50

COOPERATIVE YEARS

American Crystal Sugar Company

SWEETER TOMORROW

ANNUAL REPORT 2023

"The cooperative has a good system for hearing our challenges and coming up with solutions that cover everything from plant breeding to piling practices."

–Brad Thoreson
Climax, MN

To learn more about the Thoreson family farming operation, scan this QR code to watch a video.

SWEETER TOMORROW

We've accomplished a lot in 50 years, and because of the undeniable legacy we've built as a cooperative, we can see an even brighter future ahead.

Since we first planted the seed of a grower-owned and operated agricultural cooperative, we've all worked hard to build something that's pretty sweet. A long-term enterprise that's sustainable and beneficial – not only for growers, but for employees, customers and the people who live and work in our communities.

With an unwavering commitment to be the best in the industry, American Crystal Sugar Company is poised to grow, change and embrace whatever challenges come our way – so we can grow a more prosperous future for all.

1972

Al Bloomquist, executive director of the Red River Valley Sugarbeet Growers Association writes American Crystal president Charles Briggs, proposing that valley growers buy American Crystal.

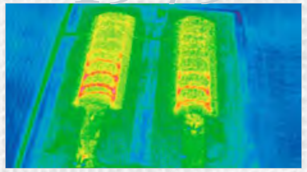
1973

Following an earlier vote by over 1,000 members of the Crystal Growers Corporation, the purchase of American Crystal Sugar Company was finalized for $86 million transforming the privately held company into a farmer-owned beet sugar cooperative.

1975

American Crystal adds its fifth Red River Valley factory in Hillsboro, North Dakota, after a merger with Red River Valley Cooperative.

1979



The company began using forced ventilation into sugarbeet piles to cool and freeze them more effectively. Other subsequent storage advancements included infrared monitoring, pile splitting, and large deep freeze sheds to extend factory operations.

CROP YEAR
2022

276
CAMPAIGN DAYS
(Aug 23 to May 25)

458,000
ACRES PLANTED

12.1
MILLION TONS HARVESTED
(new record)

18.0%
AVERAGE SUGAR CONTENT

40,997
TONS SLICED PER DAY
(average)

11,048,235
TONS SLICED (new record)

CROP YEAR
2023

May 12
PLANTING DATE
(average)

436,000
ACRES PLANTED

12.7
MILLION TONS HARVESTED
(beating last year's record)

18.5%
AVERAGE SUGAR CONTENT

31.9 TONS
YIELD PER ACRE
(new record)

CULTIVATING OPPORTUNITIES FOR LOCAL HEROES

To honor those who've served in the U.S. Military, we support veterans in the community and in our factories.

You'll see American Crystal Sugar Company backing veterans at community events like RedHawks and Fargo Force games, where we not only show support but also raise funds for veteran causes. Additionally, we raise money to send local veterans on a tribute to our nation's capital as part of the Honor Flight network.

Within the workplace, we work to attract veterans and National Guard members by introducing them to our career opportunities and supporting them after employment.

1979

Growers vote to implement a Quality Payment System, initiating the company's beet sugar payments on the basis of both tons and sugar quality.

1993

American Crystal, Minn-Dak Farmers Cooperative and Southern Minnesota Beet Sugar Cooperative form United Sugars Corporation to collectively market their sugar. In 1997, Florida-based United States Sugar Corporation joined the marketing group as did Wyoming Sugar Company in 2018.

1995

American Crystal, Golden Growers and Minn-Dak construct ProGold high fructose corn syrup plant in Wahpeton, North Dakota, which later enters agreement with Cargill to manage the plant and market its products.

1999

A $66 million Hillsboro expansion project is brought online significantly increasing factory capacity.

2017

American Crystal launches a multi-year plan to expand the Drayton factory.

2023

American Crystal marks 50-year anniversary as one of the nation's first and largest grower-owned beet sugar cooperatives. Celebrating a half-century of progress that continues to make life sweeter for customers, shareholders, employees, and communities.

"What will our farm look like in the next 10 or 20 years? Will we farm in the tractor or from the office? The sky's the limit on the changes we'll see in the future. It's exciting."

–Dan Younggren
Hallock, MN

To learn more about the Younggren family farming operation, scan this QR code to watch a video.

A SWEET BEGINNING.

In its earliest days, American Crystal Sugar Company united the region's growers and set the foundation for a better future. This is where our cooperative spirit took root and gave shape to the values that hold strong today. Ever since, we've pulled together to build something that's good for growers, customers and the entire region.

Today, our position of strength in the industry helps to create communities that are more caring, sustainable and vital. We started to give growers a voice, but we've also enhanced lives well beyond our yearly gathering of shareholders.

And at 50 years young, we're only getting started.

INVESTING IN OUR WORKFORCE

Our expert workforce works hard to get a little better every day – and make the world a little sweeter. It's important to American Crystal Sugar Company that we offer career growth, advancement and continuous development for our employees. Numerous employees have completed development programs for process technicians, boiler technicians, packaging and warehouse technicians, and other critical positions in our factories, equating to 27,747 hours of training this year alone.

Over the past year, we've promoted more than 25% of our workforce, ensuring workers at American Crystal Sugar Company can grow their skills and succeed in their industry.




RECOGNIZED AS A LEADING EMPLOYER

We've improved our hiring rates at all our factories in 2022 and 2023 due to our strong recruitment efforts in factory communities and our growing reputation as a rewarding place to work. In fact, American Crystal Sugar Company was recognized by Forbes as one of America's Best-in-State Employers in 2023, placing us first in North Dakota rankings. Additionally, the company was named a 2023 Excellence in Training & Education honoree for the Business Journal's sixth annual Minnesota Manufacturing Awards. This honor recognizes our internal leadership development program that fosters accountability, develops a common, shared language and builds stronger communities within the company. Since 2019, nearly 400 team members have taken advantage of this program, and American Crystal Sugar Company has seen workforce accountability, morale and motivation improve.

1973	2023
3.2	**12.7**
MILLION TONS HARVESTED	**MILLION TONS HARVESTED** (beating the record set in 2022)

HELPING TOMORROW'S SUGAR LEADERS TASTE SUCCESS

American Crystal Sugar Company visited with more than 100 schools and colleges across North Dakota and Minnesota in 2023. Additionally, we were active at more than 40 career expos and fairs. At Red River Valley career academies, we fostered relationships to promote successful careers in trade positions. By being present and active in our communities, while striving for a real and continuous impact, we're helping to bring future leaders to our workforce.

STRENGTHENING COMMUNITIES AND INDIVIDUALS

American Crystal Sugar Company is proud to make a difference in the Red River Valley. In 2023, we supported dozens of organizations across the RRV including rural fire and emergency departments, schools, food pantries, ag education programs, elderly support programs, and more.

Our annual fundraising drive for United Way of Cass-Clay, United Way of Crookston, and United Way of Grand Forks-East Grand Forks remains our greatest effort each year, and we're proud of our contributions to aid the hungry and homeless, help children succeed, and fund a wide range of programs that benefit our community. American Crystal Sugar Company commits a dollar-for-dollar match for employee donations to their local United Way.



"There's only so much land to go around, but there are ways to make our work more efficient – efficient in finances, in yields, in resources, in matters of labor, efficiency with machines and technology."

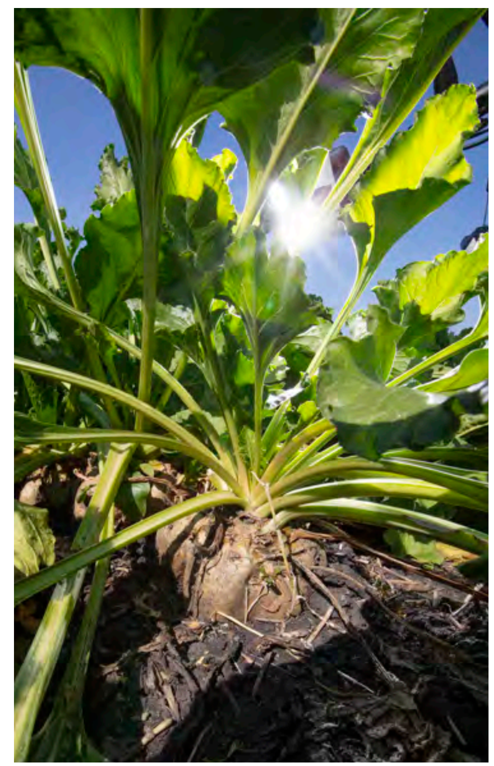
–Rachel Arneson
Halstad, MN

To learn more about the Arneson family farming operation, scan this QR code to watch a video.

NURTURING GROWTH. SUSTAINING EXCELLENCE.

After our founding as a cooperative, it wasn't long before we could see our bet paying off. We broke ground for our new headquarters as the 1973 campaign began. Despite the large investment required to move an entire business from Colorado to the Red River Valley, growers received $10 more per ton than the previous year.

Our spirit of self-determination continues. It's allowed us to thrive and sow opportunity throughout the Red River Valley. At every turn, we are free to innovate, take bold action, and always do what's best for growers and customers.



2023 CROP & HARVEST SUMMARY

The fall of 2022 was dry, and the following winter brought heavy snow. This limited frost depth helped recharge the soil with moisture in spring. In general, the winter of 2022-2023 was cold and conducive for good sugarbeet storage. Late snowstorms and a slow melt delayed planting until May 1. With only 60% of acres planted on May 15, 20,000 acres were authorized to be planted from the Targeted Acres Program (TAP), increasing the maximum acres that could be planted to 438,000 acres. The cooperative was 98% planted as of May 26, which was five days later than the 10-year average and 11 days earlier than in 2022.

Spring rains were limited but allowed for good stand establishment. Warm temperatures boosted growth to above-normal levels in May and June, which made up for lost time. A compressed timeframe for crop protection management included soil-applied herbicides for waterhemp. This was effective in areas activated by rain, but waterhemp remained a challenge in drier areas. Late planting led to kochia issues. Warm, moist soil conditions required fungicides for Rhizoctonia control. Sugarbeet root maggot was prevalent but controlled.

In June, cercospora daily infections were moderate to severe, coinciding with rapid crop development and pending row closure in many fields. Fungicide applications began in early July, which helped to manage cercospora leaf spot, along with good varietal resistance. In September, cercospora became more noticeable but remained lower than previous years.

A RECORD-SETTING HARVEST

The 2023 growing season was warm and dry with below-average rainfall. Root disease was low, and tap roots were healthy.

A dry, smooth pre-pile harvest started on August 15 and the factory slice began on August 17. The stockpile harvest was delayed due to warm temperatures, beginning on October 4. Harvest progressed quickly, with five days in a row exceeding 1 million tons. As harvest progressed, it became clear this would be a record yielding crop.

This resulted in 37,000 acres that were left unharvested due to the immense total tonnage and inability to process it all. This was only the second such event in cooperative history, the first time being in 2006 when 40,000 acres went unharvested.

Harvest concluded on October 25, setting a record with 12.7 million tons delivered, along with records for tons per acre at 31.9, the lowest ever SLM at 0.83%, and highest ever recoverable sugar per acre at 11,360 pounds per acre. Sugar content percentage was the second highest on record at 18.5%. We are very pleased with how this crop turned out, it was better than expected in quality and tons delivered.

1973	2023
14.3%	**18.5%**
AVERAGE SUGAR CONTENT	**AVERAGE SUGAR CONTENT**

"Our co-op is successful because we have 2,600 growers, the industry's most talented factory workers, and management all pulling for a common goal."

–Curt Knutson
Fisher, MN

To learn more about the Knutson family farming operation, scan this QR code to watch a video.

PRODUCING EXCELLENCE. BUILDING A LEGACY.

Ever since our cooperative began, we have thrived by thinking long term and making decisions and investments that improve our position today, and sustain our operations for tomorrow – all while sowing seeds of opportunity throughout the Red River Valley.

Together, we take production, quality, safety, and consistency to new heights, embracing the challenges along the way. For 50 years, we have fostered a culture of growth and innovation that energizes the sugar industry and invigorates our rural way of life. Every satisfied customer and every safety measure taken ensures that we continue to progress on our goal to be the best beet sugar company in the world.

AMERICAN CRYSTAL CLOSES SIDNEY SUGARS

Due to an ongoing insufficient supply of sugarbeets from the local growers, it had become financially unsustainable to continue operating the nearly 100-year-old Sidney Sugars beet sugar factory. Association members and all employees of the beet sugar factory were informed that plant closure procedures would begin on April 14, 2023.

Our other factories in the Red River Valley region are ready to maintain production levels and serve our customers with a host of upgrades and investments in infrastructure. By making our factories better, we'll be able to keep up with more record-breaking harvests to come, while being safer, more efficient and delivering higher standards of quality.

CAPITAL IMPROVEMENTS

WAUKON PILER
American Crystal Sugar Company has increased the daily capacity at Waukon and Ada West.

EAST GRAND FORKS YARD – DEEP FREEZE
We replaced and relocated aging electrical infrastructure in the East Grand Forks yard to improve deep freeze capacity.

EAST GRAND FORKS BULK SUGAR LOADING
In Phase I, we have upgraded infrastructure to match increased sugar production rates while increasing rates to and from sugar bins.

EAST GRAND FORKS KNIFE STATION AUTOMATION
Automated equipment allows us to reduce labor while improving cuttings for higher overall sugar recovery.

HILLSBORO MOLASSES TANK REPLACEMENT
A new molasses tank at Hillsboro increases molasses storage capacity.

PULP PRESS SPINDLES – MULTIPLE LOCATIONS
The new spindles lower pressed pulp moisture which reduces sugar losses and lowers the cost to dry the pulp.

DRAYTON PULP DRYER DRUM
New fans, pollution control and stack were installed. A new drum (installed in 2024) will accommodate slice expansion and greater energy efficiency.

DRAYTON EVAPORATORS
New evaporators in Drayton now accommodate slice expansion to at least 9,000 tons per day and increase energy efficiency.

PILING SITE SOIL STABILIZATION
At seven piling slabs throughout the valley, we firmed the soil to increase piling capacity, reduce beet loss, and improve safety.

MOORHEAD AND CROOKSTON SUGAR SILOS
We have identified degradation in some Crookston and Moorhead sugar silos. Repairs and new concrete floors were made to two Moorhead silos in the fall of 2023.

