

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended 09/30/2024

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission file number 000-20557



THE ANDERSONS, INC.

(Exact name of the registrant as specified in its charter)

Ohio

(State of incorporation or organization)

34-1562374

(I.R.S. Employer Identification No.)

1947 Briarfield Boulevard

Maumee Ohio

(Address of principal executive offices)

43537

(Zip Code)

( 419 ) 893-5050

(Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common stock, \$0.00 par value, \$0.01 stated value	ANDE	The NASDAQ Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

The registrant had 34,070,003 common shares outstanding at October 25, 2024.

THE ANDERSONS, INC.

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## Part I. Financial Information

### Item 1. Financial Statements

**The Andersons, Inc.**  
**Condensed Consolidated Statements of Operations (Unaudited)**  
(In thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Sales and merchandising revenues	\$ 2,620,988	\$ 3,635,691	\$ 8,134,410	\$ 11,537,112
Cost of sales and merchandising revenues	2,443,863	3,477,990	7,653,594	11,009,463
Gross profit	177,125	157,701	480,816	527,649
Operating, administrative and general expenses	120,494	126,306	356,466	359,548
Asset impairment	—	—	—	87,156
Interest expense, net	8,361	8,188	21,494	38,766
Other income, net	13,922	15,178	30,651	35,623
Income before income taxes	62,192	38,385	133,507	77,802
Income tax provision	10,731	7,862	16,911	23,710
Net income	51,461	30,523	116,596	54,092
Net income attributable to noncontrolling interests	24,096	20,815	47,674	4,088
Net income attributable to The Andersons, Inc.	\$ 27,365	\$ 9,708	\$ 68,922	\$ 50,004
Average number of shares outstanding - basic	34,069	33,752	34,020	33,706
Average number of share outstanding - diluted	34,358	34,270	34,321	34,266

#### Earnings per share attributable to The Andersons, Inc. common shareholders:

Basic earnings per share attributable to The Andersons, Inc. common shareholders	\$ 0.80	\$ 0.29	\$ 2.03	\$ 1.48
Diluted earnings per share attributable to The Andersons, Inc. common shareholders	\$ 0.80	\$ 0.28	\$ 2.01	\$ 1.46

See Notes to Condensed Consolidated Financial Statements

**The Andersons, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income (Unaudited)**  
(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net income	\$ 51,461	\$ 30,523	\$ 116,596	\$ 54,092
Other comprehensive income (loss), net of tax:				
Change in unrecognized actuarial loss and prior service cost	( 222 )	( 276 )	( 572 )	( 653 )
Foreign currency translation adjustments	3,792	( 2,600 )	( 1,091 )	836
Cash flow hedge activity	( 9,375 )	5,973	( 5,826 )	7,912
Other comprehensive income (loss)	( 5,805 )	3,097	( 7,489 )	8,095
Comprehensive income	45,656	33,620	109,107	62,187
Comprehensive income attributable to the noncontrolling interests	24,096	20,815	47,674	4,088
Comprehensive income attributable to The Andersons, Inc.	\$ 21,560	\$ 12,805	\$ 61,433	\$ 58,099

See Notes to Condensed Consolidated Financial Statements

**The Andersons, Inc.**  
**Condensed Consolidated Balance Sheets (Unaudited)**

(In thousands)	September 30, 2024	December 31, 2023	September 30, 2023
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 454,065	\$ 643,854	\$ 418,055
Accounts receivable, net	756,618	762,549	816,686
Inventories	884,339	1,166,700	985,292
Commodity derivative assets – current	122,326	178,083	239,595
Other current assets	113,726	55,777	67,471
Total current assets	2,331,074	2,806,963	2,527,099
Property, plant and equipment, net	709,951	693,365	680,188
Other assets, net	347,274	354,679	380,815
Total assets	\$ 3,388,299	\$ 3,855,007	\$ 3,588,102
<b>Liabilities and equity</b>			
Current liabilities:			
Short-term debt	\$ 14,716	\$ 43,106	\$ 14,138
Trade and other payables	774,347	1,055,473	822,153
Customer prepayments and deferred revenue	67,899	187,054	211,867
Commodity derivative liabilities – current	85,640	90,849	142,511
Current maturities of long-term debt	27,727	27,561	27,535
Accrued expenses and other current liabilities	207,543	232,288	189,430
Total current liabilities	1,177,872	1,636,331	1,407,634
Long-term debt, less current maturities	542,564	562,960	569,730
Other long-term liabilities	144,855	139,329	161,652
Total liabilities	1,865,291	2,338,620	2,139,016
Commitments and contingencies ( <a href="#">Note 11</a> )			
Shareholders' equity:			
Common shares, without par value ( 63,000 shares authorized and 34,083 shares at 9/30/2024 and 34,064 shares issued at 12/31/2023 and 9/30/2023)	143	142	142
Preferred shares, without par value ( 1,000 shares authorized; none issued)	—	—	—
Additional paid-in-capital	382,009	387,210	383,724
Treasury shares, at cost ( 12 , 270 and 270 shares at 9/30/2024, 12/31/2023 and 9/30/2023, respectively)	( 572 )	( 10,261 )	( 10,266 )
Accumulated other comprehensive income	15,376	22,865	28,579
Retained earnings	932,215	882,943	838,556
Total shareholders' equity of The Andersons, Inc.	1,329,171	1,282,899	1,240,735
Noncontrolling interests	193,837	233,488	208,351
Total equity	1,523,008	1,516,387	1,449,086
Total liabilities and equity	\$ 3,388,299	\$ 3,855,007	\$ 3,588,102

See Notes to Condensed Consolidated Financial Statements

**The Andersons, Inc.**  
**Condensed Consolidated Statements of Cash Flows (Unaudited)**  
(In thousands)

	Nine months ended September 30,	
	2024	2023
<b>Operating Activities</b>		
Net income	\$ 116,596	\$ 54,092
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	91,626	93,800
Asset impairment	—	87,156
Other	15,146	1,347
Changes in operating assets and liabilities:		
Accounts receivable	3,498	406,263
Inventories	278,947	748,118
Commodity derivatives	49,327	99,479
Other current and non-current assets	( 59,376 )	2,048
Payables and other current and non-current liabilities	( 433,069 )	( 796,216 )
Net cash provided by operating activities	62,695	696,087
<b>Investing Activities</b>		
Purchases of property, plant and equipment and capitalized software	( 93,230 )	( 108,718 )
Acquisition of businesses, net of cash acquired	( 9,561 )	( 24,385 )
Insurance proceeds	9,219	—
Proceeds from sale of a business	—	10,318
Other	2,980	5,522
Net cash used in investing activities	( 90,592 )	( 117,263 )
<b>Financing Activities</b>		
Net payments under short-term lines of credit	( 27,054 )	( 261,152 )
Payments of long-term debt	( 20,649 )	( 42,734 )
Distributions to noncontrolling interest owner	( 87,325 )	( 44,304 )
Dividends paid	( 19,466 )	( 18,771 )
Value of shares withheld for taxes	( 8,101 )	( 6,627 )
Proceeds from issuance of long-term debt	—	100,000
Other	—	( 2,258 )
Net cash used in financing activities	( 162,595 )	( 275,846 )
Effect of exchange rates on cash and cash equivalents	703	( 192 )
(Decrease) increase in cash and cash equivalents	( 189,789 )	302,786
Cash and cash equivalents at beginning of period	643,854	115,269
Cash and cash equivalents at end of period	\$ 454,065	\$ 418,055

See Notes to Condensed Consolidated Financial Statements

**The Andersons, Inc.**  
**Condensed Consolidated Statements of Equity (Unaudited)**  
(In thousands, except per share data)

	Three Months Ended						
	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Income	Retained Earnings	Noncontrolling Interests	Total
Balance at June 30, 2023	\$ 142	\$ 380,376	\$ ( 10,270 )	\$ 25,482	\$ 835,256	\$ 207,496	\$ 1,438,482
Net income					9,708	20,815	30,523
Other comprehensive income				6,060			6,060
Amounts reclassified from accumulated other comprehensive income (loss)				( 2,963 )			( 2,963 )
Distributions to noncontrolling interests						( 19,960 )	( 19,960 )
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$ 0 ( 0 shares)		3,348	4				3,352
Dividends declared (\$ 0.185 per common share)					( 6,243 )		( 6,243 )
Restricted share award dividend equivalents					( 165 )		( 165 )
Balance at September 30, 2023	\$ 142	\$ 383,724	\$ ( 10,266 )	\$ 28,579	\$ 838,556	\$ 208,351	\$ 1,449,086
Balance at June 30, 2024	\$ 143	\$ 378,453	\$ ( 631 )	\$ 21,181	\$ 911,455	\$ 209,661	\$ 1,520,262
Net income					27,365	24,096	51,461
Other comprehensive income (loss)				( 2,383 )			( 2,383 )
Amounts reclassified from accumulated other comprehensive income (loss)				( 3,422 )			( 3,422 )
Distributions to noncontrolling interests						( 39,920 )	( 39,920 )
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$ 0 ( 1 shares)		3,556	58				3,614
Dividends declared (\$ 0.19 per common share)					( 6,472 )		( 6,472 )
Restricted share award dividend equivalents			1		( 133 )		( 132 )
Balance at September 30, 2024	\$ 143	\$ 382,009	\$ ( 572 )	\$ 15,376	\$ 932,215	\$ 193,837	\$ 1,523,008

