MOMENTUM
2014 CHS ANNUAL REPORT

CHS Farmer-owned with global connections

OUR VISION
To be a globally integrated energy, grains and foods system innovatively linking producers to consumers.

OUR MISSION
To grow company profitability and stakeholder value.

OUR VALUES
At CHS, our values include a tradition of partnership and shared success. We build lasting and mutually rewarding customer relationships. We manage our business safely and with the highest integrity. We're responsible stewards in our communities. Just as importantly, we value our people and their innovative spirit.

On the cover: *To maintain momentum, producer Kent Schmidt, Claremont, Minn., relies on experts including CHS agronomist Maranda Dohrn.*

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The Erickson-McGrath family looks to CHS and Five Star Cooperative to drive the momentum that keeps the fifth-generation Clear Lake, Iowa, farm pointed to the future. From left: Steve McGrath, Joe McGrath, Paul Erickson.

MAINTAINING MOMENTUM

The very word “momentum” connotes forward motion, a steady trajectory to your destination. There’s no more fitting word to describe the CHS journey through fiscal 2014 or for what lies ahead. Over the past year, we’ve taken many significant strides — some of them unprecedented — in our relentless pursuit of helping our owners and customers grow by elevating the relevance of this global cooperative agriculture and energy system.

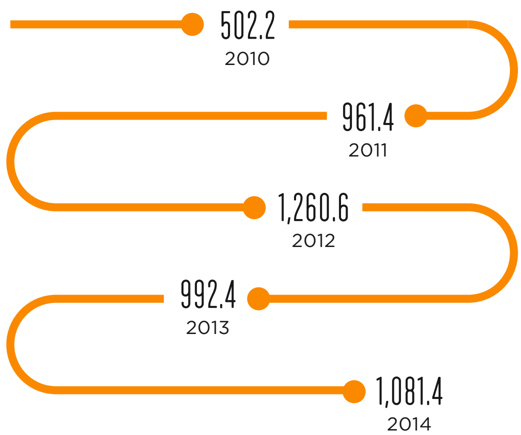
While momentum is about moving forward, our progress is measured by how far we’ve come. We hope you’ll agree that the distance we’ve traveled together over the past five years is impressive. Among the highlights:

_We have recorded a cumulative net income of $4.8 billion for the past five fiscal years, including earnings of $1.1 billion for fiscal 2014. To match those earnings with previous performance, you’d have to combine results for fiscal years 1990 through 2009.

_Our revenues, while subject to market fluctuations of the many commodity products we handle, have grown steadily from $25.3 billion in fiscal 2010 to $42.7 billion in fiscal 2014, with a record $44.5 billion in revenues in fiscal 2013.

_For fiscal years 2011 through 2019, we have made, committed to and planned significant acquisitions, expansions and upgrades in our global energy, grains, fertilizer, food and food ingredients platforms. This includes the announcement just after the close of fiscal 2014 of what is by far the largest investment in CHS history: building a $3 billion nitrogen fertilizer plant at Spiritwood, N.D., to strengthen the crop nutrients supply for our owners and other customers.

CHS Net Income
$ in millions



Cash Returned to Owners
2010 to 2014

$2.1B

_We've returned record economic value to our owners. In fiscal 2014, based on fiscal 2013 results, we distributed $637.2 million in cash patronage, equity redemptions and preferred stock dividends. That brings to $2.1 billion the cash and preferred stock returned over the past five years. And, as the fiscal year closed, we used preferred stock to retire $200 million in previously earned qualified equity to nearly 8,000 eligible member cooperatives, patrons associations and individuals.

There's no question your company has achieved exceptional momentum. And we're prepared to sustain that momentum. Even as we invested in growth and made significant cash returns to our owners, we have built the strongest balance sheet in CHS history. Our goal is to prudently manage all the financial tools available to us, including member equity, debt and preferred stock, to keep CHS strong and growing within constantly changing global market dynamics.

While investments in domestic and global assets are essential, we know driving momentum requires a comparable commitment to attracting, developing and retaining high-caliber people who can maximize CHS value and growth for you. We've made talent development a priority, including creating opportunities for CHS employees to grow through new assignments beyond their current businesses or geographies. We're also making tremendous investments behind the scenes with the company-wide CHS United technology and business process initiative.

Finally, we will take advantage of a high-test momentum booster: the collective value of the diverse CHS business enterprise. We'll continue to capitalize on untapped synergies, efficiencies and opportunities across more than a dozen CHS businesses, leveraging our unparalleled connections from the farmer to the global marketplace, to drive even more growth for you.

From left: Bielenberg, Casale

Will CHS keep moving forward even as global economic clouds roll in to end one of the sunniest periods in agriculture history? We're confident the investments underway, opportunities we've identified and our financial strength will continue to build momentum that allows us to achieve our ultimate goal: helping you grow — tomorrow and for years to come.

Carl M. Casale

CARL CASALE
President and Chief Executive Officer

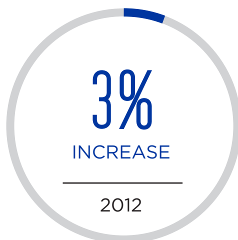
DAVID BIELENBERG
Chairman, Board of Directors

DELIVERING THE ENERGY

"In farming, if you're not growing, you're standing still, and if you're standing still, you're slipping back. You'll look back in a year or two and say, 'We did the right thing,' by keeping up with equipment, keeping up with the community, being part of it."

– Paul Erickson, producer
Clear Lake, Iowa

PROPANE SALES*



*includes butane and natural gasoline

"Momentum is about keeping things rolling in the right direction, continuing to grow and finding new, innovative ways to produce as cost-effectively as possible," says Paul Kilian, a Prosser, Wash., producer.

ENERGY

Extending the pattern of strong, sustained growth in fiscal 2014, the CHS Energy business expanded its local presence, entered emerging global renewable fuels markets, and committed additional capital to refinery and distribution improvements that will bring long-term returns to owners.

Dramatic growth of its Ruby Fieldmaster® and Roadmaster XL® premium diesel fuel products drove momentum for Refined Fuels in 2014. Increased production was supported by greater efficiency at CHS-owned refineries at Laurel, Mont., and McPherson, Kan., and stronger sales to agricultural, fleet, construction and oil patch customers. CHS now owns 88.85 percent of the McPherson refinery and will assume sole ownership on Sept. 1, 2015. The business continued to support the growing number of Cenex® branded convenience stores and other retail sites with consulting and enhanced consumer brand awareness.

Propane recorded significant growth and record volumes during the year as it partnered with local suppliers to overcome seasonal supply challenges. Sharp and unprecedented demand for propane to dry crops and heat homes and businesses was created by a late harvest and long, cold winter.

CHS proactively addressed long-term needs related to reversal of the Cochin pipeline with significant upgrades to the CHS propane distribution system, including more storage capacity, significant railcar fleet growth and exclusive throughput contracts. The CHS Propane Storage Assistance Program introduced in 2014 helps CHS wholesale propane customers increase propane storage capacity through its purchase plan.

CHS continues to invest in its petroleum refineries and related storage and distribution system. A new hydrogen plant and crude unit modifications will boost diesel production at the Laurel, Mont., refinery by 2019.

Every year, the CHS Transportation fleet serves customers by covering more than

35M

MILES

Providing Energy to Produce More Energy

_*Lubricant sales grew 400 percent over fiscal 2014 projections in the Bakken region.*

_*Cenex® premium diesel fuel helped move supplies and crude oil in and out of exploration areas.*

_*CHS Country Operations partnered with Wildcat Minerals, the leading U.S. distributor of oilfield consumables, to build transload terminals at CHS rail facilities in oil field areas.*

Significant investments, which enhanced efficiency in Lubricants manufacturing facilities and increased private label sales (including 53 percent sales growth to Canadian customers) helped reduce unit costs, providing price stability for dealers, despite overall industry price volatility. Product development, including synthetic heavy-duty and passenger vehicle motor oils, brought new vigor to this business. The new CHS Lubricants Technical Conference and an online training program educated energy specialists and sales teams about lubricant essentials.

Cenex® retail brand and premium fuels growth continue to drive system momentum as CHS remains a rural energy leader.

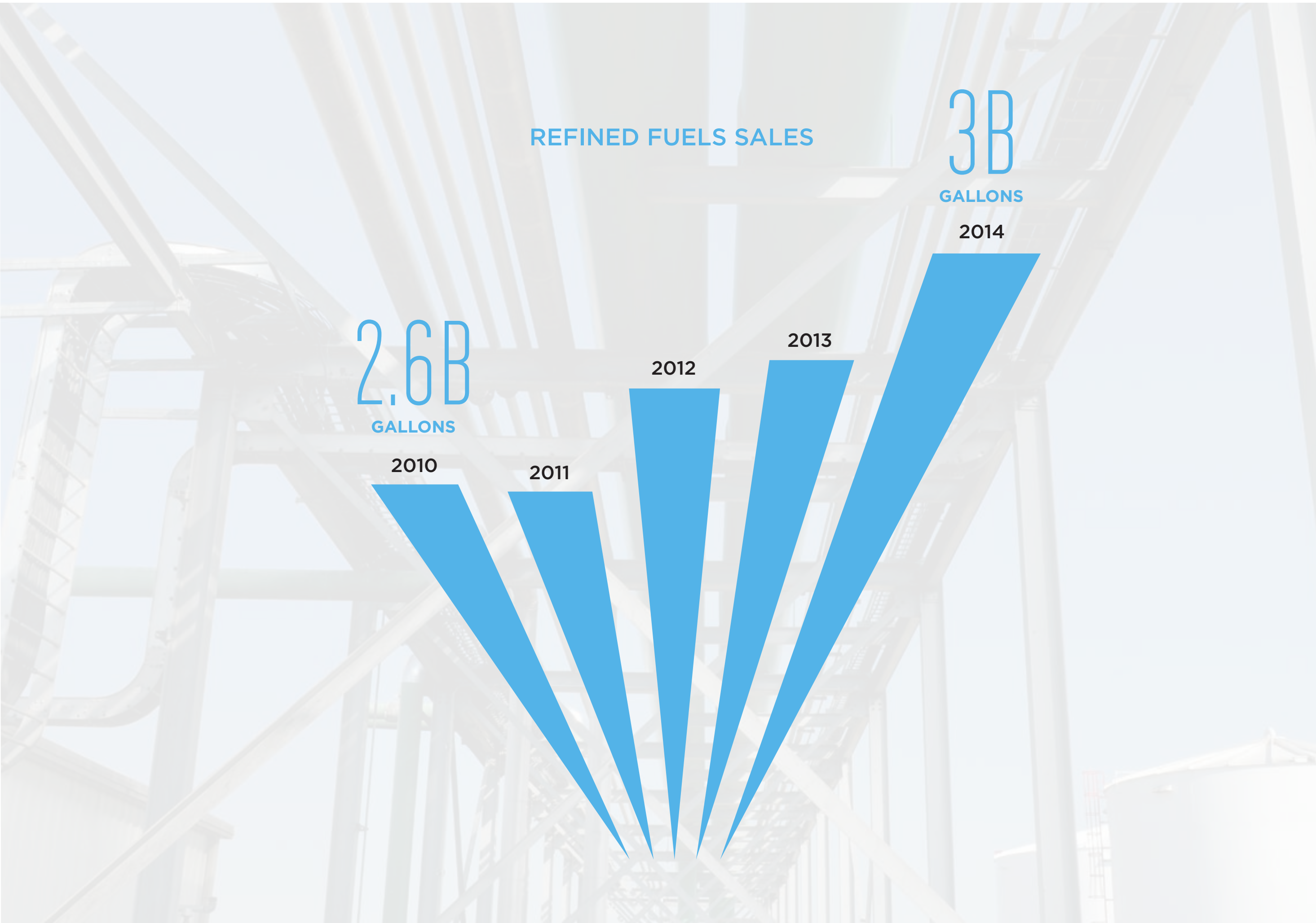
DELIVERING THE ENERGY

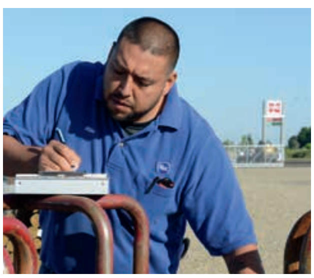
"Moving forward, momentum will mean being able to adapt when it's time to go hard, like this year when our corn planting window was four days. In this world, you need a lot of support to keep your momentum going."

– Steve McGrath, producer
Clear Lake, Iowa

CENEX® BRANDED RETAIL SITES ADDED

Sites added	Year
63	2014
50	2012
36	2010





Ongoing investments in the CHS energy system from refined fuels to propane to renewable fuels continue to add value in farm fields, homes and commercial businesses across rural America.

Fun was in the air in Deer River, Minn., as Northern Star Cooperative became the third Cenex retailer honored with a Tanks of Thanks community celebration.

Cenex® Tanks of Thanks® Supports Communities

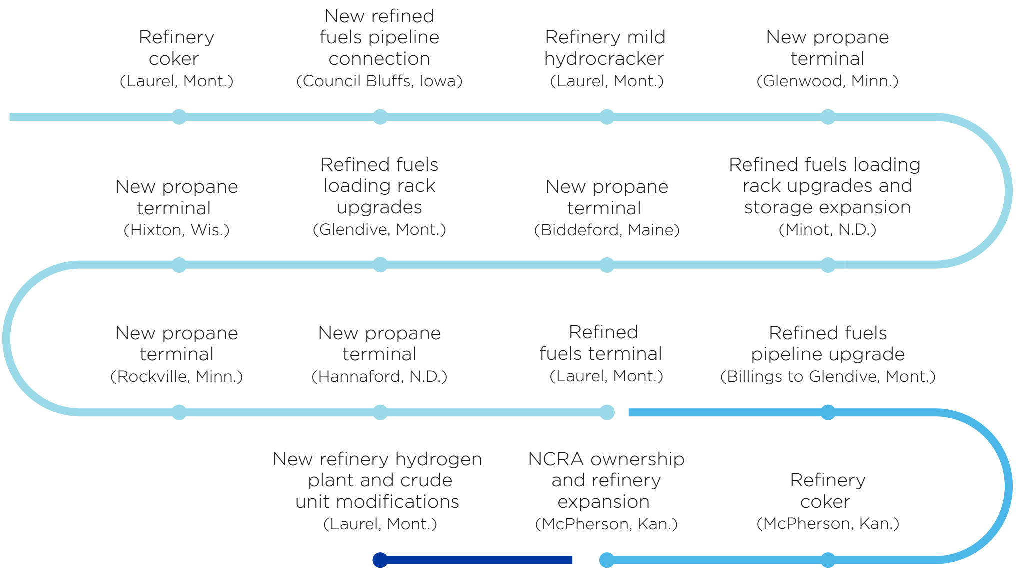
10K+ PEOPLE HONORED

since 2012

$280K IN FREE FUEL

to winners

ENERGY INVESTMENTS



COMPLETED UNDERWAY ANNOUNCED

CHS Transportation made unprecedented investments in its fleet and systems in fiscal 2014 as it established more third-party relationships and expanded its geography in the eastern Corn Belt. Bridging transportation needs among CHS businesses from energy to food ingredients added flexibility, improved performance and strengthened customer service.

Renewable Fuels Marketing increased volume by 52 percent in 2014 with expanded domestic and global territory, enhanced customer service offerings and superior transportation options. CHS supports cellulosic ethanol production by U.S. companies and is exploring related lignin markets. A new compressed natural gas (CNG) fueling facility opened in Fairmont, Minn., for CNG passenger vehicles and CHS transports based at soybean processing plants in Fairmont and nearby Mankato. Promotion of CNG and propane-powered vehicles, plus the Cenex Tank Program assisting retailers offering E15 ethanol blended fuel, demonstrated CHS commitment to finding new uses for alternative fuels.

Safety comes first at CHS Eastern Farmers and at more than 500 energy, grains, crop nutrients, and food and food ingredients CHS locations around the world.

Safety on All Sides

CHS demonstrates its momentum in safety performance every day.

_CHS closed fiscal 2014 with its best performance in five years for lost-time incidents and reportable injuries.

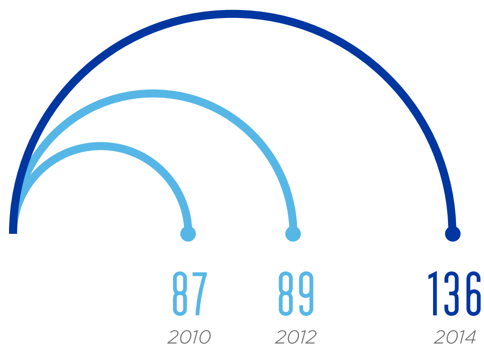
_CHS Transportation reduced lost time due to safety incidents to the lowest level in seven years.

_Country Operations completed more than 100,000 safety training events, with participation from all locations. More than 600 employees completed emergency training and 700 were certified in first aid, CPR and defibrillator use.

_All CHS Insurance employees have attended safety classes.

_CHS committed $3 million to a multi-year national ag safety initiative, including grants for rural safety projects and programs developed with five ag and energy industry partners.

Certified Energy Specialists Share Expertise



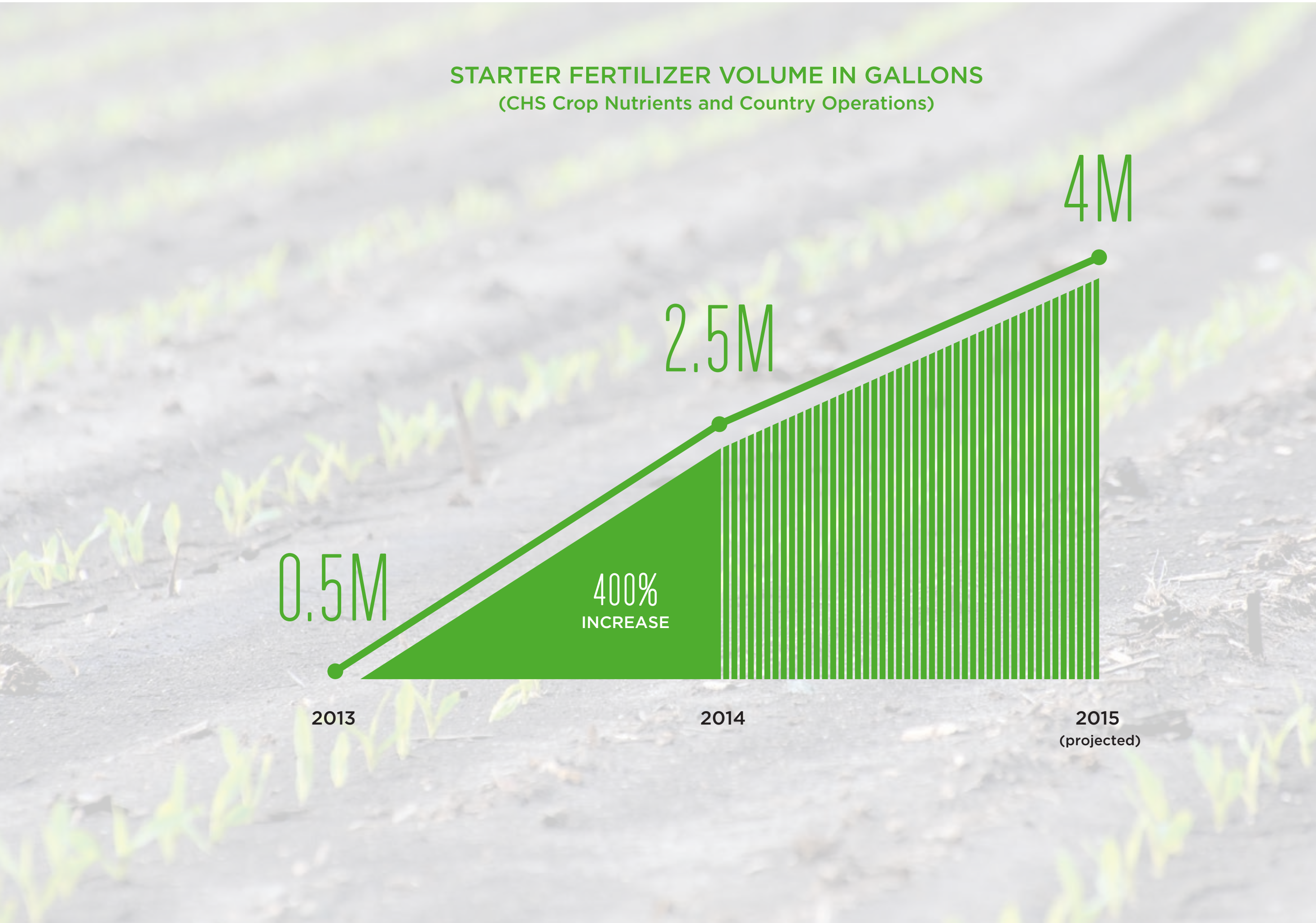
DRIVING AG BUSINESS

"Momentum is the drive inside to be successful, to achieve your goals and to find ways to do that while caring for others and our land. There's only so much land, and we want to take care of it."

