

CHS INC  
Form 10-Q  
July 09, 2014  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form 10-Q

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Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended May 31, 2014.

or

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

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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)

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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  NO

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  NO

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller  
reporting company)

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

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.

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PART I. FINANCIAL INFORMATION  
SAFE HARBOR STATEMENT UNDER THE PRIVATE  
SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the results discussed in the forward-looking statements. These factors include those set forth in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, under the caption "Cautionary Statement Regarding Forward-Looking Statements" to this Quarterly Report on Form 10-Q for the quarterly period ended May 31, 2014.

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## ITEM 1. FINANCIAL STATEMENTS

CHS INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	May 31, 2014	August 31, 2013	May 31, 2013
	(Dollars in thousands)		
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$1,549,498	\$1,808,532	\$733,960
Receivables	3,481,706	2,935,478	3,500,681
Inventories	2,837,873	2,664,735	2,937,642
Derivative assets	544,382	499,890	524,461
Margin deposits	382,016	340,905	371,368
Supplier advance payments	640,528	398,441	577,398
Other current assets	211,794	262,779	172,582
Total current assets	9,647,797	8,910,760	8,818,092
Investments	907,738	765,946	737,526
Property, plant and equipment	3,670,245	3,171,404	3,044,582
Other assets	719,167	656,160	514,406
Total assets	\$14,944,947	\$13,504,270	\$13,114,606
<b>LIABILITIES AND EQUITIES</b>			
Current liabilities:			
Notes payable	\$1,129,819	\$889,312	\$872,138
Current portion of long-term debt	156,480	156,612	183,126
Current portion of mandatorily redeemable noncontrolling interest	65,583	65,981	65,603
Customer margin deposits and credit balances	251,132	299,364	211,253
Customer advance payments	887,273	432,097	582,940
Checks and drafts outstanding	181,333	185,660	187,144
Accounts payable	2,217,916	2,416,038	2,345,068
Derivative liabilities	412,471	465,066	456,476
Accrued expenses	469,581	485,070	595,968
Dividends and equities payable	375,224	390,153	358,536
Total current liabilities	6,146,812	5,785,353	5,858,252
Long-term debt	1,310,892	1,450,420	1,300,931
Mandatorily redeemable noncontrolling interest	147,801	209,419	208,099
Other liabilities	1,022,551	906,331	740,471
Commitments and contingencies			
Equities:			
Preferred stock	1,022,346	319,368	319,368
Equity certificates	3,483,868	3,588,346	3,017,689
Accumulated other comprehensive loss	(159,235)	(156,867)	(226,735)
Capital reserves	1,951,331	1,380,361	1,874,644
Total CHS Inc. equities	6,298,310	5,131,208	4,984,966
Noncontrolling interests	18,581	21,539	21,887
Total equities	6,316,891	5,152,747	5,006,853
Total liabilities and equities	\$14,944,947	\$13,504,270	\$13,114,606

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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CHS INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	May 31,		May 31,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Revenues	\$ 11,967,398	\$ 11,936,556	\$ 32,673,793	\$ 33,528,872
Cost of goods sold	11,460,774	11,479,645	31,324,819	32,055,796
Gross profit	506,624	456,911	1,348,974	1,473,076
Marketing, general and administrative	158,859	138,769	447,771	397,931
Operating earnings	347,765	318,142	901,203	1,075,145
(Gain) loss on investments	(108,792 )	(154 )	(111,401 )	(199 )
Interest, net	42,489	66,394	102,263	186,989
Equity (income) loss from investments	(25,522 )	(27,574 )	(89,249 )	(72,406 )
Income before income taxes	439,590	279,476	999,590	960,761
Income taxes	59,717	27,147	116,068	87,033
Net income	379,873	252,329	883,522	873,728
Net income attributable to noncontrolling interests	418	1,533	1,812	4,139
Net income attributable to CHS Inc.	\$ 379,455	\$ 250,796	\$ 881,710	\$ 869,589

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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CHS INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Unaudited)

	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Net income	\$379,873	\$252,329	\$883,522	\$873,728
Other comprehensive income (loss), net of tax:				
Postretirement benefit plan activity, net of tax expense (benefit) of \$2,770, \$436, \$7,145 and \$473, respectively	4,385	706	11,480	767
Unrealized net gain (loss) on available for sale investments, net of tax expense (benefit) of \$20, \$178, \$937 and \$516, respectively	32	290	1,520	838
Cash flow hedges, net of tax expense (benefit) of \$81, \$3,404, \$(8,961) and \$3,756, respectively	131	5,520	(14,535)	) 6,091
Foreign currency translation adjustment, net of tax expense (benefit) of \$1,017, \$(1,799), \$(514) and \$(1,136), respectively	1,650	(2,918)	) (833)	) (1,844)
Other comprehensive income (loss), net of tax	6,198	3,598	(2,368)	) 5,852
Comprehensive income	386,071	255,927	881,154	879,580
Less: comprehensive income attributable to noncontrolling interests	418	1,533	1,812	4,139
Comprehensive income attributable to CHS Inc.	\$385,653	\$254,394	\$879,342	\$875,441

The accompanying notes are an integral part of the consolidated financial statements (unaudited).