	Nine Months Ended						
	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Income	Retained Earnings	Noncontrolling Interests	Total
Balance at December 31, 2022	\$ 142	\$ 385,248	\$ ( 15,043 )	\$ 20,484	\$ 807,770	\$ 231,168	\$ 1,429,769
Net income					50,004	4,088	54,092
Other comprehensive income				16,133			16,133
Amounts reclassified from Accumulated other comprehensive income (loss)				( 8,038 )			( 8,038 )
Distributions to noncontrolling interests						( 44,304 )	( 44,304 )
Deconsolidation of joint venture						17,399	17,399
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$ 0 ( 222 shares)		( 2,146 )	6,359				4,213
Purchase of treasury shares ( 51 shares)			( 1,747 )				( 1,747 )
Dividends declared (\$ 0.56 per common share)					( 18,728 )		( 18,728 )
Restricted share award dividend equivalents		622	165		( 490 )		297
Balance at September 30, 2023	\$ 142	\$ 383,724	\$ ( 10,266 )	\$ 28,579	\$ 838,556	\$ 208,351	\$ 1,449,086
Balance at December 31, 2023	\$ 142	\$ 387,210	\$ ( 10,261 )	\$ 22,865	\$ 882,943	\$ 233,488	\$ 1,516,387
Net income					68,922	47,674	116,596
Other comprehensive income				3,545			3,545
Amounts reclassified from Accumulated other comprehensive income (loss)				( 11,034 )			( 11,034 )
Distributions to noncontrolling interests						( 87,325 )	( 87,325 )
Stock awards, stock option exercises and other shares issued to employees and directors, net of income tax of \$ 0 ( 257 shares)	1	( 5,909 )	9,627				3,719
Dividends declared (\$ 0.57 per common share)					( 19,416 )		( 19,416 )
Restricted share award dividend equivalents		708	62		( 234 )		536
Balance at September 30, 2024	\$ 143	\$ 382,009	\$ ( 572 )	\$ 15,376	\$ 932,215	\$ 193,837	\$ 1,523,008

See Notes to Condensed Consolidated Financial Statements



**The Andersons, Inc.**  
**Notes to Condensed Consolidated Financial Statements**  
**(unaudited)**

**1. Basis of Presentation and Recently Issued Accounting Standards**

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial statements and are in the form prescribed by the Securities and Exchange Commission (the "SEC") in instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of The Andersons, Inc. and its wholly owned and controlled subsidiaries (the "Company"). In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of financial position, results of operations and cash flows for the periods indicated. All intercompany accounts and transactions have been eliminated in consolidation.

The results in these Condensed Consolidated Financial Statements are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024. An unaudited Condensed Consolidated Balance Sheet as of September 30, 2023, has been included as the Company operates in several seasonal industries.

The Condensed Consolidated Balance Sheet data at December 31, 2023, was derived from the audited Consolidated Financial Statements but does not include all disclosures required by GAAP. The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto included in The Andersons, Inc. Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K").

*Variable Interest Entities ("VIEs")*

The Company consolidates any VIE of which it is the primary beneficiary. The typical condition for a controlling financial interest ownership is holding a majority of the voting interests of an entity; however, a controlling financial interest may also exist in entities, such as VIEs, through arrangements that do not involve controlling voting interests. A variable interest holder is required to consolidate a VIE if that party has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company does not consolidate a VIE in which it has a majority ownership interest when the Company is not considered the primary beneficiary. The Company evaluates its relationships with the VIEs on an ongoing basis to determine if it is the primary beneficiary.

The Company's Condensed Consolidated Financial Statements include the assets, liabilities and results of operations of VIEs for which the Company is deemed to be the primary beneficiary. The other equity holders' interests are reflected in "Net income attributable to noncontrolling interests" in the Condensed Consolidated Statements of Operations and "Noncontrolling interests" in the Condensed Consolidated Balance Sheets.

On October 1, 2019, the Company formed The Andersons Marathon Holding Company ("TAMH") with MPC Investments, LLC ("Marathon") for the primary purpose of producing ethanol and additional co-products such as dried distillers grains and corn oil. TAMH has plants located in Iowa, Indiana, Michigan, and Ohio. The plants have a combined nameplate production capacity of 405 million gallons of ethanol but have a history of outperforming the nameplate capacity. The Company owns 50.1 % of TAMH's common units and management has determined that TAMH is a VIE in which the Company is the primary beneficiary. Accordingly, TAMH is consolidated within the Company's Consolidated Financial Statements and records noncontrolling interest for the share of the entity owned by Marathon.

ELEMENT was structured as a limited liability company which began operations in 2019 for the primary purpose of producing ethanol and additional co-products such as dried distillers grain and corn oil. The Company held 51 % of the membership units and the Company had acted as the manager of the facility. As a result, ELEMENT was concluded to be a VIE in which the Company was the primary beneficiary and had been consolidated within the Company's Consolidated Financial Statements. On April 18, 2023, ELEMENT was placed into receivership and a receiver was appointed, which took possession and control of the rights and interests of ELEMENT. With this appointment, while retaining its investment in ELEMENT, the Company ceased to have a controlling financial interest and was no longer deemed to be the primary beneficiary in the subsidiary. Accordingly, the Company deconsolidated ELEMENT at that time and began accounting for the subsidiary as an equity method investment.

Therefore, operating results from January 1, 2023, to April 18, 2023, are included within the Condensed Consolidated Statements of Operations.

The creditors of the consolidated VIEs do not have recourse to the Company other than to the assets of the consolidated VIEs. The following table summarizes the carrying amounts of the assets and liabilities of TAMH, the Company's only consolidated VIE for the periods presented in the Company's Condensed Consolidated Balance Sheets:

(In thousands)	September 30, 2024	December 31, 2023	September 30, 2023
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 99,414	\$ 153,258	\$ 106,279
Accounts receivable, net	4,857	9,324	8,446
Inventories	36,605	61,270	36,912
Other current assets	5,018	6,844	7,169
Total current assets	145,894	230,696	158,806
Property, plant and equipment, net	273,799	270,379	269,433
Other assets, net	24,483	25,434	26,167
Total assets	\$ 444,176	\$ 526,509	\$ 454,406
<b>Liabilities</b>			
Current liabilities	\$ 44,310	\$ 51,020	\$ 40,990
Long-term liabilities	11,051	12,010	13,438
Total liabilities	\$ 55,361	\$ 63,030	\$ 54,428

#### Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07), which requires an enhanced disclosure of significant segment expenses on an annual and interim basis. This guidance will be effective for the annual periods beginning with the year ended December 31, 2024, and for interim periods beginning January 1, 2025. Early adoption is permitted. Upon adoption, the guidance should be applied retrospectively to all prior periods presented in the financial statements. We do not expect the adoption of this guidance to have a material impact on the Consolidated Financial Statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning with the year ended December 31, 2025. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. We do not expect the adoption of this guidance to have a material impact on the Consolidated Financial Statements.

## 2. Inventories

Major classes of inventories are presented below. Readily Marketable Inventories ("RMI") are agricultural commodity inventories such as corn, soybeans, wheat, and ethanol co-products, among others, carried at net realizable value which approximates fair value based on their commodity characteristics, widely available market information, and pricing mechanisms. The net realizable value of RMI is calculated as the fair value (spot price of the commodity in an exchange), less cost of disposal and transportation based on the local market. All other inventories are held at lower of cost or net realizable value.

(in thousands)	September 30, 2024	December 31, 2023	September 30, 2023
Grain and other agricultural products (a)	\$ 648,808	\$ 886,725	\$ 718,290
Energy inventories (a)	13,688	21,705	18,939
Ethanol and co-products (a)	80,577	104,349	94,375
Plant nutrients and cob products	141,266	153,921	153,688
Total inventories	\$ 884,339	\$ 1,166,700	\$ 985,292

(a) Includes RMI of \$ 639.7 million, \$ 862.5 million, and \$ 708.2 million at September 30, 2024, December 31, 2023, and September 30, 2023, respectively.

## 3. Property, Plant and Equipment

The components of Property, plant and equipment, net are as follows:

(in thousands)	September 30, 2024	December 31, 2023	September 30, 2023
Land	\$ 30,984	\$ 30,912	\$ 30,872
Land improvements and leasehold improvements	86,206	82,438	79,829
Buildings and storage facilities	379,681	365,744	360,234
Machinery and equipment	1,004,315	951,544	916,552
Construction in progress	47,656	36,541	44,420
	1,548,842	1,467,179	1,431,907
Less: accumulated depreciation	838,891	773,814	751,719
Property, plant and equipment, net	\$ 709,951	\$ 693,365	\$ 680,188

Depreciation expense on property, plant, and equipment was \$ 25.0 million and \$ 24.9 million for three months ended September 30, 2024, and 2023, respectively. Additionally, depreciation expense on property, plant and equipment was \$ 74.3 million and \$ 75.5 million for the nine months ended September 30, 2024, and 2023, respectively.

In the first quarter of 2023, the Company recorded a \$ 87.2 million impairment charge related to ELEMENT. The plant faced operational and market-based challenges which were exacerbated by a shift in the California Low Carbon Fuel Standard credit markets and high western corn basis. At the time of the impairment, the Company owned 51 % of ELEMENT and it was a consolidated entity, as such, 49 % of the impairment charge was represented in Net income attributable to noncontrolling interests in the Company's Condensed Consolidated Statements of Operations.

## 4. Derivatives

The Company's operating results are affected by changes to commodity prices. The Trade and Renewables businesses have established "unhedged" futures position limits (the amount of a commodity, either owned or contracted for, that does not have an offsetting derivative contract). To reduce the exposure to market price risk on commodities owned and forward purchase and sale contracts, the Company enters into exchange traded commodity futures and options contracts and over-the-counter forward and option contracts with various counterparties. These contracts are primarily traded via regulated commodity exchanges. The Company's forward purchase and sales contracts are for physical delivery of the commodity in a future period. Contracts to purchase commodities from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Most contracts for the sale of commodities to processors or other commercial consumers generally do not extend beyond one year.

Most of these contracts meet the definition of derivatives. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges as defined under current accounting standards. The Company primarily accounts for its commodity derivatives at estimated fair value. The estimated fair value of the commodity derivative contracts that require the receipt or posting of cash collateral is recorded on a net basis (offset against cash collateral posted or received, also known as margin deposits) within commodity derivative assets or liabilities. Management determines fair value based on exchange-quoted prices and in the case of its forward purchase and sale contracts, estimated fair value is adjusted for differences in local markets and non-performance risk. For contracts for which physical delivery occurs, balance sheet classification is based on estimated delivery date. For futures, options and over-the-counter contracts in which physical delivery is not expected to occur but, rather, the contract is expected to be net settled, the Company classifies these contracts as current or noncurrent assets or liabilities, as appropriate, based on the Company's expectations as to when such contracts will be settled.

Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices, changes in performance or credit risk, or due to sale, maturity or extinguishment of the commodity contract) and commodity inventories are included in cost of sales and merchandising revenues.

Generally accepted accounting principles permit a party to a master netting arrangement to offset fair value amounts recognized for derivative instruments against the right to reclaim cash collateral or obligation to return cash collateral under the same master netting arrangement. The Company has master netting arrangements for its exchange traded futures and options contracts and certain over-the-counter contracts. When the Company enters into a future, option or an over-the-counter contract, an initial margin deposit may be required by the counterparty. The amount of the margin deposit varies by commodity. If the market price of a future, option or an over-the-counter contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required. The margin deposit assets and liabilities are included in short-term commodity derivative assets or liabilities, as appropriate, in the Condensed Consolidated Balance Sheets.

The following table presents a summary of the estimated fair value of the Company's commodity derivative instruments that require cash collateral and the associated cash posted/received as collateral. The net asset or liability positions of these derivatives (net of their cash collateral) are determined on a counterparty-by-counterparty basis and are included within Condensed Consolidated Balance Sheets in Commodity derivative assets (liabilities) - current or if long-term in nature, Other assets, net or Other long-term liabilities:

(in thousands)	September 30, 2024	December 31, 2023	September 30, 2023
Cash collateral paid	\$ 49,341	\$ 24,439	\$ 16,121
Fair value of derivatives	( 10,199 )	24,237	38,203
Net derivative asset position	\$ 39,142	\$ 48,676	\$ 54,324

The following table presents, on a gross basis, current and non-current commodity derivative assets and liabilities:

(in thousands)	September 30, 2024				
	Commodity Derivative Assets - Current	Commodity Derivative Assets - Noncurrent	Commodity Derivative Liabilities - Current	Commodity Derivative Liabilities - Noncurrent	Total
Commodity derivative assets	\$ 154,042	\$ 3,656	\$ 11,207	\$ 219	\$ 169,124
Commodity derivative liabilities	( 81,057 )	( 96 )	( 96,847 )	( 1,916 )	( 179,916 )
Cash collateral paid	49,341	—	—	—	49,341
Balance sheet line item totals	\$ 122,326	\$ 3,560	\$ ( 85,640 )	\$ ( 1,697 )	\$ 38,549

(in thousands)	December 31, 2023				
	Commodity Derivative Assets - Current	Commodity Derivative Assets - Noncurrent	Commodity Derivative Liabilities - Current	Commodity Derivative Liabilities - Noncurrent	Total
Commodity derivative assets	\$ 201,542	\$ 1,496	\$ 7,868	\$ 13	\$ 210,919
Commodity derivative liabilities	( 47,898 )	( 64 )	( 98,717 )	( 431 )	( 147,110 )
Cash collateral paid	24,439	—	—	—	24,439
Balance sheet line item totals	\$ 178,083	\$ 1,432	\$ ( 90,849 )	\$ ( 418 )	\$ 88,248

(in thousands)	September 30, 2023				
	Commodity Derivative Assets - Current	Commodity Derivative Assets - Noncurrent	Commodity Derivative Liabilities - Current	Commodity Derivative Liabilities - Noncurrent	Total
Commodity derivative assets	\$ 301,990	\$ 4,730	\$ 12,733	\$ 101	\$ 319,554
Commodity derivative liabilities	( 78,516 )	( 396 )	( 155,244 )	( 1,669 )	( 235,825 )
Cash collateral paid	16,121	—	—	—	16,121
Balance sheet line item totals	<u>\$ 239,595</u>	<u>\$ 4,334</u>	<u>\$ ( 142,511 )</u>	<u>\$ ( 1,568 )</u>	<u>\$ 99,850</u>

The net pretax gains and losses on commodity derivatives not designated as hedging instruments included in the Company's Condensed Consolidated Statements of Operations and the line items in which they are located are as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Losses on commodity derivatives included in Cost of sales and merchandising revenues	\$ ( 87,774 )	\$ ( 26,918 )	\$ ( 74,600 )	\$ ( 49,659 )

The Company's volumes of commodity derivative contracts outstanding (on a gross basis) are as follows:

(in thousands)	September 30, 2024		
	Number of Bushels	Number of Gallons	Number of Tons
Non-exchange traded:			
Corn	562,754	—	—
Soybeans	56,718	—	—
Wheat	79,817	—	—
Oats	27,851	—	—
Ethanol	—	305,865	—
Dried distillers grain	—	—	931
Soybean meal	—	—	607
Other	4,073	83,847	2,056
Subtotal	<u>731,213</u>	<u>389,712</u>	<u>3,594</u>
Exchange traded:			
Corn	185,750	—	—
Soybeans	41,835	—	—
Wheat	97,018	—	—
Oats	1,165	—	—
Ethanol	—	71,736	—
Propane	—	84,798	—
Other	—	2,016	1,432
Subtotal	<u>325,768</u>	<u>158,550</u>	<u>1,432</u>
Total	<u>1,056,981</u>	<u>548,262</u>	<u>5,026</u>

(in thousands)	December 31, 2023		
	Number of Bushels	Number of Gallons	Number of Tons
Non-exchange traded:			
Corn	519,825	—	—
Soybeans	41,848	—	—
Wheat	66,953	—	—
Oats	15,355	—	—
Ethanol	—	206,986	—
Dried distillers grain	—	—	740
Soybean meal	—	—	546
Other	6,847	37,153	1,882
Subtotal	650,828	244,139	3,168
Exchange traded:			
Corn	160,795	—	—
Soybeans	34,250	—	—
Wheat	64,778	—	—
Oats	375	—	—
Ethanol	—	97,272	—
Propane	—	74,550	—
Other	—	420	825
Subtotal	260,198	172,242	825
Total	911,026	416,381	3,993

(in thousands)	September 30, 2023		
	Number of Bushels	Number of Gallons	Number of Tons
Non-exchange traded:			
Corn	546,004	—	—
Soybeans	66,884	—	—
Wheat	114,195	—	—
Oats	24,712	—	—
Ethanol	—	217,092	—
Dried distillers grain	—	—	669
Soybean meal	—	—	686
Other	9,734	26,632	2,295
Subtotal	761,529	243,724	3,650
Exchange traded:			
Corn	158,900	—	—
Soybeans	36,135	—	—
Wheat	106,068	—	—
Oats	1,865	—	—
Ethanol	—	121,002	—
Propane	—	108,990	—
Other	—	672	779
Subtotal	302,968	230,664	779
Total	1,064,497	474,388	4,429

## Interest Rate Derivatives

The Company's objectives for using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt or payment of variable amounts with a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The gains or losses on the derivatives designated as hedging instruments are recorded in Other comprehensive income and subsequently reclassified into Interest expense, net in the same periods during which the hedged transaction affects earnings. Amounts reported in Accumulated other comprehensive income related to derivatives will be reclassified to Interest expense, net as interest payments are made on the Company's variable-rate debt. In the case where interest rate derivatives are settled prior to maturity, the gain or loss is recorded in Other income, net within the Condensed Consolidated Statements of Operations.

The Company had recorded the following amounts for the fair value of the interest rate derivatives:

(in thousands)	September 30, 2024	December 31, 2023	September 30, 2023
<b>Derivatives designated as hedging instruments</b>			
Interest rate contracts included in Other current assets	\$ 6,000	\$ 9,968	\$ 12,026
Interest rate contracts included in Other assets	14,281	18,041	29,952

The recording of gains and losses on the interest rate derivatives and the financial statement line in which they are located are as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Derivatives designated as hedging instruments</b>				
Interest rate derivative gains (losses) included in Other comprehensive income	\$ (12,477)	\$ 7,981	\$ (7,754)	\$ 10,571
Interest rate derivative gains (losses) included in Interest expense, net	3,194	2,734	9,782	7,354
Interest rate derivative gains included in Other income, net	—	—	568	—

Outstanding interest rate derivatives, as of September 30, 2024, are as follows:

Interest Rate Hedging Instrument	Year Entered	Year of Maturity	Notional Amount (in millions)	Description	Interest Rate
Swap	2019	2025	\$ 44.5	Interest rate component of debt - accounted for as a hedge	2.4 %
Swap	2019	2025	\$ 89.1	Interest rate component of debt - accounted for as a hedge	2.3 %
Swap	2019	2025	\$ 44.5	Interest rate component of debt - accounted for as a hedge	2.4 %
Swap	2020	2030	\$ 50.0	Interest rate component of debt - accounted for as a hedge	0.0 % to 0.8 %
Swap	2020	2030	\$ 50.0	Interest rate component of debt - accounted for as a hedge	0.0 % to 0.8 %
Swap	2022	2025	\$ 20.0	Interest rate component of debt - accounted for as a hedge	2.6 %
Swap	2022	2029	\$ 100.0	Interest rate component of debt - accounted for as a hedge	2.0 %
Swap	2022	2029	\$ 50.0	Interest rate component of debt - accounted for as a hedge	2.4 %
Swap	2023	2025	\$ 50.0	Interest rate component of debt - accounted for as a hedge	3.7 %
Swap	2023	2031	\$ 50.0	Interest rate component of debt - accounted for as a hedge	2.9 %

## 5. Revenue

Many of the Company's sales and merchandising revenues are generated from contracts that are outside the scope of ASC 606, *Revenue from Contracts with Customers*. Specifically, the vast majority of the Company's Trade and Renewables sales contracts are derivatives within the scope of ASC 815, *Derivatives and Hedging*. Of the sales and merchandising revenues within the scope of ASC 606 in the Trade and Renewables segments, substantially all of the activity occurs at a point in time with de minimis outstanding contract liabilities. In the Company's Nutrient & Industrial segment, all sales and merchandising revenues are within the scope of ASC 606. Therefore, a further disaggregation of revenues and detail of outstanding contract balances have been provided below:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Ag Supply Chain	\$ 68,614	\$ 79,058	\$ 374,727	\$ 466,126
Specialty Liquids	24,114	23,282	132,422	149,886
Engineered Granules	35,339	26,193	139,574	122,055
Total	<u>\$ 128,067</u>	<u>\$ 128,533</u>	<u>\$ 646,723</u>	<u>\$ 738,067</u>

The Nutrient & Industrial segment is organized into three divisions: Ag Supply Chain, which includes wholesale distribution centers and retail farm centers; Specialty Liquids, which includes manufactured liquid products intended for agricultural and industrial uses; and Engineered Granules, which includes granular products for turf and agricultural uses, contract manufacturing and cob products. Prior period amounts above were recast to conform to this organization.

