CHS INC
Form 10-K
November 07, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended August 31, 2012

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 (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: o

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

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

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

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

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date: The Registrant has no common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None.

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PART I.

ITEM 1. BUSINESS

THE COMPANY

CHS Inc. (referred to herein as "CHS," "we" or "us") is one of the nation's leading integrated agricultural companies. 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 under the symbol CHSCP. On August 31, 2012, we had 12,272,003 shares of preferred stock outstanding. 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, 2012, our total revenues were $40.6 billion and income attributable to CHS Inc. was $1.3 billion.

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

Our Energy segment derives its revenues through refining, wholesaling and retailing of petroleum products. Our Ag segment derives its revenues through the origination and marketing of grain, including service activities conducted at export terminals, through the wholesale sales of crop nutrients, from the sales of soybean meal 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 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.

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.

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 each of our

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business segments at August 31, 2012:

Business Segment	Entity Name	Business Activity	CHS Ownership%		Income Recognition
Energy	National Cooperative Refinery Association	Petroleum refining	74.5	%	Consolidated
	Front Range Pipeline, LLC	Crude oil transportation	100	%	Consolidated
	Cenex Pipeline, LLC	Finished product transportation	100	%	Consolidated
Ag	CHS do Brasil Ltda.	Grain procurement and merchandising in Brazil	100	%	Consolidated
	TEMCO, LLC	Grain exporter	50	%	Equity Method
	CHS Europe S.A.	Grain merchandising in Europe	100	%	Consolidated
	CHS Ukraine, LLC	Grain procurement and merchandising in Ukraine	100	%	Consolidated
	ACG Trade S.A.	Grain procurement and merchandising in Russia	100	%	Consolidated
	CHSINC Iberica S.L.	Grain merchandising in Spain	100	%	Consolidated
	CHS de Argentina S.A.	Grain merchandising in Argentina	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
	CHS (Shanghai) Trading Co., Ltd.	Grain merchandising in China	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 General Partnership	Wheat milling in Canada	24	%	Equity Method
	CHS Hedging Inc.	Risk management products broker	100	%	Consolidated

Ag States Agency, 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 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 79.2% ownership interest as of September 1, 2012) 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 2012, our Energy revenues, after elimination of inter-segment revenues, were $12.3 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

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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 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 74.5% as of August 31, 2012. Our ownership increased to approximately 79.2% in September 2012 upon the first 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 79% low and medium sulfur crude oil and 21% heavy sulfur crude oil into gasoline, diesel fuel and other distillates, propane and other products. NCRA sources its crude oil through its own pipelines as well as common carrier pipelines. The low and medium sulfur crude oil is sourced from Kansas, North Dakota, Oklahoma and Texas, and the heavy sulfur crude oil is sourced from Canada.

The McPherson refinery processes approximately 85,000 barrels of crude oil per day to produce refined products that consist of approximately 50% gasoline, 44% diesel fuel and other distillates, and 6% propane and other products. Approximately 32% 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 2012, 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 77% 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 tradename. We sold approximately 1.2 billion gallons of gasoline and approximately 1.8 billion gallons of diesel fuel in fiscal 2012, excluding NCRA’s sales to minority owners and others totaling approximately 349 million gallons. We also blend, package and wholesale auto and farm machinery lubricants to both members and non-members. We are one of the nation's largest propane wholesalers based on revenues. Most of the propane sold in rural areas is for heating and agricultural usage. Annual sales volumes of propane vary greatly depending on weather patterns and crop conditions.

Industry; Competition

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

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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; the transportation, handling and disposition of wastes; and the labeling of pesticides and similar substances. 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. We believe that we and NCRA are in compliance with these laws, regulations and rules in all material respects and do not expect continued compliance to have a material effect on capital expenditures, earnings or competitive position, of either us or NCRA.

Like many other refineries, our Energy segment's refineries recently focused their capital spending on reducing pollution emissions and, at the same time, increasing production to help pay for those expenditures. In particular, our refineries have completed work to comply with the EPA low sulfur fuel regulations that were required by 2006, which lowered the sulfur content of gasoline and diesel fuel. The EPA also passed a regulation that required the reduction of the benzene level in gasoline to be less than 0.62% volume by January 1, 2011. As a result of this regulation, our refineries have incurred capital expenditures to reduce the current gasoline benzene levels to meet the new regulated levels. Our combined capital expenditures for benzene removal for our Laurel, Montana refinery and the NCRA refinery in McPherson, Kansas were approximately $95.0 million for the projects. Approximately $19.0 million and $43.0 million of expenditures were incurred during our fiscal years ended August 31, 2011 and 2010, respectively. Both refineries were producing gasoline within the regulated benzene levels as of January 2011.

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.

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

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Summary operating results and identifiable assets for our Energy segment for the fiscal years ended August 31, 2012, 2011 and 2010 are shown below:

	2012	2011	2010
	(Dollars in thousands)		
Revenues	$12,816,542	$11,467,381	$8,799,890
Cost of goods sold	11,514,463	10,694,687	8,437,504
Gross profit	1,302,079	772,694	362,386
Marketing, general and administrative	155,786	142,708	123,834
Operating earnings	1,146,293	629,986	238,552
Loss (gain) on investments	4,008	1,027	(269)
Interest, net	122,302	5,829	9,939
Equity income from investments	(7,537)	(6,802)	(5,554)
Income before income taxes	$1,027,520	$629,932	$234,436
Intersegment revenues	$(467,583)	$(383,389)	$(295,536)
Total identifiable assets at period end	$3,684,571	$3,883,205	$3,004,471

AG

Our Ag segment includes crop nutrients, country operations, grain marketing and processing and food ingredients. Our revenues in our Ag segment primarily include grain sales, which were $20.6 billion for fiscal 2012 after elimination of inter-segment revenues.

Crop Nutrients

Overview

Our North America 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

Our wholesale crop nutrients business sells to local retailers from New York to the west coast and from the Canadian border 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.

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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; the transportation, handling and disposition of wastes; and the labeling of pesticides and similar substances. Failure to comply with these laws, regulations and rules could subject us to administrative penalties, injunctive relief, civil remedies and possible recalls of products. We believe that we are in compliance with these laws, regulations and rules in all material respects and do not expect continued compliance to have a material effect on our capital expenditures, earnings or competitive position.

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 402 locations through 69 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 and Washington. 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, 2012, country operations purchased approximately 570 million bushels of grain, primarily wheat, corn and soybeans. Of these bushels, 543 million were purchased from members and 330 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;

the transportation, handling and disposition of wastes; and the labeling of pesticides and similar substances. Our country operations business is also subject to laws and related regulations and rules administered by the United States Department of Agriculture (USDA), the United States Food and Drug Administration (FDA), and other federal, state, local and foreign governmental agencies that govern the processing, packaging, storage, distribution, advertising, labeling, quality and safety of feed and grain products. Failure to comply with these laws, regulations and rules could subject us to administrative penalties, injunctive relief, civil remedies and possible recalls of products. We believe that we are in compliance with these laws, regulations and rules in all material respects and do not expect continued compliance to have a material effect on our capital expenditures, earnings or competitive position.

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), local cooperatives, private grain companies and processors at the majority of our locations in our trade territory, as previously defined in the "Overview." In addition, Columbia Grain and Gavilon are also our competitors.

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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 2.0 billion bushels annually. During fiscal 2012, we purchased approximately 54% 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 purchases 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 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 2012 throughout the world. These include offices and operations in Europe, South America, the Black Sea and Mediterranean Basin regions and the Asia-Pacific region.

For sourcing and marketing grains and oilseeds through the Black Sea and Mediterranean Basin regions to customers worldwide we have offices in Geneva, Switzerland; Barcelona, Spain; Kiev, Ukraine; Novorossiysk, 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; 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 and Buenos Aires, Argentina. Finally, we sell and market crop nutrients from our Geneva, Switzerland; Sao Paulo, Brazil; and Buenos Aires, Argentina offices.

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

Products and Services

Our grain marketing operations purchased approximately 2.0 billion bushels of grain during the year ended August 31, 2012, which primarily included corn, soybeans, wheat and distillers dried grains with solubles (DDGS). Of the total grains purchased by our grain marketing operations, 729 million bushels were from our individual and cooperative association members, 330 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 the transportation, handling and disposition of wastes. 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. We believe that we are in compliance with these laws, regulations and rules in all material respects and do not expect continued compliance to have a material effect on our capital expenditures, earnings or competitive position.

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

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

Our grain marketing operations compete for grain sales based on price, services and ability to provide the desired quantity and quality of grains. Location of facilities is a major factor in the ability to compete. Our grain marketing operations compete with numerous grain merchandisers, including major grain merchandising companies such as

ADM, Cargill, 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.

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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 tight 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 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 the transportation, handling and disposition of wastes. 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,

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injunctive relief, civil remedies and possible recalls of products. We believe that we are in compliance with these laws, regulations and rules in all material respects and do not expect continued compliance to have a material effect on our capital expenditures, earnings or competitive position.

