IT TAKES A CO-OP.™

2024 CHS Annual Report

Our purpose

Creating connections to empower agriculture

Our values

Integrity

We set high standards and hold ourselves accountable.

Safety

We put the well-being of our people, customers and communities first every day.

Inclusion

We believe excellence and growth stem from diverse thinking.

Cooperative spirit

We work together for shared success and to strengthen our communities.

The cooperative difference


From left, Schurr, Debertin

We are pleased to share our fiscal year 2024 results, which demonstrate another year of solid performance across all our segments. They exemplify the strength of the cooperative system, farmers, ranchers and cooperatives working together to achieve shared success.

Those results were made possible by your belief in the value your cooperative provides. Thank you for turning that belief into action, helping CHS record one of the best years in this cooperative's history.

We are leveraging that strength to enhance and expand our supply chain capabilities in the U.S. and around the world.

Our updated, more efficient Myrtle Grove, La., export terminal is handling grain, oilseed and byproducts more quickly to send more American-grown products to customers around the world.

The expanded Galveston, Texas, deep-water port is moving fertilizer off ships and into railcars at greater speed so crop nutrients will reach co-op warehouses and farm fields more quickly.

The TEMCO grain-export joint venture, which now includes a terminal at the Port of Houston, is giving us opportunities to find new markets for grain from the Southern Plains, while we continue to enjoy significant market share through our TEMCO ports in the Pacific Northwest.

Expanding our soy processing capacity means we are in position to take full advantage of demand for soy oil, soybean meal and soy flour for food and fuel in the U.S. and around the globe.

CHS refineries continue to find ways to produce more diesel from every barrel of crude oil to power farms, ranches and fleets across rural America.

We are expanding our grain origination and export footprint in Brazil, Australia and the Black Sea region to help meet customer needs year-round, ensuring this farmer-owned cooperative is relevant in the global marketplace. That presence will help build a steady market for U.S. grain and oilseeds to create even more value for our owners.

Our priorities for fiscal year 2025 focus on continuing our momentum, while building strength across the CHS enterprise. In the year ahead, we will:

- Leverage our progress to unlock growth through strategic investments and cooperative connections.
- Own our financial strength and resilience through personal accountability.
- Employ our framework of CHS capabilities to live our values and deliver excellence as one team.

Thank you for your business and for your commitment to the cooperative system and CHS. Together, we are creating connections to empower agriculture.

Dan Schurr
Chair, Board of Directors

Jay Debertin
President and Chief Executive Officer

Opening new markets

Farmers in the Southern Plains are experts at growing grain sorghum, a low-input crop that thrives in dry conditions. Customers in China depend on sorghum for food and feed. CHS and its member co-ops are meeting that need, now supplying about 17% of China's sorghum imports through the Port of Houston terminal recently added to the TEMCO joint venture.

It takes a co-op to connect owners to a world of opportunity.

Year in review

Expansion and upgrades at the CHS export terminal in **Myrtle Grove,** La., are enabling faster, more efficient handling of wheat, soybeans and corn, as well as soybean meal and DDGS (distillers dried grains with solubles), valuable feed ingredients and byproducts of soy processing and ethanol manufacturing, respectively. The 30% increase in capacity and greater ability to fill oceangoing vessels with multiple products helps make CHS a more valuable supplier to customers in Latin America and other regions around the world.

The **TEMCO** grain export terminal at the Port of Houston on the Texas Gulf, added in 2023, is helping CHS and member cooperatives serve owners in the Southern Plains, exporting more than 50 million bushels in fiscal year 2024 and increasing market access for grain sorghum and other crops. The growing CHS network of U.S. grain-handling facilities and export capabilities has helped make CHS a key supplier of sorghum to China for livestock and human consumption. Combining the Houston terminal with other TEMCO export terminals in the Pacific Northwest allows CHS to originate and market grain grown across the U.S. to supply customers in Asia, the Middle East, Europe and Latin America.

Marking two decades of grain origination in **South America**, CHS operations in Brazil continued to add strength to the supply chain as we enhanced our ability to be a year-round supplier of grain to global customers. Our transshipment facilities at Marialva and Alvorada are located along key rail corridors that connect the terminals to ports at Itaqui, Paranaguá and Santos. Through a joint venture with Brazilian railway operator Rumo, CHS will be 50% owner of a grain and fertilizer terminal to be built at the Port of Santos with completion expected in 2027. The facility will service a key grain export corridor and enhance CHS end-to-end supply chain capabilities in Brazil. The terminal is expected to move up to 350 million bushels of grain and 3.5 million tons of fertilizer per year.

Expansion of the CHS Silotrans terminal at Constanta, Romania, on the **Black Sea** progressed during fiscal year 2024. When complete, which is expected in 2025, the 35% increase in terminal capacity and increased speed will help move grain from this critical grain-producing region to CHS customers around the world.

A 1.5 million ton grain export terminal is under construction at Geelong in Victoria, **Australia.** The joint venture between CHS and Broadbent Grain will accept truck and rail shipments, then fill export vessels destined for the Asia Pacific region using high-speed technology. The terminal will have capacity to export 59 million bushels per year and is expected to be completed in 2025.

New domestic **grain-handling** facilities at Erskine, Minn., and Worthing, S.D., and CHS acquisition of key grain assets in Illinois, Colorado, Minnesota and Nebraska added strength to the CHS grain supply chain. The ability to assemble and ship greater volumes helps secure market access opportunities for CHS owners and ensures global CHS customers of dependable supplies of high-quality grain with desired characteristics through the farmer-owned cooperative system.

CHS **soy processing** facilities in Fairmont and Mankato, Minn., and **canola processing** operations in Hallock, Minn., exceeded anticipated production volumes to help meet demand for food, energy feedstocks and feed, despite softening of global soy oil demand in fiscal year 2024 compared with the previous year's historically high levels. Upgrades to the Mankato facility completed mid-year increased refined soy oil production capacity by 35%. CHS is a major U.S. supplier of refined soy oil, soybean meal and soy flour.

Growing consumer demand for alternative **plant-based proteins** is providing additional market opportunities for growers of dry edible beans and pulse crops. CHS responded to those opportunities in 2024 by acquiring an additional facility that allowed expansion of the CHS bean processing operation at Othello, Wash. The added facility will enhance rail-receiving and storage capacity for crops grown in Montana and Idaho and shipped through Pacific Northwest markets.

Evolving its business model to bring an elevated level of service to business-to-business clients, **CHS Hedging** navigated a challenging and changing economic environment while meeting the needs of commercial agribusiness customers. Ongoing focus on risk management strategies and compliance coupled with superior service and expert advice helped deliver value and confidence in the competitive commodity market services sector.

The CHS **refineries** at McPherson, Kan., and Laurel, Mont., continued to employ high-efficiency equipment and processes to optimize production of the diesel fuel used by CHS owners and customers. While overall refined fuels volumes declined due to reduced industrywide demand, upgrades made to the CHS refineries in recent turnarounds helped maintain high levels of production, including record volumes at the Laurel refinery and an industry-leading proportion of diesel fuel to other products. The McPherson refinery earned Energy Star certification from the U.S. Environmental Protection Agency in early 2024 in recognition of exceptional energy efficiency as compared to similar facilities.

Supply chain enhancements to energy **terminals and pipelines** have reduced travel time and costs required for customers to access needed fuel, especially during peak demand seasons. Over the past 10 years, CHS has invested $250 million in pipeline upgrades to maintain and increase fuel supply to customers in North Dakota and other northern-tier states.

Backed by decades of proven performance, Cenex® **premium diesel fuels** continue to evolve to meet the demands of new, high-performance engines. Side-by-side tests in real-world conditions comparing Cenex diesel fuel with its precisely formulated additive package to standard diesel fuel showed better fuel economy, less maintenance and reduced emissions when using Cenex diesel fuel. These results help build preference for the Cenex brand among owners of ag and other heavy-duty equipment and led to one of the strongest premium diesel sales results in company history in fiscal year 2024.

Fiscal year 2024 saw completion of a multi-year initiative to update exterior branding and lighting at **Cenex® branded retail locations** to bring consistency and visual appeal to store exteriors for a more compelling brand experience. Retailers were also able to access low-interest financing through **CHS Capital** to initiate new Cenex brand retail store construction or enhance store interiors. In a highly competitive marketplace, these programs have invested more than $65 million to help grow customer preference and boost store revenues. During the fiscal year, 27 retail sites were added to the Cenex brand, boosting refined fuels volumes by 27 million gallons annually.

Helping to strengthen the energy supply chain and capitalizing on opportunities to build customer loyalty, major upgrades and rebuilding projects were completed at several CHS-owned **Cenex Zip Trip®** convenience stores in Montana and Colorado during fiscal year 2024, with additional projects planned for fiscal year 2025.

The **lubricants** business continued to grow volume and market share, despite declining industrywide demand driven by extended drain intervals and increased equipment efficiency. The company's grease sales volumes increased 22% and overall branded lubricant product sales increased 2% over the previous year.

Powering agriculture

Agriculture depends on diesel fuel. As the nation's largest co-op refiner, CHS produces as much diesel as possible from every barrel of crude oil and develops premium diesel additive packages to improve performance and reduce emissions compared to standard diesel fuel.

It takes a co-op to energize rural America.

Leveraging global connections

An extensive supply chain including global and domestic supply and a network of CHS and member cooperative terminals and warehouses means farmers have the fertilizers they need when they need them to feed growing crops. Investment in our deep-water port at Galveston, Texas, and strategically located river terminals helps the cooperative system keep crop nutrients flowing while controlling costs.

It takes a co-op to harness global resources to feed hungry crops.

Record warm temperatures and minimal crop-drying needs for the 2023 harvest season resulted in reduced **propane** demand and volume, partially offset by greater efficiency and cost management. A new 360,000-gallon propane rail terminal was added in Yuma, Colo., in early fiscal year 2024 to serve customers in the region.

Continued strategic alignment across the enterprise enhanced **energy equipment** market presence and efficiency, especially in the Pacific Northwest, where co-warehousing with CHS agronomy businesses made more effective use of existing assets and distribution capabilities and broadened available services for customers. Sales volumes grew for rolling stock, monitoring equipment and direct-shipping equipment, while supply chain rationalization put downward pressure on propane tank demand.

Growing customer interest and satisfaction in the CHS **automated fuel delivery** (AFD) program and deeper collaboration between CHS energy teams resulted in a record-high volume of refined fuels flowing through AFD. The program leverages tank monitoring and remote communications to ensure customers always have the fuel they need when they need it.

Declining market prices for **crop nutrients** in fiscal year 2024 and a lengthy postharvest season helped increase fertilizer volumes, although reduced prices affected revenues. Capital investment in the Galveston, Texas, deep-water import facility and key river terminals have optimized those assets to allow exceptional flexibility in distribution to accommodate shifts in demand, react to shipping disruptions and manage transportation costs for crop nutrients destined for wholesale and retail customers.

The CHS **Crop Science Research and Development Center** began operation in early calendar year 2024. The cutting-edge center has the ability to simulate up to six environments to replicate a range of growing regions, which will significantly accelerate **crop protection** product development and testing in a controlled environment. The resulting product enhancements will fast-track the rate of new solutions available to growers to increase yields as they address on-farm challenges.

Several new **crop protection** products were introduced in fiscal year 2024, including Trivar® EZ, a granular micronutrient fertilizer blend that features the patented Levesol® chelating agent to help improve micronutrient availability to crops for enhanced performance and return on crop input investments. Strategic collaboration across retail and wholesale business segments helped increase overall crop protection sales and stabilized margins despite overall category price declines.

The **Allegiant®** seed business maintained market share in the competitive corn and soybean genetics marketplace while controlling and reducing operating costs. Local expertise and access to leading traits helped customers optimize their return on input investments amid declining commodity market prices.

Ongoing optimization of the CHS ag **supply chain** benefited from an enterprisewide strategic planning focus that brought increased efficiency and alignment across trading, sales, operations and supply chain, coordinating expectations and volumes from origination to delivery to global customers. The standardized end-to-end process, including application of robust information systems for greater visibility to supply chain throughput, delivers value to owners and customers alike.

Growth of the Accolade Producer financing program continued through strategic collaboration between **CHS Capital** and CHS agronomy teams. As the number of participating retailers grew, the best-in-class program helped farmer-owners manage operating cost risk and cash flow variability.

The CHS **animal nutrition** product line aligned across operations and sales in fiscal year 2024 to scale and improve sourcing feed ingredients, manufacturing efficiency and customer experience. A renewed strategy related to key market segments is making more effective use of resources and positioning the business for growth in target geographies as it serves ag, lifestyle and commercial customers with its Payback® and Equis® feed brands. Consumers Supply Distributing, LLC, a joint venture with CSD Inc., remains a strategic investment for CHS.

Ventura Foods, LLC, a joint venture between CHS and Mitsui, Inc., provides foodservice customers in more than 60 countries with dressings, sauces, mayonnaises, shortenings and other oil-based ingredients. In 2024, Ventura Foods completed its acquisition of DYMA Brands, a leader in liquid portion control and bulk condiments, seasonings and dry blend mixes for the foodservice industry, gaining more than 500 employees and manufacturing facilities in Bremen and Duluth, Ga.; Bondurant, Iowa; and Visalia, Calif.

Ardent Mills, LLC, a CHS joint venture with Cargill and Conagra Brands, continued to accelerate its long-term growth strategy across its traditional flour and alternative grain portfolios, including naming Sheryl Wallace as CEO and Tiago Darocha as chief operating officer. CHS remains the largest wheat supplier to Ardent Mills, providing more than 48 million bushels in fiscal year 2024.

Continued emphasis on **sustainable practices** across the enterprise marked completion of the company's first scope 1 and 2 emissions inventories for core businesses. Focusing on climate, reducing deforestation risk, supporting people and communities and engaging stakeholders, CHS has instilled a sustainability mindset in investment and other decision-making protocols as we work with our owners and customers to feed a growing world population. CHS is supporting farmer-owners in sustainable nitrogen management by providing local agronomic expertise to help optimize nitrogen fertilizer applications and enhanced efficiency fertilizers, including the N-Edge® family of nitrogen stabilizers to help ensure nitrogen remains in the root zone for effective crop uptake. CHS is also partnering with CF Industries to support production and distribution of low-carbon nitrogen fertilizers.

The company continued its emphasis on leveraging **innovation** to enhance efficiency and improve the experience for CHS stakeholders. Cooperative Ventures, a joint corporate venture capital fund created with Growmark in 2023, announced its third investment, which is in Traction Ag, Inc., a leader in cloud-based accounting solutions for farmers. A CHS innovation council was empowered to consolidate innovation efforts for more effective implementation across the enterprise.

