LAND O'LAKES, INC.

2014 Financial Results

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FINANCIAL OVERVIEW

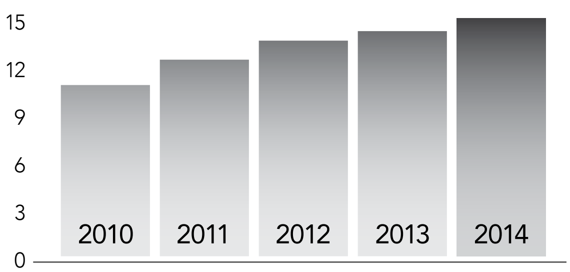
Land O'Lakes, Inc. ("Land O'Lakes" or the "Company") operates in three segments: Dairy Foods, Feed, and Crop Inputs. Dairy Foods develops, produces, markets and sells a variety of premium butter, spreads, cheese, refrigerated desserts and other related dairy products. Feed, through Purina Animal Nutrition LLC, develops, produces, markets and distributes animal feed to both the lifestyle and livestock animal markets. Crop Inputs, which is primarily the operations of Winfield Solutions, LLC, 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). During 2014, Land O'Lakes sold the Western and Midwestern assets of Moark, LLC and discontinued reporting the Layers segment separately.

SALES AND EARNINGS

Net Sales for Land O'Lakes in 2014 were $15.0 billion, compared with $14.2 billion in 2013, an increase of five percent from last year.

Sales in Crop Inputs rose on stronger soybean volume driven by an increase in soybean acres and favorable product mix. Dairy Foods sales increased due to higher markets in the first half of the year and strong branded butter volumes. Sales in Feed have decreased, with a decline in commodity prices offset by increases in volumes in the lifestyle, livestock and premix categories.

Sales
($ in billions)

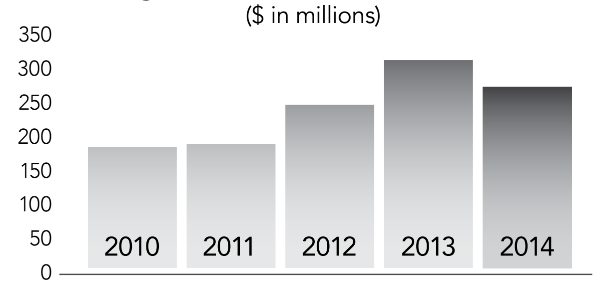


Net Earnings attributable to Land O'Lakes, Inc. decreased to $266.5 million, compared with $306.0 million in 2013.

These results include the impact of the year-to-year change in unrealized hedging gains and losses on derivative contracts. In 2014, unrealized hedging losses decreased net earnings by $18.9 million, net of income taxes, compared to 2013 where unrealized hedging gains increased net earnings by $7.1 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 negatively impacted by declining milk powder markets in the second half of 2014. Earnings in Feed increased compared to the prior year due to the impact of higher livestock and lifestyle volumes as well as increased margins throughout the portfolio. Crop Inputs earnings increased due to increased volume and margins in soybeans. One time tax benefits in 2013 not repeated in 2014 also contributed to the decrease in net earnings.

Net Earnings Attributable to Land O'Lakes, Inc.
($ in millions)



FINANCIAL CONDITION

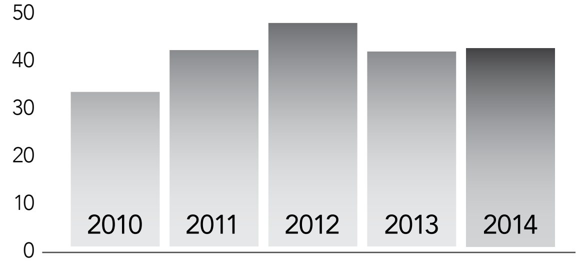
Debt includes notes and short-term obligations, the current portion of long-term debt and long-term debt. Notes and short-term obligations at December 31, 2014 were $100.4 million, compared with $95.4 million at December 31, 2013. Long-term debt, including the current portion, was $1,042.5 million at December 31, 2014, compared with $1,104.5 million at December 31, 2013. The decrease is the result of the repayment of Moark's $60.0 million term loan in 2014.

The Company's primary sources of debt and liquidity at December 31, 2014 included a $500.0 million receivables securitization facility of which there were no borrowings, $447.3 million available on a $475.0 million revolving credit facility, $325.0 million in 6.24%-6.77% private placement notes, $300.0 million in 6% unsecured senior notes, a $150 million term loan with a variable rate based on LIBOR, swapped to a fixed rate of 4.44%, and $200.0 million of 7.45% capital securities.

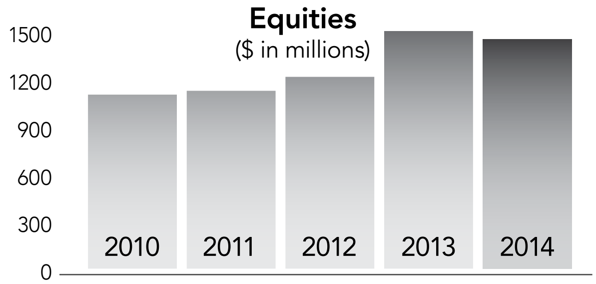
Liquidity, which consists of cash and availability under credit facilities, was $1,539.6 million at December 31, 2014, compared with $1,079.5 million at December 31, 2013.

Land O'Lakes long-term debt-to-capital ratio was 41.7 percent at December 31, 2014, compared with 41.0 percent a year ago.

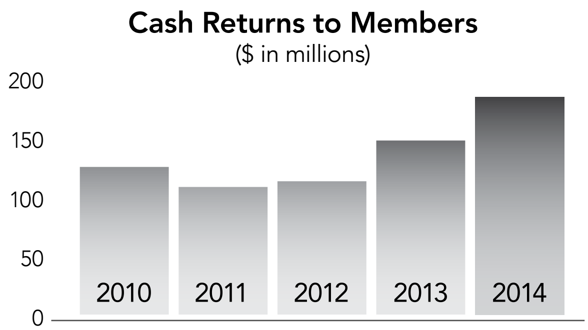
LTD to Capital
(as a percent)



Equities at December 31, 2014 were $1,446.8 million, compared with $1,498.6 million at December 31, 2013. The decrease was primarily caused by pension related adjustments due to changes in actuarial assumptions recorded in accumulated other comprehensive loss.



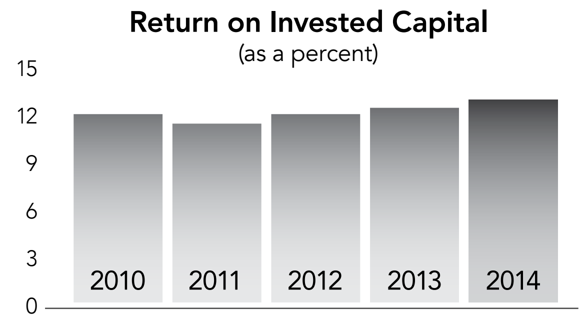
Cash returned to members in 2014 was $183.6 million, compared with $146.9 million in 2013. Members received $109.1 million of equity revolvements, $71.0 million of cash patronage related to prior year earnings and $3.5 million of age retirement, estate and other payments during the year.



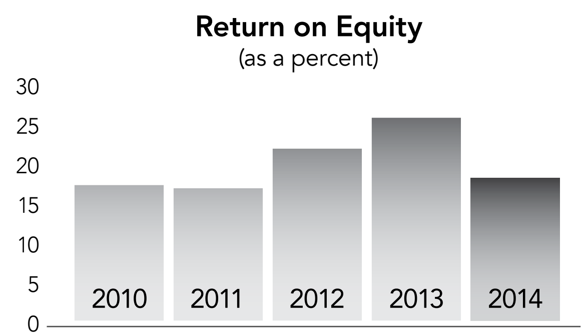
PERFORMANCE MEASURES

Land O'Lakes is committed to increasing returns to members and enhancing ownership value by improving profitability in each 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 in 2014 was 12.8 percent, compared with 12.3 percent in the prior year. Land O'Lakes average ROIC for the five-year period ended in 2014 was 12.1 percent.



Return on equity in 2014 was 18.0 percent, compared with 25.6 percent in 2013. This change was driven by lower net earnings in 2014. Average ROE for the five-year period ended in 2014 was 19.8 percent.



Five Years In Review ($ in millions)	2014	2013	2012	2011	2010
Operations:					
Net Sales	$14,966	$14,236	$13,642	$12,426	$10,780
Earnings before income taxes and discontinued operations	269	288	252	168	200
Net earnings attributable to Land O'Lakes, Inc.	266	306	240	182	178
Allocated patronage equities	178	185	180	124	138
Cash returned to members	184	147	113	108	125
Financial Position:					
Working Capital	$893	$872	$756	$818	$585
Investments	328	335	338	171	169
Property, plant, and equipment	991	939	965	846	745
Total assets	6,992	6,778	6,357	5,438	4,885
Long-term debt	1,033	1,041	1,072	790	529
Equities	1,447	1,499	1,210	1,122	1,098
Financial Measures:					
Return on equity	18.0%	25.6%	21.7%	16.7%	17.2%
Return on invested capital	12.8%	12.3%	11.9%	11.3%	11.9%
Long-term debt-to-capital	41.7%	41.0%	47.0%	41.3%	32.5%
Current Ratio	1.22	1.22	1.21	1.27	1.20

CONSOLIDATED BALANCE SHEETS

As of December 31 ($ in thousands)	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$ 592,255	$ 62,843
Receivables, net	1,305,952	1,333,113
Inventories	1,582,647	1,577,475
Prepaid assets	1,307,047	1,555,223
Other current assets	131,787	237,122
Total current assets	4,919,688	4,765,776
Investments	327,528	335,456
Property, plant and equipment, net	990,573	939,154
Goodwill	410,658	413,943
Other intangibles, net	186,124	196,029
Other assets	157,371	127,728
Total assets	$ 6,991,942	$ 6,778,086
Liabilities and Equities		
Current liabilities:		
Notes and short-term obligations	$ 100,388	$ 95,406
Current portion of long-term debt	9,216	63,411
Accounts payable	1,415,098	1,353,304
Customer advances	1,852,638	1,836,643
Accrued liabilities	551,425	476,552
Patronage refunds and other member equities payable	98,053	68,715
Total current liabilities	4,026,818	3,894,031
Long-term debt	1,033,284	1,041,088
Employee benefits and other liabilities	485,063	344,415
Commitments and contingencies	—	—
Equities:		
Capital stock	830	860
Member equities	1,075,565	1,108,282
Accumulated other comprehensive loss	(233,861)	(129,146)
Retained earnings	586,986	500,721
Total Land O'Lakes, Inc. equity	1,429,520	1,480,717
Noncontrolling interests	17,257	17,835
Total equities	1,446,777	1,498,552
Total liabilities and equities	$ 6,991,942	$ 6,778,086