Summary Operating Results

Summary operating results and identifiable assets for our Ag segment for the fiscal years ended August 31, 2012, 2011 and 2010 are shown below:

	2012	2011	2010
	(Dollars in thousands)		
Revenues	$28,181,445	$25,767,033	$16,715,055
Cost of goods sold	27,544,040	25,204,301	16,258,679
Gross profit	637,405	562,732	456,376
Marketing, general and administrative	273,757	229,369	187,640
Operating earnings	363,648	333,363	268,736
Loss (gain) on investments	1,049	(118,344)	(421)
Interest, net	57,915	57,438	33,039
Equity income from investments	(22,737)	(40,482)	(31,248)
Income before income taxes	$327,421	$434,751	$267,366
Total identifiable assets — August 31	$6,816,809	$5,276,537	$3,847,518

CORPORATE AND OTHER

Business Solutions

Financial Services. We have provided open account financing to approximately 100 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 wholly-owned subsidiary, CHS Hedging Inc., is a registered Futures Commission Merchant and a clearing member of both the Minneapolis Grain Exchange and the Kansas City 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.

Ag States Group. Our wholly-owned subsidiary, Ag States Agency, LLC, is a full-service independent insurance agency. It sells all lines of insurance, including property and casualty, group benefits and surety bonds. Its approximately 1,800 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 Ag States Agency, LLC, 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 2012, 2011 and 2010, we invested $3.0 million, $3.1 million and $2.1 million, respectively, in Horizon Milling. Sales and purchases of wheat and durum by us to Horizon Milling during fiscal 2012 were $426.3 million and $22.5 million, respectively. Horizon Milling's advance payments on grain to us were $11.4 million on August 31, 2012, 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, 2012, our investment was $78.4 million. On August 31, 2012, our net book value of assets leased to Horizon Milling was $49.6 million.

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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. During fiscal 2010, we invested $0.4 million in Horizon Milling G.P. We account for the investment using the equity method of accounting, and on August 31, 2012, our investment was $16.7 million.

Foods

Our primary focus in the foods area is Ventura Foods, LLC (Ventura Foods) which produces and distributes vegetable oil-based products such as margarine, salad dressing and other food products. Ventura Foods was created in 1996, and is owned 50% by us and 50% by Wilsey Foods, Inc., a majority owned subsidiary of Mitsui. We account for our Ventura Foods investment under the equity method of accounting, and on August 31, 2012, our investment was $292.4 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' 2012 fiscal year, Sysco accounted for 23% of its net sales.

Ventura Foods competes with a variety of large companies in the food manufacturing industry. Major competitors include ADM, Cargill, Bunge, Unilever, ConAgra, Stratas Foods LLC, Smuckers, 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, 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 years ended August 31, 2011 and 2010, we received $28.0 million and $105.0 million, respectively, 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 and $28.4 million during fiscal 2011 and 2010, respectively, 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 or accounted for as hedging instruments for accounting purposes, with the exception of some contracts in our Energy segment which were previously accounted for as cash flow hedges. The contracts are recorded on our Consolidated Balance Sheets at fair values based on quotes listed on regulated commodity exchanges or are based on the market prices of the underlying products listed on the exchanges, with the exception of fertilizer and propane contracts, which are accounted for as normal purchase and normal sales transactions. Unrealized gains and losses on these contracts are recognized in cost of goods sold in our Consolidated Statements of Operations using market-based prices.

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

Our policy is to primarily maintain hedged positions in grain and oilseed. Our profitability from operations is primarily derived from margins on products sold and grain merchandised, not from hedging transactions. At any one time, inventory and purchase contracts for delivery to us may be substantial. We have risk management policies and procedures that include net position limits. These limits are defined for each commodity and include both trader and management limits. This policy and computerized procedures in our grain marketing operations require a review by operations management when any trader is outside of position limits and also a review by our senior management if operating areas are outside of position limits. A similar process is used in our energy and wholesale crop nutrients operations. The position limits are reviewed, at least annually, with our management and Board of Directors. We monitor current market conditions and may expand or reduce our net position limits or procedures in response to changes in those conditions. In addition, all purchase and sales contracts are subject to credit approvals and appropriate terms and conditions.

Hedging arrangements do not protect against nonperformance by counterparties to contracts. We primarily use exchange traded instruments, which minimize our counterparty exposure. We evaluate that exposure by reviewing contracts and adjusting the values to reflect potential nonperformance. Risk of nonperformance by counterparties includes the inability to perform because of a counterparty’s financial condition and also the risk that the counterparty will refuse to perform on a contract during periods of price fluctuations where contract prices are significantly different than the current market prices. We manage our risks by entering into fixed price purchase and sales contracts with preapproved producers and by establishing appropriate limits for individual suppliers. Fixed price contracts are entered into with customers of acceptable creditworthiness, as internally evaluated. Historically, we have not experienced significant events of nonperformance on open contracts. Accordingly, we only adjust the estimated fair values of specifically identified contracts for nonperformance. Although we have established policies and procedures, we make no assurances that historical nonperformance experience will carry forward to future periods.

EMPLOYEES

On August 31, 2012, we had 10,216 full, part-time, temporary and seasonal employees, which included 685 employees of NCRA. Of that total, 2,773 were employed in our Energy segment, 5,181 in our country operations business (including approximately 1,443 seasonal and temporary employees), 166 in our crop nutrients operations, 944 in our grain marketing operations, 638 in our processing and food ingredients operations and 514 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. A portion of both of our segments and Corporate and Other are employed in this manner.

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 191 refinery employees for which agreements are in place through January 31, 2015 and the Oil Basin Pipeliners Union (OBP) represents 18 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 318 employees represented by the United Steel Workers of America (USWA) that are in place through June 2015. There are currently 83 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 24 employees, one with Wisconsin drivers representing 26 employees and one with lubricant plant production workers representing 33 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 120 employees, which expires on June 30, 2013 and the Pipefitters' Union representing 1 employee, which expires on April 30, 2013. The BTWGM also represents 43 employees at our Superior, Wisconsin grain export terminal with a contract expiring on June 30, 2013. Various union contracts cover employees in other grain and crop nutrient terminal operations: the USWA represents 72 employees at our Myrtle Grove, Louisiana grain export terminal with a contract expiring on May 31, 2013; the Teamsters represent 9 employees at our Winona, Minnesota river terminal with a contract expiring on February 28, 2015; and the International Longshoremen's and Warehousemen's Union (ILWU) represents 32 employees at our Kalama, Washington export terminal with a contract in place through September 2014. Finally, certain employees in our country operations business are represented by collective bargaining agreements with the BTWGM which represents 25 employees in two locations, Hermiston, Oregon and Great Falls, Montana, with contracts expiring on December 31, 2014 and July 1, 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. We are subject to income taxes on undistributed patronage income 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, after payment of dividends on equity capital, 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, patrons' equities, revolving fund certificates, our securities, securities of others or any combination designated by the Board of Directors. Beginning in fiscal 2006 through fiscal 2010, the Board of Directors approved the distributed patronage dividends to be in the form of 35% cash and 65% patrons' equities (see "— Patrons' Equities" below). For fiscal 2011 and 2012, the Board of Directors approved the distributed 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. In addition, the Board of Directors authorized, in accordance with our bylaws, that 10% of the earnings from patronage business for fiscal 2011 and 2012, 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, 2012, 2011 and 2010, were $676.3 million ($260.7 million in cash), $402.4 million ($141.5 million in cash) and $438.0 million ($153.9 million in cash), respectively.

By action of the Board of Directors, patronage losses incurred in fiscal 2009 from our wholesale crop nutrients business, totaling $60.2 million, were offset against the fiscal 2008 wholesale crop nutrients operating earnings and the gain on the sale of our CF Industries stock through the cancellation of capital equity certificates in fiscal 2010.

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 equities held by them and another for individuals who are eligible for equity redemptions at age 70 or upon death. In accordance with authorization from the Board of Directors, we expect total redemptions related to the year ended August 31, 2012, that will be distributed in fiscal 2013, to be approximately $196.0 million.

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Cash redemptions of patrons and other equities during the years ended August 31, 2012, 2011 and 2010 were $145.7 million, $61.2 million and $23.1 million, respectively. An additional $36.7 million of equities were redeemed by issuance of shares of our 8% Cumulative Redeemable Preferred Stock during the year ended August 31, 2010. No equities were redeemed by issuance of shares of our 8% Cumulative Redeemable Preferred Stock during the years ended August 31, 2012 and 2011.

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. The Board of Directors is currently comprised of 17 directors. 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. The 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 the 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.

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. Capital Equity Certificates issued by us are subject to a first lien in favor of us for all indebtedness of the holder to us. On August 31, 2012, our outstanding capital includes patrons' equities (consisting of Capital Equity Certificates and Non-patronage Equity Certificates), 8% Cumulative Redeemable Preferred Stock and certain capital reserves.