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CHS INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

	For the Nine Months Ended May 31,	
	2014	2013
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income including noncontrolling interests	\$883,522	\$873,728
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	193,161	176,839
Amortization of deferred major repair costs	37,411	22,298
(Income) loss from equity investments	(89,249	) (72,406
Distributions from equity investments	62,019	50,886
Noncash patronage dividends received	(5,058	) (4,552
(Gain) loss on sale of property, plant and equipment	1,473	(3,899
(Gain) loss on investments	(111,401	) (199
Unrealized (gain) loss on crack spread contingent liability	(3,975	) 18,729
Deferred taxes	99,574	157
Other, net	16,463	1,786
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(242,348	) (445,132
Inventories	(150,039	) 284,424
Derivative assets	(67,986	) 570,477
Margin deposits	(41,111	) 782,153
Supplier advance payments	(241,495	) 107,422
Other current assets and other assets	(10,223	) 5,439
Customer margin deposits and credit balances	(48,474	) (597,660
Customer advance payments	448,920	(109,606
Accounts payable and accrued expenses	(211,126	) 91,129
Derivative liabilities	(52,595	) (285,063
Other liabilities	4,847	(20,685
Net cash provided by (used in) operating activities	472,310	1,446,265
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(656,288	) (427,070
Proceeds from disposition of property, plant and equipment	4,373	5,794
Expenditures for major repairs	—	(53,843
Investments in joint ventures and other	(67,457	) (13,882
Investments redeemed	130,445	5,780
Proceeds from sale of investments	2,725	1,250
Changes in notes receivable, net	(321,376	) 27,676
Business acquisitions, net of cash acquired	(114,438	) (12,358
Other investing activities, net	(3,558	) (1,339
Net cash provided by (used in) investing activities	(1,025,574	) (467,992
Cash flows from financing activities:		
Changes in notes payable	241,070	69,636
Long-term debt borrowings	1,426	100,000

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Principal payments on long-term debt	(141,760	)	(56,384	)
Mandatorily redeemable noncontrolling interest payments	(65,981	)	(65,981	)
Payments on crack spread contingent liability	(8,670	)	—	
Changes in checks and drafts outstanding	(4,328	)	(18,908	)
Preferred stock issued	702,979		—	
Preferred stock issuance costs	(23,134	)	—	
Preferred stock dividends paid	(29,860	)	(18,408	)
Distributions to noncontrolling interests	(575	)	(1,235	)
Retirements of equities	(87,666	)	(184,955	)
Cash patronage dividends paid	(286,718	)	(380,975	)
Other financing activities, net	(1,635	)	1,110	
Net cash provided by (used in) financing activities	295,148		(556,100	)
Effect of exchange rate changes on cash and cash equivalents	(918	)	(2,242	)
Net increase (decrease) in cash and cash equivalents	(259,034	)	419,931	
Cash and cash equivalents at beginning of period	1,808,532		314,029	
Cash and cash equivalents at end of period	\$1,549,498		\$733,960	

The accompanying notes are an integral part of the consolidated financial statements (unaudited).

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CHS INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(dollars in thousands)

Note 1 Accounting Policies

Basis of Presentation and Revisions

The unaudited Consolidated Balance Sheets as of May 31, 2014 and 2013, the Consolidated Statements of Operations for the three and nine months ended May 31, 2014 and 2013, the Consolidated Statements of Comprehensive Income for the three and nine months ended May 31, 2014 and 2013, and the Consolidated Statements of Cash Flows for the nine months ended May 31, 2014 and 2013, reflect in the opinion of our management, all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. The results of operations and cash flows for interim periods are not necessarily indicative of results for a full fiscal year because of, among other things, the seasonal nature of our businesses. Our Consolidated Balance Sheet data as of August 31, 2013, has been derived from our audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (GAAP).

The consolidated financial statements include our accounts and the accounts of our wholly-owned and majority-owned subsidiaries and limited liability companies, which are primarily related to National Cooperative Refinery Association (NCRA), included in our Energy segment. The effects of all significant intercompany accounts and transactions have been eliminated.

These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended August 31, 2013, included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

We previously reported certain derivative assets and liabilities on a net basis on our Consolidated Balance Sheets. In connection with the issuance of our August 31, 2013 financial statements, we determined that such derivatives should have been reported on a gross basis and have therefore revised our May 31, 2013 Consolidated Balance Sheet, which resulted in an increase in both derivative assets and derivative liabilities of \$236.8 million. The Consolidated Statement of Cash Flows for the nine months ended May 31, 2013, has also been revised for this change with no impact to net operating, investing or financing cash flows. We do not believe these revisions are material.

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, "Disclosures about Offsetting Assets and Liabilities." ASU No. 2011-11, and the subsequent amendments issued in ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," create new disclosure requirements about the nature of an entity's rights of setoff and related arrangements associated with certain financial instruments and recognized 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. The required disclosures have been included in Note 9, Derivative Financial Instruments and Hedging Activities.

In February 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." ASU No. 2013-02 requires an entity to provide information about the effects of significant reclassifications out of accumulated other comprehensive income, by component, either on the face of the financial statements or in the notes to the financial statements and is intended to help improve the transparency of changes in other comprehensive income. ASU No. 2013-02 does not amend any existing requirements for reporting net income or other comprehensive income in the financial statements. ASU No.

