CHS INC
Form 10-K
November 05, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended August 31, 2014

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to .

Commission file number: 001-36079

CHS Inc.
(Exact name of registrant as specified in its charter)

Minnesota	41-0251095
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5500 Cenex Drive Inver Grove Heights, Minnesota 55077	(651) 355-6000
(Address of principal executive office, including zip code)	(Registrant's Telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

8% Cumulative Redeemable Preferred Stock	The NASDAQ Stock Market LLC
Class B Cumulative Redeemable Preferred Stock, Series 1	The NASDAQ Stock Market LLC
Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2	The NASDAQ Stock Market LLC
Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3	The NASDAQ Stock Market LLC
(Title of Class)	(Name of Each Exchange on Which Registered)

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the Registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act).
YES þ NO o

Indicate by check mark whether the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.
YES o NO þ

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ	Smaller reporting company o
	(Do not check if a smaller reporting company)		

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES o NO þ

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant's most recently completed second fiscal quarter:

The Registrant has no voting or non-voting common equity (the Registrant is a member cooperative).

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date:

The Registrant has no common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None.

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PART I.

ITEM 1. BUSINESS

THE COMPANY

CHS Inc. (referred to herein as “CHS,” “we” or “us") is one of the nation’s leading integrated agricultural companies, providing grain, foods and energy resources to businesses and consumers on a global basis. As a cooperative, we are owned by farmers and ranchers and their member cooperatives (referred to herein as “members”) across the United States. We also have preferred stockholders that own shares of our 8% Cumulative Redeemable Preferred Stock, our Class B Cumulative Redeemable Preferred Stock, Series 1 (Class B Series 1 Preferred Stock), our Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2 (Class B Series 2 Preferred Stock) and our Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 (Class B Series 3 Preferred Stock) listed on the NASDAQ Stock Market LLC (NASDAQ) under the symbols CHSCP, CHSCO, CHSCN and CHSCM, respectively. We buy commodities from and provide products and services to patrons (including our members 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. For the year ended August 31, 2014, our total revenues were $42.7 billion and net income attributable to CHS Inc. was approximately $1.1 billion.

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

Our Energy segment derives its revenues through refining, wholesaling and retailing of petroleum products. Our Ag segment derives its revenues through the origination and marketing of grain, including service activities conducted at export terminals, through the wholesale sales of crop nutrients, from the sales of soybean meal, soybean refined oil and soyflour products, and through the retail sales of petroleum and agronomy products, processed sunflowers, feed and farm supplies, and records equity income from investments in our grain export joint venture and other investments. We include other business operations in Corporate and Other because of the nature of their products and services, as well as the relative revenues of those businesses. These businesses primarily include our financing, insurance, hedging and other service activities related to crop production. In addition, our wheat milling and packaged food operations are included in Corporate and Other, as those businesses are conducted through non-consolidated joint ventures.

Many of our business activities are highly seasonal and operating results vary throughout the year. Our income is generally lowest during our second fiscal quarter and highest during our third fiscal quarter. For example, in our Ag segment, our crop nutrients and country operations businesses generally experience higher volumes and income during the spring planting season and in the fall, which corresponds to harvest. Our grain marketing operations are also subject to fluctuations in volume 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.

Membership in CHS is restricted to certain producers of agricultural products and to associations of producers of agricultural products that are organized and operating so as to adhere to the provisions of the Agricultural Marketing Act and the Capper-Volstead Act, as amended. Our Board of Directors may establish other qualifications for membership from time to time as it may deem advisable.

Our earnings from cooperative business are allocated to members (and to a limited extent, to non-members with which we have agreed to do business on a patronage basis) based on the volume of business they do with us. We allocate these earnings to our patrons in the form of patronage refunds (which are also called patronage dividends) in cash and patrons' equities (capital equity certificates), which may be redeemed over time solely at the discretion of our Board of Directors. Earnings derived from non-members, which are not allocated patronage, are taxed at federal and state statutory corporate rates and are retained by us as unallocated capital reserve. We also receive patronage refunds from the cooperatives in which we are a member, if those cooperatives have earnings to distribute and if we qualify for patronage refunds from them.

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Our origins date back to the early 1930s with the founding of the predecessor companies of Cenex, Inc. and Harvest States Cooperatives. CHS Inc. emerged as the result of the merger of those two entities in 1998, and is headquartered in Inver Grove Heights, Minnesota.

Our segment and international sales information in Note 11 of the Notes to Consolidated Financial Statements, as well as Item 6 of this Annual Report on Form 10-K, are incorporated by reference into the following segment descriptions.

The segment financial information presented below may not represent the results that would have been obtained had the relevant segment been operated as an independent business due to efficiencies in scale, corporate cost allocations and intersegment activity.

ENERGY

Overview

We are the nation's largest cooperative energy company based on revenues and identifiable assets, with operations that include petroleum refining and pipelines; the supply, marketing (including ethanol and biodiesel) and distribution of refined fuels (gasoline, diesel fuel and other energy products); the blending, sale and distribution of lubricants; and the wholesale supply of propane. Our Energy segment processes crude oil into refined petroleum products at refineries in Laurel, Montana (wholly-owned) and McPherson, Kansas (an entity in which we have an approximate 88.9% ownership interest as of September 1, 2014) and sells those products under the Cenex® brand to member cooperatives and others through a network of approximately 1,400 independent retail sites, of which 76% are convenience stores marketing Cenex® branded fuels. For fiscal 2014, our Energy revenues, after elimination of inter-segment revenues, were $13.7 billion and were primarily from gasoline and diesel fuel.

Operations

Laurel Refinery. Our Laurel, Montana refinery processes medium and high sulfur crude oil into refined petroleum products that primarily include gasoline, diesel fuel, petroleum coke and asphalt. Our Laurel refinery sources approximately 85% of its crude oil supply from Canada, with the balance obtained from domestic sources, and we have access to Canadian and northwest Montana crude through our wholly-owned Front Range Pipeline, LLC and other common carrier pipelines. Our Laurel refinery also has access to Wyoming crude via common carrier pipelines from the south.

Our Laurel facility processes approximately 55,000 barrels of crude oil per day to produce refined products that consist of approximately 43% gasoline, 37% diesel fuel and other distillates, 6% petroleum coke, and 12% asphalt and other products. Refined fuels produced at Laurel are available via rail cars and the Yellowstone Pipeline to western Montana terminals and to Spokane and Moses Lake, Washington; south via common carrier pipelines to Wyoming terminals and Denver, Colorado; and east via our wholly-owned Cenex Pipeline, LLC to Glendive, Montana, and Minot and Fargo, North Dakota.

McPherson Refinery. The McPherson, Kansas refinery is owned and operated by National Cooperative Refinery Association (NCRA), of which we owned approximately 84.0% as of August 31, 2014. Our ownership increased to approximately 88.9% in September 2014, upon the third closing under our November 2011 agreement to purchase the noncontrolling interests in NCRA. See Note 17, Acquisitions, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information. The McPherson refinery processes approximately 79% low and medium sulfur crude oil and 21% heavy sulfur crude oil into gasoline, diesel fuel and other distillates, propane and other products. NCRA sources its crude oil through its own pipelines as well as common carrier pipelines. The low and medium sulfur crude oil is sourced from Kansas, North Dakota, Oklahoma and Texas, and the heavy sulfur crude oil is sourced from Canada.

The McPherson refinery processes approximately 85,000 barrels of crude oil per day to produce refined products that consist of approximately 50% gasoline, 45% diesel fuel and other distillates, and 2% propane and other products. Approximately 25% of the refined fuels are loaded into trucks at the McPherson refinery or shipped via NCRA's proprietary products pipeline to its terminal in Council Bluffs, Iowa. The remaining refined fuel products are shipped to other markets via common carrier pipelines.

Renewable Fuels Marketing. Our renewable fuels marketing business markets and distributes ethanol and biodiesel products throughout the United States and overseas by contracting with ethanol and biodiesel production plants to market and distribute their finished products.

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Other Energy Operations. We own and operate five propane terminals, four asphalt terminals, seven refined product terminals and three lubricants blending and packaging facilities. We also own and lease a fleet of liquid and pressure trailers and tractors, which are used to transport refined fuels, propane, anhydrous ammonia and other products.

Products and Services

Our Energy segment produces and sells (primarily wholesale) gasoline, diesel fuel, propane, asphalt, lubricants and other related products and provides transportation services. We obtain the petroleum products that we sell from our Laurel and McPherson refineries, and from third parties. For fiscal 2014, we obtained approximately 62% of the refined products we sold from our Laurel and McPherson refineries, and approximately 38% from third parties.

Sales and Marketing; Customers

We make approximately 81% of our refined fuel sales to members, with the balance sold to non-members. Sales are made wholesale to member cooperatives and through a network of independent retailers that operate convenience stores under the Cenex trade name. We sold approximately 1.3 billion gallons of gasoline and approximately 1.8 billion gallons of diesel fuel in fiscal 2014, excluding NCRA's sales to minority owners and others totaling approximately 224 million gallons. We also blend, package and wholesale auto and farm machinery lubricants to both members and non-members. We are one of the nation's largest propane wholesalers based on revenues. Most of the propane sold in rural areas is for heating and agricultural usage. Annual sales volumes of propane vary greatly depending on weather patterns and crop conditions.

Industry; Competition

The petroleum business is highly cyclical. Demand for crude oil and energy products is driven by the condition of local and worldwide economies, local and regional weather patterns and taxation relative to other energy sources, which can significantly affect the price of refined fuel products. Most of our energy product market is located in rural areas, so sales activity tends to follow the planting and harvesting cycles. More fuel-efficient equipment, reduced crop tillage, depressed prices for crops, weather conditions and government programs which encourage idle acres, may all reduce demand for our energy products.

Regulation. Governmental regulations and policies, particularly in the areas of taxation, energy and the environment, have a significant impact on our Energy segment. Our Energy segment's operations are subject to laws and related regulations and rules designed to protect the environment that are administered by the Environmental Protection Agency (EPA), the Department of Transportation (DOT) and similar government agencies. These laws, regulations and rules govern the discharge of materials to the environment, air and water; reporting storage of hazardous wastes and other hazardous materials; the transportation, handling and disposition of wastes and other materials; the labeling of pesticides and similar substances; and investigation and remediation of releases of hazardous materials. Failure to comply with these laws, regulations and rules could subject us (and, in the case of the McPherson refinery, NCRA) to administrative penalties, injunctive relief, civil remedies and possible recalls of products. Our hedging transactions and activities are subject to the rules and regulations of the Chicago Mercantile Exchange (CME) and the U.S. Commodity Futures Trading Commission (CFTC).

Competition. The petroleum refining and wholesale fuels business is very competitive. Among our competitors are some of the world's largest integrated petroleum companies, which have their own crude oil supplies, distribution and marketing systems. We also compete with smaller domestic refiners and marketers in the midwestern and northwestern United States, with foreign refiners who import products into the United States and with producers and marketers in other industries supplying other forms of energy and fuels to consumers. Given the commodity nature of the end products, profitability in the refining and marketing industry depends largely on margins, as well as operating efficiency, product mix and costs of product distribution and transportation. The retail gasoline market is highly competitive, with much larger competitors that have greater brand recognition and distribution outlets throughout the country and the world. Our owned and non-owned retail outlets are located primarily in the northwestern, midwestern and southern United States.

We market refined fuels, motor gasoline and distillate products in five principal geographic areas. The first area includes the Midwest and northern plains. Competition at the wholesale level in this area includes major oil companies, including Phillips 66, Shell, Tesoro and BP as well as independent refiners and wholesale brokers/suppliers. This area has a robust spot market and is influenced by the large refinery center along the gulf coast. The majority of the product moved in this market is shipped on the Magellan and NuStar pipeline systems.

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To the east of the Midwest and northern plains is another unique marketing area. This area centers near Chicago, Illinois and includes eastern Wisconsin, Illinois and Indiana. We principally compete with the major oil companies Marathon, BP, ExxonMobil and Citgo as well as independent refineries and wholesale brokers/suppliers.

Another market area is located south of Chicago, Illinois. Most of this area includes Arkansas, Missouri and the northern part of Texas. Competition in this area includes the major oil companies Phillips 66, Valero and ExxonMobil and independent refiners. This area is principally supplied from the Gulf coast refinery center and is also driven by a strong spot market that reacts quickly to changes in the international and national supply balance.

Another geographic area includes Montana, western North Dakota, Wyoming, Utah, Idaho, Colorado and western South Dakota. Competition at the wholesale level in this area includes the major oil companies ExxonMobil, Phillips 66 and Tesoro and independent refiners. This area is also noted for being fairly well balanced in demand and supply, but has in recent times been impacted by the large growth of demand from the Bakken crude activity in this region.

The last area includes much of Washington and Oregon. We compete with the major oil companies Phillips 66, Tesoro, BP and Chevron in this area. This area is also known for volatile prices and an active spot market.

Summary Operating Results

Summary operating results (including inter-segment activity) and identifiable assets for our Energy segment are shown below for the selected fiscal years:

	2014	2013	2012
	(Dollars in thousands)		
Revenues	$14,319,979	$12,982,293	$12,816,542
Cost of goods sold	13,364,872	11,846,458	11,514,463
Gross profit	955,107	1,135,835	1,302,079
Marketing, general and administrative	154,992	172,136	155,786
Operating earnings	800,115	963,699	1,146,293
(Gain) loss on investments	—	—	4,008
Interest, net	68,434	148,366	122,302
Equity (income) loss from investments	(4,014)	(1,357)	(7,537)
Income before income taxes	$735,695	$816,690	$1,027,520
Intersegment revenues	$(577,539)	$(481,465)	$(467,583)
Total identifiable assets	$4,601,122	$4,409,594	

AG

Our Ag segment includes our crop nutrients, country operations, grain marketing and processing and food ingredients businesses. In fiscal 2014, revenues in our Ag segment were $28.9 billion consisting principally of grain sales of $20.7 billion after elimination of inter-segment revenues.

Crop Nutrients

Overview

We believe our North American wholesale crop nutrients business is one of the largest wholesale fertilizer businesses in the U.S. based on tons sold, and accounts for approximately 11% of the U.S. market. Tons sold include sales to our country operations business. There is significant seasonality in the sale of agronomy products and services, with peak activity coinciding with the planting seasons. There is also significant volatility in the prices for the crop nutrient products we purchase and sell.

Operations

Products are delivered directly to the customer from the manufacturer or through our 24 inland or river warehouse terminals and other non-owned storage facilities located throughout the country. To supplement what is purchased domestically,

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our Galveston, Texas deep water port and terminal receives fertilizer by vessel from originations such as the Middle East and Caribbean basin where significant volumes of urea are produced. The fertilizer is then shipped by rail to destinations within crop producing regions of the country.

Primary suppliers for our wholesale crop nutrients business include CF Industries, Potash Corporation of Saskatchewan, Mosaic Company, Koch Industries and Petrochemical Industries Company (PIC) in Kuwait.

Products and Services

Our wholesale crop nutrients business purchases and sells nitrogen (ammonia, Urea Ammonia Nitrate solution (UAN) and Urea), phosphate and potash based products.

Sales and Marketing; Customers

Our wholesale crop nutrients business sells to local retailers from New York to the west coast and from Canada to Texas. Our largest customer is our own country operations business, which is also included in our Ag segment. Many of the customers of our crop nutrients business are also customers of our Energy segment or suppliers to our grain marketing business.

Industry; Competition

Regulation. Our wholesale crop nutrients operations are subject to laws and related regulations and rules designed to protect the environment that are administered by the EPA, the DOT and similar government agencies. These laws, regulations and rules govern the discharge of materials to the environment, air and water; reporting storage of hazardous wastes and other hazardous materials; the transportation, handling and disposition of wastes and other materials; the labeling of pesticides and similar substances; and investigation and remediation of releases of hazardous materials. Failure to comply with these laws, regulations and rules could subject us to administrative penalties, injunctive relief, civil remedies and possible recalls of products. In addition, environmental laws impose liability on owners and operators of contaminated property, and a party who sends hazardous materials to such site for treatment, storage, disposal or recycling, for investigation and remediation. In some instances, such liability exists regardless of fault.

Competition. The wholesale distribution of crop nutrients products is highly competitive and dependent upon relationships with local cooperatives and private retailers, proximity to the customer and competitive pricing. We compete with other large agronomy distributors, as well as other regional or local distributors, retailers and manufacturers. Major competitors in crop nutrients distribution include Agrium, CF Industries, Gavilon, Koch Industries, and a variety of traders and brokers.

Country Operations

Overview

Our country operations business purchases a variety of grains from our producer members and other third parties, and provides cooperative members and customers with access to a full range of products, programs and services for production agriculture. Country operations operates 444 agri-operations locations through 73 business units, the majority of which have local producer boards dispersed throughout Colorado, Idaho, Illinois, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Washington, Wisconsin, and Canada. Most of these locations purchase grain from farmers and sell agronomy, energy, feed and seed products to those same producers and others, although not all locations provide every product and service.

Products and Services

Grain Purchasing. We are one of the largest country elevator operators in North America based on revenues. Through a majority of our locations, our country operations business units purchase grain from member and non-member producers and other elevators and grain dealers. Most of the grain purchased is sold through our grain marketing operations, used for livestock feed production or sold to other processing companies. For the year ended August 31, 2014, country operations purchased approximately 627 million bushels of grain, primarily wheat, corn and soybeans. Of these bushels, 603 million were purchased from members and 343 million were sold through our grain marketing operations.

Other Products. Our country operations business units manufacture and sell other products, both directly and through ownership interests in other entities. These include seed, crop nutrients, crop protection products, energy products, animal feed, animal health products and processed sunflower products.

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Industry; Competition

Regulation. Our country operations business is subject to laws and related regulations and rules designed to protect the environment that are administered by the EPA, the DOT and similar government agencies. These laws, regulations and rules govern the discharge of materials to the environment, air and water; reporting storage of hazardous wastes and other hazardous materials; the transportation, handling and disposition of wastes and other materials; and the labeling of pesticides and similar substances; and investigation and remediation of releases of hazardous materials. In addition, environmental laws impose liability on owners and operators of contaminated property, and a party who sends hazardous materials to such site for treatment, storage, disposal or recycling, for investigation and remediation. In some instances, such liability exists regardless of fault. Our country operations business is also subject to laws and related regulations and rules administered by the United States Department of Agriculture (USDA), the United States Food and Drug Administration (FDA), and other federal, state, local and foreign governmental agencies that govern the processing, packaging, storage, distribution, advertising, labeling, quality and safety of feed and grain products. Failure to comply with these laws, regulations and rules could subject us to administrative penalties, injunctive relief, civil remedies and possible recalls of products. Our hedging transactions and activities are subject to the rules and regulations of the CME and the CFTC.

Competition. We compete primarily on the basis of price, services and patronage. Competitors for the purchase of grain include Archer Daniels Midland (ADM), Cargill, Incorporated (Cargill) and similar corporations as well as local cooperatives, private grain companies and processors at the majority of our locations in the trade territories in which we operate.

Competitors for our farm supply and feed business include Cargill, ADM, and Land O' Lakes as well as local cooperatives and smaller private companies at the majority of locations throughout our trade territory.

Grain Marketing

Overview

We are the nation’s largest cooperative marketer of grain and oilseed based on grain storage capacity and grain sales, handling over 2.0 billion bushels annually. During fiscal 2014, we purchased approximately half of our total grain volumes from individual and cooperative association members and our country operations business, with the balance purchased from third parties. We arrange for the transportation of the grains either directly to customers or to our owned or leased grain terminals and elevators awaiting delivery to domestic and foreign purchasers. We primarily conduct our grain marketing operations directly, but do conduct some of our business through TEMCO, LLC (TEMCO), a 50% joint venture with Cargill.

Operations

Our grain marketing operations purchase grain directly and indirectly from agricultural producers primarily in the midwestern and western United States. The purchased grain is typically contracted for sale for future delivery at a specified location, and we are responsible for handling the grain and arranging for its transportation to that location. The sale of grain is recorded after title to the commodity has transferred and final weights, grades and settlement price have been agreed upon. Amounts billed to the customer as part of a sales transaction include the costs for shipping and handling. Our ability to arrange efficient transportation, including loading capabilities onto unit trains, ocean-going vessels and barges, is a significant part of the services we offer to our customers. Rail, vessel, barge and truck transportation is carried out by third parties, often under long-term freight agreements with us. Grain intended for export is usually shipped by rail or barge to an export terminal, where it is loaded onto ocean-going vessels. Grain intended for domestic use is usually shipped by rail or truck to various locations throughout the country.

We own and operate export terminals, river terminals and elevators involved in the handling and transport of grain. Our river terminals are used to load grain onto barges for shipment to both domestic and export customers via the Mississippi River system. These river terminals are located at Savage and Winona, Minnesota; Davenport, Iowa; and Pekin, Illinois as well as terminals in which we have put-through agreements located at St. Louis, Missouri and Beardstown and Havana, Illinois. Our export terminal at Superior, Wisconsin provides access to the Great Lakes and St. Lawrence Seaway, and our export terminal at Myrtle Grove, Louisiana serves the Gulf of Mexico market. In the Pacific Northwest, we conduct our grain marketing operations through TEMCO which operates export terminals in Tacoma, Washington; Kalama, Washington; and Portland, Oregon and primarily exports wheat, corn and soybeans. These facilities serve the Pacific market, as well as domestic grain customers in the western United States. We also own two 110-car shuttle-receiving elevator facilities in Friona, Texas and Collins, Mississippi that serve large-scale feeder cattle, dairy and poultry producers in those regions.

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In 2003, we opened an office in Sao Paulo, Brazil for the procurement of soybeans for our grain marketing operations' international customers. This business has expanded its operations into the procurement and marketing of multiple commodities, including fertilizers. During fiscal 2014, 2013 and 2012, we invested in a number of opportunities in South America and we intend to evaluate other opportunities for investment as they come to our attention.

We have opened additional international offices between fiscal 2007 and 2014 throughout the world. These include offices and operations in Europe, South America, the Black Sea and Mediterranean Basin regions and the Asia-Pacific region.

For sourcing and marketing grains and oilseeds through the Black Sea and Mediterranean Basin regions to customers worldwide we have offices in Geneva, Switzerland; Barcelona, Spain; Kiev, Ukraine; Krasnodar, Russia; Budapest, Hungary; Novi Sad, Serbia; Bosanski Samac, Bosnia; Bucharest, Romania; Sofia, Bulgaria; and a marketing office in Amman, Jordan. We have a deep water port in Constanta, Romania, a barge loading facility on the Danube River in Giurgiu, Romania, three inland terminals in Bosnia and an inland grain terminal at Oroshaza, Hungary. We have an investment in a port facility in Odessa, Ukraine.

In the Pacific Rim area, we have marketing offices in Singapore; Seoul, South Korea; Hong Kong; Taipei, Taiwan; and Shanghai, China that serve customers receiving grains and oilseeds from our origination points in North America, South America, Australia and the Black Sea regions. In Australia we have investments in two inland grain storage facilities.

In South America we have grain merchandising offices to source grains in Sao Paulo, Brazil; Ciudad de Este, Paraguay; Montevideo, Uruguay; and Buenos Aires, Argentina. In Brazil we have an investment in a deep water port facility in Itaqui Port. In Argentina, we own a fertilizer warehouse in the Necochea area, have an investment in a deep water port facility in Necochea and have an investment in a sunflower processing facility.

Finally, we sell and market crop nutrients from our Geneva, Switzerland; Singapore; Sao Paulo, Brazil; Ciudad de Este, Paraguay; and Buenos Aires, Argentina offices.

Our grain marketing operations may have significant working capital needs, at any time, depending on commodity prices and other factors. The amount of borrowings for this purpose, and the interest rate charged on those borrowings, directly affects the profitability of our grain marketing operations.

Products and Services

Our grain marketing operations purchased approximately 2.0 billion bushels of grain during the year ended August 31, 2014, which primarily included corn, soybeans, wheat and distillers dried grains with solubles. Of the total grains purchased by our grain marketing operations, 731 million bushels were from our individual and cooperative association members, 343 million bushels were from our country operations business and the remainder was from third parties.

Sales and Marketing; Customers

Purchasers of our grain and oilseed include domestic and foreign millers, maltsters, feeders, crushers and other processors. To a much lesser extent, purchasers include intermediaries and distributors. Our grain marketing operations are not dependent on any one customer, and its supply relationships call for delivery of grain at prevailing market prices.

Industry; Competition

Regulation. Our grain marketing operations are subject to laws and related regulations and rules designed to protect the environment that are administered by the EPA, the DOT and similar government agencies. These laws, regulations and rules govern the discharge of materials to the environment, air and water; reporting storage of hazardous wastes and other hazardous materials; and the transportation, handling and disposition of wastes and other materials; the labeling of pesticides and similar substances; and investigation and remediation of releases of hazardous materials. In addition, environmental laws impose liability on owners and operators of contaminated property, and a party who sends hazardous materials to such site for treatment, storage, disposal or recycling, for investigation and remediation. In some instances, such liability exists regardless of fault. Our grain marketing operations are also subject to laws and related regulations and rules administered by the USDA, the FDA, and other federal, state, local and foreign governmental agencies that govern the processing, packaging, storage, distribution, advertising, labeling, quality and safety of food and grain products. Failure to comply with these laws, regulations and rules could subject us to administrative penalties, injunctive relief, civil remedies and possible recalls of products. Our hedging transactions and activities are subject to the rules and regulations of the CME and the CFTC.

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Competition. Our grain marketing operations compete for both the purchase and the sale of grain. Competition is intense and margins are low. Some competitors are integrated food producers, which may also be customers. A few major competitors have substantially greater financial resources than us.

In the purchase of grain from producers, location of a delivery facility is a prime consideration, but producers are increasingly willing to transport grain longer distances for sale. Price is affected by the capabilities of the facility; for example, if it is cheaper to deliver to a customer by unit train than by truck, a facility with unit train capabilities provides a price advantage. We believe that our relationships with individual members serviced by our local country operations locations and with our cooperative members give us a broad origination capability.

Our grain marketing operations compete for grain sales based on price, services and ability to provide the desired quantity and quality of grains. Location of facilities is a major factor in the ability to compete. Our grain marketing operations compete with numerous grain merchandisers, including major grain merchandising companies such as ADM, Cargill and Bunge as well as others, each of which handles significant grain volumes.

The results of our grain marketing operations may be adversely affected by relative levels of supply and demand, both domestic and international, commodity price levels (including grain prices reported on national markets) and transportation costs and conditions. Supply is affected by weather conditions, disease, insect damage, acreage planted and government regulations and policies. Demand may be affected by foreign governments and their programs, relationships of foreign countries with the United States, the affluence of foreign countries, acts of war, currency exchange fluctuations and substitution of commodities. Demand may also be affected by changes in eating habits, population growth, the level of per capita consumption of some products and the level of renewable fuels production.

Processing and Food Ingredients

Overview

Our processing and food ingredients business operates globally and converts soybeans into soybean meal, soyflour, crude soybean oil, refined soybean oil and associated by-products. We then further process soyflour for use in the food/snack industry. In June 2014, we purchased a dry mill corn-based processing facility in Rochelle, Illinois that produces ethanol, distiller's grains with solubles, and inedible corn oil.

Operations

Our soybean processing operations are conducted at facilities in Mankato, Minnesota; Fairmont, Minnesota; Creston, Iowa; and Ashdod, Israel that can crush approximately 107 million bushels of soybeans on an annual basis, producing approximately 2.5 million short tons of soybean meal/soyflour and 1.2 billion pounds of crude soybean oil. We also have operations in Hutchinson, Kansas; Ningbo, China; and South Sioux City, Nebraska where we further process soyflour for use in the food/snack industry.

Products and Services

Our soybean processing operations produce three primary products: refined oils, soybean meal and soyflour. Refined oils are used in processed foods, such as margarine, shortening, salad dressings and baked goods, as well as methyl ester/biodiesel production, and to a lesser extent, for certain industrial uses such as plastics, inks and paints. Soybean meal has high protein content and is used for feeding livestock. Soyflour is used in the baking industry, as a milk replacement in animal feed and in industrial applications. Soyflour is processed further to produce textured concentrates and isolates used in the food/snack industry.

Our domestic soy processing facilities are located in areas with a strong production base of soybeans and end-user market for the meal and soyflour. We purchase our soybeans from members, global offices and third parties with a tightly integrated connection with our grain marketing division. Our crushing operations currently produce approximately 95% of the crude soybean oil that we refine, and purchase the balance from outside suppliers.

Soybeans, corn and ethanol are commodities and their price can fluctuate significantly depending on production levels, demand for the products and other supply factors.

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Sales and Marketing; Customers

Our customers for refined soybean oil are principally large food product companies including Ventura Foods, LLC (Ventura Foods), in which we hold a 50% ownership interest and with which we have a long-term supply agreement to supply edible soybean oils as long as we maintain a minimum 25.5% ownership interest and our price is competitive with other suppliers of the product. We primarily sell soymeal to feed lots and feed mills and soyflour to customers in the baking industry.

The principal customer for ethanol is our renewable fuels marketing business and the principal customer for our distiller's grains with solubles is our grain marketing business.

Industry; Competition

The refined soybean and corn product industries are highly competitive. Major industry competitors include ADM, Cargill, and Valero as well as others in the industry. These and other competitors have acquired other processors, expanded existing plants or constructed new plants, both domestically and internationally. Price, transportation costs, services and product quality drive competition. We estimate that we have a market share of approximately 4% to 5% of the domestic refined soybean oil and also the domestic soybean crushing capacity. We are a relatively small participant in the corn processing and protein food industry.

