CHS INC
Form 10-K
November 07, 2013
Table of Contents

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, 2013

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: 0-50150

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

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

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

8% Cumulative Redeemable Preferred Stock Class B Cumulative Redeemable Preferred Stock (Title of Class)	The NASDAQ Stock Market LLC (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 o NO þ

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: þ

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.

INDEX

		Page No.
PART I.		
Item 1.	Business	1
	The Company	1
	Energy	2
	Ag	5
	Corporate and Other	10
	Price Risk and Hedging	12
	Employees	13
	Membership in CHS and Authorized Capital	13
Item 1A.	Risk Factors	16
Item 1B.	Unresolved Staff Comments	21
Item 2.	Properties	21
Item 3.	Legal Proceedings	24
Item 4.	Mine Safety Disclosures	24
PART II.		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6.	Selected Financial Data	24
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	26
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	44
Item 8.	Financial Statements and Supplementary Data	46
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	47
Item 9A.	Controls and Procedures	47
Item 9B.	Other Information	48
PART III.		
Item 10.	Directors, Executive Officers and Corporate Governance	51
	Board of Directors	51
	Executive Officers	55
	Section 16(a) Beneficial Ownership Reporting Compliance	57
	Code of Ethics	57
	Audit Committee Matters	57
Item 11.	Executive Compensation	58
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	77
Item 13.	Certain Relationships and Related Transactions, and Director Independence	78
Item 14.	Principal Accounting Fees and Services	80
PART IV.		
Item 15.	Exhibits and Financial Statement Schedules	81
SUPPLEMENTAL INFORMATION		87
SIGNATURES		88
EX-10.1B		
EX-10.2B		
EX-10.55		
EX-21.1		

EX-23.1
EX-24.1
EX-31.1
EX-31.2
EX-32.1
EX-32.2

Table of Contents

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, which is listed on the NASDAQ Stock Market LLC (NASDAQ) under the symbol CHSCP. On August 31, 2013, we had 12,272,003 shares of our 8% Cumulative Redeemable Preferred Stock outstanding. During September 2013, we issued 11,319,175 shares of Class B Cumulative Redeemable Preferred Stock (Class B Preferred Stock), which is listed on the NASDAQ under the symbol CHSCO. 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 fiscal year ended August 31, 2013, our total revenues were $44.5 billion and net income attributable to CHS Inc. was $992.4 million.

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 and soybean refined oil 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.

Table of Contents

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.

The following table presents a summary of our primary subsidiary holdings and equity investments for both of our business segments and Corporate and Other at August 31, 2013:

Business Segment	Entity Name	Business Activity	CHS Ownership%		Income Recognition
Energy	National Cooperative Refinery Association	Petroleum refining	79.2	%	Consolidated
	Front Range Pipeline, LLC	Crude oil transportation	100	%	Consolidated
	Cenex Pipeline, LLC	Finished product transportation	100	%	Consolidated
Ag	CHS Agronegocio - Industria e Comercio Ltda	Grain and fertilizer procurement and merchandising in Brazil	100	%	Consolidated
	TEMCO, LLC	Grain exporter	50	%	Equity Method
	CHS Canada, Inc.	Grain procurement and merchandising in Canada	100	%	Consolidated
	CHS Country Operations Canada, Inc.	Agronomy retailer	100	%	Consolidated
	CHS Europe S.A.	Grain and fertilizer merchandising in Europe	100	%	Consolidated
	CHS Ukraine, LLC	Grain procurement and merchandising in Ukraine	100	%	Consolidated
	Atman Comercio de Produtos	Crop input distribution and grain procurement in Brazil	100	%	Consolidated
	CHSINC Iberica S.L.	Grain merchandising in Spain	100	%	Consolidated
	CHS de Argentina S.A.	Grain and fertilizer merchandising in Argentina	100	%	Consolidated
	CHS de Paraguay SRL	Grain procurement and merchandising in Paraguay	100	%	Consolidated
	CHS Argritrade Bulgaria LTD	Grain procurement and merchandising in Bulgaria	100	%	Consolidated
	CHS Argritrade Hungary LTD	Grain procurement and merchandising in Hungary	100	%	Consolidated
	CHS Argritrade Romania S.R.L.	Grain procurement and merchandising in Romania	100	%	Consolidated
	CHS Serbia D.O.O. Novi Sad	Grain procurement and merchandising in Serbia	100	%	Consolidated
	Agromarket, LLC	Grain procurement and merchandising in Russia	100	%	Consolidated
	S.C. Silotrans S.R.L.	Romanian grain terminal port facility	96	%	Consolidated
	CZL LTD	Grain procurement and merchandising in Japan	51	%	Consolidated
	CHS Singapore Trading Company PTE. LTD.	Grain procurement and merchandising in Asia Pacific region	100	%	Consolidated
		Grain merchandising in China	100	%	Consolidated

	CHS (Shanghai) Trading Co., Ltd.			
	CHS South Sioux City, Inc.	Soy isolates processing facility	100 %	Consolidated
	CHS Israel Protein Foods LTD	Israeli soybean processing and textured soy production facilities	100 %	Consolidated
	S.P.E. CHS Plant Extracts LTD	Israeli textured soy production facility	100 %	Consolidated
	Solbar Ningbo Food, Ltd.	Chinese textured soy production facility	100 %	Consolidated
Corporate and Other	Ventura Foods, LLC	Food manufacturing and distributing	50 %	Equity Method
	Horizon Milling, LLC	Wheat milling in U.S.	24 %	Equity Method
	Horizon Milling ULC	Wheat milling in Canada	24 %	Equity Method
	CHS Hedging Inc.	Risk management products broker	100 %	Consolidated
	CHS Insurance Services, LLC	Insurance agency	100 %	Consolidated
	CHS Capital, LLC	Finance company	100 %	Consolidated

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

Table of Contents

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 84.0% ownership interest as of September 1, 2013) and sells those products under the Cenex® brand to member cooperatives and others through a network of approximately 1,350 independent retail sites, of which 75% are convenience stores marketing Cenex® branded fuels. For fiscal 2013, our Energy revenues, after elimination of inter-segment revenues, were $12.5 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 79.2% as of August 31, 2013. Our ownership increased to approximately 84.0% in September 2013, upon the second closing under our November 2011 agreement to purchase the noncontrolling interests in NCRA. See Note 17, Acquisitions for additional information. The McPherson refinery processes approximately 76% low and medium sulfur crude oil and 24% 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 49% gasoline, 45% diesel fuel and other distillates, and 2% propane and other products. Approximately 26% 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.

Other Energy Operations. We own and operate a propane terminal, 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 2013, we obtained approximately 58% of the refined products we sold from our Laurel and McPherson refineries, and approximately 42% from third parties.

Sales and Marketing; Customers

We make approximately 76% 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 1.2 billion gallons of gasoline and approximately 1.8 billion gallons of diesel fuel in fiscal 2013, excluding NCRA's sales to minority owners and others totaling approximately 283 million gallons. We also blend, package and wholesale auto and farm machinery lubricants to both members and non-members. We are one of the

Table of Contents

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, Valero and BP Amoco; independent refiners, including Flint Hills Resources and CVR Energy; and wholesale brokers/suppliers, including Western Petroleum Company. 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.

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. CHS principally competes with the major oil companies Marathon, BP Amoco, ExxonMobil and Citgo; independent refineries, including Flint Hills Resources; and wholesale brokers/suppliers, including U.S. Oil.

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, Valero and ExxonMobil and independent refiners, including Delek US Holdings. 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 and Phillips and independent refiners, including HollyFrontier Corporation and Sinclair Oil Corporation. 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.

Table of Contents

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

Summary Operating Results

Summary operating results and identifiable assets for our Energy segment are shown below for the selected fiscal years:

	2013	2012	2011
	(Dollars in thousands)		
Revenues	$12,982,293	$12,816,542	$11,467,381
Cost of goods sold	11,846,458	11,514,463	10,694,687
Gross profit	1,135,835	1,302,079	772,694
Marketing, general and administrative	172,136	155,786	142,708
Operating earnings	963,699	1,146,293	629,986
Loss on investments	—	4,008	1,027
Interest, net	148,366	122,302	5,829
Equity income from investments	(1,357)	(7,537)	(6,802)
Income before income taxes	$816,690	$1,027,520	$629,932
Intersegment revenues	$(481,465)	$(467,583)	$(383,389)
Total identifiable assets	$4,409,594	$3,704,796	

AG

Our Ag segment includes crop nutrients, country operations, grain marketing and processing and food ingredients. Revenues in our Ag segment primarily include grain sales, which were $23.8 billion for fiscal 2013 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 16 inland or river warehouse terminals and other non-owned storage facilities located throughout the country. In addition, to supplement what is purchased domestically, 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, UAN and Urea), phosphate and potash based products.

Sales and Marketing; Customers

Table of Contents

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 442 locations through 73 business units, the majority of which have local producer boards dispersed throughout Colorado, Idaho, Illinois, Iowa, Kansas, Minnesota, Montana, Nebraska, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Michigan, Wisconsin, Washington 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, 2013, country operations purchased approximately 606 million bushels of grain, primarily wheat, corn and soybeans. Of these bushels, 578 million were purchased from members and 346 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.

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,

Table of Contents

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), Columbia Grain, Export Grain Terminal, United Grain, Gavilon, local cooperatives, private grain companies and processors at the majority of our locations in our trade territory, as previously defined in the "Overview."

Competitors for our farm supply businesses include Cargill, Agrium, Simplot, Helena, Wilbur Ellis, local cooperatives and smaller private companies at the majority of locations throughout our trade territory. In addition, Land O'Lakes Purina Feed, Hubbard Milling, ADM and Cargill are our major competitors for the sale of feed products.

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 2.1 billion bushels annually. During fiscal 2013, we purchased approximately 50% 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 and Davenport, Iowa, 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.

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 2007, we invested in a Brazil-based joint venture, Multigrain AG (Multigrain). During the year ended August 31, 2011, we sold our 45% ownership interest in Multigrain to one of our joint venture partners, Mitsui & Co., Ltd. (Mitsui), for $225.0 million and recognized a pre-tax gain of $119.7 million from the sale. During fiscal 2013 and 2012, we used some of the proceeds from the transaction for other investment opportunities in South America and we intend to use the balance of the proceeds for additional investments.

We have opened additional international offices between fiscal 2007 and 2013 throughout the world. These include offices and operations in Europe, South America, the Black Sea and Mediterranean Basin regions and the Asia-Pacific region.

Table of Contents

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; Bucharest, Romania; Sofia, Bulgaria; and a marketing office in Amman, Jordan. With the Agri Point acquisition in fiscal 2011, we have a deep water port in Constanta, Romania, a barge loading facility on the Danube River in Giurgiu, Romania, and an inland grain terminal at Oroshaza, Hungary. In addition, we own three grain transshipment points in Russia and we have an investment in a port facility in Odessa, Ukraine. In the Pacific Rim area, we have 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 and the Black Sea Regions. In South America we have grain merchandising offices to source grains in Sao Paulo, Brazil; Ciudad de Este, Paraguay; and Buenos Aires, Argentina. Finally, we sell and market crop nutrients from our Geneva, Switzerland; 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 2.1 billion bushels of grain during the year ended August 31, 2013, which primarily included corn, soybeans, wheat and distillers dried grains with solubles. Of the total grains purchased by our grain marketing operations, 689 million bushels were from our individual and cooperative association members, 346 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.

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

Table of Contents

compete with numerous grain merchandisers, including major grain merchandising companies such as ADM, Cargill, Bunge, Glencore, Noble, Marubeni and Louis Dreyfus, 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.

