CHS INC
Form 10-K
November 03, 2016
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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, 2016
or	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from to .

Commission file number: 001-36079

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

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

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

8% Cumulative Redeemable Preferred Stock	The NASDAQ Stock Market LLC
Class B Cumulative Redeemable Preferred Stock, Series 1	The NASDAQ Stock Market LLC
Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2	The NASDAQ Stock Market LLC
Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3	The NASDAQ Stock Market LLC
Class B Cumulative Redeemable Preferred Stock, Series 4	The NASDAQ Stock Market LLC
(Title of Class)	(Name of Each Exchange on Which Registered)

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

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

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the 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) 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) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: þ

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

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

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

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

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

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

The Registrant has no common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None.

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PART I.

ITEM 1. BUSINESS

THE COMPANY

CHS Inc. (referred to herein as “CHS,” “we” or “us”) is one of the nation’s leading integrated agricultural companies, providing grain, foods and energy resources to businesses and consumers on a global basis. As a cooperative, we are owned by farmers and ranchers and their member cooperatives (referred to herein as “members”) across the United States. We also have preferred shareholders that own shares of our five series of preferred stock, which are each listed and traded on the NASDAQ Global Select Market. We buy commodities from and provide products and services to patrons (including our members and other non-member customers), both domestically and internationally. 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, renewable fuels 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 equity investments and joint ventures is included as a component in our net income under the equity method of accounting. For the year ended August 31, 2016, our total revenues were $30.3 billion and net income attributable to CHS Inc. was $424.2 million.

We have aligned our segments based on an assessment of how our businesses operate and the products and services they sell. Our Energy segment derives its revenues through refining, wholesaling and retailing of petroleum products. Our Ag segment derives its revenues through the origination and marketing of grain, including: service activities conducted at export terminals; through wholesale sales of crop nutrients; from sales of soybean meal, soybean refined oil and soyflour products; through the production and marketing of renewable fuels; and through retail sales of petroleum and agronomy products, processed sunflowers, feed and farm supplies. Our Ag segment also records equity income from our grain export joint venture and other investments. Our Nitrogen Production segment consists solely of, and came into existence upon, our equity method investment in CF Industries Nitrogen, LLC (“CF Nitrogen”), which was completed in February 2016. The addition of our Nitrogen Production segment did not have any impact on historically reported segment results and balances. Our Foods segment consists solely of our equity method investment in Ventura Foods, LLC (“Ventura Foods”). In prior years, our equity method investment in Ventura Foods was reported as a component of Corporate and Other and, accordingly, historically reported segment results and balances have been revised to reflect the addition of our Foods segment. We continue to include our 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 operations are included in Corporate and Other, as this business is conducted through a non-consolidated joint venture.

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 (in the form of 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 treated as 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 our predecessor companies, Cenex, Inc. and Harvest States Cooperatives. CHS Inc. emerged as the result of the merger of those two entities in 1998, and is headquartered in Inver Grove Heights, Minnesota.

Our segment and international sales information in Note 11, Segment Reporting, of notes to consolidated financial statements that are included in this Annual Report on Form 10-K are incorporated by reference into the following segment descriptions.

Our internet address is www.chsinc.com. The information contained on our website is not part of, and is not incorporated in, this Annual Report on Form 10-K or any other report we file with or furnish to the Securities and Exchange Commission.

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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 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 and other natural gas liquids. Our Energy segment processes crude oil into refined petroleum products at our refineries in Laurel, Montana and McPherson, Kansas and sells those products under the Cenex® brand to member cooperatives and other independent retailers through a network of nearly 1,500 sites, the majority of which are convenience stores marketing Cenex® branded fuels. For fiscal 2016, our Energy revenues, after elimination of inter-segment revenues, were $5.4 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, Montana refinery sources approximately 90% of its crude oil supply from Canada, with the balance obtained from domestic sources, and we have access to Canadian and northwest Montana crude oil through our wholly-owned Front Range Pipeline, LLC and other common carrier pipelines. Our Laurel, Montana refinery also has access to Wyoming crude oil via common carrier pipelines from the south.

Our Laurel, Montana facility processes approximately 55,000 barrels of crude oil per day to produce refined products that consist of approximately 42% gasoline, 40% diesel fuel and other distillates, 10% asphalt and 6% petroleum coke and other products. Refined fuels produced at our Laurel, Montana refinery are available: via rail cars and via the Yellowstone Pipeline to western Montana terminals and to Spokane, 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.   Our McPherson, Kansas refinery processes approximately 75% low and medium sulfur crude oil and approximately 25% heavy sulfur crude oil into gasoline, diesel fuel and other distillates, propane and other products. The refinery 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.

Our McPherson, Kansas refinery processes approximately 90,000 barrels of crude oil per day to produce refined products that consist of approximately 57% gasoline, 37% diesel fuel and other distillates and 2% propane and other products. Approximately 21% of the refined fuels are either loaded into trucks at the McPherson, Kansas refinery or shipped via its proprietary products pipeline to our terminal in Council Bluffs, Iowa. The remaining refined fuel products are shipped to other markets via common carrier pipelines.

Our McPherson, Kansas refinery was previously owned and operated by National Cooperative Refinery Association ("NCRA"). On September 1, 2015, we became the sole owner of the McPherson, Kansas refinery upon the final closing under our November 2011 agreement to purchase all of the noncontrolling interests in NCRA, which is now known as CHS McPherson Refinery Inc. ("CHS McPherson"). See Note 17, Acquisitions, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for additional information.

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

Products and Services

Our Energy segment produces and sells (primarily wholesale) gasoline, diesel fuel, propane, asphalt, lubricants and other related products and also provides transportation services. In addition to selling the products refined at our Laurel, Montana, and McPherson, Kansas refineries, we purchase refined petroleum products from third parties. For fiscal 2016, we obtained approximately 66% of the refined petroleum products we sold from our Laurel, Montana and McPherson, Kansas refineries, and approximately 34% from third parties.

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Sales and Marketing; Customers

We market approximately 80% of our refined fuel products to members, with the balance sold to non-members. Sales are made wholesale to member cooperatives and through a network of independent retailers that operate convenience stores under the Cenex® trade name. We sold approximately 1.5 billion gallons of gasoline and approximately 1.8 billion gallons of diesel fuel in fiscal 2016. 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. 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 domestic supply and demand forces. Other energy products, such as propane, may experience higher volumes and profitability during the winter heating and crop drying seasons. More fuel-efficient equipment, reduced crop tillage, depressed prices for crops, weather conditions and government programs which encourage idle acres may all reduce demand for our energy products.

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

Competition. The petroleum refining and wholesale fuels business is very competitive. Among our competitors are some of the world’s largest integrated petroleum companies, which have their own crude oil supplies, distribution and marketing systems. We also compete with smaller domestic refiners and marketers in the midwestern and northwestern United States, with foreign refiners who import products into the United States and with producers and marketers in other industries supplying other forms of energy and fuels to consumers. Given the commodity nature of the end products, profitability in the 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 competitors that are much larger than us and that have greater brand recognition and distribution outlets throughout the country and the world than we do. Our owned and non-owned retail outlets are located primarily in the northwestern, midwestern and southern United States.

We market refined fuel 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 as well as independent refiners and wholesale brokers/suppliers. This area has a robust spot market and is influenced by the large refinery center along the gulf coast.

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. In this area, we principally compete with the major oil companies as well as independent refineries and wholesale brokers/suppliers.

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

Another geographic area includes Montana, western North Dakota, Wyoming, Utah, Idaho, Colorado and western South Dakota. Competition at the wholesale level in this area includes the major oil companies and independent refineries.

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

AG

Overview

Our Ag segment includes our grain marketing, country operations, crop nutrients, processing and food ingredients and renewable fuels businesses. These businesses work together to facilitate the production, purchase, sale and eventual use of grain and other agricultural products within the United States, as well as internationally. In fiscal 2016, revenues in our Ag segment were $24.8 billion after elimination of inter-segment revenues, consisting principally of grain sales.

Operations

Grain Marketing. We are the nation’s largest cooperative marketer of grain and oilseed based on grain storage capacity and grain sales. Our grain marketing operations purchase grain directly from agricultural producers and elevator operators primarily in the midwestern and western United States and indirectly through our country operations business. 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. We own and operate export terminals, river terminals and elevators throughout the United States to handle and transport grain and grain products. We also maintain locations in Europe, the Middle East, the Pacific Rim and South America for the marketing, merchandising and sourcing of grains. We primarily conduct our grain marketing operations directly, but do conduct some of our operations through TEMCO, LLC, a 50% joint venture with Cargill, Incorporated ("Cargill").

Country Operations. Our country operations business operates 487 agri-operations locations through 61 business units dispersed throughout the midwestern and western United States and Canada. Most of these locations purchase grain from farmers and sell agronomy, energy, feed and seed products to those same producers and others, although not all locations provide every product and service. We also manufacture animal feed through eight owned plants and four limited liability companies and process sunflowers for human food and other uses.

Crop Nutrients. We believe our North American wholesale crop nutrients business is one of the largest wholesale fertilizer businesses in the United States based on tons sold. Crop nutrient products are delivered directly to our customers and our country operations business from the manufacturer or through our twenty inland and river warehouse terminals and other non-owned storage facilities located throughout the United States. To supplement what is purchased domestically, our Galveston, Texas deep water port and terminal receives fertilizer by vessel from origins such as Asia and the Caribbean basin where significant volumes of urea are produced. The fertilizer is then shipped by rail to destinations within crop producing regions of the United States.

Processing and Food Ingredients. Our processing and food ingredients operations are conducted at facilities that can crush approximately 127 million bushels of oilseeds on an annual basis, producing approximately 2.8 million short tons of meal/flour and 1.6 billion pounds of edible oil annually. We also have operations where we further process soyflour for use in the food/snack industry. We purchase our oilseeds from members, other CHS businesses and third parties that have tightly integrated connections with our grain marketing operations and country operations business.

Renewable fuels. Our renewable fuels business produces 260 million gallons of fuel grade ethanol and 680 thousand tons of dried distillers grains with solubles (“DDGS”) annually. We also market over 700 million gallons of ethanol and

3.5 million tons of DDGS annually under marketing agreements for other production plants.

Products and Services

Our Ag segment provides local cooperatives and farmers with the inputs and services they need to produce grain and raise livestock. These include seed, crop nutrients, crop protection products, animal feed, animal health products, refined fuels and propane. We also buy and merchandise grain in both domestic and international markets. With a portion of the grain we purchase we produce renewable fuels, including ethanol and DDGS. We also produce refined oils, meal and soyflour at our processing facilities.

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Sales and Marketing; Customers

Our Ag segment provides products and services to a wide range of customers, primarily in the United States. These customers include member and non-member producers, local cooperatives, elevators, grain dealers, grain processors and crop nutrient retailers. We sell our edible oils and soyflour to food companies. The meal we produce is sold to integrated livestock producers and feed mills. The ethanol and DDGS we produce are sold throughout the United States and in various international locations.

Industry; Competition

Many of the business activities in our Ag segment are highly seasonal and, consequently, the operating results for our Ag segment will typically vary throughout the year. For example, our country operations and crop nutrients businesses generally experience higher volumes and income during the spring planting season and in the fall, which corresponds to harvest. In addition, our Ag segment operations may be adversely affected by relative levels of supply and demand, both domestic and international, commodity price levels 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.

Regulation. Our Ag 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 into the environment, air and water; reporting storage of hazardous wastes and other hazardous materials; the transportation, handling and disposal of wastes and other materials; the labeling of pesticides and similar substances; and the investigation and remediation of releases of hazardous materials. In addition, environmental laws impose a liability on owners and operators for investigation and remediation of contaminated property, and a party who sends hazardous materials to those contaminated properties for treatment, storage, disposal or recycling. In some instances, that liability exists regardless of fault. Our grain marketing operations, country operations business, processing and food ingredient operations and renewable fuel operations are also subject to laws and related regulations and rules administered by the United States Department of Agriculture (the ”USDA”), the United States Food and Drug Administration (the “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. The hedging transactions and activities of our grain marketing, country operations, processing and food ingredient and renewable fuels businesses are subject to the rules and regulations of the exchanges we use, including the CME, as well as the CFTC.

Competition. In our Ag segment, we have significant competition in the businesses in which we operate based principally on price, services, quality, patronage and alternative products. Our businesses are dependent upon relationships with local cooperatives and private retailers, proximity to the customers and producers and competitive pricing. We compete with other large distributors of agricultural products, as well as other regional or local distributors, local cooperatives, retailers and manufacturers.

NITROGEN PRODUCTION

Overview

Our Nitrogen Production segment consists solely of our equity investment in CF Nitrogen. CF Nitrogen was formed in 2016, and is owned 11.4% by us and 88.6% by CF Industries Sales, LLC, a subsidiary of CF Industries Holdings, Inc. In February 2016, in connection with our equity investment, we entered into an 80-year supply agreement with CF Nitrogen that entitles us to purchase up to 1.1 million tons of granular urea and 580,000 tons of urea ammonium nitrate ("UAN") annually for ratable delivery. We account for our CF Nitrogen investment using the hypothetical liquidation at book value method, and on August 31, 2016, our investment was $2.8 billion.

Our investment in CF Nitrogen positions us and our members for long-term dependable fertilizer supply, supply chain efficiency and production economics. In addition, the ability to source product from CF Nitrogen production facilities under our supply agreement benefits our members and customers through strategically positioned access to essential fertilizer products.

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Operations

CF Nitrogen has four production facilities located in: Donaldsonville, Louisiana; Port Neal, Iowa; Yazoo City, Mississippi; and Woodward, Oklahoma. Natural gas is the principal raw material and primary fuel source used in the ammonia production process. CF Nitrogen has access to competitively-priced natural gas through a reliable network of pipelines that are connected to major natural gas trading hubs near its production facilities.

Products and Services

CF Nitrogen produces nitrogen-based products including, methanol, UAN and urea and related products.

Sales and Marketing; Customers

CF Nitrogen has three customers including us and two consolidated subsidiaries of CF Industries Holdings, Inc.

Industry; Competition

Regulation. CF Nitrogen is subject to laws and related regulations and rules designed to protect the environment that are administered by the EPA and similar government agencies. These laws, regulations and rules govern: the discharge of materials into the environment, air and water; reporting storage of hazardous wastes and other hazardous materials; the handling and disposal of wastes and other materials; and the investigation and remediation of releases of hazardous materials. In addition, environmental laws impose a liability on owners and operators for investigation and remediation of contaminated property, and a party who sends hazardous materials to those contaminated properties for treatment, storage, disposal or recycling. In some instances, that liability exists regardless of fault.