Regulation. Our processing and food ingredients operations are subject to laws and related regulations and rules designed to protect the environment that are administered by the EPA, the DOT and similar government agencies. These laws, regulations and rules govern the discharge of materials to environment, air and water; reporting storage of hazardous wastes and other hazardous materials; and the transportation, handling and disposition of wastes and other materials; the labeling of pesticides and similar substances; and investigation and remediation of releases of hazardous materials. In addition, environmental laws impose liability on owners and operators of contaminated property, and a party who sends hazardous materials to such site for treatment, storage, disposal or recycling, for investigation and remediation. In some instances, such liability exists regardless of fault. Our processing and food ingredients operations are also subject to laws and related regulations and rules administered by the USDA, the FDA, and other federal, state, local and foreign governmental agencies that govern the processing, packaging, storage, distribution, advertising, labeling, quality and safety of food and grain products. Failure to comply with these laws, regulations and rules could subject us, or our foods partners, to administrative penalties, injunctive relief, civil remedies and possible recalls of products. Our hedging transactions and activities are subject to the rules and regulations of the CME and the CFTC.

Summary Operating Results

Summary operating results (including inter-segment activity) and identifiable assets for our Ag segment are shown below for the selected fiscal years:

	2014	2013	2012
	(Dollars in thousands)		
Revenues	$28,894,816	$31,909,791	$28,181,445
Cost of goods sold	28,273,515	31,341,453	27,544,040
Gross profit	621,301	568,338	637,405
Marketing, general and administrative	379,714	312,616	273,757
Operating earnings	241,587	255,722	363,648
(Gain) loss on investments	(1,949)	(27)	1,049
Interest, net	56,544	71,597	57,915

Equity (income) loss from investments	(22,279)	(15,194)	(22,737)
Income before income taxes	$209,271	$199,346	$327,421
Intersegment revenues	$(43,930)	$—	$—
Total identifiable assets	$6,657,840	$6,146,547	

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CORPORATE AND OTHER

Business Solutions

Financial Services. We have provided open account financing to approximately 75 of our members that are cooperatives (cooperative association members) in the past year. These arrangements involve the discretionary extension of credit in the form of a clearing account for settlement of grain purchases and as a cash management tool.

CHS Capital, LLC. CHS Capital, LLC (CHS Capital), our wholly-owned finance company, makes seasonal and term loans to member cooperatives and individual producers.

CHS Hedging, LLC. Our wholly-owned subsidiary, CHS Hedging LLC, is a registered Futures Commission Merchant and a clearing member of both the Minneapolis Grain Exchange and the Chicago Board of Trade. CHS Hedging provides full-service commodity risk management brokerage and consulting services to its customers, primarily in the areas of agriculture and energy.

CHS Insurance. Our wholly-owned subsidiary, CHS Insurance Services, LLC (CHS Insurance), is a full-service independent insurance agency. It sells all lines of insurance, including property and casualty, group benefits and surety bonds. Its approximately 1,660 customers are primarily agribusinesses, including cooperatives and independent elevators, energy, agronomy, feed and seed plants, implement dealers and food processors. Impact Risk Funding, Inc. PCC (IRF), a wholly-owned subsidiary of CHS Insurance, was incorporated as a protected cell captive insurer in the District of Columbia in July 2010. IRF was created as an insurance entity to provide alternative risk financing options for customers.

Wheat Milling

In January 2002, we formed a joint venture with Cargill named Horizon Milling, LLC (Horizon Milling), in which we held an ownership interest of 24%, with Cargill owning the remaining 76%. Horizon Milling was the largest U.S. wheat miller based on output volume. We owned five mills that we leased to Horizon Milling. We account for Horizon Milling using the equity method of accounting and on August 31, 2013, our investment was $92.6 million. On August 31, 2013, our net book value of assets leased to Horizon Milling was $46.9 million. As described below, in fiscal 2014, we contributed our Horizon Milling investments and associated assets to the Ardent Mills, LLC (Ardent Mills) venture.

During fiscal 2007, we formed Horizon Milling G.P. (24% CHS ownership with Cargill owning the remaining 76%), a joint venture that acquired a Canadian grain-based foodservice and industrial business, which includes two flour milling operations and two dry baking mixing facilities in Canada. We account for the investment using the equity method of accounting, and on August 31, 2013, our investment was $19.3 million. In September 2013, Horizon Milling G.P. was dissolved and restructured as Horizon Milling, ULC - a Nova Scotia ULC (Horizon Milling, ULC). As described below, in fiscal 2014, we contributed our Horizon Milling investments and associated assets to the Ardent Mills venture.

In our third quarter of fiscal 2014, we formed Ardent Mills, the largest flour miller in the U.S., a joint venture with Cargill and ConAgra Foods, Inc., which combines the North American flour milling operations of the three parent companies, including assets from our existing joint venture milling operations Horizon Milling and Horizon Milling, ULC 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, and on August 31, 2014, our investment was $198.4 million.

Foods

Our primary focus in the foods area is Ventura Foods, LLC (Ventura Foods) which produces and distributes vegetable oil-based products such as margarine, salad dressing and other food products. Ventura Foods was created in 1996, and is owned 50% by us and 50% by Wilsey Foods, Inc., a majority owned subsidiary of Mitsui. We account for our Ventura Foods investment under the equity method of accounting, and on August 31, 2014, our investment was $321.3 million.

Ventura Foods manufactures, packages, distributes and markets bulk margarine, salad dressings, mayonnaise, salad oils, syrups, soup bases and sauces, many of which utilize soybean oil as a primary ingredient. Approximately 40% of Ventura Foods' volume, based on sales, comes from products for which Ventura Foods owns the brand, and the remainder comes from products that it produces for third parties. A variety of Ventura Foods' product formulations and processes are proprietary to it or its customers. Ventura Foods is the largest manufacturer of margarine for the foodservice sector in the U.S. and is a major producer of many other products.

Ventura Foods currently has 12 manufacturing and distribution locations across the United States. Ventura Foods sources its raw materials, which consist primarily of soybean oil, canola oil, palm/coconut oil, peanut oil and other ingredients and supplies, from various national and overseas suppliers, including our oilseed processing operations. It sells the products it manufactures to third parties as a contract manufacturer, as well as directly to retailers, food distribution companies and large institutional food service companies. Ventura Foods sales are approximately 60% in foodservice and the remainder is split between retail and industrial customers who use edible oil products as ingredients in foods they manufacture for resale. During Ventura Foods' fiscal 2014, Sysco accounted for 23% of its net sales.

Ventura Foods competes with a variety of large companies in the food manufacturing industry. Major competitors include ADM, Cargill and Bunge and others in the food manufacturing industry.

PRICE RISK AND HEDGING

When we enter into a commodity purchase or sales commitment, we incur risks related to price change and performance (including delivery, quality, quantity and shipment period). 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 our fixed or partially fixed price sales contracts in the event market prices increase.

Our hedging activities reduce the effects of price volatility, thereby protecting against adverse short-term price movements, but also limit 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, to the extent practical, 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 on regulated commodity futures exchanges for grain, and regulated mercantile exchanges for refined products and crude oil. We also use over-the-counter (OTC) instruments to hedge our exposure on flat price fluctuations. The price risk we encounter for crude oil and most of the grain and oilseed volume we handle can be hedged. Price risk associated with fertilizer and certain grains cannot be hedged 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. These contracts are economic hedges of price risk, but are not designated as hedging instruments for accounting purposes. The contracts are recorded on our Consolidated Balance Sheets at fair values based on quotes listed on regulated commodity exchanges or are based on the market prices of the underlying products listed on the exchanges, with the exception of fertilizer and propane contracts, which are accounted for as normal purchase and normal sales transactions. Unrealized gains and losses on these contracts are recognized in cost of goods sold in our Consolidated Statements of Operations using market-based prices.

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. We have risk management policies and procedures that include net position limits. These limits are defined for each commodity and include both trader and management limits. This policy and computerized 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 our senior management if operating areas are outside of position limits. A similar process is used in our energy and wholesale crop nutrients operations. The position limits are reviewed, at least annually, with our management and Board of Directors. We monitor current market conditions and may expand or reduce our net position limits or procedures in response to changes in those conditions. 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 our counterparty exposure. We evaluate that exposure by reviewing contracts and adjusting the values to reflect potential nonperformance. Risk of nonperformance by counterparties includes the inability to perform because of a counterparty's financial condition and 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 the current market prices. We manage our 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.

EMPLOYEES

On August 31, 2014, we had 11,824 full, part-time, temporary and seasonal employees, which included 710 employees of NCRA. Of that total, 2,923 were employed in our Energy segment, 6,029 in our country operations business (including approximately 1,371 seasonal and temporary employees), 212 in our crop nutrients operations, 1,147 in our grain marketing operations, 908 in our processing and food ingredients operations and 605 in Corporate and Other. In addition to those employed directly by us, many employees work for joint ventures in which we have a 50% or less ownership interest, and are not included in these totals.

Employees in certain areas are represented by collective bargaining agreements. Refinery and pipeline workers in Laurel, Montana are represented by agreements with two separate unions: the United Steel Worker (USW) Union Local 11- 443 represents 205 refinery employees for which agreements are in place through January 31, 2015 and the Oil Basin Pipeliners Union (OBP) represents 20 pipeline employees for which they have an evergreen labor agreement that renews every September 1, unless 60 days' notice is given. The contracts covering the NCRA McPherson, Kansas refinery include 335 employees represented by the United Steel Workers of America (USWA) that are in place through June 2015. There are currently 82 CHS employees in transportation and lubricant plant operations covered by collective bargaining agreements with the Teamsters that expire at various times, including a labor contract with Montana drivers which represents 21 employees, one with Wisconsin drivers representing 26 employees and one with lubricant plant production workers representing 35 employees.

Certain production workers in our processing and food ingredients operations are subject to collective bargaining agreements with the Bakery, Confectionary, Tobacco Worker and Grain Millers (BTCGM) representing 122 employees, which expires on June 30, 2017 and the Pipefitters' Union representing 2 employees, which expires on April 30, 2015. The BTWGM also represents 40 employees at our Superior, Wisconsin grain export terminal with a contract expiring on June 30, 2016.

Various union contracts cover employees in other grain and crop nutrient terminal operations including: the USWA represents 90 employees at our Myrtle Grove, Louisiana grain export terminal with a contract expiring on May 31, 2016 and Teamsters represent 7 employees at our Winona, Minnesota river terminal with a contract expiring on February 28, 2015. Finally, certain employees in our country operations business are represented by collective bargaining agreements with the BTWGM which represents 28 employees in two locations, Hermiston, Oregon and Great Falls, Montana, with contracts expiring on December 31, 2014 and June 30, 2018, respectively.

MEMBERSHIP IN CHS AND AUTHORIZED CAPITAL

Introduction

We are an agricultural membership cooperative organized under Minnesota cooperative law to do business with member and non-member patrons. Our patrons, not us, are subject to income taxes on income from patronage sources, which is distributed to them as qualified patronage. We are subject to income taxes on undistributed patronage income, non-qualified patronage distributions and non-patronage-sourced income. See "— Tax Treatment" below.

Distribution of Net Income; Patronage Dividends

We are required by our organizational documents to annually distribute net earnings derived from patronage business with members to members on the basis of patronage, except that the Board of Directors may elect to retain and add to our unallocated capital reserve an amount not to exceed 10% of the distributable net income from patronage business. We may also distribute net income derived from patronage business with a non-member if we have agreed to conduct business with the non-member on a patronage basis. Net income from non-patronage business may be distributed to members or added to the unallocated capital reserve, in whatever proportions the Board of Directors deems appropriate.

Accordingly, patronage refunds are calculated based on amounts using financial statement earnings. The cash portion of the 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. Consenting patrons have agreed to take both the cash and qualified capital equity certificate portion allocated to them from our previous fiscal year's income into their taxable income, and as a result, we are allowed a deduction from our taxable income for both the cash distribution and the allocated qualified capital equity certificates, as long as the cash distribution is at least 20% of the total patronage distribution. For the years ended August 31, 2013 and August 31, 2012, 10% of earnings from patronage business was added to our capital reserves and the remaining 90% was primarily distributed during the second fiscal quarters of the years ended August 31, 2014 and August 31, 2013, totaling $841.1 million and $976.0 million, respectively. The cash portion of the qualified distributions was deemed by the Board of Directors to be 40% for fiscal 2013 and for fiscal 2012 it was 35% and 40% for individual and non-individual members, respectively. Cash related to these distributions was $286.8 million and $380.9 million and was paid during the years ended August 31, 2014 and August 31, 2013, respectively. During the year ended August 31, 2012, we distributed patronage refunds of $676.3 million, of which the cash portion was $260.7 million.

Patrons' Equities

Patrons' equities are in the form of book entries and represent a right to receive cash or other property when we redeem them. Patrons' equities form part of our capital, do not bear interest, and are not subject to redemption upon request of a patron. Patrons' equities are redeemable only at the discretion of the Board of Directors and in accordance with the terms of the redemption policy adopted by the Board of Directors, which may be modified at any time without member consent. 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 qualified equities held by them and another for individuals who are eligible for qualified 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.

Cash redemptions of qualified patrons' and other equities during the years ended August 31, 2014, 2013 and 2012 were $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.

Governance

We are managed by a Board of Directors of not less than 17 persons elected by the members at our annual meeting. Terms of directors are staggered so that no more than seven directors are elected in any year. Our articles of incorporation and bylaws may be amended only upon approval of a majority of the votes cast at an annual or special meeting of our members, except for the higher vote described under "— Certain Antitakeover Measures" below.

Membership

Membership in CHS is restricted to certain producers of agricultural products and to associations of producers of agricultural products that are organized and operating so as to adhere to the provisions of the Agricultural Marketing Act and the Capper-Volstead Act, as amended. Our Board of Directors may establish other qualifications for membership, as it may from time to time deem advisable.

As a membership cooperative, we do not have common stock. We may issue equity or debt instruments, on a patronage basis or otherwise, to our members. We have two types of members. Individual members are individuals actually engaged in the production of agricultural products. Cooperative associations are associations of agricultural producers and may be either cooperatives or other associations organized and operated under the provisions of the Agricultural Marketing Act and the Capper-Volstead Act, as amended.

Voting Rights

Voting rights arise by virtue of active membership in CHS, not because of ownership of any equity or debt instruments. Members that are cooperative associations that have met a minimum volume of business threshold with us during

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the previous fiscal year are entitled to vote based upon a formula that takes into account the equity held by the cooperative in CHS and the average amount of business done with us over the previous three years.

Members who are individuals that have done business with us during the previous fiscal year are entitled to one vote each. Individual members may exercise their voting power directly or through patrons' associations affiliated with a grain elevator, feed mill, seed plant or any other of our facilities (with certain historical exceptions) recognized by our Board of Directors. The number of votes of patrons' associations is determined under the same formula as cooperative association members.

Most matters submitted to a vote of the members require the approval of a majority of the votes cast at a meeting of the members, although certain actions require a greater vote. See "— Certain Antitakeover Measures" below.

Holders of our Class B Preferred Stock do not have voting rights, except as required by applicable law; provided, that the affirmative vote of a majority of the outstanding shares of Class B Preferred Stock, voting as a class, will be required to approve (i) any amendment to our articles of incorporation or the resolutions establishing the terms of the Class B Preferred Stock if the amendment adversely affects the powers, rights or preferences of the holders of the Class B Preferred Stock; or (ii) the creation of any class or series of capital stock, equity capital or patrons' equities having rights senior to the Class B Preferred Stock as to the payment of dividends or distribution of assets upon our liquidation, dissolution or winding up; provided, further, that the affirmative vote of a majority of the outstanding shares of Class B Preferred Stock will be required to approve any amendment to our articles of incorporation that relates solely to the Class B Preferred Stock or to the resolutions establishing the specific economic terms of the Class B Preferred Stock if such amendment adversely affects the powers, rights or preferences of the holders of the Class B Preferred Stock.

Debt and Equity Instruments

We may issue debt and equity instruments to our current members and patrons, on a patronage basis or otherwise, and to persons who are neither members nor patrons. All equity we issue is subject to a first lien in favor of us for all indebtedness of the holder to us. On August 31, 2014, our outstanding capital includes patrons' equities (consisting of qualified and non-qualified Capital Equity Certificates and Non-patronage Equity Certificates), preferred stock and certain capital reserves.

Dividends, which may be cumulative, may be paid on equity capital of CHS that is established in accordance with our articles of incorporation, provided that dividends on such equity capital may not exceed eight percent (8%) per annum. Unless otherwise expressly authorized by our Board of Directors, preferred stock established and issued pursuant to our articles of incorporation may only be sold or transferred with the approval of our Board of Directors. All of our preferred stock is listed and traded on the NASDAQ Global Select Market as expressly authorized by our Board of Directors.

Distribution of Assets upon Dissolution; Merger and Consolidation

In the event of our dissolution, liquidation or winding up, whether voluntary or involuntary, all of our debts and liabilities would be paid first according to their respective priorities. After such payment, the holders of each share of our preferred stock and any other equity securities would then be entitled to receive payment, out of available assets, in accordance with their respective liquidation preferences. After such distribution to the holders of equity capital, any excess would be paid to patrons on the basis of their past patronage with us. Our bylaws provide for the allocation among our members and nonmember patrons of the consideration received in any merger or consolidation to which we are a party.

Certain Antitakeover Measures

Our governing documents may be amended upon the approval of a majority of the votes cast at an annual or special meeting. However, if our Board of Directors, in its sole discretion, declares that a proposed amendment to our governing documents involves or is related to a “hostile takeover,” the amendment must be adopted by 80% of the total voting power of our members.

The approval of not less than two-thirds of the votes cast at a meeting is required to approve a “change of control” transaction which would include a merger, consolidation, liquidation, dissolution or sale of all or substantially all of our assets. If our Board of Directors determines that a proposed change of control transaction involves a hostile takeover, the 80% approval requirement applies. The term “hostile takeover” is not further defined in the Minnesota cooperative law or our governing documents.

Tax Treatment

Subchapter T of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), sets forth rules for the tax treatment of cooperatives and applies to both cooperatives exempt from taxation under Section 521 of the Internal Revenue Code and to nonexempt corporations operating on a cooperative basis. We are a nonexempt cooperative.

As a cooperative, we are not taxed on qualified patronage (minimum cash distribution requirement of 20%) allocated to our patrons either in the form of equities or cash. Consequently, those amounts are taxed only at the patron level. However, the amounts of any allocated but undistributed patronage earnings (called non-qualified written notices of allocation) are taxable to us when allocated. Upon redemption of any non-qualified written notices of allocation, the amount is deductible to us and taxable to our patron.

Income derived by us from non-patronage sources is not entitled to the "single tax" benefit of Subchapter T and is taxed to us at corporate income tax rates.

Prior to September 2013, NCRA was not consolidated for tax purposes. On September 1, 2013, NCRA began to be consolidated for tax purposes when our ownership increased to greater than 80%.

ITEM 1A. RISK FACTORS

CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR PROVISIONS
OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The information in this Annual Report on Form 10-K for the year ended August 31, 2014, includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to CHS. In addition, CHS and its representatives and agents may from time to time make other written or oral forward-looking statements, including statements contained in its filings with the Securities and Exchange Commission and its reports to its members and securityholders. Words and phrases such as "will likely result," "are expected to," "is anticipated," "estimate," "project" and similar expressions identify forward-looking statements. We wish to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

Our forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. This Cautionary Statement is for the purpose of qualifying for the "safe harbor" provisions of the Private Securities Litigation and Reform Act of 1995 and is intended to be a readily available written document that contains factors which could cause results to differ materially from those projected in the forward-looking statements. The following matters, among others, may have a material adverse effect on our business, financial condition, liquidity, results of operations or prospects, financial or otherwise. Reference to this Cautionary Statement in the context of a forward-looking statement shall be deemed to be a statement that any one or more of the following factors may cause actual results to differ materially from those which might be projected, forecasted, estimated or budgeted by us in the forward-looking statement or statements.

The following factors are in addition to any other cautionary statements, written or oral, which may be made or referred to in connection with any particular forward-looking statement. The following review should not be construed as exhaustive.

Except as required by applicable law, we undertake no obligation to revise any forward-looking statements to reflect future events or circumstances.

Our revenues, results of operations and cash flows could be materially and adversely affected by changes in commodity prices, as well as global and domestic economic downturns and risks.

Our revenues, results of operations and cash flows are affected by market prices for commodities such as crude oil, natural gas, ethanol, fertilizer, grain, oilseed, flour and crude and refined vegetable oils. Commodity prices generally are affected by a wide range of factors beyond our control, including weather, disease, insect damage, drought, the availability and adequacy of supply, government regulation and policies, and general political and economic conditions. We are also exposed to fluctuating commodity prices as the result of our inventories of commodities, typically grain, fertilizer and petroleum products, and purchase and sale contracts at fixed or partially fixed prices. At any time, our inventory levels and unfulfilled fixed or partially fixed price contract obligations may be substantial. We have processes in place to monitor exposures to these risks and engage in strategies to manage these risks. If these controls and strategies are not successful in mitigating our exposure to these

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fluctuations, we could be materially and adversely affected. In addition, we are exposed to the risk of nonperformance by counterparties to contracts. Risk of nonperformance by counterparties includes the inability to perform because of a counterparty's financial condition and liquidity and also the risk that the counterparty will refuse to perform a contract during a period of price fluctuations where contract prices are significantly different than the current market prices. Increases in market prices for commodities that we purchase without a corresponding increase in the prices of our products or our sales volume or a decrease in our other operating expenses could reduce our revenues and net income. In addition, the level of demand for our products is affected by global and regional demographics and macroeconomic conditions, including population growth rates and changes in standards of living. A significant downturn in global economic growth or recessionary conditions in major geographic regions, may lead to a reduced demand for agricultural commodities, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. Additionally, weak global conditions and adverse conditions in global financial markets may adversely impact the financial condition and liquidity of some of our customers, suppliers and other counterparties, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

Our revenues originated outside of the U.S. were approximately 10% of consolidated net sales in fiscal 2014 and one of our core strategic initiatives includes global expansion. As a result, we are exposed to risks associated with having increased global operations outside the U.S., including economic or political instability in the international markets in which we do business, including South America, Europe, the Black Sea and Mediterranean Basin regions and the Asia Pacific region.

In our energy operations, profitability depends largely on the margin between the cost of crude oil that we refine and the selling prices that we obtain for our refined products. The prices for both crude oil and for gasoline, diesel fuel and other refined petroleum products fluctuate widely. Factors influencing these prices, many of which are beyond our control, include:

- levels of worldwide and domestic supplies;
- capacities of domestic and foreign refineries;
- the ability of the members of the Organization of Petroleum Exporting Countries (OPEC) to agree to and maintain oil price and production controls, and the price and level of foreign imports;
- disruption in supply;
- political instability or armed conflict in oil-producing regions;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the availability of pipeline capacity; and
- domestic and foreign governmental regulations and taxes.

The long-term effects of these and other conditions on the prices of crude oil and refined petroleum products are uncertain and ever-changing. Increases in crude oil prices without a corresponding increase in the prices of our refined petroleum products would reduce our net income. Accordingly, we expect our margins on, and the profitability of our energy business to fluctuate, possibly significantly, over time.

Our revenues, results of operations and cash flows could be materially and adversely affected if our members were to do business with others rather than with us.

We do not have an exclusive relationship with our members and our members are not obligated to supply us with their products or purchase products from us. Our members often have a variety of distribution outlets and product sources available to them. If our members were to sell their products to other purchasers or purchase products from other sellers, our revenues would decline and our results of operations and cash flows could be materially and adversely affected.

We participate in highly competitive business markets and we may not be able to continue to compete successfully, which would have a material adverse effect on us.

We operate in several highly competitive business segments and our competitors may succeed in developing new or enhanced products that are better than ours, and may be more successful in marketing and selling their products than we are with ours. Competitive factors include price, service level, proximity to markets, product quality and marketing. In our business segments, we compete with certain companies that are larger, better known and have greater marketing, financial, personnel

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and other resources. As a result, we may not be able to continue to compete successfully with our competitors, which would have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

Changes in federal income tax laws or in our tax status could increase our tax liability and reduce our net income significantly.

Current federal income tax laws, regulations and interpretations regarding the taxation of cooperatives, which allow us to exclude income generated through business with or for a member (patronage income) from our taxable income, could be changed. If this occurred, or if in the future we were not eligible to be taxed as a cooperative, our tax liability would significantly increase and our net income would significantly decrease.

We incur significant costs in complying with applicable laws and regulations. Any failure to make the capital investments necessary to comply with these laws and regulations could expose us to unanticipated expenditures and liabilities.

We are subject to numerous federal, state and local provisions regulating our business and operations and we incur and expect to incur significant capital and operating expenses to comply with these laws and regulations. We may be unable to pass on those expenses to customers without experiencing volume and margin losses.

We establish reserves for the future cost of known compliance obligations, such as remediation of identified environmental issues. However, these reserves may prove inadequate to meet our actual liability. Moreover, amended, new or more stringent requirements, stricter interpretations of existing requirements or the future discovery of currently unknown compliance issues may require us to make material expenditures or subject us to liabilities that we currently do not anticipate. Furthermore, our failure to comply with applicable laws and regulations could subject us to administrative penalties and injunctive relief, civil remedies, including fines and injunctions, and recalls of our products. For example, we regularly maintain hedges to manage the price risks associated with our commercial operations. These transactions typically take place on the CME. Our hedging transactions and activities are subject to the rules and regulations of the CME and the CFTC. Both the CME and the CFTC have broad powers to review required records, investigate and enforce compliance and to punish noncompliance by entities subject to its jurisdiction. The failure to comply with such rules and regulations could lead to restrictions on our trading activities or subject us to enforcement action by the CFTC or a disciplinary action by the CME, which could lead to substantial sanctions.

In July 2013, CHS received a letter from the CFTC requesting CHS to preserve, and to produce to the CFTC on a voluntary basis, documents concerning CHS's trading positions, including futures hedging transactions on the CME, for the period from January 1, 2010 through June 30, 2013. CHS is complying with this request. CHS is cooperating with the CFTC's inquiry. CHS also received a letter from the CME in June 2013 advising that its market surveillance department was reviewing certain of CHS's futures positions in April and May of 2013 and requesting that CHS produce relevant documents for its review, which CHS has produced. Any investigation or proceeding by the CME or the CFTC, whether successful or unsuccessful, could result in substantial costs, the diversion of resources, including management time, and potential harm to our reputation, all of which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

Changing environmental and energy laws and regulation, may result in increased operating costs and capital expenditures and may have a material and adverse effect on us.

New environmental laws and regulations, including new regulations relating to alternative energy sources and the risk of global climate change, new interpretations of existing laws and regulations, increased governmental enforcement or other developments could require us to make additional unforeseen expenditures.

It is possible that some form of regulation will be forthcoming at the federal level in the United States with respect to emissions of greenhouse gases (GHGs) (including carbon dioxide, methane and nitrous oxides). Also, new federal or state legislation or regulatory programs that restrict emissions of GHGs in areas where we conduct business could adversely affect our operations and the demand for our energy products, which would have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. New legislation or regulator programs could require substantial expenditures for the installation and operation of systems and equipment that we do not currently possess or substantial modifications to existing equipment. The actual effects of climate change on our businesses are, however, unknown and indeterminable at this time.

Pursuant to the Energy Independence and Security Act of 2007, the EPA has promulgated the Renewable Fuel Standard (RFS), which requires refiners to blend renewable fuels, such as ethanol and biodiesel, with their petroleum fuels or purchase renewable energy credits, known as RINs, in lieu of blending. The EPA generally establishes new annual renewable fuel percentage standards for each compliance year in the preceding year. We generate RINs in our marketing operations under the RFS, however it is not enough to meet the needs of our refining capacity and RINs must be purchased on the open market. In recent years the price of RINs has been extremely volatile. As a result, the purchase of RINs could have a negative impact on our future refined fuels margins, the impact of which we are not able to estimate at this time.

Governmental policies and regulation affecting the agricultural sector and related industries could have a material adverse effect on us.

The compliance burden and impact on our operations and profitability as a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act and related regulations continue to evolve, federal agencies are implementing its many provisions through regulation. These efforts to change the regulation of financial markets will subject users of derivatives, such as CHS, to extensive oversight and regulation by the CFTC. Such initiatives will impose significant additional costs on us, including operating and compliance costs, and could materially affect the availability, as well as the cost and terms, of certain transactions. New federal regulations, studies and reports addressing all of the major areas of the new law, including the regulation of swaps and derivatives, are still being finalized and we will continue to monitor these developments. Any of these matters could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

Environmental liabilities could have a material adverse effect on us.

Many of our current and former facilities have been in operation for many years and, over that time, we and other operators of those facilities have generated, used, stored and disposed of substances or wastes that are or might be considered hazardous under applicable environmental laws, including liquid fertilizers, chemicals and fuels stored in underground and above-ground tanks. Any past or future actions in violation of applicable environmental laws could subject us to administrative penalties, fines, other costs, such as capital expenditures, and injunctions. In addition, an owner or operator of contaminated property, and a party who sends hazardous materials to such site for treatment, storage, disposal or recycling, can be liable for the cost of investigation and remediation under environmental laws. In some instances, such liability exists regardless of fault. Moreover, future or unknown past releases of hazardous substances could subject us to private lawsuits claiming damages, including for bodily injury or property damage, and to adverse publicity, which could have a material adverse effect on us. Liabilities, including legal costs, related to remediation of contaminated properties are not recognized until the related costs are considered probable and can be reasonably estimated.