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31 ($ in thousands)	2014	2013	2012
Net sales	$ 14,965,516	$ 14,236,449	$ 13,642,019
Cost of sales	13,670,815	12,985,993	12,439,953
Gross profit	1,294,701	1,250,456	1,202,066
Selling, general and administrative	1,011,936	936,700	920,840
Earnings from operations	282,765	313,756	281,226
Interest expense, net	67,347	68,180	51,912
Other expense (income), net	(1,650)	1,393	(506)
Equity in earnings of affiliated companies	(52,365)	(44,247)	(21,938)
Earnings before income taxes and discontinued operations	269,433	288,430	251,758
Income tax expense (benefit)	15,314	(9,581)	14,551
Net earnings from continuing operations	254,119	298,011	237,207
Net earnings from discontinued operations	12,591	7,611	3,654
Net earnings	266,710	305,622	240,861
Less: net earnings (losses) attributable to noncontrolling interests	215	(331)	496
Net earnings attributable to Land O'Lakes, Inc.	$ 266,495	$ 305,953	$ 240,365
Applied to:			
Member equities			
Allocated patronage	$178,293	$184,621	$179,605
Deferred equities	—	—	1,721
	178,293	184,621	181,326
Retained earnings	88,202	121,332	59,039
	$266,495	$305,953	$240,365

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

Years Ended December 31 ($ in thousands)	2014	2013	2012
Net earnings	$ 266,710	$ 305,622	$ 240,861
Other comprehensive (loss) earnings, net of tax			
Pension and other postretirement adjustments, net of income taxes	(98,511)	127,127	(17,837)
Cash flow hedge adjustments, net of income taxes	(3,711)	7,984	(1,919)
Foreign currency translation adjustments, net of income taxes	(3,094)	586	673
Total other comprehensive (loss) earnings	(105,316)	135,697	(19,083)
Comprehensive earnings	161,394	441,319	221,778
Less: comprehensive (loss) earnings attributable to noncontrolling interests	(386)	15	15
Comprehensive earnings attributable to Land O'Lakes, Inc.	$ 161,780	$ 441,304	$ 221,763

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31 ($ in thousands)	2014	2013	2012
Cash flows from operating activities:			
Net earnings	$ 266,710	$ 305,622	$ 240,861
Adjustments to reconcile net earnings to net cash used by operating activities:			
Depreciation and amortization	141,438	132,248	122,608
Amortization of deferred financing costs	2,689	2,690	2,330
Bad debt expense	3,467	3,132	5,792
Proceeds from patronage revolvement received	6,352	7,216	7,626
Non-cash patronage income	(5,262)	(7,412)	(4,892)
Deferred income tax expense (benefit)	1,021	(10,589)	13,062
Restructuring and impairment	9,144	5,258	415
Gain on divestiture of a business	(8,119)	(4,480)	(352)
Gain on sale of investments	(6,072)	(2,086)	—
Equity in earnings of affiliated companies	(52,365)	(44,247)	(21,938)
Dividends from investments in affiliated companies	38,969	37,340	10,087
Other	3,069	(2,190)	(469)
Changes in assets and liabilities, net of acquisitions and divestitures:			
Restricted cash for legal reserve	—	—	25,000
Receivables	43,808	(53,354)	(131,151)
Inventories	4,318	(90,203)	(121,283)
Prepaids and other current assets	246,584	(220,743)	(292,383)
Accounts payable	2,815	79,268	7,421
Customer advances	15,995	266,113	368,584
Accrued liabilities	67,424	1,830	75,406
Other assets	(513)	(380)	5,676
Other liabilities	5,182	1,918	(28,735)
Net cash provided by operating activities	786,654	406,951	283,665
Cash flows from investing activities:			
Additions to property, plant and equipment	(163,918)	(201,550)	(233,425)
Purchase of intangible assets	(1,636)	(400)	(8,858)
Acquisitions, net of cash acquired	(4,763)	(24,179)	(195,408)
Investments in affiliates	(412)	(8,465)	(159,716)
Net proceeds from divestiture of businesses	151,440	9,424	92,104
Net proceeds from sale of investments	24,130	19,263	—
Proceeds from sale of property, plant and equipment	8,094	2,859	7,407
Insurance proceeds for replacement assets	4,226	3,602	—
Change in notes receivable	(21,666)	3,582	7,814
Other	708	(1,975)	—
Net cash used by investing activities	(3,797)	(197,839)	(490,082)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	4,572	(64,942)	45,730
Proceeds from issuance of long-term debt	3,200	9,470	296,490
Principal payments on long-term debt and capital lease obligations	(76,642)	(11,473)	(15,874)
Cash patronage and redemption of member equities	(183,640)	(146,881)	(112,539)
Other	(935)	1,268	(1,041)
Net cash (used by) provided by financing activities	(253,445)	(212,558)	212,766
Net increase (decrease) in cash and cash equivalents	529,412	(3,446)	6,349
Cash and cash equivalents at beginning of the year	62,843	66,289	59,940
Cash and cash equivalents at end of the year	$ 592,255	$ 62,843	$ 66,289

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EQUITIES

($ in thousands)	Capital Stock	Member Equities Allocated	Member Equities Deferred	Member Equities Net	Accumulated Other Comprehensive Loss	Retained Earnings	Noncontrolling Interests	Total Equities
Balance, December 31, 2011	$ 925	$1,031,491	$ (1,721)	$1,029,770	$ (245,895)	$320,334	$ 16,500	$1,121,634
Capital stock issued	9	—	—	—	—	—	—	9
Capital stock redeemed	(43)	—	—	—	—	—	—	(43)
Cash patronage and redemption of member equities	—	(112,539)	—	(112,539)	—	—	—	(112,539)
Redemption included in prior year's liabilities	—	41,245	—	41,245	—	—	—	41,245
Other, net	—	2,056	—	2,056	—	(2,302)	(222)	(468)
2012 earnings, as applied	—	179,605	1,721	181,326	—	59,039	496	240,861
Other comprehensive loss, net of income taxes	—	—	—	—	(18,602)	—	(481)	(19,083)
Patronage refunds payable	—	(61,189)	—	(61,189)	—	—	—	(61,189)
Balance, December 31, 2012	891	1,080,669	—	1,080,669	(264,497)	377,071	16,293	1,210,427
Capital stock issued	3	—	—	—	—	—	—	3
Capital stock redeemed	(34)	—	—	—	—	—	—	(34)
Cash patronage and redemption of member equities	—	(146,881)	—	(146,881)	—	—	—	(146,881)
Redemption included in prior year's liabilities	—	61,189	—	61,189	—	—	—	61,189
Other, net	—	(2,601)	—	(2,601)	—	2,318	1,527	1,244
2013 earnings, as applied	—	184,621	—	184,621	—	121,332	(331)	305,622
Other comprehensive earnings, net of income taxes	—	—	—	—	135,351	—	346	135,697
Patronage refunds payable	—	(68,715)	—	(68,715)	—	—	—	(68,715)
Balance, December 31, 2013	860	1,108,282	—	1,108,282	(129,146)	500,721	17,835	1,498,552
Capital stock issued	4	—	—	—	—	—	—	4
Capital stock redeemed	(34)	—	—	—	—	—	—	(34)
Cash patronage and redemption of member equities	—	(183,640)	—	(183,640)	—	—	—	(183,640)
Redemption included in prior year's liabilities	—	68,715	—	68,715	—	—	—	68,715
Other, net	—	1,968	—	1,968	—	(1,937)	(192)	(161)
2014 earnings, as applied	—	178,293	—	178,293	—	88,202	215	266,710
Other comprehensive loss, net of income taxes	—	—	—	—	(104,715)	—	(601)	(105,316)
Patronage refunds payable	—	(98,053)	—	(98,053)	—	—	—	(98,053)
Balance, December 31, 2014	$ 830	$1,075,565	$ —	$1,075,565	$ (233,861)	$586,986	$ 17,257	$1,446,777

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. Land O'Lakes manages its business through its three segments: Dairy Foods, Feed and Crop Inputs. Through the Dairy Foods segment, Land O'Lakes procures approximately 13.0 billion pounds of member milk annually and markets premium butter, spreads, cheese, refrigerated desserts and other dairy products. Feed, through Purina Animal Nutrition LLC ("Purina"), develops, produces, markets and distributes animal feed to both the lifestyle and livestock animal markets. Crop Inputs, which is primarily the operations of Winfield Solutions, LLC ("Winfield"), provides member cooperatives, farmers and ranchers with seed for a variety of crops (including corn, soybeans and alfalfa) and distributes crop protection products (including herbicides, pesticides, fungicides and adjuvants).

Basis of Presentation

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.

The operations of the West and Midwest regions of Moark, LLC, a wholly owned subsidiary of the Company, are presented as discontinued operations in the consolidated statements of operations for all periods presented. The former assets comprising the disposal groups meet the criteria to be classified as held-for-sale and have been aggregated and presented in the other current assets line items in the consolidated balance sheets. Unless otherwise stated, any reference to the consolidated statements of operations items in the notes to the consolidated financial statements refers to results from continuing operations. See Note 21 for further information.

Correction of an immaterial error

During the year ended December 31, 2014, the Company identified an immaterial error made in its purchase accounting for the Purina Mills, Inc. acquisition in 2001. No deferred tax liability was recorded for the acquired indefinite-lived trademarks. The Company has made this correction to all prior years presented. The effect of the adjustments on the consolidated balance sheet for the year ended December 31, 2013 was an increase of $19.9 million to both goodwill and deferred tax liabilities included in employee benefits and other liabilities in the balance sheet. There is no impact on the statements of operations or statements of cash flows in any years presented.

