

CHS INC
Form 10-K/A
June 29, 2004

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K/A-4

- x **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended August 31, 2003 or**
- o **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.**
Commission file number: 0-50150

CHS Inc.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of incorporation or organization)

41-0251095

(I.R.S. Employer Identification Number)

**5500 Cenex Drive
Inver Grove Heights, Minnesota 55077**
(Address of principal executive office)

(651) 355-6000
(Registrant's Telephone number, including area code)

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

None

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

8% Cumulative Redeemable Preferred Stock (Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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:

Not applicable.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES ____ NO

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's voting and non-voting common equity has no market value (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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<u>Certification Pursuant to Section 906</u>	

CHS Inc.

Explanatory Note

This Form 10-K/ A-4 amends the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 2003, as previously amended by the Registrant's Form 10-K/ A-3, Form 10-K/ A-2 and Form 10-K/ A-1. This Form 10-K/A-4 is being filed solely to amend Item 8, Item 15(a)(1) and Item 15(a)(3) to include, pursuant to the requirements of Section 210.3-09 of Regulation S-X and in place of those included in the Registrant's Annual Report, the separate financial statements of Ventura Foods, LLC and subsidiary, a nonconsolidated 50% owned equity investment. In addition, in connection with the filing of this Form 10-K/ A-4 and pursuant to the rules of the Securities and Exchange Commission, the Registrant is including with this Form 10-K/ A-4 certain currently dated certifications. No other changes have been made to the Annual Report. This Form 10-K/A does not modify or update the disclosure contained in the Form 10-K, as amended by the Form-K/ A-3, Form-K/ A-2 and Form 10-K/ A-1 in any way other than as required to reflect the amendments discussed above and reflected below.

PART II.

Item 8. Financial Statements and Supplementary Data

Item 8 is hereby amended to add and replace the current financial statements of Ventura Foods, LLC and subsidiary, a non-consolidated 50% owned equity investment. The financial statements of Ventura Foods, LLC, which are included in this Form 10-K/A following the signatures, are hereby incorporated by reference in this Item 8.

PART IV.

Item 15. Exhibits, Financial Statements and Reports Filed on Form 8-K

(a)(1) FINANCIAL STATEMENTS

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Item 15(a)(1) is hereby amended to add and replace the following:

Ventura Foods, LLC and subsidiary, a non-consolidated 50% owned equity investment

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(a)(3) EXHIBITS

3.1	Articles of Incorporation of the Company, as amended.(13)
3.2	Articles of Amendment to the Articles of Incorporation.(18)
3.3	Bylaws of the Company, as amended.(13)
4.1	Resolution Creating a Series of Preferred Equity to be Designated 8% Cumulative Redeemable Preferred Stock.(14)
4.2	Unanimous Written Consent Resolution of the Board of Directors of Cenex Harvest States Cooperatives Amending the Amended and Restated Resolution Creating a Series of Preferred Equity to be Designated 8% Cumulative Redeemable Preferred Stock.(15)
4.3	Resolution amending a previous Preferred Stock Resolution with respect to the record date for payment of dividends for the Company s 8% Redeemable Preferred Stock.(17)
4.4	Form of Certificate Representing 8% Cumulative Redeemable Preferred Stock.(15)
10.1	Lease between the Port of Kalama and North Pacific Grain Growers, Inc., dated November 22, 1960.(1)
10.2	Limited Liability Company Agreement for the Wilsey-Holsum Foods, LLC dated July 24, 1996.(1)
10.3	Long Term Supply Agreement between Wilsey-Holsum Foods, LLC and Harvest States Cooperatives dated August 30, 1996.(*)(1)
10.4	TEMCO, LLC Limited Liability Company Agreement between Cargill, Incorporated and Cenex Harvest States Cooperatives dated as of August 26, 2002.(12)
10.5	Cenex Harvest States Cooperatives Supplemental Savings Plan.(7)

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10.6	Cenex Harvest States Cooperatives Supplemental Executive Retirement Plan.(7)
10.7	Cenex Harvest States Cooperatives Senior Management Compensation Plan.(7)
10.8	Cenex Harvest States Cooperatives Executive Long-Term Variable Compensation Plan.(7)
10.9	Cenex Harvest States Cooperatives Share Option Plan.(7)
10.9A	Amendment to Cenex Harvest States Share Option Plan, dated June 28, 2001.(10)
10.10	\$225,000,000 Note Agreement (Private Placement Agreement) dated as of June 19, 1998 among Cenex Harvest States Cooperatives and each of the Purchasers of the Notes.(2)
10.10A	First Amendment to Note Agreement (\$225,000,000 Private Placement), effective September 10, 2003, among CHS Inc. and each of the Purchasers of the notes.(19)
10.11	Credit Agreement (Revolving Loan) dated as of May 21, 2003 among Cenex Harvest States Cooperatives, CoBank, ACB, SunTrust Bank, Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., BNP Paribas and the Syndication Parties.(17)
10.12	\$200 Million Term Loan Credit Agreement dated as of June 1, 1998 among Cenex Harvest States Cooperatives, CoBank, ACB, and St. Paul Bank for Cooperatives, including Exhibit 2.4 (form of \$200 Million Promissory Note).(2)
10.12A	First Amendment to Credit Agreement (Term Loan), effective as of May 31, 1999 among Cenex Harvest States Cooperatives, CoBank, ACB, and St. Paul Bank for Cooperatives.(4)
10.12B	Second Amendment to Credit Agreement (Term Loan) dated May 23, 2000 by and among Cenex Harvest States Cooperatives, CoBank, ACB, St. Paul Bank for Cooperatives and the Syndication Parties.(6)
10.12C	Third Amendment to Credit Agreement (Term Loan) dated May 23, 2001 among Cenex Harvest States Cooperatives, CoBank, ACB, and Parties.(9) the Syndication
10.12D	Fourth Amendment to Credit Agreement (Term Loan) dated May 22, 2002 among Cenex Harvest States Cooperatives, CoBank, ACB and Parties.(11) the Syndication
10.13	Limited Liability Agreement of United Harvest, LLC dated November 9, 1998 between United Grain Corporation and Cenex Harvest States Cooperatives.(3)
10.14	Joint Venture Agreement for Agriliance LLC, dated as of January 1, 2000 among Farmland Industries, Inc., Cenex Harvest States Cooperatives, United Country Brands, LLC and Land O Lakes, Inc.(5)
10.15	Employment Agreement dated November 6, 2003 by and between John D. Johnson and CHS Inc.(19)
10.16	CHS Inc. Special Supplemental Executive Retirement Plan.(19)
10.17	Note purchase and Private Shelf Agreement dated as of January 10, 2001 between Cenex Harvest States Cooperatives and The Prudential Insurance Company of America.(8)
10.17A	Amendment No. 1 to Note Purchase and Private Shelf Agreement, dated as of March 2, 2001.(8)

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10.18 Note Purchase Agreement and Series D & E Senior Notes dated October 18, 2002.(12)

10.19 2002 Amended and Restated Credit Agreement (364-Day Revolving Loan) dated December 17, 2002 by and among National Cooperative Refinery Association, CoBank, ACB and Farm Credit Bank of Wichita, D/B/A U.S. AgBank, FCB.(16)

10.20 2003 Amended and Restated Credit Agreement (\$15 million, 2 Year Facility) dated December 16, 2003 between CoBank, ACB, U.S. AgBank, FCB and the National Cooperative Refinery Association, Inc.(20)

21.1 Subsidiaries of the Registrant.(19)

23.1 Consent of Independent Registered Public Accounting Firm.(21)

23.2 Independent Auditors Consent.(21)

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(21)

31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.(21)

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(21)

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.(21)

(*) Pursuant to Rule 406 of the Securities Act of 1933, as amended, confidential portions of Exhibit 10.3 have been deleted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

