

CENEX HARVEST STATES COOPERATIVES

Form 10-K/A

June 28, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED AUGUST 31, 2001 OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____.

COMMISSION FILE NUMBER: 333-17865

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

MINNESOTA (State or other jurisdiction of incorporation or organization)	41-0251095 (I.R.S. Employer Identification Number)
5500 CENEX DRIVE INVER GROVE HEIGHTS, MINNESOTA 55077 (Address of principal executive office)	(651) 451-5151 (Registrant's Telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: Not applicable

State the aggregate market value of the voting stock held by non-affiliates of the registrant: The registrant has no voting stock outstanding.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: The registrant has

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no common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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CENEX HARVEST STATES COOPERATIVES

Pursuant to the requirements of Section 210.3-09 of Regulation S-X under the Securities Exchange Act of 1934, as amended, the undersigned registrant hereby amends Item 8, Item 14(a)(1) and Item 14(a)(3) of its annual report on Form 10-K for fiscal year ended August 31, 2001 to add the separate consolidated financial statements of Ventura Foods, LLC and subsidiary, a non-consolidated 50% owned equity investment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Item 8 is hereby amended to include the current consolidated financial statements of Ventura Foods, LLC and subsidiary, a non-consolidated 50% owned equity investment. The consolidated financial statements of Ventura Foods, LLC and subsidiary, which are included in this Form 10-K/A following the signatures, are hereby incorporated by reference in this Item 8.

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS AND REPORTS FILED ON FORM 8-K

(a) (1) FINANCIAL STATEMENTS

Item 14(a)(1) is hereby amended to add the following:

V. Ventura Foods, LLC and subsidiary, a non-consolidated 50% owned equity investment

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Consolidated Balance Sheets as of March 31, 2002 and 2001	F-63
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Notes to Consolidated Financial Statements for the years ended March 31, 2002, December 31, 2000 and 1999 and the three months ended March 31, 2001	F-69

(a) (3) EXHIBITS

Item 14(a)(3) is amended to add the following exhibit:

23.3 Independent Auditors' Consent

SIGNATURES

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENEX HARVEST STATES COOPERATIVES

By: /s/ JOHN SCHMITZ Date: June 28, 2002

 John Schmitz
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

INDEPENDENT AUDITORS' REPORT

Members Committee of Ventura Foods, LLC:

We have audited the accompanying consolidated balance sheets of Ventura Foods, LLC and subsidiary (the "Company") as of March 31, 2002 and 2001, and the related consolidated statements of income, members' capital, and cash flows for the year ended March 31, 2002, the three months ended March 31, 2001, and the years ended December 31, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Ventura Foods, LLC and subsidiary as of March 31, 2002 and 2001, and the results of their operations and their cash flows for the year ended March 31, 2002, the three months ended March 31, 2001, and the years ended December 31, 2000 and 1999 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for start-up activities in 1999.

/s/ Deloitte & Touche LLP

Los Angeles, California
June 19, 2002

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VENTURA FOODS, LLC AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

MARCH 31, 2002 AND 2001

ASSETS (NOTE 4)	2002	2001
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	\$ 9,300,000	\$ 10,000,000
Trade receivables, net of allowance for doubtful accounts of \$1,543,000 and \$2,000,000 at 2002 and 2001, respectively (Notes 2, 4 and 5)	57,139,000	57,139,000
Inventories (Notes 2, 4 and 5)	62,799,000	62,799,000
Prepaid expenses and other current assets	2,283,000	2,283,000
Due from Wilsey Foods, Inc. (Note 5)	13,298,000	13,298,000
Derivative contract asset (Note 2)	-----	-----
Total current assets	144,819,000	145,519,000
PROPERTY (Notes 2 and 4):		
Land, buildings, and improvements	98,840,000	98,840,000
Machinery and equipment	129,133,000	129,133,000
Construction-in-progress	6,489,000	6,489,000
Other property	10,494,000	10,494,000
	-----	-----
Total	244,956,000	244,956,000
Less accumulated depreciation and amortization	95,052,000	95,052,000
	-----	-----
Property, net	149,904,000	149,904,000
GOODWILL, Net of amortization of \$18,087,000 and \$15,180,000 at 2002 and 2001, respectively (Notes 2 and 3)	43,156,000	43,156,000
TRADEMARKS, Net of amortization of \$8,814,000 and \$5,862,000 at 2002 and 2001, respectively (Notes 2 and 4)	19,991,000	19,991,000
DEFERRED COMPENSATION PLAN TRUST (Note 6)	14,240,000	14,240,000
OTHER ASSETS, Net of amortization of \$4,181,000 and \$3,813,000 (Note 2)	4,879,000	4,879,000
	-----	-----
TOTAL	\$376,989,000	\$376,989,000
	=====	=====