2013-02 became effective for our annual and interim reporting periods beginning in fiscal 2014. The required disclosures have been included in Note 6, Equities.

#### Goodwill and Other Intangible Assets

Goodwill was \$112.6 million, \$85.1 million and \$84.2 million on May 31, 2014, August 31, 2013 and May 31, 2013, respectively, and is included in other assets on our Consolidated Balance Sheets. We acquired goodwill of \$26.7 million during the nine months ended May 31, 2014, which related primarily to acquisitions in our Ag segment for which we paid \$114.4 million in cash consideration. These acquisitions were not material, individually or in aggregate, to our consolidated financial statements.

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Intangible assets subject to amortization primarily include customer lists, trademarks and agreements not to compete, and are amortized over their respective useful lives (ranging from 2 to 30 years). Excluding goodwill, the gross carrying amount of our intangible assets was \$115.3 million, \$81.5 million and \$82.1 million on May 31, 2014, August 31, 2013 and May 31, 2013, respectively. Accumulated amortization was \$49.3 million, \$46.0 million and \$42.2 million as of May 31, 2014, August 31, 2013 and May 31, 2013, respectively. Intangible assets acquired were \$38.8 million and \$2.4 million during the nine months ended May 31, 2014 and 2013, respectively. Intangible assets acquired during the nine months ended May 31, 2014, primarily relate to acquisitions in our Ag segment. Total amortization expense for intangible assets during the nine months ended May 31, 2014 and 2013, was \$7.3 million and \$7.4 million, respectively. The estimated annual amortization expense related to intangible assets subject to amortization for the next five years is as follows:

	(Dollars in thousands)
Year 1	\$9,168
Year 2	8,828
Year 3	7,700
Year 4	6,050
Year 5	3,647
Thereafter	30,695
Total	\$66,088

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

There have been no turnaround expenditures during fiscal 2014. For the nine months ended May 31, 2013, major maintenance turnaround expenditures were \$53.8 million and related to a turnaround during the third quarter of fiscal 2013 at our Laurel Montana refinery.

#### Supplier Advance Payments

Beginning November 30, 2013, supplier advance payments are reported as a separate line item on our Consolidated Balance Sheets. Prior period amounts have been reclassified accordingly. Supplier advance payments primarily include amounts paid for in-transit grain purchases from suppliers and amounts paid to crop nutrient suppliers to lock in future supply and pricing.

#### Customer Advance Payments

Customer advance payments primarily consist of amounts received from customers for in-transit grain shipments and amounts received from crop nutrients customers for future shipments.

#### Recent Accounting Pronouncements

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

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In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The guidance also requires an entity to disclose sufficient qualitative and quantitative information surrounding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts from customers. This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. The amendments in this standard are effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. We are currently evaluating the impact the adoption will have on our consolidated financial statements in fiscal 2018.

## Note 2 Receivables

	May 31, 2014	August 31, 2013	May 31, 2013
	(Dollars in thousands)		
Trade accounts receivable	\$2,511,111	\$2,338,336	\$2,700,012
CHS Capital notes receivable	717,784	437,141	567,518
Other	353,357	254,590	350,471
	3,582,252	3,030,067	3,618,001
Less allowances and reserves	100,546	94,589	117,320
Total receivables	\$3,481,706	\$2,935,478	\$3,500,681

Trade accounts receivable are initially recorded at a selling price, which approximates fair value, upon the sale of goods or services to customers. Subsequently, trade accounts receivable are carried at net realizable value, which includes an allowance for estimated uncollectible amounts. We calculate this allowance based on our history of write-offs, level of past due accounts, and our relationships with, and the economics status of, our customers.

CHS Capital, LLC (CHS Capital), our wholly-owned subsidiary, has notes receivable from commercial borrowers and producer borrowings. The short-term notes receivable generally have terms of 12-14 months and are reported at their outstanding principle balances as CHS Capital has the ability and intent to hold these notes to maturity. The carrying value of CHS Capital notes receivable approximates fair value, given their short duration and the use of market pricing adjusted for risk. The notes receivable from commercial borrowers are collateralized by various combinations of mortgages, personal property, accounts and notes receivable, inventories and assignments of certain regional cooperative's capital stock. These loans are primarily originated in the states of Minnesota, Wisconsin, Michigan and North Dakota. CHS Capital also has loans receivable from producer borrowers which are collateralized by various combinations of growing crops, livestock, inventories, accounts receivable, personal property and supplemental mortgages. In addition to the short-term amounts included in the table above, CHS Capital had long-term notes receivable with durations of not more than 10 years of \$147.7 million, \$127.7 million and \$93.3 million at May 31, 2014, August 31, 2013 and May 31, 2013, respectively. The long-term notes receivable are included in other assets on our Consolidated Balance Sheets. As of May 31, 2014, August 31, 2013 and May 31, 2013 the commercial notes represented 67%, 59% and 73%, respectively, and the producer notes represented 33%, 41% and 27%, respectively, of the total CHS Capital notes receivable.

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

that were past due was not material at any reporting date presented.