Distribution of Assets upon Dissolution; Merger and Consolidation

In the event of our dissolution, liquidation or winding up, whether voluntary or involuntary, all of our debts and liabilities would be paid first according to their respective priorities. After such payment, the holders of each share of our preferred stock would then be entitled to receive out of available assets, up to $25.00 per share, plus all dividends accumulated and unpaid on that share, whether or not declared, to and including the date of distribution. This distribution to the holders of our preferred stock would be made before any payment is made or assets distributed to the holders of any security that ranks junior to the preferred stock but after the payment of the liquidation preference of any of our securities that rank senior to the preferred stock. 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.

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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 the 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 the 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 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 requirement of 20%) allocated to our members 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 the member.

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.

NCRA is not consolidated for tax purposes.

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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, 2012, 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 discussed 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 and operating results could be adversely affected by changes in commodity prices, as well as global and domestic economic downturns and risks.

Our revenues, earnings 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. 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. 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 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 adversely affect our business and results of operations.

Additionally, weak global conditions and adverse conditions in global financial markets may adversely impact the financial condition and creditworthiness of some of our customers, suppliers and other counterparties, which in turn may negatively impact our financial condition and results of operations.

Our revenues originated outside of the U.S. were approximately 7% of consolidated net sales in fiscal 2012 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. 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:

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- 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 could reduce our net income. Accordingly, we expect our margins on, and the profitability of our energy business to fluctuate, possibly significantly, over time.

Our operating results could be 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 could be adversely affected.

We participate in highly competitive business markets in which we may not be able to continue to compete successfully.

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 some of our business segments, such as Energy, we compete with 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.

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

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 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 financial liability.

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. For example, capital expenditures for upgrading our refineries, largely to comply with regulations requiring the reduction of sulfur levels in refined petroleum products, were completed in fiscal 2006.

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.

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Changing environmental and energy laws and regulation, including those related to climate change and Green House Gas (“GHG”) emissions, may result in increased operating costs and capital expenditures and may have an adverse effect on our business operations.

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 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. 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.

Because our refineries are inland facilities, a possibility of increased hurricane activity due to climate change, which may result in the temporary closure of coastal refineries, could result in increased revenues and margins to us due to the decrease in supply of refined products in the marketplace. The actual effects of climate change on our businesses are, however, unknown and undeterminable at this time.

Government policies and regulation affecting the agricultural sector and related industries could adversely affect our operations and profitability.

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 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.

Environmental liabilities could adversely affect our results and financial condition.

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 and injunctions. Moreover, future or unknown past releases of hazardous substances could subject us to private lawsuits claiming damages and to adverse publicity. 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 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 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.

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

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

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

We maintain insurance coverages 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 our financial position or results of operations.

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% 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 adversely affect our revenues and operating results.

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 sales volumes, revenues and profitability could be significantly reduced.

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 and profits may decline.

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.

Operating results from our agronomy business could be volatile and are 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.

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

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

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of August 31, 2012, 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 (leased to another entity)
Transportation terminals/repair facilities	13 locations in Iowa, Kansas, Minnesota, Montana, North Dakota, South Dakota, Texas, 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	68 locations in Idaho, Minnesota, Montana, North Dakota, South Dakota, Washington and Wyoming, 20 of which are leased. We own an additional 4 locations which we do not operate, but are on capital leases to others
Lubricant plants/warehouses	

3 locations in Minnesota, Ohio and Texas, 1 of which is leased

We have an approximate 79.2% interest in NCRA, which owns and operates the following facilities:

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Refinery	McPherson, Kansas
Petroleum terminals/storage	2 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	26 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)
Crescent City, Illinois (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)
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 390 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 and Washington.

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)

Myrtle Grove, Louisiana (owned)
Oroshaza, Hungary (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

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locations, unless otherwise noted:

Amman, Jordan
Barcelona, Spain
Bucharest, Romania
Budapest, Hungary
Buenos Aires, Argentina (2 locations)
Davenport, Iowa (owned)
Geneva, Switzerland
Hong Kong
Kansas City, Missouri
Kiev and Odessa, Ukraine
Novorossiysk, Russia (also 7 other Russia locations)
Lincoln, Nebraska
Novi Sad, Serbia
Sao Paulo, Brazil (also 8 other Brazil locations)
Seoul, South Korea
Singapore
Sofia, Bulgaria
Shanghai, China
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

Corporate and Other

Business Solutions

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

Houston, Texas (Ag States Group)
Indianapolis, Indiana (Ag States Group and CHS Hedging Inc.)
Kansas City, Missouri (CHS Hedging Inc.)
Kewanee, Illinois (Ag States Group)

Wheat Milling

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

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

Corporate Headquarters

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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.

In March 2012, NCRA reached agreement with the Environmental Protection Agency (EPA) and the State of Kansas Department of Health and Environment, regarding the terms of a settlement with respect to alleged violations of EPA regulations at NCRA's McPherson, Kansas refinery. The settlement takes the form of a consent decree filed with the U.S. District Court for the District of Kansas and entered in May 2012. The consent decree details an investment which has been made by NCRA for approximately $0.7 million to support local Supplemental Environmental Projects which benefits the community's emergency response personnel and the community, including the purchase of a new ambulance, emergency command trailer, and other emergency response equipment. The consent decree also required NCRA to pay approximately $0.7 million, plus associated interest, in civil cash penalties. The penalties were paid in June 2012. This settlement did not have a material adverse affect on us or NCRA.

On November 21, 2009, a late-night fire destroyed a shop, a warehouse containing some feed, seed, and agronomy products, and part of the office at the Malta, Montana branch of Milk River Cooperative, a CHS-owned facility. Our local staff worked with local emergency officials to respond in a timely manner in keeping with accepted protocols and in what all parties believed was in the best interests of community health and safety and to eliminate any environmental impact. There were no injuries and the fire was extinguished in a short period of time. We promptly notified both the Montana Department of Environmental Quality and the Montana Department of Emergency Services. All remediation work was overseen by West Central Environmental Consultants and completed under the supervision of the Montana Department of Environmental Quality. Follow-up review by the EPA regulators determined that while we had notified the required state agencies, notification was not made to the National Response Center as mandated for events in which there is a potential chemical release - essentially, a failure to make a phone call in the middle of the night. This situation resulted from an inadvertent, unintentional human error related to a technical reporting requirement.

In October 2012, we entered into a plea agreement with the EPA and the U.S. Department of Justice related to the November 2009 fire at Malta, Montana. The plea was entered in the U.S. District Court for the District of Montana. Under the terms of the plea agreement, we agreed to enter a guilty plea to one count of failure to report a release of a reportable quantity of a hazardous substance, a violation of the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). In addition, we agreed to pay a $500,000 fine and, as part of the plea agreement, agreed to contribute an additional $50,000 to the Malta Fire Department for equipment that would assist the fire department in fighting future fires in its community.

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 75,600 members, of which approximately 1,100 are cooperative association members and approximately 74,500 are individual members. As a cooperative, we do not have any common stock that is traded.

On August 31, 2012, we had 12,272,003 shares of 8% Cumulative Redeemable Preferred Stock outstanding, which is

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listed on the NASDAQ Stock Market LLC under the symbol CHSCP.

We have not sold any equity securities during the three years ended August 31, 2012 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, 2012, 2011 and 2010, should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this filing.

Summary Consolidated Financial Data

	2012	2011	2010	2009	2008
	(Dollars in thousands)				
Income Statement Data:					
Revenues	$40,599,286	$36,915,834	$25,267,931	$25,729,916	$32,167,461
Cost of goods sold	38,588,143	35,512,988	24,397,410	24,849,901	30,993,899
Gross profit	2,011,143	1,402,846	870,521	880,015	1,173,562
Marketing, general and administrative	498,233	438,498	366,582	355,299	329,965
Operating earnings	1,512,910	964,348	503,939	524,716	843,597
Loss (gain) on investments	5,465	(126,729)	(29,433)	56,305	(29,193)
Interest, net	193,263	74,835	58,324	70,487	76,460
Equity income from investments	(102,389)	(131,414)	(108,787)	(105,754)	(150,413)
Income before income taxes	1,416,571	1,147,656	583,835	503,678	946,743
Income taxes	80,852	86,628	48,438	63,304	71,861
Net income	1,335,719	1,061,028	535,397	440,374	874,882
Net income attributable to noncontrolling interests	75,091	99,673	33,238	58,967	71,837
Net income attributable to CHS Inc.	$1,260,628	$961,355	$502,159	$381,407	$803,045
Balance Sheet Data (August 31):					
Working capital	$2,848,462	$2,776,492	$1,603,994	$1,626,352	$1,738,600
Net property, plant and equipment	2,786,324	2,420,214	2,253,071	2,099,325	1,948,305
Total assets	13,423,151	12,217,010	8,666,128	7,869,845	8,771,978
Long-term debt, including current maturities	1,440,353	1,501,997	986,241	1,071,953	1,194,855
Total equities	4,473,323	4,265,320	3,604,451	3,333,164	3,161,418

The selected financial information below has been derived from our two business segments, and Corporate and Other, for the years ended August 31, 2012, 2011 and 2010. The intercompany revenues between segments were $467.6 million, $383.4 million and $295.5 million for the fiscal years ended August 31, 2012, 2011 and 2010, respectively.