See notes to consolidated financial statements.

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LIABILITIES AND MEMBERS' CAPITAL	2002
CURRENT LIABILITIES:	
Accounts payable (Note 5)	\$ 52,045,000
Accrued liabilities (Note 5)	25,784,000
Deferred compensation obligations (Note 6)	
Dividends payable	9,550,000
Bank lines of credit (Note 4)	8,000,000
Current portion of long-term debt (Note 4)	12,758,000
Current portion of long-term liability - Wilsey Foods, Inc. (Note 1)	491,000
Derivative contract liability (Note 2)	4,120,000

Total current liabilities	112,748,000

LONG-TERM DEBT (Note 4)	97,178,000

DEFERRED COMPENSATION OBLIGATIONS (Note 6)	16,347,000

Total liabilities	226,273,000

COMMITMENTS AND CONTINGENCIES (Notes 6 and 7)	
MEMBERS' CAPITAL	150,716,000

TOTAL	\$376,989,000
	=====

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VENTURA FOODS, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEAR ENDED MARCH 31, 2002 AND THE THREE MONTHS ENDED MARCH 31, 2001
AND THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	YEAR ENDED	THREE MONTHS	YEAR
	MARCH 31,	ENDED	DECEMBER
	2002	MARCH 31,	-----
		2001	2000
NET SALES (Notes 2 and 5)	\$ 965,728,000	\$ 215,187,000	\$ 890,042,000
COST OF GOODS SOLD			

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(Notes 2 and 5)	792,689,000	177,748,000	744,282,000
	-----	-----	-----
GROSS PROFIT	173,039,000	37,439,000	145,760,000
	-----	-----	-----
OPERATING EXPENSES:			
Selling, general, and administrative (Notes 2 and 5)	92,034,000	20,121,000	78,145,000
Amortization of intangibles (Note 2)	6,227,000	1,581,000	6,431,000
	-----	-----	-----
Total operating expenses	98,261,000	21,702,000	84,576,000
	-----	-----	-----
OPERATING INCOME	74,778,000	15,737,000	61,184,000
INTEREST EXPENSE, Net	7,474,000	2,071,000	9,585,000
OTHER INCOME (Note 7)	(3,182,000)	(702,000)	(5,907,000)
	-----	-----	-----
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	70,486,000	14,368,000	57,506,000
CUMULATIVE EFFECT OF ACCOUNTING CHANGE (Note 2)	-----	-----	-----
NET INCOME	\$ 70,486,000	\$ 14,368,000	\$ 57,506,000
	=====	=====	=====

See notes to consolidated financial statements.

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VENTURA FOODS, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF MEMBERS' CAPITAL
YEAR ENDED MARCH 31, 2002 AND THE THREE MONTHS ENDED MARCH 31, 2001
AND THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	WILSEY FOODS, INC.	CENEX HARVEST STATES COOPERATIVES	TOTAL
BALANCE, JANUARY 1, 1999	\$ 48,371,000	\$ 32,248,000	\$ 80,619,000
Net income	21,210,000	14,140,000	35,350,000
Contributions	12,000,000	8,000,000	20,000,000