– Janet Chambers, producer, *Ionia, Iowa*

COUNTRIES WITH CHS LOCATIONS

Countries	Year
25	2014
8	2010
2	2003



Agronomist Heidi Morris of Bleyhl Farm Service, left, delivers agronomic advice that helps ensure best results for fruit grower Martin Pedroza, Grandview, Wash.

AG

Delivering excellent margins and revenues in a year with continued weather challenges and rapidly declining commodity prices, CHS expanded its ag businesses to add long-term value. Owners benefited from established customer relationships, backed by supply chain logistics and risk management that boost grain export volumes, plus a dependable supply of crop nutrients and expertise to support a successful growing season.

In fiscal 2014, Grain Marketing moved quickly to secure domestic demand for corn, soybeans, other grains and ingredients made from those crops, while identifying and meeting export opportunities for commodities from wheat to distillers dried grains with solubles (DDGS), a valuable feed ingredient. The growing CHS presence in Canada added capacity and stability to North American grain supplies, benefitting CHS producer-owners.

Rail capacity shortfalls made U.S. grain movement difficult throughout the year and those infrastructure challenges will persist in 2015. Nonetheless, CHS navigated the freight issues well, supplying customers as promised, streamlining operations where possible and using available transportation options. Several 2013 river terminal acquisitions were online in 2014 to move grain to the Gulf of Mexico for export.

Significant export terminal upgrades at Kalama, Wash., are expected to be operational in late calendar 2014. The expanded terminal, part of TEMCO, a CHS and Cargill joint venture, will handle a broad range of grains and oilseeds to meet growing global customer demand. It features high-speed handling of grain arriving by rail and barge and efficient loading of vessels largely destined for the Pacific Rim. A new southeastern Washington grain receiving facility, holding up to 2 million bushels, was opened by CHS Connell Grain.

Don, left, and Andy Chambers of Ionia, Iowa, count on Five Star Cooperative and the CHS system to keep up with technology and control costs. Andy says, "We're trying to maintain our profitability by streamlining inputs to only what we need."

In a significant step that supports the CHS enterprise by connecting producers to its renewable fuels business, CHS acquired Illinois River Energy, LLC, an ethanol manufacturing facility that produces 133 million gallons of ethanol per year. Located at Rochelle, Ill., the plant is near key corn production areas and strong markets for ethanol and its co-product, DDGS. It's all part of maintaining market access and price stability for CHS owners who produce and market corn.

In South America, CHS is partial owner of an export terminal being built at Necochea, Argentina. It will provide access to the growing customer base in China and other markets in the Asia-Pacific region when it is operational in early calendar 2015. A new joint venture sunflower processing plant in Argentina is now online. Access to China's Port of Nantong was secured in 2014. Processing and Food Ingredients also has increased its presence in Asia, and Renewable Fuels Marketing is marketing ethanol there, both working from the Singapore office.

Australia was the site of additional global supply chain enhancements in 2014, including acquisition of 50 percent of Agfarm and two warehousing sites. In 2014, CHS Australia traded more than 250,000 metric tons of grain from Australia to CHS customers in Asia. Shortly after year-end, CHS announced acquisition of 50 percent of Broadbent Grain, an agricultural supply chain management company at Queensland and Victoria, Australia. This further expands CHS grain origination capabilities in Australia by adding grain storage, logistics and container packing infrastructure, enhancing CHS ability to export commodities destined for the Asia-Pacific region.

CHS Crop Nutrients sources ingredients and products from

20

COUNTRIES

Fertilizer Plant Moves Forward

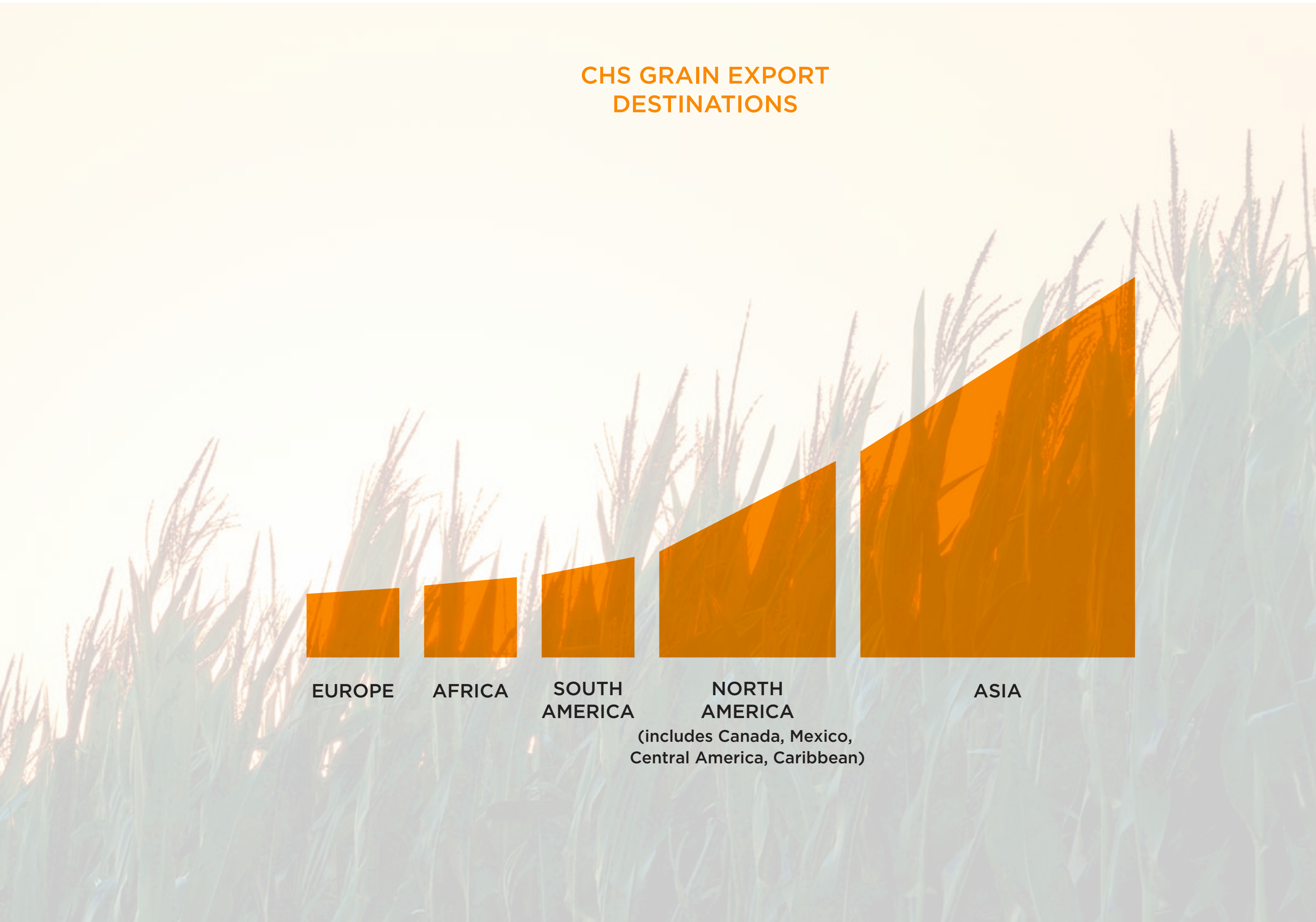
Just after the close of fiscal 2014, the CHS Board of Directors approved plans to build a $3 billion fertilizer plant at Spiritwood, N.D. The plant is expected to be operational by mid-2018, producing more than 2,400 tons of ammonia per day to produce nitrogen fertilizers that will serve farmers in North Dakota, South Dakota, Minnesota, Montana and Canada. It is the largest investment ever in CHS history and among the largest investments in North Dakota.

The Crop Nutrients business acquired Terral RiverService in fiscal 2014, securing storage and ensuring fertilizer supply in the Delta region by adding eight Mississippi River terminals to the CHS system. Liquid storage was added at Watertown, S.D., to supply customers in North Dakota and South Dakota; and dry storage capacity was installed at Collins, Mont., to supply Pacific Northwest and Canadian customers. In April, CHS and Fessenden Cooperative Association formed a joint venture to build a 28,000-ton fertilizer storage and blending facility at Hamberg, N.D., that will serve retail and wholesale customers in the region, where corn production is increasing dramatically. The facility will be completed in 2015. The partners added a shuttle-loading facility at Hamberg in 2013.

DRIVING AG BUSINESS

> "Momentum is making sure we're caught up with speed and efficiency for growers, because farms keep getting bigger. We need to make sure our momentum is keeping up with them."
>
> – Rich Halsne, agronomist
> *Five Star Cooperative, Thornton, Iowa*

CHS GLOBAL GRAIN ORIGINATION



Hilger, Mont., grain and livestock producers Megan and Ryan Green count on CHS Central Montana for Payback® feed, agronomic advice and agronomy products. "As a producer, you don't have time to become an expert on everything. Momentum is about becoming more efficient, taking what you do every day and trying to improve it," says Ryan.

"Momentum means you're setting yourself up to grow in the future. Your business doesn't have to be physically growing at that time, but you're making decisions that affect the future," says Justin Martz, Maple Park, Ill., a third-generation producer and Elburn Co-op member.

Proprietary liquid starter fertilizers delivered opportunity for customers at all levels. Crop Nutrients introduced CHS XLR-rate® liquid starter fertilizers to help member cooperatives and retail customers participate in the growing market for low-salt liquid fertilizers. Country Operations introduced CHS Aventine® Complete, a premium liquid starter fertilizer for producer-owners and other grower customers. Both products enhance crop establishment for a healthy start. Bulk terminal storage at wholesale and retail sites give retailers and growers easy access to these new products. New market opportunities for nitrogen- and phosphorus-based feed and industrial products represent growth opportunities that are expected to increase sales volumes and to balance the seasonality of crop nutrients product sales.

In June, CHS completed a global fertilizer sourcing agreement with Gleadell Agriculture, a major independent grain trading and agricultural supply company in the United Kingdom.

Processing and Food Ingredients strengthened its quality assurance and food safety focus during 2014 as facilities in the United States, Israel and China completed upgrades and a research laboratory opened in Eagan, Minn. CHS also completed a $30 million production expansion, along with equipment and food quality process upgrades, at Creston, Iowa. This triples production capacity for HoneySoy® brand soy flour and complements the company's Mankato, Minn., soy flour production, which has been operating at capacity for several years. Increasing global demand for soy flour, soy protein isolates and other soy-based food ingredients continues to offer significant opportunity for growth.

Doing business in more than 500 communities in the United States and Canada, CHS Country Operations had a record-breaking year for profitability. Excellent margins in grains, crop nutrients, agronomy services and energy contributed to the performance, as did managing grain marketing and propane supply during the rail shortage and other transportation concerns.

Since 2011,
CHS Harvest for Hunger has raised

$1.6M

2.1M

POUNDS OF FOOD

Construction was completed on a 42,000-ton fertilizer warehouse at Shelby, Mont., for Canadian and northern U.S. customers, who will be able to deliver grain to a nearby shuttle-loading facility, then purchase crop nutrients for the return trip. Country Operations added Canadian assets in April, acquiring 16 retail agronomy locations in Alberta and Saskatchewan from Crop Production Services (Canada), a subsidiary of Agrium, Inc. The new sites market crop nutrients warehoused at the Shelby, Mont., fertilizer plant. CHS Lake Region is building a 26,000-ton dry fertilizer hub at Lakota, N.D., that is expected to begin operation in early calendar 2015.

Improved livestock market prices have renewed interest in beef and pork production, triggering a rebound in herd sizes in 2014. With increased profitability, livestock producers improved their feed programs by taking advantage of high-quality nutritional supplements and other ingredients provided by CHS Nutrition. The business improved sales volumes for all species and finished the year with excellent revenues. At year-end, the egg packing and marketing business based at CHS Hamilton, Mich., earned the prestigious VIP award for quality from Gordon Food Service.

CHS Sunflower recorded above-average returns for the year, despite another year of flooding and prevented planting in the northern United States. In February, Minn-Dak Growers and CHS agreed to work together to service and market specialty commodities for food ingredients, such as mustard, buckwheat and safflower.

More Powerful Together

Sharing expertise, assets and customer knowledge across CHS businesses from grain marketing and crop nutrients to renewable fuels brought new opportunities and accelerated efficiency in 2014. In one example, grain operations were added to a crop nutrients terminal acquired with Terral RiverService assets. In another, Grain Marketing is finding new markets for corn oil and DDGS produced by ethanol manufacturers working with Renewable Fuels Marketing.

An ethanol plant in Rochelle, Ill., purchased by CHS in 2014, will add value to corn for CHS owners from the field to the marketplace.

PROVIDING SOLUTIONS

"Momentum is about getting the bus going in the right direction. Then you do things: You add people, you add facilities, you are forward-thinking for your customers. Along the way, you add things that help propel your business as a leader to get where you want to be 50 years from now."

– Keith Schumacher, general manager
CHS Central Montana

CHS CAPITAL COMMERCIAL LENDING
(fiscal 2010–2014)

8 SHUTTLE FACILITIES

4 NON-SHUTTLE EXPANSIONS

12 FERTILIZER HUB PLANTS

12 NON-HUB FERTILIZER PLANTS

3 PROPANE ACQUISITIONS/ EXPANSIONS

3 NEW FEED PLANTS/ UPGRADES

7 RETAIL STORE PROJECTS

HEDGE LINE PROGRAM LAUNCH

+7
CHS HEDGING NEW ACCOUNTS
2014

+$5M
IN HEDGE LINE COMMITMENTS
2014

+20
CHS CAPITAL NEW PRODUCER LOANS
2014

Dairy farmer and Bleyhl Farm Service director Bill Scheenstra, who farms with his wife, Susan, near Sunnyside, Wash., says, "If you're not moving forward, you're moving backward. Buildings and equipment cost money, but adding them is necessary to stay up with the times and remain a leader."

CORPORATE AND OTHER

CHS Business Solutions — CHS Capital, CHS Hedging, CHS Insurance and CHS Aligned Solutions — continued to work together to deliver enhanced offerings that help cooperatives, producers and other rural businesses manage risk, develop effective teams and succeed.

CHS Capital nearly doubled producer financing in 2014, thanks in part to enhanced, customizable retailer convenience credit initiatives. Commercial accounts used financing by CHS Capital to improve and add infrastructure such as shuttle-loading facilities, fertilizer plants and terminals, propane expansion, feed plant upgrades, and grain and agronomy service expansion. Cash management services also gained traction among commercial customers. Given fiscal 2014 results, CHS Capital will distribute patronage based on business with eligible producers.

As the full-service commodity brokerage subsidiary of CHS and a clearing member of the Chicago Mercantile Exchange and Minneapolis Grain Exchange, CHS Hedging continued to serve cooperatives and producers, managing risk on grain sales, input purchases and more with industry-leading hedging programs and advice. The group provided educational programs for customers and helped ensure customer compliance with regulations governing trading operations.

CHS Insurance, which provides risk management to co-ops and other businesses through insurance products and services, achieved record revenues in fiscal 2014. Several products were added for member cooperatives and CHS Country Operations locations, including an advance payment bond program that protects producers from risk related to prepaid inputs and a property insurance program to protect co-op growth.

New opportunities were realized through wholesale surety partnerships offered with ACE Insurance in 2014. CHS concluded the Ag Agency Workers Compensation Trust Program in late fiscal 2014, returning $5 million to cooperatives that participated in the program.

Archie den Hoed, left, says having momentum means always looking at the possibilities, for his vineyard and orchard near Grandview, Wash, and for Bleyhl Farm Service, where he's a director. "We need to keep ourselves financially strong and keep investing." General Manager Greg Robertson agrees. "You have to enter new markets as demands change. That really fuels momentum."

Supporting Ag Education

The CHS Foundation funds support for students who will take the cooperative system into the future.

_Providing $250,000 to the University of Idaho to help build a grain trading room and enhance curriculum.

_Organizing and funding overseas trips for college students so they can experience global agriculture and demand.

_Awarding 75 $1,000 scholarships annually to students pursuing two- or four-year agricultural degrees.

_Sponsoring the annual Agriculture Future of America Conference, involving 500 young people from 87 schools.

_Funding the $2 million CHS University Initiative on Cooperative Education, which helps create curriculum on the value of cooperatives to ag and business students at 11 universities and organization partners.

_Distributing more than $1.2 million in cooperative education grants to 35 organizations supporting more than 50 youth and adult education programs.

_Supporting the 2014 Ag World Forum in Cape Town, South Africa.

Since 2000, the CHS Foundation has given

$8M

TO SUPPORT COOPERATIVE EDUCATION

CHS Aligned Solutions provides market development, business planning, leadership placement and educational opportunities for cooperatives. In 2014, with renewed interest in mergers and acquisitions, the group guided several co-ops through those opportunities and helped many with CEO and other leadership placement services. The increasing number of retirements anticipated by local cooperative managers and growing interest in agribusiness careers that is attracting new candidates to the cooperative system combined to create new complexities in recruitment and retention of cooperative CEOs and managers.

To build proficiency by cooperative managers and directors, provide access to industry experts and facilitate networking, Aligned Solutions held a record number of board retreats in 2014. Forums and workshops helped local cooperative leaders increase industry understanding and learn how to tap into the value of working with the entire CHS enterprise.