Competition. CF Nitrogen competes primarily on delivered price and, to a lesser extent, on customer service and product quality. CF Nitrogen competes domestically with a variety of large companies in the fertilizer industry. There is also significant competition from products sourced from other regions of the world.

FOODS

Overview

Our Foods segment consists solely of our equity method investment in Ventura Foods, which produces vegetable oil-based products such as packaged frying oils, margarine, mayonnaise, salad dressings and other food products. Ventura Foods was formed in 1996, and is owned 50% by us and 50% by Wilsey Foods, Inc., a majority-owned subsidiary of MBK USA Holdings, Inc. We account for our Ventura Foods investment under the equity method of accounting, and on August 31, 2016, our investment was $369.5 million.

Operations

Ventura Foods currently has 16 manufacturing and distribution locations across the United States and Canada. 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.

Products and Services

Ventura Foods manufactures, packages and distributes frying oils, margarine, mayonnaise, salad dressings, sauces and other food products, many of which utilize soybean oil as a primary ingredient. Approximately 35% of Ventura Foods' sales comes from products for which Ventura Foods owns the brand, and the remainder comes from non-branded items and products it produces for third parties. A variety of Ventura Foods' product formulations and processes are proprietary to Ventura Foods or its customers. Ventura Foods is one of the largest manufacturers of margarine, sauces and dressings for the foodservice sector in the United States.

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Sales and Marketing; Customers

Ventura Foods sells the products it manufactures to foodservice distribution companies, large national foodservice operators and food manufacturers. Ventura Foods also manufactures a number of products for third parties as a contract manufacturer. Ventura Foods sales are approximately 60% in foodservice and the remainder is split between retail and industrial customers who use edible oils as ingredients in products they manufacture for resale.

Industry; Competition

Regulation. Ventura Foods 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 into the environment, air and water; reporting storage of hazardous wastes and other hazardous materials; the transportation, handling and disposal of wastes and other materials; and the investigation and remediation of releases of hazardous materials. In addition, environmental laws impose a liability on owners and operators for investigation and remediation of contaminated property, and a party who sends hazardous materials to those contaminated properties for treatment, storage, disposal or recycling. In some instances, that liability exists regardless of fault. Ventura Foods is 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 products. Failure to comply with these laws, regulations and rules could subject Ventura Foods to administrative penalties, injunctive relief, civil remedies and possible recalls of products.

Competition. Ventura Foods competes with a variety of companies in the food manufacturing industry. Competitors in the frying oils segment of the business include multi-national oilseed processing companies as well as smaller oil packaging firms. Ventura Foods also competes with large consumer packaged goods companies and smaller regional manufacturers that produce dressings, sauces, margarine and mayonnaise for the foodservice, retail and industrial sectors. Competitive dynamics vary by product category. In commodity categories such as frying oils, price and service are significant factors in customer decisions. For value added products, such as dressings and sauces, service and culinary capabilities play a larger role in securing new business and maintaining customer relationships.

CORPORATE AND OTHER

Business Solutions

CHS Capital. Our wholly-owned finance company subsidiary, CHS Capital, LLC (“CHS Capital”), provides cooperative associations with a variety of loans that meet commercial agriculture needs, including operating, term, revolving and other short and long-term options. It also provides an array of loans to producers, including crop input, crop operating, feed, livestock and margin call. In addition, CHS Capital provides open account financing to our cooperative association members. 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 Hedging. Our wholly-owned commodity brokerage subsidiary, CHS Hedging, LLC (“CHS Hedging”), is a registered Futures Commission Merchant and a clearing member of both the Chicago Board of Trade and the Minneapolis Grain Exchange. CHS Hedging provides full-service commodity risk management services primarily to agricultural producers and commercial agribusinesses in the areas of agriculture and energy.

CHS Insurance. Our wholly-owned subsidiary, CHS Insurance Services, LLC ("CHS Insurance"), is a full-service independent agency that offers property and casualty insurance, surety bonds, safety resources, employment services and group benefits. The customer base consists primarily of participants in the agribusiness, construction, energy and processing industries. Impact Risk Funding, Inc. PCC, a wholly-owned subsidiary of CHS Insurance, is a protected cell captive insurance entity used to provide alternative risk financing options for customers.

Wheat Milling

In January 2002, we formed a joint venture with Cargill named Horizon Milling, LLC ("Horizon Milling"), in which we held an ownership interest of 24%, with Cargill owning the remaining 76%. Horizon Milling was the largest U.S. wheat miller based on output volume, and we owned five mills that we leased to Horizon Milling. During fiscal 2007, we expanded this operation with the formation of 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 included two flour milling operations and two dry baking mixing facilities in Canada.

In the third quarter of fiscal 2014, we formed Ardent Mills, LLC (“Ardent Mills”), the largest flour miller in the United States, as a joint venture with Cargill and ConAgra Foods, Inc., which combined the North American flour milling operations of the three parent companies, including assets from our existing joint venture milling operations Horizon Milling and Horizon Milling, ULC and CHS-owned mills, with CHS holding a 12% interest in Ardent Mills. Prior to closing, we contributed $32.8 million to Horizon Milling to pay off existing debt as a pre-condition to close. Upon closing, Ardent Mills was financed with funds from third-party borrowings, which did not require credit support from the owners. We received $121.2 million of cash proceeds distributed to us in proportion to our ownership interest, adjusted for deviations in specified working capital target amounts, and recognized a gain of $109.2 million, associated with this transaction. In connection with the closing, the parties also entered into various ancillary and non-compete agreements including, among other things, an agreement for us to supply Ardent Mills with certain wheat and durum products. We account for our investment in Ardent Mills as an equity method investment due to our ability to exercise significant influence through our ability to appoint a member of the Board of Shareholders and Board of Managers. On August 31, 2016 our investment in Ardent Mills was $195.0 million.

EMPLOYEES

On August 31, 2016, we had 12,157 full, part-time, temporary and seasonal employees. Of that total, 3,032 were employed in our Energy segment, 8,428 were employed in our Ag segment and 697 were employed in Corporate and Other. In addition to those individuals directly employed by us, many individuals work for joint ventures in which we have a 50% or less ownership interest, including employees of CF Nitrogen and Ventura Foods in our Nitrogen Production and Foods segments, respectively, and are not included in these totals.

Labor Relations

As of August 31, 2016, we had 14 collective bargaining agreements with unions covering approximately 8% of our employees in the United States and Canada. These collective bargaining agreements expire on various dates from April 30, 2017 to June 30, 2021, except that one collective bargaining agreement covering 20 pipeline employees renews automatically every September 1, unless 60 days’ notice of termination is given.

CHS AUTHORIZED CAPITAL

Introduction

We are an agricultural membership cooperative organized under Minnesota cooperative law to do business with member and non-member patrons.

Distribution of Net Income; Patronage Dividends

We are required by our organizational documents to annually distribute net earnings derived from patronage business with members to members on the basis of patronage, except that our 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 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 our Board of Directors deems appropriate.

The cash portion of the patronage distribution is determined annually by our Board of Directors, with the balance issued in the form of qualified and non-qualified capital equity certificates. Consenting patrons have agreed to take both the cash and qualified capital equity certificate portion allocated to them from our previous fiscal year's income into their taxable income and, as a result, we are allowed a deduction from our taxable income for both the cash distribution and the allocated qualified capital equity certificates, as long as the cash distribution is at least 20% of the total patronage distribution. For the years ended August 31, 2015 and August 31, 2014, 10% of earnings from patronage business was added to our capital reserves and the remaining 90% was primarily distributed during the second fiscal quarters of the years ended August 31, 2016 and August 31, 2015, totaling $627.2 million and $821.5 million, respectively. The cash portion of the qualified distributions was deemed by the Board of Directors to be 40% for fiscal 2015 and 2014. Cash related to these distributions was $251.7 million and $271.2 million and was paid during the years ended August 31, 2016 and August 31, 2015, respectively. During the year ended August 31, 2014, we distributed patronage refunds of $841.1 million, of which the cash portion was $286.8 million.

Patrons’ Equities

Patrons’ equities are in the form of book entries and represent a right to receive cash or other property when we redeem them. Patrons’ equities form part of our capital, do not bear interest, and are not subject to redemption upon request of a patron. Patrons’ equities are redeemable only at the discretion of our Board of Directors and in accordance with the terms of the redemption policy adopted by our 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 retirement program for qualified equities held by them and another for individual members who are eligible for equity redemptions at age 70 or upon death. Beginning with fiscal 2017 patronage (for which distributions will be made in fiscal 2018), individuals will also be able to participate in an annual retirement program similar to the one that was previously only available to non-individual members. In accordance with authorization from our Board of Directors, we expect total redemptions related to the year ended August 31, 2016, that will be distributed in fiscal 2017, to be approximately $40.0 million. Additionally, we expect to redeem approximately $18.6 million of redemptions related to the year ended August 31, 2015 earnings that are carried over from the previous year’s authorization which had not been previously distributed. These redemptions will be distributed in fiscal 2017.

Cash redemptions of qualified patrons' and other equities during the years ended August 31, 2016, 2015 and 2014 were $23.9 million, $128.9 million and $99.6 million, respectively. Additionally, in fiscal 2016, we redeemed approximately $76.8 million of patrons' equities by issuing 2,693,195 shares of Class B Cumulative Redeemable Preferred Stock Series 1("Class B Series 1 Preferred Stock") and, in fiscal 2014, we redeemed approximately $200.0 million of patrons' equity by issuing 6,752,188 shares of Class B Series 1 Preferred Stock.

Membership

We have two types of members, individuals and cooperative associations involved in agricultural production.

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. On August 31, 2016, our outstanding capital included patrons’ equities (consisting of qualified and non-qualified capital equity certificates and non-patronage equity certificates), five series of preferred stock and certain capital reserves.

As a membership cooperative, we do not have, nor are we authorized to issue, common stock. Subject to certain limited exceptions, holders of our preferred stock do not have voting rights, except as required by applicable law. All equity we issue is subject to a first lien in favor of us for all indebtedness of the holder to us. Dividends, which may be cumulative, may be paid on our equity capital, provided that dividends on such equity capital may not exceed eight percent (8%) per annum. All of our preferred stock is listed and traded on the NASDAQ Global Select Market.

Tax Treatment

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

As a cooperative, as long as we meet the applicable minimum cash distribution requirements described above, we are not taxed on qualified patronage allocated to our patrons either in the form of equities or cash. Consequently, those amounts are taxed only at the patron level. However, the amounts of any patronage earnings allocated as non-qualified written notices of allocation are taxable to us when allocated. Upon redemption of any non-qualified written notices of allocation, the amount is deductible to us and taxable to our patrons.

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.

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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

This Annual Report on Form 10-K contains and our other publicly available documents may contain, and our officers, directors and other representatives may from time to time make, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "anticipate," "intend," "plan," "goal," "seek," "believe," "project," "estimate," "expect," "strateg "likely," "may," "should," "will" and similar references to future periods. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our businesses, financial condition and results of operations, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not place undue reliance on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements are discussed or identified in our public filings made with the U.S. Securities and Exchange Commission, including in this "Risk Factors" discussion. Any forward-looking statements made by us in this Annual Report on Form 10-K are based only on information currently available to us and speak only as of the date on which the statement is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise, except as required by applicable law.

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 indicated in the forward-looking statement.

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.

Our revenues, results of operations and cash flows could be materially and adversely affected by changes in commodity prices.

Our revenues, results of operations and cash flows are affected by market prices for commodities such as crude oil, natural gas, ethanol, fertilizer, grain, oilseed, flour and crude and refined vegetable oils. Commodity prices generally are affected by a wide range of factors beyond our control, including weather, disease, insect damage, drought, the availability and adequacy of supply, government regulation and policies and general political and economic conditions. We are also exposed to fluctuating commodity prices as the result of our inventories of commodities, typically grain, fertilizer and petroleum products, and purchase and sale contracts at fixed or partially fixed prices. At any time, our inventory levels and unfulfilled fixed or partially fixed price contract obligations may be substantial. We have processes in place to monitor exposures to these risks and engage in strategies to manage these risks. If these controls and strategies are not successful in mitigating our exposure to these fluctuations, we could be materially and adversely affected. Increases in market prices for commodities that we purchase without a corresponding increase in the price of our products or our sales volume or a decrease in our other operating expenses could reduce our revenues and net income.

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

- levels of worldwide and domestic supplies;
- capacities of domestic and foreign refineries;
- the ability of the members of the Organization of Petroleum Exporting Countries ("OPEC") to agree to and maintain oil price and production controls, and the price and level of foreign imports;
- disruption in supply;
- political instability or armed conflict in oil-producing regions;

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- the level of demand from consumers, agricultural producers and other customers;
- 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, and decreases in crude oil prices with larger corresponding decreases in the prices of our refined petroleum products, would reduce our net income. Accordingly, we expect our margins on, and the profitability of our energy business to fluctuate, possibly significantly, over time.

Our revenues, results of operations and cash flows could be materially and adversely affected by global and domestic economic downturns and risks.

The level of demand for our products is affected by global and regional demographics and macroeconomic conditions, including population growth rates and changes in standards of living. A significant downturn in global economic growth or recessionary conditions in major geographic regions may lead to a reduced demand for agricultural commodities, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. Additionally, weak global conditions and adverse conditions in global financial markets may adversely impact the financial condition and liquidity of some of our customers, suppliers and other counterparties, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

Our revenues originated outside of the United States were approximately 23% of consolidated net sales in fiscal 2016. As a result, we are exposed to risks associated with having increased global operations, including economic or political instability in the international markets in which we do business, including South America, Europe, the Middle East and the Asia Pacific region.

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

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

We are exposed to the risk of nonperformance by counterparties to contracts.

We are exposed to the risk of nonperformance by counterparties to contracts. Risk of nonperformance by counterparties includes the inability to perform because of a counterparty’s financial condition and liquidity and also the risk that the counterparty will refuse to perform a contract during a period of price fluctuations where contract prices are significantly different than the then current market prices. In the event that we experience significant nonperformance by contract counterparties, our financial condition, results of operations and cash flows could be materially and adversely affected.