DRAYTON EXPANSION
In Drayton, we increased slice expansion to at least 11,000 tons per day while improving energy efficiency.

MOORHEAD STORMWATER COVER REPLACEMENT
Odor reduction measures in Moorhead included a stormwater cover replacement.

"We took a chance 50 years ago when we bought this company. I remember the excitement and the enthusiasm…we knew we could do this!"

–Robert Green
St. Thomas, ND

To learn more about the Green family farming operation, scan this QR code to watch a video.

ENVISIONING TOMORROW'S SUCCESS.

When we formed our cooperative, we committed to far more than sowing seeds and reaping the harvest. We took on a responsibility to shape the conditions for our own success.

The beauty of our cooperative is that we harness our collective power to address rapidly changing markets and foster meaningful partnerships in the agriculture industry, government, and commerce. Whether tackling supply chain challenges or working to remain a preferred source of essential food ingredients and agricultural products, we adapt, excel, and lead with clear vision of a prosperous future.

SUGAR MARKETING

Our marketing partner, United Sugars Corporation, became United Sugar Producers and Refiners Cooperative (United) in 2023. United markets all the sugar for American Crystal Sugar Company – along with the sugar supplied by its three other members. United is focused on selling our sugar at the highest possible net selling price by providing outstanding reliability, quality, and service.

2023 was a busy and productive year for United that set two new records. United sold the most sugar ever, at 62 million hundredweight. Additionally, United delivered its highest net selling price (per cwt) back to its members. Looking forward, United, through its member U.S. Sugar, added the Savannah port refinery to its offering. This significantly expanded United's packaging capacity and provided a stronger connection to world markets. The sugar domes and melt station in Chicago were further used to provide access and improved service to customers throughout the Midwest.

U.S. sugar supply chain capacities improved throughout the year. However, increasing prices on freight, packaging, pallets, and other materials continued. Increasing prices softened demand for sugar in fiscal year 2023 after positive growth in 2022. Further, demand for sugar-containing products on retail shelves softened throughout the year in reaction to aggressive price hikes by consumer product manufacturers.

The USDA managed the U.S. sugar program effectively as total supply in the U.S. remained sufficient to meet demand. However, smaller crops in Mexico, India, and Thailand drove world prices higher as global demand continued to increase. As the market transitions into 2024, expectations exist that the market will be balanced. Pricing should remain stable to strong. United will continue to focus on low cost, reliable ways to remain the preferred sugar supply solution to our target sugar customers.

1973	2023
200,000 ACRES HARVESTED	**398,000** ACRES HARVESTED

AGRI-PRODUCTS UPDATES

The 2022 crop saw co-products return more money to growers than ever before – roughly 30% better than our previous record. High commodity prices as well as greater attention to value-added sales were the primary contributors to this success.

The 2023 crop is likely to see pressure from lower commodity prices and challenging export markets should be offset by record co-product production. So while another record is not likely, co-product returns should remain higher than average.

GOVERNMENT AFFAIRS UPDATES

With the 2018 Farm Bill up for reauthorization in 2023, American Crystal expected a year full of legislative activities in Congress. There was plenty of activity, but unfortunately Congress was not able to make significant progress on the 2023 Farm Bill. In the end, Congress passed a one-year extension of the 2018 Farm Bill, including the sugar provisions. Work on the Farm Bill will now extend into 2024, with the hope Congress will complete work on the bill before the fall 2024 elections require members of Congress to be out of Washington, DC and on the campaign trail. American Crystal was very engaged in developing the sugar industry's position on the new Farm Bill, and we look forward to working with Congress on it next year.

U.S. sugar policies continue to work well. The U.S. Department of Agriculture continues to do a good job managing the sugar program, and the Suspension Agreements governing Mexico's access to the U.S. market are operating as designed.

The sugarbeet industry won an important decision out of the 8th Circuit Court of Appeals on the process the Environmental Protection Agency used to restrict the use of the pesticide chlorpyrifos, but the product may need to endure further regulatory and legal procedures before it can be used.

SENIOR MANAGEMENT

Innovation and Strategic Moves

In an industry-defining move 50 years ago, American Crystal Sugar Company established one of the world's inaugural farmer-owned beet sugar cooperatives, and today, its leadership maintains an active role, working hand in hand with growers and staff to create new opportunities for product growth.

Teresa Warne
Vice President,
Finance

Kevin Price
Vice President,
Government Affairs

Steve Rosenau
Vice President,
Agriculture

Daniel Mott
Secretary and
General Counsel

David Braseth
Vice President,
Operations

Thomas Astrup
President and
Chief Executive Officer

Lisa Borgen
Vice President,
Administration

BOARD OF DIRECTORS

Nurturing Growth and Sustainability

Elected by shareholders, our Board of Directors is the voice of our growers, giving them control of their livelihoods and their destinies.

East Grand Forks Factory District

Paul Rutherford
Director

Mark Nelson
Director

Jim Nelson
Director

Drayton Factory District

Ernie Dusek
Director

Jeff Whelan
Director

Kelly Erickson
Board Chairman

Moorhead Factory District

Kelly Brantner
Director

Dale Fischer
Director

Erik Bakke
Director

Crookston Factory District

Bruce Newhouse
Director

Scott Knutson
Director

Joel Stola
Director

Hillsboro Factory District

Rod Olson
Director

Chris Hong
Director

Perry Skaurud
Board Vice Chairman

FINANCIAL HIGHLIGHTS	2023	2022
(Red River Valley Information Only, Amounts In Thousands, Except Percentages, Per-Ton-Purchased and Per-Acre-Harvested Amounts)		
Tons of Sugarbeets Purchased	**12,098**	11,811
Sugar Content of Sugarbeets	**18.5%**	18.0%
Hundredweight of Sugar Produced	**35,682**	34,058
Gross Beet Payment	**$ 954,191**	$ 767,394
Per Ton Purchased	**$ 78.87**	$ 64.98
Per Acre Harvested	**$ 2,091**	$ 1,868
Net Beet Payment	**$ 854,448**	$ 694,861
Per Ton Purchased	**$ 70.63**	$ 58.83
Per Acre Harvested	**$ 1,871**	$ 1,692

This Annual Report may include certain forward-looking statements regarding, among other things, the Company's strategies and anticipated trends in the Company's business. These forward-looking statements are based largely on the Company's expectations and the information available to the Company as of the date hereof, and are subject to a number of risks and uncertainties, certain of which are beyond the Company's control. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Annual Report will in fact transpire or prove to be accurate.

American Crystal Sugar Company is an agricultural cooperative specializing in the production of sugar and related agri-products. American Crystal is owned by about 2,600 shareholders who raise approximately one third of the nation's sugarbeet acreage in the Red River Valley of Minnesota and North Dakota. Additional acres are contracted in eastern Montana and western North Dakota. As the largest beet sugar producer in the United States, the company utilizes innovative farming practices, low-cost production methods, and sales and marketing leadership to produce and sell about 15 percent of America's finest quality sugar. American Crystal operates sugar factories in Crookston, East Grand Forks, and Moorhead, Minnesota; Drayton and Hillsboro, North Dakota; and Sidney, Montana, under the name Sidney Sugars Incorporated. The company's technical services center and corporate headquarters are also located in Moorhead.

Located in Edina, Minnesota, United Sugars Corporation markets American Crystal's sugar to retail and industrial customers throughout the nation. Midwest Agri-Commodities Company, based in San Rafael, California, globally markets American Crystal's agri-products such as sugarbeet pulp, molasses, CSB, and betaine.

American Crystal Sugar Company

MANAGEMENT'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The management of American Crystal Sugar Company is responsible for the preparation, integrity, and fair presentation of the accompanying consolidated financial statements and related information contained in this Annual Report. The consolidated financial statements, which include amounts based on management's estimates and judgments, have been prepared in conformity with accounting principles generally accepted in the United States of America.

The Company maintains accounting and internal control systems to provide reasonable assurance at reasonable cost that assets are safeguarded against loss from unauthorized use or disposition, that transactions are properly recorded and executed in accordance with management's authorization, and that the financial records provide a solid foundation from which to prepare the consolidated financial statements. These systems are augmented by written policies, an organizational structure providing division of responsibilities, and careful selection and training of qualified personnel.

The Company's consolidated financial statements have been audited by independent auditors CliftonLarsonAllen LLP. The independent auditors were given unrestricted access to all financial records and related data.

The Audit Committee of the Board of Directors meets with the independent auditors and management periodically to review their respective responsibilities and activities and to provide oversight to the Company's accounting policies, internal controls, and the financial reporting process. The independent auditors have free access to the Board of Directors and its Audit Committee, with or without management present, to discuss the scope and results of their audits and the adequacy of the system of internal controls.

Thomas Astrup

Thomas Astrup, President and Chief Executive Officer

Teresa Warne

Teresa Warne, Vice President, Finance

Management's Discussion of Operations

OVERVIEW

The harvest of the Red River Valley and the Sidney sugarbeet crops grown during 2022 and processed during fiscal 2023 produced a total of 12.6 million tons of sugarbeets, or 26.5 tons of sugarbeets per acre from approximately 475,000 acres. This represents a decrease in total tons harvested of 0.6 percent compared to the 2021 crop. The sugar content of the 2022 crop is 18.5 percent, as compared to 18.0 percent for the 2021 crop. The Company produced a total of 36.9 million hundredweight of sugar from the 2022 crop, an increase of approximately 1.0 percent compared to the 2021 crop.

Net proceeds attributable to American Crystal Sugar Company for fiscal 2023 is 24.3 percent higher than in fiscal 2022. This increase is primarily due to increased sugar content for this year's sugarbeet crop resulting in the increased production of sugar and agri-products and increased net selling prices for sugar and agri-products.

RESULTS OF OPERATIONS

Comparison of the Years Ended August 31, 2023 and 2022

Revenue for the year ended August 31, 2023 was $2.0 billion, an increase of $270.4 million from the year ended August 31, 2022. The table below reflects the percentage changes in product revenues, prices and volumes for the year ended August 31, 2023 as compared to the year ended August 31, 2022.

	% of FY23	% Change from Prior Year		
PRODUCT	REVENUE	REVENUE	SELLING PRICE	VOLUME
Sugar	87.5%	14.8%	11.8%	3.0%
Pulp	8.0%	28.8%	36.6%	–7.8%
Molasses	2.1%	40.5%	27.3%	13.2%
CSB	1.8%	41.0%	34.5%	6.5%
Betaine	0.6%	–12.5%	12.9%	–25.4%

The increase in the volume of sugar sold is due primarily to increased production available for sale for the year. Molasses and CSB sales volumes are significantly higher due to timing differences in sales and increased production available for sale for the year. The change in the selling price of sugar is driven by tighter world supply that is impacting domestic selling prices. The change in agri-product selling prices is due to availability of animal feed stock supply.

Rental revenue on the ProGold operating lease was $0 and $10.4 million for the years ended August 31, 2023 and 2022, respectively. American Crystal Sugar Company sold its interest in ProGold effective March 1, 2022.

Cost of sales for the year ended August 31, 2023, exclusive of payments to members for sugarbeets, increased $63.2 million as compared to the year ended August 31, 2022. This increase was primarily related to increased operating costs, as well as changes in product inventories that are recorded at their net realizable value. The change in the net realizable value of the product inventories from the beginning of the reporting period is recorded on the balance sheet as either an increase or decrease to inventories with a corresponding dollar for dollar adjustment to cost of sales on the statement of operations.

The increase in the net realizable value of product inventories for the year ended August 31, 2023 was $17.3 million as compared to an increase of $18.3 million for the year ended August 31, 2022 resulting in a $1.0 million unfavorable change in the cost of sales between the two periods as shown in the table below:

CHANGE IN THE NET REALIZABLE VALUE OF PRODUCT INVENTORIES

	For the Years Ended August 31		
(In Millions)	2023	2022	Change
Beginning Product Inventories at Net Realizable Value	$ 149.3	$ 131.0	$ 18.3 [1]
Ending Product Inventories at Net Realizable Value	(166.6)	(149.3)	(17.3) [2]
(Increase) Decrease in the Net Realizable Value of Product Inventories	$ (17.3)	$ (18.3)	$ 1.0

[1] The change is primarily due to a 6.6 percent increase in the hundredweight of sugar inventory and a 5.4 percent increase in per hundredweight net realizable value of sugar as of August 31, 2022, as compared to August 31, 2021.

[2] The change is primarily due to a 9.0 percent increase in the hundredweight of sugar inventory and a 13.6 percent increase in per hundredweight net realizable value of sugar as of August 31, 2023, as compared to August 31, 2022.

Selling, general and administrative expenses increased $36.3 million for the year ended August 31, 2023 as compared to the year ended August 31, 2022. Selling expenses increased $30.9 million primarily due to increased sugar shipping and handling costs. General and administrative expenses increased $5.4 million for the year ended August 31, 2023 as compared to the year ended August 31, 2022.

Net proceeds attributable to American Crystal Sugar Company increased $123.9 million for the year ended August 31, 2023 as compared to the year ended August 31, 2022. This increase was primarily due to an increase in tons harvested, increased net selling prices for sugar and agri-products, and an increase in sugar content.

