



ELEVATE

2023 CHS ANNUAL REPORT





Our purpose

Creating connections to empower agriculture

Our values

Integrity

We set high standards and hold ourselves accountable.

Inclusion

We believe excellence and growth stem from diverse thinking.

Safety

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

Cooperative spirit

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

Working together elevates us all



From left, Debertin, Schurr

We are proud to share our fiscal year 2023 results, made possible by collaborating as a cooperative system and leveraging our combined strength to deliver true value. Your commitment as owners, the dedication of CHS employees, excellent operational performance and favorable market conditions combined to produce the strongest earnings in our 92-year history.

That same strength is enabling CHS to return more than \$1.7 billion in cash to our owners over two years — the largest returns in our company's history.

This shared success also reflects added capabilities driven by strategic investments throughout our global supply chain that are focused on meeting the needs of our owners today and for the future to help them meet their business objectives.

We have completed or are underway with expansions and improvements in our soy processing facilities to help meet the global demand for soy oil and soybean meal.

We expanded our TEMCO grain export joint venture to include a key asset at the Port of Houston to help owners in the Southern Plains reach new global markets.

And we completed a major turnaround at our Laurel, Mont., refinery to enhance its ability to produce the diesel fuel, gasoline and propane our owners need for years to come.

We also continued to gain significant financial and supply chain strength from strategic equity method investments, including Ventura Foods, LLC; CF Nitrogen and Ardent Mills, LLC.

The favorable market conditions we enjoyed in our energy and oilseed processing businesses will eventually moderate, just as they did in fiscal year 2023 in our agronomy wholesale and retail businesses. Our diversified portfolio will continue to help us weather those shifts while our supply chain capabilities and global market access allow us to identify and leverage new market opportunities. We are working every day to make CHS a better company as we strive to deliver exceptional results and maximize value for our owners and customers. Our priorities for fiscal year 2024 are focused on maintaining our current momentum while achieving continuous improvement.

- We will empower our people by investing in their well-being and career growth. Our employees are the foundation of our success.
- We will accelerate as one CHS, fostering a values-based culture that connects and collaborates to better serve our owners and customers.
- We will leverage our financial strength to navigate dynamic and evolving market conditions.
- We will elevate sustainable growth, capitalizing on growth opportunities through empowered teams, a more integrated CHS and our solid financial foundation.

Thank you for your business and for your support of the cooperative system. Finding new ways to collaborate, building on our combined strength and maintaining our focus on the future will elevate all of us as we continue creating connections to empower agriculture.

Jay Debertin
President and Chief
Executive Officer

Dan Schurr
Chair, Board
of Directors



Expanded grain export options for Southern Plains growers





Year in review

Additional significant **grain and byproduct exporting** capabilities were achieved in early calendar year 2023 when a Port of Houston terminal was added to the TEMCO global grain joint venture. The facility augments three other TEMCO terminals located in the Pacific Northwest and will draw grain from the Southern Plains for export to Mexico, Latin America, South America, North Africa and Asia. In addition, expansion of a grain marketing joint venture with Mid-Kansas Cooperative will assist in originating grain for export through the TEMCO terminal at Houston. Increasing opportunities to deliver high-quality grain to customers around the world through the extensive network of domestic markets available to CHS will deliver added value and opportunities for CHS owners as they meet the growing global demand for food.

Expansion of the CHS **grain export terminal** at Myrtle Grove, La., progressed in fiscal year 2023 with completion expected in early calendar year 2024. The investment will increase capacity by 30% and include energy-saving improvements. The facility loads shipments of grain and byproducts destined for customers in Europe, Latin America and the Asia Pacific region.

Fiscal year 2023 marked the first full year of **grain origination in South America** through the Marialva transshipment facility situated in the key Paraná

corridor of Brazil. A second grain transshipment site is being developed at Alvorada in Tocantins, another state in interior Brazil. Together, these facilities enhance the company's ability to deliver grain to our global customers year-round by strengthening the supply chain to ports at Paranaguá and Santos.

A new 1.25 million bushel **grain-handling** facility at Erskine, Minn., is set to go online just after the close of the fiscal year to add speed and capacity to serve CHS owners. The high-volume shuttle-loading site will send grain from the Midwest to the Pacific Northwest for export to customers in Asia and the Middle East. Additional investments were made in grain-handling facilities in other upper Midwest CHS retail locations to drive growth by improving efficiency for owners delivering grain and enhancing safety for CHS employees and communities.

Strong global demand for soy oil and soybean meal for food, feed, renewable fuels and manufacturing applications continued in fiscal year 2023 and enabled full utilization of expanded CHS **soybean processing facilities** as they process soybeans into crude and refined soy oil, soybean meal, soy flour, soy hulls and other byproducts. The Fairmont, Minn., plant recently increased crush capacity by 30% and work is underway to increase refining capacity in Mankato, Minn., with planned completion in fiscal year 2024.

Across the CHS enterprise, major strides were made in **collaboration and efficiency** in 2023 as teams established more effective lines of communications and processes that enabled improvements such as a standardized purchasing network with preferred suppliers, a coordinated approach for serving key accounts and software-enabled transportation and logistics planning across product lines. These efforts and ongoing transition to a single technology platform enabled by SAP are helping to reduce administrative and operational costs and provide better service to owners and customers.

CHS Hedging delivered strong results for the year while undergoing significant transformation to become a more nimble, responsive partner to meet the evolving needs of its commercial agribusiness customers. The business also continued to make significant investments to further enhance its risk management and compliance capabilities.

While the two CHS **refineries** in McPherson, Kan., and Laurel, Mont., exceeded production goals for all **refined fuels** and maximized output for diesel fuel used by CHS owners and customers, overall refined fuels production was slightly lower than fiscal 2022 levels due to the planned major turnaround at the Laurel refinery in mid-2023. The turnaround provided efficiency and sustainability improvements that will benefit CHS and owners over the next several years.

The CHS **liquid fuels advocacy group** continued efforts to advocate for support of liquid fuels to meet the needs of customers and cooperative owners amid carbon-reducing policy adoption. As a versatile energy supplier, CHS continued to support favorable E15 regulations so that higher ethanol-blended fuels can be available to Cenex[®] retailers and customers year-round. At the close of the year, 33 CHS terminals were distributing E15 blended fuels.

The four-year initiative to update exterior branding and lighting at all **Cenex[®] refined fuels retail locations** to enhance the customer experience continued in fiscal year 2023 with more than 80% of location updates complete or in process. This support helped add another 24 retail stores to the Cenex brand family, representing more than 17 million gallons in gasoline volume. Continued partnership with **CHS Capital** helped retailers access financing to support new Cenex brand retail store construction and store upgrades. Over the past three years, more than \$50 million has been invested and an additional \$33 million is planned to help retailers build customer preference and store revenues in the competitive retail landscape. The CHS-owned Cenex Zip Trip[®] convenience store chain built momentum in South Dakota and other northern-tier states, adding strength to the CHS energy supply chain through strategic investments and by leveraging the strength of the Cenex brand.





24 Cenex[®] brand retail stores joined the network





**30% growth
in soy crush and
refining capacity**





Efforts to increase market share in new geographic areas and nontraditional markets, including in production of foodgrade products, brought added opportunities to the **lubricants** business and increased margins on non-Cenex branded products by 38% compared to the previous fiscal year. The company's three lubricants blending plants completed a remarkable fifth consecutive year with no lost-time injuries; we are proud of this result, which aligns with our value of safety.

Significant cost savings and volume growth were achieved in the **propane** business through continued focus on supply chain efficiency, despite reduced demand due to limited crop-drying needs during the 2022 fall harvest season and warm winter weather. Opened at the start of fiscal year 2024, a new propane rail terminal near Yuma, Colo., with 360,000 gallons of storage will help CHS meet shifting wholesale and retail customer demand in the region. Strong gasoline demand during the year also enhanced revenue from butane blending operations.

Strategic alignment with businesses across the CHS enterprise helped the **energy equipment** team overcome supply chain disruptions to deliver continued superior customer service and significant growth in fiscal year 2023, including a fourth consecutive year of record sales.

With a focus on aligning **transportation and logistics** with CHS distribution assets, a new transportation organizational structure, including appointment of a new leader, has started to bring improved efficiency

and alignment to support product line growth across our evolving business.

Market volatility for **crop nutrients** continued in early fiscal year 2023 with an overall reduction in product values from historical highs the previous year. The CHS global and domestic supply chain provided reliable supply of nitrogen, phosphorus and potassium fertilizers, including stable access to domestic supply through the company's investment CF Nitrogen. Investment in the CHS deep-water port at Galveston, Texas, will extend the facility's ability to accept large-scale shipments from global suppliers to meet CHS owner needs. Enabling a center-led end-to-end supply chain approach for crop nutrients from manufacturer to the farmgate is providing superior risk management, supply chain resilience, inventory control and owner value.

CHS and CF Industries began plans to distribute **low-carbon nitrogen fertilizer** to help reduce greenhouse gas emissions related to agriculture and food production. The new initiative will employ carbon capture and sequestration technologies in production of ammonia, a key component in nitrogen fertilizers, to reduce carbon dioxide emissions.

Collaboration between **CHS Capital** and the CHS agronomy team led to strong growth in the Accolade Producer financing program, which helps farmer-owners manage operating costs and reduce risks related to cash flow variability inherent with crop production.

CHS innovation in **strategic crop nutrient use**, including variable-rate application techniques, starter fertilizers and micronutrients help farmer-owners increase return on their seed and other crop input investments. XLR-rate® liquid starter fertilizers saw record sales and CHS Lumen®, an advanced starter fertilizer, was tested in multiple locations during the 2023 growing season with expanded use anticipated in 2024. N-Edge® Pro, one of the enhanced efficiency fertilizers available from CHS, gained increased adoption from growers looking to protect above- and below-ground nitrogen fertilizer applications while navigating increasingly variable weather conditions.

