	2010
Projected benefit obligation	$ 736,698	$ 664,705	$ 82,310	$ 70,591
Fair value of plan assets	542,276	542,517	—	—
Funded status at end of measurement date	$(194,422)	$(122,188)	$(82,310)	$(70,591)

A financial asset's classification within the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The following tables provide the plans' assets fair value measurement hierarchy:

		Fair Value Measurements at December 31, 2011 Using:		
	Total fair value at December 31, 2011	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$ 200	$ 200	$ —	$ —
Short-term investment fund	4,132	4,132	—	—
Mutual Funds – Bonds	183,719	183,719	—	—
Mutual Funds – Equities	151,103	151,103	—	—
Common stocks	163,536	163,536	—	—
Common collective trusts	39,586	—	39,586	—
Total plan assets	$542,276	$502,690	$39,586	$ —

		Fair Value Measurements at December 31, 2010 Using:		
	Total fair value at December 31, 2010	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$ 12	$ 12	$ —	$ —
Stable value funds	4,079	—	4,079	—
Investments in registered investment companies	325,927	325,927	—	—
Common stocks	140,366	140,366	—	—
Common collective trusts	72,133	—	72,133	—
Total plan assets	$542,517	$466,305	$76,212	$ —

The short-term investment fund is comprised of interest-bearing cash accounts and is typically the result of temporary timing differences between receipts from other investments and reinvestment of those funds or benefit payments to plan participants. Investments in registered investment companies and common stocks consist of various publicly traded money market funds, mutual funds and common stocks. These investments are valued at the closing price reported in the active market in which the individual securities are traded. The common collective trusts and stable value funds are valued at the net asset value ("NAV") as determined by the custodian of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, then divided by the number of units outstanding. Of the amounts reported at net asset value, all of those investments are redeemable with the fund at NAV under original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds, and consequently, the fair value of the funds.

Postretirement Obligation and Funded Status at December 31

	Other Postretirement Benefits	
	2011	2010
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 53,082	$ 51,923
Service cost	663	557
Interest cost	2,812	2,944
Plan participants' contributions	2,336	2,481
Medicare Part D reimbursements	764	782
Actuarial loss	5,186	1,215
Benefits paid	(6,858)	(6,820)
Benefit obligation at end of year	$ 57,985	$ 53,082
Change in plan assets:		
Company contributions	$ 3,758	$ 3,557
Plan participants' contributions	2,336	2,481
Medicare Part D reimbursements	764	782
Benefits paid	(6,858)	(6,820)
Fair value of plan assets at end of year	$ —	$ —
Amounts recognized in the consolidated balance sheets consist of:		
Accrued liabilities	$ (3,965)	$ (3,990)
Employee benefits and other liabilities	(54,020)	(49,092)
Net amount recognized	$(57,985)	$(53,082)
Amounts recognized in accumulated other comprehensive income (pretax) consists of:		
Net transition obligation	$ 392	$ 820
Net loss	14,509	9,814
Ending balance	$ 14,901	$ 10,634

The following table sets forth the plans' accumulated benefit obligations, fair value of plan assets and funded status at December 31, as follows:

	2011	2010
Accumulated benefit obligation	$ 57,985	$ 53,082
Fair value of plan assets	—	—
Funded status at end of measurement date	$ (57,985)	$ (53,082)

Components of net periodic benefit cost are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
Service cost	$ 17,915	$ 15,572	$ 13,335	$ 663	$ 557	$ 512
Interest cost	39,540	38,511	37,895	2,812	2,944	3,629
Expected return on assets	(45,646)	(43,624)	(42,143)	—	—	—
Amortization of actuarial loss	20,410	16,140	5,269	490	415	736
Amortization of prior service cost	(24)	(9)	(441)	—	—	—
Amortization of transition obligation	—	—	—	428	428	428
Net periodic benefit cost	$ 32,195	$ 26,590	$ 13,915	$4,393	$4,344	$5,305

The following table sets forth the plans' estimated amortization in fiscal 2012 from accumulated other comprehensive income into net periodic benefit costs:

	Qualified Pension Plan	Non-qualified Pension Plans	Other Postretirement Benefits
Amortization of actuarial loss	$24,981	$3,320	$ 993
Amortization of prior service cost	53	(74)	—
Amortization of transition obligation	—	—	392
Net periodic benefit cost	$25,034	$3,246	$1,385

Additional Information

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Postretirement Benefits	
	2011	2010	2011	2010
Discount rate	5.00%	5.50%	5.00%	5.50%
Rate of compensation increase	3.75%	3.75%	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:

	Pension Benefits			Other Postretirement Benefits		
	2011	2010	2009	2011	2010	2009
Discount rate	5.50%	5.90%	6.90%	5.00%	5.90%	6.90%
Rate of long-term return on plan assets	8.25%	8.25%	8.25%	N/A	N/A	N/A
Rate of compensation increase	3.75%	4.00%	4.25%	N/A	N/A	N/A

The Company employs a building-block approach in determining the long-term rate of return for the assets in the qualified, defined benefit pension plan. Historical markets are studied and long-term historical relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. Diversification and rebalancing of the plan assets are properly considered as part of establishing the long-term portfolio return. Peer data and historical returns are reviewed to assess for reasonableness. The Company determined its discount rate assumption at year end based on a hypothetical double A yield curve represented by a series of annualized individual discount rates from one-half to 30 years.

Assumed health care cost trend rates at December 31:

	2011	2010
Health care cost trend rate assumed for next year	8.25%	8.25%
Rate to which the cost trend is assumed to decline (ultimate trend rate)	5.00%	5.00%
Year that rate reaches ultimate trend rate	2019	2019

Assumed health care cost trend rates affect the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rate at December 31, 2011 would have the following effects:

	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost	$ 133	$ (119)
Effect on postretirement benefit obligation	2,660	(2,383)

Plan Assets

The Company's qualified, defined benefit pension plan weighted-average asset allocations at December 31, 2011 and 2010, by asset category, are as follows:

Asset category	2011	2010	Target
U.S. equity securities	51%	54%	50%
International equity securities	15%	16%	15%
Fixed-income securities and bonds	34%	30%	35%
Total	100%	100%	100%

The Company has a Statement of Pension Investment Policies and Objectives (the "Statement") that guides the retirement plan committee in its mission to effectively monitor and supervise the pension plan assets. Two general investment goals are reflected in the Statement: 1) the investment program for the pension plan should provide returns that improve the funded status of the plan over time and reduce the Company's pension costs, and 2) the Company expects to receive above-average performance relative to applicable benchmarks for the actively managed portfolios and accurately track the applicable benchmarks for the passive or index strategies. All portfolio strategies will be provided at competitive, institutional management fees. The total fund's annualized return before fees should exceed, by one percentage point, over a five-year horizon, the annualized total return of the following customized index: 1) 38% Russell 1000 Index, 2) 10% Russell 2000 Index, 3) 17% MSCI World ex-U.S.,

4) 25% Barclays Capital Aggregate Index and 5) 10% Barclays Capital Long Term Gov't/Credit Bond Index, and the fund should rank in the top 50th percentile of the total pension fund universe.

Although not a guarantee of future results, the total plan assets' 20-year annualized return through December 31, 2011 before fees was 7.79%, which exceeded the customized index by 0.30 percentage points. There was no percentile rank available for the 20-year result. The 2011 total plan assets' annualized return was 0.25%, which fell short of the customized index by 1.86 percentage points and ranked in the 67th percentile of the Hewitt Associates pension fund universe. The total plan assets' five-year annualized return was 2.97%, which exceeded the customized index by 0.55 percentage points and ranked in the 33rd percentile of the Hewitt Associates pension fund universe.

Cash Flow

The Company expects to contribute approximately $24.8 million to its defined benefit pension plans and $4.0 million to its other postretirement benefits plan in 2012.

The benefits anticipated to be paid from the benefit plans, which reflect expected future years of service, and the Medicare subsidy expected to be received are as follows:

	Qualified Pension Plan	Non-qualified Pension Plans	Other Postretirement Benefits	Health Care Subsidy Receipts
2012	$ 30,100	$ 4,800	$ 4,800	$ (800)
2013	32,300	5,100	5,000	(900)
2014	34,900	5,500	5,200	(1,000)
2015	37,400	6,200	5,400	(1,100)
2016	40,300	5,900	5,500	(1,100)
2017-2021	242,600	36,100	27,800	(7,400)

Other Benefit Plans

Certain eligible employees are covered by defined contribution plans. The expense for these plans was $31.7 million, $29.1 million and $30.3 million for 2011, 2010 and 2009, respectively.

The Company participates in several trustee-managed multiemployer pension and health and welfare plan for employees covered under collective bargaining agreements. Several factors could result in potential funding deficiencies, which could cause the Company to make significantly higher future contributions to this plan, including unfavorable investment performance, changes in demographics and increased benefits to participants. The Company contributed $5.9 million, $2.6 million and $0.7 million to these plans for 2011, 2010 and 2009, respectively.

17. SHARE-BASED COMPENSATION

Accounting for share-based payments requires the recognition of the intrinsic value of share-based compensation in net earnings. Share-based compensation consists solely of VAR Units granted to certain eligible employees under a Company-sponsored incentive plan (the "VAR plan"). The Units are not traditional stock and do not provide the recipient any voting rights in the Company nor any right to receive assets of the Company. A maximum of 200,000 Units may be granted annually to certain employees at a price based on a formula that includes earnings, debt levels and cash payments to members for the five-year period ending at the close of the preceding year. In 2011, the VAR plan was amended to increase the annual grant limit for 2011 only to 250,000 Units. Generally, Units fully vest four years from the grant date per the VAR plan. Vested Units are settled upon the earlier of a predetermined date chosen by the employee at the date of grant retirement or termination. Participants can also elect, per the VAR plan provisions, to convert fully vested Units to interest-bearing deferred compensation. The Company recognizes compensation expense for the estimated intrinsic value appreciation of Units over the vesting period using the graded vesting method. The Units are reflected as a liability in the consolidated balance sheets and upon settlement are paid in cash to participants.

For the years ended December 31, 2011, 2010 and 2009, compensation expense for the share-based payment plan was $5.6 million, $6.4 million and $15.1 million, respectively. Cash payments for Units settled for 2011, 2010 and 2009 were $8.6 million, $4.8 million and $6.8 million, respectively. The actual income tax benefit realized from this plan was $3.3 million, $1.8 million and $2.6 million, for 2011, 2010 and 2009, respectively.

For 2011, the number of Units granted, canceled and settled was 249,625.0, 12,956.25 and 95,171.88, respectively. The number of units converted to interest-bearing deferred compensation was 29,296.88. The number of Units vested during 2011 was 63,293.75 with an intrinsic value of $2.8 million. The number of vested Units outstanding at December 31, 2011 was 364,125.5 with an intrinsic value of $33.3 million. The number of non-vested Units at December 31, 2011 was 258,600.0, and the total remaining unrecognized compensation cost related to non-vested Units was $2.3 million. As of December 31, 2011, 19,500 of the non-vested Units were held by participants who had reached the age and years of service required for early retirement eligibility. For any such participant, prior to the date that the non-vested Units will vest through the normal course, the non-vested Units will immediately vest upon the voluntary termination of the participant. As of December 31, 2011, the weighted-average remaining service period for the non-vested Units was 2.5 years.

For 2010, the number of Units granted, canceled and settled was 49,437.5, 6,437.5 and 54,875, respectively. The number of units converted to interest-bearing deferred compensation was 44,125. The number of Units vested during 2010 was 80,006.25 with an intrinsic value of $4.2 million. The number of vested Units outstanding at December 31, 2010 was 427,631.25 with an intrinsic value of $38.5 million. The number of non-vested Units at December 31, 2010 was 82,931.25, and the total remaining unrecognized compensation cost related to non-vested Units was $0.9 million. As of December 31, 2010, 5,400 of the non-vested Units were held by participants who had reached the age and years of service required for early retirement eligibility. For any such participant, prior to the date that the non-vested Units will vest through the normal course, the non-vested Units will immediately vest upon the voluntary termination of the participant. As of December 31, 2010, the weighted-average remaining service period for the non-vested Units was 2.1 years.

For 2009, the number of Units granted, canceled and settled was 65,000, 0 and 103,937.5, respectively. The number of units converted to interest-bearing deferred compensation was 4,250. The number of Units vested during 2009 was 79,312.5 with an intrinsic value of $4.9 million. The number of vested Units outstanding at December 31, 2009 was 445,437.5 with an intrinsic value of $37.3 million. The number of non-vested Units at December 31, 2009 was 122,375, and the total remaining unrecognized compensation cost related to non-vested Units was $2.1 million. As of December 31, 2009, 21,437.5 of the non-vested Units were held by participants who had reached the age and years of service required for early retirement eligibility. For any such participant, prior to the date that the non-vested Units will vest through the normal course, the non-vested Units will immediately vest upon the voluntary termination of the participant. As of December 31, 2009, the weighted-average remaining service period for the non-vested Units was 2.3 years.

18. EQUITIES

The authorized capital stock at December 31, 2011 consisted 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 non-voting Class C Common, $1,000 par value; and 10,000 shares of non-voting Class D Common, $1 par value.

The following table reflects the activity in membership shares during the three years ended December 31, 2011:

NUMBER OF SHARES

	Common				Preferred
	A	B	C	D	
December 31, 2008	872	3,873	164	1,010	57,025
New members	5	191	2	58	—
Transfers between classes	—	39	—	(39)	—
Redemptions	(49)	(311)	(14)	(183)	(57,025)
December 31, 2009	828	3,792	152	846	—
New members	3	166	1	104	—
Transfers between classes	—	(12)	—	12	—
Redemptions	(37)	(285)	(2)	(163)	—
December 31, 2010	794	3,661	151	799	—
New members	2	133	3	61	—
Transfers between classes	1	(115)	(1)	115	—
Redemptions	(22)	(352)	(7)	(160)	—
December 31, 2011	**775**	**3,327**	**146**	**815**	**—**

In 2009, the Company fully redeemed all outstanding Preferred Shares.

Allocated patronage to members of $123.6 million, $137.8 million and $151.9 million for the years ended December 31, 2011, 2010 and 2009, respectively, is based on earnings in specific patronage or product categories and in proportion to the business each member does within each category. For 2011, the Company issued $123.6 million of qualified patronage and $0 of non-qualified patronage equities. Qualified patronage equities are tax deductible by the Company when qualified written notices of allocation are issued, and non-qualified patronage equities are tax deductible when redeemed with cash.

The allocation to retained earnings of $55.9 million in 2011, $36.7 million in 2010 and $53.3 million in 2009 represents earnings or losses generated by nonmember businesses plus amounts under the retained earnings program as provided in the bylaws of the Company.

19. RESTRUCTURING AND IMPAIRMENT

	2011	2010	2009
Restructuring	$1,005	$2,132	$ 3,400
Impairment	171	502	8,422
Total restructuring and impairment	$1,176	$2,634	$11,822

Restructuring

In 2010, Feed incurred restructuring charges of $1.9 million related to employee severance due to the reorganization of Feed personnel and the closure of the Van Buren, Arkansas, facility. In addition, Layers incurred restructuring charges of $0.3 million related to employee severance. This employee severance was due to the closure of its Sage, California, facility and a reorganization of Layers personnel.

In 2009, the Company announced its intent to close one of its Dairy Foods facilities and recorded charges of $2.1 million to restructuring, primarily related to employee severance. All 120 employees at the Madison, Wisconsin, plant were affected by the closure. The remaining restructuring liability of $0.3 million was presented in accrued liabilities in the consolidated balance sheet at December 31, 2011.

Impairment

In connection with the closure of the Madison, Wisconsin, facility within Dairy Foods, the Company incurred $5.3 million of impairment charges for the year ended December 31, 2009, as the carrying values of certain fixed assets were written down to fair value based on an estimated highest and best use of the fixed assets within this asset group.

In 2009, Feed incurred $1.8 million of impairment charges related to two facilities due to ongoing and expected future underperformance of the facilities. The carrying value prior to impairment of the facilities totaled $1.8 million and the facilities were written down to their total estimated fair value of $0.

Additionally in 2009, Layers incurred $1.3 million of impairment charges related to the Berino, New Mexico, facility's asset group in which the carrying value of $4.2 million was written down to its estimated fair value of $2.9 million due to the announced closure of the facility in 2010.

20. INSURANCE PROCEEDS AND GAINS ON INSURANCE SETTLEMENTS

In May 2010, the Company was notified of a settlement of $3.8 million, net of deductibles of $1.0 million, related to a fire at a Dairy facility in Tulare, California. These proceeds were for reconstruction costs and did not result in a gain on insurance settlement. The Company does not anticipate any further insurance recoveries related to the Tulare fire.

In May 2008, the Company experienced a fire at a Feed facility located in Caldwell, Idaho. Damage was extensive and caused operations to cease. Costs of repair or replacement of inventory, property, plant and equipment were covered under the terms of applicable insurance policies, subject to deductibles. In December 2010, a final settlement was reached for this claim. As a result of this settlement, the Company recorded a gain on insurance settlement of $1.3 million for the year ended December 31, 2010.

In November 2009, the Company was notified of a partial settlement of $2.4 million, net of deductibles of $1.0 million. A gain on insurance settlement of $1.1 million was recorded for the year ended December 31, 2009. The Company does not anticipate any future insurance recoveries related to the Caldwell fire.

21. OTHER INCOME

	2011	2010	2009
Gain on sale of investments, net	$ —	$(12,744)	$(7,589)
Gain on foreign currency exchange contracts	—	—	(177)
(Gain) loss on divestiture of businesses	214	(1,542)	866
Gain on sale of intangibles	—	—	(300)
Total	$214	$(14,286)	$(7,200)

In 2011, the Company divested three seed businesses in Crop Inputs for $2.1 million in cash. The divestiture of these business resulted in a loss of $0.2 million.

In 2010, the Company recognized a gain of $12.7 million related to the sale of its investment in Pro-Pet, LLC. In exchange for its ownership interests in Pro-Pet, LLC, the Company received $12.0 million of cash, 20% of the common shares in Pet Foods Holdings, Inc., and preferred shares in Pet Foods Holding, Inc. that have a par value of $4.0 million.

In 2010, the Company divested a feed business in Maquoketa, Iowa, for $5.7 million in cash, which resulted in a $1.5 million gain.

In 2008, the Company received $19.5 million in cash and recognized a $7.5 million gain on the sale of investment related to the sale of its investment in Agronomy Company of Canada ("ACC") within Crop Inputs. The Company's consolidated balance sheet at December 31, 2008 reflected a $10.8 million receivable for cash proceeds expected to be received in 2009. In 2009, the Company received $6.4 million in cash. The remaining $4.4 million receivable represented the portion recorded by the Company at December 31, 2008 in accordance with the sales agreement. The sales agreement required a final purchase price true-up based on the audited financial statements for ACC as of December 31, 2008. The Company received the audited financial statements for ACC in 2009, which reflected significantly different financial results than expected or previously reported to the Company. The Company disputed the results of the audit. However, based on the available information, the Company established a reserve for the amount in dispute and has recorded a $4.2 million loss on sale of investment for the year ended December 31, 2009.

In 2009, the Company recognized an $11.8 million gain on the sale of an investment in Golden Oval within Layers. The Company does not expect to receive any further cash distributions from Golden Oval related to the asset sale, therefore all 1,577,842 Class A units held by the Company are deemed to have no remaining value. See Note 7 for additional information regarding this transaction.

In 2009, Feed divested three businesses for $13.8 million in cash, which resulted in a $0.9 million loss. These businesses consisted of: a facility in Owatonna, Minnesota, that was sold for $2.7 million in cash and resulted in a loss of $0.4 million; and facilities in Gooding and Twin Falls, Idaho, that were sold for $11.1 million in cash and resulted in a loss of $0.5 million.

22. COMMITMENTS AND CONTINGENCIES

The Company leases various equipment and real properties under long-term operating leases. Total rental expense was $100.2 million in 2011, $66.8 million in 2010 and $74.5 million in 2009. 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.

Minimum lease commitments under noncancelable operating leases at December 31, 2011 totaled $131.4 million, composed of $36.7 million for 2012, $26.3 million for 2013, $19.1 million for 2014, $12.0 million for 2015, $8.4 million for 2016 and $28.9 million for later years.

The Company has noncancelable commitments to purchase raw materials in Dairy Foods, Feed and Crop Inputs. These purchase commitments are contracted on a short-term basis, typically one year or less, and totaled

$3.0 billion at December 31, 2011. Of this amount, $2.7 billion relates to contracts with members to acquire raw milk. The Company has contracted commitments to purchase weaner and feeder pigs, which are sold to producers or local cooperatives under long-term supply contracts. At December 31, 2011, these purchase commitments total $39.5 million, all of which are in 2012 and are used to fulfill supply agreements with local cooperatives and producers. At December 31, 2011, the Company had $32.2 million of other contractual commitments, primarily to purchase consulting services and capital equipment, including $3.2 million in 2012, $3.7 million in 2013, $4.2 million in 2014, $4.7 million in 2015, $3.4 million in 2016 and $13.1 million in later years.

Moark has guaranteed 50% of the outstanding loan balance for a joint venture. The loan matures in 2018 and has a remaining principal balance totaling $9.9 million as of December 31, 2011. These notes are fully secured by collateral of the equity investee and all covenants have been satisfied as of December 31, 2011.

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.

On March 6, 2007, the Company announced that one of its indirect wholly owned subsidiaries, Forage Genetics Inc., filed a motion to intervene in a lawsuit brought against the U.S. Department of Agriculture ("USDA") by the Center for Food Safety, the Sierra Club, two individual farmers/seed producers (together, the "Plaintiffs") and others regarding Roundup Ready® Alfalfa. The Plaintiffs claim that the USDA did not sufficiently assess the potential environmental impact of its decision to approve Roundup Ready® Alfalfa in 2005. On May 3, 2007, the United States District Court for the Northern District of California (the "Court") issued a permanent injunction enjoining all future plantings of Roundup Ready® Alfalfa until after an Environmental Impact Study ("EIS") could be completed and a deregulation petition could be approved. In January 2008, the USDA filed a notice of intent to file an EIS. On December 16, 2010, the final EIS was published, which effectively required the USDA to issue a decision on deregulation, but not until at least 30 days had elapsed. On January 27, 2011, the USDA announced that it had deregulated Roundup Ready® Alfalfa without conditions, and the Company commenced sales of Roundup Ready® Alfalfa at that time. On March 18, 2011, the Plaintiffs and others filed a subsequent lawsuit challenging the USDA's decision. The Company was not restricted from marketing or selling Roundup Ready® Alfalfa during that litigation. On January 5, 2012, the Court issued a decision affirming the USDA's reauthorization of Roundup Ready® Alfalfa and denied the Plaintiffs' motion that the USDA's decision be vacated. While the Company is pleased with the USDA's decision and the Court's ruling, further litigation initiated by opponents of Roundup Ready® Alfalfa may result in delays of future sales and/or plantings. While the Company does not expect such efforts to ultimately succeed, any additional delays could negatively impact future earnings. As of December 31, 2011, the Company maintained approximately $24.9 million of Roundup Ready® Alfalfa inventory.