Actual or perceived quality, safety or health risks associated with our products could subject us to significant liability and damage our business and reputation.

If any of our food or feed products became adulterated or misbranded, we would need to recall those items and could experience product liability claims if consumers were injured as a result. A widespread product recall or a significant product liability judgment could cause our products to be unavailable for a period of time or a loss of consumer confidence in our products. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our business and reputation with existing and potential customers and our corporate and brand image. Moreover, claims or liabilities of this sort might not be covered by our insurance or by any rights of indemnity or contribution that we may have against others. In addition, general public perceptions regarding the quality, safety or health risks associated with particular food or feed products, such as concerns regarding genetically modified crops, could reduce demand and prices for some of the products associated with our businesses. To the extent that consumer preferences evolve away from products that our members or we produce for health or other reasons, such as the growing demand for organic food products, and we are unable to develop products that satisfy new consumer preferences, there will be a decreased demand for our products, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

Our financial results are susceptible to seasonality.

Many of our business activities are highly seasonal and operating results vary throughout the year. Our income is generally lowest during the second fiscal quarter and highest during the third fiscal quarter. For example, in our Ag segment, our crop nutrients and country operations businesses generally experience higher volumes and income during the spring planting season and in the fall, which corresponds to harvest. Our grain marketing operations are also subject to fluctuations in volume and income based on producer harvests, world grain prices and demand. Our Energy segment generally experiences

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higher volumes and income 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 income during the winter heating and crop drying seasons.

Our operations are subject to business interruptions and casualty losses; we do not insure against all potential losses and could be seriously harmed by unanticipated liabilities.

Our operations are subject to business interruptions due to unanticipated events such as explosions, fires, pipeline interruptions, transportation delays, equipment failures, crude oil or refined product spills, inclement weather and labor disputes. For example:

- our oil refineries and other facilities are potential targets for terrorist attacks that could halt or discontinue production;
- our inability to negotiate acceptable contracts with unionized workers in our operations could result in strikes or work stoppages;
- our corporate headquarters, the facilities we own, or the significant inventories that we carry could be damaged or destroyed by catastrophic events, extreme weather conditions or contamination;
- someone may accidentally or intentionally introduce a computer virus to our information technology systems; and
- an occurrence of a pandemic flu or other disease affecting a substantial part of our workforce or our customers could cause an interruption in our business operations.

The effects of any of these events could be significant. We maintain insurance coverage against many, but not all potential losses or liabilities arising from these operating hazards, but uninsured losses or losses above our coverage limits are possible. Uninsured losses and liabilities arising from operating hazards could have a material adverse effect on us.

Our cooperative structure limits our ability to access equity capital.

As a cooperative, we may not sell common stock in our company. In addition, existing laws and our articles of incorporation and bylaws contain limitations on dividends of 8% per annum on any preferred stock that we may issue. These limitations may restrict our ability to raise equity capital and may adversely affect our ability to compete with enterprises that do not face similar restrictions.

Consolidation among the producers of products we purchase and customers for products we sell could materially and adversely affect our revenues, results of operations and cash flows.

Consolidation has occurred among the producers of products we purchase, including crude oil, fertilizer and grain, and it is likely to continue in the future. Consolidation could increase the price of these products and allow suppliers to negotiate pricing, supply availability and other contract terms that are less favorable to us. Consolidation also may increase the competition among consumers of these products to enter into supply relationships with a smaller number of producers, resulting in potentially higher prices for the products we purchase.

Consolidation among purchasers of our products and in wholesale and retail distribution channels has resulted in a smaller customer base for our products and intensified the competition for these customers. For example, ongoing consolidation among distributors and brokers of food products and food retailers has altered the buying patterns of these businesses, as they have increasingly elected to work with product suppliers who can meet their needs nationwide rather than just regionally or locally. If these distributors, brokers and retailers elect not to purchase our products, our revenues, results of operations and cash flows could be materially and adversely affected.

In the fertilizer market, consolidation at both the producer and customer level increases the threat of direct sales from the producer to the consumer.

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If our customers choose alternatives to our refined petroleum products, our revenues, results of operations and cash flows could be materially and adversely affected.

Numerous alternative energy sources currently under development could serve as alternatives to our gasoline, diesel fuel and other refined petroleum products. If any of these alternative products become more economically viable or preferable to our products for environmental or other reasons, demand for our energy products would decline. Demand for our gasoline, diesel fuel and other refined petroleum products also could be adversely affected by increased fuel efficiencies. Declining demand for our energy products could materially and adversely affect our revenues, results of operations and cash flows.

Our agronomy business is volatile and dependent upon certain factors outside of our control.

Planted acreage, and consequently the volume of fertilizer and crop protection products applied, is partially dependent upon government programs, grain prices and the perception held by the producer of demand for production. Weather conditions during the spring planting season and early summer spraying season also affect agronomy product volumes and profitability. As a result, factors outside of our control could materially and adversely affect our revenues, results of operations and cash flows.

Technological improvements in agriculture could decrease the demand for our agronomy and energy products.

Technological advances in agriculture could decrease the demand for crop nutrients, energy and other crop input products and services that we provide. Genetically engineered seeds that resist disease and insects, or that meet certain nutritional requirements, could affect the demand for our crop nutrients and crop protection products. Demand for fuel that we sell could decline as technology allows for more efficient usage of equipment. Declining demand for our products could materially and adversely affect our revenues, results of operations and cash flows.

We operate some of our business through joint ventures in which our rights to control business decisions are limited.

Several parts of our business, including in particular, portions of our grain marketing, wheat milling and foods operations, are operated through joint ventures with third parties. By operating a business through a joint venture, we have less control over business decisions than we have in our wholly-owned or majority-owned businesses. In particular, we generally cannot act on major business initiatives in our joint ventures without the consent of the other party or parties in those ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that co-venturers might become bankrupt or fail to fund their share of required capital contributions, in which case we and any other remaining co-venturers would generally be liable for the joint venture's liabilities. Co-venturers may have economic, tax or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Our co-venturers may take actions that are not within our control. Joint venture investments may also lead to impasses. Disputes between us and co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our day-to-day business. In addition, we may in certain circumstances be liable for the actions of our co-venturers. Each of these matters could have a material adverse effect on us.

We face risk associated with our proposed new nitrogen fertilizer manufacturing plant, including cost overruns, construction delays and operational issues.

In September 2014, our Board of Directors approved the construction of an approximately $3.0 billion nitrogen fertilizer manufacturing plant to be located in Spiritwood, North Dakota, which would provide the region’s farmers with enhanced supplies of crop nutrients essential to raising corn and other crops. The nitrogen fertilizer manufacturing plant will be the single largest investment in our history. Groundbreaking will take place following completion of additional details, with the plant intended to be fully operational in the first half of calendar 2018. There can be no assurance that actual costs for the plant will not exceed our current estimates, that the plant will be operational based on our anticipated timing or that nitrogen fertilizer production will be cost effective.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of the date hereof, there were no unresolved comments from the Securities and Exchange Commission staff regarding our periodic or current reports.

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ITEM 2. PROPERTIES

We own or lease energy, agronomy, grain handling and processing facilities throughout the United States and internationally. Below is a summary of these locations.

Energy

Facilities in our Energy segment include the following, all of which are owned except where indicated as leased:

Refinery	Laurel, Montana
Propane terminals	Glenwood, Minnesota; Black Creek, Wisconsin; Biddeford, Maine; Hannaford, North Dakota; Ross, North Dakota; Rockville, Minnesota
Transportation terminals/repair facilities	12 locations in Iowa, Kansas, Minnesota, Montana, North Dakota, South Dakota, Washington and Wisconsin, 3 of which are leased
Petroleum and asphalt terminals/storage facilities	11 locations in Montana, North Dakota and Wisconsin
Pump stations	12 locations in Montana and North Dakota
Pipelines:	
Cenex Pipeline, LLC	Laurel, Montana to Fargo, North Dakota
Front Range Pipeline, LLC	Canadian border to Laurel, Montana and on to Billings, Montana
Convenience stores/gas stations	69 locations in Idaho, Minnesota, Montana, North Dakota, South Dakota, Washington and Wyoming, 19 of which are leased.
Lubricant plants/warehouses	3 locations in Minnesota, Ohio and Texas, 1 of which is leased

As of August 31, 2014, we owned approximately 84.0% of NCRA. Our ownership increased to 88.9% in September 2014, upon the third closing under our November 2011 agreement to purchase the noncontrolling interests in NCRA. NCRA owns and operates the following facilities:

Refinery	McPherson, Kansas
Petroleum terminals/storage	3 locations in Iowa and Kansas
Pipeline	McPherson, Kansas to Council Bluffs, Iowa
Jayhawk Pipeline, LLC	Throughout Kansas, with branches in Nebraska, Oklahoma and Texas
Jayhawk stations	25 locations located in Kansas, Nebraska and Oklahoma
Osage Pipeline (50% owned by NCRA)	Oklahoma to Kansas
Kaw Pipeline (67% owned by NCRA)	Throughout Kansas

Ag

Within our Ag segment, we own or lease the following facilities:

Crop Nutrients

We use ports and terminals in our North American crop nutrients operations at the following locations:

Alexandria, Louisiana (terminal, owned)

Briggs, Indiana (terminal, owned)
Fostoria, Ohio (terminal, owned)
Friona, Texas (terminal, owned)
Galveston, Texas (deep water port, land leased from port authority)
Grand Forks, North Dakota (terminal, owned)

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Green Bay, Wisconsin (terminal, owned)
Greenville, Mississippi (terminal, owned)
Indianapolis, Indiana (terminal, leased)
Little Rock, Arkansas (river terminal, land leased from port authority)
Lake Providence, Louisiana (terminal, owned)
Lettsworth, Louisiana (terminal, owned)
Melbourne, Kentucky (terminal, owned)
Memphis, Tennessee (river terminal, owned)
Mermentau, Louisiana (terminal, owned)
Muscatine, Iowa (river terminal, owned)
Post Falls, Idaho (terminal, owned)
St. Paul, Minnesota (river terminal, owned)
Tallulah, Louisiana (terminal, owned)
Texarkana, Texas (terminal, owned)
Vidalia, Louisiana (terminal, owned)
Watertown, South Dakota (terminal, owned)
Winona, Minnesota (2 river terminals, owned)

Country Operations

In our country operations business, we own agri-operations in 444 communities (of which some of the facilities are on leased land), three sunflower plants and nine feed manufacturing facilities of which we operate eight and lease one to a joint venture of which we are a partner. These operations are located in Colorado, Idaho, Illinois, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Washington, Wisconsin, and Canada.

Grain Marketing

We use grain terminals in our grain marketing operations at the following locations:

Brazil, South America (3 owned-under construction)
Bosnia, Europe (3 owned)
Collins, Mississippi (owned)
Constanta, Romania (owned)
Davenport, Iowa (2 owned)
Friona, Texas (owned)
Giurgiu, Romania (owned)
Myrtle Grove, Louisiana (owned)
Necochea, Argentina (fertilizer terminal)
Oroshaza, Hungary (owned)
Pekin, Illinois (owned)
Savage, Minnesota (owned)
Spokane, Washington (owned)
Superior, Wisconsin (owned)
Winona, Minnesota (owned)

In addition to office space at our corporate headquarters, we have grain marketing offices at the following leased locations, unless otherwise noted:

Amman, Jordan
Barcelona, Spain
Bucharest, Romania
Budapest, Hungary
Buenos Aires, Argentina (2 locations)
Ciudad de Este, Paraguay
Davenport, Iowa (owned)
Geneva, Switzerland
Hong Kong
Kansas City, Missouri
Kiev and Odessa, Ukraine

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Krasnodar, Russia (also 1 other Russia locations)
Lincoln, Nebraska
Novi Sad, Serbia
Sao Paulo, Brazil (also 8 other Brazil locations)
Seoul, South Korea
Singapore
Sofia, Bulgaria
Shanghai, China
Sydney, Australia
Taipei, Taiwan
Winnipeg, Canada
Winona, Minnesota (owned)

Processing and Food Ingredients

We own soybean processing facilities and/or textured soy protein production facilities at the following locations:

Ashdod, Israel
Ashkelon, Israel
Creston, Iowa
Fairmont, Minnesota
Hutchinson, Kansas
Mankato, Minnesota
Ningbo, China
South Sioux City, Nebraska

We lease the following services and engineering facilities:

Eagan, Minnesota
Burnsville, Minnesota

We own an ethanol plant located in Rochelle, Illinois.

Corporate and Other

Business Solutions

In addition to office space at our corporate headquarters, we have offices at the following leased locations:

Houston, Texas (CHS Insurance)
Indianapolis, Indiana (CHS Insurance and CHS Hedging LLC)
Kansas City, Missouri (CHS Hedging LLC)
Kewanee, Illinois (CHS Insurance)

Corporate Headquarters

We are headquartered in Inver Grove Heights, Minnesota. We own a 33-acre campus consisting of one main building with approximately 320,000 square feet of office space and two smaller buildings with approximately 13,400 and

9,000 square feet of space. We also have an office in Washington, D.C. which is leased.

Our internet address is www.chsinc.com.

ITEM 3. LEGAL PROCEEDINGS

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, our 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.

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Laurel

On August 30, 2012, we received from the EPA a request for information pursuant to Section 114 of the Clean Air Act. The information requested relates to operational information and design data for flares at our Laurel, Montana refinery for the period from January 1, 2006 to present. The information request could potentially result in an enforcement action by the EPA with respect to flare efficiency or other issues. We provided the requested information in December 2012 and are awaiting the EPA's response. As it is too early to determine the potential liability or extent of potential costs associated with any such action, we have not recorded a liability associated with this request. While the facts and circumstances of enforcement actions under the Clean Air Act relating to flares at refineries differ on a case-by-case basis, some refineries have incurred significant penalties and other costs in connection with such enforcement actions.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

We have approximately 85,700 members, of which approximately 1,200 are cooperative association members and approximately 84,500 are individual members. As a cooperative, we do not have any common stock that is traded or otherwise.

On August 31, 2014, we had 12,272,003 shares of 8% Cumulative Redeemable Preferred Stock outstanding, which are listed on the NASDAQ under the symbol CHSCP,

On August 31, 2014 we had 18,071,363 shares of Class B Series 1 Preferred Stock, outstanding, of which 11,319,175 were issued in September 2013 and an additional 6,752,188 were issued in August 2014, to redeem qualified equity certificates to eligible owners. These shares are listed on the NASDAQ under the symbol CHSCO.

On August 31, 2014 we had 16,800,000 shares of Class B Series 2 Preferred Stock, outstanding, which were issued in March 2014 and are listed on the NASDAQ under the symbol CHSCN.

During September 2014, we issued 19,700,000 shares of Class B Series 3 Preferred Stock, which are listed on the NASDAQ under the symbol CHSCM.

We have not sold any equity securities during the three years ended August 31, 2014 that were not registered under the Securities Act of 1933, as amended.

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ITEM 6. SELECTED FINANCIAL DATA

The selected financial information below has been derived from our consolidated financial statements for the years ended August 31. The selected consolidated financial information for August 31, 2014, 2013 and 2012, should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this filing.

Summary Consolidated Financial Data

	2014	2013	2012	2011	2010
	(Dollars in thousands)				
Income Statement Data:					
Revenues	$42,664,033	$44,479,857	$40,599,286	$36,915,834	$25,267,931
Cost of goods sold	41,016,798	42,706,205	38,588,143	35,512,988	24,397,410
Gross profit	1,647,235	1,773,652	2,011,143	1,402,846	870,521
Marketing, general and administrative	602,598	553,623	498,233	438,498	366,582
Operating earnings	1,044,637	1,220,029	1,512,910	964,348	503,939
(Gain) loss on investments	(114,162)	(182)	5,465	(126,729)	(29,433)
Interest, net	134,942	231,567	193,263	74,835	58,324
Equity (income) loss from investments	(107,446)	(97,350)	(102,389)	(131,414)	(108,787)
Income before income taxes	1,131,303	1,085,994	1,416,571	1,147,656	583,835
Income taxes	48,296	89,666	80,852	86,628	48,438
Net income	1,083,007	996,328	1,335,719	1,061,028	535,397
Net income attributable to noncontrolling interests	1,572	3,942	75,091	99,673	33,238
Net income attributable to CHS Inc.	$1,081,435	$992,386	$1,260,628	$961,355	$502,159
Balance Sheet Data (August 31):					
Working capital	$3,213,641	$3,125,407	$2,848,462	$2,776,492	$1,603,994
Net property, plant and equipment	4,031,023	3,171,404	2,786,324	2,420,214	2,253,071
Total assets	15,146,979	13,504,270	13,645,024	12,465,317	8,881,087
Long-term debt, including current maturities	1,456,500	1,607,032	1,440,353	1,501,997	986,241
Total equities	6,466,844	5,152,747	4,473,323	4,265,320	3,604,451

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The selected financial information below has been derived from our Energy and Ag segments and Corporate and Other, for the years ended August 31, 2014, 2013 and 2012.

Summary Financial Data By Business Segment

	Energy			Ag		
	2014	2013	2012	2014	2013	2012
	(Dollars in thousands)					
Revenues	$14,319,979	$12,982,293	$12,816,542	$28,894,816	$31,909,791	$28,181,445
Cost of goods sold	13,364,872	11,846,458	11,514,463	28,273,515	31,341,453	27,544,040
Gross profit	955,107	1,135,835	1,302,079	621,301	568,338	637,405
Marketing, general and administrative	154,992	172,136	155,786	379,714	312,616	273,757
Operating earnings	800,115	963,699	1,146,293	241,587	255,722	363,648
(Gain) loss on investments	—	—	4,008	(1,949)	(27)	1,049
Interest, net	68,434	148,366	122,302	56,544	71,597	57,915
Equity (income) loss from investments	(4,014)	(1,357)	(7,537)	(22,279)	(15,194)	(22,737)
Income before income taxes	$735,695	$816,690	$1,027,520	$209,271	$199,346	$327,421
Intersegment revenues	$(577,539)	$(481,465)	$(467,583)	$(43,930)	$—	$—
Total identifiable assets	$4,601,122	$4,409,594		$6,657,840	$6,146,547	

	Corporate and Other		
	2014	2013	2012
	(Dollars in thousands)		
Revenues	$70,707	$69,238	$68,882
Cost of goods sold	(120)	(241)	(2,777)
Gross profit	70,827	69,479	71,659
Marketing, general and administrative	67,892	68,871	68,690
Operating earnings	2,935	608	2,969
(Gain) loss on investments	(112,213)	(155)	408
Interest, net	9,964	11,604	13,046
Equity (income) loss from investments	(81,153)	(80,799)	(72,115)
Income before income taxes	$186,337	$69,958	$61,630
Intersegment revenues			
Total identifiable assets	$3,888,017	$2,948,129	

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The following discussion of financial condition and results of operations should be read in conjunction with the accompanying audited financial statements and notes to such statements and the cautionary statement regarding forward-looking statements found in Part I, Item 1A of this Form 10-K. This discussion contains forward-looking statements based on current expectations, assumptions, estimates and projections of our management. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, as more fully described in the cautionary statement and elsewhere in this Form 10-K.

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CHS Inc. (CHS, we or us) is a diversified company, which provides grain, foods and energy resources to businesses and consumers on a global basis. As a cooperative, we are owned by farmers, ranchers and their member cooperatives across the United States. We also have preferred stockholders that own shares of our 8% Cumulative Redeemable Preferred Stock (8% Preferred Stock) our Class B Cumulative Redeemable Preferred Stock, Series 1 (Class B Series 1 Preferred Stock), our Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2 (Class B Series 2 Preferred Stock) and our Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 (Class B Series 3 Preferred Stock).

We provide a full range of production agricultural inputs such as refined fuels, propane, farm supplies, animal nutrition and agronomy products, as well as services, which include hedging, financing and insurance services. We own and operate petroleum refineries and pipelines and market and distribute refined fuels and other energy products under the Cenex® brand through a network of member cooperatives and independents. We purchase grains and oilseeds directly and indirectly from agricultural producers primarily in the midwestern and western United States. These grains and oilseeds are either sold to domestic and international customers or further processed into a variety of grain-based food products.

The consolidated financial statements include the accounts of CHS and all of our wholly-owned and majority-owned subsidiaries and limited liability companies, including NCRA in our Energy segment. The effects of all significant intercompany transactions have been eliminated.

We have aligned our segments based on an assessment of how our businesses operate 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 consist 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 vary throughout the year. Our income is generally lowest during the second fiscal quarter and highest during the third fiscal quarter. For example, in our Ag segment, our crop nutrients and country operations businesses generally experience higher volumes and income during the spring planting season and in the fall, which corresponds to harvest. Our grain marketing operations are also subject to fluctuations in volume 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.

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Recent Events

In September 2014, our Board of Directors approved plans to construct a nitrogen fertilizer plant located in Spiritwood, North Dakota. We currently estimate the construction costs to be approximately $3.0 billion, which we intend to finance through a combination of debt and preferred stock offerings with the plant anticipated to be fully operational by the first half of calendar year 2018. The Spiritwood facility is currently expected to produce more than 2,400 tons of ammonia daily which will be further converted to urea, Urea Ammonia Nitrate solution and Diesel Exhaust Fuel (DEF). The majority of the nitrogen products from the plant will be sold to farmer-owned cooperatives and independent farm supply retailers within a 200-mile radius of the plant in the Dakotas, parts of Minnesota, Montana and Canada.

In September 2014, we issued 19,700,000 shares of Class B Series 3 Preferred Stock, which are listed on the NASDAQ under the symbol CHSCM. The approximately $477.0 million of net proceeds, after deducting underwriting discounts, commissions and expected offering expenses payable by CHS are intended to be used to partially fund the construction of the Spiritwood, North Dakota nitrogen fertilizer manufacturing plant discussed above.

Results of Operations

Comparison of the years ended August 31, 2014 and 2013

General. We recorded income before income taxes of $1,131.3 million during the twelve months ended August 31, 2014, compared to $1,086.0 million recorded during the twelve months ended August 31, 2013. Operating results reflected a change in the mix of pretax earnings which, as discussed below, resulted in increased pretax income for Corporate and Other, partially offset by decreases in our Energy and Ag segments.

Our Energy segment generated income before income taxes of $735.7 million for the year ended August 31, 2014 compared to $816.7 million in the year ended August 31, 2013, representing a decrease of $81.0 million (10%), primarily due to reduced refining margins. Earnings in our refined fuels businesses decreased, which was partially offset by increases in our propane, renewable fuels marketing, lubricants, and transportation businesses during the year ended August 31, 2014, when compared to the same twelve-month period of the previous year. We are subject to the Renewable Fuel Standard (RFS) which requires refiners to blend renewable fuels (e.g., ethanol, biodiesel) into their finished transportation fuels or purchase renewable energy credits, known as Renewable Identification Numbers (RINs), in lieu of blending. The EPA generally establishes new annual renewable fuel percentage standards for each compliance year in the preceding year. We generate RINs in our marketing operations under the RFS, however it is not enough to meet the needs of our refining capacity and RINs must be purchased on the open market. Since January 2013, the price of RINs has been extremely volatile. The EPA suggested that it would reduce the renewable fuels mandate for 2014 under the RFS, which has caused RINs prices to decline, however, the mandate has not yet been issued.

Our Ag segment generated income before income taxes of $209.3 million for the year ended August 31, 2014, compared to $199.3 million in the year ended August 31, 2013, an increase in earnings of $10.0 million (5%). The increase is primarily related to our grain marketing earnings which increased by $51.6 million during the year ended August 31, 2014, compared to the prior period, primarily due to strong logistical performance in North America. Our country operations earnings increased $19.9 during the year ended August 31, 2014, compared to the prior year. Overall agronomy and grain margins as well as service income increased for retail operations. Earnings from our wholesale crop nutrients business increased by $6.3 million for the year ended August 2014, compared to the prior year, primarily due to increased volumes and margins. These items were mostly offset by decreased earnings in our processing and food ingredients operations of $67.7 million in fiscal 2014. The decrease consisted of a non-cash $74.5 million charge related to certain assets in Israel in fiscal 2014, partially offset by earnings related to an acquisition in fiscal 2014. See Note 17, Acquisitions, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Corporate and Other generated income before income taxes of $186.3 for the year ended August 31, 2014 compared to $70.0 million during the previous year, an increase in earnings of $116.3 million. The increase was primarily related to a $109.2 million gain associated with the contribution of our Horizon Milling assets to the newly formed Ardent Mills joint venture. See Note 4, Investments for additional information.

Net Income attributable to CHS Inc. Consolidated net income attributable to CHS Inc. for the year ended August 31, 2014 was $1,081.4 million compared to $992.4 million for the year ended August 31, 2013, which represents an $89.0 million increase (9%).

Revenues. Consolidated revenues were $42.7 billion for the year ended August 31, 2014 compared to $44.5 billion for the year ended August 31, 2013, which represents a $1.8 billion decrease (4%).

Our Energy segment revenues of $13.7 billion, after elimination of intersegment revenues, increased by $1.2 billion (10%) during the year ended August 31, 2014, compared to $12.5 billion during the year ended August 31, 2013. During the years ended August 31, 2014 and 2013, our Energy segment recorded revenues from sales to our Ag segment of $577.5 million and $481.5 million, respectively, which are eliminated as part of the consolidation process. Propane revenues increased $670.7 million (89%), of which $351.6 million was related to an increase in the net average selling price and $319.1 million was attributable to volume resulting from demand caused by a shortened harvest season and related corn drying activity as well as colder than normal temperatures, when compared to the previous year. Propane sales volume increased 42%, while the average selling price of propane increased $0.34 per gallon (33%) in comparison to the previous year. Renewable fuels marketing revenues increased $552.9 million (36%), from a 46% increase in volume, partially offset by a decrease in the average selling price of $0.18 per gallon (7%), when compared with the previous year. Refined fuels revenues partially offset the increases in revenues previously described with a decrease in refined fuels of $20.9 million (less than 1%), of which $268.8 million related to a net average selling price decrease mostly offset by an increase in volumes, compared to the previous year. The sales price of refined fuels products decreased $0.09 per gallon (3%), and sales volumes increased by 3%, when compared to the previous year.

Our Ag segment revenues of $28.9 billion, after elimination of intercompany intersegment revenues, decreased $3.0 billion (9%) during the year ended August 31, 2014 compared to $31.9 billion reported for the year ended August 31, 2013.

Grain revenues in our Ag segment totaled $20.7 billion and $23.8 billion during the year ended August 31, 2014 and 2013, respectively. Of the grain revenues decrease of $3.1 billion (13%), $3.7 billion is due to decreased average grain selling prices, partially offset by an increase of $579.3 million due to a net increase in sales volume of 2% during the year ended August 31, 2014, compared to the prior year. The average sales price of all grain and oilseed commodities sold reflected a decrease of $1.51 per bushel (15%) over the previous year. Wheat, soybeans, and corn had increased volumes, compared to the twelve months ended August 31, 2013.

Our processing and food ingredients revenues in our Ag segment of $1.9 billion for the year ended August 31, 2014, is almost flat when compared to the year ended August 31, 2013. We experienced decreases in revenue of $94.0 million related to decreased average selling prices and a decrease of $18.4 million in the volume associated with our oilseed products as compared to the year ended August 31, 2013. Typically, changes in average selling prices of oilseed products are primarily driven by the average market prices of soybeans. These decreases were almost entirely offset by revenues from our ethanol facility of approximately $82.4 million, which was acquired in fiscal 2014.

Wholesale crop nutrient revenues in our Ag segment totaled $2.6 billion and $2.7 billion during the twelve months ended August 31, 2014 and 2013, respectively. Of the wholesale crop nutrient revenues decrease of $108.0 million (4%), $592.7 million was related to decreased average fertilizer selling prices, partially offset by $484.7 million related to an increase in volumes, during the year ended August 31, 2014, compared to the last fiscal year. Our wholesale crop nutrient volumes increased 18% during the year ended August 31, 2014 compared with the previous year. The average sales price of all fertilizers sold reflected a decrease of $81.29 per ton (19%) compared with the previous year.

Our Ag segment other product revenues, primarily feed and farm supplies, of $3.4 billion increased by $125.3 million during the year ended August 31, 2014 compared to the year ended August 31, 2013, primarily due to an increase in our country operations retail merchandise revenues. Other revenues within our Ag segment of $191.4 million during the year ended August 31, 2014, increased $41.2 million (27%) compared to the year ended August 31, 2013.

Total revenues include other revenues generated primarily within our Ag segment and Corporate and Other. Our Ag segment's country operations elevators and agri-service centers derive other revenues from activities related to production agriculture, which include grain storage, grain cleaning, fertilizer spreading, crop protection spraying and other associated services. In addition, our grain marketing operations receive other revenues at our export terminals from activities related to loading vessels. Corporate and Other derives revenues primarily from our financing, hedging and insurance operations.

Cost of Goods Sold. Consolidated cost of goods sold was $41.0 billion for the year ended August 31, 2014, compared to $42.7 billion for the year ended August 31, 2013, which represents a $1.7 billion (4%) decrease.