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

Summary Financial Data By Business Segment

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	Energy 2012	2011	2010	Ag 2012	2011	2010
	(Dollars in thousands)					
Revenues	$12,816,542	$11,467,381	$8,799,890	$28,181,445	$25,767,033	$16,715,055
Cost of goods sold	11,514,463	10,694,687	8,437,504	27,544,040	25,204,301	16,258,679
Gross profit	1,302,079	772,694	362,386	637,405	562,732	456,376
Marketing, general and administrative	155,786	142,708	123,834	273,757	229,369	187,640
Operating earnings	1,146,293	629,986	238,552	363,648	333,363	268,736
Loss (gain) on investments	4,008	1,027	(269)	1,049	(118,344)	(421)
Interest, net	122,302	5,829	9,939	57,915	57,438	33,039
Equity income from investments	(7,537)	(6,802)	(5,554)	(22,737)	(40,482)	(31,248)
Income before income taxes	$1,027,520	$629,932	$234,436	$327,421	$434,751	$267,366
Intersegment revenues	$(467,583)	$(383,389)	$(295,536)			
Total identifiable assets — August 31	$3,684,571	$3,883,205	$3,004,471	$6,816,809	$5,276,537	$3,847,518

	Corporate and Other 2012	2011	2010
	(Dollars in thousands)		
Revenues	$68,882	$64,809	$48,522
Cost of goods sold	(2,777)	(2,611)	(3,237)
Gross profit	71,659	67,420	51,759
Marketing, general and administrative	68,690	66,421	55,108
Operating earnings (losses)	2,969	999	(3,349)
Loss (gain) on investments	408	(9,412)	(28,743)
Interest, net	13,046	11,568	15,346
Equity income from investments	(72,115)	(84,130)	(71,985)
Income before income taxes	$61,630	$82,973	$82,033
Intersegment revenues			
Total identifiable assets — August 31	$2,921,771	$3,057,268	$1,814,139

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.

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 National Cooperative Refinery Association (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 G.P.

Results 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

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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. The reversal of the crude oil pipeline in the Cushing, OK area has not significantly impacted our refined fuels margins. The pipeline is not yet at full capacity and, as a result, it is possible that the reversal could still have a negative impact on our future refined fuels margins, the impact of which we are not able to estimate at this time.

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.

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

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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.

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.

Loss (Gain) 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 discussed 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.

Comparison of the years ended August 31, 2011 and 2010

General. We recorded income before income taxes of $1.1 billion in fiscal 2011 compared to $583.8 million in fiscal 2010, an increase of $563.8 million (97%). Operating results reflected higher pretax earnings in our Energy and Ag segments as well as within Corporate and Other.

Our Energy segment generated income before income taxes of $629.9 million for the year ended August 31, 2011 compared to $234.4 million in fiscal 2010. This increase in earnings of $395.5 million (169%) is primarily from improved margins on refined fuels at both our Laurel, Montana refinery and the NCRA refinery in McPherson, Kansas. Earnings in our renewable fuels marketing and transportation businesses also improved, while our propane, lubricants and equipment businesses experienced lower earnings during the year ended August 31, 2011 when compared to the previous year.

Our Ag segment generated income before income taxes of $434.8 million for the year ended August 31, 2011 compared to $267.4 million in fiscal 2010, an increase in earnings of $167.4 million (63%). Earnings from our wholesale crop nutrients business improved $34.9 million for the year ended August 31, 2011 compared with fiscal 2010, primarily from increased volumes and improved margins. Our country operations earnings increased $48.7 million during the year ended August 31, 2011 compared to the prior year, primarily as a result of higher grain volumes and increased margins, including from acquisitions made over the past year. Our grain marketing earnings increased by $76.9 million during the year ended August 31, 2011 compared with fiscal 2010, primarily as a result of a pre-tax gain on the sale of our investment in Multigrain of $119.7 million, partially offset by an increase of $27.2 million of equity method losses from Multigrain and also higher expenses related to the expansion of our foreign operations. Our processing and food ingredients earnings increased by $5.7 million for the year ended August 31, 2011 compared to the prior year, primarily due to improved crushing margins, partially offset by reduced refining margins.

Corporate and Other generated income before income taxes of $83.0 million during fiscal 2011 compared to $82.0 million during fiscal 2010, an increase in earnings of $1.0 million (1%). Business solutions earnings increased $7.8 million during the year ended August 31, 2011 compared with fiscal 2010, primarily from increased activities in our financial and hedging services. Our Agriliance equity investment generated reduced earnings of $12.0 million, net of allocated expenses, primarily from a larger gain we recorded on our investment in fiscal 2010 compared to fiscal 2011, related to cash distributions received. Our share of earnings from Ventura Foods, our packaged foods joint venture, net of allocated expenses, increased by $5.1 million during the year ended August 31, 2011, compared to the prior year, primarily from increased margins. Our share of earnings from our wheat milling joint ventures, net of allocated expenses, increased by $2.1 million for the year ended August 31, 2011 compared to the prior year, primarily as a result of improved margins.

Net Income attributable to CHS Inc. Consolidated net income attributable to CHS Inc. for the year ended August 31, 2011 was $961.4 million compared to $502.2 million for the year ended August 31, 2010, which represents a $459.2 million (91%) increase.

Revenues. Consolidated revenues of $36.9 billion for the year ended August 31, 2011 compared to $25.3 billion for the year ended August 31, 2010, which represents an $11.6 billion (46%) increase.

Our Energy segment revenues, after elimination of intersegment revenues, of $11.1 billion increased by $2.6 billion (30%) during the year ended August 31, 2011 compared to fiscal 2010. During the years ended August 31, 2011 and 2010, our Energy segment recorded revenues from our Ag segment of $383.4 million and $295.5 million, respectively, which are eliminated as part of the consolidation process. The net increase in revenues of $2.6 billion is comprised of a net increase of $2.8 billion related to higher prices, partially offset by $189.2 million related to a net decrease in sales volume. Refined fuels revenues increased $2.0 billion (32%), of which $2.2 billion was related to a net average selling price increase, partially offset by $249.6 million, which was attributable to decreased volumes, compared to the previous year. The sales price of refined fuels increased $0.80 per gallon (38%), while volumes decreased 4%. The volume decrease was mainly from the reduced volumes to the minority owners of NCRA due to NCRA's required major maintenance, in addition to the impact of the global economy with less transport diesel usage, when comparing the year ended August 31, 2011 with the prior year. Propane revenues increased $48.8 million (7%), of which $124.1 million related to an increase in the net average selling price, partially offset by a $75.2 million decrease in volume, when compared to the previous year. The average selling price of propane increased $0.21 per gallon (19%), while sales volume decreased 10% in comparison to the prior year. The decrease in propane volumes

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primarily reflects decreased demand, primarily from a greatly reduced crop drying season in the fall of fiscal 2011 as compared to the fall of fiscal 2010. Renewable fuels marketing revenues increased $478.9 million (44%), primarily from an increase in the average selling price of $0.74 per gallon (41%), coupled with a 2% increase in volumes, when compared with fiscal 2010.

Our Ag segment revenues, after elimination of intersegment revenues, of $25.8 billion increased $9.1 billion (54%) during the year ended August 31, 2011 compared to fiscal 2010. Grain revenues in our Ag segment totaled $19.6 billion and $12.1 billion during the years ended August 31, 2011 and 2010, respectively. Of the grain revenues increase of $7.5 billion (62%), $5.8 billion is due to increased average grain selling prices and a $1.7 billion increase due to a 14% net increase in volumes, during the year ended August 31, 2011 compared to the prior fiscal year. The average sales price of all grain and oilseed commodities sold reflected an increase of $2.64 per bushel (42%) over fiscal 2010. Soybeans, wheat and corn all had increased volumes compared to the year ended August 31, 2010.

Our processing and food ingredients revenues in our Ag segment of $1.3 billion increased $248.0 million (23%) during fiscal 2011 compared to fiscal 2010. The net increase in revenues of $248.0 million is comprised of $217.5 million from an increase in the average selling price of our oilseed products and a net increase of $30.5 million related to increased volumes, as compared to fiscal 2010. 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 $2.4 billion and $1.6 billion during the years ended August 31, 2011 and 2010, respectively. Of the wholesale crop nutrient revenues increase of $853.2 million (55%), $607.7 million was related to increased average fertilizer selling prices and $245.5 million was due to increased volumes, during the year ended August 31, 2011 compared to the prior fiscal year. The average sales price of all fertilizers sold reflected an increase of $111 per ton (34%) over fiscal 2010. Our wholesale crop nutrient volumes increased 16% during the year ended August 31, 2011 compared with fiscal 2010, mainly due to good weather conditions in the fall of fiscal 2011 which allowed for early fertilizer application compared to a late fall harvest in fiscal 2010 which delayed fertilizer application.

Our Ag segment other product revenues, primarily feed and farm supplies, of $2.3 billion increased by $440.6 million (24%) during fiscal 2011 compared to fiscal 2010, primarily the result of increased revenues in our country operations sales of retail crop nutrients and energy products. Other revenues within our Ag segment of $191.1 million during fiscal 2011 increased $4.4 million (2%) compared to fiscal 2010.

