Monsanto

WE REMAIN COMMITTED TO SHAREOWNER VALUE

1992 Annual Report

DSW 021988

MONSANTO 1992 OVERVIEW

Monsanto Company's net income in 1992 was affected by a number of significant nonrecurring items. As a result, the company had a net loss of $88 million, or 71 cents per share, on net sales of $7.8 billion. The largest of the charges against earnings was a one-time aftertax charge of $658 million, or $5.34 per share, to adopt Statement of Financial Accounting Standards No. 106. This rule recognizes the future costs of medical and other post-retirement benefits for retirees.

The company also took a one-time aftertax charge of $425 million, or $3.44 per share, to implement cost-cutting actions designed to make worldwide operations more focused, productive and cost-effective. Major elements include a realignment of selected research investments; reductions in employment; and a number of consolidations, closings and sales of nonstrategic businesses and facilities.

The most significant gain in 1992 came from the sale of Fisher Controls International Inc. The aftertax gain from that sale was $554 million, or $4.49 per share. Although Fisher Controls was part of Monsanto for 23 years, its valve and process controls businesses were no longer a strategic fit for the company. The sale of Fisher Controls allows Monsanto to focus on its four core businesses.

The company also realized an aftertax gain of $118 million, or 96 cents per share, from the adoption of Statement of Financial Accounting Standards No. 109, which pertains to income-tax accounting.

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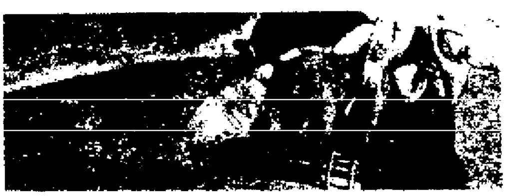
OPERATIONAL HIGHLIGHTS

(Dollars in millions, except per share)	1992	1991	1990	% Change 1992 vs. 1991
Net Sales	**$7,763**	$7,936	$8,068	(2)%
Income (Loss) from Continuing Operations	**$ (126)**	$ 238	$ 486	(153)%
Net Income (Loss)	**$ (88)**	$ 296	$ 546	(130)%
Per Share:				
Income (Loss) from Continuing Operations	**$(1.01)**	$ 1.87	$ 3.77	(154)%
Net Income (Loss)	**$(0.71)**	$ 2.33	$ 4.23	(130)%
Dividends	**$ 2.20**	$2.045	$ 1.88	8%
Shareowners' Equity	**$24.95**	$29.72	$32.51	(16)%
Depreciation and Amortization	**$ 765**	$ 714	$ 704	7%
Cash Provided by Operations	**$ 912**	$1,180	$1,104	(23)%
Research and Development Expenses	**$ 651**	$ 610	$ 595	7%
Return on Shareowners' Equity	**(2.6)%**	7.6%	13.6%	(134)%
Percent of Total Debt to Total Capitalization	**36%**	38%	35%	(5)%
Shareowners (year-end)	**60,074**	60,152	62,230	—
Shares Outstanding (year-end, in millions)	**120**	123	126	(2)%
Employees (year-end)	**33,797**	39,281	41,081	(14)%

THIS IS MONSANTO

Monsanto Company makes and markets high-value agricultural products, chemical products, pharmaceuticals and food ingredients. The company's best-known brands include *Roundup* herbicide, *Lasso* herbicide, *Wear-Dated* carpet, *Saflex* plastic interlayer, *Calan* calcium channel blocker, *Cytotec* ulcer preventive drug and *NutraSweet* brand sweetener.



ABOUT THE COVER

Monsanto is paving the way to strategic goals that create superior shareowner value.

LETTER TO SHAREOWNERS

Shareowners had a rough ride in 1992. In the preceding decade, Monsanto outperformed the market, with a total return to shareowners averaging some 20 percent per year. But 1992 closed with our stock down 15 percent from its January opening.