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Dividends	(14,266,000)	(9,511,000)	(23,777,000)
	-----	-----	-----
BALANCE, DECEMBER 31, 1999	67,315,000	44,877,000	112,192,000
Net income	30,593,000	26,913,000	57,506,000
Transfer of interest (Note 1)	(11,775,000)	11,775,000	
Dividends	(23,288,000)	(20,720,000)	(44,008,000)
	-----	-----	-----
BALANCE, DECEMBER 31, 2000	62,845,000	62,845,000	125,690,000
Net income	7,184,000	7,184,000	14,368,000
Dividends	(4,157,000)	(4,157,000)	(8,314,000)
	-----	-----	-----
BALANCE, MARCH 31, 2001	65,872,000	65,872,000	131,744,000
Net income	35,243,000	35,243,000	70,486,000
Dividends	(25,757,000)	(25,757,000)	(51,514,000)
	-----	-----	-----
BALANCE, MARCH 31, 2002	\$ 75,358,000	\$ 75,358,000	\$ 150,716,000
	=====	=====	=====

See notes to consolidated financial statements.

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VENTURA FOODS, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED MARCH 31, 2002 AND THE THREE MONTHS ENDED MARCH 31, 2001
AND THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	YEAR ENDED MARCH 31, 2002	THREE MONTHS ENDED MARCH 31, 2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 70,486,000	\$ 14,368,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,186,000	2,833,000
Amortization of intangibles	6,227,000	1,581,000
Loss (gain) on disposal/impairment of assets	324,000	128,000
Derivative contract asset	(1,803,000)	(7,375,000)
Gain on deferred compensation plan trust assets	(264,000)	
Changes in operating assets and liabilities:		

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Trade receivables	(771,000)	980,000
Inventories	3,881,000	5,089,000
Prepaid expenses and other current assets	(793,000)	330,000
Accounts payable	(4,491,000)	(2,943,000)
Accrued liabilities	2,893,000	(2,540,000)
Deferred compensation obligations	5,130,000	(1,767,000)
Due from/to affiliates	47,000	1,000
	-----	-----
Net cash provided by operating activities	93,052,000	10,685,000
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property	(13,268,000)	(4,869,000)
Proceeds from sale of property	69,000	23,000
Acquisitions, net of cash acquired (Note 3)		
Acquisition of trademarks		
Investment in rabbi trust	(13,976,000)	
Other assets	(48,000)	67,000
	-----	-----
Net cash used in investing activities	(27,223,000)	(4,779,000)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings of long-term debt		
Repayment of long-term debt	(12,603,000)	(554,000)
Net borrowings (payments) on line of credit	3,000,000	5,000,000
Payment to Wilsey Foods, Inc. (Note 1)	(487,000)	(487,000)
Payment of bank loan fees		
Dividends paid	(60,589,000)	
Contributions received		
	-----	-----
Net cash (used in) provided by financing activities	(70,679,000)	3,959,000
	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,850,000)	9,865,000
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,150,000	4,285,000
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 9,300,000	\$ 14,150,000
	=====	=====

(Continued)

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VENTURA FOODS, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED MARCH 31, 2002 AND THE THREE MONTHS ENDED MARCH 31, 2001
AND THE YEARS ENDED DECEMBER 31, 2000 AND 1999

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	YEAR ENDED MARCH 31, 2002	THREE MONTHS ENDED MARCH 31, 2001
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -		
Cash paid during the period for interest	\$ 8,129,000	\$ 653,054

See notes to consolidated financial statements.

(Concluded)

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VENTURA FOODS, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2002 AND THE THREE MONTHS ENDED MARCH 31, 2001
AND THE YEARS ENDED DECEMBER 31, 2000 AND 1999

1. GENERAL MATTERS

Ventura Foods, LLC and its subsidiary (the "Company") is a processor and distributor of edible oils used in food preparation and a packager of food products. The Company sells its products to national and regional restaurant chains, food wholesalers, and retail chains.

The Company was formed pursuant to a Joint Venture Agreement (the "Agreement") dated August 30, 1996 between Wilsey Foods, Inc. ("Wilsey") and Cenex Harvest States Cooperatives ("Cenex") whereby substantially all the assets and liabilities of Wilsey and Holsum Foods (a division of Cenex) were transferred and assigned, with certain exclusions, to the Company. Wilsey is a majority-owned subsidiary of Mitsui & Co., Ltd. From the period of inception through March 31, 2000, Wilsey and Cenex owned 60 percent and 40 percent of the Company, respectively. On March 31, 2000, Wilsey sold a 10 percent interest in the Company to Cenex. Accordingly, Wilsey and Cenex each own 50 percent of the Company.