Substantially all of the Nutrient & Industrial segment revenues presented in the preceding table occurred within the United States and are recorded at a point in time instead of over time.

### Contract balances

The balances of the Nutrient & Industrial segment's contract liabilities were \$ 15.6 million and \$ 30.7 million as of September 30, 2024, and December 31, 2023, respectively. The difference between the opening and closing balances of the Company's contract liabilities is primarily a result of timing differences between the Company's performance and the customer's payment. The main driver of the contract liabilities balance are payments for primary and specialty nutrients within the Nutrient & Industrial segment received in advance of fulfilling our performance obligations under our customer contracts. Due to the seasonality of this business, contract liabilities are built up through the first quarter in preparation for the spring application season. Revenue is then recognized in the throughout the spring application season as the Company fulfills its contract obligations which is why the balance is much lower in the current quarter when compared to December 31, 2023.

## 6. Income Taxes

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Income before income taxes	\$ 62,192	\$ 38,385	\$ 133,507	\$ 77,802
Income tax provision	10,731	7,862	16,911	23,710
Effective tax rate	17.3 %	20.5 %	12.7 %	30.5 %

On a quarterly basis, the Company estimates the effective tax rate expected to be applicable for the full year and makes changes, if necessary, based on new information or events. The estimated annual effective tax rate is forecasted based on actual historical information and forward-looking estimates and is used to provide for income taxes in interim reporting periods. The Company also recognizes the tax impact of certain unusual or infrequently occurring items, such as the effects of changes in tax laws or rates and impacts from settlements with tax authorities, discretely in the quarter in which they occur.

The difference between the 17.3 % effective tax rate and the U.S. federal statutory tax rate of 21.0% for the three months ended September 30, 2024, is primarily attributable to the tax impact of noncontrolling interest and federal tax credits offset by state and local income taxes, tax impacts of foreign operations, nondeductible compensation, and changes in other discrete tax adjustments.



The difference between the 20.5 % effective tax rate and the U.S. federal statutory rate of 21.0% for the three months ended September 30, 2023, was primarily attributable to the tax impact of noncontrolling interest offset by state and local income taxes, nondeductible compensation, and other discrete tax adjustments.

The difference between the 12.7 % effective tax rate and the U.S. federal statutory tax rate of 21.0% for the nine months ended September 30, 2024, is primarily attributable to the tax impact of noncontrolling interest, federal tax credits, stock-based compensation, and the reversal of certain unrecognized tax benefits offset by state and local income taxes, tax impacts of foreign operations, and nondeductible compensation.

The difference between the 30.5 % effective tax rate and the U.S. federal statutory tax rate of 21.0% for the nine months ended September 30, 2023, was primarily attributable to the tax impact of noncontrolling interest, state and local income taxes, nondeductible compensation and other discrete tax adjustments. Other discrete tax items include a net income tax benefit of \$ 10.6 million recorded on a net loss before taxes of \$ 88.8 million related to the operations, impairment charge, and gain on deconsolidation associated with ELEMENT.

## 7. Accumulated Other Comprehensive Income

The following table summarizes the changes in accumulated other comprehensive income ("AOCI") attributable to the Company:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
(in thousands)				
<b>Currency Translation Adjustment</b>				
Beginning balance	\$ ( 7,464 )	\$ ( 4,767 )	\$ ( 2,581 )	\$ ( 8,203 )
Other comprehensive income (loss) before reclassifications	3,792	( 2,600 )	( 1,091 )	836
Tax effect	—	—	—	—
Other comprehensive income (loss), net of tax	3,792	( 2,600 )	( 1,091 )	836
Ending balance	\$ ( 3,672 )	\$ ( 7,367 )	\$ ( 3,672 )	\$ ( 7,367 )
<b>Hedging Adjustment</b>				
Beginning balance	\$ 24,534	\$ 25,485	\$ 20,985	\$ 23,546
Other comprehensive income (loss) before reclassifications	( 9,283 )	10,715	2,596	17,924
Amounts reclassified from AOCI (a)	( 3,194 )	( 2,735 )	( 10,350 )	( 7,354 )
Tax effect (c)	3,102	( 2,007 )	1,928	( 2,658 )
Other comprehensive income (loss), net of tax	( 9,375 )	5,973	( 5,826 )	7,912
Ending balance	\$ 15,159	\$ 31,458	\$ 15,159	\$ 31,458
<b>Pension and Other Postretirement Adjustment</b>				
Beginning balance	\$ 3,853	\$ 4,506	\$ 4,203	\$ 4,883
Other comprehensive income (loss) before reclassifications	( 59 )	( 129 )	( 49 )	( 158 )
Amounts reclassified from AOCI (b)	( 228 )	( 228 )	( 684 )	( 684 )
Tax effect (c)	65	81	161	189
Other comprehensive income (loss), net of tax	( 222 )	( 276 )	( 572 )	( 653 )
Ending balance	\$ 3,631	\$ 4,230	\$ 3,631	\$ 4,230
<b>Investments in Convertible Preferred Securities Adjustment</b>				
Ending balance	\$ 258	\$ 258	\$ 258	\$ 258
<b>Total AOCI Ending Balance</b>	<b>\$ 15,376</b>	<b>\$ 28,579</b>	<b>\$ 15,376</b>	<b>\$ 28,579</b>

- (a) Amounts reclassified from gain (loss) on cash flow hedges are reclassified from AOCI to income when the hedged item affects earnings. Gains and losses from interest rate derivatives are recognized in Interest expense, net as interest payments are made on the Company's variable rate debt. When interest rate derivatives are settled prior to maturity the gain or loss is recognized in Other income, net. See Note 5 for additional information.
- (b) This accumulated other comprehensive loss component is included in the computation of net periodic benefit cost recorded in Operating, administrative and general expenses.
- (c) The Company utilizes the aggregate approach for releasing disproportionate income tax effects in AOCI.

## 8. Fair Value Measurements

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis:

(in thousands)

Assets (liabilities)	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Commodity derivatives, net (a)	\$ 39,142	\$ ( 593 )	\$ —	\$ 38,549
Provisionally priced contracts (b)	( 24,870 )	( 29,944 )	—	( 54,814 )
Convertible preferred securities (c)	—	—	15,725	15,725
Other assets and liabilities (d)	6,226	20,281	—	26,507
<b>Total</b>	<b>\$ 20,498</b>	<b>\$ ( 10,256 )</b>	<b>\$ 15,725</b>	<b>\$ 25,967</b>

(in thousands)

Assets (liabilities)	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Commodity derivatives, net (a)	\$ 48,676	\$ 39,572	\$ —	\$ 88,248
Provisionally priced contracts (b)	( 108,736 )	( 65,343 )	—	( 174,079 )
Convertible preferred securities (c)	—	—	15,625	15,625
Other assets and liabilities (d)	5,477	28,009	—	33,486
<b>Total</b>	<b>\$ ( 54,583 )</b>	<b>\$ 2,238</b>	<b>\$ 15,625</b>	<b>\$ ( 36,720 )</b>

(in thousands)

Assets (liabilities)	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Commodity derivatives, net (a)	\$ 54,324	\$ 45,526	\$ —	\$ 99,850
Provisionally priced contracts (b)	( 80,657 )	( 24,460 )	—	( 105,117 )
Convertible preferred securities (c)	—	—	20,628	20,628
Other assets and liabilities (d)	2,331	41,978	—	44,309
<b>Total</b>	<b>\$ ( 24,002 )</b>	<b>\$ 63,044</b>	<b>\$ 20,628</b>	<b>\$ 59,670</b>

(a) Includes associated cash posted/received as collateral.

(b) Included in "Provisionally priced contracts" are those instruments based only on underlying futures values (Level 1) and delayed price contracts (Level 2).

(c) Recorded in "Other assets, net" on the Company's Condensed Consolidated Balance Sheets related to certain available for sale securities.

(d) Included in other assets and liabilities are assets held by the Company to fund deferred compensation plans and foreign exchange derivative contracts (Level 1), as well as interest rate derivatives (Level 2).

Level 1 commodity derivatives reflect the fair value of the exchanged-traded futures and options contracts that the Company holds, net of the cash collateral, that the Company has in its margin account.

The majority of the Company's assets and liabilities measured at fair value are based on the market approach valuation technique. With the market approach, fair value is derived using prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Company's net commodity derivatives primarily consist of futures or options contracts via regulated exchanges and contracts with producers or customers under which the future settlement date and bushels (or gallons in the case of ethanol contracts) of commodities to be delivered (primarily wheat, corn, soybeans and ethanol) are fixed and the price may or may not be fixed. Depending on the specifics of the individual contracts, the fair value is derived from the futures or options prices quoted on various exchanges for similar commodities and delivery dates as well as observable quotes for local basis adjustments (the difference, which is attributable to local market conditions, between the quoted futures price and the local cash price). Because "basis" for a particular commodity and location typically has multiple quoted prices from other agribusinesses in the same geographical vicinity and is used as a common pricing mechanism in the agribusiness industry, the Company has concluded that "basis" is typically a Level 2 fair value input for purposes of the fair value disclosure requirements related to our commodity derivatives, depending on the specific commodity. Although nonperformance risk, both of the Company and the counterparty, is present in each of these commodity contracts and is a component of the estimated fair values, based on the Company's historical experience with its producers and customers and the Company's knowledge of their businesses, the Company does not view nonperformance risk to be a significant input to fair value for these commodity contracts.