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 $35.5 billion for the year ended August 31, 2011, compared to $24.4 billion for the year ended August 31, 2010, which represents an $11.1 billion (46%) increase.

Our Energy segment cost of goods sold, after elimination of intersegment costs, of $10.3 billion increased by $2.2 billion (27%) during fiscal 2011 compared to fiscal 2010. The increase in cost of goods sold is primarily due to increased per unit costs for refined fuels products. Specifically, refined fuels cost of goods sold increased $1.5 billion (26%) which reflects an increase in the average cost of refined fuels of $0.64 per gallon (32%) while volumes decreased 4% compared to the year ended August 31, 2010. 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 average cost increase is primarily related to higher input costs at our two crude oil refineries and higher average prices on the refined products that we purchased for resale compared to the year ended August 31, 2010. The aggregate average per unit cost of crude oil purchased for the two refineries increased 23% compared to the year ended August 31, 2010. The cost of propane increased $69.6 million (10%), primarily from an average cost increase of $0.24 per gallon (23%), partially offset by a 10% decrease in volumes, when compared to the year ended August 31, 2010. Renewable fuels marketing costs increased $477.7 million (44%), primarily from an increase in the average cost of $0.74 per gallon (42%), in addition to a 2% increase in volumes, when compared with the previous year.

Our Ag segment cost of goods sold, after elimination of intersegment costs, of $25.2 billion increased $8.9 billion (55%) during fiscal 2011 compared to fiscal 2010. Grain cost of goods sold in our Ag segment totaled $19.3 billion and $11.8 billion during the years ended August 31, 2011 and 2010, respectively. The cost of grains and oilseed procured through our Ag segment increased $7.5 billion (64%) compared to the year ended August 31, 2010. This is primarily the result of a $2.68 (44%) increase in the average cost per bushel, in addition to a 14% net increase in bushels sold, as compared to prior

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year. The average month-end market price per bushel of spring wheat, soybeans and corn increased compared to the last fiscal year end.

Our processing and food ingredients cost of goods sold in our Ag segment of $1.3 billion increased $243.9 million (24%) during fiscal 2011 compared to fiscal 2010, which was primarily due to increases in cost of soybeans purchased, coupled with higher volumes sold of oilseed refined products.

Wholesale crop nutrients cost of goods sold in our Ag segment totaled $2.3 billion and $1.5 billion during the years ended August 31, 2011 and 2010, respectively. The net increase of $808.9 million (55%) is comprised of a net increase in tons sold of 16%, in addition to an increase in the average cost per ton of fertilizer of $105 (34%), when compared to the prior fiscal year.

Our Ag segment other product cost of goods sold, primarily feed and farm supplies, increased $394.9 million (26%) during fiscal 2011 compared to fiscal 2010, primarily due to net higher input commodity prices, along with increases due to volumes generated from earlier fall application affecting retail crop nutrients and energy and increases due to volumes generated from acquisitions made and reflected in previous reporting periods.

Marketing, General and Administrative. Marketing, general and administrative expenses of $438.5 million for the year ended August 31, 2011 increased by $71.9 million (20%) compared to fiscal 2010. This net increase includes expansion of foreign operations and retail acquisitions in our Ag segment, in addition to increased employee related costs in many of our business operations and Corporate and Other.

(Gain) Loss on Investments. Gain on investments of $126.7 million for the year ended August 31, 2011 increased $97.3 million compared to fiscal 2010. 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 and $28.4 million during fiscal 2011 and fiscal 2010, respectively, 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 $74.8 million for the year ended August 31, 2011 increased $16.5 million (28%) compared to fiscal 2010. Interest expense for the years ended August 31, 2011 and 2010 was $83.0 million and $69.9 million, respectively. The increase in interest expense of $13.1 million (19%) primarily relates to increased short-term borrowings to meet increased working capital needs from higher commodity prices during fiscal 2011 compared to the previous fiscal year. The average level of short-term borrowings increased $708.3 million, primarily due to increased working capital needs resulting from higher commodity prices. For the years ended August 31, 2011 and 2010, we capitalized interest of $5.5 million and $6.2 million, respectively, primarily related to construction projects at both refineries in our Energy segment. Interest income was $2.7 million and $5.4 million for the years ended August 31, 2011 and 2010, respectively.

Equity Income from Investments. Equity income from investments of $131.4 million for the year ended August 31, 2011 increased $22.6 million (21%) compared to fiscal 2010. 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 increase in equity income from investments was attributable to improved earnings from investments in Corporate and Other and our Ag and Energy segments of $12.1 million, $9.2 million, and $1.3 million, respectively.

Corporate and Other generated increased equity investment earnings of $12.1 million. Our share of equity investment earnings or losses in agronomy improved earnings by $7.1 million and reflects negative retail margins during fiscal 2010 as this operation was being repositioned. We recorded increased earnings for Ventura Foods, our vegetable oil-based products and packaged foods joint venture, of $5.1 million compared to fiscal 2010 due to improved margins. We recorded reduced earnings for Horizon Milling, our domestic and Canadian wheat milling joint ventures, of $0.1 million, net.

Our Ag segment generated improved equity investment earnings of $9.2 million. We had a net increase of $6.3 million from our share of equity investment earnings in our grain marketing joint ventures during fiscal 2011 compared to the previous fiscal year, which is primarily related to improved export margins partially offset by decreased earnings from an international investment. In addition, during fiscal 2011, we dissolved our United Harvest joint venture. Our country operations business reported an aggregate increase in equity investment earnings of $2.6 million from several small equity investments.

Income Taxes. Income tax expense of $86.6 million for the year ended August 31, 2011, compared with $48.4 million for fiscal 2010, resulting in effective tax rates of 7.5% and 8.3%, respectively. As a result of the sale of our Multigrain investment previously discussed, during fiscal 2011, 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 38.9% for the years ended August 31, 2011 and 2010. 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. Noncontrolling interests of $99.7 million for the year ended August 31, 2011 increased by $66.4 million compared to fiscal 2010. This net increase was a result of more profitable operations within our majority-owned subsidiaries. Substantially all noncontrolling interests relate to NCRA a majority-owned subsidiary, which we consolidate in our Energy segment. As of August 31, 2011, we owned 74.5% of NCRA.

Liquidity and Capital Resources

On August 31, 2012, we had working capital, defined as current assets less current liabilities, of $2,848.5 million and a current ratio, defined as current assets divided by current liabilities, of 1.4 to 1.0 compared to working capital of $2,776.5 million and a current ratio of 1.5 to 1.0 on August 31, 2011.

On August 31, 2012, we had two primary committed lines of credit. We had a three-year revolving facility and a five-year revolving facility, each with committed amounts of $1.25 billion, for a total of $2.5 billion, which had no amounts outstanding as of August 31, 2012. As of August 31, 2011 we had two revolving lines of credit totaling $2.2 billion, which had no amounts outstanding and both of which were terminated and replaced by the existing facilities in September 2011. 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, 2012, 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 $718.6 million, $301.3 million and $150.0 million for the years ended August 31, 2012, 2011 and 2010, respectively. 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. The fluctuation in cash flows from operations between fiscal 2011 and 2010 was primarily from increased operating earnings in fiscal 2011 compared to fiscal 2010, partially offset by increased cash outflows related to a substantial net increase in operating assets and liabilities during fiscal 2011, compared to a smaller net increase in fiscal 2010. Commodity prices increased significantly during fiscal 2011, and resulted in increased working capital needs compared to fiscal 2010.

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

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commodity prices, in addition to inventory quantities, and is reflected in increased receivables, inventories and derivative assets 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 $1,061.0 million 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 discussed 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 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.

Our operating activities provided net cash of $150.0 million during the year ended August 31, 2010. Net income including noncontrolling interests of $535.4 million and net non-cash expenses and cash distributions from equity investments of $199.0 million, were partially offset by an increase in net operating assets and liabilities of $584.4 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 $221.5 million and deferred taxes of $39.5 million which were partially offset by gains on investments of $29.4 million and income from equity investments, net of distributions from those investments, of $19.1 million. Gain on investments were previously discussed in “Results of Operations,” and include a $28.4 million gain recognized as a result of cash distributions received from Agriliance, primarily from the sale of many of its retail facilities and the collection of receivables. 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 inventories, margin deposits and receivables, partially offset by an increase in accounts payable, accrued expenses, customer credit balances and advance payments on August 31, 2010 when compared to August 31, 2009. On August 31, 2010, the per bushel market prices of two of our three primary grain commodities, spring wheat and corn, increased by $1.75 (34%) and $0.98 (30%), respectively, while soybeans decreased by $0.92 (8%) when compared to the spot prices on August 31, 2009. In general, crude oil market prices increased $2 per barrel (3%) on August 31, 2010 when compared to August 31, 2009. In addition, on August 31, 2010, fertilizer commodity prices affecting our wholesale crop nutrients and country operations retail businesses generally reflected increases between 5% and 62%, depending on the specific products, compared to prices on August 31, 2009, with the exception of potash, which decreased approximately 20%. An increase in grain inventory quantities in our Ag segment of 59.7 million bushels (65%) also contributed to the increase in net operating assets and liabilities when comparing inventories at August 31, 2010 to August 31, 2009.