At the formation date, a liability equal to the net deferred income tax liability of Wilsey at August 30, 1996 was assumed by the Company and was included in long-term liability - Wilsey Foods, Inc. The amount is payable in five equal annual installments of \$487,000 plus a final installment of \$491,000.

2. ACCOUNTING POLICIES

BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of Ventura Foods, LLC and its 100 percent-owned subsidiary, Ventura Jets, Inc. All material intercompany transactions have been eliminated.

FISCAL YEAR-END - During 2001, the Company changed its fiscal year-end to March 31. Prior to such change, the Company's fiscal year-end had been December 31.

CUMULATIVE EFFECT OF ACCOUNTING CHANGE - In connection with the adoption

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of Statement of Position 98-5, REPORTING ON THE COSTS OF START-UP ACTIVITIES, on January 1, 1999, the Company charged \$563,000 of previously deferred start-up costs to expense.

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

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INVENTORIES - Inventories consist of the following at March 31, 2002 and 2001:

	2002	2001
Bulk oil	\$17,654,000	\$24,642,000
Finished goods	27,696,000	24,692,000
Ingredients and supplies	17,449,000	17,346,000
	-----	-----
Total	\$62,799,000	\$66,680,000
	=====	=====

Inventories are accounted for at the lower of cost or market, using the first-in first-out method.

DERIVATIVE FINANCIAL INSTRUMENTS - The Company's use of derivative financial instruments is limited to forwards, futures, and certain other delivery contracts as discussed below. The Company enters into these contracts to limit its exposure to price volatility of various food oils that are critical to its processing and distribution activities. It is the Company's policy to remain substantially hedged with respect to edible oil product price risk; derivative contracts are used to maintain this hedged position. Forward purchase and sales contracts with established market participants as well as exchange traded futures contracts are entered into in amounts necessary to protect against price changes on raw materials needed for the Company's food oil processing and distribution activities. The Company also enters into purchase and sales commitments with major suppliers and customers at a specified premium or discount from a future market price ("Basis Contracts"). Additionally, the Company's policies do not permit speculative trading of such contracts. All of these qualify as derivatives under Statement of Financial Accounting Standards ("SFAS") No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, and are stated at market value. Changes in market value are recognized in the consolidated statements of income, through cost of sales, in the periods such changes occur. The adoption of SFAS No. 133, on January 1, 2001, did not have a significant impact on the Company's results of operations, as the Company historically recorded its financial instruments at market value. Prior to the adoption of SFAS No. 133, the market value of futures contracts, basis contracts, and forward purchase and sales contracts were recorded as a component of inventory. Beginning with the adoption of SFAS No. 133, the market value of these contracts is now recorded separately on the balance sheet as derivative contract assets or liabilities. These contracts have maturities of less than one year.

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The following summarizes the Company's various derivative contracts outstanding at March 31, 2002 and 2001:

FORWARD CONTRACTS AND COMMITMENTS	POUNDS	NET UNREALIZED GAIN (LOSS) (IN THOUSANDS)
MARCH 31, 2002		
Forward purchases	490,500	\$ 7,873
Forward sales	454,100	(1,117)
Basis purchase	390,300	2,304
Basis sales	62,600	(303)
Futures contracts	96,100	421
	-----	-----
	1,493,600	\$ 9,178
	=====	=====
MARCH 31, 2001		
Forward purchases	391,800	\$ 3,836
Forward sales	395,200	741
Basis purchase	1,316,200	1,989
Basis sales	151,500	163
Futures contracts	117,900	646
	-----	-----
	2,372,600	\$ 7,375
	=====	=====

The fair value of futures contracts are determined from quotes listed on the Chicago Board of Trade or other market makers. Forward purchase and sales contracts are with various counterparties, and the fair values of such contracts are determined from the market price of the underlying product.

The Company is exposed to loss in the event of nonperformance by the other parties to the contracts. However, the Company does not anticipate nonperformance by counterparties.

