CHS INC
Form 10-Q
January 07, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

þ	Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended November 30, 2015.
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 (State or other jurisdiction of incorporation or organization)	41-0251095 (I.R.S. Employer Identification Number)
5500 Cenex Drive Inver Grove Heights, Minnesota 55077 (Address of principal executive office, including zip code)	(651) 355-6000 (Registrant's telephone number, including area code)

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

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

Indicate by check mark 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 Exchange Act).
YES o NO þ

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

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Unless the context otherwise requires, for purposes of this Quarterly Report on Form 10-Q, the words “we,” “us,” “our,” the “Company” and “CHS” refer to CHS Inc., a Minnesota cooperative corporation, and its subsidiaries as of November 30, 2015.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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," "strategy," "future," "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 ("SEC"), including in the "Risk Factors" discussion in Item 1A of our Annual Report on Form 10-K for the fiscal year ended August 31, 2015. Any forward-looking statements made by us in this Quarterly Report on Form 10-Q 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.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	November 30, 2015	August 31, 2015
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$1,257,260	$953,813
Receivables	2,992,754	2,818,110
Inventories	3,126,917	2,652,344
Derivative assets	443,857	513,441
Margin deposits	213,176	273,118
Supplier advance payments	749,698	391,504
Other current assets	355,624	406,479
Total current assets	9,139,286	8,008,809
Investments	1,011,165	1,002,092
Property, plant and equipment	5,331,232	5,192,927
Other assets	997,077	1,024,484
Total assets	$16,478,760	$15,228,312
LIABILITIES AND EQUITIES		
Current liabilities:		
Notes payable	$1,694,363	$1,165,378
Current portion of long-term debt	179,104	170,309
Current portion of mandatorily redeemable noncontrolling interest	—	152,607
Customer margin deposits and credit balances	166,111	188,149
Customer advance payments	660,271	398,341
Checks and drafts outstanding	118,396	123,208
Accounts payable	2,303,441	1,690,094
Derivative liabilities	370,215	470,769
Accrued expenses	450,451	513,578
Dividends and equities payable	488,003	384,427
Total current liabilities	6,430,355	5,256,860
Long-term debt	1,232,578	1,260,808
Long-term deferred tax liabilities	587,702	580,835
Other liabilities	429,621	460,398
Commitments and contingencies		
Equities:		
Preferred stock	2,167,540	2,167,540
Equity certificates	4,080,711	4,099,882
Accumulated other comprehensive loss	(217,760)	(214,207)
Capital reserves	1,755,786	1,604,670
Total CHS Inc. equities	7,786,277	7,657,885
Noncontrolling interests	12,227	11,526

Total equities	7,798,504	7,669,411
Total liabilities and equities	$16,478,760	$15,228,312

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

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

	For the Three Months Ended November 30,	
	2015	2014
	(Dollars in thousands)	
Revenues	$7,728,792	$9,499,468
Cost of goods sold	7,316,974	8,907,441
Gross profit	411,818	592,027
Marketing, general and administrative	152,004	161,968
Operating earnings	259,814	430,059
(Gain) loss on investments	(5,672)	(2,875)
Interest expense, net	6,993	21,905
Equity (income) loss from investments	(31,362)	(24,629)
Income before income taxes	289,855	435,658
Income taxes	23,681	57,327
Net income	266,174	378,331
Net income (loss) attributable to noncontrolling interests	(301)	(372)
Net income attributable to CHS Inc.	$266,475	$378,703

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

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

	For the Three Months Ended November 30,	
	2015	2014
	(Dollars in thousands)	
Net income	$266,174	$378,331
Other comprehensive income (loss), net of tax:		
Postretirement benefit plan activity, net of tax expense (benefit) of $1,760 and $2,324, respectively	3,201	3,731
Unrealized net gain (loss) on available for sale investments, net of tax expense (benefit) of $363 and $388, respectively	560	630
Cash flow hedges, net of tax expense (benefit) of $(2,697) and $(149), respectively	(4,334)	(242)
Foreign currency translation adjustment	(2,980)	(5,206)
Other comprehensive income (loss), net of tax	(3,553)	(1,087)
Comprehensive income	262,621	377,244
Less: comprehensive income (loss) attributable to noncontrolling interests	(301)	(372)
Comprehensive income attributable to CHS Inc.	$262,922	$377,616