Our Energy segment cost of goods sold, after elimination of intersegment costs, increased by approximately $1.4 billion (13%) to $12.8 billion during the year ended August 31, 2014, compared to the prior year. The increase in cost of goods sold is primarily due to increased costs associated with refined fuels, propane and renewable fuels marketing products.

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Specifically, refined fuels cost of goods sold increased $187.4 million (2%), which reflects a 3% increase in the volume from the prior year. On average, we process approximately 55,000 barrels of crude oil per day at our Laurel, Montana refinery and 85,000 barrels of crude oil per day at NCRA's McPherson, Kansas refinery. The cost of goods sold of propane increased $640.1 million (86%) primarily from an average cost increase of $0.32 per gallon (30%) and a 42% increase in volumes resulting from demand caused by a condensed harvest and associated corn drying activity as well as colder than normal temperatures, when compared to the previous year. Renewable fuels marketing costs increased $542.9 million (35%), primarily from a 46% increase in volumes, partially offset by a decrease in the average cost of $0.18 per gallon (7%), when compared to the prior year.

Our Ag segment cost of goods sold, after elimination of intersegment costs, decreased by $3.1 billion (10%) to $28.2 billion, during the year ended August 31, 2014, compared to the prior year. The majority of the decrease was driven by the lower grains and oilseed costs, which decreased by $3.5 billion (15%) in the year ended August 31, 2014 compared to the prior year. This is primarily the result of a $1.67 (17%) decrease in the average cost per bushel. This decrease was partially offset by a 3% net increase in bushels sold, as compared to the prior year. The average month-end market price per bushel of soybeans, corn and spring wheat decreased compared to the previous year.

Our processing and food ingredients cost of goods sold in our Ag segment of $1.9 billion was flat for the year ended August 31, 2014, compared to the year ended August 31, 2013. We experienced a decrease in volumes sold which was offset by a combination of the costs of goods sold associated with our ethanol facility which was acquired in fiscal 2014, and a non-cash $74.5 million impairment charge related to certain assets in Israel recorded in fiscal 2014. See Note 17, Acquisitions, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Wholesale crop nutrients cost of goods sold in our Ag segment totaled $2.4 billion and $2.6 billion during the years ended August 31, 2014 and 2013, respectively. The net decrease of $171.5 million (7%) is comprised of a decrease in the average cost per fertilizer ton of $88 (21%), partially offset by an 18% increase in tons sold, when compared to the prior year.

Our Ag segment other product cost of goods sold, primarily feed and farm supplies, as of August 31, 2014 was $2.9 billion, an increase of $84.9 million (3%) compared to the prior year and was primarily the result of an increase in our country operations retail volumes.

Marketing, General and Administrative. Marketing, general and administrative expenses of $602.6 million for the year ended August 31, 2014, increased by $49.0 million (9%) compared to the prior year. The net increase in fiscal 2014 was driven by our grain marketing and international operations, and to a lesser extent, our processing and food ingredients operations, including our ethanol facility acquired in fiscal 2014, partially offset by a decrease in our energy operations.

Gain/Loss on Investments. Gain on investments for the year ended August 31, 2014 increased by $114.1 million compared to the twelve months ended August 31, 2013, related primarily to a $109.2 million gain associated with the contribution of our Horizon Milling assets to the newly formed Ardent Mills joint venture. See Note 4, Investments, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Interest, net. Net interest of $134.9 million for the year ended August 31, 2014 decreased $96.6 million compared to the previous year. Interest expense for the years ended August 31, 2014 and 2013 was $150.5 million and $248.4 million, respectively. The decrease in interest expense of $97.9 million is primarily due to a $78.2 million decrease in patronage earned by the noncontrolling interests of NCRA and, to a lesser extent, a gain on interest rate swaps of $13.5 million, when compared with the previous year.

Equity Income from Investments. Equity income from investments of $107.4 million for the year ended August 31, 2014, increased $10.1 million (10%) compared to the year ended August 31, 2013. We record equity income or loss from the investments in which we have an ownership interest of 50% or less and have significant influence, but not control, for our proportionate share of income or loss reported by the entity, without consolidating the revenues and expenses of the entity in our Consolidated Statements of Operations.

Income Taxes. Income tax expense was $48.3 million for the year ended August 31, 2014 compared with $89.7 million for the year ended August 31, 2013, resulting in effective tax rates of 4.3% and 8.3%, respectively. The decrease in the tax rate for fiscal 2014 was driven by a combination of excise tax credit claims made for the years 2007 through 2012 related to the blending and sale of renewable fuels deducted for income taxes of $46.3 million, net of reserves, and to a lesser extent the release of reserves related to the expiration of certain statues of limitations of $20.9 million. The federal and state statutory rate applied to nonpatronage business activity was 38.1% and 38.1% for the years ended August 31, 2014 and 2013, respectively.

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The income taxes and effective tax rate vary each year based upon profitability and nonpatronage business activity during each of the comparable years.

Noncontrolling Interests. Income attributable to noncontrolling interests of $1.6 million for the year ended August 31, 2014 decreased by $2.4 million compared to the year ended August 31, 2013.

Comparison of the years ended August 31, 2013 and 2012

General. We recorded income before income taxes of $1.1 billion in fiscal 2013 compared to $1.4 billion in fiscal 2012, a decrease of $330.6 million (23%). Operating results reflected decreased pretax earnings in our Energy and Ag segments, partially offset by increased pretax earnings in Corporate and Other.

Our Energy segment generated income before income taxes of $816.7 million for the year ended August 31, 2013 compared to $1.0 billion in fiscal 2012, representing a decrease of $210.8 million (21%). The decrease in earnings was primarily from reduced margins on refined fuels at our Laurel, Montana refinery due to the shut down of the refinery for a major maintenance turnaround. We experienced decreased earnings in our propane business, while our renewable fuels marketing, lubricants, and transportation businesses experienced increased earnings during the year ended August 31, 2013 when compared to the previous year.

Our Ag segment generated income before income taxes of $199.3 million for the year ended August 31, 2013 compared to $327.4 million in fiscal 2012, a decrease in earnings of $128.1 million (39%). Our grain marketing earnings decreased by $61.8 million during the year ended August 31, 2013 compared with fiscal 2012, primarily as a result of lower export margins. Earnings from our wholesale crop nutrients business declined $30.5 million for the year ended August 31, 2013 compared with fiscal 2012, primarily due to decreased product margins and $13.0 million of costs associated with a feasibility study for the Spiritwood, North Dakota nitrogen fertilizer manufacturing plant described above. Our country operations earnings decreased $15.9 million during the year ended August 31, 2013 compared to the prior year, primarily due to decreased grain margins. The decrease in earnings of $22.2 million in our processing and food ingredients businesses for the year ended August 31, 2013 compared to the prior year, primarily related to $25.0 million of costs associated with a voluntary recall of certain soy protein products. In addition, we incurred costs of $20.1 million in connection with plant downtime, inventory write-downs and other costs in connection with the recall. The decrease in earnings in our processing and food ingredients businesses was partially offset by increased margins from our soybean crushing and refining businesses and $5.7 million in acquisition costs related to our acquisition of Solbar Industries Ltd. during the year ended August 31, 2012. See Note 17, Acquisitions, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Corporate and Other generated income before income taxes of $70.0 million during fiscal 2013 compared to $61.6 million during fiscal 2012, an increase in earnings of $8.3 million (14%).

Net Income attributable to CHS Inc. Consolidated net income attributable to CHS Inc. for the year ended August 31, 2013 was $992.4 million compared to $1.3 billion for the year ended August 31, 2012, which represented a $268.2 million (21%) decrease.

Revenues. Consolidated revenues were $44.5 billion for the year ended August 31, 2013 compared to $40.6 billion for the year ended August 31, 2012, which represented a $3.9 billion (10%) increase.

Our Energy segment revenues, after elimination of intersegment revenues, of $12.5 billion increased by $151.9 million (1%) during the year ended August 31, 2013 compared to fiscal 2012. During the years ended August 31, 2013 and 2012, our Energy segment recorded revenues from sales to our Ag segment of $481.5 million and $467.6 million, respectively, which were eliminated as part of the consolidation process. The net increase of $151.9 million was comprised of an increase of $266.0 million related to higher sales volume, partially offset by $114.1 million related to lower prices. Refined fuels revenues increased $86.7 million (1%), of which $52.7 million was related to a net average selling price increase, and $34.1 million was related to higher volumes, compared to the previous year. The sales price of refined fuels increased $0.02 per gallon (1%), while volumes increased less than 1%. Renewable fuels marketing revenues increased $73.8 million (5%), primarily from an increase in the average selling price of $0.08 per gallon (3%) and a 2% increase in volumes, when compared with fiscal 2012. Propane revenues decreased $22.5 million (3%), which included $204.5 million related to a decrease in the net average selling price, partially offset by a $182.0 million increase in volume, when compared to the previous year. The average selling price of propane decreased $0.28 per gallon (21%), which was largely offset by a 23% increase in sales volumes, when compared to the prior year.

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Our Ag segment revenues of $31.9 billion increased $3.7 billion (13%) during the year ended August 31, 2013 compared to fiscal 2012.

Grain revenues in our Ag segment totaled $23.8 billion and $20.6 billion during the years ended August 31, 2013 and 2012, respectively. Of the grain revenues increase of $3.2 billion (16%), $2.1 billion was due to a 10% net increase in volumes and $1.2 billion was due to increased average grain selling prices, during the year ended August 31, 2013 compared to the prior fiscal year. The average sales price of all grain and oilseed commodities sold reflected an increase of $0.50 per bushel (5%) over fiscal 2012. Wheat, soybeans, and corn all had increased volumes compared to the year ended August 31, 2012.

Our processing and food ingredients revenues in our Ag segment of $1.9 billion increased $301.0 million (19%) during fiscal 2013 compared to fiscal 2012. The net increase in revenues was comprised of a $258.2 million increase in the average selling price of our oilseed products and a net increase of $42.8 million related to increased volumes, including volumes from recent acquisitions, as compared to fiscal 2012. Typically, changes in average selling prices of oilseed products are primarily driven by the average market prices of soybeans.

Wholesale crop nutrient revenues in our Ag segment totaled $2.7 billion and $2.8 billion during the years ended August 31, 2013 and 2012, respectively. Of the wholesale crop nutrient revenues decrease of $90.6 million (3%), $411.2 million was related to decreased average fertilizer selling prices, partially offset by $320.6 million related to increased volumes during the year ended August 31, 2013 compared to the prior fiscal year. The average sales price of all fertilizers sold reflected a decrease of $66 per ton (13%) over fiscal 2012. Our wholesale crop nutrient volumes increased 12% during the year ended August 31, 2013 compared with fiscal 2012.

Our Ag segment other product revenues, primarily feed and farm supplies, of $3.3 billion increased by $196.3 million (6%) during fiscal 2013 compared to fiscal 2012, primarily the result of increased revenues in our global sales of retail crop nutrients and our country operations sales of feed, crop protection and sunflower products, including additional volumes from acquisitions. Other revenues within our Ag segment of $244.1 million during fiscal 2013 increased $30.6 million (14%) compared to fiscal 2012 primarily due to increased service activities related to the spring planting season, including additional volumes generated from acquisitions.

Total revenues also include other revenues generated primarily within our Ag segment and Corporate and Other. Our Ag segment's country operations elevators and agri-service centers derive other revenues from activities related to production agriculture, which include grain storage, grain cleaning, fertilizer spreading, crop protection spraying and other services of this nature, and our grain marketing operations receive other revenues at our export terminals from activities related to loading vessels. Corporate and Other derives revenues primarily from our financing, hedging and insurance operations.

Cost of Goods Sold. Consolidated cost of goods sold of $42.7 billion for the year ended August 31, 2013 compared to $38.6 billion for the year ended August 31, 2012, which represented a $4.1 billion (11%) increase.

Our Energy segment cost of goods sold, after elimination of intersegment costs, of $11.4 billion increased by $318.1 million (3%) during fiscal 2013 compared to fiscal 2012. The increase in cost of goods sold was primarily due to an increase in costs for refined fuels products. Specifically, refined fuels cost of goods sold increased $273.3 million (3%) which reflected an increase in the average cost of refined fuels of $0.08 per gallon (3%) while volumes increased less than 1% when compared to the year ended August 31, 2012. On average, we process approximately 55,000 barrels of crude oil per day at our Laurel, Montana refinery and 85,000 barrels of crude oil per day at NCRA's McPherson, Kansas refinery. The aggregate average per unit cost of crude oil purchased for the two refineries increased 4% compared to the year ended August 31, 2012, which is reflected in the $0.08 per gallon increase in average cost of refined fuels. Renewable fuels marketing costs increased $70.3 million (5%), primarily from an increase in the average cost of $0.07 per gallon (3%) and a 2% increase in volumes, when compared with the previous year. The cost of propane decreased by $14.1 million, which included an average cost decrease of $0.27 per gallon (21%), partially offset by a 23% increase in volumes, when compared to the year ended August 31, 2012.

Our Ag segment cost of goods sold of $31.3 billion increased $3.8 billion (14%) during fiscal 2013 compared to fiscal 2012.

Grain cost of goods sold in our Ag segment totaled $23.9 billion and $20.4 billion during the years ended August 31, 2013 and 2012, respectively. The cost of grains and oilseed procured through our Ag segment increased $3.5 billion (17%) compared to the year ended August 31, 2012. This was primarily the result of a 10% net increase in bushels sold and a $0.60 (6%) increase in the average cost per bushel, as compared to the prior year. The average month-end per bushel market price of soybeans and corn increased, while spring wheat decreased compared to the prior fiscal year.

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Our processing and food ingredients cost of goods sold in our Ag segment of $1.9 billion increased $359.3 million (24%) during fiscal 2013 compared to fiscal 2012, which was primarily due to increases in the cost of soybeans purchased and higher volumes of products sold, which includes volumes from recent acquisitions. The increase in cost of goods sold in our processing and food ingredients businesses included $25.0 million of costs associated with the previously described voluntary recall of certain soy protein products. In addition, we incurred costs of $20.1 million in connection with plant downtime, inventory write-downs and other costs in connection with the recall.

Wholesale crop nutrients cost of goods sold in our Ag segment totaled $2.6 billion and $2.7 billion during the years ended August 31, 2013 and 2012 respectively. The net decrease of $38.0 million (1%) was comprised of a net decrease in the average cost per ton of fertilizer of $56 (12%), partially offset by a 12% increase in tons sold, when compared to the prior fiscal year.

Our Ag segment other product cost of goods sold, primarily feed and farm supplies, increased $161.2 million (6%) during fiscal 2013 compared to fiscal 2012, primarily the result of increased revenues in our global sales of retail crop nutrients and our country operations sales of feed and sunflower products, including additional volumes from acquisitions.

Marketing, General and Administrative. Marketing, general and administrative expenses of $553.6 million for the year ended August 31, 2013 increased by $55.4 million (11%) compared to fiscal 2012. This net increase was primarily due to the expansion of foreign operations and acquisitions in our Ag segment, as well as costs associated with the nitrogen fertilizer manufacturing plant feasibility study mentioned above.

(Gain) Loss on Investments. Gain on investments is $0.2 million for the year ended August 31, 2013.

Interest, net. Net interest of $231.6 million for the year ended August 31, 2013 increased $38.3 million compared to fiscal 2012. Interest expense for the years ended August 31, 2013 and 2012 was $248.4 million and $207.3 million, respectively. The increase in interest expense of $41.1 million was primarily due to a $35.3 million increase in patronage earned by the noncontrolling interests of NCRA when compared to fiscal 2012. See Note 17, Acquisitions, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information. The increase in interest expense was also due to private placements for long-term debt totaling $280.0 million during the year ended August 31, 2013. In addition, short-term borrowings increased during the year ended August 31, 2013 compared to the previous fiscal year. The average level of short-term borrowings increased $222.2 million during the year ended August 31, 2013 compared to the previous year, of which $224.1 million related to line of credit activity for international subsidiaries.

Equity Income from Investments. Equity income from investments of $97.4 million for the year ended August 31, 2013 decreased $5.0 million (5%) compared to fiscal 2012. We record equity income or loss primarily from the investments in which we have an ownership interest of 50% or less and have significant influence, but not control, for our proportionate share of income or loss reported by the entity, without consolidating the revenues and expenses of the entity in our Consolidated Statements of Operations.

Income Taxes. Income tax expense of $89.7 million for the year ended August 31, 2013, compared with $80.9 million for fiscal 2012, resulting in effective tax rates of 8.3% and 5.7%, respectively. The federal and state statutory rate applied to nonpatronage business activity was 38.1% for the years ended August 31, 2013 and 2012. The income taxes and effective tax rate vary each year based upon profitability and nonpatronage business activity during each of the comparable years.

Noncontrolling interests. Net income from noncontrolling interests of $3.9 million for the year ended August 31, 2013 decreased by $71.1 million (95%) compared to fiscal 2012. As described in Note 17, Acquisitions, to our audited consolidated financial statements included in this Annual Report on Form 10-K, the portion of NCRA earnings attributable to the noncontrolling interests for our first quarter of fiscal 2012, prior to the transaction date, had been included in net income attributable to noncontrolling interests. Beginning in the second quarter of fiscal 2012, earnings were no longer attributable to the noncontrolling interests, and patronage earned by the noncontrolling interests of NCRA after November 29, 2011 are included as interest, net in our Consolidated Statements of Operations.

Liquidity and Capital Resources

In assessing our financial condition, we consider factors such as working capital and internal bench marking related to our applicable financial covenants. We fund our operations through a combination of cash flows from operations and our revolving credit facility. We fund our capital expenditures and growth primarily through long-term debt financing and issuance of preferred stock.

We announced in September 2014 that our Board of Directors approved plans to begin construction of a fertilizer manufacturing plant in Spiritwood, North Dakota anticipated to cost approximately $3.0 billion. We expect to finance the project through a combination of issuance of preferred stock and debt. In September 2014, we took an initial step financing this project by issuing 19,700,000 shares of Class B Series 3 Preferred Stock, as described in "Cash Flows from Financing Activities - Other Financing" below. This issuance of preferred stock yielded approximately $477.0 million in cash after underwriting discounts and offering expenses.

Our primary sources of cash in fiscal 2014 were net cash flows from operations and equity financing through the issuance of preferred stock. Primary uses of cash were capital expenditures, dividends (patronage and preferred stock), business acquisitions, retirement of equity certificates, and payments on indebtedness.

On August 31, 2014 and August 31, 2013, we had working capital, defined as current assets less current liabilities, of $3.2 billion and $3.1 billion respectively, and a current ratio, defined as current assets divided by current liabilities, of 1.5 for both fiscal 2014 and 2013.

We have access to a five-year, unsecured revolving credit facility expiring in June 2018, with a committed amount of $2.5 billion, which had no amounts outstanding as of August 31, 2014 and 2013, respectively. The financial covenants for the revolving facility require us to maintain a minimum consolidated net worth, adjusted as defined in the credit agreements, of $2.5 billion and a consolidated funded debt to consolidated cash flow ratio of no greater than 3.00 to 1.00. The term consolidated cash flow is principally our earnings before interest, taxes, depreciation and amortization (EBITDA) with adjustments as defined in the credit agreements. A third financial ratio does not allow our adjusted consolidated funded debt to adjusted consolidated equity to exceed 0.80 to 1.00 at any time. As of August 31, 2014, we were in compliance with all such covenants. Our credit facility is established with a syndication of domestic and international banks, and our inventories and receivables financed with them are highly liquid. We believe our current cash balances and our available capacity on our committed lines of credit will provide adequate liquidity to meet our working capital needs.

In addition, our wholly-owned subsidiary, CHS Capital, makes seasonal and term loans to member cooperatives, businesses and individual producers of agricultural products included in our cash flows from investing activities, and has its own financing explained in further detail below under “Cash Flows from Financing Activities.”

Cash Flows from Operations

Cash flows from operations are generally affected by commodity prices and the seasonality of our businesses. These commodity prices are affected by a wide range of factors beyond our control, including weather, crop conditions, drought, the availability and the adequacy of supply and transportation, government regulations and policies, world events, and general political and economic conditions. These factors are described in the cautionary statement and may affect net operating assets and liabilities, and liquidity.

Cash flows provided by operating activities were $1.4 billion, $2.5 billion and $718.6 million for the years ended August 31, 2014, 2013 and 2012, respectively. The fluctuation in cash flows between the current year and prior year is primarily the result of less cash inflows related to net changes in operating assets and liabilities during the year ended August 31, 2014 compared to significant cash inflows associated with changes in operating assets and liabilities during the year ended August 31, 2013.

Our operating activities provided net cash of $1.4 billion during the year ended August 31, 2014. Net income including noncontrolling interests of $1.1 billion, net non-cash expenses and cash distributions from equity investments of $195.8 million and a decrease in net operating assets and liabilities of $148.6 million contributed to the net cash provided by operating activities. The primary components of net non-cash expenses and cash distributions from equity investments included depreciation and amortization, including amortization of major repair costs, of $312.2 million, partially offset by gains on the sale of investments of $114.2 million, primarily due to a $109.2 million gain associated with the contribution of our Horizon Milling assets to the newly formed Ardent Mills joint venture. See Note 4, Investments, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information. The decrease in net operating assets and liabilities was caused primarily by a decrease in commodity prices on August 31, 2014, when compared to August 31, 2013. On August 31, 2014, the per bushel market prices of our primary grain commodities, corn, spring wheat, and soybeans, decreased by $1.23 (26%), $1.15 (16%), and $2.68 (19%), respectively, when compared to the spot prices on August 31, 2013. In general, crude oil market prices decreased $12 per barrel (11%) on August 31, 2014 when compared to August 31, 2013. On August 31, 2014, fertilizer commodity prices affecting our wholesale crop nutrients and country operations retail businesses reflected increases up to 29%, depending on the specific products, compared to prices on August 31, 2013. In addition, increased grain inventory quantities on August 31, 2014 compared to the prior year, partially offset the impact that lower grain commodity prices had on net operating assets and liabilities on August 31, 2014.

Our operating activities provided net cash of $2.5 billion during the year ended August 31, 2013. Net income including noncontrolling interests of $1.0 billion, net non-cash expenses and cash distributions from equity investments of $340.5 million and a decrease in net operating assets and liabilities of $1.1 billion contributed to the net cash provided by operating activities. The primary components of net non-cash expenses and cash distributions from equity investments included depreciation and amortization, including amortization of major repair costs, of $276.6 million, deferred taxes of $92.7 million and the loss on our crack spread contingent liability of $23.1 million, which were partially offset by income from equity investments, net of distributions from those investments, of $34.6 million. The decrease in net operating assets and liabilities was caused primarily by a decrease in commodity prices, in addition to inventory quantities, and is reflected in decreased receivables, inventories, margin deposits and derivative assets, partially offset by an increase in derivative liabilities on August 31, 2013 when compared to August 31, 2012. On August 31, 2013, the per bushel market prices of our primary grain commodities, corn, spring wheat and soybeans, decreased by $3.21 (40%), $2.02 (22%) and $4.07 (23%), respectively, when compared to the spot prices on August 31, 2012. In general, crude oil market prices increased $11 per barrel (12%) on August 31, 2013 when compared to August 31, 2012. On August 31, 2013, fertilizer commodity prices affecting our wholesale crop nutrients and country operations retail businesses reflected decreases between 19% and 31%, depending on the specific products, compared to prices on August 31, 2012. A decrease in grain inventory quantities in our Ag segment of 44.1 million bushels (30%) also contributed to the decrease in net operating assets and liabilities when comparing inventories at August 31, 2013 to August 31, 2012.

Our operating activities provided net cash of $718.6 million during the year ended August 31, 2012. Net income including noncontrolling interests of $1.3 billion and net non-cash expenses and cash distributions from equity investments of $297.2 million, were partially offset by an increase in net operating assets and liabilities of $914.3 million. The primary components of net non-cash expenses and cash distributions from equity investments included depreciation and amortization, including amortization of major repair costs, of $253.3 million, deferred taxes of $58.6 million and the loss on the crack spread contingent liability of $22.3 million, which were partially offset by income from equity investments, net of distributions from those investments, of $26.9 million. The increase in net operating assets and liabilities was caused primarily by an increase in commodity prices, in addition to inventory quantities, and is reflected in increased receivables, inventories and derivative assets, partially offset by an increase in derivative liabilities on August 31, 2012 when compared to August 31, 2011. On August 31, 2012, the per bushel market prices of two of our primary grain commodities, corn and soybeans, increased by $0.45 (6%) and $3.16 (22%), respectively; while the per bushel market price of our third primary commodity, spring wheat, decreased by $0.35 (4%) when compared to the spot prices on August 31, 2011. In general, crude oil market prices increased $8 per barrel (9%) on August 31, 2012 when compared to August 31, 2011. On August 31, 2012, fertilizer commodity prices affecting our wholesale crop nutrients and country operations retail businesses generally reflected decreases between 1% and 14%, depending on the specific products, compared to prices on August 31, 2011. An increase in grain inventory quantities in our Ag segment of 23.0 million bushels (19%) also contributed to the increase in net operating assets and liabilities when comparing inventories at August 31, 2012 to August 31, 2011.

Cash Flows from Investing Activities

For the years ended August 31, 2014, 2013 and 2012, the net cash flows used in our investing activities totaled $1.3 billion, $535.0 million and $694.2 million, respectively.

The acquisition of property, plant and equipment comprised the primary use of cash totaling $943.9 million, $659.4 million and $468.6 million for the years ended August 31, 2014, 2013 and 2012, respectively. The increase from fiscal

2013 to fiscal 2014 is primarily related to the replacement of a coker and expansion of capacity at our NCRA McPherson refinery.

Expenditures for major repairs related to our refinery turnarounds were $3.3 million, $73.7 million and $23.4 million during the years ended August 31, 2014, 2013 and 2012, respectively. Refineries have planned major maintenance to overhaul, repair, inspect and replace process materials and equipment which typically occur for a five-to-six week period every 2-4 years. There was no planned major maintenance during the year ended August 31, 2014. Our Laurel, Montana refinery had planned major maintenance during the year ended August 31, 2013. NCRA and Laurel refineries have planned maintenance scheduled for fiscal 2015.

For fiscal 2015, we expect total expenditures for the acquisition of property, plant and equipment and major repairs at our refineries to be approximately $690.0 million. Included in our expected capital expenditures for fiscal 2015, is $200.0 million for a project to replace a coker at NCRA's McPherson, Kansas refinery with an expected total cost of $555.0 million and expected completion in fiscal 2015. We incurred $186.8 million, $124.0 million and $60.4 million of costs related to the

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coker project during the years ended August 31, 2014, 2013 and 2012, respectively. We also began a $330.0 million expansion at NCRA's McPherson, Kansas refinery during the year ended August 31, 2013 which is anticipated to be completed in fiscal 2016. We incurred $128.3 million and $25.0 million of costs related to the NCRA expansion during the year ended August 31, 2014 and 2013. In fiscal 2015, we expect to spend $829.0 million of the total budgeted $3.0 billion associated with the construction of our nitrogen fertilizer plant in Spiritwood, North Dakota.

Cash acquisitions of businesses, net of cash acquired, totaled $281.5 million, $12.7 million and $166.0 million during the years ended August 31, 2014, 2013 and 2012, respectively. The fiscal 2014 acquisitions were related to our Illinois River Energy and Terral River operations. See Note 17, Acquisitions, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Investments made in joint ventures and other investments during the years ended August 31, 2014, 2013 and 2012, totaled $80.1 million, $21.4 million and $94.8 million, respectively. Of the amount invested in joint ventures in fiscal 2014, $48.2 million was associated with the winding down of our Horizon Mills joint venture and ownership interest that was contributed to our Ardent Mills joint venture. During fiscal 2012, we made a $45.4 million capital contribution to fund the pension plan associated with our inactive joint venture between CHS and Land O'Lakes, Inc. prior to the distribution of its assets and liabilities to CHS and Land O'Lakes, Inc.

Changes in notes receivable for the year ended August 31, 2014, decreased cash flows by $184.1 million. The decrease was primarily the result of an increase in CHS Capital notes receivable of $224.0 million, partially offset by decreases in notes receivable of $39.9 million principally associated with our international operations. Changes in notes receivable for the year ended August 31, 2013, resulted in a net increase in cash flows of $211.9 million. The primary cause of the net increase in cash flows during fiscal 2013 was a decrease in CHS Capital notes receivable of $189.3 million and a decrease in NCRA notes receivable, compared to August 31, 2012. Changes in notes receivable for the year ended August 31, 2012, resulted in a net increase in cash flows of $19.0 million. The primary cause of the net increase in cash flows during fiscal 2012 was a decrease in NCRA notes receivable, partially offset by an increase in CHS Capital notes receivable of $11.9 million, compared to the prior year.

Partially offsetting our cash outlays for investing activities during the years ended August 31, 2014, 2013 and 2012, were proceeds from the sale of investments and redemptions of investments. During fiscal 2014, we received cash from the redemptions of investments of $138.5 million, of which $121.2 was related to cash proceeds distributed to us as part of our Ardent Mills joint venture. Redemptions of investments totaled $13.0 million and $12.1 million during fiscal 2013 and 2012, respectively. Also partially offsetting our cash outlays for investing activities during the years ended August 31, 2014, 2013 and 2012, were proceeds received from the disposition of property, plant and equipment of $11.7 million, $7.7 million and $27.8 million, respectively.