In a letter dated January 18, 2001, the Company was identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party in connection with hazardous substances and wastes at the Hudson Refinery Superfund Site in Cushing, Oklahoma (the "Site"). The letter invited the Company to enter into negotiations with the EPA for the performance of a remedial investigation and feasibility study at the Site and also demanded that the Company reimburse the EPA approximately $8.9 million for removal costs already incurred at the Site. In March 2001, the Company responded to the EPA denying any responsibility with respect to the costs incurred for the remediation expenses incurred through that date. On February 25, 2008, the Company received a Special Notice Letter ("Letter") from the EPA inviting the Company to enter into negotiations with the EPA to perform selected remedial action for remaining contamination and to resolve the Company's potential liability for the Site. In the Letter, the EPA claimed that it has incurred approximately $21.0 million in response costs at the Site through October 31, 2007 and is seeking reimbursement of these costs. The EPA has also stated that the estimated cost of the selected remedial action for remaining contamination is $9.6 million. The Company maintains that the costs incurred by the EPA were the direct result of damage caused by owners subsequent to the Company, including negligent salvage activities and lack of maintenance. On January 6, 2009, the EPA issued a Unilateral Administrative Order ("UAO") directing the Company to perform remedial design and remedial action ("RD/RA") at the Site. The Company filed its Notice of Intent to Comply with the UAO on February 10, 2009. On April 20, 2009, the EPA issued its authorization to proceed with RD/RA activities. The Company substantially completed the remedial action at the Site on October 8, 2010, but final closeout remediation activities are expected to continue into 2012. In addition, the Company is analyzing the amount and extent of its insurance coverage that may be available to further mitigate its ultimate exposure. At the present time, the Company's request for coverage has been denied. The Company initiated litigation against two carriers on February 18, 2009. In 2008, the Company recorded an environmental reserve of $8.9 million and in 2010 the reserve was increased by $4.2 million through selling, general and administrative expenses. In the year ended December 31, 2011, the Company recorded an additional $0.6 million of expense. As of December 31, 2011, $2.5 million remained in accrued liabilities in the Company's consolidated balance sheets.

On October 27, 2008, Moark and its wholly owned subsidiary, Norco Ranch, Inc. ("Norco"), received Civil Investigative Demands from the Office of the Attorney General of the State of Florida seeking documents and information relating to the production and sale of eggs and egg products. Moark and Norco are cooperating with the Office of the Attorney General of the State of Florida. We cannot predict what, if any, the impact of this inquiry and any results from such inquiry could have on the future financial position or results of operations of Moark, Norco or the Company.

Between September 2008 and January 2009, a total of 22 related class action lawsuits were filed against a number of producers of eggs and egg products in three different jurisdictions alleging violations of antitrust laws. Nine plaintiffs subsequently dismissed their complaints, but not their claims for damages as part of any certified class. Moark is named as a defendant in 12 of the cases. Norco Ranch, Inc. is named as a defendant in nine of the cases. The Company is named as a defendant in three cases. The cases have been consolidated for pretrial proceedings in the District Court for the Eastern District of Pennsylvania (the "Court"), and two separate consolidated amended class action complaints have been filed: one on behalf of those persons who purchased eggs or egg products directly from defendants, and the second on behalf of "indirect" purchasers (i.e., persons who purchased eggs, egg products, or products containing eggs from defendants' customers). The consolidated amended complaints allege concerted action by producers of shell eggs to restrict output and thereby increase the price of shell eggs and egg products. The Plaintiffs in these suits seek unspecified damages and injunctive relief on behalf of all purchasers of eggs and egg products, as well as attorneys' fees and costs. Moark, Norco and the Company deny the allegations set forth in the complaints.

During the first quarter of 2010, Moark and the Company entered into settlement discussions with the two Plaintiff groups in an effort to resolve these matters. Based on those discussions, and in anticipation of a full settlement with all or a substantial portion of the Plaintiffs, the Company's board of directors, and Moark's board of directors, each authorized their respective company officers to finalize the settlement discussions within the financial parameters set forth in the respective board actions. For the year ended December 31, 2010, a $27 million reserve was recorded in the consolidated statements of operations. Moark and the Company reached an agreement in principle with the direct Plaintiffs. Pursuant to the terms of the settlement agreement, the Company deposited $25 million into an escrow account which will not be released to the direct Plaintiffs until after the Court has granted final approval of the settlement agreement. The escrow funds are reflected in restricted cash on the consolidated balance sheets.

Plaintiffs that did not wish to participate in the settlement agreement were required to opt out by mailing notice of the same, with a postmark on or before November 30, 2010. Eighteen groups of related entities (comprised of 150 individual entities) timely opted out of the settlement agreement, preserving their right to pursue direct actions against defendants. As of December 31, 2011, three direct-action complaints had been filed against Moark, Norco and the Company.

With regard to the indirect purchaser Plaintiffs, a Second Amended Consolidated Class Action Complaint was filed on April 8, 2010. The Company has moved to dismiss the complaint against it in its entirety, and Moark and Norco have joined with other defendants in moving to dismiss portions of the complaint.

With regard to the remaining actions, discovery has been stayed pending final rulings on the various motions to dismiss. Absent a full settlement with all Plaintiffs, the Company cannot predict what, if any, the impact of these lawsuits could have on the future financial position or results of operations of Moark, Norco or the Company.

23. RELATED PARTY TRANSACTIONS

The Company has related party transactions, primarily with equity investees. The Company purchases products from and sells products to Melrose Dairy Proteins, LLC, a 50% voting interest joint venture with Dairy Farmers of America. The Company purchases aseptic products and sells dairy ingredients to AFP advanced food products, LLC, a 35% voting interest joint venture with a subsidiary of Bongrain, S.A. Additionally, the Company's Moark, Land O'Lakes Purina Feed LLC ("Land O'Lakes Purina Feed") and Winfield subsidiaries purchase products from and sell products to other equity investees and related parties. The Company also has financing arrangements with Melrose Dairy Proteins, LLC and Agriliance, LLC, A 50% voting interest equity method investment.

	2011	2010	2009
Sales	**$519,022**	$803,363	$827,038
Purchases	**210,096**	180,910	103,600
Services provided	**975**	4,012	6,085
Operating lease payments	**1,058**	—	—

	2011	2010
Notes receivable	**$29,204**	$18,298
Accounts receivable	**34,401**	56,059
Accounts payable	**22,942**	29,311

24. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through February 22, 2012, the date of issuing this report.

25. SEGMENT INFORMATION

The Company operates in four segments: Dairy Foods, Feed, Crop Inputs and Layers.

Dairy Foods 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.

Feed largely comprises the operations of Land O'Lakes Purina Feed, the Company's wholly owned subsidiary. Land O'Lakes Purina Feed develops, produces, markets and distributes animal feeds such as ingredient feed, formula feed, milk replacers, vitamins and additives.

Crop Inputs primarily consists of activities conducted by the Company's wholly owned subsidiary, Winfield Solutions, LLC ("Winfield"). Winfield is a supplier and distributor of crop seed and crop protection products, primarily in the United States. Winfield sells a variety of crop seed, primarily corn, soybeans and alfalfa. Crop protection products sold includes herbicides, pesticides, fungicides and adjuvants.

Layers consists primarily of the operations of the Company's wholly owned Moark subsidiary. Moark produces, distributes and markets shell eggs that are sold to retail and wholesale customers for consumer and industrial use, primarily in the United States.

Other/Eliminated includes the Company's remaining operations and the elimination of intersegment transactions. Other operations consist principally of a captive insurance company, finance company and special purpose entity.

The Company's management uses earnings before income taxes to evaluate a segment's performance. The Company allocates corporate administrative expense, interest expense and centrally managed expenses, including insurance and employee benefits expense, to all of its business segments, both directly and indirectly. Corporate administrative functions that are able to determine actual services provided to each segment allocate expense on a direct basis. Interest expense is allocated based on invested capital usage. All other corporate administrative functions and centrally managed expenses are allocated indirectly based on a predetermined measure such as a percentage of total invested capital or head count.

SEGMENT INFORMATION

LAND O'LAKES, INC.

($ In thousands)	Dairy Foods	Feed	Crop Inputs	Layers	Total Other/ Eliminated	Consolidated
For the year ended December 31, 2011:						
Net sales	**$4,344,419**	**$3,947,532**	**$4,016,901**	**$ 598,739**	**$ (58,270)**	**$12,849,321**
Cost of sales(1)	**4,105,639**	**3,662,871**	**3,578,703**	**555,632**	**(57,145)**	**11,845,700**
Selling, general and administrative	**200,108**	**246,432**	**300,693**	**40,238**	**5,643**	**793,114**
Restructuring and impairment	—	**74**	**974**	**128**	—	**1,176**
Gain on insurance settlement	**(1,478)**	—	—	**(1,294)**	**2,772**	—
Interest expense (income), net	**13,050**	**25,241**	**813**	**9,613**	**(6,792)**	**41,925**
Other expense, net	—	—	**214**	—	—	**214**
Equity in earnings of affiliated companies	**(994)**	**(5,816)**	**(4,892)**	**(2,262)**	—	**(13,964)**
Earnings (loss) before income taxes	**$ 28,094**	**$ 18,730**	**$ 140,396**	**$ (3,316)**	**$ (2,748)**	**$ 181,156**
For the year ended December 31, 2010:						
Net sales	$ 3,708,280	$ 3,309,749	$ 3,667,311	$ 509,926	$ (48,891)	$ 11,146,375
Cost of sales(1)	3,471,893	3,046,120	3,286,299	462,138	(48,166)	10,218,284
Selling, general and administrative	176,535	237,328	240,245	70,175	7,261	731,544
Restructuring and impairment	—	2,375	—	259	—	2,634
Gain on insurance settlement	—	(1,268)	—	(384)	—	(1,652)
Interest expense (income), net	13,442	25,378	123	9,881	(6,895)	41,929
Other income, net	—	(14,286)	—	—	—	(14,286)
Equity in earnings of affiliated companies	(3,879)	(8,032)	(4,122)	(4,911)	—	(20,944)
Earnings (loss) before income taxes	$ 50,289	$ 22,134	$ 144,766	$ (27,232)	$ (1,091)	$ 188,866
For the year ended December 31, 2009:						
Net sales	$ 3,208,457	$ 3,440,508	$ 3,283,593	$ 522,599	$ (46,648)	$ 10,408,509
Cost of sales(1)	2,943,282	3,141,496	2,918,468	493,710	(47,969)	9,448,987
Selling, general and administrative	194,507	248,563	201,052	38,141	(1,320)	680,943
Restructuring and impairment	7,425	2,929	—	1,468	—	11,822
Gain on insurance settlement	—	(1,907)	—	(2,082)	750	(3,239)
Interest expense (income), net	12,431	26,863	10,044	9,272	(5,257)	53,353
Other expense (income), net	—	566	4,046	(11,812)	—	(7,200)
Equity in (earnings) loss of affiliated companies	(10,200)	(7,838)	13,154	(3,315)	—	(8,199)
Earnings (loss) before income taxes	$ 61,012	$ 29,836	$ 136,829	$ (2,783)	$ 7,148	$ 232,042
2011:						
Total assets	**$ 966,763**	**$1,198,304**	**$2,535,619**	**$ 422,965**	**$313,926**	**$ 5,437,577**
Intersegment sales	**13,076**	**45,896**	**2,103**	—	**(61,075)**	—
Depreciation and amortization	**41,122**	**35,840**	**17,710**	**12,522**	**2,100**	**109,294**
Capital expenditures	**38,580**	**39,846**	**36,913**	**40,527**	**21,335**	**177,201**
2010:						
Total assets	$ 858,548	$ 1,090,273	$ 2,264,871	$ 279,111	$ 391,861	$ 4,884,664
Intersegment sales	11,731	37,928	1,771	—	(51,430)	—
Depreciation and amortization	40,178	33,885	13,066	12,716	2,323	102,168
Capital expenditures	36,859	37,732	14,266	17,355	33,030	139,242
2009:						
Total assets	$ 835,557	$ 1,028,125	$ 2,531,443	$ 262,537	$ 265,913	$ 4,923,575
Intersegment sales	10,953	37,403	1,386	—	(49,742)	—
Depreciation and amortization	35,532	33,401	11,445	11,947	2,261	94,586
Capital expenditures	69,325	35,676	19,617	16,854	6,579	148,051

(1) Cost of sales includes the year-to-year change in unrealized hedging losses (gains) of:

2011	**$ 6,480**	**$ 7,213**	**$ 605**	**$(546)**	**$ 843**	**$ 14,595**
2010	(4,170)	(2,569)	1,865	(187)	(960)	(6,021)
2009	(12,958)	(18,423)	(11,128)	(520)	6,801	(36,228)

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, 2011 and 2010, and the related consolidated statements of operations, cash flows, and equities and comprehensive income for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements, presented on pages 4 to 23 of this annual report, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011 in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota
February 22, 2012

LAND O'LAKES, INC.
2010 Financial Results

Proud Heritage Powerful Future

Table of Contents

LAND O'LAKES, INC.
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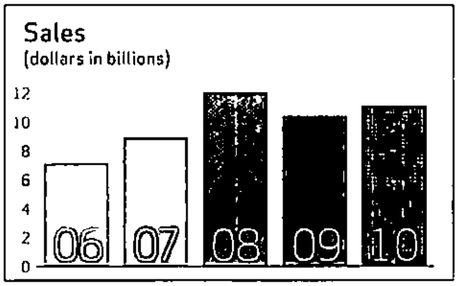
FINANCIAL OVERVIEW

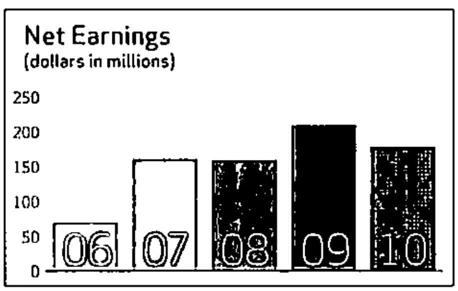
Land O'Lakes, Inc. and consolidated subsidiaries ("Land O'Lakes" or the "Company") operates in four segments: Dairy Foods, Feed, Crop Inputs and Layers. Dairy Foods develops, produces, markets and sells a variety of premium butter, spreads, cheese and other related dairy products. Feed develops, produces, markets and distributes animal feed to both the lifestyle and livestock animal markets. Crop Inputs primarily consists of the operations of Winfield Solutions, LLC, which develops, markets and sells seed for a variety of crops (including alfalfa, corn, soybeans, and forage and turf grasses) and distributes crop protection products (including herbicides, pesticides, fungicides and adjuvants). Layers produces, markets and distributes shell eggs.

SALES AND EARNINGS



Net Sales for Land O'Lakes in 2010 were $11.1 billion, compared with $10.4 billion in 2009, an increase of $0.7 billion or 7 percent ahead of last year. Sales increased within the Dairy Foods and Crop Inputs segments while sales declined in the Feed and Layers segments.

Dairy Foods sales increased primarily due to higher milk, cheese and nonfat dry milk market prices. Feed sales decreased mainly due to lower volumes in livestock and lifestyle feeds. Crop Inputs sales increased due to higher volumes in seed and crop protection. Sales in Layers were negatively impacted by volume declines in commodity eggs.



Net Earnings for Land O'Lakes in 2010 were $178.1 million, compared with $209.1 million in 2009, a decrease of $31.0 million. These results include the impact of the year-to-year change in unrealized hedging gains and losses on derivative contracts due to volatility in commodity markets. In 2010, unrealized hedging gains increased net earnings by $3.7 million, net of income taxes, and in 2009, unrealized hedging gains increased net earnings by $22.9 million, net of income taxes. Unrealized gains and losses in earnings represent the changes in value of futures contracts from one period to another. Per the accounting rules, the offsetting gain or loss on the underlying commodity purchase or product sale being hedged is excluded from earnings until the transaction is completed.

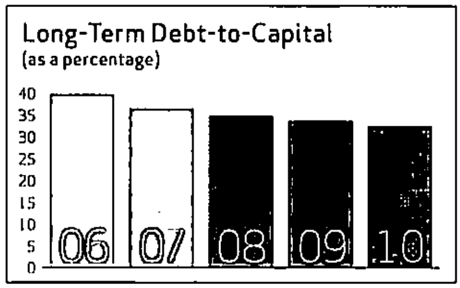
In 2010, net earnings included a one-time loss related to the establishment of a legal reserve of $16.7 million, net of income taxes, within the Layers segment. Partially offsetting this loss was a one-time gain related to the sale of an investment in Pro-Pet, LLC of $7.9 million, net of income taxes.

In 2009, net earnings included a one-time gain related to an investment in Golden Oval of $7.3 million, net of income taxes. In 2010, net earnings increased in Crop Inputs and declined in Dairy Foods, Feed and Layers.

Dairy Foods earnings were lower in 2010 due to reduced margins on dairy and deli case cheeses, and lower equity earnings in affiliates. This impact was partially offset by one-time 2009 restructuring costs that were not repeated in 2010. Feed earnings decreased in 2010 primarily due to lower unrealized hedging gains and reduced volume, partially offset by the one-time gain on sale of Pro-Pet, LLC. Crop Inputs 2010 earnings were higher due to improved equity earnings of affiliated companies, partially offset by the effect of glyphosate inventory devaluations within crop protection and lower alfalfa margins within seed. Decreased earnings in Layers were mainly due to the establishment of a legal reserve of $16.7 million, net of income taxes, partially offset by egg market prices which averaged $1.11 per dozen in 2010, compared to $1.06 in 2009.

Earnings from equity in affiliated companies, which are primarily from Land O'Lakes investments within Crop Inputs, Feed and Layers, were higher in 2010 than a year ago. The increase was mainly due to decreased losses from Agriliance LLC ("Agriliance") in 2010 due to higher margins in crop nutrients and the repositioning of Agriliance locations. Agriliance's remaining locations were all repositioned in 2010.

FINANCIAL CONDITION



Debt comprises notes and short-term obligations, the current portion of long-term debt and long-term debt. Notes and short-term obligations at December 31, 2010 were $85.6 million, compared with $160.5 million at December 31, 2009. The decrease in short-term obligations was primarily due to a reduction in seasonal working capital, based upon the timing of customer and vendor prepayments. Long-term debt, including current portion, was $532.0 million at December 31, 2010, compared with $533.3 million at December 31, 2009.

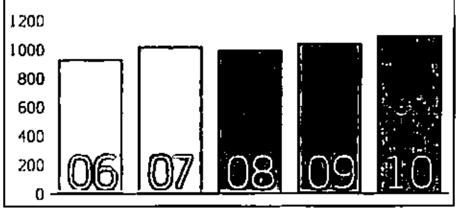
At December 31, 2010, the Company maintained a $375 million revolving credit facility (the "Revolver"), which is secured by the majority of the Company's assets and matures in April 2013. Borrowings bear interest at the London Interbank Offered Rate ("LIBOR") or an alternative base rate plus applicable spreads. As of December 31, 2010, there were no outstanding borrowings and $334.1 million was available after giving effect to $40.9 million of outstanding letters of credit.

At December 31, 2010, the Company maintained a $400 million receivables securitization facility that matures in April 2013. The Company's wholly owned, consolidated special purpose entity ("SPE") enters into borrowings under this facility. Borrowings are secured solely by the SPE's receivables and bear interest at LIBOR plus an applicable margin. As of December 31, 2010, there were no outstanding borrowings and $400 million was available under this facility. Liquidity, which includes cash and availability under credit Facilities, was $941.4 million at December 31, 2010, compared with $742.7 million at December 31, 2009.

Land O'Lakes long-term debt-to-capital ratio was 32.5 percent at December 31, 2010, compared with 33.7 percent a year ago.

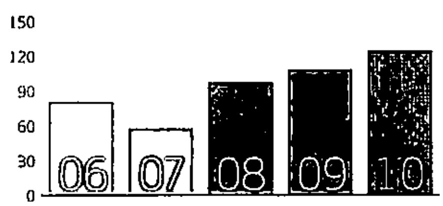
Equities at December 31, 2010 were $1,097.7 million, compared with $1,041.9 million at December 31, 2009. The increase of $55.8 million resulted primarily from $178.1 million in net earnings less the current period equity revolvement, age retirements, estate redemptions and patronage refunds payable.

Equities
(dollars in millions)



Cash returned to members in 2010 was $124.6 million, compared with $108.3 million in 2009. Members received $71.5 million of equity revolvement, $49.6 million of cash patronage related to the prior year earnings and $3.5 million of age retirement, estate and other payments during the year.

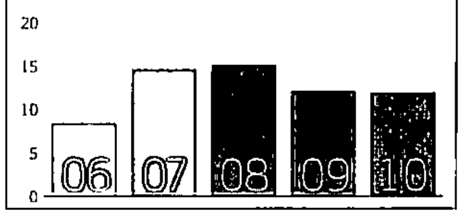
Cash Returned to Members
(dollars in millions)



PERFORMANCE MEASURES

Land O'Lakes is committed to increasing returns to members and enhancing ownership value by improving profitability in each core business through the effective use of invested capital and equity. The Company uses two primary performance measures—return on invested capital ("ROIC") and return on equity ("ROE"). ROIC indicates the operating return on invested capital before considering the costs of 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' equity in Land O'Lakes.

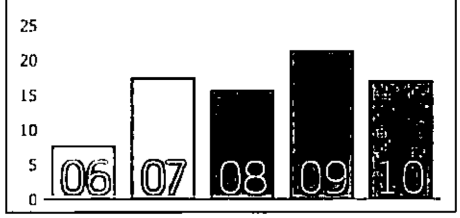
Return on Invested Capital
(as a percentage)



Return on invested capital in 2010 was 11.9 percent, compared with 12.1 percent in 2009. Land O'Lakes average ROIC for the five-year period ended in 2010 was 12.5 percent.

Return on equity in 2010 was 17.2 percent, compared with 21.4 percent in 2009. This decrease was driven by lower net earnings in 2010, compared to 2009. Average ROE for the five-year period ended in 2010 was 15.9 percent.