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, 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 $107.5 million, $129.6 million and $93.0 million in 2014, 2013 and 2012, respectively.

Research and Development

Expenditures for research and development are charged to selling, general and administrative expense in the year incurred. Total research and development expenses were $75.5 million, $72.4 million and $65.7 million in 2014, 2013 and 2012, 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 remediation 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 a component of income tax expense, when applicable. Deferred income tax assets and liabilities are established based on the difference between the financial statements and income tax carrying values of assets and liabilities using enacted tax rates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less. Outstanding checks are recorded within accounts payable and included within operating activities on the statements of cash flows.

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 has 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, with cost determined on an average cost basis.

Vendor Prepayments

The Company prepays a substantial amount for seed and crop protection products, which it will procure and sell 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, 2014 and 2013, vendor prepayments for seed and crop protection products, which are presented as prepaid assets in the consolidated balance sheets, were $1,222.2 million and $1,477.6 million, respectively, most of which were concentrated with Monsanto Company and Bayer AG.

Derivative Commodity Instruments

In the normal course of operations, the Company purchases commodities such as: milk, butter and soybean oil in the Dairy Foods segment; soybean meal and corn in the Feed segment; and soybeans, corn and wheat in the Crop Inputs segment. 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 in accordance with the straight-line method. 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 40 years.

Recoverability of Goodwill and Other Long-lived Assets

The test for goodwill impairment is performed on at least an annual basis. The Company has the option to first perform a qualitative assessment before calculating the fair value of the reporting unit in the first step. If the Company determines, on the basis of qualitative factors, that the fair value of a reporting unit is not more likely than not less than the carrying amount, the two-step impairment test is unnecessary. Otherwise, further testing would be needed. The Company has elected to perform this qualitative assessment on its Winfield reporting unit within the Crop Inputs reporting segment and its Geosys reporting unit within Other/Eliminations. The two-step quantitative process was performed for its other reporting units. 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 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 the Feed reporting unit and the Moark reporting unit, within Other/Eliminations, 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.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2014, Accounting Standards Update ("ASU") No. 2014-02, which amended Accounting for Goodwill (ASC Topic 350), was issued by the Financial Accounting Standards Board ("FASB"). This ASU provides private companies with an accounting alternative for the subsequent measurement of goodwill. If elected, an entity would amortize goodwill over a maximum of 10 years, test goodwill for impairment at either the entity or reporting unit level, and the test for impairment would only take place if a triggering event is identified. The standard is effective for annual periods beginning after December 15, 2014, but early adoption is permitted. The Company has determined that it will not elect to apply this private company guidance.

In April 2014, ASU No. 2014-08, which amended Presentation of Financial Statements (ASC Topic 205) and Property, Plant and Equipment (ASC Topic 360), was issued by the FASB. This ASU changes the requirements for reporting discontinued operations. Under the new requirements, a component of a business that has either been sold or is held for sale would be classified as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The amendments in this ASU also require additional disclosures about discontinued operations. The standard is effective for non-public entities prospectively to all disposals (or classifications as held for sale) that occur on or after December 15, 2014 and interim periods beginning on or after December 15, 2015, and early adoption is permitted. The adoption of this standard will apply to components classified as discontinued operations in future periods.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606), which was the result of a joint project by the FASB and International Accounting Standards Board to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. generally accepted accounting principles and international financial reporting standards. The new standard requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods and services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The new guidance is effective for annual reporting periods beginning after December 15, 2016 for public entities and December 15, 2017 for nonpublic entities. Nonpublic entities have the option to adopt at the same time as public entities. The Company is currently assessing the impact on its consolidated financial statements and disclosures.

4. BUSINESS COMBINATIONS

On September 30, 2013, Winfield acquired the assets of Matrix Turf Solutions, LLC ("Matrix"), a professional products sales organization with its primary focus on golf course turf and landscape maintenance. On December 2, 2013, the Company acquired Geosys SAS ("Geosys"), a French company that specializes in developing and providing decision support services for agriculture professionals through the use of geographic information systems and other forms of information technology. Prior to the acquisition, the Company held a previously recorded equity investment of 9.6%. The following table summarizes the fair values recognized of identifiable assets and liabilities acquired related to these acquisitions based on management estimates:

Current assets	$7,787
Property, plant and equipment	1,218
Other intangibles	15,852
Current liabilities	(9,791)
Other liabilities	(1,591)
Total fair value of identifiable assets and liabilities	13,475
Fair value of previously held equity interest in Geosys	1,945
Purchase price, net of cash assumed	26,131
Goodwill	$14,601

The goodwill related to the Matrix acquisition has been assigned to the Crop Inputs segment and goodwill resulting from the Geosys acquisition is included in Other/Eliminations.

On July 31, 2012, the Company acquired the outstanding shares of Kozy Shack Enterprises, Inc. and its wholly owned subsidiaries (together, "Kozy Shack") for $172.9 million. Kozy Shack manufactures, markets and distributes refrigerated dairy desserts, a product category that the Dairy Foods segment did not participate in prior to the acquisition.

The following table summarizes the fair values of recognized identifiable assets and liabilities acquired related to the Kozy Shack acquisition based upon independent appraisals and management estimates:

Current assets	$15,207
Property, plant and equipment	33,603
Other intangibles	37,500
Current liabilities	(14,495)
Total fair value of identifiable assets and liabilities	71,815
Purchase price, net of cash assumed	172,919
Goodwill	$101,104

Goodwill, related to the Kozy Shack acquisition, was calculated as the excess of the purchase price over the fair value of identifiable assets and liabilities acquired. The primary items that generated goodwill were the premiums paid for expected synergies. The goodwill has been assigned to our Dairy Foods segment. The goodwill is expected to be fully deductible for tax purposes. Acquired intangible assets consist of customer relationships, which are being amortized over their estimated useful life of 10 years, and trade names, which have been categorized as indefinite-lived intangible assets.

The Company has also completed acquisitions that were immaterial individually and in the aggregate in all periods presented.

5. RECEIVABLES

A summary of receivables at December 31 is as follows:

	2014	2013
Trade accounts	$ 1,023,267	$ 1,085,823
Notes and contracts	112,591	109,071
Vendor rebates	67,282	76,330
Other	112,650	74,634
Total receivables before reserve	1,315,790	1,345,858
Less allowance for doubtful accounts	(9,838)	(12,745)
Total receivables, net	$ 1,305,952	$ 1,333,113

A substantial portion of the Company's receivables are 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 $204.7 million at December 31, 2014 and $179.1 million at December 31, 2013, of which $112.1 million and $100.6 million, respectively, were the current portions included in the table above. Commitments to extend credit totaled $54.5 million and $51.5 million at December 31, 2014 and 2013, 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, nonperforming or in bankruptcy and all troubled debt restructurings. As of December 31, 2014 and 2013, LOL Finance Co. had a recorded investment of $23.4 million and $23.8 million in impaired loans, respectively. 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 interest income is suspended and the loan is placed on nonaccrual status when management determines that collection of future principal and interest payments is not probable (generally after 120 days past due). Interest income on nonaccrual loans is recorded on a cash basis. Accrual is resumed when the loan becomes contractually current and/or collection doubts are removed.

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. LOL Finance Co.'s total loan loss reserves were $1.6 million and $1.3 million at December 31, 2014 and 2013, 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:

	2014	2013
Raw materials	$ 269,574	$ 253,564
Work in process	3,630	3,047
Finished goods	1,309,443	1,320,864
Total inventories	$ 1,582,647	$ 1,577,475

7. INVESTMENTS

A summary of investments at December 31 is as follows:

	2014	2013
Eggland's Best, LLC	$ 130,150	$ 127,422
AFP advanced food products, LLC	45,066	41,955
GreenPoint Ag, LLC	43,890	38,556
Ag Processing Inc	24,874	26,948
Agri-AFC, LLC	19,753	16,179
Delta Egg Farm, LLC	—	11,684
Other – principally cooperatives and joint ventures	63,795	72,712
Total investments	$ 327,528	$ 335,456

As of December 31, 2014, the Company maintained a 50 percent voting interest in numerous joint ventures, including Agri-AFC, LLC in Crop Inputs and Eggland's Best, LLC in Dairy Foods. Moark held a 50 percent voting interest in Delta Egg Farm, LLC through March 2014, at which time its ownership interest was sold. The Company also maintained a 48 percent voting interest in GreenPoint Ag, LLC in Crop Inputs and a 35 percent voting interest in AFP advanced food products LLC in Dairy Foods at December 31, 2014. The Company's largest investments in other cooperatives as of December 31, 2014 were Ag Processing 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 impairment analysis. 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 2014, based on further deterioration in the financial results of Universal Cooperatives, Inc. ("Universal"), the Company recorded a $3.3 million impairment of the investment, which was recorded in other income, net on the consolidated statement of operations. The Company had previously impaired its investment in Universal by $4.6 million in 2013. The current carrying value of the investment in Universal Cooperatives is $0.

8. PROPERTY, PLANT AND EQUIPMENT

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

	2014	2013
Machinery and equipment	$ 1,038,089	$ 971,878
Buildings and building equipment	644,644	585,008
Land and land improvements	102,056	95,192
Software	202,574	172,600
Construction in progress	67,852	94,879
	2,055,215	1,919,557
Less: accumulated depreciation	1,064,642	980,403
Total property, plant and equipment, net	$ 990,573	$ 939,154

9. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

Change in the carrying amount of goodwill by reporting unit for the years ended December 31, 2014 and 2013 are as follows:

	Dairy Foods	Feed	Crop Inputs	Other	Total
Balance at December 31, 2012	$ 171,579	$ 149,067	$ 68,257	$ 28,250	$ 417,153
Acquisitions (a)	(1,950)	—	2,304	12,297	12,651
Divestitures (b)	—	(1,695)	—	(497)	(2,192)
Foreign currency translation	—	—	(3)	(27)	(30)
Tax benefit on goodwill amortization (c)	—	—	—	(664)	(664)
Transfers to assets held for sale (d)	—	—	—	(12,975)	(12,975)
Balance at December 31, 2013	169,629	147,372	70,558	26,384	413,943
Acquisitions	—	1,550	—	—	1,550
Transfer	—	(3,300)	3,300	—	—
Foreign currency translation	—	—	(618)	(1,083)	(1,701)
Tax benefit on goodwill amortization (c)	—	—	—	(245)	(245)
Transfers to assets held for sale (d)	—	—	—	(2,889)	(2,889)
Balance at December 31, 2014	$ 169,629	$ 145,622	$ 73,240	$ 22,167	$ 410,658

(a) The adjustment to goodwill within Dairy Foods related to a working capital true-up on the 2012 acquisition of Kozy Shack. The increase in Crop Inputs goodwill is related to the acquisition of Matrix in September 2013 and the increase in Other/Eliminations is related to the acquisition of Geosys in December 2013.