CHS Capital has commitments to extend credit to a customer as long as there is no violation of any condition established in the contract. As of May 31, 2014, CHS Capital's customers have additional available credit of \$953.9 million.

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## Note 3 Inventories

	May 31, 2014	August 31, 2013	May 31, 2013
	(Dollars in thousands)		
Grain and oilseed	\$1,227,913	\$1,133,555	\$1,344,265
Energy	719,261	742,194	682,528
Crop nutrients	207,946	293,370	237,487
Feed and farm supplies	561,975	407,023	564,424
Processed grain and oilseed	107,331	79,706	97,212
Other	13,447	8,887	11,726
Total inventories	\$2,837,873	\$2,664,735	\$2,937,642

As of May 31, 2014, we valued approximately 16% of inventories, primarily related to Energy, using the lower of cost, determined on the LIFO method, or market (16% and 14% as of August 31, 2013 and May 31, 2013, respectively). If the FIFO method of accounting had been used, inventories would have been higher than the reported amount by \$569.8 million, \$652.6 million and \$535.8 million at May 31, 2014, August 31, 2013 and May 31, 2013, respectively. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs, and are subject to the final year-end LIFO inventory valuation.

## Note 4 Investments

As of August 31, 2013, we owned 79.2% of NCRA. In fiscal 2012, we entered into an agreement to purchase the remaining shares of NCRA from Growmark Inc. and MFA Oil Company in separate closings to be held annually through fiscal 2016. Pursuant to this agreement, we made payments during the nine months ended May 31, 2014 and 2013 of \$66.0 million and \$66.0 million respectively; increasing our ownership to 84.0%. The present value of the remaining payments is included as mandatorily redeemable noncontrolling interest on our Consolidated Balance Sheets. In addition to these payments, we paid \$16.5 million during the nine months ended May 31, 2014 related to the associated crack spread contingent liability. The fair value of the remaining contingent liability was \$130.2 million as of May 31, 2014.

In our third quarter, we formed Ardent Mills LLC (Ardent Mills), a joint venture with Cargill Incorporated (Cargill) and ConAgra Foods, Inc., which combines the North American flour milling operations of the three parent companies, including the Horizon Milling, LLC and Horizon Milling G.P. (Horizon Milling) assets and CHS-owned mills, with CHS holding a 12% interest in Ardent Mills. Prior to closing, we contributed \$32.8 million to Horizon Milling to pay off existing debt as a pre-condition to close. Upon closing, Ardent Mills was financed with funds from third-party borrowings, which did not require credit support from the owners. We received \$123.5 million of cash proceeds distributed to us in proportion to our ownership interest, adjusted for deviations in specified working capital target amounts, and recognized a gain of \$108.8 million associated with this transaction. In connection with the closing, the parties also entered into various ancillary and non-compete agreements including, among other things, an agreement for us to supply Ardent Mills with certain wheat and durum products. As we hold one of the five board seats, we account for Ardent Mills as an equity method investment.

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

Note 5 Notes Payable and Long-Term Debt

	May 31, 2014	August 31, 2013	May 31, 2013
	(Dollars in thousands)		
Notes payable	\$703,438	\$521,864	\$432,892
CHS Capital notes payable	426,381	367,448	439,246
Total notes payable	\$1,129,819	\$889,312	\$872,138

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On May 31, 2014, our primary committed line of credit was a five-year revolving facility with a committed amount of \$2.5 billion. We had no amounts outstanding as of May 31, 2014, August 31, 2013 and May 31, 2013.

Interest, net for the three and nine months ended May 31, 2014 and 2013 is as follows:

	For the Three Months Ended		For the Nine Months Ended	
	May 31,		May 31,	
	2014	2013	2014	2013
	(Dollars in thousands)			
Interest expense	\$23,397	\$25,649	\$57,823	\$73,304
Interest-purchase of NCRA noncontrolling interests	23,862	45,574	56,258	126,261
Capitalized interest	(2,641	) (2,567	) (6,503	) (8,163
Interest income	(2,129	) (2,262	) (5,315	) (4,413
Interest, net	\$42,489	\$66,394	\$102,263	\$186,989

In February 2014, we terminated interest rate swaps and recorded a resulting \$13.5 million gain as a reduction to interest expense in our Consolidated Statements of Operations for the nine months ended May 31, 2014. See Note 9, Derivative Financial Instruments and Hedging Activities for additional information.

#### Note 6 Equities

##### Preferred Stock

In September 2013, we issued 11,319,175 shares of Class B Cumulative Redeemable Preferred Stock, Series 1 (Class B Series 1 Preferred Stock), with a total redemption value of \$283.0 million, excluding accumulated dividends. Net proceeds from the sale of our Class B Series 1 Preferred Stock, after deducting the underwriting discount and offering expenses payable by us, were \$273.3 million. The Class B Series 1 Preferred Stock is listed on the NASDAQ under the symbol CHSCO and accumulates dividends at a rate of 7.875% per year, which are payable quarterly. Our Class B Series 1 Preferred Stock may not be redeemed at our option until September 26, 2023.

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

In June 2014, we filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission (SEC). Under the shelf registration, which has been declared effective by the SEC, we may offer and sell, from time to time, up to \$2.0 billion of our Class B cumulative redeemable preferred stock over a three-year period.