The ongoing collaboration between the CHS agronomy supply teams and CHS refining operations in McPherson, Kan., and Laurel, Mont., provided added-value **ammonium thiosulfate (ATS)** fertilizer to cooperative owners in targeted U.S. crop production regions. An example of the power of combining efforts across the CHS enterprise, these efforts reduced transportation costs, enhanced product availability and helped optimize refinery operations through more effective byproduct utilization.

Broad variability in growing conditions across the company's trade area, including severe drought in many areas, and overall softening of crop protection prices during fiscal year 2023 reduced revenues in the CHS **crop protection** business. Deep relationships with suppliers, agronomic expertise and extensive local presence helped ensure cooperatives and growers had access to the adjuvants, herbicides and other crop protection products needed to optimize crops despite challenging market conditions.

A 12% increase in year-over-year revenues for **Allegiant®** corn and soybean seed resulted from stronger adoption and customer satisfaction in

the genetics offerings provided by CHS to rapidly meet farmer-owners' evolving crop production needs. Aligning sales and marketing strategies and continuing to provide localized expertise through CHS agronomy experts helped make Allegiant seed the first choice for more customers.

The **CHS animal nutrition** business recorded earnings just short of expectations, despite reduced margins related to significant increases in operating costs including inputs and freight charges. Capital investments in automation and facility upgrades will help the business deliver efficiency as it offers high-quality products for ag, lifestyle and commercial customers feeding beef, dairy, horses, swine, sheep, poultry and other livestock through its Payback® and Equis® brands.

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 2023, Ventura Foods completed strategic divestment of its Marie's salad dressing and Dean's Dip consumer brands businesses to maintain focus on its business-to-business strength and better leverage company capabilities for future growth.

Ardent Mills, LLC, a CHS joint venture with Cargill Incorporated and Conagra Brands, continued its long-term growth strategy across its traditional flour and alternative grain portfolios through its strong focus on purpose-powered innovation and food safety. As the company evolves its Emerging Nutrition platform, it anticipates and responds to changing consumer demand, while gaining efficiency advantages. CHS remains the largest wheat supplier to Ardent Mills, providing more than 46 million bushels in fiscal year 2023.





**12% growth
in Allegiant[®]
seed revenues**





**\$4.3 million grant
to National FFA to
develop future leaders**



Acting on a long-held commitment to **sustainability**, CHS enhanced its sustainability strategy in fiscal year 2023 to focus on climate, deforestation, stakeholder engagement and communication, and people and communities. Additional rigor was applied to assessing greenhouse gas emissions from the company's refineries and engaging governance with oversight provided by the CHS Board of Directors Corporate Risk Committee and the CHS Sustainability and Innovation Council, a cross-functional group of company leaders.

Cooperative Ventures, a \$50 million corporate venture capital fund created by CHS and Growmark to identify and foster ag tech **innovation**, funded its first two startups in fiscal year 2023: Sabanto, which is developing autonomous capabilities for tractors and other farm equipment, and EarthOptics, which has developed proprietary sensor technology to precisely measure soil health and structure. Both initiatives hold promise for improving farm efficiency and productivity and benefiting CHS owners across rural America.

Cybersecurity and data protection remained a focus for the company amid the ongoing threat of cyberattacks. Risk was managed through stringent technical requirements, employee training and awareness and continued attention to policies and procedures.

With **safety** as a core value at CHS, several business units developed safe work plans to further address significant safety risks through stronger controls and processes for notification and escalation. The CHS commercial fleet held its position in the top tier of U.S. carriers with the lowest crash rates, supported by in-cab cameras encouraging safe driving behaviors.

Advocating for agriculture and cooperatives among federal, state and local policymakers, the CHS **government affairs** team addressed key issues such as climate-smart practices, liquid fuels industry collaboration, transportation and infrastructure policies, international trade relations and the 2023 Farm Bill. Combined with targeted advocacy and strategic political giving, the team builds relationships with key influencers to ensure CHS owners have a recognized and respected voice at all levels of government.

Our unwavering commitment to **compliance and integrity** stems from being a values-driven company, including practicing integrity in everything we do.

The compliance and integrity team focused on risk areas including security and commodity trading and promoted an ethical culture while providing tools, education and communications to support operating with integrity. A new learning management system with online and in-person components delivered training to the right employees at the right time in transition to a center-led learning and development strategy. Engaging learning experiences coupled with videos, job aids and support from integrity champions across the company helped employees follow the CHS code of conduct and built trust among stakeholders.

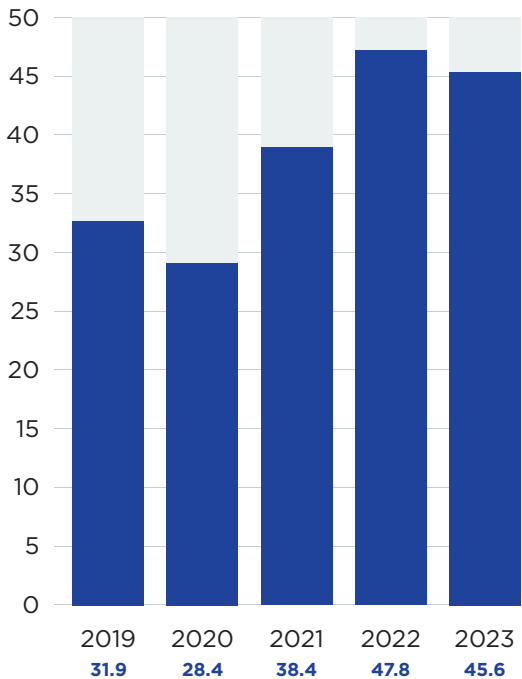
CHS stewardship efforts, driven by the **CHS Foundation** and **CHS community giving**, combined in fiscal year 2023 to contribute \$6 million to promote ag safety, develop future leaders and build strong communities. At the close of the year, the CHS Foundation made a three-year \$4.3 million grant to National FFA to support multiple initiatives from ag teacher recruitment and retention and cooperative business model education to efforts to enhance access to FFA learning opportunities. In partnership with member cooperatives, the CHS Seeds for Stewardship matching grants program invested more than \$365,000 in projects to benefit more than 160 communities. The CHS Employee Giving Campaign was expanded in fiscal year 2023 to make a difference for more than 740 organizations by matching employee contributions to reach a combined commitment of \$1.3 million in charitable donations. More than 650 employees participated in the CHS Spirit of Service Days companywide volunteer event, making an impact in 35 communities.

Exceeding the program reach goal by more than 50%, current and future leaders at 65 member cooperatives built personal and team leadership skills in fiscal year 2023 through **CHS Cooperative Leadership Academy** programs. Strategic talent and business planning resources were provided to cooperatives across the CHS trade area, giving them tools to help them reach their business goals and strengthening the cooperative system.

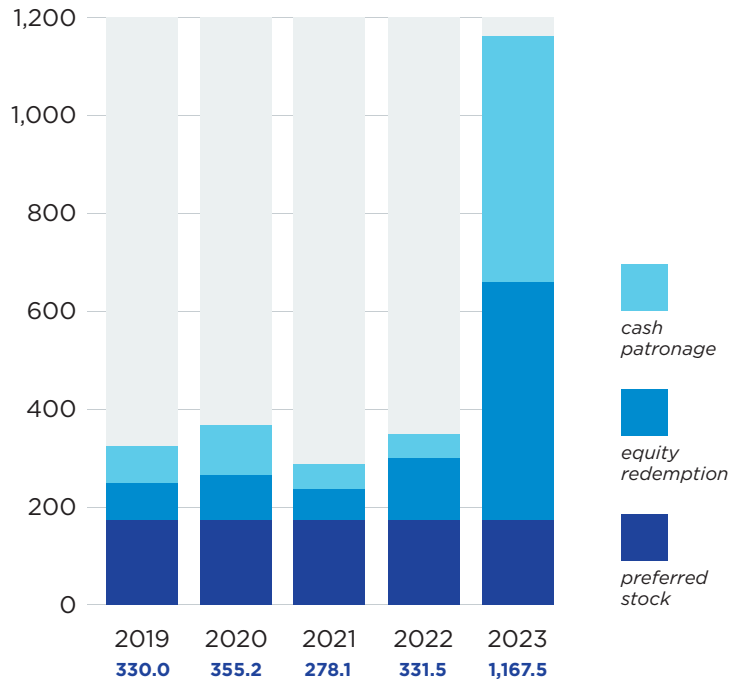
High-visibility sports sponsorships in the upper Midwest, including programs with the Minnesota Twins, St. Paul Saints and Minnesota Wild, raised awareness of the **CHS brand** to reach potential employees and business partners. CHS presence also supports CHS owners by demonstrating agriculture's value to communities and the world.

Fiscal 2023 financial highlights

Revenues (\$ in billions)

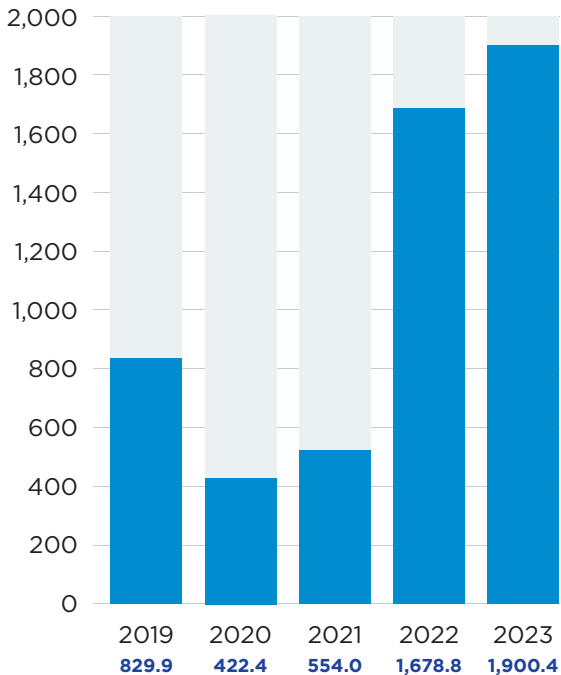


Cash Returns (\$ in millions)



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 \$1.9 billion exceeds previous high; CHS intends to return \$730 million in cash to owners in fiscal year 2024

Consolidated net income increased in fiscal 2023 compared with fiscal 2022, reflecting strong Energy segment earnings due to favorable market conditions in our refined fuels business. Robust demand for oilseed meal and oil also contributed to higher earnings in our soybean and canola processing business. Our equity method investment in CF Nitrogen continued to perform well, despite decreased market prices for urea and urea ammonium nitrate (UAN), and our equity method investment in Ventura Foods, LLC, delivered increased income in response to favorable market conditions for edible oils.