CHS has bolstered company-wide compliance activities with intentional focus and skilled internal auditing teams. This greater attention to quality control processes and regulatory compliance is helping reduce risk for the company, individual businesses, employees and business partners, as well as sustaining the CHS tradition of integrity and superior performance through awareness, analysis, communication and action.

Tremendous value was delivered by CHS food industry joint ventures in fiscal 2014. Spurred by the improving U.S. economy, demand for casual and fast casual dining returned in 2014. That shift, along with ongoing product innovation and excellent customer service helped generate 6 percent sales volume growth for Ventura Foods, LLC, a joint venture of CHS and Mitsui & Co., Ltd.

How CHS Stacks Up

#62	#1	#67	TOP 100
FORTUNE 100	NATIONAL COOPERATIVE BANK CO-OP 100 LIST	*INSURANCE JOURNAL* TOP 100 LIST	WORKPLACE FOR THIRD YEAR IN MINNEAPOLIS *STAR TRIBUNE* LIST

Constantly adjusting its product mix to suit changing consumer preferences, Ventura Foods recorded excellent growth in both volume and margins in 2014 with significant new business in Mexico and Canada, plus inroads in the Asia-Pacific region. Products made by Ventura Foods represent a major market for refined soybean oil ingredients made by CHS Processing and Food Ingredients facilities from soybeans raised by CHS producer-owners.

The year brought upgrades to the Chambersburg, Pa., Ventura Foods plant that increased capabilities and capitalized on stronger demand for shortenings and oils in the northeastern U.S. The company also moved to a 24-hour/7-day production model at the St. Joseph, Mo., plant and other facilities are expected to follow. Demand and supply planning and customer service functions also were refined, and the new Staying Sharp employee continuing education program was introduced to help the Ventura Foods team maintain its edge in a competitive market.

The creation of Ardent Mills, the premier flour-milling joint venture between ConAgra Foods, Cargill and CHS, secured a significant market for domestic wheat demand for CHS owners. Ardent Mills, which began operations in late May 2014, includes 40 mills, three bakery mix facilities and a specialty bakery. CHS recognized a $109.2 million gain in fiscal 2014 associated with the Ardent Mills transaction.

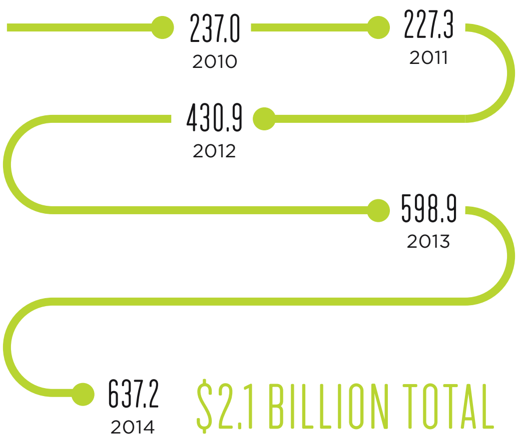
The CHS Foundation, the company's primary charitable giving entity, provided $100,000 in relief to South Dakota ranchers affected by the fall 2013 blizzard. CHS Country Operations also provided relief through contributions of feed and other support. Another $75,000 was contributed to help those unable to obtain propane for home heating during a severe winter and widespread supply challenges. Overall giving in fiscal 2014 included 688 grants and sponsorships totaling more than $10.5 million.

CHS Government Affairs continued to represent the needs of farmers, independent refineries and the cooperative system to legislators and regulatory agencies. Primary initiatives in 2014 included investment in U.S. infrastructure, especially waterways; implications of tax code changes; increasing global trade opportunities; and interpretation of the 2014 Farm Bill.

Delivering an awareness "home run" was the goal as CHS announced it had secured naming sponsorship of a new St. Paul, Minn., baseball stadium. And a new advertising campaign showcased how CHS delivers marketplace relevance that helps its owners grow. The campaign included television spots, radio commercials, ads on leading ag websites, magazine ads and billboards in select locations. In all communications, the CHS story is being told more clearly and confidently, from the updated CHS website (chsinc.com) to *C* magazine for producers and business partners to positioning CHS personnel as experts in the news media. The CHS brand has been refreshed and revitalized to accurately reflect the system's momentum and benefits it brings to employees, customers, partners and, most important, owners.

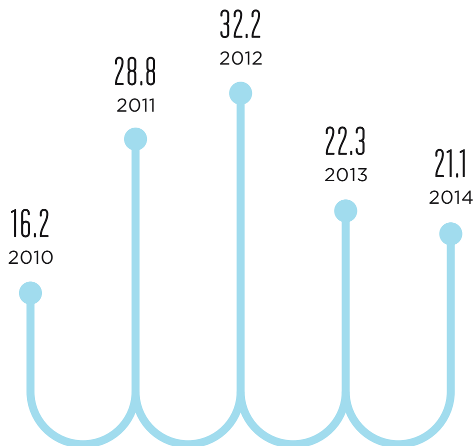
The company-wide CHS United project continued on target in 2014. Multiple teams, engaging hundreds of employees throughout all CHS business operations, continue to identify, analyze and map business processes. The ultimate goal is to establish an enterprise-wide technology and information platform that serves CHS customers efficiently and effectively while leveraging knowledge for continued company growth. SAP was selected as the company's technology platform.

1. Farmer buys energy products, fertilizer, crop protection products and agronomic expertise from co-op
2. Cooperative supplies propane to dry corn
3. Farmer sells corn to the co-op
4. CHS Capital, CHS Hedging and CHS Insurance provide financing and risk management services to farmers and cooperatives
5. Co-op sells corn to the ethanol plant
6. Ethanol plant produces ethanol, DDGS and corn oil
7. CHS markets ethanol to fuels blenders
8. Co-op sells ethanol to the farmer for vehicles
9. Ethanol plant markets DDGS and corn oil through CHS
10. Farmer buys DDGS to feed livestock
11. Livestock produce nutrients used on corn fields
12. The cycle continues adding value to corn and, in similar ways, to soybeans and wheat

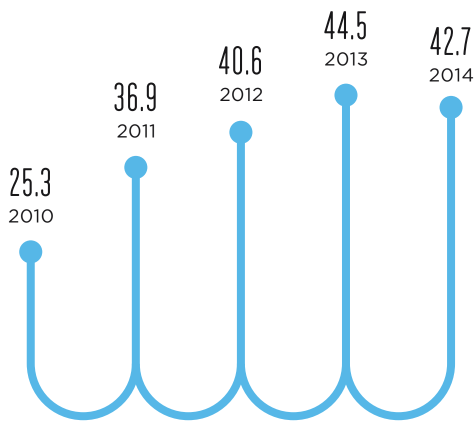


CASH RETURN*
$ in millions

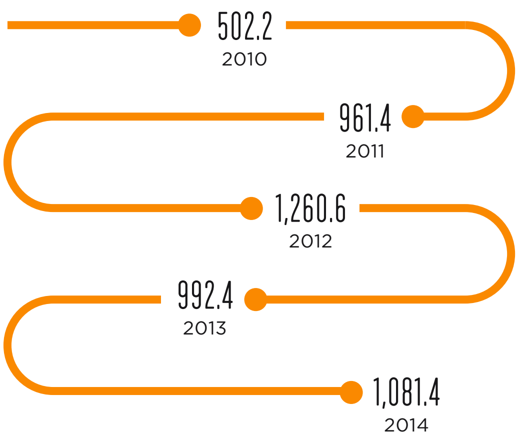
**Includes preferred stock and dividends*



OWNER RETURN ON CHS EQUITY
percent



REVENUES
$ in billions



CHS NET INCOME
$ in millions

FINANCIAL HIGHLIGHTS

Strong energy earnings, global agricultural expertise and record local retail operations performance combined in fiscal 2014 to boost CHS earnings to the second-highest mark in history. CHS reported net income of nearly $1.1 billion for the period Sept. 1, 2013, through Aug. 31, 2014, despite overall softening of global refined fuels, grains and crop nutrients markets. Net income for fiscal 2014 was up 9 percent compared with $992.4 million for fiscal 2013.

CHS revenues of $42.7 billion for fiscal 2014 declined 4 percent from fiscal 2013 as a result of lower values for commodities the company handles, including refined fuels, grain and oilseeds.

Year-over-year earnings for CHS Energy declined 10 percent during fiscal 2014, to $735.7 million from $816.7 million in fiscal 2013, due to lower refining margins for much of the year for the company's refineries at Laurel, Mont., and McPherson, Kan. Overall Energy performance, however, included record performance for other energy segment businesses, including propane, lubricants, renewable fuels marketing and transportation.

CHS Ag fiscal 2014 earnings of $209.3 million reflected a 5 percent increase from $199.3 million in fiscal 2014. The company's core competency in logistics and risk management enabled it to maximize volumes and earnings for its global grain marketing and wholesale crop nutrients operations. Significant crop inputs and services business, plus strong grain margins, contributed to record earnings for CHS Country Operations local retail, animal nutrition and sunflower businesses. CHS recorded impairments for fiscal 2014 within its Processing and Food Ingredients business.

CHS reports results for its business services operations and two food processing–related joint ventures under the Corporate and Other heading. Overall earnings increased in fiscal 2014 compared with the previous year. Combined earnings for CHS insurance, risk management and financing businesses declined in fiscal 2014 compared with fiscal 2013, largely due to market volatility and commodity prices, which affected borrowing and hedging activity. Earnings contributions to CHS for fiscal 2014 reached high marks for the company's 50 percent ownership of Ventura Foods, LLC, a vegetable-oil-based food manufacturing business, and its 12 percent share of Ardent Mills, a wheat milling venture. CHS recorded a $109.2 million gain associated with the Ardent Mills transaction in May 2014.

Strong fiscal 2014 net income, which extended the strongest period of earnings performance in company history, enabled CHS to deliver on its threefold financial commitment to its owners: maintaining a strong balance sheet, continuing to invest in the future, and returning direct economic value through ownership and cash returns. CHS once again ended its fiscal year with strong return on equity of 21.1 percent.

In fiscal 2014, based on fiscal 2013 earnings, CHS returned a landmark $637.2 million in cash patronage, equity redemptions, preferred stock and dividends on preferred stock to its owners. This included a one-time retirement of $200 million in qualified owner equity using preferred stock. Cash returns generated by earnings for fiscal years 2010 through 2014 total $2.1 billion.

CONSOLIDATED BALANCE SHEETS

AUGUST 31 (DOLLARS IN THOUSANDS)	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,133,207	$ 1,808,532
Receivables	2,988,563	2,935,478
Inventories	2,760,253	2,664,735
Derivative assets	603,933	499,890
Margin deposits	301,045	340,905
Supplier advance payments	331,345	398,441
Other current assets	279,304	262,779
Total current assets	9,397,650	8,910,760
Investments	923,227	765,946
Property, plant and equipment	4,031,023	3,171,404
Other assets	795,079	656,160
Total assets	$ 15,146,979	$ 13,504,270
LIABILITIES AND EQUITIES		
Current liabilities:		
Notes payable	$ 1,159,473	$ 889,312
Current portion of long-term debt	156,836	156,612
Current portion of mandatorily redeemable noncontrolling interests	65,981	65,981
Customer margin deposits and credit balances	265,556	299,364
Customer advance payments	602,374	432,097
Checks and drafts outstanding	167,846	185,660
Accounts payable	2,208,211	2,416,038
Derivative liabilities	599,990	465,066
Accrued expenses	547,781	485,070
Dividends and equities payable	409,961	390,153
Total current liabilities	6,184,009	5,785,353
Long-term debt	1,299,664	1,450,420
Mandatorily redeemable noncontrolling interests	148,756	209,419
Long-term deferred tax liabilities	566,647	487,333
Other liabilities	481,059	418,998
Commitments and contingencies		
Equities:		
Preferred stock	1,190,177	319,368
Equity certificates	3,816,428	3,588,346
Accumulated other comprehensive loss	(156,757)	(156,867)
Capital reserves	1,598,660	1,380,361
Total CHS Inc. equities	6,448,508	5,131,208
Noncontrolling interests	18,336	21,539
Total equities	6,466,844	5,152,747
Total liabilities and equities	$ 15,146,979	$ 13,504,270

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

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED AUGUST 31 (DOLLARS IN THOUSANDS)	2014	2013	2012
Revenues	$ 42,664,033	$ 44,479,857	$ 40,599,286
Cost of goods sold	41,016,798	42,706,205	38,588,143
Gross profit	1,647,235	1,773,652	2,011,143
Marketing, general and administrative	602,598	553,623	498,233
Operating earnings	1,044,637	1,220,029	1,512,910
(Gain) loss on investments	(114,162)	(182)	5,465
Interest, net	134,942	231,567	193,263
Equity (income) loss from investments	(107,446)	(97,350)	(102,389)
Income before income taxes	1,131,303	1,085,994	1,416,571
Income taxes	48,296	89,666	80,852
Net income	1,083,007	996,328	1,335,719
Net income attributable to noncontrolling interests	1,572	3,942	75,091
Net income attributable to CHS Inc.	$ 1,081,435	$ 992,386	$ 1,260,628

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED AUGUST 31 (DOLLARS IN THOUSANDS)	2014	2013	2012
Net income	$ 1,083,007	$ 996,328	$ 1,335,719
Other comprehensive income (loss), net of tax:			
Postretirement benefit plan activity, net of tax expense (benefit) of $8,410, $41,007 and $(21,710) in 2014, 2013 and 2012, respectively	13,759	63,116	(38,216)
Unrealized net gain (loss) on available for sale investments, net of tax expense (benefit) of $1,251, $603 and $199 in 2014, 2013 and 2012, respectively	2,028	979	355
Cash flow hedges, net of tax expense (benefit) of $(8,883), $9,551 and $449 in 2014, 2013 and 2012, respectively	(14,407)	15,491	586
Foreign currency translation adjustment, net of tax expense (benefit) of $(783), $(2,383) and $(3,699) in 2014, 2013 and 2012, respectively	(1,270)	(3,866)	(5,855)
Other comprehensive income (loss), net of tax	110	75,720	(43,130)
Comprehensive income	1,083,117	1,072,048	1,292,589
Less: comprehensive income attributable to noncontrolling interests	1,572	3,942	75,091
Comprehensive income attributable to CHS Inc.	$ 1,081,545	$ 1,068,106	$ 1,217,498

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)	EQUITY CERTIFICATES		
	CAPITAL EQUITY CERTIFICATES	NONPATRONAGE EQUITY CERTIFICATES	NONQUALIFIED EQUITY CERTIFICATES
BALANCES, AUGUST 31, 2011	$ 2,669,740	$ 24,324	$ 1,562
Reversal of prior year patronage and redemption estimates	(278,553)		
Distribution of 2011 patronage refunds	415,584		
Redemptions of equities	(145,473)	(222)	(27)
Equities issued	29,155		
Preferred stock dividends			
Distributions to noncontrolling interests			
Purchase of noncontrolling interests			
Other, net	(1,262)	(356)	
Net income			
Other comprehensive income (loss), net of tax			
Estimated 2012 patronage refunds	591,143		
Estimated 2012 equity redemptions	(195,999)		
BALANCES, AUGUST 31, 2012	3,084,335	23,746	1,535
Reversal of prior year patronage and redemption estimates	(395,144)		
Distribution of 2012 patronage refunds	595,022		
Redemptions of equities	(193,142)	(232)	(39)
Equities issued	14,845		3,366
Preferred stock dividends			
Distributions to noncontrolling interests			
Other, net	(1,241)	(29)	
Net income			
Other comprehensive income (loss), net of tax			
Estimated 2013 patronage refunds	427,155		129,462
Estimated 2013 equity redemptions	(101,293)		
BALANCES, AUGUST 31, 2013	3,430,537	23,485	134,324
Reversal of prior year patronage and redemption estimates	(325,862)		(129,462)
Distribution of 2013 patronage refunds	422,670		131,661
Redemptions of equities	(99,204)	(229)	(176)
Equities issued	14,278		
Capital equity certificates exchanged for preferred stock	(200,000)		
Preferred stock dividends			
Distributions to noncontrolling interests			
Other, net	(1,034)		(227)
Net income			
Other comprehensive income (loss), net of tax			
Estimated 2014 patronage refunds	397,237		148,579
Estimated 2014 equity redemptions	(130,149)		
BALANCES, AUGUST 31, 2014	$ 3,508,473	$ 23,256	$ 284,699

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

PREFERRED STOCK	ACCUMULATED OTHER COMPREHENSIVE LOSS	CAPITAL RESERVES	NONCONTROLLING INTERESTS	TOTAL EQUITIES
$ 319,368	$ (174,876)	$ 1,075,474	$ 349,728	$ 4,265,320
		674,678		396,125
		(676,250)		(260,666)
				(145,722)
				29,155
		(24,544)		(24,544)
			(78,602)	(78,602)
	(14,581)	(82,138)	(337,145)	(433,864)
		958	8,910	8,250
		1,260,628	75,091	1,335,719
	(43,130)			(43,130)
		(969,862)		(378,719)
				(195,999)
319,368	(232,587)	1,258,944	17,982	4,473,323
		969,862		574,718
		(975,969)		(380,947)
				(193,413)
				18,211
		(24,544)		(24,544)
			(1,442)	(1,442)
		1,068	1,057	855
		992,386	3,942	996,328
	75,720			75,720
		(841,386)		(284,769)
				(101,293)
319,368	(156,867)	1,380,361	21,539	5,152,747
		841,386		386,062
		(841,120)		(286,789)
				(99,609)
670,809				685,087
200,000				—
		(61,658)		(61,658)
			(575)	(575)
		8,897	(4,200)	3,436
		1,081,435	1,572	1,083,007
	110			110
		(810,641)		(264,825)
				(130,149)
$ 1,190,177	$ (156,757)	$ 1,598,660	$ 18,336	$ 6,466,844