- (1) Incorporated by reference to the Company's Registration Statement on Form S-1 (File No. 333-17865), filed February 7, 1997.
- (2) Incorporated by reference to the Company's Form 10-Q Transition Report for the period June 1, 1998 to August 31, 1998, filed October 14, 1998.
- (3) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended November 30, 1998, filed January 13, 1999.
- (4) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended May 31, 1999, filed July 13, 1999.
- (5) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended February 29, 2000 filed April 11, 2000.
- (6) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended May 31, 2000, filed July 10, 2000.
- (7) Incorporated by reference to the Company's Form 10-K for the year ended August 31, 2000, filed November 22, 2000.
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- (8) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended February 28, 2001, filed April 10, 2001.
- (9) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended May 31, 2001, filed July 3, 2001.
- (10) Incorporated by reference to the Company's Registration Statement on Form S-2 (File No. 333-65364), filed October 26, 2001.
- (11) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended May 31, 2002, filed July 3, 2002.
- (12) Incorporated by reference to the Company's Form 10-K for the year ended August 31, 2002, filed November 25, 2002.
- (13) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended November 30, 2002, filed January 9, 2003.
- (14) Incorporated by reference to Amendment No. 1 to the Company's Registration Statement on Form S-2 (File No. 333-101916), dated January 13, 2003.
- (15) Incorporated by reference to Amendment No. 2 to the Company's Registration Statement on Form S-2 (File No. 333-101916), dated January 23, 2003.
- (16) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended February 28, 2003, filed April 4, 2003.
- (17) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended May 31, 2003, filed July 2, 2003.
- (18) Incorporated by reference to the Company's Form 8-K, filed August 5, 2003.
- (19) Incorporated by reference to the Company's Form 10-K for the year ended August 31, 2003 filed on November 21, 2003.
- (20) Incorporated by reference to the Company's Form 10-Q for the quarterly period ended February 29, 2004, filed April 7, 2004.

(21) Filed herewith.

(b) Reports on Form 8-K

The Company filed an 8-K on June 10, 2004 to add a provision to its existing code of ethics.

(c) Exhibits

The exhibits shown in Item 15(a)(3) above are being filed herewith.

(d) Schedules

None.

Supplemental Information

As a cooperative, the Company does not utilize proxy statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHS Inc.

By: /s/ JOHN
 SCHMITZ

Date: June 29, 2004

John Schmitz
*Executive Vice President and
Chief Financial Officer*

Table of Contents**CHS INC.****CONSOLIDATED BALANCE SHEETS**

	August 31	
	2003	2002
(dollars in thousands)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 168,249	\$ 108,192
Receivables	763,780	741,578
Inventories	801,883	759,663
Other current assets	178,661	140,944
	<u>1,912,573</u>	<u>1,750,377</u>
Total current assets	1,912,573	1,750,377
Investments	532,893	496,607
Property, plant and equipment	1,122,982	1,057,421
Other assets	239,520	177,322
	<u>3,807,968</u>	<u>3,481,727</u>
Total assets	\$3,807,968	\$3,481,727
LIABILITIES AND EQUITIES		
Current liabilities:		
Notes payable	\$ 251,131	\$ 332,514
Current portion of long-term debt	14,951	89,032
Customer credit balances	58,417	26,461
Customer advance payments	123,383	169,123
Checks and drafts outstanding	85,239	84,251
Accounts payable	627,250	517,667
Accrued expenses	254,415	225,704
Dividends and equities payable	39,049	56,510
	<u>1,453,835</u>	<u>1,501,262</u>
Total current liabilities	1,453,835	1,501,262
Long-term debt	648,222	483,092
Other liabilities	111,555	118,280
Minority interests in subsidiaries	112,645	89,455
Commitments and contingencies		
Equities	1,481,711	1,289,638
	<u>3,807,968</u>	<u>3,481,727</u>
Total liabilities and equities	\$3,807,968	\$3,481,727

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

Table of Contents**CHS INC.****CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the years ended August 31		
	2003	2002	2001
	(dollars in thousands)		
Revenues:			
Net sales	\$9,270,734	\$7,156,454	\$7,464,242
Patronage dividends	3,257	3,885	5,977
Other revenues	124,542	109,459	116,254
	<u>9,398,533</u>	<u>7,269,798</u>	<u>7,586,473</u>
Cost of goods sold	9,058,951	6,940,926	7,181,433
Marketing, general and administrative	190,582	187,292	184,046
	<u>149,000</u>	<u>141,580</u>	<u>220,994</u>
Operating earnings	149,000	141,580	220,994
Gain on legal settlements	(10,867)	(2,970)	
Interest	48,675	42,455	61,436
Equity income from investments	(47,299)	(58,133)	(28,494)
Minority interests	21,950	15,390	35,098
	<u>136,541</u>	<u>144,838</u>	<u>152,954</u>
Income before income taxes	136,541	144,838	152,954
Income taxes	12,700	18,700	(25,600)
	<u>\$ 123,841</u>	<u>\$ 126,138</u>	<u>\$ 178,554</u>
Net income	\$ 123,841	\$ 126,138	\$ 178,554
Distribution of net income:			
Patronage refunds	\$ 90,000	\$ 92,900	\$ 128,900
Unallocated capital reserve	33,841	33,238	49,654
	<u>\$ 123,841</u>	<u>\$ 126,138</u>	<u>\$ 178,554</u>
Net income	\$ 123,841	\$ 126,138	\$ 178,554

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

Table of Contents**CHS INC.****CONSOLIDATED STATEMENTS OF EQUITIES****AND COMPREHENSIVE INCOME**

	Capital Equity Certificates	Nonpatronage Equity Certificates	Preferred Stock	Wheat Milling EPU's	Oilseed Processing & Refining EPU's	Patronage Refunds	Unallocated Capital Reserve	Accumulated Other Comprehensive Income (Loss)	Allocated Capital Reserve	Total Equities
(dollars in thousands)										
For the years ended August 31, 2003, 2002 and 2001										
Balances, September 1, 2000	\$ 940,880	\$ 28,509		\$ 9,246	\$ 4,182	\$ 61,180	\$ 114,736	\$ (2,427)	\$ 8,120	\$ 1,164,426
Patronage and equity retirement determination	17,474					26,220				43,694
Patronage distribution	60,304					(87,400)	967			(26,129)
Equities retired	(18,662)	(74)								(18,736)
Equities issued	5,481									5,481
Equity Participation Units issued					1,045		(1,045)			
Equity Participation Units redeemed				(9,066)	(5,227)					(14,293)
Other, net	(120)	(277)		(180)			445		(70)	(202)
Comprehensive income:										
Net income						128,900	49,654			178,554
Other comprehensive income								512		512
Total comprehensive income										179,066
Dividends and equities payable	(33,484)					(38,670)				(72,154)
Balances, August 31, 2001	971,873	28,158				90,230	164,757	(1,915)	8,050	1,261,153
Patronage and equity retirement determination	33,484					38,670				72,154
Patronage distribution	92,484					(128,900)	(3,666)			(40,082)
Equities retired	(31,099)	(46)								(31,145)
Equities issued	2,600									2,600
Preferred stock issued, net			\$ 9,325				(3,428)			5,897
Preferred stock dividends							(240)			(240)
Other, net	(106)	(339)					100			(345)
Comprehensive income:										

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Net income						92,900	33,238			126,138
Other comprehensive loss								(49,982)		(49,982)
Total comprehensive income										76,156
Dividends and equities payable	(28,640)					(27,870)				(56,510)
Balances, August 31, 2002	1,040,596	27,773	9,325			65,030	190,761	(51,897)	8,050	1,289,638
Patronage and equity retirement determination	28,639					27,870				56,509
Patronage distribution	61,784					(92,900)	4,638			(26,478)
Equities retired	(31,092)	(52)								(31,144)
Equities issued	350									350
Preferred stock issued, net			86,379				(3,895)			82,484
Preferred stock redeemed			(2,002)							(2,002)
Preferred stock dividends							(3,575)			(3,575)
Other, net	(2,440)	(3)					(4)			(2,447)
Comprehensive income:										
Net income						90,000	33,841			123,841
Other comprehensive income								33,584		33,584
Total comprehensive income										157,425
Dividends and equities payable	(10,800)					(27,000)	(1,249)			(39,049)
Balances, August 31, 2003	\$ 1,087,037	\$ 27,718	\$ 93,702	\$	\$	\$ 63,000	\$ 220,517	\$ (18,313)	\$ 8,050	\$ 1,481,711

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

Table of Contents**CHS INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended August 31