Independent Auditors' Report

CliftonLarsonAllen LLP
CLAconnect.com

Audit Committee
American Crystal Sugar Company
Moorhead, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of American Crystal Sugar Company and Subsidiaries, which comprise the consolidated balance sheets as of August 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income (loss), changes in members' investments, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Crystal Sugar Company and Subsidiaries as of August 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of American Crystal Sugar Company and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Crystal Sugar Company and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of American Crystal Sugar Company and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Crystal Sugar Company and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Stevens Point, Wisconsin
October 20, 2023

Consolidated Statements of Operations

For the Years Ended August 31 (In Thousands)	2023	2022
Net Revenue	**$ 2,041,374**	$ 1,770,929
Cost of Sales	**643,199**	579,986
Gross Proceeds	**1,398,175**	1,190,943
Selling, General and Administrative Expenses	**452,093**	415,836
Operating Proceeds	**946,082**	775,107
Other Income (Expense):		
Interest Income	**425**	337
Interest Expense, Net	**(21,593)**	(10,480)
Other, Net	**5,213**	62,449
Total Other Income (Expense)	**(15,955)**	52,306
Proceeds Before Income Tax	**930,127**	827,413
Income Tax Benefit (Expense)	**4,883**	(12,269)
Consolidated Net Proceeds	**935,010**	815,144
Less: Net Proceeds Attributable to Noncontrolling Interests	**–**	(4,073)
Net Proceeds Attributable to American Crystal Sugar Company	**$ 935,010**	$ 811,071
Distributions of Net Proceeds Attributable to American Crystal Sugar Company:		
Credited to American Crystal Sugar Company's Members' Investments:		
Non-Member Business Income (Loss)	**$ (19,181)**	$ 43,677
Unit Retains Withheld from Members	**72,552**	47,216
Net Credit to American Crystal Sugar Company's Members' Investments	**53,371**	90,893
Payments to Members for Sugarbeets, Net of Unit Retains Withheld	**881,639**	720,178
Total	**$ 935,010**	$ 811,071

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income (Loss)

For the Years Ended August 31 (In Thousands)	2023	2022
Non-Member Business Income (Loss)	**$ (19,181)**	$ 43,677
Pension & Post-Retirement Gain/(Loss)	**15,284**	(16,827)
Pension & Post-Retirement Prior Service Credit/(Cost)	**(840)**	(749)
Equity Method Investees Other Comprehensive Income	**1,601**	2,072
Foreign Currency Forward Contract Gain (Loss)	**22**	(30)
Derivative Interest Rate Contract Gain	**437**	2,835
Other Comprehensive Income (Loss)	**16,504**	(12,699)
Total Comprehensive Income (Loss)	**$ (2,677)**	$ 30,978

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Consolidated Balance Sheets

Assets

August 31 (In Thousands)	2023	2022
Current Assets:		
Cash and Cash Equivalents	**$ 932**	$ 45
Receivables:		
Trade	**117,148**	98,075
Members	**20,670**	19,718
Other	**5,873**	4,673
Advances to Related Parties	**25,500**	23,976
Inventories	**338,271**	270,095
Prepaid Expenses	**6,545**	3,982
Total Current Assets	**514,939**	420,564
Property and Equipment:		
Land and Land Improvements	**173,190**	168,666
Buildings	**210,359**	203,167
Equipment	**1,616,622**	1,580,183
Construction in Progress	**14,924**	21,836
Less Accumulated Depreciation	**(1,354,066)**	(1,304,708)
Net Property and Equipment	**661,029**	669,144
Other Assets:		
Investments in CoBank, ACB	**3,447**	3,246
Investments in Marketing Cooperatives	**11,562**	10,216
Pension Asset	**56,968**	41,270
Other Assets	**19,560**	12,911
Total Other Assets	**91,537**	67,643
Total Assets	**$ 1,267,505**	$ 1,157,531

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Consolidated Balance Sheets

Liabilities and Members' Investments

August 31 (In Thousands)	2023	2022
Current Liabilities:		
Short-Term Debt	**$ 103,380**	$ 54,987
Current Maturities of Long-Term Debt	**21,750**	23,075
Accounts Payable	**60,063**	57,453
Advances Due to Related Parties	**4,913**	6,456
Other Current Liabilities	**39,204**	36,088
Amounts Due Growers	**197,106**	160,813
Total Current Liabilities	**426,416**	338,872
Long-Term Debt, Net of Current Maturities	**252,708**	253,669
Accrued Employee Benefits	**21,841**	25,775
Other Liabilities	**11,377**	9,401
Total Liabilities	**712,342**	627,717
Commitments and Contingencies		
Members' Investments:		
Preferred Stock, Shares Outstanding: 498,570 and 498,570	**38,275**	38,275
Common Stock, Shares Outstanding: 2,584 and 2,600	**26**	26
Additional Paid-In Capital	**152,261**	152,261
Unit Retains	**315,004**	286,798
Accumulated Other Comprehensive (Loss)	**(25,751)**	(42,255)
Retained Earnings	**75,348**	94,529
Total Members' Investments	**555,163**	529,634
Total Liabilities and Members' Investments	**$ 1,267,505**	$ 1,157,351

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Consolidated Statements of Changes in Members' Investments

For the Years Ended August 31, 2023 & 2022 (In Thousands)	Preferred Stock	Common Stock	Additional Paid-in Capital	Unit Retains
Balance, August 31, 2021	$ 38,275	$ 26	$ 152,261	$ 258,974
Comprehensive Income (Loss)	—	—	—	—
Net Proceeds Noncontrolling Interests	—	—	—	—
Distributions to Noncontrolling Interests	—	—	—	—
Sale of ProGold LLC	—	—	—	—
Unit Retains Withheld from Members	—	—	—	47,216
Unit Retains Paid to Members	—	—	—	(19,392)
Stock Issued/(Redeemed), Net	—	—	—	—
Balance, August 31, 2022	38,275	26	152,261	286,798
Comprehensive Income (Loss)	—	—	—	—
Unit Retains Withheld from Members	—	—	—	72,552
Unit Retains Paid to Members	—	—	—	(44,346)
Stock Issued/(Redeemed), Net	—	—	—	—
Balance, August 31, 2023	**$ 38,275**	**$ 26**	**$ 152,261**	**$ 315,004**

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Accumulated Other Comprehensive Income/(Loss)	Retained Earnings	Total American Crystal Sugar Company	NonControlling Interests	Total Members' Investments
$ (29,556)	$ 50,852	$ 470,832	$ 18,657	$ 489,489
(12,699)	43,677	30,978	—	30,978
—	—	—	4,073	4,073
—	—	—	(4,425)	(4,425)
—	—	—	(18,305)	(18,305)
—	—	47,216	—	47,216
—	—	(19,392)	—	(19,392)
—	—	—	—	—
(42,255)	94,529	529,634	—	529,634
16,504	(19,181)	(2,677)	—	(2,677)
—	—	72,552	—	72,552
—	—	(44,346)	—	(44,346)
—	—	—	—	—
$ (25,751)	**$ 75,348**	**$ 555,163**	**$ —**	**$ 555,163**

Consolidated Statements of Cash Flows

For the Years Ended August 31 (In Thousands)	2023	2022
Cash Provided By (Used In) Operating Activities:		
Net Proceeds Attributable to American Crystal Sugar Company	**$ 935,010**	$ 811,071
Payments To/Due Members for Sugarbeets, Net of Unit Retains Declared	**(881,639)**	(720,178)
Add (Deduct) Non-Cash Items:		
Depreciation and Amortization	**75,181**	72,995
Accretion Expense	**299**	321
(Income) /Loss from Equity Method Investees	**512**	(670)
Gain on Sale of Subsidiary, Before Tax	**–**	(49,641)
Loss on the Disposition of Property and Equipment	**373**	343
Impairment Loss on Property and Equipment	**11,049**	–
Deferred Income Tax Benefit	**(6,193)**	3,228
Non-Cash Portion of Patronage Dividend from CoBank, ACB	**(201)**	(187)
Deferred Gain Recognition	**(63)**	(63)
Noncontrolling Interests	**–**	4,073
Changes in Assets and Liabilities:		
Receivables	**(21,225)**	(29,712)
Inventories	**(68,143)**	(27,677)
Prepaid Expenses	**(1,992)**	(423)
Advances To/Due to Related Parties	**(3,048)**	(6,694)
Accounts Payable	**3,391**	9,892
Other Liabilities	**(2,603)**	(20,869)
Amounts Due Growers	**36,293**	19,962
Net Cash Provided By Operating Activities	**77,001**	65,771
Cash Provided By (Used In) Investing Activities:		
Purchases of Property and Equipment	**(78,629)**	(87,416)
Purchases of Property and Equipment Held for Lease	**–**	(3,010)
Proceeds from the Sale of Property and Equipment	**113**	217
Investments in Marketing Cooperatives	**(289)**	–
Proceeds from Sale of Subsidiary	**–**	74,643
Changes in Other Assets	**1,790**	1,250
Net Cash (Used In) Investing Activities	**(77,015)**	(14,316)
Cash Provided By (Used In) Financing Activities:		
Net Proceeds (Payments) from Short-Term Debt	**48,393**	(2,011)
Proceeds from Issuance of Long-Term Debt	**19,588**	450
Long-Term Debt and Finance Lease Repayment	**(22,696)**	(28,175)
Debt Issuance Costs	**(38)**	–
Distributions to Noncontrolling Interests	**–**	(4,425)
Payment of Unit Retains	**(44,346)**	(19,392)
Net Cash Provided By (Used In) Financing Activities	**901**	(53,553)
Increase (Decrease) In Cash and Cash Equivalents	**887**	(2,098)
Cash and Cash Equivalents, Beginning of Year	**45**	2,143
Cash and Cash Equivalents, End of Year	**$ 932**	$ 45
Supplemental Disclosure of Noncash Investing and Financing Activities		
Net property and equipment purchases included with accounts payable and accrued liabilities	**767**	2,301
Net equipment held for lease financed with accounts payable and accrued liabilities	**–**	365

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

(1) PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES:

Organization

American Crystal Sugar Company (Company) is a Minnesota agricultural cooperative corporation which processes sugarbeets and markets sugar as well as sugarbeet pulp, molasses, concentrated separated by-product (CSB), betaine (collectively, agri-products) and sugarbeet seed. Business done with its shareholders (members) constitutes "patronage business" as defined by the Internal Revenue Code, and the net proceeds therefrom are credited to members' investments in the form of unit retains or distributed to members in the form of payments for sugarbeets. Members are paid the net amounts realized from the current year's production less member operating costs determined in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Company's consolidated financial statements are comprised of American Crystal Sugar Company, its wholly-owned subsidiaries Sidney Sugars Incorporated (Sidney Sugars) and Crab Creek Sugar Company (Crab Creek), and ProGold Limited Liability Company (ProGold), a limited liability company in which the Company held a 51 percent ownership interest. On March 1, 2022, the Company completed the sale of its 51 percent ownership in ProGold LLC, with 50 percent being sold to Cargill, Inc., and 1 percent being sold to Golden Growers Cooperative. A pre-tax gain of $49.6 million was recognized in fiscal year 2022 from the sale of ProGold in the 'Other Income' section of the Consolidated Statement of Operations. All material inter-company transactions have been eliminated.

Certain reclassifications have been made to the August 31, 2022 consolidated financial statements to conform to the August 31, 2023 presentation. These reclassifications had no effect on previously reported results of operations, cash flows or Members' Investments.

Revenue Recognition

The Company has contracted with United Sugars Corporation (United) to market sugar and Midwest Agri-Commodities Company (Midwest) to market agri-products. Contracts with the customers are entered into by the customer with United and Midwest (marketing cooperatives) who serve as agents of the Company.

Revenue is recognized when control of a good or service promised in a contract (i.e., a performance obligation) is transferred to a customer, which occurs at a point in time, most frequently upon receipt of the product by the customer. The majority of the contracts have a single performance obligation and are short term in nature.

A performance obligation is a distinct good, service or a bundle of goods and services promised in a contract. The marketing cooperatives identify performance obligations at the inception of a contract and allocate the transaction price to individual performance obligations to depict the marketing cooperative's performance in transferring control of the promised goods or services to the customer.

The transaction price allocated to a performance obligation reflects the marketing cooperative's expectations about the consideration it will be entitled to receive from a customer related to that performance obligation. United and Midwest determine the transaction price by assessing the variable consideration as well as whether a significant financing component exists. United and Midwest contract terms typically do not contain variable forms of consideration or a significant financing component as payment is due shortly after delivery and the length of the contracts do not exceed one year.

Revenues are invoiced as shipped; however sales terms are on a delivered basis. An estimate is made of the quantity and sales dollars of product in transit at year-end and this amount is not included in the Company's revenue.

The marketing cooperatives offer customers a right of return for its products when they are non-conforming or defective. The marketing cooperatives estimate the amount of its product sales that may be returned by its customers and record this estimate as a reduction of revenue in the period the related product revenue is recognized. United currently estimates product return liabilities using its own historical sales and returns information. United has recorded a product return liability of approximately $1.5 million related to unprocessed returns as of August 31, 2023. The Company's share of the product return liability is reflected in the consolidated statements of operations as a reduction in revenue.

Due to the nature of the sales transactions, the marketing cooperatives have elected the following practical expedients: (i) shipping and handling costs are treated as fulfillment costs; (ii) the marketing cooperatives present taxes imposed on revenue-producing transaction, if any, on a net basis; (iii) standard payment terms are typically net 16 days for United and net 15 days for Midwest, therefore the marketing cooperatives concluded there are no significant financing components.

The Company also derives revenue from the sale of beet seed. Revenues are recognized in an amount reflecting the consideration the Company expects to be entitled to in exchange for the product. The Company does not have any significant financing components related to beet seed sales as payment is received within a year of the sale. The Company transfers control and records revenue for the beet seed sales upon delivery to the customer.

The Company also generated revenue from leasing through February 28, 2022, which is recognized under ACS Topic 840, Leases, that falls outside the scope of ACS Topic 606.

The following table presents revenues recognized under ACS Topic 606 disaggregated by reportable segment, as well as the amount of revenues recognized under ACS Topic 840 for the years ended August 31, 2023 and 2022, by product type:

August 31, 2023 (in thousands)	ACS 606	ACS 840	Total
Sugar	$ 1,753,201	$ –	$ 1,753,201
Agri-Products	251,408	–	251,408
Beet Seed	31,801	–	31,801
Other	4,964	–	4,964
Total Revenue	$ 2,041,374	$ –	$ 2,041,374

August 31, 2022 (in thousands)	ACS 606	ACS 840	Total
Sugar	$ 1,526,589	$ –	$ 1,526,589
Agri-Products	195,158	–	195,158
Beet Seed	32,999	–	32,999
Other	5,781	–	5,781
Leasing	–	10,402	10,402
Total Revenue	$ 1,760,527	$ 10,402	$ 1,770,929

Operating Lease

Until the effective date of the sale of ProGold on March 1, 2022, the Company had an operating lease agreement with Cargill, Inc for the ProGold facility. The operating lease revenue was recognized as earned ratably over the term of the lease, and to the extent that amounts received exceeded amounts earned, deferred revenue was recorded. Expenses (including depreciation and interest) were charged against such revenue as incurred. The lease also contained provisions for increased payments to be received during the lease period related to the plant's capital additions and also required ProGold to pay at least $750,000 annually, on a calendar year basis, to fund infrastructure maintenance.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the applicable insurance limit.