Cash Flows from Investing Activities

For the years ended August 31, 2012, 2011 and 2010, the net cash flows used in our investing activities totaled $694.2 million, $551.0 million and $289.6 million, respectively.

The acquisition of property, plant and equipment comprised the primary use of cash totaling $468.6 million, $310.7 million and $324.3 million for the years ended August 31, 2012, 2011 and 2010, respectively. Included in our total acquisitions of property, plant and equipment for fiscal 2011 and 2010, were capital expenditures for an Environmental Protection Agency mandated regulation that required the reduction of the benzene level in gasoline to be less than 0.62% volume by January 1, 2011. As a result of this regulation, our Laurel, Montana refinery and the NCRA refinery in McPherson, Kansas have incurred capital expenditures to reduce gasoline benzene levels to meet the new regulated levels. Both refineries were producing gasoline within the regulated benzene levels as of January 1, 2011. Our combined capital expenditures for benzene removal for both refineries were approximately $95.0 million, of which $19.0 million and $43.0 million was spent during the years ended August 31, 2011 and 2010, respectively.

Expenditures for major repairs related to our refinery turnarounds were $23.4 million, $92.1 million and $7.6 million during the years ended August 31, 2012, 2011 and 2010, 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 a turnaround during the first quarter of fiscal 2012. Both our Laurel, Montana and NCRA's McPherson, Kansas refineries completed turnarounds during the first quarter of fiscal 2011. Our Laurel, Montana refinery has a scheduled turnaround for maintenance for the spring of 2013. We estimate total expenditures related to this turnaround to be approximately $50.0 million.

For the year ending August 31, 2013, we expect total expenditures for the acquisition of property, plant and equipment and major repairs at our refineries to be approximately $750.0 million. Included in our expected capital expenditures for fiscal 2013, is $164.0 million for a project to replace a coker at one of our refineries with an expected total cost of $555.0 million and expected completion in fiscal 2015. We incurred $60.4 million of costs related to the coker project in fiscal 2012.

Cash acquisitions of businesses, net of cash acquired, totaled $166.0 million, $67.5 million and $6.3 million during the years ended August 31, 2012, 2011 and 2010, 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. Other business acquisitions in our Ag segment during fiscal 2012 totaled $5.0 million. 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. Other business acquisitions in our Ag segment during fiscal 2011 totaled $5.1 million. During the year ended August 31, 2010, our Ag segment had small acquisitions totaling $6.3 million.

Investments made in joint ventures and other investments during the years ended August 31, 2012, 2011 and 2010, totaled $94.8 million, $6.1 million and $38.1 million, respectively. As previously discussed in "Results of Operations," Agriliance has essentially ceased its business activities. 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. During fiscal 2010, we made capital contributions of $24.0 million to our Brazil-based Multigrain joint venture, included in our Ag segment, due to expansion of their operations. Our approximate 45% equity interest in Multigrain was sold during fiscal 2011 to one of the joint venture partners, as previously discussed in "Results of Operations." During fiscal 2012, we used $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. We expect to make significant future cash contributions to TEMCO beginning in fiscal 2013 to fund our half of the Kalama, Washington grain export terminal expansion. Total capital expenditures for the expansion are expected to be approximately $200 million with expected funding of both debt and equity contributions. Completion of the project is anticipated in fiscal 2014.

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 related party 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. Changes in notes receivable for the year ended August 31, 2010, resulted in a net decrease in cash flows of $41.9 million. The primary cause of the net decrease in cash flows was additional CHS Capital notes receivable from its customers in the amount of $104.8 million on August 31, 2010, compared to August 31, 2009, and was partially offset by a net increase in cash flows of $62.9 million, primarily from decreased related party notes receivable at NCRA from its minority owners.

Partially offsetting our cash outlays for investing activities during the years ended August 31, 2012, 2011 and 2010,

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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 discussed in “Results of Operations.” During fiscal 2012, we received cash from redemptions of investments totaling $12.1 million. Redemptions of investments totaled $39.7 million and $119.3 million, respectively, during fiscal 2011 and 2010, of which $28.0 million and $105.0 million of the redemptions, respectively, 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, 2012, 2011 and 2010, were proceeds received from the disposition of property, plant and equipment of $27.8 million, $9.5 million and $10.1 million, respectively.

Cash Flows from Financing Activities

For the years ended August 31, 2012, 2011 and 2010, the net cash flows (used in) provided by our financing activities totaled $(638.9) million, $786.9 million and $(236.8) 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, 2012, we had two primary committed lines of credit. We had a three-year revolving facility and a five-year revolving facility, each with committed amounts of $1.25 billion, for a total of $2.5 billion. On August 31, 2011 we had two revolving lines of credit totaling $2.2 billion, both of which were terminated and replaced by the existing facilities in September 2011. 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. In December 2011, the line of credit dedicated to NCRA was renewed and expires in December 2014. We also have a three-year, $40.0 million committed revolving facility, with the right to increase the capacity to $120.0 million that expires in November 2013. Our wholly-owned subsidiaries, CHS Europe S.A. and CHS do Brasil Ltda., have uncommitted lines of credit which are collateralized by $190.4 million of inventories and receivables at August 31, 2012. In addition, other international subsidiaries have lines of credit totaling $77.7 million outstanding at August 31, 2012, of which $43.8 million is collateralized. On August 31, 2012 and 2011, we had total short-term indebtedness outstanding on these various facilities and other miscellaneous short-term notes payable totaling $269.8 million and $130.7 million.

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, 2012 and 2011, we had no commercial paper outstanding.

CHS Capital Financing:

Cofina Funding, LLC (Cofina Funding), a wholly-owned subsidiary of CHS Capital, has available credit totaling $300.0 million as of August 31, 2012, under note purchase agreements with various purchasers, through the issuance of short-term notes payable. CHS Capital sells eligible commercial loans receivable it has originated to Cofina Funding, which are then pledged as collateral under the note purchase agreements. The notes payable issued by Cofina Funding bear interest at variable rates based on commercial paper with a weighted average rate of 1.21% as of August 31, 2012. Borrowings by Cofina Funding utilizing the issuance of commercial paper under the note purchase agreements totaled $121.5 million as of August 31, 2012.

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 2.03%

to 3.00% as of August 31, 2012. As of August 31, 2012, the total funding commitment under these agreements was $261.0 million, of which $122.7 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 $250.0 million. The total outstanding commitments under the program totaled $238.2 million as of August 31, 2012, of which $158.2 million was borrowed under these commitments with an interest rate of 1.82%.

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, 2012, and are due upon demand. Borrowings under these notes totaled $131.4 million as of August 31, 2012.

As of August 31, 2011, the net borrowings under the Cofina Funding note purchase agreements were $371.3 million.

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CHS Capital borrowings under the ProPartners program and the surplus funds program were $174.0 million and $96.6 million, respectively, as of August 31, 2011.

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, 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. On August 31, 2011, we had total long-term debt outstanding of $1,502.0 million, of which $150.0 million was bank financing, $1,311.5 million was private placement debt and $40.5 million was other notes and contracts payable. Our long-term debt is unsecured except for other notes and contracts in the amount of $33.7 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, 2012. The aggregate amount of long-term debt payable as of August 31, 2012 was as follows (dollars in thousands):

2013	$108,211
2014	161,986
2015	163,647
2016	130,044
2017	150,213
Thereafter	726,252
	$1,440,353

We did not have any new long-term borrowings during the years ended August 31, 2012 and 2010. During the year ended August 31, 2011, we borrowed $631.9 million on a long-term basis. During the years ended August 31, 2012, 2011 and 2010, we repaid long-term debt of $96.6 million, $114.9 million and $84.8 million, respectively.

Additional detail on our long-term borrowings and repayments are 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 are due in equal annual installments during the years 2008 through 2013. During each of the years ended August 31, 2012, 2011 and 2010, repayments totaled $37.5 million.

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 each of the years ended August 31, 2011 and 2010, 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 $17.7 million were made on the first series notes during each of the years ended August 31, 2011 and 2010 and a repayment of $9.2 million was made during fiscal 2012 related to the second 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

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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, 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.

Other Financing:

Distributions to noncontrolling interests for the years ended August 31, 2012, 2011 and 2010 were $78.6 million, $18.2 million and $4.9 million, respectively, and were primarily related to NCRA.