Operations

Our 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 Ashdod, Israel; 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 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. We produce approximately 162 thousand tons of soyflour annually and approximately 45% is further processed at our protein manufacturing facilities.

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 are a commodity and their price can fluctuate significantly depending on production levels, demand for the products and other supply factors.

Sales and Marketing; Customers

Our customers for refined oil are principally large food product companies. Our largest customer for refined oil products is 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.

Industry; Competition

The refined soybean products industry is highly competitive. Major industry competitors include ADM, Cargill, Ag Processing Inc. and Bunge. 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

Table of Contents

the domestic soybean crushing capacity. We are a relatively small participant in the protein food business, competing with ADM, Solae and Cargill.

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 Department of Transportation 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 segment's operations are also subject to laws and related regulations and rules administered by the United States Department of Agriculture, the United States Food and Drug Administration, 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.

Summary Operating Results

Summary operating results and identifiable assets for our Ag segment are shown below for the selected fiscal years:

	2013	2012	2011
	(Dollars in thousands)		
Revenues	$31,909,791	$28,181,445	$25,767,033
Cost of goods sold	31,341,453	27,544,040	25,204,301
Gross profit	568,338	637,405	562,732
Marketing, general and administrative	312,616	273,757	229,369
Operating earnings	255,722	363,648	333,363
(Gain) loss on investments	(27)	1,049	(118,344)
Interest, net	71,597	57,915	57,438
Equity income from investments	(15,194)	(22,737)	(40,482)
Income before income taxes	$199,346	$327,421	$434,751
Total identifiable assets	$6,146,547	$7,316,410	

CORPORATE AND OTHER

Business Solutions

Financial Services. We have provided open account financing to approximately 90 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), a finance company formed in fiscal 2005, makes seasonal and term loans to member cooperatives and individual producers.

CHS Hedging Inc. Our controlled subsidiary, CHS Hedging Inc., is a registered Futures Commission Merchant and a clearing member of both the Minneapolis Grain Exchange and the Chicago Board of Trade. In October 2012, CHS Hedging's name was changed from Country Hedging, Inc. 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 Group. Our wholly-owned subsidiary, CHS Insurance Services, LLC (CHS Insurance), is a full-service independent insurance agency. In November 2013, the LLC's name was changed from Ag States Agency, LLC to CHS Insurance. It sells all lines of insurance, including property and casualty, group benefits and surety bonds. Its approximately 1,600 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

Table of Contents

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 hold an ownership interest of 24%, with Cargill owning the remaining 76%. Horizon Milling is the largest U.S. wheat miller based on output volume. We own five mills that we lease to Horizon Milling. During fiscal 2013, 2012 and 2011, we invested $7.7 million, $3.0 million and $3.1 million, respectively, in Horizon Milling. Sales and purchases of wheat and durum by us to Horizon Milling during fiscal 2013 were $531.1 million and $40.3 million, respectively. Horizon Milling's advance payments on grain to us were $5.0 million on August 31, 2013, and are included in customer advance payments on our Consolidated Balance Sheet. 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.

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).

In March 2013, we entered into a definitive agreement with Cargill and ConAgra Foods, Inc. to form Ardent Mills, a joint venture combining the North American flour milling operations of the three parent companies, including the Horizon Milling and Horizon Milling ULC assets and the assets currently leased by CHS to Horizon Milling, with CHS holding a 12% interest. Upon closing, Ardent Mills is expected to be financed with funds from third-party borrowings, which would not require credit support from the owners. The borrowings are anticipated to be no less than $600 million with proceeds distributed to each owner in proportion to the ownership interests, adjusted for any deviations in specified working capital target amounts. The transaction is expected to close in our fiscal 2014, subject to financing and certain other customary closing conditions. In connection with the closing, the parties will also enter into various ancillary and non-compete agreements, including, among other things, an agreement for CHS to supply Ardent Mills with certain wheat and durum products.

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, 2013, our investment was $309.5 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 11 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' 2013 fiscal year, Sysco accounted for 22% of its net sales.

Ventura Foods competes with a variety of large companies in the food manufacturing industry. Major competitors include ADM, Cargill, Bunge, Unilever, ConAgra, Stratas Foods LLC, Kraft and CF Sauer, Ken's, Marzetti and Nestle.

Agriliance, LLC

Agriliance LLC (Agriliance) is owned and governed by CHS (50%) and Land O'Lakes, Inc. (50%). We account for our Agriliance investment, using the equity method of accounting, within Corporate and Other. Prior to September 1, 2007,

Table of Contents

Agriliance was a wholesale and retail crop nutrients and crop protection products company. In September 2007, Agriliance distributed the assets of the crop nutrients business to us, and the assets of the crop protection business to Land O'Lakes. Agriliance has ceased its business activities and primarily holds long-term liabilities. During the year ended August 31, 2012, we made cash contributions of $45.4 million to Agriliance, which were primarily used to fully fund the Agriliance Employee Retirement Plan, the assets of which were subsequently transferred to CHS and Land O' Lakes, Inc. during fiscal 2012. During the year ended August 31, 2011 we received $28.0 million, of cash distributions from Agriliance as returns of capital for proceeds from the sale of many of the Agriliance retail facilities, and the collection of receivables. We recorded pre-tax gains of $9.0 million during fiscal 2011, related to these cash distributions.

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.

Table of Contents

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, 2013, we had 10,716 full, part-time, temporary and seasonal employees, which included 673 employees of NCRA. Of that total, 2,815 were employed in our Energy segment, 5,372 in our country operations business (including approximately 1,113 seasonal and temporary employees), 172 in our crop nutrients operations, 1,032 in our grain marketing operations, 787 in our processing and food ingredients operations and 538 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 195 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 302 employees represented by the United Steel Workers of America (USWA) that are in place through June 2015. There are currently 78 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 22 employees, one with Wisconsin drivers representing 27 employees and one with lubricant plant production workers representing 29 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 (BTWGM) representing 119 employees, which expires on June 30, 2017 and the Pipefitters' Union representing 2 employees, which expires on April 30, 2014. The BTWGM also represents 39 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: the USWA represents 77 employees at our Myrtle Grove, Louisiana grain export terminal with a contract expiring on May 31, 2016; and the Teamsters represent 8 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 26 employees in two locations, Hermiston, Oregon and Great Falls, Montana, with contracts expiring on December 31, 2014 and June 30, 2014, 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 annually to 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.

These distributions, referred to as "patronage dividends," may be made in cash, qualified and non-qualified patrons' equities, revolving fund certificates, our securities, securities of others or any combination designated by the Board of Directors. Patronage dividends for a given fiscal year are distributed in the following fiscal year. For distributions relating to fiscal 2012 and 2011 activity, the Board of Directors approved the distributed qualified patronage dividends to be in the form of 35% cash and 65% patrons' equity for individuals and 40% cash and 60% patrons' equity for non-individuals. Beginning with fiscal 2013 activity, the Board of Directors approved the distributed qualified patronage dividends to be in the form of 40% cash and 60% patrons' equity for both individuals and non-individuals and that a portion of patronage refunds be in the form of

Table of Contents

non-qualified patrons' equities. In addition, the Board of Directors authorized, in accordance with our bylaws, that 10% of the earnings from patronage business, be added to our capital reserves. The Board of Directors may change the mix in the form of the patronage dividends in the future. In making distributions, the Board of Directors may use any method of allocation that, in its judgment, is reasonable and equitable.

Patronage dividends distributed during the years ended August 31, 2013, 2012 and 2011, were $976.0 million ($380.9 million in cash), $676.3 million ($260.7 million in cash) and $402.4 million ($141.5 million in cash), respectively.

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 member. 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, 2013, that will be distributed in fiscal 2014, to be approximately $101.3 million.

Cash redemptions of qualified patrons' and other equities during the years ended August 31, 2013, 2012 and 2011 were $193.4 million, $145.7 million and $61.2 million, respectively.

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 Board of Directors is currently comprised of 16 directors due to the resignation of a director in fiscal 2013. The remaining directors will appoint a director to fill this vacancy at our next annual meeting to be held in December 2013. 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 membership in CHS, not because of ownership of any equity or debt instruments. Members that are cooperative associations 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 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.

Table of Contents

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, 2013, 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. Our Board of Directors has expressly authorized the listing and trading of the Class B Preferred Stock on the NASDAQ Global Select Market and transfer of shares of Class B Preferred Stock in connection therewith.

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 8% Cumulative Redeemable Preferred Stock, our Class B 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%.

Table of Contents

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, 2013, 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 Act 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.

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, 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. For example, as a result of drought conditions that have occurred in parts of the U.S. in fiscal 2013 we experienced, and may in the future experience, diminished margins due to lower grain export volumes compared to prior historical periods. 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 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 2013 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, Asia, and Europe.

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. This margin reached historic highs in fiscal 2012, continuing into 2013, but has recently begun to decline back to levels prior to 2012. Although the prices for crude oil reached historical highs during 2008, 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 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.

Table of Contents

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. The CFTC has advised CHS that an order of investigation is in process, although the CFTC has not advised CHS of any specific activities of concern or of any specific rules or regulations that are the subject of the CFTC's inquiry. 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 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. Recently 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 are currently unknown, as the Dodd-Frank Act delegates to various federal agencies the task of implementing its many provisions through regulation. These efforts to change the regulation of financial markets may subject users of derivatives, such as CHS, to extensive oversight and regulation by the Commodities Futures Trading Commission (CFTC). Such initiatives could impose significant additional costs on us, including

Table of Contents

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 in the process of being finalized and adopted 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 would 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 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;

Table of Contents

- 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.

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.

Table of Contents

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of August 31, 2013, there were no unresolved comments from the Securities and Exchange Commission staff regarding our periodic or current reports.

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 (leased to another entity)
Transportation terminals/repair facilities	12 locations in Iowa, Kansas, Minnesota, Montana, North Dakota, South Dakota, Washington and Wisconsin, 2 of which are leased
Petroleum and asphalt terminals/storage facilities	11 locations in Montana, North Dakota and Wisconsin
Pump stations	11 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	70 locations in Idaho, Minnesota, Montana, North Dakota, South Dakota, Washington and Wyoming, 20 of which are leased. We own an additional 3 locations which we do not operate, which are leased to others
Lubricant plants/warehouses	3 locations in Minnesota, Ohio and Texas, 1 of which is leased

As of August 31, 2013, we owned approximately 79.2% of NCRA. Our ownership increased to approximately 84.0% in September 2013, upon the second closing under our November 2011 agreement to purchase the noncontrolling interests in NCRA. NCRA owns and operates the following facilities:

Table of Contents

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	27 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:

Briggs, Indiana (terminal, owned)
Fostoria, Ohio (terminal, owned)
Galveston, Texas (deep water port, land leased from port authority)
Grand Forks, North Dakota (terminal, owned)
Green Bay, Wisconsin (terminal, owned)
Indianapolis, Indiana (terminal, leased)
Little Rock, Arkansas (river terminal, land leased from port authority)
Melbourne, Kentucky (terminal, owned)
Memphis, Tennessee (river terminal, owned)
Muscatine, Iowa (river terminal, owned)
Post Falls, Idaho (terminal, owned)
St. Paul, Minnesota (river terminal, owned)
Texarkana, Texas (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 415 communities (of which some of the facilities are on leased land), 3 sunflower plants and 9 feed manufacturing facilities of which we operate 8 and lease one to a joint venture of which we are a partner. These operations are located in Colorado, Idaho, Illinois, Iowa, Kansas, Minnesota, Montana, Nebraska, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Michigan, Wisconsin, Washington and Canada.