Accounts Receivable and Credit Policies

The Company grants credit, individually and through its marketing cooperatives, to its customers, which are primarily companies in the food processing industry located throughout the United States.

Trade receivables are uncollateralized customer obligations due under normal trade terms typically requiring payment within 16 days from the invoice date. The receivables are non-interest bearing. Trade receivables are stated at the amount billed to the customer. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Ongoing credit evaluations of customers' financial condition are performed and the Company maintains a reserve for potential credit losses. The carrying amount of trade receivables is reduced by a valuation allowance that reflects the Company's best estimate of the amounts that will not be collected. The Company determines a receivable to be uncollectable and is written off against the reserve based on several criteria including such items as the credit evaluation of a customer's financial condition, the aging of the receivable and previous unsuccessful collection efforts. Management's review of outstanding trade receivable balances as of August 31, 2023 and 2022 indicated allowance for doubtful accounts balances of $1.4 million and $1.2 million, respectively. This includes the Company's share of the allowances for doubtful accounts on trade receivables from the marketing cooperatives.

Inventories

Sugar, pulp, molasses and other agri-products inventories are valued at estimated net realizable value. Operating supplies, maintenance parts, and sugarbeet seed inventories are valued at the lower of average cost or net realizable value. Sugarbeets are valued at the projected gross per-ton beet payment related to that year's crop.

Net Property and Equipment

Property and equipment are recorded at cost less impairment. Indirect costs and construction period interest are capitalized as a component of the cost of qualified assets. Property and equipment are depreciated for financial reporting purposes principally using straight-line methods with estimated useful lives ranging from 3 to 33 years.

Net Property and Equipment Held for Lease

Net property and equipment held for lease are stated at cost, net of accumulated depreciation. Depreciation on assets placed in service is provided using the straight-line method with estimated useful lives ranging from 5 to 40 years. Due to the sale of ProGold, the Company no longer recognizes net property and equipment held for lease as of March 1, 2022. Depreciation expense on net property and equipment held for lease was $1.5 million in 2022.

Impairment of Long Lived Assets

The Company reviews its long lived assets for impairment whenever events indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. The fair value of assets is a significant estimate and the assumptions require judgment, and changes to these inputs could impact the results of the calculations. The key assumptions used in the impairment tests were management's projections of future cash flows and the fair value of assets where market values are not readily observable for plant, property, and equipment.

During the year ended August 31, 2023, the Company identified indicators of impairment on assets held by wholly-owned subsidiary Sidney Sugars. The indicators consisted of The Company's decision to cease operations at Sidney Sugars and close the factory in fiscal 2023 that adversely impacted the extent and manner in which certain subsidiary assets would be utilized. As a result, the Company performed an impairment test that resulted in the recognition of an impairment loss of $11.0 million on the subsidiary's factory assets, recorded in the impairment loss on property and equipment section of operating activities in the consolidated statement of cash flows. Of the total impairment loss, $1.9 million related to factory buildings and $9.1 million related to factory equipment. The impairment was measured under a market approach utilizing information available to the Company to determine fair values of the impaired assets. This method is consistent with the methods the Company employed in prior periods to value other long lived assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement."

At August 31, 2023 and 2022, the Company concluded it did not have any other triggering events requiring assessment of impairment of its long lived assets. Refer to NOTE 6: LONG LIVED ASSET IMPAIRMENT for additional information.

Related Parties

The following organizations are considered related parties for financial reporting purposes: United Sugars Corporation (United), United Sugar Producers and Refiners Cooperative (USPR), Midwest Agri-Commodities Company (Midwest) and West Coast Beet Seed Company. Refer to NOTES 4 and 5 for further information on the named parties.

Investments

Investments in CoBank, ACB are stated at cost plus unredeemed qualified patronage refunds received in the form of capital stock. Investments in Marketing Cooperatives include investments in United, USPR and Midwest, which are accounted for using the equity method. Investments in West Coast Beet Seed Company are stated at cost, adjusted for observable price changes, less impairment.

Members' Investments

Preferred and Common Stock - The ownership of common stock is restricted to a "farm operator" as defined by the bylaws of the Company. Each common shareholder is required to purchase preferred stock in proportion to the acreage of sugarbeets which the common shareholder places under contract with the Company. The preferred shares are non-voting. All transfers of stock must be approved by the Company's Board of Directors and any shareholder desiring to sell stock must first offer it to the Company for repurchase at its par value. The Company has never exercised this repurchase option for preferred stock. The Company's articles of incorporation do not allow dividends to be paid on either the common or preferred stock.

Unit Retains - The bylaws authorize the Company's Board of Directors to require additional direct capital investments by members in the form of a variable unit retain per ton of up to a maximum of 10 percent of the weighted average gross per ton beet payment. All refunds and retirements of unit retains must be approved by the Board of Directors.

Accumulated Other Comprehensive Income (Loss) - Accumulated Other Comprehensive Income (Loss) represents the cumulative net increase (decrease) in equity related to the recording of the over-funded or under-funded status of defined benefit postretirement plans, the Company's portion of the other comprehensive income (loss) of equity method investees and the gain or loss related to foreign currency forward contracts and interest rate swap contracts. Consistent with the Company's treatment of income taxes related to member-source income and expenses, accumulated other comprehensive income (loss) does not include any adjustment for income taxes.

Retained Earnings - Retained earnings represents the cumulative net income (loss) resulting from non-member business, the 2009 pension measurement date adjustment and, for years prior to 1996, the difference between member income as determined for financial reporting purposes and for federal income tax reporting purposes.

Interest Expense, Net

The Company earns patronage dividends from CoBank, ACB based on the Company's share of the net income earned by CoBank, ACB. These patronage dividends are applied against interest expense.

Income Taxes

The Company is a non-exempt cooperative for federal income tax purposes. As such, the Company is subject to corporate income taxes on its net income from non-member sources. The provision for income taxes relates to the results of operations from non-member business, state income taxes and certain other permanent differences between financial and income tax reporting. The Company also has various temporary differences between financial and income tax reporting, most notable of which is depreciation.

Deferred tax assets, less any applicable valuation allowance, and deferred tax liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled.

Accounting Estimates

The preparation of the 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 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.

Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance.

The fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Includes the following inputs:

- quoted prices in active markets for similar assets or liabilities,
- quoted prices for identical or similar assets or liabilities in markets that are not active,
- or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Derivative Instruments and Hedging Activities

The Company recognizes all derivatives in its Consolidated Balance Sheet at fair value. On the date the derivative instrument is entered into, the Company designates the derivative as either (1) a hedge of the fair value of a recognized asset or liability, or of an unrecognized firm commitment (“fair value hedge”) or (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”). The Company has entered into foreign currency forward contracts and interest rate swaps, which have been designated as cash flow hedges. Changes in the fair value of a derivative designated as a cash flow hedge are recorded in accumulated other comprehensive income (loss) and are reclassified into earnings as the underlying hedged item affects earnings.

Business Risk

The financial results of the Company’s operations may be directly and materially affected by many factors, including prevailing prices of sugar and agri-products, the Company’s ability to market its sugar competitively, the weather, government programs and regulations, and operating costs.

Concentration and Sources of Labor

Substantially all of the hourly employees at the Company’s factories, including full-time and seasonal employees, are represented by the Bakery, Confectionery, Tobacco Workers and Grain Millers (BCTGM) AFL-CIO. The collective bargaining agreement for the Red River Valley factory employees expires on July 31, 2026. The collective bargaining agreement for the Sidney, Montana, factory employees expires on April 30, 2024. Office, clerical and management employees are not unionized, except for certain office employees at the Moorhead and Crookston, Minnesota, and Hillsboro, North Dakota, factories who are covered by the collective bargaining agreement with the BCTGM.

Shipping and Handling Costs

The costs incurred for the shipping and handling of products sold are classified in the consolidated financial statements as a selling expense on the Consolidated Statements of Operations. Shipping and handling costs were $308.3 million and $287.9 million for the years ended August 31, 2023 and 2022, respectively.

Deferred Costs and Product Values

All costs incurred prior to the end of the Company’s fiscal year that relate to receiving and processing the subsequent year’s sugarbeet crop are deferred. Similarly, the net realizable values of products produced prior to the end of the Company’s fiscal year that relate to the subsequent year’s sugarbeet crop are deferred. The net result of these deferred costs and product values are recorded in the Company’s consolidated balance sheet in “Other Current Liabilities.” Deferred costs and product values were $(0.8) million and $(4.3) million as of August 31, 2023 and 2022, respectively.

Recently Issued Accounting Pronouncements

Adopted

In May 2016, and updated through June 2020, the Financial Accounting Standards Board (FASB) issued an update to the authoritative guidance to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The primary impact upon adoption will be the recognition, on a discounted basis, of our minimum commitments under noncancelable operating leases as right-of-use assets and liabilities on our Consolidated Balance Sheets. The Company adopted the provisions of this new accounting standard at the beginning of fiscal year 2023. For transition purposes, the Company elected the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs. The Company elected to not adjust its comparative period, and as a result, the Company did not adjust its comparative period financial information or make the new required lease disclosures for periods before the effective date. Upon adoption, the Company recognized right-of-use assets of $3.5 million, current lease liabilities of $0.6 million and long term lease liabilities of $2.9 million in the Consolidated Statements of Financial Position as of September 1, 2022. The new standard did not have a material impact on the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“Update 2016-13”). Update 2016-13 replaced the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (“CECL”) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including but not limited to trade receivables. For nonpublic entities, the new standard is effective for annual reporting periods beginning after December 15, 2022. From an evaluation of the Company’s existing credit portfolio, which includes trade receivables from commodity sales through the Company’s marketing cooperatives and beet seed and byproduct sales to growers and local businesses, respectively, and historical credit losses have been de minimis and are expected to remain so in the future assuming no substantial changes to the business or creditworthiness of our business counterparties. Update 2016-13 did not have a significant impact on the Company’s consolidated financial statements or related control environment upon early adoption on September 1, 2022.

(2) INVENTORIES:

The major components of inventories as of August 31, 2023 and 2022 are as follows:

(In Thousands)	2023	2022
Sugar, Agri-Products, and Sugarbeet Seed	**$ 233,980**	$ 173,647
Unprocessed Sugarbeets	**16,507**	11,508
Operating Supplies and Maintenance Parts	**87,784**	84,940
Total Inventories	**$ 338,271**	$ 270,095

The Company's reserve for inventory obsolescence was $18.6 million and $13.1 million as of August 31, 2023 and 2022, respectively.

(3) NET PROPERTY AND EQUIPMENT:

Indirect costs capitalized were $1.8 million and $2.2 million, for the years ended August 31, 2023 and 2022, respectively. Construction period interest capitalized was $1.1 million and $1.2 million for the years ended August 31, 2023 and 2022, respectively. Depreciation expense was $74.3 million and $70.6 million for the years ended August 31, 2023 and 2022, respectively. The Company had outstanding commitments totaling $15.0 million as of August 31, 2023, for equipment and construction contracts related to various capital projects.

As of August 31, 2023 and 2022, the Company had Land Improvement of $5.9 million and $6.6 million, respectively, associated with certain landfills at its factories. Depreciation expense associated with this obligation was $1,031,000 and $691,000 for the years ended August 31, 2023 and 2022, respectively. Accretion expense associated with this obligation was $299,000 and $321,000 for the years ended August 31, 2023 and 2022, respectively.

(4) INVESTMENTS IN MARKETING COOPERATIVES:

The Company has a 58 percent ownership interest and a 29 percent voting interest in United. The investment is accounted for using the equity method. As of August 31, 2023, the Company's investment in United was approximately $11.2 million. Substantially all sugar products produced are sold by United as an agent for the Company. The amount of sales and related costs to be recognized by each owner of United is allocated based on its pro rata share of sugar production for the year. The owners provide United with cash advances on an ongoing basis for operating and marketing expenses incurred by United. The Company had outstanding advances due from United of $22.1 million and $21.1 million as of August 31, 2023 and 2022, respectively. The Company provides administrative services for United and is reimbursed for costs incurred. The Company was reimbursed approximately $0.8 million and $0.9 million for services provided during fiscal years 2023 and 2022, respectively.

The Company has a 41 percent ownership interest and a 25 percent voting interest in Midwest. The investment is accounted for using the equity method. As of August 31, 2023, the Company's investment in Midwest was approximately $61,000. Substantially all sugarbeet pulp, molasses and other agri-products produced are sold by Midwest as an agent for the Company. The amount of sales and related costs to be recognized by each owner of Midwest is allocated based on its pro rata share of production for each product for the year. The owners provide Midwest with cash advances on an ongoing basis for operating and marketing expenses incurred by Midwest. The Company had outstanding advances due to Midwest of $4.9 million and $6.5 million as of August 31, 2023 and 2022, respectively. The company provides administrative services for Midwest and is reimbursed for costs incurred. The Company was reimbursed $80,000 and $102,000 for services provided during 2023 and 2022, respectively. The owners of Midwest are guarantors of a $15.0 million short-term line of credit Midwest has with CoBank, ACB. As of August 31, 2023, Midwest had outstanding short-term debt with CoBank, ACB of $10.6 million, of which $5.6 million was the proportional amount guaranteed by the Company.

In 2023, United Sugar Producers and Refiners Cooperative (USPR) was formed to market sugar for its members. The Company will have a 29 percent voting interest and an approximately 58 percent production volume based ownership interest in USPR for fiscal year 2024. The investment is accounted for using the equity method. As of August 31, 2023, the Company's investment in USPR was approximately $0.3 million. Effective October 1, 2023, substantially all sugar products produced will be sold by USPR as an agent for the Company, replacing United. The amount of sales and related costs to be recognized by each owner of USPR is allocated based on its pro rata share of sugar production for the year. The owners provide USPR with cash advances on an ongoing basis for operating and marketing expenses incurred by USPR. The Company had no outstanding advances due from USPR as of August 31, 2023.

The Company has performed a complete analysis and has determined that its investments in United, USPR and Midwest do not meet the criteria of Variable Interest Entities and therefore such entities are not consolidated in the Company's Consolidated Financial Statements.