Return on Equity
(as a percentage)



FIVE YEARS IN REVIEW

($ in millions)	2010	2009	2008	2007	2006
Operations:					
Net sales	**$11,146**	$10,409	$12,039	$8,925	$7,102
Earnings before income taxes	**189**	232	190	199	74
Net earnings	**178**	209	160	161	69
Allocated patronage equities	**138**	152	114	97	72
Cash returned to members	**125**	108	98	58	81
Financial Position:					
Working capital	**$ 585**	$ 528	$ 348	$ 441	$ 305
Investments	**169**	197	314	304	251
Property, plant and equipment	**745**	704	658	565	679
Total assets	**4,885**	4,924	4,981	4,419	3,000
Long-term debt	**529**	530	532	587	616
Equities	**1,098**	1,042	996	1,021	927
Financial Measures:					
Return on equity	**17%**	21%	16%	18%	8%
Return on invested capital	**12%**	12%	15%	15%	8%
Long-term debt-to-capital	**32.5%**	33.7%	34.8%	36.5%	39.9%
Current ratio	**1.20**	1.18	1.11	1.17	1.24

CONSOLIDATED BALANCE SHEETS

LAND O'LAKES, INC.

As of December 31 ($ In thousands)	2010	2009
Assets:		
Current assets:		
Cash and cash equivalents	$ 147,271	$ 28,788
Restricted cash	25,000	—
Receivables, net	1,075,210	1,098,755
Inventories	1,221,054	1,130,618
Prepaid assets	881,295	1,150,364
Other current assets	97,083	79,220
Total current assets	3,446,913	3,487,745
Investments	168,616	196,958
Property, plant and equipment, net	744,602	703,952
Goodwill, net	273,179	274,670
Other intangibles, net	111,934	115,090
Other assets	139,420	145,160
Total assets	$4,884,664	$4,923,575
Liabilities and Equities:		
Current liabilities:		
Notes and short-term obligations	$ 85,580	$ 160,521
Current portion of long-term debt	3,184	2,802
Accounts payable	1,087,118	1,082,272
Customer advances	1,267,570	1,328,844
Accrued liabilities	374,167	336,393
Patronage refunds and other member equities payable	44,621	49,298
Total current liabilities	2,862,240	2,960,130
Long-term debt	528,781	530,472
Employee benefits and other liabilities	395,963	391,046
Commitments and contingencies (Note 22)	—	—
Equities:		
Capital stock	949	985
Member equities	1,006,609	986,339
Accumulated other comprehensive loss	(183,241)	(180,902)
Retained earnings	265,682	228,326
Total Land O'Lakes, Inc. equities	1,089,999	1,034,748
Noncontrolling interest	7,681	7,179
Total equities	1,097,680	1,041,927
Total liabilities and equities	$4,884,664	$4,923,575

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

LAND O'LAKES, INC.

Years Ended December 31 ($ In thousands)	2010	2009	2008
Net sales	**$ 11,146,375**	$10,408,509	$12,039,259
Cost of sales	**10,218,284**	9,448,987	11,083,910
Gross profit	**928,091**	959,522	955,349
Selling, general and administrative	**731,544**	680,943	756,606
Restructuring and impairment	**2,634**	11,822	2,893
Gain on insurance settlements	**(1,652)**	(3,239)	(10,638)
Earnings from operations	**195,565**	269,996	206,488
Interest expense, net	**41,929**	53,353	63,232
Other income, net	**(14,286)**	(7,200)	(12,028)
Equity in earnings of affiliated companies	**(20,944)**	(8,199)	(34,972)
Earnings before income taxes	**188,866**	232,042	190,256
Income tax expense	**9,999**	26,720	14,772
Net earnings	**$ 178,867**	$ 205,322	$ 175,484
Less: net earnings (loss) attributable to noncontrolling interests	**728**	(3,778)	15,864
Net earnings attributable to Land O'Lakes, Inc.	**$ 178,139**	$ 209,100	$ 159,620
Applied to:			
Member equities			
Allocated patronage	**$ 137,798**	$ 151,913	$ 114,170
Deferred equities	**3,646**	3,911	2,231
	141,444	155,824	116,401
Retained earnings	**36,695**	53,276	43,219
	$ 178,139	$ 209,100	$ 159,620

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

LAND O'LAKES, INC.

Years Ended December 31 ($ In thousands)	2010	2009	2008
Cash flows from operating activities:			
Net earnings attributable to Land O'Lakes, Inc.	$ 178,139	$ 209,100	$ 159,620
Adjustments to reconcile net earnings attributable to Land O'Lakes, Inc. to net cash provided by operating activities:			
Depreciation and amortization	102,168	94,586	91,809
Amortization of deferred financing costs	3,456	4,709	4,443
Gain on extinguishment of debt	—	—	(379)
Bad debt expense	9,167	8,133	6,850
Proceeds from patronage revolvement received	2,419	3,150	7,490
Non-cash patronage income	(2,539)	(1,102)	(5,757)
Insurance recovery — business interruption	2,168	—	—
Deferred income tax expense (benefit)	12,305	39,990	(5,417)
Increase in other assets	(7,035)	(876)	(1,121)
Increase in other liabilities	9,416	24,974	17,851
Restructuring and impairment	2,634	11,822	2,893
Loss on legal reserve	27,000	—	—
(Gain) loss from divestiture of businesses	(1,542)	866	—
Gain on sale of investments	(12,744)	(7,589)	(7,458)
Gain on foreign currency exchange contracts on sale of investment	—	(177)	(4,191)
Gain on insurance settlements	(1,652)	(3,239)	(10,638)
Equity in earnings of affiliated companies	(20,944)	(8,199)	(34,972)
Dividends from investments in affiliated companies	18,292	38,197	45,142
Net earnings (loss) attributable to noncontrolling interests	728	(3,778)	15,864
Other	(4,803)	(8,098)	(1,232)
Changes in current assets and liabilities, net of acquisitions and divestitures:			
Restricted cash for legal reserve	(25,000)	—	—
Receivables	43,545	(14,486)	(88,736)
Inventories	(47,547)	(47,158)	(97,017)
Prepaid and other current assets	248,882	195,513	(269,075)
Accounts payable	4,773	121,267	19,171
Customer advances	(61,444)	(137,660)	101,292
Accrued liabilities	(15,008)	(94,027)	58,515
Net cash provided by operating activities	464,834	425,918	4,947
Cash flows from investing activities:			
Additions to property, plant and equipment	(139,242)	(148,051)	(171,344)
Acquisitions, net of cash acquired	(54,023)	(37,118)	(9,040)
Investments in affiliates	(6,718)	(3,415)	(51,136)
Distributions from investments in affiliated companies	55,000	70,000	1,678
Net proceeds from divestiture of businesses	5,653	13,812	—
Net proceeds from sale of investments	12,087	17,596	21,213
Proceeds from foreign currency exchange contracts on sale of investment	—	518	3,850
Proceeds from sale of property, plant and equipment	2,858	1,626	6,215
Insurance proceeds for replacement assets	7,617	7,708	4,903
Change in notes receivable	(26,885)	(13,054)	(11,596)
Other	—	627	3,050
Net cash used by investing activities	(143,653)	(89,751)	(202,207)
Cash flows from financing activities:			
(Decrease) increase in short-term debt	(76,289)	(218,966)	266,829
Proceeds from issuance of long-term debt	873	329,459	496
Principal payments on long-term debt and capital lease obligations	(2,409)	(326,204)	(58,344)
Payments for debt issuance costs	—	(11,961)	—
Payments for redemption of member equities	(124,620)	(108,266)	(97,590)
Other	(253)	(2,261)	(150)
Net cash (used) provided by financing activities	(202,698)	(338,199)	111,241
Net increase (decrease) in cash and cash equivalents	118,483	(2,032)	(86,019)
Cash and cash equivalents at beginning of year	28,788	30,820	116,839
Cash and cash equivalents at end of year	$ 147,271	$ 28,788	$ 30,820

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITIES AND COMPREHENSIVE INCOME

LAND O'LAKES, INC.

($ In thousands)	Capital Stock	Member Equities Allocated	Member Equities Deferred	Member Equities Net	Accumulated Other Comperhensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Equities
Balance, December 31, 2007	**$1,701**	**$ 951,326**	**$(14,200)**	**$ 937,126**	**$ (61,931)**	**$137,440**	**$ 6,175**	**$1,020,511**
Capital stock issued	15	—	—	—	—	—	—	15
Capital stock redeemed	(105)	—	—	—	—	—	—	(105)
Cash patronage and redemption of member equities	—	(97,590)	—	(97,590)	—	—	—	(97,590)
Redemption included in prior year's liabilities	—	28,065	—	28,065	—	—	—	28,065
Other, net	—	852	38	890	—	(1,212)	(2,937)	(3,259)
Comprehensive income:								
2008 earnings, as applied	—	114,170	2,231	116,401	—	43,219	15,864	175,484
Other comprehensive loss, net of income taxes	—	—	—	—	(88,675)	—	(180)	(88,855)
Total comprehensive income								86,629
Effects of changing the pension plan measurement date, net of income taxes	—	—	—	—	329	(1,070)	—	(741)
Patronage refunds payable	—	(37,751)	—	(37,751)	—	—	—	(37,751)
Balance, December 31, 2008	**1,611**	**959,072**	**(11,931)**	**947,141**	**(150,277)**	**178,377**	**18,922**	**995,774**
Capital stock issued	7	—	—	—	—	—	—	7
Capital stock redeemed	(633)	—	—	—	—	—	—	(633)
Cash patronage and redemption of member equities	—	(108,266)	—	(108,266)	—	—	—	(108,266)
Redemption included in prior year's liabilities	—	37,751	—	37,751	—	—	—	37,751
Other, net	—	3,200	(13)	3,187	—	(3,327)	(7,965)	(8,105)
Comprehensive income:								
2009 earnings, as applied	—	151,913	3,911	155,824	—	53,276	(3,778)	205,322
Other comprehensive loss, net of income taxes	—	—	—	—	(30,654)	—	—	(30,654)
Total comprehensive income								174,668
Effects of changing the pension plan measurement date of an equity method investee, net of income taxes	—	—	—	—	29	—	—	29
Patronage refunds payable	—	(49,298)	—	(49,298)	—	—	—	(49,298)
Balance, December 31, 2009	**985**	**994,372**	**(8,033)**	**986,339**	**(180,902)**	**228,326**	**7,179**	**1,041,927**
Capital stock issued	4	—	—	—	—	—	—	4
Capital stock redeemed	(40)	—	—	—	—	—	—	(40)
Cash patronage and redemption of member equities	—	(124,620)	—	(124,620)	—	—	—	(124,620)
Redemption included in prior year's liabilities	—	49,298	—	49,298	—	—	—	49,298
Other, net	—	(1,243)	12	(1,231)	—	661	(217)	(787)
Comprehensive income:								
2010 earnings, as applied	—	137,798	3,646	141,444	—	36,695	728	178,867
Other comprehensive loss, net of income taxes	—	—	—	—	(2,339)	—	(9)	(2,348)
Total comprehensive income								176,519
Patronage refunds payable	—	(44,621)	—	(44,621)	—	—	—	(44,621)
Balance, December 31, 2010	**$ 949**	**$1,010,984**	**$ (4,375)**	**$1,006,609**	**$(183,241)**	**$ 265,682**	**$ 7,681**	**$1,097,680**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

($ IN THOUSANDS IN TABLES)

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Nature of Operations Land O'Lakes, Inc. ("Land O'Lakes" or the "Company") is a diversified member-owned food and agricultural cooperative serving agricultural producers throughout the United States. Through its four segments of Dairy Foods, Feed, Crop Inputs and Layers, Land O'Lakes procures approximately 12.9 billion pounds of member milk annually, markets more than 300 dairy products, provides member cooperatives, farmers and ranchers with an extensive line of agricultural supplies (including feed, seed and crop protection products) and, through its MoArk, LLC ("MoArk") subsidiary, produces, markets and distributes shell eggs.

Basis of Presentation

Basis of Consolidation The consolidated financial statements include the accounts of Land O'Lakes and its wholly owned and majority-owned subsidiaries. Intercompany transactions and balances have been eliminated.

Fiscal Year The Company's fiscal year ends on December 31 each year. However, the Company's MoArk subsidiary is a wholly owned, consolidated subsidiary with a 52- to 53-week reporting period ending in December. The 2010, 2009 and 2008 MoArk fiscal years consisted of a 52-week period, a 53-week period and a 52-week period, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Significant estimates include, but are not limited to, allowance for doubtful accounts, sales returns and allowances, vendor rebates receivable, asset impairments, valuation of goodwill and unamortized other intangible assets, tax contingency reserves, deferred tax valuation allowances, trade promotion and consumer incentives, and assumptions related to pension and other postretirement plans.

Revenue Recognition The Company's revenues are derived from a wide range of products sold to a diversified base of customers. Revenue is recognized when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivables is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. Sales include shipping and handling charges billed to customers and are reduced by customer incentives and trade promotion activities, which are estimated based on redemption rates, customer participation and performance levels, and historical experience. Estimated product returns in the Company's Crop Inputs segment are deducted from sales at the time of shipment based on various factors including historical returns, and market trends and conditions. For certain crop protection product sales within Crop Inputs, customers receive a one-time, non-repeatable extension of credit for unused purchased product for a defined additional period. For these sales arrangements, revenue related to the unused purchased product is recognized upon collection of the amount re-billed.

The Company periodically enters into prepayment contracts with customers in the Crop Inputs and Feed segments and receives advance payments for product to be delivered in future periods. These payments are recorded as customer advances in the consolidated balance sheet. Revenue associated with customer advances is deferred and recognized as shipments are made and title, ownership and risk of loss pass to the customer.

Advertising and Promotion Costs Advertising and promotion costs are expensed as incurred. Advertising and promotion costs were $62.6 million, $74.2 million and $82.6 million in 2010, 2009 and 2008, respectively.

Research and Development Expenditures for research and development are charged to administrative expense in the year incurred. Total research and development expenses were $47.2 million, $35.1 million and $40.0 million in 2010, 2009 and 2008, respectively.

Share-based Compensation The Company offers a Value Appreciation Right ("VAR") Awards plan to certain eligible employees. Participants are granted an annual award of VAR Units, which are not traditional stock. The Company measures its liability for this plan at intrinsic value.

Environmental Expenditures Liabilities related to remediation of contaminated properties are recognized when the related costs are considered probable and can be reasonably estimated. Estimates of environmental costs are based on current available facts, existing technology, undiscounted site-specific costs, and currently enacted laws and regulations. Recoveries, if any, are recorded in the period in which recovery is received. Liabilities are monitored and adjusted as new facts or changes in law or technology occur.

Income Taxes Land O'Lakes is a non-exempt agricultural cooperative and is taxed on all nonmember 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 recognizes interest and penalties accrued related to unrecognized tax benefits as components of income tax expense, when applicable. Deferred income tax assets and liabilities are established based on the difference between the financial and income tax carrying values of assets and liabilities using existing tax rates.

The Company records taxes collected from customers and remitted to governmental authorities on a net basis within the consolidated financial statements.

Cash and Cash Equivalents Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

Vendor Rebates Receivable The Company receives vendor rebates primarily from seed and chemical suppliers. These rebates are usually covered by binding arrangements, which are signed agreements between the vendor and the Company or published vendor rebate programs; but they can also be open-ended, subject to future definition or revisions. Rebates are recorded as earned when probable and reasonably estimable based on terms defined in binding arrangements, or, in the absence of such arrangements, when cash is received. Rebates covered by binding arrangements that are not probable and reasonably estimable are accrued when certain milestones are achieved. Because of the timing of vendor crop year programs relative to the Company's fiscal year end, a significant portion of rebates have been collected prior to the end of the Company's year end for the prior crop year. The actual amount of rebates recognized, however, can vary year over year, largely due to the timing of when binding arrangements are finalized.

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

Vendor Prepayments The Company prepays a substantial amount for seed and crop protection products, which it will procure and distribute at a later date. The Company also accepts prepayments from its customers, which generally exceed the amount it sends to its suppliers. In the event that one of the suppliers to whom a prepayment is made is unable to continue as a going concern or is otherwise unable to fulfill its contractual obligations, the Company may not be able to take delivery of all of the product for which it has made a prepayment and, as a trade creditor, may not be able to reclaim the remaining amounts of cash held by such supplier in its prepaid account.

In 2009, certain customers of the Company participated in a prepay program, whereby the customers remitted prepayments for future crop inputs products directly to a vendor of the Company. The vendor then assigned the customer prepayments to the Company, which were applied to the customers' accounts; in exchange, the Company received from the vendor a credit for amounts currently payable and a prepayment credit towards future product purchases. This transaction was recorded in the Company's consolidated financial statements as a non-cash increase to customer advances of $421.1 million, a non-cash decrease to accounts payable of $226.0 million and a non-cash increase to prepaid assets of $195.1 million. This prepay program was not offered in 2010.

As of December 31, 2010 and 2009, vendor prepayments for seed and crop protection products, which are presented as prepaid assets in the consolidated balance sheets, were $847.8 million and $1,118.8 million, respectively, most of which was concentrated with Monsanto Company, Syngenta and Bayer AG.

Derivative Commodity Instruments In the normal course of operations, the Company purchases commodities such as: milk, butter and soybean oil in Dairy Foods; soybean meal and corn in Feed; soybeans in Crop Inputs; and corn and soybean meal in Layers. Derivative commodity instruments, consisting primarily of futures contracts offered through regulated commodity exchanges, are used to reduce exposure to changes in commodity prices. These contracts are not designated as hedges. The futures contracts are marked-to-market each month and gains and losses ("unrealized hedging gains and losses") are recognized in cost of sales. The Company has established formal limits to monitor its positions and does not use derivative commodity instruments for speculative purposes.

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. Investments in less than 20%-owned companies are generally stated at cost as the Company does not have the ability to exert significant influence. The equity method of accounting is used for investments in other companies, including joint ventures, in which the Company has significant influence, but not control, and voting interests of 20% to 50%. Investments with voting interests that exceed 50% are consolidated. Significant investments, whether accounted for under the cost or equity method, are reviewed regularly to evaluate if they have experienced a decline in fair value.

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 (10 to 30 years for land improvements and buildings and building equipment, three to 10 years for machinery and equipment, and three to five years for software) of the respective assets in accordance with the straight-line method. Accelerated methods of depreciation are used for income tax purposes.

Goodwill and Other Intangible Assets Goodwill represents the excess of the purchase price of an acquired entity over the amounts assigned to assets acquired and liabilities assumed.

Other intangible assets consist primarily of trademarks, patents, customer relationships and agreements not to compete. Certain trademarks are not amortized because they have indefinite lives. The remaining other intangible assets are amortized using the straight-line method over their estimated useful lives, ranging from three to 25 years.

Recoverability of Long-lived Assets The test for goodwill impairment is a two-step process and is performed on at least an annual basis. The first step is a comparison of the fair value of the reporting unit with its carrying amount, including goodwill. If this step reflects impairment, then the loss would be measured in the second step as the excess of recorded goodwill over its implied fair value. Implied fair value is the excess of fair value of the reporting unit over the fair value of all identified assets and liabilities. The test for impairment of unamortized other intangible assets is performed on at least an annual basis. The Company deems unamortized other intangible assets to be impaired if the carrying amount of an asset exceeds its fair value. The fair value of the Company's unamortized trademarks and license agreements is determined using a discounted cash flow model with assumed royalty fees and sales projections. The Company tests the recoverability of all 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 these other assets to be impaired if a forecast of undiscounted future operating cash flows is less than its carrying amount. If these other assets were determined to be impaired, the loss is measured as the amount by which the carrying value of the asset exceeds its fair value.

While the Company currently believes that goodwill and unamortized trademarks and license agreements are not impaired, materially different assumptions regarding the future performance of its businesses could result in significant impairment losses. Specifically, within Feed, detrimental changes in the current business conditions could bring about significant differences between actual and projected financial results and cause the Company to incur an impairment loss related to its goodwill or unamortized trademarks or license agreements.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2008, the FASB issued ASC 715-20-65-2, "Employers' Disclosures about Postretirement Benefit Plan Assets" ("ASC 715-20-65-2"), which requires that an employer disclose the following information about the fair value of plan assets: 1) how investment allocation decisions are made, including the factors that are pertinent to understanding investment policies and strategies; 2) the major categories of plan assets; 3) the inputs and valuation techniques used to measure the fair value of plan assets; 4) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period; and 5) significant concentrations of risk within plan assets. At initial adoption, application of this guidance would not be required for earlier periods that are presented for comparative purposes. The adoption of this guidance in 2009 increased the disclosures within the Company's consolidated financial statements related to the assets of its defined benefit pension and other postretirement benefit plans. This guidance was effective for fiscal years ending after December 15, 2009. The Company adopted this guidance as of December 31, 2009.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets" ("SFAS 166"). This guidance removes the concept of a qualifying special-purpose entity ("QSPE") and removes the exception from applying consolidation guidance to these entities. SFAS 166 also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This statement was effective for fiscal years beginning after November 15, 2009. Accordingly, the Company adopted this standard as of January 1, 2010. In December 2009, this standard was adopted into the Codification as ASU No. 2009-16.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46R" ("SFAS 167"). SFAS 167 requires an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This statement requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This statement was effective for fiscal years beginning after November 15, 2009. Accordingly, the Company adopted SFAS 167 as of January 1, 2010. In December 2009, this standard was adopted into the Codification as ASU No. 2009-17.

During 2009, the FASB issued several ASUs: ASU No. 2009-01 through ASU No. 2009-17. ASU 2009-01 amended the Codification, ASC 105, for the issuance of SFAS 168 discussed above. Except for the ASUs discussed below, the ASUs entail technical corrections to existing guidance or affect guidance related to specialized industries or topics, and therefore have minimal, if any, impact on the Company.

In August 2009, the FASB issued ASU No. 2009-05, which amends Fair Value Measurements and Disclosures – Overall ("ASC Topic 820-10") to provide guidance on the fair value measurement of liabilities. This update requires clarification for circumstances in which a quoted price in an active market for the identical liability is not available, in which case, a reporting entity is required to measure fair value using one or more of the following techniques: 1) a valuation technique that uses either the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as an asset; or 2) another valuation technique that is consistent with the principles in ASC Topic 820 such as the income and market approach to valuation. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This update further clarifies that if the fair value of a liability is determined by reference to a quoted price in an active market for an identical liability, that price would be considered a Level 1 measurement in the fair value hierarchy. Similarly, if the identical liability has a quoted price when traded as an asset in an active market, it is also a Level 1 fair value measurement if no adjustments to the quoted price of the asset are required. This update was effective for the Company beginning October 1, 2009. The Company adopted ASU No. 2009-05 as of October 1, 2009, which had no impact on the consolidated financial statements.