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED AUGUST 31 (DOLLARS IN THOUSANDS)	2014	2013	2012
Cash flows from operating activities:			
Net income including noncontrolling interests	$ 1,083,007	$ 996,328	$ 1,335,719
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	267,167	241,791	219,632
Amortization of deferred major repair costs	45,070	34,847	33,641
(Income) loss from equity investments	(107,446)	(97,350)	(102,389)
Distributions from equity investments	79,685	62,761	75,468
Noncash patronage dividends received	(16,452)	(16,644)	(10,461)
(Gain) loss on sale of property, plant and equipment	3,316	(6,234)	(5,564)
(Gain) loss on investments	(114,162)	(182)	5,465
Unrealized (gain) loss on crack spread contingent liability	(19,217)	23,109	22,328
Long-lived asset impairment	74,452	—	—
Deferred taxes	(24,397)	92,717	58,624
Other, net	7,777	5,714	481
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	110,133	(105,899)	(376,860)
Inventories	(37,792)	557,331	(252,842)
Derivative assets	(123,132)	610,023	(185,930)
Margin deposits	39,861	812,616	(51,241)
Supplier advance payments	67,688	286,379	(131,636)
Other current assets and other assets	(19,694)	(36,749)	(38,913)
Customer margin deposits and credit balances	(34,051)	(509,548)	56,177
Customer advance payments	164,021	(260,449)	61,978
Accounts payable and accrued expenses	(164,616)	52,897	(167,025)
Derivative liabilities	134,925	(276,473)	111,481
Other liabilities	11,208	10,815	60,503
Net cash provided by (used in) operating activities	1,427,351	2,477,800	718,636
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(943,888)	(659,373)	(468,611)
Proceeds from disposition of property, plant and equipment	11,724	7,727	27,839
Expenditures for major repairs	(3,305)	(73,701)	(23,443)
Investments in joint ventures and other	(80,140)	(21,364)	(94,757)
Investments redeemed	138,485	13,021	12,112
Changes in notes receivable	(184,060)	211,935	19,040
Business acquisitions, net of cash acquired	(281,490)	(12,711)	(166,033)
Other investing activities, net	1,092	(492)	(342)
Net cash provided by (used in) investing activities	(1,341,582)	(534,958)	(694,195)
Cash flows from financing activities:			
Changes in notes payable	247,639	85,910	(27,561)
Long-term debt borrowings	1,426	280,000	—
Principal payments on long-term debt	(157,770)	(113,583)	(96,619)
Mandatorily redeemable noncontrolling interest payments	(65,981)	(65,981)	—
Payments for bank fees	—	(9,593)	(12,390)
Payments on crack spread contingent liability	(8,670)	—	—
Changes in checks and drafts outstanding	(17,815)	(20,392)	6,353
Distributions to noncontrolling interests	(575)	(1,442)	(78,602)
Preferred stock issued	702,979	—	—
Preferred stock issuance costs	(23,672)	(295)	—
Preferred stock dividends paid	(50,761)	(24,544)	(24,544)
Retirements of equities	(99,609)	(193,413)	(145,722)
Cash patronage dividends paid	(286,789)	(380,947)	(260,666)
Other financing activities, net	128	1,106	878
Net cash provided by (used in) financing activities	240,530	(443,174)	(638,873)
Effect of exchange rate changes on cash and cash equivalents	(1,624)	(5,165)	(9,224)
Net increase (decrease) in cash and cash equivalents	324,675	1,494,503	(623,656)
Cash and cash equivalents at beginning of period	1,808,532	314,029	937,685
Cash and cash equivalents at end of period	$ 2,133,207	$ 1,808,532	$ 314,029

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

ONE

Summary of Significant Accounting Policies

Organization

CHS Inc. (CHS, we, us, our) is one of the nation's leading integrated agricultural companies. As a cooperative, CHS is owned by farmers and ranchers and their member cooperatives (members) across the United States. We also have preferred stockholders that own shares of our 8% Cumulative Redeemable Preferred Stock (8% Preferred Stock), which is listed on the NASDAQ Stock Market LLC (NASDAQ) under the symbol CHSCP; Class B Cumulative Redeemable Preferred Stock, Series 1 (Class B Series 1 Preferred Stock), which is listed on the NASDAQ under the symbol CHSCO; and Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2 (Class B Series 2 Preferred Stock), which is listed on the NASDAQ under the symbol CHSCN. During September 2014, we issued shares of Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 (Class B Series 3 Preferred Stock), which is listed on the NASDAQ under the symbol CHSCM.

We buy commodities from and provide products and services to patrons (including member and other non-member customers), both domestic and international. 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 grains and oilseeds, grain and oilseed processing 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 of our wholly-owned and majority-owned subsidiaries and limited liability companies, which is primarily National Cooperative Refinery Association (NCRA), included in our Energy segment. The effects of all significant intercompany transactions have been eliminated.

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, "Disclosures about Offsetting Assets and Liabilities." ASU No. 2011-11, and the subsequent amendments issued in ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," create new disclosure requirements about the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and recognized derivative instruments. The disclosure requirements in this update were effective for our annual and interim reporting period beginning in fiscal 2014. The required disclosures have been included in Note 12, *Derivative Financial Instruments and Hedging Activities*.

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income." ASU No. 2013-02 requires an entity to provide information about the effects of significant reclassifications out of accumulated other comprehensive income, by component, either on the face of the financial statements or in the notes to the financial statements and is intended to help improve the transparency of changes in other comprehensive income. ASU No. 2013-02 does not amend any existing requirements for reporting net income or other comprehensive income in the financial statements. ASU No. 2013-02 became effective for our annual and interim reporting period beginning in fiscal 2014. The required disclosures have been included in Note 9, *Equities*.

Cash Equivalents

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

Inventories

Grain, processed grain, oilseed, processed oilseed and other minimally processed soy-based inventories are stated at net realizable values which approximate market values. All other inventories are stated at the lower of cost or market. Costs for inventories produced or modified by us through a manufacturing process include fixed and variable production and raw material costs, and in-bound 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 non-grain products purchased for resale are valued on the first-in, first-out (FIFO) and average cost methods.

Derivative Financial Instruments and Hedging Activities

Our derivative instruments primarily consist of commodity and freight futures and forward contracts and, to a lesser degree, may include foreign currency and interest rate swap contracts. These contracts are economic hedges of price risk, but are not designated or accounted for as hedging instruments for accounting purposes, with the exception of certain interest rate swap contracts which are accounted for as cash flow hedges or fair value hedges. Derivative instruments are recorded on our Consolidated Balance Sheets at fair value. See Note 12, *Derivative Financial Instruments and Hedging Activities* and Note 13, *Fair Value Measurements* for additional information.

Even though we have netting arrangements for our exchange-traded futures and options contracts and certain over-the-counter (OTC) contracts, we report our derivatives on a gross basis on our Consolidated Balance Sheets. Our associated margin deposits are also reported on a gross basis.

Margin Deposits

Many of our derivative contracts with futures and options brokers require us to make both initial margin deposits of cash or other assets and subsequent deposits, depending on changes in commodity prices, in order to comply with applicable regulations. Our margin deposit assets are held by external brokers in segregated accounts and will be used to settle the associated derivative contracts on their specified settlement dates.

Supplier Advance Payments

Beginning in fiscal 2014, supplier advance payments are reported as a separate line item on our Consolidated Balance Sheets. Prior period amounts have been reclassified accordingly. Supplier advance payments primarily include amounts paid for in-transit grain purchases from suppliers and amounts paid to crop nutrient suppliers to lock in future supply and pricing.

Investments

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. Investments in other cooperatives are stated at cost, 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 other debt and equity securities are considered available for sale financial instruments and are stated at fair value, with unrealized amounts included as a component of accumulated other comprehensive loss. Investments in debt and equity instruments are carried at amounts that approximate fair values. Investments in joint ventures and cooperatives have no quoted market prices.

Property, Plant and Equipment

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 upon the expected useful lives of individual or groups of assets (15 to 20 years for land and land improvements; 20 to 40 years for buildings; 5 to 20 years for machinery and equipment; and 3 to 10 years for office and other). The cost and related accumulated depreciation and amortization of assets sold or otherwise disposed of are removed from the related accounts and resulting gains or losses are reflected in operations. Expenditures for maintenance and minor repairs and renewals are expensed, while costs of major repairs and betterments are capitalized and amortized on a straight-line basis over the period of time estimated to lapse until the next major repair occurs. We also capitalize and amortize eligible costs to acquire or develop internal-use software that are incurred during the application development stage.

Property, plant and equipment and other long-lived assets are reviewed in order to assess recoverability based on projected income and related cash flows on an undiscounted basis when triggering events occur. 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 by the amount by which the carrying value of the asset exceeds the fair value of the asset.

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, as long as 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 will 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 lessor discretion for which we have recorded asset retirement obligations. Based on our estimates of the timing, cost and probability of removal, these obligations are not material.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets are included in other assets on our Consolidated Balance Sheets and are reviewed for impairment annually or more frequently if impairment conditions arise; and, if impaired, are written down to fair value. For goodwill, annual impairment testing occurs in our third quarter. Other intangible assets consist primarily of customer lists, trademarks and agreements not to compete. Intangible assets subject to amortization are expensed over their respective useful lives (ranging from 2 to 30 years). We have no material intangible assets with indefinite useful lives.

We made certain immaterial acquisitions during the three years ended August 31, 2014, which were accounted for using the acquisition method of accounting. Operating results of the acquisitions were included in our consolidated financial statements since the respective acquisition dates. The respective purchase prices were allocated to the assets, liabilities and identifiable intangible assets acquired based upon the estimated fair values. The excess purchase prices over the estimated fair values of the net assets acquired have been reported as goodwill.

In our Energy segment, major maintenance activities (turnarounds) at the two refineries are accounted for under the deferral method. Turnarounds are the scheduled and required shutdowns of refinery processing units. The costs related to the significant overhaul and refurbishment activities include materials and direct labor costs. The costs of turnarounds are deferred when incurred and amortized on a straight-line basis over the period of time estimated to lapse until the next turnaround occurs, which is generally 2 to 4 years. Amortization expense related to turnaround costs is included in cost of goods sold in our Consolidated Statements of Operations. The selection of the deferral method, as opposed to expensing the turnaround costs when incurred, results in deferring recognition of the turnaround expenditures. The deferral method also results in the classification of the related cash outflows as investing activities in our Consolidated Statements of Cash Flows, whereas expensing these costs as incurred, would result in classifying the cash outflows as operating activities.

Revenue Recognition

We provide a wide variety of products and services, from production agricultural inputs such as fuels, farm supplies and crop nutrients, to agricultural outputs that include grain and oilseed, processed grains and oilseeds and food products. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collection is probable. Grain and oilseed sales are recorded after the commodity has been delivered to its destination and final weights, grades and settlement prices have been agreed upon. All other sales are recognized upon transfer of title, which could occur either upon shipment to or receipt by the customer, depending upon the terms of the transaction. Amounts billed to a customer as part of a sales transaction related to shipping and handling are included in revenues.

Environmental Expenditures

Liabilities, including legal costs, related to remediation of contaminated properties are recognized when the related costs are considered probable and can be reasonably estimated. Estimates of environmental costs are based on current available facts, existing technology, undiscounted site-specific costs and currently enacted laws and regulations. Recoveries, if any, are recorded in the period in which recovery is received. Liabilities are monitored and adjusted as new facts or changes in law or technology occur. Environmental expenditures are capitalized when such costs provide future economic benefits.

Income Taxes

CHS is a nonexempt agricultural cooperative and files a consolidated federal income tax return with our 80% or more owned subsidiaries. We are subject to tax on income from nonpatronage sources, non-qualified patronage distributions and undistributed patronage-sourced income. Income tax expense 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 for financial reporting purposes 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. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires an entity to disclose sufficient qualitative and quantitative information surrounding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts from customers. This ASU supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance throughout the Industry Topics of the Codification. The amendments in this standard are effective beginning with our fiscal year starting September 1, 2017. We are currently evaluating the impact the adoption will have on our consolidated financial statements in fiscal 2018.

TWO

Receivables

Receivables as of August 31, 2014 and 2013 are as follows:

(DOLLARS IN THOUSANDS)	2014	2013
Trade accounts receivable	$ 2,153,929	$ 2,338,336
CHS Capital notes receivable	633,475	437,141
Other	304,798	254,590
	3,092,202	3,030,067
Less allowances and reserves	103,639	94,589
Total receivables	$ 2,988,563	$ 2,935,478

Trade accounts receivable are initially recorded at a selling price, which approximates fair value, upon the sale of goods or services to customers. Subsequently, trade accounts receivable are carried at net realizable value, which includes an allowance for estimated uncollectible amounts. We calculate this allowance based on our history of write-offs, level of past due accounts, and our relationships with, and the economics status of, our customers. The carrying value of CHS Capital, LLC (CHS Capital) notes receivable approximates fair value, given their short duration and the use of market pricing adjusted for risk.

CHS Capital, our wholly-owned subsidiary, has notes receivable from commercial and producer borrowers. The short-term notes receivable generally have maturity terms of 12-14 months and are reported at their outstanding principle balances, as CHS Capital holds these notes to maturity. The notes receivable from commercial borrowers are collateralized by various combinations of mortgages, personal property, accounts and notes receivable, inventories and assignments of certain regional cooperative's capital stock. These loans are primarily originated in the states of Minnesota, Wisconsin and North Dakota. CHS Capital also has loans receivable from producer borrowers which are collateralized by various combinations of growing crops, livestock, inventories, accounts receivable, personal property and supplemental mortgages. In addition to the short-term balances included in the table above, CHS Capital had long-term notes receivable, with durations of not more than 10 years, totaling $159.7 million and $127.7 million at August 31, 2014 and 2013, respectively. The long-term notes receivable are included in other assets on our Consolidated Balance Sheets. As of August 31, 2014 and 2013, the commercial notes represented 46% and 59%, respectively, and the producer notes represented 54% and 41%, respectively, of the total CHS Capital notes receivable.

CHS Capital evaluates the collectability of both commercial and producer notes on a specific identification basis, based on the amount and quality of the collateral obtained, and records specific loan loss reserves when appropriate. A general reserve is also maintained based on historical loss experience and various qualitative factors. In total, the specific and general loan loss reserves related to CHS Capital are not material to our consolidated financial statements, nor are the associated historical write-offs. The accrual of interest income is discontinued at the time the loan is 90 days past due unless the credit is well-collateralized and in process of collection. The amount of CHS Capital notes that were past due was not significant at any reporting date presented.

CHS Capital has commitments to extend credit to customers as long as there are no violations of any contractually established conditions. As of August 31, 2014, CHS Capital's customers have additional available credit of $1.1 billion.

THREE

Inventories

Inventories as of August 31, 2014 and 2013 are as follows:

(DOLLARS IN THOUSANDS)	2014	2013
Grain and oilseed	$ 961,327	$ 1,133,555
Energy	875,719	742,194
Crop nutrients	374,023	293,370
Feed and farm supplies	448,454	407,023
Processed grain and oilseed	84,498	79,706
Other	16,232	8,887
Total inventories	$ 2,760,253	$ 2,664,735

As of August 31, 2014, we valued approximately 16% of inventories, primarily crude oil and refined fuels within our Energy segment, using the lower of cost, determined on the LIFO method, or market (16% as of August 31, 2013). If the FIFO method of accounting had been used, inventories would have been higher than the reported amount by $538.7 million and $652.6 million at August 31, 2014 and 2013, respectively.

FOUR

Investments

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 are summarized below.

During the first three quarters of fiscal 2014, we had a 24% interest in Horizon Milling, LLC and Horizon Milling, ULC, which were flour milling joint ventures with Cargill, Incorporated (Cargill) and were accounted for as equity method investments included in Corporate and Other. In our third quarter of fiscal 2014, we formed Ardent Mills LLC (Ardent Mills), a joint venture with Cargill and ConAgra Foods, Inc., which combines the North American flour milling operations of the three parent companies, including the Horizon Milling, LLC and Horizon Milling G.P. (Horizon Milling) assets and CHS-owned mills, with CHS holding a 12% interest in Ardent Mills. Prior to closing, we contributed $32.8 million to Horizon Milling to pay off existing debt as a pre-condition to close. Upon closing, Ardent Mills was financed with funds from third-party borrowings, which did not require credit support from the owners. We received $121.2 million of cash proceeds distributed to us in proportion to our ownership interest, adjusted for deviations in specified working capital target amounts, and recognized a gain of $109.2 million associated with this transaction. In connection with the closing, the parties also entered into various ancillary and non-compete agreements including, among other things, an agreement for us to supply Ardent Mills with certain wheat and durum products. As we hold one of the five board seats, we account for Ardent Mills as an equity method investment included in Corporate and Other. As of August 31, 2014, the carrying value of our investment in Ardent Mills was $198.4 million.

We have a 50% interest in Ventura Foods, LLC (Ventura Foods), a joint venture which produces and distributes primarily vegetable oil-based products, and is included in Corporate and Other. We account for Ventura Foods as an equity method investment, and as of August 31, 2014, our carrying value of Ventura Foods exceeded our share of its equity by $12.9 million, which represents equity method goodwill. As of August 31, 2014, the carrying value of our investment in Ventura Foods was $321.3 million.

TEMCO, LLC (TEMCO) is owned and governed by Cargill (50%) and CHS (50%). During the year ended August 31, 2012, we entered into an amended and restated agreement to expand the scope of the original agreement with Cargill. Pursuant to the terms of the agreement, CHS and Cargill each agreed to commit to sell all of their feedgrains, wheat, oilseeds and by-product origination that are tributary to the Pacific Northwest, United States (Pacific Northwest) to TEMCO and to use TEMCO as their exclusive export-marketing vehicle for such grains exported through the Pacific Northwest for a term of 25 years. Cargill's Tacoma, Washington facility will continue to be subleased to TEMCO. We account for TEMCO as an equity method investment included in our Ag segment. As of August 31, 2014, the carrying value of our investment in TEMCO was $68.4 million.

FIVE

Property, Plant and Equipment

A summary of property, plant and equipment as of August 31, 2014 and 2013 is as follows:

(DOLLARS IN THOUSANDS)	2014	2013
Land and land improvements	$ 212,609	$ 169,022
Buildings	686,371	574,834
Machinery and equipment	4,558,485	4,195,523
Office and other	133,599	118,442
Construction in progress	1,018,011	480,703
	6,609,075	5,538,524
Less accumulated depreciation and amortization	2,578,052	2,367,120
Total property, plant and equipment	$ 4,031,023	$ 3,171,404

Depreciation expense for the years ended August 31, 2014, 2013 and 2012, was $253.3 million, $224.5 million and $199.8 million, respectively.

SIX

Other Assets

Other assets as of August 31, 2014 and 2013 are as follows:

(DOLLARS IN THOUSANDS)	2014	2013
Goodwill	$ 158,696	$ 85,063
Customer lists, less accumulated amortization of $26,114 and $20,063, respectively	43,748	16,352
Trademarks and other intangible assets, less accumulated amortization of $29,587 and $25,982, respectively	11,706	19,124
Notes receivable	166,901	143,343
Long-term receivable	40,718	38,704
Prepaid pension and other benefits	186,342	187,270
Capitalized major maintenance	67,643	109,408
Other	119,325	56,896
	$ 795,079	$ 656,160

During the years ended August 31, 2014 and 2013, we had acquisitions which resulted in $72.9 million and $8.3 million of goodwill, respectively, for which we paid cash consideration of $281.5 million and $12.7 million, respectively. These acquisitions were primarily within our Ag segment and were not material, individually or in aggregate, to our consolidated financial statements. There were no dispositions resulting in a decrease to goodwill during fiscal 2014 and 2013.

During the years ended August 31, 2014 and 2013, intangible assets acquired totaled $38.8 million and $1.5 million, respectively, and were primarily within our Ag segment.

Intangible assets amortization expense for the years ended August 31, 2014, 2013 and 2012, was $9.7 million, $10.0 million and $12.7 million, respectively. The estimated annual amortization expense related to intangible assets subject to amortization for the next five years is as follows:

(DOLLARS IN THOUSANDS)	
Year 1	$ 6,962
Year 2	6,610
Year 3	5,040
Year 4	3,828
Year 5	3,210
Thereafter	29,804
Total	$ 55,454

SIX: *Other Assets, continued*

The capitalized major maintenance activity is as follows:

(DOLLARS IN THOUSANDS)	BALANCE AT BEGINNING OF YEAR	COST DEFERRED	AMORTIZATION	WRITE-OFFS	BALANCE AT END OF YEAR
2014	$ 109,408	$ 3,305	$ (45,070)	$ —	$ 67,643
2013	70,554	73,701	(34,847)	—	109,408
2012	80,752	23,443	(33,641)	—	70,554

SEVEN

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, 2014.