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

We operate in several highly competitive business segments and our competitors may succeed in developing new or enhanced products that are better than ours, and may be more successful in marketing and selling their products than we are with ours. Competitive factors include price, service level, proximity to markets, product quality and marketing. In our business segments, we compete with certain companies that are larger, better known and have greater marketing, financial, personnel and other resources. As a result, we may not be able to continue to compete successfully with our competitors, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

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

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

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

We are subject to numerous federal, state and local provisions regulating our business and operations. 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, 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 (“Dodd-Frank”) and related regulations continue to evolve, as federal agencies are implementing its many provisions through regulation. These efforts to change the regulation of financial markets will subject users of derivatives, such as CHS, to extensive oversight and regulation by the CFTC. Such initiatives may impose 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. Certain federal regulations, studies and reports addressing Dodd-Frank, including the regulation of swaps and derivatives, are still being implemented and others are being finalized. We will continue to monitor these developments. Any of these matters could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

We establish reserves for the future cost of known compliance obligations, such as remediation of identified environmental issues. However, these reserves may prove inadequate to meet our actual liability. Moreover, amended, new or more stringent requirements, stricter interpretations of existing requirements or the future discovery of currently unknown compliance issues may require us to make material expenditures or subject us to liabilities that we currently do not anticipate. Furthermore, our failure to comply with applicable laws and regulations could subject us to administrative penalties and injunctive relief, civil remedies, including fines and injunctions, and recalls of our products. For example, we regularly maintain hedges to manage the price risks associated with our commercial operations. These transactions typically take place on exchanges such as the CME. Our hedging transactions and activities are subject to the rules and regulations of the exchanges we use, including the CME, as well as the CFTC. All exchanges have broad powers to review required records, investigate and enforce compliance and to punish noncompliance by entities subject to their jurisdiction. The failure to comply with such rules and regulations could lead to restrictions on our trading activities or subject us to enforcement action by the CFTC or a disciplinary action by the exchanges, which could lead to substantial sanctions. In addition, any investigation or proceeding by an exchange or the CFTC, whether successful or unsuccessful, could result in substantial costs, the diversion of resources, including management time, and potential harm to our reputation, all of which, could have a material adverse effect on our business financial condition, liquidity, results of operations and prospects.

We are subject to the Foreign Corrupt Practices Act of 1977 and other similar anti-corruption, anti-bribery and anti-kickback laws and regulations, and any noncompliance with those laws and regulations by us or others acting on our behalf could have a material adverse effect on our business, financial condition and results of operations.

We operate on a global basis and are subject to anti-corruption, anti-bribery and anti-kickback laws and regulations, including the Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”). The FCPA and other similar anti-corruption, anti-bribery and anti-kickback laws and regulations in other jurisdictions generally prohibit companies and their intermediaries or agents from making improper payments to government officials or any other persons for the purpose of obtaining or retaining business. We operate and sell our products in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-corruption, anti-bribery and anti-kickback laws and regulations may conflict with local customs and practices. In addition, in certain countries, we engage third-party agents or intermediaries to act on our behalf. If these third parties violate applicable anti-corruption, anti-bribery or anti-kickback laws or regulations, we may be liable for those violations. We have policies in place prohibiting employees from making or authorizing improper payments, we train our employees regarding compliance with anti-corruption, anti-bribery and anti-kickback laws and regulations and we utilize procedures to identify and mitigate risks of such misconduct by our employees and third-party agents and intermediaries. However, we cannot provide assurances that our employees or third-party agents or intermediaries will comply with those policies, laws and regulations. If we are found liable for violations of the FCPA, or other similar anti-corruption, anti-bribery or anti-kickback laws or regulations, either due to our own acts or out of inadvertence, or due to the acts or inadvertence of others, we could suffer criminal or civil fines or penalties or other repercussions, including reputational harm, which could have a material adverse effect on our business, financial condition and results of operations.

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Environmental and energy laws and regulations may result in increased operating costs and capital expenditures and may have a material and adverse effect on us.

New environmental and energy laws and regulations, including new regulations relating to alternative energy sources and the risk of global climate change, new interpretations of existing environmental and energy laws and regulations, increased governmental enforcement of environmental and energy laws and regulations or other developments in these areas could require us to make additional unforeseen expenditures or to make unforeseen changes to our operations, either of which could adversely affect us. For example, it is possible that some form of regulation will be forthcoming at the federal level in the United States with respect to emissions of greenhouse gases ("GHGs"), such as carbon dioxide, methane and nitrous oxides. New federal legislation or regulatory programs that restrict emissions of GHGs, or comparable new state legislation or programs, in areas where we conduct business could adversely affect our operations and the demand for our energy products, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects. In addition, new legislation or regulatory programs could require substantial expenditures for the installation and operation of systems and equipment that we do not currently possess or for substantial modifications to existing equipment. The actual effects of climate change on our businesses are, however, unknown and indeterminable at this time.

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

Environmental liabilities could have a material adverse effect on us.

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

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

If any of our food or feed products became adulterated or misbranded, we would need to recall those items and could experience product liability claims if consumers or customers' livestock 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 could cause a loss of consumer or customer confidence in our products. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that our products caused illness or injury could adversely affect our business and reputation with existing and potential consumers and 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 or procure products that satisfy new consumer preferences, there will be a decreased demand for our products, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and prospects.

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Our financial results are susceptible to seasonality.

Many of our business activities are highly seasonal and operating results vary throughout the year. Our revenue and income are generally lowest during the second and fourth fiscal quarters and highest during the first and third fiscal quarters. 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 during the fall harvest season. Our grain marketing operations are also subject to fluctuations in volume and income based on producer harvests, world grain prices and demand. Our Energy segment generally experiences higher volumes and income in certain operating areas, such as refined products, in the summer and early fall when gasoline and diesel fuel usage is highest and is subject to global supply and demand forces. Other energy products, such as propane, may experience higher volumes and income during the winter heating and crop drying seasons.

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

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

- our oil refineries and other facilities are potential targets for terrorist attacks that could halt or discontinue production;
- 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 or breach our computer systems or other cyber resources; and
- an occurrence of a pandemic flu or other disease affecting a substantial part of our workforce or our customers could cause an interruption in our business operations.

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

Our risk management strategies may not be effective.

Our business is affected by fluctuations in commodity prices, transportation costs, energy prices, foreign currency exchange rates and interest rates. We monitor position limits and engage in other strategies and controls to manage these risks. Our monitoring efforts may not be successful at detecting a significant risk exposure. If these controls and strategies are not successful in mitigating our exposure to these fluctuations, it could significantly and adversely affect our operating results.

Our business is capital-intensive in nature and we rely on cash generated from our operations and external financing to fund our growth and ongoing capital needs.

We require significant capital, including access to credit markets from time to time, to operate our business and fund our growth strategy. Our working capital requirements are directly affected by the price of commodities, which may fluctuate significantly and change quickly. We also require substantial capital to maintain and upgrade our extensive network of facilities to keep pace with competitive developments, technological advances, regulations and changing safety standards. In addition, the expansion of our business and pursuit of acquisitions or other business opportunities may require significant amounts of capital. If we are unable to generate sufficient cash flow or maintain access to adequate external financing, including as a result of significant disruptions in the global credit markets, it could restrict our current operations and our growth opportunities, which could adversely affect our operating results.

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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 limit dividends on any preferred stock we may issue to 8% per annum. These limitations may restrict our ability to raise equity capital and may adversely affect our ability to compete with enterprises that do not face similar restrictions.

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

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

In addition, in the fertilizer market, consolidation at both the producer and customer level increases the potential for direct sales from the producer to the consumer, which would remove us from the supply chain and could have an adverse effect on our revenues, results of operations and cash flows.

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

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

The results of our agronomy business are highly 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, all of which are outside of our control. In addition, weather conditions during the spring planting season and early summer spraying season also affect agronomy product volumes and profitability. Accordingly, factors outside of our control could materially and adversely affect the revenues, results of operations and cash flows of our agronomy business.

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

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

Acquisitions, strategic alliances, joint ventures, divestitures and other non-ordinary course of business events resulting from portfolio management actions and other evolving business strategies could affect future results.

We monitor our business portfolio and organizational structure and have made and may continue to make acquisitions, strategic alliances, joint ventures, divestitures and changes to our organizational structure. With respect to acquisitions, future results will be affected by our ability to integrate acquired businesses quickly and obtain the anticipated synergies. Our ability to successfully complete a divestiture will depend on, among other things, our ability to identify buyers that are prepared to acquire such assets or businesses on acceptable terms and to adjust and optimize our retained businesses following the divestiture. Additionally, we may fail to consummate proposed acquisitions, divestitures, joint ventures or strategic alliances after incurring expenses and devoting substantial resources, including management time, to such transactions.

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

We made certain assumptions and projections regarding the future of the markets served by our joint venture investments which included projected market pricing and demand for their products. These assumptions were an integral part of the economics used to evaluate these joint venture investment opportunities prior to consummation. To the extent that actual market performance varies from our models, our ability to achieve the projected returns on our joint venture investments may be impacted in a material adverse manner.

We utilize information technology systems to support our business. An ongoing multi-year implementation of an enterprise-wide resource planning system, security breaches or other disruptions to our information technology systems or assets could interfere with our operations, compromise security of our customers' or suppliers' information and expose us to liability which could adversely impact our business and reputation.

Our operations rely on certain key information technology ("IT") systems, some of which are dependent upon third-party services, to provide critical connections of data, information and services for internal and external users. Over the next several years, we expect to continue implementing a new enterprise resource planning system ("ERP"), which has and will continue to require significant capital and human resources to deploy. There can be no assurance that the actual costs for the ERP will not exceed our current estimates or that the ERP will not take longer to implement than we currently expect. In addition, potential flaws in implementing the ERP may pose risks to our ability to operate successfully and efficiently. There may be other challenges and risks to our IT systems over time due to any number of causes, such as catastrophic events, power outages, security breaches or cyber-based attacks, and as we upgrade and standardize our ERP system on a worldwide basis. These challenges and risks could result in legal claims or proceedings, liability or penalties, disruption in operations, loss of valuable data and damage to our reputation, all of which could adversely affect our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

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ITEM 2. PROPERTIES

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

Energy

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

Refineries	Laurel, Montana and McPherson, Kansas
Propane terminals	Glenwood, Minnesota; Black Creek, Wisconsin; Hixton, Wisconsin; Biddeford, Maine; Hannaford, North Dakota; Ross, North Dakota; Rockville, Minnesota
Transportation terminals/repair facilities	15 locations in Iowa, Kansas, Minnesota, Montana, North Dakota, South Dakota, Washington and Wisconsin, 3 of which are leased
Petroleum and asphalt terminals/storage facilities	11 locations in Montana, North Dakota and Wisconsin
Pipelines:	
Cenex Pipeline, LLC	Laurel, Montana to Fargo, North Dakota
Front Range Pipeline, LLC	Canadian border to Laurel, Montana and on to Billings, Montana
Jayhawk Pipeline, LLC	Throughout Kansas, with branches in Nebraska, Oklahoma and Texas
Osage Pipeline (50% owned by CHS McPherson)	Oklahoma to Kansas
Kaw Pipeline (67% owned by CHS McPherson)	Locations throughout Kansas
Convenience stores/gas stations	71 locations in Idaho, Minnesota, Montana, North Dakota, South Dakota, Washington and Wyoming, 19 of which are leased
Lubricant plants/warehouses	Three locations in Minnesota, Ohio and Texas, one of which is leased

Ag

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

Grain Marketing

We own 19 grain terminals, which are used in our grain marketing operations, in: Pekin, Illinois; Davenport, Iowa; Myrtle Grove, Louisiana; Savage and Winona, Minnesota; Collins, Mississippi; Friona, Texas; Superior, Wisconsin; Argentina; Bosnia; Brazil; Hungary; and Romania. In addition to office space at our corporate headquarters, we have 32 grain marketing offices in: Davenport, Iowa; Winona, Minnesota; Kansas City, Missouri; Lincoln, Nebraska; Argentina; Australia; Bosnia; Brazil; Bulgaria; Canada; China; Hungary; Jordan; Paraguay; Romania; Russia; Serbia; Singapore; South Korea; Spain; Switzerland; Taiwan; Ukraine; and Uruguay. We lease all of these grain marketing offices, other than the grain marketing offices in Davenport, Iowa and Winona, Minnesota, which we own.

Country Operations

In our country operations business, we own agri-operations facilities in 487 communities (of which some of the facilities are on leased land), three sunflower plants and eight feed manufacturing facilities of which we operate eight and lease one to a joint venture of which we are a partner. These operations are located in Colorado, Idaho, Illinois, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Washington, Wisconsin and Canada.

Crop Nutrients

We own one deep water port in Galveston, Texas and 20 terminals on major rivers in: Little Rock, Arkansas; Post Falls, Idaho; Muscatine, Iowa; Melbourne and Owensboro, Kentucky; Alexandria, Lake Providence, Lettsworth, Mermentau,

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Tallulah and Vidalia, Louisiana; St. Paul and Winona (two terminals), Minnesota; Greenville, Mississippi; Grand Forks, North Dakota; Watertown, South Dakota; Memphis, Tennessee; and Friona and Texarkana, Texas. The facilities located in Little Rock, Arkansas, Owensboro, Kentucky and Galveston, Texas are on leased land.

Processing and Food Ingredients

We own oilseed processing facilities and/or textured soy protein production facilities in: Creston, Iowa; Hutchinson, Kansas; Hallock, Fairmont and Mankato, Minnesota; and South Sioux City, Nebraska.

Renewable Fuels

We own ethanol plants located in Rochelle and Annawan, Illinois.

Corporate and Other

Business Solutions

In addition to office space at our corporate headquarters, we lease six offices in: Kewanee, Illinois; Brownsburg and Indianapolis, Indiana; Kansas City, Missouri; Huron, South Dakota; and The Woodlands, Texas.

Corporate Headquarters

We are headquartered in Inver Grove Heights, Minnesota. We own a 33-acre campus consisting of one main building with approximately 320,000 square feet of office space and two smaller buildings with approximately 13,400 and 9,000 square feet of space. We also have offices in Eagan, Minnesota and Washington, D.C., which are leased.