In September 2009, the FASB issued ASU No. 2009-06, which amends Income Taxes ("ASC Topic 740") in order to clarify certain implementation issues specific to non-public entities and amend certain disclosure requirements. This update was effective for non-public entities for any interim or annual periods ending after September 15, 2009. The Company became a non-public entity on December 15, 2009 when it refinanced its principal debt facilities including calling and redeeming its public debt and issuing new private placement debt. See Note 10 for further discussion. Accordingly, the Company adopted this amendment as of December 31, 2009 as the first reporting period ending after September 15, 2009 in which the Company was a non-public entity; therefore, the adoption of ASU No. 2009-06 did not have an impact on the consolidated financial statements.

During 2010, the FASB issued several ASUs: ASU No. 2010-1 through ASU No. 2010-29. Except for the ASU discussed below, the ASUs entail technical corrections to existing guidance or affect guidance related to specialized industries or topics, and therefore have minimal, if any, impact on the Company.

In January 2010, the FASB issued ASU No. 2010-06, which amends Fair Value Measurements and Disclosures – Overall ("ASC Topic 820-10") to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level 3 fair value measurements, and the transfers between Levels 1, 2 and 3. Levels 1, 2 and 3 of fair value measurements are defined in Note 14 below. The Company adopted ASU No. 2010-06 as of January 1, 2010, which had no impact on the consolidated financial statements.

In July 2010, the FASB issued ASU No. 2010-20, which amends Receivables ("ASC Topic 310-10") to require enhanced disclosures regarding the credit quality of an entity's financing receivables and its allowance for credit losses. In addition, this update requires an entity to disclose credit quality indicators, past due information and modifications of its financing receivables. For non-public entities, the disclosures are effective for annual reporting periods ending on or after December 31, 2011. Accordingly, the Company will adopt this guidance as of December 31, 2011. The Company is currently evaluating the impact of adopting this standard on the consolidated financial statements.

4. BUSINESS COMBINATIONS

2010 Acquisitions

As of January 1, 2010, Winfield Solutions, LLC ("Winfield"), a Land O'Lakes wholly owned subsidiary, entered into a stock sale agreement with Agriliance LLC ("Agriliance"), a 50/50 joint venture between the Company and United Country Brands, LLC (a wholly owned subsidiary of CHS Inc. ("CHS")) to purchase the outstanding stock of Agriliance de Mexico, S.A. de C.V., a Mexican corporation, for $1.9 million in cash. The Company determined the fair value of the assets acquired, primarily inventory, exceeded the purchase price by approximately $1.4 million, which was recorded as a bargain purchase gain within selling, general and administrative expense in the consolidated statements of operations.

On September 1, 2010, as part of the ongoing restructuring of Agriliance, Winfield entered into an operating lease agreement with Agriliance. Winfield completed the transaction and closed on the property, plant and equipment in December 2010. Under the terms of the transaction documents, Winfield began operating six former Agriliance retail locations in Florida and purchased the working capital, primarily inventory, and fixed assets associated with such locations for $27.3 million. The Company recorded a bargain purchase gain of $0.3 million as a result of the fair value of the assets acquired exceeding the purchase price. An additional $1.2 million of gain on the acquisition was deferred and will be recognized over the life of the assets acquired, as this was a related party transaction. The primary purpose of the transaction was to maintain certain retail distribution channels for the Company's crop protection and seed products.

On September 30, 2010, Winfield acquired the assets of Estes, Incorporated ("Estes"). Estes is primarily a wholesale distributor of agricultural, range and pasture, and specialty crop protection products through 17 leased locations in Texas, Oklahoma, Arkansas and Colorado. The total cash paid for this acquisition was $21.1 million, and it was primarily allocated to inventory, equipment and customer relationships.

For the acquisitions described above, the business operations of the acquired entities were included in the Crop Inputs segment upon acquisition. These acquisitions were accounted for as business combinations. Accordingly, the assets and liabilities of the acquired entities were recorded at their estimated fair values at the date of the acquisitions. The aggregate purchase price allocations are summarized in the following table:

Receivables, net	$ 5,573
Inventories	42,917
Prepaid assets	55
Property, plant and equipment	5,154
Other intangibles, net	3,505
Current liabilities	(4,992)
Employee benefits and other liabilities	(268)
Total fair value of identifiable assets and liabilities	51,944
Cash paid for 2010 acquisitions, net of cash acquired	50,290
Bargain purchase gain	$ 1,654

2009 Acquisitions

In January 2009, Feed contributed $0.3 million in cash to Superior Feed Solutions, LLC, a 50/50 joint venture with Ceres Solutions LLP. The joint venture is accounted for under the equity method of accounting.

On April 9, 2009, the Company announced that Agriliance entered into an operating lease and an asset purchase agreement with Agri-AFC, LLC ("Agri-AFC"), a wholesale and retail crop inputs supplier. At the time of this transaction, Agri-AFC was a consolidated joint venture between Winfield and Alabama Farmers Cooperative, Inc. ("AFC"). Under the terms of the transaction documents, Agri-AFC began operating nine former Agriliance retail locations located in Georgia and Mississippi and purchased the working capital, primarily inventory, associated with such locations for $18.3 million. In July 2009, Agri-AFC completed the transaction and acquired the property, plant and equipment located at these sites for $2.8 million in cash.

In August 2009, Feed contributed $0.3 million in cash to DaLOL Bio-Nutrition (HK) Co., Ltd, a 50/50 joint venture with Hwabei Agri Corporation. The joint venture is accounted for under the equity method of accounting.

On October 2, 2009, Retail Agronomy Solutions, LLC ("RAS"), a wholly owned subsidiary of Winfield, entered into an operating lease agreement with Agriliance. The primary purpose of the transaction was to maintain the retail distribution channels for the Company's crop protection and seed products. Under the terms of the transaction documents, RAS began operating 34 former Agriliance retail locations in Louisiana, Arkansas and Mississippi and purchased the working capital, primarily inventory, associated with such locations for $24.8 million. In December 2009, RAS completed the transaction and closed on the property, plant and equipment located at these sites for $11.4 million in cash. As part of the closing, RAS also assumed potential future environmental liability in return for a payment of $1.9 million from Agriliance. Since RAS obtained control over these retail locations on October 2, 2009, the results of operations are included in the consolidated financial statements from that date forward and the purchase price allocation was determined as of that date. In March 2010, RAS paid a working capital adjustment of $0.7 million in cash to Agriliance.

The following table summarizes the recognized amounts of identifiable assets and liabilities acquired based upon independent appraisals and management estimates:

Receivables, net	$ 880
Inventories	24,707
Property, plant and equipment	11,815
Customer advances	(364)
Employee benefits and other liabilities	(947)
Total fair value of identifiable assets and liabilities	35,445
Purchase price, net of cash assumed	34,937
Bargain purchase gain	$ 1,154

The Company determined that the fair value of assets acquired exceeded the purchase price by approximately $1.2 million, which was recorded as a bargain purchase gain within selling, general and administrative expense in the consolidated statements of operations. An additional $0.9 million of gain on the acquisition was deferred and will be recognized over the life of the assets acquired, as this was a related party transaction.

In December 2009, Winfield entered into an asset purchase agreement with Agriliance to acquire four retail locations. Winfield purchased the existing working capital, primarily inventory, associated with such locations for $3.2 million, of which $0.1 million was paid at closing. The remaining $3.1 million was paid in cash in January 2010.

2009 Deconsolidations

In October 2009, the Company renegotiated the operating agreement for its joint venture Agri-AFC, a consolidated joint venture between Winfield and AFC. The purpose of the transaction was to equalize the governance of the joint venture between the two owners to align with economic interests. Under the terms of the new operating agreement, the Company reduced its governance percentage from 51% to 50% and received fair value consideration, which was not material, while AFC increased its governance percentage from 49% to 50%. The Company deconsolidated Agri-AFC immediately and began recording its portion of Agri-AFC's operations under the equity method of accounting.

2008 Acquisitions

In January and February of 2008, Agriliance distributed its interest in four agronomy joint ventures to the Company and CHS, and the Company acquired from CHS its partial interest in the joint ventures for a total cash payment of $8.3 million representing the net book value of these investments. In April 2008, a consolidated Feed joint venture purchased the remaining interest in a subsidiary for $0.4 million in cash. In May 2008, the Company acquired a native grass seed company for $1.7 million in cash and acquired a seed treatment business for $1.1 million in cash. These acquisitions, individually and in aggregate, are immaterial to the Company's financial position, net earnings and cash flows.

5. RECEIVABLES

A summary of receivables at December 31 is as follows:

	2010	2009
Trade accounts	$ 860,221	$ 874,772
Notes and contracts	137,342	106,957
Vendor rebates	56,397	78,571
Other	38,901	54,685
	1,092,861	1,114,985
Less allowance for doubtful accounts	(17,651)	(16,230)
Total receivables, net	$1,075,210	$1,098,755

A substantial portion of the Company's receivables is concentrated in agriculture, as well as in the wholesale and retail food industries. Collection of receivables may be dependent upon economic returns in these industries. The Company's credit risks are continually reviewed, and management believes that adequate provisions have been made for doubtful accounts.

The Company operates a wholly owned subsidiary that provides operating loans and facility financing to farmers and livestock producers, which are collateralized by the real estate, equipment and livestock of their farming operations. These loans, which relate primarily to dairy, swine, cattle and other livestock production, are presented as notes and contracts for the current portion and as other assets for the non-current portion. Total notes and contracts were $171.7 million at December 31, 2010 and $163.4 million at December 31, 2009, of which $108.5 million and $96.3 million, respectively, were the current portions included in the table above. Commitments to extend credit totaled $34.8 million and $29.1 million at December 31, 2010 and 2009, respectively.

Vendor rebate receivables are primarily generated as a result of seed and chemical purchases. These receivables can vary significantly from period to period based on a number of factors, including, but not limited to, specific terms and conditions set forth in the underlying agreements, the timing of when such agreements become binding arrangements, and the timing of cash receipts. The Company may, on occasion, enter into inventory purchase commitments with vendors in order to achieve an optimal rebate return.

Other receivables include margin receivables from commodity brokers on open derivative instruments, interest and expected insurance settlements.

6. INVENTORIES

A summary of inventories at December 31 is as follows:

	2010	2009
Raw materials	$ 200,425	$ 197,732
Work in process	1,112	909
Finished goods	1,019,517	931,977
Total inventories	$1,221,054	$1,130,618

7. INVESTMENTS

A summary of investments at December 31 is as follows:

	2010	2009
Advanced Food Products, LLC	$ 37,136	$ 34,916
Ag Processing Inc	29,294	29,932
Delta Egg Farm, LLC	13,032	12,672
Melrose Dairy Proteins, LLC	11,643	10,515
Agri-AFC, LLC	10,241	5,893
Universal Cooperatives, Inc.	7,843	7,857
Golden State Feed & Grain LLC	6,232	—
Pet Food Holdings, Inc.	5,910	—
CoBank, ACB	5,857	5,345
Agriliance LLC	—	44,278
Pro-Pet, LLC	—	4,522
Other — principally cooperatives and joint ventures	41,428	41,028
Total investments	$168,616	$ 196,958

As of December 31, 2010, the Company maintained a 50% voting interest in numerous joint ventures, including Agriliance LLC and Agri-AFC, LLC in Crop Inputs, Delta Egg Farm, LLC in Layers, Melrose Dairy Proteins, LLC in Dairy, and Hi-Plains, LLC and Golden State Feed & Grain LLC in Feed. The Company also maintained a 35% voting interest in Advanced Food Products, LLC in Dairy and a 20% voting interest in Pet Food Holdings, Inc. in Feed at December 31, 2010. The Company's largest investments in other cooperatives as of December 31, 2010 were Ag Processing Inc, Universal Cooperatives, Inc. and CoBank, ACB ("CoBank").

The Company reviews its investments for indicators of impairment on a periodic basis or if an event occurs or circumstances change to indicate the carrying amount may be other than temporarily impaired. When such indicators are present, the Company performs an in-depth review for impairment. If a decline in fair value below the carrying value is determined to be other than temporary, the carrying value is written down to fair value and the amount of the write-down is included in the consolidated statements of operations.

In December 2010, the Company sold its investment in Pro-Pet, LLC. In exchange for its ownership interests in Pro-Pet, LLC, the Company received $12.0 million of cash, 20% of the common shares in Pet Foods Holdings, Inc., and preferred shares in Pet Foods Holding, Inc. that have a par value of $4.0 million. The Company recognized a gain of $12.7 million related to this transaction through other income, net.

In August 2010, Feed and J.D. Heiskell Holdings, LLC ("JDH") created Golden State Feed & Grain LLC ("Golden State"), a 50/50 joint venture. Feed entered into an operating lease with Golden State for its Guernsey, CA, feed mill and contributed the associated customer relationships and sales volume. In addition, Feed paid JDH $4.5 million in cash in order to equalize ownership of the joint venture. The joint venture is accounted for under the equity method of accounting.

In 2010, the Company's investment in Agriliance decreased by $64.5 million to a credit balance of $20.2 million, primarily due to $55.0 million of dividends received, $1.7 million in equity losses for the period and a $7.8 million other comprehensive loss related to Agriliance's annual pension adjustments. The negative investment in Agriliance has been reclassified to employee benefits and other liabilities on the consolidated balance sheet. The credit balance reflects our share of Agriliance's other comprehensive income related to its pension plan partially offset by our share of other Agriliance equities. In 2009, the Company's investment in Agriliance decreased by $131.9 million, due to $95.0 million of dividends received, $12.0 million in equity losses and a $24.9 million other comprehensive loss related to Agriliance's annual pension adjustments.

In February 2008, the Company and Golden Oval Eggs, LLC ("Golden Oval") entered into an Amendment to Asset Purchase Agreement that modified certain terms and conditions of the sale of MoArk's liquid egg operations to Golden Oval, including the cancellation of the principal amount owed under the note and the issuance of a warrant to the Company for the right to purchase 880,492 convertible preferred units. As of the date the warrant was issued, the Company determined that the underlying units had an insignificant fair value. In December 2008, Golden Oval announced that it entered into an agreement to sell substantially all of its assets. As of December 31, 2008, the Company held the warrant for the 880,492 convertible preferred units, which carried a preference upon liquidation of $11.357 per unit, and 697,350 Class A units. In February 2009, the Company notified Golden Oval that it intended to exercise the warrant prior to Golden Oval's scheduled asset sale, noted above. The Company had the right, in its sole discretion, to convert to Class A units any preferred units it received upon exercise of its warrant. On March 2, 2009, in conjunction with Golden Oval's planned sale of substantially all of its assets to Rembrandt Enterprises, Inc. ("Rembrandt"), the Company exercised its right to purchase 880,492 Class A Convertible Preferred Units (the "Preferred Units") of Golden Oval. The Company also elected to convert the Preferred Units to an equal number of Golden Oval's Class A Common Units on the condition that it would retain the preferred payment rights established in the certificate of designation of the Preferred Units. The sale of substantially all of Golden Oval's assets to Rembrandt closed as of March 30, 2009. In 2009, upon closing of the asset sale, the Company recorded a $6.4 million gain, which represented the preferred payment related to the 880,492 Preferred Units that were converted to Class A units in accordance with the terms of the warrant's execution. The Company recorded an additional $5.4 million gain, which represented distribution payments from the asset sale related to the total 1,577,842 Class A units owned by the Company. For the year ended December 31, 2009, the Company received a total of $11.8 million in cash related to this transaction. The Company does not expect to receive any further cash distributions from Golden Oval related to the asset sale; therefore all 1,577,842 Class A units held by the Company are deemed to have no remaining value.

8. PROPERTY, PLANT AND EQUIPMENT

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

	2010	2009
Machinery and equipment	$ 809,778	$ 765,711
Buildings and building equipment	469,465	437,535
Land and land improvements	83,427	74,427
Software	99,732	91,272
Construction in progress	47,208	52,486
	1,509,610	1,421,431
Less accumulated depreciation	765,008	717,479
Total property, plant and equipment, net	$ 744,602	$ 703,952

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The carrying amount of goodwill by segment at December 31 is as follows:

	2010	2009
Feed	$ 124,084	$ 124,911
Dairy Foods	68,525	68,525
Crop Inputs	61,345	61,345
Layers	19,225	19,889
Total goodwill	$ 273,179	$ 274,670

Feed goodwill decreased by $0.8 million and $2.0 million in 2010 and 2009, respectively, due to the divestiture of certain facilities. See Note 21 for further information.

Goodwill amortization was $0, $0 and $7.9 million for the years ended December 31, 2010, 2009 and 2008, respectively. Amortization of goodwill created as a result of business combinations between mutual enterprises ceased with the adoption of revised guidance within ASC 805, "Business Combinations," as of January 1, 2009.

Other Intangible Assets

A summary of other intangible assets at December 31 is as follows:

	2010	2009
Amortized other intangible assets:		
Dealer networks and customer relationships, less accumulated amortization of $7,088 and $6,498, respectively	$ 47,434	$ 48,024
Patents, less accumulated amortization of $10,735 and $9,575, respectively	5,976	7,136
Trademarks, less accumulated amortization of $4,002 and $3,362, respectively	3,612	4,252
Other intangible assets, less accumulated amortization of $4,572 and $3,806, respectively	3,287	4,053
Total amortized other intangible assets	60,309	63,465
Total non-amortized other intangible assets — trademarks and license agreements	51,625	51,625
Total other intangible assets	$111,934	$115,090

Amortization expense for the years ended December 31, 2010, 2009 and 2008 was $5.0 million, $5.2 million and $5.4 million, respectively. The estimated amortization expense related to other intangible assets subject to amortization for the next five years will approximate $4.4 million annually. The weighted-average life of the intangible assets subject to amortization is approximately 18 years. Non-amortized other intangible assets relate to Feed and the majority of the amortized other intangible assets relate to Feed, Crop Inputs and Layers.

10. ACCRUED LIABILITIES

A summary of accrued liabilities at December 31 is as follows:

	2010	2009
Employee compensation and benefits	$120,420	$120,661
Unrealized hedging losses and deferred option premiums received	18,143	8,180
Marketing programs and consumer incentives	70,571	70,032
Other	165,033	137,520
Total accrued liabilities	$374,167	$336,393

Other accrued liabilities primarily include accrued taxes, interest, self-insurance reserves and environmental liabilities.

11. DEBT OBLIGATIONS

Notes and Short-term Obligations

The Company had notes and short-term obligations at December 31, 2010 and 2009 of $85.6 million and $160.5 million, respectively. The Company maintains credit facilities to finance its short-term borrowing needs, including a revolving credit facility and a receivables securitization facility.

On October 29, 2009, the Company announced that it had refinanced its principal debt facilities in order to, among other things, extend the term of its debt portfolio, to provide additional liquidity for general corporate purposes and to take advantage of lower interest rates. The refinancing included the following elements: the call of the Company's 8.75% Senior Unsecured Notes (the "Unsecured Notes") totaling $174.0 million and 9.00% Senior Secured Notes (the "Secured Notes") totaling $149.7 million, which were redeemed on December 15, 2009; the issuance of $325.0 million in new secured private placement term debt; the replacement of the existing $400 million revolving credit facility with a new $375 million revolving credit facility; and the amendment of the Company's existing $400 million receivables securitization facility.

As noted above, on October 29, 2009, the Company entered into a replacement $375 million revolving credit facility led by CoBank as administrative agent, bookrunner, collateral agent and joint lead arranger, and Banc of America Securities LLC as joint lead arranger (the "CoBank Revolving Credit Facility").

Under the terms of the CoBank Revolving Credit Facility, lenders have committed to make advances and issue letters of credit until April 2013 in an aggregate amount not to exceed $375 million. Borrowings bear interest at a variable rate (either LIBOR or an Alternative Base Rate) plus an applicable margin. The margin is dependent upon the Company's leverage ratio. Based on the leverage ratio at the end of December 2010, the LIBOR margin for the CoBank Revolving Credit Facility was 250 basis points. Spreads for the Alternative Base Rate are 100 basis points lower than the applicable LIBOR spreads. LIBOR may be set for one-, two-, three- or six-month periods at the Company's election. At December 31, 2010, there was $0 outstanding on the CoBank Revolving Credit Facility and $334.1 million was available after giving effect to $40.9 million of outstanding letters of credit, which reduced availability. At December 31, 2009, there was $60.0 million outstanding on the CoBank Revolving Credit Facility and $273.9 million was available after giving effect to $41.1 million of outstanding letters of credit, which reduced availability.

The borrowings under the CoBank Revolving Credit Facility are secured, on a pari passu basis, with the new private placement notes, by substantially all of the Company's material assets and the assets and guarantees of certain of the Company's wholly owned domestic subsidiaries. These financing facilities impose certain restrictions on the Company and certain of its subsidiaries, including, but not limited to, the Company's ability to incur additional indebtedness, make payments to members, make investments, grant liens, sell assets and engage in certain other activities.

On October 29, 2009, the Company's $400 million, five-year receivables securitization facility arranged by CoBank was amended and extended to April 2013. The Company and certain wholly owned consolidated entities sell Dairy Foods, Feed, Crop Inputs and certain other receivables to LOL SPV, LLC, a wholly owned, consolidated special purpose entity (the "SPE"). The SPE enters into borrowings that are effectively secured solely by the SPE's receivables. The SPE has its own separate creditors that are entitled to be satisfied out of the assets of the SPE prior to any value becoming available to the Company. Borrowings under the receivables securitization facility bear interest at LIBOR plus an applicable margin. The amendment increased the margin from 87.5 basis points to 225 basis points. Apart from the interest rate and the tenor of the facility, all material terms of the facility were unchanged by the amendment. At December 31, 2010 and 2009, the SPE's receivables were $707.2 million and $774.8 million, respectively. At December 31, 2010 and 2009, there were no outstanding balances under the facility, and availability was $400.0 million.

The Company also had $85.5 million and $80.5 million as of December 31, 2010 and 2009, respectively, of notes and short-term obligations outstanding under a revolving line of credit and other borrowing arrangements for a wholly owned subsidiary that provides operating loans and facility financing to farmers and livestock producers. These outstanding notes and short-term obligations are collateralized by the wholly owned subsidiary's loans receivable from the farmers and livestock producers.

Additionally, the Company had $0 and $20.0 million outstanding as of December 31, 2010 and 2009, respectively, of notes and short-term obligations under a credit facility with Agriliance. The purpose of the credit facility is to provide additional working capital liquidity and allows the Company to borrow from or lend to Agriliance at a variable rate of LIBOR plus 250 basis points.