	2003	2002	2001
(dollars in thousands)			
Cash flows from operating activities:			
Net income	\$ 123,841	\$ 126,138	\$ 178,554
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	111,347	103,986	109,180
Noncash net income from equity investments	(47,299)	(58,133)	(28,494)
Minority interests	21,950	15,390	35,098
Noncash portion of patronage dividends received	(1,795)	(2,327)	(3,896)
Loss (gain) on sale of property, plant and equipment	741	(6,418)	(13,941)
Deferred tax expense (benefit)	9,000	4,400	(46,625)
Other, net	4,052	5,467	(801)
Changes in operating assets and liabilities:			
Receivables	(18,669)	(32,517)	147,922
Inventories	(25,692)	(255,107)	39,248
Other current assets and other assets	(83,347)	(86,636)	(24,128)
Customer credit balances	30,238	(12,025)	1,707
Customer advance payments	(45,740)	59,988	(22,800)
Accounts payable and accrued expenses	135,310	92,781	(130,142)
Other liabilities	2,569	9,079	13,050
Net cash provided by (used in) operating activities	216,506	(35,934)	253,932
Cash flows from investing activities:			
Acquisition of property, plant and equipment	(175,689)	(140,169)	(97,610)
Proceeds from disposition of property, plant and equipment	26,886	20,205	35,263
Investments	(43,478)	(6,211)	(14,247)
Equity investments redeemed	35,939	37,689	30,104
Investments redeemed	8,467	6,310	1,672
Changes in notes receivable	(6,630)	(22,031)	533
Acquisitions of intangibles	(767)	(29,501)	(7,328)
Acquisitions of working capital, net	(13,030)	(5,750)	(1,103)
Distribution to minority owners	(4,444)	(7,413)	(19,256)
Other investing activities, net	(507)	(685)	1,775
Net cash used in investing activities	(173,253)	(147,556)	(70,197)
Cash flows from financing activities:			
Changes in notes payable	(81,383)	235,319	(120,731)
Long-term debt borrowings	175,000	30,000	116,861
Principal payments on long-term debt	(89,512)	(17,968)	(67,364)
Payments on derivative instruments	(7,574)		
Changes in checks and drafts outstanding	988	(3,557)	3,722
Proceeds from sale of preferred stock, net of expenses	82,484	5,897	
Redemptions of preferred stock	(2,002)		
Preferred stock dividends paid	(3,575)	(240)	
Retirements of equity	(31,144)	(31,145)	(18,736)
Equity Participation Units redeemed			(14,293)
Cash patronage dividends paid	(26,478)	(40,082)	(26,129)

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Net cash provided by (used in) financing activities	16,804	178,224	(126,670)
Net increase (decrease) in cash and cash equivalents	60,057	(5,266)	57,065
Cash and cash equivalents at beginning of period	108,192	113,458	56,393
Cash and cash equivalents at end of period	\$ 168,249	\$ 108,192	\$ 113,458

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

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CHS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Organization:

Effective August 5, 2003, Cenex Harvest States Cooperatives changed its name to CHS Inc. (CHS or the Company). CHS is an agricultural cooperative organized for the mutual benefit of its members. Members of the cooperative are located throughout the United States. In addition to grain marketing, oilseed processing and refining, foods and wheat milling, the Company provides its patrons with energy and agronomy products as well as other farm supplies. Sales are both domestic and international.

Effective September 1, 2000, the Company's Board of Directors approved a resolution providing for the computation of patronage distributions based on earnings for financial statement purposes rather than federal income tax basis earnings. On December 1, 2000, this resolution was ratified by the Company's members, the by-laws were amended and beginning with fiscal year 2001 patronage distributions have been calculated based on financial statement earnings. The by-laws further provide that an amount of up to 10% of the distributable annual net savings from patronage sources be added to the unallocated capital reserve as determined by the Board of Directors.

Consolidation:

The consolidated financial statements include the accounts of CHS and all of its wholly-owned and majority-owned subsidiaries, including National Cooperative Refinery Association (NCRA). The effects of all significant intercompany transactions have been eliminated.

On September 1, 1999, NCRA and Farmland Industries, Inc. (Farmland) formed Cooperative Refining, LLC (CRLLC), which was established to operate and manage the refineries and related pipelines and terminals of NCRA and Farmland. On December 31, 2000, NCRA and Farmland signed an Agreement of Dissolution and dissolved CRLLC.

During 2000, the Company entered into a series of transactions, the result of which was the exchange of its agronomy operations, consisting primarily of its interests in and ownership of the Cenex/ Land O Lakes Agronomy Company and Agro Distribution, LLC and related entities for a 25% equity ownership interest in Agriliance, LLC (Agriliance). Agriliance is a distributor of crop nutrients, crop protection products and other agronomy inputs and services formerly owned by the Company, Land O Lakes, Inc. (Land O Lakes) and Farmland. The company accounts for the Agriliance investment under the equity method.

During 2003 and 2002, the Company had various other acquisitions, which have been accounted for using the purchase method of accounting. Operating results of the acquisitions are included in the consolidated financial statements since the respective acquisition dates. The respective purchase prices were allocated to the assets and liabilities acquired based upon the estimated fair values. The excess purchase price over the estimated fair values of the net assets acquired has been reported as identifiable intangible assets and goodwill.

Cash Equivalents:

Cash equivalents include short-term highly liquid investments with original maturities of three months or less at date of acquisition.

Inventories:

Grain, processed grain, oilseed and processed oilseed are stated at net realizable values which approximates market values. All other inventories are stated at the lower of cost or market. Costs for inventories produced or modified by the Company through a manufacturing process include fixed and

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**CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

variable production costs and raw material costs, and in-bound freight costs for raw materials over the amount charged to cost of goods sold. Costs for inventories purchased for resale include the cost of products and any freight incurred to place the products at the Company's point of sales. The cost of certain energy inventories (wholesale refined products, crude oil and asphalt) is 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.

Derivative Financial Instruments:

The Company enters into exchange-traded commodity futures and options contracts to hedge its 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. 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 the Company's assessment of its exposure from expected price fluctuations. The Company also manages its risks by entering into fixed price purchase contracts with pre-approved producers and establishing appropriate limits for individual suppliers. Fixed price sales contracts are entered into with customers of acceptable creditworthiness, as internally evaluated. The Company is exposed to loss in the event of nonperformance by the counterparties to the contracts; however, the Company does not anticipate nonperformance by counterparties.

Commodity trading in futures and options contracts is a natural extension of cash market trading. The commodity futures and options markets have underlying principles of increased liquidity and longer trading periods than the cash market, and hedging is one method of reducing exposure to price fluctuations. The Company's use of the derivative instruments described above reduces the effects of price volatility, thereby protecting against adverse short-term price movements while somewhat limiting the benefits of short-term price movements. Changes in market value of derivative instruments described above are recognized in the consolidated statements of operations in the period such changes occur. The fair value 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. At August 31, 2003, the Company's derivative assets and liabilities were \$54.5 million and \$46.5 million, respectively. At August 31, 2002, the Company's derivative assets and liabilities were \$53.8 million and \$67.9 million, respectively.

Commodity Price Risk

The Company utilizes futures and options contracts offered through regulated commodity exchanges to reduce price risk. The Company is exposed to risk of loss in the market value of inventories and fixed or partially fixed purchase and sale contracts. In order to reduce that risk, the Company generally takes opposite and offsetting positions using futures contracts or options. Certain commodities cannot be hedged with futures or options contracts because such contracts are not offered for these commodities by regulated commodity exchanges. Inventories and purchase contracts for those commodities are hedged with forward sales contracts, to the extent practical, in order to arrive at a net commodity position within the formal position limits set by the Company and deemed prudent for each of those commodities. Commodities for which future contracts and options are available are also typically hedged with forward contracts, with futures and options used to hedge within position limits the remaining portion. These futures and options contracts and forward purchase and sales contracts used to hedge against commodity price changes are effective economic hedges of price risk, but they are not designated as, and accounted for as, hedging instruments for accounting purposes.

Unrealized gains and losses on futures contracts and options used as economic hedges of grain and oilseed inventories and fixed price contracts are recognized in cost of goods sold for financial reporting on a

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**CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

monthly basis using market based prices. Inventories and fixed price contracts are marked to fair value using market based prices so that gains or losses on the derivative contracts are offset by gains or losses on inventories and fixed price contracts during the same accounting period.

Unrealized gains and losses on futures contracts and options used as economic hedges of energy inventories and fixed price contracts are recognized in cost of goods sold for financial reporting on a monthly basis using market based prices. The inventories hedged with these derivatives are valued at the lower of cost or market, and fixed price contracts are marked to fair value using market based prices. Certain fixed price contracts related to propane in the Energy segment meet the normal purchase and sales exemption, and thus are not required to be marked to fair value.