These fair value disclosures exclude RMI which consists of agricultural commodity inventories measured at net realizable value. The net realizable value used to measure the Company's agricultural commodity inventories is the fair value (spot price of the commodity in an exchange), less cost of disposal and transportation based on the local market. This valuation would generally be considered Level 2. The amount of RMI is disclosed in Note 2. Changes in the net realizable value of commodity inventories are recognized as a component of cost of sales and merchandising revenues.

Provisionally priced contract liabilities are those for which the Company has taken ownership and possession of grain, but the final purchase price has not been established. In the case of payables where the unpriced portion of the contract is limited to the futures price of the underlying commodity or the Company has delivered provisionally priced grain and a subsequent payable or receivable is set up for any future changes in the grain price, quoted exchange prices are used and the liability is deemed to be Level 1 in the fair value hierarchy. For all other unpriced contracts which include variable futures and basis components, the amounts recorded for delayed price contracts are determined on the basis of local grain market prices at the balance sheet date and, as such, are deemed to be Level 2 in the fair value hierarchy.

The convertible preferred securities are interests in several early-stage enterprises that may be in various forms, such as convertible debt or preferred equity securities.

A reconciliation of beginning and ending balances for the Company's fair value measurements using Level 3 inputs is as follows:

(in thousands)	Convertible Preferred Securities	
	2024	2023
Assets at January 1,	\$ 15,625	\$ 16,278
Gains included in Other income, net	—	802
Proceeds from investments	—	( 1,670 )
Assets at March 31,	15,625	15,410
Additional investments	—	235
Losses included in Other income, net	—	( 221 )
Assets at June 30,	15,625	15,424
Additional investments	100	1,107
Gains included in Other income, net	—	4,919
Reclassification to a receivable in Other assets, net	—	( 822 )
Assets at September 30,	\$ 15,725	\$ 20,628

The following summarize quantitative information about the Company's Level 3 fair value measurements:

Quantitative Information about Recurring Level 3 Fair Value Measurements						
(in thousands)	Fair Value as of			Valuation Method	Unobservable Input	Weighted Average
	September 30, 2024	December 31, 2023	September 30, 2023			
Convertible preferred securities				Implied based on		
(a)	\$ 15,725	\$ 15,625	\$ 20,628	market prices	N/A	N/A

(a) The Company considers observable price changes and other additional market data available to estimate fair value, including additional capital raising, internal valuation models, progress towards key business milestones, and other relevant market data points.

There were no nonrecurring level 3 fair value measurements as of September 30, 2024, December 31, 2023, or September 30, 2023.

The fair value of the Company's cash equivalents, accounts receivable and accounts payable approximate their carrying value as they are close to maturity.

As of September 30, 2024, December 31, 2023 and September 30, 2023, the estimated fair value of long-term debt, including the current portion, was \$ 567.5 million, \$ 585.1 million, and \$ 585.2 million, respectively. The Company estimates the fair value of its long-term debt based upon the Company's credit standing and current interest rates offered to the Company on similar bonds and rates currently available to the Company for long-term borrowings with similar terms and remaining maturities.

## 9. Related Parties

In the ordinary course of business, and on an arm's length basis, the Company will enter into related party transactions with the minority shareholder of the Company's Renewables operations and certain equity method investments that the Company holds, along with other related parties.

The following table sets forth the related party transactions entered into for the time periods presented:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Sales of products	\$ 103,736	\$ 98,062	\$ 236,038	\$ 270,112
Purchases of products	14,986	9,061	31,242	39,286

(in thousands)	September 30, 2024	December 31, 2023	September 30, 2023
Accounts receivable	\$ 10,327	\$ 6,732	\$ 13,706
Accounts payable	4,633	3,901	4,697

## 10. Segment Information

The Company's operations include three reportable business segments that are distinguished primarily on the basis of products and services offered as well as the structure of management. The Trade business includes commodity merchandising and the operation of terminal grain elevator facilities. The Renewables business produces ethanol and co-products through its four co-owned and consolidated ethanol production facilities as well as purchases and sells ethanol and ethanol co-products. The Nutrient & Industrial business manufactures and distributes plant nutrient products such as agricultural inputs, primarily fertilizers and turf care products along with industrial products such as deicers, dust abatement solutions and corncob-based products. The Other category includes other corporate level costs not attributable to an operating segment and intercompany eliminations between the segments.

The segment information below includes the allocation of expenses shared by one or more operating segments. Although management believes such allocations are reasonable, the operating information does not necessarily reflect how such data might appear if the segments were operated as separate businesses. The Company does not have any customers who represent 10 percent or more of total revenues.

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenues from external customers				
Trade	\$ 1,747,715	\$ 2,639,059	\$ 5,399,315	\$ 8,213,649
Renewables	745,206	868,099	2,088,372	2,585,396
Nutrient & Industrial	128,067	128,533	646,723	738,067
Total	\$ 2,620,988	\$ 3,635,691	\$ 8,134,410	\$ 11,537,112

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Income (loss) before income taxes				
Trade	\$ 26,266	\$ 8,073	\$ 37,615	\$ 52,427
Renewables (a)	52,583	47,096	114,574	31,187
Nutrient & Industrial	( 6,132 )	( 8,452 )	15,437	23,675
Other	( 10,525 )	( 8,332 )	( 34,119 )	( 29,487 )
Total	\$ 62,192	\$ 38,385	\$ 133,507	\$ 77,802

(a) Includes Net income attributable to noncontrolling interests of \$ 24.1 million and \$ 20.8 million for the three months ended September 30, 2024, and 2023, respectively, and \$ 47.7 million and \$ 4.1 million for the nine months ended September 30, 2024, and 2023, respectively.

## 11. Commitments and Contingencies

The Company is party to litigation, or threats thereof, both as defendant and plaintiff with some regularity, although individual cases that are material in size occur infrequently. As a defendant, the Company establishes reserves for claimed amounts that are considered probable and capable of estimation. If those cases are resolved for lesser amounts, the excess reserves are taken into income and, conversely, if those cases are resolved for larger than the amount the Company has accrued, the Company records additional expense. The Company believes it is unlikely that the results of its current legal proceedings for which it is the defendant, even if unfavorable, will be material. As a plaintiff, amounts that are collected can also result in sudden, non-recurring income.

Litigation results depend upon a variety of factors, including the availability of evidence, the credibility of witnesses, the performance of counsel, the state of the law, and the impressions of judges and jurors, any of which can be critical in importance, yet difficult, if not impossible, to predict. Consequently, cases currently pending, or future matters, may result in unexpected, and non-recurring losses, or income, from time to time. Finally, litigation results are often subject to judicial reconsideration, appeal and further negotiation by the parties, and as a result, the final impact of a particular judicial decision may be unknown for some time or may result in continued reserves to account for the potential of such post-verdict actions.

The estimated losses for outstanding claims that are considered reasonably possible are not material.

## 12. Other Income, net

The following table sets forth the items in Other income, net within the Condensed Consolidated Statements of Operations:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Interest income	\$ 8,141	\$ 3,296	\$ 16,535	\$ 6,471
Property insurance recoveries	5,204	—	5,204	3,183
Patronage income	—	951	3,406	3,046
Gain on deconsolidation of joint venture	—	—	3,117	6,544
Gain on sale of assets and businesses	—	6,515	—	5,836
Gain on investments	—	4,798	—	5,144
Other	577	( 382 )	2,389	5,399
Total	\$ 13,922	\$ 15,178	\$ 30,651	\$ 35,623

Individually significant items included in the table above are:

Interest income - The vast majority of interest income recorded by the Company was due to the amount of cash and cash equivalents on hand in all periods presented.

Property insurance recoveries - In 2024, property insurance recoveries consisted of \$ 5.0 million related to a grain bin collapse at an Indiana grain facility in a prior year. In 2023, property insurance recoveries consisted of several individually insignificant amounts in the ordinary course of business.

Patronage income - As a part of the Company's normal operations it relies on short-term lines of credit to support working capital needs in addition to long-term debt. The Company receives patronage income from its lenders as a part of these programs.

Gain on deconsolidation of joint venture - On April 18, 2023, ELEMENT was placed into receivership. As the receiver took control of ELEMENT, under the VIE consolidation model, the Company was deemed to have lost control of the entity and therefore deconsolidated ELEMENT from its Condensed Consolidated Financial Statements. As a result of these activities, the Company recognized a gain on deconsolidation in the second quarter of 2023. The Company recognized an additional \$ 3.1 million gain in the first quarter of 2024 as the amount of cash distributed to the Company related to its receivables from ELEMENT exceeded management's estimate at the time of deconsolidation.

Gain on sale of assets and businesses - In 2023, the vast majority of the gain was from the sale of a Nebraska grain facility of \$ 5.6 million, with the remaining amounts consisting of several individually insignificant amounts in the ordinary course of business.

Gain on investments - In 2023, the gain on investments consisted of a \$ 4.8 million revaluation gain of an investment within the Company's corporate venture fund. The remaining gains consists of individually insignificant activity in the ordinary course of business.

### 13. Subsequent Events

On November 1, 2024, the Company purchased an ownership interest in Skyland Grain, LLC ("Skyland"), which operates grain receiving and agronomy facilities in Kansas, Oklahoma, Colorado, and Texas. The transaction enables the Company to expand its core grain and fertilizer businesses across strategic markets. The Company will own 65 % of Skyland's equity and will result in the consolidation of Skyland's results in the Company's Consolidated Financial Statements within the Trade and Nutrient & Industrial segments. The Company purchased its ownership interest in Skyland for \$ 85.0 million in cash, subject to customary working capital adjustments, and was financed by cash on hand.