CHS reported net income of \$1.9 billion for fiscal year 2023 (Sept. 1, 2022, through Aug. 31, 2023) compared with \$1.7 billion in net income in fiscal year 2022 (Sept. 1, 2021, through Aug. 31, 2022). Consolidated revenues for fiscal year 2023 were \$45.6 billion, compared with \$47.8 billion in fiscal year 2022. The company reported income before income taxes of \$2.0 billion for fiscal 2023, compared with \$1.8 billion in pretax income in fiscal 2022.

Energy

Energy segment income before income taxes for fiscal year 2023 was \$1.1 billion, a \$458.9 million increase over fiscal 2022. This significant income increase was attributed to higher refining margins and favorable pricing on the heavy Canadian crude oil processed at our refineries, although it was partially offset by major planned maintenance at our Laurel, Mont., refinery. Higher margins in our propane business due to favorable market conditions also contributed to the year's results.

Ag

The Ag segment, which includes our global grain marketing, processing, country operations and wholesale agronomy businesses, recorded pretax earnings of \$411.8 million in fiscal year 2023, a decrease of \$245.8 million from fiscal year 2022. While strong oilseed meal and oil demand drove increased margins in processing, the overall segment year-over-year decline reflected decreased margins for wholesale and retail agronomy products, which resulted from market-driven price reductions compared to historically high prices recorded in the previous fiscal year. Lower margins for ethanol due to declining market prices and a negative impact from grain and oilseed mark-to-market adjustments also contributed to results.

Nitrogen Production

The Nitrogen Production segment, which consists of our investment in CF Nitrogen, reported pretax earnings of \$260.8 million in fiscal year 2023, a decrease of \$217.2 million from fiscal year 2022. The decrease reflects reduced equity income from our CF Nitrogen investment, which was attributed to lower market prices for urea and UAN.

The Corporate and Other category recorded \$259.8 million in income before income taxes in fiscal year 2023. This \$201.9 million increase over the prior year reflected increased equity income from our Ventura Foods joint venture, which experienced more favorable market conditions for edible oils. Increased interest income contributed to results in this category, which 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 2023 earnings, CHS intends to distribute \$730 million in cash returns to owners in fiscal year 2024, including \$365 million in cash patronage and \$365 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, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2023 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 Inventories and Grain 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 \$1,100.0 million as of August 31, 2023, and commodity derivatives in an asset and liability position were \$280.4 million and \$349.1 million, respectively, as of August 31, 2023, 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 inventories and fair value of grain 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 inventories and grain 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 inventories and the fair value of grain 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 inventories and the fair value of grain 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.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, handwritten-style font.

Minneapolis, Minnesota
November 8, 2023

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

CONSOLIDATED BALANCE SHEETS

AUGUST 31,
(DOLLARS IN THOUSANDS)

2023

2022

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,765,286	\$ 793,957
Receivables	3,105,811	3,548,315
Inventories	3,215,179	3,652,871
Other current assets	1,042,373	1,382,704
Total current assets	9,128,649	9,377,847
Investments	3,828,872	3,728,006
Property, plant and equipment	4,869,373	4,744,959
Other assets	1,130,524	973,995
Total assets	\$ 18,957,418	\$ 18,824,807

LIABILITIES AND EQUITIES

Current liabilities:

Notes payable	\$ 547,923	\$ 606,719
Current portion of long-term debt	7,839	290,605
Accounts payable	2,930,607	3,063,310
Accrued expenses	773,054	784,317
Other current liabilities	1,639,771	2,207,018
Total current liabilities	5,899,194	6,951,969
Long-term debt	1,819,819	1,668,209
Other liabilities	786,016	743,363

Commitments and contingencies (Note 17)

Equities:

Preferred stock	2,264,038	2,264,038
Equity certificates	5,911,649	5,391,236
Accumulated other comprehensive loss	(265,395)	(255,335)
Capital reserves	2,537,486	2,055,682
Total CHS Inc. equities	10,447,778	9,455,621
Noncontrolling interests	4,611	5,645
Total equities	10,452,389	9,461,266
Total liabilities and equities	\$ 18,957,418	\$ 18,824,807

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

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED AUGUST 31,
(DOLLARS IN THOUSANDS)

	2023	2022	2021
Revenues	\$ 45,590,004	\$ 47,791,666	\$ 38,448,033
Cost of goods sold	43,213,739	45,664,745	37,496,634
Gross profit	2,376,265	2,126,921	951,399
Marketing, general and administrative expenses	1,032,765	997,835	745,602
Operating earnings	1,343,500	1,129,086	205,797
Interest expense	137,442	114,156	104,565
Other income	(112,131)	(23,760)	(59,559)
Equity income from investments	(689,590)	(771,327)	(354,529)
Income before income taxes	2,007,779	1,810,017	515,320
Income tax expense (benefit)	107,655	132,116	(38,249)
Net income	1,900,124	1,677,901	553,569
Net loss attributable to noncontrolling interests	(314)	(861)	(383)
Net income attributable to CHS Inc.	\$ 1,900,438	\$ 1,678,762	\$ 553,952

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,
(DOLLARS IN THOUSANDS)

	2023	2022	2021
Net income	\$ 1,900,124	\$ 1,677,901	\$ 553,569
Other comprehensive (loss) income, net of tax:			
Pension and other postretirement benefits	(5,285)	(27,255)	18,295
Cash flow hedges	(6,811)	4,019	(6,062)
Foreign currency translation adjustment	2,036	(15,708)	5,300
Other comprehensive (loss) income, net of tax	(10,060)	(38,944)	17,533
Comprehensive income	1,890,064	1,638,957	571,102
Comprehensive loss attributable to noncontrolling interests	(314)	(861)	(383)
Comprehensive income attributable to CHS Inc.	\$ 1,890,378	\$ 1,639,818	\$ 571,485

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITIES

(DOLLARS IN THOUSANDS)	YEARS ENDED AUGUST 31, 2023, 2022 AND 2021		
	EQUITY CERTIFICATES		
	CAPITAL EQUITY CERTIFICATES	NONPATRONAGE EQUITY CERTIFICATES	NONQUALIFIED EQUITY CERTIFICATES
BALANCES, AUGUST 31, 2020	\$ 3,724,187	\$ 28,727	\$ 1,408,696
Reversal of prior year patronage and redemption estimates	28,000	—	(206,970)
Distribution of 2020 patronage refunds	—	—	214,733
Redemptions of equities	(67,403)	(290)	(11,688)
Preferred stock dividends	—	—	—
Other, net	(873)	(6)	(165)
Net income (loss)	—	—	—
Other comprehensive income, net of tax	—	—	—
Estimated 2021 patronage refunds	—	—	230,290
Estimated 2021 equity redemptions	(100,000)	—	—
BALANCES, AUGUST 31, 2021	3,583,911	28,431	1,634,896
Reversal of prior year patronage and redemption estimates	100,000	—	(230,290)
Distribution of 2021 patronage refunds	—	—	235,576
Redemptions of equities	(101,420)	(501)	(9,897)
Preferred stock dividends	—	—	—
Other, net	(4,163)	3	(7,971)
Net income (loss)	—	—	—
Other comprehensive loss, net of tax	—	—	—
Estimated 2022 patronage refunds	508,803	—	153,858
Estimated 2022 equity redemptions	(500,000)	—	—
BALANCES, AUGUST 31, 2022	3,587,131	27,933	1,776,172
Reversal of prior year patronage and redemption estimates	(8,803)	—	(153,858)
Distribution of 2022 patronage refunds	516,415	—	154,548
Redemptions of equities	(482,662)	(331)	(12,797)
Preferred stock dividends	—	—	—
Other, net	(1,821)	(44)	(518)
Net income (loss)	—	—	—
Other comprehensive loss, net of tax	—	—	—
Estimated 2023 patronage refunds	706,125	—	169,159
Estimated 2023 equity redemptions	(365,000)	—	—
BALANCES, AUGUST 31, 2023	\$ 3,951,385	\$ 27,558	\$ 1,932,706

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

YEARS ENDED AUGUST 31, 2023, 2022 AND 2021

PREFERRED STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	CAPITAL RESERVES	NONCONTROLLING INTERESTS	TOTAL EQUITIES
\$ 2,264,038	\$ (233,924)	\$ 1,618,147	\$ 9,302	\$ 8,819,173
—	—	241,970	—	63,000
—	—	(244,775)	—	(30,042)
—	—	—	—	(79,381)
—	—	(168,668)	—	(168,668)
—	—	(6,360)	(454)	(7,858)
—	—	553,952	(383)	553,569
—	17,533	—	—	17,533
—	—	(280,290)	—	(50,000)
—	—	—	—	(100,000)
2,264,038	(216,391)	1,713,976	8,465	9,017,326
—	—	280,290	—	150,000
—	—	(286,602)	—	(51,026)
—	—	—	—	(111,818)
—	—	(168,668)	—	(168,668)
—	—	585	(1,959)	(13,505)
—	—	1,678,762	(861)	1,677,901
—	(38,944)	—	—	(38,944)
—	—	(1,162,661)	—	(500,000)
—	—	—	—	(500,000)
2,264,038	(255,335)	2,055,682	5,645	9,461,266
—	—	1,162,661	—	1,000,000
—	—	(1,174,020)	—	(503,057)
—	—	—	—	(495,790)
—	—	(168,668)	—	(168,668)
—	—	1,677	(720)	(1,426)
—	—	1,900,438	(314)	1,900,124
—	(10,060)	—	—	(10,060)
—	—	(1,240,284)	—	(365,000)
—	—	—	—	(365,000)
\$ 2,264,038	\$ (265,395)	\$ 2,537,486	\$ 4,611	\$ 10,452,389