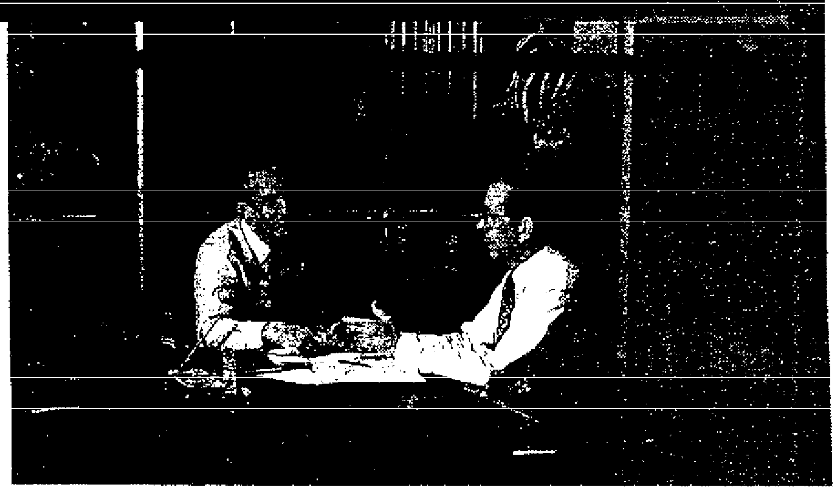
There was a lot of good news during 1992, but there was some bad news as well. The all-important earnings result was a disappointment. The two previous pages and the financial section of this report describe the net negative effect of several one-time charges and gains for the year. These nonrecurring items include new accounting charges for retiree benefits required of most U.S.-based companies, charges for cost-cutting actions, asset sales, and other unusual items. Even so, earnings from operations weren't what we had projected at the start of the year.

When we set out our plans for 1992, we had several objectives:

▶ **Keep sales and earnings growing for *Roundup* herbicide.** We got the sales increase, with worldwide volumes up 16 percent. What would have been a superb year for earnings from *Roundup* was only "pretty good" because of the cost of fixing a production outage. We simply shouldn't have let that outage happen, given our excellent manufacturing record.

▶ **Get new pharmaceutical product approvals to launch major sales growth.** Searle received three new drug approvals in the United States and a number of important approvals internationally — a remarkable record. But 1992 also brought U.S. approval for the first generic competition for the sustained-release form of Searle's leading product, *Calan* calcium channel blocker. We're optimistic about the prospects for Searle's new products, but the competition will hurt *Calan*, at least in the short term.

▶ **Complete the plan to manage the consequences of the U.S. patent expiration**



Richard J. Mahoney, ▶ chairman and chief executive officer (right), and Robert B. Shapiro, president and chief operating officer

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for *NutraSweet* brand sweetener in 1992. We've retained most of our business for *NutraSweet* worldwide, as we had planned. To offset lower prices, we're driving down our cost of doing business, as well as our production costs. In addition, we're moving forward with research and development for Sweetener 2000, a high-intensity sweetener that promises a step change in cost and performance for the sweetener market. Our branded offerings were bolstered with new-product launches, especially *NutraSweet Spoonful.* This new product in tabletop serving jars is spoonable, like sugar. We expect good growth from products like *NutraSweet Spoonful* and from increasing sales of *NutraSweet* in cost-driven sugar-substitution markets worldwide. This business is solid now and has some interesting "wild cards" developing.

▶ **Capitalize on our superb product positions in The Chemical Group during the expected 1992 economic recovery.** We kept our market positions for our high-value chemical products in 1992, but the economy remained weak. Europe, usually an earnings engine for us, sputtered.

▶ **Dispose of nonstrategic assets and redeploy the proceeds.** Fisher Controls International Inc. was sold for $1.3 billion, with a recorded aftertax gain of $554 million. Other asset sales brought in $177 million. We expect to use half the proceeds from these sales to retire high-price debt and to purchase the Ortho lawn-and-garden business from Chevron Chemical Co. Ortho's line will be an excellent addition to our family of home lawn-and-garden products. Sales of our lawn-and-garden products have been increasing significantly in the past few years; the Ortho addition will make us a major player.