Notes Payable

Notes payable as of August 31, 2014 and 2013, consisted of the following:

(DOLLARS IN THOUSANDS)	WEIGHTED-AVERAGE INTEREST RATE 2014	2013	2014	2013
Notes payable (a)	1.69%	2.00%	$ 840,699	$ 521,864
CHS Capital notes payable (b)	1.07%	1.23%	318,774	367,448
Total notes payable			$ 1,159,473	$ 889,312

(a) Our primary committed line of credit is a $2.5 billion five-year, unsecured revolving credit facility expiring in June 2018, with a syndication of domestic and international banks, with no amounts outstanding as of August 31, 2014. In October 2013, we entered into a three-year $250.0 million committed revolving credit facility for CHS Agronegócio Indústria e Comércio Ltda (CHS Agronegócio) to provide financing for its working capital needs arising from its purchases and sales of grains, fertilizers and other agricultural products. As of August 31, 2014 the full $250.0 million is outstanding.

Our wholly-owned subsidiaries, CHS Europe S.a.r.l and CHS Agronegócio, have uncommitted lines of credit to finance their normal trading activities with $327.3 million outstanding as of August 31, 2014. In addition, other international subsidiaries had lines of credit totaling $263.1 million outstanding as of August 31, 2014, of which $39.0 million was collateralized.

We have two commercial paper programs totaling up to $125.0 million with two banks participating in the revolving credit facilities. Terms of our credit facilities allow a maximum usage of $200.0 million to pay principal under any commercial paper facility. On August 31, 2014 we had no commercial paper outstanding.

Miscellaneous short-term notes payable totaled $0.3 million as of August 31, 2014.

(b) Cofina Funding, LLC (Cofina Funding), a wholly-owned subsidiary of CHS Capital, has available credit totaling $350.0 million as of August 31, 2014, under note purchase agreements with various purchasers, through the issuance of short-term notes payable. CHS Capital sells eligible commercial loans receivable it has originated to Cofina Funding, which are then pledged as collateral under the note purchase agreements. The notes payable issued by Cofina Funding bear interest at variable rates based on commercial paper with a weighted average rate of 1.05% as of August 31, 2014. There were no borrowings by Cofina Funding utilizing the issuance of commercial paper under the note purchase agreements as of August 31, 2014.

CHS Capital has available credit under master participation agreements with numerous counterparties. Borrowings under these agreements are accounted for as secured borrowings and bear interest at variable rates ranging from 1.81% to 2.66% as of August 31, 2014. As of August 31, 2014, the total funding commitment under these agreements was $164.5 million, of which $17.6 million was borrowed.

CHS Capital sells loan commitments it has originated to ProPartners Financial (ProPartners) on a recourse basis. The total capacity for commitments under the ProPartners program is $300.0 million. The total outstanding commitments under the program totaled $102.8 million as of August 31, 2014, of which $64.6 million was borrowed under these commitments with an interest rate of 1.58%.

CHS Capital borrows funds under short-term notes issued as part of a surplus funds program. Borrowings under this program are unsecured and bear interest at variable rates ranging from 0.10% to 0.90% as of August 31, 2014, and are due upon demand. Borrowings under these notes totaled $236.6 million as of August 31, 2014.

Long-Term Debt

Long-term debt as of August 31, 2014 and 2013 consisted of the following:

(DOLLARS IN THOUSANDS)	2014	2013
5.59% unsecured revolving term loans from cooperative and other banks, due in equal installments beginning in 2013 through 2018	$ 105,000	$ 135,000
6.18% unsecured notes $400 million face amount, due in equal installments beginning in 2014 through 2018	320,000	400,000
5.60% unsecured notes $60 million face amount, due in equal installments beginning in 2012 through 2018	32,308	41,539
5.25% unsecured notes $125 million face amount, due in equal installments beginning in 2011 through 2015	25,000	50,000
5.78% unsecured notes $50 million face amount, due in equal installments beginning in 2014 through 2018	40,000	50,000
4.00% unsecured notes $100 million face amount, due in equal installments beginning in 2017 through 2021	100,000	100,000
4.08% unsecured notes $130 million face amount, due in 2019 (a)	130,840	130,000
4.52% unsecured notes $160 million face amount, due in 2021	160,000	160,000
4.67% unsecured notes $130 million face amount, due in 2023 (a)	133,360	130,000
3.85% unsecured notes $80 million face amount, due in 2025	80,000	80,000
3.80% unsecured notes $100 million face amount, due in 2025	100,000	100,000
4.82% unsecured notes $80 million face amount, due in 2026	80,000	80,000
4.71% unsecured notes $100 million face amount, due in 2033	100,000	100,000
Other notes and contracts with interest rates from 1.30% to 15.25% (b)	49,992	50,493
Total long-term debt	1,456,500	1,607,032
Less current portion	156,836	156,612
Long-term portion	$1,299,664	$1,450,420

(a) We have entered into interest rate swaps designated as fair value hedging relationships with these notes. Changes in the fair value of the swaps are recorded each period with a corresponding adjustment to the carrying value of the debt. See Note 12, *Derivative Financial Instruments and Hedging Activities* for more information.

(b) Other notes and contracts payable of $14.3 million were collateralized on August 31, 2014.

As of August 31, 2014, the carrying value of our long-term debt approximated its fair value, based on quoted market prices of similar debt (a Level 2 classification in the fair value hierarchy).

Long-term debt outstanding as of August 31, 2014 has aggregate maturities, excluding fair value adjustments, as follows:

(DOLLARS IN THOUSANDS)	
2015	$ 156,836
2016	139,326
2017	149,852
2018	162,119
2019	150,622
Thereafter	693,545
Total	$ 1,452,300

Interest, net for the years ended August 31, 2014, 2013 and 2012 was as follows:

(DOLLARS IN THOUSANDS)	2014	2013	2012
Interest expense	$ 79,614	$ 99,271	$ 94,090
Interest—purchase of NCRA noncontrolling interests	70,843	149,087	113,184
Capitalized interest	(8,528)	(10,579)	(8,882)
Interest income	(6,987)	(6,212)	(5,129)
Interest, net	$ 134,942	$ 231,567	$ 193,263

EIGHT

Income Taxes

The provision for income taxes for the years ended August 31, 2014, 2013 and 2012 is as follows:

(DOLLARS IN THOUSANDS)	2014	2013	2012
Current			
Federal	$ 38,653	$(18,018)	$ 9,565
State	31,203	11,805	7,851
Foreign	2,837	3,162	4,812
	72,693	(3,051)	22,228
Deferred			
Federal	(23,444)	92,102	66,707
State	(1,893)	1,685	1,617
Foreign	940	(1,070)	(9,700)
	(24,397)	92,717	58,624
Total	$ 48,296	$ 89,666	$ 80,852

Deferred taxes are comprised of basis differences related to investments, accrued liabilities and certain federal and state tax credits. Effective September 1, 2013, NCRA files as part of our consolidated income tax returns and, as such, these items are assessed in conjunction with our deferred tax assets when determining recoverability.

Domestic income before income taxes was $1.2 billion, $1.1 billion, and $1.4 billion for the years ended August 31, 2014, 2013 and 2012 respectively. Foreign activity made up the difference between the total income before income taxes and the domestic amounts.

Deferred tax assets and liabilities as of August 31, 2014 and 2013 were as follows:

(DOLLARS IN THOUSANDS)	2014	2013
Deferred tax assets:		
Accrued expenses	$ 76,255	$ 66,973
Postretirement health care and deferred compensation	83,346	57,130
Tax credit carryforwards	70,881	97,242
Loss carryforwards	53,793	57,174
Other	52,956	40,868
Deferred tax assets valuation	(111,509)	(79,623)
Total deferred tax assets	225,722	239,764
Deferred tax liabilities:		
Pension	12,855	6,752
Investments	88,425	91,453
Major maintenance	26,020	31,960
Property, plant and equipment	576,007	529,101
Total deferred tax liabilities	703,307	659,266
Net deferred tax liabilities	$ 477,585	$ 419,502

We have total gross loss carry forwards of $247.8 million, of which $152.1 million will expire over periods ranging from fiscal 2015 to fiscal 2036. The remainder will carry forward indefinitely. NCRA's gross state tax credit carry forwards for income tax are approximately $63.4 million and $88.1 million as of August 31, 2014, and 2013, respectively. During the year ended August 31, 2014, the valuation allowance for NCRA decreased by $8.0 million due to a change in the amount of state tax credits that are estimated to be utilized. NCRA's valuation allowance is necessary due to the limited amount of taxable income it generates on an annual basis. Based on estimates of future taxable profits and losses in certain foreign tax jurisdictions, we determined that a valuation allowance was required for specific foreign loss carry forwards as of August 31, 2014. If these estimates prove inaccurate, a change in the valuation allowance, up or down, could be required in the future. During 2014, valuation allowances related to foreign operations increased by $39.9 million due to net operating loss carryforwards and other timing differences.

Our foreign tax credit of $5.6 million will expire on August 31, 2019 and our alternative minimum tax credit of $5.6 million will not expire. Our general business credits of $18.5 million, comprised primarily of low sulfur diesel credits, will begin to expire on August 31, 2026.

As of August 31, 2014, deferred tax assets of $86.5 million and $2.6 million were included in other current assets and other assets, respectively. As of August 31, 2013, net deferred tax assets of $39.3 million were included in other current assets.

The reconciliation of the statutory federal income tax rates to the effective tax rates for the years ended August 31, 2014, 2013 and 2012 is as follows:

	2014	2013	2012
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	1.6	0.9	0.5
Patronage earnings	(20.5)	(22.9)	(24.2)
Domestic production activities deduction	(10.0)	(8.5)	(3.5)
Export activities at rates other than the U.S. statutory rate	1.2	0.6	0.4
Valuation allowance	1.7	2.3	0.6
Tax credits	(3.1)	(0.5)	(1.3)
Non-controlling interests	—	(0.1)	(1.9)
Other	(1.6)	1.5	0.1
Effective tax rate	4.3%	8.3%	5.7%

We file income tax returns in the U.S. federal jurisdiction, and 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. In addition to the current year, fiscal 2006 through 2013 remain subject to examination, at least for certain issues.

We account for our income tax provisions in accordance with Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, which prescribes a minimum threshold that a tax provision is required to meet before being recognized in our consolidated financial statements. This interpretation requires us to recognize in our consolidated financial statements tax positions determined more likely than not to be sustained upon examination, based on the technical merits of the position. Reconciliation of the gross beginning and ending amounts of unrecognized tax benefits for the periods presented follows:

(DOLLARS IN THOUSANDS)	2014	2013	2012
Balance at beginning of period	$ 67,271	$ 67,271	$ 67,271
Additions attributable to prior year tax positions	35,718	—	—
Reductions attributable to prior year tax positions	(9,867)	—	—
Reductions attributable to statute expiration	(20,941)	—	—
Balance at end of period	$ 72,181	$ 67,271	$ 67,271

During fiscal 2014, we increased our unrecognized tax benefits for excise tax credits related to the blending and sale of renewable fuels deducted for income taxes.

If we were to prevail on all tax positions taken relating to uncertain tax positions, all of the unrecognized tax benefits would benefit the effective tax rate. We do not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease during the next 12 months.

We recognize interest and penalties related to unrecognized tax benefits in our provision for income taxes. No amount was recognized in our Consolidated Statements of Operations for interest related to unrecognized tax benefits for the year ended August 31, 2014. For the years ended August 31, 2013 and 2012, we recognized $0.2 million and $0.2 million, respectively, for interest related to unrecognized tax benefits. We recorded no interest payable related to unrecognized tax benefits on our Consolidated Balance Sheets as of August 31, 2014 and $0.6 million as of August 31, 2013.

NINE

Equities

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 is determined annually by the Board of Directors, with the balance issued in the form of qualified and non-qualified capital equity certificates. Total qualified patronage refunds for fiscal 2014 are estimated to be $662.1 million, with the cash portion estimated to be $264.8 million. The portion to be issued in the form of non-qualified capital equity certificates is estimated to be $148.6 million. The actual patronage refunds and cash portion for fiscal 2013, 2012, and 2011 were $841.1 million ($286.8 million in cash), $976.0 million ($380.9 million in cash), and $676.3 million ($260.7 million in cash), respectively.

Annual net savings 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 2014, 2013, and 2012 be added to our capital reserves.

Redemptions 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 non-individuals (primarily member cooperatives) who may participate in an annual program for 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, 2014 that will be distributed in fiscal 2015, to be approximately $130.1 million. These expected distributions are classified as a current liability on the August 31, 2014 Consolidated Balance Sheet. For the years ended August 31, 2014, 2013 and 2012, we redeemed in cash, equities in accordance with authorization from the Board of Directors, in the amounts of $99.6 million, $193.4 million and $145.7 million, respectively. Additionally, in fiscal 2014, we redeemed $200.0 million of patron's equities by issuing 6,752,188 shares of preferred stock in exchange for member's equity certificates.

Preferred Stock

Our 8% Preferred Stock is listed on the NASDAQ under the symbol CHSCP. On August 31, 2014, we had 12,272,003 shares of 8% Preferred Stock outstanding with a total redemption value of $306.8 million, excluding accumulated dividends. The 8% Preferred Stock accumulates dividends at a rate of 8% per year, which are payable quarterly. During the year ended August 31, 2013, we amended the terms of our 8% Preferred Stock to provide that it may not be redeemed at our option until July 18, 2023.

On August 31, 2014, we had 18,071,363 shares of our Class B Series 1 Preferred Stock outstanding with a total redemption value of $451.8 million, excluding accumulated dividends. We issued 11,319,175 shares in September 2013, which yielded net proceeds of approximately $273.3 million after deducting the underwriting discount and offering expenses payable by us. In addition, we issued an additional 6,752,188 shares in August 2014, to redeem approximately $200.0 million of qualified equity certificates to eligible owners at a market price of $29.62 per share. Our Class B Series 1 Preferred Stock is listed on the NASDAQ under the symbol CHSCO and accumulates dividends at a rate of 7.875% per year, which are payable quarterly. The Class B Series 1 Preferred Stock may be redeemed at our option beginning September 26, 2023.

In March 2014, we issued 16,800,000 shares of Class B Series 2 Preferred Stock with a total redemption value of $420.0 million excluding accumulated dividends. Net proceeds from the sale of our Class B Series 2 Preferred Stock, after deducting the underwriting discount and offering expenses payable by us, were $406.3 million. The Class B Series 2 Preferred Stock is listed on the NASDAQ under the symbol CHSCN and accumulates dividends at a rate of 7.10% per year until March 31, 2024, and at a rate equal to the three-month LIBOR plus 4.298%, not to exceed 8.00% per annum, subsequent to March 31, 2024, which are payable quarterly. Our Class B Series 2 Preferred Stock may be redeemed at our option beginning March 31, 2024.

In June 2014, we filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission (SEC). Under the shelf registration, which has been declared effective by the SEC, we may offer and sell, from time to time, up to $2.0 billion of our Class B Cumulative Redeemable Preferred Stock over a three-year period. In September 2014, we issued 19,700,000 shares of Class B Series 3 Preferred Stock with a total redemption value of $492.5 million, excluding accumulated dividends. Net proceeds from the sale of our Class B Series 3 Preferred Stock, after deducting the underwriting discount and offering expenses payable by us, were approximately $477.0 million. The Class B Series 3 Preferred Stock is listed on the NASDAQ under the symbol

CHSCM and accumulates dividends at a rate of 6.75% per year until September 30, 2024, and at a rate equal to the three-month LIBOR plus 4.155%, not to exceed 8.00% per annum, subsequent to September 30, 2024, which are payable quarterly. Our Class B Series 3 Preferred Stock may be redeemed at our option beginning September 30, 2024.

We made dividend payments on our preferred stock of $50.8 million, $24.5 million, and $24.5 million, during the years ended August 31, 2014, 2013 and 2012, respectively. As of August 31, 2014 we have no authorized but unissued shares of preferred stock.

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive income (loss) by component, net of tax, for the years ended August 31, 2014 and 2013 are as follows:

(DOLLARS IN THOUSANDS)	PENSION AND OTHER POSTRETIREMENT BENEFITS	UNREALIZED NET GAIN ON AVAILABLE FOR SALE INVESTMENTS	CASH FLOW HEDGES	FOREIGN CURRENCY TRANSLATION ADJUSTMENT	TOTAL
Balance as of August 31, 2012	$ (228,727)	$ 1,391	$ (3,806)	$ (1,445)	$ (232,587)
Current period other comprehensive income (loss), net of tax	46,471	979	15,491	(3,866)	59,075
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	16,645	—	—	—	16,645
Net other comprehensive income (loss), net of tax	63,116	979	15,491	(3,866)	75,720
Balance as of August 31, 2013	(165,611)	2,370	11,685	(5,311)	(156,867)
Current period other comprehensive income (loss), net of tax	(90)	2,028	(6,011)	(1,957)	(6,030)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	13,849	—	(8,396)	687	6,140
Net other comprehensive income (loss), net of tax	13,759	2,028	(14,407)	(1,270)	110
Balance as of August 31, 2014	$ (151,852)	$ 4,398	$ (2,722)	$ (6,581)	$ (156,757)

Amounts reclassified from accumulated other comprehensive income (loss) were related to pension and other postretirement benefits, cash flow hedges and foreign currency translation adjustments, and were recorded to net income. Pension and other postretirement reclassifications include amortization of net actuarial loss, prior service credit and transition amounts as disclosed in Note 10, *Benefit Plans*. In February 2014, interest rate swaps, which were previously accounted for as cash flow hedges, were terminated as the issuance of the underlying debt was no longer probable. As a result, a $13.5 million gain was reclassified from accumulated other comprehensive loss into net income. This pre-tax gain is included as a component of interest, net in our Consolidated Statement of Operations for the year ended August 31, 2014.

Noncontrolling Interests

As described in Note 17, *Acquisitions*, we have a firm commitment to purchase the remaining NCRA noncontrolling interests. The following table presents the effects of changes in our NCRA ownership interest on CHS Inc. equities for the years ended August 31, 2014, 2013, and 2012.