Advanced **technology** portals used for retail and wholesale customers streamlined inventory management, product selection, order tracking and invoicing to speed response times and improve customer service. To further those efforts, CHS announced an industry-leading partnership with AgVend, the leading provider of agribusiness digital solutions, to enable CHS wholesale crop protection customers to connect seamlessly to order and account information. We expect to expand the tool to include other CHS ag, energy and financing businesses as we continue to build a more resilient, technology-enabled supply chain. Continued application of artificial intelligence is boosting efficiency and productivity and drone technologies are improving operational efficiency and safety across the enterprise.

Continued focus on **cybersecurity and data protection** in light of ongoing cyber threats included securing operational assets in key CHS facilities, providing ongoing employee education and strengthening technology investments and practices where needed. SEC cybersecurity reporting rules, including a risk management structure, have been integrated into CHS protocols.

Cultivating answers

Using real-world input from farmers and agronomists, CHS agronomy products and services are developed to meet on-farm challenges. Our state-of-the-art Crop Science Research and Development Center can simulate up to six growing environments to replicate conditions across regions and seasons. The answers discovered there are tested in field plots, then commercialized to help farmers optimize yield while gaining the most value from their crop input investments.

It takes a co-op to deliver grower-focused solutions.

Growing ag talent

To help meet the need for skilled technicians on farms and at co-ops, CHS Foundation grants equipped classrooms with hydraulic and electronic equipment at Bismarck (N.D.) State College, a two-year polytechnic institution. The foundation partners with colleges across the U.S. to encourage students to complete ag degrees and pursue careers in agriculture.

It takes a co-op to inspire next-generation leaders.

CHS teams continued to demonstrate **safety** as a core value by implementing critical risk evaluations to help prevent serious injuries and fatalities, launching an annual CHS Safety Week campaign and creating a Safety Excellence Award to recognize innovative safety solutions that substantially reduce or eliminate safety risk. Since 2021, CHS has consistently ranked in the top 5% for lowest crash rates among similar carriers, as compiled monthly by the Federal Motor Carrier Safety Administration. We introduced a new vice president of environment, health and safety, Tom Brower, who will continue to develop and implement an enterprisewide safety culture.

Continuous **learning and development** is critical for maintaining a compliant, effective and empowered workforce. In fiscal year 2024, 95% of CHS employees received at least two hours of education on **safety, compliance and integrity** risk management. Based on individual roles and development goals, they also had access to educational resources on product use, equipment and software, as well as Lean protocols and continuous improvement strategies, decision-making processes, and communications and leadership skills.

Focusing on people and culture is critical to the success of CHS and the cooperative system. To help ensure all voices are heard, our **inclusion** efforts include regularly gathering employee feedback to help make CHS a place where people can build rewarding careers and make a positive difference in their communities. Employee survey responses in fiscal year 2024 indicated increased employee engagement, confidence in reporting concerns, growing pride in working at CHS and greater willingness to recommend CHS as a good place to work. Evolution of the CHS competency model was completed in fiscal year 2024 to provide a foundation for growth, including establishing the core capabilities that will help meet current and future needs of CHS, build a pipeline of future leaders and shape how employees work together.

Speaking up for agriculture and cooperatives by growing relationships with federal, state and local policymakers, the CHS **government affairs** team advocated for the company and its stakeholders on key issues including energy policy and liquid fuels requirements, tax policies, international trade and the farm bill.

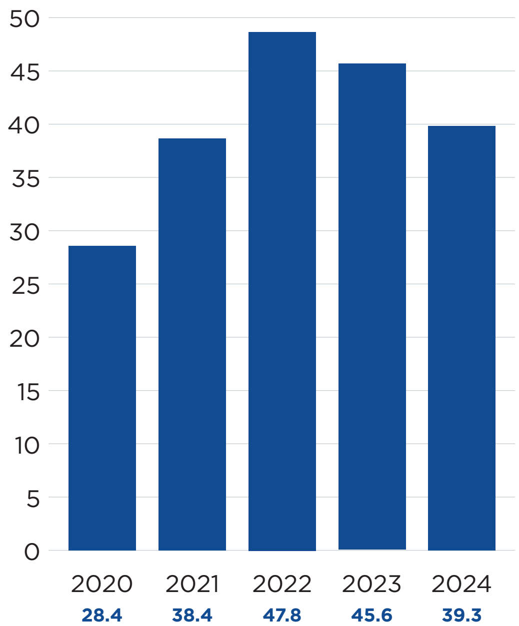
Completion of a multiyear interior renovation of **CHS headquarters** at Inver Grove Heights, Minn., resulted in a technology-enabled, inviting workplace for more than 10% of CHS employees. CHS finalized the purchase of the building and surrounding campus in early calendar 2024. The building has been home to CHS since 1982.

In fiscal year 2024, CHS and the **CHS Foundation** combined to invest $8.2 million in promoting ag safety, developing future leaders and building strong communities. The foundation's three-year commitment to National FFA supported ag teacher recruitment and retention, access to FFA experiential learning programs and cooperative business model education. The CHS Seeds for Stewardship matching grants program partnered with member cooperatives to invest more than $500,000 in projects that strengthened more than 200 communities. The CHS Employee Giving Campaign benefited nearly 750 nonprofit organizations through employee contributions matched by CHS to reach a combined commitment of $1.3 million in charitable donations and 850-plus employees participated in the annual CHS Spirit of Service Days, making a positive difference in 41 communities. A global employee support fund was also created to assist CHS employees affected by natural disasters, personal hardships and other challenges.

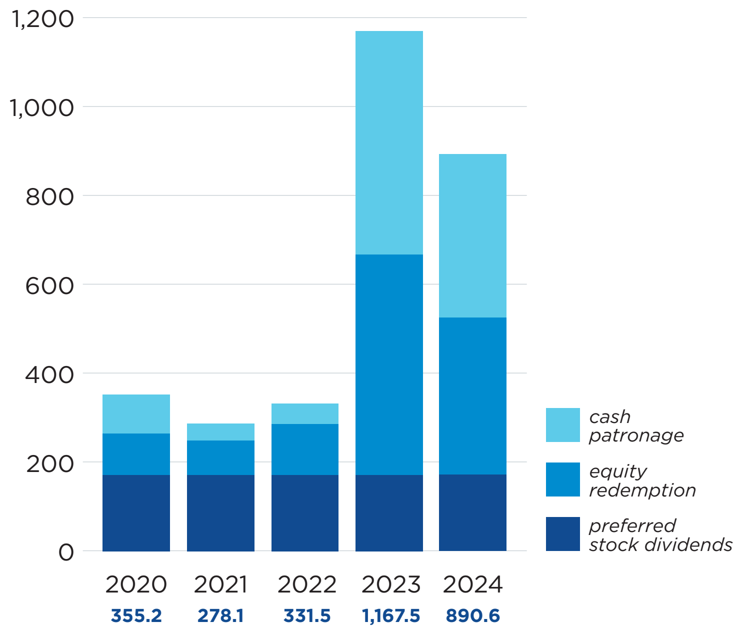
Raising awareness of the value of CHS and the cooperative system to rural America, a multimedia **CHS brand** campaign was launched in late fiscal year 2024. The enduring campaign adds synergy and depth to ongoing sports sponsorships in the upper Midwest with the Minnesota Twins, St. Paul Saints and Minnesota Wild to celebrate pride in cooperative ownership and attract potential employees and business partners to join CHS in creating connections to empower agriculture.

Fiscal 2024 financial highlights

Revenues ($ in billions)

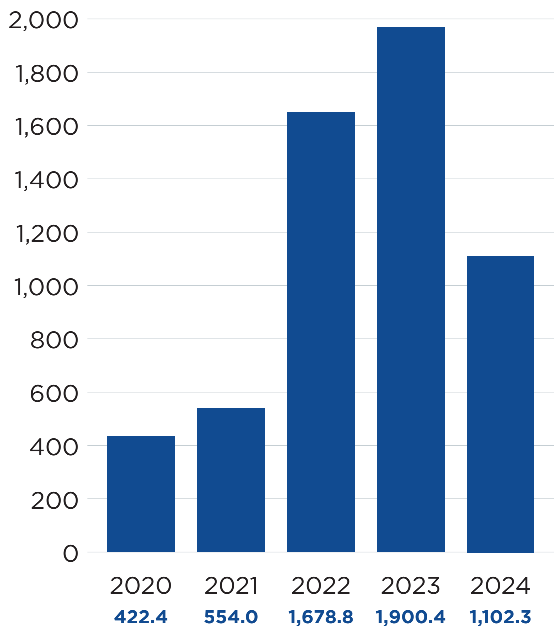


Cash returns ($ in millions)



Cash patronage is distributed in the fiscal year shown and based on amounts using financial statements earnings from the prior fiscal year.

Net income ($ in millions)



Net income of $1.1 billion reflects cyclical world ag and energy markets; CHS intends to return $600 million in cash to owners in fiscal year 2025

Financial performance was solid across all segments in fiscal year 2024, although performance declined from historically strong results and record earnings in fiscal year 2023. Consolidated net income decreased, primarily as a result of lower margins in our commodity-focused businesses. Less favorable refining margins and other evolving market conditions led to lower Energy segment earnings compared with the previous fiscal year. A decline in Ag segment earnings was attributed to softer oilseed crush margins and global conditions that resulted in lower margins for U.S. grain exports. Our equity method investments continued to perform well, led by our CF Nitrogen investment.

CHS reported net income of $1.1 billion for fiscal year 2024 (Sept. 1, 2023, through Aug. 31, 2024) compared with $1.9 billion in net income in fiscal year 2023 (Sept. 1, 2022, through Aug. 31, 2023). Consolidated revenues for fiscal year 2024 were $39.3 billion, compared with $45.6 billion in fiscal year 2023. The company reported income before income taxes of $1.1 billion for fiscal 2024, compared with $2.0 billion in pretax income in fiscal 2023.

Energy

Energy segment pretax earnings for fiscal year 2024 were $429.1 million, a $646.4 million decrease over fiscal 2023. Our refined fuels earnings were reduced substantially from previous year results due to the negative impact of industry trends on refining margins and less favorable pricing for Canadian crude oil processed at our refineries in Laurel, Mont., and McPherson, Kan. The unfavorable market conditions were partially offset by reduced costs for renewable energy credits.

Ag

The Ag segment, which includes our global grain marketing, processing, wholesale agronomy and ag retail businesses, recorded pretax earnings of $342.7 million in fiscal year 2024, a decrease of $69.1 million from fiscal year 2023. Increased supply of canola and soybean meal and oil in global markets put downward pressure on crush margins, although the impact was partially offset by enhanced operational and logistical efficiency at our oilseed crush facilities. Improved margins and higher volumes for wholesale and retail agronomy products, including crop protection products and fertilizer, contributed to earnings, while global market conditions resulted in compressed margins for our grain and oilseed product category.

Nitrogen Production

The Nitrogen Production segment, consisting of our investment in CF Nitrogen, reported pretax earnings of $151.2 million in fiscal year 2024, a decrease of $109.5 million from fiscal year 2023. The reduction in equity method income corresponds to lower global prices for urea and UAN, which are produced and sold by CF Nitrogen, our strategic venture with CF Industries. The lower market prices were partially offset by reduced costs for natural gas.

The Corporate and Other category recorded pretax earnings of $174.8 million in fiscal year 2024, an $84.9 million decrease versus fiscal year 2023. The decrease reflects less favorable market conditions for oil-based food products produced by our Ventura Foods, LLC, joint venture. This category also includes our investment in the Ardent Mills, LLC, wheat-milling joint venture; CHS Capital, LLC, our wholly-owned financing subsidiary; and CHS Hedging, LLC, our wholly-owned brokerage subsidiary.

Based on fiscal year 2024 earnings, CHS intends to distribute $600 million in cash returns to owners in fiscal year 2025, including $300 million in cash patronage and $300 million in equity redemptions to member cooperatives and individual owners.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of CHS Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CHS Inc. and its subsidiaries (the "Company") as of August 31, 2024 and 2023, and the related consolidated statements of operations, of comprehensive income, of changes in equities and of cash flows for each of the three years in the period ended August 31, 2024, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2024 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Grain and Oilseed Inventories and Grain and Oilseed Forward Commodity Purchase and Sales Contracts

As described in Notes 4, 15, and 16 to the consolidated financial statements, the Company's grain and oilseed inventories were $888.8 million as of August 31, 2024, and commodity derivatives in an asset and liability position were $165.7 million and $221.8 million, respectively, as of August 31, 2024, of which grain and oilseed make up the majority of forward commodity purchase and sales contracts. Management enters into various derivative instruments to manage the Company's exposure to movements primarily associated with agricultural and energy commodity prices. The net realizable value of grain and oilseed inventories and fair value of grain and oilseed forward commodity purchase and sales contracts are determined using inputs that are generally based on exchange traded prices and/or recent market bids and offers, including location-specific adjustments. 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 over-the-counter markets.

The principal considerations for our determination that performing procedures relating to the valuation of grain and oilseed inventories and grain and oilseed forward commodity purchase and sales contracts is a critical audit matter are (i) the significant judgment by management to determine the net realizable value of grain and oilseed inventories and the fair value of grain and oilseed forward commodity purchase and sales contracts and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's inputs related to exchange traded prices and/or recent market bids and offers, including location-specific adjustments.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) testing management's process for determining the net realizable value of grain and oilseed inventories and the fair value of grain and oilseed forward commodity purchase and sales contracts; (ii) evaluating the appropriateness of the valuation models; (iii) testing the accuracy of the underlying data used in the valuations; and (iv) evaluating the reasonableness of inputs used by management related to the exchange traded prices and/or recent market bids and offers, including location-specific adjustments. Evaluating management's inputs related to the exchange traded prices and/or recent market bids and offers, including location-specific adjustments involved (i) comparing the exchange traded prices and/or recent market bids and location-specific inputs to third-party information; and (ii) comparing the location-specific adjustments to broker or dealer quotations or market transactions in either listed or over-the- counter markets.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota
November 6, 2024

We have served as the Company's auditor since 1998.