Grain Marketing

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

Collins, Mississippi (owned)
Constanta, Romania (owned)
Davenport, Iowa (2 owned)

Friona, Texas (owned)
Giurgiu, Romania (owned)
Myrtle Grove, Louisiana (owned)
Oroshaza, Hungary (owned)
Pekin, Illinois (owned)
Russia (3 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
Krasnodar, Russia (also 4 other Russia locations)
Lincoln, Nebraska
Novi Sad, Serbia
Sao Paulo, Brazil (also 8 other Brazil locations)
Seoul, South Korea
Singapore
Sofia, Bulgaria
Shanghai, China
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

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 Group)
Indianapolis, Indiana (CHS Insurance Group and CHS Hedging Inc.)
Kansas City, Missouri (CHS Hedging Inc.)
Kewanee, Illinois (CHS Insurance Group)

Wheat Milling

We own five milling facilities at the following locations, all of which are leased to Horizon Milling:

Table of Contents

Fairmount, North Dakota
Houston, Texas
Kenosha, Wisconsin
Mount Pocono, Pennsylvania
Rush City, Minnesota

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.

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 77,100 members, of which approximately 1,100 are cooperative association members and approximately 76,000 are individual members. As a cooperative, we do not have any common stock that is traded.

On August 31, 2013, we had 12,272,003 shares of 8% Cumulative Redeemable Preferred Stock outstanding, which are listed on the NASDAQ under the symbol CHSCP. During September 2013, we issued 11,319,175 shares of Class

B Preferred Stock, which are listed on the NASDAQ under the symbol CHSCO.

We have not sold any equity securities during the three years ended August 31, 2013 that were not registered under the Securities Act of 1933, as amended.

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, 2013, 2012 and 2011, should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this filing.

Summary Consolidated Financial Data

Table of Contents

	2013	2012	2011	2010	2009
	(Dollars in thousands)				
Income Statement Data:					
Revenues	$44,479,857	$40,599,286	$36,915,834	$25,267,931	$25,729,916
Cost of goods sold	42,706,205	38,588,143	35,512,988	24,397,410	24,849,901
Gross profit	1,773,652	2,011,143	1,402,846	870,521	880,015
Marketing, general and administrative	553,623	498,233	438,498	366,582	355,299
Operating earnings	1,220,029	1,512,910	964,348	503,939	524,716
(Gain) loss on investments	(182)	5,465	(126,729)	(29,433)	56,305
Interest, net	231,567	193,263	74,835	58,324	70,487
Equity income from investments	(97,350)	(102,389)	(131,414)	(108,787)	(105,754)
Income before income taxes	1,085,994	1,416,571	1,147,656	583,835	503,678
Income taxes	89,666	80,852	86,628	48,438	63,304
Net income	996,328	1,335,719	1,061,028	535,397	440,374
Net income attributable to noncontrolling interests	3,942	75,091	99,673	33,238	58,967
Net income attributable to CHS Inc.	$992,386	$1,260,628	$961,355	$502,159	$381,407
Balance Sheet Data (August 31):					
Working capital	$3,125,407	$2,848,462	$2,776,492	$1,603,994	$1,626,352
Net property, plant and equipment	3,171,404	2,786,324	2,420,214	2,253,071	2,099,325
Total assets	13,504,270	13,645,024	12,465,317	8,881,087	7,994,921
Long-term debt, including current maturities	1,607,032	1,440,353	1,501,997	986,241	1,071,953
Total equities	5,152,747	4,473,323	4,265,320	3,604,451	3,333,164

The selected financial information below has been derived from our two business segments, and Corporate and Other, for the years ended August 31, 2013, 2012 and 2011. The intercompany revenues between segments were $481.5 million, $467.6 million and $383.4 million for the fiscal years ended August 31, 2013, 2012 and 2011, respectively.

Prior year amounts in the following table have been adjusted to conform to our current segments.

Summary Financial Data By Business Segment

Table of Contents

	Energy			Ag		
	2013	2012	2011	2013	2012	2011
	(Dollars in thousands)					
Revenues	$12,982,293	$12,816,542	$11,467,381	$31,909,791	$28,181,445	$25,767,033
Cost of goods sold	11,846,458	11,514,463	10,694,687	31,341,453	27,544,040	25,204,301
Gross profit	1,135,835	1,302,079	772,694	568,338	637,405	562,732
Marketing, general and administrative	172,136	155,786	142,708	312,616	273,757	229,369
Operating earnings	963,699	1,146,293	629,986	255,722	363,648	333,363
Loss (gain) on investments	—	4,008	1,027	(27)	1,049	(118,344)
Interest, net	148,366	122,302	5,829	71,597	57,915	57,438
Equity income from investments	(1,357)	(7,537)	(6,802)	(15,194)	(22,737)	(40,482)
Income before income taxes	$816,690	$1,027,520	$629,932	$199,346	$327,421	$434,751
Intersegment revenues	$(481,465)	$(467,583)	$(383,389)			
Total identifiable assets	$4,409,594	$3,704,796		$6,146,547	$7,316,410	

	Corporate and Other		
	2013	2012	2011
	(Dollars in thousands)		
Revenues	$69,238	$68,882	$64,809
Cost of goods sold	(241)	(2,777)	(2,611)
Gross profit	69,479	71,659	67,420
Marketing, general and administrative	68,871	68,690	66,421
Operating earnings	608	2,969	999
(Gain) loss on investments	(155)	408	(9,412)
Interest, net	11,604	13,046	11,568
Equity income from investments	(80,799)	(72,115)	(84,130)
Income before income taxes	$69,958	$61,630	$82,973
Intersegment revenues			
Total identifiable assets	$2,948,129	$2,623,818	

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.

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) and our Class B Cumulative Redeemable Preferred Stock (Class B Preferred Stock).

Table of Contents

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 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 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 24% ownership in Horizon Milling and Horizon Milling, ULC.

Recent Events

In September 2013, we issued 11,319,175 shares of Class B Preferred Stock in a public offering. Net proceeds from the sale of our Class B Preferred Stock, after deducting the underwriting discount and offering expenses payable by us, were $273.9 million. The net proceeds will be used for general corporate purposes, which may include funding our project to replace a coker at NCRA's McPherson, Kansas refinery which has a remaining expected cost of $370.6 million, or partially funding our $327.0 million expansion at NCRA's McPherson, Kansas refinery.

Table of Contents

CHS has a 24% interest in Horizon Milling, LLC and Horizon Milling, ULC, flour milling joint ventures with Cargill, which are included in Corporate and Other. On March 4, 2013, CHS entered into a definitive agreement with Cargill and ConAgra Foods, Inc. to form Ardent Mills, a joint venture combining the North American flour milling operations of the three parent companies, including the Horizon Milling, LLC and Horizon Milling, ULC assets and the assets leased by CHS to Horizon Milling, with CHS holding a 12% interest. Upon closing, Ardent Mills is expected to be financed with funds from third-party borrowings, which would not require credit support from the owners. The borrowings are anticipated to be no less than $600 million with proceeds distributed to each owner in proportion to the ownership interests, adjusted for any deviations in specified working capital target amounts. The transaction is expected to close during fiscal 2014, subject to financing and certain other customary closing conditions. In connection with the closing, the parties will also enter into various ancillary and non-compete agreements, including, among other things, an agreement for CHS to supply Ardent Mills with certain wheat and durum products.

We are currently taking steps toward construction of a more than $1 billion nitrogen fertilizer manufacturing plant to be located at Spiritwood, North Dakota, which would provide the region's farmers with enhanced supplies of crop nutrients essential to raising corn and other crops. We plan to spend up to $25 million on an engineering design study to determine the feasibility of the project. We expect the study to be completed in calendar 2013.

Results of Operations

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 is 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. We are subject to the Renewable Fuels Standard (RFS) which requires refiners to blend renewable fuels (e.g., ethanol, biodiesel) into their finished transportation fuels or purchase renewable energy credits, called RINs, in lieu of blending. The EPA generally establishes new annual renewable fuels 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. As a result, the purchase of RINs has had a negative impact on our refined fuels margins, and could have a future negative impact for which we are not able to estimate the amount at this time.

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 the nitrogen fertilizer manufacturing plant feasibility study 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 costs

associated with a voluntary recall of certain soy protein products produced at our Ashdod, Israel facility. We initiated the recall in May 2013. We estimate our range of loss associated with this recall to be between $14.4 million and $39.7 million. During the year ended August 31, 2013, we recorded a reserve of $25.0 million, which is the amount within the range that we believe is the best estimate given the claims experience so far. We maintain product liability and general liability insurance (which includes product liability coverage), which we believe will offset some related product liability expenses. However, as of August 31, 2013, no insurance recoveries have been recorded related to this incident. 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. Additional costs may be incurred in the future related to 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 during the year ended August 31, 2012. See Note 17, Acquisitions for additional information.

Table of Contents

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%). Business solutions earnings remained relatively flat during the year ended August 31, 2013 compared with fiscal 2012, which reflected other income in our insurance services, partially offset by decreases in activities in our hedging services. Our share of earnings from Ventura Foods, our packaged foods joint venture, net of allocated expenses, increased by $7.1 million during the year ended August 31, 2013, compared to the prior year, primarily from improved margins. Our share of earnings from our wheat milling joint ventures, net of allocated expenses, increased by $3.0 million for the year ended August 31, 2013 compared to the prior year, primarily as a result of increased margins.

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 represents 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 represents 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 are eliminated as part of the consolidation process. The net increase of $151.9 million is 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.

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 is due to a 10% net increase in volumes and $1.2 billion is 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 is 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.

Table of Contents

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 represents 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 is primarily due to an increase in costs for refined fuels products and RINs. Specifically, refined fuels cost of goods sold increased $273.3 million (3%) which reflects 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 is 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.

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. Additional costs may be incurred in the future related to 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%) is 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 is 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 described 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 is 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 for additional information.

Table of Contents

The increase in interest expense was also due to the issuance of 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. For the years ended August 31, 2013 and 2012, we capitalized interest of $10.6 million and $8.9 million, respectively, primarily related to construction projects at both refineries in our Energy segment. Interest income was $6.2 million and $5.1 million for the years ended August 31, 2013 and 2012, respectively.

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. The net decrease in equity income from investments was attributable to reduced earnings from investments in our Ag and Energy segments of $7.5 million and $6.2 million, respectively, partially offset by improved earnings from investments in Corporate and Other of $8.7 million. The net increase in equity income from investments in Corporate and Other was attributable to Ventura Foods, our vegetable oil-based products and packaged foods joint venture, which increased $6.1 million compared to fiscal 2012, as well as our wheat milling joint venture earnings, which increased by $2.8 million compared to fiscal 2012.

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, the portion of NCRA earnings attributable to the noncontrolling interests for our first quarter of fiscal 2012, prior to the transaction date, have been included in net income attributable to noncontrolling interests. Beginning in the second quarter of fiscal 2012, earnings are 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.

Comparison of the years ended August 31, 2012 and 2011

General. We recorded income before income taxes of $1.4 billion in fiscal 2012 compared to $1.1 billion in fiscal 2011, an increase of $268.9 million (23%). Operating results reflected increased pretax earnings in our Energy segment, partially offset by decreased pretax earnings in our Ag segment and in Corporate and Other.