Cash Flows from Financing Activities

For the year ended August 31, 2014, the net cash flows provided by our financing activities totaled $240.5 million, and for the years ended August 31, 2013 and 2012, the net cash flows used in our financing activities totaled $443.2 million and $638.9 million, respectively.

Working Capital Financing:

We finance our working capital needs through short-term lines of credit with a syndication of domestic and international banks. On August 31, 2014, we had a five-year, unsecured, revolving facility with a committed amount of $2.5 billion, which had no amounts outstanding. In October 2013, we entered into a three-year $250.0 million committed revolving credit facility for CHS Agronegocio Industria e Comercio Ltda (CHS Agronegocio) 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, $250.0 million was outstanding under such facility.

At August 31, 2014 our wholly-owned subsidiaries, CHS Europe S.a.r.l and CHS Agronegocio, had uncommitted lines of credit of $327.3 million outstanding. In addition, our other international subsidiaries had lines of credit totaling $263.1 million outstanding at August 31, 2014, of which $39.0 million were collateralized. On August 31, 2014 and 2013, we had total short-term indebtedness outstanding on these various facilities and other miscellaneous short-term notes payable totaling $840.1 million and $512.9 million, respectively.

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We have two commercial paper programs totaling up to $125.0 million, with two banks participating in our 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 and 2013, we had no commercial paper outstanding.

CHS Capital Financing:

Cofina Funding, LLC (Cofina Funding), a wholly-owned subsidiary of CHS Capital, had 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.

As of August 31, 2013, there were no borrowings under Cofina Funding through the issuance of commercial paper with $30.8 million of secured borrowings under CHS Capital. CHS Capital borrowings under the ProPartners program and the surplus funds program were $45.7 million and $290.9 million, respectively, as of August 31, 2013.

Long-term Debt Financing:

We typically finance our long-term capital needs, primarily for the acquisition of property, plant and equipment, with long-term agreements with various insurance companies and banks.

On August 31, 2014, we had total long-term debt outstanding of approximately $1.5 billion, of which $105.0 million was bank financing, $1.3 billion was private placement debt and $50.0 million was other notes and contracts payable. On August 31, 2013, we had total long-term debt outstanding of approximately $1.6 billion, of which $135.0 million was bank financing, $1.4 billion was private placement debt and $50.5 million was other notes and contracts payable. Our long-term debt is unsecured except for other notes and contracts in the amount of $14.3 million; however, restrictive covenants under various agreements have requirements for maintenance of minimum consolidated net worth and other financial ratios. We were in compliance with all debt covenants and restrictions as of August 31, 2014. 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
	$1,452,300

During the years ended August 31, 2014 and 2013, we borrowed $1.4 million and $280.0 million, respectively, on a long-term basis. We did not have any new long-term borrowings during the year ended August 31, 2012. During the years ended August 31, 2014, 2013 and 2012, we repaid long-term debt of $157.8 million, $113.6 million and $96.6 million, respectively.

Additional detail on our long-term borrowings and repayments is as follows:

In June 1998, we completed a private placement offering with several insurance companies for long-term debt in the amount of $225.0 million with an interest rate of 6.81%. Repayments were due in equal annual installments during the years 2008 through 2013 and the debt was fully repaid in fiscal 2013.

In October 2002, we completed a private placement with several insurance companies for long-term debt in the amount of $175.0 million, which was layered into two series. The first series of $115.0 million had an interest rate of 4.96% and was due in equal semi-annual installments of approximately $8.8 million during the years 2007 through 2013. The second series of $60.0 million has an interest rate of 5.60% and is due in equal semi-annual installments of approximately $4.6 million during the years 2012 through 2018.

In March 2004, we entered into a note purchase and private shelf agreement with Prudential Capital Group. In April 2007, we amended our Note Purchase and Private Shelf Agreement with Prudential Investment Management, Inc. and several other participating insurance companies to expand the uncommitted facility from $70.0 million to $150.0 million. We borrowed $50.0 million under the shelf arrangement in February 2008, for which the aggregate long-term notes have an interest rate of 5.78% and are due in equal annual installments of $10.0 million during the years 2014 through 2018. In November 2010, we borrowed $100.0 million under the shelf arrangement, for which the aggregate long-term notes have an interest rate of 4.0% and are due in equal annual installments of $20.0 million during the years 2017 through 2021.

In September 2004, we completed a private placement with several insurance companies for long-term debt in the amount of $125.0 million with an interest rate of 5.25%. The debt is due in equal annual installments of $25.0 million during the years 2011 through 2015.

In October 2007, we completed a private placement with several insurance companies and banks for long-term debt in the amount of $400.0 million with an interest rate of 6.18%. Repayments are due in equal annual installments of $80.0 million during the years 2013 through 2017.

In December 2007, we established a ten-year long-term credit agreement through a syndication of cooperative banks in the amount of $150.0 million, with an interest rate of 5.59%. Repayments are due in equal semi-annual installments of $15.0 million each, starting in June 2013 through December 2018.

In June 2011, we completed a private placement with certain accredited investors for long-term debt in the amount of $500.0 million, which was layered into four series. The first series of $130.0 million has an interest rate of 4.08% and is due in June 2019. The second series of $160.0 million has an interest rate of 4.52% and is due in June 2021. The third series of $130.0 million has an interest rate of 4.67% and is due in June 2023. The fourth series of $80.0 million has an interest rate of 4.82% and is due in June 2026. Under the agreement, we may from time to time issue additional series of notes pursuant to the agreement, provided that the aggregate principal amount of all notes outstanding at any time may not exceed $1.5 billion.

In March 2013, we issued $100 million of notes with an interest rate of 4.71%, which mature in fiscal 2033, in a private placement to institutional investors.

In July 2013, we issued $80 million and $100 million of notes with interest rates of 3.85% and 3.80%, respectively, which mature in fiscal 2025, in two private placements to institutional investors.

Other Financing:

During the years ended August 31, 2014 and August 31, 2013, we made a payment of $66.0 million in each year related to our purchase of the NCRA noncontrolling of interests.

Distributions to noncontrolling interests for the years ended August 31, 2014, 2013 and 2012 were $0.6 million, $1.4 million and $78.6 million, respectively. The decrease from 2012 is the result of our acquisition of a controlling interest in NCRA. See Note 17, Acquisitions, to our audited financial statements included in this Annual Report on Form 10-K for additional information.

During the years ended August 31, 2014 and August 31, 2013, changes in checks and drafts outstanding resulted in a decrease in cash flows of $17.8 million and $20.4 million, respectively. During the year ended August 31, 2012, changes in checks and drafts outstanding resulted in increases in cash flows of $6.4 million.

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. Patronage refunds are calculated based on amounts using financial statement earnings. The cash portion of the 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. Consenting patrons have agreed to take both the cash and qualified capital equity certificate portion allocated to them from our previous fiscal year's income into their taxable income, and as a result, we are allowed a deduction from our taxable income for both the cash distribution and the allocated qualified capital equity certificates, as long as the cash distribution is at least 20% of the total patronage distribution. For the years ended August 31, 2013 and August 31, 2012, 10% of earnings from patronage business was added to our capital reserves and the remaining 90% was primarily distributed during the second fiscal quarters of the years ended August 31, 2014 and August 31, 2013, totaling $841.1 million and $976.0 million, respectively. The cash portion of the qualified distributions was deemed by the Board of Directors to be 40% for fiscal 2013, and for fiscal 2012 it was 35% and 40% for individual and non-individual members, respectively. Cash related to these distributions was $286.8 million and $380.9 million and was paid during the years ended August 31, 2014 and August 31, 2013, respectively. During the year ended August 31, 2012, we distributed patronage refunds of $676.3 million, of which the cash portion was $260.7 million.

In accordance with our bylaws and by action of the Board of Directors, 10% of the earnings from patronage business for the year ended August 31, 2014 was added to our capital reserves and the remaining 90%, or an estimated $810.6 million, will be distributed as patronage in fiscal 2015, in the form of qualified and non-qualified equity certificates and cash. The cash portion of the qualified distribution, determined by the Board of Directors to be 40% for both individual members and non-individual members, is expected to be approximately $264.8 million and is classified as a current liability on our August 31, 2014 Consolidated Balance Sheet in dividends and equities payable.

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 retirement program for qualified equities held by them and another for individuals who are eligible for qualified 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 an estimated $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, qualified 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.

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 approximately $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 the 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 of Class B Series 1 Preferred Stock in September 2013, which yielded net proceeds of approximately $273.3 million after deducting the underwriting discount and offering expenses payable by us. We issued an additional 6,752,188 shares of Class B

Series 1 Preferred Stock 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 not be redeemed at our option until March 31, 2024.

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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 not be redeemed at our option until 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.

Off Balance Sheet Financing Arrangements

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 were 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.

Operating leases:

Minimum future lease payments required under noncancelable operating leases as of August 31, 2014 were $429.8 million.

Debt:

There is no material off balance sheet debt.

Contractual Obligations

We had certain contractual obligations at August 31, 2014, which require the following payments to be made:

	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
	(Dollars in thousands)				
Long-term debt obligations [1]	$1,452,300	$156,836	$289,178	$312,741	$693,545
Interest payments [2]	419,436	70,757	114,947	81,409	152,323
Operating leases	429,754	101,326	140,462	84,875	103,091
Purchase obligations [3]	5,917,871	5,325,357	220,856	100,131	271,527
Mandatorily redeemable noncontrolling interests [4]	218,588	65,981	152,607	—	—
Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests [5]	114,917	—	64,758	50,159	—

Other liabilities [6]	109,308	12,217	31,090	22,170	43,831
Total obligations	$8,662,174	$5,732,474	$1,013,898	$651,485	$1,264,317

(1) Excludes fair value adjustments to the long-term debt reported on our Consolidated Balance Sheet at August 31, 2014 resulting from fair value interest rate swaps and the related hedge accounting.

(2) Based on interest rates and long-term debt balances at August 31, 2014.

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(3) Purchase obligations are legally binding and enforceable agreements to purchase goods or services that specify all significant terms, including fixed or minimum quantities; fixed, minimum or variable price provisions; and time of the transactions.

(4) Includes commitments to purchase the remaining shares of NCRA and is recorded on our Consolidated Balance Sheet as of August 31, 2014, where the long-term portion is reported at its present value of $148.8 million.

(5) Based on estimated fair value at August 31, 2014 and is recorded on our Consolidated Balance Sheet.

(6) Other liabilities include the long-term portion of deferred compensation and contractual redemptions. Of the total other liabilities of $0.5 billion on our Consolidated Balance Sheet at August 31, 2014, the timing of the payments of $835.5 million of such liabilities cannot be determined.

Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of these consolidated financial statements requires the use of estimates as well as management’s judgments and assumptions regarding matters that are subjective, uncertain or involve a high degree of complexity, all of which affect the results of operations and financial condition for the periods presented. We believe that of our significant accounting policies, the following may involve a higher degree of estimates, judgments and complexity.

Inventory Valuation and Reserves

Grain, processed grain, oilseed and processed oilseed are stated at net realizable values which approximate market values. All other inventories are stated at the lower of cost or market. 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. Estimates are used in determining the net realizable values of grain and oilseed and processed grains and oilseeds inventories. These estimates include the measurement of grain in bins and other storage facilities, which use formulas in addition to actual measurements taken to arrive at appropriate quantity. Other determinations made by management include quality of the inventory and estimates for freight. Grain shrink reserves and other reserves that account for spoilage also affect inventory valuations. If estimates regarding the valuation of inventories, or the adequacy of reserves, are less favorable than management’s assumptions, then additional reserves or write-downs of inventories may be required.

Derivative Financial Instruments

We enter into exchange-traded commodity futures and options contracts to hedge our exposure to price fluctuations on energy, grain and oilseed transactions to the extent considered practicable for minimizing risk. Futures and options contracts used for hedging are purchased and sold through regulated commodity exchanges. We also use over-the-counter (OTC) instruments to hedge our exposure on flat price fluctuations. Fluctuations in inventory valuations, however, may not be completely hedged, due in part to the absence of satisfactory hedging facilities for certain commodities and geographical areas and, in part, to our assessment of our exposure from expected price fluctuations. We also manage our risks by entering into fixed-price purchase contracts with preapproved producers and establishing appropriate limits for individual suppliers. Fixed-price sales contracts are entered into with customers of acceptable creditworthiness, as internally evaluated. The fair values of futures and options contracts are determined primarily from quotes listed on regulated commodity exchanges. Fixed-price purchase and sales contracts are with various counterparties, and the fair values of such contracts are determined from the market price of the underlying product. We are exposed to loss in the event of nonperformance by the counterparties to the contracts and, therefore, contract values are reviewed and adjusted to reflect potential nonperformance. Risk of nonperformance by counterparties includes the inability to perform because of a 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 the current market prices.

Pension and Other Postretirement Benefits

Pension and other postretirement benefits costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, health care cost trend rates, benefits earned, interest costs, expected return on plan assets, mortality rates and other factors. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expenses and the recorded obligations in future periods. While our management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our pension and other postretirement obligations and future expenses.

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Deferred Tax Assets and Uncertain Tax Positions

We assess whether a valuation allowance is necessary to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. While we have considered future taxable income, as well as other factors, in assessing the need for the valuation allowance, in the event that we were to determine that we would not be able to realize all, or part of, our net deferred tax assets in the future, an adjustment to our deferred tax assets would be charged to income in the period such determination was made. We are also significantly impacted by the utilization of tax credits, some of which were passed to us from NCRA, related to refinery upgrades that enable us to produce ultra-low sulfur fuels. Our tax credit carryforwards are available to offset future federal and state tax liabilities with the tax credits becoming unavailable to us if not used by their expiration date. Our net operating loss carryforwards for tax purposes are available to offset future taxable income. If our loss carryforwards are not used, these loss carryforwards will expire.

Tax benefits related to uncertain tax positions are recognized in our financial statements if it is more likely than not that the position would be sustained upon examination by a tax authority that has full knowledge of all relevant information. The benefits are measured using a cumulative probability approach. Under this approach, we record in our financial statements the greatest amount of tax benefits that have a more than 50% probability of being realized upon final settlement with the tax authorities. In determining these tax benefits, we assign probabilities to a range of outcomes that we feel we could ultimately settle on with the tax authorities using all relevant facts and information available at the reporting date. Due to the complexity of these uncertainties, the ultimate resolution may result in a benefit that is materially different than our current estimate.

Long-Lived Assets

Property, plant and equipment is depreciated or amortized over the expected useful lives of individual or groups of assets based on the straight-line method. Economic circumstances, or other factors, may cause management’s estimates of expected useful lives to differ from actual.

All long-lived assets, including property, plant and equipment, goodwill, investments in unconsolidated affiliates and other identifiable intangibles, are evaluated for impairment in accordance with U.S. GAAP, at least annually for goodwill, and whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset or asset group may not be recoverable. For goodwill, our annual impairment testing occurs in our third quarter. An impaired asset is written down to its estimated fair value based on the best information available. Fair value is generally measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows and may differ from actual.

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.

Effect of Inflation and Foreign Currency Transactions

We believe that inflation and foreign currency fluctuations have not had a significant effect on our operations during the three years ended August 31, 2014 since we conduct a significant portion of our business in U.S. dollars.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

COMMODITY PRICE RISK

When we enter into a commodity or freight purchase or sales contract, we incur risks related to price change 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 our fixed or partially fixed price sales contracts in the event market prices increase.

Our hedging activities reduce the effects of price volatility, thereby protecting against adverse short-term price movements, but also limit 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, to the extent practical, 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 on 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 volume 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. These contracts are economic hedges of price risk, but are not designated as hedging instruments for accounting purposes. The contracts are recorded on our Consolidated Balance Sheets at fair values based on quotes listed on regulated commodity exchanges or are based on the market prices of the underlying products listed on the exchanges, with the exception of certain fertilizer and propane contracts, which are accounted for as normal purchase and normal sales transactions. Unrealized gains and losses on these contracts are recognized in cost of goods sold in our Consolidated Statements of Operations using market-based prices.

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. We have risk management policies and procedures that include net position limits. These limits are defined for each commodity and include both trader and management limits. This policy and computerized 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 our senior management if operating areas are outside of position limits. A similar process is used in our energy and wholesale crop nutrients operations. The position limits are reviewed, at least annually, with our management and Board of Directors. We monitor current market conditions and may expand or reduce our net position limits or procedures in response to changes in those conditions. 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 minimizes our counterparty exposure. We evaluate that exposure by reviewing contracts and adjusting the values to reflect potential nonperformance. Risk of nonperformance by counterparties includes the inability to perform because of a counterparty’s financial condition and 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 the current market prices. We manage our 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.

A 10% adverse change in market prices would not materially affect our results of operations, since we use commodity and freight futures and forward contracts as economic hedges of price risk, and since our operations have effective economic hedging requirements as a general business practice.

INTEREST RATE RISK

Short-term debt used to finance inventories and receivables is represented by notes payable with maturities of 30 days or less, so that our blended interest rate for all such notes approximates current market rates. 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 London Interbank Offered Rate (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. 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%.

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The table below provides information about our outstanding debt and derivative financial instruments that are sensitive to changes in interest rates. For debt obligations, the table presents scheduled contractual principal payments and related weighted average interest rates for the fiscal years presented. For interest rate swaps, the table presents notional amounts for payments to be exchanged by expected contractual maturity dates for the fiscal years presented and interest rates noted in the table.

Expected Maturity Date

	2015	2016	2017	2018	2019	Thereafter	Total	Fair Value Asset (Liability)
	(Dollars in thousands)							
Liabilities:								
Variable rate miscellaneous short-term notes payable	$840,699	$—	$—	$—	$—	$—	$840,699	$(840,699)
Average interest rate	1.7%	—	—	—	—	—	1.7%	
Variable rate CHS Capital short-term notes payable	$318,774	$—	$—	$—	$—	$—	$318,774	$(318,774)
Average interest rate	1.1%	—	—	—	—	—	1.1%	
Fixed rate long-term debt	$156,836	$139,326	$149,852	$162,119	$150,622	$693,545	$1,452,300	$(1,425,658)
Average interest rate	5.8%	5.9%	5.7%	5.1%	4.1%	4.4%	4.9%	
Interest Rate Derivatives:								
Fixed to variable long-term debt interest rate swaps	$—	$—	$—	$—	$130,000	$130,000	$260,000	$4,200
Average pay rate (a)	—	—	—	—	0.24%	0.24%		
Average receive rate (b)	—	—	—	—	range	range		
Variable to fixed CHS Capital notes payable interest rate swaps	$417	$1,756	$—	$2,826	$—	$—	$4,999	$(130)
Average pay rate (c)	range	range	—	range	—	—		
Average receive rate (d)	0.16%	0.16%	—	0.16%	—	—		

(a) Average three month LIBOR for fiscal 2014 plus spreads ranging from 2.009% - 2.228%
(b) Four swaps with notional amount of $260 million with rates of 4.08% and 4.67%
(c) Swaps expiring in fiscal 2015 through fiscal 2019 (9 total) with a range of rates from 1.11% to 4.91%
(d) Average one month LIBOR for fiscal 2014

FOREIGN CURRENCY RISK

We conduct a significant portion of our business in U.S. dollars. Our Ag segment continued to expand its international operations in fiscal 2014 with planned future growth. We had minimal, non-material risk regarding foreign currency fluctuations during fiscal 2014 and in prior years, as a substantial amount of 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, $2.5 million associated with foreign currency contracts was included in derivative assets and $2.2 million included in derivative liabilities.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements listed in Item 15(a)(1) are set forth beginning on page F-1. Financial statement schedules are included in Schedule II in Item 15(a)(2). Supplementary financial information required by Item 302 of Regulation S-K for each quarter during the years ended August 31, 2014 and 2013 is presented below.

	August 31, 2014	May 31, 2014	February 28, 2014	November 30, 2013
	(Unaudited)			
	(Dollars in thousands)			
Revenues	$9,990,240	$11,967,398	$9,680,274	$11,026,121
Gross profit	298,261	506,624	441,434	400,916
Income before income taxes	131,713	439,590	290,332	269,668
Net income	199,485	379,873	260,621	243,028
Net income attributable to CHS Inc.	199,725	379,455	260,069	242,186

	August 31, 2013	May 31, 2013	February 28, 2013	November 30, 2012
	(Unaudited)			
	(Dollars in thousands)			
Revenues	$10,950,985	$11,936,556	$9,882,378	$11,709,938
Gross profit	300,576	456,911	470,647	545,518
Income before income taxes	125,233	279,476	299,387	381,898
Net income	122,600	252,329	275,518	345,881
Net income attributable to CHS Inc.	122,797	250,796	275,086	343,707

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure of Controls and Procedures:

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding disclosure. In designing and evaluating our disclosure procedures, we recognize that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives and we necessarily are required to apply our judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of August 31, 2014. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of August 31, 2014, the end of the period covered in this Annual Report on Form 10-K.

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Management's Annual Report on Internal Control Over Financial Reporting:

The financial statements, financial analyses and all other information included in this Annual Report on Form 10-K were prepared by our management, which is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and our dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition and use or disposition of our assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management assessed the design and operating effectiveness of our internal control over financial reporting as of August 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control — Integrated Framework (1992). Based on management's assessment using this framework, we believe that, as of August 31, 2014, our internal control over financial reporting was effective.

This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to the Financial Reform Bill passed in July 2010, that permits us to provide only management's report in this Annual Report on Form 10-K.

Change in Internal Control over Financial Reporting:

During our fourth fiscal quarter, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The table below lists our directors, and certain information regarding each of our directors, as of August 31, 2014.

Name and Address	Age	Director Region	Director Since
Donald Anthony	64	8	2006
Robert Bass	60	5	1994
David Bielenberg	65	6	2009
Clinton J. Blew	37	8	2010
Dennis Carlson	53	3	2001
Curt Eischens	62	1	1990
Jon Erickson	54	3	2011
Steve Fritel	59	3	2003
Jerry Hasnedl	68	1	1995
Alan Holm	54	1	2013
David Johnsrud	60	1	2012
David Kayser	55	4	2006
Randy Knecht	64	4	2001
Greg Kruger	55	5	2008
Edward Malesich	61	2	2011
Steve Riegel	62	8	2006
Daniel Schurr	49	7	2006

The qualifications for our Board of Directors are listed below under “Director Elections and Voting”. In general, our directors operate large commercial agricultural enterprises requiring expertise in all areas of management, including financial oversight. They also have experience in serving on local cooperative association boards, and participate in a variety of agricultural and community organizations. Our directors complete the National Association of Corporate Directors comprehensive Director Professionalism course, and earn the Certificate of Director Education.

Donald Anthony (2006): Chairs Corporate Risk Committee and serves on CHS Foundation Finance and Investment Committee. Chaired the Nebraska Beginning Farmer Board for the last 5 years and has been the 3rd District producer representative for 10 years. Served as director and chairman for All Points Cooperative of Gothenburg, Neb., and Lexington (Neb.) Co-op Oil. Former director of Farmland Industries. Holds a bachelor’s degree in agricultural economics from the University of Nebraska. Raises corn, soybeans and alfalfa near Lexington, Neb. Mr. Anthony’s principal occupation has been farming for the last five years or longer.

Robert Bass (1994): Serves on Governance and Government Relations Committees. Served as first vice chairman and on Capital and Audit Committees. Served as director and officer for the former Co-op Country Partners Cooperative, Baraboo, Wis., and its predecessors for 15 years, including seven years as chairman. Served as director for Cooperative Network, including three years as vice chairman. Holds a bachelor’s degree in agricultural education from the University of Wisconsin — Madison. Operates a crop and dairy operation near Reedsburg, Wis. Mr. Bass’ principal occupation has been farming for the last five years or longer.

David Bielenberg, chairman (elected in 2009; chairman since 2012): Chairs Executive Committee. Served as assistant secretary-treasurer, chaired the Audit Committee and served on Government Relations Committee. Previously served on the CHS Board of Directors from 2002-2006. Serves on Nationwide Insurance Board Council. Chair of the East Valley Water District and former director and board president for Wilco Farmers Cooperative, Mount Angel, Ore. Active in a broad range of agricultural and cooperative organizations. Holds a bachelor’s of science degree in agricultural engineering from Oregon State University and is a graduate of Texas A & M University's executive program for agricultural producers. Operates a diverse agricultural business near Silverton, Ore., including seed crops, vegetables, soft white wheat, greenhouse plant production and timberland. Mr. Bielenberg's principal occupation has been farming for the last five years or longer.

Clinton J. Blew (2010): Chairs CHS Foundation Finance and Investment Committee and serves on the Audit Committee. Chair of the Mid Kansas Coop (MKC), Moundridge, Kan. Served on 2010 CHS Resolutions Committee and holds a position on the Hutchinson Community College Ag Advisory Board. Past director of Reno County Cattlemen's Board. Attended the CHS New Leader Institute. Member of Kansas Livestock Association, Texas Cattle Feeder's Association and Red Angus Association of America. Holds an applied science degree in farm and ranch management from Hutchinson Community College. Farms in a family partnership that includes irrigated corn and soybeans, dry land wheat, milo and soybeans, and a commercial cow/calf business. Mr. Blew's principal occupation has been farming for the last five years or longer.

Dennis Carlson, first vice chairman (2001): Chairs Capital Committee and serves as first vice chairman of the Executive Committee. Served as second vice chairman, chairman of CHS Foundation Finance and Investment Committee, and as a member of the Executive Committee. Former director and past chairman of Farmers Union Oil Company, Bismarck/Mandan, N.D. Raises wheat, sunflowers and soybeans. Mr. Carlson's principal occupation has been farming for the last five years or longer.

Curt Eischens, assistant secretary-treasurer (1990): Serves on Capital Committee and is assistant secretary-treasurer of the Executive Committee. Served as second vice chairman, chaired Corporate Risk Committee and was a member of the CHS Foundation Finance and Investment Committee. Serves as a director of Farmers Co-op Association, Canby, Minn., previous chairman and serves as vice chairman for Cooperative Network. Holds a certificate in farm management from Canby Vocational-Technical College. Operates a corn and soybean farm near Minneota, Minn. Mr. Eischens' principal occupation has been farming for the last five years or longer.

Jon Erickson (2011): Serves on Audit and Government Relations Committees. Served on Capital Committee. Past chairman of Enerbase and is active in a wide range of agricultural community organizations. Holds a bachelor's degree in agricultural economics from North Dakota State University. Raises grains and oilseeds and operates a commercial Hereford/Angus cow-calf business near Minot, N.D. Mr. Erickson's principal occupation has been farming for the last five years or longer.

Steve Fritel, second vice chairman (2003): Serves as chairman of Governance Committee and as second vice chair of Executive Committee. Served as secretary-treasurer and on Executive, Capital, Governance, Corporate Risk, and Government Relations Committees. Director for Rugby (ND) Farmers Union Oil Co., former director and chairman for Rugby Farmers Union Elevator, and previous member of the former CHS Wheat Milling Defined Member Board. Currently a director of Envision. Former director of North Central Experiment Station Board of Visitors and North Dakota Farm and Ranch Business Management Advisory Board and member of numerous agricultural and cooperative organizations. Earned an associate's degree from North Dakota State College of Science, Wahpeton, N.D. Raises spring wheat, barley, soybeans, edible beans and confection sunflower near Rugby, N.D. Mr. Fritel's principal occupation has been farming for the last five years or longer.

Jerry Hasnedl (1995): Serves on Government Relations and Corporate Risk Committees. Previously served as chairman, secretary-treasurer, and as chair of the Executive, CHS Foundation, and Capital Committees. Previous chairman of the former CHS Wheat Milling Defined Member Board. Serves on the Cooperative Network Board. Former director and secretary for St. Hilaire (Minn.) Cooperative Elevator and Northwest Grain. Member of American Coalition for Ethanol and Cooperative Network and serves on Minnesota Sunflower Research and Promotion Council. Earned associate's degree in agricultural economics and has certification in advanced farm business management from

Northland College, Thief River Falls, Minn. Operates a diverse operation near St. Hilaire, Minn., which includes small grains, soybeans, corn, sunflowers, malting barley, canola and alfalfa. Mr. Hasnedl's principal occupation has been farming for the last five years or longer.

Alan Holm (2013): Serves as a member of the Capital and CHS Foundation Finance and Investment committees. Previously served two years on the CHS Resolutions Committee, including one as chairman. He has chaired the River Region Co-op for the past eight years and has served on the board for 20 years. Also served as chairman of the Southern Minnesota Co-op Directors' Association and secretary of the Minnesota State Co-op Directors' Association. In addition, also held leadership positions with the Brown County Farm Service Agency county committee, Ag Star Financial Services Advisory Board and Renville Co-op Transport. Raises corn, soybeans, sweet corn, peas and hay on 1,400 acres that has been in his family since 1870. Also raises a 50-head cow-calf herd. Holds an associate's degree in machine tool technology from Mankato Technical College. Has participated in numerous cooperative and agriculture educational programs, along with being an active coach and leader in area youth baseball and softball programs. Mr. Holm's principal occupation has been farming for the last five years or longer.

David Johnsrud (2012): Serves as a member of the Government Relations and Governance Committees. Serves as director and chairman for AgCountry Farm Credit Services. Serves on the Minnesota Farm Credit Legislative Committee, with three years as chairman. Served on the Farmers Union Oil and Prairie Lake Coop boards of directors, with 15 years as board secretary. Johnsrud served on the Mid-Minnesota Association Board, with terms as secretary and chairman, as well as on the State Directors' Association, with terms as treasurer. Served on the CHS Annual Meeting Credentials Committee in 2000 and 2001 and on the Resolutions Committee in 2002 and 2003. In 2010 he completed the Farm Credit Services Premier Governance Series and became a Certified Director and is a 2010 graduate of Minnesota Agricultural Rural Leadership Class V. Farms in partnership with his brother and nephew. Mr. Johnsrud's principal occupation has been farming for the last five years or longer.