CONSOLIDATED BALANCE SHEETS

	August 31, 2024	August 31, 2023
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 794,865	$ 1,765,286
Receivables	3,549,917	3,105,811
Inventories	3,067,415	3,215,179
Other current assets	1,296,586	1,042,373
Total current assets	8,708,783	9,128,649
Investments	3,780,967	3,828,872
Property, plant and equipment	5,177,355	4,869,373
Other assets	1,047,970	1,130,524
Total assets	$ 18,715,075	$ 18,957,418
LIABILITIES AND EQUITIES		
Current liabilities:		
Notes payable	$ 306,831	$ 547,923
Current portion of long-term debt	337,266	7,839
Accounts payable	2,697,290	2,930,607
Accrued expenses	783,945	773,054
Other current liabilities	1,275,482	1,639,771
Total current liabilities	5,400,814	5,899,194
Long-term debt	1,824,194	1,819,819
Other liabilities	728,143	786,016
Commitments and contingencies (Note 17)		
Equities:		
Preferred stock	2,264,038	2,264,038
Equity certificates	5,982,369	5,911,649
Accumulated other comprehensive loss	(296,542)	(265,395)
Capital reserves	2,805,526	2,537,486
Total CHS Inc. equities	10,755,391	10,447,778
Noncontrolling interests	6,533	4,611
Total equities	10,761,924	10,452,389
Total liabilities and equities	$ 18,715,075	$ 18,957,418

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended August 31,		
	2024	2023	2022
	(Dollars in thousands)		
Revenues	$ 39,261,229	$45,590,004	$ 47,791,666
Cost of goods sold	37,509,902	43,213,739	45,664,745
Gross profit	1,751,327	2,376,265	2,126,921
Marketing, general and administrative expenses	1,166,969	1,032,765	997,835
Operating earnings	584,358	1,343,500	1,129,086
Interest expense	104,064	137,442	114,156
Other income	(137,630)	(112,131)	(23,760)
Equity income from investments	(479,863)	(689,590)	(771,327)
Income before income taxes	1,097,787	2,007,779	1,810,017
Income tax (benefit) expense	(4,872)	107,655	132,116
Net income	1,102,659	1,900,124	1,677,901
Net income (loss) attributable to noncontrolling interests	340	(314)	(861)
Net income attributable to CHS Inc.	$ 1,102,319	$ 1,900,438	$ 1,678,762

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended August 31,		
	2024	2023	2022
	(Dollars in thousands)		
Net income	$ 1,102,659	$ 1,900,124	$ 1,677,901
Other comprehensive (loss) income, net of tax:			
Pension and other postretirement benefits	(22,048)	(5,285)	(27,255)
Cash flow hedges	(255)	(6,811)	4,019
Foreign currency translation adjustment	(8,844)	2,036	(15,708)
Other comprehensive loss, net of tax	(31,147)	(10,060)	(38,944)
Comprehensive income	1,071,512	1,890,064	1,638,957
Comprehensive income (loss) attributable to noncontrolling interests	340	(314)	(861)
Comprehensive income attributable to CHS Inc.	$ 1,071,172	$ 1,890,378	$ 1,639,818

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITIES

Years Ended August 31, 2024, 2023 and 2022

	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, 2021	$ 3,583,911	$ 28,431	$ 1,634,896	$2,264,038	$ (216,391)	$ 1,713,976	$ 8,465	$ 9,017,326
Reversal of prior year patronage and redemption estimates	100,000	—	(230,290)	—	—	280,290	—	150,000
Distribution of 2021 patronage refunds	—	—	235,576	—	—	(286,602)	—	(51,026)
Redemptions of equities	(101,420)	(501)	(9,897)	—	—	—	—	(111,818)
Preferred stock dividends	—	—	—	—	—	(168,668)	—	(168,668)
Other, net	(4,163)	3	(7,971)	—	—	585	(1,959)	(13,505)
Net income (loss)	—	—	—	—	—	1,678,762	(861)	1,677,901
Other comprehensive loss, net of tax	—	—	—	—	(38,944)	—	—	(38,944)
Estimated 2022 patronage refunds	508,803	—	153,858	—	—	(1,162,661)	—	(500,000)
Estimated 2022 equity redemptions	(500,000)	—	—	—	—	—	—	(500,000)
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 patronage and redemption estimates	(8,803)	—	(153,858)	—	—	1,162,661	—	1,000,000
Distribution of 2022 patronage refunds	516,415	—	154,548	—	—	(1,174,020)	—	(503,057)
Redemptions of equities	(482,662)	(331)	(12,797)	—	—	—	—	(495,790)
Preferred stock dividends	—	—	—	—	—	(168,668)	—	(168,668)
Other, net	(1,821)	(44)	(518)	—	—	1,677	(720)	(1,426)
Net income (loss)	—	—	—	—	—	1,900,438	(314)	1,900,124
Other comprehensive loss, net of tax	—	—	—	—	(10,060)	—	—	(10,060)
Estimated 2023 patronage refunds	706,125	—	169,159	—	—	(1,240,284)	—	(365,000)
Estimated 2023 equity redemptions	(365,000)	—	—	—	—	—	—	(365,000)
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 patronage and redemption estimates	(341,125)	—	(169,159)	—	—	1,240,284	—	730,000
Distribution of 2023 patronage refunds	708,106	—	169,232	—	—	(1,243,350)	—	(366,012)
Redemptions of equities	(342,298)	(288)	(13,339)	—	—	—	—	(355,925)
Preferred stock dividends	—	—	—	—	—	(168,668)	—	(168,668)
Other, net	13	(9)	(106)	—	—	(2,852)	1,582	(1,372)
Net income	—	—	—	—	—	1,102,319	340	1,102,659
Other comprehensive loss, net of tax	—	—	—	—	(31,147)	—	—	(31,147)
Estimated 2024 patronage refunds	77,262	—	282,431	—	—	(659,693)	—	(300,000)
Estimated 2024 equity redemptions	(300,000)	—	—	—	—	—	—	(300,000)
Balances, August 31, 2024	$ 3,753,343	$ 27,261	$ 2,201,765	$2,264,038	$ (296,542)	$ 2,805,526	$ 6,533	$10,761,924

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended August 31,		
	2024	2023	2022
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income	$ 1,102,659	$ 1,900,124	$ 1,677,901
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization, including amortization of deferred major maintenance	569,891	539,521	536,493
Equity income from investments, net of distributions received	64,332	(81,272)	(48,847)
Provision for current expected credit losses	5,631	(15,624)	19,920
Gain/recovery on sale of business	—	300	(13,083)
Deferred taxes	(109,846)	(6,429)	39,548
Other, net	(35,427)	(44,546)	(17,833)
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	(335,974)	645,781	(547,564)
Inventories	147,764	437,692	(317,918)
Accounts payable and accrued expenses	(213,788)	(127,399)	555,446
Other, net	77,638	36,034	62,455
Net cash provided by operating activities	1,272,880	3,284,182	1,946,518
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(808,763)	(564,522)	(354,444)
Proceeds from disposition of property, plant and equipment	15,819	29,645	14,318
Expenditures for major maintenance	(22,748)	(217,413)	(24,768)
Proceeds from sale of business	—	64	73,152
Purchases of investments	(500,179)	—	—
Changes in CHS Capital notes receivable, net	(100,184)	(203,843)	(161,340)
Other investing activities, net	(15,533)	5,878	(4,002)
Net cash used in investing activities	(1,431,588)	(950,191)	(457,084)
Cash flows from financing activities:			
Proceeds from notes payable and long-term debt	3,842,339	7,183,395	20,730,750
Payments on notes payable, long-term debt and finance lease obligations	(3,768,121)	(7,385,813)	(21,515,920)
Preferred stock dividends paid	(168,668)	(168,668)	(168,668)
Redemptions of equities	(355,925)	(495,790)	(111,818)
Cash patronage dividends paid	(366,012)	(503,057)	(51,026)
Other financing activities, net	2,134	(25,535)	2,994
Net cash used in financing activities	(814,253)	(1,395,468)	(1,113,688)
Effect of exchange rate changes on cash and cash equivalents	2,236	2,590	(14,756)
(Decrease) increase in cash and cash equivalents and restricted cash	(970,725)	941,113	360,990
Cash and cash equivalents and restricted cash at beginning of period	1,844,587	903,474	542,484
Cash and cash equivalents and restricted cash at end of period	$ 873,862	$ 1,844,587	$ 903,474
Supplemental cash flow information:			
Cash paid for interest	$ 100,542	$ 139,424	$ 113,726
Cash paid for income taxes, net of refunds	129,065	184,444	19,712
Other significant noncash investing and financing transactions:			
Capital expenditures and major maintenance incurred but not yet paid	$ 54,807	$ 66,492	$ 55,214
Finance lease obligations incurred	8,772	16,505	18,875
Accrual of patronage dividends and equity redemptions	600,000	730,000	1,000,000

The accompanying notes are an integral part of the consolidated financial statements.
CHS Inc. and Subsidiaries

NOTE 1

Organization, Basis of Presentation and Significant Accounting Policies

Organization

CHS Inc. (referred to herein as "CHS," "company," "we," "us" or "our") is the nation's leading integrated agricultural cooperative. As a cooperative, CHS is owned by farmers and ranchers and member cooperatives ("members") across the United States. We also have preferred shareholders who own shares of our five series of preferred stock, all of which are listed and traded on the Global Select Market of The Nasdaq Stock Market LLC ("The Nasdaq"). See Note 12, *Equities*, for more detailed information.

We buy commodities from and provide products and services to individual agricultural producers, local cooperatives and other companies (including member and other nonmember customers), both domestically and internationally. Those products and services include initial agricultural inputs such as fuels, farm supplies, crop nutrients and crop protection products, as well as agricultural outputs that include grains and oilseeds, processed grains and oilseeds, renewable fuels and food products. A portion of our operations are conducted through equity investments and joint ventures whose operating results are not fully consolidated with our results; rather, a proportionate share of the income or loss from those entities is included as a component in our net income under the equity method of accounting.

Basis of Presentation

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

The notes to our consolidated financial statements refer to our Energy, Ag and Nitrogen Production reportable segments, as well as our Corporate and Other category, which represents an aggregation of individually immaterial operating segments. The Nitrogen Production reportable segment consists of our investment in CF Industries Nitrogen, LLC ("CF Nitrogen"), and allocated expenses. See Note 14, *Segment Reporting*, for more information.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates. We evaluate our estimates and assumptions on an ongoing basis.

Significant Accounting Policies

Significant accounting policies are summarized below or within the related notes to our consolidated financial statements.

Cash and Cash Equivalents and Restricted Cash

Cash equivalents include short-term, highly liquid investments with original maturities of three months or less at the date of acquisition. The carrying value of cash and cash equivalents approximates the fair value due to the short-term nature of the instruments.

Restricted cash is included in our Consolidated Balance Sheets within other current assets and primarily relates to customer deposits for futures and option contracts associated with regulated commodities held in separate accounts as required under federal and other regulations. Pursuant to the requirements of the Commodity Exchange Act, such funds must be carried in separate accounts that are designated as segregated customer accounts, as applicable. Restricted cash also includes funds held in escrow pursuant to applicable regulations limiting their use.

The following table provides a reconciliation of cash and cash equivalents and restricted cash as reported within our Consolidated Balance Sheets that aggregates to the amount presented in our Consolidated Statements of Cash Flows.

	August 31,		
	2024	2023	2022
	(Dollars in thousands)		
Cash and cash equivalents	$ 794,865	$1,765,286	$ 793,957
Restricted cash included in other current assets	78,997	79,301	109,517
Total cash and cash equivalents and restricted cash	$ 873,862	$1,844,587	$ 903,474

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.

In November 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income (Topic 220): Expense Disaggregation Disclosures*, which requires additional disclosure about certain costs and expenses in the notes to financial statements. This ASU is effective for our annual reporting for fiscal 2028 on either a prospective or retrospective basis and for interim reporting periods beginning in fiscal 2029. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

NOTE 2

Revenues

We provide a wide variety of products and services, from agricultural inputs such as fuels, farm supplies and agronomy products, to agricultural outputs that include grain and oilseed, processed grains and oilseeds and food products, and renewable fuels production and marketing. We primarily conduct our operations and derive revenues within our Energy and Ag segments. Our Energy segment derives its revenues through refining, wholesaling and retailing of petroleum products. Our Ag segment derives its revenues through origination and marketing of grain, including service activities conducted at export terminals; through wholesale agronomy sales of crop nutrient and crop protection products; from sales of soybean meal, refined soy oil and soyflour products; through production and marketing of renewable fuels; and through retail sales of petroleum and agronomy products, processed sunflowers, and feed and farm supplies. Corporate and Other primarily consists of our financing and hedging businesses.

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied, which generally occurs when control of the goods has transferred to the customer in accordance with the underlying contract. For the majority of our contracts with customers, control transfers to customers at a point in time when goods and/or services have been delivered, as that is generally when legal title, physical possession and risks and rewards of ownership of the goods and/or services transfer to the customer. In limited arrangements, control transfers over time as the customer simultaneously receives and consumes the benefits of the service as we complete our performance obligation(s). Revenue is recognized as the transaction price we expect to be entitled to in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. For physically settled derivative sales contracts that are outside the scope of the revenue guidance, we recognize revenue when control of the inventory is transferred. Revenues arising from our financing business are recognized in accordance with Accounting Standards Codification ("ASC") Topic 470, *Debt* ("ASC Topic 470") and fall outside the scope of ASC Topic 606, *Revenue from Contracts with Customers* ("ASC Topic 606").

Shipping and Handling Costs

Shipping and handling amounts billed to a customer as part of a sales transaction under ASC Topic 606 are included in revenues, and the related costs are included in cost of goods sold. Shipping and handling is treated as a fulfillment activity, rather than a promised service, and therefore is not considered a separate performance obligation.

Taxes Collected from Customers and Remitted to Governmental Authorities

Revenues are recorded net of taxes collected from customers that are remitted to governmental authorities, with the collected taxes recorded as current liabilities until remitted to the relevant governmental authority.

Contract Costs

Commissions related to contracts with a duration of less than one year are expensed as incurred. We recognize incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets we otherwise would have recognized is one year or less.

Disaggregation of Revenues

The following table presents revenues recognized under 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 years ended August 31, 2024, 2023 and 2022. Other applicable accounting guidance primarily includes revenues recognized under ASC Topic 470 and ASC Topic 842, *Leases* ("ASC Topic 842"), that fall outside the scope of ASC Topic 606.

	Year ended August 31, 2024			
Reportable Segment*	ASC Topic 606	ASC Topic 815	Other Guidance	Total Revenues
	(Dollars in thousands)			
Energy	$ 7,882,666	$ 883,829	$ —	$ 8,766,495
Ag	8,833,872	21,571,954	11,033	30,416,859
Corporate and Other	24,649	—	53,226	77,875
Total revenues	$ 16,741,187	$ 22,455,783	$ 64,259	$ 39,261,229

	Year ended August 31, 2023			
Reportable Segment*	ASC Topic 606	ASC Topic 815	Other Guidance	Total Revenues
	(Dollars in thousands)			
Energy	$ 8,996,149	$ 1,100,764	$ —	$ 10,096,913
Ag	9,808,664	25,606,485	10,055	35,425,204
Corporate and Other	26,001	—	41,886	67,887
Total revenues	$ 18,830,814	$ 26,707,249	$ 51,941	$45,590,004

	Year ended August 31, 2022			
Reportable Segment*	ASC Topic 606	ASC Topic 815	Other Guidance	Total Revenues
	(Dollars in thousands)			
Energy	$ 9,302,400	$ 992,374	$ —	$ 10,294,774
Ag	10,784,831	26,646,003	29,377	37,460,211
Corporate and Other	16,625	—	20,056	36,681
Total revenues	$ 20,103,856	$ 27,638,377	$ 49,433	$ 47,791,666

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

Less than 1% of revenues accounted for under ASC Topic 606 included within the table 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 the customer 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 Consolidated Balance Sheets and were $34.7 million and $16.2 million as of August 31, 2024 and 2023, respectively.