Our Energy segment generated income before income taxes of $1.0 billion for the year ended August 31, 2012 compared to $629.9 million in fiscal 2011, representing an increase of $397.6 million (63%). The increase in earnings is primarily from improved margins on refined fuels at both our Laurel, Montana refinery and the NCRA refinery in McPherson, Kansas. Earnings in our propane and transportation businesses also improved, while our renewable fuels marketing and lubricants businesses experienced decreased earnings during the year ended August 31, 2012 when compared to the previous year.

Our Ag segment generated income before income taxes of $327.4 million for the year ended August 31, 2012 compared to $434.8 million in fiscal 2011, a decrease in earnings of $107.3 million (25%). Earnings from our wholesale crop nutrients business improved $8.1 million for the year ended August 31, 2012 compared with fiscal 2011, primarily due to increased margins from capturing market appreciation with successful product sourcing and placement. Our country operations earnings increased $4.6 million during the year ended August 31, 2012 compared to the prior year, primarily as a result of increased retail merchandise volumes, partially offset by decreased grain volumes. Our grain marketing earnings decreased by $101.3 million during the year ended August 31, 2012 compared with fiscal 2011, primarily as a result of a pre-tax gain on the sale of our investment in Multigrain AG (Multigrain) of $119.7 million during fiscal 2011. We also experienced decreased grain volumes during fiscal 2012, primarily due to large crops harvested in the Black Sea, South America and Australia, which reduced our U.S. grain exports and reduced our earnings. In addition, the fall harvest produced short crops in the U.S., which also negatively impacted our volumes. Our processing and food ingredients margins increased, but we experienced a decrease in earnings of $19.2 million for the year ended August 31, 2012 compared to the prior year, primarily related to acquisition costs of $5.7 million as well as additional administrative costs and allocated interest related to our Solbar and Creston acquisitions. See Note 17, Acquisitions for additional information.

Table of Contents

Corporate and Other generated income before income taxes of $61.6 million during fiscal 2012 compared to $83.0 million during fiscal 2011, a decrease in earnings of $21.3 million (26%). Business solutions earnings remained relatively flat during the year ended August 31, 2012 compared with fiscal 2011, which reflected increased activities in our hedging services, partially offset by decreases in activities in our financial services. Our share of earnings from Ventura Foods, our packaged foods joint venture, net of allocated expenses, decreased by $5.9 million during the year ended August 31, 2012, compared to the prior year, primarily from decreased margins. Our share of earnings from our wheat milling joint ventures, net of allocated expenses, decreased by $3.9 million for the year ended August 31, 2011 compared to the prior year, primarily as a result of decreased margins.

Net Income attributable to CHS Inc. Consolidated net income attributable to CHS Inc. for the year ended August 31, 2012 was $1.3 billion compared to $961.4 million for the year ended August 31, 2011, which represents a $299.3 million (31%) increase.

Revenues. Consolidated revenues were $40.6 billion for the year ended August 31, 2012 compared to $36.9 billion for the year ended August 31, 2011, which represents a $3.7 billion (10%) increase.

Our Energy segment revenues, after elimination of intersegment revenues, of $12.3 billion increased by $1.3 billion (11%) during the year ended August 31, 2012 compared to fiscal 2011. During the years ended August 31, 2012 and 2011, our Energy segment recorded revenues from sales to our Ag segment of $467.6 million and $383.4 million, respectively, which are eliminated as part of the consolidation process. The net increase of $1.3 billion is comprised of a net increase of $669.0 million related to higher prices and $593.0 million related to higher sales volume. Refined fuels revenues increased $1.4 billion (17%), of which $402.8 million was related to a net average selling price increase, and $951.7 million related to higher volumes, compared to the previous year. The sales price of refined fuels increased $0.13 per gallon (4%), while volumes increased 12%. Propane revenues were relatively flat, which included $9.5 million related to a decrease in the net average selling price, partially offset by an $8.6 million increase in volume, when compared to the previous year. The average selling price of propane decreased $0.02 per gallon (1%), almost entirely offset by a 1% increase in sales volumes, when compared to the prior year. Renewable fuels marketing revenues increased $14.1 million (1%), primarily from a 5% increase in volumes, partially offset by a decrease in the average selling price of $0.10 per gallon (4%), when compared with fiscal 2011.

Our Ag segment revenues, after elimination of intersegment revenues, of $28.2 billion increased $2.4 billion (9%) during the year ended August 31, 2012 compared to fiscal 2011.

Grain revenues in our Ag segment totaled $20.6 billion and $19.6 billion during the years ended August 31, 2012 and 2011, respectively. Of the grain revenues increase of $1.0 billion (5%), $1.2 billion is due to increased average grain selling prices, partially offset by a $226.2 million decrease due to a 1% net decrease in volumes, during the year ended August 31, 2012 compared to the prior fiscal year. The average sales price of all grain and oilseed commodities sold reflected an increase of $0.56 per bushel (6%) over fiscal 2011. Corn had increased volumes, and soybeans and wheat had decreased volumes compared to the year ended August 31, 2011.

Our processing and food ingredients revenues in our Ag segment of $1.5 billion increased $245.1 million (19%) during fiscal 2012 compared to fiscal 2011. The net increase in revenues is comprised of $93.0 million from an increase in the average selling price of our oilseed products and a net increase of $152.1 million related to increased volumes, as compared to fiscal 2011. The increase in volumes is largely attributable to our Solbar and Creston acquisitions. 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 $2.8 billion and $2.4 billion during the years ended August 31, 2012 and 2011, respectively. Of the wholesale crop nutrient revenues increase of $370.8 million (15%), $321.2 million was related to increased average fertilizer selling prices and $49.6 million was due to increased volumes during the year ended August 31, 2012 compared to the prior fiscal year. The average sales price of all fertilizers sold reflected an increase of $58 per ton (13%) over fiscal 2011. Our wholesale crop nutrient volumes increased 2% during the year ended August 31, 2012 compared with fiscal 2011.

Our Ag segment other product revenues, primarily feed and farm supplies, of $3.1 billion increased by $733.8 million (32%) during fiscal 2012 compared to fiscal 2011, primarily the result of increased revenues in our country operations sales of retail crop nutrients, feed, crop protection and energy products, which includes additional volumes from acquisitions. Other revenues within our Ag segment of $213.4 million during fiscal 2012 increased $22.3 million (12%) compared to fiscal 2011 primarily due to increased service activities related to the spring planting season, including additional volumes generated from acquisitions.

Table of Contents

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 $38.6 billion for the year ended August 31, 2012 compared to $35.5 billion for the year ended August 31, 2011, which represents a $3.1 billion (9%) increase.

Our Energy segment cost of goods sold, after elimination of intersegment costs, of $11.0 billion increased by $735.6 million (7%) during fiscal 2012 compared to fiscal 2011. The increase in cost of goods sold is primarily due to an increase in sales volumes for refined fuels products. Specifically, refined fuels cost of goods sold increased $812.4 million (11%) which reflects a 12% increase in volumes, partially offset by a decrease in the average cost of refined fuels of $0.03 per gallon (1%) compared to the year ended August 31, 2011. 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 was relatively flat compared to the year ended August 31, 2011, which is reflected in the $0.03 per gallon decrease in average cost of refined fuels. An increase in the contingent crack spread liability related to our purchase of noncontrolling interests of NCRA of $22.3 million was reflected in an increase in refined fuels cost of goods sold. The cost of propane was relatively flat, which was reflected by a 1% increase in volumes, partially offset by an average cost decrease of $0.02 per gallon (2%), when compared to the year ended August 31, 2011. Renewable fuels marketing costs increased $17.0 million (1%), primarily from a 5% increase in volumes, partially offset by a decrease in the average cost of $0.10 per gallon (4%), when compared with the previous year.

Our Ag segment cost of goods sold, after elimination of intersegment costs, of $27.5 billion increased $2.3 billion (9%) during fiscal 2012 compared to fiscal 2011. Grain cost of goods sold in our Ag segment totaled $20.4 billion and $19.3 billion during the years ended August 31, 2012 and 2011, respectively. The cost of grains and oilseed procured through our Ag segment increased $1.0 billion (5%) compared to the year ended August 31, 2011. This is primarily the result of a $0.58 (7%) increase in the average cost per bushel, partially offset by a 1% net decrease in bushels sold, as compared to the prior year. The average month-end market price per bushel of soybeans and corn increased, while spring wheat decreased compared to the prior fiscal year.

Our processing and food ingredients cost of goods sold in our Ag segment of $1.5 billion increased $232.7 million (18%) during fiscal 2012 compared to fiscal 2011, which was primarily due to additional sales resulting from our Solbar and Creston acquisitions, coupled with increases in the cost of soybeans purchased and higher volumes of oilseed refined products sold.

Wholesale crop nutrients cost of goods sold in our Ag segment totaled $2.7 billion and $2.3 billion during the years ended August 31, 2012 and 2011 respectively. The net increase of $379.5 million (17%) is comprised of a net increase in tons sold of 2%, in addition to an increase in the average cost per ton of fertilizer of $60 (14%), when compared to the prior fiscal year.

Our Ag segment other product cost of goods sold, primarily feed and farm supplies, increased $670.5 million (34%) during fiscal 2012 compared to fiscal 2011, primarily the result of increased revenues in our country operations sales of retail crop nutrients, feed, crop protection and energy products, and includes additional volumes from acquisitions.

Marketing, General and Administrative. Marketing, general and administrative expenses of $498.2 million for the year ended August 31, 2012 increased by $59.7 million (14%) compared to fiscal 2011. This net increase is primarily due to the expansion of foreign operations and acquisitions in our Ag segment.

(Gain) Loss on Investments. Loss on investments of $5.5 million for the year ended August 31, 2012 reflects a decrease of $132.2 million from a net gain on investments in fiscal 2011. During the year ended August 31, 2011, we sold our 45% ownership interest in Multigrain to one of our joint venture partners, Mitsui & Co., Ltd., for $225.0 million and recognized a pre-tax gain of $119.7 million included in our Ag segment. We also recorded pre-tax gains of $9.0 million in fiscal 2011 related to cash distributions received from Agriliance for proceeds received from the sale of many of the Agriliance retail facilities, and the collection of receivables, which is included in Corporate and Other.

Interest, net. Net interest of $193.3 million for the year ended August 31, 2012 increased $118.4 million compared to fiscal 2011. Interest expense for the years ended August 31, 2012 and 2011 was $207.3 million and $83.0 million, respectively. The increase in interest expense of $124.2 million is primarily due to interest accretion of $6.0 million related to the purchase

of the NCRA noncontrolling interests and $107.2 million of patronage earned by the noncontrolling interests of NCRA. See Note 17, Acquisitions for additional information. The increase in interest expense was also due to a private placement of $500.0 million in June 2011 for long-term debt, partially offset by decreased short-term borrowings from decreased working capital needs during the year ended August 31, 2012 compared to the previous fiscal year. The average level of short-term borrowings decreased $625.2 million, primarily due to decreased working capital needs during the year ended August 31, 2012 compared to the previous year, of which $113.5 million related to CHS Capital activity. For the years ended August 31, 2012 and 2011, we capitalized interest of $8.9 million and $5.5 million, respectively, primarily related to construction projects at both refineries in our Energy segment. Interest income was $5.1 million and $2.7 million for the years ended August 31, 2012 and 2011, respectively.

Equity Income from Investments. Equity income from investments of $102.4 million for the year ended August 31, 2012 decreased $29.0 million (22%) compared to fiscal 2011. 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. The net decrease in equity income from investments was attributable to reduced earnings from investments in our Ag segment and Corporate and Other of $17.7 million and $12.0 million, respectively, partially offset by improved earnings from investments in our Energy segment of $0.7 million.