(DOLLARS IN THOUSANDS)	2014	2013	2012
Net income attributable to CHS Inc.	$ 1,081,435	$992,386	$1,260,628
Transfers to noncontrolling interests:			
Decrease in CHS Inc. capital reserves for purchase of noncontrolling interests	—	—	(82,138)
Changes from net income attributable to CHS Inc. and transfers to noncontrolling interests	$ 1,081,435	$992,386	$ 1,178,490

TEN

Benefit Plans

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

Financial information on changes in benefit obligation, plan assets funded and balance sheets status as of August 31, 2014 and 2013 is as follows:

	QUALIFIED PENSION BENEFITS		NON-QUALIFIED PENSION BENEFITS		OTHER BENEFITS	
(DOLLARS IN THOUSANDS)	2014	2013	2014	2013	2014	2013
Change in benefit obligation:						
Benefit obligation at beginning of period	$ 641,284	$ 671,066	$ 36,225	$ 34,470	$ 45,542	$ 64,189
Service cost	30,417	31,387	860	721	1,729	2,936
Interest cost	29,900	25,445	1,660	1,316	1,918	2,275
Actuarial (gain) loss	1,973	12,819	393	3,455	(4,135)	(5,243)
Assumption change	57,406	(64,483)	2,421	(1,952)	1,425	(16,693)
Plan amendments	647	—	—	—	—	—
Medicare D	—	—	—	—	—	92
Benefits paid	(40,734)	(34,950)	(3,576)	(1,785)	(2,161)	(2,014)
Benefit obligation at end of period	$720,893	$ 641,284	$ 37,983	$ 36,225	$ 44,318	$ 45,542
Change in plan assets:						
Fair value of plan assets at beginning of period	$730,628	$ 688,196	$ —	$ —	$ —	$ —
Actual gain (loss) on plan assets	106,531	53,582	—	—	—	—
Company contributions	25,700	23,800	3,576	1,785	2,161	2,014
Benefits paid	(40,734)	(34,950)	(3,576)	(1,785)	(2,161)	(2,014)
Fair value of plan assets at end of period	$ 822,125	$730,628	$ —	$ —	$ —	$ —
Funded status at end of period	$ 101,232	$ 89,344	$ (37,983)	$(36,225)	$ (44,318)	$(45,542)
Amounts recognized on balance sheet:						
Non-current assets	$ 103,125	$ 89,930	$ —	$ —	$ —	$ —
Accrued benefit cost:						
Current liabilities	—	—	(3,222)	(3,051)	(2,787)	(2,919)
Non-current liabilities	(1,893)	(586)	(34,761)	(33,174)	(41,531)	(42,623)
Ending balance	$ 101,232	$ 89,344	$ (37,983)	$(36,225)	$ (44,318)	$(45,542)
Amounts recognized in accumulated other comprehensive loss (pretax):						
Prior service cost (credit)	$ 6,848	$ 7,794	$ 859	$ 1,088	$ (592)	$ (712)
Net (gain) loss	235,564	253,288	12,542	10,685	(7,573)	(5,415)
Ending balance	$ 242,412	$ 261,082	$ 13,401	$ 11,773	$ (8,165)	$ (6,127)

The accumulated benefit obligation of the qualified pension plans was $682.1 million and $605.6 million at August 31, 2014 and 2013, respectively. The accumulated benefit obligation of the non-qualified pension plans was $22.7 million and $20.1 million at August 31, 2014 and 2013, respectively.

The assumption changes for the years ended August 31, 2014 and 2013 were related to increases in and reductions to the discount rates for both CHS and NCRA qualified pension plans, respectively. The changes in the discount rates were due to changes in the yield curves for investment grade corporate bonds that CHS and NCRA have historically used.

Components of net periodic benefit costs for the years ended August 31, 2014, 2013 and 2012 are as follows:

	QUALIFIED PENSION BENEFITS			NON-QUALIFIED PENSION BENEFITS			OTHER BENEFITS		
(DOLLARS IN THOUSANDS)	2014	2013	2012	2014	2013	2012	2014	2013	2012
Components of net periodic benefit costs:									
Service cost	$ 30,417	$ 31,387	$ 26,010	$ 860	$ 721	$ 279	$ 1,729	$ 2,936	$ 2,556
Interest cost	29,900	25,445	24,119	1,660	1,316	1,343	1,918	2,275	2,638
Expected return on assets	(47,655)	(49,728)	(40,904)	—	—	—	—	—	—
Prior service cost (credit) amortization	1,593	1,597	1,831	229	228	228	(493)	(120)	(104)
Actuarial loss amortization	18,228	22,615	15,131	957	921	428	(180)	1,104	891
Transition amount amortization	—	—	—	—	—	—	—	562	936
Net periodic benefit cost	$ 32,483	$ 31,316	$ 26,187	$ 3,706	$ 3,186	$ 2,278	$ 2,974	$ 6,757	$ 6,917
Weighted-average assumptions to determine the net periodic benefit cost:									
Discount rate	4.80%	3.80%	5.00%	4.50%	4.25%	5.00%	3.75%	3.75%	4.75%
Expected return on plan assets	6.75%	7.25%	7.25%	N/A	N/A	N/A	N/A	N/A	N/A
Rate of compensation increase	4.85%	4.50%	4.50%	4.75%	4.75%	4.75%	4.50%	4.50%	4.50%
Weighted-average assumptions to determine the benefit obligations:									
Discount rate	4.00%	4.80%	3.80%	4.50%	4.50%	4.00%	4.60%	3.75%	3.75%
Rate of compensation increase	4.90%	4.85%	4.50%	4.80%	4.75%	4.75%	4.50%	4.50%	4.50%

The estimated amortization in fiscal 2015 from accumulated other comprehensive loss into net periodic benefit cost is as follows:

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS	NON-QUALIFIED PENSION BENEFITS	OTHER BENEFITS
Amortization of prior service cost (benefit)	$ 1,648	$ 229	$ (120)
Amortization of net actuarial (gain) loss	19,604	1,044	(421)

For measurement purposes, a 6.9% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended August 31, 2014. The rate was assumed to decrease gradually to 4.8% by 2026 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	$ 390	$ (370)
Effect on postretirement benefit obligation	5,000	(4,800)

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.

We have other contributory defined contribution plans covering substantially all employees. Total contributions by us to these plans were $24.6 million, $22.9 million and $20.6 million, for the years ended August 31, 2014, 2013 and 2012, respectively.

We voluntarily contributed $25.7 million to qualified pension plans in fiscal 2014. Based on the funded status of the qualified pension plans as of August 31, 2014, we do not believe we will be required to contribute to these plans in fiscal 2015, although we may voluntarily elect to do so. We expect to pay $6.0 million to participants of the non-qualified pension and postretirement benefit plans during fiscal 2015.

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

(DOLLARS IN THOUSANDS)	QUALIFIED PENSION BENEFITS	NON-QUALIFIED PENSION BENEFITS	OTHER BENEFITS	
			GROSS	MEDICARE D
2015	$ 35,797	$ 3,222	$ 2,787	$ 100
2016	44,287	721	2,911	100
2017	49,495	3,474	3,085	100
2018	49,844	1,461	3,222	100
2019	52,956	5,575	3,280	100
2020–2024	295,700	23,145	18,101	500

We have trusts that hold the assets for the defined benefit plans. CHS and NCRA have qualified plan committees that set investment guidelines with the assistance of external consultants. Investment objectives for the plans' assets are as follows:

- Optimization of the long-term returns on plan assets at an acceptable level of risk
- Maintenance of a broad diversification across asset classes and among investment managers
- 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. During fiscal 2013, the CHS pension plans' investment policy strategy was adjusted so that liabilities match assets, which was accomplished through changes to the asset portfolio mix to reduce volatility and de-risk the plan. Thus, the plans' target allocation percentages were changed to 50% in fiscal 2013 for fixed income securities, and 50% in fiscal 2013 for equity securities. 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.

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.

The investment portfolio contains a diversified portfolio of investment categories, including domestic and international 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.

The committees believe that with prudent risk tolerance and asset diversification, the plans should be able to meet pension obligations in the future.

Our pension plans' fair value measurements at August 31, 2014 and 2013 are as follows:

	2014			
(DOLLARS IN THOUSANDS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	$ 4,218	$ —	$ —	$ 4,218
Equities:				
Mutual funds	84,830	66,485	—	151,315
Fixed income securities:				
Mutual funds	138,458	488,526	1,749	628,733
Partnership and joint venture interests	—	28,157	9,492	37,649
Other	—	—	210	210
Total	$227,506	$ 583,168	$ 11,451	$ 822,125

	2013			
(DOLLARS IN THOUSANDS)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash and cash equivalents	$ 667	$ —	$ —	$ 667
Equities:				
Mutual funds	113,982	80,619	—	194,601
Fixed income securities:				
Mutual funds	75,729	409,996	1,940	487,665
Partnership and joint venture interests	—	26,014	3,403	29,417
Other	—	—	18,278	18,278
Total	$ 190,378	$ 516,629	$ 23,621	$730,628

Definitions for valuation levels are found in Note 13, *Fair Value Measurements*. We use the following valuation methodologies for assets measured at fair value.

Mutual funds: Valued at quoted market prices, which are based on the net asset value of shares held by the plan at year end. Mutual funds traded in active markets are classified within Level 1 of the fair value hierarchy. Certain of the mutual fund investments held by the plan have observable inputs other than Level 1 and are classified within Level 2 of the fair value hierarchy.

Partnership and joint venture interests: Valued at the net asset value of shares held by the plan at year end 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. Certain of these investments have observable inputs other than Level 1 and are classified accordingly within Level 2 of the fair value hierarchy. Other investments in this category are valued using significant unobservable inputs and are classified within Level 3 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although we believe our valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following tables set forth a summary of changes in the fair value of the plan's Level 3 assets for the years ended August 31, 2014 and 2013:

	2014				
(DOLLARS IN THOUSANDS)	MUTUAL FUNDS	PARTNERSHIP AND JOINT VENTURE INTERESTS	REAL ESTATE FUNDS	HEDGE FUNDS	TOTAL
Balances at beginning of period	$ 1,940	$ 3,403	$ 18,156	$ 122	$ 23,621
Unrealized gains (losses)	(3)	118	543	5	663
Realized gains (losses)	79	187	—	—	266
Sales	(12)	—	(18,604)	(14)	(18,630)
Purchases	—	5,784	2	—	5,786
Transfers out of level 3	(255)	—	—	—	(255)
Total	$ 1,749	$ 9,492	$ 97	$ 113	$ 11,451

	2013				
(DOLLARS IN THOUSANDS)	MUTUAL FUNDS	PARTNERSHIP AND JOINT VENTURE INTERESTS	REAL ESTATE FUNDS	HEDGE FUNDS	TOTAL
Balances at beginning of period	$ 1,868	$ —	$ 16,257	$ 127	$ 18,252
Unrealized gains (losses)	(4)	—	1,894	7	1,897
Realized gains (losses)	82	—	(10)	—	72
Sales	(12)	—	—	(12)	(24)
Purchases	—	3,403	15	—	3,418
Transfers into level 3	6	—	—	—	6
Total	$ 1,940	$ 3,403	$ 18,156	$ 122	$ 23,621

We are one of approximately 400 employers that contribute 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.

Our participation in the Co-op Plan for the years ended August 31, 2014, 2013, and 2012 is outlined in the table below:

(DOLLARS IN THOUSANDS)		CONTRIBUTIONS OF CHS				
PLAN NAME	EIN/PLAN NUMBER	2014	2013	2012	SURCHARGE IMPOSED	EXPIRATION DATE OF COLLECTIVE BARGAINING AGREEMENT
Co-op Retirement Plan	01-0689331/001	$ 2,079	$ 2,095	$ 1,885	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).

The Pension Protection Act of 2006 (PPA) does not apply to the Co-op Plan because it is covered and defined as a single-employer plan. There is a special exemption for cooperative plans defining them under the single-employer plan as long as 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 employer. The most recent financial statements available in 2014 and 2013 are for the Co-op Plan's year-end at March 31, 2013 and 2012, 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 multi-employer pension plans were immaterial in fiscal 2014, 2013 and 2012.

ELEVEN

Segment Reporting

We have aligned our segments based on an assessment of how our businesses are operated and the products and services they sell.

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 grains and oilseeds originated by our country operations business, by our member cooperatives and by third parties, and also serves as a wholesaler and retailer of crop inputs. Corporate and Other primarily represents our non-consolidated wheat milling and packaged food joint ventures, as well as our business solutions operations, which consists of commodities hedging, insurance and financial services related to crop production.

Corporate administrative expenses and interest are allocated to each business segment, and Corporate and Other, based on direct usage for services that can be tracked, 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 operating results will vary throughout the year. Historically, our income is generally lowest during the second fiscal quarter and highest during the third fiscal quarter. For example, in our Ag segment, our agronomy and country operations businesses experience higher volumes and income during the spring planting season and in the fall, which corresponds to harvest. Also in our Ag segment, our grain marketing operations are subject to fluctuations in volumes and earnings based on producer harvests, world grain prices and demand. Our Energy segment generally experiences higher volumes and profitability in certain operating areas, such as refined products, in the summer and early fall when gasoline and diesel fuel usage is highest and is subject to global supply and demand forces. Other energy products, such as propane, may experience higher volumes and profitability during the winter heating and 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, grains, oilseeds, 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 the weather, crop damage due to disease or insects, drought, the availability and adequacy of supply, government regulations and policies, world events, and general political and economic conditions.

While our revenues and operating results are derived from businesses and operations which are wholly-owned and majority-owned, a portion of our business operations are conducted through companies in which we hold ownership interests of 50% or less and 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 principally includes our 50% ownership in TEMCO. In Corporate and Other, these investments principally include our 50% ownership in Ventura Foods and our 12% ownership in Ardent Mills.

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, 2014, 2013 and 2012 is as follows:

(DOLLARS IN THOUSANDS)	ENERGY	AG	CORPORATE AND OTHER	RECONCILING AMOUNTS	TOTAL
For the year ended August 31, 2014:					
Revenues	$ 14,319,979	$ 28,894,816	$ 70,707	$ (621,469)	$ 42,664,033
Cost of goods sold	13,364,872	28,273,515	(120)	(621,469)	41,016,798
Gross profit	955,107	621,301	70,827	—	1,647,235
Marketing, general and administrative	154,992	379,714	67,892	—	602,598
Operating earnings	800,115	241,587	2,935	—	1,044,637
(Gain) loss on investments	—	(1,949)	(112,213)	—	(114,162)
Interest, net	68,434	56,544	9,964	—	134,942
Equity (income) loss from investments	(4,014)	(22,279)	(81,153)	—	(107,446)
Income before income taxes	$ 735,695	$ 209,271	$ 186,337	$ —	$ 1,131,303
Intersegment revenues	$ (577,539)	$ (43,930)	$ —	$ 621,469	$ —
Goodwill	$ 1,165	$ 150,633	$ 6,898	$ —	$ 158,696
Capital expenditures	$ 564,104	$ 329,664	$ 50,120	$ —	$ 943,888
Depreciation and amortization	$ 133,757	$ 122,132	$ 11,278	$ —	$ 267,167
Total identifiable assets	$ 4,601,122	$ 6,657,840	$ 3,888,017	$ —	$ 15,146,979
For the year ended August 31, 2013:					
Revenues	$ 12,982,293	$ 31,909,791	$ 69,238	$ (481,465)	$ 44,479,857
Cost of goods sold	11,846,458	31,341,453	(241)	(481,465)	42,706,205
Gross profit	1,135,835	568,338	69,479	—	1,773,652
Marketing, general and administrative	172,136	312,616	68,871	—	553,623
Operating earnings	963,699	255,722	608	—	1,220,029
(Gain) loss on investments	—	(27)	(155)	—	(182)
Interest, net	148,366	71,597	11,604	—	231,567
Equity (income) loss from investments	(1,357)	(15,194)	(80,799)	—	(97,350)
Income before income taxes	$ 816,690	$ 199,346	$ 69,958	$ —	$ 1,085,994
Intersegment revenues	$ (481,465)	$ —	$ —	$ 481,465	$ —
Goodwill	$ 1,165	$ 77,000	$ 6,898	$ —	$ 85,063
Capital expenditures	$ 452,859	$ 198,892	$ 7,622	$ —	$ 659,373
Depreciation and amortization	$ 120,447	$ 105,654	$ 15,690	$ —	$ 241,791
Total identifiable assets	$ 4,409,594	$ 6,146,547	$ 2,948,129	$ —	$ 13,504,270
For the year ended August 31, 2012:					
Revenues	$ 12,816,542	$ 28,181,445	$ 68,882	$ (467,583)	$ 40,599,286
Cost of goods sold	11,514,463	27,544,040	(2,777)	(467,583)	38,588,143
Gross profit	1,302,079	637,405	71,659	—	2,011,143
Marketing, general and administrative	155,786	273,757	68,690	—	498,233
Operating earnings	1,146,293	363,648	2,969	—	1,512,910
(Gain) loss on investments	4,008	1,049	408	—	5,465
Interest, net	122,302	57,915	13,046	—	193,263
Equity (income) loss from investments	(7,537)	(22,737)	(72,115)	—	(102,389)
Income before income taxes	$ 1,027,520	$ 327,421	$ 61,630	$ —	$ 1,416,571
Intersegment revenues	$ (467,583)	$ —	$ —	$ 467,583	$ —
Capital expenditures	$ 294,560	$ 168,825	$ 5,226	$ —	$ 468,611
Depreciation and amortization	$ 109,496	$ 92,538	$ 17,598	$ —	$ 219,632

ELEVEN: *Segment Reporting, continued*

We have international sales, which are predominantly in our Ag segment. The following table represents our product sales, based on the geographic locations in which the sales originated, for the years ended August 31, 2014, 2013 and 2012:

(DOLLARS IN MILLIONS)	2014	2013	2012
North America	$37,947	$ 39,918	$37,503
South America	2,119	2,511	1,444
Europe, the Middle East and Africa (EMEA)	1,594	1,040	1,064
Asia Pacific (APAC)	642	680	290
	$42,302	$44,149	$40,301

TWELVE

Derivative Financial Instruments and Hedging Activities

Our derivative instruments primarily consist of commodity and freight futures and forward contracts and, to a minor degree, may include foreign currency and interest rate swap contracts. These contracts are economic hedges of price risk, but are not designated or accounted for as hedging instruments for accounting purposes, with the exception of certain interest rate swap contracts which are accounted for as cash flow or fair value hedges as described below. Derivative instruments are recorded on our Consolidated Balance Sheets at their fair values as described in Note 13, *Fair Value Measurements*.

The following tables present the gross amounts of derivative assets, derivative liabilities, and margin deposits (cash collateral) recorded on our Consolidated Balance Sheets along with the related amounts permitted to be offset in accordance with U.S. GAAP. We have elected not to offset derivative assets and liabilities when we have the right of offset under ASC Topic 210-20, *Balance Sheet—Offsetting*; or when the instruments are subject to master netting arrangements under ASC Topic 815-10-45, *Derivatives and Hedging—Overall*.