Contract liabilities relate to advance payments received from customers for goods and services that we have yet to provide. Contract liabilities of $248.8 million and $240.0 million as of August 31, 2024 and 2023, respectively, are recorded within other current liabilities on our Consolidated Balance Sheets, and are recognized as revenues within the next respective fiscal year.

NOTE 3

Receivables

Receivables as of August 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Trade accounts receivable	$ 2,232,203	$ 2,010,162
CHS Capital short-term notes receivable	944,861	845,192
Other	452,662	327,084
Gross receivables	3,629,726	3,182,438
Less allowances and reserves	79,809	76,627
Total receivables	$ 3,549,917	$ 3,105,811

Trade Accounts Receivable

Trade accounts receivable are recorded at net realizable value, which includes an allowance for expected credit losses in accordance with ASC Topic 326, *Financial Instruments - Credit Losses* ("ASC Topic 326"). 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. Receivables from related parties are disclosed in Note 18, *Related Party Transactions*. No third-party customer accounted for more than 10% of the total receivables balance as of August 31, 2024 or 2023.

CHS Capital Notes Receivable

Notes Receivable

CHS Capital, LLC ("CHS Capital"), our wholly-owned subsidiary, has short-term notes receivable from commercial and producer borrowers. The short-term notes receivable have maturity terms of 12 months or less and are reported at their outstanding unpaid principal balances, less an allowance for expected credit losses, as CHS Capital has the intent and ability to hold the applicable loans for the foreseeable future or until maturity or payoff. The carrying value of CHS Capital short-term notes receivable approximates fair value given the notes' short-term duration and use of market pricing adjusted for risk.

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 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 $74.6 million and $61.1 million as of August 31, 2024 and 2023, respectively. The long-term notes receivable are included in other assets on our Consolidated Balance Sheets. As of August 31, 2024 and 2023, commercial notes represented 18% and 15%, respectively, and producer notes represented 82% and 85%, respectively, of total CHS Capital notes receivable.

CHS Capital has commitments to extend credit to customers if there are no violations of any contractually established conditions. As of August 31, 2024, CHS Capital customers had additional available credit of $1.2 billion.

Allowance for Loan Losses

CHS Capital maintains an allowance for loan losses that is an estimate of current expected losses inherent in the loans receivable portfolio. In accordance with ASC Topic 326, the allowance for loan losses is based on our current expectation for future losses, which takes into consideration historical loss experience, third-party industry forecasts, as well as other quantitative and qualitative factors addressing operational risks and industry trends. Additions to the allowance for loan losses are reflected within marketing, general and administrative expenses in the Consolidated Statements of Operations. The portion of loans receivable deemed uncollectible is charged off against the allowance for loan losses. Recoveries of previously charged off amounts increase the allowance for loan losses. No significant amounts of CHS Capital notes were past due as of August 31, 2024 or 2023, and the allowance for loan losses related to CHS Capital notes were not material as of either date.

Interest Income

Interest income is recognized on the accrual basis using a method that computes simple interest on a daily basis. Accrual of interest on commercial loans receivable is discontinued at the time the receivable is 90 days past due unless the loan is well-collateralized and in process of collection. Past due status is based on contractual terms of the loan. Producer loans receivable are placed in nonaccrual status based on estimates and analysis due to the annual debt service terms inherent to CHS Capital producer loans. In all cases, loans are placed in nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

Troubled Debt Restructurings

Restructuring of a loan constitutes a troubled debt restructuring, or restructured loan, if the creditor, for economic reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would otherwise not consider. Concessions vary by program and borrower. Concessions may include interest rate reductions, term extensions, payment deferrals or the acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. When a restructured loan constitutes a troubled debt restructuring, CHS includes these loans within its impaired loans. CHS Capital had no significant troubled debt restructurings during the years ended August 31, 2024, 2023 and 2022, and no third-party borrowers that accounted for more than 10% of the total CHS Capital notes receivable or total receivables as of August 31, 2024 or 2023.

Loan Participations

For the years ended August 31, 2024 and 2023, CHS Capital sold $47.9 million and $60.8 million of notes receivable, respectively, to various counterparties under a master participation agreement. The sales resulted in the removal of notes receivable from the Consolidated Balance Sheets. CHS Capital has no retained interests in the transferred notes receivable, other than collection and administrative services. Proceeds from sales of notes receivable have been included in investing activities in the Consolidated Statements of Cash Flows. Fees received related to the servicing of notes receivable are recorded in other income in the Consolidated Statements of Operations. We consider the fees received adequate compensation for services rendered and, accordingly, have recorded no servicing asset or liability.

Other Receivables

Other receivables are comprised of certain other amounts recorded in the normal course of business, including receivables related to vendor rebates, value-added taxes, certain financing receivables and pre-crop financing, primarily to Brazilian farmers, to finance a portion of supplier production costs. We receive volume-based rebates from certain vendors during the year. These vendor rebates are accounted for in accordance with ASC 705, *Cost of Sales and Services,* based on the terms of the volume rebate program. For rebates that meet the definition of a binding arrangement and are both probable and estimable, we estimate the amount of the rebate we will receive and accrue it as a reduction of the cost of inventory and cost of goods sold over the period in which the rebate is earned. For pre-crop financing arrangements, we do not bear costs or operational risks associated with the related growing crops, although our ability to be paid depends on the crops being produced. The financing is collateralized by future crops, land and physical assets of the farmers, carries a local market interest rate and settles when the farmer's crop is harvested and sold. No significant troubled debt restructurings occurred during the years ended August 31, 2024, 2023 and 2022, and no third-party customer or borrower accounted for more than 10% of the total receivables balance as of August 31, 2024 or 2023.

NOTE 4

Inventories

Inventories as of August 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Grain and oilseed	$ 888,768	$ 1,099,956
Energy	720,636	645,333
Agronomy	1,126,916	1,111,477
Processed grain and oilseed	124,686	141,360
Other	206,409	217,053
Total inventories	$ 3,067,415	$ 3,215,179

Grain, processed grain, oilseed, processed oilseed and other minimally processed soy-based inventories are accounted for in accordance with ASC Topic 330, *Inventory*, and are stated at net realizable value. These inventories are agricultural commodity inventories that are readily convertible to cash because of their commodity characteristics, widely available markets and international pricing mechanisms. The net realizable value of agricultural commodity inventories is determined using inputs that are generally based on exchange traded prices and/or recent market bids and offers, including location-specific adjustments. 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 over-the-counter ("OTC") markets. Changes in the net realizable value of agricultural commodity inventories are recognized in earnings as a component of cost of goods sold.

All other inventories are stated at the lower of cost or net realizable value. Costs for inventories produced or modified by us through a manufacturing process include fixed and variable production and raw material costs, and inbound freight costs for raw materials. Costs for inventories purchased for resale include the cost of products and freight incurred to place the products at our points of sale. The costs of certain energy inventories (wholesale refined products, crude oil and asphalt) are determined on the last-in, first-out ("LIFO") method; all other inventories of nongrain products purchased for resale are valued on the first-in, first-out ("FIFO") and average cost methods.

As of August 31, 2024 and 2023, we valued approximately 18% and 16%, respectively, of inventories, primarily crude oil and refined fuels within our Energy segment, using the lower of cost, determined on the LIFO method, or net realizable value. If the FIFO method of accounting had been used, inventories would have been higher than the reported amount by $456.3 million and $589.0 million as of August 31, 2024 and 2023, respectively. There were no liquidations of LIFO inventories during fiscal 2024 or fiscal 2023.

NOTE 5

Other Current Assets

Other current assets as of August 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Short-term investments	$ 500,921	$ —
Derivative assets (Note 15)	177,111	320,119
Margin and related deposits	176,821	342,872
Prepaid expenses	202,392	149,682
Supplier advance payments	133,678	136,304
Restricted cash (Note 1)	78,997	79,301
Other	26,666	14,095
Total other current assets	$ 1,296,586	$ 1,042,373

Short-Term Investments

Our short-term investments balance is comprised of time deposits with a maturity of greater than 90 days and less than 12 months at the date of acquisition.

Margin and Related Deposits

Many of our derivative contracts with futures and options brokers require us to make margin deposits of cash or other assets. Subsequent margin deposits may also be necessary when changes in commodity prices result in a loss on the contract value to comply with applicable regulations. Our margin and related deposit assets are generally held in separate accounts to support the associated derivative contracts and may be used to fund or partially fund the settlement of those contracts as they expire. Similar to our derivative financial instruments, margin and related deposits are reported on a gross basis.

Prepaid Expenses and Supplier Advance Payments

Prepaid expenses and supplier advance payments are typically for periods less than 12 months and include amounts paid in advance for products and services. Supplier advance payments are primarily for grain purchases from suppliers and amounts paid to crop nutrient and crop protection product suppliers to lock in future supply, pricing and discounts.

NOTE 6

Investments

Investments as of August 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Equity method investments		
CF Industries Nitrogen, LLC	$ 2,544,530	$ 2,577,391
Ventura Foods, LLC	511,231	519,169
Ardent Mills, LLC	234,021	265,146
Other equity method investments	353,413	337,281
Other investments	137,772	129,885
Total investments	$ 3,780,967	$ 3,828,872

Joint ventures and other investments in which we have significant ownership and influence but not control, are accounted for in our consolidated financial statements using the equity method of accounting. Our significant equity method investments consist of CF Nitrogen and Ventura Foods, LLC ("Ventura Foods"), which are summarized below. In addition to the recognition of our share of income from our equity method investments, our equity method investments are evaluated for indicators of other-than-temporary impairment on an ongoing basis in accordance with U.S. GAAP. We had approximately $612.2 million of cumulative undistributed earnings from our equity method investees included in the investments balance as of August 31, 2024.

All equity securities that do not result in consolidation and are not accounted for under the equity method are measured at fair value with changes therein reflected in net income. We have elected to use the measurement alternative for equity investments that do not have readily determinable fair values and measure these investments at cost less impairment plus or minus observable price changes in orderly transactions. Our share in the income or loss of our equity method investments is recorded within equity income from investments in the Consolidated Statements of Operations. 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 requiring an adjustment. Investments in other cooperatives are recorded in a manner similar to equity investments without readily determinable fair values, plus patronage dividends received in the form of capital stock and other equities. Patronage dividends are recorded as a reduction to cost of goods sold at the time qualified written notices of allocation are received. Investments in debt and equity instruments are carried at amounts that approximate fair values.

CF Nitrogen

We have a $2.5 billion investment in CF Nitrogen, a strategic venture with CF Industries Holdings, Inc. The investment consists of an approximate 8.4% membership interest (based on product tons) in CF Nitrogen. At the time we entered into the strategic venture, we also entered into a supply agreement that entitles us to purchase up to 1.1 million tons of granular urea and 580,000 tons of urea ammonium nitrate ("UAN") annually from CF Nitrogen for ratable delivery through fiscal 2096. Our purchases under the supply agreement are based on prevailing market prices and we receive semiannual cash distributions (in January and July of each year) from CF Nitrogen via our membership interest. These distributions are based on actual volumes purchased from CF Nitrogen under the strategic venture and will have the effect of reducing our investment to zero over 80 years on a straight-line basis. 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 the CF Nitrogen Limited Liability Company Agreement, adjusted for the semiannual cash distributions. Cash distributions received from CF Nitrogen for the years ended August 31, 2024, 2023 and 2022, were $308.4 million, $458.9 million and $618.7 million, respectively.

The following tables provide aggregate summarized financial information for CF Nitrogen for balance sheets as of August 31, 2024 and 2023, and statements of operations for the 12 months ended August 31, 2024, 2023 and 2022:

	2024	2023
	(Dollars in thousands)	
Current assets	$ 604,466	$ 899,246
Noncurrent assets	4,929,772	5,355,732
Current liabilities	244,867	281,153
Noncurrent liabilities	1,935	1,128

	2024	2023	2022
	(Dollars in thousands)		
Net sales	$ 3,588,649	$ 5,070,489	$ 6,609,758
Gross profit	1,232,346	2,194,363	3,318,189
Net earnings	1,186,890	2,173,715	3,249,005
Earnings attributable to CHS Inc.	275,531	394,678	593,182

Ventura Foods

We have a 50% interest in Ventura Foods, a joint venture with Mitsui & Co., that produces and distributes edible oil-based products. We account for Ventura Foods as an equity method investment and our share of the results of Ventura Foods is included in Corporate and Other.

The following tables provide aggregate summarized financial information for our equity method investment in Ventura Foods for balance sheets as of August 31, 2024 and 2023, and statements of operations for the 12 months ended August 31, 2024, 2023 and 2022:

	2024	2023
	(Dollars in thousands)	
Current assets	$ 792,468	$ 1,041,799
Noncurrent assets	886,673	609,021
Current liabilities	426,281	335,000
Noncurrent liabilities	256,126	303,209

	2024	2023	2022
	(Dollars in thousands)		
Net sales	$ 3,172,061	$ 3,552,194	$ 3,386,998
Gross profit	468,028	547,107	333,368
Net earnings	216,042	406,271	117,666
Earnings attributable to CHS Inc.	108,021	203,136	58,833

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

NOTE 7

Property, Plant and Equipment

Major classes of property, plant and equipment, including finance lease assets, are summarized in the table below as of August 31, 2024 and 2023.

	2024	2023
	(Dollars in thousands)	
Land and land improvements	$ 404,465	$ 350,703
Buildings	1,394,911	1,242,913
Machinery and equipment	8,223,650	7,979,164
Office equipment and other	548,368	498,430
Construction in progress	859,039	630,542
Gross property, plant and equipment	11,430,433	10,701,752
Less accumulated depreciation and amortization	6,253,078	5,832,379
Total property, plant and equipment	$ 5,177,355	$ 4,869,373

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on the straight-line method by charges to operations at rates based on the expected useful lives of individual or groups of assets (generally 15 to 20 years for land improvements, 20 to 40 years for buildings, five to 20 years for machinery and equipment, and three to 10 years for office equipment and other). Expenditures for maintenance and minor repairs and renewals are expensed. We also capitalize and amortize eligible costs to acquire or develop internal-use software that are incurred during the application development stage. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the related accounts and resulting gains or losses are reflected in operations.

Depreciation expense, including amortization of finance lease assets, for the years ended August 31, 2024, 2023 and 2022, was $474.8 million, $457.9 million and $458.2 million, respectively.

Property, plant and equipment and other long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with U.S. GAAP. This evaluation of recoverability is based on various indicators, including the nature, future economic benefits and geographic locations of the assets, historical or future profitability measures and other external market conditions. If these indicators suggest the carrying amounts of an asset or asset group may not be recoverable, potential impairment is evaluated using undiscounted, estimated future cash flows. Should the sum of the expected future net cash flows be less than the carrying value, an impairment loss would be recognized. An impairment loss would be measured as the amount by which the carrying value of the asset or asset group exceeds its fair value. No significant impairments were identified during fiscal 2024, fiscal 2023 or fiscal 2022.