Interest Rate Risk

The Company manages interest expense using fixed and floating rate debt. These debt instruments are carried at amounts approximating estimated fair value. Short-term debt used to finance inventories and receivables is represented by notes payable within thirty days or less so that the blended interest rate to the Company for all such notes approximates current market rates. Long-term debt used to finance non-current assets has various fixed interest rates and is payable at various dates as to minimize the effect of market interest rate changes. The effective interest rate to the Company on fixed rate debt outstanding on August 31, 2003, was approximately 6.5%.

In August 2002, the Company entered into interest rate treasury lock instruments to secure the interest rate related to a portion of its private placement debt issued on October 18, 2002. These instruments were designated and are effective as cash flow hedges for accounting purposes, and accordingly, the loss on settlement was recorded as a component of other comprehensive income. Interest expense for the year ended August 31, 2003, includes \$0.7 million related to the interest rate derivatives. The additional interest expense is an offset to the lower actual interest paid on the outstanding debt instruments.

Foreign Currency Risk

The Company conducts essentially all of its business in U.S. dollars except for grain marketing operations in Brazil, and had minimal risk regarding foreign currency fluctuations during 2003. Foreign currency fluctuations do, however, impact the ability of foreign buyers to purchase U.S. agricultural products and the competitiveness of U.S. agricultural products compared to the same products offered by alternative sources of world supply.

Investments:

Investments in other cooperatives are stated at cost, plus patronage dividends received in the form of capital stock and other equities. Patronage dividends are recorded at the time qualified written notices of allocation are received. Joint ventures and other investments, in which the Company has significant ownership and influence, but not control, are accounted for in the consolidated financial statements under the equity method of accounting. Investments in other debt and equity securities are considered available for sale financial instruments and are stated at market value, with unrealized amounts included as a component of accumulated other comprehensive income (loss).

Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on the straight-line method by charges to operations at rates based upon the expected useful lives of individual or groups of assets (primarily 15 to 40 years for land improvements and buildings and 3 to 20 years for machinery, equipment, office and other). The cost and

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**CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

related accumulated depreciation and amortization of assets sold or otherwise disposed of are removed from the related accounts and resulting gains or losses are reflected in operations. Expenditures for maintenance and repairs and minor renewals are expensed, while costs of major renewals and betterments are capitalized.

The Company periodically reviews property, plant and equipment and other long-lived assets in order to assess recoverability based on projected income and related cash flows on an undiscounted basis. Should the sum of the expected future net cash flows be less than the carrying value, an impairment loss would be recognized. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds the fair value of the asset.

Goodwill and Other Intangible Assets:

Effective September 1, 2001, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. This statement discontinued the amortization of goodwill and indefinite-lived intangible assets, subject to periodic impairment testing. At August 31, 2001, goodwill (net of accumulated amortization) prior to the adoption of SFAS No. 142, was \$29.2 million and was included as a component of other assets. The effect of adopting the new standard will reduce goodwill amortization expense by approximately \$2.0 million annually. No changes to the carrying value of goodwill and other intangible assets were required as a result of the adoption of SFAS No. 142. Subsequent impairment testing is performed annually as well as when a triggering event indicating impairment may have occurred. During 2003, as a result of the impairment testing, the Company believes that no impairments are required.

In 2001, the Company recorded goodwill amortization expense of \$2.6 million. Had SFAS No. 142 been in effect during the year ended August 31, 2001, net income would have been \$181.1 million.

Revenue Recognition:

The Company provides a wide variety of products and services, from agricultural inputs such as fuels, farm supplies and crop nutrients, to agricultural outputs that include grain and oilseed, processed grains and oilseeds and food products. Grain and oilseed sales are recorded after the commodity has been delivered to its destination and final weights, grades and settlement price have been agreed upon. All other sales are recognized upon transfer of title, which could occur upon either shipment or receipt by the customer, depending upon the contract. Amounts billed to a customer as part of a sales transaction related to shipping and handling are included in net sales. Service revenues are recorded only after such services have been rendered, and are included in other revenues.

Environmental Expenditures:

Liabilities, including legal costs, related to remediation of contaminated properties are recognized when the related costs are considered probable and can be reasonably estimated. Estimates of environmental costs are based on current available facts, existing technology, undiscounted site-specific costs and currently enacted laws and regulations. Recoveries, if any, are recorded in the period in which recovery is considered probable. Liabilities are monitored and adjusted as new facts or changes in law or technology occur. Environmental expenditures are capitalized when such costs provide future economic benefits.

Income Taxes:

The Company is a nonexempt agricultural cooperative and files a consolidated federal income tax return with its 80% or more owned subsidiaries. The Company is subject to tax on income from nonpatronage sources and undistributed patronage-sourced income. Deferred income taxes reflect the

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**CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for federal and state income tax purposes, at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Comprehensive Income:

Comprehensive income (defined as the change in equity of a business enterprise during a period from sources other than those resulting from investments by owners and distribution to owners), primarily includes net income and the effects of minimum pension liability adjustments. Total comprehensive income is reflected in the consolidated statements of equities and comprehensive income.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

During 2003, the Company adopted SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company's Energy segment operates oil refineries and related pipelines for which the Company would be subject to Asset Retirement Obligations (ARO) if such assets were to be dismantled. The Company, however, expects to operate its refineries and related pipelines indefinitely. Since the time period to dismantle these assets is indeterminate, a corresponding ARO is not estimable and therefore has not been recorded.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities. The interpretation addresses consolidation of certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. It also requires consolidation by primary beneficiary. The interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after December 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company believes that the effects of adopting this standard will not have a material effect on the Company.

On April 30, 2003, the FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. The new guidance amends SFAS No. 133 for decisions made as part of the Derivatives Implementation Group process that effectively required amendments to SFAS No. 133, and decisions made in connection with other FASB projects dealing with financial instruments and in connection with implementation issues raised in relation to the application of the definition of a derivative and characteristics of a derivative that contains financing components. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statements of cash flows.

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

SFAS No. 149 is effective for contracts entered into or modified and for hedging relationships designated after June 30, 2003. The Company believes that the effects of adopting this standard do not have a material effect on the Company.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in certain circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities which are subject to the provisions for the first fiscal period beginning after December 15, 2003. The Statement is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. The Company believes that the effects of adopting this standard will not have a material effect on the Company.

Reclassifications:

Certain reclassifications have been made to prior year's amounts to conform to current year classifications. In addition, the Company has made changes to net sales and cost of goods sold for years ended August 31, 2002 and 2001, to eliminate certain intercompany sales identified subsequent to the issuance of the 2002 Annual Report. These reclassifications and changes had no effect on previously reported net income, equities and comprehensive income, or cash flows.

2. Receivables:

Receivables as of August 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
	(dollars in thousands)	
Trade	\$ 748,398	\$ 717,888
Other	47,000	49,846
	<u>795,398</u>	<u>767,734</u>
Less allowances for doubtful accounts	31,618	26,156
	<u>\$ 763,780</u>	<u>\$ 741,578</u>

All international sales are denominated in U.S. dollars. International sales for the years ended August 31, 2003, 2002 and 2001 are as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(dollars in millions)		
Africa	\$ 99	\$ 135	\$ 138
Asia	815	407	403
Europe	156	282	255
North America, excluding U.S.	367	298	317
South America	166	100	101
	<u>\$ 1,603</u>	<u>\$ 1,222</u>	<u>\$ 1,214</u>



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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Inventories:

Inventories as of August 31, 2003 and 2002 are as follows:

	2003	2002
	(dollars in thousands)	
Grain and oilseed	\$ 370,381	\$ 393,095
Energy	292,095	229,981
Feed and farm supplies	95,589	91,138
Processed grain and oilseed	42,688	36,264
Other	1,130	9,185
	\$ 801,883	\$ 759,663

As of August 31, 2003, the Company valued approximately 24% of inventories, primarily related to energy, using the lower of cost, determined on the LIFO method, or market (26% as of August 31, 2002). If the FIFO method of accounting for these inventories had been used, inventories would have been higher than the reported amount by \$86.3 million and \$40.5 million at August 31, 2003 and 2002, respectively.