ITEM 3. LEGAL PROCEEDINGS

We are involved as a defendant in various lawsuits, claims and disputes, which are in the normal course of our business. The resolution of any such matters may affect consolidated net income for any fiscal period; however, our management believes any resulting liabilities, individually or in the aggregate, will not have a material effect on our consolidated financial position, results of operations or cash flows during any fiscal year.

Laurel

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

On July 11, 2016, we received a letter from the EPA responding to 21 reports that we had previously submitted to the EPA detailing prior flaring incidents at our Laurel, Montana refinery. These reports were submitted by us pursuant to the requirements of a 2004 consent decree among us, the United States and the State of Montana. In its response letter, the EPA stated that it was requesting stipulated penalties totaling $886,905, to be paid 50% to the EPA and 50% to the State of Montana, in connection with 15 of the incidents covered by the reports. We then paid $34,965 of the requested stipulated penalties relating to four incidents, and disputed the EPA's conclusions with respect to, and the stipulated penalties requested for, 11 of the incidents. On September 29, 2016, we met with representatives of the EPA to address the unresolved issues relating to the remaining 11 incidents. At that meeting, we presented arguments supporting our position that certain requested stipulated penalties should be reduced, and the EPA agreed to reduce the requested stipulated penalties for 8 of the 11 remaining incidents. In an October 13, 2016 letter to the EPA, we reiterated the arguments and positions we presented at the September 29, 2016 meeting. We are awaiting both the EPA's response to that letter and the revised amount of stipulated penalties that it is requesting.

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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 100,700 members who have done business with us in the past five fiscal years, of which approximately 1,100 are cooperative association members and approximately 99,600 are individual members. As a cooperative, we do not have any common stock that is traded or otherwise.

The following table is a summary of our outstanding preferred stock as of August 31, 2016, all of which are listed on the Global Select Market of NASDAQ:

	NASDAQ symbol	Issuance date	Shares outstanding	Redemption value	Net proceeds (a)	Dividend rate (b) (c)		Dividend payment frequency	Redeemable beginning (d)
				(Dollars in millions)					
8% Cumulative Redeemable	CHSCP	(e)	12,272,003	$306.8	$ 311.2	8.00	%	Quarterly	7/18/2023
Class B Cumulative Redeemable Series 1	CHSCO	(f)	20,764,558	$519.1	$ 549.4	7.875	%	Quarterly	9/26/2023
Class B Reset Rate Cumulative Redeemable Series 2	CHSCN	3/11/2014	16,800,000	$420.0	$ 406.2	7.10	%	Quarterly	3/31/2024
Class B Reset Rate Cumulative Redeemable Series 3	CHSCM	9/15/2014	19,700,000	$492.5	$ 476.7	6.75	%	Quarterly	9/30/2024
Class B Cumulative Redeemable Series 4	CHSCL	1/21/2015	20,700,000	$517.5	$ 501.0	7.50	%	Quarterly	1/21/2025

(a) Includes patrons' equities redeemed with preferred stock.

(b) The Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 2 accumulates dividends at a rate of 7.10% per year until March 31, 2024, and then at a rate equal to the three-month U. S. Dollar London Interbank Offered Rate ("LIBOR") plus 4.298%, not to exceed 8.00% per annum, subsequent to March 31, 2024.

(c) The Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 accumulates dividends at a rate of 6.75% per year until September 30, 2024, and then at a rate equal to the three-month LIBOR plus 4.155%, not to exceed 8.00% per annum, subsequent to September 30, 2024.

(d) Preferred stock is redeemable for cash at our option, in whole or in part, at a per share price equal to the per share liquidation preference of $25.00 per share, plus all dividends accumulated and unpaid on that share to and including the date of redemption, beginning on the dates set forth in this column.

(e) The 8% Cumulative Redeemable Preferred Stock was issued at various times from 2003-2010.

(f) 11,319,175 shares of Class B Series 1 Preferred Stock were issued on September 26, 2013; 6,752,188 shares were issued on August 25, 2014; and an additional 2,693,195 shares were issued on March 31, 2016.

We have not sold any equity securities during the three years ended August 31, 2016 that were not registered under the Securities Act of 1933.

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ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth our selected historical consolidated financial information for each of the five periods indicated. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K and with our consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Our consolidated financial statements are prepared in accordance with U.S. GAAP. The selected financial information as of and for the years ended August 31, 2016, 2015, 2014, 2013 and 2012 is derived from our audited consolidated financial statements and related notes. For periods prior to fiscal 2015, certain amounts have been revised to include activity and amounts related to capital leases that were previously incorrectly accounted for as operating leases. See Note 18, Correction of Immaterial Errors, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for more information on the nature and amounts of these revisions.

Selected Consolidated Financial Data

	2016	2015	2014	2013	2012
	(Dollars in thousands)				
Income Statement Data:					
Revenues	$30,347,203	$34,582,442	$42,664,033	$44,479,857	$40,599,286
Cost of goods sold	29,387,910	33,091,676	41,011,487	42,701,073	38,583,102
Gross profit	959,293	1,490,766	1,652,546	1,778,784	2,016,184
Marketing, general and administrative	649,097	775,354	602,598	553,623	498,233
Operating earnings	310,196	715,412	1,049,948	1,225,161	1,517,951
(Gain) loss on investments	(9,252)	(5,239)	(114,162)	(182)	5,465
Interest expense, net	75,347	60,333	140,253	236,699	198,304
Equity (income) loss from investments	(175,777)	(107,850)	(107,446)	(97,350)	(102,389)
Income before income taxes	419,878	768,168	1,131,303	1,085,994	1,416,571
Income taxes	(4,091)	(12,165)	48,296	89,666	80,852
Net income	423,969	780,333	1,083,007	996,328	1,335,719
Net income (loss) attributable to noncontrolling interests	(223)	(712)	1,572	3,942	75,091
Net income attributable to CHS Inc.	$424,192	$781,045	$1,081,435	$992,386	$1,260,628
Balance Sheet Data (as of August 31):					
Working capital	$414,385	$2,751,949	$3,168,512	$3,084,228	$2,809,595
Net property, plant and equipment	5,488,323	5,192,927	4,180,148	3,311,088	2,913,247
Total assets	17,317,709	15,228,312	15,296,104	13,643,954	13,771,947
Long-term debt, including current maturities	2,302,779	1,431,117	1,605,625	1,746,716	1,567,276
Total equities	7,866,250	7,669,411	6,466,844	5,152,747	4,473,323

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 those statements and the cautionary statement regarding forward-looking statements found in Part I, Item 1A of this Annual Report on 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 Annual Report on 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 shareholders that own shares of our five series of preferred stock, which are each listed and traded on the NASDAQ Global Select Market.

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 independent retailers. 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 or renewable fuels.

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

Prior to fiscal 2015, our renewable fuels marketing business was included in our Energy segment and our renewable fuels production business was included in our Ag segment. At the beginning of fiscal 2015, we reconfigured certain parts of our business to better align our ethanol supply chain. As a result, our renewable fuels marketing business is now managed together with our renewable fuels production business within our Ag segment. In accordance with Accounting Standards Codification ("ASC") Topic 280, Segment Reporting, we have identified our operating segments to reflect the manner in which our chief operating decision maker evaluates performance and manages the business, and we have aggregated those operating segments into our Energy, Ag, Nitrogen Production, and Foods reportable segments, as well as our Corporate and Other category. Prior period segment information has been revised to ensure comparability.

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. Our Nitrogen Production segment consists solely of our equity method investment in CF Nitrogen and produces and distributes nitrogen fertilizer, a commodity chemical. Our Foods segment consists solely of our equity method investment in Ventura Foods and is a processor and distributor of edible oils used in food preparation and a packager of food products. Corporate and Other primarily represents our non-consolidated wheat milling joint venture, as well as our business solutions operations, which consist of commodities hedging, insurance and financial services related to crop production.

Corporate administrative expenses and interest are allocated to each business segment, and Corporate and Other, based on direct usage for services that can be tracked, such as information technology and legal, and other factors or considerations relevant to the costs incurred.

Many of our business activities are highly seasonal and operating results vary throughout the year. Our revenues and income are generally lowest during the second and fourth fiscal quarters and highest during the first and third fiscal quarters. 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.

Our business is cyclical and in recent years the Ag and Energy economies were near the peak of the cycle. The Ag and Energy industries have fallen off of their peaks and entered into a down cycle characterized by reduced commodity prices and lower margins globally. This down cycle also impacts the nitrogen fertilizer industry and as a result, we are similarly impacted in our Nitrogen Production business. We are unable to predict how long this down cycle will last or how severe it may be. During this period, we, along with our competitors and customers, expect our revenues, margins and cash flows to be under pressure as energy and commodity prices remain low and potentially decline further. As we operate in this ongoing down cycle, we have taken and are continuing to take prudent actions regarding costs and investments, while continuing to position ourselves to take advantage of opportunities as they arise. These prudent actions included holding overhead costs flat and reducing capital investments for fiscal 2016, which we intend to continue through fiscal 2017 and into fiscal 2018, as well as focusing on the return we earn on our investments in assets.

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. In our Nitrogen Production segment, this consists of our 11.4% ownership in CF Nitrogen. In our Foods segment, this consists of our 50% ownership in Ventura Foods. In Corporate and Other, this principally includes our 12% ownership in Ardent Mills.

Results of Operations

Comparison of the years ended August 31, 2016 and 2015

General. We recorded income before income taxes of $419.9 million during the year ended August 31, 2016, compared to $768.2 million recorded during the year ended August 31, 2015, a decrease of $348.3 million (45%). Results reflect decreased pretax earnings in our Energy and Ag segments, as well as Corporate and Other, partially offset by increased pretax earnings in our Foods segment, which was previously reported as a component of Corporate and Other, and our new Nitrogen Production segment, which reflects the results of our strategic investment in CF Nitrogen.

Our Energy segment generated income before income taxes of $275.4 million for the year ended August 31, 2016, compared to $538.1 million for the year ended August 31, 2015, representing a decrease of $262.7 million (49%), primarily due to significantly reduced refining margins in fiscal 2016. Our transportation business also experienced a decline while our propane and lubricants businesses earnings increased versus the prior year. We are subject to the Renewable Fuel Standard ("RFS") which requires refiners to blend renewable fuels (e.g., ethanol, biodiesel) into their finished transportation fuels or purchase renewable energy credits, known as Renewable Identification Numbers ("RINs"), in lieu of blending. The EPA generally establishes new annual renewable fuel percentage standards for each compliance year in the preceding year. We generate RINs under the RFS in our renewable fuels operations and through our blending activities at our terminals, however we cannot generate enough RINs to meet the needs of our refining capacity and RINs must be purchased on the open market. The price of RINs can be volatile. On November 30, 2015, the EPA released the final mandate for years 2014, 2015, and 2016 resulting in an increase to the price of RINs. This price increase did not have a material impact on our financial results during fiscal 2016 or 2015 as it related to our purchases of RINs.

Our Ag segment generated income before income taxes of $31.0 million for the year ended August 31, 2016, compared to $149.6 million in the year ended August 31, 2015, a decrease in earnings of $118.6 million (79%). Our country operations earnings decreased $82.9 million primarily due to lower grain margins, which was partially offset by increased grain volumes during the year ended August 31, 2016, compared to the prior year. Earnings from our wholesale crop nutrients business decreased $59.0 million for the year ended August 31, 2016, compared to the prior year, primarily due to decreased margins. Our processing and food ingredients business experienced a decrease in earnings of $56.6 million for the year ended August 31, 2016 compared with the prior year, primarily due to charges associated with the disposal and impairment of assets as well as a charge associated with a specific customer receivable and, to a lesser extent, lower margins in our soybean crushing business. Our grain marketing earnings decreased $36.4 million during the year ended August 31, 2016, compared with the prior year, primarily as a result of decreased margins, partially offset by increased volumes. Earnings from our renewable fuels marketing and production operations decreased $2.2 million during the year ended August 31, 2016, primarily due to lower market prices for ethanol and was partially offset by increased volumes. The lower margins referenced above are the result of the down cycle in the Ag economy previously discussed, which has resulted in reduced commodity prices and lower margins across the globe. These decreases were partially offset by a fiscal 2015 impairment charge of $116.5 million that did not reoccur in fiscal 2016 that was associated with our decision to cease development of our previously planned nitrogen fertilizer plant in Spiritwood, North Dakota.

Our Nitrogen Production segment generated income before income taxes of $34.1 million for the year ended August 31, 2016, for which there is no comparable income in the prior year as this segment consists solely of our equity method investment in CF Nitrogen, which was consummated on February 1, 2016. See Note 4, Investments, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for additional information.

Our Foods segment, which was previously reported as a component of Corporate and Other, generated income before income taxes of $64.8 million for the year ended August 31, 2016, representing an increase of $2.2 million (3%) compared to $62.6 million in the prior year. This segment consists solely of our equity method investment in Ventura Foods.

Corporate and Other generated income before income taxes of $14.7 million for the year ended August 31, 2016 compared to $17.8 million during the previous year, a decrease in earnings of $3.1 million (17%).

Net Income attributable to CHS Inc. Consolidated net income attributable to CHS Inc. for the year ended August 31, 2016 was $424.2 million compared to $781.0 million for the year ended August 31, 2015, which represents a $356.8 million decrease (46%).

Revenues. Consolidated revenues were $30.4 billion for the year ended August 31, 2016 compared to $34.6 billion for the year ended August 31, 2015, which represents a $4.2 billion decrease (12%).

Our Energy segment revenues of $5.4 billion, after elimination of intersegment revenues, decreased by $2.8 billion (34%) during the year ended August 31, 2016, compared to the year ended August 31, 2015. During the years ended August 31, 2016 and 2015, our Energy segment recorded revenues from sales to our Ag segment of $341.8 million and $484.0 million, respectively, which are eliminated as part of the consolidation process. Refined fuels revenues decreased $2.5 billion (35%), of which approximately $2.0 billion related to a decrease in the net average selling price and $480.1 million related to a decrease in sales volumes, compared to the prior year. The selling price of refined fuels products decreased an average of $0.74 (30%) per gallon, and sales volumes decreased 7%, compared to the previous year. Propane revenues decreased $396.4 million (43%), of which $252.2 million was attributable to a decrease in the net average selling price and $144.2 million was attributable to a decrease in volumes. Propane sales volume decreased 16% due to warmer temperatures in fiscal 2016 compared to fiscal 2015, and the average selling price of propane decreased $0.34 (32%) per gallon, when compared to the previous year.