We have asset retirement obligations with respect to certain of our refineries and other assets due to various legal obligations to clean and/or dispose of the component parts at the time they are retired. In most cases, these assets can be used for extended and indeterminate periods of time if they are properly maintained and/or upgraded. It is our practice and current intent to maintain refineries and related assets and to continue making improvements to those assets based on technological advances. As a result, we believe our refineries and related assets have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire a refinery and related assets cannot reasonably be estimated at this time. When a date or range of dates can reasonably be estimated for the retirement of any component part of a refinery or other asset, we estimate the cost of performing the retirement activities and record a liability for the fair value of that future cost.

We have other assets that we may be obligated to dismantle at the end of corresponding lease terms subject to the lessor's discretion for which we have recorded asset retirement obligations. Based on our estimates of timing, cost and probability of removal, these obligations are not material.

NOTE 8

Other Assets

Other assets as of August 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Goodwill	$ 179,976	$ 179,976
Customer lists, trademarks and other intangible assets	42,105	46,980
Notes receivable (Note 3)	94,325	76,919
Long-term derivative assets (Note 15)	2,853	1,119
Prepaid pension and other benefits (Note 13)	75,935	78,819
Capitalized major maintenance	223,119	289,377
Cash value life insurance	152,772	134,126
Operating lease right of use assets (Note 19)	218,844	254,844
Other	58,041	68,364
Total other assets	$ 1,047,970	$ 1,130,524

Goodwill and Other Intangible Assets

Goodwill represents the excess of cost over the fair value of identifiable assets acquired. Goodwill is assessed for impairment on an annual basis as of July 31, either by first assessing qualitative factors to determine whether a quantitative goodwill impairment test is necessary or by proceeding directly to the quantitative test. The quantitative test may be required more frequently if triggering events or other circumstances occur that could indicate impairment. Goodwill is assessed for impairment at the reporting unit level, which has been determined to be our operating segments or one level below our operating segments in certain instances.

There were no changes in the net carrying amount of goodwill during fiscal 2024 or fiscal 2023.

No goodwill has been allocated to our Nitrogen Production segment, which consists of a single investment accounted for under the equity method of accounting, and allocated expenses.

No goodwill impairments were identified as a result of our annual goodwill analyses performed as of July 31, 2024, 2023 or 2022. Management will continue to monitor the results and projected cash flows for each of our businesses to assess whether any reserves or impairments may be necessary in the future.

Intangible assets subject to amortization primarily include customer lists, trademarks and noncompete agreements, and are amortized over their respective useful lives (ranging from two to 30 years). We have no material intangible assets with indefinite useful lives. All long-lived assets, including other identifiable intangible assets, are also assessed for impairment in accordance with U.S. GAAP and evaluated for impairment whenever triggering events or other circumstances indicate the carrying amount of an asset group or reporting unit may not be recoverable. Information regarding intangible assets is as follows:

	August 31, 2024			August 31, 2023		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
	(Dollars in thousands)					
Customer lists	$ 86,389	$(46,480)	$39,909	$ 85,341	$ (41,374)	$ 43,967
Trademarks and other intangible assets	11,051	(8,855)	2,196	11,332	(8,319)	3,013
Total intangible assets	$ 97,440	$ (55,335)	$ 42,105	$ 96,673	$(49,693)	$ 46,980

Intangible asset amortization expense for the years ended August 31, 2024, 2023 and 2022, was $6.9 million, $6.7 million and $6.8 million, respectively. The estimated annual amortization expense related to intangible assets subject to amortization for future years is as follows:

	(Dollars in thousands)
2025	$ 6,694
2026	6,513
2027	6,458
2028	6,341
2029	4,706
Thereafter	11,393
Total	$ 42,105

Capitalized Major Maintenance

Activity related to capitalized major maintenance costs at our refineries for the years ended August 31, 2024, 2023 and 2022, is summarized below:

	Balance at Beginning of Year	Cost Deferred	Amortization	Balance at End of Year
	(Dollars in thousands)			
2024	$ 289,377	$ 21,909	$ (88,167)	$ 223,119
2023	147,521	216,762	(74,906)	289,377
2022	196,641	25,401	(74,521)	147,521

Within our Energy segment, major maintenance activities are regularly performed at our Laurel, Montana, and McPherson, Kansas, refineries. Major maintenance activities are the planned and required shutdowns of refinery processing units, which include replacement or overhaul of equipment that has experienced decreased efficiency in resource conversion. Because major maintenance activities are performed to extend the life, increase the capacity and/or improve the safety or efficiency of refinery processing assets, we follow the deferral method of accounting for major maintenance activities. Expenditures for major maintenance activities are capitalized (deferred) when incurred and amortized on a straight-line basis over a period of two to five years, which is the estimated time lapse between major maintenance activities. Should the estimated time between major maintenance activities change, we may be required to amortize the remaining cost of the major maintenance activities over a shorter period, which would result in higher depreciation and amortization costs. Amortization expense related to the capitalized major maintenance costs is included in cost of goods sold in our Consolidated Statements of Operations.

Selection of the deferral method, as opposed to expensing major maintenance activity costs when incurred, results in deferring recognition of major maintenance activity expenditures. The deferral method also results in classification of related cash outflows as investing activities in our Consolidated Statements of Cash Flows, whereas expensing these costs as incurred would result in classifying the cash outflows as operating activities. Repair, maintenance and related labor costs are expensed as incurred and are included in operating cash flows.

NOTE 9

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 our debt covenants as of August 31, 2024.

Notes Payable

Notes payable as of August 31, 2024 and 2023, consisted of the following:

	Weighted-Average Interest Rate			
	2024	2023	2024	2023
			(Dollars in thousands)	
Notes payable	3.64%	5.37%	$ 163,136	$ 375,932
CHS Capital notes payable	4.34%	4.24%	143,695	171,991
Total notes payable			$ 306,831	$ 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 August 31, 2024. We also maintain certain uncommitted bilateral facilities to support our working capital needs.

In addition to our facilities referenced above, our international subsidiaries have lines of credit with $162.7 million outstanding as of August 31, 2024.

CHS Capital Notes Payable

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 August 31, 2024, total availability under the Securitization Facility was $778.4 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 August 31, 2024.

On August 28, 2024, we amended both the Securitization and Repurchase Facilities to extend the terms of the facilities to August 27, 2025.

CHS Capital sells loan commitments it has originated to Compeer Financial, PCA, d/b/a ProPartners Financial on a recourse basis. The total commitments under the program were $100.0 million; however, no amounts were borrowed under these commitments as of August 31, 2024.

CHS Capital borrows funds under short-term notes issued as part of a surplus funds program. Borrowings under this program are unsecured and are due upon demand. Borrowings under these notes totaled $143.7 million as of August 31, 2024.

Long-Term Debt

During the year ended August 31, 2024, we repaid approximately $366.1 million of long-term debt consisting of scheduled debt maturities and optional prepayments. On April 18, 2024, we entered into a Note Purchase Agreement to borrow $700.0 million of long-term debt in the form of notes; the funding of these notes took place on July 16, 2024. Amounts included in long-term debt on our Consolidated Balance Sheets as of August 31, 2024 and 2023, are presented in the table below:

	2024	2023
	(Dollars in thousands)	
3.85% unsecured notes $80 million face amount, due in fiscal 2025	$ 80,000	$ 80,000
3.80% unsecured notes $100 million face amount, due in fiscal 2025	100,000	100,000
4.58% unsecured notes $150 million face amount, due in fiscal 2025	150,000	150,000
4.82% unsecured notes $80 million face amount, due in fiscal 2026	80,000	80,000
4.69% unsecured notes $58 million face amount, due in fiscal 2027	58,000	58,000
3.24% unsecured notes $95 million face amount, due in fiscal 2028	95,000	95,000
4.74% unsecured notes $95 million face amount, due in fiscal 2028	95,000	95,000
5.68% unsecured notes $150 million face amount, due in fiscal 2030	150,000	150,000
3.48% unsecured notes $100 million face amount, due in fiscal 2031	100,000	100,000
4.89% unsecured notes $100 million face amount, due in fiscal 2031	100,000	100,000
5.84% unsecured notes $150 million face amount, due in fiscal 2032	150,000	—
3.58% unsecured notes $65 million face amount, due in fiscal 2033	65,000	65,000
4.71% unsecured notes $100 million face amount, due in fiscal 2033	100,000	100,000
5.93% unsecured notes $150 million face amount, due in fiscal 2034	150,000	—
3.73% unsecured notes $115 million face amount, due in fiscal 2036	115,000	115,000
5.40% unsecured notes $125 million face amount, due in fiscal 2036	125,000	125,000
6.05% unsecured notes $150 million face amount, due in fiscal 2037	150,000	—
6.13% unsecured notes $250 million face amount, due in fiscal 2039	250,000	—
Private placement debt	2,113,000	1,413,000
6.85% unsecured term loan from cooperative and other banks, due in fiscal 2026 (a)	1,000	366,000
Term loan	1,000	366,000
Finance lease liabilities	49,511	49,235
Deferred financing costs	(4,562)	(3,127)
Other, including notes and contracts with interest rates from 3.9% to 9.0%	2,511	2,550
Total long-term debt	2,161,460	1,827,658
Less current portion	337,266	7,839
Long-term portion	$ 1,824,194	$ 1,819,819

(a) Borrowings are variable under the agreement and bear interest at a base rate plus an applicable margin.

As of August 31, 2024, the fair value of our long-term debt is estimated to be $2.1 billion based on quoted market prices of similar debt (a Level 2 fair value measurement based on the classification hierarchy of ASC Topic 820, *Fair Value Measurement*).

On October 29, 2024, we amended our 10-year term loan facility (the "Facility"). The amendment reduced the size of the Facility to $300.0 million, and converted it into a revolving loan, which can be paid down and readvanced in an amount up to the referenced $300.0 million until October 29, 2025. On October 29, 2025, the total funded loan balance outstanding reverts to a nonrevolving term loan that is payable on October 29, 2029. The Facility does have an option to extend the revolving period for an additional year at our choosing. Any extension would not change the final payable date of October 29, 2029. There was $1.0 million outstanding under this facility as of August 31, 2024.

Long-term debt outstanding as of August 31, 2024, has aggregate maturities, excluding fair value adjustments and finance leases (see Note 19, *Leases*, for a schedule of minimum future lease payments under finance leases), as follows:

	(Dollars in thousands)
2025	$ 330,620
2026	81,620
2027	58,621
2028	190,600
2029	150
Thereafter	1,455,000
Total	$ 2,116,611

Interest expense for the years ended August 31, 2024, 2023 and 2022, was $104.1 million, $137.4 million and $114.2 million, respectively, net of capitalized interest of $25.7 million, $14.0 million and $6.1 million, respectively.

NOTE 10

Other Current Liabilities

Other current liabilities as of August 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Customer margin deposits and credit balances	$ 95,369	$ 197,315
Customer advance payments	337,045	356,760
Derivative liabilities (Note 15)	243,068	355,696
Dividends and equity payable (Note 12)	600,000	730,000
Total other current liabilities	$ 1,275,482	$ 1,639,771

NOTE 11

Income Taxes

CHS is a nonexempt agricultural cooperative and files a consolidated federal income tax return within our tax return period. We are subject to tax on income from nonpatronage sources, nonqualified patronage distributions and undistributed patronage-sourced income. Income tax expense (benefit) is primarily the current tax payable for the period and the change during the period in certain deferred tax assets and liabilities. Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized under U.S. GAAP and such amounts recognized for federal and state income tax purposes, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income.

The provision for (benefit from) income taxes for the years ended August 31, 2024, 2023 and 2022 is as follows:

	2024	2023	2022
	(Dollars in thousands)		
Current:			
Federal	$ 21,608	$ 66,672	$ 56,582
State	23,750	36,925	24,224
Foreign	30,338	3,735	9,833
Total current	75,696	107,332	90,639
Deferred:			
Federal	(63,605)	7,799	41,710
State	(15,686)	(7,661)	491
Foreign	(1,277)	185	(724)
Total deferred	(80,568)	323	41,477
Total	$ (4,872)	$ 107,655	$ 132,116

Domestic income before income taxes was $1.0 billion, $2.0 billion and $1.8 billion for the years ended August 31, 2024, 2023 and 2022, respectively. Foreign income (loss) before income taxes was $66.9 million, $55.4 million and ($4.9) million for the years ended August 31, 2024, 2023 and 2022, respectively.

Deferred tax assets and liabilities as of August 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Deferred tax assets:		
Accrued expenses	$ 56,062	$ 51,960
Postretirement health care and deferred compensation	58,866	51,635
Tax credit carryforwards	91,114	97,730
Loss carryforwards	88,887	111,963
Nonqualified equity	533,784	467,519
Lease obligations	52,980	62,225
Capitalized research and development	69,556	17,941
Other	19,592	25,223
Deferred tax assets valuation allowance	(166,590)	(182,466)
Total deferred tax assets	804,251	703,730
Deferred tax liabilities:		
Pension costs	7,003	10,596
Investments	130,171	129,683
Property, plant and equipment	618,419	625,403
Lease right of use assets	51,872	60,501
Total deferred tax liabilities	807,465	826,183
Net deferred tax liabilities	$ 3,214	$ 122,453

We had total gross loss carryforwards of $275.5 million, as of August 31, 2024, of which $62.8 million will expire over periods ranging from fiscal 2025 to fiscal 2035. The remainder will carry forward indefinitely. Based on estimates of future taxable profits and losses in certain foreign tax jurisdictions, as well as consideration of other factors, we assessed whether a valuation allowance was necessary to reduce specific foreign loss carryforwards to amounts we believe are more likely than not to be realized as of August 31, 2024. If our estimates prove inaccurate, adjustments to the valuation allowances may be required in the future with gains or losses being charged to income in the period such determination is made. Our McPherson refinery's gross state tax credit carryforwards for income tax were approximately $115.3 million and $116.6 million as of August 31, 2024 and 2023, respectively. The refinery's valuation allowance on Kansas state credits is necessary due to the limited amount of taxable income generated in Kansas by the combined group on an annual basis. Our state tax credits of $115.3 million will begin to expire during fiscal 2025.

