UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended November 30, 2023

or

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to**

Commission file number: 001-36079

CHS Inc.

(Exact name of Registrant as specified in its charter)

Minnesota	**41-0251095**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

5500 Cenex Drive
Inver Grove Heights, Minnesota 55077
(Address of principal executive offices, including zip code)

(651) 355-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
8% Cumulative Redeemable Preferred Stock	CHSCP	The Nasdaq Stock Market LLC
Class B Cumulative Redeemable Preferred Stock, Series 1	CHSCO	The Nasdaq Stock Market LLC
Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2	CHSCN	The Nasdaq Stock Market LLC
Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3	CHSCM	The Nasdaq Stock Market LLC
Class B Cumulative Redeemable Preferred Stock, Series 4	CHSCL	The Nasdaq Stock Market LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ **No** ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).
Yes ☑ **No** ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ **No** ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
The issuer has no common stock outstanding.

TABLE OF CONTENTS

Unless the context otherwise requires, for purposes of this Quarterly Report on Form 10-Q, the words "CHS," "we," "us" and "our" refer to CHS Inc., a Minnesota cooperative corporation, and its subsidiaries as of November 30, 2023.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains, and our other CHS Inc. publicly available documents contain, and our officers, directors 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 Reform 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 our current beliefs, expectations and assumptions regarding the future of our businesses, financial condition and results of operations, 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 our control. Our 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 our actual results and financial condition to differ materially from those indicated in the forward-looking statements are discussed or identified in our 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, 2023. These factors may include: changes in commodity prices; the impact of government policies, mandates, regulations and trade agreements; global and regional political, economic, legal and other risks of doing business globally; the ongoing war between Russia and Ukraine; the escalation of conflict in the Middle East; the impact of inflation; the impact of epidemics, pandemics, outbreaks of disease and other adverse public health developments, including COVID-19; the impact of market acceptance of alternatives to refined petroleum products; consolidation among our suppliers and customers; nonperformance by contractual counterparties; changes in federal income tax laws or our tax status; the impact of compliance or noncompliance with applicable laws and regulations; the impact of any governmental investigations; the impact of environmental liabilities and litigation; actual or perceived quality, safety or health risks associated with our products; the impact of seasonality; the effectiveness of our risk management strategies; business interruptions, casualty losses and supply chain issues; the impact of workforce factors; our funding needs and financing sources; financial institutions' and other capital sources' policies concerning energy-related businesses; technological improvements that decrease the demand for our agronomy and energy products; our ability to complete, integrate and benefit from acquisitions, strategic alliances, joint ventures, divestitures and other nonordinary course-of-business events; security breaches or other disruptions to our information technology systems or assets; the impact of our environmental, social and governance practices, including failures or delays in achieving our strategies or expectations related to climate change or other environmental matters; the impairment of long-lived assets; the impact of bank failures; and other factors affecting our businesses generally. Any forward-looking statements made by us in this document are based only on information currently available to us and speak only as of the date on which the statement is made. We undertake 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.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	November 30, 2023	August 31, 2023
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,349,757	$ 1,765,286
Receivables	3,772,527	3,105,811
Inventories	4,251,580	3,215,179
Other current assets	1,213,331	1,042,373
Total current assets	10,587,195	9,128,649
Investments	3,831,854	3,828,872
Property, plant and equipment	4,877,071	4,869,373
Other assets	1,136,765	1,130,524
Total assets	$ 20,432,885	$ 18,957,418
LIABILITIES AND EQUITIES		
Current liabilities:		
Notes payable	$ 421,580	$ 547,923
Current portion of long-term debt	7,795	7,839
Accounts payable	4,331,301	2,930,607
Accrued expenses	597,196	773,054
Other current liabilities	1,608,546	1,639,771
Total current liabilities	6,966,418	5,899,194
Long-term debt	1,817,770	1,819,819
Other liabilities	951,308	786,016
Commitments and contingencies (Note 13)		
Equities:		
Preferred stock	2,264,038	2,264,038
Equity certificates	5,818,526	5,911,649
Accumulated other comprehensive loss	(272,697)	(265,395)
Capital reserves	2,881,596	2,537,486
Total CHS Inc. equities	10,691,463	10,447,778
Noncontrolling interests	5,926	4,611
Total equities	10,697,389	10,452,389
Total liabilities and equities	$ 20,432,885	$ 18,957,418

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

CHS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended November 30,	
	2023	2022
	(Dollars in thousands)	
Revenues	$ 11,390,658	$ 12,765,839
Cost of goods sold	10,745,708	11,886,704
Gross profit	644,950	879,135
Marketing, general and administrative expenses	252,056	234,666
Operating earnings	392,894	644,469
Interest expense	29,628	33,250
Other income	(44,529)	(24,289)
Equity income from investments	(109,051)	(181,962)
Income before income taxes	516,846	817,470
Income tax (benefit) expense	(6,522)	34,554
Net income	523,368	782,916
Net income attributable to noncontrolling interests	445	318
Net income attributable to CHS Inc.	$ 522,923	$ 782,598

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

CHS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended November 30,	
	2023	2022
	(Dollars in thousands)	
Net income	$ 523,368	$ 782,916
Other comprehensive income (loss), net of tax:		
Pension and other postretirement benefits	17	8,524
Cash flow hedges	(4,161)	(20,207)
Foreign currency translation adjustment	(3,158)	(1,935)
Other comprehensive loss, net of tax	(7,302)	(13,618)
Comprehensive income	516,066	769,298
Comprehensive income attributable to noncontrolling interests	445	318
Comprehensive income attributable to CHS Inc.	$ 515,621	$ 768,980

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

CHS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended November 30, 2023	Three Months Ended November 30, 2022
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$ 523,368	$ 782,916
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization, including amortization of deferred major maintenance	138,037	131,388
Equity income from investments, net of distributions received	807	(164,930)
Provision for current expected credit losses	5,009	2,961
Deferred taxes	(68,627)	(1,733)
Other, net	5,627	1,597
Changes in operating assets and liabilities:		
Receivables	(749,650)	(779,455)
Inventories	(1,036,401)	(1,417,233)
Accounts payable and accrued expenses	1,232,312	1,441,469
Other, net	(198,067)	(177,172)
Net cash used in operating activities	(147,585)	(180,192)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(142,449)	(122,598)
Proceeds from disposition of property, plant and equipment	2,330	5,034
Expenditures for major maintenance	(8,274)	(27,398)
Changes in CHS Capital notes receivable, net	83,580	32,098
Financing extended to customers	(50,229)	(39,814)
Payments from customer financing	39,697	42,121
Other investing activities, net	(24,271)	(156)
Net cash used in investing activities	(99,616)	(110,713)
Cash flows from financing activities:		
Proceeds from notes payable and long-term debt	975,374	2,054,507
Payments on notes payable, long-term debt and finance lease obligations	(1,106,904)	(1,887,483)
Preferred stock dividends paid	(42,167)	(42,167)
Redemptions of equities	(11,236)	(12,941)
Other financing activities, net	10,429	18,044
Net cash (used in) provided by financing activities	(174,504)	129,960
Effect of exchange rate changes on cash and cash equivalents	(3,969)	1,415
Decrease in cash and cash equivalents and restricted cash	(425,674)	(159,530)
Cash and cash equivalents and restricted cash at beginning of period	1,844,587	903,474
Cash and cash equivalents and restricted cash at end of period	$ 1,418,913	$ 743,944

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

CHS INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 Basis of Presentation and Significant Accounting Policies

Basis of Presentation

These unaudited condensed consolidated financial statements reflect, in the opinion of management, all normal recurring adjustments necessary for a fair statement of our financial position, results of operations and cash flows for the periods presented. The results of operations and cash flows for interim periods are not necessarily indicative of results for a full fiscal year because of the seasonal nature of our businesses, among other things. Our unaudited condensed consolidated financial statements and notes are presented as permitted by the requirements for Quarterly Reports on Form 10-Q and should be read in conjunction with the consolidated financial statements and notes thereto for the year ended August 31, 2023, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC").

Significant Accounting Policies

No significant accounting policies were updated or changed since our Annual Report on Form 10-K for the year ended August 31, 2023.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which enhances the disclosures required for operating segments in our annual and interim consolidated financial statements. This ASU is effective on a retrospective basis for our annual reporting beginning in fiscal 2025 and for interim period reporting beginning in fiscal 2026. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which provides additional transparency for income tax disclosures. This ASU is effective for our annual reporting for fiscal 2026 on a prospective basis. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

Note 2 Revenues

The following table presents revenues recognized under Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606"), disaggregated by reportable segment, as well as the amount of revenues recognized under ASC Topic 815, *Derivatives and Hedging* ("ASC Topic 815"), and other applicable accounting guidance for the three months ended November 30, 2023 and 2022. Other applicable accounting guidance primarily includes revenues recognized under ASC Topic 470, *Debt*, and ASC Topic 842, *Leases*, that fall outside the scope of ASC Topic 606.

	ASC Topic 606	ASC Topic 815	Other Guidance	Total Revenues
Three Months Ended November 30, 2023		(Dollars in thousands)		
Energy	$ 2,399,552	$ 318,388	$ —	$ 2,717,940
Ag	2,226,423	6,414,632	11,110	8,652,165
Corporate and Other	6,776	—	13,777	20,553
Total revenues	$ 4,632,751	$ 6,733,020	$ 24,887	$ 11,390,658
Three Months Ended November 30, 2022				
Energy	$ 2,802,155	$ 317,151	$ —	$ 3,119,306
Ag	2,613,460	7,009,353	10,431	9,633,244
Corporate and Other	5,699	—	7,590	13,289
Total revenues	$ 5,421,314	$ 7,326,504	$ 18,021	$ 12,765,839

Less than 1% of revenues accounted for under ASC Topic 606 included within the tables above are recorded over time and relate primarily to service contracts.

Contract Assets and Contract Liabilities

Contract assets relate to unbilled amounts arising from goods that have already been transferred to customers where the right to payment is not conditional on the passage of time. This results in recognition of an asset, as the amount of revenue recognized at a certain point in time exceeds the amount billed to customers. Contract assets are recorded in receivables within our Condensed Consolidated Balance Sheets and were $41.3 million and $16.2 million as of November 30, 2023, and August 31, 2023, respectively.

Contract liabilities relate to advance payments received from customers for goods and services that we have yet to provide. Contract liabilities of $268.4 million and $240.0 million as of November 30, 2023, and August 31, 2023, respectively, are recorded within other current liabilities on our Condensed Consolidated Balance Sheets. For the three months ended November 30, 2023 and 2022, we recognized revenues of $89.6 million and $122.0 million related to contract liabilities, respectively. These amounts were included in the other current liabilities balance at the beginning of the respective period.

Note 3 Receivables

	November 30, 2023	August 31, 2023
	(Dollars in thousands)	
Trade accounts receivable	$ 2,683,636	$ 2,010,162
CHS Capital short-term notes receivable	730,244	845,192
Other	439,747	327,084
Gross receivables	3,853,627	3,182,438
Less: allowances and reserves	81,100	76,627
Total receivables	$ 3,772,527	$ 3,105,811

Receivables are composed of trade accounts receivable, short-term notes receivable in our wholly-owned subsidiary, CHS Capital, LLC ("CHS Capital"), and other receivables, less an allowance for expected credit losses. The allowance for expected credit losses is based on our best estimate of expected credit losses in existing receivable balances and is determined using historical write-off experience, adjusted for various industry and regional data and current expectations of future credit losses.

Notes receivable from commercial borrowers are collateralized by various combinations of mortgages, personal property, accounts and notes receivable, inventories and assignments of certain regional cooperatives' capital stock. These loans are primarily originated in the states of Minnesota and North Dakota. CHS Capital also has loans receivable from producer borrowers that are collateralized by various combinations of growing crops, livestock, inventories, accounts receivable, personal property and supplemental mortgages and are primarily originated in the same states as the commercial notes, as well as in South Dakota.

In addition to the short-term balances included in the table above, CHS Capital had long-term notes receivable, with durations of generally not more than 10 years, totaling $95.3 million and $61.1 million as of November 30, 2023, and August 31, 2023, respectively. The long-term notes receivable are included in other assets on our Condensed Consolidated Balance Sheets. As of November 30, 2023, and August 31, 2023, commercial notes represented 26% and 15%, respectively, and producer notes represented 74% and 85%, respectively, of total CHS Capital notes receivable.