(b) In 2013, the Company sold various businesses which were allocated a portion of goodwill.

(c) Related to the Moark business in Other/Eliminations, tax deductible goodwill is in excess of its book goodwill. The tax benefits attributable to the excess tax goodwill are first used to reduce associated goodwill prior to recognizing any income tax benefit in the consolidated statements of operations.

(d) Transfers related to the classification of the Moark West and Midwest regions as held for sale, as further discussed in Note 21.

Other Intangible Assets

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

	2014	2013
Amortized other intangible assets:		
Dealer networks and customer relationships, less accumulated amortization of $24,020 and $18,834, respectively	$ 61,825	$ 67,011
Intellectual property, less accumulated amortization of $3,678 and $2,294, respectively	12,593	14,874
Patents, less accumulated amortization of $14,916 and $13,899, respectively	1,795	2,812
Trademarks, less accumulated amortization of $6,448 and $6,008, respectively	1,137	1,463
Other intangible assets, less accumulated amortization of $10,484 and $8,454, respectively	22,249	23,344
Total amortized other intangible assets	99,599	109,504
Total indefinite-lived trademarks	86,525	86,525
Total other intangible assets	$ 186,124	$ 196,029

In January 2013, Moark purchased the rights to an existing Eggland's Best franchise covering certain geographies for a cash payment of $2.0 million at close and seven guaranteed minimum annual earn-out amounts of $1.8 million. The guaranteed minimum annual earn-out is subject to additional amounts payable as defined in the agreement. Upon close, Moark received an intangible asset in the amount of $12.8 million, representing the cash paid and discounted minimum annual payments. This intangible is being amortized over 40 years, the expected remaining useful life of the franchise agreement.

Amortization expense for the years ended December 31, 2014, 2013 and 2012 was $9.5 million, $9.4 million and $9.2 million, respectively. The estimated amortization expense related to other intangible assets subject to amortization for the next five years will approximate $9.5 million annually. The weighted-average life of the intangible assets subject to amortization is approximately 11 years and ranges from three to 40 years. Non-amortizing other intangible assets relate to trademarks in Feed and Dairy Foods and the majority of the amortizing other intangible assets relate to Feed and Crop Inputs.

10. ACCRUED LIABILITIES

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

	2014	2013
Employee compensation and benefits	$ 180,191	$ 166,637
Unrealized hedging losses and deferred option premiums received	40,309	14,707
Marketing programs and customer incentives	128,590	112,225
Other	202,335	182,983
Total accrued liabilities	$ 551,425	$ 476,552

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, 2014 and 2013 of $100.4 million and $95.4 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, 2014 included an undrawn $500.0 million receivables securitization facility, an undrawn $475.0 million revolving credit facility, $325.0 million in 6.24%-6.77% private placement notes, $300.0 million in 6.00% senior notes, a $150.0 million term loan with a variable rate based on LIBOR, swapped to a fixed rate of 4.44% and $200.0 million of 7.45% capital debt securities.

The Company's $500.0 million 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, 2014 and 2013, the SPE's receivables were $890.9

million and $943.3 million, respectively. At December 31, 2014 and 2013, outstanding balances under the facility, recorded as notes and short-term obligations, were $0 and availability was $500.0 million.

The Company maintains a $475.0 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 $475.0 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 2014, 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, 2014, there was $0 outstanding on the Revolving Credit Facility and $447.3 million was available after giving effect to $27.7 million of outstanding letters of credit, which reduced availability. At December 31, 2013, there was $0 outstanding on the Revolving Credit Facility and $449.0 million was available after giving effect to $26.0 million of outstanding letters of credit, which reduced availability.

The Company also had $100.4 million and $95.4 million as of December 31, 2014 and 2013, 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.

Moark maintained a separate revolving credit facility which was not guaranteed by the Company nor was it secured by Company assets. Outstanding borrowings under Moark's revolving credit facility were paid in full and the revolving credit facility was terminated in May 2014, as the result of the sale of certain assets, further described in Note 21.

The weighted-average interest rate on short-term borrowings and notes outstanding at December 31, 2014 and 2013 was 1.62% and 1.19%, respectively.

LONG-TERM DEBT

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

	2014	2013
Private Placement Notes — due 2016-2021 (6.24%-6.77%)	$ 325,000	$ 325,000
Senior Notes — due 2022 (6.00%)	300,000	300,000
Capital Securities of Trust Subsidiary — due 2028 (7.45%)	200,000	200,000
Term Loan — due 2021 (variable rate based on LIBOR, swapped into a fixed rate of 4.44%)	150,000	150,000
Moark, LLC debt — due 2015 through 2019 (5.19% weighted average)	8,228	63,276
Moark, LLC capital lease obligations (5.89% weighted average)	51,665	54,949
Other debt, including discounts and fair value adjustments	7,607	11,274
Total debt	1,042,500	1,104,499
Less current portion	9,216	63,411
Total long-term debt	$ 1,033,284	$ 1,041,088

In May 2014, as a result of the sale of certain assets as discussed in Note 21, Moark prepaid its outstanding term loan which had a balance of $52.0 million at the time of the prepayment. As a result, Moark incurred a loss on prepayment of $1.1 million related to a prepayment penalty and deferred financing charges.

On November 7, 2012, the Company issued $300.0 million of 6.00% senior notes (the "Senior Notes") that mature on November 15, 2022. In July 2014, the Company entered into fixed-to-floating interest rate swaps, as discussed in Note 13.

In August 2011, the Company entered into a $150.0 million Term Loan (the "Term Loan"), which 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, 2014, the floating interest rate of the Term Loan was 1.69%. 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 in Note 13.

In December 2009, the Company entered into a Note Purchase Agreement with certain institutional lenders that governs the issuance of $325.0 million of privately placed notes (the "Private Placement Notes"). The Private Placement Notes were issued and sold in three series, as follows: 1) $155.0 million aggregate principal amount of 6.24% notes, due December 2016, 2) $85.0 million aggregate principal amount of 6.67% notes, due December 2019 and 3) $85.0 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.

At December 31, 2014 and 2013, Moark also had $51.7 million and $54.9 million, respectively, in obligations under capital lease, which represent the present value of the future minimum lease payments.

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, the Term Loan and the Private Placement Notes. As of December 31, 2014 and 2013, 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
2015	$ 9,216
2016	163,643
2017	6,321
2018	7,044
2019	92,815
2020 and thereafter	763,461

Interest paid on debt obligations was $74.4 million, $80.1 million and $64.0 million in 2014, 2013 and 2012, respectively.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Pension Other Postretirement Adjustments (a)	Cash Flow Hedge Adjustments (b)	Foreign Currency Translation Adjustments	Other Comprehensive Loss Attributable To Noncontrolling Interests	Accumulated Other Comprehensive Loss
Balance as of December 31, 2011	$ (236,174)	$ (8,848)	$ (873)	$ —	$ (245,895)
Other comprehensive (loss) earnings	(58,971)	(4,494)	1,090	780	(61,595)
Income tax benefit (expense)	22,557	1,719	(417)	(299)	23,560
Other comprehensive (loss) earnings before reclassifications, net of tax	(36,414)	(2,775)	673	481	(38,035)
Amounts reclassified into earnings	30,085	1,386	—	—	31,471
Income tax expense on reclassified amounts	(11,508)	(530)	—	—	(12,038)
Balance as of December 31, 2012	(254,011)	(10,767)	(200)	481	(264,497)
Other comprehensive (loss) earnings	170,735	11,704	949	(711)	182,677
Income tax benefit (expense)	(65,306)	(4,477)	(363)	272	(69,874)
Other comprehensive (loss) earnings before reclassifications, net of tax	105,429	7,227	586	(439)	112,803
Amounts reclassified into earnings	35,139	1,226	—	150	36,515
Income tax expense on reclassified amounts	(13,441)	(469)	—	(57)	(13,967)
Balance as of December 31, 2013	(126,884)	(2,783)	386	135	(129,146)
Other comprehensive earnings (loss)	(178,259)	(6,841)	(5,010)	933	(189,177)
Income tax (expense) benefit	68,184	2,616	1,916	(357)	72,359
Other comprehensive earnings (loss) before reclassifications, net of tax	(110,075)	(4,225)	(3,094)	576	(116,818)
Amounts reclassified into earnings	18,727	832	—	40	19,599
Income tax expense on reclassified amounts	(7,163)	(318)	—	(15)	(7,496)
Balance as of December 31, 2014	$ (225,395)	$ (6,494)	$ (2,708)	$ 736	$ (233,861)

(a) The reclassifications out of other comprehensive loss represent the amortization of the actuarial losses, transition obligation and prior service costs, which are included in the computation of net periodic pension cost. See Note 16 for additional details.

(b) Reclassifications out of other comprehensive loss for cash flow hedges are gains on the interest rate swap which are recorded in interest expense, net on the consolidated statements of operations.

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 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 Topic 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:

Derivative instrument	Location	2014	2013	2012
Commodity derivatives	Cost of sales	$ 31,721	$ (11,794)	$ 794
Foreign currency exchange contracts	Cost of sales	(1,150)	439	(57)

Interest Rate Risk

The Company is also exposed to interest rate volatility with regard to its variable rate debt. To manage its interest rate exposures, the Company entered into a $150.0 million interest rate swap agreement in August 2011 to exchange the variable rate interest payment obligations related to the $150.0 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 years ended December 31, 2014 and 2013, the Company recognized $0 of hedge ineffectiveness. The amount of the existing losses at December 31, 2014 that is expected to be reclassified into the consolidated statements of operations within the next 12 months is $0.9 million.