4. Investments:

Investments as of August 31, 2003 and 2002 are as follows:

	2003	2002
	(dollars in thousands)	
Cooperatives:		
CF Industries, Inc.	\$ 152,996	\$ 152,996
CoBank ACB (CoBank)	22,505	30,069
Ag Processing, Inc.	24,481	25,797
Land O' Lakes, Inc.	27,105	26,232
Joint ventures:		
Ventura Foods, LLC	107,464	108,981
United Country Brands, LLC	129,286	86,175
TEMCO, LLC	9,087	8,414
Other	59,969	57,943
	\$ 532,893	\$ 496,607

CHS's investment in CF Industries, Inc. (CF) is carried at cost, including allocated patronage refunds. Since CF is a cooperative, CHS recognizes income from this investment only when patronage refunds are received. Over the past five years CF has generated operating losses, none of which were allocated to its owners. CHS management has performed the appropriate impairment tests of this investment, and based upon those tests, believes that fair market value exceeds its carrying value. CHS will continue to perform impairment tests annually, including reviewing operating results, or as circumstances dictate, which could result in an impairment to its CF investment.

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In March 2000, the Company purchased an additional 10% interest in Ventura Foods, LLC, its consumer products and packaging joint venture, for \$25.6 million, of which \$13.8 million was goodwill. The Company has a 50% interest in this joint venture. The following provides summarized unaudited financial information for Ventura Foods, LLC balance sheets as of August 31, 2003 and 2002, and statements of operations for the twelve months ended August 31, 2003, 2002 and 2001:

	2003	2002
	(dollars in thousands)	
Current assets	\$ 193,632	\$ 171,084
Non-current assets	231,649	231,045
Current liabilities	227,400	133,230
Non-current liabilities	21,738	90,819

	2003	2002	2001
	(dollars in thousands)		
Net sales	\$ 1,165,823	\$ 1,013,475	\$ 925,962
Gross profit	155,274	181,217	161,405
Net income	42,837	75,368	71,148

Effective January 1, 2000, CHS, Farmland and Land O Lakes created Agrilience, a distributor of crop nutrients, crop protection products and other agronomy inputs and services. At formation, Agrilience managed the agronomy marketing and distribution operations of CHS (which included principally its wholesale agronomy, Cenex/Land O Lakes Agronomy Company and Agro Distribution, LLC business operations), Farmland and Land O Lakes, with the Company exchanging the right to use its agronomy operations for 26.455% of the results of the jointly managed operations.

In March 2000, the Company sold 1.455% of its economic interest in the operations collectively managed by Agrilience to Land O Lakes, resulting in a gain of \$7.4 million. This left the Company with a 25% economic interest in such operations. In July 2000, Agrilience secured its own financing, which is without recourse to the Company. Agrilience also purchased the net working capital related to agronomy operations from each of its member owners, consisting primarily of trade accounts receivable and inventories, net of accounts payable. On July 31, 2000, the Company contributed outright its ownership interest in the Cenex/ Land O Lakes Agronomy Company and in Agro Distribution, LLC, with a total investment of \$64.7 million, along with the rest of its wholesale agronomy business, to Agrilience. The Company retained a 25% interest in Agrilience after the outright contribution of its ownership interests in those two ventures and its wholesale agronomy business. Agrilience ownership also includes Farmland (25%) and Land O Lakes (50%). The interests of the Company and Farmland are held through equal ownership in United Country Brands, LLC, a joint venture holding company whose sole operations consist of the ownership of a 50% interest in Agrilience. The Company's equity in the joint venture was recorded at the historical carrying value of its ownership in Cenex/ Land O Lakes Agronomy Company and Agro Distribution, LLC and no gain or loss was recorded on the exchange.

In April 2003, the Company acquired an additional economic interest in the Agrilience wholesale crop protection business (the CPP Business), which constitutes only a part of the Agrilience business operations. The Company acquired 13.1% of the CPP Business for a cash payment of \$34.3 million. The economic interests in Agrilience are owned 50% by Land O Lakes, 25% plus an additional 13.1% of the CPP Business by the Company and 25% less 13.1% of the CPP Business by Farmland. The ownership or governance interests in Agrilience did not change. Agrilience's earnings or losses are split among the members based upon the respective economic interest of each member.

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following provides summarized financial information for Agrilience balance sheets as of August 31, 2003 and 2002, and statements of operations for the years ended August 31, 2003, 2002 and 2001:

	2003	2002
	(dollars in thousands)	
Current assets	\$ 1,249,941	\$ 922,958
Non-current assets	119,615	134,247
Current liabilities	1,083,743	700,903
Non-current liabilities	27,061	107,960

	2003	2002	2001
	(dollars in thousands)		
Net sales	\$ 3,485,623	\$ 3,625,849	\$ 4,072,248
Earnings from operations	67,239	57,604	50,423
Net income	60,741	47,044	25,053

Disclosure of the fair value of financial instruments to which the Company is a party includes estimates and assumptions which may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Financial instruments are carried at amounts that approximate estimated fair values. Investments in cooperatives and joint ventures have no quoted market prices.

Various agreements with other owners of investee companies and a majority-owned subsidiary set out parameters whereby CHS may buy and sell additional interests in those companies, upon the occurrence of certain events, at fair values determinable as set forth in the specific agreements.

5. Property, Plant and Equipment:

A summary of property, plant and equipment as of August 31, 2003 and 2002 is as follows:

	2003	2002
	(dollars in thousands)	
Land and land improvements	\$ 60,453	\$ 63,045
Buildings	380,940	371,107
Machinery and equipment	1,508,963	1,470,475
Office and other	68,369	62,144
Construction in progress	159,555	71,540
	2,178,280	2,038,311
Less accumulated depreciation and amortization	1,055,298	980,890
	\$ 1,122,982	\$ 1,057,421

In January 2002, the Company formed a limited liability company with Cargill, Incorporated to engage in wheat flour milling and processing. The Company holds a 24% interest in the entity, which is known as Horizon Milling, LLC. The Company is leasing certain of its wheat milling facilities and related equipment to Horizon Milling under an operating lease agreement. The book value of the leased milling

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assets at August 31, 2003, was \$99.4 million, net of accumulated depreciation of \$31.3 million.

For the years ended August 31, 2003, 2002 and 2001, the Company capitalized interest of \$3.9 million, \$2.1 million and \$1.2 million, respectively, related to capitalized construction projects.

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other Assets:

Other assets as of August 31, 2003 and 2002 are as follows:

	2003	2002
(dollars in thousands)		
Goodwill	\$ 27,052	\$ 27,926
Customer lists, less accumulated amortization of \$5,112 and \$3,511, respectively	9,414	8,447
Non-compete covenants, less accumulated amortization of \$11,774 and \$2,896, respectively	1,766	11,204
Other intangible assets, less accumulated amortization of \$1,986 and \$2,462, respectively	14,607	15,795
Prepaid pension and other benefit assets	151,389	54,230
Deferred tax asset	28,689	50,544
Notes receivable	1,991	4,822
Other	4,612	4,354
	\$239,520	\$177,322

Intangible assets subject to amortization are provided on a straight-line basis over the number of years that approximate their respective useful lives (ranging from 2 to 15 years). The straight-line method of amortization reflects an appropriate allocation of the cost of intangible assets to earnings in proportion to the amount of economic benefit obtained by the Company in each reporting period. Amortization expenses for the years ended August 31, 2003 and 2002, were \$12.2 million and \$4.2 million, respectively. The estimated amortization expense related to intangible assets subject to amortization for the next five years will approximate \$2.7 million annually.

Through Country Energy, LLC, formerly a joint venture with Farmland, the Company marketed refined petroleum products including gasoline, diesel fuel, propane and lubricants under the Cenex brand. On November 30, 2001, the Company purchased the wholesale energy business of Farmland, as well as all interest in Country Energy, LLC. Based on estimated fair values, \$26.4 million of the purchase price was allocated to intangible assets, primarily trademarks, tradenames and non-compete agreements. The intangible assets had a weighted-average life of approximately 12 years. During the year ended August 31, 2003, the Company accelerated the amortization of the non-compete agreement due to Farmland's July 31, 2003 notification that it intends to liquidate its assets in bankruptcy. The Company had additional amortization expense of \$7.5 million during 2003 related to the acceleration, and the asset has a zero book value as of August 31, 2003. The Company also entered into an exclusive two-year supply agreement to purchase, at prevailing market prices, all of the refined fuels production from Farmland's Coffeyville, Kansas facility. On May 22, 2003, the Company gave notice to Farmland that it will not renew the supply agreement, and the non-renewal is effective November 30, 2003. The Company's management is confident that alternative sources of supply will be available and that the non-renewal will not have a material affect on the Company.