CHS Capital has commitments to extend credit to customers if there are no violations of contractually established conditions. As of November 30, 2023, CHS Capital customers had additional available credit of $1.4 billion. No significant troubled debt restructuring activity occurred, and no third-party customer or borrower accounted for more than 10% of the total receivables balance as of November 30, 2023, or August 31, 2023.

Note 4 Inventories

	November 30, 2023	August 31, 2023
	(Dollars in thousands)	
Grain and oilseed	$ 1,868,331	$ 1,099,956
Energy	814,028	645,333
Agronomy	1,179,326	1,111,477
Processed grain and oilseed	170,135	141,360
Other	219,760	217,053
Total inventories	$ 4,251,580	$ 3,215,179

As of November 30, 2023, and August 31, 2023, we valued approximately 15% and 16%, respectively, of inventories, primarily crude oil and refined fuels within our Energy segment, using the lower of cost, determined on the last in, first out ("LIFO") method, or net realizable value. If the first in, first out ("FIFO") method of accounting had been used, inventories would have been higher than the reported amount by $436.9 million and $589.0 million as of November 30, 2023, and August 31, 2023, respectively. Actual valuation of inventory under the LIFO method can be made only at the end of each year based on inventory levels and costs at that time. Interim LIFO calculations are based on management's estimates of expected year-end inventory levels and values and are subject to final year-end LIFO inventory valuation.

Note 5 Investments

	November 30, 2023	August 31, 2023
	(Dollars in thousands)	
Equity method investments:		
CF Industries Nitrogen, LLC	$ 2,640,655	$ 2,577,391
Ventura Foods, LLC	481,236	519,169
Ardent Mills, LLC	235,778	265,146
Other equity method investments	344,334	337,281
Other investments	129,851	129,885
Total investments	$ 3,831,854	$ 3,828,872

Joint ventures and other investments in which we have significant ownership and influence, but not control, are accounted for in our condensed consolidated financial statements using the equity method of accounting. Our only significant equity method investment during the three months ended November 30, 2023 and 2022, was CF Industries Nitrogen, LLC ("CF Nitrogen"), which is summarized below. In addition to the recognition of our share of income from equity method investments, our equity method investments are evaluated for indicators of other-than-temporary impairment on an ongoing basis in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Other investments consist primarily of investments in cooperatives without readily determinable fair values and are generally recorded at cost, unless an impairment or other observable market price change occurs that requires an adjustment. We had approximately $654.9 million in cumulative undistributed earnings from our equity method investees included in the investments balance as of November 30, 2023.

CF Nitrogen

We have a $2.6 billion investment in CF Nitrogen, a strategic venture with CF Industries Holdings, Inc. ("CF Industries"). The investment consists of an approximate 9% membership interest (based on product tons) in CF Nitrogen. We account for this investment using the hypothetical liquidation at book value method, recognizing our share of the earnings and losses of CF Nitrogen as equity income from investments in our Nitrogen Production segment based on our contractual claims on the entity's net assets pursuant to the liquidation provisions of CF Nitrogen's Limited Liability Company Agreement, adjusted for semiannual cash distributions.

The following table provides summarized unaudited financial information for our equity method investment in CF Nitrogen for the three months ended November 30, 2023 and 2022:

	Three Months Ended November 30,	
	2023	2022
	(Dollars in thousands)	
Net sales	$ 878,045	$ 1,623,268
Gross profit	272,024	770,478
Net earnings	263,315	764,179
Earnings attributable to CHS Inc.	63,263	127,566

Our investments in other equity method investees are not significant in relation to our condensed consolidated financial statements, either individually or in aggregate.

Note 6 Notes Payable and Long-Term Debt

Our notes payable and long-term debt are subject to various restrictive requirements for maintenance of minimum consolidated net worth and other financial ratios. We were in compliance with all debt covenants as of November 30, 2023. Notes payable as of November 30, 2023, and August 31, 2023, consisted of the following:

	November 30, 2023	August 31, 2023
	(Dollars in thousands)	
Notes payable	$ 258,944	$ 375,932
CHS Capital notes payable	162,636	171,991
Total notes payable	$ 421,580	$ 547,923

Our primary line of credit is a five-year unsecured revolving credit facility with a syndicate of domestic and international banks. The credit facility provides a committed amount of $2.8 billion that expires on April 21, 2028. There were no borrowings outstanding on this facility as of November 30, 2023, or August 31, 2023. We also maintain certain uncommitted bilateral facilities to support our working capital needs.

We have a receivables and loans securitization facility ("Securitization Facility") with certain unaffiliated financial institutions ("Purchasers"). Under the Securitization Facility, we and certain of our subsidiaries ("Originators") sell trade accounts and notes receivable ("Receivables") to Cofina Funding, LLC ("Cofina"), a wholly-owned, bankruptcy-remote, indirect subsidiary of CHS. Cofina in turn transfers the Receivables to the Purchasers, and this arrangement is accounted for as secured financing. We use the proceeds from the sale of Receivables under the Securitization Facility for general corporate purposes, and settlements are made on a monthly basis. The amount available under the Securitization Facility fluctuates over time based on the total amount of eligible Receivables generated during the normal course of business. The Securitization Facility consists of a committed portion with a maximum availability of $850.0 million and an uncommitted portion with a maximum availability of $250.0 million. As of November 30, 2023, total availability under the Securitization Facility was $974.2 million, of which no amount was utilized.

We also have a repurchase facility ("Repurchase Facility"). Under the Repurchase Facility, we can obtain repurchase agreement financing up to $200.0 million for certain eligible receivables and notes receivables of the Originators. No balance was outstanding under the Repurchase Facility as of November 30, 2023, or August 31, 2023.

The following table presents summarized long-term debt (including the current portion) as of November 30, 2023, and August 31, 2023:

	November 30, 2023	August 31, 2023
	(Dollars in thousands)	
Private placement debt	$ 1,413,000	$ 1,413,000
Term loan	366,000	366,000
Finance lease liabilities	47,518	49,235
Deferred financing costs	(3,015)	(3,127)
Other	2,062	2,550
Total long-term debt	1,825,565	1,827,658
Less current portion	7,795	7,839
Long-term portion	$ 1,817,770	$ 1,819,819

Interest expense for the three months ended November 30, 2023 and 2022, was $29.6 million and $33.3 million, respectively, net of capitalized interest of $5.0 million and $2.5 million, respectively.

Note 7 Income Taxes

Our effective tax rate for the three months ended November 30, 2023, was (1.3)%, compared to 4.2% for the three months ended November 30, 2022. The income tax benefit during the three months ended November 30, 2023, resulted primarily from the recognition of research and development tax credits during the period. Our income tax (benefit) expense reflects the mix of full-year earnings projected across business units and current equity management assumptions. Income taxes and effective tax rates vary each year based on profitability, income tax credits, nonpatronage business activity and current equity management assumptions.

Our uncertain tax positions are affected by the tax years that are under audit or remain subject to examination by the relevant taxing authorities. Reserves are recorded against unrecognized tax benefits when we believe certain fully supportable tax return positions are likely to be challenged, and we may not prevail. If we were to prevail on all positions taken in relation to uncertain tax positions, $130.4 million and $116.0 million of the unrecognized tax benefits would ultimately benefit our effective tax rate as of November 30, 2023, and August 31, 2023, respectively. It is reasonably possible that the total amount of unrecognized tax benefits could significantly change in the next 12 months.

Note 8 Equities

Changes in Equities

Changes in equities for the three months ended November 30, 2023 and 2022, are as follows:

	Equity Certificates							
	Capital Equity Certificates	Nonpatronage Equity Certificates	Nonqualified Equity Certificates	Preferred Stock	Accumulated Other Comprehensive Loss	Capital Reserves	Noncontrolling Interests	Total Equities
				(Dollars in thousands)				
Balances, August 31, 2023	$ 3,951,385	$ 27,558	$ 1,932,706	$ 2,264,038	$ (265,395)	$ 2,537,486	$ 4,611	$ 10,452,389
Reversal of prior year redemption estimates	11,236	—	—	—	—		—	11,236
Redemptions of equities	(8,287)	(67)	(2,882)	—	—	—	—	(11,236)
Preferred stock dividends	—	—	—	—	—	(84,334)	—	(84,334)
Other, net	34	(3)	44	—	—	(1,281)	870	(336)
Net income	—	—		—	—	522,923	445	523,368
Other comprehensive loss, net of tax	—	—	—	—	(7,302)	—	—	(7,302)
Estimated 2024 cash patronage refunds	—	—	—	—	—	(93,198)	—	(93,198)
Estimated 2024 equity redemptions	(93,198)	—	—	—	—	—	—	(93,198)
Balances, November 30, 2023	$ 3,861,170	$ 27,488	$ 1,929,868	$ 2,264,038	$ (272,697)	$ 2,881,596	$ 5,926	$ 10,697,389

	Equity Certificates							
	Capital Equity Certificates	Nonpatronage Equity Certificates	Nonqualified Equity Certificates	Preferred Stock	Accumulated Other Comprehensive Loss	Capital Reserves	Noncontrolling Interests	Total Equities
				(Dollars in thousands)				
Balances, August 31, 2022	$ 3,587,131	$ 27,933	$ 1,776,172	$ 2,264,038	$ (255,335)	$ 2,055,682	$ 5,645	$ 9,461,266
Reversal of prior year redemption estimates	12,941	—	—	—	—	—	—	12,941
Redemptions of equities	(10,021)	(58)	(2,862)	—	—	—	—	(12,941)
Preferred stock dividends	—	—	—	—	—	(84,334)	—	(84,334)
Other, net	291	—	57	—	—	20	(25)	343
Net income	—	—	—	—	—	782,598	318	782,916
Other comprehensive loss, net of tax	—	—	—	—	(13,618)	—	—	(13,618)
Estimated 2023 cash patronage refunds	—	—	—	—	—	(208,864)	—	(208,864)
Estimated 2023 equity redemptions	(208,864)	—	—	—	—	—	—	(208,864)
Balances, November 30, 2022	$ 3,381,478	$ 27,875	$ 1,773,367	$ 2,264,038	$ (268,953)	$ 2,545,102	$ 5,938	$ 9,728,845

Preferred Stock Dividends

The following is a summary of dividends declared per share by series of preferred stock for the three months ended November 30, 2023 and 2022.

		Three Months Ended November 30,	
	Nasdaq symbol	2023	2022
Series of preferred stock:		(Dollars per share)	
8% Cumulative Redeemable	CHSCP	$ 1.00	$ 1.00
Class B Cumulative Redeemable, Series 1	CHSCO	$ 0.98	$ 0.98
Class B Reset Rate Cumulative Redeemable, Series 2	CHSCN	$ 0.88	$ 0.88
Class B Reset Rate Cumulative Redeemable, Series 3	CHSCM	$ 0.84	$ 0.84
Class B Cumulative Redeemable, Series 4	CHSCL	$ 0.94	$ 0.94

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component for the three months ended November 30, 2023 and 2022, are as follows:

	Pension and Other Postretirement Benefits	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
	(Dollars in thousands)			
Balance as of August 31, 2023, net of tax	$ (173,925)	$ 2,032	$ (93,502)	$ (265,395)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	—	2,280	(3,350)	(1,070)
Amounts reclassified	23	(7,790)	—	(7,767)
Total other comprehensive income (loss), before tax	23	(5,510)	(3,350)	(8,837)
Tax effect	(6)	1,349	192	1,535
Other comprehensive income (loss), net of tax	17	(4,161)	(3,158)	(7,302)
Balance as of November 30, 2023, net of tax	$ (173,908)	$ (2,129)	$ (96,660)	$ (272,697)

	Pension and Other Postretirement Benefits	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
	(Dollars in thousands)			
Balance as of August 31, 2022, net of tax	$ (168,640)	$ 8,843	$ (95,538)	$ (255,335)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(66)	(33,899)	(2,227)	(36,192)
Amounts reclassified	5,560	7,229	—	12,789
Total other comprehensive income (loss), before tax	5,494	(26,670)	(2,227)	(23,403)
Tax effect	3,030	6,463	292	9,785
Other comprehensive income (loss), net of tax	8,524	(20,207)	(1,935)	(13,618)
Balance as of November 30, 2022, net of tax	$ (160,116)	$ (11,364)	$ (97,473)	$ (268,953)

Amounts reclassified from accumulated other comprehensive income (loss) were related to pension and other postretirement benefits, cash flow hedges and foreign currency translation adjustments. Pension and other postretirement reclassifications include amortization of net actuarial loss, prior service credit and transition amounts and are recorded as cost of goods sold and marketing, general and administrative expenses (see Note 9, *Benefit Plans*, for further information). As described in Note 11, *Derivative Financial Instruments and Hedging Activities*, amounts reclassified from accumulated other comprehensive loss for cash flow hedges are recorded in cost of goods sold. Gains or losses on foreign currency translation reclassifications are recorded in other income.