David Kayser (2006): Serves on Corporate Risk and CHS Foundation Finance and Investment Committees. Past chairman of South Dakota Association of Cooperatives and previously served on CHS Resolutions Committee. Former director and chairman for Farmer's Alliance, Mitchell, S.D. Raises corn, soybeans and hay near Alexandria, S.D., and operates a cow-calf and feeder calf business. Mr. Kayser's principal occupation has been farming for the last five years or longer.

Randy Knecht (2001): Serves on Government Relations and Capital Committees. Served as assistant secretary-treasurer, and chaired Governance and Government Relations Committees. Previously served on boards of the American Coalition for Ethanol and Four Seasons Cooperative, Britton, S.D., and former director and chairman of Northern Electric Cooperative and director of Dakota Value Capture Cooperative. Holds a bachelor's degree in agriculture from South Dakota State University. Operates a diversified crop farm and cattle ranch near Houghton, S.D. Mr. Knecht's principal occupation has been farming for the last five years or longer.

Greg Kruger (2008): Serves on Audit and CHS Foundation Finance and Investment Committees. Served on Capital and Government Relations Committees. Director, and previous chairman, of Countryside Cooperative, Durand, Wis., since its creation in 1998. Served two years each on the CHS Resolutions and CHS Rules and Credentials Committees. Serves a wide range of agricultural and local government roles, including as president of Trempealeau County Farm Bureau and chairman of the local Land Use Planning Committee. Operates an 80-cow dairy and crop enterprise near Eleva, Wis. Mr. Kruger's principal occupation has been farming for the last five years or longer.

Edward Malesich (2011): Serves on Government Relations and Corporate Risk Committees. Served 12 years on the board of Rocky Mountain Supply Inc., Belgrade, Mont., and 18 years on one of its predecessor cooperatives. Has served for 13 years on the board of Northwest Farm Credit Services. Holds a bachelor's degree in agricultural production from Montana State University. Raises Angus cattle, wheat, malt barley and hay near Dillon, Mont. Mr. Malesich's principal occupation has been farming for the last five years or longer.

Steve Riegel (2006): Serves as chairman of Government Relations Committee and on Governance Committee. Served on Corporate Responsibility and Capital Committees. Director and former chairman of Pride Ag Resources, Dodge City (Kan.) and previously served as director and officer for Ford-Kingsdown Cooperative and Co-op Service, Inc. Advisory director for Bucklin (Kan.) National Bank, and has served on local school board. Attended Fort Hays (Kan.) State University, majoring in agriculture, business and animal science. Raises irrigated corn, soybeans, alfalfa, dryland wheat and milo near Ford, Kan. Mr. Riegel's principal occupation has been farming for the last five years or longer.

Daniel Schurr, secretary-treasurer (2006): Serves on Executive Committee and is chairman of Audit Committee. Previously served as first vice chairman and on Government Relations and Corporate Responsibility Committees. Serves on Blackhawk Bank and Trust board and audit and trust committees. Served as director and officer for River

Valley Cooperative of Mt. Joy, Iowa. Served eight years as director of Great River Bank and Trust. Former local school board member and active in numerous agricultural and community organizations. Named Iowa Jaycees Outstanding Young Farmer in 2004. Holds bachelor’s degree in agricultural business from Iowa State University. Raises corn, soybeans, alfalfa and feed cattle near LeClaire, Iowa. Also owns a heavy equipment repair business in Bettendorf, Iowa. Mr. Schurr’s principal occupation has been farming for the last five years or longer.

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Director Elections and Voting

Director elections are for three-year terms and are open to any qualified candidate. The qualifications for the office of director are as follows:

- At the time of declaration of candidacy, the individual (except in the case of an incumbent) must have the written endorsement of a locally elected producer board that is part of the CHS system and located within the region from which the individual is to be a candidate.
- At the time of the election, the individual must be less than the age of 68.

The remaining qualifications set forth below must be met at all times commencing six months prior to the time of election and while the individual holds office:

- The individual must be a member of CHS or a member of a Cooperative Association Member.
- The individual must reside in the region from which he or she is to be elected.
- The individual must be an active farmer or rancher. “Active farmer or rancher” means an individual whose primary occupation is that of a farmer or rancher, excluding anyone who is an employee of ours or of a Cooperative Association Member.

The following positions on the Board of Directors will be up for re-election at the 2014 Annual Meeting of Members:

Region	Current Incumbent
Region 1 (Minnesota)	Open Seat
Region 1 (Minnesota)	Curt Eischens
Region 2 (Montana and Wyoming)	Ed Malesich
Region 3 (North Dakota)	Jon Erickson
Region 5 (Wisconsin, Connecticut, Delaware, Illinois, Indiana, Kentucky, Ohio, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia)	Greg Kruger
Region 7 (Alabama, Arkansas, Florida, Georgia, Iowa, Louisiana, Missouri, Mississippi, North Carolina, South Carolina, Tennessee)	Daniel Schurr
Region 8 (Colorado, Nebraska, Kansas, New Mexico, Oklahoma, Texas)	Clinton J. Blew

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Voting rights, including those in regard to director elections, arise by virtue of membership in CHS, not because of ownership of any equity or debt instruments; therefore, our preferred stockholders cannot recommend nominees to our Board of Directors unless they are members of CHS.

EXECUTIVE OFFICERS

The table below lists our executive officers as appointed by the Board of Directors.

Name	Age	Position
Carl Casale	53	President and Chief Executive Officer
Shirley Cunningham	54	Executive Vice President and Chief Operating Officer, Ag Business and Enterprise Strategy
Jay Debertin	54	Executive Vice President and Chief Operating Officer, Energy and Foods
Lynden Johnson	54	Executive Vice President, Country Operations
Timothy Skidmore	53	Executive Vice President and Chief Financial Officer
Lisa Zell	46	Executive Vice President, Business Solutions

Carl Casale, President and Chief Executive Officer (CEO), joined CHS in 2011. Previously spent 26 years with Monsanto Company, beginning his career as a sales representative in eastern Washington and advancing through sales, strategy, marketing and technology-related positions before being named Chief Financial Officer in 2009. Serves on the boards of National Cooperative Refinery Association; Ventura Foods, LLC; Ecolab Inc.; National Council of Farmer Cooperatives; Greater Twin Cities United Way; and Minnesota Business Partnership. Previously served on the boards of Nalco Company and the National 4-H Council. Named Oregon State University College of Agriculture’s 2009 alumni fellow. Holds a bachelor’s degree in agricultural economics from Oregon State University and an executive master’s of business administration from Washington University, St. Louis, Mo. Native of Oregon’s Willamette Valley. Operates a family-owned blueberry farm near Aurora, Oregon.

Shirley Cunningham, Executive Vice President, Chief Operating Officer — Ag Business and Enterprise Strategy, leads our Ag business operations, including grain marketing, crop nutrients, agronomy and renewable fuels; and enterprise strategy functions. Ms. Cunningham joined CHS in 2013 and previously served as chief information officer for Monsanto Company and has more than 25 years experience in information technology and business management including leading global IT operations, acquisitions, IT research and development, strategic planning and enterprise initiatives. Serves on the Washington University School of Engineering board and the St. Louis children's museum, The Magic House board. Previously served on the AT&T advisory board. Holds a master's of business administration degree from Washington University, St. Louis, Missouri.

Jay Debertin, Executive Vice President and Chief Operating Officer — Energy and Foods, leads our diverse energy operations and processing and food ingredients. Mr. Debertin joined CHS in 1984 in our petroleum division and held a variety of positions in its energy marketing operations. Mr. Debertin was named vice president, Crude Oil Supply, in 1998 based in the Company’s Denver, Colorado, office. In 2001, he returned to St. Paul, Minn., with responsibilities including raw material supply, refining, pipelines and terminals, trading and risk management, and transportation and has held his current position since 2014. Mr. Debertin also serves as chairman of the board for National Cooperative Refinery Association and as a chairman for Ventura Foods. He earned a Bachelor’s degree in Economics from the University of North Dakota in 1982 and a Master’s of Business Administration degree from the University of Wisconsin - Madison in 1984.

Lynden Johnson, Executive Vice President — Country Operations, is responsible for the division delivering agricultural inputs, energy products, grain marketing, animal nutrition and sunflower processing and other farm supplies to producers through retail businesses in 16 states and Alberta, Canada. Before assuming his current role in September 2014, Mr. Johnson had been responsible for the Business Solutions operations including board planning and administration, Corporate Citizenship and the CHS Foundation, and CHS Aligned Solutions, along with subsidiaries CHS Insurance Group, CHS Hedging Inc. and CHS Capital. He served as the vice president of Business Solutions Consulting in 2008 and previously held the position of vice president, Member Services since 2005. Prior to joining CHS, he had a career managing cooperatives in North Dakota and Minnesota for 23 years. Serves as a board member for the CHS Pension Plan and is a fiduciary board member for the Co-op 401K Committee. Serves on the board of directors of CHS Capital and CHS Hedging. Holds a bachelor's degree in agricultural economics from North Dakota State University.

Timothy Skidmore, Executive Vice President and Chief Financial Officer, joined CHS in 2013 and is responsible for finance, accounting, strategic sourcing and insurance risk management. Previously served as vice president of finance and strategy for Campbell North America, Campbell's largest operating division. Joined Campbell as assistant treasurer in 2001 and held numerous leadership positions in finance including leading the cash management, corporate finance and international treasury functions. Served in various business unit chief financial officer roles including the U.S. soup, simple meals, beverages and international businesses where he was responsible for financial strategy, planning, reporting and balance sheet management. Prior to joining Campbell, spent 15 years at DuPont Co., holding a variety of financial leadership positions, including leading DuPont's finance function across Asia Pacific. Holds a bachelor's degree in risk management from the University of Georgia, and a Master of Business Administration degree in finance from Widener University, Chester, Pennsylvania.

Lisa Zell, Executive Vice President of Business Solutions, is responsible for leading programs and products that support cooperatives, agribusinesses and producers that are offered through CHS Aligned Solutions, CHS Capital, CHS Hedging and CHS Insurance. Ms. Zell joined CHS in 1999 as senior attorney after several years in private practice and a federal clerkship with the U.S. Court of Appeals Seventh Circuit. She was named senior vice president and general counsel in January 2011 and assumed her previous position, as executive vice president and general counsel, in January 2012. Ms. Zell serves on the boards of CHS Insurance Group and Ventura Foods, LLC, and chairs Ventura’s Corporate Responsibility Committee. She has earned a bachelor’s degree from St. Cloud (MN) State University and a law degree, with honors, from Drake University.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and persons who beneficially own more than 10% of any class of our preferred stock to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission (Commission). Such executive officers, directors and greater than 10% beneficial owners are required by the regulations of the Commission to furnish us with copies of all Section 16(a) reports they file.

Based solely upon a review of copies of reports on Forms 3 and 4 and amendments thereto furnished to us during, and reports on Form 5 and amendments thereto furnished to us with respect to, the fiscal year ended August 31, 2014, and based further upon written representations received by us with respect to the need to file reports on Form 5, the following persons filed late reports required by Section 16(a) of the Securities Exchange Act of 1934, as amended: Mr. Skidmore was late in filing a Form 4 relating to a transaction in June 2014 and Mr. Hasnedl, Mr. Eischens, Mr. Johnsrud and Mr. Kayser were each late in filing a Form 4 relating to a transaction in August 2014.

Code of Ethics

We have adopted a code of ethics within the meaning of Item 406(b) of Regulation S-K promulgated by the Commission. This code of ethics applies to all of our directors, officers and employees. We will provide to any person, without charge, upon request, a copy of such code of ethics. A person may request a copy by writing or telephoning us at the following:

CHS Inc.
Attention: Malcolm McDonald
5500 Cenex Drive
Inver Grove Heights, Minnesota 55077
(651) 355-6000

Audit Committee Matters

The Board of Directors has a separately designated standing Audit Committee for the purpose of overseeing our accounting and financial reporting processes and audits of our financial statements. The Audit Committee is comprised of Mr. Blew, Mr. Erickson, Mr. Kruger, and Mr. Schurr (Chairman), each of whom is an independent director. The Audit Committee has oversight responsibility to our owners relating to our financial statements and the financial reporting process, preparation of the financial reports and other financial information provided by us to any governmental or regulatory body, the systems of internal accounting and financial controls, the internal audit function and the annual independent audit of our financial statements. The Audit Committee assures that the corporate information gathering and reporting systems developed by management represent a good faith attempt to provide senior management and the Board of Directors with information regarding material acts, events and conditions within CHS. In addition, the Audit Committee is directly responsible for the appointment, compensation and oversight of the independent registered public accounting firm.

We do not believe that any member of the Audit Committee of the Board of Directors is an "audit committee financial expert" as defined in the Sarbanes-Oxley Act of 2002 and rules and regulations thereunder. As a cooperative, our 17-member Board of Directors is nominated and elected by our members. To ensure geographic representation of our members, the Board of Directors represents eight regions in which our members are located. The members in each region nominate and elect the number of directors for that region as set forth in our bylaws. To be eligible for service as a director, a nominee must (i) be an active farmer or rancher, (ii) be a member of CHS or a Cooperative Association Member and (iii) reside in the geographic region from which he or she is nominated. Neither management nor the incumbent directors have any control over the nominating process for directors. Because of the nomination procedure and the election process, we cannot ensure that an elected director will be an "audit committee financial expert."

However, many of our directors, including all of the Audit Committee members, are financially sophisticated and have experience or background in which they have had significant financial oversight responsibilities. The current Audit Committee includes directors who have served as presidents or chairmen of local cooperative association boards. Members of the Board of Directors, including the Audit Committee, also operate large commercial enterprises requiring expertise in all areas of management, including financial oversight.

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ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation

Overview

This Compensation Discussion and Analysis describes the material elements of compensation awarded to each of the following executive officers (our "Named Executive Officers") for fiscal 2014:

Carl Casale	President and Chief Executive Officer
Timothy Skidmore	Executive Vice President and Chief Financial Officer
Mark Palmquist	Former Executive Vice President and Chief Operating Officer, Ag Business
Jay Debertin	Executive Vice President and Chief Operating Officer, Energy and Foods
John McEnroe	Executive Vice President, Country Operations
David Kastelic	Former Executive Vice President and Chief Financial Officer

As discussed elsewhere in this Compensation Discussion and Analysis, Mr. McEnroe has announced his intention to retire effective December 31, 2014. Mr. Kastelic retired on September 3, 2013 and Mr. Palmquist resigned on August 31, 2014.

CHS views employees as valued assets, and strives to provide total reward programs that are equitable and competitive within the market segments in which we compete, and within the framework of the CHS vision, mission and values. In this section, we will outline the compensation and benefit programs as well as the materials and factors used to assist us in making compensation decisions.

Compensation Philosophy and Objectives

The Governance Committee of our Board of Directors oversees the administration of, and the fundamental changes to, the executive compensation and benefits programs. The primary principles and objectives in compensating executive officers include:

- Maintaining a strong external market focus in order to attract and retain top talent by:
- Aligning pay structures and target total direct compensation at the market median of similarly situated companies
- Obtaining applicable market data of similarly positioned companies
- Maintaining reasonable internal pay equity among executives in order to allow for broad-based development opportunities in support of our talent management objectives
- Driving strong business performance through annual and long-term incentive programs by:
- Rewarding executives for company, business unit and individual performance
- Aligning executive rewards with competitive returns to our member owners
- Ensuring compensation components are mutually supportive and not contradictory
- Aligning annual and long-term results with performance goals
- Ensuring compliance with government mandates and regulations

Changes to our compensation plans for fiscal 2014 included changing our profit sharing and incentive plan performance measures to Return on Adjusted Equity ("ROAE"). This change was effective for fiscal 2014 for our Profit Sharing Plan and Annual Variable Pay Plan, and effective for the fiscal 2012 - 2014 Long-Term Incentive Plan.

In addition, the Long-Term Incentive Plan was expanded to provide incentives for superior long-term performance that are more consistent with external benchmarks and are aligned with competitive returns to our member-owners.

Components of Executive Compensation and Benefits

Our executive compensation programs are designed to attract and retain highly qualified executives and to motivate them to optimize member-owner returns by achieving specified goals. The compensation program links executive compensation directly to our annual and long-term financial performance. A significant portion of each executive's compensation is dependent upon meeting financial goals and a smaller portion is linked to other individual performance objectives.

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Each year, the Governance Committee of the Board of Directors reviews our executive compensation policies with respect to the correlation between executive compensation and the creation of member-owner value, as well as the competitiveness of the executive compensation programs. The Governance Committee, with input from a third party consultant if necessary, determines what, if any, changes are appropriate to our executive compensation programs including the incentive plan goals for the Named Executive Officers. The third party consultant is chosen and hired directly by the Governance Committee to provide guidance regarding market competitive levels of base pay, annual variable pay and long-term incentive pay as well as market competitive allocations between base pay, annual variable pay and long-term incentive pay for the Chief Executive Officer (CEO). The data is shared with our Board of Directors which makes final decisions regarding the Chief Executive Officer's base bay, annual incentive pay and long-term incentive pay, as well as the allocation of compensation between base pay, annual incentive pay and long-term incentive pay. There are no formal policies for allocation between long-term and cash compensation other than the intention of being competitive with the external compensation market for comparable positions and being consistent with our compensation philosophy and objectives. The Governance Committee recommends to the Board of Directors salary actions relative to our CEO and approves annual and long-term incentive awards based on goal attainment. In turn, the Board of Directors communicates this pay information to the CEO. The CEO is not involved with the selection of the third party consultant and does not participate in, or observe, Governance Committee meetings that concern CEO compensation matters. Based on a review of compensation market data provided by our human resources department (survey sources and pricing methodology are explained under “Components of Compensation”), with input from a third party consultant if necessary, the CEO decides base compensation levels for the other Named Executive Officers, recommends for Board of Directors approval the annual and long-term incentive levels for the other Named Executive Officers and communicates base and incentive compensation levels to the other Named Executive Officers. The day-to-day design and administration of compensation and benefit plans are managed by our human resources, finance and legal departments.

We intend to preserve the deductibility, under the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), of compensation paid to our executive officers while maintaining compensation programs to attract and retain highly qualified executives in a competitive environment.

In this Compensation Discussion and Analysis, the related compensation tables and the accompanying narratives, all references to a given year refer to our fiscal year ending on August 31, of that year.

Components of Compensation

The executive compensation and benefits program consists of seven components. Each component is designed to be competitive within the executive compensation market. In determining competitive compensation levels, we analyze information from independent compensation surveys, which include information regarding comparable industries, markets, revenues and companies that compete with us for executive talent. The surveys used for this analysis in fiscal 2014 included a combination of any of the following sources: Hay Group Executive Remuneration Report, AonHewitt Total Compensation Measurement, Mercer US Executive Compensation Survey and Towers Watson Executive Compensation Databank. The data extracted from these surveys includes median market rates for base salary, annual incentive, total cash compensation and total direct compensation. Companies included in the surveys vary by industry, revenue and number of employees, and represent both public and private ownership, as well as non-profit, government and mutual organizations. The number of companies participating in these surveys ranged from 442 to 3,035, with an average of 1,034. In addition, in fiscal 2013 we retained Towers Watson to provide customized survey data from the Towers Watson Executive Compensation Databank, to include a subset consisting of 26 companies in the agribusiness, energy, fertilizer and food industries. Data for these companies included 25th, 50th and 75th percentile for base pay, total cash compensation (sum of base pay and annual variable pay), and total direct compensation (sum of base pay, annual variable pay and long-term incentive). Towers Watson also provided historical return on equity data for the same group of agribusiness, energy, fertilizer and food companies. The emphasis of our executive compensation package is weighted more on variable pay through annual variable pay and long-term incentive awards. This is consistent with our compensation philosophy of emphasizing a strong link between pay, employee performance and business goals to foster a clear line-of-sight and strong commitment to CHS' short-term and long-term success, and also aligns our programs with general market practices. The goal is to provide our executives with an overall compensation package that is competitive to compensation in comparable industries, companies and markets. We target the market median for base pay, target total cash and target total direct compensation, and 75th percentile for total direct compensation for above market performance.

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The following table presents a more detailed breakout of each compensation element:

Pay Element	Definition of Pay Element	Purpose of Pay Element
Base Pay	Competitive base level of compensation provided relative to skills, experience, knowledge and contributions	• Provides the fundamental element of compensation based on competitive market practice and internal equity considerations
Annual Variable Pay	Broad-based employee short-term performance based variable pay incentive for achieving predetermined annual financial and individual performance objectives	• Provides a direct link between pay and annual business objectives • Pay for performance to motivate and encourage the achievement of critical business initiatives
Profit Sharing	Broad-based employee short-term performance based variable pay program for achieving predetermined return on adjusted equity performance levels	• Provides a direct link between employee pay and CHS' profitability • Encourages proper expense control and containment
Long-Term Incentive Plans	Long-term performance based incentive for senior management to achieve predetermined triennial return on adjusted equity performance goals	• Provides a direct link between senior management pay and long-term strategic business objectives • Aligns management and member-owner interests • Encourages retention of key management
Retirement Benefits	Retirement benefits under the qualified retirement plans are identical to the broad-based retirement plans generally available to all full-time employees	• These benefits are a part of our broad-based employee total rewards program designed to attract and retain quality employees
	The supplemental plans include non-qualified retirement benefits that restore qualified benefits contained in our broad-based plans for employees whose retirement benefits are limited by salary caps under the Internal Revenue Code. In addition, the plans allow participants to voluntarily defer receipt of a portion of their income	• These benefits are provided to attract and retain senior managers with total rewards programs that are competitive with comparable companies
Health & Welfare Benefits	Medical, dental, vision, life insurance and short-term disability benefits generally available to all full-time employees. Certain Officers, including our Named Executive Officers, also are eligible for executive long-term disability benefits	• With the exception of executive long-term disability, these benefits are a part of our broad-based employee total rewards program designed to attract and retain quality employees
Additional Benefits	Additional benefits provided to certain officers, including our Named Executive Officers	• These benefits are provided as part of an overall total rewards package that strives to be competitive with comparable companies and retain individuals who are critical to CHS

Base Pay:

Base salaries of the Named Executive Officers represent a fixed form of compensation paid on a semi-monthly basis. The base salaries are generally set at the median level of market data collected through our benchmarking process against other equivalent positions of comparable revenue-size companies. The individual's actual salary relative to the market median is based on a number of factors, which include, but are not limited to: scope of responsibilities, individual experience and individual performance.

Base salaries for the Named Executive Officers are reviewed on an annual basis or at the time of significant changes in scope and level of responsibilities. Changes in base salaries are determined based on review of competitive market data, as well as individual performance and contribution. Changes are not governed by pre-established weighting factors or merit metrics.

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The CEO is responsible for this process for the other Named Executive Officers. The Governance Committee is responsible for this process for the CEO. Mr. Casale received a base pay increase of 9.8% as provided in his employment agreement effective January 1, 2014. The CHS Board of Directors approved the increase in order to maintain a competitive pay position to market. The other Named Executive Officers also received the following base salary increases in fiscal 2014: Timothy Skidmore 3.0%; Mark Palmquist 3.0%; Jay Debertin 3.0% and John McEnroe 3.0%.

Annual Variable Pay:

Each Named Executive Officer (other than Mr. Kastelic, who retired on September 3, 2014) was eligible to participate in our Annual Variable Pay Plan for our year ended August 31, 2014. Target award levels were set with reference to competitive market compensation levels and were intended to motivate our executives by providing variable pay awards for the achievement of predetermined goals. Our incentive program was based on financial performance and specific management business objectives with payout dependent on CHS triggering threshold financial performance. The financial performance components included return on adjusted equity (ROAE) goals for both CHS and the executive's business unit. The CHS threshold, target and maximum ROAE goals for fiscal 2014 were 8%, 10% and 14%, respectively. The threshold, target and maximum ROAE goals for each business unit vary by unit. The management business objectives include individual performance against specific goals such as business profitability, strategic initiatives or talent development.

CHS financial performance goals and award opportunities under our fiscal 2014 Annual Variable Pay Plan were as follows:

<table>
<tr><th>Performance Level</th><th>CHS Company Performance Goal</th><th>Business Unit Performance Goal</th><th>Management Business Objectives</th><th>Percent of Target Award</th></tr>
<tr><td>Maximum</td><td>14% Return on Adjusted Equity</td><td rowspan="4">Threshold, Target and Maximum Return on Adjusted Equity goals vary by business unit but are consistent with and support company ROAE goals</td><td rowspan="4">Individual performance goals</td><td>200%</td></tr>
<tr><td>Target</td><td>10% Return on Adjusted Equity</td><td>100%</td></tr>
<tr><td>Threshold</td><td>8% Return on Adjusted Equity</td><td>20%</td></tr>
<tr><td>Below Threshold</td><td><8% Return on Adjusted Equity</td><td>0%</td></tr>
</table>

The types and relative importance of specific financial and other business goals varies among executives depending upon their positions and the particular business unit for which they are responsible. Financial goals are given greater weight than other individual performance goals in determining individual awards.

The CHS Board of Directors approves the Annual Variable Pay Plan total Company ROAE goals and determines the CEO's individual goals. The weighting of the CEO's goals is 70% CHS total company ROAE and 30% principle accountabilities and individual goals. The CEO approves business unit ROAE goals and determines non-financial goals for the other Named Executive Officers. The weighting of goals for the other Named Executive Officers is also 70% ROAE and 30% principle accountabilities and individual goals. The ROAE goals for the other Named Executive Officers are either total CHS, or combined CHS and business unit, depending on whether the executive is responsible for an operating group or not. The variable pay plan is designed such that if threshold non-financial and financial performance goals are achieved, the annual variable pay award would equal 20 percent of target awards; if target non-financial and financial performance goals are achieved, the award would equal 100% of target awards and if maximum non-financial and financial performance goals are achieved, the award would equal 200% of target awards.

In conjunction with the annual performance appraisal process of the CEO, the Board of Directors reviews the non-financial goals, and in turn, determines and approves this portion of the annual variable pay award based upon completion or partial completion of the previously specified goals and principal accountabilities for the CEO. Likewise, the CEO uses the same process for determining individual goal attainment for the other Named Executive Officers. Named Executive Officers are covered by the same broad-based Annual Variable Pay Plan as other employees, and based on the plan provisions, when they retire they receive awards prorated to the period of time eligible.

For fiscal 2014, CHS achieved an ROAE of 21.7%. Annual variable pay payments for the Named Executive Officers are as follows:

Carl Casale	$2,475,000
Timothy Skidmore	$648,900
Mark Palmquist	$965,419
Jay Debertin	$888,560
John McEnroe	$865,200

Mr. Kastelic was not eligible and did not receive an Annual Variable Pay award for fiscal 2014.

Profit Sharing:

Each Named Executive Officer is eligible to participate in our Profit Sharing Plan applicable to other employees. The purpose of the Profit Sharing Plan is to provide a direct link between employee pay and CHS profitability. Annual profit sharing contributions are calculated as a percent of base pay and annual variable pay (total earnings) and are made to the CHS 401(k) plan account and Deferred Compensation Plan account of each Named Executive Officer. The levels of profit sharing awards vary in relation to the level of CHS ROAE achieved and are displayed in the following table:

Return On Adjusted Equity	Equates to Net Income for Fiscal 2014	Profit Sharing Award
14.0%	$698.2 Million	5%
12.0%	$602.0 Million	4%
10.0%	$505.7 Million	3%
9.0%	$457.6 Million	2%
8.0%	$409.5 Million	1%

In fiscal 2014 the maximum ROAE goal was reached.

Effective for fiscal 2015, the ROAE goals are:

Return On Adjusted Equity	Equates to Net Income for Fiscal 2015	Profit Sharing Award
14.0%	$826.1 Million	5%
12.0%	$720.9 Million	4%
10.0%	$615.8 Million	3%
9.0%	$563.2 Million	2%
8.0%	$510.6 Million	1%

Long-Term Incentive Plans:

Each Named Executive Officer is eligible to participate in our Long-Term Incentive Plan (“LTIP”). The purpose of the LTIP is to align results with long-term performance goals, encourage our Named Executive Officers to maximize long-term shareholder value, and retain key executives.

The LTIP consists of three-year performance periods to ensure consideration is made for long-term CHS sustainability with a new performance period beginning every year. The LTIP is based on CHS ROAE over three-year periods. The

CHS Board of Directors approves the LTIP ROAE goals.

During fiscal 2013 CHS utilized a third party consultant, Towers Watson, to conduct an assessment of total direct compensation in relation to Named Executive Officers below the CEO level, as discussed above under “Components of Compensation”. A separate study was conducted by Towers Watson at the request of the Corporate Responsibility Committee of the CHS Board of Directors to review CEO compensation. The committee reviewed the market data and concluded that the current compensation programs were not aligned with CHS’s compensation philosophy of paying target total cash and target total direct compensation. Therefore, the committee recommended and, the CHS Board of Directors approved to expand the CHS Long-Term Incentive Plan to provide additional award opportunity for above market performance between 14% and 20% ROAE. The table below defines the award potential by ROAE levels for the CHS Long-Term Incentive Plan.