We'll continue to apply unrelenting pressure to reduce our costs and to ensure product quality gains that customers can recognize as value.

Share repurchases remain an important use for excess cash available after normal business requirements have been met. Our board of directors again authorized share repurchases in 1992.

▶ **Cut overhead and operating costs in a major way.** We expect pretax gains of $200 million annually from cost-cutting actions we announced in November 1992. These savings will be evident beginning in 1994, once we get through the interim expenses associated with the cuts. Sometimes potential cost gains like these melt away before being realized. We intend to ensure that these savings happen.

▶ **Continue a reliable dividend policy for shareowners.** For the 20th consecutive year, the dividend was increased.

▶ **Move major research and development (R&D) programs forward to commercialization.** The recent approvals for Searle products were impressive in number and quality. Bovine somatotropin (BST), a product that offers improved dairy productivity, has been an expensive investment in biotechnology. Currently, it's cleared for sale in nine countries. In the European Community, the Committee for Veterinary Medicinal Products has found BST safe and effective, but permission for sale has not yet been granted. In the United States, approval for sale is still pending at the Food and Drug

Administration. Meanwhile, we've developed commercial and public programs, and we're containing costs prior to the launch of the product.

New crop and food products also based on biotechnology are moving well toward commercialization. These include an array of products with attractive consumer and environmental profiles.

The highly publicized launch of *Simplesse* all natural fat substitute has been a "technical" success, with some 30 products containing *Simplesse* now offered by food companies worldwide. But making money from *Simplesse* remains elusive. We intend to resolve that issue in 1993. We have demanding standards for all of our R&D and new-product programs: We either meet them or move on.

CREATING VALUE FOR THE FUTURE

For 1993 and beyond, the company's objective hasn't changed: to provide superior shareowner value and achieve the principal financial target of a sustainable 20 percent return on shareowners' equity by mid-decade. We have the product mix that can get us there, but to do so we must meet several of the objectives I described earlier:

We intend to return Monsanto to the favored position — or better — that we had with shareowners in the late 1980s.

▸ **Take advantage of an economic recovery in the United States and Europe for The Chemical Group.** Our market shares are excellent, and our costs are moving lower. However, to meet and sustain corporate financial targets, we need to operate our chemical plants at capacity utilization rates several percentage points higher than our 1992 range. With our restructured chemical product lineup and a reasonable recovery, we can do it and demonstrate as well the impressive cost gains we've made.

▸ **Sustain our continued success with *Roundup* herbicide.** Our strategy to

OUR COMMITMENT TO SHAREOWNER VALUE

Monsanto is committed to consistently increasing value for shareowners by achieving a superior level of financial performance.

The principal financial target is to reach and sustain a 20 percent return on shareowners' equity, while generating excess cash that can be returned to shareowners in dividends and through share repurchases after normal business needs are met.

We'll reach these goals by bringing superior value to our customers; by introducing new products and forming new alliances; by exiting businesses that cannot meet our targets; by hiring, training and motivating high-quality employees; and by acting responsibly and earning a favored right-to-operate in society.

On pages 6-21 of this annual report, we describe the goals of each of our operating units. The achievement of these goals contributes to Monsanto's overall success in increasing shareowner value.

preserve this extraordinary franchise looks secure. Volumes continue to grow profitably worldwide because of our pricing and new end-use strategies. There will doubtless be some erosion of share with new generic entries over time, but we're in good shape to prosper in a growing market.

▶ **Move Searle through the current new-product launch costs and show sales success.** We'll have a better appraisal later in 1993, but early signs look promising for *Maxaquin*, a once-a-day quinolone anti-infective agent launched in the United States in 1992; for *Daypro* in the United States and *Arthrotec* in Europe, both for the treatment of the symptoms of arthritis; and for *Ambien*, a treatment for short-term insomnia. All of these products potentially offer important advances in performance and consumer acceptance, in keeping with the new realities of the pharmaceutical industry. For the long term, we intend to continue to develop innovative alliances that will ensure world-class strength in R&D and marketing. A number of initiatives are under review. We're going to restore shareowner enthusiasm that matches our own for this fine unit of the company.