The Company's MoArk subsidiary maintains a $40 million revolving credit facility, which is subject to a borrowing base limitation. Borrowings bear interest at a variable rate (either LIBOR or an Alternative Base Rate) plus an applicable margin. At December 31, 2010 and 2009, the outstanding borrowings were $0. MoArk's facility is not guaranteed by the Company nor is it secured by Company assets. The facility is scheduled to mature on June 1, 2012.

The weighted-average interest rate on short-term borrowings and notes outstanding at December 31, 2010 and 2009 was 1.50% and 2.81%, respectively.

Long-term Debt

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

	2010	2009
Private Placement Notes, due 2016-2021 (6.24%-6.77%)	**$325,000**	$325,000
Capital Securities of Trust Subsidiary, due 2028 (7.45%)	**190,700**	190,700
MoArk, LLC debt, due 2011 through 2022 (7.75% weighted average)	**13,663**	14,526
MoArk, LLC capital lease obligations (7.00%)	**2,307**	3,463
Other debt, including discounts and fair value adjustments	**295**	(415)
Total debt	**531,965**	533,274
Less current portion	**3,184**	2,802
Total long-term debt	**$528,781**	$530,472

As part of its overall refinancing in 2009, the Company redeemed $174.0 million in aggregate principal amount of 8.75% Unsecured Notes due 2011, dated as of November 14, 2001, and $149.7 million in aggregate principal amount of 9.00% Secured Notes due 2010, dated as of December 23, 2003 (the Unsecured Notes and Secured Notes, together, the "Called Notes"). The Called Notes were redeemed at par on December 15, 2009. Also part of the refinancing, deferred charges of $2.0 million were written off to interest expense in the consolidated financial statements for the year ended December 31, 2009.

The Company also entered into a Note Purchase Agreement with certain institutional lenders that governs the issuance of $325 million of privately placed notes (the "Private Placement Notes"). The Private Placement Notes were issued and sold in three series, as follows: 1) $155 million aggregate principal amount of 6.24% notes, due December 2016, 2) $85 million aggregate principal amount of 6.67% notes, due December 2019 and 3) $85 million aggregate principal amount of 6.77% notes, due December 2021. The sale of the Private Placement Notes occurred on December 15, 2009, and the Company applied the proceeds to the redemption of the Called Notes. The Private Placement Notes are secured, on a pari passu basis, with the debt issued under the CoBank Revolving Credit Facility (described above), by substantially all of the Company's material assets and the assets and guarantees of certain of the Company's wholly owned domestic subsidiaries. The Note Purchase Agreement imposes certain restrictions on the Company and certain of its subsidiaries, including, but not limited to, the Company's ability to incur additional indebtedness, make payments to members, make investments, grant liens, sell assets and engage in certain other activities.

Land O'Lakes Capital Trust I (the "Trust") was created in 1998 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 of the Company, bearing interest at 7.45% and maturing on March 15, 2028, are eliminated upon consolidation.

At December 31, 2010 and 2009, MoArk had $2.3 million and $3.5 million, respectively, in obligations under capital lease, which represent the present value of the future minimum lease payments. MoArk leases machinery, buildings and equipment at various locations. Minimum commitments for obligations under capital leases at December 31, 2010 total $2.3 million, comprising of $2.0 million for 2011 and $0.3 million for 2012.

In December 2008, the Company entered into a transaction with the City of Russell, Kansas (the "City"), whereby the City purchased the Company's Russell, Kansas, feed facility (the "Facility") by issuing $4.9 million in industrial development revenue bonds due December 2018 and leased the Facility back to the Company for an identical term under a capital lease. The City's bonds were purchased by the Company. Because the City has assigned the lease to a trustee for the benefit of the Company as the sole bondholder, the Company, in effect, controls enforcement of the lease against itself. As a result of the capital lease treatment, the Facility will remain a component of property, plant and equipment in the Company's consolidated balance sheets and no gain or loss was recognized related to this transaction. The capital lease obligation and the corresponding bond investment have been eliminated upon consolidation. Additional bonds may be issued to cover the costs of certain improvements to the Facility. The maximum amount of bonds authorized for issuance is $6.0 million.

Substantially all of the Company's assets, excluding assets of MoArk and its subsidiaries, have been pledged to its lenders under the terms of its revolving credit facility and the Secured Notes. As of December 31, 2010 and 2009, the Company's debt covenants were all satisfied. As of December 31, 2010, MoArk's financial covenants were all satisfied. As a result of MoArk's decision to authorize a settlement in the class action lawsuits and the establishment of a corresponding legal reserve, MoArk was not in compliance with it's working capital ratio covenant with regard to the months ended December 31, 2009, January 31, 2010, February 28, 2010 and March 31, 2010. On May 11, 2010, MoArk obtained waivers with respect to these covenant violations and further amended its revolving credit facility to, among other things, make the working capital covenant less restrictive and increase the applicable margins on borrowings to bring them in line with current market rates.

The maturity of long-term debt for the next five years and thereafter is summarized in the table below.

Year	Amount
2011	$ 3,184
2012	1,446
2013	1,233
2014	1,249
2015	1,272
2016 and thereafter	523,581

Interest paid on debt obligations was $50.3 million, $58.7 million and $67.9 million in 2010, 2009 and 2008, respectively.

12. OTHER COMPREHENSIVE INCOME

	2010	2009	2008
Net earnings	$178,867	$205,322	$175,484
Pension and other postretirement adjustments, net of income taxes of $1,441, $19,028 and $52,858, respectively	(2,327)	(30,717)	(85,333)
Foreign currency translation adjustment, net of income taxes of $4, $(40) and $1,905, respectively	(5)	64	(3,076)
Unrealized loss on available-for-sale securities, net of income taxes of $5, $0 and $5, respectively	(16)	(1)	(446)
Total comprehensive income	176,519	174,668	86,629
Less: Other comprehensive (earnings) loss attributable to noncontrolling interests	(719)	3,778	(15,684)
Total comprehensive income attributable to Land O'Lakes, Inc.	$175,800	$178,446	$ 70,945

The pension and other postretirement adjustment, net of income taxes, for 2010, 2009 and 2008 reflects $1.0 million, $(14.0) million and $(86.8) million, respectively, for Land O'Lakes defined benefit pension plans. Also, the Company recorded its portion of pension and other postretirement adjustments for its ownership percentage in its joint ventures, primarily Agriliance, for $(3.3) million, $(16.7) million and $1.5 million for 2010, 2009 and 2008, respectively.

The components of accumulated other comprehensive loss as of December 31 are as follows:

	2010	2009
Pension and other postretirement adjustments, net of income taxes of $113,743 and $112,302, respectively	$(183,624)	$(181,298)
Unrealized gain on available-for-sale securities, net of income taxes of $0 and $(5), respectively	—	8
Foreign currency translation adjustment, net of income taxes of $(237) and $(241), respectively	383	388
Accumulated other comprehensive loss	$(183,241)	$(180,902)

13. DERIVATIVE INSTRUMENTS

The Company is exposed to the impact of price fluctuations in dairy and agriculture commodity inputs consumed in operations and the impact of fluctuations in the relative value of currencies. The Company periodically enters into derivative instruments in order to mitigate the effects of changing commodity prices and to mitigate its foreign currency risks.

In the normal course of operations, the Company purchases commodities such as: milk, butter, soybean oil and various energy needs ("energy") in Dairy Foods; soybean meal, corn and energy in Feed and Layers; and soybeans, corn and energy in Crop Inputs. The Company's commodity price risk management strategy is to use derivative instruments to reduce risk caused by volatility in commodity prices due to fluctuations in the market value of inventories and fixed or partially fixed purchase and sales contracts. The Company enters into futures, forward and options contract derivative instruments for periods consistent with the related underlying inventory and purchase and sales contracts. These contracts are not designated as hedges under ASC 815, "Derivatives and Hedging." The futures and option contracts are marked-to-market each month and unrealized hedging gains and losses are primarily recognized in cost of sales. The Company has established formal position limits to monitor its price risk management activities and executes derivative instruments only with respect to those commodities that the Company consumes or produces in its normal business operations.

The unrealized (gains) and losses on derivative instruments related to commodity contracts and foreign currency exchange contracts for the year ended December 31 is as follows:

Derivative Instrument	Location	2010	2009
Commodity derivatives	Cost of sales	$(6,312)	$(34,740)
Commodity derivatives	Selling, general and administrative	—	(1,140)
Foreign currency exchange contracts	Cost of sales	291	(1,488)
Foreign currency exchange contracts	Other income, net	—	341

The notional or contractual amount of derivative instruments provides an indication of the extent of the Company's involvement in such instruments at that time, but does not represent exposure to market risk or future cash requirements under certain of these instruments. The gross fair market value of all derivative instruments and their location in the consolidated balance sheet are shown by those in an asset or liability position and are further categorized by commodity and foreign currency derivatives:

	December 31, 2010			December 31, 2009		
	Notional or	Fair Value		Notional or	Fair Value	
Derivative Instrument	Contractual Amount	Asset Derivatives[a]	Liability Derivatives[a]	Contractual Amount	Asset Derivatives[a]	Liability Derivatives[a]
Commodity derivatives	$288,060	$19,112	$ 12,159	$ 268,613	$ 7,205	$ 6,564
Foreign currency exchange contracts	986	272	—	3,750	563	—
Total		$19,384	$ 12,159		$ 7,768	$ 6,564

[a]Asset derivative instruments are recorded in other current assets and liability derivative instruments are recorded in accrued liabilities in the consolidated balance sheets.

The Company enters into derivative instruments with a variety of counterparties. These instruments are primarily purchased and sold through brokers and regulated commodity exchanges. By using derivative financial instruments to manage exposures to changes in commodity prices and exchange rates, the Company exposes itself to the risk that the counterparty might fail to perform its obligations under the terms of the derivative contracts. The Company mitigates this risk by entering into transactions with high-quality counterparties and does not anticipate any losses due to non-performance. The Company manages its concentration of counterparty credit risk on derivative instruments prior to entering into derivative contracts by evaluating the counterparty's external credit rating, where available, as well as assessing other relevant information such as current financial statements, credit agency reports and/or credit references. As of December 31, 2010 and 2009, the maximum amount of loss that the Company would incur if the counterparties to derivative instruments fail to meet their obligations, not considering collateral received or netting arrangements, was $19.4 million and $7.8 million, respectively. The Company reviewed its counterparties and believes that a concentration of risk does not exist and that a failure of any or all counterparties would not have a material effect on the consolidated financial statements as of December 31, 2010.

14. FAIR VALUE MEASUREMENTS

The carrying amounts and estimated fair values of the Company's financial instruments are as follows as of:

	December 31, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Derivatives:				
Commodity derivative assets	$ 19,112	$ 19,112	$ 7,205	$ 7,205
Commodity derivative liabilities	12,159	12,159	6,564	6,564
Foreign currency exchange contract assets	272	272	563	563
Available-for-sale securities	5	5	45	45
Loans receivable	169,574	170,244	161,535	161,303
Debt:				
Private Placement Notes, due 2016-2021	325,000	351,546	325,000	336,908
Capital Securities of Trust Subsidiary, due 2028	190,700	190,700	190,700	162,281
MoArk, LLC fixed-rate debt	15,970	19,029	17,989	21,132

Unrealized gains and losses on financial derivative instruments are recorded at fair value in the consolidated financial statements.

The fair value of derivative instruments is determined using quoted prices in active markets or is derived from prices in underlying futures markets.

The fair value of loans receivable, which are loans made to farmers and livestock producers by the Company's financing subsidiary, was estimated using a present value calculation based on similar loans made or loans repriced to borrowers with similar credit risks. This methodology is used because no active market exists for these loans and the Company cannot determine whether the fair values presented would equal the value negotiated in an actual sale. The Company manages its credit risk related to these loans by using established credit limits, conducting ongoing credit evaluation and account monitoring procedures, and securing collateral when deemed necessary. Negative economic factors that may impact farmers and livestock producers could increase the level of losses within this portfolio.

The fair value of fixed-rate long-term debt was estimated through a present value calculation based on available information on prevailing market interest rates for similar securities.

The carrying value of financial instruments classified as current assets and current liabilities, such as cash and cash equivalents, trade receivables, accounts payable and notes and short-term obligations, approximate fair value due to the short-term maturity of the instruments. The Company invests its excess cash in deposits with major banks and limits the amounts invested in any single institution to reduce risk. The Company regularly evaluates its credit risk to the extent that financial instruments are concentrated in certain industries or with significant customers and vendors, including the collectibility of receivables and prepaid deposits with vendors.

The fair value of certain current and non-current notes receivable with a financial statement carrying value of $24.6 million and $5.7 million as of December 31, 2010 and $6.2 million and $5.2 million as of December 31, 2009, respectively, was not estimated because it is not feasible to readily determine the fair value.

ASC 820, "Fair Value Measurements and Disclosures," establishes a valuation hierarchy for disclosure of the inputs to valuation used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3: inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The following table provides the assets and liabilities carried at fair value measured on a recurring basis:

		Fair Value Measurements at December 31, 2010 Using:		
	Fair value at December 31, 2010[a]	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Commodity derivative assets	$ 19,112	$ 17,374	$ 1,738	$ —
Commodity derivative liabilities	12,159	11,819	340	—
Foreign currency exchange contract assets	272	—	272	—
Available-for-sale securities	5	5	—	—

		Fair Value Measurements at December 31, 2009 Using:		
	Fair value at December 31, 2009[a]	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Commodity derivative assets	$ 7,205	$ 6,840	$ 365	$ —
Commodity derivative liabilities	6,564	6,209	355	—
Foreign currency exchange contract assets	563	—	563	—
Available-for-sale securities	45	45	—	—

(a) ASC 815-10 permits, but does not require, companies that enter into master netting arrangements to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or the obligation to return cash collateral. The Company has master-netting arrangements with brokers for its exchange-traded futures and option contracts; however, it does not elect to offset fair value amounts recognized for derivative instruments under such master-netting arrangements with amounts recognized for margin balances due from or due to brokers.

Since commodity derivative forward contracts and the foreign currency exchange forward contracts are not actively traded, they are priced at a fair value derived from an underlying futures market for the commodity or currency. Therefore, they have been categorized as Level 2. The available-for-sale equity securities and puts, calls and commodity futures are measured at fair value based on quoted prices in active markets and as such are categorized as Level 1.

The fair value hierarchy for non-financial assets measured on a non-recurring basis is as follows:

		Fair Value Measurements at December 31, 2010 Using:			
	Fair value at December 31, 2010	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Loss[b] (before income tax) For the Year Ended December 31, 2010
Property, plant and equipment, net (held and used)	$ —	$ —	$ —	$ —	$343
Property, plant and equipment, net (held for sale)	—	—	—	—	159
Total	$ —	$ —	$ —	$ —	$502

		Fair Value Measurements at December 31, 2009 Using:			
	Fair value at December 31, 2009	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Loss(b) (before income tax) For the Year Ended December 31, 2009
Property, plant and equipment, net (held and used)	$ 2,810	$ —	$ 2,810	$ —	$5,304
Property, plant and equipment, net (held for sale)	2,857	—	—	2,857	3,118
Total	$ 5,667	$ —	$ 2,810	$ 2,857	$8,422

(b) The losses were recorded in the restructuring and impairment line of the Consolidated Statements of Operations for the years ended December 31, 2010 and 2009.

During the year ended December 31, 2010, a Feed facility was impaired due to ongoing and anticipated future underperformance of the facility in which the carrying value prior to impairment was $0.3 million and the facility was written down to its estimated fair value of $0. The fair value was determined by the application of an internal discounted cash-flow model (Level 3). Cash flows were determined by management's estimates of future production and using a discounted internal rate of return consistent with that used by the Company to evaluate cash flows of other assets of a similar nature. Also in 2010, a manufacturing facility held for sale in Feed with a carrying value of $0.2 million was written down to an estimated fair value of $0 based on significant other observable inputs (Level 2). As a result, the Company incurred a total of $0.5 million of impairment charges (before income tax) for the year ended December 31, 2010.

In accordance with ASC 360-10-05, "Impairment or Disposal of Long-Lived Assets," long-lived assets related to the Company's announced closure of one of its Dairy Foods facilities with a carrying value of $8.1 million were written down to a fair value of $2.8 million based on significant other observable inputs (Level 2) during the second quarter of 2009. This resulted in the Company recording an impairment loss (before income tax) of $5.3 million for the year ended December 31, 2009.

Additionally, during the year ended December 31, 2009, the Company incurred $3.1 million of impairment losses. Specifically, two Feed facilities were impaired due to ongoing and expected future underperformance of the facilities in which the carrying value prior to impairment of the facilities totaled $1.8 million and the facilities were written down to their total estimated fair value of $0, and a $1.3 million impairment loss (before income tax) related to a Layers facility in which the carrying value of $4.2 million was written down to its estimated fair value of $2.9 million due to the announced closure of the facility in 2010. The fair values were determined by the application of an internal discounted cash-flow model (Level 3). Cash flows were determined based on management's estimates of future production and using a discounted internal rate of return consistent with that used by the Company to evaluate cash flows of other assets of a similar nature.

15. INCOME TAXES

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

	2010	2009	2008
Current (benefit) expense:			
Federal	$(2,377)	$(13,448)	$16,769
State	71	178	3,420
	(2,306)	(13,270)	20,189
Deferred expense (benefit):			
Federal	10,475	35,361	(4,689)
State	1,830	4,629	(728)
	12,305	39,990	(5,417)
Income tax expense	$ 9,999	$ 26,720	$14,772

In 2010 and 2009, the Company recorded income tax expense of $10.0 million and $26.7 million, respectively, primarily as a result of nonmember earnings offset by the domestic production activities deduction.

In 2008, the Company recorded income tax expense of $7.4 million related to the sale of Agronomy Company of Canada, Ltd. ("ACC"). Earnings from other activities resulted in income tax expense of $7.4 million for the year ended December 31, 2008.

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

	2010	2009	2008
Statutory rate	35.0%	35.0%	35.0%
Patronage refunds	(25.5)	(22.9)	(21.0)
State income tax, net of federal benefit	0.7	1.3	0.9
Amortization of goodwill	0.1	0.3	0.3
Effect of foreign operations	0.2	—	0.5
Disposal of investment	—	—	0.4
Additional tax expense (benefit)	(1.9)	0.4	(1.7)
Meals and entertainment	1.1	1.0	0.6
Tax credits	(0.7)	(0.4)	(0.6)
Section 199 manufacturing deduction	(4.5)	(3.8)	(4.0)
Noncontrolling interests in LLCs	—	0.6	(2.9)
Other, net	0.8	—	0.3
Effective tax rate	5.3%	11.5%	7.8%

The significant components of the deferred tax assets and liabilities at December 31 are as follows:

	2010	2009
Deferred tax assets related to:		
Deferred patronage	$ 34,095	$ 33,951
Accrued liabilities	181,654	180,452
Allowance for doubtful accounts	5,099	4,172
Asset impairments	9,877	9,817
Joint ventures	23,117	26,461
Loss carryforwards	4,817	4,251
Deferred revenue	4,744	5,501
Deferred tax credits	1,560	683
Gross deferred tax assets	264,963	265,288
Valuation allowance	(16,620)	(16,620)
Total deferred tax assets	248,343	248,668
Deferred tax liabilities related to:		
Property, plant and equipment	110,525	111,079
Inventories	7,076	3,155
Intangibles	40,572	33,940
Other, net	9,638	9,771
Total deferred tax liabilities	167,811	157,945
Net deferred tax assets	$ 80,532	$ 90,723

ASC 740 related to 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. As a result of the CPP asset distribution from Agriliance in 2007, a valuation allowance of $16.6 million was established to reduce the Company's deferred tax asset to an amount that is more likely than not to be realized.

The net deferred tax assets are classified in the consolidated balance sheets as of December 31 as follows:

	2010	2009
Other current assets	$ 64,680	$66,323
Other assets	15,852	24,400
Total net deferred tax assets	$ 80,532	$90,723

At December 31, 2010 and 2009, the Company had unrecognized tax benefits of approximately $18.5 million and $22.4 million, respectively, including $1.4 million and $1.9 million, respectively, of interest. For the years ended December 31, 2010 and 2009, the effective tax rate was impacted by a $2.9 million decrease and a $3.5 million increase, respectively, to income tax expense due to unrecognized tax benefits as a result of tax positions taken. The Company does not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease during the next 12 months.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2005.

As of December 31, 2010, the Company had loss carryforwards of approximately $12.6 million for tax purposes available to offset future taxable income. If not used, these carryforwards will expire, primarily in the years 2023 and 2030.

Income taxes paid/(recovered) in 2010, 2009 and 2008 were $1.3 million, $(38.0) million and $59.9 million, respectively. At December 31, 2010 and 2009, prepaid income taxes were $5.8 million and $5.9 million, respectively.

16. PENSION AND OTHER POSTRETIREMENT PLANS

The Company has a qualified, defined benefit pension plan, which generally covers all eligible employees hired before January 1, 2006 not participating in a labor-negotiated plan. Plan benefits are generally based on years of service and 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"). In addition, the Company has a non-contributory, supplemental executive retirement plan and a discretionary capital accumulation plan, both of which are non-qualified, defined benefit pension plans and are unfunded.

The Company also sponsors plans that provide certain health care benefits for retired employees. Generally, employees hired by the Company prior to October 1, 2002 become eligible for these benefits upon meeting certain age and service requirements; employees hired by the Company after September 30, 2002 are eligible for access-only retirement health care benefits at their expense. The Company funds only the plans' annual cash requirements.

Obligation and Funded Status at December 31

	Pension Benefits			
	Qualified Plan		Non-qualified Plans	
	2010	2009	2010	2009
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 606,700	$ 511,799	$ 61,922	$ 52,366
Service cost	14,559	12,729	1,013	606
Interest cost	34,995	34,436	3,515	3,459
Actuarial loss (gain)	33,945	71,439	9,360	9,910
Benefits paid	(25,494)	(23,703)	(5,219)	(4,419)
Benefit obligation at end of year	$ 664,705	$ 606,700	$ 70,591	$ 61,922
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 475,203	$ 386,829	$ —	$ —
Actual gain (loss) on plan assets	72,808	92,077	—	—
Company contributions	20,000	20,000	5,219	4,419
Benefits paid	(25,494)	(23,703)	(5,219)	(4,419)
Fair value of plan assets at end of year	$ 542,517	$ 475,203	$ —	$ —
Amounts recognized in the consolidated balance sheets consist of:				
Accrued liabilities	$ —	$ —	$ (4,921)	$ (4,767)
Employee benefits and other liabilities	(122,188)	(131,497)	(65,670)	(57,155)
Net amount recognized	$ (122,188)	$(131,497)	$(70,591)	$ (61,922)
Amounts recognized in accumulated other comprehensive income (pretax) consist of:				
Prior service cost	$ 215	$ 282	$ (206)	$ (281)
Net loss	226,448	236,040	27,688	20,116
Ending balance	$ 226,663	$ 236,322	$ 27,482	$ 19,835

The accumulated benefit obligation for the Company's defined benefit pension plan was $620.9 million and $569.0 million at December 31, 2010 and 2009, respectively. The accumulated benefit obligation for the Company's non-qualified, defined benefit pension plans was $63.2 million and $56.6 million at December 31, 2010 and 2009, respectively.