Note 9 Benefit Plans

We have various pension and other defined benefit and defined contribution plans, in which substantially all employees may participate. We also have nonqualified supplemental executive and Board of Directors retirement plans.

Components of net periodic benefit costs for the three months ended November 30, 2023 and 2022, are as follows:

	Three Months Ended November 30,					
	Qualified Pension Benefits		Nonqualified Pension Benefits		Other Benefits	
	2023	2022	2023	2022	2023	2022
Components of net periodic benefit costs:	(Dollars in thousands)					
Service cost	$ 9,348	$ 9,645	$ 492	$ 460	$ 163	$ 168
Interest cost	8,982	7,647	261	185	286	259
Expected return on assets	(11,965)	(10,782)	—	—	—	—
Prior service cost (credit) amortization	45	37	(29)	(29)	(111)	(111)
Actuarial loss (gain) amortization	449	468	95	61	(404)	(404)
Net periodic benefit cost (benefit)	$ 6,859	$ 7,015	$ 819	$ 677	$ (66)	$ (88)

Employer Contributions

Contributions depend primarily on market returns on the pension plan assets and minimum funding level requirements. No contributions were made to the pension plans during the three months ended November 30, 2023, and we do not anticipate being required to make contributions to our pension plans in fiscal 2024, although we may voluntarily elect to do so.

Note 10 Segment Reporting

We are an integrated agricultural cooperative, providing grain, food, agronomy and energy resources to businesses and consumers on a global basis. We provide a wide variety of products and services, from initial agricultural inputs such as fuels, farm supplies, crop nutrients and crop protection products, to agricultural outputs that include grain and oilseed, processed grain and oilseed, renewable fuels and food products. We define our operating segments in accordance with ASC Topic 280, *Segment Reporting*, to reflect the manner in which our chief operating decision maker, our Chief Executive Officer, evaluates performance and allocates resources in managing the business. We have aggregated those operating segments into three reportable segments: Energy, Ag and Nitrogen Production.

Our Energy segment produces and provides primarily for wholesale distribution of petroleum products and transportation of those products. Our Ag segment purchases and further processes or resells grain and oilseed originated by our country operations business, by our member cooperatives and by third parties; serves as a wholesaler and retailer of crop inputs; and produces and markets ethanol. Our Nitrogen Production segment consists of our equity method investment in CF Nitrogen that records earnings and allocated expenses but not revenues. Our supply agreement with CF Nitrogen entitles us to purchase up to a specified quantity of granular urea and urea ammonium nitrate ("UAN") annually from CF Nitrogen. Corporate and Other represents our financing and hedging businesses, which primarily consists of a U.S. Commodity Futures Trading Commission-regulated futures commission merchant ("FCM") for commodities hedging and financial services related to crop production. Our nonconsolidated investments in Ventura Foods, LLC ("Ventura Foods"), and Ardent Mills, LLC ("Ardent Mills"), are also included in our Corporate and Other category.

Corporate administrative expenses and interest are allocated to each reportable segment and Corporate and Other, based on direct use of services, such as information technology and legal, and other factors or considerations relevant to the costs incurred.

Many of our business activities are highly seasonal and our operating results vary throughout the year. Our revenues and IBIT generally trend lower during the second fiscal quarter and increase in the third fiscal quarter. For example, in our Ag segment, our country operations business generally experiences higher volumes and revenues during the fall harvest and spring planting seasons, which generally correspond to our first and third fiscal quarters, respectively. Additionally, our agronomy business generally experiences higher volumes and revenues during the spring planting season. Our global grain and processing operations are subject to fluctuations in volume and revenues based on producer harvests, world grain prices, demand and international trade relationships. Our Energy segment generally experiences higher volumes and revenues in certain operating areas, such as refined products, in the spring, summer and early fall when gasoline and diesel fuel use by agricultural producers is highest and is subject to global supply and demand forces. Other energy products, such as propane, generally experience higher volumes and revenues during the winter heating and fall crop-drying seasons.

Our revenues, assets and cash flows can be significantly affected by global market prices for commodities such as petroleum products, natural gas, grain, oilseed, crop nutrients and flour. Changes in market prices for commodities that we purchase without a corresponding change in the selling prices of those products can affect revenues and operating earnings. Commodity prices are affected by a wide range of factors beyond our control, including weather, crop damage due to plant disease or insects, drought, availability and adequacy of supply, availability of reliable rail and river transportation networks, outbreaks of disease, government regulations and policies, global trade disputes, wars and civil unrest, and general political and economic conditions.

While our revenues and operating results are derived primarily from businesses and operations that are wholly-owned or subsidiaries and limited liability companies in which we have a controlling interest, a portion of our business operations are conducted through companies in which we hold ownership interests of 50% or less or do not control the operations. We account for these investments primarily using the equity method of accounting, wherein we record our proportionate share of income or loss reported by the entity as equity income from investments, without consolidating the revenues and expenses of the entity in our Condensed Consolidated Statements of Operations. In our Nitrogen Production segment, this consists of our approximate 9% membership interest (based on product tons) in CF Nitrogen. In Corporate and Other, this principally includes our 50% ownership in Ventura Foods and our 12% ownership in Ardent Mills. See Note 5, *Investments,* for more information related to our equity method investments.

Reconciling amounts represent the elimination of revenues between segments. Such transactions are executed at market prices to more accurately evaluate the profitability of the individual business segments.

Segment information for the three months ended November 30, 2023 and 2022, is presented in the tables below:

	Energy	Ag	Nitrogen Production	Corporate and Other	Reconciling Amounts	Total
Three Months Ended November 30, 2023			(Dollars in thousands)			
Revenues, including intersegment revenues	$ 2,919,123	$ 8,660,108	$ —	$ 25,367	$ (213,940)	$ 11,390,658
Intersegment revenues	(201,183)	(7,943)	—	(4,814)	213,940	—
Revenues, net of intersegment revenues	$ 2,717,940	$ 8,652,165	$ —	$ 20,553	$ —	$ 11,390,658
Operating earnings (loss)	258,847	140,341	(16,195)	9,901	—	392,894
Interest expense	(8,542)	15,957	10,609	16,989	(5,385)	29,628
Other income	(1,279)	(26,116)	—	(22,519)	5,385	(44,529)
Equity (income) loss from investments	1,833	(19,220)	(63,263)	(28,401)	—	(109,051)
Income before income taxes	$ 266,835	$ 169,720	$ 36,459	$ 43,832	$ —	$ 516,846
Total assets as of November 30, 2023	$ 4,256,026	$ 9,088,813	$ 2,640,655	$ 4,447,391	$ —	$ 20,432,885

	Energy	Ag	Nitrogen Production	Corporate and Other	Reconciling Amounts	Total
Three Months Ended November 30, 2022			(Dollars in thousands)			
Revenues, including intersegment revenues	$ 3,337,125	$ 9,640,559	$ —	$ 16,099	$ (227,944)	$ 12,765,839
Intersegment revenues	(217,819)	(7,315)	—	(2,810)	227,944	—
Revenues, net of intersegment revenues	$ 3,119,306	$ 9,633,244	$ —	$ 13,289	$ —	$ 12,765,839
Operating earnings (loss)	398,659	263,502	(16,272)	(1,420)	—	644,469
Interest expense	2,056	18,567	14,421	4,125	(5,919)	33,250
Other income	(3,523)	(19,302)	—	(7,383)	5,919	(24,289)
Equity (income) loss from investments	3,532	(23,062)	(127,566)	(34,866)	—	(181,962)
Income before income taxes	$ 396,594	$ 287,299	$ 96,873	$ 36,704	$ —	$ 817,470

Note 11 Derivative Financial Instruments and Hedging Activities

We enter into various derivative instruments to manage our exposure to movements primarily associated with agricultural and energy commodity prices and, to a lesser degree, foreign currency exchange rates and interest rates. Except for certain cash-settled swaps related to future crude oil purchases and refined product sales, which are accounted for as cash flow hedges, our derivative instruments represent economic hedges of price risk for which hedge accounting under ASC Topic 815 is not applied. Rather, the derivative instruments are recorded on our Condensed Consolidated Balance Sheets at fair value with changes in fair value being recorded directly to earnings, primarily within cost of goods sold in our Condensed Consolidated Statements of Operations. See Note 12, *Fair Value Measurements,* for additional information. The majority of our exchange-traded agricultural commodity futures are settled daily through CHS Hedging, LLC, our wholly-owned FCM.

Derivatives Not Designated as Hedging Instruments

The following tables present the gross fair values of derivative assets, derivative liabilities and related margin deposits (cash collateral) recorded on our Condensed Consolidated Balance Sheets, along with related amounts permitted to be offset in accordance with U.S. GAAP. Although we have certain netting arrangements for our exchange-traded futures and options contracts and certain over-the-counter ("OTC") contracts, we have elected to report our derivative instruments on a gross basis on our Condensed Consolidated Balance Sheets under ASC Topic 210-20, *Balance Sheet-Offsetting*.

	November 30, 2023			
		Amounts Not Offset on Condensed Consolidated Balance Sheet but Eligible for Offsetting		
	Gross Amount Recognized	Cash Collateral	Derivative Instruments	Net Amount
Derivative assets	(Dollars in thousands)			
Commodity derivatives	$ 216,283	$ —	$ 3,005	$ 213,278
Foreign exchange derivatives	24,252	—	7,169	17,083
Total	$ 240,535	$ —	$ 10,174	$ 230,361
Derivative liabilities				
Commodity derivatives	$ 275,972	$ 2,656	$ 3,905	$ 269,411
Foreign exchange derivatives	11,671	—	7,169	4,502
Total	$ 287,643	$ 2,656	$ 11,074	$ 273,913

	August 31, 2023			
		Amounts Not Offset on Condensed Consolidated Balance Sheet but Eligible for Offsetting		
	Gross Amount Recognized	Cash Collateral	Derivative Instruments	Net Amount
Derivative assets	(Dollars in thousands)			
Commodity derivatives	$ 280,440	$ —	$ 4,866	$ 275,574
Foreign exchange derivatives	32,402	—	12,330	20,072
Total	$ 312,842	$ —	$ 17,196	$ 295,646
Derivative liabilities				
Commodity derivatives	$ 349,131	$ 1,505	$ 4,866	$ 342,760
Foreign exchange derivatives	13,799	—	12,330	1,469
Total	$ 362,930	$ 1,505	$ 17,196	$ 344,229

Derivative assets and liabilities with maturities of less than 12 months are recorded in other current assets and other current liabilities, respectively, on our Condensed Consolidated Balance Sheets. Derivative assets and liabilities with maturities greater than 12 months are recorded in other assets and other liabilities, respectively, on our Condensed Consolidated Balance Sheets. The amount of long-term derivative assets recorded on our Condensed Consolidated Balance Sheets as of November 30, 2023, and August 31, 2023, was $1.4 million and $1.1 million, respectively. The amount of long-term derivative liabilities recorded on our Condensed Consolidated Balance Sheets as of November 30, 2023, and August 31, 2023, was $14.2 million and $12.6 million, respectively.

The following table sets forth the pretax gains (losses) on derivatives not accounted for as hedging instruments that have been included in our Condensed Consolidated Statements of Operations for the three months ended November 30, 2023 and 2022:

		Three Months Ended November 30,	
	Location of Gain (Loss)	2023	2022
		(Dollars in thousands)	
Commodity derivatives	Cost of goods sold	$ 8,184	$ (135,686)
Foreign exchange derivatives	Cost of goods sold	(4,607)	(19,453)
Foreign exchange derivatives	Marketing, general and administrative expenses	820	237
Total		$ 4,397	$ (154,902)

Commodity Contracts

As of November 30, 2023, and August 31, 2023, we had outstanding commodity futures and options contracts that were used as economic hedges, as well as fixed-price forward contracts related to physical purchases and sales of commodities. The table below presents the notional volumes for all outstanding commodity contracts:

	November 30, 2023		August 31, 2023	
	Long	Short	Long	Short
	(Units in thousands)			
Grain and oilseed (bushels)	502,650	719,364	506,654	630,803
Energy products (barrels)	7,166	6,097	11,839	8,085
Processed grain and oilseed (tons)	6,594	12,252	7,380	9,437
Crop nutrients (tons)	61	—	70	10
Ocean freight (metric tons)	10	—	40	—
Natural gas (metric million Btu)	180	—	460	—

Foreign Exchange Contracts

We conduct a substantial portion of our business in U.S. dollars, but we are exposed to risks relating to foreign currency fluctuations, primarily due to global grain marketing transactions in South America, the Asia Pacific region and Europe and purchases of products from Canada. We use foreign currency derivative instruments to mitigate the impact of exchange rate fluctuations. Although CHS has some risk exposure relating to foreign currency transactions, a larger impact with exchange rate fluctuations is the ability of foreign buyers to purchase U.S. agricultural products and the competitiveness of U.S. agricultural products compared to the same products offered by alternative sources of world supply. The notional amount of our foreign exchange derivative contracts was $1.4 billion and $1.9 billion as of November 30, 2023, and August 31, 2023, respectively.