▶ **Convert biotechnology R&D from an expense to a profit in the coming years.** We need no reminders that we've invested heavily in biotechnology. We've got to get it right or bring the costs way down. We're betting on success.

▶ **Continue to apply unrelenting pressure to reduce our costs and to ensure product quality gains that customers can recognize as value.** We made good progress in 1992. There's more to come.

We're taking dozens of other steps to reach our financial targets: revving up our cash-generating capabilities, continuing share repurchases, and redeploying our assets, among other important actions — all while still providing for vibrant growth.

We're recognized by the financial community as great "counterpunchers" for our impressive defenses of *Lasso* and *Roundup* herbicides, *NutraSweet* brand sweetener, *Saflex* plastic interlayer, *Wear-Dated* carpet, and other powerful franchises. I would have included *Calan* calcium channel blocker in that group until the 1992 entry of a generic competitor for the sustained-release form. But even with *Calan*, a free fall isn't a foregone conclusion in the marketplace.

Every great defense needs a sustained offense to produce a winner, and that's what we'll be demonstrating as we develop the franchises of the future. Our overriding objective is to return Monsanto to the favored position — or better — that we had with shareowners in the late 1980s. We remain committed to shareowner value. We intend to make it happen!

Richard J. Mahoney

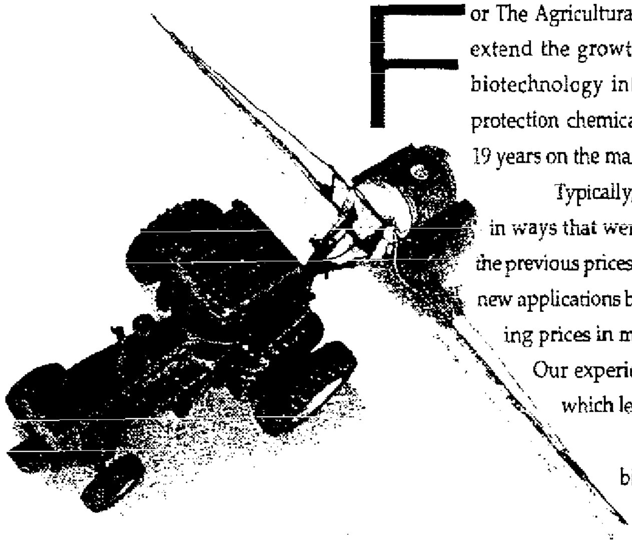
Richard J. Mahoney
Chairman and Chief Executive Officer
March 6, 1993

Our thanks go to Earle H. Harbison, Jr., chairman of the executive committee of the board of directors and past president and chief operating officer, for his service to this company. A tribute to Earle, who retires on Sept. 1, 1993, is on page 22 of this report. The board elected Robert B. Shapiro to follow Earle as president and chief operating officer, and Nicholas L. Reding as vice chairman. We have assembled a value-oriented management team across Monsanto.

THE AGRICULTURAL GROUP

The Agricultural Group adds value for Monsanto's shareowners by the strength of some of the world's leading weed control products: *Roundup* herbicide and other glyphosate-based herbicides, and the family of acetanilide herbicides. The unit is also creating a new generation of products based on research and development in both agricultural chemistry and biotechnology. In 1992, volumes for *Roundup* herbicide increased by 16 percent. Excluding a charge for cost-cutting actions and unexpected costs from damage to a plant that makes a key raw material for *Roundup*, operating income for the unit would have improved over income in the previous year.

▼ The growth of conservation tillage — a farming practice that reduces or eliminates plowing — is generating new sales for *Roundup* herbicide as farmers substitute *Roundup* for tilling to control weeds.