In July 2014, the Company entered into transactions to swap the interest rate on the $300.0 million 6.0% Senior Notes to a floating rate based on three month LIBOR as the benchmark rate. $150.0 million was executed at the three month LIBOR plus 3.641% and another $150.0 million at the three month LIBOR plus 3.655%. The Company has designated these interest rate swaps as fair value hedging instruments. The mark-to-market of these fair value hedges is recorded as gains or losses in interest expense and is offset by the gain or loss of the underlying debt instrument, which also is recorded in interest expense. These fair value hedges are highly effective and, thus, there is no significant impact on earnings due to hedge ineffectiveness.

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 following is the total absolute notional or contractual amount associated with our outstanding derivative instruments at December 31.

Derivative instrument	2014	2013
Commodity derivatives	$ 572,078	$ 372,945
Foreign currency exchange contracts	26,988	3,845
Interest rate swap - cash flow hedge	150,000	150,000
Interest rate swaps - fair value hedges	300,000	—

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. The asset or liability positions of commodity and foreign currency derivatives not designated as hedging instruments are as follows:

	December 31, 2014		December 31, 2013	
Derivative instrument	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Commodity derivatives (a)	$ 19,421	$ 47,592	$ 15,089	$ 11,551
Foreign currency exchange contracts (a)	1,262	414	—	302
	$ 20,683	$ 48,006	$ 15,089	$ 11,853

(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 asset or liability positions of interest rate derivatives designated as hedging instruments are as follows:

	December 31, 2014		December 31, 2013	
Derivative instrument	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Interest rate swap - cash flow hedge (a)	$ —	$ 10,516	$ —	$ 4,507
Interest rate swaps - fair value hedges (a)	3,733	—	—	—
	$ 3,733	$ 10,516	$ —	$ 4,507

(a) 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, 2014 and 2013, 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 $24.4 million and $15.1 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, 2014.

The Company has master netting arrangements with brokers for its exchange-traded futures and options 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. The gross derivative assets and liabilities presented on the Consolidated Balance Sheets and the amount eligible for offset under the master netting arrangements are presented in the following tables.

December 31, 2014	Gross Amounts Recognized on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets	Net
Assets:			
Commodity derivatives	$ 19,421	$ (16,643)	$ 2,778
Foreign currency exchange contracts	1,262	—	1,262
Interest rate swaps - fair value hedges	3,733	—	3,733
Total assets	$ 24,416	$ (16,643)	$ 7,773
Liabilities:			
Commodity derivatives	$ 47,592	$ (16,643)	$ 30,949
Foreign currency exchange contracts	414	—	414
Interest rate swap - cash flow hedge	10,516	—	10,516
Total liabilities	$ 58,522	$ (16,643)	$ 41,879

	December 31, 2013		
	Gross Amounts Recognized on the Consolidated Balance Sheets	Gross Amounts Not Offset on the Consolidated Balance Sheets	Net
Assets:			
Commodity derivatives	$ 15,089	$ (8,264)	$ 6,825
Total assets	$ 15,089	$ (8,264)	$ 6,825
Liabilities:			
Commodity derivatives	$ 11,551	$ (8,264)	$ 3,287
Foreign currency exchange contracts	302	—	302
Interest rate swap - cash flow hedge	4,507	—	4,507
Total liabilities	$ 16,360	$ (8,264)	$ 8,096

14. FAIR VALUE MEASUREMENTS

The carrying amounts and estimated fair values of the Company's financial instruments not carried at fair value on the consolidated balance sheets are as follows as of:

	December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans receivable	$203,064	$202,229	$177,811	$175,814
Debt:				
Private Placement Notes, due 2016—2021	325,000	360,987	325,000	369,173
Senior Notes, due 2022	300,000	317,556	300,000	312,337
Capital Securities of Trust Subsidiary, due 2028	200,000	227,773	200,000	195,848
Term Loan, due 2021	150,000	150,000	150,000	150,000
Moark fixed rate debt, including capital lease obligations	59,893	61,757	118,225	121,544

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. Due to the estimated spread, the measurement uses significant other unobservable inputs (Level 3 in the fair value hierarchy). 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, which are other observable inputs classified as Level 2 in the valuation hierarchy.

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. 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 collectability of receivables and prepaid deposits with vendors.

The fair value of certain current and noncurrent notes receivable with a financial statement carrying value of $0.3 million and $1.0 million as of December 31, 2014 and $7.4 million and $2.5 million as of December 31, 2013, 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 tables provide the assets and liabilities carried at fair value measured on a recurring basis:

	Fair Value Measurements at December 31, 2014 Using:			
	Fair Value (a)	Quoted In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Commodity derivative assets	$ 19,421	$ 18,846	$ 575	$ —
Commodity derivative liabilities	47,592	47,069	523	—
Interest rate swap liability - cash flow hedge	10,516	—	10,516	—
Interest rate swap assets - fair flow hedges	3,733	—	3,733	—
Foreign currency exchange contract assets	1,262	—	1,262	—
Foreign currency exchange contract liabilities	414	—	414	—

	Fair Value Measurements at December 31, 2013 Using:			
	Fair Value (a)	Quoted In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Commodity derivative assets	$ 15,089	$ 11,975	$ 3,114	$ —
Commodity derivative liabilities	11,551	11,005	546	—
Interest rate swap liability - cash flow hedge	4,507	—	4,507	—
Foreign currency exchange contract assets	302	—	302	—

(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 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 for the years ended December 31 are summarized as follows:

	2014	2013	2012
Current expense (benefit):			
Federal	$ 861	$ (1,058)	$ 417
State	3,889	707	410
Total current expense (benefit)	4,750	(351)	827
Deferred expense (benefit):			
Federal	9,592	(10,568)	11,662
State	972	1,338	2,062
Total deferred expense (benefit)	10,564	(9,230)	13,724
Income tax expense (benefit)	$ 15,314	$ (9,581)	$ 14,551

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

	2014	2013	2012
Statutory rate	35.0%	35.0%	35.0%
Patronage refunds	(23.2)	(22.6)	(25.0)
Section 199 manufacturing deduction	(7.6)	(6.5)	(4.9)
Change in valuation allowance	—	(5.8)	—
Outside basis difference on discontinued operations	—	(5.5)	—
Tax credits	(0.8)	(1.3)	—
State income taxes	1.1	0.5	0.6
Other, net	1.2	2.9	0.1
Effective tax rate	5.7%	(3.3%)	5.8%

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

	2014	2013
Deferred tax assets related to:		
Deferred patronage	$ 28,488	$ 32,335
Accrued liabilities	223,385	149,130
Allowance for doubtful accounts	4,034	4,851
Asset impairments	3,977	3,977
Joint ventures	6,317	23,272
Loss carryforwards	1,663	2,432
Deferred revenue	7,686	4,014
Deferred tax credits	4,492	6,779
Inventories	10,314	—
Other	5,703	1,462
Total deferred tax assets	296,059	228,252
Deferred tax liabilities related to:		
Property, plant and equipment	131,755	116,863
Inventories	—	9,578
Intangibles	80,626	74,622
Other	9,072	10,446
Total deferred tax liabilities	221,453	211,509
Net deferred tax assets	$ 74,606	$ 16,743

Management is required to record a valuation allowance if it is "more likely than not" that benefits of deferred tax assets will not be realized. In 2007, the Company established a valuation allowance of $16.6 million to reduce the Company's deferred tax asset related to its investment in Agriliance. In 2013, the Company determined that it was more likely than not that the deferred tax asset related to the investment would be realized and, as a result, the valuation allowance was reversed. In making this determination, the Company analyzed, among other things, forecasts, timing, and the nature of future earnings and deductions. This decrease is reflected in the income tax benefit for the year ended December 31, 2013.

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

	2014	2013
Other current assets	$ 97,232	$ 67,376
Employee benefits and other liabilities	(22,626)	(50,633)
Total net deferred tax assets	$ 74,606	$ 16,743

At December 31, 2014 and 2013, the Company had unrecognized tax benefits of approximately $1.4 million and $1.5 million. 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 2010 and prior.

In 2013, CF Industries Holdings, Inc. ("CF") finalized a Closing Agreement with the Internal Revenue Service, whereby operating loss carryforwards from the 1999 through 2003 tax years could be utilized. As a partial owner of CF during that period, the Company and CF entered into an agreement to receive a portion of the tax savings from these operating loss carryforwards. The Company expects to receive a total of $21.0 million in cash payments over the five years that CF is allowed to take the deduction. This income will be recognized over the five year period as CF notifies the Company of the amount that will be distributed. For the years ended December 31, 2014 and 2013, the Company recognized $4.0 million and $4.9 million, respectively as a reduction to selling, general and administrative expense.

As of December 31, 2014, the Company had loss and contribution carryforwards of approximately $4.3 million and tax credits of approximately $4.3 million for tax purposes available to offset future taxable income. If not used, these carryforwards will expire between years 2019 and 2034.

Income taxes paid or (recovered) in 2014, 2013 and 2012 were $8.6 million, $4.6 million and $(1.0) million, respectively. At December 31, 2014, income taxes payable were $9.0 million and at December 31, 2013, prepaid income taxes were $0.5 million.

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. During 2014, the Company changed the retirement medical plan for individuals over age 65 effective as of January 1, 2014. Instead of participating in the Company's medical plan, each participant will receive funds based on their calculated benefit in a health reimbursement account to be used to for eligible medical expenses. There was no change to retirees under 65 years old or to eligibility requirements.