Our Ag segment generated reduced equity investment earnings of $17.7 million. We had a net decrease of $19.1 million from our share of equity investment earnings in our grain marketing joint ventures during fiscal 2012 compared to the previous fiscal year, which is primarily related to the dissolution of United Harvest and decreased earnings related to a reduction in U.S. exports, partially offset by our sale of Multigrain. Our country operations business reported an aggregate increase in equity investment earnings of $1.9 million from several small equity investments.

Corporate and Other generated decreased equity investment earnings of $12.0 million, primarily from Ventura Foods, our vegetable oil-based products and packaged foods joint venture, which decreased $5.8 million compared to fiscal 2011, as well as our wheat milling joint venture earnings, which also decreased by $5.8 million compared to fiscal 2011.

Income Taxes. Income tax expense of $80.9 million for the year ended August 31, 2012, compared with $86.6 million for fiscal 2011, resulting in effective tax rates of 5.7% and 7.5%, respectively. During fiscal 2011, as a result of the sale of our Multigrain investment, we reduced a valuation allowance related to the carryforward of certain capital losses that will expire on August 31, 2014, by $24.6 million. The federal and state statutory rate applied to nonpatronage business activity was 38.1% and 38.9% for the years ended August 31, 2012 and 2011, respectively. 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 $75.1 million for the year ended August 31, 2012 decreased by $24.6 million (25%) compared to fiscal 2011. As described in Note 17, Acquisitions, the portion of NCRA earnings attributable to the noncontrolling interests for our first quarter of 2012, prior to the transaction date, have been included in net income attributable to noncontrolling interests. Beginning in the second quarter of fiscal 2012, earnings are 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

On August 31, 2013, we had working capital, defined as current assets less current liabilities, of $3,125.4 million and a current ratio, defined as current assets divided by current liabilities, of 1.5 to 1.0 compared to working capital of $2,848.5 million and a current ratio of 1.4 to 1.0 on August 31, 2012.

On August 31, 2013, we had a five-year revolving facility which expires in June 2018, with a committed amount of $2.5 billion, which had no amounts outstanding. As of August 31, 2012 we had two revolving lines of credit totaling $2.5 billion, which had no amounts outstanding and both of which were terminated and replaced by the existing facilities in June 2013. The major financial covenants for both revolving facilities 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, 2013, we were in compliance with all covenants. Our credit facilities are established with a syndication of domestic and international banks, and our inventories and receivables financed with them are highly liquid. With our current cash balances and our

available capacity on our committed lines of credit, we believe that we have adequate liquidity to cover any increase in net operating assets and liabilities and expected maintenance capital expenditures.

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 in Part I, Item 1A of this Annual Report on Form 10-K, and may affect net operating assets and liabilities, and liquidity.

Cash flows provided by operating activities were $2.5 billion, $718.6 million and $301.3 million for the years ended August 31, 2013, 2012 and 2011, respectively. The fluctuation in cash flows from operations between fiscal 2013 and 2012 was primarily from a substantial increase in cash inflows for net changes in operating assets and liabilities during fiscal 2013, compared to fiscal 2012, partially offset by a decrease in operating earnings in fiscal 2013 compared to fiscal 2012. Commodity prices decreased significantly during fiscal 2013 and resulted in decreased working capital needs compared to fiscal 2012. The fluctuation in cash flows from operations between fiscal 2012 and 2011 was primarily from increased operating earnings in fiscal 2012 compared to fiscal 2011, in addition to a slight decrease in cash outflows for net changes in operating assets and liabilities during fiscal 2012, compared to fiscal 2011.

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.

Our operating activities provided net cash of $301.3 million during the year ended August 31, 2011. Net income including noncontrolling interests of $1.1 billion and net non-cash expenses and cash distributions from equity investments of $183.9 million, were partially offset by an increase in net operating assets and liabilities of $943.6 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 $251.2 million, deferred taxes of $67.1 million and distributions from equity investments, net of income from those investments, of $6.4 million, which were partially offset by gain on investments of $126.7 million. Gain on investments was previously described in “Results of Operations,” and is primarily comprised of the pre-tax gain on the sale of our Multigrain investment in the amount of $119.7 million. The increase in net operating assets and liabilities was caused primarily by an increase in commodity prices and is reflected in increased inventories, receivables, margin deposits and derivative assets, partially offset by an increase in accounts payable, accrued expenses, derivative liabilities and customer credit balances on August 31, 2011 when compared to August 31, 2010. On August 31, 2011, the per bushel market prices of our three primary grain commodities, corn, soybeans and spring wheat, increased by $3.33 (78%), $4.41 (44%) and $2.71 (39%), respectively, when compared to the spot prices on August 31, 2010. In general, crude oil market prices increased $17 per barrel (23%) on August 31, 2011 when compared to August 31, 2010. In addition, on August 31, 2011, fertilizer commodity prices affecting our wholesale crop nutrients and country operations retail businesses generally reflected increases between 26% and 55%, depending on the specific products, compared to prices on August 31, 2010. A decrease in grain inventory quantities in our Ag segment of 29.7 million bushels (20%) partially offset the effect that increased grain prices had on net operating assets and liabilities when comparing inventories at August 31, 2011 to August 31, 2010.

Cash Flows from Investing Activities

For the years ended August 31, 2013, 2012 and 2011, the net cash flows used in our investing activities totaled $535.0 million, $694.2 million and $551.0 million, respectively.

The acquisition of property, plant and equipment comprised the primary use of cash totaling $659.4 million, $468.6 million and $310.7 million for the years ended August 31, 2013, 2012 and 2011, respectively.

Expenditures for major repairs related to our refinery turnarounds were $73.7 million, $23.4 million and $92.1 million during the years ended August 31, 2013, 2012 and 2011, 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. Our Laurel, Montana refinery completed turnarounds during the years ended August 31, 2013, 2012 and 2011. NCRA's McPherson, Kansas refinery completed a turnaround during the year ended August 31, 2011. There are no turnarounds scheduled for fiscal 2014.

For the year ending August 31, 2014, we expect total expenditures for the acquisition of property, plant and equipment and major repairs at our refineries to be approximately $650.0 million. Included in our expected capital expenditures for fiscal 2014, is $195.2 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 $124.0 million and $60.4 million of costs related to the coker project during the years ended August 31, 2013 and 2012, respectively. We also began a $327.0 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 $25.0 million of costs related to the NCRA expansion during the year ended August 31, 2013.

Cash acquisitions of businesses, net of cash acquired, totaled $12.7 million, $166.0 million and $67.5 million during the years ended August 31, 2013, 2012 and 2011, respectively. In fiscal 2012, we acquired Solbar for $128.7 million,

net of cash acquired, which is included in our Ag segment. This acquisition deepens our presence in the value-added soy protein market. Solbar and its subsidiaries operate in the countries of Israel, China and the U.S. See Note 17, Acquisitions for additional information. In fiscal 2012, we also purchased an oilseed crushing facility in Creston, Iowa for $32.3 million, which is included in our Ag segment. In fiscal 2011, our wholly owned subsidiary, CHS Europe, S.A., purchased all of the outstanding shares of stock of Agri Point Ltd. (Agri Point), a Cyprus company, for $62.4 million, net of cash acquired. The acquisition is included in our Ag segment, and was completed with the purpose of expanding our global grain origination. Agri Point and its subsidiaries operate in the countries of Romania, Hungary, Bulgaria and Serbia, with a deep water port facility in Constanta, Romania, a barge loading facility on the Danube River in Romania and an inland grain terminal in Hungary.

Investments made in joint ventures and other investments during the years ended August 31, 2013, 2012 and 2011, totaled $21.4 million, $94.8 million and $6.1 million, respectively. During fiscal 2012, we made a $45.4 million capital contribution to Agriliance to fund the pension plan prior to the transfer of its assets and liabilities to CHS and Land O'Lakes, Inc. Our approximate 45% equity interest in Multigrain was sold during fiscal 2011 to one of the joint venture partners, as previously described in “Results of Operations.” During fiscal 2013 and 2012, we used $8.1 million and $26.7 million of the

proceeds from our sale of Multigrain for investment opportunities in South America and intend to continue to invest in that region.

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 receivables, 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 receivables, partially offset by an increase in CHS Capital notes receivable of $11.9 million, compared to August 31, 2011. Changes in notes receivable for the year ended August 31, 2011, resulted in a net decrease in cash flows of $347.5 million. The primary cause of the net decrease in cash flows was additional CHS Capital notes receivable from its customers in the amount of $272.2 million on August 31, 2011, compared to August 31, 2010. The balance of the net decrease in cash flows in fiscal 2011 was primarily from increased related party notes receivable at NCRA from its minority owners.

Partially offsetting our cash outlays for investing activities during the years ended August 31, 2013, 2012 and 2011, were proceeds from the sale of investments and redemptions of investments. During fiscal 2011, we received proceeds from the sale of our equity interest in Multigrain of $225.0 million, as previously described in “Results of Operations.” During fiscal 2013 and 2012, we received cash from redemptions of investments totaling $13.0 million and $12.1 million, respectively. Redemptions of investments totaled $39.7 million during fiscal 2011, of which $28.0 million of the redemptions were returns of capital from Agriliance for proceeds Agriliance received from the sale of many of its retail facilities and the collection of receivables. Also partially offsetting our cash outlays for investing activities during the years ended August 31, 2013, 2012 and 2011, were proceeds received from the disposition of property, plant and equipment of $7.7 million, $27.8 million and $9.5 million, respectively.

Cash Flows from Financing Activities

For the years ended August 31, 2013, 2012 and 2011, the net cash flows (used in) provided by our financing activities totaled $(443.2) million, $(638.9) million and $786.9 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, 2013, we had a five-year revolving facility with a committed amount of $2.5 billion, which had no amounts outstanding. As of August 31, 2012 we had two revolving lines of credit totaling $2.5 billion, which had no amounts outstanding and both of which were terminated and replaced by the existing facilities in June 2013. In addition to our primary revolving lines of credit, we have a committed revolving credit facility dedicated to NCRA, with a syndication of banks in the amount of $15.0 million which expires in December 2014. We also have a four-year, $80.0 million committed revolving facility dedicated to CHS Europe S.A. (CHS Europe) that expires in September 2018. Our wholly-owned subsidiaries, CHS Europe and CHS Agronegocio Industria e Comercio Ltda (CHS Agronegocio), have uncommitted lines of credit which are collateralized by $420.1 million of inventories and receivables at August 31, 2013. In addition, other international subsidiaries have lines of credit totaling $99.3 million outstanding at August 31, 2013, of which $60.8 million is collateralized. On August 31, 2013 and 2012, we had total short-term indebtedness outstanding on these various facilities and other miscellaneous short-term notes payable totaling $521.9 million and $269.8 million, respectively. In October 2013, we entered into a three-year $250.0 million committed revolving credit facility for CHS Agronegocio to provide financing for its working capital needs arising from its purchases and sales of grains, fertilizers and other agricultural products.

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, 2013 and 2012, 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 $300.0 million as of August 31, 2013, 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. There were no borrowings by Cofina Funding utilizing the issuance of commercial paper under the note purchase agreements as of August 31, 2013.

Table of Contents

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 1.96% to 2.69% as of August 31, 2013. As of August 31, 2013, the total funding commitment under these agreements was $223.8 million, of which $30.8 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 $68.1 million as of August 31, 2013, of which $45.7 million was borrowed under these commitments with an interest rate of 1.60%.