For The Agricultural Group, there are two key questions: How long can we extend the growth of *Roundup* herbicide, and how soon can we turn biotechnology into a viable business? *Roundup*, the top-selling crop-protection chemical in the world, continues to be a growth product after 19 years on the market because farmers continue to find new ways to use it.

Typically, customers respond to price reductions by using *Roundup* in ways that weren't economical at the previous prices. We've encouraged new applications by selectively lowering prices in markets worldwide.

Roundup herbicide continues to grow after 19 years on the market because of new uses.

Our experience has been that higher volumes result in lower costs, which lead to increases in revenues and operating income.

Also contributing to volume growth for *Roundup* herbicide is the expanding practice of conservation tillage,

WHERE WE ARE AND WHERE WE WANT TO BE

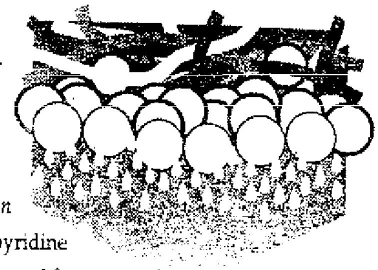
GOAL 1 Generate continuously higher worldwide volumes of *Roundup* herbicide and other glyphosate-based herbicides.

STATUS Volumes for *Roundup* increased 16 percent in 1992. However, income from *Roundup* was affected by the costs of damage to a plant that makes a key raw material for *Roundup*.

OUTLOOK Volumes and operating income for *Roundup* are forecasted to continue to grow for several years because of increasing demand. This demand is caused by three factors: a competitive cost position, strategic reductions in selling price, and the rapid spread of conservation tillage practices in farming. The expiration of European patents creates an opening for generic competition; U.S. patent protection for the active ingredient in *Roundup* remains in place into the year 2000.

Hendrik A. Verfaillie, ▶ vice president of Monsanto and president of The Agricultural Group

a farming method that reduces or eliminates plowing. "We've seen tremendous growth in the use of *Roundup* for no-till farming, and the current pricing makes great economic sense for conservation tillage," says Hendrik A. Verfaillie, vice president of Monsanto and president of The Agricultural Group.



▲ Encapsulated formulations in the acetanilide family of herbicides use microscopic shells of varying thickness, which release herbicide over time. This allows the farmer to apply the products earlier for longer control of weeds and improved performance in no-till applications.

Encapsulated formulations in the acetanilide family of herbicides are also being used in no-till farming. Based on the same chemistry as *Lasso* herbicide, *Micro-Tech* and *Bullet* encapsulated herbicides and *Partner* dry encapsulated herbicide provide the farmer longer weed control. They also offer improved performance over certain other grass herbicides in no-till applications.

Sales for the pyridine family of herbicides, which includes *Dimension* turf herbicide, were outstanding in 1992. Registrations of products from the pyridine family continue worldwide. New broadleaf herbicides for European cereal crops and for corn in the United States are also moving through the approval process.

The expanding practice of conservation tillage benefits both *Roundup* herbicide and the acetanilide family of herbicides.

Income from *Roundup* in 1992 was reduced by the costs of damage to a manufacturing facility that makes a key raw material for *Roundup*. The availability of *Roundup* to customers wasn't affected, but the supply of raw materials used in the production of *Roundup* was interrupted. "The incident forced us to operate at lean inventory levels and fast response times — beyond what many people thought was possible," Verfaillie says. "We'll carry those lessons forward."

The second half of the 1990s should bring to market crops with a variety of beneficial traits developed through biotechnology. For example, crops made tolerant to *Roundup* herbicide offer a potential source of further growth. Currently, *Roundup* must be

Continued on page 8

GOAL 2 Use encapsulated formulations to maintain the competitive position of our acetanilide family of herbicides.
STATUS Volumes and operating income grew in 1992 because of acreage increases, cost-cutting measures, and a strategy shift emphasizing sales of two encapsulated products, *Micro-Tech* and *Bullet* herbicides, and a dry encapsulated product, *Partner* herbicide.
OUTLOOK Volumes will be subject to continued competitive pressures, although they should benefit from encapsulated and dry encapsulated formulations, and from conservation tillage practices. In 1993, volumes for these products may be affected by reduced U.S. corn acreage due to government programs.