Pension Obligation and Funded Status at December 31

	Pension Benefits			
	Qualified Plan		Non-qualified Plans	
	2014	2013	2014	2013
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 854,369	$ 920,139	$ 78,191	$ 87,883
Service cost	13,304	16,658	1,861	2,384
Interest cost	41,795	37,906	3,767	3,580
Plan amendments	—	—	—	347
Plan merger	4,143	—	—	—
Actuarial (gain) loss	170,968	(87,616)	21,403	(10,310)
Benefits paid	(35,288)	(32,718)	(6,026)	(5,693)
Benefit obligation at end of year	$ 1,049,291	$ 854,369	$ 99,196	$ 78,191
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 805,688	$ 696,505	$ —	$ —
Actual return on plan assets	73,296	102,301	—	—
Plan merger	3,461	—	—	—
Company contributions	25,000	39,600	6,026	5,693
Benefits paid	(35,288)	(32,718)	(6,026)	(5,693)
Fair value of plan assets at end of year	$ 872,157	$ 805,688	$ —	$ —
Funded status at end of measurement date	$ (177,134)	$ (48,681)	$ (99,196)	$ (78,191)
Amounts recognized in the consolidated balance sheets consist of:				
Other assets	$ —	$ 522	$ —	$ —
Accrued liabilities	—	—	(6,413)	(5,700)
Employee benefits and other liabilities	(177,134)	(49,203)	(92,783)	(72,491)
Net amount recognized	$ (177,134)	$ (48,681)	$ (99,196)	$ (78,191)
Amounts recognized in accumulated other comprehensive loss (pretax) consist of:				
Net loss	$ 320,370	$ 185,695	$ 44,187	$ 24,963
Prior service cost	6	58	332	343
Ending balance	$ 320,376	$ 185,753	$ 44,519	$ 25,306

In 2014, the Company adopted the updated mortality tables issued by the Society of Actuaries, resulting in a significant increase to the benefit obligation.

The accumulated benefit obligation for the Company's defined benefit pension plans was $1,000.3 million and $814.7 million at December 31, 2014 and 2013, respectively. The accumulated benefit obligation for the Company's non-qualified, defined benefit pension plans was $90.8 million and $73.4 million at December 31, 2014 and 2013, respectively.

The projected benefit obligation and fair value of plan assets for the Company's qualified defined benefit pension plans with benefit obligations in excess of plan assets were $1,049.3 million and $872.2 million, respectively, at December 31, 2014 and $852.3 million and $803.1 million, respectively, at December 31, 2013.

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, 2014 Using:			
	Fair value (a)	Quoted in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$ 238	$ 238	$ —	$ —
Short-term investment fund	9,001	9,001	—	—
Common collective trusts	824,775	—	824,775	—
Partnership interests	134	—	—	134
Real estate funds	38,009	—	—	38,009
Total plan assets	$ 872,157	$ 9,239	$ 824,775	$ 38,143

	Fair Value Measurements at December 31, 2013 Using:			
	Fair value (a)	Quoted in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$ 407	$ 407	$ —	$ —
Short-term investment fund	22,187	22,187	—	—
Common stocks	33	33	—	—
Common collective trusts	748,187	—	748,187	—
Real estate funds	34,874	—	—	34,874
Total plan assets	$ 805,688	$ 22,627	$ 748,187	$ 34,874

The following table sets forth a summary of changes in the fair value of the plan's Level 3 assets for the years ended December 31, 2014 and 2013:

	Real Estate Funds
Balance at December 31, 2012	$ 21,342
Transfers in	8,886
Purchases, sales and settlements, net	2,863
Return on plan assets	1,783
Balance at December 31, 2013	34,874
Plan merger	141
Purchases, sales and settlements, net	1,145
Return on plan assets	1,983
Balance at December 31, 2014	$ 38,143

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 common stocks consist of various publicly traded 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 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. The real estate funds are valued quarterly at estimated fair value based on the underlying properties in which the real estate funds invest. The information is compiled, in addition to any other assets and liabilities (accrued expenses and unit-holder transactions), to determine the funds' unit value. The real estate funds are not traded on an active market and are classified within Level 3 of the fair value hierarchy.

Postretirement Obligation and Funded Status at December 31

	2014	2013
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 35,453	$ 57,141
Service cost	567	748
Interest cost	1,703	1,925
Plan participants' contributions	786	2,515
Medicare Part D reimbursements	—	631
Actuarial (gain) loss	4,802	(6,548)
Plan amendments	—	(14,259)
Benefits paid	(2,867)	(6,700)
Benefit obligation at end of year	$ 40,444	$ 35,453
Change in plan assets:		
Company contributions	$ 2,081	$ 3,554
Plan participants' contributions	786	2,515
Medicare Part D reimbursements	—	631
Benefits paid	(2,867)	(6,700)
Fair value of plan assets at end of year	$ —	$ —
Funded status at end of measurement date	$ (40,444)	$ (35,453)
Amounts recognized in the consolidated balance sheets consist of:		
Accrued liabilities	$ (2,892)	$ (2,806)
Employee benefits and other liabilities	(37,552)	(32,647)
Net amount recognized	$ (40,444)	$ (35,453)
Amounts recognized in accumulated other comprehensive loss (pretax) consist of:		
Prior service credit	$ (10,317)	$ (12,569)
Net actuarial loss	10,667	6,159
Ending balance	$ 350	$ (6,410)

Components of net periodic benefit cost are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012
Service cost	$ 15,165	$ 18,834	$ 17,621	$ 567	$ 748	$ 726
Interest cost	45,562	41,487	41,584	1,703	1,925	2,801
Expected return on plan assets	(54,830)	(51,176)	(47,512)	—	—	—
Amortization of actuarial loss	20,670	35,741	28,721	293	879	993
Amortization of prior service cost (credit)	16	1	(21)	(2,253)	(1,689)	—
Amortization of transition obligation	—	207	—	—	—	392
Net Periodic Benefit Cost	$ 26,583	$ 45,094	$ 40,393	$ 310	$ 1,863	$ 4,912

The following table sets forth the plans' estimated amortization in fiscal 2015 from accumulated other comprehensive income into net periodic benefit costs:

	Qualified Pension Plans	Non-qualified Pension Plans	Other Postretirement Benefits
Amortization of actuarial loss	$ 34,241	$ 3,819	$ 779
Amortization of prior service cost	6	61	(2,253)
Net periodic benefit cost	$ 34,247	$ 3,880	$ (1,474)

Additional Information

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

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	4.20%	5.00%	4.20%	5.00%
Rate of compensation increase	3.25%	3.25%	N/A	N/A

Components of net periodic benefit cost are as follows:

	Pension Benefits			Other Postretirement Benefits		
	2014	2013	2012	2014	2013	2012
Discount rate	5.00%	4.20%	4.97%	5.00%	4.20%	5.00%
Rate of long-term return on plan assets	7.25%	7.50%	7.75%	N/A	N/A	N/A
Rate of compensation increase	3.25%	3.25%	3.75%	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:

	2014	2013
Health care cost trend rate assumed for next year	7.50%	7.50%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	5.00%	5.00%
Year that rate reaches ultimate trend rate	2022	2022

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, 2014 would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total of service and interest cost	3	(2)
Effect on postretirement benefit obligation	62	(55)

Plan Assets

The Company's qualified, defined benefit pension plan weighted-average asset allocations at December 31, 2014 and 2013, by asset category, are as follows:

Asset category	2014	2013	Target
U.S. equity securities	18%	19%	17%
International equity securities	16%	19%	17%
Global equity securities	12%	12%	12%
Fixed-income securities and bonds	50%	46%	50%
Real estate and private equity	4%	4%	4%
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. In accordance with the Statement, the Committee wishes to structure a portfolio that will:

1. Provide liquidity to meet the Plan benefit payments and expenses payable from the Plan under ERISA;
2. Offer a reasonable probability of achieving a growth of assets that will assist in closing the Plan's funding gap; and
3. Manage the Plan's assets in a liability framework.

The Company expects to receive above-average performance relative to applicable benchmarks for the actively managed portfolios and 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 will be compared to the annualized total return of the customized index shown below.

S&P 500 Index	11.5%
35% Russell MC/65% Russell 2000	5.5%
MSCI AC World Index	11.5%
MSCI AC World ex US Index	17.5%
Barclays Long Credit Index	30.9%
Barclays Intermediate Credit Index	7.4%
NCREIF ODCE Index (Net)	4.0%
Custom MIDLOC Index	11.7%

Although not a guarantee of future results, the total plan assets' 20-year annualized return through December 31, 2015 after fees was 8.7%, which exceeded the customized index by 0.30 percentage points. The 2014 total plan assets' annualized return was 9.30%, which exceeded the customized index by 0.40 percentage points. The total plan assets' five-year annualized return was 10.7%, which exceeded the customized index by 0.40 percentage points.

Cash Flow

The Company expects to contribute approximately $25.0 million to its defined benefit pension plans and $9.3 million to its other postretirement benefits plan in 2015.

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

	Qualified Pension Plans	Non-qualified Pension Plans	Other Postretirement Benefits
2015	$ 40,177	$ 6,413	$ 2,892
2016	42,852	5,796	2,847
2017	46,035	6,200	2,844
2018	49,173	6,279	2,840
2019	51,711	7,191	2,822
2020-2024	302,752	46,049	13,318

Multiemployer Pension Plans

The Company contributes to multiemployer defined contribution pension benefit plans under the terms of collective-bargaining agreements that cover certain unionized employee groups in the United States. The risks of participating in multiemployer pension plans are different from single-employer plans. Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

The Company's participation in multiemployer pension plans for the year ended December 31, 2014 is outlined in the table below. The "EIN/PN" column provides the Employee Identification Number ("EIN") and the three-digit plan number ("PN"). The most recent Pension Protection Act ("PPA") zone status available for 2013 and 2012 is for the plan year-ends as indicated below. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are between 65 percent and 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. In addition, the Company may be subject to a surcharge if the plan is in the red zone. The "Surcharge Imposed" column indicates whether a surcharge has been imposed on contributions to the plan. The last column lists the expiration date(s) of the collective-bargaining agreement(s) ("CBA") to which the plans are subject.