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31,
(DOLLARS IN THOUSANDS)

	2023	2022	2021
Cash flows from operating activities:			
Net income	\$ 1,900,124	\$ 1,677,901	\$ 553,569
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization, including amortization of deferred major maintenance	539,521	536,493	535,498
Equity income from investments, net of distributions received	(81,272)	(48,847)	(40,035)
Provision for current expected credit losses	(15,624)	19,920	6,692
Gain/recovery on sale of business	300	(13,083)	(19,034)
LIFO liquidations	—	—	(35,258)
Deferred taxes	(6,429)	39,548	(11,957)
Other, net	(44,546)	(17,833)	(41,218)
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	645,781	(547,564)	(568,752)
Inventories	437,692	(317,918)	(549,221)
Accounts payable and accrued expenses	(127,399)	555,446	1,007,229
Other, net	36,034	62,455	(79,702)
Net cash provided by operating activities	3,284,182	1,946,518	757,811
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(564,522)	(354,444)	(317,794)
Proceeds from disposition of property, plant and equipment	29,645	14,318	20,742
Expenditures for major maintenance	(217,413)	(24,768)	(40,922)
Proceeds from sale of business	64	73,152	81,366
Changes in CHS Capital notes receivable, net	(203,843)	(161,340)	132,268
Financing extended to customers	(137,091)	(83,514)	(1,926)
Payments from customer financing	148,690	94,388	6,892
Other investing activities, net	(5,721)	(14,876)	17,702
Net cash used in investing activities	(950,191)	(457,084)	(101,672)
Cash flows from financing activities:			
Proceeds from notes payable and long-term debt	7,183,395	20,730,750	31,765,082
Payments on notes payable, long-term debt and finance lease obligations	(7,385,813)	(21,515,920)	(31,806,918)
Preferred stock dividends paid	(168,668)	(168,668)	(168,668)
Redemptions of equities	(495,790)	(111,818)	(79,381)
Cash patronage dividends paid	(503,057)	(51,026)	(30,042)
Other financing activities, net	(25,535)	2,994	(6,658)
Net cash used in financing activities	(1,395,468)	(1,113,688)	(326,585)
Effect of exchange rate changes on cash and cash equivalents	2,590	(14,756)	(4,063)
Increase in cash and cash equivalents and restricted cash	941,113	360,990	325,491
Cash and cash equivalents and restricted cash at beginning of period	903,474	542,484	216,993
Cash and cash equivalents and restricted cash at end of period	\$ 1,844,587	\$ 903,474	\$ 542,484
Supplemental cash flow information:			
Cash paid for interest	\$ 139,424	\$ 113,726	\$ 102,093
Cash paid (received) for income taxes, net of refunds	184,444	19,712	(8,842)
Other significant noncash investing and financing transactions:			
Capital expenditures and major maintenance incurred but not yet paid	66,492	55,214	28,010
Finance lease obligations incurred	16,505	18,875	12,831
Accrual of patronage dividends and equity redemptions	730,000	1,000,000	150,000

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.

NOTE 1: Organization, Basis of Presentation and Significant Accounting Policies, continued

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.

(DOLLARS IN THOUSANDS)	AUGUST 31,		
	2023	2022	2021
Cash and cash equivalents	\$ 1,765,286	\$ 793,957	\$ 413,159
Restricted cash included in other current assets	79,301	109,517	129,325
Total cash and cash equivalents and restricted cash	\$ 1,844,587	\$ 903,474	\$ 542,484

Recent Accounting Pronouncements

No recent accounting pronouncements are expected to have a material impact 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 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, 2023, 2022 and 2021. 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.

REPORTABLE SEGMENT* (DOLLARS IN THOUSANDS)	YEAR ENDED AUGUST 31, 2023			
	ASC TOPIC 606	ASC TOPIC 815	OTHER GUIDANCE	TOTAL REVENUES
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

REPORTABLE SEGMENT* (DOLLARS IN THOUSANDS)	YEAR ENDED AUGUST 31, 2022			
	ASC TOPIC 606	ASC TOPIC 815	OTHER GUIDANCE	TOTAL REVENUES
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

REPORTABLE SEGMENT* (DOLLARS IN THOUSANDS)	YEAR ENDED AUGUST 31, 2021			
	ASC TOPIC 606	ASC TOPIC 815	OTHER GUIDANCE	TOTAL REVENUES
Energy	\$ 5,680,391	\$ 694,870	\$ —	\$ 6,375,261
Ag	7,491,484	24,517,033	26,825	32,035,342
Corporate and Other	18,325	—	19,105	37,430
Total revenues	\$ 13,190,200	\$ 25,211,903	\$ 45,930	\$ 38,448,033

* 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.

NOTE 2: Revenues, continued

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 \$16.2 million and \$17.2 million as of August 31, 2023 and 2022, respectively.

Contract liabilities relate to advance payments received from customers for goods and services that we have yet to provide. Contract liabilities of \$240.0 million and \$541.5 million as of August 31, 2023 and 2022, 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, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022
Trade accounts receivable	\$ 2,010,162	\$ 2,626,623
CHS Capital short-term notes receivable	845,192	644,875
Other	327,084	404,734
Gross receivables	3,182,438	3,676,232
Less allowances and reserves	76,627	127,917
Total receivables	\$ 3,105,811	\$ 3,548,315

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, 2023 or 2022.

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, Montana 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 \$61.1 million and \$54.3 million as of August 31, 2023 and 2022, respectively. The long-term notes receivable are included in other assets on our Consolidated Balance Sheets. As of August 31, 2023 and 2022, commercial notes represented 15% and 25%, respectively, and producer notes represented 85% and 75%, 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, 2023, CHS Capital customers had additional available credit of \$1.1 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, 2023 or 2022, 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's 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, 2023, 2022 and 2021, 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, 2023 or 2022.

Loan Participations

For the years ended August 31, 2023 and 2022, CHS Capital sold \$60.8 million and \$64.2 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

NOTE 3: *Receivables, continued*

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 actually 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, 2023, 2022 and 2021, and no third-party customer or borrower accounted for more than 10% of the total receivables balance as of August 31, 2023 or 2022.

NOTE 4

Inventories

Inventories as of August 31, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022
Grain and oilseed	\$ 1,099,956	\$ 1,133,531
Energy	645,333	824,114
Agronomy	1,111,477	1,295,548
Processed grain and oilseed	141,360	292,992
Other	217,053	106,686
Total inventories	\$ 3,215,179	\$ 3,652,871

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, 2023 and 2022, we valued approximately 16% and 14%, 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 \$589.0 million and \$678.3 million as of August 31, 2023 and 2022, respectively. There were no liquidations of LIFO inventories during fiscal 2023 or fiscal 2022.

NOTE 5

Other Current Assets

Other current assets as of August 31, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022
Derivative assets (Note 15)	\$ 320,119	\$ 535,698
Margin and related deposits	342,872	390,782
Prepaid expenses	149,682	127,286
Supplier advance payments	136,304	198,753
Restricted cash (Note 1)	79,301	109,517
Other	14,095	20,668
Total other current assets	\$ 1,042,373	\$ 1,382,704

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, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022
Equity method investments		
CF Industries Nitrogen, LLC	\$ 2,577,391	\$ 2,641,604
Ventura Foods, LLC	519,169	410,093
Ardent Mills, LLC	265,146	250,857
Other equity method investments	337,281	298,722
Other investments	129,885	126,730
Total investments	\$ 3,828,872	\$ 3,728,006

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 \$636.1 million of cumulative undistributed earnings from our equity method investees included in the investments balance as of August 31, 2023.

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

NOTE 6: *Investments, continued*

observable price changes in orderly transactions. Our share in the income or loss of these 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 \$2.6 billion investment in CF Nitrogen, a strategic venture with CF Industries Holdings, Inc. The investment consists of an approximate 9% 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, 2023, 2022 and 2021, were \$458.9 million, \$618.7 million and \$193.9 million, respectively.

The following tables provide aggregate summarized financial information for CF Nitrogen for balance sheets as of August 31, 2023 and 2022, and statements of operations for the 12 months ended August 31, 2023, 2022 and 2021:

(DOLLARS IN THOUSANDS)	2023	2022
Current assets	\$ 899,246	\$ 1,333,170
Noncurrent assets	5,355,732	5,787,921
Current liabilities	281,153	391,470
Noncurrent liabilities	1,128	1,895

(DOLLARS IN THOUSANDS)	2023	2022	2021
Net sales	\$ 5,070,489	\$ 6,609,758	\$ 2,975,983
Gross profit	2,194,363	3,318,189	866,880
Net earnings	2,173,715	3,249,005	809,536
Earnings attributable to CHS Inc.	394,678	593,182	198,439

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, 2023 and 2022, and statements of operations for the 12 months ended August 31, 2023, 2022 and 2021:

(DOLLARS IN THOUSANDS)	2023	2022
Current assets	\$ 1,041,799	\$ 801,568
Noncurrent assets	609,021	618,310
Current liabilities	335,000	313,438
Noncurrent liabilities	303,209	311,982

(DOLLARS IN THOUSANDS)	2023	2022	2021
Net sales	\$ 3,552,194	\$ 3,386,998	\$ 2,584,532
Gross profit	547,107	333,368	350,708
Net earnings	406,271	117,666	151,196
Earnings attributable to CHS Inc.	203,136	58,833	78,519

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, 2023 and 2022.