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Notes Payable and Long-Term Debt:

Notes payable and long-term debt as of August 31, 2003 and 2002 consisted of the following:

	Interest rates at August 31,		
	2003	2003	2002
	(dollars in thousands)		
Notes payable (a)(i)	1.63% to 1.96%	\$ 251,131	\$ 332,514
Long-term debt:			
Revolving term loans from cooperative and other banks, payable in installments through 2009, when the balance is due (b)(c)(i)	2.14% to 13.00%	\$ 168,032	\$ 254,962
Private placement, payable in equal installments beginning in 2008 through 2013 (d)(i)	6.81%	225,000	225,000
Private placement, payable in installments beginning in 2007 through 2018 (e)(i)	4.96% to 5.60%	175,000	
Private placement, payable in equal installments beginning in 2005 through 2011 (f)(i)	7.43% to 7.90%	80,000	80,000
Industrial Revenue Bonds, payable in installments through 2011 (g)	5.23% to 12.97%	5,831	7,444
Other notes and contracts (h)	5.70% to 12.17%	9,310	4,718
Total long-term debt		663,173	572,124
Less current portion		14,951	89,032
Long-term portion		\$ 648,222	\$ 483,092

	2003	2002
Weighted average interest rates at August 31:		
Short-term debt	1.83%	2.58%
Long-term debt	6.52%	6.38%

- (a) The Company finances its working capital needs through short-term lines of credit with a syndication of banks. The Company has a 364-day credit facility of \$600.0 million, all of which is committed, and of which \$250.0 million was outstanding on August 31, 2003. In addition to this short-term line of credit, the Company has a 364-day credit facility dedicated to NCRA with a syndication of banks in the amount of \$30.0 million, all of which is committed, with no amounts outstanding on August 31, 2003. Other miscellaneous notes payable totaled \$1.1 million at August 31, 2003.
- (b) The Company established a \$100.0 million three-year revolving credit facility with a syndication of banks. On August 31, 2003, the Company had no outstanding balance on this facility.
- (c) The Company established a long-term credit agreement which committed \$200.0 million of long-term borrowing capacity to the Company through May 31, 1999, of which \$164.0 million was drawn before the expiration date of that commitment. On August 31, 2003,

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\$137.8 million was outstanding. NCRA term loans of \$15.0 million are collateralized by NCRA's investment in CoBank.

- (d) The Company entered into a private placement with several insurance companies for long-term debt in the amount of \$225.0 million.
- (e) In October 2002, the Company entered into a private placement with several insurance companies for long-term debt in the amount of \$175.0 million.

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (f) In January 2001, the Company entered into a note purchase and private shelf agreement with Prudential Insurance Company. A long-term note was issued for \$25.0 million and a subsequent note for \$55.0 million was issued in March 2001.
- (g) Industrial Revenue Bonds in the amount of \$1.6 million are collateralized by property, plant and equipment, primarily energy refinery equipment, with a cost of approximately \$152.0 million, less accumulated depreciation of approximately \$120.4 million as of August 31, 2003.
- (h) Grain Suppliers, LLC, a wholly-owned subsidiary of the Company, has other notes payable of \$5.4 million collateralized by property, plant and equipment, with a cost of approximately \$8.3 million, less accumulated depreciation of approximately \$0.2 million on August 31, 2003.
- (i) The debt is unsecured, however restrictive covenants under various agreements have requirements for maintenance of minimum working capital levels and other financial ratios.
The fair value of long-term debt approximates book value as of August 31, 2003 and 2002.

The aggregate amount of long-term debt payable as of August 31, 2003 is as follows:

	(dollars in thousands)
2004	\$ 14,951
2005	34,716
2006	35,176
2007	59,671
2008	98,190
Thereafter	420,469
	\$ 663,173

The Company is in compliance with all debt covenants and restrictions as of August 31, 2003.

8. Income Taxes:

As a result of the Company's by-law changes during 2001, and the by-law changes of its majority-owned subsidiary (NCRA) in 2002, to distribute patronage based on financial statement earnings, the statutory rate applied to the cumulative differences between financial statement earnings and tax basis earnings, has been changed. In connection with this change the Company recorded a deferred tax benefit of \$10.9 million as of August 31, 2002, and \$34.2 million as of August 31, 2001. The \$10.9 million deferred tax benefit recorded as a result of the change in patronage distribution by NCRA as of August 31, 2002, has been offset by a \$10.9 million NCRA valuation allowance. Additional valuation allowances of \$1.7 million, \$6.2 million and \$2.4 million were provided to offset deferred tax benefits generated by NCRA as of August 31, 2003, 2002 and 2001, respectively.

The provision for income taxes for the years ended August 31, 2003, 2002 and 2001 is as follows:

	2003	2002	2001
	(dollars in thousands)		
Current	\$ 3,700	\$ 14,300	\$ 21,025
Deferred	7,300	(12,700)	(49,025)
Valuation allowance	1,700	17,100	2,400
	\$ 12,700	\$ 18,700	\$ (25,600)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The tax effect of temporary differences of deferred tax assets and liabilities as of August 31, 2003 and 2002 is as follows:

	2003	2002
(dollars in thousands)		
Deferred tax assets:		
Accrued expenses and valuation reserves	\$ 53,521	\$ 49,236
Postretirement health care and deferred compensation	29,153	32,671
Property, plant and equipment	9,369	11,532
Alternative minimum tax credit and patronage loss carryforward	8,948	6,993
Other	19,316	12,439
	120,307	112,871
Deferred tax liabilities:		
Pension, including minimum liability	34,531	2,635
Equity method investments	23,310	20,482
Other		730
	57,841	23,847
Deferred tax assets valuation reserve	(11,765)	(19,466)
Net deferred tax assets	\$ 50,701	\$ 69,558

As of August 31, 2003, net deferred tax assets of \$22.0 million and \$28.7 million are included in current assets and other assets, respectively (\$19.0 million and \$50.6 million, respectively, as of August 31, 2002). At August 31, 2003, NCRA recognized a valuation allowance for the entire tax benefit associated with its net deferred tax asset, as it is considered more likely than not, based on the weight of available information, that the future tax benefits related to these items will not be realized. At August 31, 2003, NCRA's net deferred tax assets of \$11.8 million were comprised of deferred tax assets of \$21.4 million and deferred tax liabilities of \$9.6 million. Deferred tax assets are comprised of basis differences related to inventories, investments, lease obligations, accrued liabilities and certain federal and state tax credits. NCRA files a separate tax return and, as such, these items must be assessed independently of the Company's deferred tax assets when determining recoverability.

The reconciliation of the statutory federal income tax rates to the effective tax rates for the years ended August 31, 2003, 2002 and 2001 is as follows:

	2003	2002	2001
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	3.9	3.9	3.9
Patronage earnings	(25.7)	(25.0)	(32.8)
Change in patronage determination		(7.5)	(22.4)
Export activities at rates other than the U.S. statutory rate	(3.2)	(1.9)	
Deferred tax asset valuation allowance	1.3	11.8	1.6
Other	(2.0)	(3.4)	(2.0)
	9.3%	12.9%	(16.7)%
Effective tax rate	9.3%	12.9%	(16.7)%



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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The principal differences between financial statement income and taxable (loss) income for the years ended August 31, 2003, 2002 and 2001 are as follows:

	2003	2002	2001
	(dollars in thousands)		
Income before income taxes	\$ 136,541	\$ 144,838	\$ 152,954
Financial reporting/tax differences:			
Environmental reserves	2,208	1,939	4,453
Oil and gas activities, net	(21,989)	1,540	(22,230)
Energy inventory market reserves	1,210	(933)	(2,441)
Pension and compensation	(21,966)	(21,491)	8,981
Investments in other entities	117	1,898	26,495
Export activities	(11,253)	(7,141)	
Other, net	1,716	(2,291)	10,038
Patronage refund provisions	(90,000)	(92,900)	(128,900)
Taxable (loss) income	\$ (3,416)	\$ 25,459	\$ 49,350

No tax benefit has been recognized for NCRA's \$13.1 million operating loss that was included in the Company's August 31, 2003 taxable loss as shown above.