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## Changes in Equities

Changes in equities for the nine months ended May 31, 2014 and 2013 are as follows:

	For the Nine Months Ended	
	May 31, 2014	May 31, 2013
	(Dollars in thousands)	
CHS Inc. balances, September 1, 2013 and 2012	\$5,131,208	\$4,455,341
Net income attributable to CHS Inc.	881,710	869,589
Other comprehensive (loss) income	(2,368 )	5,852
Patronage distribution	(837,306 )	(975,998 )
Patronage accrued	841,386	969,862
Equities retired	(87,666 )	(184,955 )
Equity retirements accrued	87,666	184,955
Equities issued in business combinations	45	18,211
Preferred stock issuance, net of expenses	679,845	—
Preferred stock dividends	(40,366 )	(18,408 )
Estimated current year patronage	(347,000 )	(347,491 )
Other, net	(8,844 )	8,008
CHS Inc. balances, May 31, 2014 and 2013	\$6,298,310	\$4,984,966
Noncontrolling interests balances, September 1, 2013 and 2012	\$21,539	\$17,982
Net income attributable to noncontrolling interests	1,812	4,139
Distributions to noncontrolling interests	(575 )	(1,235 )
Deconsolidation of a subsidiary	(4,779 )	—
Other	584	1,001
Noncontrolling interests balances, May 31, 2014 and 2013	\$18,581	\$21,887

## Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive income (loss) by component, net of tax, were as follows for the nine months ended May 31, 2014:

	Pension and Other Postretirement Benefits	Unrealized Net Gain on Available for Sale Investments	Cash Flow Hedges	Foreign Currency Translation Adjustment	Total
	(Dollars in thousands)				
Balance as of August 31, 2013	\$(165,611 )	\$2,370	\$11,685	\$(5,311 )	\$(156,867 )
Current period other comprehensive income (loss), net of tax	772	1,520	(6,139 )	(1,520 )	(5,367 )
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	10,708	—	(8,396 )	687	2,999
Net other comprehensive income (loss), net of tax	11,480	1,520	(14,535 )	(833 )	(2,368 )
Balance as of May 31, 2014	\$(154,131 )	\$3,890	\$(2,850 )	\$(6,144 )	\$(159,235 )



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Amounts reclassified from accumulated other comprehensive income (loss) were related to pension and other postretirement benefits, cash flow hedges and foreign currency translation adjustments, and were recorded to net income. Pension and other postretirement reclassifications include amortization of net actuarial loss, prior service credit and transition amounts as disclosed in Note 7, Benefit Plans. In February 2014, interest rate swaps, which were previously accounted for as cash flow hedges, were terminated as the issuance of the underlying debt was no longer probable. As a result, a \$13.5 million gain was reclassified from accumulated other comprehensive loss into net income. This pre-tax gain is included as a component of interest, net in the Consolidated Statements of Operations for the nine months ended May 31, 2014.

## Note 7 Benefit Plans

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

Components of net periodic benefit costs for the three and nine months ended May 31, 2014 and 2013 are as follows:

	Qualified Pension Benefits		Non-Qualified Pension Benefits		Other Benefits	
	2014	2013	2014	2013	2014	2013
Components of net periodic benefit costs for the three months ended are as (Dollars in thousands) follows:						
Service cost	\$7,543	\$9,109	\$219	\$211	\$339	\$935
Interest cost	7,495	6,072	423	340	418	443
Expected return on assets	(11,910 )	(13,388 )	—	—	—	—
Prior service cost (credit) amortization	398	399	57	57	(30 )	(81 )
Actuarial (gain) loss amortization	4,566	6,500	250	270	(228 )	371
Transition amount amortization	—	—	—	—	—	73
Net periodic benefit cost	\$8,092	\$8,692	\$949	\$878	\$499	\$1,741
Components of net periodic benefit costs for the nine months ended are as follows:						
Service cost	\$22,812	\$23,541	\$646	\$540	\$1,297	\$2,202
Interest cost	22,433	19,078	1,245	987	1,439	1,675
Expected return on assets	(35,726 )	(37,311 )	—	—	—	—
Prior service cost (credit) amortization	1,195	1,198	171	171	(90 )	(90 )
Actuarial (gain) loss amortization	13,655	16,961	718	692	(415 )	817
Transition amount amortization	—	—	—	—	—	422
Net periodic benefit cost	\$24,369	\$23,467	\$2,780	\$2,390	\$2,231	\$5,026

## Employer Contributions

Total contributions to be made during fiscal 2014, including the NCRA plan, will depend primarily on market returns on the pension plan assets and minimum funding level requirements. During the nine months ended May 31, 2014, CHS and NCRA made no contributions to the pension plans. At this time, we do not anticipate having to make a required contribution for our benefit plans in fiscal 2014, but we may make a voluntary contribution during our fourth quarter.

Note 8 Segment Reporting

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

Our Energy segment produces and provides primarily for the wholesale distribution of petroleum products and transportation of those products. Our Ag segment purchases and further processes or resells grains and oilseeds originated by our country operations business, by our member cooperatives and by third parties, and also serves as a wholesaler and retailer of crop inputs. Corporate and Other primarily represents the 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.