(DOLLARS IN THOUSANDS)	2023	2022
Land and land improvements	\$ 350,703	\$ 334,085
Buildings	1,242,913	1,192,571
Machinery and equipment	7,979,164	7,819,152
Office equipment and other	498,430	496,121
Construction in progress	630,542	339,043
Gross property, plant and equipment	10,701,752	10,180,972
Less accumulated depreciation and amortization	5,832,379	5,436,013
Total property, plant and equipment	\$ 4,869,373	\$ 4,744,959

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, 2023, 2022 and 2021, was \$457.9 million, \$458.2 million and \$455.9 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 2023, fiscal 2022 or fiscal 2021.

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, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022
Goodwill	\$ 179,976	\$ 179,976
Customer lists, trademarks and other intangible assets	46,980	53,165
Notes receivable (Note 3)	76,919	46,012
Long-term derivative assets (Note 15)	1,119	8,546
Prepaid pension and other benefits (Note 13)	78,819	74,810
Capitalized major maintenance	289,377	147,521
Cash value life insurance	134,126	128,876
Operating lease right of use assets (Note 19)	254,844	242,859
Other	68,364	92,230
Total other assets	\$ 1,130,524	\$ 973,995

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 for the year ended August 31, 2023. Changes in the net carrying amount of goodwill for the year ended August 31, 2022, by segment, are as follows:

(DOLLARS IN THOUSANDS)	ENERGY	AG	CORPORATE AND OTHER	TOTAL
Balances, August 31, 2021	\$ 552	\$ 160,475	\$ 10,574	\$ 171,601
Goodwill acquired during the period	8,906	—	—	8,906
Goodwill disposed of during the period	—	(531)	—	(531)
Balances, August 31, 2022	\$ 9,458	\$ 159,944	\$ 10,574	\$ 179,976

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, 2023, 2022 or 2021. 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:

(DOLLARS IN THOUSANDS)	AUGUST 31, 2023			AUGUST 31, 2022		
	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET
Customer lists	\$ 85,341	\$ (41,374)	\$ 43,967	\$ 84,565	\$ (35,280)	\$ 49,285
Trademarks and other intangible assets	11,332	(8,319)	3,013	11,902	(8,022)	3,880
Total intangible assets	\$ 96,673	\$ (49,693)	\$ 46,980	\$ 96,467	\$ (43,302)	\$ 53,165

Intangible asset amortization expense for the years ended August 31, 2023, 2022 and 2021, was \$6.7 million, \$6.8 million and \$6.9 million, respectively. The estimated annual amortization expense related to intangible assets subject to amortization for future years is as follows:

(DOLLARS IN THOUSANDS)	
2024	\$ 6,631
2025	6,415
2026	6,233
2027	6,178
2028	6,178
Thereafter	15,345
Total	\$ 46,980

Capitalized Major Maintenance

Activity related to capitalized major maintenance costs at our refineries for the years ended August 31, 2023, 2022 and 2021, is summarized below:

(DOLLARS IN THOUSANDS)	BALANCE AT BEGINNING OF YEAR	COST DEFERRED	AMORTIZATION	BALANCE AT END OF YEAR
2023	\$ 147,521	\$ 216,762	\$ (74,906)	\$ 289,377
2022	196,641	25,401	(74,521)	147,521
2021	228,511	41,899	(73,769)	196,641

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

NOTE 8: *Other Assets, continued*

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, 2023.

Notes Payable

Notes payable as of August 31, 2023 and 2022, consisted of the following:

(DOLLARS IN THOUSANDS)	WEIGHTED-AVERAGE INTEREST RATE		2023	2022
	2023	2022		
Notes payable	5.37%	4.41%	\$ 375,932	\$ 459,398
CHS Capital notes payable	4.24%	1.34%	171,991	147,321
Total notes payable			\$ 547,923	\$ 606,719

On April 21, 2023, we amended and restated our primary line of credit, which 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, 2023. We also maintain certain uncommitted bilateral facilities to support our working capital needs.

In addition to our facilities referenced above, our wholly-owned subsidiaries, CHS Europe S.a.r.l. and CHS Agronegocio Industria e Comercio Ltda have lines of credit with \$185.9 million outstanding as of August 31, 2023, and our other international subsidiaries have lines of credit with \$188.5 million outstanding as of August 31, 2023.

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, 2023, total availability under the Securitization Facility was \$950.2 million, of which no amount was utilized.

On July 11, 2023, we amended the Securitization Facility and entered into a repurchase facility (“Repurchase Facility”), under which we can obtain repurchase agreement financing up to \$200.0 million for certain eligible receivables and notes receivables of the Originators. The amendments to the Securitization Facility were designed to remove from the securitization certain receivables and notes receivables to permit them to be sold under the Repurchase Facility. On August 29, 2023 the Securitization Facility was further amended to extend the term of the agreement and update pricing. No balance was outstanding under this Repurchase Facility as of August 31, 2023.

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, 2023.

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 \$172.0 million as of August 31, 2023.

Long-Term Debt

During the year ended August 31, 2023, we repaid approximately \$283.0 million of long-term debt. On January 24, 2023, we entered into a Note Purchase Agreement to borrow \$150.0 million of long-term debt in the form of a note. Amounts included in long-term debt on our Consolidated Balance Sheets as of August 31, 2023 and 2022, are presented in the table below:

(DOLLARS IN THOUSANDS)	2023	2022
4.67% unsecured notes \$130 million face amount, due in fiscal 2023	\$ —	\$ 130,000
4.39% unsecured notes \$152 million face amount, due in fiscal 2023	—	152,000
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	—
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
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
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
Private placement debt	1,413,000	1,545,000
6.93% unsecured term loan from cooperative and other banks, due in fiscal 2026(a)	366,000	366,000
Term loan	366,000	366,000
Finance lease liabilities	49,235	44,773
Deferred financing costs	(3,127)	(3,535)
Other, including notes and contracts with interest rates from 4.0% to 9.0%	2,550	6,576
Total long-term debt	1,827,658	1,958,814
Less current portion	7,839	290,605
Long-term portion	\$ 1,819,819	\$ 1,668,209

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

NOTE 9: Notes Payable and Long-Term Debt, continued

As of August 31, 2023, the fair value of our long-term debt is estimated to be \$1.6 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*).

Long-term debt outstanding as of August 31, 2023, 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)

2024	\$	1,060
2025		330,187
2026		446,020
2027		58,021
2028		190,000
Thereafter		755,000
Total	\$	1,780,288

Interest expense for the years ended August 31, 2023, 2022 and 2021, was \$137.4 million, \$114.2 million and \$104.6 million, respectively, net of capitalized interest of \$14.0 million, \$6.1 million and \$8.0 million, respectively.

NOTE 10

Other Current Liabilities

Other current liabilities as of August 31, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)

	2023	2022
Customer margin deposits and credit balances	\$ 197,315	\$ 283,234
Customer advance payments	356,760	525,003
Derivative liabilities (Note 15)	355,696	398,781
Dividends and equity payable (Note 12)	730,000	1,000,000
Total other current liabilities	\$ 1,639,771	\$ 2,207,018

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, 2023, 2022 and 2021 is as follows:

(DOLLARS IN THOUSANDS)	2023	2022	2021
Current:			
Federal	\$ 66,672	\$ 56,582	\$ (533)
State	36,925	24,224	2,943
Foreign	3,735	9,833	56
Total current	107,332	90,639	2,466
Deferred:			
Federal	7,799	41,710	(24,676)
State	(7,661)	491	(15,666)
Foreign	185	(724)	(373)
Total deferred	323	41,477	(40,715)
Total	\$ 107,655	\$ 132,116	\$ (38,249)

Domestic income before income taxes was \$2.0 billion, \$1.8 billion and \$497.5 million for the years ended August 31, 2023, 2022 and 2021, respectively. Foreign income (loss) before income taxes was \$55.4 million, (\$4.9) million and \$17.8 million for the years ended August 31, 2023, 2022 and 2021, respectively.

Deferred tax assets and liabilities as of August 31, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022
Deferred tax assets:		
Accrued expenses	\$ 51,960	\$ 61,843
Postretirement health care and deferred compensation	51,635	46,008
Tax credit carryforwards	97,730	101,457
Loss carryforwards	111,963	110,018
Nonqualified equity	467,519	424,869
Lease obligations	62,225	60,329
Other	43,164	95,027
Deferred tax assets valuation allowance	(182,466)	(189,685)
Total deferred tax assets	703,730	709,866
Deferred tax liabilities:		
Pension costs	10,596	14,600
Investments	129,683	169,970
Property, plant and equipment	625,403	605,463
Lease right of use assets	60,501	58,852
Total deferred tax liabilities	826,183	848,885
Net deferred tax liabilities	\$ 122,453	\$ 139,019

We had total gross loss carryforwards of \$587.3 million, as of August 31, 2023, of which \$344.4 million will expire over periods ranging from fiscal 2023 to fiscal 2043. 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, 2023. 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 \$116.6 million and \$122.8 million as of August 31, 2023 and 2022, 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 \$116.6 million will begin to expire during fiscal 2024.

NOTE 11: Income Taxes, continued

The reconciliation of the statutory federal income tax rates to the effective tax rates for the years ended August 31, 2023, 2022 and 2021 is as follows:

	2023	2022	2021
Statutory federal income tax rate	21.0%	21.0%	21.0%
State and local income taxes, net of federal income tax benefit	1.1	1.1	(2.6)
Patronage earnings	(13.0)	(13.6)	(11.4)
Domestic production activities deduction	(3.2)	(3.2)	(8.2)
Export activities at rates other than the U.S. statutory rate	(0.2)	0.4	0.5
Intercompany transfer of business assets	—	(0.1)	(4.7)
Increase in unrecognized tax benefits	—	—	0.8
Valuation allowance	—	0.2	(0.2)
Other	(0.3)	1.5	(2.6)
Effective tax rate	5.4%	7.3%	(7.4)%

Primary drivers of fiscal 2023 and 2022 income tax expense were increased nonpatronage earnings and other nondeductible items, which were partially offset by the current Domestic Production Activities Deduction (“DPAD”) benefit. Primary drivers of the fiscal 2021 income tax benefit were retaining the current DPAD benefit and from tax planning associated with certain assets.