Our Ag segment revenues of $24.8 billion, after elimination of intersegment revenues, decreased $1.5 billion (6%) during the year ended August 31, 2016 compared to the year ended August 31, 2015.

Grain revenues in our Ag segment totaled $16.8 billion and $17.2 billion during the years ended August 31, 2016 and 2015, respectively. The grain revenue decrease from the prior year of $479.2 million (3%), was attributable to $3.4 billion due to lower average grain selling prices, partially offset by an increase in volumes of $3.0 billion. The average sales price of all grain and oilseed commodities sold reflected a decrease of 17%, when compared to the prior year.

Our processing and food ingredients revenues in our Ag segment of $1.6 billion for the year ended August 31, 2016 was essentially flat when compared to the prior year with higher volumes being offset by lower average selling prices on our oilseed products. Typically, changes in average selling prices of oilseed products are primarily driven by the average market prices of soybeans. The increase in volumes sold is mostly due to the acquisition of a plant late in the fourth quarter of fiscal 2015.

Wholesale crop nutrient revenues in our Ag segment totaled $2.0 billion and $2.5 billion during the years ended August 31, 2016 and 2015, respectively, for a decrease of $488.9 million (20%) in fiscal 2016. The decrease consisted of $480.2 million related to lower average fertilizer selling prices and $8.7 million related to lower volumes during the year ended August 31, 2016, compared to the prior fiscal year. Our wholesale crop nutrient volumes decreased less than 1% and the average sales price of all fertilizers sold reflected a decrease of $72.86 per ton (19%), during the year ended August 31, 2016, compared with the previous year, which reflects a more challenging Ag economy.

Our renewable fuels revenue from our marketing and production operations decreased $170.1 million during the year ended August 31, 2016, compared to the year ended August 31, 2015. The decrease was primarily the result of a lower average sales price of $0.21 (12%) per gallon, which accounted for $202.7 million of the decrease. Market supply and demand forces as well as the decline in traditional fuels drove prices lower year over year. The impact of lower prices was partially offset by higher volumes, which increased revenues by $32.6 million.

Our Ag segment other product revenues, primarily feed and farm supplies, of $2.7 billion decreased by $336.5 million (11%) during the year ended August 31, 2016, compared to the year ended August 31, 2015, primarily due to a decrease in our country operations retail sales of feed and farm supplies and the sales price of energy related products.

Total revenues include other revenues generated primarily within our Ag segment and Corporate and Other. Our Ag segment's country operations elevators and agri-service centers derive other revenues from activities related to production agriculture, which include grain storage, grain cleaning, fertilizer spreading, crop protection spraying and other associated services 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 was $29.4 billion for the year ended August 31, 2016, compared to $33.1 billion for the year ended August 31, 2015, which represents a $3.7 billion (11%) decrease.

Our Energy segment cost of goods sold, after elimination of intersegment costs, decreased by approximately $2.5 billion (33%) to $5.0 billion during the year ended August 31, 2016, compared to the prior year. The decrease in cost of goods sold is primarily due to decreases in our refined fuels and propane businesses. Specifically, refined fuels cost of goods sold decreased $1.8 billion (30%), which reflects a $0.52 per gallon (24%) decrease in the average cost of refined fuels when compared to the prior year. The propane cost of goods sold decreased $432.3 million (47%), primarily from an average cost decrease of $0.38 per gallon (37%) and a 16% decrease in volumes.

Our Ag segment cost of goods sold, after elimination of intersegment costs, decreased by $1.2 billion (5%) to $24.3 billion, during the year ended August 31, 2016, compared to the prior year. Grain cost of goods sold in our Ag segment totaled $16.6 billion and $16.8 billion during the years ended August 31, 2016 and 2015, respectively. The costs of grains and oilseed procured through our Ag segment in the year ended August 31, 2016 decreased $269.5 million compared to the year ended August 31, 2015. The majority of the decrease was driven by a lower average cost per bushel of $0.98 (16%), which accounted for $3.2 billion of the decrease, partially offset by a 17% increase in volumes of $2.9 billion for the year ended August 31, 2016, compared to the prior year.

Our processing and food ingredients cost of goods sold in our Ag segment of $1.5 billion increased $36.9 million (2%) for the year ended August 31, 2016, compared to the year ended August 31, 2015. The net increase is comprised of $879.2 million in higher volumes, partially offset by $815.0 million from a lower average cost of oilseeds purchased for further processing, when compared to the year ended August 31, 2015. Changes in cost are typically driven by the market price of soybeans purchased. In addition, in fiscal 2016, we recorded a non-cash charge of $27.3 million associated with the disposal and impairment of certain fixed assets at our domestic and international facilities.

Wholesale crop nutrients cost of goods sold in our Ag segment totaled $1.9 billion and decreased $361.2 million (15%) during the year ended August 31, 2016, compared to the year ended August 31, 2015. The decrease is the result of a 15% lower average cost per ton and a decrease in the tons sold of less than 1%, when compared to the prior year.

Renewable fuels cost of goods sold associated with our marketing and production operations decreased $172.5 million (11%) for the year ended August 31, 2016, compared to the year ended August 31, 2015. This was primarily due to a decrease in the average cost per gallon of $0.21 (12%) which was partially offset by an increase in volumes, when compared to the prior year.

Our Ag segment other product cost of goods sold, primarily feed and farm supplies, decreased $321.6 million (12%) for the year ended August 31, 2016, compared to the year ended August 31, 2015, primarily the result of decreased country operations retail sales of feed and farm supplies and the purchase price of energy related products.

Marketing, General and Administrative. Marketing, general and administrative expenses of $649.1 million for the year ended August 31, 2016, decreased by $126.3 million (16%) compared to the prior year. In fiscal 2015 there was a $116.5 million charge related to our decision not to proceed with the development of a nitrogen fertilizer plant in Spiritwood, North Dakota, which did not reoccur in fiscal 2016. The remaining decrease is primarily due to a reduction of compensation expenses, including a significant reduction of incentive compensation accruals, partially offset by a net increase in receivables specific reserves related to an international customer and a domestic customer and increased costs related to prior year acquisitions included for the full year in fiscal 2016.

Gain/Loss on Investments. Gain on investments for the year ended August 31, 2016 increased by $4.0 million compared to the year ended August 31, 2016. The increase was related to gains on bond transactions specific to our international operations.

Interest expense, net. Net interest of $75.3 million for the year ended August 31, 2016, increased $15.0 million (25%) compared to the previous year. Approximately $50.9 million of the increase was related to interest expense associated with increased debt balances in fiscal 2016 as well as lower capitalized interest of $26.9 million associated with our ongoing capital projects. This was partially offset by additional interest income of $28.0 million and a decrease of $34.8 million associated with a decrease in patronage earned by the noncontrolling interests of NCRA (now known as CHS McPherson).

Equity Income from Investments. Equity income from investments of $175.8 million for the year ended August 31, 2016, increased $67.9 million (63%) compared to the year ended August 31, 2015. The increase was related primarily to equity earnings recognized from our new equity method investment in CF Nitrogen of $74.7 million during the year ended August 31, 2016. See Note 4, Investments, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for additional information. In general, we record equity income or loss from the investments in which we have an ownership interest of 50% or less and have significant influence, but not control, for our proportionate share of income or loss reported by the entity, without consolidating the revenues and expenses of the entity in our Consolidated Statements of Operations.

Income Taxes. Income tax benefit was $4.1 million and $12.2 million for the years ended August 31, 2016 and 2015, respectively, resulting in effective tax rates of (1.0%) and (1.6%), respectively. The negative effective tax rate in fiscal 2016 was primarily driven by an appeals settlement with the Internal Revenue Service for a fiscal 2006 and 2007 tax matter. The federal and state statutory rate applied to nonpatronage business activity was 38.3% and 38.1% for the years ended August 31, 2016, and 2015, 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 loss attributable to noncontrolling interests was $0.2 million and $0.7 million for the years ended August 31, 2016 and 2015, a decrease of $0.5 million.

Comparison of the years ended August 31, 2015 and 2014

General. We recorded income before income taxes of $768.2 million during the year ended August 31, 2015, compared to $1,131.3 million recorded during the year ended August 31, 2014, a decrease of $363.1 million (32%). Results reflect decreased pretax earnings in our Energy and Ag segments, as well as Corporate and Other, partially offset by increased income in our Foods segment, which was previously reported as a component of Corporate and Other. The results reflect an impairment in fiscal 2015 associated with our exit of our Spiritwood project of approximately $116.5 million, as a well as a gain associated with the formation of Ardent Mills of $109.2 million in fiscal 2014 which did not reoccur in fiscal 2015.

Our Energy segment generated income before income taxes of $538.1 million for the year ended August 31, 2015 compared to $728.4 million for the year ended August 31, 2014, representing a decrease of $190.3 million (26%), primarily due to significantly reduced refining margins in fiscal 2015 as a result of the turnaround at our McPherson, Kansas, refinery in the third quarter of fiscal 2015 and the turnaround at our Laurel, Montana refinery in the fourth quarter of fiscal 2015. We are subject to the RFS, which requires refiners to blend renewable fuels (e.g., ethanol, biodiesel) into their finished transportation fuels or purchase renewable energy credits, known as RINs, in lieu of blending. The EPA generally establishes new annual renewable fuel percentage standards for each compliance year in the preceding year. We generate RINs under the RFS in our renewable fuels operations and through our blending activities at our terminals, however we cannot generate enough RINs to meet the needs of our refining capacity and RINs must be purchased on the open market. The price of RINs can be volatile. On November 30, 2015, the EPA released the final mandate for years 2015 and 2014 resulting in an increase to the price of RINs. This price increase did not have a material impact on our financial results during fiscal 2015 or 2014 as it related to our purchases of RINs.

Our Ag segment generated income before income taxes of $149.6 million for the year ended August 31, 2015, compared to $213.4 million in the year ended August 31, 2014, a decrease in earnings of $63.8 million (30%). The decrease in our Ag segment results was primarily driven by an impairment charge of $116.5 million which was recorded in fiscal 2015 and was associated with our decision to cease development of our previously planned nitrogen fertilizer plant in Spiritwood, North Dakota. Our grain marketing earnings decreased $44.1 million during the year ended August 31, 2015 compared with the prior year, primarily as a result of robust logistical performance in fiscal 2014, which didn't reoccur in fiscal 2015, as well as additional expenses related to growth and foreign exchange losses, partially offset by increased margins. Our country operations earnings decreased $22.1 million, primarily from decreased retail agronomy margins and additional expenses related to growth, which was partially offset by increased grain volumes and margins during the year ended August 31, 2015, compared to the prior year. Earnings from our wholesale crop nutrients business increased by $9.0 million for the year ended August 31, 2015, compared to the prior year, primarily due to increased margins, partially offset by decreased volumes. Earnings from our renewable fuels marketing and production operations decreased $10.5 million during the year ended August 31, 2015, primarily due to significantly lower market prices for ethanol, which resulted in lower marketing commissions and was partially offset by earnings from the acquisitions of our Annawan, Illinois ethanol plant in our fourth quarter of fiscal 2015 and our Rochelle, Illinois ethanol plant in the fourth quarter of fiscal 2014. Our processing and food ingredients business experienced an increase in earnings of $111.0 million for the year ended August 31, 2015 compared with the prior year, primarily due to a non-cash impairment charge in fiscal 2014 of $74.5 million related to certain assets in Israel. In addition, we had a decrease in operating expenses at our plants related to a reduction in the price of natural gas as well as increased margins.

Our Foods segment generated income before income taxes of $62.6 million for the year ended August 31, 2015 compared to $48.4 million for the prior year, an increase of $14.2 million (29%). The increase was primarily the result of increased sales volumes.

Corporate and Other generated income before income taxes of $17.7 million for the year ended August 31, 2015 compared to $141.1 million during the previous year, a decrease in earnings of $123.4 million (87%). The decrease was primarily related to a $109.2 million gain associated with the contribution of our Horizon Milling assets to the Ardent Mills joint venture formed during fiscal 2014. See Note 4, Investments, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for additional information.

Net Income attributable to CHS Inc. Consolidated net income attributable to CHS Inc. for the year ended August 31, 2015 was $781.0 million compared to $1,081.4 million for the year ended August 31, 2014, which represents a $300.4 million decrease (28%).

Revenues. Consolidated revenues were $34.6 billion for the year ended August 31, 2015 compared to $42.7 billion for the year ended August 31, 2014, which represents an $8.1 billion decrease (19%).

Our Energy segment revenues of $8.2 billion, after elimination of intersegment revenues, decreased by $3.4 billion (29%) during the year ended August 31, 2015, compared to $11.6 billion during the year ended August 31, 2014. During the years ended August 31, 2015 and 2014, our Energy segment recorded revenues from sales to our Ag segment of $484.0 million and $600.4 million, respectively, which are eliminated as part of the consolidation process. Refined fuels revenues decreased $2.9 billion (29%), all of which was related to a decrease in the net average selling price, compared to the prior year. The sales price of refined fuels products decreased $0.88 per gallon (28%), compared to the previous year. Propane revenues decreased $463.1 million (34%), of which $399.4 million was attributable to a decrease in the net average selling price and $63.7 million was related to a decrease in volumes. The volumes of our propane products decreased due to an extremely cold winter in fiscal 2014 compared to fiscal 2015 and the prices decreased due to a condensed crop drying season in fiscal 2014, which drove prices up that didn't reoccur in fiscal 2015. Propane sales volume decreased 5%, and the average selling price of propane decreased $0.41 per gallon (31%), when compared to the previous year.

Our Ag segment revenues of $26.3 billion, after elimination of intersegment revenues, decreased $4.7 billion (15%) during the year ended August 31, 2015 compared to $31.0 billion for the year ended August 31, 2014.

Grain revenues in our Ag segment totaled $16.8 billion and $20.7 billion during the years ended August 31, 2015 and 2014, respectively. Of the grain revenues decrease of $3.5 billion (17%), $3.1 billion was due to decreased average grain selling prices, with the remaining decrease driven by a $329.1 million net decrease in volume, compared to the prior year. The average sales price of all grain and oilseed commodities sold reflected a decrease of $1.14 per bushel (15%), when compared to the prior year. Wheat, soybeans, and corn had decreased volumes, compared to the year ended August 31, 2014.

