Monsanto's Lasso currently has a relatively small share of the Brazilian soybean market but the company expects a good sales increase year-to-year in the fourth quarter of 1975. Monsanto is committed to a more aggressive marketing program in Brazil in 1976 and beyond. We estimate that Monsanto's foreign proprietary herbicide business represents a somewhat lower percentage of total herbicide sales than do the foreign herbicide sales of Lilly and Stauffer. We estimate that roughly 20% of the company's total herbicide sales are derived from non-U.S. sources, but foreign Lasso sales are probably less than 10% of total worldwide Lasso revenues. This estimate can be verified by examining the geographic markets and sales estimates for the company's major herbicide products: Lasso, Ramrod, Lasso II, Avadex and Machete. There is practically no Ramrod or Lasso II business done outside the United States but almost all of Avadex and Machete sales are generated outside the United States. Proprietary agrichemical sales are estimated at $365 million in 1975; foreign sales of about $70 million would be comprised of about almost $50 million in sales of Avadex and Machete. The remainder of foreign sales, or about $20 million, would be accounted for by Lasso.

Cycle Safe

Monsanto is now fully in the production phase on its first bottle line in Springfield, Massachusetts. Prior to this point, Monsanto has considered its operation in Springfield to be in the pilot phase. The resin plant is actually a modular unit and can be easily expanded; however, current capacity will probably not be fully utilized until early 1977. Complementing Coke's development of new markets, Monsanto is planning to add additional bottling plants in Baltimore and Chicago by the end of 1976. The company anticipates no substantial reduction in losses in 1976.

Petrochemicals

Monsanto noted a substantial jump in its petrochemical sales in October. Chocolate Bayou, the company's condensate cracker in Texas, is now operating at 90% of capacity. A portion of the increase in production is undoubtedly traceable to customer anticipation of the company's recently announced $0.02 per pound increase in styrene monomer prices.

Intangible Drilling Costs

During the first nine months of 1975, Monsanto charged off about $0.20 per share in non-allocated deferred taxes which had been incurred prior to January 1, 1975. A recent FASB statement reverses an earlier position and suggests that these costs should not be charged against present or past revenues. Monsanto has the options to credit fourth quarter and full year profits by $0.20 per share or to amortize this amount over the first three quarters of 1976. No decision has been made at this time. More detailed information on the FASB proposal is available on request.

Polychlorinated Biphenyls (PCB)

The EPA and New York State pollution control officials are proposing strict discharge limits on PCB fluids which are used as heat transfer and insulating mediums. Their concern is based on recent findings which link PCB with cancer of the liver and certain skin diseases in monkeys and chimpanzees which were used as test animals. PCB's are 30% heavier than water and sink to the bottom of rivers and lakes where they attach to silt and sediment. They are highly soluble and concentrate in the underbellies and eggs of fish. Monsanto is the only U.S.

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producer of PCB and one of the few worldwide producers. Monsanto is currently manufacturing about 40 million pounds of PCB per year at its single U.S. plant and 20 million pounds per year at a plant in the United Kingdom. Selling prices average about $0.50 per pound, indicating that total sales derived from PCB are about $30 million per year. Profits are believed to be satisfactory but not exceptional, and we estimate that Monsanto's pre-tax margins on sales are in the 10%-15% range.

PCB's were first detected as a long lasting contaminant in 1966. Monsanto then began phasing out production of PCB which had been as high as 80 million pounds per year (in the United States) and also limiting the sale of the product only to those customers which had totally closed processes. U.S. demand for PCB's has been growing very slowly since the early 1970's and a 1971 breakout based on 40 million pounds of consumption is probably fairly accurate. In that survey, it was suggested that of 40 million pounds of production, almost 28 million pounds were used in electrical insulating fluids systems, mostly in transformers and capacitors; 9 million pounds of PCB's were used as heat transfer fluids, hydraulic fluids, lubricants and plasticizors; about 10 million pounds of PCB's were exported.

The EPA is asking for zero discharge limits by September 30, 1976 and Monsanto's customers, such as the General Electric Company, may find it difficult to meet these standards. Monsanto could walk away from the product without a significant financial loss, but PCB's themselves have very useful properties. The company does not believe that there is presently an acceptable alternative product available in the United States. Dow has recently announced a candidate product but it is flame resistant and not flame retardant as are the PCB's. Monsanto also has a number of similar candidates but is not yet able to say with any degree of certainty that it will be able to fully replace the product from a performance standpoint.

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