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 0.80% to 1.10% as of August 31, 2013, and are due upon demand. Borrowings under these notes totaled $290.9 million as of August 31, 2013.

As of August 31, 2012, the net borrowings under the Cofina Funding note purchase agreements were $121.5 million and secured borrowings were $122.7 million. CHS Capital borrowings under the ProPartners program and the surplus funds program were $158.2 million and $131.4 million, respectively, as of August 31, 2012.

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, 2013, we had total long-term debt outstanding of $1,607.0 million, of which $135.0 million was bank financing, $1,421.5 million was private placement debt and $50.5 million was other notes and contracts payable. On August 31, 2012, we had total long-term debt outstanding of $1,440.4 million, of which $150.0 million was bank financing, $1,222.1 million was private placement debt and $68.3 million was other notes and contracts payable. Our long-term debt is unsecured except for other notes and contracts in the amount of $16.5 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, 2013. Long-term debt outstanding as of August 31, 2013 has aggregate maturities as follows:

	(Dollars in thousands)
2014	$ 156,612
2015	164,022
2016	130,219
2017	149,832
2018	162,103
Thereafter	844,245
	$ 1,607,033

During the years ended August 31, 2013 and 2011, we borrowed $280.0 million and $631.9 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, 2013, 2012 and 2011, we repaid long-term debt of $113.6 million, $96.6 million and $114.9 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. During each of the years ended August 31, 2012 and 2011, repayments totaled $37.5 million, with the final $37.5 payment made during the year ended August 31, 2013.

In January 2001, we entered into a note purchase and private shelf agreement with Prudential Insurance Company. The long-term note in the amount of $25.0 million was paid in full during the year ended August 31, 2011. A subsequent note for

$55.0 million was issued in March 2001, related to the private shelf facility, and was also paid in full during the year ended August 31, 2011. During the year ended August 31, 2011, repayments on these notes totaled $11.4 million.

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 has an interest rate of 4.96% and is 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 years 2012 through 2018. Repayments of $9.2 million were made on the second series notes during each of the years ended August 31, 2013 and 2012 and a repayment of $17.7 million was made during fiscal 2011 related to the first series notes.

In March 2004, we entered into a note purchase and private shelf agreement with Prudential Capital Group, and in April 2004, we borrowed $30.0 million under this arrangement. One long-term note in the amount of $15.0 million was paid in full during the year ended August 31, 2010. Another long-term note in the amount of $15.0 million was paid in full during the year ended August 31, 2011. 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 years 2017 through 2021.

In September 2004, we entered into 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 years 2011 through 2015. Repayments of $25.0 million were made during each of the years ended August 31, 2013, 2012 and 2011.

In October 2007, we entered into 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 January 2011, we signed a term loan agreement with the European Bank for Reconstruction and Development (EBRD), the proceeds of which were to be used solely to finance up to one-half of the purchase price of the shares of stock of Agri Point, which also took place in January 2011. In March 2011, we received a draw of $31.9 million under the agreement. The loan will be paid in full at the end of the seven-year term and bears interest at a variable rate based on the three-month LIBOR plus 2.1%. We have the option to fix the interest for periods of no less than one year on any interest payment date.

In June 2011, we entered into 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 year ended August 31, 2013, we made the first payment of $66.0 million relating to our purchase of the NCRA noncontrolling interests.

Distributions to noncontrolling interests for the years ended August 31, 2013, 2012 and 2011 were $1.4 million, $78.6 million and $18.2 million, respectively, and were primarily related to NCRA for fiscal 2012 and 2011.

During the year ended August 31, 2013, changes in checks and drafts outstanding resulted in a decrease in cash flows of $20.4 million. During the years ended August 31, 2012 and 2011 changes in checks and drafts outstanding resulted in increases in cash flows of $6.4 million and $63.0 million, respectively

In accordance with the 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, 2012 and August 31, 2011, 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, 2013 and August 31, 2012, respectively, totaling $976.0 million and $676.3 million, respectively. The cash portion of the distributions, deemed by the Board of Directors to be 35% for individual members and 40% for non-individual members was $380.9 million and $260.7 million for the years ended August 31, 2013 and August 31, 2012, respectively. During the year ended August 31, 2011, we distributed patronage refunds of $402.4 million, of which the cash portion was $141.5 million.

In accordance with the bylaws and by action of the Board of Directors, 10% of the earnings from patronage business for the year ended August 31, 2013 was added to our capital reserves and the remaining 90%, or approximately $841.4 million, will be distributed as patronage in fiscal 2014, 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 $284.8 million and is classified as a current liability on our August 31, 2013 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, 2013, that will be distributed in fiscal 2014, to be approximately $101.3 million. These expected distributions are classified as a current liability on the August 31, 2013 Consolidated Balance Sheet.

For the years ended August 31, 2013, 2012 and 2011, we redeemed in cash, qualified equities in accordance with authorization from the Board of Directors, in the amounts of $193.4 million, $145.7 million and $61.2 million, respectively.

Our 8% Preferred Stock is listed on the NASDAQ under the symbol CHSCP. On August 31, 2013, 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. Dividends paid on the 8% Preferred Stock during the years ended August 31, 2013, 2012 and 2011, were $24.5 million, $24.5 million, and $24.5 million, respectively. 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.

During September 2013, we issued 11,319,175 shares of our Class B Preferred Stock, with a total redemption value of $283.0 million, excluding accumulated dividends. Our Class B Preferred Stock is listed on the NASDAQ under the symbol CHSCO and accumulates dividends at a rate of .07875 per year, which are payable quarterly. The Class B Preferred Stock may not be redeemed at our option until September 26, 2023.

Off Balance Sheet Financing Arrangements

Lease Commitments:

We are committed under operating lease agreements for approximately 2,600 rail cars with remaining terms of one to thirteen years. In addition, we have commitments under other operating leases for various refinery, manufacturing and transportation equipment, vehicles and office space. Some leases include purchase options at not less than fair market value at the end of the lease terms.

Table of Contents

Total rental expense for all operating leases was $81.5 million, $74.6 million and $66.2 million for the years ended August 31, 2013, 2012 and 2011, respectively.

Minimum future lease payments required under noncancelable operating leases as of August 31, 2013 were as follows:

	Total
	(Dollars in thousands)
2014	$77,846
2015	64,068
2016	53,968
2017	42,560
2018	27,615
Thereafter	43,725
Total minimum future lease payments	$309,782

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 $39.8 million was outstanding on August 31, 2013. 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, 2013.

Debt:

There is no material off balance sheet debt.

Contractual Obligations

We had certain contractual obligations at August 31, 2013, 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 (1)	$1,450,421		$294,241	$311,935	$844,245
Interest payments (2)	460,341	$79,734	131,305	96,876	152,426
Operating leases	309,782	77,846	118,036	70,175	43,725
Purchase obligations (3)	5,877,957	5,162,408	328,080	100,161	287,308
Mandatorily redeemable noncontrolling interests (4)	218,588		218,588		
Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests (1) (5)	134,133		40,957	93,176	
Other liabilities (6)	59,947		30,049	16,214	13,684
Total obligations	$8,511,169	$5,319,988	$1,161,256	$688,537	$1,341,388

(1) Included on our Consolidated Balance Sheet at August 31, 2013.
(2) Based on interest rates and long-term debt balances at August 31, 2013.
(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.

Table of Contents

(4) The present value, totaling $209.4 million, of the future payments is recorded on our Consolidated Balance Sheet.
(5) Based on estimated fair value at August 31, 2013.
(6) Other liabilities include the long-term portion of deferred compensation and contractual redemptions. Of our total other liabilities on our Consolidated Balance Sheet at August 31, 2013, in the amount of $906.3 million, the timing of the payments of $725.3 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 (certain 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.

Deferred Tax Assets and Uncertain Tax Positions

Table of Contents

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 loss carryforwards and tax benefits primarily passed to us from NCRA, which are associated with refinery upgrades that enable NCRA to produce ultra-low sulfur fuels. 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. Our capital loss carryforwards are available to offset future capital gains. If we do not generate enough capital gains to offset these carryforwards they will also 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 on the basis of discounted or undiscounted cash flows, at least annually for goodwill, and whenever events or changes in circumstances indicate that the carrying amount of an asset 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 market value based on the best information available. Estimated fair market 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 related assets due to various legal obligations to clean and/or dispose of various component parts at the time they are retired. However, 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 refinery and related assets and to continue making improvements to those assets based on technological advances. As a result, we believe that 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 related asset, we will estimate the cost of performing the retirement activities and record a liability for the fair value of that cost using established present value techniques.

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, 2013 since we conduct a significant portion of our business in U.S. dollars.

Recent Accounting Pronouncements

In December 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-11, “Disclosures about Offsetting Assets and Liabilities.” ASU No. 2011-11 creates new disclosure requirements about the nature of an entity’s rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The disclosure requirements in this update are effective for annual reporting periods, and interim periods within those years, beginning on or after January 1, 2013. We are currently evaluating the impact that the adoption will have on our consolidated financial statements in fiscal 2014.

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income." ASU No. 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either in the consolidated statements of operations or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount

Table of Contents

reclassified is required to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required that provide additional detail about those amounts. These amendments are only disclosure related and will not have an impact on our financial position, results of operations, comprehensive income or cash flows. ASU No. 2013-02 will become effective for us in fiscal 2014.

In February 2013, the FASB issued ASU No. 2013-04, "Liabilities." ASU No. 2013-04 requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this ASU also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. We are currently evaluating the impact that the adoption will have on our consolidated financial statements in fiscal 2015.

In July 2013, the FASB issued ASU No. 2013-11, “Income Taxes (Topic 740) — Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.” ASU No. 2013-11 provides guidance on the presentation of unrecognized tax benefits that will better reflect the manner in which an entity would settle at the reporting date any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards, similar tax losses, or tax credit carryforwards exist. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 and early adoption is permitted. We do not expect the adoption of this guidance will have a material impact on our consolidated financial statements.

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 over-the-counter (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 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. During the year ended August 31, 2013, we entered into interest rate swaps to secure the interest rates related to our private placement debt anticipated to be issued in April 2014 with combined notional amounts of $300.0 million. These derivative instruments are designated as cash flow hedges for accounting purposes and, accordingly, the net gain associated with these contracts of $24.1 million as of August 31, 2013 was recorded as a component of other comprehensive loss. 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 $8.6 million expiring at various times through fiscal 2018, with $0.3 million of the notional amount expiring during fiscal 2014. 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, 2013 was approximately 5.0%.

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.

Table of Contents

Expected Maturity Date

	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value Asset (Liability)
	(Dollars in thousands)							
Liabilities:								
Variable rate miscellaneous short-term notes payable	$521,864						$521,864	$(521,864)
Average interest rate	2.0%						2.0%	
Variable rate CHS Capital short-term notes payable	$367,448						$367,448	$(367,448)
Average interest rate	1.2%						1.2%	
Fixed rate long-term debt	$156,612	$164,020	$130,219	$149,832	$162,103	$844,247	$1,607,033	$(1,608,353)
Average interest rate	5.8%	6.0%	6.0%	5.7%	5.1%	4.3%	5.0%	
Interest Rate Derivatives:								
Variable to fixed notes payable interest rate swaps						$300,000	$300,000	$24,135
Average pay rate(a)						range		
Average receive rate(b)						3.57%		
Variable to fixed CHS Capital notes payable interest rate swaps	$267	$960	$3,775		$3,550		$8,552	$(244)
Average pay rate(c)	range	range	range		range			
Average receive rate(d)	2.43%	2.43%	2.43%		2.43%			

(a) Two swaps for $150.0 million each with rates of 2.33% and 2.54%
(b) Three month London Interbank Offered Rate (LIBOR) at August 31, 2013
(c) Swaps expiring in fiscal 2014 through fiscal 2018 (11 total) with a range of rates from 1.11% to 4.91%
(d) Average one month LIBOR for fiscal 2013

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 2013 with planned future growth. We had minimal risk regarding foreign currency fluctuations during fiscal 2013 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, 2013, $7.1 million associated with foreign currency contracts was included in derivative assets and $5.9 million included in derivative liabilities.