PROPERTY AND DEPRECIATION - Property is stated at cost, and depreciation is provided for using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	40 years
Leasehold improvements	3 - 19 years
Machinery and equipment	10 - 25 years
Other property	3 - 20 years

FAIR VALUE OF FINANCIAL INSTRUMENTS - The Company estimates the fair value of financial instruments using the following methods and assumptions:

ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE - The carrying amounts approximate fair value, due to the short maturities of these instruments.

LINES OF CREDIT - The carrying amounts approximate fair value, as the interest rates are based upon variable reference rates.

LONG-TERM DEBT - Based on the borrowing rates currently available to

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the Company for bank loans with similar terms and remaining maturities, the carrying amounts approximate fair value.

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FUTURES CONTRACTS - The fair value of futures contracts (used for hedging purposes) is determined from quotes listed principally on the Chicago Board of Trade.

CONCENTRATION OF CREDIT RISK - During the year ended March 31, 2002 and the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999, net sales to one customer were 22 percent, 22 percent, 21 percent, and 18 percent of total net sales, respectively. This customer represents approximately 19 percent and 17 percent of trade receivables at March 31, 2002 and 2001, respectively. The Company performs ongoing credit evaluations of its customers and maintains an allowance for potential credit losses.

The Company maintains cash deposits with various financial institutions. The Company periodically evaluates the credit standing of these financial institutions and has not sustained any credit losses relating to such balances.

MARKETABLE SECURITIES - The Company's marketable securities are composed of equity securities that have been classified as trading securities. The equity securities are carried at fair market value based upon quoted market prices of those investments at March 31, 2002. Unrealized gains and losses on equity securities are recognized in net income.

GOODWILL AND TRADEMARKS - The Company's goodwill relates to various acquisitions of businesses and is being amortized using the straight-line method over periods ranging from 15 to 20 years. Trademarks are amortized using the straight-line method over 10 to 15 years. Patents and other intangibles are amortized using the straight-line method over 1 to 15 years (see "Recent Accounting Pronouncements").

IMPAIRMENT OF LONG-LIVED ASSETS - Long-lived assets, including identifiable intangibles and goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, future cash flows expected to result from the use of the asset and its eventual disposition are estimated. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recorded under the discounted future cash flow method. Impairment losses of \$1,277,000 were recognized during 1999.

ADVERTISING COSTS - The Company expenses advertising costs in the period incurred. For the year ended March 31, 2002 and the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999, the Company incurred advertising expenses of approximately \$7,100,000, \$1,300,000, \$6,100,000, and \$4,500,000, respectively.

INCOME TAXES - The Company is a limited liability company and has no liability for federal and state income taxes. Income is taxed to the members based on their allocated share of taxable income or loss. However, certain states tax the income of limited liability companies. The Company's liability for such state income taxes is not significant.

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REVENUE RECOGNITION - Revenue is recognized after the related product has been shipped and title has transferred to the customer. Sales are presented net of discounts and sales allowances.

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

RECLASSIFICATIONS - Certain reclassifications have been made to the prior periods' financial statements to conform to the 2002 presentation.

RECENT ACCOUNTING PRONOUNCEMENTS - In June 2001, the Financial Accounting Standards Board ("FASB") approved the issuance of SFAS No. 141, BUSINESS COMBINATIONS, and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE Assets. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in business combinations occurring prior to June 30, 2001, will cease upon adoption of this statement. In addition, the standard includes provisions for the reclassification of certain existing recognized intangibles as goodwill, reassessment of the useful lives of existing recognized intangibles, reclassification of certain intangibles out of previously reported goodwill, and the identification of reporting units for purposes of assessing potential future impairments of goodwill. Under SFAS Nos. 141 and 142, goodwill and other intangibles are initially assessed for impairment upon adoption of the statements, with subsequent assessments required annually and when there is reason to suspect that their values have been diminished or impaired and with any corresponding write-downs recognized as necessary.