Award opportunities for the fiscal 2012-2014 LTIP are expressed as a percentage of a participant's average salary for the three-year performance period. CHS must meet a three-year period threshold level of ROAE for LTIP to trigger a payout. The threshold, target, maximum and superior performance maximum ROAE goals for the fiscal 2012-2014 performance period were 8%, 10%, 14% and 20% respectively. Details for 2014 awards associated with the expanded plan are provided in the 2014 Grants of Plan-Based Awards table.

Performance Level	CHS Three Year ROAE	Percent of Target Award
Superior Performance Maximum	20%	400%
Maximum	14%	200%
Target	10%	100%
Threshold	8%	20%
Below Threshold	<8%	0%

Awards from the LTIP are contributed to the CHS Deferred Compensation Plan after the end of each performance period. These awards are earned over a three-year period and vest over an additional 28-month period following the performance period end date. The extended earning and vesting provisions of the LTIP are designed to help CHS retain key executives. Participants who terminate from CHS prior to retirement forfeit all unearned and unvested LTIP award balances. Participants who meet retirement criteria, die or become disabled receive prorated awards following the LTIP plan rules. Like the Annual Variable Pay Plan, award levels for the LTIP are set with regard to competitive considerations.

For the fiscal year 2012-2014 performance period, CHS reached the superior performance maximum level ROAE for awards under the LTIP. Payments for the Named Executive Officers under the LTIP were as follows:

Carl Casale	$4,612,167
Timothy Skidmore	$1,272,600
Mark Palmquist	$1,875,146
Jay Debertin	$1,725,907
John McEnroe	$1,603,467
David Kastelic	$1,131,200

Retirement Benefits:

We provide the following retirement and deferral programs to executive officers:

- CHS Inc. Pension Plan
- CHS Inc. 401(k) Plan
- CHS Inc. Supplemental Executive Retirement Plan
- CHS Inc. Deferred Compensation Plan

CHS Inc. Pension Plan

The CHS Inc. Pension Plan (the "Pension Plan") is a tax qualified defined benefit pension plan. All Named Executive Officers participate in the Pension Plan. A Named Executive Officer is fully vested in the plan after three years (depending on hire date) of vesting service. The Pension Plan provides for a lump sum payment of the participant's account balance (or a monthly annuity if elected) for the Named Executive Officer's lifetime beginning at normal retirement age. Compensation includes total salary and annual variable pay. Compensation and benefits are limited based on limits imposed by the Internal Revenue Code. The normal form of benefit for a single Named Executive Officer is a life annuity, and for a married Named

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Executive Officer the normal form is a 50% joint and survivor annuity. Other annuity forms are also available on an actuarial equivalent basis.

A Named Executive Officer's benefit under the Pension Plan depends on 1) pay credits to the employee's account, which are based on the Named Executive Officer's total salary and annual variable pay for each year of employment, date of hire, age at date of hire and the length of service and 2) investment credits which are computed using the interest crediting rate and the Named Executive Officer's account balance at the beginning of the plan year.

The amount of pay credits added to a Named Executive Officer's account each year is a percentage of the Named Executive Officer's base salary and annual variable pay plus compensation reduction pursuant to the CHS Inc. 401(k) Plan, (the "401(k) Plan"), and any pretax contribution to any of our welfare benefit plans, paid vacations, paid leaves of absence and pay received if away from work due to a sickness or injury. The pay credits percentage received is determined on a yearly basis, based on the years of benefit service completed as of December 31 of each year. A Named Executive Officer receives one year of benefit service for every calendar year of employment in which the Named Executive Officer completed at least 1,000 hours of service.

Pay credits are earned according to the following schedule:

Regular Pay Credits

Years of Benefit Service	Pay Below Social Security Taxable Wage Base	Pay Above Social Security Taxable Wage Base
1 - 3 years	3%	6%
4 - 7 years	4%	8%
8 - 11 years	5%	10%
12 - 15 years	6%	12%
16 years or more	7%	14%

Mid Career Pay Credits

Employees hired after age 40 qualify for the following minimum pay credit:

	Minimum Pay Credit	
Age at Date of Hire	Pay Below Social Security Taxable Wage Base	Pay Above Social Security Taxable Wage Base
Age 40 - 44	4%	8%
Age 45 - 49	5%	10%
Age 50 or more	6%	12%

Investment Credits

We credit a Named Executive Officer's account at the end of the calendar year with an investment credit based on the balance at the beginning of the year. The investment credit is based on the average return for one-year U.S. Treasury bills for the preceding 12-month period. The minimum interest rate under the Pension Plan is 4.65% and the maximum is 10%.

CHS Inc. 401(k) Plan

The 401(k) Plan is a tax-qualified defined contribution retirement plan. Most full-time, non-union CHS employees are eligible to participate in the 401(k) Plan, including each Named Executive Officer. Participants may contribute between 1% and 50% of their pay on a pretax basis. We match 100% of the first 1% and 50% of the next 5% of pay contributed each year (maximum 3.5%). The Board of Directors may elect to reduce or eliminate matching contributions for any year or any portion thereof. Participants are 100% vested in their own contributions and are fully vested after two years of service in matching contributions made on the participant's behalf by CHS.

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Non-participants are automatically enrolled in the plan at 3% contribution rate and effective each January 1st, the participant's contribution will be automatically increased by 1%. This escalation will stop once the participant's contribution reaches 6%. The participant may elect to cancel or change these automatic deductions at any time.

CHS Inc. Supplemental Executive Retirement Plan and CHS Inc. Deferred Compensation Plan

Because the Internal Revenue Code limits the benefits that may be paid from the Pension Plan and the 401(k) Plan , the CHS Inc. Supplemental Executive Retirement Plan (the “SERP”) and CHS Inc. Deferred Compensation Plan (the “Deferred Compensation Plan”) were established to provide certain employees participating in the qualified plans with supplemental benefits such that, in the aggregate, they equal the benefits they would have been entitled to receive under the qualified plan had these limits not been in effect. The SERP also includes compensation deferred under the Deferred Compensation Plan that is excluded under the qualified retirement plan. All Named Executive Officers participate in the SERP. Participants in the plans are select management or highly compensated employees who have been designated as eligible by our President and CEO to participate.

All Named Executive Officers are eligible to participate in the Deferred Compensation Plan.

Compensation includes total salary and annual variable pay without regard to limitations on compensation imposed by the Internal Revenue Code. Compensation waived under the Deferred Compensation Plan is not eligible for pay credits or company contributions under the Pension Plan and 401(k) Plan.

Certain Named Executive Officers may have accumulated non-qualified plan balances or benefits that have been carried over from predecessor companies as a result of past mergers and acquisitions. Benefits from the SERP are primarily funded in a rabbi trust, with a balance at August 31, 2014 of $27.3 million. Benefits from the plan do not qualify for special tax treatment under the Internal Revenue Code.

The Deferred Compensation Plan allows eligible Named Executive Officers to voluntarily defer receipt of up to 30% of their base salary and up to 100% of their annual variable pay. The election must occur prior to the beginning of the calendar year in which the compensation will be earned. During the year ended August 31, 2014, all of the Named Executive Officers were eligible to participate in the Deferred Compensation Plan. Mr. Casale, Mr. Skidmore, Mr. Debertin, and Mr. McEnroe participated in the elective portion of the Deferred Compensation Plan.

Benefits from the Deferred Compensation plan are primarily funded in a rabbi trust, with a balance as of August 31, 2014 of $103.2 million. Benefits from the plan do not qualify for special tax treatment under the Internal Revenue Code.

Health & Welfare Benefits:

Like other CHS employees, each of the Named Executive Officers is entitled to receive benefits under our comprehensive health and welfare program. Like other non-executive full-time employees, participation in the individual benefit plans is based on each Named Executive Officer's annual benefit elections and varies by individual.

Medical Plans

Named Executive Officers and their dependents may participate in our medical plan on the same basis as other eligible full-time employees. The plan provides each an opportunity to choose a level of coverage and coverage options with varying deductibles and co-pays in order to pay for hospitalization, physician and prescription drugs expenses. The cost of this coverage is shared by both CHS and the covered Named Executive Officer.

Dental, Vision, and Hearing Plan

Named Executive Officers and their dependents may participate in our Dental, Vision, and Hearing plan on the same basis as other eligible full-time employees. The plan provides coverage for basic dental, vision and hearing expenses. The cost of this coverage is shared by both CHS and the covered Named Executive Officer.

Life, AD&D and Dependent Life Insurance

Named Executive Officers and their dependents may participate in our basic life, optional life, accidental death and dismemberment (AD&D) and dependent life plans on the same basis as other eligible full-time employees. The plans allow Named Executive Officers an opportunity to purchase group life insurance on the same basis as other eligible full-time

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employees. Basic life insurance equal to one times pay will be provided at CHS expense on the same basis as other eligible full-time employees. Named Executive Officers can choose various coverage levels of optional life insurance at their own expense on the same basis as other eligible full-time employees.

Short- and Long-term Disability

Named Executive Officers participate in our Short-Term Disability (“STD”) Plan on the same basis as other eligible full-time employees. The Named Executive Officers also participate in an executive Long-Term Disability (“LTD”) Plan. These plans replace a portion of income in the event that a Named Executive Officer is disabled under the terms of the plan and is unable to work full-time. The cost of STD and LTD coverage is paid by CHS.

Flexible Spending Accounts/Health Savings Accounts

Named Executive Officers may participate in our Flexible Spending Account (“FSA”) or Health Savings Account (“HSA”) on the same basis as other eligible full-time employees. The plan provides Named Executive Officers an opportunity to pay for certain eligible medical expenses on a pretax basis. Contributions to these plans are made by the Named Executive Officer.

Travel Assistance Program

Like other non-executive full-time CHS employees, each of the Named Executive Officers is covered by the travel assistance program. This broad-based program provides accidental death and dismemberment protection should a covered injury or death occur while on a CHS business trip.

Additional Benefits:

Certain benefits such as executive physical and limited financial planning assistance are available to the Named Executive Officers. These are provided as part of an overall total rewards package that strives to be competitive with comparable companies and retain individuals who are critical to CHS.

Agreements with Named Executive Officers

On November 6, 2013 our Board of Directors approved a new employment and an amended and restated change in control agreement that supersede the employment and change in control agreements we entered into in November 2010 with Mr. Casale, our CEO. The new agreements, which became effective as of January 1, 2014, are described more fully in the narrative to the tabular disclosure below. Our prior employment agreement with Mr. Casale had an initial term expiring on December 31, 2013. Rather than extend that agreement, our Board of Directors decided to replace the agreement with a new employment agreement. The new agreement reflects an increase in Mr. Casale’s annual base salary from $901,800 for calendar 2013 to $990,000 effective as of January 1, 2014, and an increase in his maximum long-term incentive award from 250% to 500% of his average fiscal year-end base salary during the three-year performance period applicable to the award opportunity. The amended and restated change in control agreement was entered into in order to reflect that the new employment agreement had been entered into.

Mr. Skidmore, our CFO, joined us in August 2013 and the terms of his employment provide for certain payments to Mr. Skidmore in respect of compensation earned from Mr. Skidmore's former employer during past periods but forfeited in order to accept employment with CHS due to vesting requirements and other restrictions. Specifically, Mr. Skidmore is entitled to receive three equal payments of $180,000 for forfeited restricted stock and three equal payments of $55,163 for forfeited incentives to be paid as follows: the first payments within 30 days of his start date;

the second payments within 30 days after the first anniversary of start date and the third payments within 30 days after the second anniversary of the start date.

Also on November 6, 2013, we entered into a succession planning letter agreement with Mr. McEnroe, our Executive Vice President and Chief Operating Officer of Country Operations, under which he will be eligible to receive an incentive equal to one year's base salary upon completion of an agreed upon succession plan, which includes effective training and development of strong successors to his leadership team, an efficient and effective transition of his responsibilities at the time of his retirement to a successor candidate, and the successful performance of his duties and responsibilities through his retirement. We entered into this agreement with Mr. McEnroe as a succession management strategy, to ensure we would have strong leadership in place to assume Mr. McEnroe's responsibilities when needed. As we have previously announced, Mr. McEnroe will retire on December 31, 2014.

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Summary Compensation Table

Name and Principal Position	Year	Salary (1)(2)(3)	Bonus (4)(5)	Non-Equity Incentive Plan Compensation (1)(2)(6)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(2)(7)	All Other Compensation (8-13)	Total
Carl Casale	2014	$960,600	$—	7,087,167	$462,823	$274,987	$8,785,577
President and Chief	2013	893,033	833,333	4,443,917	322,777	261,396	6,754,456
Executive Officer	2012	867,000	833,334	4,345,625	416,179	288,573	6,750,711
Timothy Skidmore	2014	459,000	415,163	1,921,500	48,012	96,867	2,940,542
Executive Vice	2013	17,308		—	—	—	17,308
President and Chief Financial Officer							
Mark Palmquist	2014	682,840		2,840,565	532,974	123,856	4,180,235
Executive Vice	2013	663,000		1,462,582	177,531	146,819	2,449,932
President and Chief Operating Officer, Ag Business	2012	643,708		1,772,169	589,377	136,099	3,141,353
Jay Debertin	2014	628,524		2,614,467	514,096	132,524	3,889,611
Executive Vice	2013	610,233		1,708,653	222,526	120,186	2,661,598
President and Chief Operating Officer, Energy and Foods	2012	590,720		1,606,033	569,614	118,673	2,885,040
John McEnroe	2014	612,000		2,468,667	332,338	132,379	3,545,384
Executive Vice	2013	566,667		1,448,000	212,735	118,769	2,346,171
President and Chief Operating Officer, Country Operations							
David Kastelic Retired	2014	55,087		1,131,200	39,869	30,450	1,256,606
Executive Vice	2013	550,800		1,676,780	223,624	116,750	2,567,954
President and Chief Financial Officer	2012	531,707		1,442,240	318,149	105,054	2,397,150

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(1) Amounts reflect the gross salary and non-equity incentive plan compensation, and include any applicable deferrals. Mr. Casale deferred $2,254,500 in fiscal 2014; Mr. Skidmore deferred $30,900 in fiscal 2014; Mr. Debertin deferred $84,625 in fiscal 2014, $709,983 in fiscal 2013, $79,773 in fiscal 2012; and Mr. McEnroe deferred $309,600 in fiscal 2014, $415,000 in fiscal 2013.

(2) Information on Mr. Skidmore and Mr. McEnroe includes compensation beginning in fiscal 2013, the first year in which they became Named Executive Officers.

(3) Salary for Mr. Kastelic includes base pay and accrued paid time off that was paid upon retirement.

(4) Includes payments of $833,333 and $833,334 in fiscal 2013 and fiscal 2012, respectively, to Mr. Casale, covering earned and forfeited compensation from previous employment.

(5) Includes payment of $415,163 in fiscal 2014 to Mr. Skidmore, covering earned and forfeited compensation from previous employment.

(6) Amounts include CHS fiscal 2012, fiscal 2013 and fiscal 2014 annual variable pay awards and fiscal 2010-2012, fiscal 2011-2013 and fiscal 2012-2014 long-term incentive awards.

(7) This column represents both changes in pension value and above-market earnings on deferred compensation. Change in pension value is the aggregate change in the actuarial present value of the Named Executive Officers' benefit under their retirement program and nonqualified earnings, if applicable.

Above-market earnings represent earnings exceeding 120% of the Federal Reserve long-term rate as determined by the Internal Revenue Service (IRS) on applicable funds. The following Named Executive Officers had above market earnings in fiscal 2014: Mr. Casale- $11,831; Mr. Skidmore- $27; Mr. Kastelic- $3,657; Mr. Palmquist- $6,951; Mr. Debertin- $11,866; Mr. McEnroe- $7,592 and above market earnings in fiscal 2013: Mr. Casale- $48,472; Mr. Kastelic- $47,454; Mr. Palmquist- $47,445; Mr. Debertin- $125,271; Mr. McEnroe- $53,702 and above market earnings in fiscal 2012: Mr. Casale- $24,900; Mr. Kastelic- $39,912; Mr. Palmquist- $42,397; Mr. Debertin- $112,743.

(8) Amounts may include CHS paid executive LTD, travel accident insurance, executive physical, CHS contributions during each fiscal year to qualified and non-qualified defined contribution plans, spousal travel, event tickets and financial planning.

(9) Includes fiscal 2014 executive LTD of $3,544 for all Named Executive Officers except Mr. Kastelic - $0.

(10) Includes fiscal 2014 employee contributions to the CHS Inc. Deferred Compensation Plan: Mr. Casale- $254,261; Mr. Palmquist- $90,685; Mr. Debertin- $111,680; and Mr. Kastelic- $22,175.

(11) Includes fiscal 2014 employee contribution to the CHS Inc. 401(k) Plan: Mr. Casale- $14,025; Mr. Skidmore- $10,819; Mr. Palmquist- $14,084; and Mr. Debertin $111,680.

(12) Includes the following payment for Mr. Skidmore: fiscal 2014: $31,534 relocation expenses with a gross up value of $57,055.

(13) Includes the following payment for Mr. Palmquist: fiscal 2014: executive physical $15,234

Agreements with Named Executive Officers

We have entered into a three-year employment and a one-year change in control agreement with Mr. Casale, our CEO, each effective January 1, 2014. These agreements replace employment and change in control agreements that we had previously entered into with Mr. Casale in November 2010. Copies of the new agreements were previously filed as Exhibits 10.1 and 10.2 to our Annual Report on Form 10-K for the year ended August 31, 2013. The employment agreement with Mr. Casale was entered into to clearly define the obligations of the parties with respect to employment matters as well as compensation and benefits provided to Mr. Casale upon termination of employment. Mr. Casale's change in control agreement was designed to help retain Mr. Casale, recognizing that change in control protections are commonly provided at comparable companies with which CHS competes for executive talent. Because of our cooperative ownership structure, CHS is in a position where a change of control is unlikely. However, we believe that this arrangement provides financial security to Mr. Casale and enhances his impartiality and objectivity in the case of a change in control in which he could potentially lose his position.

The severance pay and benefits to which Mr. Casale will be entitled if we terminate his employment without cause, if he terminates his employment for “good reason” or if there is change in control, are described below under the heading “Post Employment”.

Mr. Casale's employment agreement also provides that in the event of certain restatements of our financial results due to material noncompliance with financial reporting requirements, if our Board determines in good faith that compensation paid (or payable but not yet paid) to Mr. Casale was awarded or determined based on such material noncompliance, then we are entitled to recover from him (or to reduce compensation determined but not yet paid) all compensation based on the erroneous financial data in excess of what would have been paid or been payable to him under the restatement.

Mr. Skidmore, our CFO, joined us in August 2013. The severance payments to which Mr. Skidmore will be entitled if we terminate his employment without cause or if he terminates his employment for “good reason” are described below under the heading “Post Employment”. Other details of Mr. Skidmore's employment arrangement with us are described in the Compensation Discussion and Analysis above.

We have entered into a succession planning letter agreement with Mr. McEnroe, our Executive Vice President and Chief Operating Officer of Country Operations, under which he will be eligible to receive an incentive equal to one year's base salary upon completion of an agreed upon succession plan, which includes the effective training and development of strong successors to his leadership team, an efficient and effective transition of his responsibilities at the time of his retirement to a successor candidate, and the successful performance of his duties and responsibilities through his retirement. Mr. McEnroe intends to retire on December 31, 2014.

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Explanation of Ratio of Salary and Bonus to Total Compensation

The structure of our executive compensation package is focused on a suitable mix of base pay, annual variable pay and long-term incentive awards in order to encourage executive officers and employees to strive to achieve goals that benefit our shareholders' interests over the long term, and to better align our programs with general market practices.

Fiscal 2014 Executive Compensation Mix at Target

The charts below illustrate the mix of base salary, annual variable pay at target performance, and long-term incentive compensation at target performance for fiscal 2014 for our CEO and the other Named Executive Officers as a group, excluding Mr. Kastelic because he did not have a full year of service in fiscal 2014 due to his retirement.

2014 Grants of Plan-Based Awards

Estimated Future Payouts Under Non-Equity Incentive Plan Awards

Name	Grant Date	Threshold	Target	Maximum	Superior Performance Maximum
Carl Casale	9-1-14(1)	$247,500	$1,237,500	$2,475,000	$—
	9-1-14(2)	247,500	1,237,500	2,475,000	4,950,000
Timothy Skidmore	9-1-14(1)	64,890	324,450	648,900	—
	9-1-14(2)	64,890	324,450	648,900	1,297,800
Mark Palmquist	9-1-14(1)	96,542	482,710	965,419	—
	9-1-14(2)	96,542	482,710	965,419	1,930,838
Jay Debertin	9-1-14(1)	88,856	444,280	888,560	—
	9-1-14(2)	88,856	444,280	888,560	1,777,121
John McEnroe	9-1-14(1)	86,520	432,600	865,200	—
	9-1-14(2)	86,520	432,600	865,200	1,730,400

(1) Represents range of possible awards under our fiscal 2014 Annual Variable Pay Plan. The actual amount of the award earned for fiscal 2014 is included in the "Non-Equity Incentive Plan Compensation" column of our Summary Compensation Table. The Annual Variable Pay Plan is described under "Compensation Discussion and Analysis-Annual Variable Pay."

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(2) Represents range of possible awards under our Long-Term Incentive Plan for the fiscal 2014-2016 performance period. Goals are based on achieving a three-year ROAE of 8%, 10% and 14% plus a potential award for superior 20% ROAE performance. Awards are earned over a three-year period and vest over an additional 28-month period. The Long-Term Incentive Plan is described under “Compensation Discussion and Analysis - Long-Term Incentive Plans."

The material terms of annual variable pay and long-term incentive awards that are disclosed in this table, including the vesting schedule, are described under Compensation, Discussion and Analysis. Specifics to the calculation of Mr. Casale's award are described under "Agreements with Named Executive Officers."

Pension Benefits Table

Name	Plan Name	Number of Years of Credited Service	Present Value of Accumulated Benefits	Payments During Last Fiscal Year
Carl Casale	CHS Inc. Pension Plan	3.6667	$67,117	$—
	SERP	3.6667	1,059,459	—
Timothy Skidmore	CHS Inc. Pension Plan	1.0000	—	—
	SERP	1.0000	47,985	—
Mark Palmquist[1]	CHS Inc. Pension Plan	35.0000	903,116	—
	SERP	35.0000	2,751,640	—
Jay Debertin	CHS Inc. Pension Plan	30.2500	732,328	—
	SERP	30.2500	1,800,572	—
John McEnroe[1]	CHS Inc. Pension Plan	35.5833	740,397	—
	SERP	35.5833	864,390	—
David Kastelic[1]	CHS Inc. Pension Plan	21.1667	455,561	455,561
	SERP	21.1667	827,566	827,566

(1) Mr. McEnroe is eligible for early retirement in both the CHS Inc. Pension Plan and the SERP. Mr. Kastelic and Mr. Palmquist were eligible for retirement under both plans at the time of retirement and resignation respectively.

The above table shows the present value of accumulated retirement benefits that Named Executive Officers other than Mr. Skidmore are entitled to under the Pension Plan and SERP. Mr. Skidmore joined us in August 2013 and accordingly is not yet entitled to CHS Inc. Pension Plan benefits under this plan for one year.

For a discussion of the material terms and conditions of the Pension Plan and the SERP, see “Compensation Discussion and Analysis.”

The present value of accumulated benefits is determined in accordance with the same assumptions outlined in Note 10 of our consolidated financial statements in Part II, Item 8 of this Annual Report on Form 10-K for the year ended August 31, 2014.

- Discount rate of 3.90%
- 2014 Static Mortality Table for Annuitants/Non Annuitants per §1.430(h)(3)-1(e)
-

- Each Named Executive Officer is assumed to retire at the earliest retirement age at which unreduced benefits are available (age 65). The early retirement benefit under the cash balance plan formula is equal to the participant's account balance; and
- Payments under the cash balance formula of the Pension Plan assume a lump sum payment. SERP benefits are payable as a lump sum.

The normal form of benefit for a single employee is a life only annuity, and for a married employee the normal form of benefit is a 50% joint and survivor annuity. Other annuity forms are also available on an actuarial equivalent basis. A lump sum option is also available.

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All Named Executive Officer's retirement benefits at normal retirement age will be equal to their accumulated benefits under the Pension Plan and SERP, as described under "Compensation Discussion and Analysis".

2014 Nonqualified Deferred Compensation Table

Name	Executive Contributions in Last Fiscal Year (1)	Registrant Contributions in Last Fiscal Year (2)	Aggregate Earnings in Last Fiscal Year (3)	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year End (2),(4)
Carl Casale	$2,160,234	$2,437,702	$343,542	$—	$9,965,702
Timothy Skidmore	30,900	7,895	797	—	39,592
Mark Palmquist	—	989,266	213,322	—	5,742,353
Jay Debertin	84,625	955,028	493,358	2,221,544	9,140,647
John McEnroe	309,600	714,461	234,558	—	6,227,302
David Kastelic	—	800,710	137,509	2,573,081	2,341,332

(1) Includes amounts deferred from salary and annual incentive pay reflected in the Summary Compensation Table.

(2) Contributions are made by CHS into the Deferred Compensation Plan on behalf of Named Executive Officers. Amounts include LTIP, retirement contributions on amounts exceeding IRS compensation limits, Profit Sharing, and 401(k) match. The amounts reported were made in early fiscal 2014 based on fiscal 2013 results. These results are also included in amounts reported in the fiscal 2014 Summary Compensation Table: Mr. Casale, $254,261; Mr. Palmquist, $90,685; Mr. Debertin, $111,680; Mr. McEnroe, $108,375; Mr. Kastelic, $0.

(3) The amounts in this column include the change in value of the balance, not including contributions made by the Named Executive Officer. Amounts include the following above market earnings in 2014 that are also reflected in the Summary Compensation Table: Mr. Casale- $11,831; Mr. Skidmore- $27; Mr. Kastelic- $3,657; Mr. Palmquist- $6,951; Mr. Debertin- $11,866; Mr. McEnroe- $7,592.

(4) Amounts vary in accordance with individual pension plan provisions and voluntary employee deferrals and withdrawals. These amounts include rollovers, voluntary salary and voluntary incentive plan contributions from predecessor plans with predecessor employers that have increased in value over the course of the executive's career. Named Executive Officers may defer up to 30% of their base salary and up to 100% of their annual variable pay to the Deferred Compensation Plan. Earnings on amounts deferred under the plan are determined based on the investment election made by the Named Executive Officer from five market based notional investments with a varying level of risk selected by CHS, and a fixed rate fund. The notional investment returns for the fiscal year were as follows: Vanguard Prime Money Market, .007% ; Vanguard Life Strategy income, 5.79%; Vanguard Life Strategy Conservative Growth, 6.37%; Vanguard Life Strategy Moderate Growth, 6.87%; Vanguard Life Strategy Growth, 7.44%; and the Fixed Rate was 4.00%.

Named Executive Officers may change their investment election daily. Payments of amounts deferred are made in accordance with elections by the Named Executive Officer and in accordance with Section 409A under the Internal Revenue Code. Payments under the Deferred Compensation Plan may be made at a specified date elected by the Named Executive Officer or deferred until retirement, disability, or death. Payments would be made in a lump sum. In the event of retirement, the Named Executive Officer can elect to receive payments either in a lump sum or annual installments up to 10 years.

Post Employment

The CEO is covered by an employment agreement that provides for severance in the event his employment is terminated by us without cause or by him with “good reason.” Severance consists of two times base pay, two times target annual variable pay, a prorated portion of his unpaid annual variable award for the fiscal year in which the termination occurred, and two years of health and welfare benefits substantially similar to those he was receiving prior to termination. Mr. Casale's agreement contains two year non-solicitation and non-compete provisions. Payments for Mr. Casale would be made in three equal installments over a two-year period.

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Mr. Skidmore's term sheet provides for severance in the event his employment is terminated by us without cause, or by his with “good reason”, in the amount of one year of base pay and prorated annual variable pay.

All other Named Executive Officers are covered by a broad-based employee severance program which provides two weeks of pay per year of service with a 12 month cap.

In accordance with their years of service and current base pay levels, the Named Executive Officers' severance pay would have been as follows had they been terminated by us without cause or terminated their employment for good reason as of the last business day of fiscal 2014:

Carl Casale [(1)(2)]	$5,742,180
Timothy Skidmore [(3)]	$787,950
Mark Palmquist	$689,585
Jay Debertin	$634,686
John McEnroe	$618,000
David Kastelic [(4)]	$—

(1) Mr. Casale's post employment value includes the value of health and welfare insurance based on current monthly rates.

(2) Mr. Casale's post employment value for the prorated portion of his unpaid annual variable pay award for the fiscal year in which the termination occurred assumes an annual variable pay award at target performance for the entire fiscal year.

(3) Mr. Skidmore's post employment value assumes an annual variable pay award at target performance for the entire fiscal year.

(4) Mr. Kastelic retired September 3, 2013 and received no severance.

There are no other severance benefits offered to our Named Executive Officers except for up to $5,000 of outplacement assistance, which would be included as imputed income, and government mandated benefits such as COBRA. The method of payment would be a lump sum. Named Executive Officers not covered by employment agreements are not offered any special postretirement health and welfare benefits that are not offered to other similarly situated (i.e. age and service) salaried employees.