The Company will apply the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations, to account for the transaction and expect to record any purchase price accounting adjustments in the fourth quarter of 2024. The Company will record the assets acquired and liabilities assumed at their fair values as of the acquisition date. Due to the limited time since the closing of the acquisition, the valuation efforts and related acquisition accounting is incomplete at the time of the filing of these unaudited Condensed Consolidated Financial Statements. As a result, the Company is unable to provide amounts recognized as of the acquisition date for major classes of assets and liabilities acquired, including goodwill and other intangible assets.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward Looking Statements**

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements which relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by these forward-looking statements. Such factors include, but are not limited to, the effects of economic, weather and agricultural conditions, regulatory conditions, competition globally and in the markets the Company serves, geopolitical risk, fluctuations in cost and availability of commodities, the effectiveness of the Company's internal control over financial reporting and the unpredictability of existing and possible future litigation. However, it is not possible to predict or identify all such factors. The reader is urged to carefully consider these risks and others, including those risk factors listed under Item 1A of the 2023 Form 10-K. In some cases, the reader can identify forward-looking statements by terminology such as may, anticipates, believes, estimates, predicts, or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. These forward-looking statements relate only to events as of the date on which the statements are made and the Company undertakes no obligation, other than any imposed by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although management believes that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

### **Critical Accounting Policies and Estimates**

Our critical accounting policies and critical accounting estimates, as described in our 2023 Form 10-K, have not materially changed through the third quarter of 2024.

### **Executive Overview**

Our operations are organized, managed and classified into three reportable business segments: Trade, Renewables and Nutrient & Industrial. Each of these segments is generally based on the nature of products and services offered and aligns with the management structure.

The agricultural commodity-based business is one in which changes in selling prices generally move in relationship to changes in purchase prices. Therefore, increases or decreases in prices of the agricultural commodities that the business deals in will have a relatively equal impact on sales and merchandising revenues and cost of sales and merchandising revenues and a much less significant impact on gross profit. As a result, changes in sales and merchandising revenues and cost of sales and merchandising revenues between periods may not necessarily be indicative of the overall performance of the business and greater emphasis should be placed on changes in gross profit.

#### ***Trade***

The Trade segment's third quarter operating results were ahead of the prior year. Results from our grain asset footprint improved when compared to the prior year, due to strong elevation margins and space income. Trade's growing specialty food and feed ingredients business continued to benefit from recent growth investments. The merchandising business remained profitable with well-supplied commodity markets and limited volatility. Prior year results also included a \$19 million pretax foreign currency loss in Egypt. As expected, farmer engagement ramped up during the quarter to bring significant old crop bushels to market and forward sell new crop in anticipation of an early and robust harvest.

The portfolio mix of assets, ingredients, and merchandising businesses provides a solid foundation for us to benefit from large crops and carry markets, as well as tight, demand-driven markets. Assets are well-positioned for the anticipated early and large harvest, which should allow Trade to purchase grains at low basis levels. Domestic specialty ingredient demand is also expected to stay solid and should continue to support recent capital growth investments.

Agricultural inventories on hand were 113.2 million and 91.4 million bushels at September 30, 2024, and September 30, 2023, respectively. These bushels consist of inventory held at company-owned or leased facilities, transload inventory, in-transit inventory, and third-party held inventory. Total Trade storage space capacity at company-owned or leased facilities, including temporary pile storage, was approximately 170 million bushels at September 30, 2024, which is consistent with the prior year.

## Renewables

The Renewables segment's solid third quarter operating results were slightly improved when compared to the prior year. Margins on ethanol production improved year-over-year on significantly lower corn basis in the eastern plants, despite a reduction in ethanol board crush margins in the quarter. Production facilities continued to operate efficiently in the quarter with increased volume and higher ethanol yields. Plant co-product values were lower, with feed ingredients following the overall price reduction of corn despite improved demand. Renewable diesel feedstock volumes continue to grow albeit with compressed margins on industry fundamentals. All four plants completed their semi-annual maintenance shutdowns in the third quarter. A favorable ethanol margin environment should continue, supported by exports, higher blending rates and lower corn basis levels in the east.

Ethanol and related co-products volumes were as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Ethanol (gallons shipped)	212,336	190,368	585,213	575,567
E-85 (gallons shipped)	12,142	11,786	37,927	30,867
Vegetable oils (pounds shipped) (a)	415,505	343,619	1,191,077	908,976
DDG (tons shipped) (b)	636	497	1,737	1,534

(a) Includes corn oil, soybean oil, and other fats, oils, and greases.

(b) Dried distillers grains ("DDG") tons shipped converts wet tons to a dry ton equivalent amount.

## Nutrient & Industrial

The Nutrient & Industrial segment's third quarter operating results improved from the prior year. Overall volumes improved during a seasonally slow third quarter, but margins in base nutrients have reset to more normalized levels and did not repeat outsized margin opportunities seen in recent years. The engineered granules business saw significant improvement in the quarter on higher sales volume and margins, as the Company has continued to focus on operational improvements in this business. Looking forward, the fourth quarter should benefit from high yields and an early harvest, allowing for fall applications, dependent on grower sentiment.

Storage capacity at our Ag Supply Chain and Specialty Liquids facilities, including leased storage, was approximately 457 thousand tons for dry nutrients and approximately 511 thousand tons for liquid nutrients at September 30, 2024, which is similar to the prior year.

Tons of product sold were as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Ag Supply Chain	205	209	982	1,053
Specialty Liquids	62	59	270	282
Engineered Granules	39	25	161	134
Total tons	306	293	1,413	1,469

In the table above, Ag Supply Chain represents facilities principally engaged in the wholesale distribution and retail sale and application of primary agricultural nutrients such as bulk nitrogen, phosphorus, and potassium. Specialty Liquid locations produce and sell a variety of low-salt liquid starter fertilizers, micronutrients for agricultural use, and specialty products for use in various industrial processes. Engineered Granules include a variety of corn-cob-based products and facilities that primarily manufacture granulated dry products for use in specialty turf and agricultural applications.

## Other

Our "Other" activities include corporate income and expense and cost for functions that provide support and services to the operating segments. The results include expenses and benefits not allocated to the operating segments and other elimination and consolidation adjustments.



## Operating Results

The following discussion focuses on the operating results as shown in the Condensed Consolidated Statements of Operations and includes a separate discussion by segment. Additional segment information is included herein in Note 10, Segment Information.

### Comparison of the three months ended September 30, 2024, with the three months ended September 30, 2023, including a reconciliation of GAAP to non-GAAP measures:

(in thousands)	Three months ended September 30, 2024				
	Trade	Renewables	Nutrient & Industrial	Other	Total
Sales and merchandising revenues	\$ 1,747,715	\$ 745,206	\$ 128,067	\$ —	\$ 2,620,988
Cost of sales and merchandising revenues	1,648,939	684,831	110,093	—	2,443,863
Gross profit	98,776	60,375	17,974	—	177,125
Operating, administrative and general expenses	75,825	8,839	24,591	11,239	120,494
Interest expense (income), net	5,405	713	2,838	(595)	8,361
Other income (loss), net	8,720	1,760	3,323	119	13,922
Income (loss) before income taxes	\$ 26,266	\$ 52,583	\$ (6,132)	\$ (10,525)	\$ 62,192
Income before income taxes attributable to the noncontrolling interests	—	24,096	—	—	24,096
Non-GAAP Income (loss) before income taxes attributable to the Company	<u>\$ 26,266</u>	<u>\$ 28,487</u>	<u>\$ (6,132)</u>	<u>\$ (10,525)</u>	<u>\$ 38,096</u>

  

(in thousands)	Three months ended September 30, 2023				
	Trade	Renewables	Nutrient & Industrial	Other	Total
Sales and merchandising revenues	\$ 2,639,059	\$ 868,099	\$ 128,533	\$ —	\$ 3,635,691
Cost of sales and merchandising revenues	2,553,062	815,054	109,874	—	3,477,990
Gross profit	85,997	53,045	18,659	—	157,701
Operating, administrative and general expenses	79,247	8,332	26,233	12,494	126,306
Interest expense (income), net	6,515	963	1,484	(774)	8,188
Other income, net	7,838	3,346	606	3,388	15,178
Income (loss) before income taxes	\$ 8,073	\$ 47,096	\$ (8,452)	\$ (8,332)	\$ 38,385
Income before income taxes attributable to the noncontrolling interests	—	20,815	—	—	20,815
Non-GAAP Income (loss) before income taxes attributable to the Company	<u>\$ 8,073</u>	<u>\$ 26,281</u>	<u>\$ (8,452)</u>	<u>\$ (8,332)</u>	<u>\$ 17,570</u>

The Company uses Income (loss) before income taxes attributable to the Company, a non-GAAP financial measure as defined by the Securities and Exchange Commission, to evaluate the Company's financial performance. This performance measure is not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures. Management believes that Income (loss) before income taxes attributable to the Company is a useful measure of the Company's performance as it provides investors additional information about the Company's operations, allowing evaluation of underlying business performance and period-to-period comparability. This measure is not intended to replace or be an alternative to Income (loss) before income taxes, the most directly comparable measure reported under GAAP.

## **Trade**

Operating results for the Trade segment improved from the same period of the prior year. Sales and merchandising revenues decreased by \$891.3 million and cost of sales and merchandising revenues decreased by \$904.1 million resulting in increased gross profit of \$12.8 million. A majority of the decrease in sales and merchandising revenues and cost of sales and merchandising revenues can be attributed to reduced commodity prices across all of our business lines as the oversupply of commodities has shifted to a carry market. The remainder of the decrease from the prior year can be attributed to management making a prudent decision to intentionally pull back on volumes traded in certain regions due to the recent geopolitical unrest. The \$12.8 million increase in gross profit can be attributed to a \$17.2 million improvement in the international merchandising business as currency liquidity issues in Egypt impacted results in the prior period. Our asset-based business realized strong elevation margins and space income in the current carry market and our specialty ingredients business continues to perform well, realizing the benefits of its recent acquisition and other growth investments.