Derivatives Designated as Cash Flow Hedging Strategies

Certain pay-fixed, receive-variable, cash-settled swaps are designated as cash flow hedges of future crude oil purchases in our Energy segment. We also designate certain pay-variable, receive-fixed, cash-settled swaps as cash flow hedges of future refined energy product sales. These hedging instruments and the related hedged items are exposed to significant market price risk and potential volatility. As part of our risk management strategy, we look to hedge a portion of our expected future crude oil needs and the resulting refined product output based on prevailing futures prices, management's expectations about future commodity price changes and our risk appetite. We may also elect to dedesignate certain derivative instruments previously designated as cash flow hedges as part of our risk management strategy. Amounts recorded in other comprehensive income for these dedesignated derivative instruments remain in other comprehensive income and are recognized in earnings in the period in which the underlying transactions affect earnings. As of November 30, 2023, and August 31, 2023, the aggregate notional amounts of cash flow hedges were 5.1 million and 4.1 million barrels, respectively.

The following table presents the fair value of our commodity derivative instruments designated as cash flow hedges and the locations on our Condensed Consolidated Balance Sheets in which they are recorded:

	Derivative Assets			Derivative Liabilities	
Balance Sheet Location	November 30, 2023	August 31, 2023	Balance Sheet Location	November 30, 2023	August 31, 2023
	(Dollars in thousands)			(Dollars in thousands)	
Other current assets	$ 2,093	$ 8,395	Other current liabilities	$ 5,352	$ 5,345

The following table presents the pretax losses recorded in other comprehensive income relating to cash flow hedges for the three months ended November 30, 2023 and 2022:

	Three Months Ended November 30,	
	2023	2022
	(Dollars in thousands)	
Commodity derivatives	$ (6,310)	$ (29,589)

The following table presents the pretax gains (losses) relating to our existing cash flow hedges that were reclassified from accumulated other comprehensive loss into our Condensed Consolidated Statements of Operations for the three months ended November 30, 2023 and 2022:

	Location of Gain (Loss)	Three Months Ended November 30, 2023	Three Months Ended November 30, 2022
		(Dollars in thousands)	
Commodity derivatives	Cost of goods sold	$ 8,082	$ (6,929)

Note 12 Fair Value Measurements

ASC Topic 820, *Fair Value Measurement,* defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction among the market participants on the measurement date.

We determine fair values of derivative instruments and certain other assets based on the fair value hierarchy established in ASC Topic 820, which requires an entity to maximize use of observable inputs and minimize use of unobservable inputs when measuring fair value. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. ASC Topic 820 describes three levels within its hierarchy that may be used to measure fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable inputs that are supported by little or no market activity for the assets or liabilities. Categorization within the valuation hierarchy is based on the lowest level of input significant to the fair value measurement.

Recurring fair value measurements as of November 30, 2023, and August 31, 2023, are as follows:

	November 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets	(Dollars in thousands)			
Commodity derivatives	$ 2,624	$ 215,752	$ —	$ 218,376
Foreign exchange derivatives	—	24,252	—	24,252
Segregated investments and marketable securities	172,665	—	—	172,665
Other assets	51,941	—	—	51,941
Total	$ 227,230	$ 240,004	$ —	$ 467,234
Liabilities				
Commodity derivatives	$ 2,320	$ 279,004	$ —	$ 281,324
Foreign exchange derivatives	—	11,671	—	11,671
Total	$ 2,320	$ 290,675	$ —	$ 292,995

	August 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets	(Dollars in thousands)			
Commodity derivatives	$ 5,344	$ 283,491	$ —	$ 288,835
Foreign exchange derivatives	—	32,402	—	32,402
Segregated investments and marketable securities	225,715	—	—	225,715
Other assets	89,592	—	—	89,592
Total	$ 320,651	$ 315,893	$ —	$ 636,544
Liabilities				
Commodity derivatives	$ 7,501	$ 346,975	$ —	$ 354,476
Foreign exchange derivatives	—	13,799	—	13,799
Total	$ 7,501	$ 360,774	$ —	$ 368,275

Commodity and foreign exchange derivatives. Exchange-traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified within Level 1. Our forward commodity purchase and sales contracts with fixed-price components, select ocean freight contracts and other OTC derivatives are determined using inputs that are generally based on exchange-traded prices and/or recent market bids and offers, including location-specific adjustments, and are classified within Level 2. Location-specific inputs are driven by local market supply and demand and are generally based on broker or dealer quotations or market transactions in either listed or OTC markets. Changes in the fair values of these contracts are recognized in our Condensed Consolidated Statements of Operations as a component of cost of goods sold.

Segregated investments and marketable securities and other assets. Our segregated investments and marketable securities and other assets are comprised primarily of investments in various government agencies, U.S. Treasury securities, money market funds and rabbi trust assets, which are valued using quoted market prices and classified within Level 1.

Note 13 Commitments and Contingencies

Environmental

We are required to comply with various environmental laws and regulations incidental to our normal business operations. To meet our compliance requirements, we establish reserves for future costs of remediation associated with identified issues that are 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 and are included in cost of goods sold and marketing, general and administrative expenses in our Condensed Consolidated Statements of Operations. Recoveries, if any, are recorded in the period in which recovery is received. Liabilities are monitored and adjusted as new facts or changes in laws or technology occur. The resolution of any such matters may affect consolidated net income for any fiscal period; however, we currently believe any resulting liabilities, individually or in aggregate, will not have a material effect on our consolidated financial position, results of operations or cash flows during any fiscal year.

Other Litigation and Claims

We are involved as a defendant in various lawsuits, claims and disputes, which are in the normal course of our business. The resolution of any such matters may affect consolidated net income for any fiscal period; however, we currently believe any resulting liabilities, individually or in aggregate, will not have a material effect on our consolidated financial position, results of operations or cash flows during any fiscal year.

Guarantees

We are a guarantor for lines of credit and performance obligations of related, nonconsolidated companies. Our bank covenants allow maximum guarantees of $1.1 billion, of which $158.6 million were outstanding on November 30, 2023. We have collateral for a portion of these contingent obligations. We have not recorded a liability related to the contingent obligations as we do not expect to pay out any cash related to them, and the fair values are considered immaterial. The underlying loans to the counterparties for which we provide these guarantees were current as of November 30, 2023.

Note 14 Other Current Assets and Liabilities

Other current assets and liabilities as of November 30, 2023, and August 31, 2023, are as follows:

	November 30, 2023	August 31, 2023
Other current assets	(Dollars in thousands)	
Derivative assets (Note 11)	$ 241,237	$ 320,119
Margin and related deposits	262,298	342,872
Prepaid expenses	187,036	149,682
Supplier advance payments	446,142	136,304
Restricted cash	69,156	79,301
Other	7,462	14,095
Total other current assets	$ 1,213,331	$ 1,042,373
Other current liabilities		
Customer margin deposits and credit balances	$ 126,620	$ 197,315
Customer advance payments	442,181	356,760
Derivative liabilities (Note 11)	278,815	355,696
Dividends and equity payable	760,930	730,000
Total other current liabilities	$ 1,608,546	$ 1,639,771

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management regarding our financial condition and results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Overview
- Business Strategy
- Fiscal 2024 First Quarter Highlights
- Fiscal 2024 Trends Update
- Operating Metrics
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies
- Recent Accounting Pronouncements

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the year ended August 31, 2023 (including the information presented therein under Risk Factors), as well as the condensed consolidated financial statements and the related notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

Overview

CHS Inc. is a diversified company that provides grain, food, agronomy and energy resources to businesses and consumers on a global scale. As a cooperative, we are owned by farmers, ranchers and member cooperatives across the United States. We also have preferred shareholders who own our five series of preferred stock, all of which are listed and traded on the Global Select Market of The Nasdaq Stock Market LLC. We operate in the following three reportable segments:

- *Energy*. Produces and provides primarily for wholesale distribution and transportation of petroleum products.
- *Ag*. Purchases and further processes or resells grain and oilseed originated by our country operations and global grain and processing businesses, by our member cooperatives and by third parties. It also includes our renewable fuels business and serves as a wholesaler and retailer of agronomy products.
- *Nitrogen Production*. Produces and distributes nitrogen fertilizer. It consists of our equity method investment in CF Nitrogen, LLC ("CF Nitrogen"), and allocated expenses.

In addition, our financing and hedging businesses, along with our nonconsolidated food production and distribution and wheat milling joint ventures, have been aggregated within our Corporate and Other category.

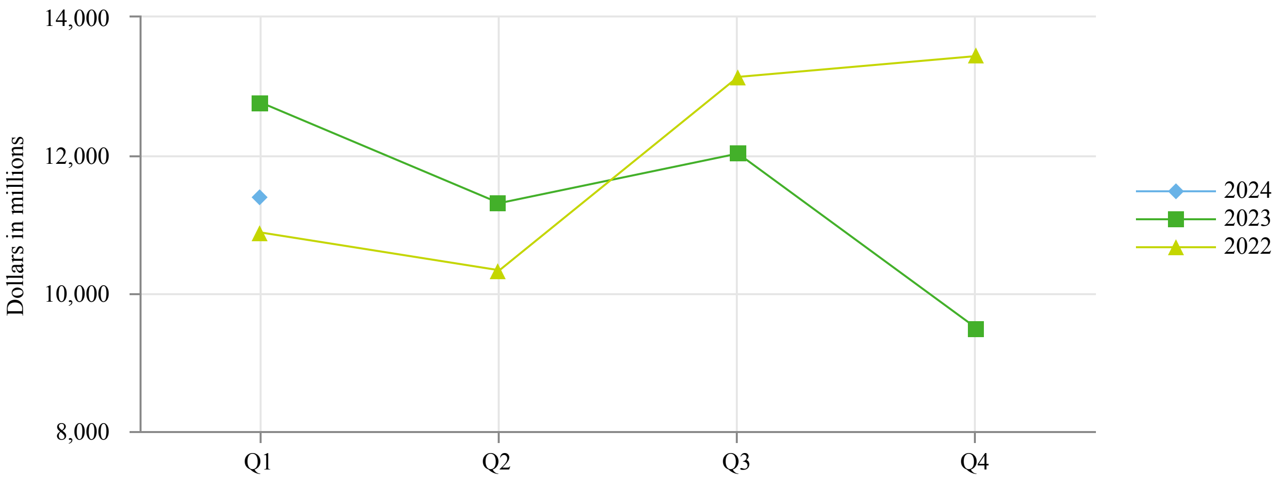
The consolidated financial statements include the accounts of CHS and all subsidiaries and limited liability companies in which we have control. The effects of all significant intercompany transactions have been eliminated.

Corporate administrative expenses and interest are allocated to each reportable segment and Corporate and Other, based on direct use of services, such as information technology and legal, and other factors or considerations relevant to the costs incurred.

