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Monsanto Says Profit Rose 18% in 3rd Period Despite Sales Decline

By a WALL STREET JOURNAL Staff Reporter

ST. LOUIS—Monsanto Co. said third-quarter net income rose at least 18% from year-earlier operating profit, despite a sales [illegible].

The company said it also plans a stock-for-debt swap that will strengthen its capital position and provide a special gain that it expects will total [illegible] million.

The chemicals maker attributed the quarterly earnings increase to expense [illegible] and the declining cost of raw materials. The quarter's sales, as well as nine-month sales and earnings, declined because of slumps in important markets such as construction and equipment, petroleum refining, motor vehicles, apparel and home furnishings, a Monsanto spokesman said.

The company said in its registration statement for the offering that it expects third-quarter net of between [illegible] million and [illegible] million, or between [illegible] a share and [illegible] a share, up from year-earlier operating profit of [illegible] million, or [illegible] a share. In the 1981 quarter, a gain of [illegible] million from sale of assets made net [illegible] million, or [illegible] a share. Monsanto said sales were an estimated $1.5 billion, down [illegible]% from $1.[illegible] billion.

Monsanto said [illegible] third-quarter earnings also reflected a 30-cent-a-share charge from its discontinued U.S. [illegible] business, which was more than offset by a 30-cent-a-share gain from the early termination of an [illegible] lease. Devaluation of the Mexican peso reduced earnings [illegible] cents a share, Monsanto said.

For the nine months, Monsanto said net was between [illegible] million and [illegible] million, or [illegible] and [illegible] a share, a [illegible]% to [illegible]% decline from year-earlier operating profit of [illegible] million, or [illegible] a share. The gain from the sale of assets made net [illegible] million, or [illegible] a share, in the 1981 period. Sales were an estimated [illegible] billion, down [illegible]% from [illegible] billion.

Fourth-quarter earnings will be boosted by a gain of [illegible] million, or [illegible] cents a share, resulting from the stock-for-debt swap, Monsanto said. The company said it intends to swap as many as [illegible] million new common shares for about [illegible] million of low-interest Monsanto debt held by Goldman, Sachs & Co. Debt consists of [illegible]% debentures due [illegible], [illegible]% debentures due [illegible] and [illegible]% debentures due [illegible].

Monsanto said it filed with the Securities and Exchange Commission to issue the shares, which would be in addition to the [illegible] million currently outstanding.

Monsanto stock closed at [illegible], down 75 cents, yesterday in composite trading on the New York Stock Exchange.

The spokesman said the swap is part of Monsanto's program to strengthen its capital position and reduce long-term debt. In June, long-term debt was $1.88 billion, or 30% of Monsanto's total capitalization. That was down from almost 38% at the end of 1980, the spokesman said. Monsanto is reducing the debt in part to cut interest costs, he added.

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RULEBOOK
RECENT DEVELOPMENTS ON THE REGULATORY FRONT

EPA Sets New Controls On PCB Production

Taking one more small step toward regulating toxic polychlorinated biphenyls, or PCBs, a chemical whose manufacture was banned by Congress in 1976, the Environmental Protection Agency Friday set new controls on companies that produce the chemical as a byproduct.

The publication of the rule means there is one more shoe left to drop in the whole process of regulating the chemical as a byproduct, according to Bob Fenstersheim of the Chemical Manufacturers Association. The chemicals, once widely used in electrical generators and transformers because of their high resistance to heat, have been branded as one of the most noxious pollutants because they are hard to break down and tend to become concentrated in fish and other foods, and in part because of liver and hormonal damage.

Friday's rule sets stringent controls on a few firms whose basic manufacturing process creates a high level of PCB byproducts; they will not be able to discharge amounts of the chemical that can be measured with present technology.

Paradoxically, however, chemical firms that produce moderate or low levels of PCBs in the factory will be able to discharge them in their wastewater. In practice, this means some firms will have to limit their discharges to one-tenth of a part per million of PCBs while others will be able to discharge up to 50 parts per million.

However, says CMA's Fenstersheim, this discrepancy may be eliminated when EPA issues one remaining rule in the area.

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