		PPA Zone Status			Contributions by the Company				
Pension Fund	EIN/PN	2013	2012	FIP/RP Status Pending/ Implemented	2014	2013	2012	Surge Imposed	Expiration Date of CBA
Central States Southeast and Southwest Areas Pension Fund (a)	36-6044243 / 001	Red	Red	RP Implemented	$ 2,893	$ 2,950	$ 2,849	No	2/28/2017 to 10/1/2017
Western Conference of Teamsters Pension Plan	91-6145047 / 001	Green	Green	N/A	3,223	3,177	3,328	No	8/1/2015
Other plans					369	346	320		
Total contributions					$ 6,485	$ 6,473	$ 6,497		

(a) The Company is party to multiple CBAs requiring contributions to this fund, each with its own expiration date. Approximately 68 percent of the Company's participants in this fund are covered by a single CBA that expires on April 30, 2017.

Our contributions to these plans did not exceed 5% of total plan contributions for the years ended 2013 and 2012, the most recently available Forms 5500 for these plans.

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 to settle, per the VAR plan provisions, by converting 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.

For the years ended December 31, 2014, 2013 and 2012, compensation expense for the share-based payment plan was $8.3 million, $1.7 million and $2.2 million, respectively. Cash payments for Units settled for 2014, 2013 and 2012 were $1.7 million, $10.6 million and $5.8 million, respectively. The actual income tax benefit realized from this plan was $0.7 million, $4.0 million and $2.3 million, for 2014, 2013 and 2012, respectively.

For 2014, the number of Units granted, canceled and settled in cash was 73,300, 2,712 and 19,906, respectively. The number of Units converted to interest-bearing deferred compensation was 5,750 with an intrinsic value of $0.2 million. The number of Units vested during 2014 was 112,326 with an intrinsic value of $2.7 million. The number of vested Units outstanding at December 31, 2014 was 460,458.5 with an intrinsic value of $26.3 million. The number of non-vested Units at December 31, 2014 was 141,150, and the total remaining unrecognized compensation cost related to non-vested Units was $0.7 million. As of December 31, 2014, 77,225 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, 2014, the weighted-average remaining service period for the non-vested Units was 2.0 years.

For 2013, the number of Units granted, canceled and settled in cash was 88,925, 10,388 and 126,856, respectively. The number of Units converted to interest-bearing deferred compensation was 9,700 with an intrinsic value of $0.8 million. The number of Units vested during 2013 was 107,675 with an intrinsic value of $1.2 million. The number of vested Units outstanding at December 31, 2013 was 381,577 with an intrinsic value of $19.4 million. The number of non-vested Units at December 31, 2013 was 175,100, and the total remaining unrecognized compensation cost related to non-vested Units was $0.5 million. As of December 31, 2013, 117,306 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, 2013, the weighted-average remaining service period for the non-vested Units was 2.4 years.

For 2012, the number of Units granted, canceled and settled in cash was 71,100, 1,917 and 58,725, respectively. The number of Units converted to interest-bearing deferred compensation was 17,625 with an intrinsic value of $1.7 million. The number of Units vested during 2012 was 134,633 with an intrinsic value of $2.0 million. The number of vested Units outstanding at December 31, 2012 was 419,533 with an intrinsic value of $26.9 million. The number of non-vested Units at December 31, 2012 was 196,063, and the total remaining unrecognized compensation cost related to non-vested Units was $1.2 million. As of December 31, 2012, 20,350 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, 2012, the weighted-average remaining service period for the non-vested Units was 2.2 years.

18. EQUITIES

The authorized capital stock at December 31, 2014 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:

	Number of Common Shares			
	A	B	C	D
December 31, 2011	775	3,327	146	815
New members	4	191	5	92
Transfers between classes	1	(1)	(1)	1
Redemptions	(36)	(330)	(7)	(104)
December 31, 2012	744	3,187	143	804
New members	1	130	2	76
Transfers between classes	(1)	14	1	(14)
Redemptions	(31)	(430)	(3)	(88)
December 31, 2013	713	2,901	143	778
New members	4	136	—	64
Transfers between classes	—	(2)	—	2
Redemptions	(32)	(232)	(2)	(73)
December 31, 2014	685	2,803	141	771

On an annual basis, the board of directors will establish the total allowable payments for the current year cash to members, including cash patronage, age and estate payments, and equity revolvements for our members. We have two plans through which we pay cash patronage and revolve equity to our members: the Equity Target Program for our Dairy Foods operations and the Ag Service member equity program for our agriculture operations. The Ag Service member equity program includes the Feed segment and the Crop Inputs segment. To acquire and maintain adequate capital to finance our business, our by-laws allow us to retain up to 25% of our earnings from member business as additions to retained earnings (permanent equity) or offsets to deferred member equities. In 2014 and 2013, the Dairy Foods holdback percentage was 10% and the holdback percentage for the Ag Service businesses was 25%.

The Equity Target Program provides a mechanism for determining the capital requirements of our Dairy Foods operations and each dairy member's share of those requirements. The board of directors has established an equity target investment of $2.75 per hundred pounds of milk (or milk equivalent) delivered per year by that member to us. We distribute 20% of allocated patronage income as cash to a dairy member annually until the investment target is reached by that member. The remaining 80% of allocated patronage income is retained as equities. When the member's equity investment reaches the target, and for as long as the member's equity target investment is maintained, we distribute 100% of the member's allocated patronage income as cash. When members become inactive, their equities are revolved within twelve years. The equity target as well as the revolvement period may be changed at the discretion of the board.

The Ag Service member equity program currently provides for a cash payment of 60% of a member's allocated Winfield patronage income and 40% of allocated patronage income from other Ag Services businesses. The remaining allocated patronage income is retained as equities. The Ag Service equity revolvement program is based on a percentage of the total equity for the eligible equity accounts. The percentage is calculated by dividing the funds available for revolvement by the total eligible equity. The funds available for revolvement are determined by the board of directors on an annual basis. Account eligibility for revolvement is based on a 10 year waiting period.

Allocated patronage to members of $178.3 million, $184.6 million and $179.6 million for the years ended December 31, 2014, 2013 and 2012, respectively, is based on earnings in specific patronage or product categories and in proportion to the business each member does within each category. For 2014, the Company issued $178.3 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 $88.2 million in 2014, $121.3 million in 2013 and $59.0 million in 2012 represents earnings or losses generated by non-member businesses plus amounts under the retained earnings program as provided in the bylaws of the Company.

19. OTHER EXPENSE (INCOME), NET

	2014	2013	2012
Gain on sale of investments	$ (6,072)	$ (2,086)	$ —
Impairment of investment	3,273	4,570	—
Loss on extinguishment of debt	1,149	—	—
Loss on divestiture of a business	—	(1,086)	(352)
Other	—	(5)	(154)
Total other expense (income), net	$ (1,650)	$ 1,393	$ (506)

In 2014, Moark sold its ownership interest in Delta Egg Farm, LLC for $17.0 million, resulting in a gain of $5.0 million and sold its ownership interest in Moark/Ft. Recovery Egg Marketing, LLC for $2.5 million, resulting in a gain of $0.5 million. Also in 2014, the Company impaired its investment in Universal by $3.3 million, which had been impaired in 2013 by $4.6 million. See Note 7 for further information. In 2013, Feed sold its ownership interest in various investments and a feed mill for gains of $2.1 million and $1.1 million, respectively.

20. RESTRUCTURING AND IMPAIRMENT

	2014	2013	2012
Restructuring	$ 9,197	$ 421	$ —
Impairment	5,871	827	415
Total restructuring and impairment	$ 15,068	$ 1,248	$ 415

On May 1, 2014, the Company announced a realignment of its Eastern Wisconsin milk supply strategy. As part of the realignment, the Denmark manufacturing facility in the Dairy Foods segment ceased production and closed on July 1, 2014 and member milk that was shipped to the Denmark facility is now being sold to an unrelated third party beginning that same date. In the year ended December 31, 2014, the Company recorded a $4.6 million impairment of the plant assets and recorded severance expense of $2.1 million.

In March 2014, the Company offered a voluntary retirement incentive program to certain employees of the Feed sales force and recorded restructuring expense of $5.4 million.

Restructuring and impairment charges are included within selling, general and administrative expenses in the consolidated statements of operations.

21. DISCONTINUED OPERATIONS

In 2013, Moark adopted a plan to divest of substantially all of its assets and liabilities in the West and Midwest regions of Moark (the "disposal groups"), which were historically reported in the Layers segment. The West region is comprised of the commodity egg business and specialty egg business, which were sold in separate transactions.

In 2014, the West and Midwest regions were sold in multiple transactions for a total of $165.8 million, which resulted in a net gain of $5.9 million. Concurrently with these transactions, cash proceeds were used to repay Moark's outstanding term loan and pay off outstanding borrowings under and terminate Moark's revolving credit facility. See Note 11 for further information.

In December 2013, Moark sold branded egg franchise rights and a feed mill in the West for $6.3 million in cash, resulting a gain of $2.9 million. In 2014, the Company recorded an additional gain of $2.2 million on these sales.

Results of discontinued operations for the years ended December 31 were as follows:

	2014	2013	2012
Net sales	$ 233,286	$ 444,069	$ 474,195
Earnings from discontinued operations before income taxes	$ 15,570	$ 10,817	$ 5,916
Gain on sale	8,119	2,871	—
Income tax expense	(11,098)	(6,077)	(2,262)
Earnings from discontinued operations, net of income taxes	$ 12,591	$ 7,611	$ 3,654

The assets of the disposal groups were reflected in other current assets in the consolidated balance sheet as of December 31, and are comprised of the following:

	2014	2013
Inventories	$ —	$ 22,814
Prepaid assets	187	1,100
Property, plant and equipment, net	3,044	110,260
Goodwill	—	12,975
Other intangibles, net	—	2,274
Other assets	2	389
Total assets held for sale of the West and Midwest	$ 3,233	$ 149,812

22. COMMITMENTS AND CONTINGENCIES

The Company leases various equipment and real properties under long-term operating leases. Total rental expense was $101.4 million in 2014, $101.6 million in 2013 and $93.7 million in 2012. 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 future lease commitments required under noncancelable operating leases at December 31, 2014 are as follows:

Year	Amount
2015	$ 43,332
2016	37,818
2017	25,892
2018	15,394
2019	7,387
Thereafter	7,721
Total minimum future lease payments	$ 137,544

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 $2.8 billion at December 31, 2014. Of this amount, $2.4 billion relates to contracts with members to acquire raw milk. The Company has also contracted commitments to purchase weaner and feeder pigs, which are sold to producers or local cooperatives under long-term supply contracts. At December 31, 2014, future minimum payments under noncancelable purchase obligations are as follows:

Year	Raw Materials Purchase Obligations	Swine Purchase Obligations	Other Contractual Obligations	Total Purchase Obligations
2015	$ 2,681,067	$ 42,712	$ 4,191	$ 2,727,970
2016	26,050	311	—	26,361
2017	11,336	65	—	11,401
2018	—	49	—	49
Total	$ 2,718,453	$ 43,137	$ 4,191	$ 2,765,781

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.