(5) INVESTMENTS IN WEST COAST BEET SEED COMPANY:

The Company has a 15 percent ownership interest in West Coast Beet Seed Company (WCBS). The investment is accounted for on a cost basis, adjusted for observable price changes, less impairment. As of August 31, 2023, the Company's investment in WCBS was approximately $1,000 and is included in Other Assets on the Consolidated Balance Sheets. WCBS contracts with growers for the production of sugarbeet seed per the requirements of the owners of WCBS. The owners provide WCBS with cash advances on an ongoing basis for operating expenses incurred by WCBS. The Company had outstanding advances to WCBS of $3.4 million and $2.9 million as of August 31, 2023 and 2022, respectively.

(6) LONG LIVED ASSET IMPAIRMENT:

During the year ended August 31, 2023, it was determined that there was no longer adequate interest in growing sugar beets in the Sidney, Montana area to sustain operations and the Company announced plans to cease operations of the Sidney Sugars factory as of October 2023, or when product inventories have been exhausted, whichever is later. Based on this determination, the Company performed an impairment analysis on Sidney Sugars' assets as of March 1, 2023 (the assessment date), the first of the month following the factory closure determination and announcement. In its assessment under ASC 360, the Company determined the lowest levels of grouped assets for which identifiable cash flows are largely independent of other assets and liabilities are two groups: 1) factory assets and 2) packaging and warehousing assets. Factory assets held a carrying value of approximately $15.0 million and packaging and warehousing assets held a carrying value of approximately $1.0 million as of the assessment date. The Company noted in its impairment analysis that the packaging and warehousing asset group's carrying value was recoverable through the remaining sale of product inventory and eventual sale of the applicable assets.

In its impairment analysis, the Company concluded the future cash flows applicable to the ceased operation and planned sale of factory assets result in a loss position and requires the recognition of an impairment loss on the long lived asset. The Company estimated the factory assets as of the assessment date to have a fair value of $4 million. The $11.0 million impairment loss is included on the consolidated statements of operations in the non-member business income (loss) section and on the consolidated statement of cash flows in the operating activities section. Fair value was based on expected future cash flows using Level 3 inputs under ASC 820, see NOTE 13: FAIR VALUE MEASUREMENTS for further information. The cash flows are those expected to be generated from the eventual sale of the assets. Based on the Company exploring various options for the sale of the factory and its assets, it is reasonably possible that the estimate of expected future cash flows may change in the near term resulting in the need to adjust our determination of fair value.

(7) LONG-TERM AND SHORT-TERM DEBT:

The long-term debt outstanding as of August 31, 2023 and 2022 is summarized below:

(In Thousands)	2023	2022
Term Loans from CoBank, ACB, due in varying amounts through August 2031, with interest at fixed rates of 2.74% to 4.70% and a variable rate of 7.18% as of August 31, 2023, with senior lien on substantially all non-current assets.	$ 128,250	$ 135,750
Term Loans from Insurance Companies, due in varying amounts through fiscal 2040, interest at fixed rates of 3.24% to 7.42%, with senior lien on substantially all non-current assets.	97,500	112,500
Solid Waste Disposal Revenue Bond, due in varying amounts through July 2036 (subject to the terms of the mandatory purchase date as defined in the agreement), interest at a variable rate of 5.37% as of August 31, 2023 secured by lien on leased assets and revenues of the Company. Classified as a finance lease under ACS 842.	7,475	8,050
Pollution Control and Industrial Development Revenue Bond, one time payment due June 2040, interest at a variable rate of 4.25% as of August 31, 2023, substantially secured by letters of credit.	15,000	15,000
Solid Waste Disposal Revenue Bond of $8 million, one time payment due August 2034, interest at a variable rate of 4.35% as of August 31, 2023, substantially secured by letters of credit.	8,000	8,000
Term loan from CCC of $19.6 million, annual payment through October 2037, interest at a fixed rate of 1.13%, secured by a mortgage.	19,588	–
Other finance leases, see footnote (9) Leases	716	–
Unamortized Bond Costs	(2,071)	(2,556)
Total Long-Term Debt	274,458	276,744
Less Current Maturities including finance lease current maturities	(21,750)	(23,075)
Long-Term Debt, Net of Current Maturities	$ 252,708	$ 253,669

Minimum annual principal payments excluding finance leases for the next five years are as follows:

(In Thousands)		
2024	$	20,956
2025		19,220
2026		28,233
2027		19,747
2028		23,761

The Company has a long-term debt line of credit through August 4, 2026 with CoBank, ACB of $60.0 million along with an additional $75.0 million which can be utilized for either short-term or long-term borrowing purposes. As of August 31, 2023, the Company had no outstanding amounts under these lines of credit with CoBank, ACB and outstanding long-term letters of credit of $25.2 million. The unused long-term line of credit as of August 31, 2023 was $109.8 million of which $75.0 million can also be utilized for short-term borrowing purposes.

At August 31, 2022, the Company had a long-term debt line of credit through August 4, 2026 with CoBank, ACB of $60.0 million along with an additional $75.0 million which could be utilized for either short-term or long-term borrowing purposes. As of August 31, 2022, the Company had no outstanding amounts under these lines of credit with CoBank, ACB and outstanding long-term letters of credit of $24.0 million. The unused long-term line of credit as of August 31, 2022 was $111.0 million of which $75.0 million could also be utilized for short-term borrowing purposes.

The short-term debt outstanding as of August 31, 2023 and 2022 is summarized below:

(In Thousands)		**2023**		2022
Commercial Paper, at fixed rates between 5.55% and 5.59%, due 9/1/23 through 9/13/23.	**$**	**103,380**	$	54,987

As of August 31, 2023, the Company has a seasonal line of credit through August 4, 2026 with a consortium of lenders led by CoBank, ACB of $400.0 million along with an accordion line of credit of $75.0 million and the additional $75.0 million, also referenced above, which can be utilized for either short-term or long-term borrowing purposes. As of August 31, 2023, none of the $75.0 million was utilized for long-term borrowing purposes. There was no outstanding balance with CoBank, ACB as of August 31, 2023. The Company also has a line of credit with Wells Fargo Bank for $1.0 million, against which there was no outstanding balance as of August 31, 2023. The Company's commercial paper program provides short-term borrowings up to the amount of the CoBank, ACB seasonal line of credit of which approximately $103.4 million was outstanding as of August 31, 2023. The Company had $3.8 million in short-term letters of credit outstanding as of August 31, 2023. Any borrowings under the commercial paper program along with outstanding short-term letters of credit will act to reduce the available credit under the CoBank, ACB seasonal line of credit by a commensurate amount. The unused line of credit as of August 31, 2023 was $443.8 million which includes $75.0 million that can also be utilized for long-term borrowing purposes.

The Company can borrow funds on a non-recourse basis from the Commodity Credit Corporation (CCC), with repayment of such funds secured by sugar. The limitations on such borrowings are based on the amount of the Company's sugar inventory and certain loan covenant restrictions by CoBank, ACB. As of August 31, 2023, the Company had no outstanding loans with the CCC and had the capacity to obtain non-recourse loans from the CCC of approximately $104.6 million.

As of August 31, 2022, the Company had a seasonal line of credit through August 4, 2026 with a consortium of lenders led by CoBank, ACB of $400.0 million along with an additional $75.0 million, also referenced above, which could be utilized for either short-term or long-term borrowing purposes. As of August 31, 2022, none of the $75.0 million was utilized for long-term borrowing purposes. There was no outstanding balance with CoBank, ACB as of August 31, 2022. The Company also had a line of credit with Wells Fargo Bank for $1.0 million, against which there was no outstanding balance as of August 31, 2022. The Company's commercial paper program provided short-term borrowings up to the amount of the CoBank, ACB seasonal line of credit of which approximately $55.0 million was outstanding as of August 31, 2022. The Company had $3.8 million in short-term letters of credit outstanding as of August 31, 2022. Any borrowings under the commercial paper program along with outstanding short-term letters of credit act to reduce the available credit under the CoBank, ACB seasonal line of credit by a commensurate amount. The unused line of credit as of August 31, 2022 was $417.2 million which included $75.0 million that could also be utilized for long-term borrowing purposes. As of August 31, 2022, the Company had no outstanding loans with the CCC and had the capacity to obtain non-recourse loans from the CCC of approximately $95.2 million.

Maximum borrowings, average borrowing levels and average interest rates for short-term debt for the years ended August 31, 2023 and 2022 follow:

(In Thousands, Except Interest Rates)		**2023**		2022
Maximum Borrowings	**$**	**490,000**	$	362,800
Average Borrowing Levels	**$**	**241,953**	$	202,331
Average Interest Rates		**5.58%**		1.14%

The terms of the loan agreements contain prepayment penalties along with certain covenants related to, among other matters, the: level of working capital; ratio of term liabilities to members' investments; interest coverage ratio; and investment in CoBank, ACB stock in amounts prescribed by the bank. Substantially all non-current assets are pledged to the senior lenders to provide security to support the Company's seasonal and long-term financing. As of August 31, 2023 and 2022, the Company was in compliance with the terms of the loan agreements.

Interest paid, net of amounts capitalized, was $24.4 million and $13.5 million for the years ended August 31, 2023 and 2022, respectively.

(8) DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES:

The Company, as a result of its operating and financing activities, is exposed to changes in foreign currency exchange rates and interest rates which may adversely affect its results of operations and financial position. In seeking to minimize the risks and/or costs associated with such activities, the Company may enter into derivative contracts.

The Company manages its foreign currency related risks primarily through the use of foreign currency forward contracts. The contracts held by the Company are denominated in Euros.The Company has entered into foreign currency forward contracts that are designated as cash flow hedges of exchange rate risk related to foreign currency-denominated purchases of equipment. Inputs used to measure the fair value of the foreign currency forward contracts are contained within level 1 of the fair value hierarchy. The fair value of the open contracts is recorded in accumulated other comprehensive income (loss) in members' investments. Amounts deferred to accumulated other comprehensive income (loss) are reclassified into the cost of the equipment when the actual purchase takes place.

The Company is exposed to interest risk primarily through its borrowing activities. The Company has designated the interest rate swap contracts below as cash flow hedges. Inputs used to measure the fair value of the interest rate swap contracts are contained within level 2 of the fair value hierarchy. The fair value of the cash flow hedge is recorded in accumulated other comprehensive income/(loss) and will be reclassified to interest expense over the life of the swap contract. No material ineffectiveness was recognized in earnings during the years ended August 31, 2023 and 2022.

On October 1, 2014, the Company entered into an interest rate swap contract with CoBank, ACB associated with $20.0 million of long-term debt with CoBank, ACB that matures from 2024 through 2027. The interest rate swap contract requires payment of a fixed interest rate of 2.65% and the receipt of a variable rate of interest based on the Secured Overnight Financing Rate (SOFR) of 5.31% as of August 31, 2023 on $20.0 million of indebtedness. The current year's income of $341,000 is classified as interest expense on the statements of operations.

On June 30, 2021, the Company entered into an interest rate swap contract with Wells Fargo Bank, associated with $11.5 million of long-term debt for the Solid Waste Disposable Bond that matures from 2017 through 2036. The interest rate swap contract requires payment of a fixed interest rate of 0.87% and the receipt of a variable rate of interest of 4.08% based on 80.375% of the Secured Overnight Financing Rate (SOFR) as of August 31, 2023 on $7.5 million of indebtedness. The current year's income of $207,000 is classified as interest expense on the statements of operations.

The following tables present the fair value of the Company's derivatives and their Consolidated Balance Sheet location as of August 31:

(In Thousands)		Fair Value of Asset Derivatives as of August 31	
	Balance Sheet Classification	**2023**	2022
Derivatives Designated as Hedging Instruments:			
Interest Rate Contracts	Prepaid Expenses	**$ 939**	$ 367
Interest Rate Contracts	Other Long-Term Assets	**410**	545
Total Asset Derivatives		**$ 1,349**	$ 912

(In Thousands)		Fair Value of Liability Derivatives as of August 31	
	Balance Sheet Classification	**2023**	2022
Derivatives Designated as Hedging Instruments:			
Foreign Currency Forward Contracts	Other Current Liabilities	$ **8**	$ 30
Total Liability Derivatives		$ **8**	$ 30

(9) LEASES:

The Company has operating leases for rail cars and equipment contracts. Finance leases primarily include vehicle leases. The Company's lessor portfolio consists primarily of immaterial operating leases of farmland to third parties.

The Company determines if an arrangement contains a lease at inception. Right-of-use assets and lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at the commencement date. Leases with an initial term of twelve months or less are not recorded on the Consolidated Balance Sheet. The Company combines lease and non-lease components together in determining the minimum lease payments for all leases.

The length of the lease term used in recording right-of-use assets and lease liabilities is based on the contractually required lease term adjusted for any options to renew, early terminate, or purchase the lease that are reasonably certain of being exercised. Most leases include one or more options to renew or terminate. The exercise of lease renewal and termination options is at the Company's discretion and generally is not reasonably certain at lease commencement. The Company's lease agreements typically do not contain material residual value guarantees.

Certain lease agreements include rental payment increases over the lease term that can be fixed or variable. Fixed payment increases and variable payment increases based on an index or rate are included in the initial lease liability using the index or rate at commencement date. Variable payment increases not based on an index or rate are recognized as incurred.

If the rate implicit in the lease is not readily determinable, the Company used its periodic incremental borrowing rate, based on the information available at commencement date, to determine the present value of future lease payments. For the initial implementation of ASU 2016-02, Leases (Topic 842) the incremental borrowing rate on September 1, 2022, was used to determine the present value of existing operating right-of-use assets and lease liabilities.

Supplemental balance sheet information related to leases as of August 31:

(In Thousands)	Location on Consolidated Balance Sheet		2023
Right-of-Use Assets			
Operating	Other Assets	$	2,992
Finance	Net Property, Plant and Equipment		7,093
Total Right-of-Use Assets		$	10,085
Liabilities			
Current			
Operating	Accrued Expenses	$	551
Finance	Current Maturities of Long-Term Debt		794
Noncurrent			
Operating	Other Long-Term Liabilities		2,440
Finance	Long-Term Debt		7,397
Total Lease Liabilities		$	11,182

Lease expenses for the year ended August 31:

(In Thousands)		2023
Operating Lease Cost	$	867
Finance Lease Cost		
Amortization of Right-of-Use Assets		1,156
Interest on Lease Liabilities		418
Short-Term Lease Cost		3,204
Variable Lease Cost[1]		55
Net Lease Cost	$	5,700

(1) ASC 842 – Leases requires disclosure of payments related to agreements with an embedded lease that are not otherwise reflected on the balance sheet. The Company's variable lease costs are determined based on machine usage and may vary for other reasons such as taxes and rates.