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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 will vary throughout the year. Historically, our income is generally lowest during the second fiscal quarter and highest during the third fiscal quarter. For example, in our Ag segment, agronomy and country operations businesses experience higher volumes and income during the spring planting season and in the fall, which corresponds to harvest. Also in our Ag segment, our grain marketing operations are subject to fluctuations in volumes and earnings based on producer harvests, world grain prices and demand. Our Energy segment generally experiences higher volumes and profitability in certain operating areas, such as refined products, in the summer and early fall when gasoline and diesel fuel usage is highest and is subject to global supply and demand forces. Other energy products, such as propane, may experience higher volumes and profitability during the winter heating and crop drying seasons.

Our revenues, assets and cash flows can be significantly affected by global market prices for commodities such as petroleum products, natural gas, grains, oilseeds, crop nutrients and flour. Changes in market prices for commodities that we purchase without a corresponding change in the selling prices of those products can affect revenues and operating earnings. Commodity prices are affected by a wide range of factors beyond our control, including the weather, crop damage due to disease or insects, 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, LLC (TEMCO). In Corporate and Other, these investments principally include our 50% ownership in Ventura Foods and our 12% ownership in Ardent Mills.

Reconciling Amounts represent the elimination of revenues between segments. Such transactions are executed at market prices to more accurately evaluate the profitability of the individual business segments.

Segment information for the three and nine months ended May 31, 2014 and 2013 is as follows:

	Energy	Ag	Corporate and Other	Reconciling Amounts	Total
For the Three Months Ended May 31, 2014:	(Dollars in thousands)				
Revenues	\$3,480,673	\$8,603,834	\$18,195	\$(135,304 )	\$11,967,398
Cost of goods sold	3,211,396	8,384,725	(43 )	(135,304 )	11,460,774
Gross profit	269,277	219,109	18,238	—	506,624
Marketing, general and administrative	40,197	99,942	18,720	—	158,859
Operating earnings (losses)	229,080	119,167	(482 )	—	347,765
(Gain) loss on investments	—	—	(108,792 )	—	(108,792 )
Interest, net	24,044	15,357	3,088	—	42,489
Equity (income) loss from investments	(780 )	(5,216 )	(19,526 )	—	(25,522 )
Income before income taxes	\$205,816	\$109,026	\$124,748	\$—	\$439,590



Intersegment revenues	\$(135,304 )	\$—	\$—	\$135,304	\$—
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	Energy	Ag	Corporate and Other	Reconciling Amounts	Total
For the Three Months Ended May 31, 2013:	(Dollars in thousands)				
Revenues	\$3,205,340	\$8,831,866	\$15,411	\$(116,061 )	\$11,936,556
Cost of goods sold	2,896,061	8,700,170	(525 )	(116,061 )	11,479,645
Gross profit	309,279	131,696	15,936	—	456,911
Marketing, general and administrative	43,710	77,653	17,406	—	138,769
Operating earnings (losses)	265,569	54,043	(1,470 )	—	318,142
(Gain) loss on investments	—	—	(154 )	—	(154 )
Interest, net	46,058	17,434	2,902	—	66,394
Equity (income) loss from investments	(851 )	(3,365 )	(23,358 )	—	(27,574 )
Income before income taxes	\$220,362	\$39,974	\$19,140	\$—	\$279,476
Intersegment revenues	\$(116,061 )	\$—	\$—	\$116,061	\$—
For the Nine Months Ended May 31, 2014:					
Revenues	\$10,628,885	\$22,411,894	\$52,403	\$(419,389 )	\$32,673,793
Cost of goods sold	9,895,167	21,849,095	(54 )	(419,389 )	31,324,819
Gross profit	733,718	562,799	52,457	—	1,348,974
Marketing, general and administrative	114,181	282,823	50,767	—	447,771
Operating earnings (losses)	619,537	279,976	1,690	—	901,203
(Gain) loss on investments	—	116	(111,517 )	—	(111,401 )
Interest, net	55,212	39,498	7,553	—	102,263
Equity (income) loss from investments	(2,937 )	(19,906 )	(66,406 )	—	(89,249 )
Income before income taxes	\$567,262	\$260,268	\$172,060	\$—	\$999,590
Intersegment revenues	\$(419,389 )	\$—	\$—	\$419,389	\$—
Goodwill	\$1,165	\$104,507	\$6,898	\$—	\$112,570
Capital expenditures	\$367,228	\$250,423	\$38,637	\$—	\$656,288
Depreciation and amortization	\$99,577	\$85,284	\$8,300	\$—	\$193,161
Total assets at May 31, 2014	\$4,304,663	\$7,269,201	\$3,371,083	\$—	\$14,944,947
For the Nine Months Ended May 31, 2013:					
Revenues	\$9,345,304	\$24,483,835	\$52,357	\$(352,624 )	\$33,528,872
Cost of goods sold	8,392,704	24,017,733	(2,017 )	(352,624 )	32,055,796
Gross profit	952,600	466,102	54,374	—	1,473,076
Marketing, general and administrative	121,364	223,041	53,526	—	397,931
Operating earnings (losses)	831,236	243,061	848	—	1,075,145
(Gain) loss on investments	—	(45 )	(154 )	—	(199 )
Interest, net	124,229	53,472	9,288	—	186,989
Equity (income) loss from investments	(580 )	(13,104 )	(58,722 )	—	(72,406 )
Income before income taxes	\$707,587	\$202,738	\$50,436	\$—	\$960,761
Intersegment revenues	\$(352,624 )	\$—	\$—	\$352,624	\$—
Goodwill	\$1,165	\$76,103	\$6,898	\$—	\$84,166
Capital expenditures	\$290,091	\$131,794	\$5,185	\$—	\$427,070
Depreciation and amortization	\$86,454	\$77,587	\$12,798	\$—	\$176,839
Total assets at May 31, 2013	\$4,126,022	\$7,127,300	\$1,861,284	\$—	\$13,114,606