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 2007 through 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:

(DOLLARS IN THOUSANDS)	2023	2022	2021
Balance at beginning of period	\$ 124,959	\$ 122,149	\$ 119,150
Additions attributable to current year tax positions	—	—	2,000
Additions attributable to prior year tax positions	894	2,810	15,974
Reductions attributable to prior year tax positions	—	—	(14,975)
Balance at end of period	\$ 125,853	\$ 124,959	\$ 122,149

If we were to prevail on all positions taken in relation to uncertain tax positions, \$116.0 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 \$0.8 million, \$0.7 million and \$1.4 million for interest and penalties related to unrecognized tax benefits in our Consolidated Statements of Operations for the years ended August 31, 2023, 2022 and 2021, respectively, and a related \$3.7 million and \$3.3 million interest payable on our Consolidated Balance Sheets as of August 31, 2023 and 2022, 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 2023 are estimated to be \$1.2 billion, with the qualified cash portion estimated to be \$365.0 million, estimated qualified equity distributions of \$706.1 million and estimated nonqualified equity distributions of \$169.2 million.

The following table presents estimated patronage distributions for the year ending August 31, 2023, and actual patronage distributions for the years ended August 31, 2022, 2021 and 2020:

(DOLLARS IN MILLIONS)	2024	2023	2022	2021
Patronage distributed in cash	\$ 365.0	\$ 503.1	\$ 51.0	\$ 30.0
Patronage distributed in equity	875.3	670.9	235.6	214.8
Total patronage distributed	\$ 1,240.3	\$ 1,174.0	\$ 286.6	\$ 244.8

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 2023, 2022 and 2021 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, 2023, which will be distributed in fiscal 2024, to be approximately \$365.0 million. This amount is classified as a current liability on our August 31, 2023, Consolidated Balance Sheet. During the years ended August 31, 2023, 2022 and 2021, we redeemed in cash, outstanding owners' equities in accordance with authorization from the Board of Directors, in the amounts of \$495.8 million, \$111.8 million and \$79.4 million, respectively.

NOTE 12: *Equities, continued*

Preferred Stock

The following is a summary of our outstanding preferred stock as of August 31, 2023, all shares of which are listed and traded on the Global Select Market of The Nasdaq:

(DOLLARS IN MILLIONS)	NASDAQ SYMBOL	ISSUANCE DATE	SHARES OUTSTANDING	REDEMPTION VALUE	NET PROCEEDS (a)	DIVIDEND RATE (b) (c)	DIVIDEND PAYMENT FREQUENCY	REDEEMABLE BEGINNING (d)
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 accumulates dividends at a rate of 7.10% per year until March 31, 2024, and then at a rate equal to the three-month benchmark interest rate plus 4.298%, not to exceed 8.00% per annum, subsequent to March 31, 2024.

(c) The Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 accumulates dividends at a rate of 6.75% per year until September 30, 2024, and then at a rate equal to the three-month benchmark interest rate plus 4.155%, not to exceed 8.00% per annum, subsequent to September 30, 2024.

(d) Preferred stock is 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, 2023, 2022 and 2021. As of August 31, 2023, 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, 2023 and 2022:

(DOLLARS PER SHARE)	NASDAQ SYMBOL	YEARS ENDED AUGUST 31,	
		2023	2022
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, 2023, 2022 and 2021 are as follows:

(DOLLARS IN THOUSANDS)	PENSION AND OTHER POSTRETIREMENT BENEFITS	CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL
Balance as of August 31, 2020, net of tax	\$ (159,680)	\$ 10,886	\$ (85,130)	\$ (233,924)
Other comprehensive income (loss), before tax:				
Amounts before reclassifications	4,048	11,700	5,573	21,321
Amounts reclassified out	20,256	(19,753)	—	503
Total other comprehensive income (loss), before tax	24,304	(8,053)	5,573	21,824
Tax effect	(6,009)	1,991	(273)	(4,291)
Other comprehensive income (loss), net of tax	18,295	(6,062)	5,300	17,533
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)

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.

NOTE 13 *Benefit Plans, continued*

Financial information on changes in projected benefit obligation, plan assets funded and balance sheet status as of August 31, 2023 and 2022, is as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS		NONQUALIFIED PENSION BENEFITS		OTHER BENEFITS	
	2023	2022	2023	2022	2023	2022
Change in benefit obligation:						
Projected benefit obligation at beginning of period	\$ 759,173	\$ 925,239	\$ 18,257	\$ 20,604	\$ 24,524	\$ 29,069
Service cost	38,579	46,275	1,840	926	670	996
Interest cost	30,588	17,167	741	281	1,035	503
Actuarial loss (gain):						
Experience study and mortality updates	2,573	2,941	159	43	—	19
Other demographic experience*	5,181	9,875	1,999	1,313	(553)	717
Discount rate change	(45,216)	(164,543)	(876)	(2,892)	(1,312)	(4,979)
Plan amendments	490	132	—	—	—	—
Settlements	—	—	—	(1,327)	—	—
Benefits paid	(82,857)	(77,913)	(1,140)	(691)	(1,792)	(1,801)
Projected benefit obligation at end of period	\$ 708,511	\$ 759,173	\$ 20,980	\$ 18,257	\$ 22,572	\$ 24,524
Change in plan assets:						
Fair value of plan assets at beginning of period	\$ 787,422	\$ 993,124	\$ —	\$ —	\$ —	\$ —
Actual (loss) gain on plan assets	(8,415)	(166,789)	—	—	—	—
Company contributions	40,000	39,000	1,140	2,018	1,792	1,801
Benefits paid	(82,857)	(77,913)	(1,140)	(2,018)	(1,792)	(1,801)
Fair value of plan assets at end of period	\$ 736,150	\$ 787,422	\$ —	\$ —	\$ —	\$ —
Funded status at end of period	\$ 27,639	\$ 28,249	\$ (20,980)	\$ (18,257)	\$ (22,572)	\$ (24,524)
Amounts recognized on balance sheet:						
Noncurrent assets	\$ 27,639	\$ 28,249	\$ —	\$ —	\$ —	\$ —
Accrued benefit cost:						
Current liabilities	—	—	(2,880)	(2,300)	(2,170)	(2,290)
Noncurrent liabilities	—	—	(18,100)	(15,957)	(20,402)	(22,234)
Ending balance	\$ 27,639	\$ 28,249	\$ (20,980)	\$ (18,257)	\$ (22,572)	\$ (24,524)
Amounts recognized in accumulated other comprehensive loss (pretax):						
Prior service cost (credit)	\$ 1,172	\$ 831	\$ (160)	\$ (274)	\$ (1,380)	\$ (1,825)
Net loss (gain)	247,609	235,399	4,294	3,257	(18,096)	(17,846)
Ending balance	\$ 248,781	\$ 236,230	\$ 4,134	\$ 2,983	\$ (19,476)	\$ (19,671)

* 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 \$678.4 million and \$728.9 million as of August 31, 2023 and 2022, respectively. The accumulated benefit obligation of the nonqualified pension plans was \$20.9 million and \$18.3 million as of August 31, 2023 and 2022, respectively.

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

(DOLLARS IN THOUSANDS)	YEARS ENDED AUGUST 31,	
	2023	2022
Projected benefit obligation	\$ 20,980	\$ 18,257
Accumulated benefit obligation	20,908	18,257

Components of net periodic benefit costs for the years ended August 31, 2023, 2022 and 2021, are as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS			NONQUALIFIED PENSION BENEFITS			OTHER BENEFITS		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Components of net periodic benefit costs:									
Service cost	\$ 38,579	\$ 46,275	\$ 45,229	\$ 1,840	\$ 926	\$ 433	\$ 670	\$ 996	\$ 1,186
Interest cost	30,588	17,167	16,563	741	281	273	1,035	503	493
Expected return on assets	(43,129)	(43,958)	(43,641)	—	—	—	—	—	—
Prior service cost (credit) amortization	149	174	178	(114)	(114)	(114)	(445)	(445)	(445)
Actuarial loss (gain) amortization	1,872	23,406	21,790	245	478	212	(1,615)	(1,259)	(1,365)
Net periodic benefit cost (benefit)	\$ 28,059	\$ 43,064	\$ 40,119	\$ 2,712	\$ 1,571	\$ 804	\$ (355)	\$ (205)	\$ (131)

Components of net periodic benefit costs and amounts recognized in other comprehensive loss (income) for the years ended August 31, 2023, 2022 and 2021, are as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS			NONQUALIFIED PENSION BENEFITS			OTHER BENEFITS		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Other comprehensive loss (income):									
Prior service cost	\$ 490	\$ 132	\$ 113	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net actuarial loss (gain)	14,082	59,020	(4,408)	1,282	(1,537)	1,978	(1,865)	(4,243)	(1,163)
Amortization of actuarial (gain) loss	(1,872)	(23,406)	(21,790)	(245)	(478)	(212)	1,615	1,259	1,365
Amortization of prior service (credit) costs	(149)	(174)	(178)	114	114	114	445	445	445
Settlement of retiree obligations(a)	—	—	—	—	(307)	—	—	—	—
Total recognized in other comprehensive loss (income)	\$ 12,551	\$ 35,572	\$ (26,263)	\$ 1,151	\$ (2,208)	\$ 1,880	\$ 195	\$ (2,539)	\$ 647

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

NOTE 13 *Benefit Plans, continued*

Estimated amortization in fiscal 2024 from accumulated other comprehensive loss into net periodic benefit cost is as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS	NONQUALIFIED PENSION BENEFITS	OTHER BENEFITS
Amortization of prior service costs (credit)	\$ 178	\$ (114)	\$ (445)
Amortization of actuarial loss (gain)	1,796	380	(1,616)

Plan assumptions for the years ended August 31, 2023, 2022 and 2021, are as follows:

	QUALIFIED PENSION BENEFITS			NONQUALIFIED PENSION BENEFITS			OTHER BENEFITS		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
Weighted-average assumptions to determine the net periodic benefit cost:									
Interest credit rate	4.65%	4.65%	4.65%	4.65%	4.65%	4.65%	N/A	N/A	N/A
Discount rate	4.69%	2.80%	2.65%	4.48%	2.04%	2.07%	4.64%	2.57%	2.43%
Expected return on plan assets	4.88%	4.88%	4.90%	N/A	N/A	N/A	N/A	N/A	N/A
Rate of compensation increase	4.93%	4.79%	4.99%	4.93%	4.79%	4.99%	N/A	N/A	N/A
Weighted-average assumptions to determine the benefit obligations:									
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%	2.78%	5.23%	4.49%	2.08%	5.33%	4.64%	2.57%
Rate of compensation increase	4.98%	4.93%	4.79%	4.98%	4.93%	4.79%	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, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended August 31, 2023. The rate was assumed to decrease gradually to 4.5% by 2031 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:

(Dollars in thousands)	1% Increase	1% Decrease
Effect on total of service and interest cost components	\$ 170	\$ 140
Effect on postretirement benefit obligation	1,400	1,300

Contributions depend primarily on market returns on the pension plan assets and minimum funding level requirements. During fiscal 2023, we made a discretionary contribution of \$40.0 million to the pension plans. Based on the funded status of the qualified pension plans as of August 31, 2023, we do not currently believe we will be required to contribute to these plans in fiscal 2024, although we may voluntarily

elect to do so. We expect to pay \$5.1 million to participants of the nonqualified pension and postretirement benefit plans during fiscal 2024.

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

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS	NONQUALIFIED PENSION BENEFITS	OTHER BENEFITS
2024	\$ 69,100	\$ 2,880	\$ 2,170
2025	69,600	3,020	2,280
2026	69,800	2,800	2,220
2027	71,200	2,480	2,180
2028	74,200	2,160	2,060
2029-2033	339,800	8,380	8,570

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, 2023 and 2022, are presented in the tables below:

(DOLLARS IN THOUSANDS)	2023			TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
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

(DOLLARS IN THOUSANDS)	2022			TOTAL
	LEVEL 1	LEVEL 2	LEVEL 3	
Cash and cash equivalents	\$ 7,472	\$ —	\$ —	\$ 7,472
Equities:				
Common/collective trust at net asset value(1)	—	—	—	142,730
Fixed income securities:				
Common/collective trust at net asset value(1)	—	—	—	550,046
Partnership and joint venture interests measured at net asset value(1)	—	—	—	87,174
Total	\$ 7,472	\$ —	\$ —	\$ 787,422

(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.

NOTE 13 *Benefit Plans, continued*

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 various government agency obligations and U.S. Treasury securities which are valued using quoted market prices and classified within Level 1, as well as 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.

We are one of approximately 400 employers contributing to the Co-op Retirement Plan (“Co-op 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. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers;
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and
- If we choose to stop participating in the multiemployer plan, we may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. The withdrawal liability associated with the multiemployer plan was approximately \$22.7 million as of August 31, 2023.

Our participation in the Co-op Plan for the years ended August 31, 2023, 2022 and 2021, is outlined in the table below:

(DOLLARS IN THOUSANDS)		CONTRIBUTIONS OF CHS			SURCHARGE IMPOSED	EXPIRATION DATE OF COLLECTIVE BARGAINING AGREEMENT
PLAN NAME	EIN/PLAN NUMBER	2023	2022	2021		
Co-op Retirement Plan	01-0689331/001	\$ 1,017	\$ 955	\$ 1,172	N/A	N/A

Our contributions for the years stated above did not represent more than 5% of total contributions to the Co-op Plan as indicated in the Co-op Plan’s most recently available annual report (Form 5500).

Provisions of the Pension Protection Act of 2006 (“PPA”) do not apply to the Co-op Plan because there is a special exemption for cooperative plans if the plan is maintained by more than one employer and at least 85% of the employers are rural cooperatives or cooperative

organizations owned by agricultural producers. In the Co-op Plan, a zone status determination is not required, and therefore not determined. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employers. The most recent financial statements available in 2023 and 2022 are for the Co-op Plan’s year-end at March 31, 2023 and 2022, respectively. In total, the Co-op Plan was at least 80% funded on those

dates based on the total plan assets and accumulated benefit obligations.

Because the provisions of the PPA do not apply to the Co-op Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

In addition to the contributions to the Co-op Plan listed above, total contributions to individually insignificant

multiemployer pension plans were immaterial in fiscal 2023, 2022 and 2021.

We have other contributory defined contribution plans covering substantially all employees. Total contributions by us to these plans were \$38.7 million, \$35.0 million and \$30.1 million, for the years ended August 31, 2023, 2022 and 2021, 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 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 and allocated expenses. 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 country operations business generally experiences higher volumes and revenues during the fall harvest and spring planting seasons, which generally correspond to our first and third fiscal quarters, respectively. Additionally, our agronomy business generally experiences higher volumes and revenues during the spring planting season. Our global grain and processing operations are subject to fluctuations in volume and revenues based on producer harvests, world grain prices, demand and international trade relationships. Our Energy segment generally experiences higher volumes and revenues in certain operating areas, such as refined products, in the

NOTE 14: Segment Reporting, continued

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"). In our Nitrogen Production segment, this consists of our approximate 9% membership interest (based on product tons) in CF Nitrogen. In Corporate and Other, this principally includes our 50% ownership in Ventura Foods and our 12% ownership in Ardent Mills. See Note 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, 2023, 2022 and 2021, is presented in the tables below.

(DOLLARS IN THOUSANDS)	ENERGY	AG	NITROGEN PRODUCTION	CORPORATE AND OTHER	RECONCILING AMOUNTS	TOTAL
Year ended August 31, 2023						
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

(DOLLARS IN THOUSANDS)	ENERGY	AG	NITROGEN PRODUCTION	CORPORATE AND OTHER	RECONCILING AMOUNTS	TOTAL
Year ended August 31, 2022						
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
Total assets as of August 31, 2022	\$ 4,325,121	\$ 8,159,191	\$ 2,641,604	\$ 3,698,891	\$ —	\$ 18,824,807

(DOLLARS IN THOUSANDS)	ENERGY	AG	NITROGEN PRODUCTION	CORPORATE AND OTHER	RECONCILING AMOUNTS	TOTAL
Year ended August 31, 2021						
Revenues, including intersegment revenues	\$ 6,812,478	\$ 32,058,064	\$ —	\$ 46,476	\$ (468,985)	\$ 38,448,033
Intersegment revenues	(437,217)	(22,722)	—	(9,046)	468,985	—
Revenues, net of intersegment revenues	\$ 6,375,261	\$ 32,035,342	\$ —	\$ 37,430	\$ —	\$ 38,448,033
Operating earnings (loss)	(15,775)	265,362	(35,432)	(8,358)	—	205,797
Interest expense	1,113	65,099	44,461	1,804	(7,912)	104,565
Other income	(2,819)	(47,452)	(2,489)	(14,711)	7,912	(59,559)
Equity income from investments	(3,473)	(50,381)	(198,439)	(102,236)	—	(354,529)
Income (loss) before income taxes	\$ (10,596)	\$ 298,096	\$ 121,035	\$ 106,785	\$ —	\$ 515,320
Capital expenditures	\$ 112,160	\$ 148,770	\$ —	\$ 56,864	\$ —	\$ 317,794
Depreciation and amortization	\$ 245,273	\$ 182,210	\$ —	\$ 34,247	\$ —	\$ 461,730

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, 2023, 2022 and 2021:

(DOLLARS IN THOUSANDS)	2023	2022	2021
North America(a)	\$ 43,376,177	\$ 45,039,981	\$ 36,540,178
South America	378,021	371,493	242,848
Europe, Middle East and Africa (EMEA)	930,052	1,093,974	955,605
Asia Pacific (APAC)	905,754	1,286,218	709,402
Total	\$ 45,590,004	\$ 47,791,666	\$ 38,448,033

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

NOTE 14: *Segment Reporting, continued*

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:

(DOLLARS IN THOUSANDS)	2023	2022
United States	\$ 5,088,366	\$ 4,821,483
International	70,384	70,997
Total	\$ 5,158,750	\$ 4,892,480

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*.

(DOLLARS IN THOUSANDS)	AUGUST 31, 2023			
	AMOUNTS NOT OFFSET ON THE CONSOLIDATED BALANCE SHEET BUT ELIGIBLE FOR OFFSETTING			
	GROSS AMOUNTS RECOGNIZED	CASH COLLATERAL	DERIVATIVE INSTRUMENTS	NET AMOUNTS
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

(DOLLARS IN THOUSANDS)	AUGUST 31, 2022			
	AMOUNTS NOT OFFSET ON THE CONSOLIDATED BALANCE SHEET BUT ELIGIBLE FOR OFFSETTING			
	GROSS AMOUNTS RECOGNIZED	CASH COLLATERAL	DERIVATIVE INSTRUMENTS	NET AMOUNTS
Derivative assets				
Commodity derivatives	\$ 464,167	\$ —	\$ 3,834	\$ 460,333
Foreign exchange derivatives	52,923	—	8,901	44,022
Total	\$ 517,090	\$ —	\$ 12,735	\$ 504,355
Derivative liabilities				
Commodity derivatives	\$ 378,291	\$ 1,424	\$ 12,574	\$ 364,293
Foreign exchange derivatives	12,649	—	8,901	3,748
Total	\$ 390,940	\$ 1,424	\$ 21,475	\$ 368,041

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, 2023 and 2022, was \$1.1 million and \$8.5 million, respectively. The amount of long-term derivative liabilities recorded on our Consolidated Balance Sheets as of August 31, 2023 and 2022, was \$12.6 million and \$4.0 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, 2023, 2022 and 2021:

DERIVATIVE TYPE (DOLLARS IN THOUSANDS)	LOCATION OF (LOSS) GAIN	2023	2022	2021
Commodity derivatives	Cost of goods sold	\$ (360,937)	\$ (568,877)	\$ (971,581)
Foreign exchange derivatives	Cost of goods sold	(30,898)	9,587	25,277
Foreign exchange derivatives	Marketing, general and administrative expenses	(530)	577	1,105
Other derivatives	Other income	—	2,057	2,489
Total		\$ (392,365)	\$ (556,656)	\$ (942,710)

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.