The Company adopted SFAS No. 141 on July 1, 2001. The adoption did not have a material impact on its consolidated financial statements. The Company adopted SFAS No. 142 on April 1, 2002. SFAS No. 142 requires the Company to complete a transitional goodwill and other intangible assets impairment test. The Company does not believe that the results of the impairment tests will have a material impact on its consolidated financial statements. Annual goodwill amortization of approximately \$4,000,000 ceased upon the adoption of SFAS No. 142. Amortization of other intangible assets for the year ended March 31, 2002 and the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999 was approximately \$1,900,000, \$430,000, \$1,750,000 and \$1,700,000, respectively.

In June 2001, the FASB issued SFAS No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement will be adopted as required in fiscal year 2004. The Company is currently assessing, but has not yet determined, the impact this statement will have on its consolidated financial statements.

In July 2001, the FASB issued SFAS No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS, which addresses financial accounting and

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reporting for the impairment or disposal of long-lived assets and supersedes SFAS No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS - REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS. This statement retains the requirements of SFAS No. 121 to (a) recognize an impairment loss only if the carrying amount of a long-lived asset is not recoverable from its undiscounted cash flows and (b) measure an impairment loss as the difference between the carrying amount and fair value of the asset, and establishes a single accounting model, based on the framework established in SFAS No. 121, for long-lived assets to be disposed of by sale. This statement will be adopted as required in fiscal year 2003. The Company is currently assessing, but has not yet determined, the impact this statement will have on its consolidated financial statements.

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In November 2001, the Emerging Issues Task Force ("EITF") issued EITF Issue No. 01-09, ACCOUNTING FOR CONSIDERATION GIVEN BY A VENDOR TO A CUSTOMER OR A RESELLER OF THE VENDOR'S PRODUCTS, which addresses the accounting for consideration given by a vendor to a customer or a reseller of the vendor's products. This new guidance provides that consideration from a vendor to a reseller is generally presumed to be a reduction of the selling prices of the vendor's products and therefore should be characterized as a reduction of revenue when recognized in the vendor's income statement. This statement will be adopted as required in fiscal year 2003. The Company is currently assessing, but has not yet determined, the impact this guidance will have on its consolidated financial statements.

3. ACQUISITIONS

During 2000, the Company acquired substantially all the assets and liabilities of Sona and Hollen for \$5,740,000. Sona and Hollen is a portion packing company located in Los Alamitos, California. The acquisition has been accounted for as a purchase, and accordingly, the purchase price has been allocated based on the estimated fair values of the assets acquired. The excess of the purchase price over the fair value of the assets acquired, approximately \$4,276,000, was recorded as goodwill and had been amortized using a 15-year life. The following is a summary of the assets acquired at estimated fair market value:

Inventories	\$ 637,000
Prepaid expenses and other assets	208,000
Property and equipment	600,000
Trademark	19,000
Goodwill	4,276,000

Net assets of business acquired	\$5,740,000
	=====

On January 11, 1999, the Company acquired substantially all the assets and liabilities of Sunnyland Refining Company ("Sunnyland") from its parent, Kane-Miller Corp, for \$53.2 million in cash. Sunnyland is a manufacturer and national distributor of margarine products located in Birmingham, Alabama.

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The acquisition has been accounted for as a purchase, and accordingly, the purchase price has been allocated based on the estimated fair values of the assets acquired. The excess of the purchase price over the fair value of the assets acquired, approximately \$38.8 million, was recorded as goodwill and has been amortized using a 15-year life.

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The following is a summary of the assets acquired and liabilities assumed at estimated fair market value:

Cash	\$ 3,201,000
Accounts receivable	6,513,000
Inventories	2,577,000
Prepaid expenses and other assets	486,000
Property and equipment	12,445,000
Goodwill	38,837,000

Assets acquired	64,059,000

Accounts payable	(7,653,000)
Accrued liabilities	(3,177,000)

Liabilities assumed	(10,830,000)

Net assets of business acquired	\$ 53,229,000
	=====

4. LINES OF CREDIT AND LONG-TERM DEBT

LINES OF CREDIT - At March 31, 2002, the Company had a revolving line-of-credit agreement with a banking group to provide for borrowings of up to an aggregate of \$72,000,000. Borrowings at March 31, 2002 and 2001 under such lines were \$8,000,000 and \$5,000,000, respectively. The interest rates applicable to borrowings are based, at the option of the Company, at a London Interbank Offered Rate ("LIBOR") or a term federal funds rate ("TFFR") option. The weighted-average rate at March 31, 2002 and 2001 was 2.24 percent and 5.67 percent, respectively. The credit agreement is subject to renewal annually with the banking group.