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

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

	For the Three Months Ended November 30,	
	2015	2014
	(Dollars in thousands)	
Cash flows from operating activities:		
Net income	$266,174	$378,331
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	100,350	83,180
Amortization of deferred major repair costs	18,518	8,817
(Income) loss from equity investments	(31,362)	(24,629)
Distributions from equity investments	22,991	15,558
Noncash patronage dividends received	(891)	(863)
(Gain) loss on disposition of property, plant and equipment	(1,611)	(759)
(Gain) loss on investments	(5,672)	(2,875)
Unrealized (gain) loss on crack spread contingent liability	(32,289)	(28,397)
Deferred taxes	7,409	26,656
Other, net	11,818	15,013
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(21,165)	170,897
Inventories	(466,554)	(875,486)
Derivative assets	72,117	(88,264)
Margin deposits	59,942	(83,740)
Supplier advance payments	(358,194)	(292,278)
Other current assets and other assets	50,348	33,879
Customer margin deposits and credit balances	(22,038)	(10,498)
Customer advance payments	261,931	119,737
Accounts payable and accrued expenses	596,881	546,637
Derivative liabilities	(107,373)	28,754
Other liabilities	(5,231)	6,867
Net cash provided by (used in) operating activities	416,099	26,537
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(251,678)	(302,701)
Proceeds from disposition of property, plant and equipment	2,931	2,241
Expenditures for major repairs	(18,897)	(1,337)
Short-term investments, net	—	(315,000)
Investments in joint ventures and other	(12,709)	(40,375)
Proceeds from sale of investments	17,990	6,084
Changes in notes receivable, net	(137,599)	(180,189)
Business acquisitions, net of cash acquired	(988)	5,501
Other investing activities, net	470	(4,979)
Net cash provided by (used in) investing activities	(400,480)	(830,755)
Cash flows from financing activities:		
Proceeds from lines of credit and long-term borrowings	2,524,577	1,255,259
Payments on lines of credit, long term-debt and capital lease obligations	(2,034,405)	(1,249,058)
Mandatorily redeemable noncontrolling interest payments	(153,022)	(65,981)

Payments on crack spread contingent liability	(2,625)	—
Changes in checks and drafts outstanding	(4,811)	(43,239)
Preferred stock issued	—	492,500
Preferred stock issuance costs	—	(16,047)
Preferred stock dividends paid	(40,500)	(22,486)
Retirements of equities	(3,314)	(2,591)
Cash patronage dividends paid	—	(555)
Other financing activities, net	—	148
Net cash provided by (used in) financing activities	285,900	347,950
Effect of exchange rate changes on cash and cash equivalents	1,928	(8,417)
Net increase (decrease) in cash and cash equivalents	303,447	(464,685)
Cash and cash equivalents at beginning of period	953,813	2,133,207
Cash and cash equivalents at end of period	$1,257,260	$1,668,522

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

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CHS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 Organization, Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The unaudited Consolidated Balance Sheet as of November 30, 2015, the Consolidated Statements of Operations for the three months ended November 30, 2015 and 2014, the Consolidated Statements of Comprehensive Income for the three months ended November 30, 2015 and 2014, and the Consolidated Statements of Cash Flows for the three months ended November 30, 2015 and 2014, reflect in the opinion of our management, all normal recurring adjustments necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented. The results of operations and cash flows for interim periods are not necessarily indicative of results for a full fiscal year because of, among other things, the seasonal nature of our businesses. Our Consolidated Balance Sheet data as of August 31, 2015, has been derived from our audited consolidated financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP").

The notes to our consolidated financial statements make reference to our Energy and Ag reportable segments, as well as our Corporate and Other category, which represents an aggregation of individually immaterial operating segments. See Note 9, Segment Reporting for more information.

Our 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.
As of August 31, 2015, we owned approximately 88.9% of National Cooperative Refinery Association ("NCRA"), which operated our McPherson, Kansas refinery and was fully consolidated within our financial statements. In September 2015, our ownership increased to 100% when we purchased the remaining noncontrolling interests in the entity upon the final closing pursuant to the November 2011 agreement described in Note 4, Investments. The entity is now known as CHS McPherson Refinery Inc. ("CHS McPherson").

These statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended August 31, 2015, included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission.

Revisions

In preparing our consolidated financial statements for the year ended August 31, 2015, we identified immaterial errors that impacted our previously issued consolidated financial statements. The primary errors related to: 1) incorrect application of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 840, Leases to our lease arrangements and 2) inaccurate presentation of non-cash acquisitions of property, plant and equipment and expenditures for major repairs on our Consolidated Statements of Cash Flows. Prior period amounts presented in our consolidated financial statements and the related notes have been revised accordingly, and those revisions are noted where they appear. See Note 13, Correction of Immaterial Errors for a more detailed description of the revisions and for comparisons of amounts previously reported to the revised amounts.

Derivative Financial Instruments and Hedging Activities

Our derivative instruments primarily consist of commodity and freight futures and forward contracts and, to a lesser degree, may include foreign currency and interest rate swap contracts. These contracts are economic hedges of price risk, but are not designated or accounted for as hedging instruments for accounting purposes, with the exception of certain interest rate swap contracts which are accounted for as cash flow hedges or fair value hedges. Derivative instruments are recorded on our Consolidated Balance Sheets at fair value. See Note 10, Derivative Financial Instruments and Hedging Activities and Note 11, Fair Value Measurements for additional information.