Our processing and food ingredients revenues in our Ag segment of $1.6 billion for the year ended August 31, 2015 decreased $243.4 million (14%), when compared to the prior year. The net decrease in revenues was comprised of a $462.4 million decrease in the average selling price, partially offset by a $219.0 million increase in volumes of our oilseed products sold as compared to the year ended August 31, 2014. 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 $2.5 billion and $2.8 billion during the years ended August 31, 2015 and 2014, respectively, for a decrease of $331.2 million (12%). Of this decrease, $274.8 million was related to a decrease in volumes and $56.4 million was related to a decrease in average fertilizer selling prices, during the year ended August 31, 2015, compared to the prior fiscal year. Our wholesale crop nutrient volumes decreased 10% and the average sales price of all fertilizers sold reflected a decrease of $8.52 per ton (2%), during the year ended August 31, 2015, compared with the previous year.

Our renewable fuels revenue from our marketing and production operations decreased $548.4 million during the year ended August 31, 2015 compared to the year ended August 31, 2014. The change was primarily the result of a decrease in the average sales price of $0.62 (26%) per gallon, which accounted for $581.5 million of the decrease. The lower average selling price of our ethanol was impacted by the decline in the price of traditional fuels. The impact of lower prices was partially offset by higher volumes, which increased revenues by $33.1 million. The increase in volumes sold was mostly due to the acquisition of our Rochelle, Illinois ethanol plant in the fourth quarter of fiscal 2014.

Our Ag segment other product revenues, primarily feed and farm supplies, of $3.0 billion decreased by $133.1 million (4%) during the year ended August 31, 2015 compared to the year ended August 31, 2014, primarily due to a decrease in our country operations retail sales of feed and the sales price of energy related products.

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

Cost of Goods Sold. Consolidated cost of goods sold was $33.1 billion for the year ended August 31, 2015, compared to $41.0 billion for the year ended August 31, 2014, which represents a $7.9 billion (19%) decrease.

Our Energy segment cost of goods sold, after elimination of intersegment costs, decreased by approximately $3.1 billion (29%) to $7.5 billion during the year ended August 31, 2015, compared to the prior year. The decrease in cost of goods sold was primarily due to decreases in our refined fuels and propane businesses. Specifically, refined fuels cost of goods sold decreased $2.6 billion (29%), which reflects a $0.78 per gallon (28%) decrease in the average cost of refined fuels when compared to the prior year. The cost of goods sold of propane decreased $482.6 million (35%), primarily from an average cost decrease of $0.43 per gallon (32%) and a 5% decrease in volumes when compared to the prior year. The volumes of our propane products decreased due to an extremely cold winter in fiscal 2014 compared to fiscal 2015 and the prices decreased due to a condensed crop drying season in fiscal 2014, which drove prices up that didn't reoccur in fiscal 2015.

Our Ag segment cost of goods sold, after elimination of intersegment costs, decreased by $4.8 billion (16%) to $25.6 billion, during the year ended August 31, 2015, compared to the prior year. Grain cost of goods sold in our Ag segment totaled $16.8 billion and $20.3 billion during the years ended August 31, 2015 and 2014, respectively. The costs of grains and oilseed procured through our Ag segment decreased $3.5 billion compared to the year ended August 31, 2014. The majority of the decrease was driven by a lower average cost per bushel of $1.15 (16%), which accounted for $3.2 billion of the decrease, with a 2% decrease in volumes contributing $323.0 million to the decrease, for the year ended August 31, 2015 compared to the prior year. The average month-end market price per bushel of soybeans and spring wheat decreased, partially offset by increases in the average month-end market price per bushel of corn, compared to the previous year.

Our processing and food ingredients cost of goods sold in our Ag segment of $1.5 billion decreased $344.8 million (19%) for the year ended August 31, 2015, compared to the year ended August 31, 2014. This decrease was primarily due to a decrease in the cost of soybeans purchased, partially offset by higher volumes. There was also a non-cash $74.5 million impairment charge related to certain assets in Israel recorded in fiscal 2014.

Wholesale crop nutrients cost of goods sold in our Ag segment totaled $2.3 billion and $2.7 billion during the years ended August 31, 2015 and 2014, respectively, for a decrease of $349.0 million (13%) in fiscal 2015. This decrease was comprised of a decrease in the average cost per ton of fertilizer of $13.13 (4%), and a decrease in the tons sold of 10%, when compared to the prior year.

Renewable fuels cost of goods sold associated with our marketing and production operations decreased $560.1 million for the year ended August 31, 2015, compared to the year ended August 31, 2014. This was primarily from a decrease in the average cost per gallon of $0.63 (27%), which was partially offset by an increase in volumes, when compared to the prior year. The increase in volumes was due to the Rochelle, Illinois ethanol plant we acquired in the fourth quarter of fiscal 2014.

Our Ag segment other product cost of goods sold, primarily feed and farm supplies, decreased $126.4 million (5%) for the year ended August 31, 2015, compared to the year ended August 31, 2014, primarily the result of decreased country operations retail sales of feed and the purchase price of energy related products.

Marketing, General and Administrative. Marketing, general and administrative expenses of $775.4 million for the year ended August 31, 2015, increased by $172.8 million (29%) compared to the prior year. The net increase in fiscal 2015 was primarily due to a $116.5 million charge related to our decision not to proceed with the development of a nitrogen fertilizer plant in Spiritwood, North Dakota. The remaining increase was due to additional head count to support our operations and expansion, increased bad debt provision related to an international customer and increased information technology maintenance and marketing costs.

Gain/Loss on Investments. Gain on investments for the year ended August 31, 2015 decreased by $108.9 million compared to the year ended August 31, 2014, related primarily to a $109.2 million gain in fiscal 2014 associated with the contribution of our Horizon Milling assets to the Ardent Mills joint venture that did not reoccur in fiscal 2015. See Note 4, Investments, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for additional information.

Interest expense, net. Net interest of $60.3 million for the year ended August 31, 2015 decreased $79.9 million compared to the previous year. Approximately $48.8 million of the decrease was related to capitalized interest associated with our ongoing capital projects, and $36.1 million was associated with a decrease in patronage earned by the noncontrolling interests of NCRA (now known as CHS McPherson). These were partially offset by a gain of $13.5 million on interest rate swaps in the second quarter of fiscal 2014 that didn't reoccur in fiscal 2015.

Equity Income from Investments. Equity income from investments of $107.9 million for the year ended August 31, 2015 increased by less than 1% compared to the year ended August 31, 2014. We record equity income or loss from the investments in which we have an ownership interest of 50% or less and have significant influence, but not control, for our proportionate share of income or loss reported by the entity, without consolidating the revenues and expenses of the entity in our Consolidated Statements of Operations.

Income Taxes. Income tax benefit was $12.2 million for the year ended August 31, 2015 compared with income tax expense of $48.3 million for the year ended August 31, 2014, resulting in effective tax rates of (1.6%) and 4.3%, respectively. The decrease in the effective tax rate was driven by the combination of deferred tax benefits of $30.8 million during the third quarter of fiscal 2015 related to the issuance of non-qualified equity certificates in fiscal 2013 and 2014 and $19.3 million from the recognition of Kansas tax credits generated by NCRA (now known as CHS McPherson). The federal and state statutory rate applied to nonpatronage business activity was 38.1% for both years ended August 31, 2015 and 2014. 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 loss attributable to noncontrolling interests was $0.7 million for the year ended August 31, 2015 compared to net income of $1.6 million for the year ended August 31, 2014, a decrease of $2.3 million.

Liquidity and Capital Resources

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

On August 31, 2016 and August 31, 2015, we had working capital, defined as current assets less current liabilities, of $414.4 million and $2.8 billion, respectively. The decrease in working capital was driven primarily by reduced cash levels and increased short-term borrowings used to finance working capital that had previously been supported on an interim basis by preferred stock proceeds. The cash, extracted preferred stock proceeds, long term borrowings and operating cash flow were used to fund our $2.8 billion investment in CF Nitrogen that was consummated on February 1, 2016. Our current ratio, defined as current assets divided by current liabilities, was 1.1 and 1.5 as of August 31, 2016 and August 31, 2015, respectively.

As of August 31, 2016 we had cash and cash equivalents of $279.3 million, total equities of $7.9 billion, long-term debt of $2.3 billion and notes payable of $2.7 billion. Our capital allocation priorities include maintaining our assets, paying our dividends, returning cash to our member-owners in the form of patronage refunds, paying down debt and taking advantage of strategic opportunities that benefit our owners. Our primary sources of cash in fiscal 2016 were net cash flows from operations and proceeds from revolving lines of credit and long-term borrowings. The primary uses of cash during that period were payments on indebtedness, our investment in CF Nitrogen, capital expenditures, the distribution of patronage refunds and preferred stock dividends. We believe that cash generated by operating activities, along with available borrowing capacity under our revolving credit facilities, will be sufficient to support our operations for the next 12 months.

We expect to utilize cash and cash equivalents, along with cash generated by operating activities to fund our fiscal 2017 capital expenditures. For fiscal 2017, we expect total capital expenditures to be approximately $632.0 million, compared

to capital expenditures of $712.4 million in fiscal 2016. Included in that amount for fiscal 2017 is approximately $262.0 million for the acquisition of property, plant and equipment and major repairs at our Laurel, Montana and McPherson, Kansas refineries. In fiscal 2016, we completed the remainder of a multi-year project to replace a coker at our McPherson, Kansas refinery with a total cost of $583.5 million. We incurred $44.7 million, $167.4 million and $186.8 million of costs related to the coker project during the years ended August 31, 2016, 2015 and 2014, respectively. We also began a $368.5 million expansion at our McPherson, Kansas refinery during the year ended August 31, 2013, which is anticipated to be completed in early fiscal 2017. We incurred $49.2 million, $159.2 million and $128.3 million of costs related to the expansion during the years ended August 31, 2016, 2015 and 2014, respectively.
On February 1, 2016, we invested $2.8 billion in CF Nitrogen, commencing our strategic venture with CF Industries Holdings, Inc. ("CF Industries"). The investment consists of an 11.4% membership interest (based on product tons) in CF Nitrogen; and an associated 80-year supply agreement that entitles us to purchase up to 1.1 million tons of granular urea and 580,000 tons of urea ammonium nitrate annually from CF Nitrogen for ratable delivery. The investment was financed through operating cash flow, the issuance of long-term debt and available cash.

On July 22, 2016, an existing securitization facility (“Securitization Facility” or “the Facility”) with CHS Capital was increased to $850 million to provide us the option to fund through securitization certain of our accounts receivable. The Facility is with two financial institutions, with one acting as administrative agent, and various conduit purchasers, committed purchasers, and purchase agents (collectively the “Co-Purchasers”). The Securitization Facility in total provides funding of up to $850 million against certain CHS Capital loans receivable, accounts receivable, and certain related property sold into the securitization facility. The increased Securitization Facility provides to us the option for an additional source of liquidity, thereby increasing our financial flexibility. The amount of funding outstanding against our securitized accounts receivable at August 31, 2016 was $143 million.

In September 2015, we amended and restated our primary committed line of credit, which is a $3.0 billion five-year, unsecured revolving credit facility with a syndication of domestic and international banks that expires in September 2020. Our inventories and receivables financed with them are highly liquid. The outstanding balance on this facility was $700.0 million as of August 31, 2016. There was no outstanding balance on the predecessor facility as of August 31, 2015. Amounts borrowed under this facility primarily bear interest at base rates (or London Interbank Offered Rates ("LIBOR")) plus applicable margins ranging from 0.00% to 1.45%.

In December 2015, we entered into three bilateral, uncommitted revolving credit facilities with an aggregate capacity of $1.3 billion. As of August 31, 2016, the aggregate capacity is $600 million. Amounts borrowed under these short-term lines are used to fund our working capital and bear interest at base rates (or London Interbank Offered Rates ("LIBOR")) plus applicable margins ranging from 0.25% to 1.00%. As of August 31, 2016, outstanding bilateral borrowings were $300.0 million.

We believe our current cash balances and our available capacity on our committed lines of credit will provide adequate liquidity to meet our working capital needs.

In addition, our wholly-owned subsidiary, CHS Capital, makes seasonal and term loans to member cooperatives, businesses and individual producers of agricultural products included in our cash flows from investing activities, and has its own financing sources as 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 influenced 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 regarding forward-looking statements found in 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 $1.3 billion, $570.0 million and $1.4 billion for the years ended August 31, 2016, 2015 and 2014, respectively. The fluctuation in cash flows between fiscal 2016 and fiscal 2015 is primarily the result of significant inflows of cash related to net changes in operating assets and liabilities during the year ended August 31, 2016 compared to the overall cash uses associated with net changes in operating assets and liabilities during the year ended August 31, 2015. In fiscal 2016 we began actively managing our cash conversion cycle focusing on accounts receivable, inventory and accounts payable days outstanding.

Our operating activities provided net cash of $1.3 billion during the year ended August 31, 2016. The cash provided by operating activities resulted from net income of $424.0 million, net non-cash expenses and cash distributions from equity investments of $507.6 million and an increase in cash flows due to changes in net operating assets and liabilities of $332.0 million. The primary components of net non-cash expenses and cash distributions from equity investments include depreciation and amortization, including amortization of major repair costs, of $521.0 million, partially offset by a gain of $60.9 million on our crack spread contingent consideration liability. The increase in cash flows from changes in net operating assets and liabilities was caused primarily by decreases in inventories and other current assets, partially offset by decreases in accounts payable and accrued expenses and other liabilities. These decreases were primarily driven by decreases in commodity prices on August 31, 2016, when compared to August 31, 2015 and decreases in fertilizer volumes on hand (34% decrease primarily due to increased direct ship sales). On August 31, 2016, the per bushel market prices of two of our primary grain commodities, corn and spring wheat, decreased by $0.90 (23%) and $0.11 (2%), respectively, when compared to the spot prices on August 31, 2015. The per bushel market price of our third primary commodity, soybeans, increased by $0.63 (7%) when compared to the spot price on August 31, 2015. In general, crude oil market prices decreased $4.50 per barrel (9%) on August 31, 2016 when compared to August 31, 2015. Comparing the same periods, fertilizer commodity prices affecting our wholesale crop nutrients and country operations retail businesses reflected decreases of up to 34%, depending on the specific products, compared to prices on August 31, 2015.