The following table sets forth the plans' projected benefit obligations, fair value of plan assets and funded status at December 31, as follows:

	Pension Benefits			
	Qualified Plan		Non-qualified Plans	
	2010	2009	2010	2009
Projected benefit obligation	$ 664,705	$ 606,700	$ 70,591	$ 61,922
Fair value of plan assets	542,517	475,203	—	—
Funded status at end of measurement date	$(122,188)	$(131,497)	$(70,591)	$ (61,922)

A financial asset's classification within the fair value hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The following tables provide the plans' assets fair value measurement hierarchy:

		Fair Value Measurements at December 31, 2010 Using:		
	Total fair value at December 31, 2010	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash	$ 12	$ 12	$ —	$ —
Stable value funds	4,079	—	4,079	—
Investments in registered investment companies	325,927	325,927	—	—
Common stocks	140,366	140,366	—	—
Common collective trusts	72,133	—	72,133	—

		Fair Value Measurements at December 31, 2009 Using:		
	Total fair value at December 31, 2009	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash	$ 12	$ 12	$ —	$ —
Stable value funds	5,797	—	5,797	—
Investments in registered investment companies	291,609	291,609	—	—
Common stocks	117,357	117,357	—	—
Common collective trusts	60,428	—	60,428	—

Publicly traded equities and mutual funds are valued at the closing price reported in the active market in which the individual securities are traded. The stable value funds and common collective trusts are valued at the net asset value (NAV) as determined by the custodian of the fund. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, then divided by the number of units outstanding.

Obligation and Funded Status at December 31

	Other Postretirement Benefits 2010	2009
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 51,923	$ 54,777
Service cost	557	512
Interest cost	2,944	3,629
Plan participants' contributions	2,481	2,486
Medicare Part D reimbursements	782	780
Actuarial loss (gain)	1,215	(2,719)
Benefits paid	(6,820)	(7,542)
Benefit obligation at end of year	$ 53,082	$ 51,923
Change in plan assets:		
Company contributions	$ 3,557	$ 4,276
Plan participants' contributions	2,481	2,486
Medicare Part D reimbursements	782	780
Benefits paid	(6,820)	(7,542)
Fair value of plan assets at end of year	$ —	$ —
Amounts recognized in the consolidated balance sheets consist of:		
Accrued liabilities	$ (3,990)	$ (4,117)
Employee benefits and other liabilities	(49,092)	(47,806)
Net amount recognized	$(53,082)	$(51,923)
Amounts recognized in accumulated other comprehensive income (pretax) consists of:		
Net transition obligation	$ 820	$ 1,247
Net loss	9,814	9,015
Ending balance	$ 10,634	$ 10,262

The following table sets forth the plans' accumulated benefit obligations, fair value of plan assets and funded status at December 31, as follows:

	2010	2009
Accumulated benefit obligation	$ 53,082	$ 51,923
Fair value of plan assets	—	—
Funded status at end of measurement date	$ (53,082)	$ (51,923)

Components of net periodic benefit cost are as follows:

	Pension Benefits 2010	2009	2008	Other Postretirement Benefits 2010	2009	2008
Service cost	$ 15,572	$ 13,335	$ 14,689	$ 557	$ 512	$ 724
Interest cost	38,511	37,895	35,733	2,944	3,629	3,953
Expected return on assets	(43,624)	(42,143)	(40,814)	—	—	—
Amortization of actuarial loss	16,140	5,269	4,763	415	736	1,805
Amortization of prior service cost	(9)	(441)	(487)	—	—	—
Amortization of transition obligation	—	—	—	428	428	428
Net periodic benefit cost	$ 26,590	$ 13,915	$ 13,884	$4,344	$5,305	$6,910

The following table sets forth the plans' estimated amortization in fiscal 2011 from accumulated other comprehensive income into net periodic benefit costs:

	Qualified Pension Plan	Non-qualified Pension Plans	Other Postretirement Benefits
Amortization of actuarial loss	$ 18,114	$ 2,296	$ 490
Amortization of prior service cost	52	(76)	—
Amortization of transition obligation	—	—	428
Net periodic benefit cost	$ 18,166	$ 2,220	$ 918

Additional Information

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Benefits 2010	2009	Other Postretirement Benefits 2010	2009
Discount rate	5.50%	5.90%	5.50%	5.90%
Rate of compensation increase	3.75%	4.00%	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:

	Pension Benefits 2010	2009	2008	Other Postretirement Benefits 2010	2009	2008
Discount rate	5.90%	6.90%	6.55%	5.90%	6.90%	6.55%
Rate of long-term return on plan assets	8.25%	8.25%	8.25%	N/A	N/A	N/A
Rate of compensation increase	4.00%	4.25%	4.50%	N/A	N/A	N/A

The Company employs a building-block approach in determining the long-term rate of return for the assets in the qualified, defined benefit pension plan. Historical markets are studied and long-term historical relationships between equities and fixed income are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. Diversification and rebalancing of the plan assets are properly considered as part of establishing the long-term portfolio return. Peer data and historical returns are reviewed to assess for reasonableness. The Company determined its discount rate assumption at year end based on a hypothetical double A yield curve represented by a series of annualized individual discount rates from one-half to 30 years.

Assumed health care cost trend rates at December 31:

	2010	2009
Health care cost trend rate assumed for next year	8.25%	8.50%
Rate to which the cost trend is assumed to decline (ultimate trend rate)	5.00%	5.00%
Year that rate reaches ultimate trend rate	2019	2019

Assumed health care cost trend rates affect the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rate at December 31, 2010 would have the following effects:

	1 percentage point increase	1 percentage point decrease
Effect on total of service and interest cost	167	(150)
Effect on postretirement benefit obligation	3,039	(2,723)

Plan Assets

The Company's qualified, defined benefit pension plan weighted-average asset allocations at December 31, 2010 and 2009, by asset category, are as follows:

Asset category	2010	2009	Target
U.S. equity securities	54%	52%	50%
International equity securities	16%	16%	15%
Fixed-income securities and bonds	30%	32%	35%
Total	100%	100%	100%

The Company has a Statement of Pension Investment Policies and Objectives (the "Statement") that guides the retirement plan committee in its mission to effectively monitor and supervise the pension plan assets. Two general investment goals are reflected in the Statement: 1) the investment program for the pension plan should provide returns that improve the funded status of the plan over time and reduce the Company's pension costs, and 2) the Company expects to receive above-average performance relative to applicable benchmarks for the actively managed portfolios and accurately track the applicable benchmarks for the passive or index strategies. All portfolio strategies will be provided at competitive, institutional management fees. The total fund's annualized return before fees should exceed, by one percentage point, over a five-year horizon, the annualized total return of the following customized index: 1) 38% Russell 1000 Index, 2) 10% Russell 2000 Index, 3) 17% MSCI World ex-U.S., 4) 25% Barclays Capital Aggregate Index and 5) 10% Barclays Capital Long Term Gov't/ Credit Bond Index and the fund should rank in the top 50th percentile of the total pension fund universe.

Although not a guarantee of future results, the total plan assets' 20-year annualized return through December 31, 2010 before fees was 9.26%, which exceeded the customized index by 0.74 percentage points and ranked in the top 24th percentile of the Hewitt Associates pension fund universe. The 2010 total plan assets' annualized return was 15.27%, which exceeded the customized index by 1.32 percentage points and ranked in the top 15th percentile of the Hewitt Associates pension fund universe.

Cash Flow

The Company expects to contribute approximately $29.9 million to its defined benefit pension plans and $4.9 million to its other postretirement benefits plan in 2011.

The benefits anticipated to be paid from the benefit plans, which reflect expected future years of service, and the Medicare subsidy expected to be received are as follows:

	Qualified Pension Plan	Non-qualified Pension Plans	Other Postretirement Benefits	Health Care Subsidy Receipts
2011	$ 28,300	$ 4,900	$ 4,900	$ (900)
2012	30,100	4,000	5,200	(1,000)
2013	32,500	4,500	5,400	(1,100)
2014	35,000	5,100	5,600	(1,200)
2015	37,600	5,700	5,700	(1,300)
2016-2020	230,300	33,500	29,100	(8,400)

Other Benefit Plans

Certain eligible employees are covered by defined contribution plans. The expense for these plans was $29.1 million, $30.3 million and $26.5 million for 2010, 2009 and 2008, respectively.

The Company participates in a trustee-managed multi-employer pension and health and welfare plan for employees covered under collective bargaining agreements. Several factors could result in potential funding deficiencies, which could cause the Company to make significantly higher future contributions to this plan, including unfavorable investment performance, changes in demographics and increased benefits to participants. The Company contributed $2.6 million, $0.7 million and $1.7 million to this plan for 2010, 2009 and 2008, respectively.

17. SHARE-BASED COMPENSATION

Accounting for share-based payments requires the recognition of the intrinsic value of share-based compensation in net earnings. Share-based compensation consists solely of VAR Units granted to certain eligible employees under a Company-sponsored incentive plan (the "VAR plan"). The Units are not traditional stock and do not provide the recipient any voting rights in the Company nor any right to receive assets of the Company. A maximum of 200,000 Units may be granted annually to certain employees at a price based on a formula that includes earnings, debt levels and cash payments to members for the five-year period ending at the close of the preceding year. Generally, Units fully vest four years from the grant date per the VAR plan. Vested Units are settled upon the earlier of a predetermined date chosen by the employee at the date of grant, retirement or termination. Participants can also elect, per the VAR plan provisions, to convert fully vested Units to interest-bearing deferred compensation. The Company recognizes compensation expense for the estimated intrinsic value appreciation of Units over the vesting period using the graded vesting method. The Units are reflected as a liability in the consolidated balance sheets and upon settlement are paid in cash to participants.

For the years ended December 31, 2010, 2009 and 2008, compensation expense for the share-based payment plan was $6.4 million, $15.1 million and $17.2 million, respectively. Cash payments for Units settled for 2010, 2009 and 2008 were $4.8 million, $6.8 million and $1.0 million, respectively. The actual income tax benefit realized from this plan was $1.8 million, $2.6 million and $0.4 million, for 2010, 2009 and 2008, respectively.

For 2010, the number of Units granted, canceled and settled was 49,437.5, 6,437.5 and 54,875, respectively. The number of units converted to interest-bearing deferred compensation was 44,125. The number of Units vested during 2010 was 80,006.25 with an intrinsic value of $4.2 million. The number of vested Units outstanding at December 31, 2010 was 427,631.25 with an intrinsic value of $38.5 million. The number of non-vested Units at December 31, 2010 was 82,931.25, and the total remaining unrecognized compensation cost related to non-vested Units was $0.9 million. As of December 31, 2010, 5,400 of the non-vested Units were held by participants who had reached the age and years of service required for early retirement eligibility. For any such participant, prior to the date that the non-vested Units will vest through the normal course, the non-vested Units will immediately vest upon the voluntary termination of the participant. As of December 31, 2010, the weighted-average remaining service period for the non-vested Units was 2.1 years.

For 2009, the number of Units granted, canceled and settled was 65,000, 0 and 103,937.5, respectively. The number of units converted to interest-bearing deferred compensation was 4,250. The number of Units vested during 2009 was 79,312.5 with an intrinsic value of $4.9 million. The number of vested Units outstanding at December 31, 2009 was 445,437.5 with an intrinsic value of $37.3 million. The number of non-vested Units at December 31, 2009 was 122,375, and the total remaining unrecognized compensation cost related to non-vested Units was $2.1 million. As of December 31, 2009, 21,437.5 of the non-vested Units were held by participants who had reached the age and years of service required for early retirement eligibility. For any such participant, prior to the date that the non-vested Units will vest through the normal course, the non-vested Units will immediately vest upon the voluntary termination of the participant. As of December 31, 2009, the weighted-average remaining service period for the non-vested Units was 2.3 years.

For 2008, the number of Units granted, canceled and settled was 110,750, 3,188 and 27,438, respectively. The number of Units vested during 2008 was 69,328 with an intrinsic value of $2.9 million. The number of vested Units outstanding at December 31, 2008 was 474,687.5 with an intrinsic value of $32.5 million. The number of non-vested Units at December 31, 2008 was 136,312.5, and the total remaining unrecognized compensation cost related to non-vested Units was $2.2 million. As of December 31, 2008, 17,500 of the non-vested Units were held by participants who had reached the age and years of service required for early retirement eligibility. For any such participant, prior to the date that the non-vested Units will vest through the normal course, the non-vested Units will immediately vest upon the voluntary termination of the participant. As of December 31, 2008, the weighted-average remaining service period for the non-vested Units was 2.5 years.

18. EQUITIES

The authorized capital stock at December 31, 2010 consisted 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 non-voting Class C Common, $1,000 par value; 10,000 shares of non-voting Class D Common, $1 par value; and 1,000,000 shares of non-voting, 8% non-cumulative Preferred, $10 par value.

The following table reflects the activity in membership shares during the three years ended December 31, 2010:

NUMBER OF SHARES

	Common				Preferred
	A	B	C	D	
December 31, 2007	909	3,929	163	1,056	62,416
New members	9	291	5	244	—
Redemptions	(46)	(347)	(4)	(290)	(5,391)
December 31, 2008	872	3,873	164	1,010	57,025
New members	5	191	2	58	—
Transfers between classes	—	39	—	(39)	—
Redemptions	(49)	(311)	(14)	(183)	(57,025)
December 31, 2009	828	3,792	152	846	—
New members	3	166	1	104	—
Transfers between classes	—	(12)	—	12	—
Redemptions	(37)	(285)	(2)	(163)	—
December 31, 2010	**794**	**3,661**	**151**	**799**	—

In 2009, the Company fully redeemed all outstanding Preferred Shares.

Allocated patronage to members of $137.8 million, $151.9 million and $114.2 million for the years ended December 31, 2010, 2009 and 2008, respectively, is based on earnings in specific patronage or product categories and in proportion to the business each member does within each category. For 2010, the Company issued $137.8 million of qualified patronage and $0 of non-qualified patronage equities. Qualified patronage equities are tax deductible by the Company when qualified written notices of allocation are issued, and non-qualified patronage equities are tax deductible when redeemed with cash.

The allocation to retained earnings of $36.7 million in 2010, $53.3 million in 2009 and $43.2 million in 2008 represents earnings or losses generated by nonmember businesses plus amounts under the retained earnings program as provided in the bylaws of the Company.

19. RESTRUCTURING AND IMPAIRMENT

	2010	2009	2008
Restructuring	$ 2,132	$ 3,400	$ 1,760
Impairment	502	8,422	1,133
Total restructuring and impairment	$ 2,634	$ 11,822	$ 2,893

Restructuring

In 2010, Feed incurred restructuring charges of $1.9 million related to employee severance due to the reorganization of Feed personnel and the closure of the Van Buren, AR facility. The remaining liability at December 31, 2010 for severance and other exit costs in Feed was $0.8 million and was presented in accrued liabilities in the consolidated balance sheet.

In addition, Layers incurred restructuring charges of $0.3 million related to employee severance. This employee severance was due to the closure of its Sage, CA, facility and a reorganization of Layers personnel. The remaining liability at December 31, 2010 for severance and other exit costs was $0.2 million and was presented in accrued liabilities in the consolidated balance sheet.

In 2009, the Company announced its intent to close one of its Dairy Foods facilities and recorded charges of $2.1 million to restructuring, primarily related to employee severance. All 120 employees at the Madison, Wisconsin, plant were affected by the closure. The remaining restructuring liability of $0.8 million was presented in accrued liabilities in the consolidated balance sheet at December 31, 2010.

Additionally in 2009, Feed incurred restructuring charges of $1.1 million, primarily related to employee severance due to reorganization of Feed personnel. In 2008, the Company recorded $1.8 million of restructuring charges, also related to employee severance due to reorganization of Feed personnel.

Finally in 2009, Layers incurred restructuring charges of $0.1 million, primarily related to employee severance due to the planned closure of its Berino, New Mexico, facility in 2010.

Impairment

During the year ended December 31, 2010, the Company incurred $0.5 million of impairment charges related to the write-down of two manufacturing facilities within Feed, one of which is held for sale.

In connection with the closure of the Madison, Wisconsin, facility within Dairy Foods, the Company incurred $5.3 million of impairment charges for the year ended December 31, 2009, as the carrying values of certain fixed assets were written down to fair value based on an estimated highest and best use of the fixed assets within this asset group.

In 2009, Feed incurred $1.8 million of impairment charges related to two facilities due to ongoing and expected future underperformance of the facilities. The carrying value prior to impairment of the facilities totaled $1.8 million and the facilities were written down to their total estimated fair value of $0.

Additionally in 2009, Layers incurred $1.3 million of impairment charges related to the Berino, New Mexico, facility's asset group within Layers in which the carrying value of $4.2 million was written down to its estimated fair value of $2.9 million due to the announced closure of the facility in 2010.

In 2008, the Company incurred a $1.0 million impairment charge in Layers related to the write-down of fixed assets to fair value as a result of changes in California state laws that limited the future use of the assets. Additionally, the Company incurred a $0.1 million impairment charge in Dairy Foods related to the write-down of fixed assets to fair value.

20. INSURANCE PROCEEDS AND GAINS ON INSURANCE SETTLEMENTS

In 2007, MoArk's egg processing facility in Anderson, Missouri, was damaged by fire. The aggregate net book value of damaged inventory and property, plant and equipment was approximately $1.1 million, and was covered under the terms of applicable insurance policies, subject to deductibles. MoArk filed insurance claims for replacement of assets and business interruption. In May 2010, MoArk received notification from its insurance carrier that it would receive a final settlement of $0.5 million for the Anderson claim. As a result, MoArk recorded a gain on insurance settlement of $0.4 million for the property, plant and equipment losses and the remaining $0.1 million was recorded as a reduction to selling, general and administrative expenses in the consolidated statement of operations within the Layers segment for business interruption losses. In December 2009, the Company was notified of settlements related to this claim of $2.1 million for property, plant and equipment losses and $2.1 million for business interruption losses. In 2008, MoArk received $2.5 million of insurance proceeds for the replacement of capital assets and recorded a gain on insurance settlement of $2.0 million. MoArk does not anticipate any future insurance recoveries related to the Anderson fire.

In 2010, proceeds of $3.8 million, net of deductibles, were received as settlement of an insurance claim related to a 2009 fire at the Tulare, CA, dairy facility. These proceeds were for reconstruction costs and did not result in a gain on insurance settlement. The Company does not anticipate any further insurance recoveries related to the Tulare fire.

In May 2008, the Company experienced a fire at a Feed facility located in Caldwell, Idaho. Damage was extensive and caused operations to cease. Costs of repair or replacement of inventory, property, plant and equipment were covered under the terms of applicable insurance policies, subject to deductibles. In December 2010, a final settlement was reached for this claim. As a result of this settlement, the Company recorded a gain on insurance settlement of $1.3 million for the year ended December 31, 2010. In November 2009, the Company was notified of a partial settlement of $2.4 million, net of deductibles of $1.0 million. A gain on insurance settlement of $1.1 million was recorded on a consolidated basis for the year ended December 31, 2009. As of December 31, 2010, the Company had a receivable of $1.3 million. After this amount is received, the Company does not anticipate any future insurance recoveries related to the Caldwell fire.

In 2005, a Feed facility in Statesville, North Carolina, was destroyed by fire. The Company subsequently filed an insurance claim for replacement of capital assets and business interruption. In 2009, the Company received the final insurance proceeds of $6.5 million, of which $6.4 million was applied to a previously recorded receivable and $0.1 million was recorded within the selling, general and administrative line of the consolidated statements of operations. In 2008, the Company had received notification from its insurance carrier that it would receive $6.7 million of insurance proceeds, of which $0.3 million was received as of December 31, 2008 and a gain of $6.7 million was recorded in the consolidated statements of operations. The Company does not anticipate any further significant insurance recoveries related to the Statesville fire.

Additionally, in 2008, MoArk received $2.0 million of total insurance proceeds related to the settlement of a fraud loss claim involving a former employee of a previously owned subsidiary during the years 2002 through 2004. The proceeds were recorded as a gain on insurance settlement.

21. OTHER INCOME

	2010	2009	2008
Gain on sale of investments, net	$ (12,744)	$ (7,589)	$ (7,458)
Gain on foreign currency exchange contracts	—	(177)	(4,191)
Gain on extinguishment of debt	—	—	(379)
(Gain) loss on divestiture of businesses	(1,542)	866	—
Gain on sale of intangibles	—	(300)	—
Total	$ (14,286)	$ (7,200)	$ (12,028)

In 2010, the Company recognized a gain of $12.7 million related to the sale of its investment in Pro-Pet, LLC. In exchange for its ownership interests in Pro-Pet, LLC, the Company received $12.0 million of cash, 20% of the common shares in Pet Foods Holdings, Inc., and preferred shares in Pet Foods Holding, Inc. that have a par value of $4.0 million.

In 2010, the Company divested a feed business in Maquoketa, Iowa, for $5.7 million in cash, which resulted in a $1.5 million gain.

In 2008, the Company received $19.5 million in cash and recognized a $7.5 million gain on the sale of investment related to the sale of its investment in ACC within Crop Inputs. The Company's consolidated balance sheet at December 31, 2008 reflected a $10.8 million receivable for cash proceeds expected to be received in 2009. In 2009, the Company received $6.4 million in cash. The remaining $4.4 million receivable represented the portion recorded by the Company at December 31, 2008 in accordance with the sales agreement. The sales agreement required a final purchase price true-up based on the audited financial statements for ACC as of December 31, 2008. The Company received the audited financial statements for ACC in 2009, which reflected significantly different financial results than expected or previously reported to the Company. The Company disputed the results of the audit. However, based on the available information, the Company established a reserve for the amount in dispute and recorded a $4.2 million loss on sale of investment for the year ended December 31, 2009.

In 2009, the Company recognized $11.8 million of gains on sale of investment in Golden Oval within Layers. The Company does not expect to receive any further cash distributions from Golden Oval related to the asset sale; therefore all 1,577,842 Class A units held by the Company are deemed to have no remaining value. See Note 7 for additional information regarding this transaction.