The weighted-average remaining lease term and discount rate for lease liabilities included in the Consolidated Balance Sheets are as follows:

(In Thousands)	2023
Weighted Average Remaining Lease Term	
Operating Leases	10.4 years
Finance Leases	12.0 years
Weighted Average Discount Rate	
Operating Leases	3.52%
Finance Leases	0.34%

Supplemental cash flow and other information related to leases for the year ended August 31 are as follows:

(In Thousands)		2023
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	$	910
Operating Cash Flows from Short Term Leases		3,204
Operating Cash Flows from Finance Leases		451
Financing Cash Flows from Finance Leases		835

The maturity of the Company's lease liabilities as of August 31, 2023 are:

(In Thousands)	Operating Leases	Finance Leases	Total
2024	$ 648	$ 818	$ 1,466
2025	431	792	1,223
2026	291	775	1,066
2027	235	680	915
2028	221	575	796
2029 and beyond	1,748	4,600	6,348
Total Lease Payments	**3,574**	**8,240**	**11,814**
Less: Imputed Interest	583	49	632
Present Value of Lease Liabilities	**2,991**	**8,191**	**11,182**
Less: Current Portion	551	794	1,345
Long-Term Lease Liabilities	**$ 2,440**	**$ 7,397**	**$ 9,837**

(10) EMPLOYEE BENEFIT PLANS:

Company-Sponsored Defined Benefit Pension and Other Post-Retirement Benefit Plans

Substantially all employees who meet eligibility requirements of age, date of hire and length of service are covered by a Company-sponsored retirement plan. As of August 31, 2023, the pension plans were funded as required by the funding standards set forth by the Employee Retirement Income Security Act (ERISA). The Company also has non-qualified supplemental executive retirement plans for certain employees.

Employees of the Company who are not members of a collective bargaining unit and who are newly hired, or re-hired, and employees who transfer from a union position to a non-union position on or after September 1, 2007, are not eligible for participation in the defined benefit pension plan. These employees participate in a defined contribution plan as described later in this note.

The Company's Investment Committee has the responsibility of managing the Company's pension plans and trust (Plan). Investment allocation decisions are made by the Investment Committee, pursuant to an Investment Policy (Policy) that includes a target strategic asset allocation. The Investment Committee is committed to diversification to reduce the risk of large losses. The Policy allows some flexibility within the target asset allocation in recognition that market fluctuations may cause the allocation to a specific asset class to move up or down within a range. The Policy is reviewed periodically by the Investment Committee. The asset allocation targets within the Plan, include four areas; Domestic Equity, International Equity, Fixed Income and Cash & Other. Domestic and International Equity consists primarily of publicly traded U.S. and Non-U.S. equities, respectively. The Cash & Other allocation is allowed only as necessary for impending benefit payments, lump sum contributions made by the company, or as authorized by the Investment Committee. The Policy does not allow direct use of derivatives, however, the Plan invests entirely in commingled or mutual funds, which may allow investment in derivatives. The stated goal is for each component of the Plan to earn a rate of return greater than its corresponding benchmark. Progress of the Plan against its return objectives will be measured over a full market cycle.

The following schedule reflects the percentage of pension plan assets by asset class as of the latest measurement date:

Percentage of Pension Plan Assests by Asset Class as of Auguest 31, 2023

Asset Class	Target Range	Actual Allocation
Domestic Equity	19.0%-39.0%	15.5%
International Equity	14.0%-24.0%	9.7%
Fixed Income	38.0%-58.0%	71.8%
Cash & Other	0.0%-9.0%	3.0%

As of August 31, 2023, the actual allocation defers from the target range due to a planned partial pension settlement scheduled for November 1, 2023. The Investment Committee will reevaluate the acceptable ranges after the partial settlement.

There have been no changes in the valuation methodologies used at August 31, 2023 and 2022. The Plan's investment in the common/collective trust consists of investments in the Legal and General S&P 500 Collective Investment Fund (Fund) managed by Legal and General. The net asset value of the Fund is determined daily. All earnings, gains and losses of the Fund are reflected in the computation of the daily unit value and are realized by the Plan upon withdrawal from the Fund. The Fund has a daily redemption frequency and redemption notice period with no unfunded commitments. Registered investment companies are valued at the net asset value of shares held by the Plan at year end based on quoted market prices. The money market fund is valued at quoted market price, which is cost plus accrued interest.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

To develop the expected long-term rate of return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as, the target asset allocation of the pension portfolio. This resulted in the selection of the 6.75% long-term rate of return on assets assumption.

The following schedules reflect the fair values of the pension plan assets by major category as of August 31, 2023 and 2022:

(In Thousands)	**Plan Assets at Fair Value August 31, 2023**			
	Level 1	Level 2	Level 3	Total
Common/Collective Trusts				
Equity Index Fund	$ –	$ 30,541	$ –	$ 30,541
Registered Investment Company				
Real Asset Fund	5,282	–	–	5,282
Fixed Income	206,363	–	–	206,363
Domestic Equity	13,878	–	–	13,878
International Equity	27,960	–	–	27,960
Money Market Fund	3,478	–	–	3,478
Total Plan Assets at Fair Value	$ 256,961	$ 30,541	$ –	$ 287,502

(In Thousands)	**Plan Assets at Fair Value August 31, 2022**			
	Level 1	Level 2	Level 3	Total
Common/Collective Trusts				
Equity Index Fund	$ –	$ 58,050	$ –	$ 58,050
Registered Investment Company				
Real Asset Fund	12,833	–	–	12,833
Fixed Income	138,854	–	–	138,854
Domestic Equity	26,341	–	–	26,341
International Equity	51,563	–	–	51,563
Money Market Fund	1,699	–	–	1,699
Total Plan Assets at Fair Value	$ 231,290	$ 58,050	$ –	$ 289,340

The development of the discount rate was based on a bond matching model whereby a hypothetical portfolio of bonds with an "AA" or better rating by a nationally recognized debt rating agency was constructed to match the expected benefit payments under the Company's pension plans through the year 2052. The reinvestment rate for benefit cash flow occurring after 2052 was discounted back to the year 2052 at a rate consistent with the yields on long-term zero-coupon bonds. The resulting present value was treated as additional benefit cash flow for the year 2052 and consistently applied as any other benefit cash flow during the bond matching process.

The Company has a medical plan and a Medicare supplement plan which are available to certain union and non-union retirees. The costs of these plans are shared by the Company and plan participants. The Company's post-retirement plan for certain non-union employees currently coordinates with Medicare's medical coverage and provides tiered prescription drug coverage. The Company also participates in the Federal Early Retiree Reinsurance Program which provides reimbursement of medical expenses for early and disability retirees between the ages of 55 and 65 who are not covered by Medicare.

Weighted Average Assumptions as of August 31	Pension		Post-Retirement	
	2023	2022	**2023**	2022
Discount Rate	**5.36%**	4.59%	**5.36%**	4.59%
Expected Return on Plan Assets	**6.75%**	6.50%	N/A	N/A
Rate of Compensation Increase	**3.50%**	3.50%	N/A	N/A

The following schedule reflects the expected pension and post-retirement benefit payments during each of the next five years and the aggregate for the following five years:

(In Thousands)	Pension	Post-Retirement
2024	$ 16,356	$ 753
2025	15,496	691
2026	15,897	631
2027	16,211	582
2028	16,441	563
2029-2033	85,509	2,648
Total	$ 165,910	$ 5,868

The Company expects to make contributions of approximately $1.1 million related to Supplemental Executive Retirement Plans and approximately $0.8 million to the post-retirement plans during the next fiscal year. No contributions are expected to the defined benefit pension plan in the next fiscal year.

The following schedules provide the components of the Net Periodic Pension and Post-Retirement Costs for the years ended August 31, 2023 and 2022:

Components of Net Periodic Pension Cost (In Thousands)	**2023**	2022
Service Cost	**$ 3,698**	$ 5,746
Interest Cost	**11,323**	8,190
Expected Return on Plan Assets	**(18,294)**	(23,291)
Amortization of Prior Service Cost	**50**	131
Amortization of Net Actuarial Loss	**2,269**	387
Net Periodic Pension Cost (Credit)	**$ (954)**	$ (8,837)

Components of Net Periodic Post-Retirement Cost	**2023**	2022
Service Cost	**$ 93**	$ 148
Interest Cost	**402**	305
Amortization of Prior Service Credit	**31**	31
Amortization of Net Actuarial Gain	**(1,299)**	(1,015)
Net Periodic Post-Retirement Cost (Credit)	**$ (773)**	$ (531)

Prior service costs (credits) are amortized over the lesser of seven years or the length of the union contract that included the benefit change.

The components of net periodic benefit cost, other than the service cost component, are included in the line item “other income/(expense)” in the income statement. Gains and losses related to changes in the projected benefit obligation for the period ended August 31, 2023 are primarily due to an increase in the discount rate. Both pension plans also had significant asset losses for the period ended August 31, 2023.

For measurement purposes, an 8.0 percent annual rate of increase in the per capita cost of covered healthcare benefits for participants under 65 was assumed for 2023. The rate is assumed to decline to 5.0 percent over the next eight years. For participants age 65 and older, a 9.0 percent annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2023. The rate is assumed to decline to 6.0 percent over the next eight years.

The following schedules set forth a reconciliation of the changes in the plans’ benefit obligation and fair value of assets for the years ending August 31, 2023 and 2022, and a statement of the funded status and amounts recognized in the Balance Sheets and Accumulated Other Comprehensive Income as of August 31, 2023 and 2022:

(In Thousands)	Pension		Post-Retirement	
	2023	2022	**2023**	2022
Change in Benefit Obligation				
Obligation at the Beginning of the Year	**$ 255,169**	$ 321,917	**$ 9,153**	$ 12,103
Service Cost	**3,698**	5,746	**93**	148
Interest Cost	**11,323**	8,190	**401**	305
Plan Amendments	**921**	912	**–**	–
Plan Participant Contributions	**–**	–	**417**	358
Actuarial (Gain) Loss	**(18,334)**	(67,352)	**(1,619)**	(2,689)
Benefits Paid	**(16,231)**	(14,244)	**(959)**	(1,072)
Obligation at the End of the Year	**$ 236,546**	$ 255,169	**$ 7,486**	$ 9,153
Change in Plan Assets				
Fair Value at the Beginning of the Year	**$ 289,340**	$ 365,884	**$ –**	$ –
Actual Return on Plan Assets	**12,654**	(62,949)	**–**	–
Plan Participant Contributions	**–**	–	**417**	358
Employer Contributions	**1,739**	649	**542**	713
Benefits Paid	**(16,231)**	(14,244)	**(959)**	(1,071)
Fair Value at the End of the Year	**$ 287,502**	$ 289,340	$ **–**	$ –
Funded Status				
Funded Status as of August 31	**$ 50,956**	$ 34,171	**$ (7,486)**	$ (9,153)
Net Amount Recognized	**$ 50,956**	$ 34,171	**$ (7,486)**	$ (9,153)
Amounts Recognized in the Balance Sheets				
Noncurrent Assets	**$ 56,968**	$ 41,270	**$ –**	$ –
Current Liabilities	**(1,123)**	(1,080)	**(753)**	(748)
Noncurrent Liabilities	**(4,889)**	(6,019)	**(6,733)**	(8,405)
Net Amount Recognized	**$ 50,956**	$ 34,171	**$ (7,486)**	$ (9,153)
Prior Service (Cost) Credit Recognized in Accumulated Other Comprehensive Income				
Prior Service (Cost) Credit Beginning of the Year	**$ (766)**	$ 15	**$ (155)**	$ (186)
Recognized in Periodic Cost	**50**	131	**31**	31
Amount Arising During the Year	**(921)**	(912)	**–**	–
Prior Service (Cost) Credit End of the Year	**$ (1,637)**	$ (766)	**$ (124)**	$ (155)
Accumulated Gain (Loss) Recognized in Accumulated Other Comprehensive Income				
Accumulated Gain (Loss) Beginning of the Year	**$ (45,524)**	$ (27,023)	**$ 9,856**	$ 8,182
Recognized in Periodic Cost	**2,269**	387	**(1,299)**	(1,015)
Amount Arising During the Year	**12,695**	(18,888)	**1,619**	2,689
Accumulated Gain (Loss) End of the Year	**$ (30,560)**	$ (45,524)	**$ 10,176**	$ 9,856

Defined Contribution Plan

The Company has a qualified 401(k) plan for all eligible employees. Participants may contribute a percentage of their gross earnings each pay period as provided in the participation agreement. The Company matches the non-union and eligible union year-round participants' contributions up to 4 percent and 2 percent, respectively, of their gross earnings. The plan provides for immediate vesting of these benefits. The Company's contributions for this element of the plan totaled $2.8 million and $2.7 million for the years ended August 31, 2023 and 2022, respectively.

Employees of the Company who are not members of a collective bargaining unit and who are newly hired, rehired or transferred from a union position to a non-union position on or after September 1, 2007, are no longer eligible for participation in the defined benefit pension plan but receive a 4% non-elective Company contribution to the 401(k) plan. These Company contributions have a six year vesting schedule. The Company made contributions of $1.3 million and $1.2 million for the years ended August 31, 2023 and 2022, respectively.

Long-Term Incentive Plan

The Company's Long-Term Incentive Plan provides deferred compensation to certain key executives of the Company. The plan creates financial incentives that are based upon contract rights which are available to the executive under the terms of the plan, the value of which is determined by the Board of Directors. During the year ended August 31, 2023, 393.88 vested contract rights were exercised. In 2023, 279.77 contract rights were granted at a stated value of $4,200 per contract right. As of August 31, 2023 there were 1,897.74 contract rights issued and outstanding at a stated value of $4,200 per contract right, of which 1,343.73 were vested.

(11) SELF-FUNDED HEALTH INSURANCE:

The Company's health insurance plan is self-funded. Under the plan, the Company accrues the estimated expense of health care costs based on claims filed subsequent to year-end and an additional amount for incurred, but not yet reported claims based on prior experience. The accompanying balance sheets include an accrual for such costs of $1.2 million and $1.4 million at August 31, 2023 and 2022, respectively. Claim payments based on actual claims ultimately filed could differ from these estimates. Claims are limited to $440,000 per individual claim. Any claims above this limit are covered by a stop loss insurance policy.