The reconciliation of the statutory federal income tax rates to the effective tax rates for the years ended August 31, 2024, 2023 and 2022 is as follows:

	2024	2023	2022
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal income tax benefit	0.5	1.1	1.1
Patronage earnings	(12.6)	(13.0)	(13.6)
Domestic production activities deduction	(6.8)	(3.2)	(3.2)
Export activities at rates other than the U.S. statutory rate	1.4	(0.2)	0.4
Intercompany transfer of business assets	0.0	0.0	(0.1)
Increase in unrecognized tax benefits	2.7	0.0	0.0
Valuation allowance	(0.1)	0.0	0.2
Tax credits	(6.2)	0.0	0.0
Other	(0.3)	(0.3)	1.5
Effective tax rate	(0.4)%	5.4 %	7.3 %

Primary drivers of fiscal 2024 income tax benefit were decreased nonpatronage earnings compared to fiscal 2023, recognition of research and development tax credits and the current Domestic Production Activities Deduction ("DPAD") benefit. Primary drivers of the fiscal 2023 and 2022 income tax expense were increased nonpatronage earnings and other nondeductible items, which were partially offset by the current DPAD benefit.

We file income tax returns in the U.S. federal jurisdiction, as well as various state and foreign jurisdictions. Our uncertain tax positions are affected by the tax years that are under audit or remain subject to examination by the relevant taxing authorities. Fiscal years 2017 and 2019 remain subject to examination for certain issues.

Reserves are recorded against unrecognized tax benefits when we believe certain fully supportable tax return positions are likely to be challenged and we may or may not prevail. If we determine that a tax position is more likely than not to be sustained upon audit, based on the technical merits of the position, we recognize the benefit by measuring the amount that is greater than 50% likely of being realized. We reevaluate the technical merits of our tax positions and recognize an uncertain tax benefit, or derecognize a previously recorded tax benefit, when there is (i) completion of a tax audit, (ii) effective settlement of an issue, (iii) a change in applicable tax law including a tax case or legislative guidance, or (iv) expiration of the applicable statute of limitations. Significant judgment is required in accounting for tax reserves. A reconciliation of the gross beginning and ending amounts of unrecognized tax benefits for the periods is presented as follows:

	2024	2023	2022
	(Dollars in thousands)		
Balance at beginning of period	$ 125,853	$ 124,959	$ 122,149
Additions attributable to current year tax positions	2,027	—	—
Additions attributable to prior year tax positions	32,569	894	2,810
Reductions attributable to prior year tax positions	(85,513)	—	—
Reductions attributable to statute expiration	(9,821)	—	—
Balance at end of period	$ 65,115	$ 125,853	$ 124,959

If we were to prevail on all positions taken in relation to uncertain tax positions, $65.1 million of the unrecognized tax benefits would ultimately benefit our effective tax rate. It is reasonably possible that the total amount of unrecognized tax benefits could significantly change in the next 12 months.

We recognize interest and penalties related to unrecognized tax benefits in our provision for income taxes. We recognized benefits of $2.1 million, $0.8 million and $0.7 million for interest and penalties related to unrecognized tax benefits in our Consolidated Statements of Operations for the years ended August 31, 2024, 2023 and 2022, respectively, and a related $6.2 million and $3.7 million interest payable on our Consolidated Balance Sheets as of August 31, 2024 and 2023, respectively.

NOTE 12

Equities

Patronage and Equity Redemptions

In accordance with our bylaws and by action of the Board of Directors, annual net earnings from patronage sources are distributed to consenting patrons following the close of each fiscal year and are based on amounts using financial statement earnings. The cash portion of the qualified patronage distribution, if any, is determined annually by the Board of Directors, with the balance issued in the form of qualified and/or nonqualified capital equity certificates. Total patronage distributions for fiscal 2024 are estimated to be $659.7 million, with the qualified cash portion estimated to be $300.0 million, estimated qualified equity distributions of $77.3 million and estimated nonqualified equity distributions of $282.4 million.

The following table presents estimated patronage distributions for the year ending August 31, 2024, and actual patronage distributions for the years ended August 31, 2023, 2022 and 2021:

	2025	2024	2023	2022
	(Dollars in millions)			
Patronage distributed in cash	$ 300.0	$ 366.0	$ 503.1	$ 51.0
Patronage distributed in equity	359.7	877.3	670.9	235.6
Total patronage distributed	$ 659.7	$ 1,243.3	$ 1,174.0	$ 286.6

Annual net earnings from patronage or other sources may be added to the unallocated capital reserve or, upon action by the Board of Directors, may be allocated to members in the form of nonpatronage equity certificates. The Board of Directors authorized, in accordance with our bylaws, that 10% of the earnings from patronage business for fiscal 2024, 2023 and 2022 be added to our capital reserves.

Redemptions of outstanding equity are at the discretion of the Board of Directors. Redemptions of capital equity certificates approved by the Board of Directors are divided into two pools, one for nonindividuals (primarily member cooperatives) who may participate in an annual redemption program for qualified equities held by them and another for individual members who are eligible for equity redemptions at age 70 or upon death. In accordance with authorization from the Board of Directors, we expect total redemptions related to the year ended August 31, 2024, which will be distributed in fiscal 2025, to be approximately $300.0 million. This amount is classified as a current liability on our August 31, 2024, Consolidated Balance Sheet. During the years ended August 31, 2024, 2023 and 2022, we redeemed in cash, outstanding owners' equities in accordance with authorization from the Board of Directors, in the amounts of $355.9 million, $495.8 million and $111.8 million, respectively.

Preferred Stock

The following is a summary of our outstanding preferred stock as of August 31, 2024, all shares of which are listed on the Global Select Market of The Nasdaq:

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

(c) The Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 accumulated dividends at a rate of 6.75% per year until September 30, 2024, and subsequently fixed 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 2003 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.

Preferred Stock Dividends

We made dividend payments on our preferred stock of $168.7 million during each of the years ended August 31, 2024, 2023 and 2022. As of August 31, 2024, the Board of Directors had not authorized the issuance of any preferred shares that were not outstanding.

The following is a summary of dividends per share by series of preferred stock for the years ended August 31, 2024 and 2023:

		Years Ended August 31,	
	Nasdaq Symbol	2024	2023
		(Dollars per share)	
8% Cumulative Redeemable	CHSCP	$ 2.00	$ 2.00
Class B Cumulative Redeemable, Series 1	CHSCO	1.97	1.97
Class B Reset Rate Cumulative Redeemable, Series 2	CHSCN	1.78	1.78
Class B Reset Rate Cumulative Redeemable, Series 3	CHSCM	1.69	1.69
Class B Cumulative Redeemable, Series 4	CHSCL	1.88	1.88

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive income (loss) by component, for the years ended August 31, 2024, 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, 2021, net of tax	$ (141,385)	$ 4,824	$ (79,830)	$ (216,391)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	(52,163)	(2,161)	(15,809)	(70,133)
Amounts reclassified out	22,240	7,455	—	29,695
Total other comprehensive income (loss), before tax	(29,923)	5,294	(15,809)	(40,438)
Tax effect	2,668	(1,275)	101	1,494
Other comprehensive income (loss), net of tax	(27,255)	4,019	(15,708)	(38,944)
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	(13,596)	(25,024)	1,829	(36,791)
Amounts reclassified out	93	16,044	—	16,137
Total other comprehensive income (loss), before tax	(13,503)	(8,980)	1,829	(20,654)
Tax effect	8,218	2,169	207	10,594
Other comprehensive income (loss), net of tax	(5,285)	(6,811)	2,036	(10,060)
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	(29,445)	14,950	(10,249)	(24,744)
Amounts reclassified out	180	(15,287)	1,227	(13,880)
Total other comprehensive loss, before tax	(29,265)	(337)	(9,022)	(38,624)
Tax effect	7,217	82	178	7,477
Other comprehensive loss, net of tax	(22,048)	(255)	(8,844)	(31,147)
Balance as of August 31, 2024, net of tax	$ (195,973)	$ 1,777	$ (102,346)	$ (296,542)

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 13, *Benefit Plans*, for further information). As described in Note 15, *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 13

Benefit Plans

We have various pension and other defined benefits as well as defined contribution plans in which substantially all employees may participate. We also have nonqualified supplemental executive and Board retirement plans. We provide defined life insurance and health care benefits for certain retired employees and Board of Directors participants. The plan is contributory based on years of service and family status, with retiree contributions adjusted annually.

Financial information on changes in projected benefit obligation, plan assets funded and balance sheet status as of August 31, 2024 and 2023, is as follows:

	Qualified Pension Benefits		Nonqualified Pension Benefits		Other Benefits	
	2024	2023	2024	2023	2024	2023
	(Dollars in thousands)					
Change in benefit obligation:						
Projected benefit obligation at beginning of period	$ 708,511	$ 759,173	$ 20,980	$ 18,257	$ 22,572	$ 24,524
Service cost	37,391	38,579	1,968	1,840	650	670
Interest cost	35,928	30,588	1,043	741	1,144	1,035
Actuarial loss (gain):						
Experience study and mortality updates	2,988	2,573	244	159	—	—
Other demographic experience*	18,647	5,181	3,217	1,999	1,465	(553)
Discount rate change	21,372	(45,216)	626	(876)	681	(1,312)
Plan amendments	223	490	—	—	—	—
Benefits paid	(64,297)	(82,857)	(1,635)	(1,140)	(1,725)	(1,792)
Projected benefit obligation at end of period	$760,763	$ 708,511	$ 26,443	$ 20,980	$ 24,787	$ 22,572
Change in plan assets:						
Fair value of plan assets at beginning of period	$ 736,150	$ 787,422	$ —	$ —	$ —	$ —
Actual (loss) gain on plan assets	67,559	(8,415)	—	—	—	—
Company contributions	42,000	40,000	1,635	1,140	1,725	1,792
Benefits paid	(64,297)	(82,857)	(1,635)	(1,140)	(1,725)	(1,792)
Fair value of plan assets at end of period	$ 781,412	$ 736,150	$ —	$ —	$ —	$ —
Funded status at end of period	$ 20,649	$ 27,639	$ (26,443)	$ (20,980)	$ (24,787)	$ (22,572)
Amounts recognized on balance sheet:						
Noncurrent assets	$ 20,649	$ 27,639	$ —	$ —	$ —	$ —
Accrued benefit cost:						
Current liabilities	—	—	(3,950)	(2,880)	(2,080)	(2,170)
Noncurrent liabilities	—	—	(22,493)	(18,100)	(22,707)	(20,402)
Ending balance	$ 20,649	$ 27,639	$ (26,443)	$ (20,980)	$ (24,787)	$ (22,572)
Amounts recognized in accumulated other comprehensive loss (pretax):						
Prior service cost (credit)	$ 1,216	$ 1,172	$ (47)	$ (160)	$ (935)	$ (1,380)
Net loss (gain)	269,122	247,609	8,001	4,294	(14,335)	(18,096)
Ending balance	$270,338	$ 248,781	$ 7,954	$ 4,134	$ (15,270)	$ (19,476)

**Other demographic experience is comprised of all demographic experience different than anticipated, including terminations, retirements, deaths, pay, etc.*

The accumulated benefit obligation of the qualified pension plans was $727.9 million and $678.4 million as of August 31, 2024 and 2023, respectively. The accumulated benefit obligation of the nonqualified pension plans was $26.2 million and $20.9 million as of August 31, 2024 and 2023, respectively.

Information for the pension plans with an accumulated benefit obligation in excess of plan assets is set forth below:

	Years Ended August 31, 2024	Years Ended August 31, 2023
	(Dollars in thousands)	
Projected benefit obligation	$ 26,443	$ 20,980
Accumulated benefit obligation	26,173	20,908

Components of net periodic benefit costs for the years ended August 31, 2024, 2023 and 2022, are as follows:

	Qualified Pension Benefits			Nonqualified Pension Benefits			Other Benefits		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
	(Dollars in thousands)								
Components of net periodic benefit costs:									
Service cost	$ 37,391	$ 38,579	$ 46,275	$ 1,968	$ 1,840	$ 926	$ 650	$ 670	$ 996
Interest cost	35,928	30,588	17,167	1,043	741	281	1,144	1,035	503
Expected return on assets	(47,860)	(43,129)	(43,958)	—	—	—	—	—	—
Prior service cost (credit) amortization	178	149	174	(114)	(114)	(114)	(445)	(445)	(445)
Actuarial loss (gain) amortization	1,796	1,872	23,406	380	245	478	(1,616)	(1,615)	(1,259)
Net periodic benefit cost (benefit)	$27,433	$28,059	$43,064	$ 3,277	$ 2,712	$ 1,571	$ (267)	$ (355)	$ (205)

Components of net periodic benefit costs and amounts recognized in other comprehensive loss (income) for the years ended August 31, 2024, 2023 and 2022, are as follows:

	Qualified Pension Benefits			Nonqualified Pension Benefits			Other Benefits		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
	(Dollars in thousands)								
Other comprehensive loss (income):									
Prior service cost	$ 223	$ 490	$ 132	$ —	$ —	$ —	$ —	$ —	$ —
Net actuarial loss (gain)	23,309	14,082	59,020	4,087	1,282	(1,537)	2,145	(1,865)	(4,243)
Amortization of actuarial (gain) loss	(1,796)	(1,872)	(23,406)	(380)	(245)	(478)	1,616	1,615	1,259
Amortization of prior service (credit) costs	(178)	(149)	(174)	114	114	114	445	445	445
Settlement of retiree obligations (a)	—	—	—	—	—	(307)	—	—	—
Total recognized in other comprehensive loss (income)	$ 21,558	$ 12,551	$35,572	$ 3,821	$ 1,151	$(2,208)	$ 4,206	$ 195	$(2,539)

(a) Reflects amounts reclassified from accumulated other comprehensive loss (income) to net earnings.

Estimated amortization in fiscal 2025 from accumulated other comprehensive loss into net periodic benefit cost is as follows:

	Qualified Pension Benefits	Nonqualified Pension Benefits	Other Benefits
	(Dollars in thousands)		
Amortization of prior service costs (credit)	$ 199	$ (47)	$ (445)
Amortization of actuarial loss (gain)	12,815	799	(1,192)

Plan assumptions for the years ended August 31, 2024, 2023 and 2022, are as follows:

	Qualified Pension Benefits			Nonqualified Pension Benefits			Other Benefits		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Weighted-average assumptions to determine the net periodic benefit cost:									
Interest credit rate	4.80 %	4.65 %	4.65 %	4.80 %	4.65 %	4.65 %	N/A	N/A	N/A
Discount rate	5.38 %	4.69 %	2.80 %	5.22 %	4.48 %	2.04 %	5.33 %	4.64 %	2.57 %
Expected return on plan assets	5.64 %	4.88 %	4.88 %	N/A	N/A	N/A	N/A	N/A	N/A
Rate of compensation increase	4.98 %	4.93 %	4.79 %	4.98 %	4.93 %	4.79 %	N/A	N/A	N/A
Weighted-average assumptions to determine the benefit obligations:									
Interest credit rate	4.68 %	4.80 %	4.65 %	4.68 %	4.80 %	4.65 %	N/A	N/A	N/A
Discount rate	5.09 %	5.38 %	4.69 %	4.78 %	5.23 %	4.49 %	5.01 %	5.33 %	4.64 %
Rate of compensation increase	4.98 %	4.98 %	4.93 %	4.98 %	4.98 %	4.93 %	N/A	N/A	N/A

A significant assumption for pension costs and obligations is the discount rate. We use a full-yield curve approach by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. The discount rate reflects the rate at which the associated benefits could be effectively settled as of the measurement date. In estimating this rate, we look at rates of return on fixed-income investments of similar duration to the liabilities in the plans that receive high investment-grade ratings by recognized ratings agencies.