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 fiscal years ended August 31, 2013 and 2012 is presented below.

Table of Contents

	August 31, 2013	May 31, 2013	February 29, 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

	August 31, 2012	May 31, 2012	February 29, 2012	November 30, 2011
	(Unaudited)			
	(Dollars in thousands)			
Revenues	$10,998,360	$11,022,955	$8,843,812	$9,734,159
Gross profit	523,303	616,256	231,577	640,007
Income before income taxes	355,148	440,718	89,858	530,847
Net income	360,884	406,718	79,235	488,882
Net income attributable to CHS Inc.	360,888	405,062	78,470	416,208

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, 2013. 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, 2013, the end of the period covered in this Annual Report on Form 10-K.

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, 2013. 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. Based on management's assessment using this framework, we believe that, as of August 31, 2013, our internal control over financial reporting is 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 Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

New Employment Agreement

On November 6, 2013, we entered into an Employment Agreement (the "New Employment Agreement") with Carl M. Casale, to be effective as of January 1, 2014 (the "Effective Date"), setting forth the terms pursuant to which Mr. Casale will serve as our Chief Executive Officer commencing on the Effective Date. The existing Employment Agreement between us and Mr. Casale dated as of November 22, 2010 (the "Existing Employment Agreement") ends on December 31, 2013 and will be replaced by the New Employment Agreement as of the Effective Date.

The New Employment Agreement has an initial term of three years ending on January 1, 2017, provided that beginning on January 1, 2017 and on each anniversary date thereafter, the term will be automatically renewed for an additional one-year period unless either party notifies the other in writing, at least sixty days in advance of the relevant anniversary date, of its intent not to renew for the additional one-year period. Pursuant to the New Employment Agreement, Mr. Casale will be entitled to:

- an annual base salary of $990,000, subject to increase by our Board of Directors from time to time;
- earn a target annual incentive compensation award, beginning with the 2014 fiscal year, of 125% of his base salary with a maximum potential annual incentive compensation award of 250% of his base salary, based on the

achievement of performance targets set by our Board;

- earn a target long-term incentive compensation award of 125% of his average base salary during the three-year performance period applicable to such award opportunity, with a maximum superior performance potential long-term incentive compensation award of 500% of his average base salary during the three-year performance period applicable to such award;
- participate in all employee benefit plans and programs and maintained by us and made available to employees generally, and all executive benefit plans maintained by us and made available to our senior executives generally, in each case to the extent he is eligible under the terms of such plans; and
- certain fringe benefits as determined by our Board.

The New Employment Agreement includes a clawback provision providing that if there is a restatement of our financial results (other than a prophylactic or voluntary restatement due to a change in applicable accounting rules or

Table of Contents

interpretations) due to material noncompliance with financial reporting requirements and the Board determines in good faith that any compensation granted to Mr. Casale was awarded or determined based on such material noncompliance, the Board or a committee thereof may recover any compensation granted to Mr. Casale (or reduce any compensation not yet paid) based on the erroneous financial data in excess of what would have been paid (or in the case of unpaid compensation, what should be paid) to Mr. Casale under the accounting restatement.

In the event of Mr. Casale's involuntary termination without "cause" (as defined in the New Employment Agreement) or voluntary termination with "Good Reason" (as defined in the New Employment Agreement), Mr. Casale will be entitled to accrued and unpaid compensation as provided in the New Employment Agreement as well as the following severance pay and benefits, conditioned on the execution of a release and his compliance with certain restrictive covenants: (1) the annual incentive compensation he would have been entitled to receive for the year in which his termination occurs as if he had continued until the end of that fiscal year, determined based on our actual performance for that year relative to our performance goals applicable to Mr. Casale (with that portion of the annual incentive compensation based on completion or partial completion of previously specified personal goals equal to 30% of the target annual incentive), prorated for the number of days in the fiscal year through his termination date and payable in a cash lump sum generally payable at the time such incentive awards are payable to other participants; (2) two times Mr. Casale's base salary plus two times his target annual incentive, payable in three equal installments with the first payable 60 days following termination and the second and third payable on the first and second anniversaries of such termination, respectively; and (3) welfare benefit continuation for two years following termination. In the event of Mr. Casale's involuntary termination for "cause" or voluntary termination without "Good Reason," Mr. Casale will be entitled to accrued and unpaid compensation as provided in the New Employment Agreement.

Mr. Casale will be subject to two-year non-competition and non-solicitation covenants following his termination of employment. We will reimburse Mr. Casale's legal expenses up to $25,000 in connection with the negotiation of the Employment Agreement.

The foregoing description of the New Employment Agreement is not complete and is qualified in its entirety by reference to the New Employment Agreement, which is filed as Exhibit 10.1B to this Annual Report on Form 10-K and is incorporated herein by reference.

New Change in Control Agreement

Also on November 6, 2013, we and Mr. Casale entered into an Amended and Restated Change in Control Agreement (the "New Change in Control Agreement"), to be effective as of January 1, 2014 and which will replace and supersede our Change in Control Agreement with Mr. Casale dated as of November 22, 2010. The New Change in Control has a term of one year ending on January 1, 2015, provided that beginning on January 1, 2015 and on each anniversary date thereafter, the term will be automatically renewed for an additional one-year period unless either party notifies the other in writing, at least sixty days in advance of the relevant anniversary date, of its intent not to renew for the additional one-year period.

Under the New Change in Control Agreement, upon a "Qualifying Termination" Mr. Casale will be entitled to the following, conditioned on the execution of a release and subject to offset by the amount of any severance previously paid to him under any employment agreement with us: (1) a lump sum severance payment equal to 2.5 times the sum of his base salary and target annual incentive compensation award, (2) welfare benefit continuation for a period of 30 months, (3) certain post-retirement health care or life insurance benefits if Mr. Casale would have become eligible for such benefits during the 30 months after the date of termination, (4) a lump sum paymnet equal to all earned but unused paid time off days, and (5) outplacement fees not to exceed $30,000. In addition, any amounts paid under the New Change in Control Agreement will be reduced to the maximum amount that can be paid without being subject to

the excise tax imposed under Internal Revenue Code Section 280G, but only if the after-tax benefit of the reduced amount is higher than the after-tax benefit of the unreduced amount. For purposes of Mr. Casale's New Change in Control Agreement, a "Qualifying Termination" means an involuntary termination without cause and voluntary termination with "Good Reason", each within 24 months following a change in control, or an involuntary termination without cause within 6 months prior to a change in control if termination is related to the change in control. "Good Reason" generally means the assignment of duties or responsibilities that are materially inconsistent with Mr. Casale's duties or responsibilities before the change of control, a material diminution in authority, duties or responsibilities, a 10% or more reduction in annual base salary, the material breach by us of any obligation under the New Change in Control Agreement, our failure to continue Mr. Casale's participation in any material compensation plan on a basis not materially less favorable to him and the failure to continue to provide him with benefits substantially similar in the aggregate to those he enjoyed prior to a change in control.

The New Change in Control Agreement also provides for certain non-severance payments to Mr. Casale if he fails to perform his full-time duties as a result of a disability (as defined in the New Change in Control Agreement). In such a case, we

Table of Contents

will pay his current base salary and all compensation and benefits payable to him under any compensation or benefit plan we maintain during that period, until he is terminated. Additionally, if Mr. Casale is terminated for any reason following a “change in control” and during the term of the New Change in Control Agreement, we will pay his base salary through the date of termination and all compensation and benefits to which he is entitled for all periods preceding the date of termination under the terms of our compensation and benefit plans.

Mr. Casale will be subject to two-year non-competition and non-solicitation covenants following his termination of employment.

The foregoing description of the New Change in Control Agreement is not complete and is qualified in its entirety by reference to the New Change in Control Agreement, which is filed as Exhibit 10.2B to this Annual Report on Form 10-K and is incorporated herein by reference.

Letter Agreement

Also on November 6, 2013, we entered into a succession planning letter agreement (the “Letter Agreement”) with John 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.

The foregoing description of the Letter Agreement is not complete and is qualified in its entirety by reference to the Letter Agreement, which is filed as Exhibit 10.55 to this Annual Report on Form 10-K and is incorporated herein by reference.

Table of Contents

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The table below lists our directors as of August 31, 2013.

Table of Contents

Name and Address	Age	Director Region	Since
Donald Anthony 43970 Road 758 Lexington, NE 68850-3745	63	8	2006
Robert Bass E 6391 Bass Road Reedsburg, WI 53959	59	5	1994
David Bielenberg 16425 Herigstad Road NE Silverton, OR 97381	64	6	2009
Clinton J. Blew 16304 S. Fall Street Hutchinson, KS 67501	36	8	2010
Dennis Carlson 3152 — 51st Street Mandan, ND 58554	52	3	2001
Curt Eischens 2153 — 330th Street North Minnesota, MN 56264-1880	61	1	1990
Jon Erickson 17503 — 46th Street SW Minot, ND 58701	53	3	2011
Steve Fritel 2851 — 77th Street NE Barton, ND 58384	58	3	2003
Jerry Hasnedl 12276 — 150th Avenue SE St. Hilaire, MN 56754 -9776	67	1	1995
David Johnsrud 17263 300 Avenue Starbuck, MN 56381	59	1	2012
David Kayser 42046 — 257th Street Alexandria, SD 57311	54	4	2006
Randy Knecht 40193 — 112th Street Houghton, SD 57449	63	4	2001
Greg Kruger N 49494 County Road Y Eleva, WI 54738	54	5	2008
Edward Malesich 9575 MT Highway 41C Dillon, MT 59725	60	2	2011
Steve Riegel 12748 Ridge Road Ford, KS 67842	61	8	2006
Daniel Schurr	48	7	2006

3009 Wisconsin Street
LeClaire, IA 52753

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 CHS Foundation Finance and Investment Committee and serves on Audit 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 Audit and CHS Foundation Finance and Investment Committees. Served as first vice chairman and on Capital Committee. 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 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): Serves on Governance and CHS Foundation Finance and Investment Committees. 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): Chairs Corporate Responsibility Committee and is assistant-secretary of the Executive Committee. Served as second vice chairman and as 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 Capital and Government Relations Committees. Served on Governance 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 Responsibility, 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 Governance 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.

David Johnsrud (2012): Serves as a member of the Government Relations and Corporate Responsibility 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. Johnsrud 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 Responsibility 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 Government Relations Committees. Served on Capital Committee. 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 Responsibility 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

Table of Contents

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.

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 this cooperative 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 2013 Annual Meeting of Members:

Region	Current Incumbent
Region 1 (Minnesota)	vacated by Michael Toelle (1)
Region 3 (North Dakota)	Dennis Carlson
Region 4 (South Dakota)	Randy Knecht
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)	Robert Bass
Region 8 (Colorado, Nebraska, Kansas, New Mexico, Oklahoma, Texas)	Steve Riegel

(1) Mr. Toelle resigned during fiscal 2013.

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 of August 31, 2013. Officers are appointed by the Board of Directors.