	AUGUST 31, 2014			
		AMOUNTS NOT OFFSET ON OUR CONSOLIDATED BALANCE SHEET BUT ELIGIBLE FOR OFFSETTING		
(DOLLARS IN THOUSANDS)	GROSS AMOUNTS RECOGNIZED	CASH COLLATERAL	DERIVATIVE INSTRUMENTS	NET AMOUNTS
Derivative Assets:				
Commodity and freight derivatives	$ 597,210	$ —	$ 42,229	$ 554,981
Foreign exchange derivatives	2,523	—	1,174	1,349
Interest rate derivatives—hedge	4,200	—	—	4,200
Total	$ 603,933	$ —	$43,403	$ 560,530
Derivative Liabilities:				
Commodity and freight derivatives	$ 597,612	$2,504	$ 42,229	$ 552,879
Foreign exchange derivatives	2,248	—	1,174	1,074
Interest rate derivatives—non-hedge	130	—	—	130
Total	$ 599,990	$2,504	$43,403	$ 554,083

(DOLLARS IN THOUSANDS)	AUGUST 31, 2013			
		AMOUNTS NOT OFFSET ON OUR CONSOLIDATED BALANCE SHEET BUT ELIGIBLE FOR OFFSETTING		
	GROSS AMOUNTS RECOGNIZED	CASH COLLATERAL	DERIVATIVE INSTRUMENTS	NET AMOUNTS
Derivative Assets:				
Commodity and freight derivatives	$ 468,673	$ —	$ 53,107	$ 415,566
Foreign exchange derivatives	7,079	—	957	6,122
Interest rate derivatives—hedge	24,135	—	—	24,135
Interest rate derivatives—non-hedge	3	—	3	—
Total	$499,890	$ —	$54,067	$ 445,823
Derivative Liabilities:				
Commodity and freight derivatives	$ 458,893	$ 1,591	$ 53,107	$ 404,195
Foreign exchange derivatives	5,925	—	957	4,968
Interest rate derivatives—non-hedge	248	—	3	245
Total	$465,066	$ 1,591	$54,067	$409,408

Derivatives Not Designated as Hedging Instruments

The majority of our derivative instruments have not been designated as hedging instruments. The following table sets forth the pretax gains (losses) on derivatives not designated as hedging instruments that have been included in our Consolidated Statements of Operations for the years ended August 31, 2014, 2013, and 2012.

(DOLLARS IN THOUSANDS)	LOCATION OF GAIN (LOSS)	2014	2013	2012
Commodity and freight derivatives	Cost of goods sold	$ 210,164	$ (482,352)	$ 311,167
Foreign exchange derivatives	Cost of goods sold	(5,595)	(452)	(5,219)
Interest rate derivatives	Interest, net	114	300	206
Total		$ 204,683	$(482,504)	$ 306,154

Commodity and Freight Contracts:
When we enter into a commodity or freight purchase or sales contract, we incur risks related to price changes and performance (including delivery, quality, quantity, and counterparty credit). We are exposed to risk of loss in the market value of positions held, consisting of inventory and purchase contracts at a fixed or partially fixed price in the event market prices decrease. We are also exposed to risk of loss on fixed or partially fixed price sales contracts in the event market prices increase.

Our commodity contracts primarily relate to grain, oilseed, energy (crude, refined products and propane) and fertilizer commodities. Our freight contracts primarily relate to rail, barge and ocean freight transactions. Our use of commodity and freight contracts reduces the effects of price volatility, thereby protecting us against adverse short-term price movements, while limiting the benefits of short-term price movements. To reduce the price change risks associated with holding fixed price commitments, we generally take opposite and offsetting positions by entering into commodity futures contracts or options in order to arrive at a net commodity position within the formal position limits we have established and deemed prudent for each commodity. These contracts are purchased and sold through regulated commodity futures exchanges for grain, and regulated mercantile exchanges for refined products and crude oil. We also use OTC instruments to hedge our exposure to price fluctuations on commodities and fixed price arrangements. The price risk we encounter for crude oil and most of the grain and oilseed volumes we handle can be hedged. Price risk associated with fertilizer and certain grains cannot be hedged with futures because there are no futures for these commodities and, as a result, risk is managed through the use of forward sales contracts and other pricing arrangements and, to some extent, cross-commodity futures hedging. Certain fertilizer and propane contracts are accounted for as normal purchase and normal sales transactions. We expect all normal purchase and normal sales transactions to result in physical settlement.

When a futures contract is entered into, an initial margin deposit must be sent to the applicable exchange or broker. The amount of the deposit is set by the exchange and varies by commodity. If the market price of a short futures contract increases, then an additional maintenance margin deposit would be required. Similarly, if the price of a long futures contract decreases, a maintenance margin deposit would be required and sent to the applicable exchange. Subsequent price changes could require additional maintenance margins or could result in the return of maintenance margins.

Our policy is to primarily maintain hedged positions in grain and oilseed. Our profitability from operations is 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. Our risk management policies and procedures include net position limits. These limits are defined for each commodity and include both trader and management limits. The policy and procedures in our grain marketing operations require a review by operations management when any trader is outside of position limits and also a review by senior management if operating areas are outside of position limits. A similar process is used in energy and wholesale crop nutrients operations. Position limits are reviewed, at least annually, with management and the Board of Directors. We monitor current market conditions and may expand or reduce our net position limits or procedures in response to changes in conditions. In addition, all purchase and sales contracts are subject to credit approvals and appropriate terms and conditions.

Hedging arrangements do not protect against nonperformance by counterparties to contracts. We primarily use exchange traded instruments which minimize exposure to counterparties' nonperformance. We evaluate exposure by reviewing contracts and adjusting the values to reflect potential nonperformance. Risk of nonperformance by counterparties includes the inability to perform because of the counterparty's financial condition and also the risk that the counterparty will refuse to perform on a contract during periods of price fluctuations where contract prices are significantly different than current market prices. We manage 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. 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, 2014 and 2013, we had the following outstanding purchase and sale contracts:

	2014		2013	
(UNITS IN THOUSANDS)	PURCHASE CONTRACTS	SALE CONTRACTS	PURCHASE CONTRACTS	SALE CONTRACTS
Grain and oilseed—bushels	665,690	938,140	521,979	806,295
Energy products—barrels	27,754	50,450	12,626	21,312
Soy products—tons	37	1,212	24	847
Crop nutrients—tons	1,613	1,607	968	1,050
Ocean and barge freight—metric tons	5,423	4,005	1,225	151
Rail freight—rail cars	321	186	220	43
Livestock—pounds	—	46,280	—	17,280

Foreign Exchange Contracts:

We conduct essentially all of our business in U.S. dollars, except for some grain marketing transactions primarily in South America and Europe, and purchases of products from Canada. We had minimal risk regarding foreign currency fluctuations during fiscal 2014 and in prior years, as substantially all international sales were denominated in U.S. dollars. From time to time, we enter into foreign currency futures contracts to mitigate currency fluctuations. Foreign currency fluctuations do, however, impact 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. As of August 31, 2014, we had $2.5 million included in derivative assets and $2.2 million included in derivative liabilities associated with foreign currency contracts.

Interest Rate Contracts:
CHS Capital, our wholly-owned finance subsidiary, has interest rate swaps that lock the interest rates of the underlying loans with a combined notional amount of $5.0 million expiring at various times through fiscal 2018, with $0.4 million of the notional amount expiring during fiscal 2015. None of CHS Capital's interest rate swaps qualify for hedge accounting and as a result, changes in fair value are recorded in earnings within interest, net in our Consolidated Statements of Operations. Long-term debt used to finance non-current assets carries various fixed interest rates and is payable at various dates to minimize the effects of market interest rate changes. The weighted-average interest rate on fixed rate debt outstanding on August 31, 2014 was approximately 5.6%.

Derivatives Designated as Cash Flow or Fair Value Hedging Strategies

As of August 31, 2014 and 2013, we have certain derivatives designated as cash flow hedges. As of August 31, 2014 we have certain derivatives designated as fair value hedges.

Interest Rate Contracts:
In fiscal 2013, we entered into derivative contracts designated as cash flow hedging instruments that were terminated in February 2014 as the issuance of the underlying debt was no longer probable. As a result, a $13.5 million gain was reclassified from accumulated other comprehensive loss into net income. This pre-tax gain is included as a component of interest, net in our Consolidated Statement of Operations for the year ended August 31, 2014.

In fiscal 2014, we entered into interest rate swaps with a notional amount of $260.0 million designated as fair value hedges of portions of our fixed-rate debt. Our objective is to offset changes in the fair value of the debt associated with the risk of variability in the 3-month U.S. Dollar LIBOR interest rate, in essence converting the fixed-rate debt to variable-rate debt. Offsetting changes in the fair values of both the swap instruments and the hedged debt are recorded contemporaneously each period and only create an impact to earnings to the extent that the hedge is ineffective. During fiscal 2014 we recorded offsetting fair value adjustments of $4.2 million, with no ineffectiveness recorded in earnings.

THIRTEEN

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 readily marketable inventories, derivative contracts 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 include exchange traded derivative contracts, Rabbi Trust investments, deferred compensation investments and available-for-sale investments.

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 marketable inventories, interest rate swaps, forward commodity and freight purchase and sales contracts, flat price or basis fixed derivative contracts and other OTC derivatives whose value is 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 table presents assets and liabilities, included on our Consolidated Balance Sheets, that are recognized at fair value on a recurring basis, and indicates the fair value hierarchy utilized to determine such fair value. 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 at August 31, 2014 and 2013 are as follows:

	2014			
(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:				
Readily marketable inventories	$ —	$ 921,554	$ —	$ 921,554
Commodity and freight derivatives	78,590	518,620	—	597,210
Interest rate swap derivatives	—	4,200	—	4,200
Foreign currency derivatives	2,523	—	—	2,523
Deferred compensation assets	83,217	—	—	83,217
Other assets	8,778	—	—	8,778
	$ 173,108	$ 1,444,374	$ —	$ 1,617,482
Liabilities:				
Commodity and freight derivatives	$ 117,690	$ 479,922	$ —	$ 597,612
Interest rate swap derivatives	—	130	—	130
Foreign currency derivatives	2,248	—	—	2,248
Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests	—	—	114,917	114,917
	$ 119,938	$ 480,052	$ 114,917	$ 714,907

	2013			
(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:				
Readily marketable inventories	$ —	$ 1,203,383	$ —	$ 1,203,383
Commodity and freight derivatives	58,441	410,233	—	468,674
Interest rate swap derivatives	—	24,139	—	24,139
Foreign currency derivatives	6,894	185	—	7,079
Deferred compensation assets	105,936	—	—	105,936
Other assets	8,148	—	—	8,148
	$ 179,419	$ 1,637,940	$ —	$ 1,817,359
Liabilities:				
Commodity and freight derivatives	$ 59,184	$ 399,710	$ —	$ 458,894
Interest rate swap derivatives	—	248	—	248
Foreign currency derivatives	5,925	—	—	5,925
Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests	—	—	134,134	134,134
	$ 65,109	$ 399,958	$ 134,134	$ 599,201

Readily marketable inventories—Our readily marketable inventories primarily include grain, processed grain, oilseed, processed oilseed and other minimally processed soy-based inventories that are stated at fair values. These commodities are readily marketable, have quoted market prices and may be sold without significant additional processing. We estimate the fair market values of these inventories included in Level 2 primarily based on exchange quoted prices, adjusted for differences in local markets. Changes in the fair market values of these inventories are recognized in our Consolidated Statements of Operations as a component of cost of goods sold.

Commodity, freight 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, flat price or basis fixed derivative contracts, 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, adjusted for location specific inputs, and are classified within Level 2. The location specific inputs are generally broker or dealer quotations, or market transactions in either the 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.

Other assets—Our available-for-sale investments in common stock of other companies, deferred compensation investments and Rabbi Trust assets are valued based on unadjusted quoted prices on active exchanges and are classified within Level 1. Changes in the fair values of these other assets are primarily recognized in our Consolidated Statements of Operations as a component of marketing, general and administrative expenses.

Interest rate swap derivatives—Fair values of our interest rate swap derivatives are determined utilizing valuation models that are widely accepted in the market to value such OTC derivative contracts. The specific terms of the contracts, as well as market observable inputs, such as interest rates and credit risk assumptions, are factored into the models. As all significant inputs are market observable, all interest rate swaps are classified within Level 2. Changes in the fair values of contracts not designated as hedging instruments for accounting purposes are recognized in our Consolidated Statements of Operations as a component of interest, net. Changes in the fair values of contracts designated as hedging instruments are deferred to accumulated other comprehensive loss in the equity section of our Consolidated Balance Sheets and are amortized into earnings within interest, net over the term of the agreements.

Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests—The fair value of the contingent consideration liability was calculated utilizing an average price option model, an adjusted Black-Scholes pricing model commonly used in the energy industry to value options. The model uses market observable inputs and unobservable inputs. Due to significant unobservable inputs used in the pricing model, the liability is classified within Level 3.

QUANTITATIVE INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

ITEM	FAIR VALUE AUGUST 31, 2014	VALUATION TECHNIQUE	UNOBSERVABLE INPUT	RANGE (WEIGHTED AVERAGE)
Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests	$ 114,917	Adjusted Black-Scholes option pricing model	Forward crack spread margin on August 31, 2014 (a)	$13.58–$17.07 ($15.64)
			Contractual target crack spread margin (b)	$17.50
			Expected volatility (c)	132.37%
			Risk-free interest rate (d)	0.09–0.94% (0.53%)
			Expected life—years (e)	1.00–3.00 (2.07)

(a) Represents forward crack spread margin quotes and management estimates based on future settlement dates
(b) Represents the minimum contractual threshold that would require settlement with the counterparties
(c) Represents quarterly adjusted volatility estimates derived from daily historical market data
(d) Represents yield curves for U.S. Treasury securities
(e) Represents the range in the number of years remaining related to each contingent payment

Valuation processes for Level 3 measurements—Management is responsible for determining the fair value of our Level 3 financial instruments. Option pricing methods are utilized, as indicated above. Inputs used in the option pricing models are based on quotes obtained from third party vendors as well as management estimates for periods in which quotes cannot be obtained. Each reporting period, management reviews the unobservable inputs provided by third-party vendors for reasonableness utilizing relevant information available to us. Management also takes into consideration current and expected market trends and compares the liability's fair value to hypothetical payments using known historical market data to assess reasonableness of the resulting fair value.

Sensitivity analysis of Level 3 measurements—The significant unobservable inputs that are susceptible to periodic fluctuations used in the fair value measurement of the accrued liability for contingent crack spread payments related to the purchase of noncontrolling interests are the adjusted forward crack spread margin and the expected volatility. Significant increases (decreases) in either of these inputs in isolation would result in a significantly higher (lower) fair value measurement. Although changes in the expected volatility are driven by fluctuations in the underlying crack spread margin, changes in expected volatility are not necessarily accompanied by a directionally similar change in the forward crack spread margin. Directional changes in the expected volatility can be affected by a multitude of factors including the magnitude of daily fluctuations in the underlying market data, market trends, timing of fluctuations, and other factors.

The following table represents a reconciliation of liabilities measured at fair value using significant unobservable inputs (Level 3) for the years ended August 31, 2014 and 2013:

	LEVEL 3 LIABILITIES	
	ACCRUED LIABILITY FOR CONTINGENT CRACK SPREAD PAYMENTS RELATED TO PURCHASE OF NONCONTROLLING INTERESTS	
(DOLLARS IN THOUSANDS)	2014	2013
Balance—beginning of year	$ 134,134	$ 127,516
Amounts currently payable	—	(16,491)
Total (gains) losses included in cost of goods sold	(19,217)	23,109
Balance—end of year	$ 114,917	$ 134,134

FOURTEEN

Commitments and Contingencies

Environmental

We are required to comply with various environmental laws and regulations incidental to our normal business operations. In order to meet our compliance requirements, we establish reserves for the probable future costs of remediation of identified issues, which are included in cost of goods sold and marketing, general and administrative in our Consolidated Statements of Operations. The resolution of any such matters may affect consolidated net income for any fiscal period; however, management believes 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.

Contingencies

In May 2013, we initiated a voluntary recall of certain soy protein products produced at our Ashdod, Israel facility following one customer's report to us of a positive test result for salmonella in product purchased from us. We notified applicable food safety regulators, including the Israel Ministry of Health and the U.S. Food and Drug Administration, of both the positive test result and our determination to conduct a voluntary recall. We have received no reports of salmonella-related illness in relation to the recalled products. We estimate our claims loss associated with this recall to be $18.0 million. As of August 31, 2014, $11.5 million of claims had been settled. We maintain product liability and general liability insurance (which includes product liability coverage), which we believe will offset some related product liability expenses. However, as of August 31, 2014, no insurance recoveries have been recorded related to this incident.

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, management believes 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 companies. Our bank covenants allow maximum guarantees of $1.0 billion, of which $105.2 million was outstanding on August 31, 2014. 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 guarantees are current as of August 31, 2014.

Credit Commitments

CHS Capital has commitments to extend credit to customers as long as there is no violation of any condition established in the contracts. As of August 31, 2014, CHS Capital's customers have additional available credit of $1.1 billion.

Lease Commitments

We are committed under operating lease agreements for approximately 3,000 rail cars with remaining terms of one to 12 years. In addition, we have commitments under other operating leases for various refinery, manufacturing and transportation equipment, vehicles and office space. Some leases include purchase options at not less than fair market value at the end of the lease terms.

Total rental expense for all operating leases was $91.8 million, $81.5 million and $74.6 million for the years ended August 31, 2014, 2013 and 2012, respectively.

Minimum future lease payments required under noncancelable operating leases as of August 31, 2014 were as follows:

(DOLLARS IN THOUSANDS)	RAIL CARS	VEHICLES	EQUIPMENT AND OTHER	TOTAL
2015	$ 24,329	$ 15,344	$ 61,653	$ 101,326
2016	23,286	10,568	40,635	74,489
2017	21,926	7,761	36,286	65,973
2018	17,027	5,309	28,349	50,685
2019	11,682	2,406	20,102	34,190
Thereafter	11,261	1,791	90,039	103,091
Total minimum future lease payments	$ 109,511	$ 43,179	$277,064	$429,754

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 through-put agreements. Minimum future payments required under these agreements as of August 31, 2014 are as follows:

	PAYMENTS DUE BY PERIOD				
(DOLLARS IN THOUSANDS)	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Long-term unconditional purchase obligations	$485,739	$68,008	$ 124,367	$87,809	$205,555

The discounted, aggregate amount of the minimum required payments under long-term unconditional purchase obligations, based on current exchange rates at August 31, 2014, was $415.0 million. Total payments under these arrangements were $65.5 million, $62.4 million and $47.8 million for the years ended August 31, 2014, 2013 and 2012, respectively.

FIFTEEN

Supplemental Cash Flow and Other Information

Additional information concerning supplemental disclosures of cash flow activities for the years ended August 31, 2014, 2013 and 2012 is as follows:

(DOLLARS IN THOUSANDS)	2014	2013	2012
Net cash paid during the period for:			
Interest	$ 161,213	$ 256,538	$ 155,888
Income taxes	23,363	23,228	27,671
Other significant noncash investing and financing transactions:			
Capital equity certificates redeemed with preferred stock	200,000	—	—
Capital equity certificates issued in exchange for Ag acquisitions	14,278	18,211	29,155
Accrual of dividends and equities payable	409,961	390,153	578,809
Assets contributed to Ardent Mills joint venture	205,040	—	—

SIXTEEN

Related Party Transactions

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

(DOLLARS IN THOUSANDS)	2014	2013	2012
Sales	$ 3,247,197	$2,963,468	$ 2,185,348
Purchases	1,648,030	1,535,176	1,143,285

(DOLLARS IN THOUSANDS)	2014	2013
Receivables	$ 16,737	$ 25,159
Payables	43,361	31,485

The related party transactions were primarily with TEMCO, Horizon Milling, Ardent Mills and Ventura Foods.