Even though we have netting arrangements for our exchange-traded futures and options contracts and certain over-the-counter ("OTC") contracts, we report our derivatives on a gross basis on our Consolidated Balance Sheets. Our associated margin deposits are also reported on a gross basis.

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Major Maintenance Activities

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

For the three months ended November 30, 2015 and 2014, major repairs turnaround expenditures were $18.9 million and $1.3 million, respectively.

Recent Accounting Pronouncements

In November 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-17, Balance Sheet Classification of Deferred Taxes. ASU No. 2015-17 clarifies and simplifies the presentation of deferred income taxes by requiring deferred tax liabilities and assets to be classified as non-current in a classified statement of financial position. The ASU is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Early application is permitted. We are currently evaluating the possibility of early adoption, along with the impact the adoption will have on our consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Amendments to the Consolidation Analysis. ASU No. 2015-02 amended the process that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU No. 2015-02 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early application is permitted. We are currently evaluating the impact the adoption will have on our consolidated financial statements in fiscal 2017.

In November 2014, the FASB issued ASU No. 2014-16, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity. The amendments in this ASU do not change the current criteria in U.S. GAAP for determining when separation of certain embedded derivative features in a hybrid financial instrument is required. The amendments clarify that an entity should consider all relevant terms and features, including the embedded derivative feature being evaluated for bifurcation, in evaluating the nature of the host contract. The ASU applies to all entities that are issuers of, or investors in, hybrid financial instruments that are issued in the form of a share and is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The adoption of ASU 2014-16 is not expected to have a material effect on our consolidated financial statements in fiscal 2017.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. ASU No. 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires an entity to disclose sufficient qualitative and quantitative information surrounding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts from customers. This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition and most industry-specific guidance throughout the Industry Topics of the Codification. In August 2015, the FASB issued ASU 2015-14 delaying the effective date for adoption. This update is now effective for annual and interim periods beginning after December 15, 2017, which will require us to adopt these provisions in the first quarter of fiscal 2019. Early application as of the original date is permitted. This update permits the use of either the full or modified retrospective method. We are evaluating the effect this guidance will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

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Note 2 Receivables

	November 30, 2015	August 31, 2015
	(Dollars in thousands)	
Trade accounts receivable	$1,786,538	$1,793,147
CHS Capital notes receivable	935,324	791,413
Other	380,282	339,995
	3,102,144	2,924,555
Less allowances and reserves	109,390	106,445
Total receivables	$2,992,754	$2,818,110

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

CHS Capital, LLC ("CHS Capital"), our wholly-owned subsidiary, has notes receivable from commercial and producer borrowers. The short-term notes receivable generally have terms of 12-14 months and are reported at their outstanding principle balances as CHS Capital has the ability and intent to hold these notes to maturity. The carrying value of CHS Capital notes receivable approximates fair value, given their short duration and the use of market pricing adjusted for risk. The notes receivable from commercial borrowers are collateralized by various combinations of mortgages, personal property, accounts and notes receivable, inventories and assignments of certain regional cooperatives' capital stock. These loans are primarily originated in the states of Minnesota, Wisconsin, North Dakota and Michigan. CHS Capital also has loans receivable from producer borrowers which are collateralized by various combinations of growing crops, livestock, inventories, accounts receivable, personal property and supplemental mortgages. In addition to the short-term amounts included in the table above, CHS Capital had long-term notes receivable with durations of not more than 10 years of $173.2 million and $190.4 million at November 30, 2015 and August 31, 2015, respectively. The long-term notes receivable are included in other assets on our Consolidated Balance Sheets. As of November 30, 2015 and August 31, 2015 the commercial notes represented 43% and 34%, respectively, and the producer notes represented 57% and 66%, respectively, of the total CHS Capital notes receivable.

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

CHS Capital has commitments to extend credit to a customer as long as there is no violation of any condition established in the contract. As of November 30, 2015, customers of CHS Capital have additional available credit of approximately $927.9 million.

Note 3 Inventories

	November 30, 2015	August 31, 2015
	(Dollars in thousands)	

Grain and oilseed	$1,469,816	$966,923
Energy	712,566	785,116
Crop nutrients	310,645	369,105
Feed and farm supplies	553,563	465,744
Processed grain and oilseed	61,173	48,078
Other	19,154	17,378
Total inventories	$3,126,917	$2,652,344

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As of November 30, 2015, we valued approximately 13% of inventories, primarily related to our Energy segment, using the lower of cost, determined on the LIFO method, or market (18% as of August 31, 2015). If the FIFO method of accounting had been used, inventories would have been higher than the reported amount by $22.6 million and $68.1 million at November 30, 2015 and August 31, 2015, respectively. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs, and are subject to the final year-end LIFO inventory valuation.