During the years ended August 31, 2012, 2011 and 2010, changes in checks and drafts outstanding resulted in increases in cash flows of $6.4 million, $63.0 million and $47.3 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 capital equity certificates. Consenting patrons have agreed to take both the cash and 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 capital equity certificates, as long as the cash distribution is at least 20% of the total patronage distribution. For the year ended 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 quarter of the year ended August 31, 2012, totaling $676.3 million. The cash portion of this distribution, deemed by the Board of

Directors to be 35% for individual members and 40% for non-individual members was $260.7 million. During the years ended August 31, 2011 and 2010, we distributed patronage refunds of $402.4 million and $438.0 million, respectively, of which the cash portion was $141.5 million and $153.9 million, respectively. By action of the Board of Directors, patronage losses incurred in fiscal 2009 from our wholesale crop nutrients business, totaling $60.2 million, were offset against the fiscal 2008 wholesale crop nutrients operating earnings and the gain on the sale of our CF Industries stock through the cancellation of capital equity certificates in fiscal 2010.

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, 2012 was added to our capital reserves and the remaining 90%, or approximately $969.9 million, will be distributed as patronage in fiscal 2012. The cash portion of this distribution, determined by the Board of Directors to be 35% for individual members and 40% for non-individual members, is expected to be approximately $378.7 million and is classified as a current liability on the August 31, 2012 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 equities held by them

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and another for individuals who are eligible for equity redemptions at age 70 or upon death. In accordance with authorization from the Board of Directors, we expect total redemptions related to the year ended August 31, 2012, that will be distributed in fiscal 2013, to be approximately $196.0 million. These expected distributions are classified as a current liability on the August 31, 2012 Consolidated Balance Sheet.

For the years ended August 31, 2012, 2011 and 2010, we redeemed in cash, equities in accordance with authorization from the Board of Directors, in the amounts of $145.7 million, $61.2 million and $23.1 million, respectively. An additional $36.7 million of capital equity certificates were redeemed in fiscal 2010 by issuance of shares of our 8% Cumulative Redeemable Preferred Stock (Preferred Stock). The amount of equities redeemed with each share of Preferred Stock issued was $28.30, which was the closing price per share of the stock on the NASDAQ Stock Market LLC on February 22, 2010.

Our Preferred Stock is listed on the NASDAQ Stock Market LLC under the symbol CHSCP. On August 31, 2012, we had 12,272,003 shares of Preferred Stock outstanding with a total redemption value of approximately $306.8 million, excluding accumulated dividends. Our Preferred Stock accumulates dividends at a rate of 8% per year, which are payable quarterly. Dividends paid on our Preferred Stock during the years ended August 31, 2012, 2011 and 2010, were $24.5 million, $24.5 million and $23.2 million, respectively.

Our Preferred Stock is redeemable at our option. At this time, we have no current plan or intent to redeem any Preferred Stock.

Off Balance Sheet Financing Arrangements

Lease Commitments:

We have commitments under operating leases for various refinery, manufacturing and transportation equipment, rail cars, vehicles and office space. Some leases include purchase options at not less than fair market value at the end of the lease term.

Total rental expense for all operating leases, net of rail car mileage credits received from the railroad and sublease income, for the years ended August 31, 2012, 2011 and 2010, was $74.6 million, $66.2 million and $64.3 million, respectively.

Minimum future lease payments required under noncancelable operating leases as of August 31, 2012 were as follows:

	Total (Dollars in thousands)
2013	$48,959
2014	39,245
2015	33,778
2016	31,078
2017	24,215
Thereafter	25,734
Total minimum future lease payments	$203,009

Guarantees:

We are a guarantor for lines of credit and performance obligations for related companies. Our bank covenants allow maximum guarantees of $500.0 million, of which $16.3 million was outstanding on August 31, 2012. 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, 2012.

Debt:

There is no material off balance sheet debt.

Contractual Obligations

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We had certain contractual obligations at August 31, 2012, which require the following payments to be made:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
	(Dollars in thousands)				
Notes payable(1)	$803,623	$803,623			
Long-term debt(1)	1,440,353	108,211	$325,633	$280,257	$726,252
Interest payments(2)	366,800	74,601	114,255	81,121	96,823
Operating leases	203,009	48,959	73,023	55,293	25,734
Purchase obligations(3)	9,035,609	8,418,568	231,718	127,088	258,235
Mandatorily redeemable noncontrolling interests(4)	350,550	65,981	131,962	153,021	—
Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests(1)(5)	127,516		34,489	63,914	29,113
Other liabilities(6)	55,213		30,243	12,657	12,313
Total obligations	$12,382,673	$9,519,943	$941,323	$773,351	$1,148,470

(1) Included on our Consolidated Balance Sheet.

(2) Based on interest rates and long-term debt balances as of August 31, 2012.

(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. Of our total purchase obligations at August 31, 2012, $2,483.6 million is included in accounts payable and accrued expenses on our Consolidated Balance Sheet.

(4) The present value, totaling $334.7 million, of the future payments is recorded on the Consolidated Balance Sheet.

(5) Based on estimated fair value at August 31, 2012.

(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, 2012, in the amount of $277.8 million, the timing of the payments of $222.6 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.

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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. We do not use derivatives for speculative purposes. 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

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, 2012 since we conduct a significant portion of our business in U.S. dollars.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, “Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards.” ASU No. 2011-04 provides a consistent definition of fair value to ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. Some of the key amendments to the fair value measurement guidance include the highest and best use and valuation premise for nonfinancial assets, application to financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, premiums or discounts in fair value measurement and fair value of an instrument classified in a reporting entity’s equity. Additional disclosures for fair value measurements categorized in Level 3 of the fair value hierarchy include a quantitative disclosure of the unobservable inputs and assumptions used in the measurement, a description of the valuation processes in place, a narrative description of the sensitivity of the fair value to changes in unobservable inputs and interrelationships between those inputs. ASU 2011-04 became effective for us during our third fiscal quarter, and the required disclosures are included in Note 12, Fair Value Measurements.

In June 2011, the FASB issued ASU No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” ASU No. 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of stockholders’ equity. It requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued ASU 2011-12, “Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05”, to defer the effective date of the specific requirement to present items that are reclassified out of accumulated other comprehensive income to net income alongside their respective components of net income and other comprehensive income. All other provisions of this update, which are to be applied retrospectively, are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As ASU No. 2011-05 is only disclosure related, it will not have an impact on our financial position, results of operations, or cash flows.

In September 2011, the FASB issued ASU No. 2011-08, “Intangibles — Goodwill and Other (Topic 350) — Testing Goodwill for Impairment.” ASU No. 2011-08 allows entities to use a qualitative approach to test goodwill for impairment. It permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In September 2011, the FASB issued ASU No. 2011-09, “Compensation — Retirement Benefits — Multiemployer Plans (Subtopic 715-80).” ASU No. 2011-09 requires that employers provide additional separate disclosures for multiemployer pension plans and multiemployer other postretirement benefit plans. The additional quantitative and qualitative disclosures will provide users with more detailed information about an employer’s involvement in multiemployer pension plans. This guidance is effective for annual periods for fiscal years ending after December 15, 2011, and early adoption is permitted. ASU 2011-09 became effective for us during our fourth fiscal quarter, and the required disclosures are included in Note 10, Benefit Plans.

In December 2011, the FASB issued 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 July 2012, the FASB issued ASU No. 2012-02, “Intangibles — Goodwill and Other (Topic 350) — Testing Indefinite-Lived Intangible Assets for Impairment.” ASU No. 2012-02 allows entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. It permits an entity to first perform a qualitative assessment to determine whether the existence of events and circumstances indicates that it is more likely than not that an indefinite-lived intangible asset is impaired. If an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, and early adoption is permitted. We do not expect the adoption of this guidance to 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 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 or accounted for as hedging instruments for accounting purposes in any of our operations. 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

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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 our year ended August 31, 2011, we entered into interest rate swaps and treasury lock derivative agreements to secure the interest rates related to a portion of our private placement debt issued in June 2011. These derivative instruments were designated as cash flow hedges for accounting purposes and, accordingly, the net loss on settlements of $6.3 million was recorded as a component of other comprehensive loss and is being amortized into earnings in interest, net over the term of the agreements. 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 $12.5 million expiring at various times through fiscal 2018, with $0.3 million of the notional amount expiring during fiscal 2013. 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 the 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, 2012 was approximately 5.2%.

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

Expected Maturity Date								
	2012	2013	2014	2015	2016	Thereafter	Total	Fair Value
	(Dollars in thousands)							
Liabilities								
Variable rate miscellaneous short-	$269,783						$269,783	$269,783

term notes payable								
Average interest rate	2.6 %						2.6 %	
Variable rate CHS Capital short-term notes payable	$533,839						$533,839	$533,839
Average interest rate	1.7 %						1.7 %	
Fixed rate long-term debt	$108,211	$161,986	$163,647	$130,044	$150,213	$726,252	$1,440,353	$1,491,852
Average interest rate	5.6 %	5.7 %	5.7 %	6.0 %	5.7 %	4.6 %	5.2 %	
Interest Rate Derivatives								
Variable to fixed CHS Capital notes payable interest rate swaps	$12,532	$12,215	$11,548	$10,046	$3,486	$3,486	$53,313	$544
Average pay rate(a)	range	range	range	range	range	range		
Average receive rate(b)	0.24 %	0.24 %	0.24 %	0.24 %	0.24 %	0.24 %		

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(a) Swaps expiring in fiscal 2013 through fiscal 2018 (16 total) with a range of rates from 1.98% to 5.02%
(b) One month London Interbank Offered Rate (LIBOR) at August 31, 2012

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 2012, with planned future growth. We had minimal risk regarding foreign currency fluctuations during fiscal 2012 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, 2012, $1.0 million associated with foreign currency contracts was included in derivative assets, and $2.4 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, 2012 and 2011 is presented below.