An annual analysis of the risk versus the return of the investment portfolio is conducted to justify the expected long-term rate of return assumption. We generally use long-term historical return information for the targeted asset mix identified in asset and liability studies. Adjustments are made to the expected long-term rate of return assumption when deemed necessary, based upon revised expectations of future investment performance of the overall investment markets.

For measurement purposes, an 8.7% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended August 31, 2024. The rate was assumed to decrease gradually to 4.5% by 2034 and remain at that level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
	(Dollars in thousands)	
Effect on total of service and interest cost components	$ 190	$ 160
Effect on postretirement benefit obligation	1,600	1,400

Contributions depend primarily on market returns on the pension plan assets and minimum funding level requirements. During fiscal 2024, we made a discretionary contribution of $42.0 million to the pension plans. Based on the funded status of the qualified pension plans as of August 31, 2024, we do not currently believe we will be required to contribute to these plans in fiscal 2025, although we may voluntarily elect to do so. We expect to pay $6.0 million to participants of the nonqualified pension and postretirement benefit plans during fiscal 2025.

Our retiree benefit payments, which reflect expected future service, are anticipated to be paid as follows:

	Qualified Pension Benefits	Nonqualified Pension Benefits	Other Benefits
	(Dollars in thousands)		
2025	$ 69,800	$ 3,950	$ 2,080
2026	72,100	4,080	2,020
2027	73,200	3,870	1,990
2028	75,900	3,560	1,870
2029	78,600	3,330	1,780
2030-2034	366,500	14,350	8,690

We have trusts that hold the assets for the defined benefit plans. CHS has a qualified plan committee that sets investment guidelines with the assistance of external consultants. Investment objectives for the plans' assets are as follows:

- Optimize the long-term returns on plan assets at an acceptable level of risk;
- Maintain broad diversification across asset classes and among investment managers; and
- Focus on long-term return objectives.

Asset allocation targets promote optimal expected return and volatility characteristics given the long-term time horizon for fulfilling the obligations of the pension plans. The investment portfolio contains a diversified portfolio of investment categories, including equities, fixed-income securities and real estate. Securities are also diversified in terms of domestic and international securities, short- and long-term securities, growth and value equities, large and small cap stocks, as well as active and passive management styles. Our pension plans' investment policy strategy is such that liabilities match assets. This is being accomplished through the asset portfolio mix by reducing volatility and de-risking the plans. The plans' target allocation percentages range between 45% and 80% for fixed income securities and range between 20% and 55% for equity securities.

The qualified plan committee believes that with prudent risk tolerance and asset diversification, the plans should be able to meet pension obligations in the future.

Our pension plans' recurring fair value measurements by asset category as of August 31, 2024 and 2023, are presented in the tables below:

	2024			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Cash and cash equivalents	$ 12,416	$ —	$ —	$ 12,416
Equities:				
Common/collective trust at net asset value (1)	—	—	—	156,462
Fixed income securities:				
Other investments	31,298	93,763	—	125,061
Common/collective trust at net asset value (1)	—	—	—	464,611
Partnership and joint venture interests measured at net asset value (1)	—	—	—	22,862
Total	$ 43,714	$ 93,763	$ —	$ 781,412

	2023			
	Level 1	Level 2	Level 3	Total
	(Dollars in thousands)			
Cash and cash equivalents	$ 12,505	$ —	$ —	$ 12,505
Equities:				
Common/collective trust at net asset value (1)	—	—	—	127,225
Fixed income securities:				
Other investments	25,143	86,315	—	111,458
Common/collective trust at net asset value (1)	—	—	—	425,180
Partnership and joint venture interests measured at net asset value (1)	—	—	—	59,782
Total	$ 37,648	$ 86,315	$ —	$ 736,150

(1) In accordance with ASC Topic 820-10, Fair Value Measurement, certain assets that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the "Financial information on changes in projected benefit obligation, plan assets funded and balance sheet status" table above.

Definitions for valuation levels are found in Note 16, *Fair Value Measurements*. We use the following valuation methodologies for assets measured at fair value:

Common/collective trusts. Common/collective trusts primarily consist of equity and fixed income funds and are valued using other significant observable inputs, including quoted prices for similar investments, interest rates, prepayment speeds, credit risks, referenced indices, quoted prices in inactive markets, adjusted quoted prices in active markets, adjusted quoted prices on foreign equity securities that were adjusted in accordance with pricing procedures approved by the trust, etc. Common/collective trust investments can be redeemed daily and without restriction. Redemption of the entire investment balance generally requires a 45- to 60-day notice period. The equity funds provide exposure to large-, mid- and small-cap U.S. equities, international large- and small-cap equities and emerging market equities. The fixed income funds provide exposure to U.S., international and emerging market debt securities.

Other investments. Other investments are comprised primarily of investments in U.S. Treasury securities which are valued using quoted market prices and classified within Level 1, as well as various government agency obligations and corporate, foreign government and municipal issue fixed income marketable securities which are valued using institutional bond or broker quotes along with various other market and industry inputs and classified within Level 2.

Partnership and joint venture interests. The net asset value of shares held by the plan at year-end is used to value these assets as a practical expedient for fair value. The net asset value is based on the fair value of the underlying assets owned by the trust, minus its liabilities, then divided by the number of units outstanding. Redemptions of these interests generally require a 45- to 60-day notice period.

During fiscal 2024 we ceased our participation in the Co-op Retirement Plan, which is a defined benefit plan constituting a multiple employer plan under the Internal Revenue Code of 1986, as amended, and a multiemployer plan under the accounting standards.

We have other contributory defined contribution plans covering substantially all employees. Total contributions by us to these plans were $43.5 million, $38.7 million and $35.0 million, for the years ended August 31, 2024, 2023 and 2022, respectively.

NOTE 14

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 the 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 ag retail (formerly referred to as 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 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 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 ag retail 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 Consolidated Statements of Operations. In our Ag segment, this includes our 50% interest in TEMCO, LLC ("TEMCO") and our 50% interest in Producer Ag, LLC ("Producer Ag"). In our Nitrogen Production segment, this consists of our approximate 8.4% 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 6, *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 years ended August 31, 2024, 2023 and 2022, is presented in the tables below.

	Energy	Ag	Nitrogen Production	Corporate and Other	Reconciling Amounts	Total
Year ended August 31, 2024	(Dollars in thousands)					
Revenues, including intersegment revenues	$ 9,339,079	$30,432,758	$ —	$ 94,113	$ (604,721)	$ 39,261,229
Intersegment revenues	(572,584)	(15,899)	—	(16,238)	604,721	—
Revenues, net of intersegment revenues	$ 8,766,495	$ 30,416,859	$ —	$ 77,875	$ —	$ 39,261,229
Operating earnings (loss)	403,854	241,327	(71,530)	10,707	—	584,358
Interest expense	(16,773)	61,982	61,942	22,027	(25,114)	104,064
Other income	(11,283)	(98,142)	(9,176)	(44,143)	25,114	(137,630)
Equity (income) losses from investments	2,857	(65,190)	(275,531)	(141,999)	—	(479,863)
Income before income taxes	$ 429,053	$ 342,677	$ 151,235	$ 174,822	$ —	$ 1,097,787
Capital expenditures	$ 204,151	$ 426,291	$ —	$ 178,321	$ —	$ 808,763
Depreciation and amortization	$ 255,795	$ 178,400	$ —	$ 47,529	$ —	$ 481,724
Total assets as of August 31, 2024	$ 4,262,974	$ 7,279,846	$2,544,530	$4,627,725	$ —	$ 18,715,075

Year ended August 31, 2023	Energy	Ag	Nitrogen Production	Corporate and Other	Reconciling Amounts	Total
	(Dollars in thousands)					
Revenues, including intersegment revenues	$ 10,761,503	$35,456,969	$ —	$ 82,107	$ (710,575)	$45,590,004
Intersegment revenues	(664,590)	(31,765)	—	(14,220)	710,575	—
Revenues, net of intersegment revenues	$ 10,096,913	$35,425,204	$ —	$ 67,887	$ —	$45,590,004
Operating earnings (loss)	1,071,492	346,137	(73,828)	(301)	—	1,343,500
Interest expense	7,672	71,115	60,090	31,487	(32,922)	137,442
Other income	(19,456)	(88,061)	—	(37,536)	32,922	(112,131)
Equity (income) losses from investments	7,833	(48,725)	(394,678)	(254,020)	—	(689,590)
Income before income taxes	$ 1,075,443	$ 411,808	$ 260,760	$ 259,768	$ —	$ 2,007,779
Capital expenditures	$ 204,003	$ 308,690	$ —	$ 51,829	$ —	$ 564,522
Depreciation and amortization	$ 254,115	$ 166,982	$ —	$ 43,518	$ —	$ 464,615
Total assets as of August 31, 2023	$ 4,313,240	$ 7,095,283	$ 2,577,391	$ 4,971,504	$ —	$ 18,957,418

Year ended August 31, 2022	Energy	Ag	Nitrogen Production	Corporate and Other	Reconciling Amounts	Total
	(Dollars in thousands)					
Revenues, including intersegment revenues	$10,964,304	$37,489,203	$ —	$ 45,278	$ (707,119)	$ 47,791,666
Intersegment revenues	(669,530)	(28,992)	—	(8,597)	707,119	—
Revenues, net of intersegment revenues	$ 10,294,774	$ 37,460,211	$ —	$ 36,681	$ —	$ 47,791,666
Operating earnings (loss)	633,832	588,070	(55,600)	(37,216)	—	1,129,086
Interest expense	6,768	59,118	48,110	5,105	(4,945)	114,156
Other (income) expense	(3,474)	(46,277)	11,487	9,559	4,945	(23,760)
Equity (income) losses from investments	13,987	(82,357)	(593,182)	(109,775)	—	(771,327)
Income before income taxes	$ 616,551	$ 657,586	$ 477,985	$ 57,895	$ —	$ 1,810,017
Capital expenditures	$ 116,136	$ 203,851	$ —	$ 34,457	$ —	$ 354,444
Depreciation and amortization	$ 250,972	$ 173,488	$ —	$ 37,512	$ —	$ 461,972

We have international sales, which are predominantly in our Ag segment. The following table presents our sales, based on the geographic location of the subsidiary making the sale, for the years ended August 31, 2024, 2023 and 2022:

	2024	2023	2022
	(Dollars in thousands)		
North America [(a)]	$ 36,876,847	$ 43,376,177	$ 45,039,981
South America	515,177	378,021	371,493
Europe, Middle East and Africa (EMEA)	693,454	930,052	1,093,974
Asia Pacific (APAC)	1,175,751	905,754	1,286,218
Total	$ 39,261,229	$45,590,004	$ 47,791,666

(a) Revenues in North America are substantially all attributed to revenues from the United States.

Tangible long-lived assets include our property, plant and equipment, finance lease assets and capitalized major maintenance costs. The following table presents tangible long-lived assets by geographical region based on physical location:

	2024	2023
	(Dollars in thousands)	
United States	$ 5,330,168	$ 5,088,366
International	70,306	70,384
Total	$ 5,400,474	$ 5,158,750

NOTE 15

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 Consolidated Balance Sheets at fair value with changes in fair value being recorded directly to earnings, primarily within cost of goods sold in our Consolidated Statements of Operations. See Note 16, *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 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 OTC contracts, we have elected to report our derivative instruments on a gross basis on our Consolidated Balance Sheets under ASC Topic 210-20, *Balance Sheet - Offsetting*.

	August 31, 2024			
		Amounts Not Offset on the Consolidated Balance Sheet but Eligible for Offsetting		
	Gross Amounts Recognized	Cash Collateral	Derivative Instruments	Net Amounts
	(Dollars in thousands)			
Derivative assets				
Commodity derivatives	$ 165,709	$ —	$ 2,522	$ 163,187
Foreign exchange derivatives	9,029	—	7,100	1,929
Total	$ 174,738	$ —	$ 9,622	$ 165,116
Derivative liabilities				
Commodity derivatives	$ 221,803	$ 1,601	$ 2,522	$ 217,680
Foreign exchange derivatives	24,476	—	7,100	17,376
Total	$ 246,279	$ 1,601	$ 9,622	$ 235,056

	August 31, 2023			
		Amounts Not Offset on the Consolidated Balance Sheet but Eligible for Offsetting		
	Gross Amounts Recognized	Cash Collateral	Derivative Instruments	Net Amounts
	(Dollars in thousands)			
Derivative assets				
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 Consolidated Balance Sheets. Derivative assets and liabilities with maturities greater than 12 months are recorded in other assets and other liabilities, respectively, on our Consolidated Balance Sheets. The amount of long-term derivative assets recorded on our Consolidated Balance Sheets as of August 31, 2024 and 2023, was $2.9 million and $1.1 million, respectively. The amount of long-term derivative liabilities recorded on our Consolidated Balance Sheets as of August 31, 2024 and 2023, was $6.0 million and $12.6 million, respectively.

The following table sets forth the pretax (losses) gains on derivatives not accounted for as hedging instruments that have been included in our Consolidated Statements of Operations for the years ended August 31, 2024, 2023 and 2022:

Derivative Type	Location of (Loss) Gain	2024	2023	2022
		(Dollars in thousands)		
Commodity derivatives	Cost of goods sold	$ 5,380	$ (360,937)	$ (568,877)
Foreign exchange derivatives	Cost of goods sold	(31,874)	(30,898)	9,587
Foreign exchange derivatives	Marketing, general and administrative expenses	(2,897)	(530)	577
Other derivatives	Other income	—	—	2,057
Total		$ (29,391)	$ (392,365)	$ (556,656)

Commodity Contracts

When we enter into a commodity purchase or sales commitment, we incur risks related to price changes and performance, including delivery, quality, quantity and shipment period. In the event that market prices decrease, we are exposed to risk of loss for the market value of inventory and purchase contracts with fixed or partially fixed prices. Conversely, we are exposed to risk of loss on our fixed- or partially fixed-price sales contracts in the event that market prices increase.