In 2009, Feed divested three businesses for $13.8 million in cash, which resulted in a $0.9 million loss. These businesses consisted of: a facility in Owatonna, Minnesota, that was sold for $2.7 million in cash and resulted in a loss of $0.4 million; and facilities in Gooding and Twin Falls, Idaho, that were sold for $11.1 million in cash and resulted in a loss of $0.5 million.

In 2009, Feed recognized a $0.3 million gain on the sale of intangibles.

In 2009, the Company received $0.5 million in cash and recognized a $0.2 million gain on foreign currency exchange contracts on the sale of its investment related to ACC.

In 2008, the Company recognized $4.2 million of foreign currency exchange gains related to positions taken for the sale of ACC.

In 2008, the Company recorded a $0.4 million of gain on extinguishment of debt related to the purchase and retirement of a portion of its 8.75% Unsecured Notes and 9.00% Secured Notes at market prices below par.

22. COMMITMENTS AND CONTINGENCIES

The Company leases various equipment and real properties under long-term operating leases. Total rental expense was $66.8 million in 2010, $74.5 million in 2009 and $65.9 million in 2008. 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.

Minimum lease commitments under non-cancelable operating leases at December 31, 2010 totaled $123.7 million, comprising $36.9 million for 2011, $24.7 million for 2012, $15.8 million for 2013, $7.5 million for 2014, $4.1 million for 2015 and $34.7 million for later years.

The Company has non-cancelable commitments to purchase raw materials in Dairy Foods, Feed, Crop Inputs and Layers. These purchase commitments are contracted on a short-term basis, typically one year or less, and totaled $2.6 billion at December 31, 2010. The Company has contracted commitments to purchase weaner and feeder pigs, which are sold to producers or local cooperatives under long-term supply contracts. At December 31, 2010, these purchase commitments totaled $45.1 million, comprising $39.5 million in 2011 and $5.6 million in 2012 and are used to fulfill supply agreements with local cooperatives and producers. At December 31, 2010, the Company had $9.1 million of other contractual commitments, primarily to purchase consulting services and capital equipment, comprising $1.9 million in 2011, $1.8 million in 2012, $1.8 million in 2013, $1.8 million in 2014 and $1.8 million in 2015.

MoArk has guaranteed 50% of the outstanding loan balance for a joint venture. The loan matures in 2018 and has a remaining principal balance totaling $11.4 million as of December 31, 2010. These notes are fully secured by collateral of the equity investee and all covenants have been satisfied as of December 31, 2010.

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.

On March 6, 2007, the Company announced that one of its indirect wholly owned subsidiaries, Forage Genetics Inc., filed a motion to intervene in a lawsuit brought against the U.S. Department of Agriculture ("USDA") by the Center for Food Safety, the Sierra Club, two individual farmers/seed producers (together, the "Plaintiffs") and others regarding Roundup Ready® Alfalfa. The Plaintiffs claim that the USDA did not sufficiently assess the potential environmental impact of its decision to approve Roundup Ready® Alfalfa in 2005. On May 3, 2007, the United States District Court for the Northern District of California (the "Court") issued a permanent injunction enjoining all future plantings of Roundup Ready® Alfalfa until after an Environmental Impact Study (the "EIS") could be completed and a deregulation petition could be approved. In January 2008, the USDA filed a notice of intent to file an EIS. On December 16, 2010, the final EIS was published, which effectively required the USDA to issue a decision on deregulation, but not until at least 30 days had elapsed. On January 27, 2011, the USDA announced that it had deregulated Roundup Ready® Alfalfa without conditions. The Company is expecting to commence sales of Roundup Ready® Alfalfa for the spring 2011 planting. While the Company is pleased with the USDA's decision, it is possible that opponents of the USDA's decision may initiate further litigation and attempt to halt or restrict future sales and/or planting. While the Company does not expect such efforts to ultimately succeed, any additional delays could negatively impact future earnings. As of December 31, 2010, the Company maintained approximately $36.6 million of Roundup Ready® Alfalfa inventory.

In a letter dated January 18, 2001, the Company was identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party in connection with hazardous substances and wastes at the Hudson Refinery Superfund Site (the "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 at the Site and also demanded that the Company reimburse the EPA approximately $8.9 million for removal costs already incurred at the Site. In March 2001, the Company responded to the EPA denying any responsibility with respect to the costs incurred for the remediation expenses incurred through that date. On February 25, 2008, the Company received a Special Notice Letter ("Letter") from the EPA inviting the Company to enter into negotiations with the EPA to perform selected remedial action for remaining contamination and to resolve the Company's potential liability for the Site. In the Letter, the EPA claimed that it has incurred approximately $21.0 million in response costs at the Site through October 31, 2007 and is seeking reimbursement of these costs. The EPA has also stated that the estimated cost of the selected remedial action for remaining contamination is $9.6 million. The Company maintains that the costs incurred by the EPA were the direct result of damage caused by owners subsequent to the Company, including negligent salvage activities and lack of maintenance. On January 6, 2009, the EPA issued a Unilateral Administrative Order ("UAO") directing the Company to perform remedial design and remedial action ("RD/RA") at the Site. The Company filed its Notice of Intent to Comply with the UAO on February 10, 2009. On April 20, 2009, the EPA issued its authorization to proceed with RD/RA activities. The Company substantially completed the remedial action at the Site on October 8, 2010. In addition, the Company is analyzing the amount and extent of its insurance coverage that may be available to further mitigate its ultimate exposure. At the present time, the Company's request for coverage has been denied. The Company initiated litigation against two carriers on February 18, 2009. In 2008, the Company recorded an environmental reserve of $8.9 million through selling, general and administrative expenses. In the year ended December 31, 2010, based on the most recent facts and circumstances available to the Company, an additional $4.2 million was recorded by the Company in selling, general and administrative expenses. As of December 31, 2010, $3.2 million remained in accrued liabilities in the Company's consolidated balance sheets.

On October 27, 2008, MoArk and its wholly owned subsidiary, Norco Ranch, Inc. ("Norco"), received Civil Investigative Demands from the Office of the Attorney General of the State of Florida seeking documents and information relating to the production and sale of eggs and egg products. MoArk and Norco are cooperating with the Office of the Attorney General of the State of Florida. We cannot predict what, if any, the impact of this inquiry and any results from such inquiry could have on the future financial position or results of operations of MoArk, Norco or the Company.

Between September 2008 and January 2009, a total of 22 related class action lawsuits were filed against a number of producers of eggs and egg products in three different jurisdictions alleging violations of antitrust laws.

MoArk was named as a defendant in 21 of the cases. Norco Ranch, Inc. was named as a defendant in 13 of the cases. The Company was named as a defendant in eight cases. The cases have been consolidated for pretrial proceedings in the District Court for the Eastern District of Pennsylvania (the "Court"), and two separate consolidated amended class action complaints have been filed: one on behalf of those persons who purchased eggs or egg products directly from defendants, and the second on behalf of "indirect" purchasers (i.e., persons who purchased eggs, egg products, or products containing eggs from defendants' customers). The consolidated amended complaints allege concerted action by producers of shell eggs to restrict output and thereby increase the price of shell eggs and egg products. The Plaintiffs in these suits seek unspecified damages and injunctive relief on behalf of all purchasers of eggs and egg products, as well as attorneys' fees and costs. MoArk, Norco and the Company deny the allegations set forth in the complaints.

During the first quarter of 2010, MoArk and the Company entered into settlement discussions with the two Plaintiff groups in an effort to resolve these matters. Based on those discussions, and in anticipation of a full settlement with all or a substantial portion of the Plaintiffs, the Company's board of directors, and MoArk's board of directors, each authorized their respective company officers to finalize the settlement discussions within the financial parameters set forth in the respective board actions. For the year ended December 31, 2010, based on the most recent facts and circumstances, a $27 million reserve was recorded within selling, general and administrative expenses in the consolidated statements of operations. MoArk and the Company reached an agreement in principle with the direct Plaintiffs. The Court granted preliminary approval of this settlement agreement, and is scheduled to conduct a hearing on final approval on February 28, 2011. Pursuant to the terms of the settlement agreement, the Company deposited $25 million into an escrow account which will not be released to the direct Plaintiffs until after the court has granted final approval of the settlement agreement. The escrow funds are reflected in restricted cash on the consolidated balance sheets.

Plaintiffs that did not wish to participate in the settlement agreement were required to opt out by mailing notice of the same, with a postmark on or before November 30, 2010. Eighteen groups of related entities (comprised of 150 individual entities) timely opted out of the settlement agreement, preserving their right to pursue direct actions against MoArk, Norco and the Company. Three direct-action complaints have been filed to date.

With regard to the indirect purchaser Plaintiffs, a Second Amended Consolidated Class Action Complaint was filed on April 8, 2010. The Company has moved to dismiss the complaint against it in its entirety, and MoArk and Norco have joined with other defendants in moving to dismiss portions of the complaint.

With regard to the remaining actions, discovery has been stayed pending final rulings on the various motions to dismiss. Absent a full settlement with all Plaintiffs, the Company cannot predict what, if any, the impact of these lawsuits could have on the future financial position or results of operations of MoArk, Norco or the Company.

In 2005, MoArk sold its Lakeview, California, property and simultaneously entered into an asset lease agreement for a portion of the property. This agreement required MoArk to treat the proceeds received as a financing transaction as the original lease terms did not require MoArk to pay any rent. Therefore, no gain was recognized on the transaction at that time. In January 2009, MoArk renegotiated the terms of the lease. The new lease requires MoArk to pay market-value rent and therefore qualifies for sales-leaseback accounting and has been classified as an operating lease pursuant to ASC 840, "Leases." As such, $3.5 million of previously deferred gain on the sale of the property was recognized for the year ended December 31, 2009. MoArk will continue to ratably recognize the remainder of the deferred gain of $1.3 million over the life of the new lease.

23. RELATED PARTY TRANSACTIONS

The Company has related party transactions, primarily with equity investees. The Company purchases products from and sells products to Melrose Dairy Proteins, LLC, a 50% voting interest joint venture with Dairy Farmers of America. The Company sells seed and crop protection products and sells services to Agriliance, a 50% voting interest joint venture with CHS. The Company purchases aseptic products and sells dairy ingredients to Advanced Food Products, LLC, a 35% voting interest joint venture with a subsidiary of Bongrain, S.A. Additionally, the Company's MoArk, Land O'Lakes Purina Feed LLC ("Land O'Lakes Purina Feed") and Winfield subsidiaries purchase products from and sell products to other equity investees and related parties. The Company also has financing arrangements with Melrose Dairy Proteins, LLC and Agriliance.

Related party transactions and balances for the years ended December 31, 2010, 2009 and 2008, respectively, and as of December 31, 2010 and 2009, respectively, are as follows:

	2010	2009	2008
Sales	$803,363	$827,038	$1,082,721
Purchases	180,910	103,600	141,830
Services provided	4,012	6,085	4,102

	2010	2009
Notes receivable	$ 18,298	$ 7,283
Notes payable	—	20,000
Accounts receivable	56,059	78,405
Accounts payable	29,311	38,887

24. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through February 25, 2011, the date of issuing this report.

25. SEGMENT INFORMATION

The Company operates in four segments: Dairy Foods, Feed, Crop Inputs and Layers.

Dairy Foods 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.

Feed largely comprises of the operations of Land O'Lakes Purina Feed, the Company's wholly owned subsidiary. Land O'Lakes Purina Feed develops, produces, markets and distributes animal feeds such as ingredient feed, formula feed, milk replacers, vitamins and additives.

Crop Inputs consists of both the seed and agronomy operations of the Company and primarily consists of activities conducted by the Company's wholly owned Winfield Solutions, LLC subsidiary. Winfield is a supplier and distributor of crop seed and crop protection products, primarily in the United States. A variety of crop seed is sold, including corn, soybeans, alfalfa and forage and turf grasses. Crop protection products sold includes herbicides, pesticides, fungicides and adjuvants.

Layers consists primarily of the Company's MoArk subsidiary. MoArk produces, distributes and markets shell eggs that are sold to retail and wholesale customers for consumer and industrial use, primarily in the United States.

Other/Eliminated includes the Company's remaining operations and the elimination of intersegment transactions. Other operations consist principally of a captive insurance company, finance company and special purpose entity.

The Company's management uses earnings before income taxes to evaluate a segment's performance. The Company allocates corporate administrative expense, interest expense and centrally managed expenses, including insurance and employee benefits expense, to all of its business segments, both directly and indirectly. Corporate administrative functions that are able to determine actual services provided to each segment allocate expense on a direct basis. Interest expense is allocated based on invested capital usage. All other corporate administrative functions and centrally managed expenses are allocated indirectly based on a predetermined measure such as a percentage of total invested capital or head count.

SEGMENT INFORMATION

LAND O'LAKES, INC.

($ in thousands)	Dairy Foods	Feed	Crop Inputs	Layers	Total Other/ Eliminated	Consolidated
For the year ended December 31, 2010:						
Net sales	**$3,708,280**	**$ 3,309,749**	**$3,667,311**	**$ 509,926**	**$ (48,891)**	**$11,146,375**
Cost of sales[1]	**3,471,893**	**3,046,120**	**3,286,299**	**462,138**	**(48,166)**	**10,218,284**
Selling, general and administrative	**176,535**	**237,328**	**240,245**	**70,175**	**7,261**	**731,544**
Restructuring and impairment	**—**	**2,375**	**—**	**259**	**—**	**2,634**
Gain on insurance settlement	**—**	**(1,268)**	**—**	**(384)**	**—**	**(1,652)**
Interest expense (income), net	**13,442**	**25,378**	**123**	**9,881**	**(6,895)**	**41,929**
Other income, net	**—**	**(14,286)**	**—**	**—**	**—**	**(14,286)**
Equity in earnings of affiliated companies	**(3,879)**	**(8,032)**	**(4,122)**	**(4,911)**	**—**	**(20,944)**
Earnings (loss) before income taxes	**$ 50,289**	**$ 22,134**	**$ 144,766**	**$ (27,232)**	**$ (1,091)**	**$ 188,866**
For the year ended December 31, 2009:						
Net sales	$ 3,208,457	$ 3,440,508	$ 3,283,593	$ 522,599	$ (46,648)	$ 10,408,509
Cost of sales[1]	2,943,282	3,141,496	2,918,468	493,710	(47,969)	9,448,987
Selling, general and administrative	194,507	248,563	201,052	38,141	(1,320)	680,943
Restructuring and impairment	7,425	2,929	—	1,468	—	11,822
Gain on insurance settlement	—	(1,907)	—	(2,082)	750	(3,239)
Interest expense (income), net	12,431	26,863	10,044	9,272	(5,257)	53,353
Other expense (income), net	—	566	4,046	(11,812)	—	(7,200)
Equity in (earnings) loss of affiliated companies	(10,200)	(7,838)	13,154	(3,315)	—	(8,199)
Earnings (loss) before income taxes	$ 61,012	$ 29,836	$ 136,829	$ (2,783)	$ 7,148	$ 232,042
For the year ended December 31, 2008:						
Net sales	$ 4,136,389	$ 3,857,411	$ 3,520,282	$ 606,242	$ (81,065)	$ 12,039,259
Cost of sales[1]	3,922,833	3,570,914	3,128,206	535,073	(73,116)	11,083,910
Selling, general and administrative	188,355	263,435	238,525	51,348	14,943	756,606
Restructuring and impairment	179	1,771	—	943	—	2,893
Gain on insurance settlement	—	(6,606)	—	(4,032)	—	(10,638)
Interest expense (income), net	14,293	30,838	10,677	12,514	(5,090)	63,232
Other expense (income), net	—	64	(11,713)	—	(379)	(12,028)
Equity in earnings of affiliated companies	(5,538)	(3,518)	(6,452)	(19,464)	—	(34,972)
Earnings (loss) before income taxes	$ 16,267	$ 513	$ 161,039	$ 29,860	$ (17,423)	$ 190,256
2010:						
Total assets	**$ 858,548**	**$ 1,090,273**	**$2,264,871**	**$ 279,111**	**$ 391,861**	**$ 4,884,664**
Intersegment sales	**11,731**	**37,928**	**1,771**	**—**	**(51,430)**	**—**
Depreciation and amortization	**40,178**	**33,885**	**13,066**	**12,716**	**2,323**	**102,168**
Capital expenditures	**36,859**	**37,732**	**14,266**	**17,355**	**33,030**	**139,242**
2009:						
Total assets	$ 835,557	$ 1,028,125	$ 2,531,443	$ 262,537	$ 265,913	$ 4,923,575
Intersegment sales	10,953	37,403	1,386	—	(49,742)	—
Depreciation and amortization	35,532	33,401	11,445	11,947	2,261	94,586
Capital expenditures	69,325	35,676	19,617	16,854	6,579	148,051
2008:						
Total assets	$ 879,494	$ 1,129,037	$ 2,469,468	$ 269,732	$ 233,581	$ 4,981,312
Intersegment sales	8,129	48,981	33,714	—	(90,824)	—
Depreciation and amortization	31,501	31,951	17,149	9,198	2,010	91,809
Capital expenditures	84,805	54,320	7,506	18,267	6,446	171,344

(1) Cost of sales includes the year-to-year change in unrealized hedging losses (gains) of:

2010	**$ (4,170)**	**$ (2,569)**	**$ 1,865**	**$(187)**	**$ (960)**	**$ (6,021)**
2009	(12,958)	(18,423)	(11,128)	(520)	6,801	(36,228)
2008	13,522	29,047	14,491	847	(5,657)	52,250

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, 2010 and 2009, and the related consolidated statements of operations, cash flows, and equities and comprehensive income for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements, presented on pages 4 to 23 of this annual report, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010 in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota
February 25, 2011

Appendix O

TECHNICAL FITNESS

Experience, Plan, Structure

Below is the Experience, Plan and Structure information, as requested in 8.a.

The Applicant has contracted for technical services to manage its technical obligations as a self-supplying EGS for the Applicant's facilities in Pennsylvania. The entities that the Applicant has contracted with for these services are Beeson & Associates, LLC and BFE Scheduling, LLC, both with offices in Louisville, Kentucky. The employees and principals of those firms have more than twenty (20) years of combined experience operating within PJM, MISO, ERCOT, CAISO, ISO-NE and non-ISO balancing authorities, and operating within retail choice electricity states. The technical competencies of the aforementioned can also be seen in the biographies on the following pages.

BFE SCHEDULING

Pat Frazier

President and CEO

Pat has experience working for profit and not-for-profit energy service companies. His experience spans from engineering to executive management in the area of electrical power, both wholesale and retail, encompassing generation, supply planning, trading, delivery and operations, transmission operations, regulatory affairs and ISO/RTO control center design and operations.

Previous to Beach Front Energy, Pat was:

- Vice-President of Electricity Services for Fellon-McCord & Associates;
- Managing Partner and Co-founder of DaCott Power and Transmission Solutions, which was acquired by Fellon-McCord;
- Vice-President of power generation and energy operations at American Municipal Power; and
- Manager of Utility Power Sale at LG&E Energy.

Pat received both his Bachelor of Science and Master of Engineering degrees in Electrical Engineering from the University of Louisville's Speed School of Engineering.

Dale Rector

Chief Consulting Officer

Dale has experience in project management and consulting in the areas of natural gas and electrical power. Dale's experience includes all aspects of the natural gas and electricity supply chain, from retail to wholesale procurement. He has been involved in negotiating wholesale access for retail customers and designing custom demand-response programs. He also has extensive knowledge of energy-intensive manufacturing processes and generation technologies, including associated operational, regulatory and environmental aspects and limitations. He has represented project developers for biomass, waste-to-energy, landfill gas and cogeneration facilities. In addition, he has advised municipal and cooperative utilities regarding wholesale energy commodity purchases and infrastructure development.

Previous to Beach Front Energy, Dale was Director of Special Projects for Fellon-McCord & Associates.

Dale received a Bachelor of Arts degree in accounting from the University of Louisville and a MBA from the University of Louisville.

Professional Background of John D. Gant

Mr. Gant is Chief Technology Office of Beach Front Energy, the applicant. He received a Bachelor of Science and Master of Engineering, in Computer Engineering and Computer Science, from the University of Louisville's JB Speed School of Engineering. He is currently a PhD candidate, in the same program, with a research focus in Electricity Spot Pricing. During the years of 2003, through 2006, Mr. Gant worked for Genscape Incorporated, a Louisville-based energy data provider, as a Research and Development Engineer providing mathematical, analytical and software expertise used in the creation of daily forecasting products. Mr. Gant's forecasts were distributed throughout the United States in Genscape's reporting products.

Once leaving Genscape, Mr. Gant worked in the field of software development for Appriss. While at Appriss he worked on MethCheck, an online pseudoephedrine tracking system used in prevention of the use and creation of Methamphetamine. Also during his stint he created MoneyOrder, an online money order tracking solution used nationwide by CVS, and co-authored RiskCheck, an online risk investigation system for individuals. While working at Appriss, Mr. Gant taught software development courses at the University of Louisville's JB Speed School of Engineering to undergraduate through PhD students.

Upon leaving Appriss, in December of 2011, John helped to found Beach Front Energy (hereafter BFE). His focus at BFE is management of Beach Front Energy Analytics that provide data, forecasts and analytical products for the Electricity Industry.

James A. Stewart
13306 Knoll Wind Way
Louisville, KY
502-231-6594 or 502-235-1438

Professional Experience

Fellon-McCord & Associates, Inc. – Louisville, KY   July 2009 to Present

Director of Client Management

- Business Leader for the client management team of Fellon-McCord & Associates. As a Director, I am responsible for half of Fellon-McCord's retainer client base. During 2009, I achieved 100% client retention.
- Led creation and implementation of commercial services offering for Fellon-McCord. As project leader, I lead the team that focused on the strategic design, scope of services and pricing.
- Created and implemented a customer score card program. This program is used gain a better understanding of the pulse of the customer.
- Responsible for quarterly business reviews that are presented to the CEO and the executive management team.
- Designed and implemented process for creation and establishment of Energy Risk Management Charters for Fellon McCord Clients.

Integrys Energy Services, Inc. – Louisville, KY   2006 to 2009

Director of Consulting Services

- Business Leader for the ECIM (Energy Consulting and Information Management) Division of Integrys Energy Services, Inc. providing energy management solutions to end users of natural gas, electricity, diesel fuel and other fuels.
- The ECIM services range from invoice collection and data management to risk management strategies and execution with 28% annual revenue growth under my leadership.
- The ECIM division consists of 17 full time employees that report directly to me. The team is geographically dispersed throughout three states and is the backbone of our service delivery.
- Focus on LEAN and Six Sigma projects has reduced MUDA by $1MM annually and allowed for continued growth without appreciable head count additions.
- Have maintained 100% client retention for two years while adding ten new accounts since 2006.
- The ECIM product offering has expanded to include Renewable Products and Demand Response.
- Lead efforts for strategic design and planning. These activities focused on setting 1 to 5 year business plan which focused on income stream growth and employee development.