NOTE 15: *Derivative Financial Instruments and Hedging Activities, continued*

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 coverage 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, 2023 and 2022, 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:

DERIVATIVE TYPE (UNITS IN THOUSANDS)	2023		2022	
	LONG	SHORT	LONG	SHORT
Grain and oilseed (bushels)	506,654	630,803	609,300	773,239
Energy products (barrels)	11,839	8,085	10,541	5,706
Processed grain and oilseed (tons)	7,380	9,437	1,191	4,182
Crop nutrients (tons)	70	10	23	22
Ocean freight (metric tons)	40	—	60	—
Natural gas (MMBtu)	460	—	420	—

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 \$1.9 billion as of August 31, 2023 and 2022.

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 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, 2023 and 2022, the aggregate notional amount of cash flow hedges was 4.1 million and 3.8 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, 2023 and 2022:

BALANCE SHEET LOCATION (DOLLARS IN THOUSANDS)	DERIVATIVE ASSETS		BALANCE SHEET LOCATION (DOLLARS IN THOUSANDS)	DERIVATIVE LIABILITIES	
	2023	2022		2023	2022
Other current assets	\$ 8,395	\$ 27,154	Other current liabilities	\$ 5,345	\$ 11,818

The following table presents the pretax losses recorded in other comprehensive income relating to cash flow hedges for the years ended August 31, 2023, 2022 and 2021:

(DOLLARS IN THOUSANDS)	2023	2022	2021
Commodity derivatives	\$ (12,285)	\$ (2,071)	\$ (7,824)

The following table presents the pretax (losses) gains 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, 2023, 2022 and 2021:

(DOLLARS IN THOUSANDS)	LOCATION OF (LOSS) GAIN	2023	2022	2021
Commodity derivatives	Cost of goods sold	\$ (14,853)	\$ (6,254)	\$ 21,262

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, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)	2023			TOTAL
	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	
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
2022				
(DOLLARS IN THOUSANDS)	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	TOTAL
Assets				
Commodity derivatives	\$ 1,161	\$ 490,160	\$ —	\$ 491,321
Foreign currency derivatives	—	52,923	—	52,923
Segregated investments and marketable securities	238,124	—	—	238,124
Other assets	58,280	—	—	58,280
Total	\$ 297,565	\$ 543,083	\$ —	\$ 840,648
Liabilities				
Commodity derivatives	\$ 10,256	\$ 379,883	\$ —	\$ 390,139
Foreign currency derivatives	—	12,649	—	12,649
Total	\$ 10,256	\$ 392,532	\$ —	\$ 402,788

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

NOTE 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 \$75.9 million were outstanding as of August 31, 2023. We have collateral for a portion of these contingent obligations. We have not recorded a liability related to the contingent obligations as we do not expect to pay out any cash related to them, and the fair values are considered immaterial. The underlying loans to the counterparties for which we provide these guarantees are current as of August 31, 2023.

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, 2023, CHS Capital customers had additional available credit of \$1.1 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, 2023, 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:

(DOLLARS IN THOUSANDS)	PAYMENTS DUE BY PERIOD						
	TOTAL	2024	2025	2026	2027	2028	THEREAFTER
Long-term unconditional purchase obligations	\$ 451,943	\$ 86,073	\$ 64,134	\$ 61,738	\$ 47,795	\$ 40,775	\$ 151,428

Total payments under these arrangements were \$77.8 million, \$75.2 million and \$81.0 million for the years ended August 31, 2023, 2022 and 2021, 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 and TEMCO. Sales to and purchases from related parties for the years ended August 31, 2023, 2022 and 2021, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022	2021
Sales	\$ 1,653,125	\$ 1,511,532	\$ 2,744,482
Purchases	1,697,780	2,040,357	2,682,165

Receivables due from and payables due to related parties as of August 31, 2023 and 2022, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022
Due from related parties	\$ 80,510	\$ 78,600
Due to related parties	90,267	140,174

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

Note 19 *Leases, continued*

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, 2023, 2022 and 2021, are as follows:

(DOLLARS IN THOUSANDS)	2023	2022	2021
Operating lease expense	\$ 77,588	\$ 71,209	\$ 73,489
Finance lease expense:			
Amortization of assets	8,966	8,967	8,065
Interest on lease liabilities	1,646	1,469	938
Short-term lease expense	20,068	16,915	16,955
Variable lease expense	650	1,699	2,300
Total net lease expense*	\$ 108,918	\$ 100,259	\$ 101,747

* 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, 2023 and 2022, is as follows:

(DOLLARS IN THOUSANDS)	BALANCE SHEET LOCATION	2023	2022
Operating leases			
<i>Assets</i>			
Operating lease right of use assets	Other assets	\$ 254,844	\$ 242,859
<i>Liabilities</i>			
Current operating lease liabilities	Accrued expenses	\$ 61,094	\$ 54,702
Long-term operating lease liabilities	Other liabilities	200,758	194,250
Total operating lease liabilities		\$ 261,852	\$ 248,952
Finance leases			
<i>Assets</i>			
Finance lease assets	Property, plant and equipment	\$ 64,381	\$ 57,932
<i>Liabilities</i>			
Current finance lease liabilities	Current portion of long-term debt	\$ 6,797	\$ 7,609
Long-term finance lease liabilities	Long-term debt	42,438	37,164
Total finance lease liabilities		\$ 49,235	\$ 44,773

Information related to the lease term and discount rate for operating and finance leases as of August 31, 2023 and 2022, is as follows:

	2023	2022
Weighted average remaining lease term (in years)		
Operating leases	7.0	7.6
Finance leases	9.6	10.4
Weighted average discount rate		
Operating leases	3.50%	3.00%
Finance leases	3.78%	3.42%

Supplemental cash flow and other information related to operating and finance leases as of August 31, 2023, 2022 and 2021, is as follows:

(DOLLARS IN THOUSANDS)	2023	2022	2021
Cash paid for amounts included in measurement of lease liabilities:			
Operating cash flows from operating leases	\$ 71,798	\$ 61,750	\$ 71,702
Operating cash flows from finance leases	1,646	1,469	938
Financing cash flows from finance leases	8,571	9,171	8,235
Supplemental noncash information:			
Right of use assets obtained in exchange for lease liabilities	\$ 69,837	\$ 54,199	\$ 43,991
Right of use asset modifications	28,614	12,887	27,664

Maturities of lease liabilities by fiscal year as of August 31, 2023, were as follows:

(DOLLARS IN THOUSANDS)	AUGUST 31, 2023	
	FINANCE LEASES	OPERATING LEASES
2024	\$ 8,548	\$ 70,414
2025	6,885	57,904
2026	6,316	46,733
2027	5,943	31,407
2028	5,767	18,246
Thereafter	25,738	74,075
Total maturities of lease liabilities	59,197	298,779
Less amounts representing interest	9,962	36,927
Present value of future minimum lease payments	49,235	261,852
Less current obligations	6,797	61,094
Long-term obligations	\$ 42,438	\$ 200,758

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Board of Directors



From left, front row, Holm, Kehl, Schurr, Cordes, Blew; second row, Wagner, Farrell, Fritel, Kayser; third row, Throener, Johnsrud, Erickson, Beckman; fourth row, Meyer, Stroh, Jones, Clemensen

Dan Schurr

Chair
LeClaire, Iowa

Scott Cordes

First vice chair
Wanamingo, Minnesota

Russ Kehl

Secretary-treasurer
Quincy, Washington

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Assistant secretary-treasurer
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David Beckman

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Mark Farrell

Cross Plains, Wisconsin

Steve Fritel

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Kirkland, Illinois

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Perry Meyer

New Ulm, Minnesota

Jerrad Stroh

Juniata, Nebraska

Kevin Throener

Cogswell, North Dakota

Cortney Wagner

Hardin, Montana

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

Executive Team



From left, Black, Halvorson, Nelligan, Griffith, Debertin, Smith, Kaul-Hottinger, Dusek, Hunhoff

Jay Debertin

President and chief executive officer

John Griffith

Executive vice president, ag business and CHS Hedging

Mary Kaul-Hottinger

Executive vice president, chief human resources officer

David Black

Executive vice president, enterprise transformation, chief information officer

Gary Halvorson

Executive vice president, enterprise customer development

Olivia Nelligan

Executive vice president, chief financial officer, chief strategy officer

Rick Dusek

Executive vice president, country operations, distribution and transportation

Darin Hunhoff

Executive vice president, energy

Brandon Smith

Executive vice president and general counsel

Detailed biographical information on the CHS leadership team is available at chsync.com.

Acknowledgements

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- **Arkansas:** Jake Westmoreland and the team at the Jonesboro agronomy warehouse
- **Illinois:** Kyle Meece and the United Prairie, LLC, team, Tolono
- **Minnesota:** Hilpert family, Browns Valley; Reese Benike, Chokio; Godward family, Aitkin; Cheri Reese and Michael Swanson, Hallock; Muir family, Hallock; Richard Stadheim and family, Albert Lea
- **Montana:** Brandon Udelhoven, Winifred; Jim Irwin and the team at the CHS refinery, Laurel
- **Texas:** Michael Bates, Karly Akin and the TEMCO team, Houston
- **Washington:** Ashleigh and Quinn Jones, Wilbur
- **Wisconsin:** Rachel Sauvola and students at New Richmond High School, New Richmond; Carl Opelt and the G&S Trucking team, Neillsville; Joe Ebben





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