Name	Age	Position
Carl Casale	52	President and Chief Executive Officer
Shirley Cunningham	53	Executive Vice President, Enterprise Strategy
Jay Debertin	53	Executive Vice President and Chief Operating Officer, Energy and Foods
Lynden Johnson	53	Executive Vice President, Business Solutions

John McEnroe	58	Executive Vice President, Country Operations
Mark Palmquist	56	Executive Vice President and Chief Operating Officer, Ag Business
Timothy Skidmore	52	Executive Vice President and Chief Financial Officer
Lisa Zell	45	Executive Vice President and General Counsel

Table of Contents

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 — Enterprise Strategy, joined CHS in 2013. 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, joined CHS in 1984 in the energy division and held positions in energy marketing operations. Named vice president of crude oil supply in 1998, and added responsibilities for raw material supply, refining, pipelines and terminals, trading and risk management, and transportation in 2001. He was named executive vice president, Processing, in 2005 and was responsible for CHS soybean crushing, refining and related operations, along with food processing joint venture relationships. Named to his current position in January 2011, where he is responsible for energy operations, including refineries, pipelines and terminals; refined fuels, propane, lubricants and renewable fuels distribution; and marketing businesses. Also responsible for CHS vegetable oil-based foods through Ventura Foods, LLC. Responsible for CHS strategic direction in renewable energy. Serves as chairman for National Cooperative Refinery Association and as a director for Ventura Foods, LLC. Former board member of Horizon Milling, LLC and US BioEnergy Corporation. Earned a bachelor’s degree in economics from the University of North Dakota and a master’s of business administration degree from the University of Wisconsin — Madison.

Lynden Johnson, Executive Vice President — Business Solutions, is responsible for 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. Before assuming his current role in January 2012, Johnson was named senior vice president, Business Solutions, in January 2011. 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 Insurance Group, CHS Capital and CHS Hedging. Holds a bachelor's degree in agricultural economics from North Dakota State University.

John McEnroe, Executive Vice President — Country Operations, joined CHS in 1979. He progressed through a variety of grain marketing and retail management positions, including being named regional director in 1984, vice president in 2000, senior vice president of Country Operations in 2003 and assumed his current role in January 2012. Serves on the boards of the National Cooperative Refinery Association, CHS Capital, as well as numerous boards of CHS Country Operations partners. Serves as executive committee member of the Grain Elevator and Processing Society. Pursued a bachelor's degree in political science from the University of North Dakota.

Mark Palmquist, Executive Vice President and Chief Operating Officer — Ag Business, is responsible for all international ag-related business units, including crop nutrients, grain marketing, terminal operations, exports, logistics and transportations and soybean processing operations. Joined the former Harvest States in 1979 as a grain buyer, and then moved into grain merchandising. Named vice president and director of grain marketing in 1990 and senior vice president in 1993. Assumed leadership responsibility for grain marketing, country operations, processing and food ingredients and packaged foods in 2001 and his current responsibilities in January 2012. Serves on the board of Horizon Milling, LLC. Former board member of InTrade/ACTI, National Cooperative Refinery Association, Schnitzer Steel Industries, Inc. and Multigrain AG. Holds a bachelor's degree in business from Gustavus Adolphus College, St. Peter, Minnesota, and attended the University of Minnesota MBA program.

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 CFO 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 and General Counsel, 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. Named senior vice president and general counsel in January 2011 and assumed current position in January 2012. Serves on the board of Ventura Foods, LLC, and is chairperson of its Corporate Responsibility Committee. Holds a bachelor's degree from St. Cloud (Minnesota) State University and a law degree from Drake University.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 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, 2013, and based further upon written representations received by us with respect to the need to file reports on Form 5, no individuals filed late reports required by Section 16(a) of the Exchange Act.

Code of Ethics

We have adopted a code of ethics within the meaning of Item 406(b) of Regulation S-K under the Exchange Act. This code of ethics applies to all of our 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: Lisa Zell
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 solely of directors Mr. Anthony, Mr. Bass, Mr. Schurr (Chairman) and Mr. Kruger, 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.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Compensation

Overview

Changes to our Named Executive Officers during fiscal 2013 included the appointment of Timothy Skidmore as our Executive Vice President and Chief Financial Officer to replace David Kastelic who retired on September 3, 2013, and the addition of John McEnroe, our Executive Vice President and Chief Operating Officer of Country Operations as one of our Named Executive Officers.

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 Corporate Responsibility 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
- 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 include changing our profit sharing and incentive plan performance measures to Return on Adjusted Equity ("ROAE"). This change will be 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 is being 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.

Table of Contents

Each year, the Corporate Responsibility 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 Corporate Responsibility 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 Corporate Responsibility 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 market median level of compensation for comparable positions and being consistent with our compensation philosophy and objectives. The Corporate Responsibility 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, Corporate Responsibility Committee meetings that concern CEO compensation matters. Based on 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 2013 included a combination of any of the following sources: Hay Group Executive Remuneration Report, AonHewitt Total Compensation Measurement, Mercer US Executive Compensation Survey, Towers Watson Executive Compensation Databank and Towers Watson Survey of Top Management Compensation. 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 472 to 3,035, with an average of 1,017. 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 median compensation in comparable industries, companies and markets. We target the market median for base pay, target total cash and target total direct compensation pay. The following table presents a more detailed breakout of each compensation element:

Table of Contents

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 equity performance levels	• Provides a direct link between employee pay and CHS's 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 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 disability benefits generally available to all full-time employees with supplemental 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. The CEO is responsible for this process for the other Named Executive Officers. The Corporate Responsibility Committee is

responsible for this process for the CEO. Mr. Casale received a base pay increase of 3.0% in fiscal 2013. The other Named Executive Officers also received the following base salary increases in fiscal 2013: David Kastelic 3.0%; Mark Palmquist 3.0%; Jay Debertin 3.0%; John McEnroe 20% and Patrick Kluempke 3.0%.

Annual Variable Pay:

Each Named Executive Officer other than Mr. Skidmore was eligible to participate in our Annual Variable Pay Plan for our fiscal year ended August 31, 2013. Due to his August 2013 start date, Mr. Skidmore will first become eligible to participate in the plan for fiscal 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 equity (ROE) goals for both CHS and the executive's business unit. The CHS threshold, target and maximum ROE goals for fiscal 2013 were 8%, 10% and 14%, respectively. The threshold, target and maximum ROE 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 2013 Annual Variable Pay Plan were as follows:

Performance Level	CHS Company Performance Goal	Business Unit Performance Goal	Management Business Objectives	Percent of Target Award
Maximum Target Threshold Below Threshold	14% Return on Equity 10% Return on Equity 8% Return on Equity <8% Return on Equity	Threshold, Target and Maximum Return on Equity goals vary by business unit but are consistent with and support company ROE goals	Individual performance goals	200% 100% 20% 0%

Starting with fiscal 2012, the annual variable pay awards for the Named Executive Officers were calculated depending on performance results, by applying the percent of target award earned to their fiscal year end base salary rather than salary range midpoint. This change was made in an effort to simplify plan design and administer plans consistently. During this transition, the salary range midpoint was used if it was higher than base salary.

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 ROE goals (ROAE beginning in fiscal 2014) and determines the CEO's individual goals. The weighting of the CEO's goals is 70% CHS total company ROE and 30% principle accountabilities and individual goals. The CEO approves business unit ROE 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% ROE and 30% principle accountabilities and individual goals. The ROE 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 2013, CHS achieved an ROE of 22.3%. Annual variable pay payments for the Named Executive Officers are as follows:

Table of Contents

Carl Casale	$2,254,500
David Kastelic	$856,800
Mark Palmquist	$562,380
Jay Debertin	$862,680
John McEnroe	$840,000
Patrick Kluempke (1)	$—

(1) Mr. Kluempke retired effective March 31, 2013 and entered into a separation agreement with us in connection with his retirement. The payments made to Mr. Kluempke pursuant to that agreement are reported in the Summary Compensation Table under the column "All Other Compensation."

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 ROE achieved and are displayed in the following table:

Return On Equity	Equates to Net Income for Fiscal 2013	Profit Sharing Award
14.0%	$623.7 Million	5%
12.0%	$534.6 Million	4%
10.0%	$445.5 Million	3%
9.0%	$401.0 Million	2%
8.0%	$356.4 Million	1%

In fiscal 2013 the maximum ROE goal was reached.

Effective for fiscal 2014, the ROAE goals are:

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%

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. Due to his August 2013 start date, Mr. Skidmore will first become eligible for an LTIP award pursuant to the fiscal 2012 - 2014 plan, without proration, based on his term sheet.

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 has historically been based on CHS ROE over three-year periods. The CHS Board of Directors approves the LTIP ROE goals.

Award opportunities for the fiscal 2011-2013 LTIP are expressed as a percentage of a participant's average salary for the three-year performance period unless the salary is below mid-point in which case the mid-point would be used. Threshold and maximum award opportunities are set between 20 percent and 200 percent of target payout. CHS must meet a three-year period threshold level of ROE for LTIP to trigger a payout. The threshold, target and maximum ROE goals for fiscal 2011-2013

performance period were 8%, 10% and 14%, respectively. Beginning with the 2012 - 2014 plan period the LTIP performance range will be expanded to emphasize pay for performance and superior ROAE results.

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. Details for awards associated with the expanded plan are provided in the 2013 Grants of Plan-Based Awards table.

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 2011-2013 performance period, CHS reached the maximum level ROE for awards under the LTIP. Payments for the Named Executive Officers under the LTIP were as follows:

Carl Casale	$2,189,417
David Kastelic	$819,980
Mark Palmquist	$900,202
Jay Debertin	$845,973
John McEnroe	$608,000
Patrick Kluempke (1)	$—

(1) Mr. Kluempke retired effective March 31, 2013 and entered into a separation agreement with us in connection with his retirement. The payments made to Mr. Kluempke pursuant to that agreement are reported in the Summary Compensation Table under the column "All Other Compensation."

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 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 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.

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

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Table of Contents

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, 2013 of $24.2 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, 2013, all of the Named Executive Officers were eligible to participate in the Deferred Compensation Plan. Mr. Kluempke, Mr. McEnroe and Mr. Debertin 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, 2013 of $91.0 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 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

Table of Contents

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. Previous to fiscal 2012, certain perquisites such as car allowances and club memberships were also available to Named Executive Officers. Those perquisites have been discontinued.

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 (the "Replacement of Forfeited Compensation"). 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.

Fiscal 2014 Agreements

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 are described above under Item 9B, Other Information. Our existing 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.

Summary Compensation Table

66

Table of Contents

Name and Principal Position	Year	Salary (1)(15)	Non-Equity Incentive Plan Compensation (1)(2)(15)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings(3)(15)	All Other Compensation (4-15)	Total
Carl Casale	2013	$893,033	$ 4,443,917	$ 332,777	$ 1,094,729	$6,764,456
President and Chief Executive	2012	867,000	4,345,625	416,179	1,121,907	6,750,711
Officer	2011	566,667	4,250,000		910,956	5,727,623
Timothy Skidmore Executive Vice President and Chief Financial Officer	2013	17,308				17,308
Mark Palmquist	2013	663,000	1,462,582	177,531	146,819	2,449,932
Executive Vice President and	2012	643,708	1,772,169	589,377	136,099	3,141,353
Chief Operating Officer, Ag Business	2011	602,337	1,665,626	252,606	153,740	2,674,309
Jay Debertin Executive Vice President and Chief Operating Officer, Energy and Foods	2013	610,233	1,708,653			