SEVENTEEN

Acquisitions

During the year ended August 31, 2014, we paid $281.5 million in consideration to acquire various businesses that related primarily to our Ag segment. These acquisitions were not material, individually or in aggregate, to our consolidated financial statements. Included among these transactions was the acquisition of Illinois River Energy LLC, which operates an ethanol plant that will expand our grain origination opportunities and increase renewable fuels capacity. Additionally, we acquired the fertilizer business and assets of Terral River-Service, a transportation service company specializing in the bulk storage and handling of dry and liquid materials along the Mississippi River system, the Gulf Intracoastal Waterway and inland waterways of Louisiana and southern Arkansas. See Note 6, *Other Assets* for information about the amounts of goodwill and intangible assets recorded as a result of these transactions.

NCRA:

On November 29, 2011, our Board of Directors approved a stock transfer agreement, dated as of November 29, 2011, between us and GROWMARK, Inc. (Growmark), and a stock transfer agreement, dated as of November 29, 2011, between us and MFA Oil Company (MFA). Pursuant to these agreements, we began to acquire from Growmark and MFA shares of Class A common stock and Class B common stock of NCRA representing approximately 25.571% of NCRA's outstanding capital stock. Prior to the first closing, we owned the remaining approximately 74.429% of NCRA's outstanding capital stock as of August 31, 2012 and accordingly, upon completion of the acquisitions contemplated by these agreements, NCRA will be a wholly-owned subsidiary. As of August 31, 2014, our ownership was 84.0% and with the closing in September 2014, our ownership increased to 88.9%.

Pursuant to the agreement with Growmark, we will acquire stock representing approximately 18.616% of NCRA's outstanding capital stock in four separate closings held or to be held on September 1, 2012, September 1, 2013, September 1, 2014 and September 1, 2015, for an aggregate base purchase price of $255.5 million (approximately $48.0 million of which has been paid at each of the first three closings, and $111.4 million of which will be paid at the final closing). In addition, Growmark is entitled to receive up to two contingent purchase price payments following each individual closing, calculated as set forth in the agreement with Growmark, if the average crack spread margin referred to therein over the year ending on August 31 of the calendar year in which the contingent payment date falls exceeds a specified target.

Pursuant to the agreement with MFA, we will acquire stock representing approximately 6.955% of NCRA's outstanding capital stock in four separate closings held or to be held on September 1, 2012, September 1, 2013, September 1, 2014 and September 1, 2015, for an aggregate base purchase price of $95.5 million (approximately $18.0 million of which has been paid at each of the first three closings, and $41.6 million of which will be paid at the final closing). In addition, MFA is entitled to receive up to two contingent purchase price payments following each individual closing, calculated as set forth in the agreement with MFA, if the average crack spread margin referred to therein over the year ending on August 31 of the calendar year in which the contingent payment date falls exceeds a specified target.

As all conditions associated with the purchase have been met, we have accounted for this transaction as a forward purchase contract which required recognition in the first quarter of fiscal 2012 in accordance with ASC Topic 480, *Distinguishing Liabilities from Equity*. As a result, we are no longer including the noncontrolling interests related to NCRA as a component of equity. Instead, we recorded the present value of the future payments to be made to Growmark and MFA as a liability on our Consolidated Balance Sheets as of November 30, 2011. The liability as of August 31, 2014 and 2013 was $214.7 million and $275.4 million, including interest accretion of $5.3 million and $6.7 million, respectively. Noncontrolling interests in the amount of $337.1 million was reclassified and an additional adjustment to equity in the amount of $96.7 million was recorded as a result of the transaction in fiscal 2012. The equity adjustment included the initial fair value of the crack spread contingent payments of $105.2 million. The fair value of the liability associated with the crack spread contingent payments was calculated utilizing an average price option model, an adjusted Black-Scholes pricing model commonly used in the energy industry to value options. As of August 31, 2014 and 2013, the amounts recognized as liabilities for these crack spread payments are $114.9 million and $150.6 million, respectively, and are included on our Consolidated Balance Sheets in other liabilities with a gain of $19.2 million and a loss of $23.1 million included in cost of goods sold in our Consolidated Statements of Operations during the years ended August 31, 2014 and 2013, respectively. The first crack spread contingent payment in the amount of $16.5 million was made in October 2013. Based on the average crack spread margin during fiscal 2014, no payment was made in October 2014. The portion of NCRA earnings attributable to Growmark and MFA for the first quarter of fiscal 2012, prior to the transaction date, were included in net income attributable to noncontrolling interests.

Beginning in the second quarter of fiscal 2012, in accordance with ASC Topic 480, earnings are no longer attributable to the noncontrolling interests, and patronage earned by Growmark and MFA is included as interest, net in our Consolidated Statements of Operations. During the years ended August 31, 2014 and 2013, $65.5 million and $142.4 million, respectively, was included in interest for the patronage earned by Growmark and MFA.

Solbar:

On February 9, 2012, we completed the acquisition of Solbar Industries Ltd., an Israeli company (Solbar), included in our Ag segment, for total cash consideration of $128.7 million, net of cash acquired of $6.6 million. Solbar provides soy protein ingredients to manufacturers in the meat, vegetarian, beverage, bars and crisps, confectionary, bakery, and pharmaceutical manufacturing markets. Solbar and its subsidiaries operate primarily in the countries of Israel, China and the U.S.

During fiscal 2014, due to the prolonged decrease in demand for certain products produced in Solbar's facilities in Israel, partially as a result of the impacts of the recall described in Note 14, *Contingencies*, we evaluated our long-lived assets in Israel for impairment under ASC Topic 360-10. Based on our cash flow projections, as well as our best estimate of the residual value of the assets, we recorded a non-cash impairment charge of $74.5 million, which amounts to substantially all of the book value of the long-lived assets in this asset group. This impairment charge is recorded in cost of goods sold in our Ag segment.

Report of independent registered public accounting firm

To the Board of Directors and Members and Patrons of CHS Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of comprehensive income, of changes in equities, and of cash flows present fairly, in all material respects, the financial position of CHS Inc. and its subsidiaries at August 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2014, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Minneapolis, Minnesota
November 5, 2014

BOARD OF DIRECTORS

Detailed biographical information on the CHS Board of Directors is available at chsinc.com*. As a key component of the board's development commitment, CHS directors complete the National Association of Corporate Directors (NACD) certification program, with many earning Board Leadership Fellow status.*

David Bielenberg, *chairman*
Silverton, Ore.; elected 2009
(previously served 2002–2006, selected chairman 2012)
_Chairman, Executive Committee
_Former director and chairman, Wilco Farmers Cooperative
_B.S., agricultural engineering, Oregon State University
_Raises seed crops, vegetables, soft white wheat; manages greenhouse production and timberland

Dennis Carlson, *first vice chairman*
Mandan, N.D.; elected 2001
_Chairman, Capital Committee; first vice chair, Executive Committee; former second vice chairman
_Former chairman, Farmers Union Oil Company, Bismarck/Mandan, N.D.; board member for 18 years
_Raises wheat, sunflowers and soybeans

Dan Schurr, *secretary-treasurer*
LeClaire, Iowa; elected 2006
_Chairman, Audit Committee; member, Executive Committee; former first vice chairman
_Director, Blackhawk Bank and Trust, serving on audit and loan committees; member, board of trustees, Silos & Smokestacks National Heritage Area; former director, River Valley Cooperative, Mt. Joy, Iowa; former director and loan committee member, Great River Bank
_B.S., agricultural business, Iowa State University
_Raises corn and soybeans; owns commercial trucking business

Steve Fritel, *second vice chairman*
Barton, N.D.; elected 2003
_Chairman, Governance Committee; second vice chair, Executive Committee; former secretary-treasurer
_Represents CHS on the Quentin Burdick Center for Cooperatives; member, Rugby Farmers Union Elevator; former member, Harvest States Wheat Milling Defined Member Board, North Central Experiment Station Board of Visitors, North Dakota Farm and Ranch Business Management Advisory Board
_A.S., North Dakota State College of Science
_Owns a family farm, raising spring wheat, barley, soybeans, edible beans, corn and confectionary sunflower

Curt Eischens, *assistant secretary-treasurer*
Minneota, Minn.; elected 1990
_Member, Capital Committee; assistant secretary-treasurer, Executive Committee; former second vice chairman
_Vice chairman, Cooperative Network; member, Minnesota Soybean Association, Minnesota Corn Growers Association, Minnesota Farmers Union, Minnesota FFA Alumni Association (life member), National FFA Alumni Association; former director, Farmers Co-op Association, Canby, Minn. (eight years as chairman)
_Operates a family corn and soybean farm

Don Anthony
Lexington, Neb.; elected 2006
_Chairman, Corporate Risk Committee; member, CHS Foundation Finance and Investment Committee
_Director and former chairman, All Points Cooperative, Gothenburg, Neb., and Lexington Co-op Oil
_B.S., agricultural economics, University of Nebraska
_Raises corn, soybeans and alfalfa

Bob Bass
Reedsburg, Wis.; elected 1994
_Member, CHS Governance and Governmental Relations committees; former first vice chairman
_Director, Reedsburg Area Medical Center; former director and vice chairman, Cooperative Network; former director and president, Co-op Country Partners, Baraboo, Wis.
_B.S., agricultural education, University of Wisconsin
_Partner in a family farm that includes a 500-acre dairy and feed grain enterprise; former teacher, Cambria-Friesland High School

Back row, from left: Erickson, Johnsrud, Knecht, Riegel, Hasnedl, Malesich, Anthony, Kayser, Kruger, Blew, Holm, Bass
Front row, from left: Eischens, Carlson, Bielenberg, Schurr, Fritel

C.J. Blew

Hutchinson, Kan.; elected 2010

_Chairman, CHS Foundation Finance and Investment Committee member, Audit Committee; former member, CHS Annual Meeting Resolutions Committee
_Chairman, Mid Kansas Coop (MKC), Moundridge, Kan.; member, Hutchinson Community College Ag Advisory Board, Kansas Livestock Association, Texas Cattle Feeder's Association and Red Angus Association of America; former director, Reno County Cattlemen's Board; former vice chairman and secretary, MKC
_A.S., farm and ranch management, Hutchinson Community College
_Farms in a family partnership with irrigated corn and soybeans; dryland wheat, milo and soybeans; and a commercial cow-calf business

Jon Erickson

Minot, N.D.; elected 2011

_Member, Audit and Government Relations committees; former member, CHS Annual Meeting Resolutions Committee
_Member, North Dakota Farmers Union (NDFU) and North Dakota Stockman's Association; former director and chairman, Enerbase, Minot, N.D.; former director, NDFU, NDFU Mutual Insurance, National Cattlemen's Beef Promotion and Research Board
_B.S., agricultural economics, North Dakota State University
_Owns a family farm producing small grains and oilseeds with a Hereford-Angus cow-calf operation

Jerry Hasnedl

St. Hilaire, Minn.; elected 1995

_Member, Government Relations, Governance and Corporate Risk committees; former chairman and secretary-treasurer
_Former director, Northwest Grain; Cooperative Network Board of Directors, representing farm supply co-ops
_A.S., agricultural economics; certification, advanced farm business management, Northland College
_Raises wheat, barley, corn, soybeans, sunflowers, canola and alfalfa

Alan Holm

Sleepy Eye, Minn.; elected 2013

_Member, Capital and CHS Foundation Finance and Investment committees; former member and chairman, CHS Annual Meeting Resolutions Committee
_Chairman, River Region Co-op; former chairman, Southern Minnesota Co-op Directors' Association; former secretary, Minnesota State Co-op Directors' Association; member, Brown County Farm Service Agency county committee, AgStar Financial Services Advisory Board, Renville Co-op Transport
_A.S., machine tool technology, Mankato (Minn.) Technical College
_Raises corn, soybeans, sweet corn and peas; operates a cow-calf herd

David Johnsrud
Starbuck, Minn.; elected 2012

_Member, Government Relations and Governance committees
_Chairman, AgCountry Farm Credit Services; former director and chairman, Minnesota Farm Credit Legislative Committee; chairman, Minnesota Farm Credit nominating committee for AgriBank election; director and secretary, Farmers Union Oil and CHS Prairie Lakes; secretary and chairman, Mid-Minnesota Association Board; member and treasurer, Minnesota Directors' Association
_Farms in partnership with his brother and nephew

David Kayser
Alexandria, S.D.; elected 2006

_Member, Corporate Risk and CHS Foundation Finance and Investment committees; former member, CHS Annual Meeting Resolutions Committee
_Former director and chairman, Farmer's Alliance, Mitchell, S.D.; former chairman, South Dakota Association of Cooperatives
_Raises corn, soybeans and hay; operates a cow-calf and feeder-calf business

Randy Knecht
Houghton, S.D.; elected 2001

_Member, Government Relations and Capital committees; former assistant secretary-treasurer
_Former board member, American Coalition for Ethanol; former board member and chairman, Full Circle Ag and Northern Electric Cooperative
_B.S., agriculture, South Dakota State University
_Partner in family farming operation producing corn, soybeans, alfalfa and beef cattle.

Greg Kruger
Eleva, Wis.; elected 2008

_Member, Audit, Government Relations and CHS Foundation Finance and Investment committees
_Chairman, Countryside Cooperative, Durand, Wis., since its creation in 1998; president, Trempealeau County Farm Bureau; chairman, local land use planning committee
_Operates a family dairy and crop farm

Edward Malesich
Dillon, Mont.; elected 2011

_Member, Government Relations and Corporate Risk committees
_Member, Montana Stock Growers Association, Montana Grain Growers Association and Farm Bureau; former director, Rocky Mountain Supply, Inc., Belgrade, Mont.; former director and chairman, Northwest Farm Credit Services, Spokane, Wash.; former director, East Bench Irrigation District
_B.S., agricultural production, Montana State University
_President, Malesich Ranch Co., a diversified operation managing 1,300 head of cattle; wheat, malt barley and hay on 2,000 irrigated acres; and a custom haying business

Steve Riegel
Ford, Kan.; elected 2006

_Chairman, Government Relations Committee; member, Governance Committee
_Advisory director, Bucklin (Kan.) National Bank; former chairman, Pride Ag Resources, Dodge City, Kan.; former director and officer, Ford-Kingsdown Cooperative and Co-op Service, Inc.
_Attended Fort Hays State University, agriculture business and animal science
_Raises irrigated corn, soybeans, alfalfa, dryland wheat and milo

CHS and Five Star Cooperative have partnered on a 22,000-ton fertilizer hub plant at Joice, Iowa. General Manager Ron Pumphrey says, "With CHS helping us, we gain efficiencies. As the younger generation takes over in our system, momentum is going to come from added products and services. I've never seen momentum as strong as it is now."

EXECUTIVE TEAM

From left: Cunningham, Skidmore, Johnson, Casale, McEnroe, Zell, Debertin

Detailed biographical information on the CHS Strategic Leadership team is available at chsinc.com.

Carl Casale, *president and chief executive officer*
Joined CHS in 2011
_Director, National Cooperative Refinery Association; Ventura Foods, LLC; Ecolab, Inc.; National Council of Farmer Cooperatives; Greater Twin Cities United Way; Minnesota Business Partnership
_B.S., agricultural economics, Oregon State University; executive M.B.A., Washington University

Shirley Cunningham, *executive vice president and chief operating officer, Ag Business and Enterprise Strategy*
Joined CHS in 2013
_Leads Ag Business operations, including North America and international grain marketing, crop nutrients, agronomy and renewable fuels marketing; and enterprise strategy functions, including information technology, human resources, planning and strategy
_Director, Ventura Foods, LLC; Washington University School of Engineering; AT&T advisory panel; The Magic House, St. Louis Children's Museum
_M.B.A., Washington University

Jay Debertin, *executive vice president and chief operating officer, Energy and Foods*
Joined CHS in 1984
_Leads CHS energy operations, including refineries, pipelines and terminals; refined fuels, propane, lubricants; processing and food ingredients
_Chairman, National Cooperative Refinery Association board Chairman, Ventura Foods, LLC
_B.S., economics, University of North Dakota; M.B.A., University of Wisconsin–Madison

Mark Palmquist, executive vice president and chief operating officer, Ag Business, left CHS on Aug. 31, 2014, to become managing director and CEO of GrainCorp, Sydney, Australia.

Lynden Johnson, *executive vice president, Country Operations*
Joined CHS in 2005
_Leads local Country Operations retail division operations, including agricultural inputs, energy products, grain marketing, animal nutrition, sunflower processing and other farm supplies
_Director, CHS Pension Plan and CHS Capital
_B.S., agricultural economics, North Dakota State University

John McEnroe, *executive vice president*
Joined CHS in 1979; retiring Dec. 31, 2014
_Led Country Operations, including 75 retail businesses in 16 states and Canada, CHS Sunflower and CHS Nutrition
_Attended the University of North Dakota

Timothy Skidmore, *executive vice president and chief financial officer*
Joined CHS in 2013
_Leads finance, business planning, accounting, patron equities, insurance risk management and strategic sourcing
_B.S., risk management, University of Georgia; M.B.A., finance, Widener University

Lisa Zell, *executive vice president, Business Solutions*
Joined CHS in 1999
_Leads initiatives that support cooperatives, agribusinesses and producers offered through CHS Aligned Solutions, CHS Capital, CHS Hedging, CHS Insurance, Communications and Public Affairs
_Director, CHS Hedging, CHS Insurance, CHS Capital, Co-op 401(k)
_B.A., St. Cloud (Minn.) State University; J.D., Drake University

ACKNOWLEDGEMENTS

The ultimate driver of CHS momentum is delivering value and helping our owners grow. CHS extends its sincere thanks to our system's producers, member cooperatives and employees who shared their stories and their vision for the success we will achieve together in the years ahead.

Illinois: John Husk, Megan Schmit and the Elburn Co-op team, Sycamore, Ill.; Justin Martz, Maple Park, Ill.

Iowa: Ron Pumphrey, Rich Halsne and the Five Star Cooperative team, New Hampton, Iowa; Joe, Steve and Natalie McGrath, and Paul Erickson, Clear Lake, Iowa; Don, Janet and Andy Chambers, Ionia, Iowa.

Minnesota: Maranda Dohrn, CHS, Claremont, Minn.; Kent Schmidt, Claremont, Minn.

Montana: Keith Schumacher, Chris Barge, Brendon Jerke, Matt Little, Raven Songer and the CHS Central Montana team; Jim, Ryan, Alice and Megan Green, Hilger, Mont.; Aaron and Beth Jones, J.R. and Robyn Scribner, and Rocque Fairbanks, Geraldine, Mont.

Washington: Greg Robertson, Heidi Morris, Don Waddle, Mike Zavola and the Bleyhl Farm Service team; Archie den Hoed and Martin Pedroza, Grandview, Wash.; Paul Kilian, Prosser, Wash.; Bill and Susan Scheenstra, Sunnyside, Wash.

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Green Power

"It's great to be connected to a business like CHS that can buy big quantities, where the farmer actually owns the company. Five years down the road, I hope momentum has taken this farm in a new direction, maximizing every acre," says producer Aaron Jones, left, Geraldine, Mont., with agronomist Matt Little of CHS Central Montana.

Farmer-owned with
global connections

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