GOAL 3 Bring new agricultural chemical products from the laboratory to the marketplace.
STATUS Sales in the pyridine family of herbicides, including *Dimension* turf herbicide, were outstanding. A herbicide for

Continued on page 8

The Agricultural Group Sales
(As a percent of total Monsanto sales)

▲ The Agricultural Group's revenues, which account for almost one-quarter of Monsanto's sales, are fueled by some of the leading herbicides in the world.

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 Continued from page 7

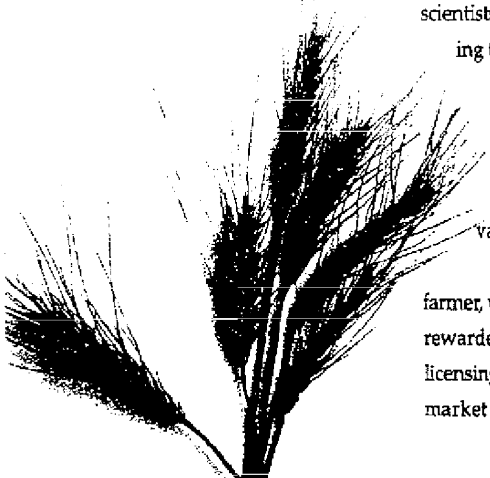
used before a crop comes up, because the herbicide kills both weeds and valuable plants. Crops developed through biotechnology to tolerate *Roundup* will allow farmers to apply *Roundup* even after a crop has emerged without harming it. Soybeans and canola that are tolerant to *Roundup* herbicide have been field-tested for the past four years. These tests continued in 1992, along with those of other crops developed through biotechnology, such as insect-resistant cotton, potatoes and corn; tomatoes that have summertime flavor year-round; and potatoes that absorb less oil in cooking.

Distribution channels for biotechnology products will vary by crop, depending on where the value of our technology can best be realized.

Even as our first products of biotechnology enter advanced stages of field testing, new breakthroughs are occurring in the labs. In 1992, Monsanto and University of Florida scientists announced the first addition of a gene to wheat, the initial step toward improving this important crop through biotechnology.

On the business side, we made significant advances in 1992 to bring these new technologies to market. Possible distribution channels include licensing agreements, direct seed sales to farmers, and arrangements with food processors. The choice will vary from crop to crop, depending on where the value of our technology can best be realized.

For example, the value of insect-resistant cotton would be realized by the farmer, who could greatly reduce the use of insecticides. Therefore, we would be properly rewarded by the seed company that sells it to the farmer. In 1992, we completed such a licensing agreement with Delta and Pine Land Co., a cotton seed firm with the dominant market share in the southeastern United States. We also entered into a business



▼ Monsanto and University of Florida scientists announced a biotechnology breakthrough in 1992: the first addition of a gene to wheat. Wheat is a significant crop for Monsanto to work with because of the size of the potential market. More acres worldwide are planted in wheat than in any other grain crop.

WHERE WE ARE AND WHERE WE WANT TO BE

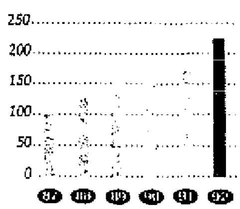
Continued from page 7 tree crops from this family was registered in Spain and South Africa. Registrations of pyridine products continue in the United States and several other countries.

OUTLOOK Registrations of the pyridine herbicides should continue. Also moving toward commercialization are a broadleaf herbicide for European cereal crops and a broadleaf herbicide for corn in the United States.

GOAL 4 Introduce in this decade new products from biotechnology research and development.