(12) MEMBERS' INVESTMENTS:

The following schedule details the Preferred Stock and Common Stock as of August 31, 2023 and 2022:

	Par Value	Shares Authorized	Shares Issued & Outstanding
Preferred Stock:			
August 31, 2023	$ 76.77	600,000	498,570
August 31, 2022	$ 76.77	600,000	498,570
Common Stock:			
August 31, 2023	$ 10.00	4,000	2,584
August 31, 2022	$ 10.00	4,000	2,600

The components of Accumulated Other Comprehensive (Loss) (AOCL), before tax, by component consist of the following:

Year Ended August 31, 2023 (In Thousands)	Pension and Other Post-Retirement Benefits	Equity Method Investees	Interest Rate Contracts	Foreign Currency Forward Contracts	Total
Balance August 31, 2022	$ (36,589)	$ (6,548)	$ 912	$ (30)	$ (42,255)
Other Comprehensive Income (Loss) Before Reclassifications	13,393	1,351	985	128	15,857
Reclassifications to Consolidated Net Proceeds [1]	1,051[2]	250	(548)	(106)	647
Net Current-Period Other Comprehensive Income (Loss)	14,444	1,601	437	22	16,504
Balance, August 31, 2023	$ (22,145)	$ (4,947)	$ 1,349	$ (8)	$ (25,751)

Year Ended August 31, 2022 (In Thousands)	Pension and Other Post-Retirement Benefits	Equity Method Investees	Interest Rate Contracts	Foreign Currency Forward Contracts	Total
Balance August 31, 2021	$ (19,013)	$ (8,620)	$ (1,923)	$ –	$ (29,556)
Other Comprehensive Income (Loss) Before Reclassifications	(17,110)	1,584	2,368	29	(13,129)
Reclassifications to Consolidated Net Proceeds[1]	(466)[2]	488	467	(59)	430
Net Current-Period Other Comprehensive Income (Loss)	(17,576)	2,072	2,835	(30)	(12,699)
Balance, August 31, 2022	$ (36,589)	$ (6,548)	$ 912	$ (30)	$ (42,255)

[1] Amounts reclassified from AOCL for pension and other post-retirement benefits service costs are recorded in cost of sales and non-service pension and post-retirement costs are recorded in other, net on the Consolidated Statements of Operations. Amounts reclassified from AOCL for the equity method investees and interest rate contracts are recorded in selling, general and administrative expenses and interest expense, net, respectively on the Consolidated Statements of Operations. See note 8 on derivative instruments and hedging activities for reclassification of the foreign currency forward contracts.

[2] Primarily related to amortization of actuarial gains (loss) for the years ended August 31, 2023 and 2022 totaling ($970) and $628, respectively, and amortization of prior service (cost)/credit of ($81) and ($162) for the years ended August 31, 2023 and 2022, respectively.

(13) FAIR VALUE MEASUREMENTS:

RECURRING FAIR VALUE MEASUREMENTS

In accordance with U.S. GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. For our Company, the only assets and liabilities that are adjusted to fair value on a recurring basis are foreign currency forward contracts and interest rate contracts. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted market prices are generally not available for the Company's financial instruments. Fair values are based on judgments regarding anticipated cash flows, future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Foreign Currency Forward Contracts – Based on a variety of pricing factors, which include the market price of the foreign currency forward contract available in the dealer-market, the fair value of the open contracts as of August 31, 2023 and 2022 was a liability of approximately $8,000 and $30,000, respectively. Inputs used to measure the fair value of the foreign currency forward contracts are quoted prices in active markets for identical assets or liabilities and therefore are contained within level 1 of the fair value hierarchy. See the tables below.

Interest Rate Contracts – Based on the zero coupon method in which the term, notional amount, and repricing date of the interest rate swap match the term, repricing date, and principal amount of the interest-bearing liability on which the hedging interest payments are due, the fair value of the interest rate contract at Wells Fargo Bank, as of August 31, 2023 and 2022, was an asset of approximately $520,000 and $467,000, respectively. The fair value of the interest rate contract at CoBank, as of August 31, 2023 and 2022, was an asset of approximately $829,000 and $445,000, respectively. Inputs used to measure the fair value of the interest rate swap contracts are quoted prices in active markets for similar assets or liabilities and therefore are contained within level 2 of the fair value hierarchy. See the tables below.

The tables below reflect the assets and liabilities measured at fair value on a recurring basis as of August 31, 2023 and 2022:

(In Thousands)	Fair Value of Assets as of August 31, 2023			
	Level 1	Level 2	Level 3	Total
Interest Rate Contracts	$ –	$ 1,349	$ –	$ 1,349

(In Thousands)	Fair Value of Liabilities as of August 31, 2023			
	Level 1	Level 2	Level 3	Total
Foreign Currency Forward Contracts	$ 8	$ –	$ –	$ 8

(In Thousands)	Fair Value of Assets as of August 31, 2022			
	Level 1	Level 2	Level 3	Total
Interest Rate Contracts	$ –	$ 912	$ –	$ 912

(In Thousands)	Fair Value of Liabilities as of August 31, 2022			
	Level 1	Level 2	Level 3	Total
Foreign Currency Forward Contracts	$ 30	$ –	$ –	$ 30

NONRECURRING FAIR VALUE MEASUREMENTS

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records assets and liabilities at fair value on a nonrecurring basis as required by U.S. GAAP. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

Long Lived Assets – Based on limited market sources available to management as of the impairment assessment date of March 1, 2023 which included commercial and industrial real estate sales, corresponding county tax assessor valuations of land and structures, and auction sale transactions, the fair value of Sidney Sugars factory assets were estimated to be $460,000 for the building and structures, $1.33 million for the land and associated land improvements, and $2.21 million for the factory equipment. Subject to depreciation, the factory asset group held a fair value of $4.0 million and carrying value of $3.62 million as of August 31, 2023.

The following table presents losses on assets measured at fair value on a nonrecurring basis:

	Year Ended August 31	
(In Thousands)	**2023**	**2022**
Factory Assets	$ (11,049)	$ –

The following table presents assets measured at fair value on a nonrecurring basis:

	August 31,2023				**August 31,2022**			
(In Thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Factory Assets	$ –	$ –	$ 4,000	$ 4,000	$ –	$ –	$ –	$ –

(14) INCOME TAXES:

As of August 31, 2023 and 2022, the Company had no unrecognized tax benefits. Any future accrued interest or penalties related to unrecognized tax benefits will be recognized in income tax expense if incurred. The Company is no longer subject to U.S. Federal income tax examinations by tax authorities for fiscal years 2019 and earlier. The Company is no longer subject to state income tax examinations by tax authorities for fiscal years 2019 and earlier.

Total income tax payments were $1.4 million for the year ended August 31, 2023 and total income tax payments were $15.4 million for the year ended August 31, 2022.

The Company's net deferred tax asset included in Other Assets on the Company's Balance Sheets as of August 31, 2023 and 2022 is reflected below:

(In Thousands)	**2023**	2022
Deferred Tax Assets related to nonpatronage source temporary differences	**$ 6,820**	$ 620
Deferred Tax Liability related to nonpatronage source temporary differences	**92**	85
Net Deferred Tax Asset	**$ 6,728**	$ 535

Income tax expense (benefit) for the years ended August 31, 2023 and 2022 is as follows:

(In Thousands)	**2023**	2022
Current Income Taxes	**$ (11,076)**	$ 15,497
Deferred Income Taxes	**6,193**	(3,228)
Total Income Tax Expense (Benefit)	**$ (4,883)**	$ 12,269

A reconciliation of the Company's effective tax rates for the years ended August 31, 2023 and 2022 is shown below:

	2023	2022
Federal Tax Expense at Statutory Rate	**21.0%**	21.0%
State Tax Expense at Statutory Rate	**3.0**	2.0
Payments to Members	**(24.8)**	(21.2)
Other, Net	**0.3**	(0.3)
Effective Tax Rate	**(0.5)%**	1.5%

(15) ENVIRONMENTAL MATTERS:

The Company is subject to extensive federal and state environmental laws and regulations with respect to water and air quality, solid waste disposal and odor and noise control. The Company conducts an ongoing compliance program designed to meet these environmental laws and regulations. The Company believes that it is in substantial compliance with applicable environmental laws and regulations. From time to time, however, the Company may be involved in investigations or determinations regarding matters that may arise in the ordinary course of business. The Company works closely with all affected government agencies to resolve environmental issues that have arisen and believes such issues will be resolved without any material adverse effect on the Company.

The Company's sugar manufacturing process is energy intensive and generates carbon dioxide and other "Greenhouse Gases" (GHGs). The Company believes that industries generating GHGs, including the Company, could be subject to either federal or state regulation relating to climate change policies in the relatively near future. These policies, if adopted, will increase the Company's energy and other operating costs. Depending on how these policies address imports, the domestic sugar market may have a competitive disadvantage compared with imported sugar. These policies could have a significant negative impact on the Company's beet payment to shareholders if the Company is not able to pass the increased costs on to its customers.

Sidney Sugars' wastewater discharge is regulated by the Montana Department of Environmental Quality (MDEQ) under a Montana Pollutant Discharge Elimination System (MPDES) permit. Under the permit, effluent limitations at the facility were scheduled to become effective on August 1, 2014, which the factory could not meet. Since the permit became effective, the factory has operated under an Administrative Order of Consent (AOC). On February 1, 2018, Sidney Sugars signed a second Administrative Order of Consent with MDEQ that outlined specific action items and deadlines for rehabilitating and upgrading our existing wastewater treatment system. The compliance actions were completed by October 31, 2020. The MDEQ issued a new MPDES permit which became effective October 1, 2021 and the Company continues to operate under the AOC. The MDEQ has extended the deadline to achieve final effluent limits to March 2024. Due to the closure of Sidney Sugars, the Company is working with the MDEQ to determine if there will be any changes to the AOC or timeline.

(16) LEGAL MATTERS:

From time to time and in the ordinary course of its business, the Company is named as a defendant in legal proceedings related to various issues, including worker's compensation claims, tort claims and contractual disputes. The Company is currently involved in certain legal proceedings which have arisen in the ordinary course of the Company's business. The Company is also aware of certain other potential claims which could result in the commencement of legal proceedings. The Company carries insurance which provides protection against certain types of claims. With respect to current litigation and potential claims of which the Company is aware, the Company's management believes that (i) the Company has insurance protection to cover all or a portion of any judgments which may be rendered against the Company with respect to certain claims or actions and (ii) any judgments which may be entered against the Company and which may exceed such insurance coverage or which may arise in actions involving potential liabilities not covered by insurance policies are not likely to have a material adverse effect upon the Company, or its assets or operations.

(17) SUBSEQUENT EVENTS:

In September 2023, the Company contracted with an insurance company to annuitize a portion of its pension plan. The planned pension settlement is expected to occur on November 30, 2023.

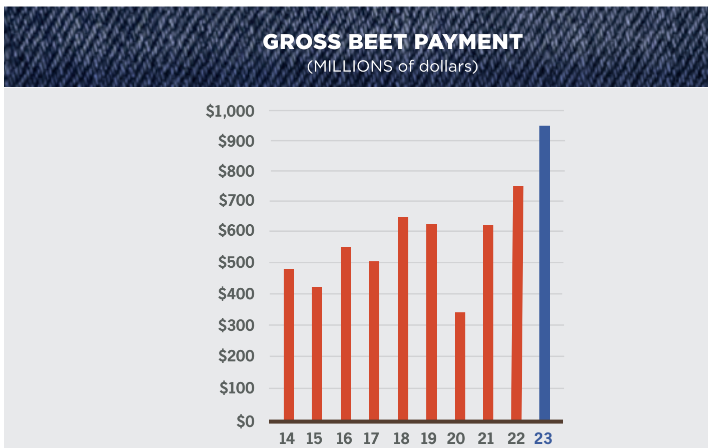
The Company has evaluated events through the date that the financial statements were available to be issued, October 20, 2023, for potential recognition or disclosure in the August 31, 2023 financial statements.

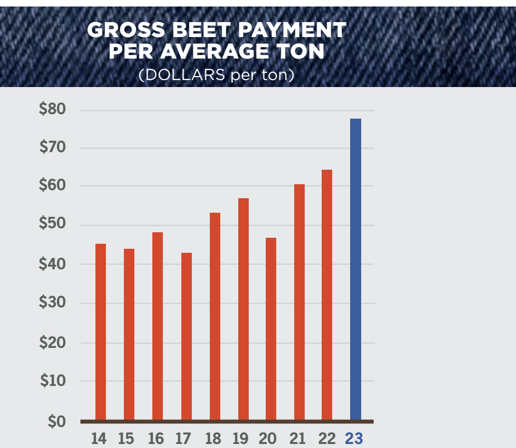
These notes are an integral part of the accompanying Consolidated Financial Statements.