Operating, administrative and general expenses decreased by \$3.4 million. Substantially all of the decrease from the prior year can be attributed to decreased incentives.

Interest expense decreased by \$1.1 million due to reduced short-term borrowings from lower commodity prices.

## **Renewables**

Operating results for the Renewables segment increased by \$2.2 million from the same period last year. Sales and merchandising revenues decreased by \$122.9 million and cost of sales and merchandising revenues decreased by \$130.2 million compared to prior year results. As a result, gross profit increased by \$7.3 million compared to 2023 results. The decrease in both sales and merchandising revenues and cost of sales and merchandising revenues can be attributed to 23% lower ethanol prices, a similar reduction in DDG prices, and declines in values across the various renewable diesel feedstocks. Sales volumes remained consistent for the base ethanol business and increased in our feed and renewable diesel feedstocks products by 30% and 21%, respectively. The \$7.3 million increase to gross profit in the current period results reflect a \$10.1 million increase at the ethanol plants from efficient production combined with strong ethanol margins. The improved gross profit performance at the ethanol plants was partially offset by lower results in the third-party trading business on compressed margins despite higher sales volumes.

Other income, net decreased from the prior year by \$1.6 million due to \$2.2 million in USDA Biofuel Producer Program proceeds received in the third quarter of 2023 that did not recur.

## **Nutrient & Industrial**

Operating results for the Nutrient & Industrial segment increased by \$2.3 million compared to the same period in the prior year. Sales and merchandising revenues and cost of sales and merchandising revenues were flat from the prior year resulting in gross profit largely consistent with the prior year. Although overall gross profit was flat, our Ag Supply Chain business fell short of the prior year by \$6.6 million due to a weaker margin environment as margins dropped approximately 50% from outsized levels in the prior year. This gross profit shortfall was almost entirely offset by the improved performance in our Engineered Granules and Specialty liquids businesses as both margins and volumes improved.

Operating, administrative and general expenses decreased from the prior year by \$1.6 million mainly due to \$1.2 million of reduced incentives from lower operating results.

Other income, net increased by \$2.7 million in which substantially all of the increase from prior year was related to interest income from cash on hand.

## **Other**

Results for the quarter declined by \$2.2 million compared to the same period in the prior year. The decrease from the prior year was primarily driven by a \$4.8 million revaluation gain of a cost method investment in the prior year which was partially offset by lower incentive compensation in the current year.

## Income Taxes

For the three months ended September 30, 2024, the Company recorded income tax expense of \$10.7 million. The Company's effective tax rate was 17.3% on income before taxes of \$62.2 million. The difference between the 17.3% effective tax rate and the U.S. federal statutory tax rate of 21% is primarily attributable to the tax impact of noncontrolling interest and federal tax credits offset by state and local income taxes, tax impacts of foreign operations, nondeductible compensation, and changes in other discrete tax adjustments.

For the three months ended September 30, 2023, the Company recorded income tax expense of \$7.9 million. The Company's effective tax rate was 20.5% on income of \$38.4 million. The difference between the 20.5% effective tax rate and the U.S. federal statutory tax rate of 21.0% was primarily attributable to the tax impact of noncontrolling interest offset by state and local income taxes, nondeductible compensation, and other discrete tax adjustments.

### Comparison of the nine months ended September 30, 2024, with the nine months ended September 30, 2023, including a reconciliation of GAAP to non-GAAP measures:

(in thousands)	Nine months ended September 30, 2024				
	Trade	Renewables	Nutrient & Industrial	Other	Total
Sales and merchandising revenues	\$ 5,399,315	\$ 2,088,372	\$ 646,723	\$ —	\$ 8,134,410
Cost of sales and merchandising revenues	5,142,609	1,954,700	556,285	—	7,653,594
Gross profit	256,706	133,672	90,438	—	480,816
Operating, administrative and general expenses	220,886	24,592	75,427	35,561	356,466
Interest expense (income), net	16,492	2,192	4,454	(1,644)	21,494
Other income (loss), net	18,287	7,686	4,880	(202)	30,651
Income (loss) before income taxes	\$ 37,615	\$ 114,574	\$ 15,437	\$ (34,119)	\$ 133,507
Income before income taxes attributable to the noncontrolling interests	—	47,674	—	—	47,674
Non-GAAP Income (loss) before income taxes attributable to the Company	\$ 37,615	\$ 66,900	\$ 15,437	\$ (34,119)	\$ 85,833
(in thousands)	Nine months ended September 30, 2023				
	Trade	Renewables	Nutrient & Industrial	Other	Total
Sales and merchandising revenues	\$ 8,213,649	\$ 2,585,396	\$ 738,067	\$ —	\$ 11,537,112
Cost of sales and merchandising revenues	7,929,763	2,448,256	631,444	—	11,009,463
Gross profit	283,886	137,140	106,623	—	527,649
Operating, administrative and general expenses	220,373	24,804	79,251	35,120	359,548
Asset impairment	—	87,156	—	—	87,156
Interest expense (income), net	29,235	5,648	5,649	(1,766)	38,766
Other income, net	18,149	11,655	1,952	3,867	35,623
Income (loss) before income taxes	\$ 52,427	\$ 31,187	\$ 23,675	\$ (29,487)	\$ 77,802
Loss before income taxes attributable to the noncontrolling interests	—	4,088	—	—	4,088
Non-GAAP Income (loss) before income taxes attributable to the Company	\$ 52,427	\$ 27,099	\$ 23,675	\$ (29,487)	\$ 73,714

The Company uses Income (loss) before income taxes attributable to the Company, a non-GAAP financial measure as defined by the Securities and Exchange Commission, to evaluate the Company's financial performance. This performance measure is not defined by accounting principles generally accepted in the United States and should be considered in addition to, and not in lieu of, GAAP financial measures. Management believes that Income (loss) before income taxes attributable to the Company is a useful measure of the Company's performance as it provides investors additional information about the Company's operations, allowing evaluation of underlying business performance and period-to-period comparability. This measure is not intended to replace or be an alternative to Income (loss) before income taxes, the most directly comparable amounts reported under GAAP.

### **Trade**

Operating results for the Trade segment decreased by \$14.8 million from the prior year. Sales and merchandising revenues decreased by \$2,814.3 million, and cost of sales and merchandising revenues decreased by \$2,787.2 million for a decreased gross profit impact of \$27.2 million. A majority of the decrease in sales and merchandising revenues and cost of sales and merchandising revenues can be attributed to reduced commodity prices across all of our business lines as the oversupply of commodities has shifted to a carry market. The remainder of the decrease from the prior year can be attributed to management making a prudent decision to intentionally pull back on volumes traded in certain regions due to the recent geopolitical unrest. Of the \$27.2 million decrease in gross profit, \$20.3 million was related to damaged inventory insurance recoveries recorded in the prior year within the asset-based business. This was followed by a \$14.7 million decrease in the merchandising businesses as there were less trading opportunities in a less volatile commodity market, which was partially offset by \$6.6 million of improved results in our specialty ingredients business as recent acquisitions and growth investments were accretive to results.

Interest expense decreased by \$12.7 million due to reduced short-term borrowings from lower commodity prices.

### **Renewables**

Operating results for Renewables increased by \$39.8 million from the same period of prior year. Sales and merchandising revenues decreased by \$497.0 million, and cost of sales and merchandising revenues decreased by \$493.6 million compared to prior year. As a result, gross profit decreased by \$3.5 million. The decrease in both sales and merchandising revenues and cost of sales and merchandising revenues can be attributed to 26% lower ethanol prices, a similar reduction in DDG prices, and declines in values across the various renewable diesel feedstocks. Sales volumes remained consistent for the base ethanol business and increased in our feed and renewable diesel feedstocks products by 16% and 31%, respectively. The \$3.5 million decrease in gross profit from the prior period can mainly be attributed to margin compression in our third-party trading business.

An asset impairment charge of \$87.2 million related to ELEMENT was recorded in the prior year. As ELEMENT was a consolidated subsidiary of the Company at the time, the entire impairment charge is reflected in Asset impairment.

Interest expense decreased by \$3.5 million from the prior year, of which \$2.2 million of the decrease was due to the deconsolidation of ELEMENT non-recourse debt with the remainder due to lower working capital usage.

Other income, net decreased from the prior year by \$4.0 million as the Company recorded an additional \$3.4 million in gains as a result of the deconsolidation of the ELEMENT ethanol plant in the prior year.

### **Nutrient & Industrial**

Operating results for the Nutrient & Industrial segment decreased by \$8.2 million when compared to the same period of the prior year. Sales and merchandising revenues decreased \$91.3 million, and cost of sales and merchandising revenues decreased by \$75.2 million resulting in decreased gross profit of \$16.2 million. Over 90% of the decrease in sales and merchandising revenues and cost of sales and merchandising revenues was due to margin compression as the prior year experienced outsized pricing opportunities in the spring application season. Specifically, our Ag Supply Chain business was impacted the most by a lower price environment and reduced volumes from a wet and delayed spring application season, as it contributed \$13.1 million of the \$16.2 million gross profit shortfall when compared to the outsized prior year results.

Interest expense decreased \$1.2 million from prior year due to lower working capital usage.

Other income, net increased by \$2.9 million in which substantially all of the increase from prior year was related to interest income from cash on hand.

### **Other**

Results for the quarter decreased by \$4.6 million compared to the same period in the prior year due to a \$4.8 million revaluation gain of a cost method investment in the prior year.

## Income Taxes

For the nine months ended September 30, 2024, the Company recorded income tax expense of \$16.9 million. The Company's effective tax rate was 12.7% on income before taxes of \$133.5 million. The difference between the 12.7% effective tax rate and the U.S. federal statutory tax rate of 21.0% is primarily attributable to the tax impact of noncontrolling interest, federal tax credits, stock-based compensation, and the reversal of certain unrecognized tax benefits offset by state and local income taxes, tax impacts of foreign operations, and nondeductible compensation.