	November 30, 2011	February 29, 2012	May 31, 2012	August 31, 2012
	(Unaudited)			
	(Dollars in thousands)			
Revenues	$9,734,159	$8,843,812	$11,022,955	$10,998,360
Gross profit	640,007	231,577	616,256	523,303
Income before income taxes	530,847	89,858	440,718	355,148
Net income	488,882	79,235	406,718	360,884
Net income attributable to CHS Inc.	416,208	78,470	405,062	360,888
	November 30, 2010	February 28, 2011	May 31, 2011	August 31, 2011
Revenues	$8,135,104	$7,706,119	$10,471,672	$10,602,939
Gross profit	309,076	292,923	439,488	361,359
Income before income taxes	231,226	214,160	465,766	236,504
Net income	206,335	211,819	405,917	236,957
Net income attributable to CHS Inc.	201,725	194,598	358,484	206,548

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

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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, 2012. 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, 2012, 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, 2012. 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, 2012, 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

None.

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PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The table below lists our directors as of August 31, 2012.

Name and Address	Age	Director Region	Since
Donald Anthony 43970 Road 758 Lexington, NE 68850-3745	62	8	2006
Robert Bass E 6391 Bass Road Reedsburg, WI 53959	58	5	1994
David Bielenberg 16425 Herigstad Road NE Silverton, OR 97381	63	6	2009
Clinton J. Blew 16304 S. Fall Street Hutchinson, KS 67501	35	8	2010
Dennis Carlson 3152 — 51st Street Mandan, ND 58554	51	3	2001
Curt Eischens 2153 — 330th Street North Minnesota, MN 56264-1880	60	1	1990
Jon Erickson 17503 — 46th Street SW Minot, ND 58701	52	3	2011
Steve Fritel 2851 — 77th Street NE Barton, ND 58384	57	3	2003
Jerry Hasnedl 12276 — 150th Avenue SE St. Hilaire, MN 56754 -9776	66	1	1995
David Kayser 42046 — 257th Street Alexandria, SD 57311	53	4	2006
Randy Knecht 40193 — 112th Street Houghton, SD 57449	62	4	2001
Greg Kruger N 49494 County Road Y Eleva, WI 54738	53	5	2008
Edward Malesich 9575 MT Highway 41C Dillon, MT 59725	59	2	2011

Michael Mulcahey 8109 — 360th Avenue Waseca, MN 56093	64	1	2003
Steve Riegel	60	8	2006

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Name and Address	Age	Director Region	Since
12748 Ridge Road Ford, KS 67842			
Daniel Schurr 3009 Wisconsin Street LeClaire, IA 52753	47	7	2006
Michael Toelle 5085 St. Anthony Drive Browns Valley, MN 56219	50	1	1992

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. 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 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, assistant secretary-treasurer (2009): Chairman of Audit Committee and serves on Government Relations and Executive Committee. Previously served on the CHS Board of Directors from 2002-2006. 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, 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, second vice chairman (2001): Chairs Capital Committee and serves on Executive Committee. Served as chairman of CHS Foundation Finance and Investment 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 (1990): Chairs Corporate Responsibility Committee and serves on 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 Governance and Government Relations Committees. 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, secretary-treasurer (2003): Serves on Executive and Governance Committees. Served on Corporate Responsibility, Capital 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. 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, chairman (elected in 1995; chairman since 2011): Chairs Executive Committee and CHS Foundation. Served as secretary-treasurer, chaired the Capital Committee and served on Government Relations Committee. Serves on Nationwide Insurance Board Council. 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 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): Chairs Governance Committee and serves on Government Relations Committee. Serves 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. He has served 12 years on the board of Rocky Mountain Supply Inc., Belgrade, Mont., and currently is vice chairman. 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.

Michael Mulcahey (2003): Serves on Capital and Government Relations Committees. Served on CHS Foundation Finance and Investment Committees. Served for three decades as a director and officer for Crystal Valley Co-op, Mankato, Minn., and its predecessors. Served as a director and chairman for South Central Federated Feeds. Attended Minnesota State University-Mankato and the University of Minnesota-Waseca. Operates a grain farm and raises beef cattle near Waseca, Minn. Mr. Mulcahey's principal occupation has been farming for the last five years or longer.

Steve Riegel (2006): Serves on Capital and Government Relations Committees. Served on Corporate Responsibility Committee. 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.

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Daniel Schurr, first vice chairman (2006): Chairman of Government Relations Committee and serves on Corporate Responsibility and Executive Committees. Served on Audit Committee. Serves on Blackhawk Bank and Trust board and audit and trust committees. Served as director and officer for River Valley Cooperative of Mt. Joy, Iowa. Served eight years as director of Great River Bank and Trust. Former local school board member and active in numerous agricultural and community organizations. Named Iowa Jaycees Outstanding Young Farmer in 2004. Holds bachelor's degree in agricultural business from Iowa State University. Raises corn, soybeans, alfalfa and feed cattle near LeClaire, Iowa. Also owns a heavy equipment repair business in Bettendorf, Iowa. Mr. Schurr's principal occupation has been farming for the last five years or longer.

Michael Toelle (1992): Served as chairman. Serves on Capital Committee. Served as chairman of CHS Foundation and served on Audit Committee. Served more than 15 years as director and chairman of Country Partners Cooperative of Browns Valley, Minn., and its predecessor companies. Serves as a CHS representative on the Nationwide Insurance Board Council, serves on the 25x'25 Renewable Fuels coalition, has served as director and chairman of Agriculture Council of America, and is active in several cooperative and commodity organizations. Holds a bachelor's degree in industrial technology from Moorhead (Minn.) State University. Operates a grain and hog farm near Browns Valley, Minn. Mr. Toelle'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 2012 Annual Meeting of Members:

Region	Current Incumbent
Region 1 (Minnesota)	Michael Mulcahey
Region 3 (North Dakota)	Steve Fritel
Region 4 (South Dakota)	David Kayser
Region 6 (Idaho, Oregon, Washington, Utah, Alaska, Arizona, California, Hawaii, Nevada)	David Bielenberg
Region 8 (Colorado, Nebraska, Kansas, New Mexico, Oklahoma, Texas)	Don Anthony

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, 2012. Officers are appointed by the Board of Directors.

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Name	Age	Position
Carl Casale	51	President and Chief Executive Officer
Jay Debertin	52	Executive Vice President and Chief Operating Officer, Energy and Foods
Lynden Johnson	52	Executive Vice President, Business Solutions
David Kastelic	57	Executive Vice President and Chief Financial Officer
Patrick Kluempke	64	Executive Vice President, Corporate Services
John McEnroe	57	Executive Vice President, Country Operations
Mark Palmquist	55	Executive Vice President and Chief Operating Officer, Ag Business
Lisa Zell	44	Executive Vice President and General Counsel

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; National Council of Farmer Cooperatives; Greater Twin Cities United Way; and Oregon State University Foundation board of trustees. 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, Ore.

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 CHS Aligned Solutions, along with subsidiaries Ag States 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 chairman for the CHS Pension Plan and is a fiduciary board member for the Co-op 401K Committee. Serves on the board of directors of Ag States Group, CHS Capital and CHS Hedging. He has a bachelor's degree in agricultural economics from North Dakota State University.

David Kastelic, Executive Vice President and Chief Financial Officer, is responsible for finance, business planning, accounting and insurance risk management. He joined the CHS Legal Department in 1993 after 13 years in private practice and was named senior vice president and general counsel for CHS in 2000. He assumed his current role in 2011. Serves on the Board of Directors of Ag States Reinsurance Company, IC and Impact Risk Funding Inc., and PCC. Received a bachelor’s of science degree in Business Administration/Economics from St. John’s University in Collegeville, Minn., and a law degree from the University of Minnesota Law School.

Patrick Kluempke, Executive Vice President — Corporate Services, is responsible for human resources, information technology, marketing communications, corporate citizenship, governmental affairs, business risk control, building and office services, board coordination, corporate planning and international relations. Named Executive Vice President, Corporate Administration in 2005, and to his current position in 2011. Served in the U.S. Army with tours in South Vietnam and South Korea as an aide to General J. Guthrie. Began his career in grain trading and export marketing. Joined CHS in 1983, has held various positions in both the operations and corporate level, and serves on agricultural advisory board of the 9th Federal Reserve Bank and the Agricultural Roundtable Committee of the 10th Federal Reserve Bank. Holds a bachelor's degree from St. Cloud (Minn.) 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, National Grain and Feed Association, as well as numerous CHS Country Operations partners. 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 grain-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 boards of Horizon Milling, LLC and Agriliance 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, Minn., and attended the University of Minnesota MBA program.

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 Appea