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, OK (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 continued into 2013. In 2014, the Company submitted its RA Completion Report, which the EPA currently is reviewing. While the cleanup activities required by the UAO have been completed, the EPA is conducting a "5 Year Review" of the Site, which could result in additional clean-up activities. As noted above, the Letter stated that the EPA will seek to recover from the Company EPA's past costs of remediation estimated to be in excess of $21 million. No litigation has been commenced regarding EPA's past cost claims. In the years ended December 31, 2014, 2013 and 2012, the Company increased its environmental reserves related to this matter by $0.6 million, $0.9 million and $0.9 million, respectively, with the expense in selling, general and administrative expense. As of December 31, 2014 and 2013, $2.2 million and $2.2 million, respectively, 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. The cases were consolidated for pretrial proceedings in the District Court for the Eastern District of Pennsylvania (the "Court"), and two separate consolidated amended class action complaints were 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 sought 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.

In 2010, Moark and the Company reached an agreement in principle with the direct Plaintiffs, which was granted final approval by the court in 2012. Plaintiffs who did not wish to participate in the settlement agreement were required to opt out by mailing notice of the same. 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, 2014, each of these opt-out cases had been settled and dismissed and no direct-action complaints remained filed against Moark, Norco and the Company.

The indirect purchaser class action plaintiffs have filed five amended consolidated complaints. Moark and Norco have answered all five versions. The indirect purchaser class action plaintiffs previously dismissed the Company from their suit. In addition, Moark and Norco joined other defendants in moving to partially dismiss the indirect purchasers' complaint on statute of limitations grounds, and that motion was granted on March 19, 2013. 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. As of December 31, 2014 and 2013, the Company had reserved $0.5 million related to this matter.

Some of our businesses depend upon the protections of the Capper-Volstead Act, 7 U.S.C. § 291 ("Capper-Volstead"), which provides limited exemptions for certain cooperatives and other associations of agricultural producers from the application of antitrust laws. In reliance in part on these exemptions, we and several other dairy cooperatives participated in various dairy initiatives operated by the Cooperatives Working Together ("CWT") program, which is organized and administered by the National Milk Producers Federation. Also relying in part on these exemptions, several of the Company's direct and indirect wholly owned subsidiaries participated in various egg-related programs administered by United Egg Producers ("UEP") and United States Egg Marketers ("USEM").

The scope of the Capper-Volstead antitrust exemption has been challenged in various litigation proceedings in recent years. In September and October of 2011, several putative class action lawsuits were filed in the Northern District of California against us and several other dairy cooperatives participating in CWT. The plaintiffs seek to represent classes of indirect purchasers of milk and fresh dairy products and allege that CWT's dairy herd retirement program violates the antitrust and other laws of various states. In December 2012, a similar putative class action lawsuit was filed on behalf of purported direct purchasers of milk and fresh dairy products in the United States District Court for the Southern District of Illinois. That lawsuit alleges that the herd retirement program and other CWT initiatives violate federal antitrust law. As noted above, since the fall of 2008, numerous putative class action and direct action lawsuits have been filed in state and federal courts against us and several of our subsidiaries as well as egg cooperatives and other producers of eggs and egg products. These lawsuits allege that the defendants violated state and federal antitrust laws by conspiring through UEP and USEM to limit the supply of eggs thereby artificially increasing prices. The plaintiffs claim that a variety of practices were used in furtherance of the conspiracy, including an animal welfare program, egg exports, and coordinated flock reductions. At this point we are not able to estimate possible losses. Although we believe we have meaningful defenses in all of these matters, including the aforementioned Capper-Volstead defense, we may incur judgments and be subject to injunctions or enter into settlements in these and similar matters, which could have a material adverse effect on us.

23. RELATED PARTY TRANSACTIONS

The Company has related party transactions, primarily with equity investees. The Company purchased products from and sold products to Melrose Dairy Proteins, LLC, which was a 50% voting interest joint venture with Dairy Farmers of America ("DFA") until August 1, 2014, at which time the Company acquired the DFA's ownership interest. 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. The Company also collects license fees from and Moark pays marketing service fees to Eggland's Best, LLC, a 50% voting interest joint venture. Additionally, the Company's Moark, Purina and Winfield subsidiaries purchase products from and sell products to other equity investees and related parties. The Company also has financing arrangements with Dakota Lakes, LLC and Agriliance, LLC, 50% voting interest equity method investments.

Related party transactions and balances for the years ended December 31, 2014, 2013 and 2012, respectively, and as of December 31, 2014 and 2013, respectively, are as follows:

	2014	2013	2012
Sales	$ 674,654	$ 744,473	$ 578,262
Purchases	171,430	218,895	202,611
Marketing service fees paid to related party	18,784	25,817	18,843

	2014	2013
Notes receivable	$ 10,300	$ 9,227
Accounts receivable	46,179	57,117
Accounts payable	65,786	67,173

24. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through February 18, 2015, the date of issuing this report.

25. SEGMENT INFORMATION

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

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, Kozy Shack and Alpine Lace, as well as under regional brand names such as New Yorker.

Feed largely comprises the operations of Purina, the Company's wholly owned subsidiary. Purina 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. 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.

Other/Eliminated includes the Company's remaining operations and the elimination of intersegment transactions. Other operations consist principally of a captive insurance company, LOL Finance Co., Geosys, the SPE and the continuing operations of Moark. Prior to 2014, the operations of Moark were reported separately in the Layers segment.

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 for the years ended December 31, 2014, 2013 and 2012 is as follows:

SEGMENT INFORMATION

For the year ended December 31, 2014:	Dairy Foods	Feed	Crop Inputs	Other/ Eliminations	Consolidated
Net sales	$ 5,098,148	$ 4,688,171	$ 4,917,910	$ 261,287	$ 14,965,516
Cost of sales (1)	4,805,612	4,298,704	4,343,330	223,169	13,670,815
Selling, general and administrative	247,820	336,263	366,815	61,038	1,011,936
Interest expense (income), net	30,409	26,802	4,309	5,827	67,347
Other expense (income), net	—	1,556	1,135	(4,341)	(1,650)
Equity in (earnings) loss of affiliated companies	(25,410)	(2,977)	(17,368)	(6,610)	(52,365)
Earnings (loss) before income taxes	$ 39,717	$ 27,823	$ 219,689	$ (17,796)	$ 269,433
For the year ended December 31, 2013:					
Net sales	$ 4,497,992	$ 4,772,438	$ 4,761,676	$ 204,343	$ 14,236,449
Cost of sales (1)	4,158,552	4,448,805	4,200,769	177,867	12,985,993
Selling, general and administrative	253,196	285,022	352,604	45,878	936,700
Interest expense (income), net	30,730	26,431	2,563	8,456	68,180
Other expense, net	2	(491)	1,882	—	1,393
Equity in (earnings) loss of affiliated companies	(19,768)	(4,938)	(13,821)	(5,720)	(44,247)
Earnings (loss) before income taxes	$ 75,280	$ 17,609	$ 217,679	$ (22,138)	$ 288,430
For the year ended December 31, 2012:					
Net sales	$ 4,156,449	$ 4,552,081	$ 4,733,915	$ 199,574	$ 13,642,019
Cost of sales (1)	3,885,306	4,216,842	4,154,912	182,893	12,439,953
Selling, general and administrative	228,798	282,424	356,570	53,048	920,840
Interest expense (income), net	16,162	25,453	3,733	6,564	51,912
Other expense, net	—	—	(352)	(154)	(506)
Equity in (earnings) loss of affiliated companies	(11,329)	(3,259)	(8,805)	1,455	(21,938)
Earnings (loss) before income taxes	$ 37,512	$ 30,621	$ 227,857	$ (44,232)	$ 251,758
2014:					
Total assets	$ 1,432,483	$ 1,355,097	$ 3,094,129	$ 1,110,233	$ 6,991,942
Intersegment sales	12,073	8,459	2,328	(22,860)	—
Depreciation and amortization	46,951	50,050	25,282	19,155	141,438
Investments in equity method affiliates	176,394	15,642	79,007	5,530	276,573
Capital expenditures	60,590	52,077	22,155	29,096	163,918
2013:					
Total assets	$ 1,408,845	$ 1,294,602	$ 3,278,505	$ 796,134	$ 6,778,086
Intersegment sales	13,388	45,874	3,247	(62,509)	—
Depreciation and amortization	44,558	42,972	22,431	22,287	132,248
Investments in equity method affiliates	172,559	20,127	67,900	19,697	280,283
Capital expenditures	54,720	72,208	16,901	57,721	201,550
2012:					
Total assets	$ 1,326,380	$ 1,275,886	$ 2,958,659	$ 795,819	$ 6,356,744
Intersegment sales	12,567	51,159	4,385	(68,111)	—
Depreciation and amortization	43,214	39,169	21,071	19,154	122,608
Investments in equity method affiliates	176,574	30,403	58,870	13,097	278,944
Capital expenditures	50,396	62,646	28,470	91,913	233,425

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

2014	$ 8,379	$ 3,679	$ 551	$ 17,962	$ 30,571
2013	(4,667)	(4,184)	(802)	(1,702)	(11,355)
2012	1,338	(3,101)	36	2,464	737

INDEPENDENT AUDITORS' REPORT

The Board of Directors

Land O'Lakes, Inc.:

We have audited the accompanying consolidated financial statements of Land O'Lakes, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive earnings, cash flows and equities for each of the years in the three-year period ended December 31, 2014, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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 and additionally, for the audit of the 2014 consolidated financial statements in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota

February 18, 2015