For the nine months ended September 30, 2023, the Company recorded an income tax expense of \$23.7 million. The Company's effective tax rate was 30.5% on income before income taxes of \$77.8 million. The difference between the 30.5% effective tax rate and the U.S. federal statutory rate of 21.0% is primarily attributable to the tax impact of noncontrolling interest, state and local income taxes, and nondeductible compensation, and other discrete tax adjustments. Other discrete tax adjustments include a net income tax benefit of \$10.6 million, recorded on a net loss before taxes of \$88.8 million related to the operations, impairment charge, and gain on deconsolidation associated with ELEMENT.

The Company's subsidiary partnership returns are under U.S. federal and certain state tax examinations for tax years 2018 through 2022. The Company's subsidiary is under federal tax examination by the Mexican tax authorities for tax year 2015. The U.S. federal, state, and Mexican tax authorities' examinations could potentially be resolved within the next 12 months. The resolution of these examinations could change our unrecognized tax benefits and favorably impact income tax expense by a range of \$5.7 million to \$10.1 million.

On December 20, 2021, the Organization for Economic Co-operation and Development ("OECD") issued Pillar Two model rules introducing a global minimum tax of 15% on large corporations. Although the U.S. has not yet adopted the Pillar Two model rules, several foreign countries enacted legislation in 2023 which closely follow OECD's Pillar Two guidance to be effective January 1, 2024. The impact of Pillar Two legislation on the Company's 2024 effective tax rate is expected to be minimal. Management will continue to monitor Pillar Two legislation in our relevant jurisdictions to determine any changes to the Company's effective tax rate.

## Liquidity and Capital Resources

### Working Capital

At September 30, 2024, the Company had working capital of \$1,153.2 million, an increase of \$33.7 million from the prior year. This increase was attributable to changes in the following components of current assets and current liabilities:

(in thousands)	September 30, 2024	September 30, 2023	Variance
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 454,065	\$ 418,055	\$ 36,010
Accounts receivable, net	756,618	816,686	(60,068)
Inventories	884,339	985,292	(100,953)
Commodity derivative assets – current	122,326	239,595	(117,269)
Other current assets	113,726	67,471	46,255
Total current assets	2,331,074	2,527,099	(196,025)
<b>Current Liabilities:</b>			
Short-term debt	14,716	14,138	578
Trade and other payables	774,347	822,153	(47,806)
Customer prepayments and deferred revenue	67,899	211,867	(143,968)
Commodity derivative liabilities – current	85,640	142,511	(56,871)
Current maturities of long-term debt	27,727	27,535	192
Accrued expenses and other current liabilities	207,543	189,430	18,113
Total current liabilities	1,177,872	1,407,634	(229,762)
<b>Working Capital</b>	<b>\$ 1,153,202</b>	<b>\$ 1,119,465</b>	<b>\$ 33,737</b>

Current assets as of September 30, 2024, decreased \$196.0 million in comparison to those as of September 30, 2023. This decrease related to the reduction of all current asset accounts with the exception of the increase in cash and other current assets. The decreases in these current asset accounts can largely be attributed to the reduction and stabilization of agricultural commodity prices over the last year in comparison to historically high price levels of agricultural commodities, including fertilizer, in the same period of the prior year. The decreases in the working capital asset accounts also had a direct impact on cash as the Company was not deploying cash to hold working capital as it had done in the previous year.

Current liabilities decreased \$229.8 million from the prior year. Current liabilities have decreased in trade payables, customer prepayments and deferred revenue, and commodity derivative liabilities as commodity prices have continued to stabilize over the last year compared to the historically high commodity prices in the same period of the prior year.

#### Sources and Uses of Cash

(in thousands)	Nine months ended September 30,	
	2024	2023
Net cash provided by operating activities	\$ 62,695	\$ 696,087
Net cash used in investing activities	(90,592)	(117,263)
Net cash used in financing activities	(162,595)	(275,846)

#### *Operating Activities*

Operating activities provided cash of \$62.7 million and \$696.1 million in the first nine months of 2024 and 2023, respectively. The decrease in the amount of cash provided in operating activities is mainly due to an unfavorable change of \$620.4 million in operating assets and liabilities through the normal course of business. Cash generation excluding working capital changes remains consistent and strong in changing markets.

#### *Investing Activities*

Investing activities used cash of \$90.6 million through the first nine months of 2024 compared to \$117.3 million in the prior period. Cash used in investing activities decreased from the prior year mainly due to reduced capital spending combined with \$14.8 million in reduced spending on business acquisitions in the current year.

We expect to invest approximately \$150 million in property, plant, and equipment in 2024, depending on project timing. Approximately 50% of capital spending will be to maintain current facilities.

#### *Financing Activities*

Financing activities used cash of \$162.6 million and \$275.8 million for the nine months ended September 30, 2024, and 2023, respectively. This decrease in cash used from the prior year is mainly due to the change in the Company's borrowings on its short-term credit facility as the Company had sufficient cash on hand in 2024 to cover a large amount of settled payables and other changes in working capital.

The Company paid \$19.5 million in dividends in the first nine months of 2024 compared to \$18.8 million paid in the prior period. The Company paid dividends of \$0.19 and \$0.185 per common share in January, April, and July of 2024 and 2023, respectively. On August 15, 2024, the Company declared a cash dividend of \$0.19 per common share payable on October 22, 2024, to shareholders of record on October 1, 2024.

The Company is party to borrowing arrangements with a syndicate of banks that provide a total of \$1,859.4 million in borrowing capacity. As of September 30, 2024, the Company had \$1,841.0 million available for borrowing.

Certain of our long-term borrowings include covenants that, among other things, impose minimum levels of working capital and various debt leverage ratios. The Company is in compliance with all covenants as of September 30, 2024. In addition, certain of our long-term borrowings are collateralized by mortgages on various facilities.

The Company is typically in a net short-term borrowing position in the first two quarters of the year. The majority of these short-term borrowings bear interest at variable rates, and an increase in interest rates could have a significant impact on our profitability. In addition, periods of high grain prices could require us to make additional margin deposits on our exchange traded futures contracts. Conversely, in periods of declining prices, the Company could receive a return of cash.

Management believes the Company's sources of liquidity will be adequate to fund operations, capital expenditures and service indebtedness. At September 30, 2024, the Company had standby letters of credit outstanding of \$3.7 million.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

For further information, refer to our Annual Report on Form 10-K for the year ended December 31, 2023. There were no material changes in market risk, specifically commodity and interest rate risk during the nine months ended September 30, 2024.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act were effective as of September 30, 2024, to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting during the third quarter of 2024, identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

The Company is subject to legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. Refer to Part I, Item 1 of this Form 10-Q in the Notes to Condensed Consolidated Financial Statements in Note 11, "Commitments and Contingencies," In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss greater than a recorded accrual, concerning loss contingencies for asserted legal and other claims.

The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Company in a reporting period for amounts above management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected.

Item 1A. Risk Factors

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in Part I, Item 1A of the 2023 Form 10-K under the heading "Risk Factors," any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Periods	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (b)
July 2024	—	\$ —	—	\$ 100,000,000
August 2024	—	—	—	100,000,000
September 2024	604	50.97	—	100,000,000
Total	604	\$ 50.97	—	\$ 100,000,000

(a) During the three months ended September 30, 2024, the Company acquired shares of common stock held by employees who tendered owned shares to satisfy tax withholding obligations.

(b) As of August 15, 2024, the Company was authorized to purchase up to \$100 million of the Company's common stock (the "Repurchase Plan") on or before August 15, 2027. As of September 30, 2024, none of the \$100 million available to repurchase shares had been utilized. The Repurchase Plan does not obligate the Company to acquire any specific number of shares. Under the Repurchase Plan, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

Item 5. Other Information

On August 30, 2024, Patrick E. Bowe, Executive Chairman, entered into a Rule 10b5-1 plan to sell up to 99,215 shares of the Company's common stock, based on certain price parameters, from November 29, 2024 to November 28, 2025.



**Item 6. Exhibits**

<u>Exhibit Number</u>	<u>Description</u>
10.1	<a href="#">Second Amended and Restated Employment Agreement, dated August 15, 2024, between The Andersons, Inc. and William E. Krueger</a>
10.2	<a href="#">Letter Agreement, dated August 15, 2024, between The Andersons, Inc. and Patrick E. Bowe</a>
31.1*	<a href="#">Certification of the Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)</a>
31.2*	<a href="#">Certification of the Chief Financial Officer under Rule 13(a)-14(a)/15d-14(a)</a>
32.1**	<a href="#">Certifications Pursuant to 18 U.S.C. Section 1350</a>
101**	Inline XBRL Document Set for the Condensed Consolidated Financial Statements and accompanying notes in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q.
104**	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set.

\* Filed herewith

\*\* Furnished herewith

**Items 3 and 4 are not applicable and have been omitted.**

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE ANDERSONS, INC.

Date: November 5, 2024

/s/ William E. Krueger  
William E. Krueger  
President and Chief Executive Officer

Date: November 5, 2024

/s/ Brian A. Valentine  
Brian A. Valentine  
Executive Vice President and Chief Financial Officer

**Certifications**

I, William E. Krueger, certify that:

1. I have reviewed this report on Form 10-Q of The Andersons, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 5, 2024

/s/ William E. Krueger

William E. Krueger

President and Chief Executive Officer

**Certifications**

I, Brian A. Valentine, certify that:

1. I have reviewed this report on Form 10-Q of The Andersons, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 5, 2024

/s/ Brian A. Valentine

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Brian A. Valentine

Executive Vice President and Chief Financial Officer

**The Andersons, Inc.**

**Certifications Pursuant to 18 U.S.C. Section 1350**

In connection with the Quarterly Report of The Andersons, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to such officer's knowledge:

- (1) The Report fully complies with the requirements of 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

November 5, 2024

/s/ William E. Krueger

William E. Krueger

President and Chief Executive Officer

/s/ Brian A. Valentine

Brian A. Valentine

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to The Andersons, Inc. and will be retained by The Andersons, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.