Note 9 Derivative Financial Instruments and Hedging Activities

Our derivative instruments primarily consist of commodity and freight futures and forward contracts and, to a minor degree, may include foreign currency and interest rate swap contracts. These contracts are economic hedges of price risk, but are not designated or accounted for as hedging instruments for accounting purposes, with the exception of certain interest rate swap contracts which are accounted for as cash flow or fair value hedges. Derivative instruments are recorded on our Consolidated Balance Sheets at fair value as discussed in Note 10, Fair Value Measurements.

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Even though we have netting arrangements for our exchange-traded futures and options contracts and certain over-the-counter (OTC) contracts, we report our derivatives on a gross basis on our Consolidated Balance Sheets. Our associated margin deposits are also reported on a gross basis. Many of our derivative contracts with futures and options brokers require us to make both initial margin deposits of cash or other assets and subsequent deposits, depending on changes in commodity prices, in order to comply with applicable regulations. Our margin deposit assets are held by external brokers in segregated accounts and will be used to settle the associated derivative contracts on their specified settlement dates.

As of May 31, 2014, August 31, 2013 and May 31, 2013, we had the following outstanding purchase and sales contracts:

	May 31, 2014		August 31, 2013		May 31, 2013	
	Purchase Contracts	Sales Contracts	Purchase Contracts	Sales Contracts	Purchase Contracts	Sales Contracts
	(Units in thousands)					
Grain and oilseed - bushels	717,181	969,100	521,979	806,295	519,293	806,244
Energy products - barrels	20,517	35,676	12,626	21,312	13,833	20,125
Soy products - tons	33	962	24	847	70	325
Crop nutrients - tons	1,077	1,194	968	1,050	675	778
Ocean and barge freight - metric tons	1,148	290	1,225	151	888	130
Rail freight - rail cars	339	159	220	43	242	39
Livestock - pounds	—	47,800	—	17,280	7,760	—

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

	May 31, 2014			
	Gross Amounts Recognized (Dollars in thousands)	Cash Collateral	Derivative Instruments	Net Amounts
<b>Derivative Assets:</b>				
Commodity and freight derivatives	\$544,198	\$—	\$52,103	\$492,095
Foreign exchange derivatives	182	—	77	105
Interest rate derivatives - hedge	2	—	—	2
Total Derivative Assets	\$544,382	\$—	\$52,180	\$492,202
<b>Derivative Liabilities:</b>				
Commodity and freight derivatives	\$410,148	\$—	\$52,103	\$358,045
Foreign exchange derivatives	2,153	—	77	2,076
Interest rate derivatives - non-hedge	170	—	—	170
Total Derivative Liabilities	\$412,471	\$—	\$52,180	\$360,291



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	August 31, 2013			
		Amounts Not Offset on the Consolidated Balance Sheet but Eligible for Offsetting		
	Gross Amounts Recognized	Cash Collateral	Derivative Instruments	Net Amounts
	(Dollars in thousands)			
<b>Derivative Assets:</b>				
Commodity and freight derivatives	\$468,673	\$—	\$53,107	\$415,566
Foreign exchange derivatives	7,079	—	957	6,122
Interest rate derivatives - hedge	24,135	—	—	24,135
Interest rate derivatives - non-hedge	3	—	3	—
Total Derivative Assets	\$499,890	\$—	\$54,067	\$445,823
<b>Derivative Liabilities:</b>				
Commodity and freight derivatives	\$458,893	\$1,591	\$53,107	\$404,195
Foreign exchange derivatives	5,925	—	957	4,968
Interest rate derivatives - non-hedge	248	—	3	245
Total Derivative Liabilities	\$465,066	\$1,591	\$54,067	\$409,408
	May 31, 2013			
		Amounts Not Offset on the Consolidated Balance Sheet but Eligible for Offsetting		
	Gross Amounts Recognized	Cash Collateral	Derivative Instruments	Net Amounts
	(Dollars in thousands)			
<b>Derivative Assets:</b>				
Commodity and freight derivatives	\$510,258	\$—	\$32,678	\$477,580
Foreign exchange derivatives	5,043	—	—	5,043
Interest rate derivatives - hedge	9,160	—	—	9,160
Total Derivative Assets	\$524,461	\$—	\$32,678	\$491,783
<b>Derivative Liabilities:</b>				
Commodity and freight derivatives	\$452,289	\$56,423	\$32,678	\$363,188
Foreign exchange derivatives	3,883	—	—	3,883
Interest rate derivatives - non-hedge	304	—	—	304
Total Derivative Liabilities	\$456,476	\$56,423	\$32,678	\$367,375