9. Equities:

In accordance with the by-laws and by action of the Board of Directors, annual net savings from patronage sources are distributed to consenting patrons following the close of each year, and are based on amounts using financial statement earnings. The cash portion of the patronage distribution is determined annually by the Board of Directors, with the balance issued in the form of capital equity certificates.

Annual net savings from sources other than patronage may be added to the unallocated capital reserve or, upon action by the Board of Directors, allocated to members in the form of nonpatronage equity certificates. Redemptions are at the discretion of the Board of Directors.

Inactive direct members and patrons and active direct members and patrons age 61 and older on June 1, 1998, are eligible for redemption of their capital equity certificates at age 72 or death. For other active direct members and patrons and member cooperatives, equities will be redeemed annually as determined by the Board of Directors.

On May 31, 1997, the Company completed an offering for the sale of Equity Participation Units (EPU) in its Wheat Milling Defined Business Unit and its Oilseed Processing and Refining Defined Business Unit to qualified subscribers. Qualified subscribers were identified as Defined Members or representatives of Defined Members who were persons or associations of producers actually engaged in the production of agricultural products. Subscribers were allowed to purchase a portion of their EPU by exchanging existing patronage certificates. The purchasers of EPU had the right and obligation to deliver annually the number of bushels of wheat or soybeans equal to the number of units held. Unit holders participated in the net patronage-sourced income from operations of the applicable Defined Business Unit as patronage refunds. Retirements of patrons' equities attributable to EPU, were at the discretion of the Board of Directors, and it was the Board's goal to retire such equity on a revolving basis seven years after declaration.

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**CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

During 2001, the Company's Board of Directors adopted a resolution to issue, at no charge, to each Defined Member of the Oilseed Processing and Refining Defined Business Unit an additional 1/4 EPU, for each EPU held, due to increased crush volume.

In August 2001, the CHS Board of Directors approved and consummated a plan to end the Defined Investment Program. The Company redeemed all of the EPUs and allocated the assets of the Oilseed Processing and Refining and Wheat Milling Defined Business Units to the Company as provided in the plan. The amounts redeemed to the Oilseed Processing and Refining and Wheat Milling Defined Member EPU holders were \$5.2 million and \$9.1 million, respectively. Due to loss carry-forwards incurred by the Wheat Milling Defined Business Unit, the plan also provided for the cancellation of all outstanding Preferred Capital Certificates issued to the Wheat Milling EPU holders, totaling \$0.2 million. The plan further provided to the Oilseed Processing and Refining Defined Member EPU holders for the redemption of all outstanding Preferred Capital Certificates issued of \$0.2 million and a 100% cash distribution during 2002 for the patronage refunds earned for the fiscal year ended August 31, 2001.

In January 2003, the Board of Directors authorized the sale and issuance of up to 3,500,000 shares of 8% Cumulative Redeemable Preferred Stock (New Preferred) at a price of \$25.00 per share. The Company filed a registration statement on Form S-2 with the Securities and Exchange Commission registering 3,000,000 shares of the New Preferred (with an additional over-allotment option of 450,000 shares granted to the underwriters), which was declared effective on January 27, 2003. The shares were subsequently sold for proceeds of \$86.3 million (3,450,000 shares), and are listed on the NASDAQ National Market. Expenses related to the issuance of the New Preferred were \$3.8 million.

The Company had previously suspended sales of its 8% Preferred Stock (Old Preferred) after raising \$9.5 million (9,454,874 shares), and on February 25, 2003, the Company filed a post-effective amendment to terminate the offering of the Old Preferred shares. On March 5, 2003, the Company's Board of Directors authorized the redemption and conversion of the Old Preferred shares. A redemption notification and a conversion election form were sent to holders of the Old Preferred shares on March 21, 2003 explaining that on April 25, 2003 all shares of the Old Preferred would be redeemed by the Company for \$1.00 per share unless they were converted into shares of the Company's New Preferred. The conversion did not change the base liquidation amount or dividend amount of the Old Preferred, since 25 shares of the Old Preferred converted to 1 share of the New Preferred. The total Old Preferred converted to the New Preferred was \$7.5 million (7,452,439 shares) and the balance of the Old Preferred (2,002,435 shares) was redeemed in cash at \$1.00 per share. As of August 31, 2003, the Company had \$93.7 million (3,748,099 shares) of the New Preferred outstanding.

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Employee Benefit Plans:

The Company has various pension and other defined benefit and defined contribution plans, in which substantially all employees may participate.

Financial information on changes in benefit obligation and plan assets funded and balance sheet status as of August 31, 2003 and 2002 is as follows:

	Qualified Pension Benefits		Non-Qualified Pension Benefits		Other Benefits	
	2003	2002	2003	2002	2003	2002
(dollars in thousands)						
Change in benefit obligation:						
Benefit obligation at beginning of period	\$ 253,868	\$ 241,728	\$ 14,543	\$ 11,836	\$ 24,915	\$ 22,667
Service cost	10,840	9,275	800	1,168	648	557
Interest cost	17,503	17,673	1,033	886	1,722	1,586
Plan participants contributions	1,771				215	189
Plan amendments		2,383			88	
Transfers		3,677				
Actuarial loss (gain)	22,049	1,157	(766)	1,607	2,527	1,716
Assumption change	4,659				1,469	638
Benefits paid	(20,784)	(22,025)	(1,776)	(954)	(2,329)	(2,438)
Benefit obligation at end of period	<u>\$ 289,906</u>	<u>\$ 253,868</u>	<u>\$ 13,834</u>	<u>\$ 14,543</u>	<u>\$ 29,255</u>	<u>\$ 24,915</u>
Change in plan assets:						
Fair value of plan assets at beginning of period	\$ 201,563	\$ 230,121				
Actual income (loss) on plan assets	14,915	(14,810)				
Company contributions	84,523	4,600	\$ 1,776	\$ 954	\$ 2,114	\$ 2,249
Participants contributions					215	189
Net transfers		3,677				
Benefits paid	(20,784)	(22,025)	(1,776)	(954)	(2,329)	(2,438)
Fair value of plan assets at end of period	<u>\$ 280,217</u>	<u>\$ 201,563</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Funded status	\$ (9,689)	\$ (52,305)	\$ (13,834)	\$ (14,543)	\$ (29,255)	\$ (24,915)
Employer contributions after measurement date		31,362	84	32	247	269
Unrecognized actuarial loss (gain)	118,025	85,066	(899)	16	707	(3,505)
Unrecognized transition obligation					9,261	10,197
Unrecognized prior service cost	7,467	6,502	3,503	4,067	(1,076)	(1,336)
Prepaid benefit cost (accrued)	<u>\$ 115,803</u>	<u>\$ 70,625</u>	<u>\$ (11,146)</u>	<u>\$ (10,428)</u>	<u>\$ (20,116)</u>	<u>\$ (19,290)</u>

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Qualified Pension Benefits		Non-Qualified Pension Benefits		Other Benefits	
	2003	2002	2003	2002	2003	2002
(dollars in thousands)						
Amounts recognized on balance sheets consist of:						
Accrued benefit liability	\$ 95,917	\$(11,028)	\$(12,125)	\$(12,809)	\$(20,116)	\$(19,290)
Intangible asset	2,425	6,510	253	1,485		
Minority interests		6,195				
Accumulated other comprehensive loss	17,461	68,948	726	896		
Net amounts recognized	<u>\$ 115,803</u>	<u>\$ 70,625</u>	<u>\$(11,146)</u>	<u>\$(10,428)</u>	<u>\$(20,116)</u>	<u>\$(19,290)</u>

For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended August 31, 2003. The rate was assumed to decrease gradually to 6.0% for 2006 and remain at that level thereafter. Components of net periodic benefit costs for the years ended August 31, 2003, 2002 and 2001 are as follows:

	Qualified Pension Benefits			Non-Qualified Pension Benefits			Other Benefits		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
(dollars in thousands)									
Components of net periodic benefit cost:									
Service cost	\$ 10,840	\$ 9,275	\$ 7,875	\$ 800	\$ 1,168	\$ 631	\$ 648	\$ 557	\$ 566
Interest cost	17,503	17,673	17,580	1,033	886	907	1,722	1,586	1,569
Expected return on assets	(23,788)	(21,386)	(22,855)						
Prior service cost amortization	806	740	619	564	574	574	(172)	(197)	(131)
Actuarial loss (gain) amortization	2,623	1,369	231	159	18	144	(215)	(505)	(538)
Transition amount amortization		(708)	(874)			13	936	936	936
Other									(22)
Net periodic benefit cost	<u>\$ 7,984</u>	<u>\$ 6,963</u>	<u>\$ 2,576</u>	<u>\$ 2,556</u>	<u>\$ 2,646</u>	<u>\$ 2,269</u>	<u>\$ 2,919</u>	<u>\$ 2,377</u>	<u>\$ 2,380</u>
Weighted-average assumptions:									
Discount rate	6.30%	7.10%	7.30%	6.00%	7.25%	7.50%	6.30%	7.10%	7.30%
Expected return on plan assets	9.00%	9.00%	9.00%	N/A	N/A	N/A	N/A	N/A	N/A
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows as of August 31, 2003 and 2002:

	Qualified Pension Benefits		Non-Qualified Pension Benefits	
	2003	2002	2003	2002
	(dollars in thousands)			
Projected benefit obligation	\$ 120,068	\$ 253,868	\$ 13,834	\$ 14,543
Accumulated benefit obligation	107,760	243,953	12,209	12,842
Fair value of plan assets	104,560	201,563		

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed health care cost trend rates would have the following effects:

	1% Increase	1% Decrease
		(dollars in thousands)
Effect on total of service and interest cost components	\$ 275	\$ (250)
Effect on postretirement benefit obligation	2,618	(2,399)

The Company provides defined life insurance and health care benefits for certain retired employees. The plan is contributory based on years of service and family status, with retiree contributions adjusted annually.

The Company has other contributory defined contribution plans covering substantially all employees. Total contributions by the Company to these plans were \$8.5 million, \$11.0 million and \$6.1 million, for the years ended August 31, 2003, 2002 and 2001, respectively.

11. Segment Reporting:

The Company manages five business segments, which are based on products and services, and are Agronomy, Energy, Country Operations and Services, Grain Marketing, and Processed Grains and Foods. The Agronomy segment consists of joint ventures and other investments, from which the Company derives investment income based upon the profitability of these investments. The Energy segment derives its revenues through refining, wholesaling and retailing of petroleum products. The Country Operations and Services segment derives its revenues through the origination and marketing of grain, through the retail sales of petroleum and agronomy products, and processed sunflowers, feed and farm supplies. The Country Operations segment also derives revenues from service activities related to crop production. The Grain Marketing segment derives its revenues from the sale of grains and oilseeds and from service activities conducted at its export terminals. Processed Grains and Foods segment derives its revenues from the sales of soybean meal and soybean refined oil, from equity income in two wheat milling joint ventures, from equity income in an oilseed food manufacturing joint venture, and from the sale of Mexican food products.

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

The Company assigns certain corporate general and administrative expenses to its business segments based on use of such services and allocates other services based on factors or considerations relevant to the costs incurred.

Expenses that are incurred at the corporate level for the purpose of the general operation of the Company are allocated to the segments based upon factors which management considers to be non-

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CHS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

asymmetrical. Nevertheless, due to efficiencies in scale, cost allocations, and intersegment activity, management does not represent that these segments, if operated independently, would report the income before income taxes and other financial information as presented.

Segment information for the years ended August 31, 2003, 2002 and 2001 is as follows:

	Agronomy	Energy	Country Operations and Services	Grain Marketing	Processed Grains and Foods	Corporate and Other	Reconciling Amounts	Total
(dollars in thousands)								
For the year ended August 31, 2003:								
Net sales		\$ 3,648,093	\$ 1,885,825	\$ 4,139,226	\$ 491,931		\$ (894,341)	\$ 9,270,734
Patronage dividends	\$ (84)	415	2,467	218	111	\$ 130		3,257
Other revenues		10,461	81,739	25,458	2,300	4,584		124,542
	(84)	3,658,969	1,970,031	4,164,902	494,342	4,714	(894,341)	9,398,533
Cost of goods sold		3,475,947	1,876,811	4,133,677	466,857		(894,341)	9,058,951
Marketing, general and administrative	8,138	63,740	55,887	21,072	36,540	5,205		190,582
Gain on legal settlements			(10,867)					(10,867)
Interest	(974)	16,401	14,975	4,738	12,845	690		48,675
Equity (income) loss from investments	(20,773)	(1,353)	(788)	1,673	(26,056)	(2)		(47,299)
Minority interests		20,782	1,168					21,950
Income (loss) before income taxes	\$ 13,525	\$ 83,452	\$ 32,845	\$ 3,742	\$ 4,156	\$ (1,179)	\$	\$ 136,541
Intersegment sales		\$ (94,209)	\$ (796,999)	\$ (2,435)	\$ (698)		\$ 894,341	\$
Goodwill		\$ 3,185	\$ 262		\$ 23,605			\$ 27,052
Capital expenditures		\$ 80,837	\$ 26,738	\$ 5,298	\$ 60,576	\$ 2,240		\$ 175,689
Depreciation and amortization	\$ 1,247	\$ 65,868	\$ 21,039	\$ 6,718	\$ 13,321	\$ 3,154		\$ 111,347
Total identifiable assets at August 31, 2003	\$ 285,906	\$ 1,449,652	\$ 857,523	\$ 450,415	\$ 498,872	\$ 265,600		\$ 3,807,968

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CHS INC.
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	Agronomy	Energy	Country Operations and Services	Grain Marketing	Processed Grains and Foods	Corporate and Other	Reconciling Amounts	Total
(dollars in thousands)								
For the year ended August 31, 2002:								
Net sales		\$ 2,657,689	\$ 1,474,553	\$ 3,281,469	\$ 496,084		\$ (753,341)	\$ 7,156,454
Patronage dividends	\$ (89)	458	2,572	497	260	\$ 187		3,885
Other revenues		6,392	80,789	21,902	(1,469)	1,845		109,459
	(89)	2,664,539	1,557,914	3,303,868	494,875	2,032	(753,341)	7,269,798
Cost of goods sold		2,489,352	1,474,392	3,272,985	457,538		(753,341)	6,940,926
Marketing, general and administrative	8,957	66,731	47,995	22,213	36,930	4,466		187,292
Gain on legal settlements			(2,970)					(2,970)
Interest	(1,403)	16,875	13,851	4,807	9,514	(1,189)		42,455
Equity (income) loss from investments	(13,425)	1,166	(283)	(4,257)	(41,331)	(3)		(58,133)
Minority interests		14,604	786					15,390
	5,782	75,811	24,143	8,120	32,224	(1,242)	\$	\$ 144,838
Intersegment sales		\$ (67,367)	\$ (615,853)	\$ (69,561)	\$ (560)		\$ 753,341	\$
Goodwill		\$ 4,059	\$ 262		\$ 23,605			\$ 27,926
Capital expenditures		\$ 54,576	\$ 34,305	\$ 14,851	\$ 35,144	\$ 1,293		\$ 140,169
Depreciation and amortization	\$ 1,247	\$ 58,701	\$ 21,214	\$ 6,235	\$ 13,436	\$ 3,153		\$ 103,986
Total identifiable assets at August 31, 2002	\$ 242,015	\$ 1,305,828	\$ 799,711	\$ 481,232	\$ 439,942	\$ 212,999		\$ 3,481,727
For the year ended August 31, 2001:								
Net sales		\$ 2,781,243	\$ 1,577,268	\$ 3,416,239	\$ 662,726		\$ (973,234)	\$ 7,464,242
Patronage dividends	\$ 196	712	3,683	840	339	\$ 207		5,977
Other revenues		4,036	80,479	22,964	(238)	9,013		116,254
	196	2,785,991	1,661,430	3,440,043	662,827	9,220	(973,234)	7,586,473
Cost of goods sold		2,549,099	1,569,884	3,416,500	619,184		(973,234)	7,181,433
Marketing, general and administrative	8,503	48,432	53,417	22,396	44,870	6,428		184,046
Interest	(4,529)	25,097	15,695	8,144	13,026	4,003		61,436
Equity (income) loss from investments	(7,360)	4,081	(246)	(4,519)	(35,505)	15,055		(28,494)
Minority interests		34,713	385					35,098
	3,582	124,569	22,295	(2,478)	21,252	(16,266)	\$	\$ 152,954