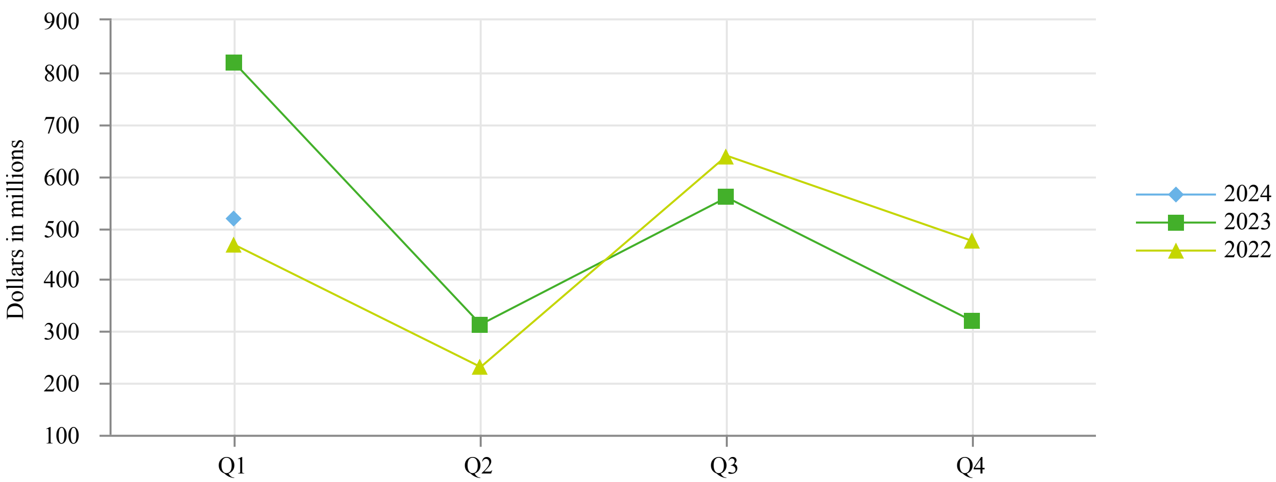
Management's Focus. When evaluating our operating performance, management focuses on gross profit and income before income taxes ("IBIT"). As a company that operates heavily in global commodities, there is significant unpredictability and volatility in pricing, costs and global trade volumes. Consequently, we focus on managing the margin we can earn and the resulting IBIT. We also focus on ensuring balance sheet strength through appropriate management of financial liquidity, leverage, capital allocation and cash flow optimization.

Seasonality. Many of our business activities are highly seasonal and our operating results vary throughout the year. Our revenues and IBIT generally trend lower during the second fiscal quarter and increase in the third fiscal quarter. For example, in our Ag segment, our country operations business generally experiences higher volumes and revenues during the fall harvest and spring planting seasons, which generally correspond to our first and third fiscal quarters, respectively. Additionally, our agronomy business generally experiences higher volumes and revenues during the spring planting season. Our global grain and processing operations are subject to fluctuations in volumes and revenues based on producer harvests, world grain prices, global demand and international trade relationships. Our Energy segment generally experiences higher volumes and revenues in certain operating areas, such as refined products, in the spring, summer and early fall when gasoline and diesel fuel use by agricultural producers is highest and is subject to global supply and demand forces. Other energy products, such as propane, generally experience higher volumes and revenues during the winter heating and fall crop-drying seasons. The graphs below depict the seasonality inherent in our businesses.

Revenues



Income Before Income Taxes



Pricing and Volumes. Our revenues, assets and cash flows can be significantly affected by global market prices and sales volumes of commodities such as petroleum products, natural gas, grain, oilseed products and agronomy products. Changes in market prices for commodities we purchase without a corresponding change in the selling prices of those products can affect revenues and operating earnings. Similarly, increased or decreased sales volumes without a corresponding change in the purchase and selling prices of those products can affect revenues and operating earnings. Commodity prices and sales volumes are affected by a wide range of factors beyond our control, including weather, crop damage due to plant disease or insects, drought, availability/adequacy of supply of a commodity, availability of reliable rail and river transportation networks, disease outbreaks, government regulations and policies, global trade disputes, wars and civil unrest, and general political and/or economic conditions.

Business Strategy

Our business strategies focus on an enterprisewide effort to create an experience that empowers customers to make CHS their first choice, expand market access to add value for our owners and transform and evolve our core businesses by capitalizing on changing market dynamics. To execute these strategies, we are focused on implementing agile, efficient and sustainable technology platforms; building robust and efficient supply chains; hiring, developing and retaining high-performing, diverse and passionate teams; achieving operational excellence and continuous improvement; and maintaining a strong balance sheet.

Fiscal 2024 First Quarter Highlights

- Earnings remained strong across our segments, although down from the record first quarter of fiscal 2023.
- Our Energy segment experienced favorable market conditions in our refined fuels business, including sustained global demand for energy products, but refining margins have decreased from the highs in the prior year as a result of trade flows returning to more normal levels.
- In our Ag segment, continued robust meal and oil demand drove strong earnings in our oilseed processing business that were offset by weak U.S. export demand for grain and oilseed.
- Equity method investments performed well, with our CF Nitrogen investment being the largest contributor.

Fiscal 2024 Trends Update

Our segments operate in cyclical environments in which market conditions can change rapidly with significant positive or negative impacts on our results. We anticipate that various macroeconomic factors will continue to drive uncertainty and instability in global energy and agricultural commodity markets, as well as global financial markets, which could have a significant impact on each of our segments during the remainder of fiscal 2024. These factors include the ongoing war between Russia and Ukraine and escalation of conflict in the Middle East, shifts in global trade flows for commodities, a higher interest rate environment, and inflationary pressures increasing costs of labor, freight and materials. In addition to these broad macroeconomic factors, other factors could impact the demand and pricing for agricultural inputs and outputs, as well as our ability to supply those inputs and outputs while remaining profitable. These include the cost of renewable energy credits, the prices of which remains volatile and could continue to negatively impact our profitability, and regional factors, such as unpredictable weather conditions, including those due to climate change. We currently expect the imbalance between global supply and strong global demand for energy and agricultural commodities to continue to moderate through the remainder of fiscal 2024. We are unable to predict how long the current environment will last or the severity of the financial and operational impacts to us in fiscal 2024. Refer to Item 1A of our Annual Report on Form 10-K for the year ended August 31, 2023 for additional impacts that these and other risks may have on our business operations and financial performance.

We will continue to execute our enterprise priorities for fiscal 2024, including empowering and investing in our people, accelerating our operating model to better serve owners and customers, navigating dynamic and changing market conditions, and elevating sustainable growth through empowered teams, an integrated operating model and a solid financial foundation.

Operating Metrics

Energy

Our Energy segment operations primarily include our refineries in Laurel, Montana, and McPherson, Kansas, which process crude oil to produce refined products, including gasoline, distillates and other products. To ensure the reliability of our refineries, we perform major maintenance activities every two to five years, which require a temporary shutdown of operations. These planned shutdowns allow us to extend the life, increase the capacity and improve the safety and efficiency of our refinery processing assets. They also minimize unplanned business interruptions and are essential to the long-term reliability and profitability of our Energy segment.

During periods of maintenance, utilization rates, throughput volumes and refined fuel yields are lower, and we may purchase refined petroleum products from third parties to meet the needs of our customers. These third-party purchases may result in lower margins than for products produced by our refineries, which reduces our profitability. The following table provides information about our consolidated refinery operations:

	Three Months Ended November 30,	
	2023	**2022**
Refinery throughput volumes	(Barrels per day)	
Heavy, high-sulfur crude oil	105,172	89,415
All other crude oil	71,931	71,271
Other feedstocks and blendstocks	14,021	10,708
Total refinery throughput volumes	191,124	171,394
Refined fuel yields		
Gasolines	85,760	76,014
Distillates	85,072	75,393

We are subject to the Renewable Fuel Standard that requires refiners to blend renewable fuels (e.g., ethanol and biodiesel) into their finished transportation fuels or purchase renewable energy credits, known as renewable identification numbers ("RINs"), in lieu of blending. The U.S. Environmental Protection Agency ("EPA") generally establishes new annual renewable fuel percentage standards for each compliance year in the preceding year. In June 2023, the EPA issued a final renewable volume obligation ("RVO") for calendar years 2020 through 2025. We generate RINs through our blending activities, but we cannot generate enough RINs to meet the needs of our refining capacity; therefore, RINs must be purchased on the open market. The price of RINs can be volatile, with prices for D6 ethanol RINs and D4 biodiesel RINs decreasing by 42% and 47%, respectively, during the three months ended November 30, 2023, compared to the same period during the prior year, which positively impacted our earnings. Estimates of our RIN expenses are calculated using an average RIN price each month.

In addition to our internal operational reliability, the profitability of our Energy segment is largely driven by crack spreads (i.e., the price differential between refined products and crude oil inputs) and Western Canadian Select ("WCS") crude oil discounts (i.e., the price discount for WCS crude oil relative to West Texas Intermediate ("WTI") crude oil), which are driven by supply and demand of refined products. Crack spreads and WCS crude oil discounts both decreased during the three months ended November 30, 2023, compared to the same period during the prior year, contributing to lower IBIT for the Energy segment. The table below provides information about average market reference prices and differentials that impacted our Energy segment:

	Three Months Ended November 30,	
	2023	**2022**
Market indicators		
WTI crude oil (dollars per barrel)	$ 84.09	$ 85.15
WTI - WCS crude oil discount (dollars per barrel)	$ 18.20	$ 25.16
Group 3 2:1:1 crack spread (dollars per barrel)*	$ 30.65	$ 44.76
Group 3 5:3:2 crack spread (dollars per barrel)*	$ 27.72	$ 40.40
D6 ethanol RIN (dollars per RIN)	$ 0.9687	$ 1.6733
D4 biodiesel RIN (dollars per RIN)	$ 0.9700	$ 1.8259

**Group 3 refers to the oil refining and distribution system serving Midwest markets from the Gulf Coast through the Plains states.*

Ag

Our Ag segment operations work together to facilitate the production, purchase, sale and eventual use of grain and other agricultural commodities within the United States and internationally. Profitability in our Ag segment is largely driven by throughput and production volumes, as well as commodity price spreads; however, revenues and cost of goods sold ("COGS") are largely affected by market-driven commodity prices outside our control. The table below provides information about average market prices for agricultural commodities, as well as sales and throughput volumes that impacted our Ag segment for the three months ended November 30, 2023 and 2022:

		Three Months Ended November 30,	
	Market Source*	**2023**	**2022**
Commodity prices			
Corn (dollars per bushel)	Chicago Board of Trade	$ 4.72	$ 6.77
Soybeans (dollars per bushel)	Chicago Board of Trade	$ 13.02	$ 14.14
Wheat (dollars per bushel)	Chicago Board of Trade	$ 5.56	$ 8.58
Urea (dollars per ton)	Green Markets NOLA	$ 368.62	$ 589.27
Urea ammonium nitrate (dollars per ton)	Green Markets NOLA	$ 250.78	$ 540.16
Ethanol (dollars per gallon)	Chicago Platts	$ 2.16	$ 2.50
Volumes			
Grain and oilseed (thousands of bushels)		591,412	517,439
North American grain and oilseed port throughput (thousands of bushels)		178,700	161,715
Wholesale crop nutrients (thousands of tons)		1,870	1,612
Ethanol (thousands of gallons)		247,001	243,761

**Market source information represents the average month-end price during the period.*

Results of Operations

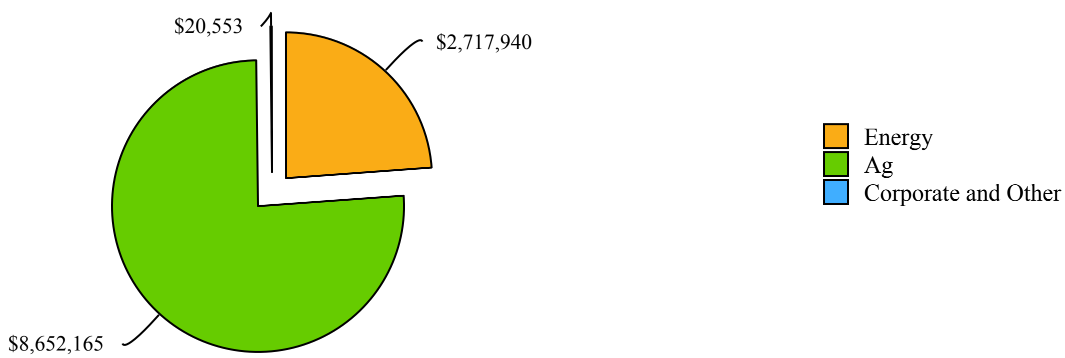
Three Months Ended November 30, 2023 and 2022