Our operating activities provided net cash of $570.0 million during the year ended August 31, 2015. The cash provided by operating activities resulted from net income of $780.3 million and net non-cash expenses and cash distributions from equity investments of $453.0 million, partially offset by a decrease in cash flows due to changes in net operating assets and liabilities of $663.3 million. The primary components of net non-cash expenses and cash distributions from equity investments include depreciation and amortization, including amortization of major repair costs, of $401.4 million and long-lived asset impairment charges of $103.7 million, partially offset by a gain of $36.3 million on our crack spread contingent consideration liability and net equity investment activity of $26.9 million. The decrease in cash flows from changes in net operating assets and liabilities was caused primarily by decreases in accounts payable and accrued expenses and customer advance payments, partially offset by decreases in receivables and inventories. These decreases were driven by decreases in commodity prices on August 31, 2015, when compared to August 31, 2014. On August 31, 2015, the per bushel market prices of two of our primary grain commodities, soybeans and spring wheat, decreased by $1.92 (18%) and $1.19 (19%), respectively, when compared to the spot prices on August 31, 2014. The per bushel market price of our third primary commodity, corn, increased by $0.33 (9%) when compared to the spot price on August 31, 2014. In general, crude oil market prices decreased $47 per barrel (49%) on August 31, 2015 when compared to August 31, 2014. Comparing the same periods, fertilizer commodity prices affecting our wholesale crop nutrients and country operations retail businesses reflected decreases of up to 26%, depending on the specific products, compared to prices on August 31, 2014. In addition, slight increases in grain inventory quantities on August 31, 2015 compared to the prior year partially offset the impact that lower grain commodity prices had on net operating assets and liabilities on August 31, 2015.

Our operating activities provided net cash of $1.4 billion during the year ended August 31, 2014. Net income of $1.1 billion, net non-cash expenses and cash distributions from equity investments of $243.9 million and an increase in cash flows due to changes in net operating assets and liabilities of $114.3 million contributed to the net cash provided by operating activities. The primary components of net non-cash expenses and cash distributions from equity investments included depreciation and amortization, including amortization of major repair costs, of $351.3 million, partially offset by gains on the sale of investments of $114.2 million, primarily due to a $109.2 million gain associated with the contribution of our Horizon Milling assets to the newly formed Ardent Mills joint venture. See Note 4, Investments, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for additional information. The cash inflow resulting from the decrease in net operating assets and liabilities was caused primarily by a decrease in commodity prices on August 31, 2014, when compared to August 31, 2013. On August 31, 2014, the per bushel market prices of our primary grain commodities, corn, spring wheat, and soybeans, decreased by $1.23 (26%), $1.15 (16%), and $2.68 (19%), respectively, when compared to the spot prices on August 31, 2013. In general, crude oil market prices decreased $12 per barrel (11%) on August 31, 2014 when compared to August 31, 2013. On August 31, 2014, fertilizer commodity prices affecting our wholesale crop nutrients and country operations retail businesses reflected increases up to 29%, depending on the specific products, compared to prices on August 31, 2013. In addition, increased grain inventory quantities on August 31, 2014 compared to the prior year, partially offset the impact that lower grain commodity prices had on net operating assets and liabilities on August 31, 2014.

Cash Flows from Investing Activities

For the years ended August 31, 2016, 2015 and 2014, the net cash flows used in our investing activities totaled $3.7 billion, $1.9 billion and $1.3 billion, respectively.

Total cash expenditures for the acquisition of property, plant and equipment totaled $692.8 million, $1.2 billion and $919.1 million for the years ended August 31, 2016, 2015 and 2014, respectively. The significant decrease from fiscal 2015 to fiscal 2016 was primarily related to our plan to reduce our capital investments allowing us to actively reduce our funded debt obligations. The significant increase from fiscal 2014 to fiscal 2015 is primarily related to multi-year projects involving the replacement of a coker and expansion of capacity at our CHS McPherson refinery as discussed below.

Expenditures for major repairs related to our refinery turnarounds were $19.6 million, $201.7 million and $2.9 million during the years ended August 31, 2016, 2015 and 2014, respectively. Refineries have planned major maintenance to overhaul, repair, inspect and replace process materials and equipment (referred to as "turnaround") which typically occur for a five-to-six week period every 2-4 years. Neither of our refineries at Laurel, Montana or McPherson, Kansas had significant turnarounds during fiscal 2016. Both refineries had turnarounds during fiscal 2015. Neither of the refineries has scheduled turnarounds for fiscal 2017.

Cash acquisitions of businesses, net of cash acquired, totaled $11.9 million, $305.2 million and $281.5 million during the years ended August 31, 2016, 2015 and 2014, respectively. The fiscal 2016 activity included various businesses primarily in our Ag segment. The fiscal 2015 activity included our Patriot Renewable Fuels and Northstar Agri Industries acquisitions in our Ag segment. The fiscal 2014 acquisitions were related to our Illinois River Energy and Terral River operations. See Note 17, Acquisitions, to our audited consolidated financial statements included in this Annual Report on Form 10-K for additional information.

Investments in joint ventures and other entities during the years ended August 31, 2016, 2015 and 2014, totaled $2.9 billion, $64.3 million and $80.1 million, respectively. The primary investment in fiscal 2016 was associated with our agreement with CF Industries to invest $2.8 billion in exchange for an 11.4% membership interest in CF Nitrogen.

Changes in notes receivable for the years ended August 31, 2016, 2015 and 2014 resulted in net decreases in cash flows of $258.0 million, $184.1 million and $184.1 million, respectively. The primary cause of the decreases in cash flows during the three periods relates to increases in CHS Capital notes receivable.

Partially offsetting our cash expenditures for investing activities during the years ended August 31, 2016, 2015 and 2014, were proceeds from the sale of investments and redemption of investments. During fiscal 2016, we received proceeds from the sale of investments of $39.2 million. Proceeds from the redemption of investments for the years ended August 31, 2016, 2015 and 2014 were $33.8 million, $19.9 million and $138.5 million, respectively. Included in the fiscal 2014 amount is $121.2 million of cash proceeds that were distributed to us as part of the formation of our Ardent Mills joint venture. Also partially offsetting our cash expenditures for investing activities during the years ended August 31, 2016, 2015 and 2014, were proceeds received from the disposal of property, plant and equipment of $13.4 million, $11.3 million and $11.7 million, respectively.

Cash Flows from Financing Activities

For the years ended August 31, 2016, 2015 and 2014, our financing activities provided net cash of $1.8 billion, $153.8 million and $201.5 million, respectively.

Working Capital Financing:

We finance our working capital needs through lines of credit with domestic and international banks. On August 31, 2016, we had a five-year, unsecured, revolving facility with a committed amount of $3.0 billion and $700.0 million outstanding. In addition, during the year ended August 31, 2016, we entered into three bilateral, uncommitted revolving credit facilities with an aggregate capacity of $1.3 billion. As of August 31, 2016, the aggregate capacity is $600.0 million with $300.0 million of outstanding borrowings under these facilities.

In addition to our primary revolving line of credit, we have a three-year $325.0 million committed revolving pre-export credit facility for CHS Agronegocio Industria e Comercio Ltda ("CHS Agronegocio"), our wholly-owned subsidiary, to provide financing for its working capital needs arising from its purchases and sales of grains, fertilizers and other agricultural products which expires in April 2019. As of August 31, 2016, the outstanding balance under this facility was $260.0 million.

As of August 31, 2016 our wholly-owned subsidiaries, CHS Europe S.a.r.l and CHS Agronegocio, had uncommitted lines of credit of $290.1 million outstanding. In addition, our other international subsidiaries had lines of credit totaling $252.1 million outstanding at August 31, 2016, of which $27.7 million was collateralized.

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On August 31, 2016 and 2015, we had total short-term indebtedness outstanding on these various facilities and other miscellaneous short-term notes payable totaling $1.8 billion and $813.7 million, respectively.

We have two commercial paper programs with an aggregate capacity of $125.0 million, with two banks participating in our revolving credit facilities. Terms of our credit facilities do not allow them to be used to pay principal under a commercial paper facility. On August 31, 2016 and 2015, 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 $850.0 million as of August 31, 2016, under note purchase agreements with various purchasers and through the issuance of short-term notes payable. CHS Capital and CHS Inc. both sell eligible receivables they have 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 1.40% as of August 31, 2016. There were $550.0 million in borrowings by Cofina Funding utilizing the issuance of commercial paper under the note purchase agreements as of August 31, 2016. There were no borrowings under Cofina Funding through the issuance of commercial paper as of August 31, 2015.
CHS Capital has available credit under master participation agreements with numerous counterparties. Borrowings under these agreements are accounted for as secured borrowings and bear interest at variable rates ranging from 1.90% to 2.50% as of August 31, 2016. As of August 31, 2016, the total funding commitment under these agreements was $116.9 million, of which $24.9 million was borrowed. As of August 31, 2015, there were $35.9 million of secured borrowings under CHS Capital.
CHS Capital sells loan commitments it has originated to ProPartners Financial ("ProPartners") on a limited recourse basis. The total capacity for commitments under the ProPartners program is $265.0 million. The total outstanding commitments under the program totaled $183.5 million as of August 31, 2016, of which $122.3 million was borrowed under these commitments with an interest rate of 1.67%. As of August 31, 2015, CHS Capital borrowings under the ProPartners program were $39.9 million.
CHS Capital borrows funds under short-term notes issued as part of a surplus funds program. Borrowings under this program are unsecured and bear interest at variable rates ranging from 0.10% to 0.90% as of August 31, 2016, and are due upon demand. Borrowings under these notes totaled $231.2 million as of August 31, 2016. As of August 31, 2015, borrowings under the surplus funds program were $275.8 million.

Long-term Debt Financing:

We use long-term debt agreements with various insurance companies and banks to finance certain of our long-term capital needs, primarily those related to the acquisition of property, plant and equipment.

On August 31, 2016, we had total long-term debt outstanding of approximately $2.3 billion, of which $1.8 billion was private placement debt, $345.4 million was bank financing, $105.7 million was obligations related to capital leases and $75.5 million was other notes and contracts payable. On August 31, 2015, we had total long-term debt outstanding of approximately $1.4 billion, of which $75.0 million was bank financing, $1.2 billion was private placement debt, $125.9 million was obligations related to capital leases and $44.9 million was other notes and contracts payable. Our long-term debt is unsecured; 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, 2016. Long-term debt outstanding as of August 31, 2016 has aggregate maturities, excluding fair value adjustments and capital leases, as follows:

(Dollars in thousands)

2017	$176,403
2018	177,539
2019	150,142
2020	20,142
2021	180,142
Thereafter	1,470,384
	$2,174,752

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During the years ended August 31, 2016, 2015 and 2014 we borrowed $1.3 billion, $3.5 million and $1.4 million, respectively, on a long-term basis. During the years ended August 31, 2016, 2015 and 2014, we repaid long-term debt of $504.8 million, $170.7 million and $157.8 million, respectively, and we made principal payments on capital lease obligations of $35.0 million, $38.9 million, and $39.9 million, respectively.

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

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

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

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

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

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

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

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

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

In September of 2015, we amended all outstanding notes to conform their financial covenants to those of the amended and restated five-year, unsecured, revolving facility. In addition, the amended notes contain a provision such that if our ratio of consolidated funded debt to consolidated cash flow is greater than 3.0 to 1.0, the interest rate on all outstanding notes is increased by 0.25% until the ratio declines to 3.0 or less.

In September 2015, we entered into a ten-year term loan with a syndication of banks for up to $600.0 million. The full amount was drawn down in January 2016. Amounts drawn under this agreement that are subsequently repaid or prepaid may not be reborrowed. Principal on the term loans is payable in full on September 4, 2025. Borrowings under the agreement bear interest at a base rate (or a LIBO rate) plus an applicable margin, or at a fixed rate of interest determined and quoted by the administrative agent under the agreement in its sole and absolute discretion from time to time. The applicable margin is based on our leverage ratio and ranges between 1.50% and 2.00% for LIBO rate loans and between 0.50% and 1.00% for base rate loans. As of August 31, 2016, $300.0 million was outstanding under this agreement.

In January 2016, we consummated a private placement of long-term notes in the aggregate principal amount of $680.0 million with certain accredited investors, which long-term notes are layered into six series. The first series of $152.0 million has an interest rate of 4.39% and is due in January 2023. The second series of $150.0 million has an interest rate of 4.58% and is due in January 2025. The third series of $58.0 million has an interest rate of 4.69% and is due in January 2027. The fourth series of $95.0 million has an interest rate of 4.74% and is due in January 2028. The fifth series of $100.0 million has an interest rate of 4.89% and is due in January 2031. The sixth series of $125.0 million has an interest rate of 5.40% and is due in January 2036.

In June 2016, we amended the ten-year term loan so that $300.0 million of the $600.0 million loan balance possesses a revolving feature, whereby we can pay down and re-advance an amount up to the referenced $300.0 million. The revolving feature matures on September 1, 2017, and the total funded loan balance on that day reverts to a non-revolving term loan. No other material changes were made to the original terms and conditions of the ten-year term loan.

Other Financing:

During the year ended August 31, 2016, we made a payment of $153.0 million related to our purchase of the CHS McPherson (formerly NCRA) noncontrolling interests. During the years ended August 31, 2015 and August 31, 2014, we made a payment of $66.0 million in each year related to our purchase of the noncontrolling interest.

During the year ended August 31, 2016, changes in checks and drafts outstanding resulted in an increase in cash flows of $50.3 million. During the years ended August 31, 2015 and 2014, changes in checks and drafts outstanding resulted in a decrease in cash flows of $43.4 million and $17.8 million, respectively.

In accordance with our bylaws and by action of the Board of Directors, annual net earnings from patronage sources are distributed to consenting patrons following the close of each fiscal year. Patronage refunds are calculated based on amounts using financial statement earnings. The cash portion of the patronage distribution is determined annually by the Board of Directors, with the balance issued in the form of qualified and/or non-qualified capital equity certificates. Consenting patrons have agreed to take both the cash and qualified capital equity certificate portion allocated to them from our previous fiscal year's income into their taxable income; and as a result, we are allowed a deduction from our taxable income for both the cash distribution and the allocated qualified capital equity certificates, as long as the cash distribution is at least 20% of the total qualified patronage distribution. For the years ended August 31, 2015 and August 31, 2014, 10% of earnings from patronage business was added to our capital reserves and the remaining 90% was primarily distributed during the second fiscal quarters of the years ended August 31, 2016 and August 31, 2015, totaling $627.2 million and $821.5 million, respectively. The cash portion of the qualified distributions was deemed by the Board of Directors to be 40% for fiscal 2015 and 2014. Cash related to these distributions was $251.7 million and $271.2 million and was paid during the years ended August 31, 2016 and August 31, 2015, respectively. During the year ended August 31, 2014, we distributed patronage refunds of $841.1 million, of which the cash portion was $286.8 million.