Mr. Casale is also covered by a change in control agreement under which a “qualifying termination” entitles Mr. Casale to a severance payment equal to 2.5 times the sum of Mr. Casale's base salary and target annual incentive compensation award, welfare benefit continuation for a period of 30 months and outplacement fees not to exceed $30,000. In accordance with this agreement and his current base salary, Mr. Casale would have received the following payment had there been a "qualifying termination" of his employment on the last business day of fiscal 2014.

Mr. Casale [(1)]	$5,660,850

(1) This number includes the value of health insurance based on current monthly rates.

Director Compensation

Overview

The Board of Directors met formally eight times during the year ended August 31, 2014. Through August 31, 2014, each director was provided annual compensation of $69,000, paid in 12 monthly payments, plus actual expenses and travel allowance, with the Chairman of the Board receiving additional annual compensation of $18,000, and the First Vice Chairman, the Secretary-Treasurer receiving additional annual compensation of $3,600 and all board committee chairs receiving an additional annual compensation of $6,000. Each director receives a per diem of $500 plus actual expenses and travel allowance for each day spent at meetings other than regular board meetings and the CHS Annual Meeting. The number of days per diem may not exceed 55 days annually, except that the Chairman of the Board is exempt from this limit.

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Further, in an effort to align the interests of the board and management, directors are eligible to participate in the deferred compensation plan. Other than direct contributions, company contributions are made based on ROAE to align the interest of directors, management and member-owners. The ROAE performance goals of 8% to 20% are the same as described in the Executive Long-Term Incentive plan, resulting in deferred compensation plan credits ranging from $5,000 to $100,000 as detailed on the following pages.

Director Retirement and Healthcare Benefits

Members of the Board of Directors are eligible for certain retirement and healthcare benefits. The director retirement plan is a defined benefit plan and provides for a monthly benefit for the director's lifetime, beginning at age 60. Benefits are immediately vested and the monthly benefit is determined according to the following formula: $250 times years of service on the board (up to a maximum of 15 years). Under no event will the benefit payment be payable for less than 120 months. Payment shall be made to the retired director's beneficiary in the event of the director's death before 120 payments are made. Prior to 2005, directors could elect to receive their benefit as an actuarial equivalent lump sum. In order to comply with IRS requirements, directors were required in 2005 to make a one-time irrevocable election whether to receive their accrued benefit in a lump sum or a monthly annuity upon retirement. If the lump sum was elected, the director would commence benefits upon expiration of board term.

Effective August 31, 2011, future accruals under the director retirement plan were frozen. Directors elected after that date are not eligible for benefits under this plan.

Retirement benefits are funded by a rabbi trust, with a balance at August 31, 2014 of $9.4 million. The Board of Director's intent is to fully fund benefits through the rabbi trust.

Directors of CHS serving as of September 1, 2005, and their eligible dependents, are eligible to participate in the company's medical, life, dental, vision and hearing plans. CHS will pay 100% of the medical premium for the director and eligible dependents until the director is eligible for Medicare. Term life insurance cost is paid by the director. Retired directors and their dependents are eligible to continue medical and dental insurance with the premiums paid by CHS after they leave the Board. In the event a director's coverage ends due to death or Medicare eligibility, CHS will pay 100% of the premium for the eligible spouse and eligible dependents until the spouse reaches Medicare age or upon death, if earlier.

New directors elected on or after December 1, 2006, and their eligible dependents, are eligible to participate in our medical, dental, vision and hearing plans. CHS will pay 100% of the premium for the director and eligible dependents until the director is eligible for Medicare. In the event a director leaves the Board prior to Medicare eligibility, premiums will be shared based on the following schedule:

Years of Service	Director	CHS
Up to 3	100%	0%
3 to 6	50%	50%
6+	0%	100%

CHS Inc. Deferred Compensation Plan

Directors are eligible to participate in the Deferred Compensation Plan. Each participating director may elect to defer up to 100% of his or her monthly director fees into the Deferred Compensation Plan. This must be done prior to the beginning of the calendar year in which the fees will be earned, or in the case of newly elected directors, upon election to the Board. The deferral election must occur prior to the beginning of the calendar year in which the compensation will be earned. During fiscal 2014, the following directors deferred board fees pursuant to the Deferred Compensation Plan: Mr. Erickson, Mr. Hasnedl, Mr. Johnsrud, Mr. Knecht, Mr. Malesich, and Mr. Riegel.

Benefits are funded in a rabbi trust. The amount of deferred compensation plan rabbi trust reported elsewhere in this report includes amounts deferred by the directors.

Each year we will credit an amount to each Director's retirement plan account under the Deferred Compensation Plan. The amount that will be credited is based on CHS cumulative ROAE over a three-year period:

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Amount Credited	ROAE Performance
$100,000 (Superior Performance)	20% Return on Adjusted CHS Equity
$50,000 (Maximum)	14% Return on Adjusted CHS Equity
$25,000 (Target)	10% Return on Adjusted CHS Equity
$5,000 (Minimum)	8% Return on Adjusted CHS Equity
$0	Below 8% Return on Adjusted CHS Equity

The fiscal 2014 credit to each director’s Retirement Plan Account was determined based on the ROAE for fiscal years 2012, 2013, and 2014 and is reflected in the Directors Compensation Table.

During fiscal 2013 the Executive Committee of the CHS Board of Directors utilized a third party consultant, Towers Watson, to conduct an assessment of the Board of Directors’ compensation program. The committee reviewed the market data and concluded that the current compensation programs were not aligned with the market. Based on the findings and an effort to align the Executive and Board of Director strategic goals and outcomes, the committee recommended and the CHS Board of Directors approved expansion of the three year cumulative ROAE performance goals which will provide additional contributions to each Director’s retirement plan account under the Deferred Compensation Plan for above market performance between 14% and 20% ROAE, beginning in fiscal 2014 (based on the fiscal 2012-2014 performance period). These goals and associated contribution levels align with CHS Long-Term Incentive Plan goals and related awards for superior performance in that the award for superior performance is four times the target award opportunity in both programs.

Amounts credited and defined performance goals for the fiscal 2012-2014 measurement period are defined below:

Amount Credited	ROAE Performance
$100,000 (Superior Performance)	20% Return on Adjusted CHS Equity
$50,000 (Maximum)	14% Return on Adjusted CHS Equity
$25,000 (Target)	10% Return on Adjusted CHS Equity
$5,000 (Minimum)	8% Return on Adjusted CHS Equity
$0	Below 8% Return on Adjusted CHS Equity

Upon leaving the Board during the fiscal year, a director's credit for that partial fiscal year will be the target amount ($25,000) prorated through the end of the month in which the director departs. Directors who join the CHS Board during the fiscal year will receive credit for that partial fiscal year based on the actual ROAE for that fiscal year, prorated from the first of the month following the month in which the director joins the Board, to the end of the fiscal year.

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Director Compensation Table

Name(1)	Fees Earned or Paid in Cash (1)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (3)	All Other Compensation (4)(5)	Total
Donald Anthony	$98,500	$9,977	$64,864	$173,341
Robert Bass	81,000	81,936	65,387	228,323
David Bielenberg	109,000	10,984	64,159	184,143
Clinton Blew	96,500	3,831	75,759	176,090
Dennis Carlson (6)	96,350	27,102	67,537	190,989
Curt Eischens	96,500	36,104	65,113	197,717
Jon Erickson	91,000	72	68,265	159,337
Steven Fritel	88,750	42,669	66,114	197,533
Jerry Hasnedl (6)	91,750	56	66,647	158,453
Alan Holm	69,250	—	13,602	82,852
David Johnsrud	93,000	46	47,918	140,964
David Kayser	89,500	27,228	74,490	191,218
Randy Knecht	80,000	20,325	65,355	165,680
Greg Kruger	89,500	15,851	71,878	177,229
Edward Malesich	92,000	57	64,763	156,820
Steve Riegel	83,000	11,213	64,769	158,982
Daniel Schurr	96,100	27,198	74,289	197,587

(1) Mr. Holm was elected to the Board effective December 5, 2013.

(2) Of this amount, the following directors deferred the succeeding amounts to the Deferred Compensation Plan: Mr. Erickson, $5,000; Mr. Hasnedl, $10,000; Mr. Johnsrud, $12,000; Mr. Knecht, $14,000; Mr. Malesich $30,000; Mr. Riegel, $6,000.

(3) This column represents both changes in pension value and above-market earnings on deferred compensation. Change in pension value is the aggregate change in the actuarial present value of the director's benefit under their retirement program, and nonqualified earnings, if applicable. The change in pension value will vary by director based on several factors including age, service, pension benefit elected (lump sum or annuity - see above), discount rate and mortality factor used to calculate the benefit due. Future accruals under the plan were frozen as of August 31, 2011 as stated above.

Above-market earnings represent earnings exceeding 120% of the Federal Reserve long-term rate as determined by the IRS on applicable funds. The following directors had above market earnings during the year: $162 for Mr. Bass; $32 for Mr. Bielenberg; $126 for Mr. Anthony, Mr. Blew, Mr. Carlson, Mr. Eischens, Mr. Kayser, and Mr. Kruger; $72 for Mr. Erickson; $14 for Mr. Fritel; $56 for Mr. Hasnedl; $104 for Mr. Knecht; $57 for Mr. Malesich; $84 for Mr. Riegel; $76 for Mr. Schurr.

(4) All other compensation includes health insurance premiums, conference and registration fees, meals and related spousal expenses for trips made with a director on CHS business. Total amounts vary primarily due to the variations in health insurance premiums which are due to the number of dependents covered.

Health care premiums paid for directors include: $13,040 for Mr. Holm; $13,376 for Mr. Anthony, Mr. Bass, Mr. Bielenberg, Mr. Eischens, Mr. Hasnedl, Mr. Johnsrud, Mr. Knecht, Mr. Malesich, and Mr. Riegel; $14,500 for Mr. Fritel; $15,520 for Mr. Carlson; $16,644 for Mr. Erickson; $19,892 for Mr. Kruger; $23,160 for Mr. Blew, Mr. Kayser and Mr. Schurr.

(5) All other compensation includes fiscal 2014 Director Retirement Plan Deferred Compensation Plan contributions: $0 for Mr. Holm; $33,333 for Mr. Johnsrud; and $50,000 for all other Board Members.

(6) Made a one-time irrevocable retirement election in 2005 to receive a lump sum benefit under the director retirement plan. All other directors will receive a monthly annuity upon retirement. The plan benefit was frozen as of August 31, 2011.

Compensation Committee Interlocks and Insider Participation

As noted above, the Board of Directors does not have a compensation committee. The Governance Committee recommends to the entire Board of Directors salary actions relative to our CEO. The entire Board of Directors determines the compensation and the terms of the employment agreement with our CEO. The CEO decides base compensation levels for the other Named Executive Officers with input from a third party consultant if necessary, and recommends for Board of Directors approval the annual and long-term incentive levels for the other Named Executive Officers

None of the directors are officers of CHS. See Item 13 for directors including Messrs. Eischens and Johnsrud who were a party to related person transactions.

Governance Committee Report

The Governance Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the Governance Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

Respectfully submitted,

Steve Fritel, Chairman
Bob Bass
Dave Johnsrud
Steve Riegel

Compensation Risk Analysis

Our compensation policies and practices were reviewed by the appropriate corporate personnel in light of the requirements of Item 402(s) of Regulation S-K. A comprehensive risk assessment of our base and variable compensation programs was also conducted in fiscal 2010, and we continue ongoing reviews for risk. This assessment included a thorough review of all of our significant compensation components including base pay, annual variable pay, long-term incentive pay, and profit sharing. This review confirmed that our executive compensation program establishes an appropriate set of rewards for achieving our strategic, business and financial objectives without encouraging inappropriate risk-taking. Specifically, all of our incentive plans, including our long-term incentive plan, our short-term incentive plan and our profit sharing plan have established maximum levels of performance and payouts. In fiscal 2014, the LTIP design was modified with the ROAE superior performance maximum award payout moving from two times target award to four times target award, based on achievement of 20% ROAE superior performance. Therefore, the previous risk assessment remains adequate in ensuring all risks remain mitigated. All plans are performance based and in total are designed in such a manner as to limit unnecessary risk to CHS. As a result of our review and analysis, we have concluded that the risks arising from our compensation policies and practices are not reasonably likely to have a material adverse effect on CHS.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Beneficial ownership of our equity securities by each member of our Board of Directors, each of our named executive officers and all members of our Board of Directors and executive officers as a group as of September 15, 2014 is shown below. Except as indicated in the footnotes to the following table, each person has sole voting and investment power with respect to all shares attributable to such person.

	Title of Class 8% Cumulative Redeemable Preferred Stock		Class B Cumulative Redeemable Preferred Stock	
Name of Beneficial Owner	Amount of Beneficial Ownership (Shares)	% of Class (1)	Amount of Beneficial Ownership (Shares)	% of Class (2)
Directors:				
David Bielenberg	9,130	*	—	*
Donald Anthony	1,135	*	2,275	*
Robert Bass	120	*	—	*
Clinton J. Blew	—	*	—	*
Dennis Carlson (3)	60	*	—	*
Curt Eischens	120	*	107	*
Jon Erickson	300	*	—	*
Steve Fritel	880	*	—	*
Jerry Hasnedl	975	*	1,821	*
Alan Holm	—	*	—	*
David Johnsrud	—	*	1,650	*
David Kayser	—	*	630	*
Randy Knecht (3)	863	*	—	*
Gregory Kruger	—	*	—	*
Edward Malesich	—	*	—	*
Steve Riegel	245	*	—	*
Daniel Schurr	—	*	—	*
Named Executive Officers:				
Carl M. Casale	—	*	—	*
Jay Debertin (3)	1,200	*	—	*
Timothy Skidmore	—	*	200	*
John McEnroe	—	*	—	*
Mark Palmquist	400	*	—	*
David Kastelic	—	*	—	*
All other executive officers	700	*	—	*
Directors and executive officers as a group	16,128		6,683	

(1) As of September 15, 2014, there were 12,272,003 shares of 8% Cumulative Redeemable Preferred Stock outstanding.

(2) As of September 15, 2014, there were 34,871,363 shares of Class B Cumulative Redeemable Preferred Stock outstanding with 18,071,363 and 16,800,000 attributed to Series 1 and Series 2, respectively.

(3) Includes shares held by spouse, children and Individual Retirement Accounts (IRA).

*Less than 1%

We have no compensation plans under which our equity securities are authorized for issuance.

To our knowledge, there is no person who beneficially owns more than 5% of any class or series of our preferred stock.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Because our directors must be active patrons of CHS, or of an affiliated association, transactions between us and our directors are customary and expected. Transactions include the sales of commodities to us and the purchases of products and services from us, as well as patronage refunds and equity redemptions received from us. During the year ended August 31, 2014, the value of those transactions between a particular director (and any immediate family member of a director, which includes any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law and any person (other than a tenant or employee) sharing the household of such director) and us in which the total amount involved exceeded $120,000 are shown below.

Name	Transactions with CHS	Patronage Dividends
Dennis Carlson	$221,133	$7,719
Curt Eischens	310,416	2,241
Jon Erickson	193,587	11,583
Jerry Hasnedl	1,443,631	54,830
David Johnsrud	2,173,316	47,286
David Kayser	1,304,562	20,594

Review, Approval or Ratification of Related Party Transaction

Pursuant to its amended and restated charter, our Audit Committee has responsibility for the review and approval of all transactions between CHS and any related parties or affiliates of CHS, including its officers and directors, other than transactions in the ordinary course of business and on market terms as described above.

Related persons can include any of our directors or executive officers and any of their immediate family members, as defined by the Securities and Exchange Commission. In evaluating related person transactions, the committee members apply the same standards they apply to their general responsibilities as members of the Audit Committee of the Board of Directors. The committee will approve a related person transaction when, in its good faith judgment, the transaction is in the best interest of CHS. To identify related person transactions, each year we require our directors and officers to complete a questionnaire identifying any transactions with CHS in which the officer or director or their family members have an interest. In addition, we have a written policy in regard to related persons, included in our Corporate Compliance Code of Ethics that describes our expectation that all directors, officers and employees who may have a potential or apparent conflict of interest will notify our legal department.

Director Independence

We are a Minnesota cooperative corporation managed by a Board of Directors made up of 17 members. Nomination and election of the directors is done by eight separate regions. In addition to meeting other requirements for directorship, candidates must reside in the region from which they are elected. Directors are elected for three-year terms. The terms of directors are staggered and no more than seven director positions are elected at an annual meeting. Nominations for director elections are made by the members at the region caucuses at our annual meeting. Neither the Board of Directors, nor management, of CHS participates in the nomination process. Accordingly, we have no nominating committee.

The following directors satisfy the definition of director independence set forth in the rules of the NASDAQ:

Donald Anthony	Jon Erickson	Randy Knecht

Robert Bass	Steve Fritel	Greg Kruger
David Bielenberg	Jerry Hasnedl	Edward Malesich
Clinton J. Blew	Alan Holm	Steve Riegel
Dennis Carlson	David Kayser	Daniel Schurr

Further, although we do not need to rely upon an exemption for the Board of Directors as a whole, we are exempt pursuant to the NASDAQ rules from the NASDAQ director independence requirements as they relate to the makeup of the Board of Directors as a whole and the makeup of the committee performing the functions of a compensation committee. The

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NASDAQ exemption applies to cooperatives that are structured to comply with relevant state law and federal tax law and that do not have a publicly traded class of common stock. All of the members of our Audit Committee are independent.

Independence of CEO and Board Chairman Positions

Our bylaws prohibit any employee of CHS from serving on the Board of Directors. Accordingly, our CEO may not serve as Chairman of the Board or in any Board capacity. We believe that this leadership structure creates independence between the Board and management and is an important check and balance in the governance of CHS.

Board of Directors Role in Risk Oversight

It is senior management's responsibility to identify, assess and manage our exposures to risk. Our Board of Directors plays an important and significant role in overseeing the overall risk management approach, including the approval of guidelines and policies that govern our risk management process. Our management and Board of Directors have jointly developed and documented a Risk Identification and Assessment analysis for CHS, which covers eight broad categories of risk exposure. Each significant enterprise level risk is reviewed periodically by management with the Board of Directors and/or a committee of the Board as appropriate to identify and evaluate key risks across the organization. The review includes an analysis by management of the continued applicability of the risk, our performance in managing or mitigating the risk, and possible additional or emerging risks to consider. From this evaluation process, the top enterprise level risks are identified and prioritized for each risk treatment strategy development projects that may be under taken. We continue to develop a formal Enterprise Risk Management program intended to support integration of the risk assessment discipline and controls into major decision making and business processes. The Corporate Risk Committee will be involved in developing and approving the Enterprise Risk Management framework, and will be responsible for evaluating its effectiveness on an ongoing basis. When appropriate, the Corporate Risk Committee will meet jointly with the Audit Committee to discuss common financial risks across CHS that may have potential material impact to our financial statements.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table shows the aggregate fees billed to us by PricewaterhouseCoopers LLP for services rendered during the years ended August 31, 2014 and 2013:

	2014	2013
	(Dollars in thousands)	
Audit Fees [1]	$3,672	$2,919
Audit-related Fees [2]	1,341	373
Tax Fees [3]	25	43
All Other Fees [4]	31	—
Total	$5,069	$3,335

(1) Includes fees for audit of annual financial statements and reviews of the related quarterly financial statements, certain statutory audits and work related to filings of registration statements.
(2) Includes fees for employee benefit plan audits and due diligence on acquisitions.
(3) Includes fees related to tax compliance, tax advice and tax planning.
(4) Includes fees related to other professional services performed for international entities.

In accordance with the CHS Inc. Audit Committee Charter, as amended, our Audit Committee adopted the following policies and procedures for the approval of the engagement of an independent registered public accounting firm for audit, review or attest services and for pre-approval of certain permissible non-audit services, all to ensure auditor independence.

Our independent registered public accounting firm will provide audit, review and attest services only at the direction of, and pursuant to engagement fees and terms approved by our Audit Committee. Our Audit Committee approves, in advance, all non-audit services to be performed by the independent auditors and the fees and compensation to be paid to the independent auditors. Our Audit Committee approved 100% of the services listed above in advance.

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PART IV.

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) FINANCIAL STATEMENTS

The following financial statements and the Report of Independent Registered Public Accounting Firm are filed as part of this Form 10-K.

(a)(2) FINANCIAL STATEMENT SCHEDULES

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

	Balance at Beginning of Year	Additions: Charged to Costs and Expenses *	Deductions: Write-offs, net of Recoveries	Balance at End of Year
	(Dollars in thousands)			
Allowances for Doubtful Accounts				
2014	$94,589	$9,313	$(263)	$103,639
2013	111,785	(13,130)	(4,066)	94,589
2012	119,026	7,380	(14,621)	111,785
Valuation Allowance for Deferred Tax Assets				
2014	$79,623	$40,095	$(8,209)	$111,509
2013	56,659	27,046	(4,082)	79,623
2012	47,599	12,404	(3,344)	56,659

*net of reserve adjustments

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Report of Independent Registered Public Accounting Firm on

Financial Statement Schedule

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

Our audits of the consolidated financial statements referred to in our report dated November 5, 2014 appearing on page F-1 in this Annual Report on Form 10-K of CHS Inc. and subsidiaries also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Minneapolis, Minnesota
November 5, 2014

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(a)(3) EXHIBITS

2.1	Agreement and Plan of Merger among CHS Inc., Science Merger Sub Ltd. and Solbar Industries Ltd. (Incorporated by reference to our Current Report on Form 8-K, filed November 23, 2011).
3.1	Articles of Incorporation of CHS Inc., as amended. (Incorporated by reference to our Form 10-Q for the quarterly period ended November 30, 2006, filed January 11, 2007).
3.1A	Amended Article III, Section 3(b) of Bylaws of CHS Inc. (Incorporated by reference to our Current Report on Form 8-K, filed May 5, 2010).
3.1B	Amendment to the Bylaws of CHS Inc. (Incorporated by reference to our Current Report on Form 8-K, filed December 7, 2010).
3.2	Bylaws of CHS Inc. (Incorporated by reference to our Registration Statement on Form S-1 (File No. 333-156255), filed December 17, 2008).
4.1	Resolution Creating a Series of Preferred Equity to be Designated 8% Cumulative Redeemable Preferred Stock. (Incorporated by reference to Amendment No. 1 to our Registration Statement on Form S-2 (File No. 333-101916), dated January 13, 2003).
4.2	Form of Certificate Representing 8% Cumulative Redeemable Preferred Stock. (Incorporated by reference to Amendment No. 2 to our Registration Statement on Form S-2 (File No. 333-101916), dated January 23, 2003).
4.3	Unanimous Written Consent Resolution of the Board of Directors Amending the Amended and Restated Resolution Creating a Series of Preferred Equity to be Designated 8% Cumulative Redeemable Preferred Stock. (Incorporated by reference to Amendment No. 2 to our Registration Statement on Form S-2 (File No. 333-101916), dated January 23, 2003).
4.4	Unanimous Written Consent Resolution of the Board of Directors Amending the Amended and Restated Resolution Creating a Series of Preferred Equity to be Designated 8% Cumulative Redeemable Preferred Stock to change the record date for dividends. (Incorporated by reference to our Form 10-Q for the quarterly period ended May 31, 2003, filed July 2, 2003).
4.5	Resolution Amending the Terms of the 8% Cumulative Redeemable Preferred Stock to Provide for Call Protection. (Incorporated by reference to our Current Report on Form 8-K, filed on July 19, 2013.)
4.6	Amended and Restated Resolution of the Board of Directors of CHS Inc. Creating a Series of Preferred Equity to be Designated Class B Cumulative Redeemable Stock. (Incorporated by reference to our Registration Statement on Form S-1/A (File No. 333-190019), filed September 13, 2013).
4.7	Written Action of the Board of Directors of CHS Inc. Relating to the Terms of the Class B Cumulative Redeemable Preferred Stock, Series 1. (Incorporated by reference to our Registration Statement on Form S-1A (File No. 333-190019), filed September 13, 2013).
4.8	Form of Certificate Representing Class B Cumulative Redeemable Preferred Stock, Series 1. (Incorporated by reference to our Registration Statement on Form 8-A (File No. 001-36079) filed September 20, 2013).
4.9	Unanimous Written Consent Resolution of the Board of Directors Relating to the Terms of the Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2. (Incorporated by reference to the Registrant's Registration Statement on Form 8-A (File No. 001-36079), filed March 5, 2014).
4.10	Form of Certificate Representing Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2. (Incorporated by reference to the Registrant's Registration Statement on Form S-1/A (File No. 333-193891), filed February 26, 2014).
4.11	Unanimous Written Consent Resolution of the Board of Directors Relating to the Terms of the Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3. (Incorporated by reference to the Registrant's Registration Statement on Form 8-A (File No. 001-36079), filed September 10, 2014).
4.12	Form of Certificate Representing Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3. (Incorporated by reference to the Registrant's Registration Statement on Form 8-A (File No. 001-36079), filed September 10, 2014).

10.1A	Employment Agreement between CHS Inc. and Carl M. Casale, dated November 22, 2010 (Incorporated by reference to our Current Report on Form 8-K, filed November 22, 2010). (+)
10.1B	Employment Agreement between CHS Inc. and Carl M. Casale dated November 6, 2013. (Incorporated by reference to our Annual Report on Form 10-K for the year ended August 31, 2013, filed November 7, 2013). (+)
10.2	Amended and Restated Change in Control Agreement between CHS Inc. and Carl M. Casale dated November 6, 2013 (Incorporated by reference to our Annual Report on Form 10-K for the year ended August 31, 2013, filed November 7, 2013). (+)
10.3	Cenex Harvest States Cooperatives Supplemental Savings Plan. (Incorporated by reference to our Form 10-K for the year ended August 31, 2000, filed November 22, 2000). (+)
10.3A	Amendment No. 3 to the CHS Inc. Supplemental Savings Plan. (Incorporated by reference to our Form 10-Q for the quarterly period ended May 31, 2006, filed July 12, 2006). (+)

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10.4	CHS Inc. Supplemental Executive Retirement Plan (2013 Restatement). (Incorporated by reference to our Form 10-Q for the quarterly period ended May 31, 2013, filed July 10, 2013). (+)
10.5	CHS Inc. 2014 Annual Variable Pay Plan (*)(+)
10.6	CHS Inc. Long-Term Incentive Plan, Plan XII (*)(+)
10.7	Cenex Harvest States Cooperatives Share Option Plan. (Incorporated by reference to our Form 10-K for the year ended August 31, 2004, filed November 18, 2004). (+)
10.7A	Amendment to Cenex Harvest States Share Option Plan, dated June 28, 2001. (Incorporated by reference to our Registration Statement on Form S-2 (File No. 333-65364), filed July 18, 2001). (+)
10.7B	Amendment No. 2 to Cenex Harvest States Share Option Plan, dated May 2, 2001. (Incorporated by reference to our Form 10-K for the year ended August 31, 2004, filed November 18, 2004). (+)
10.7C	Amendment No. 3 to Cenex Harvest States Share Option Plan, dated June 4, 2002. (Incorporated by reference to our Form 10-K for the year ended August 31, 2004, filed November 18, 2004). (+)
10.7D	Amendment No. 4 to Cenex Harvest States Share Option Plan, dated April 6, 2004. (Incorporated by reference to our Form 10-K for the year ended August 31, 2004, filed November 18, 2004). (+)
10.8	CHS Inc. Share Option Plan Option Agreement. (Incorporated by reference to our Form 10-K for the year ended August 31, 2004, filed November 18, 2004). (+)
10.9	CHS Inc. Share Option Plan Trust Agreement. (Incorporated by reference to our Form 10-K for the year ended August 31, 2004, filed November 18, 2004). (+)
10.9A	Amendment No. 1 to the Trust Agreement. (Incorporated by reference to our Form 10-K for the year ended August 31, 2004, filed November 18, 2004). (+)
10.10	CHS Inc. Nonemployee Director Retirement Plan. (Incorporated by reference to our Form 10-Q for the quarterly period ended May 31, 2010, filed July 8, 2010). (+)
10.10A	Amendment No. 1 to the Nonemployee Director Retirement Plan (Incorporated by reference to our Form 10-K for the year ended August 31, 2011, filed November 14, 2011). (+)
10.10B	Amendment No. 2 to the Nonemployee Director Retirement Plan. (Incorporated by reference to our Form 10-K for the year ended August 31, 2012, filed November 7, 2012). (+)
10.11	Trust Under the CHS Inc. Nonemployee Director Retirement Plan. (Incorporated by reference to our Form 10-Q for the quarterly period ended May 31, 2010, filed July 8, 2010). (+)
10.12	CHS Inc. Special Supplemental Executive Retirement Plan. (Incorporated by reference to our Form 10-K for the year ended August 31, 2003, filed November 21, 2003). (+)
10.12A	Amendment No. 1 to the CHS Inc. Special Supplemental Executive Retirement Plan. (Incorporated by reference to our Form 10-Q for the quarterly period ended February 29, 2008, filed April 9, 2008). (+)
10.13	Consulting Agreement between CHS Inc. and Patrick Kluempke, dated January 17, 2013. (Incorporated by reference to our Current Report on Form 8-K, filed April 3, 2013).
10.14	$225,000,000 Note Agreement (Private Placement Agreement) dated as of June 19, 1998 among Cenex Harvest States Cooperatives and each of the Purchasers of the Notes. (Incorporated by Reference to our Form 10-Q Transition Report for the period June 1, 1998 to August 31, 1998, filed October 14, 1998).
10.14A	First