	Three Months Ended November 30,			
	2023	% of Revenues*	2022	% of Revenues*
	(Dollars in thousands)			
Revenues	$ 11,390,658	100.0%	$ 12,765,839	100.0%
Cost of goods sold	10,745,708	94.3	11,886,704	93.1
Gross profit	644,950	5.7	879,135	6.9
Marketing, general and administrative expenses	252,056	2.2	234,666	1.8
Operating earnings	392,894	3.4	644,469	5.0
Interest expense	29,628	0.3	33,250	0.3
Other income	(44,529)	(0.4)	(24,289)	(0.2)
Equity income from investments	(109,051)	(1.0)	(181,962)	(1.4)
Income before income taxes	516,846	4.5	817,470	6.4
Income tax (benefit) expense	(6,522)	(0.1)	34,554	0.3
Net income	523,368	4.6	782,916	6.1
Net loss attributable to noncontrolling interests	445	—	318	—
Net income attributable to CHS Inc.	$ 522,923	4.6%	$ 782,598	6.1%

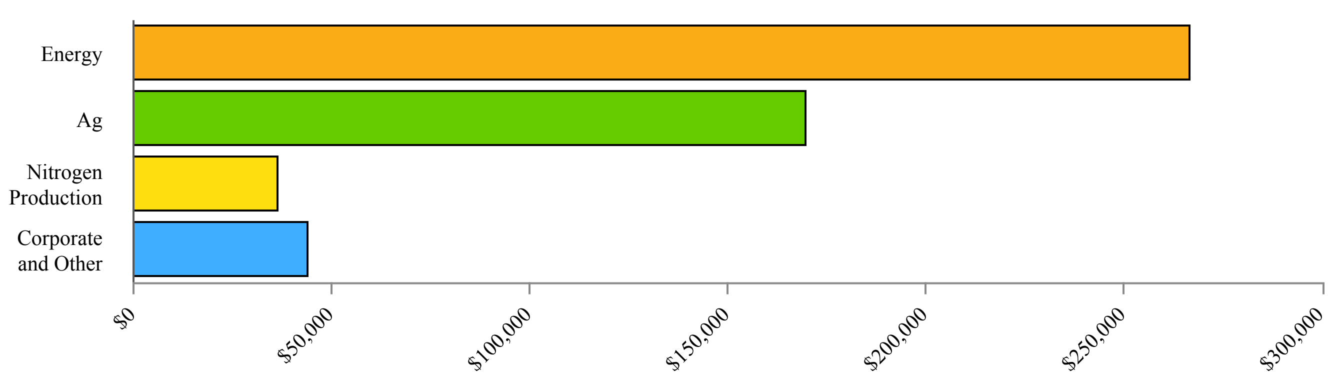
**Amounts less than 0.1% are shown as zero percent. Percentage totals may differ due to rounding.*

The charts below detail revenues, net of intersegment revenues, and IBIT by reportable segment for the three months ended November 30, 2023. Our Nitrogen Production reportable segment represents an equity method investment that records earnings and allocated expenses but not revenues.

First Quarter Fiscal 2024 Reportable Segment Revenues (Dollars in Thousands)



First Quarter Fiscal 2024 Reportable Segment Income Before Income Taxes (Dollars in Thousands)



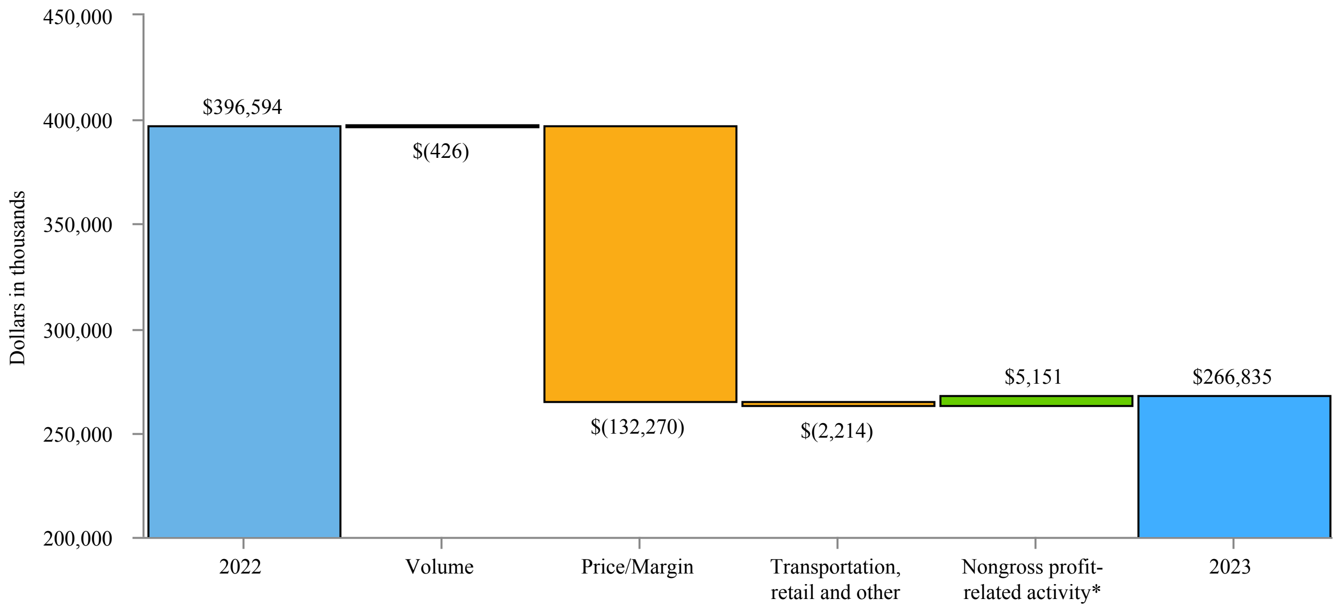
Income Before Income Taxes by Segment

Energy

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Income before income taxes	$ 266,835	$ 396,594	$ (129,759)	(32.7%)

The following waterfall analysis and commentary presents the changes in our Energy segment IBIT for the three months ended November 30, 2023, compared to the same period during the prior year:

Changes in Energy Segment IBIT



**See commentary related to these changes in the marketing, general and administrative expenses, interest expense, other income and equity income from investments sections of this Results of Operations.*

The change in Energy segment IBIT reflects the following:

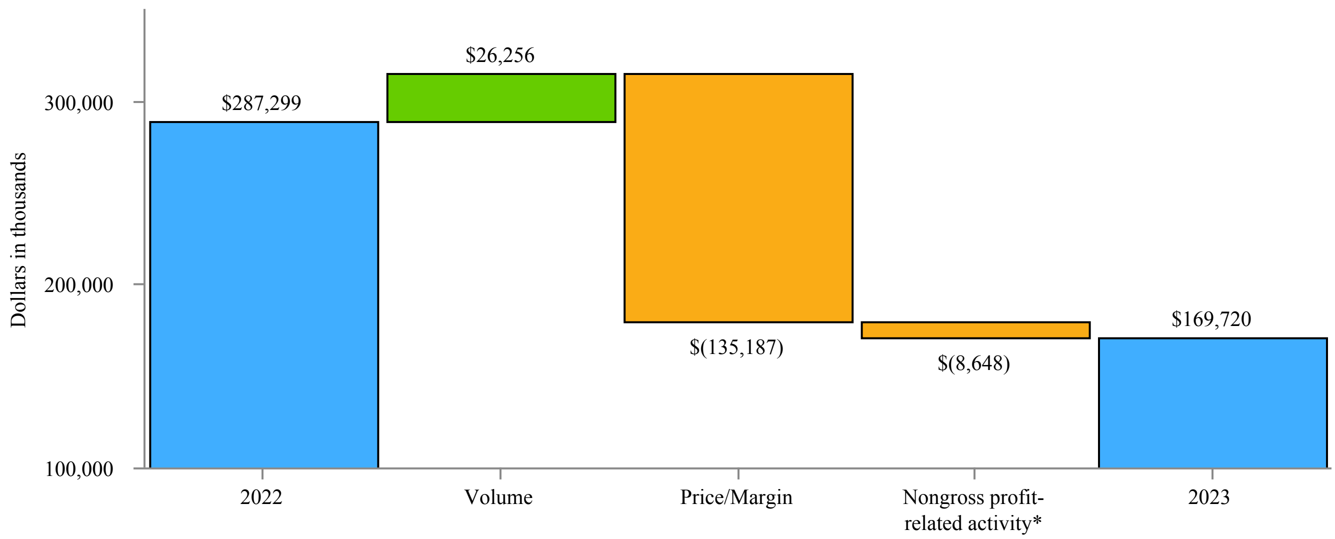
- Lower crack spreads and decreased WCS crude oil discounts resulted from global market conditions, which contributed to a $228.0 million decrease of IBIT.
- The overall decreased IBIT was partially offset by the following:
  - Decreased costs for RINs in our refined fuels business contributed to a $47.6 million cost reduction;
  - Higher margins for propane attributable to hedging-related impacts due to global market conditions affecting the price of propane contributed $40.9 million increased IBIT; and
  - Higher refined fuels production volumes during the current year increased the mix of higher-margin produced refined fuels compared to the prior year and contributed to a $32.4 million increase of IBIT.

Ag

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Income before income taxes	$ 169,720	$ 287,299	$ (117,579)	(40.9%)

The following waterfall analysis and commentary presents the changes in our Ag segment IBIT for the three months ended November 30, 2023, compared to the same period during the prior year:

Changes in Ag Segment IBIT



**See commentary related to these changes in the marketing, general and administrative expenses, interest expense, other income and equity income from investments sections of this Results of Operations.*

The change in Ag segment IBIT reflects the following:

- Decreased margins for our grain and oilseed and oilseed processing product categories, primarily as a result of the timing of the impact of mark-to-market adjustments associated with our commodity derivatives and weak U.S. export demand leading to compressed margins, contributed to $105.3 million and $34.8 million decreases of IBIT, respectively.
- Higher volumes of grain and oilseed resulted in a $20.5 million increase of IBIT due to more favorable weather conditions in parts of our trade territory relative to the prior year.

All Other Segments

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Nitrogen Production IBIT*	$ 36,459	$ 96,873	$ (60,414)	(62.4%)
Corporate and Other IBIT	$ 43,832	$ 36,704	$ 7,128	19.4%

**For additional information, see Note 5, Investments, of the notes to the unaudited condensed consolidated financial statements that are included in this Quarterly Report on Form 10-Q.*

Our Nitrogen Production segment IBIT decreased from the prior year due to lower equity income attributed to decreased selling prices of urea and UAN, which was partially offset by decreased natural gas costs, all due to global supply and demand factors. Corporate and Other IBIT increased primarily due to increased interest income resulting from higher interest rates and a larger cash balance.

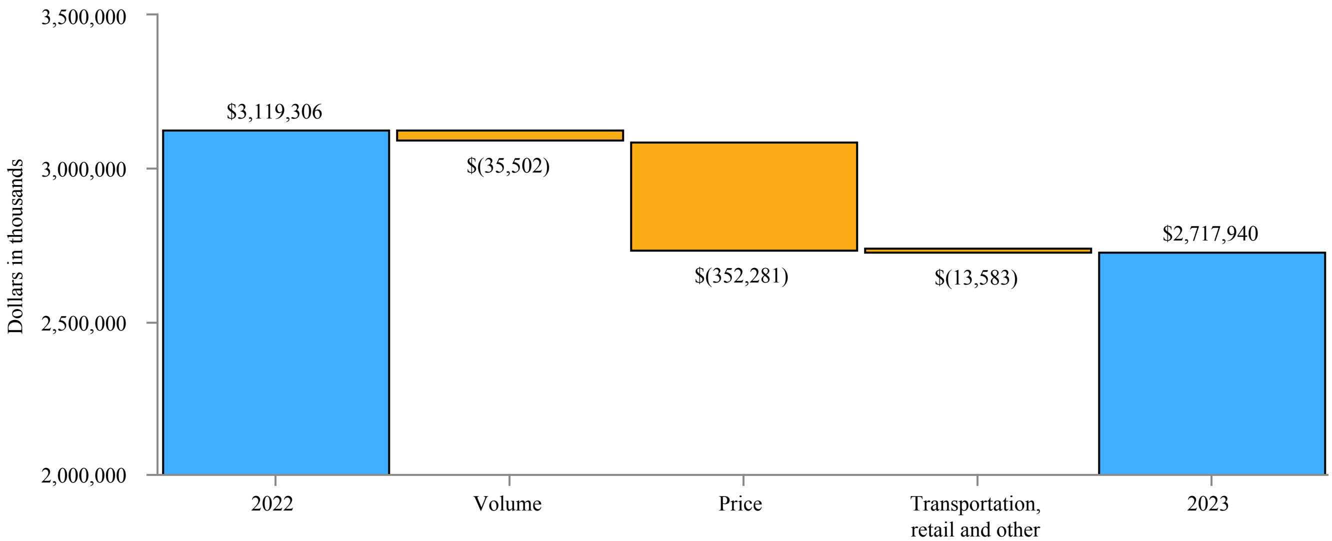
Revenues by Segment

Energy

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Revenues	$ 2,717,940	$ 3,119,306	$ (401,366)	(12.9%)

