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CHS Reports \$177.9 Million in First Quarter Net Income

Significant increase in fall propane demand helped balance difficult market conditions

St. Paul, Minnesota (Jan. 8, 2020) – CHS Inc., the nation’s leading agribusiness cooperative, today reported net income of \$177.9 million for the first quarter of fiscal year 2020 that ended Nov. 30, 2019. This compares to net income of \$347.5 million in the first quarter of fiscal year 2019.

The results for the first quarter of fiscal year 2020 reflect:

- Revenues of \$7.6 billion compared to revenues of \$8.5 billion for the first quarter of fiscal year 2019.
- Strong supply chain performance in our propane business that was a positive contributor resulting from efficient sourcing of propane during significantly increased fall demand – brought on by unseasonably early cold and wet weather during harvest – for crop drying and home heating.
- Less advantageous market conditions in our refined fuels business compared to the first quarter of fiscal year 2019, during which the company experienced historically wide pricing spreads between Canadian crude oil and crude oil from the United States. CHS processes Canadian crude oil at its refineries in Laurel, Montana, and McPherson, Kansas.
- Poor weather conditions that occurred in fiscal year 2019 and the first quarter of fiscal year 2020 continued to negatively impact our Ag segment’s operations, resulting in lower crop yields, poor grain quality in some areas and lower fall crop nutrients sales.
- Pressure on grain volume and margins due to slow movement of grain associated with unresolved trade issues between the United States and foreign trading partners.
- Decreased fertilizer volumes compared to the first quarter of fiscal year 2019 due to a slow harvest in the first quarter of fiscal year 2020.



“We are not immune to the challenges of our industry, and our first quarter results reflect the difficulties brought on by fall weather and ongoing trade tensions,” said Jay Debertin, president and CEO of CHS Inc. “The cooperative system, however, provides CHS and its owners stability to withstand these difficult times. Our focus remains on building efficiencies in our supply chain and on operating in this challenging agricultural environment.

“During a cold and wet harvest, we leveraged our supply chain to meet the significant increase in propane needs of our owners and customers,” Debertin continued. “Our focus on meeting the needs of our owners helped deliver the successful launch of two products – Acuvant™ and Trivar™ – that will be available for spring planting.

“We know the remainder of fiscal year 2020 will continue to present challenges, and we are confident in our ability to find opportunities in those challenges, to help our owners grow their businesses and to continue to strengthen our company,” he said. “No one feels those challenges more than our owners. We remain committed to supporting communities and experts as they address the stress felt across rural America.”

First Quarter Fiscal 2020 Business Segment Results

The following segment results were reported for the first quarter of fiscal year 2020 as compared to the first quarter of fiscal year 2019.

Energy

Pretax earnings of \$162.2 million in the first quarter of fiscal year 2020 compared to \$232.5 million for the first quarter of fiscal year 2019 reflect:

- Significantly less advantageous market conditions, driven primarily by decreased crude oil spreads on heavy Canadian crude oil processed at our refineries and, to a lesser extent, decreased crack spreads in our refined fuels business compared to the same period during fiscal year 2019. The decreased crude oil differentials and lower crack spreads were partially offset by favorable hedging activity in refined fuels.
- The decrease in pretax income for refined fuels was partially offset by significantly improved propane margins from a late, wet crop combined with unseasonably cold weather across much



of CHS service area that led to increased fall demand for crop drying and home heating compared to the first quarter of fiscal year 2019.

Ag

Pretax loss of \$13.9 million compared to pretax earnings of \$80.3 million in the first quarter of fiscal year 2019 reflects:

- Poor weather conditions in fiscal year 2019 that culminated in a late and smaller fall harvest, resulting in decreased demand for farm supplies and crop nutrient products.
- Ongoing global trade tensions between the United States and foreign trading partners continued to negatively impact grain volumes and margins.
- Lower margins in our processing and food ingredients business.

Nitrogen Production

Pretax earnings of \$16.5 million compared to pretax earnings of \$23.7 million in the first quarter of fiscal year 2019 reflect:

- Lower equity income from our investment in CF Nitrogen, of which CHS has partial ownership, attributable to decreased market pricing of urea and urea ammonium nitrate, which are produced and sold by CF Nitrogen.

Corporate and Other

Pretax earnings of \$20.7 million compared to pretax earnings of \$30.8 million in the first quarter of fiscal year 2019 reflect:

- Results primarily from lower equity income from our investments in Ardent Mills and Ventura Foods and decreased income in our financing and hedging businesses due to market-driven interest rate reductions and lower trading activity, respectively.



CHS Inc. Earnings*
by Segment
(in thousands \$)

	For the Three Months Ended November 30,	
	2019	2018
Energy	\$ 162,153	\$ 232,461
Ag	(13,862)	80,318
Nitrogen Production	16,450	23,679
Corporate and Other	20,660	30,774
Income before income taxes	185,401	367,232
Income tax expense	6,664	20,117
Net income	178,737	347,115
Net income (loss) attributable to noncontrolling interests	855	(389)
Net income attributable to CHS Inc.	\$ 177,882	\$ 347,504

*Earnings is defined as income (loss) before income taxes.

CHS Inc. (www.chsinc.com) is a leading global agribusiness owned by farmers, ranchers and cooperatives across the United States. Diversified in energy, agronomy, grains and foods, CHS is committed to creating connections to empower agriculture, helping its farmer-owners, customers and other stakeholders grow their businesses through its domestic and global operations. CHS supplies energy, crop nutrients, seed, crop protection products, grain marketing services, production and agricultural services, animal nutrition products, foods and food ingredients, and risk management services. The company operates petroleum refineries and pipelines and manufactures, markets and distributes Cenex® brand refined fuels, lubricants, propane and renewable energy products.

This document contains and other CHS Inc. publicly available documents contain, and CHS officers and representatives may from time to time make, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Report Act of 1995. Forward-looking statements can be identified by words such as "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strategy," "future," "likely," "may," "should," "will" and similar references to future periods. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on CHS current beliefs, expectations and assumptions regarding the future of its businesses, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of CHS control. CHS actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not place undue reliance on any of these forward-looking statements. Important factors that could cause CHS actual results and financial condition to differ materially from those indicated in the forward-looking statements are discussed or identified in CHS filings made with the U.S. Securities and Exchange Commission, including in the "Risk Factors" discussion in Item 1A of CHS Annual Report on Form 10-K for the fiscal year ended August 31, 2019. Any forward-looking statements made by CHS in this document are based only on information currently available to CHS and speak only as of the date on which the statement is made. CHS undertakes no obligation to update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise except as required by applicable law.