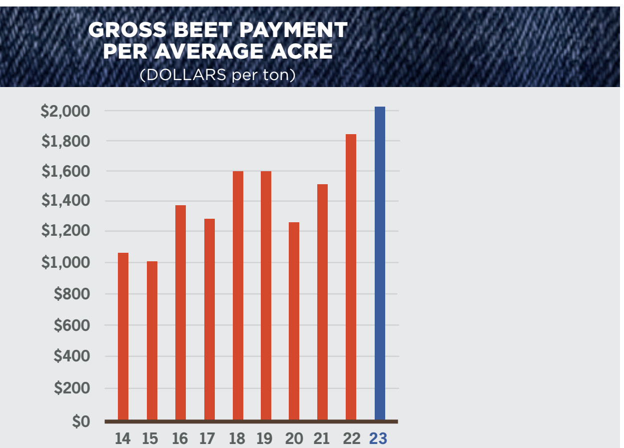
Distribution of Net Proceeds Attributable to American Crystal Sugar Company

For the Years Ended August 31
(In Thousands, Except Per-Ton-Purchased and Per-Acre-Harvested Amounts)
(Not Covered by Independent Auditors' Report)

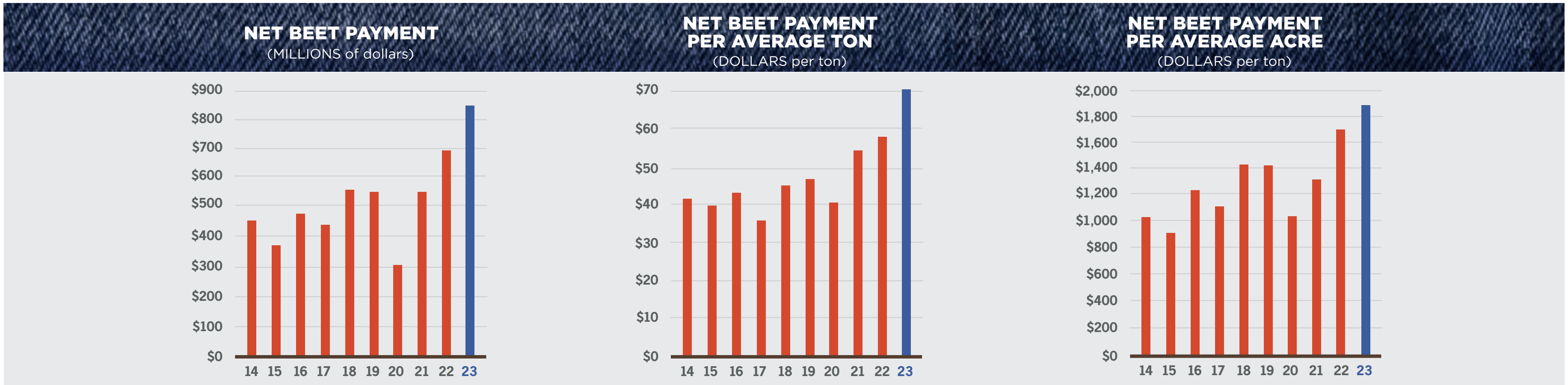
	2023	2022	2021	2020
Net Proceeds Attributable to American Crystal Sugar Company	**$ 935,010**	$ 811,071	$ 615,628	$ 346,671
Non-Member (Income) Loss	**19,181**	(43,677)	(6,558)	(2,881)
Member Gross Beet Payment	**954,191**	767,394	609,070	343,790
Unit Retains	**(72,552)**	(47,216)	(40,192)	(22,564)
Freight Charge	**(27,191)**	(25,317)	(20,049)	(16,125)
Member Net Beet Payment	**$ 854,448**	$ 694,861	$ 548,829	$ 305,101
Per Ton Purchased:				
Net Proceeds Attributable to American Crystal Sugar Company	**$ 77.29**	$ 68.68	$ 61.23	$ 46.05
Non-Member (Income) Loss	**1.58**	(3.70)	(0.65)	(0.38)
Member Gross Beet Payment	**78.87**	64.98	60.58	45.67
Unit Retains	**(6.00)**	(4.00)	(4.00)	(3.00)
Average Freight Charge	**(2.24)**	(2.15)	(1.99)	(2.15)
Member Net Beet Payment	**$ 70.63**	$ 58.83	$ 54.59	$ 40.52
Member Tons Harvested	**12,098**	11,811	10,054	7,527
Member Gross Beet Payment Per Acre Harvested	**$ 2,091**	$ 1,868	$ 1,504	$ 1,227
Member Net Beet Payment Per Acre Harvested	**$ 1,871**	$ 1,692	$ 1,355	$ 1,089







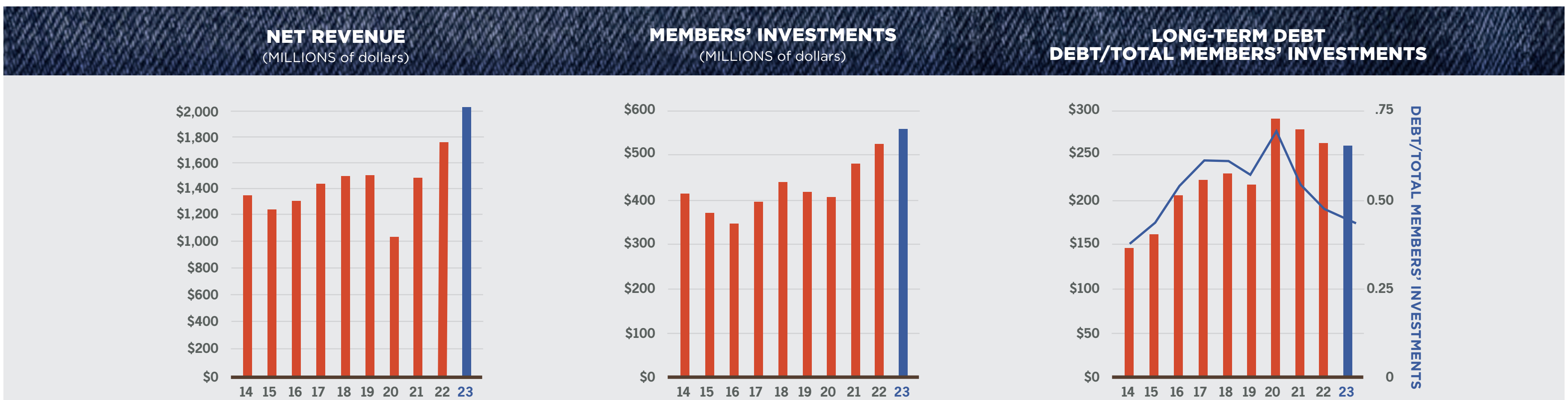
	2019		2018		2017		2016		2015		2014
$	616,776	$	643,030	$	503,655	$	556,185	$	421,471	$	501,316
	(7,515)		(8,716)		(3,619)		(4,597)		(2,603)		(4,586)
	609,621		634,314		500,036		551,588		418,868		496,730
	(44,454)		(47,976)		(41,191)		(44,302)		(19,021)		(21,948)
	(21,375)		(23,342)		(21,257)		(21,446)		(20,232)		(23,819)
$	543,432	$	562,996	$	437,588	$	485,840	$	379,615	$	450,963
$	55.46	$	53.58	$	42.76	$	50.18	$	44.29	$	45.65
	(0.68)		(0.73)		(0.31)		(0.41)		(0.28)		(0.42)
	54.78		52.85		42.45		49.77		44.01		45.23
	(4.00)		(4.00)		(3.50)		(4.00)		(2.00)		(2.00)
	(1.92)		(1.94)		(1.80)		(1.93)		(2.13)		(2.17)
$	48.86	$	46.91	$	37.14	$	43.84	$	39.89	$	41.06
	11,121		12,002		11,778		11,083		9,517		10,982
$	1,582	$	1,594	$	1,289	$	1,389	$	1,019	$	1,140
$	1,411	$	1,414	$	1,128	$	1,223	$	923	$	1,035



Selected Financial Data and Certain Statistics

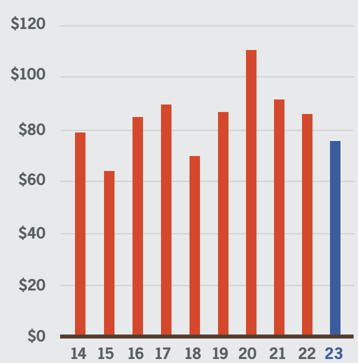
For the Years Ended August 31
(In Thousands, Except Ratios, Per-Acre-Harvested and Percentage Amounts)
(Not Covered by Independent Auditors' Report)

	2023	2022	2021	2020
Net Revenue	**$ 2,041,374**	$ 1,770,929	$ 1,455,567	$ 1,090,317
Total Assets	**$ 1,267,505**	$ 1,157,351	$ 1,126,564	$ 1,002,392
Total Members' Investments	**$ 555,163**	$ 529,634	$ 489,489	$ 404,936
Long-Term Debt, Net of Current Maturities	**$ 252,708**	$ 253,669	$ 280,774	$ 292,401
Ratio of Debt to Total Members' Investments	**.46:1**	.48:1	.57:1	.72:1
Interest Expense, Net	**$ 21,593**	$ 10,480	$ 10,654	$ 10,194
Property and Equipment Additions, Net of Retirements	**$ 77,762**	$ 84,794	$ 94,846	$ 114,993
Depreciation and Amortization	**$ 75,181**	$ 72,995	$ 71,226	$ 66,506
Working Capital	**$ 88,523**	$ 81,692	$ 47,082	$ 56,757
Red River Valley Statistics - Member Business				
Acres Harvested	**456**	411	405	280
Tons Purchased	**12,098**	11,811	10,054	7,527
Tons Purchased Per Acre Harvested	**26.5**	28.7	24.8	26.9
Sugar Content of Sugarbeets	**18.5%**	18.0%	18.4%	17.5%
Sugar Hundredweight Produced	**35,682**	34,058	30,392	21,288
Pulp Tons Produced	**496**	512	448	321
Molasses Tons Produced	**151**	124	54	34
CSB Tons Produced	**195**	185	172	124
Betaine Tons Produced	**17**	21	17	15

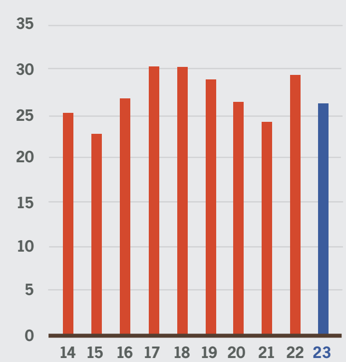


2019	2018	2017	2016	2015	2014
$ 1,528,207	$ 1,515,101	$ 1,420,024	$ 1,290,800	$ 1,221,100	$ 1,387,785
$ 1,013,337	$ 1,015,199	$ 938,401	$ 979,144	$ 876,184	$ 880,598
$ 412,350	$ 441,727	$ 400,594	$ 350,391	$ 378,550	$ 408,095
$ 228,987	$ 246,612	$ 238,580	$ 203,087	$ 166,613	$ 149,818
.56:1	.56:1	.60:1	.58:1	.44:1	.37:1
$ 13,457	$ 12,706	$ 11,585	$ 10,492	$ 8,500	$ 6,818
$ 86,150	$ 68,814	$ 90,076	$ 83,311	$ 62,880	$ 79,336
$ 65,657	$ 62,885	$ 63,000	$ 63,298	$ 61,085	$ 57,099
$ 53,940	$ 86,519	$ 77,675	$ 49,540	$ 35,937	$ 43,498
385	398	388	397	411	436
11,121	12,002	11,778	11,083	9,517	10,982
28.9	30.2	30.4	27.9	23.1	25.2
18.2%	18.1%	17.0%	17.8%	17.4%	17.3%
33,008	34,827	31,502	31,180	27,255	30,934
465	500	449	464	378	417
80	84	73	116	19	60
185	200	216	212	199	197
17	18	16	16	14	19

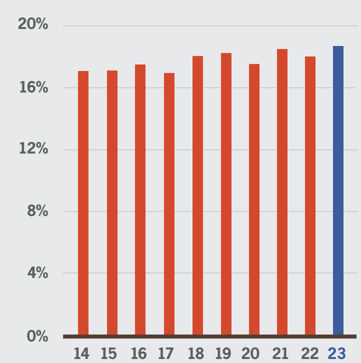
PROPERTY AND EQUIPMENT ADDITIONS, NET OF RETIREMENTS
(MILLIONS of dollars)



TONS PURCHASED PER ACRE HARVESTED
(TONS per acre)



SUGAR CONTENT OF SUGARBEETS
(PERCENT)



BUSINESS INFORMATION

Executive Personnel

Thomas Astrup

President and Chief Executive Officer

Lisa Borgen

Vice President, Administration

Steve Rosenau

Vice President, Agriculture

Teresa Warne

Vice President, Finance

Kevin Price

Vice President, Government Affairs

Dan Bernhardson

Vice President, Operations

Daniel Mott

Secretary and General Counsel

Kevin Heazlett

Treasurer, Assistant Secretary

Matt Hajostek

Assistant Treasurer, Assistant Secretary

Kelly Messerschmidt

Assistant Treasurer, Assistant Secretary

Lisa Maloy

Assistant Treasurer, Assistant Secretary

Annual Meeting

The 2023 Annual Meeting of the members will be held December 7, 2023, at the Holiday Inn, Fargo, ND.

Auditors

CliftonLarsonAllen LLP

Stevens Point, WI

Legal Counsel

Fredrikson & Byron PA

Minneapolis, MN

Shareholder Information

The Treasury Department can help members with beet payments, transferring shares, changes of address, and similar matters. For assistance, contact:

Ricki Martin

Stockholder Accounting Supervisor

(218) 236-4335

Financial Information

For information regarding American Crystal business operations or financial reports, shareholders should contact:

Teresa Warne

Vice President, Finance

(218) 236-4364

News Media Inquiries

News media representatives and others needing information about American Crystal corporate activities should contact:

Belinda Forknell

Communications Manager

(218) 236-4354

Sugar Marketing

UNITED SUGAR PRODUCERS AND REFINERS COOPERATIVE HEADQUARTERS

8000 West 78th St., #300
Edina, MN 55439

(952) 896-0131

Matthew Wineinger

President/CEO

Kae Kaske

Chief Financial Officer

Agri-Product Marketing

MIDWEST AGRI-COMMODITIES COMPANY HEADQUARTERS

999 Fifth Avenue
Suite 500
San Rafael, CA 94901

(415) 259-2720

Bryan Edwardson

President

Laura Jame

Vice President Finance

Crookston Factory

1201 U.S. 75, Crookston, MN 56716

Zach Olson
Factory Manager
218-281-1993

Travis Pederson
Agronomy Manager
218-289-6143

Hillsboro Factory

121 Hwy 81 NE, Hillsboro, ND 58045

Nolan Braseth
Factory Manager
701-636-5905

Eric Ptacek
Agronomy Manager
701-430-0276

East Grand Forks Factory

1020 Business Hwy 2, East Grand Forks, MN 56721

Ryan Wall
Factory Manager
218-773-1131

Travis Pederson
Agronomy Manager
218-289-5703

Drayton Factory

8152 Old Highway 44, Drayton, ND 58225

Chris Patullo
Factory Manager
701-454-3326

Justin Krieg
Agronomy Manager
701-212-6143

Moorhead Factory

2500 N 11th Street, Moorhead, MN 56560

Aaron Bjerke
Factory Manager
218-287-3400

Eric Ptacek
Agronomy Manager
701-430-0276

American
Crystal
Sugar
Company

101 3rd St N, Moorhead, MN 56560