The following waterfall analysis and commentary presents the changes in our Energy segment revenues for the three months ended November 30, 2023, compared to the same period during the prior year:

Changes in Energy Segment Revenues



The change in Energy segment revenues reflects the following:

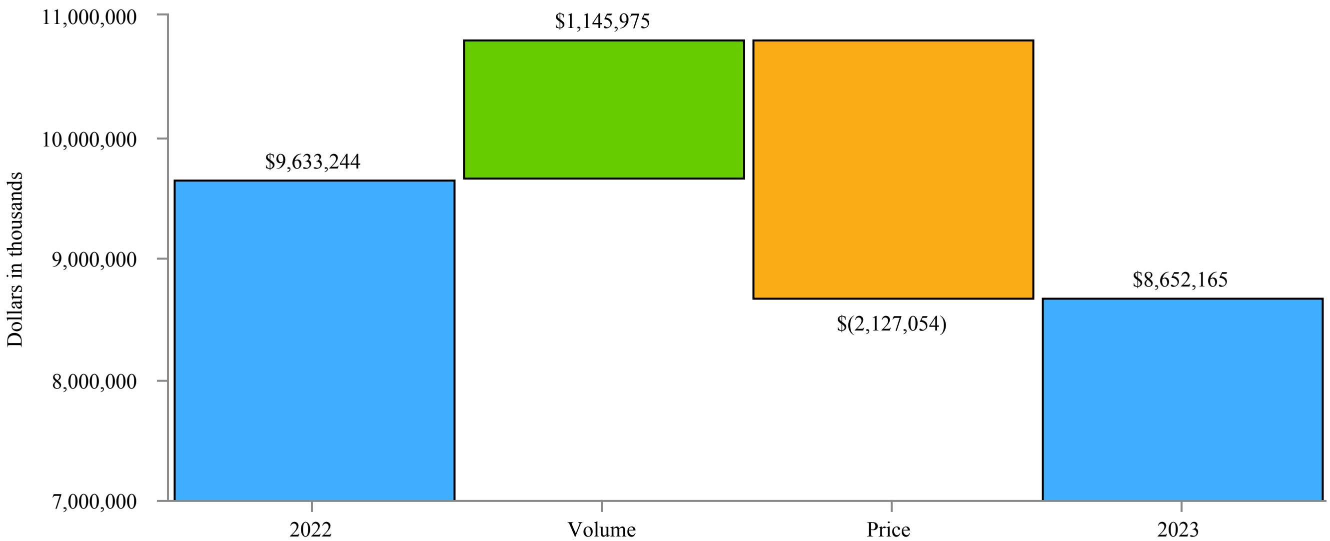
- Decreased selling prices resulting from global market conditions contributed to $299.1 million and $50.9 million decreases in revenues for refined fuels and propane, respectively.
- Lower refined fuels and propane volumes contributed to $22.3 million and $17.3 million decreases in revenues, respectively, primarily driven by lower demand.

Ag

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Revenues	$ 8,652,165	$ 9,633,244	$ (981,079)	(10.2%)

The following waterfall analysis and commentary presents the changes in our Ag segment revenues for the three months ended November 30, 2023, compared to the same period during the prior year:

Changes in Ag Segment Revenues



The change in Ag segment revenues reflects the following:

- Decreased selling prices across all of our Ag segment product categories during the first quarter of fiscal 2024, including:
    - $1.5 billion decrease for grain and oilseed primarily as a result of less favorable global market conditions;
    - $498.7 million decrease for wholesale and retail agronomy products driven by lower urea and UAN prices; and
    - $76.1 million decrease for renewable fuels due to global market conditions.
- Increased volumes for grain and oilseed contributed to a $929.7 million increase in revenues due to a combination of factors, including more favorable weather conditions in parts of our trade territory and stronger global demand for grain.
- Increased volumes of wholesale and retail agronomy products contributed to a $184.0 million increase in revenues, which experienced increased demand during the first quarter of fiscal 2024 as prices remained lower due to global market conditions.

All Other Segments

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Corporate and Other revenues*	$ 20,553	$ 13,289	$ 7,264	54.7%

**Our Nitrogen Production reportable segment represents an equity method investment that records earnings and allocated expenses but not revenues.*

Corporate and Other revenues increased during the three months ended November 30, 2023, compared to the same period during the prior year, primarily due to increased interest income as a result of a larger notes receivable balance and higher interest rates.

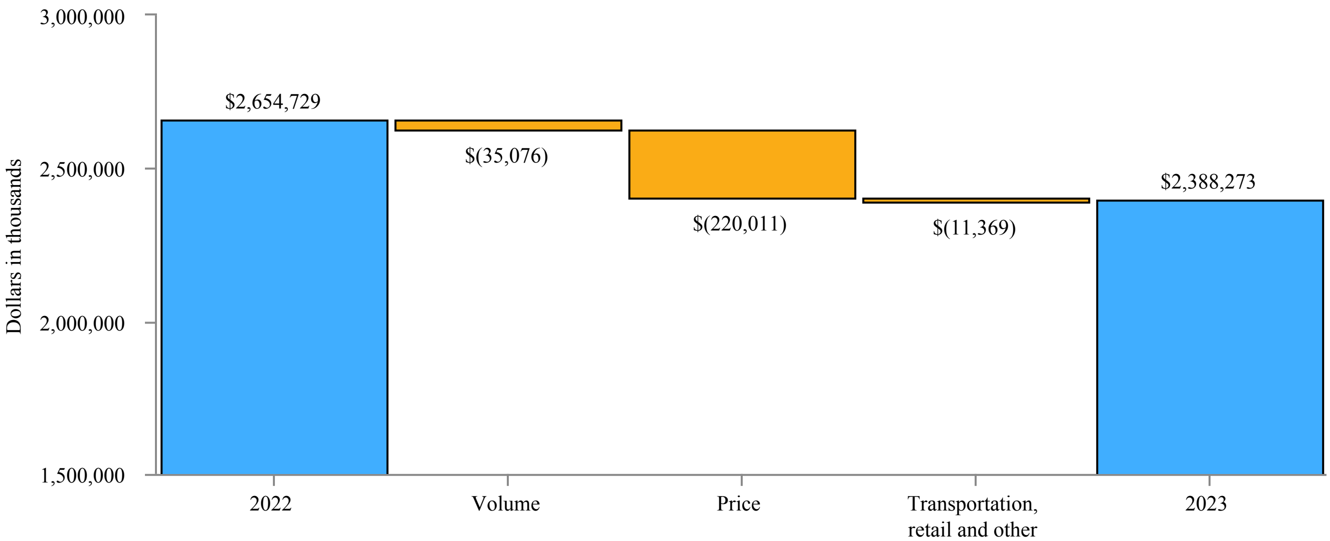
Cost of Goods Sold by Segment

Energy

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Cost of goods sold	$ 2,388,273	$ 2,654,729	$ (266,456)	(10.0%)

The following waterfall analysis and commentary presents the changes in our Energy segment COGS for the three months ended November 30, 2023, compared to the same period during the prior year:

Changes in Energy Segment COGS



The change in Energy segment COGS reflects the following:

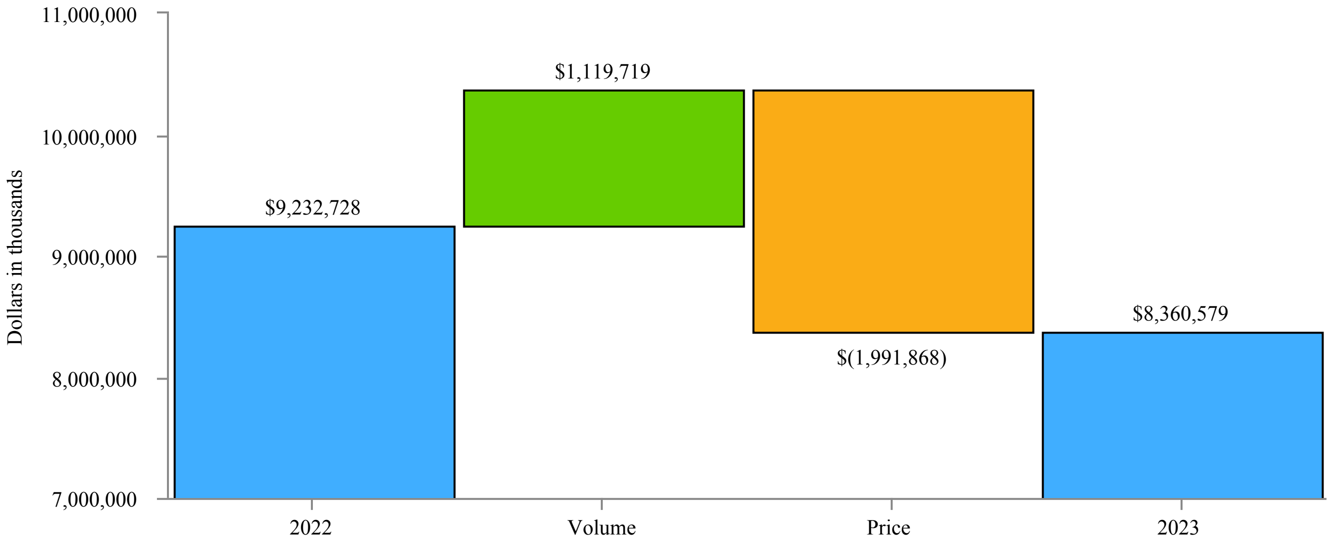
- Global market conditions, including reduced RIN costs, contributed to decreased costs for refined fuels and propane that drove $127.9 million and $90.1 million decreases in COGS, respectively.
- Lower volumes of propane and refined fuels resulting from decreased demand and global market conditions contributed to decreased COGS of $20.2 million and $18.4 million, respectively.

Ag

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Cost of goods sold	$ 8,360,579	$ 9,232,728	$ (872,149)	(9.4%)

The following waterfall analysis and commentary presents the changes in our Ag segment COGS for the three months ended November 30, 2023, compared to the same period during the prior year:

Changes in Ag Segment COGS



The change in Ag segment COGS reflects the following:

- Lower costs across all of our Ag segment product categories during the first quarter of fiscal 2024, including:
  - $1.4 billion decrease for grain and oilseed primarily driven by less favorable global market conditions;
  - $482.5 million decrease for wholesale and retail agronomy products driven by lower urea and UAN prices; and
  - $102.1 million decrease for renewable fuels primarily resulting from lower input costs.
- Increased volumes for grain and oilseed contributed to a $909.2 million increase in COGS due to a combination of factors, including more favorable weather conditions in parts of our trade territory and stronger global demand for grain.
- Increased volumes of wholesale and retail agronomy products contributed to a $176.4 million increase in COGS, which experienced increased demand during the first quarter of fiscal 2024 as prices remained lower due to global market conditions.

All Other Segments

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Nitrogen Production COGS	$ 412	$ 428	$ (16)	(3.7%)
Corporate and Other COGS	$ (3,557)	$ (1,181)	$ (2,376)	(201.2%)

There were no significant changes on a dollar basis to COGS in our Nitrogen Production segment or Corporate and Other during the three months ended November 30, 2023, compared to the same period during the prior year.

Marketing, General and Administrative Expenses

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Marketing, general and administrative expenses	$ 252,056	$ 234,666	$ 17,390	7.4%

Marketing, general and administrative expenses increased during the three months ended November 30, 2023, primarily due to higher salary expenses, as well as higher consulting expenses primarily associated with our enterprise resource planning system implementation and other technologies to advance our operating model.

Interest Expense

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Interest expense	$ 29,628	$ 33,250	$ (3,622)	(10.9%)

Interest expense decreased during the three months ended November 30, 2023, as a result of decreased notes payable balances, which was partially offset by higher interest rates compared to the same period in the prior year.

Other Income

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Other income	$ 44,529	$ 24,289	$ 20,240	83.3%

Other income increased during the three months ended November 30, 2023, primarily as a result of increased interest income due to higher interest rates and a larger cash balance.