Our use of hedging reduces exposure to price volatility by protecting against adverse short-term price movements but also limits the benefits of favorable short-term price movements. To reduce the price risk associated with fixed-price commitments, we generally enter into commodity derivative contracts, to the extent practical, to achieve a net commodity position within the formal position limits we have established and deemed prudent for each commodity. These contracts are primarily transacted through our FCM on regulated commodity futures exchanges, but may include OTC derivative instruments when deemed appropriate. These contracts are recorded at fair values based on quotes listed on regulated commodity exchanges or the market prices of the underlying products listed on the exchanges, except that certain contracts are accounted for as normal purchase and normal sales transactions. For commodities where there is no liquid derivative contract, risk is managed through the use of forward sales contracts, other pricing arrangements and, to some extent, futures contracts in highly correlated commodities. These contracts are economic hedges of price risk, but are not designated as hedging instruments for accounting purposes. Unrealized gains and losses on these contracts are recognized in cost of goods sold in our Consolidated Statements of Operations.

When a futures position is established, initial margin must be deposited with the applicable exchange or broker. The amount of margin required varies by commodity and is set by the applicable exchange at its sole discretion. If the market price relative to a short futures position increases, an additional margin deposit would be required. Similarly, a margin deposit would be required if the market price relative to a long futures position decreases. Conversely, if the market price increases relative to a long futures position or decreases relative to a short futures position, margin deposits may be returned by the applicable exchange or broker.

Our policy is to manage our commodity price risk exposure according to internal policies and in alignment with our tolerance for risk. It is our policy that our profitability should come from operations, primarily derived from margins on products sold and grain merchandised, not from hedging transactions. At any one time, inventory and purchase contracts for delivery to us may be substantial. We have risk management policies and procedures that include established net physical position limits. These limits are defined for each commodity and business unit, and business units may include both trader and management limits as appropriate. The limits policy is overseen at a high level by our corporate middle office and compliance team, with day-to-day monitoring procedures being implemented within each individual business unit to ensure any limits overage is explained and exposures reduced, or a temporary limit increase is established if needed. The position limits are reviewed at least annually with our senior leadership and Board of Directors. We monitor current market conditions and may expand or reduce our net position limits or procedures in response to changes in those conditions.

The use of hedging instruments does not protect against nonperformance by counterparties to cash contracts. We evaluate counterparty exposure by reviewing contracts and adjusting the values to reflect potential nonperformance. Risk of nonperformance by counterparties includes the inability to perform because of a counterparty's financial condition and the risk that the counterparty will refuse to perform on a contract during periods of price fluctuations where contract prices are significantly different from the current market prices. We manage these risks by entering into fixed-price purchase and sales contracts with preapproved producers and by establishing appropriate limits for individual suppliers. Fixed-price contracts are entered into with customers of acceptable creditworthiness, as internally evaluated. Regarding our use of derivatives, we transact in exchange traded instruments or enter into over-the-counter derivatives that primarily clear through our FCM, which limits our counterparty exposure relative to hedging activities. Historically, we have not experienced significant events of nonperformance on open contracts. Accordingly, we only adjust the estimated fair values of specifically identified contracts for nonperformance. Although we have established policies and procedures, we make no assurances that historical nonperformance experience will carry forward to future periods.

As of August 31, 2024 and 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:

	2024		2023	
Derivative Type	Long	Short	Long	Short
	(Units in thousands)			
Grain and oilseed (bushels)	385,426	517,883	506,654	630,803
Energy products (barrels)	8,438	5,014	11,839	8,085
Processed grain and oilseed (tons)	3,600	6,193	7,380	9,437
Crop nutrients (tons)	73	14	70	10
Ocean freight (metric tons)	—	—	40	—
Natural gas (MMBtu)	2,350	500	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 $1.5 billion and $1.9 billion as of August 31, 2024 and 2023.

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 August 31, 2024 and 2023, the aggregate notional amount of cash flow hedges was 5.5 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 line items on our Consolidated Balance Sheets in which they are recorded as of August 31, 2024 and 2023:

	Derivative Assets			Derivative Liabilities	
Balance Sheet Location	2024	2023	Balance Sheet Location	2024	2023
	(Dollars in thousands)			(Dollars in thousands)	
Other current assets	$ 5,226	$ 8,395	Other current liabilities	$ 2,781	$ 5,345

The following table presents the pretax losses recorded in other comprehensive income relating to cash flow hedges for the years ended August 31, 2024, 2023 and 2022:

	2024	2023	2022
		(Dollars in thousands)	
Commodity derivatives	$ (605)	$ (12,285)	$ (2,071)

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 Consolidated Statements of Operations for the years ended August 31, 2024, 2023 and 2022:

	Location of Gain (Loss)	2024	2023	2022
			(Dollars in thousands)	
Commodity derivatives	Cost of goods sold	$ 16,454	$ (14,853)	$ (6,254)

NOTE 16

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 between 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 the use of observable inputs and minimize the 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, and our assessment of relevant instruments within those levels is as follows:

Level 1. Values are based on unadjusted quoted prices in active markets for identical assets or liabilities. These assets and liabilities may include exchange-traded derivative instruments, rabbi trust investments, segregated investments and marketable securities.

Level 2. Values are based on 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 or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. These assets and liabilities include interest rate, foreign exchange and commodity swaps; forward commodity contracts with a fixed-price component; and other OTC derivatives whose values are determined with inputs that are based on exchange traded prices, adjusted for location-specific inputs that are primarily observable in the market or can be derived principally from, or corroborated by, observable market data.

Level 3. Values are generated from unobservable inputs that are supported by little or no market activity and that are a significant component of the fair value of the assets or liabilities. These unobservable inputs would reflect our own estimates of assumptions that market participants would use in pricing related assets or liabilities. Valuation techniques might include the use of pricing models, discounted cash flow models or similar techniques.

The following tables present assets and liabilities, included on our Consolidated Balance Sheets, that are recognized at fair value on a recurring basis and indicate the fair value hierarchy utilized to determine these fair values. Assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. The lowest level of input is considered Level 3. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

Recurring fair value measurements as of August 31, 2024 and 2023, are as follows:

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(Dollars in thousands)			
Assets				
Commodity derivatives	$ 2,454	$ 168,481	$ —	$ 170,935
Foreign currency derivatives	—	9,029	—	9,029
Segregated investments and marketable securities	15,069	136,258	—	151,327
Time deposits	—	500,921	—	500,921
Other assets	83,008	—	—	83,008
Total	$ 100,531	$ 814,689	$ —	$ 915,220
Liabilities				
Commodity derivatives	$ 1,641	$ 222,943	$ —	$ 224,584
Foreign currency derivatives	—	24,476	—	24,476
Total	$ 1,641	$ 247,419	$ —	$ 249,060

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(Dollars in thousands)			
Assets				
Commodity derivatives	$ 5,344	$ 283,491	$ —	$ 288,835
Foreign currency 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 currency derivatives	—	13,799	—	13,799
Total	$ 7,501	$ 360,774	$ —	$ 368,275

Commodity and foreign currency 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 Consolidated Statements of Operations as a component of cost of goods sold.

Segregated investments and marketable securities, time deposits and other assets. Our segregated investments and marketable securities and other assets are comprised primarily of investments in U.S. Treasury securities, money market funds, various government agencies, time deposits and rabbi trust assets. U.S. Treasury securities and money market funds are valued using quoted market prices and classified within Level 1. Investments in various government agency obligations, time deposits and rabbit trust assets are valued using quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and classified within Level 2.

NOTE 17

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 both 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 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 law 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 the 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 the 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 $70.2 million were outstanding as of August 31, 2024. 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 are current as of August 31, 2024.

Credit Commitments

CHS Capital has commitments to extend credit to customers if there are no violations of any contractually established conditions. As of August 31, 2024, CHS Capital customers had additional available credit of $1.2 billion.

Unconditional Purchase Obligations

Unconditional purchase obligations are commitments to transfer funds in the future for fixed or minimum amounts or quantities of goods or services at fixed or minimum prices. Our long-term unconditional purchase obligations primarily relate to pipeline and grain handling take-or-pay and throughput agreements and are not recorded on our Consolidated Balance Sheets. As of August 31, 2024, minimum future payments required under long-term commitments that are noncancelable and that third parties have used to secure financing for facilities that will provide contracted goods, are as follows:

	Payments Due by Period						
	Total	2025	2026	2027	2028	2029	Thereafter
	(Dollars in thousands)						
Long-term unconditional purchase obligations	$447,231	$ 85,140	$ 79,357	$64,942	$57,748	$ 55,115	$104,929

Total payments under these arrangements were $84.6 million, $77.8 million and $75.2 million for the years ended August 31, 2024, 2023 and 2022, respectively.

NOTE 18

Related Party Transactions

We purchase and sell grain and other agricultural commodity products from certain equity investees, primarily CF Nitrogen, Ventura Foods, Ardent Mills, TEMCO and Producer Ag. Sales to and purchases from related parties for the years ended August 31, 2024, 2023 and 2022, are as follows:

	2024	2023	2022
	(Dollars in thousands)		
Sales	$ 2,396,916	$ 1,653,125	$ 1,511,532
Purchases	1,590,955	1,697,780	2,040,357

Receivables due from and payables due to related parties as of August 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Due from related parties	$ 334,778	$ 80,510
Due to related parties	113,081	90,267

As a cooperative, we are owned by farmers and ranchers and member cooperatives, which are referred to as members. We buy commodities from and provide products and services to our members. Individually, our members do not have a significant ownership in CHS.

NOTE 19

Leases

We assess arrangements at inception to determine whether they contain a lease. An arrangement is considered to contain a lease if it conveys the right to control the use of an asset for a period of time in exchange for consideration. The right to control the use of an asset must include both (i) the right to obtain substantially all economic benefits associated with an identified asset and (ii) the right to direct how and for what purpose the identified asset is used. Certain service agreements may provide us with the right to use an identified asset; however, most of these arrangements are not considered to represent a lease as we do not control how and for what purpose the identified asset is used.

We lease property, plant and equipment used in our operations primarily under operating lease agreements and, to a lesser extent, under finance lease agreements. Our leases are primarily for railcars, equipment, vehicles and office space, many of which contain renewal options and escalation clauses. Renewal options are included as part of the right of use asset and liability when it is reasonably certain that we will exercise the renewal option; however, renewal options are generally not included as we are not reasonably certain to exercise such options.

Right of use assets and liabilities for operating and finance leases are recognized under ASC Topic 842 at the lease commencement date for leases in excess of 12 months based on the present value of lease payments over the lease term. For measurement and classification of lease agreements, lease and nonlease components are grouped into a single lease component for all asset classes. Variable lease payments are excluded from measurement of right of use assets and liabilities and generally include payments for nonlease components such as maintenance costs, payments for leased assets beyond their noncancelable lease term and payments for other nonlease components such as sales tax. The discount rate used to calculate present value is our collateralized incremental borrowing rate or, if available, the rate implicit in the lease. The incremental borrowing rate is determined for each lease based primarily on its lease term. Certain lease arrangements include rental payments adjusted annually based on changes in an inflation index. Our lease arrangements generally do not contain residual value guarantees or material restrictive covenants.

Lease expense is recognized on a straight-line basis over the lease term. The components of lease expense recognized in our Consolidated Statements of Operations as of August 31, 2024, 2023 and 2022, are as follows:

	2024	2023	2022
		(Dollars in thousands)	
Operating lease expense	$ 84,826	$ 77,588	$ 71,209
Finance lease expense:			
Amortization of assets	9,506	8,966	8,967
Interest on lease liabilities	1,964	1,646	1,469
Short-term lease expense	25,753	20,068	16,915
Variable lease expense	833	650	1,699
Total net lease expense*	$ 122,882	$ 108,918	$ 100,259

*Income related to sublease activity is not material and has been excluded from the table above.

Supplemental balance sheet information related to operating and finance leases as of August 31, 2024 and 2023, is as follows:

	Balance Sheet Location	2024	2023
		(Dollars in thousands)	
Operating leases			
Assets			
Operating lease right of use assets	Other assets	$ 218,844	$ 254,844
Liabilities			
Current operating lease liabilities	Accrued expenses	$ 61,796	$ 61,094
Long-term operating lease liabilities	Other liabilities	161,494	200,758
Total operating lease liabilities		$ 223,290	$ 261,852
Finance leases			
Assets			
Finance lease assets	Property, plant and equipment	$ 63,229	$ 64,381
Liabilities			
Current finance lease liabilities	Current portion of long-term debt	$ 7,116	$ 6,797
Long-term finance lease liabilities	Long-term debt	42,395	42,438
Total finance lease liabilities		$ 49,511	$ 49,235

Information related to the lease term and discount rate for operating and finance leases as of August 31, 2024 and 2023, is as follows:

	2024	2023
Weighted average remaining lease term (in years)		
Operating leases	5.1	7.0
Finance leases	8.6	9.6
Weighted average discount rate		
Operating leases	3.85 %	3.50 %
Finance leases	3.99 %	3.78 %

Supplemental cash flow and other information related to operating and finance leases as of August 31, 2024, 2023 and 2022, is as follows:

	2024	2023	2022
		(Dollars in thousands)	
Cash paid for amounts included in measurement of lease liabilities:			
Operating cash flows from operating leases	$ 78,614	$ 71,798	$ 61,750
Operating cash flows from finance leases	1,964	1,646	1,469
Financing cash flows from finance leases	7,716	8,571	9,171
Supplemental noncash information:			
Right of use assets obtained in exchange for lease liabilities	$ 73,183	$ 69,837	$ 54,199
Right of use asset modifications	12,277	28,614	12,887

Maturities of lease liabilities by fiscal year as of August 31, 2024, were as follows:

	August 31, 2024	
	Finance Leases	Operating Leases
	(Dollars in thousands)	
2025	$ 8,956	$ 71,326
2026	8,308	60,192
2027	7,648	43,430
2028	7,037	28,675
2029	6,320	15,907
Thereafter	19,992	27,770
Total maturities of lease liabilities	58,261	247,300
Less amounts representing interest	8,750	24,010
Present value of future minimum lease payments	49,511	223,290
Less current obligations	7,116	61,796
Long-term obligations	$ 42,395	$ 161,494

Lefthand row, from bottom, Johnsrud, Kayser, Fritel, Jones, Clemensen, Stroh, Erickson; middle row, from bottom, Wagner, Rossman, Farrell, Throener; righthand row, from bottom, Schurr, Cordes, Kehl, Holm; not pictured: Beckman, Blew

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Cogswell, North Dakota

Cortney Wagner
Hardin, Montana

Detailed biographical information on the CHS Board of Directors is available at chsinc.com.

Front, from left, Smith, Halvorson, Debertin, Nelligan; back, from left, Kaul-Hottinger, Hunhoff, Griffith, Black, Dusek

Executive team

Jay Debertin
President and chief executive officer

David Black
Executive vice president, enterprise transformation, chief information officer

Rick Dusek
Executive vice president, ag retail, distribution and transportation

John Griffith
Executive vice president, ag business and CHS Hedging

Gary Halvorson
Executive vice president, enterprise customer development

Darin Hunhoff
Executive vice president, energy

Mary Kaul-Hottinger
Executive vice president, chief human resources officer

Olivia Nelligan
Executive vice president, chief financial officer, chief strategy officer

Brandon Smith
Executive vice president and general counsel

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