Note 4 Investments

As of August 31, 2015, we owned 88.9% of NCRA and with the final closing in September 2015, our ownership increased to 100%. NCRA is now known as CHS McPherson. In fiscal 2012, we entered into an agreement to purchase the remaining shares of NCRA from Growmark Inc. and MFA Oil Company in separate closings to be held annually thereafter, with the final closing occurring on September 1, 2015. Pursuant to this agreement, we made payments during the three months ended November 30, 2015 and 2014 of $153.0 million and $66.0 million, respectively. In addition to these payments, we paid $2.6 million during the three months ended November 30, 2015 related to the associated crack spread contingent liability. The fair value of the remaining contingent liability was $43.7 million as of November 30, 2015.

In August 2015, we entered into an arrangement with CF Industries Holdings, Inc. ("CF Industries") to invest $2.8 billion in cash in exchange for an 11.4% membership interest (based on product tons) in CF Industries Nitrogen LLC ("CF Nitrogen") and a separate agreement to purchase nitrogen fertilizer products from that entity over an 80-year term. The closing date for our investment in CF Nitrogen is anticipated to be February 1, 2016, and we intend to finance this transaction using additional long-term debt in combination with existing credit facilities and available cash.

Equity Method Investments

Joint ventures and other investments, in which we have significant ownership and influence, but not control, are accounted for in our consolidated financial statements using the equity method of accounting. Our significant equity method investments are summarized below.

We have a 50% interest in Ventura Foods, LLC ("Ventura Foods"), a joint venture which produces and distributes primarily vegetable oil-based products, and is included in Corporate and Other. We account for Ventura Foods as an equity method investment, and as of November 30, 2015, our carrying value of Ventura Foods exceeded our share of its equity by $12.9 million, which represents equity method goodwill. As of November 30, 2015, the carrying value of our investment in Ventura Foods was $354.0 million.

In fiscal 2014, we formed Ardent Mills, LLC ("Ardent Mills"), a joint venture with Cargill Incorporated ("Cargill") and ConAgra Foods, Inc., which combines the North American flour milling operations of the three parent companies, giving CHS a 12% interest in Ardent Mills. As we hold one of the five board seats, we account for Ardent Mills as an equity method investment included in Corporate and Other. As of November 30, 2015, the carrying value of our investment in Ardent Mills was $201.8 million.

TEMCO, LLC ("TEMCO") is owned and governed by Cargill (50%) and CHS (50%). Both owners have committed to sell all of their feedgrains, wheat, oilseeds and by-product origination that are tributary to the Pacific Northwest, United States ("Pacific Northwest") to TEMCO and to use TEMCO as their exclusive export-marketing vehicle for such grains exported through the Pacific Northwest through January 2037. We account for TEMCO as an equity method investment included in our Ag segment. As of November 30, 2015, the carrying value of our investment in TEMCO was $56.6 million.

Other Short-Term Investments

In the first quarter of fiscal 2015, we invested $315.0 million of the proceeds from the September 2014 Class B Reset Rate Cumulative Redeemable Preferred Stock, Series 3 ("Class B Series 3 Preferred Stock") issuance (see Note 7, Equities for additional information) in time deposits with original maturities of six and nine months with select highly-rated financial institution counterparties. As of November 30, 2015, we had no outstanding short term investments.

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Note 5 Goodwill and Other Intangible Assets

Goodwill of $149.6 million and $150.1 million on November 30, 2015 and August 31, 2015, respectively, is included in other assets on our Consolidated Balance Sheets. Changes in the net carrying amount of goodwill for the three months ended November 30, 2015, by segment, are as follows:

	Energy	Ag	Corporate and Other	Total
	(Dollars in thousands)			
Balances, August 31, 2015	$552	$142,665	$6,898	$150,115
Effect of foreign currency translation adjustments	—	(497)	—	(497)
Balances, November 30, 2015	$552	$142,168	$6,898	$149,618

Intangible assets subject to amortization primarily include customer lists, trademarks and agreements not to compete, and are amortized over their respective useful lives (ranging from 2 to 30 years). Information regarding intangible assets included in other assets on our Consolidated Balance Sheets is as follows:

	November 30, 2015			August 31, 2015		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
	(Dollars in thousands)					
Customer lists	$71,933	$ (31,917)	$40,016	$70,925	$ (30,831)	$40,094
Trademarks and other intangible assets	42,666	(32,703)	9,963	42,688	(32,134)	10,554
Total intangible assets	$114,599	$ (64,620)	$49,979	$113,613	$ (62,965)	$50,648

Total amortization expense for intangible assets during the three months ended November 30, 2015 and 2014 was $1.7 million and $1.8 million, respectively. The estimated annual amortization expense related to intangible assets subject to amortization for the next five years is as follows:

	(Dollars in thousands)
Year 1	$