LONG-TERM DEBT - At March 31, 2002 and 2001, balances outstanding on long-term debt were \$109,936,000 and \$122,539,000, respectively, and represent term loans with a banking group. The interest rate applicable to these term loans is based, at the option of the Company, at a TFFR-based, LIBOR-based, or a fixed rate option. The weighted-average interest rate on borrowings at March 31, 2002 and 2001 was 6.59 percent and 6.83 percent, respectively.

The term loans are collateralized by substantially all property, equipment, and intellectual property rights, and the lines of credit are collateralized by substantially all trade receivables and inventories of the Company. The loan agreements contain various covenants, including compliance with tangible net worth (as defined) and other financial ratios, restrictions on the payment of dividends, and restrictions on the

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incurrence of additional debt.

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Annual maturities of long-term debt at March 31, 2002 are as follows:

2003		\$ 12,758,000
2004		74,223,000
2005		2,799,000
2006		2,987,000
2007		3,187,000
Thereafter		13,982,000

 Total		 109,936,000
Less current portion		12,758,000

 Long-term debt		 \$ 97,178,000
		=====

5. TRANSACTIONS WITH AFFILIATES

At March 31, 2002, the Company had a receivable balance of \$47,000 due from Wilsey for reimbursement of expenses paid by the Company on behalf of Wilsey.

Included in accounts payable at March 31, 2002 and 2001 were \$5,976,000 and \$3,347,000, respectively, payable to Cenex for purchases of oil. Purchases from Cenex for the year ended March 31, 2002 and for the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999 were \$47,745,000, \$8,575,000, \$48,916,000, and \$84,872,000, respectively. Sales to Cenex for the year ended March 31, 2002 and for the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999, totaled \$883,000, \$109,000, \$950,000, and \$1,130,000, respectively.

Included in accounts payable at March 31, 2002 and 2001 were \$817,000 and \$448,000, respectively, payable to Mitsui USA for the Company's participation in Mitsui USA's insurance plans. During the year ended March 31, 2001 and the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999, the Company recorded expenses of \$8,487,000, \$1,380,000, \$5,049,000, and \$5,677,000, respectively, in connection with its participation in such plans.

Included in trade receivables at March 31, 2002 and 2001 were \$69,000 and \$110,000, respectively, of receivables from Mitsui USA for product sales. Sales to Mitsui USA for the year ended March 31, 2002 and the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999, totaled \$1,406,000, \$341,000, \$1,569,000, and \$2,509,000, respectively.

Forward purchase contracts as of March 31, 2002 included commitments for purchases of 78,653,000 pounds of oil from Cenex. The Company recognized gains (losses) of \$934,000, \$1,788,000, \$(363,000), and \$(25,000), respectively, on such related party commitments for the year ended March 31, 2002 and for the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999.

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6. EMPLOYEE BENEFIT PLANS

The Company had long-term incentive arrangements for certain key executives. Benefits under the arrangements were based on earnings over a three- to five-year period (as defined) from inception of the arrangements (January 1, 1997) through December 31, 2001. The incentive period ended on December 31, 2001. An amount equal to the obligation incurred under the plan was contributed to a rabbi trust that would be available to general creditors in the event of bankruptcy. The trust holds investments primarily in marketable securities that are recorded at market value (classified as trading securities). The assets in the trust are to be distributed to the employees upon retirement. The liability under the arrangements was \$14,240,000 and \$8,774,000 as of March 31, 2002 and 2001, respectively, and is included in accrued compensation in the accompanying consolidated balance sheets.

On January 1, 2002, the Company established new long-term incentive arrangements with certain key executives under which they can earn additional compensation. Under these arrangements, the amount of additional compensation is based on the attainment of cumulative income-based or equity-based targets over a two- to three-year period. At the end of such periods, amounts earned by individual executives will be contributed to a rabbi trust, unless representatives of Wilsey and Cenex elect to pay such amounts directly to the respective key executives. At March 31, 2002, a liability for such awards of \$439,000 is classified as accrued compensation in the accompanying consolidated balance sheets.