Equity Income from Investments

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Equity income from investments*	$ 109,051	$ 181,962	$ (72,911)	(40.1%)

**For additional information, see Note 5, Investments, of the notes to the condensed consolidated financial statements that are included in this Quarterly Report on Form 10-Q.*

Equity income from investments decreased during the three months ended November 30, 2023, compared to the same period during the prior year, primarily due to lower income associated with our equity method investment in CF Nitrogen as a result of lower prices of urea and UAN due to global supply and demand factors.

Income Tax (Benefit) Expense

	Three Months Ended November 30,		Change	
	2023	2022	Dollars	Percent
	(Dollars in thousands)			
Income tax (benefit) expense	$ (6,522)	$ 34,554	$ (41,076)	(118.9%)

The income tax benefit during the three months ended November 30, 2023, resulted primarily from the recognition of research and development tax credits during the period. Effective tax rates for the three months ended November 30, 2023 and 2022, were (1.3)% and 4.2%, respectively. Federal and state statutory rates of 24.5% and 24.4% were applied to nonpatronage business activity for the three months ended November 30, 2023 and 2022, respectively. Income taxes and effective tax rates vary each year based on profitability, income tax credits, nonpatronage business activity and current equity management assumptions.

Liquidity and Capital Resources

In assessing our financial condition, we consider factors such as working capital, internal benchmarking related to our applicable covenants and other financial information. The following financial information is used when assessing our liquidity and capital resources to meet our capital allocation priorities, which include maintaining the safety and compliance of our operations, paying interest on debt and preferred stock dividends, returning cash to our member-owners in the form of cash patronage and equity redemptions, and taking advantage of strategic opportunities that benefit our member-owners:

	November 30, 2023	August 31, 2023
	(Dollars in thousands)	
Cash and cash equivalents	$ 1,349,757	$ 1,765,286
Notes payable	421,580	547,923
Long-term debt including current maturities	1,825,565	1,827,658
Total equities	10,697,389	10,452,389
Working capital	3,620,777	3,229,455
Current ratio*	1.5	1.5

**Current ratio is defined as current assets divided by current liabilities.*

Summary of Our Major Sources of Cash and Cash Equivalents

We fund our current operations primarily through our cash flows from operations and with short-term borrowings through our committed and uncommitted revolving credit facilities, including our securitization facility with certain unaffiliated financial institutions and our repurchase facility. We fund certain of our long-term capital needs, primarily those related to acquisitions of property, plant and equipment, with cash flows from operations and by issuing long-term debt. See Note 6, *Notes Payable and Long-Term Debt*, of the notes to the unaudited condensed consolidated financial statements that are included in this Quarterly Report on Form 10-Q for additional information on our short-term borrowings and long-term debt. We will continue to consider opportunities to further diversify and enhance our sources and amounts of liquidity.

Summary of Our Major Uses of Cash and Cash Equivalents

The following is a summary of our primary cash requirements for fiscal 2024:

- *Capital expenditures.* We expect total capital expenditures for fiscal 2024 to be approximately $971.8 million compared to capital expenditures of $564.5 million in fiscal 2023. Increased capital expenditures for fiscal 2024 are for investments in our infrastructure to meet the evolving needs of our owners and customers, enhance value for the cooperative system and propel sustainable growth. During the three months ended November 30, 2023, we acquired $142.4 million of property, plant and equipment.
- *Major maintenance.* We expect total major maintenance for fiscal 2024 to be approximately $22.0 million compared to major maintenance of $217.4 million in fiscal 2023. Decreased major maintenance for fiscal 2024 is due to significantly reduced turnaround activities at our refineries compared to the turnaround at our Laurel refinery during fiscal 2023. During the three months ended November 30, 2023, we paid $8.3 million in major maintenance.
- *Debt and interest*. We expect to repay approximately $9.6 million of long-term debt and finance lease obligations and incur interest payments related to long-term debt of approximately $88.3 million during fiscal 2024. During the three months ended November 30, 2023, we repaid $2.4 million of scheduled long-term debt maturities and finance lease obligations.
- *Preferred stock dividends.* We had approximately $2.3 billion of preferred stock outstanding as of November 30, 2023. We expect to pay dividends on our preferred stock of approximately $168.7 million during fiscal 2024. Dividends paid on our preferred stock during the three months ended November 30, 2023, were $42.2 million.
- *Patronage*. Our Board of Directors has authorized approximately $365.0 million of our fiscal 2023 patronage-sourced earnings to be paid to our member-owners during fiscal 2024.
- *Equity redemptions*. Our Board of Directors has authorized equity redemptions of up to $365.0 million to be distributed in fiscal 2024 in the form of redemptions of qualified and nonqualified equity owned by individual producer-members and association members. During the three months ended November 30, 2023 we redeemed $11.2 million of member equity.

We believe cash generated by operating and investing activities, along with available borrowing capacity under our credit facilities, will be sufficient to support our short- and long-term operations. Our notes payable and long-term debt are subject to various restrictive requirements for maintenance of minimum consolidated net worth and other financial ratios. We were in compliance with all debt covenants and restrictions as of November 30, 2023. Based on our current fiscal 2024 projections, we expect continued covenant compliance.

Working Capital

We measure working capital as current assets less current liabilities as each amount appears on our condensed consolidated balance sheets. We believe this information is meaningful to investors as a measure of operational efficiency and short-term financial health. Working capital is not defined under U.S. generally accepted accounting principles ("U.S. GAAP") and may not be computed the same as similarly titled measures used by other companies. Working capital as of November 30, 2023, and August 31, 2023, was as follows:

	November 30, 2023	August 31, 2023	Change
		(Dollars in thousands)	
Current assets	$ 10,587,195	$ 9,128,649	$ 1,458,546
Less current liabilities	6,966,418	5,899,194	1,067,224
Working capital	$ 3,620,777	$ 3,229,455	$ 391,322

As of November 30, 2023, working capital increased by $391.3 million compared with August 31, 2023. Current asset balance changes increased working capital by $1.5 billion, primarily driven by increases in inventories and receivables, which were driven by the fall harvest. Current liability balance changes decreased working capital by $1.1 billion, primarily due to increases in accounts payable, which were also driven by the fall harvest.

We finance our working capital needs through committed and uncommitted lines of credit with domestic and international banks. We believe our current cash balances and available capacity on our committed and uncommitted lines of credit will provide adequate liquidity to meet our working capital needs.

Contractual Obligations

For information regarding our estimated contractual obligations, see the MD&A discussion included in Item 7 of Part II of our Annual Report on Form 10-K for the year ended August 31, 2023. No material changes occurred during the three months ended November 30, 2023.

Cash Flows

The following table presents summarized cash flow data for the three months ended November 30, 2023:

	Three Months Ended November 30,		
	2023	2022	Change
		(Dollars in thousands)	
Net cash used in operating activities	$ (147,585)	$ (180,192)	$ 32,607
Net cash used in investing activities	(99,616)	(110,713)	11,097
Net cash (used in) provided by financing activities	(174,504)	129,960	(304,464)
Effect of exchange rate changes on cash and cash equivalents	(3,969)	1,415	(5,384)
Decrease in cash and cash equivalents and restricted cash	$ (425,674)	$ (159,530)	$ (266,144)

Cash flows from operating activities can fluctuate significantly from period to period as a result of various factors, including seasonality and timing differences associated with purchases, sales, taxes and other business decisions. The $32.6 million decrease in cash used in operating activities primarily reflects inventory decreases, which resulted from reduced prices during the first three months of fiscal 2024 compared to the same period during fiscal 2023.

The $11.1 million decrease of cash used in investing activities reflects timing differences in borrowings and payments for CHS Capital notes receivable partially offset by higher acquisitions of property, plant and equipment during the first three months of fiscal 2024, compared to the same period during fiscal 2023.

The $304.5 million decrease in cash provided by financing activities relative to the previous year primarily reflects decreased net cash inflows associated with our notes payable due to lower short-term funding needs resulting from our balance sheet and cash earnings.

Preferred Stock

The following is a summary of our outstanding preferred stock as of November 30, 2023, all shares of which are listed on the Global Select Market of The Nasdaq Stock Market LLC:

	Nasdaq Symbol	Issuance Date	Shares Outstanding	Redemption Value	Net Proceeds (a)	Dividend Rate (b) (c)	Dividend Payment Frequency	Redeemable Beginning (d)
				(Dollars in millions)				
8% Cumulative Redeemable	CHSCP	(e)	12,272,003	$ 306.8	$ 311.2	8.00%	Quarterly	7/18/2023
Class B Cumulative Redeemable, Series 1	CHSCO	(f)	21,459,066	$ 536.5	$ 569.3	7.875%	Quarterly	9/26/2023
Class B Reset Rate Cumulative Redeemable, Series 2	CHSCN	3/11/2014	16,800,000	$ 420.0	$ 406.2	7.10%	Quarterly	3/31/2024
Class B Reset Rate Cumulative Redeemable, Series 3	CHSCM	9/15/2014	19,700,000	$ 492.5	$ 476.7	6.75%	Quarterly	9/30/2024
Class B Cumulative Redeemable, Series 4	CHSCL	1/21/2015	20,700,000	$ 517.5	$ 501.0	7.50%	Quarterly	1/21/2025

(a) Includes patron equities redeemed with preferred stock.

(b) Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2 accumulates dividends at a rate of 7.10% per year until March 31, 2024, and then will fix at a rate of 7.10% based on the terms of the contract and application of the Adjustable Rate (LIBOR) Act.

(c) Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 accumulates dividends at a rate of 6.75% per year until September 30, 2024, and then will fix at a rate of 6.75% based on the terms of the contract and application of the Adjustable Rate (LIBOR) Act.

(d) All series of preferred stock are redeemable for cash at our option, in whole or in part, at a per share price equal to the per share liquidation preference of $25.00 per share, plus all dividends accumulated and unpaid on that share to and including the date of redemption, beginning on the dates set forth in this column.

(e) The 8% Cumulative Redeemable Preferred Stock was issued at various times from 2002 through 2010.

(f) Shares of Class B Cumulative Redeemable Preferred Stock, Series 1 were issued on September 26, 2013, August 25, 2014, March 31, 2016, and March 30, 2017.

Critical Accounting Policies

Our critical accounting policies as presented in the MD&A in our Annual Report on Form 10-K for the year ended August 31, 2023, have not materially changed during the three months ended November 30, 2023.

Recent Accounting Pronouncements

Refer to Note 1, *Basis of Presentation and Significant Accounting Policies*, included in Item 1 of Part I of this Quarterly Report on Form 10-Q for a discussion of applicable standards issued and not yet adopted.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We did not experience material changes in market risk exposures for the period ended November 30, 2023, that would affect the quantitative and qualitative disclosures presented in our Annual Report on Form 10-K for the year ended August 31, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of November 30, 2023. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of that date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended November 30, 2023, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, please see Note 13, *Commitments and Contingencies*, of the notes to the unaudited condensed consolidated financial statements that are included in this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the year ended August 31, 2023.

ITEM 5. OTHER INFORMATION

On January 2, 2024, per the terms of our Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2 and Series 3, and the Adjustable Interest Rate (LIBOR) Act, the stated rates of 7.10% and 6.75%, respectively, were fixed at 7.10% and 6.75% (the "Fixed Rates"), respectively. We will pay dividends on Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2 after March 31, 2024, and on Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 after September 30, 2024, at the Fixed Rates until they are redeemed.

ITEM 6. EXHIBITS

Exhibit	Description
10.1	Amendment No. 4 to Employment Agreement, dated as of November 7, 2023, between CHS Inc. and Jay D. Debertin (incorporated by reference to our Form 10-K for the year ended August 31, 2023, filed November 8, 2023).
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document (The Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHS Inc.
(Registrant)

Date:	January 10, 2024	By:	/s/ Olivia Nelligan
			Olivia Nelligan
			Executive Vice President, Chief Financial Officer and Chief Strategy Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jay D. Debertin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2023, of CHS Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 10, 2024

/s/ Jay D. Debertin

Jay D. Debertin
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Olivia Nelligan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2023, of CHS Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: January 10, 2024

/s/ Olivia Nelligan

Olivia Nelligan

Executive Vice President, Chief Financial Officer and Chief Strategy Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report on Form 10-Q of CHS Inc. (the “Company”) for the quarterly period ended November 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jay D. Debertin, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jay D. Debertin

Jay D. Debertin
President and Chief Executive Officer
January 10, 2024

Exhibit 32.2

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report on Form 10-Q of CHS Inc. (the “Company”) for the quarterly period ended November 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Olivia Nelligan, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Olivia Nelligan

Olivia Nelligan
Executive Vice President, Chief Financial Officer and Chief Strategy Officer
January 10, 2024