In fiscal 2013, we entered into derivative contracts designated as cash flow hedging instruments that were terminated in February 2014 as the issuance of the underlying debt was no longer probable. As a result, a \$13.5 million gain was reclassified from accumulated other comprehensive loss into net income. This pre-tax gain is included as a component of interest, net in the Consolidated Statements of Operations for the nine months ended May 31, 2014. As of May 31, 2014, August 31, 2013 and May 31, 2013, the unrealized gains deferred to accumulated other comprehensive loss were as follows:

May 31, 2014	August 31, 2013	May 31, 2013
(Dollars in thousands)		

Unrealized gains (losses) included in accumulated other comprehensive loss, net of tax expense of \$0, \$9.2 million and \$3.5 million, respectively	\$—	\$ 14,930	\$ 5,666
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In April 2014, we entered into an interest rate swap with a notional amount of \$130.0 million designated as a fair value hedge of a portion of our fixed-rate debt. Our objective is to offset changes in the fair value of the debt associated with the risk of variability in the 3-month U.S. Dollar LIBOR interest rate, in essence converting the fixed-rate debt to variable-rate debt. Offsetting changes in the fair values of both the swap instrument and the hedged debt are recorded contemporaneously each period and only create an impact to earnings to the extent that the hedge is ineffective.

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The following table sets forth the pretax gains (losses) on derivatives not accounted for as hedging instruments that have been included in our Consolidated Statements of Operations for the three and nine months ended May 31, 2014 and 2013.

	Location of Gain (Loss)	For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
		2014	2013	2014	2013
(Dollars in thousands)					
Commodity and freight derivatives	Cost of goods sold	\$ 157,461	\$(22,457 )	\$ 218,883	\$(452,747 )
Foreign exchange derivatives	Cost of goods sold	(5,685 )	(13,648 )	(7,688 )	2,570
Interest rate derivatives	Interest, net	24	114	74	240
Total		\$ 151,800	\$(35,991 )	\$ 211,269	\$(449,937 )

## Note 10 Fair Value Measurements

The following tables present assets and liabilities, included in on our Consolidated Balance Sheets, that are recognized at fair value on a recurring basis, and indicate the fair value hierarchy utilized to determine such fair values. Assets and liabilities are classified, in their entirety, based on the lowest level of input that is a significant component of the fair value measurement. The lowest level of input is considered Level 3. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

Fair value measurements at May 31, 2014, August 31, 2013 and May 31, 2013 are as follows:

	May 31, 2014			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(Dollars in thousands)				
<b>Assets:</b>				
Readily marketable inventories	\$—	\$ 1,159,581	\$—	\$ 1,159,581
Commodity and freight derivatives	86,639	457,559	—	544,198
Foreign currency derivatives	182	—	—	182
Interest rate swap derivatives	—	2	—	2
Other assets	89,848	—	—	89,848
Total Assets	\$ 176,669	\$ 1,617,142	\$—	\$ 1,793,811
<b>Liabilities:</b>				
Commodity and freight derivatives	\$ 79,284	\$ 330,864	\$—	\$ 410,148
Interest rate swap derivatives	—	170	—	170
Foreign currency derivatives	2,153	—	—	2,153
Accrued liability for contingent crack spread payments related to purchase of noncontrolling	—	—	130,159	130,159



interests				
Total Liabilities	\$81,437	\$331,034	\$130,159	\$542,630

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	August 31, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1) (Dollars in thousands)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Readily marketable inventories	\$—	\$1,203,383	\$—	\$1,203,383
Commodity and freight derivatives	58,441	410,233	—	468,674
Interest rate swap derivatives	—	24,139	—	24,139
Foreign currency derivatives	6,894	185	—	7,079
Other assets	114,084	—	—	114,084
Total Assets	\$179,419	\$1,637,940	\$—	\$1,817,359
Liabilities:				
Commodity and freight derivatives	\$59,184	\$399,710	\$—	\$458,894
Interest rate swap derivatives	—	248	—	248
Foreign currency derivatives	5,925	—	—	5,925
Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests	—	—	134,134	134,134
Total Liabilities	\$65,109	\$399,958	\$134,134	\$599,201
	May 31, 2013			
	Quoted Prices in Active Markets for Identical Assets (Level 1) (Dollars in thousands)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Readily marketable inventories	\$—	\$1,433,639	\$—	\$1,433,639
Commodity and freight derivatives	53,375	456,883	—	510,258
Interest rate swap derivatives	—	9,160	—	9,160
Foreign currency derivatives	5,043	—	—	5,043
Other assets	131,901	—	—	131,901
Total Assets	\$190,319	\$1,899,682	\$—	\$2,090,001
Liabilities:				
Commodity and freight derivatives	\$95,997	\$356,292	\$—	\$452,289
Interest rate swap derivatives	—	304	—	304
Foreign currency derivatives	3,883	—	—	3,883
Accrued liability for contingent crack spread payments related to purchase of noncontrolling interests	—	—	—	—