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The General Electric Company – Louisville, KY 2004 to 2006

Program Manager – Commodity Hedging

- Led commodity hedging program across GE Appliances, Lighting, Industrial Systems, and Supply. Total exposure under management $500 million.
- Conduct monthly hedging meetings with the General Manager of Sourcing.
- Crafted unique hedging strategies for each commodity. Each strategy designed to capture unique goals and objectives. Savings of $150 Million vs. market in 2006.
- Lead cross-functional FASB-133 compliance team. Responsibilities included FASB-133 compliance for well over 2000 supplier contracts and development of processes to ensure continued compliance.
- Led effort to standardize market research and analysis across GE's varying commodity exposure.

Utility Commodity Leader

- Lead utility sourcing for GE Appliances, Lighting, Industrial & Supply managing over $300 Million in total spend and supervision of two direct reports.
- Conduct special negotiations for several locations to create or maintain special contracts for electricity and natural gas service.
- Drove over $3 Million dollars of savings through contract negotiations and detailed rate analysis for GE during the most volatile year ever seen for energy prices.
- Managed GE's Energy Development Operation located in Ravenna Ohio. Responsibilities included direction of four well tenders and support staff in order to maintain production of oil and natural gas. Negotiated purchase agreements for the natural gas and oil produced.
- Led cross-functional hedging council between Indirect Sourcing and Distribution. My expertise accelerated the implementation of a risk strategy surrounding GE's diesel fuel exposure.
- Managed GE's hedging program for natural gas, unleaded gasoline & diesel fuel and drove savings of $12 Million versus the market in 2005.
- Spear headed several GE wide natural gas and electric "RFP's" in order to produce economies of scale and synergy benefits from combined presence in market place.
- Led industrial gas integration team focused on creating synergy across newly merged GE businesses.

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Summit Energy Services, Inc. – Louisville, KY 2002 to 2004

Risk Manager

- The net result of recommendations to clients was a saving of $83 million versus market for the calendar year 2004.
- Developed short-term and long-term hedging strategies using the natural gas futures and options market for three quarters of Summit Energy's client base. Established pricing objectives for each client that combined fundamental, technical, and statistical market information with the risk/reward philosophy of each individual client. Aggregate value of portfolio under advisement exceeded $1 Billion.
- Worked directly with Fortune 500 and Fortune 1000 companies to design and implement risk management policies. Evaluated risk tolerances and profiles of each client to ensure that each policy was tailored to the particular needs of the client.
- Participated in frequent conference calls with Dynamic Buying Teams (DBT's) of large energy users to discuss current market dynamics. Together, with the Chief Operating Officer, provided recommendations and purchasing strategies using natural gas futures and exotic option tools.
- Managed the entire on-boarding process for Summit clients. This process includes establishing a risk profile, which outlines corporate goals and objectives, current processes, risk tolerances and FASB-133 requirements.
- Worked with many accounting groups and auditing firms to ensure FASB-133 compliance will all financial transactions and provide the necessary Sarbanes-Oxley documentation.

Risk Analyst April 98 to 2002

- Created the entire client-reporting offering that is still used today to apprise clients of their current market position. These reports include, but are not limited to, mark to market values, market to budget values, and historical costs.
- Designed sophisticated natural gas pricing models to evaluate the market based on a variety of factors. Led initiative to build multifactor input models that incorporated a spectrum of fundamental factors through regression analysis, and used those models in conjunction with timing studies and other market analysis to develop pricing targets.
- Cooperated with other members of Risk Management team to construct the commodity purchasing process for Summit Energy. This included formulating "best-practices" techniques for dealing with counter parties and limiting Summit's counter party risk exposure.
- Performed continuous technical analysis on the natural gas futures market over various time frames to determine market direction and magnitude. Partial list of technical indicators used are stochastic oscillators, moving averages, momentum divergence testing (MACD).

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Zeochem Chemical – Louisville, KY December 97 to April 98

Accounts Payable Accountant

- Analyzed use of materials, labor costs, and utilities in the manufacture of molecular sieves on a daily, monthly, and annual basis. Information used by a variety of departments to produce direct cost reports
- Worked directly with the parent company in Switzerland to reconcile interoffice accounts.
- Responsible for the raw materials and inter-company accounts under direct supervision of the Division Controller

Education

University of Louisville – Louisville, KY
Masters of Business Administration – May 2002
Cumulative GPA: 3.4

Bellarmine College – Louisville, KY
Bachelor of Arts Degree in Economics
Minor in Business Administration – May 1998

Additional Information

- NASD Series 3 National Commodity Futures Exam
- Highly skilled Microsoft Excel, PowerPoint, and Word. Strong knowledge of Crystal Ball Forecasting Software, E-views statistical software, Prophet X and CQG trading software, as well as Lotus Notes, Microsoft Outlook, Goldmine, and WebX
- Summit Energy Employee of the Year 2002
- GE Sourcing Rookie of the Quarter for Q1 2005
- GE Sourcing Star of the Week fiscal week 45 2005
- GE Sourcing Winner's Circle Award Winner for 2005
- GE ecoMagination team member
- Key Note Speaker TSRA Clean Show Phoenix, AZ
- Graduate of the Building Bridges Leadership Program

Appendix P

BIOGRAPHIES OF CHIEF OFFICERS

Chris Policinski
President and Chief Executive Officer
Policinski is President and Chief Executive Officer of Land O'Lakes, Inc., and has over 30 years of experience in the food industry. He joined Land O'Lakes in 1997, and was appointed President and CEO in 2005. Prior to joining Land O'Lakes, Policinski held leadership positions with Kraft General Foods, Bristol-Myers Squib and The Pillsbury Company.

He is a member of Board of Directors of several industry associations (Grocery Manufacturers Association, National Milk Producers Federation, and National Council of Farmer Cooperatives), is involved in local community boards (Greater Twin Cities United Way and Trustee of University of Minnesota Foundation). Chris is also a member of the board of the U.S. Global Leadership Campaign, Xcel Energy and Hormel Foods.

Policinski earned his M.B.A. degree from New York University, and his undergraduate degree from the University of Notre Dame.

Dan Knutson
Executive Vice President and Chief Financial Officer
In January 2012, Knutson became Executive Vice President and Chief Financial Officer of Land O'Lakes, assuming additional oversight of Land O'Lakes' investment in the egg business, Moark, LLC. Previously, he was Senior Vice President and CFO. Knutson began his career with the cooperative in 1978 in the Internal Audit department and has held several positions in finance and accounting. A CPA and CMA, Knutson received his B.S. and M.B.A. degrees from Minnesota State University-Mankato.

Peter Janzen
General Counsel and Chief Administrative Officer
In January 2012, Janzen assumed an expanded role of General Counsel and Chief Administrative Officer, including oversight of Land O'Lakes Law Department, International Development Division (IDD), Communications, Community Relations, Government Affairs, Member Relations and Security. Previously, he was Senior Vice President and General Counsel, having served in the Law Department since 1983. Janzen's experience includes corporate governance, mergers, acquisitions, divestitures, antitrust, intellectual property, litigation, and legal services for all business units. Janzen has a B.A. in Political Science and J.D. from Hamline University.

Beth Ford
Executive Vice President, Chief Supply Chain & Operations Officer
Ford joined Land O'Lakes in January 2012 as Executive Vice President, Chief Supply Chain & Operations Officer. During her 25-year career, Ford has held leadership positions in multiple industries, including flavor and fragrances (chemicals), consumer package goods, publishing, and oil and gas. Most recently, Ford was the Executive Vice President, Head of Supply Chain, at International Flavors and Fragrances (IFF). Prior to IFF, she held a progression of supply chain and operations management roles with Mobil Corporation, PepsiCo and Pepsi Bottling Company, Hachette Book Group and Scholastic, Inc. Ford holds an M.B.A. from Columbia University Business School with an emphasis in Finance, and a B.B.A. from Iowa State University in Management.

Barry Wolfish

Chief Marketing Officer and Senior Vice President, Corporate Strategy

Wolfish became Land O'Lakes Chief Marketing Officer and Senior Vice President for Corporate Strategy in January 2012. In his CMO role, Wolfish provides company-wide leadership for marketing strategy talent development, while continuing his responsibility for the Corporate Marketing functions and Total Margin Management, a company-wide initiative emphasizing cost control, with a focus on investing resources in high-value activities that fuel profitable growth. He also assumed additional leadership for Corporate Strategy and Sustainability. Wolfish has more than 25 years of food industry experience in marketing and general management roles. He joined Land O'Lakes in 1999, serving in Dairy Foods leadership roles including vice president, Cheese and Foodservice. In 2005, he became vice president, Corporate Strategy and Business Development and, most recently, was senior vice president Corporate Marketing and Communications. Prior to joining Land O'Lakes, Wolfish was with General Mills, where he held vice president positions for several businesses including Adult Cereals, New Channels and Yoplait Foodservice. He also served as senior vice president of Marketing with General Mills Canada.

Dave Hoogmoed

Executive Vice President and Chief Operating Officer, Feed

Hoogmoed was named Executive Vice President and Chief Operating Officer of Feed in 2010. For the prior eight years, he was Feed Vice President with various responsibilities, most recently for sales and the company's Nutra Blend business. He has a 30-year career in the feed industry. Prior to joining Land O'Lakes in 2001, he was Executive Vice President of Purina Mills, with primary responsibility for the livestock agriculture business units. He had earlier held various officer, general management and sales management positions. Hoogmoed received his bachelor's degree in Ag Economics from Rutgers University.

Mike Vande Logt

Executive Vice President and Chief Operating Officer in Winfield Solutions

Vande Logt assumed the role of Executive Vice President and Chief Operating Officer in Winfield Solutions effective January 1, 2013. Prior to this position, he served as Executive Vice President and Chief Operating Officer of Winfield Solutions, LLC since 2008. Vande Logt has 33 years of experience in the seed industry, the last 23 with Land O'Lakes. He was most recently vice president, Marketing, Winfield Solutions, Seed Division. Upon joining Land O'Lakes, Vande Logt was a Corn Product Manager, Director of Marketing and Director of Sales and Marketing before assuming his leadership roles within the Seed Division.

Jim Fife

Executive Vice President, Ag Businesses

Fife has served as Executive Vice President for Land O'Lakes Ag Businesses since January 2012. Previously, he was Senior Vice President of Public Affairs and Member Relations, a role he began in 2004. Fife also served as Senior Vice President of Business Development from July 2008 to July 2010. Fife came to Land O'Lakes from Ag Supply Co-op in Wenatchee, Wash., where he worked as general manager for 21 years. Fife sat on the company's Board of Directors from 1991-2004, serving the final three years as chairman. A Washington native, Fife received his bachelor's degree in Business Administration and Marketing from the University of Washington.

Jerry Kaminski

Executive Vice President, Dairy Foods Businesses

In 2012, Kaminski became Executive Vice President and Group Executive of the combined Dairy Foods Business – retail and foodservice divisions. Previously, Kaminski served as Executive Vice President and Chief Operating Officer since 2010. He also served as General Manager of Dairy Solutions since joining Land O'Lakes in 2007. Prior to Land O'Lakes, Kaminski was a Vice President, General Manager at General Mills, where he held various leadership positions in the retail and business-to-business segments. In addition, he was President and Chief Operating Officer of Sparboe Foods, a privately held, national egg producer and marketer. Kaminski has a bachelor's degree from the University of Wisconsin and an MBA from the Kellogg Graduate School of Management at Northwestern University.

Appendix Q
ACTIVE ENTITIES

LEGAL NAME	ADDRESS
LAND O'LAKES, INC.	4001 Lexington Avenue N., Arden Hills, MN 55126
AFP ADVANCED FOOD PRODUCTS LLC	402 S Custer Ave. New Holland, PA 17557
27 LUDY STREET REALTY, LLC	
AG PROCESSING INC.	
AGRI-AFC, LLC	121 Sommerville Road, Decatur, AL 35601
AGRICULTURAL INDEMNITY	100 Bank Street, Burlington, VT 05401
AGRICULTURAL RE-ENTRY TASK	1013 Centre Road, Wilmington, DE 19805
AGRICULTURAL SOLUTIONS, INC.	
AGRILIANCE DE MEXICO, S.A. DE C.V.	Ignacio Allende 129
AGRILIANCE LLC	5500 Cenex Drive, Inver Grove Heights, MN 55077
AGRO DISTRIBUTION, LLC	8700 Trail Lake Drive W., Suite 100, Memphis, TN 38125
AMERICA'S COUNTRY STORES HOLDINGS, LLC	1080 County Road F West, Shoreview, MN 55126-2910
AMERICA'S COUNTRY STORES, LLC	
ASIA HARVEST HOLDINGS LIMITED	Room D, 3/F., Thomson Commercial Building
CALVA INTERNACIONAL, S.A. DE C.V.	Tijuana
CALVA PRODUCTS CO., INC.	4351 Winery Road, Acampo, CA 95220
COBANK, ACB	
COLCHESTER FOODS, INC.	28 Under The Mountain Rd., Franklin, CT 06254
COUNTRYSIDE FEED, L.L.C.	131 N. Ash, Hillsboro, KS 67063
CUSHING, OKLAHOMA BROWNFIELDS, LLC	Principal Executive Office, Arden Hills, MN 55112-2921
DAKOTALAND FEEDS, LLC	674 W. Park Ave. NW, Huron, SD 57350
DALOL BIO-NUTRITION (HK) CO., LIMITED	Suite 1805, Tower 1
DELTA EGG FARM, LLC	9246 N. 4000, Delta, UT 84624
EASTGATE FEED & GRAIN, LLC	141 Three Cent Lane, Reedsville, PA 17084
EGG EXPRESS, INC.	28 Under The Mountain Rd., Franklin, CT 06254
EPL FEED, LLC	411 West Front Street, Sumas, WA 98295
ESLABON CATTLE CO. L.P.	6900 I-40 W50, Amarillo, TX 79106
EUREKA FEEDS LLC	1800 12th Street, Reedley, CA 93654
FARM KAN, L.L.C.	1384 Iron Horse Road, McPherson, KS 67460
FEED SERVICES, LLC	4001 Lexington Avenue N., Arden Hills, MN 55126
FITCHVILLE REALTY, INC.	17 Schwartz Road Bozrah, CT 06334
FOOD TECH MACHINERY, INC.	
FORAGE GENETICS ARGENTINA S.R.L.	Reconquista 671
FORAGE GENETICS INTERNATIONAL, LLC	4001 Lexington Ave. N., Arden Hills, MN 55126
FRESHWAY DISTRIBUTORS, LLC	4001 Lexington Ave. N., Arden Hills, MN 55126
GENERIC ENDANGERED SPECIES TASK FORCE	Minneapolis, MN 55126-2910
GLOBAL SEED GENETICS, S. DE R.L. DE C.V.	Carretera Panamericana Kilometro 290
GOLD MEDAL SEEDS LTD	P.O. Box 489
GOLDEN STATE FEED & GRAIN LLC	116 West Cedar Avenue, Tulare, CA 93274
GREENPOINT AG, LLC	3350 Players Club Parkway, Memphis, TN 38125
HI PLAINS FEED, LLC	1650 N. Sherlock Road, Garden City, KS 67846
HI POINT INDUSTRIES, LLC	12005 Cabernet Drive, Fontana, CA 92337
HUNAN DALOL BIO- TECHNICAL FEED CO., LTD(DaLOL(HN))	Suite 1805, Tower 1, The Gateway

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Appendix Q
ACTIVE ENTITIES

LEGAL NAME	ADDRESS
KITCHDN FRESH FOODS, INC.	
KOFKOFF EGG FARM LIMITED LIABILITY COMPANY	17 Schwartz Road, Bozrah, CT 06334
KOFKOFF FEED, INC.	39 Murphy Road, Franklin, CT 06254
KORU DAIRY, LLC	4001 Lexington Ave. N., Arden Hills, MN 55126
KOZY SHACK ENTERPRISES, LLC	4001 N. Lexington Avenue
KOZY SHACK REALTY ENTERPRISES, LLC	4001 N. Lexington Avenue, Arden Hills, MN 55126
KOZY SHACK, LLC	
LAND O' LAKES CAPITAL TRUST I	1100 North Market Street, Wilmington, DE 19890
LAND O'LAKES (BEIJING) TRADING CO., LTD	RM 401-C, Vantone Center
LAND O'LAKES CANADA LTD.	649 Scottsdale Drive
LAND O'LAKES DE MEXICO, S. DE R.L. DE C.V.	Pedro Moreno 1615
LAND O'LAKES FOUNDATION	4001 Lexington Ave. N., Arden Hills, MN 55126
LAND O'LAKES HOLDINGS, INC.	
LAND O'LAKES, INC. BEIJING REPRESENTATIVE OFFICE	
LAND O'LAKES, INC. GRANTOR TRUST	PO Box 099, Winston-Salem, NC 27150
LAND O'LAKES, INC./AGRILIANCE LLC POLITICAL ACTION COMMITTEE (LOL PAC)	
LAND O'LAKES/GREAT WALL ENTERPRISE (GREATER CHINA) HOLDING LTD. (LOL/GWE - BVI)	Romasco Place, Wickhams Cay 1, Road Town
LAND O'LAKES/GREAT WALL ENTERPRISE NUTRITION TECHNOLOGIES (BEIJING) CO. LTD.	Beijing
LAND O'LAKES/GREAT WALL ENTERPRISE NUTRITION TECHNOLOGIES (LOL/GWE - Tianjin)	Tianjin
LAND O'LAKES/GREAT WALL ENTERPRISES, CO., LTD. (LOL/GWE - Taiwan)	9 Fl., 222 Section 3 Ta-Tung Road
LOL FINANCE CO.	4001 Lexington Ave. N., Arden Hills, MN 55126
LOL HOLDINGS II, INC.	4001 Lexington Ave. N., Arden Hills, MN 55126
LOL SPV, LLC	1080 County Road F West, Shoreview, MN 55126-2910
LOLFC, LLC	4001 Lexington Avenue N., Arden Hills, MN 55126
LUDY STREET REALTY, LLC	4001 N. Lexington Avenue, Arden Hills, MN 55126
MADISON FARMS BUTTER, L.L.C.	4112 Papin Street, St. Louis, MO 63110
MCANALLY ENTERPRISES, L.L.C.	12005 Cabernet Drive, Fontana, CA 92337
MELROSE DAIRY PROTEINS LLC	1000 E. Kraft Drive, Melrose, MN 56532-1456
MILK PRODUCTS, LLC	435 East Main St, Chilton, WI 53014
MOARK EGG CORPORATION	1100 Blair Avenue, Neosho, MO 64850
MOARK, LLC	12005 Cabernet Drive Fontana, CA 92337
MOARK/FORT RECOVERY EGG MARKETING, L.L.C.	2351 Wabash Road, Fort Recovery, OH 45846
MOMENTX CORPORATION	9400 N. Central Expressway, Dallas, TX 75231
MUNSON LAKES NUTRITION, LLC	917 6th Street, Howard Lake, MN 55349
NEW FEEDS, LLC	2626 1st Avenue South, Fort Dodge, IA 50501
NORCO RANCH HOLDING COMPANY, INC.	12005 Cabernet Drive, Fontana, CA 92337
NORCO RANCH, INC.	
NORTH PLAINS FERTILIZER & CHEMICAL, L.L.C.	P.O. Box 763, Dalhart, TX 79022-0763
NORTHERN COUNTRY FEEDS, LLC	203 East Spring Street, Stacyville, IA 50476
NORTHERN STAR INTEGRATED, LLC	3893 Heritage Avenue, Suite B3, MI 48864
NORTHWEST FOOD PRODUCTS TRANSPORTATION, LLC	755A Sommer Street N., Hudson, WI 54016
NUTRA-BLEND, L.L.C.	3200 E. 2nd Street, Neosho, MO 64850
OUTDOOR RESIDENTIAL EXPOSURE TASK FORCE, L.L.C.	1013 Centre Road, Wilmington, DE 19805

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LEGAL NAME	ADDRESS
PENNY-NEWMAN MILLING LLC	10188 Kansas Avenue, Hanford, CA 93230
PET FOOD HOLDINGS, INC.	c/o H.I.G. Capital, LLC, Attn: Peter Cornetta or Todd Ofenloch, Boston, MA 02116
PMI NUTRITION INTERNATIONAL, LLC	1080 County Road F West, Shoreview, MN 55126-2910
PMI NUTRITION, LLC	
PREMIER FARMS, L.L.C.	1100 Blair Avenue, Neosho, MO 64850
PROSPERITY WORLDWIDE	1080 County Road F West, Shoreview, MN 55126-2910
PURINA ANIMAL NUTRITION LLC	1080 County Road F West, Shoreview, MN 55126-2910
PURINA MILLS, LLC	1080 County Road F West, Shoreview, MN 55126-2910
RETAIL AGRONOMY SOLUTIONS, LLC	1080 County Road F West, Shoreview, MN 55126-2910
SERVICIOS LEXINGTON, S. DE R.L. DE C.V.	
SOUTHERN NEW ENGLAND EGGS, L.L.C.	28 Under The Mountain Rd., Franklin, CT 06254
SUNBEST FOODS OF IOWA, INC.	1641 Yellowstone Avenue, Clearfield, IA 50840
SUNBEST FOODS, L.L.C.	
SUPERIOR FEED SOLUTIONS LLC	6440 U S Hwy 136 East, Waynetown, IN 47990
TEGNER REALTY OF CALIFORNIA, LLC	4001 N. Lexington Avenue, Arden Hills, MN 55126
TRI-STATE AGRI SERVICES LLC	101 1/2 N. Main, Afton, OK 74331
UNIVERSAL COOPERATIVES, INC.	
VALLEY AGRONOMICS, LLC	910 S. Oneida Street, Rupert, ID 83350
VG REALTY OF NEW YORK, LLC	4001 N. Lexington Avenue, Arden Hills, MN 55126
VISION AG LLC	110 South Keokuk Washington, Keota, IA 52248
WILCO-WINFIELD, LLC	200 Industrial Way, P.O. Box 258, Mt. Angel, OR 97362
WINFIELD SOLUTIONS DE MEXICO, S. DE R.L. DE C.V.	101 Bosques de Las Lomas
WINFIELD SOLUTIONS, LLC	1080 County Road F West, Shoreview, MN 55126-2910

KATH ROBINSON - 5380
651-375-7204
LAND O'LAKES PURINA FEED LLC
1080 COUNTY ROAD F W
SHOREVIEW MN 55126

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