For the year ended March 31, 2002 and the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999, the Company recognized compensation expense under the long-term incentive arrangements of \$5,657,544, \$749,815, \$5,883,929, and \$1,780,445, respectively.

The Company has a combined 401(k) and defined contribution profit-sharing plan (the "Plan") covering substantially all employees not covered by collective bargaining agreements. Under the Plan, employees can make annual voluntary contributions not to exceed the lesser of an amount equal to 15 percent of their compensation or limits established by the Internal Revenue Code. The Company is required by the Plan to make certain matching contributions of up to 4 percent of each participant's salary and may make discretionary profit-sharing contributions. The Company also established a 401(k) defined contribution plan covering employees under certain collective bargaining agreements. Under this plan, employees can make annual voluntary contributions of up to 15 percent of their compensation. Expense for the years ended March 31, 2002 and the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999 was \$5,855,000, \$1,343,000, \$5,139,000, and \$5,212,000, respectively. Certain of the Company's union employees are participants in multi-employer plans. Payments to multi-employer pension plans are negotiated in various collective bargaining agreements and aggregated \$1,162,000, \$416,000, \$1,641,000, and \$1,465,000, for the year ended March 31, 2002 and for the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999, respectively. The actuarial present value of accumulated plan benefits and net assets available for benefits to union employees under these multi-employer pension plans are not available, as the Company does not administer these plans.

Effective January 1, 1999, the Company established a Supplemental Executive Retirement Plan for certain of its employees. The projected benefit obligation as of March 31, 2002 and 2001 was \$2,049,000 and

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\$1,484,000, respectively. A liability of \$1,668,000 and \$1,557,000, as of March 31, 2002 and 2001, respectively, is included in long-term accrued compensation in the accompanying consolidated balance sheets. The plan is unfunded. During the year ended March 31, 2002 and the

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three months ended March 31, 2001 and the years ended December 31, 2000 and 1999, the Company recorded benefit expense related to the plan of \$111,000, \$420,000, \$379,000, and \$412,000, respectively.

The assumptions used in the measurement of the Company's benefit obligation are as follows:

	MARCH 31,		DECEMBER 31,	
	2002	2001	2000	1999
Discount rate	7.0%	7.0%	7.0%	7.5%
Rate of compensation increase	3.0%	3.0%	3.0%	4.0%

The Company accrues the actuarially determined amount necessary to fund the participants' benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

7. COMMITMENTS AND CONTINGENCIES

Future minimum annual payments under noncancelable operating leases with lease terms in excess of one year at March 31, 2002 are as follows:

2003		\$ 4,960,000
2004		3,881,000
2005		3,092,000
2006		1,826,000
2007		669,000
Thereafter		203,000

Total		\$ 14,631,000
		=====

Under the lease agreements, the Company is obligated to pay certain property taxes, insurance, and maintenance costs. Certain leases contain renewal and purchase options. Rental expense for the year ended March 31, 2002 and for the three months ended March 31, 2001 and the years ended December 31, 2000 and 1999 under operating leases totaled \$5,671,000, \$1,476,000, \$5,205,000, and \$5,121,000, respectively.

During the year ended December 31, 2000, the Company received a payment of approximately \$2.4 million in connection with the settlement of a class action lawsuit. This amount has been recorded as a component of other income in the accompanying consolidated statements of income.

The Company is involved from time to time in routine legal matters incidental to its business. The Company believes that the resolution of such matters will not have a material adverse effect on the Company's business, financial condition, or results of operations.

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8. QUARTERLY INFORMATION (UNAUDITED)

As discussed in Note 2, the Company changed its fiscal year-end to March 31. Audited financial information for the three months ended March 31, 2001 has been included herein. For comparison purposes, selected unaudited financial information for the three months ended March 31, 2000 is as follows:

Sales	\$ 211,815,000
Cost of goods sold	172,818,000
Net income	17,123,000
Total assets	362,382,000
Total liabilities	231,789,000
Members' capital	130,593,000

(20149)

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