In accordance with our bylaws and by action of the Board of Directors, 10% of the earnings from patronage business for the year ended August 31, 2016 was added to our capital reserves and the remaining 90%, or an estimated $279.0 million, will be distributed as patronage in fiscal 2017, in the form of qualified equity certificates and cash. The cash portion of the qualified distribution, determined by the Board of Directors to be 40%, is expected to be approximately $111.6 million and is classified as a current liability on our August 31, 2016 Consolidated Balance Sheet in dividends and equities payable.

Redemptions of capital equity certificates approved by the Board of Directors are divided into two pools, one for non-individuals (primarily member cooperatives) who may participate in an annual retirement program for qualified equities held by them and another for individual members who are eligible for equity redemptions at age 70 or upon death. Beginning with fiscal 2017 patronage (for which distributions will be made in fiscal 2018), individuals will also be able to participate in an annual retirement program similar to the one that was previously only available to non-individual members. In accordance with authorization from our Board of Directors, we expect total redemptions related to the year ended August 31, 2016, that will be distributed in fiscal 2017, to be approximately $40.0 million. Additionally, we expect to redeem approximately $18.6 million of redemptions related to the year ended August 31, 2015 earnings that are carried over from the previous year's authorization which had not been previously distributed. The redemptions will also be distributed in fiscal 2017 and are classified as a current liability on the August 31, 2016 Consolidated Balance Sheet.

For the years ended August 31, 2016, 2015 and 2014, we redeemed in cash, qualified equities in accordance with authorization from the Board of Directors, in the amounts of $23.9 million, $128.9 million and $99.6 million, respectively.

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In March 2016, we redeemed approximately $76.8 million of patrons' equities by issuing 2,693,195 shares of Class B Cumulative Redeemable Preferred Stock, Series 1 ("Class B Series 1 Preferred Stock"), with a total redemption value of $67.3 million, excluding accumulated dividends. Each share of Class B Series 1 Preferred Stock was issued in redemption of $28.50 of patrons' equities in the form of capital equity certificates. Additionally, in fiscal 2014, we redeemed $200.0 million of patrons' equities by issuing 6,752,188 shares of our Class B Series 1 Preferred Stock, with each share being issued in redemption of $29.62 of patrons' equities in the form of members' equity certificates.

We made dividend payments on our preferred stock of $163.3 million, $133.7 million, and $50.8 million, during the years ended August 31, 2016, 2015 and 2014, respectively.

See Note 9, Equities, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for a summary of our outstanding preferred stock as of August 31, 2016, each series of which is listed on the Global Select Market of NASDAQ.

Off Balance Sheet Financing Arrangements

Guarantees:

We are a guarantor for lines of credit and performance obligations of related, non-consolidated companies. Our bank covenants allow maximum guarantees of $1.0 billion, of which $133.8 million were outstanding on August 31, 2016. 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 were current as of August 31, 2016.

Operating leases:

Minimum future lease payments required under noncancelable operating leases as of August 31, 2016 were $304.8 million.

Debt:

There is no material off balance sheet debt.

Contractual Obligations

We had certain contractual obligations at August 31, 2016, which require the following payments to be made:

	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
	(Dollars in thousands)				
Long-term debt obligations [1]	$2,174,752	$176,403	$327,681	$200,284	$1,470,384
Interest payments [2]	480,100	92,936	156,367	140,411	90,386
Capital lease obligations [3]	114,738	38,357	44,606	15,380	16,395
Operating lease obligations	304,807	65,714	94,240	63,279	81,574
Purchase obligations [4]	7,608,471	6,197,167	715,665	168,057	527,582
Accrued liability for contingent	15,051	—	15,051	—	—

crack spread payments related to purchase of noncontrolling interests [5]					
Other liabilities [6]	878,701	31,052	52,331	24,780	770,538
Total obligations	$11,576,620	$6,601,629	$1,405,941	$612,191	$2,956,859

(1) Excludes fair value adjustments to the long-term debt reported on our Consolidated Balance Sheet at August 31, 2016 resulting from fair value interest rate swaps and the related hedge accounting.

(2) Based on interest rates and long-term debt balances at August 31, 2016.

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(3) Future minimum lease payments under capital leases include amounts related to bargain purchase options and residual value guarantees, which represent economic obligations as opposed to contractual payment obligations.

(4) 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 approximate time of the transactions. In the ordinary course of business, we enter into a significant number of forward purchase commitments for agricultural and energy commodities and the related freight. The purchase obligation amounts shown above include both short- and long-term obligations and are based on: a) fixed or minimum quantities to be purchased; and b) fixed or estimated prices to be paid at the time of settlement. Current estimates are based on assumptions about future market conditions that will exist at the time of settlement. Consequently, actual amounts paid under these contracts may differ due to the variable pricing provisions. Market risk related to the variability of our forward purchase commitments is economically hedged by offsetting forward sale contracts that are not included in the amounts above.

(5) Based on estimated fair value at August 31, 2016 and recorded on our Consolidated Balance Sheet.

(6) Other liabilities include the long-term portion of deferred compensation, deferred tax liabilities and contractual redemptions. Of the total other liabilities and deferred tax liabilities of $842.2 million on our Consolidated Balance Sheet at August 31, 2016, the timing of the payments of $735.2 million of such liabilities cannot be determined.

Critical Accounting Policies

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

Inventory Valuation and Reserves

Grain, processed grain, oilseed and processed oilseed are stated at net realizable values which approximate market values. All other inventories are stated at the lower of cost or market. The costs of certain energy inventories (wholesale refined products, crude oil and asphalt) are determined on the last-in, first-out ("LIFO") method; all other inventories of non-grain products purchased for resale are valued on the first-in, first-out ("FIFO") and average cost methods. Estimates are used in determining the net realizable values of grain and oilseed and processed grains and oilseeds inventories. These estimates include the measurement of grain in bins and other storage facilities, which use formulas in addition to actual measurements taken to arrive at appropriate quantity. Other determinations made by management include quality of the inventory and estimates for freight. Grain shrink reserves and other reserves that account for spoilage also affect inventory valuations. If estimates regarding the valuation of inventories, or the adequacy of reserves, are less favorable than management’s assumptions, then additional reserves or write-downs of inventories may be required.

Derivative Financial Instruments

We enter into exchange-traded commodity futures and options contracts to hedge our exposure to price fluctuations on energy, grain and oilseed transactions to the extent considered practicable for minimizing risk. Futures and options contracts used for hedging are purchased and sold through regulated commodity exchanges. We also use over-the-counter ("OTC") instruments to hedge our exposure on fixed-price contracts. 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 tax credits, some of which were passed to us from CHS McPherson (formerly known as NCRA), related to refinery upgrades that enable us to produce ultra-low sulfur fuels. Our tax credit carryforwards are available to offset future federal and state tax liabilities with the tax credits becoming unavailable to us if not used by their expiration date. Our net operating loss carryforwards for tax purposes are available to offset future taxable income. If our loss carryforwards are not used, these loss carryforwards will expire.

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

Long-Lived Assets

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

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

We have asset retirement obligations with respect to certain of our refineries and other assets due to various legal obligations to clean and/or dispose of the component parts at the time they are retired. In most cases, these assets can be used for extended and indeterminate periods of time, as long as they are properly maintained and/or upgraded. It is our practice and current intent to maintain refineries and related assets and to continue making improvements to those assets based on technological advances. As a result, we believe our refineries and related assets have indeterminate lives for purposes of estimating asset retirement obligations because dates or ranges of dates upon which we would retire a refinery and related assets cannot reasonably be estimated at this time. When a date or range of dates can reasonably be estimated for the retirement of any component part of a refinery or other asset, we will estimate the cost of performing the retirement activities and record a liability for the fair value of that future cost.

We have other assets that we may be obligated to dismantle at the end of corresponding lease terms subject to lessor discretion for which we have recorded asset retirement obligations. Based on our estimates of the timing, cost and probability of removal, these obligations are not material.

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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, 2016 since we conduct a significant portion of our business in U.S. dollars.

Recent Accounting Pronouncements

See Note 1, Organization, Basis of Presentation and Significant Accounting Policies, of the notes to consolidated financial statements that are included in this Annual Report on Form 10-K for information concerning new accounting standards and the impact of the implementation of those standards on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

COMMODITY PRICE RISK

When we enter into a commodity purchase or sales commitment, we incur risks related to price changes and performance including delivery, quality, quantity and shipment period. In the event that market prices decrease, we are exposed to risk of loss in the market value of inventory and purchase contracts with a fixed or partially fixed price. Conversely, we are exposed to risk of loss on our fixed or partially fixed price sales contracts in the event that market prices increase.

Our use of hedging reduces the exposure to price volatility by protecting against adverse short-term price movements, but it also limits the benefits of favorable short-term price movements. To reduce the price risk associated with fixed price commitments, we generally enter into commodity derivative contracts, to the extent practical, to achieve a net commodity position within the formal position limits we have established and deemed prudent for each commodity. These contracts are primarily transacted on regulated commodity futures exchanges but may also include over-the-counter derivative instruments when deemed appropriate. For commodities where there is no liquid derivative contract, risk is managed through the use of forward sales contracts, other pricing arrangements and, to some extent, futures contracts in highly correlated commodities. These contracts are economic hedges of price risk, but are not designated as hedging instruments for accounting purposes. The contracts are recorded on our Consolidated Balance Sheets at fair values based on quotes listed on regulated commodity exchanges or the market prices of the underlying products listed on the exchanges, except that fertilizer and propane contracts 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.

When a futures position is established, initial margin must be deposited with the applicable exchange or broker. The amount of margin required varies by commodity and is set by the applicable exchange at its sole discretion. If the market price relative to a short futures position increases, an additional margin deposit would be required. Similarly, a margin deposit would be required if the market price relative to a long futures position decreases. Conversely, if the market price increases relative to a long futures position or decreases relative to a short futures position, margin deposits may be returned by the applicable exchange or broker.

Our policy is to manage our commodity price risk exposure according to internal polices and in alignment with our tolerance for risk. 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 established net position limits. These limits are defined for each commodity and business unit, and may include both trader and management limits as appropriate. The limits policy is overseen at a high level by our corporate compliance team, with day to day monitoring procedures managed within each individual business unit to ensure any limits overage is explained and exposures reduced or a temporary limit increase is established if needed. The position limits are reviewed, at least annually, with senior leadership and the Board of Directors. We monitor current market conditions and may expand or reduce our net position limits or procedures in response to changes in those conditions. In addition, all purchase and sales contracts are subject to credit approvals and appropriate terms and conditions.

The use of hedging instruments does not protect against nonperformance by counterparties to cash contracts. We evaluate counterparty 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 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 these 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. Regarding our use of derivatives, we primarily transact in exchange traded instruments or enter into over-the-counter derivatives that clear through a designated

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clearing organization, which limits our counterparty exposure relative to hedging activities. Historically, we have not experienced significant events of nonperformance on open contracts. Accordingly, we only adjust the estimated fair values of specifically identified contracts for nonperformance. Although we have established policies and procedures, we make no assurances that historical nonperformance experience will carry forward to future periods.

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

INTEREST RATE RISK

Debt used to finance inventories and receivables is represented by short-term notes payable, so that our blended interest rate for all such notes approximates current market rates. We have outstanding interest rate swaps with an aggregate notional amount of $420.0 million designated as fair value hedges of portions of our fixed-rate debt. Our objective is to offset changes in the fair value of the debt associated with the risk of variability in the 3-month U.S. Dollar LIBOR interest rate, in essence converting the fixed-rate debt to variable-rate debt. Offsetting changes in the fair values of both the swap instruments and the hedged debt are recorded contemporaneously each period and only create an impact to earnings to the extent that the hedge is ineffective. During fiscal 2016, we recorded offsetting fair value adjustments of $9.8 million, with no ineffectiveness recorded in earnings.

In fiscal 2015, we entered into forward-starting interest rate swaps with an aggregate notional amount of $300.0 million designated as cash flow hedges of the expected variability of future interest payments on our anticipated issuance of fixed-rate debt. During the first quarter of fiscal 2016, we determined that certain of the anticipated debt issuances would be delayed; and we consequently recorded an immaterial amount of losses on the ineffective portion of the related swaps in earnings. Additionally, we paid $6.4 million in cash to settle two of the interest rate swaps upon their scheduled termination dates. During the second quarter of fiscal 2016, we settled an additional two interest rate swaps, paying $5.3 million in cash upon their scheduled termination. In January 2016, we issued the fixed-rate debt associated with these swaps and will amortize the amounts which were previously deferred to other comprehensive income into earnings over the life of the debt. The amounts to be included in earnings are not expected to be material during any 12-month period. During the third quarter of fiscal 2016, we settled the remaining two interest rate swaps, paying $5.1 million in cash upon their scheduled termination. We did not issue additional fixed-rate debt as previously planned, and we reclassified all amounts previously recorded to other comprehensive income into earnings.

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

Expected Maturity Date

	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value Asset (Liability)
	(Dollars in thousands)							
Liabilities:								
Variable rate miscellaneous short-term notes payable	$1,803,174	$—	$—	$—	$—	$—	$1,803,174	$(1,803,174)
Average interest rate	1.7 %	—	—	—	—	—	1.7 %	
Variable rate CHS Capital short-term notes payable	$928,305	$—	$—	$—	$—	$—	$928,305	$(928,305)
Average interest rate	1.3 %	—	—	—	—	—	1.3 %	
Fixed rate long-term debt	$176,403	$177,539	$150,142	$20,142	$180,142	$1,170,384	$1,874,752	$(1,835,936)
Average interest rate	5.5 %	5.3 %	4.1 %	4.0 %	4.5 %	4.5 %	4.3 %	
Variable rate long-term debt	$—	$—	$—	$—	$—	$300,000	$300,000	$(312,391)
Average interest rate [(a)]	—	—	—	—	—	range		
Interest Rate Derivatives:								
Fixed to variable long-term debt interest rate swaps	$—	$—						