STATUS U.S. field trials continued for cotton, potatoes and corn resistant to insects; for soybeans and canola tolerant to *Roundup* herbicide; for a potato that absorbs less oil when it's cooked; and for a tomato that has summertime flavor year-round. The first addition of a gene to wheat was achieved. The first licensing agreement with a major seed producer was signed as a distribution channel for insect-resistant cotton. An agreement to develop, produce and market genetically modified tomatoes

Glyphosate Volume Growth
(By percent; 1987 equals 100 percent)



▲ Volumes for *Roundup* and other glyphosate herbicides have increased steadily, in part because of new uses encouraged by selective price reductions.

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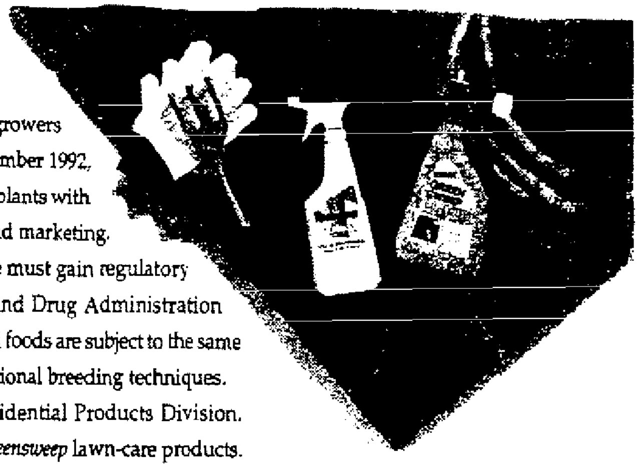
partnership with NTGargiulo Inc., one of the largest tomato growers and shippers in Florida. The new agreement, signed in December 1992, will combine Monsanto's expertise in genetically modifying plants with NTGargiulo's capabilities in tomato breeding, production and marketing.

But before any new products can be marketed, we must gain regulatory approval for these technologies. In 1992, the U.S. Food and Drug Administration announced a new policy specifying that genetically improved foods are subject to the same regulatory procedures as foods developed through conventional breeding techniques.

New growth potential also comes from our Residential Products Division. Products in this division include *Roundup* herbicide and *Greensweep* lawn-care products. In 1992, the residential formulation of *Roundup* maintained its double-digit growth. To take greater advantage of an expanding home lawn-and-garden market, we signed a letter of intent in January 1993 to acquire Chevron Chemical Co.'s Ortho lawn-and-garden business. The combination of Monsanto's lawn-and-garden products with the Ortho line and potential new products would allow us to continue to expand in the residential market and to generate incremental sales growth.

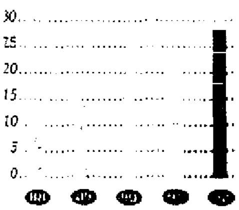
Regulatory approvals still must be gained before improved foods and crops can be brought to market.

Our achievements in 1992 provide positive answers to our two key performance questions: First, *Roundup* herbicide is forecasted to remain a volume- and revenue-growth business into the middle of the decade. Second, we now have two major advantages that support biotechnology as a viable business in the second half of the decade: the demonstrated soundness of the technology and the availability of distribution channels that will allow us to benefit from the value we add.



▲ Monsanto's residential products — including *Roundup* herbicide and *Greensweep* lawn-care products — are well-positioned for increased sales in the growing home lawn-and-garden market.

U.S. No-till Acreage
(Acres in millions)
(Source: Conservation Tillage Information Center)

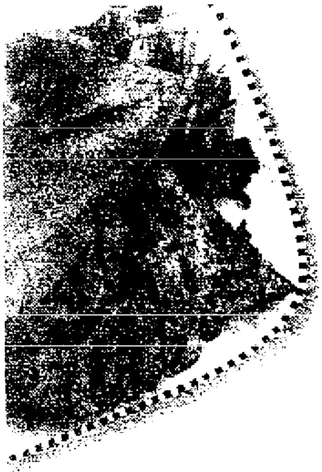


▲ The Agricultural Group is seizing the market opportunity created by a more than 100 percent increase in U.S. no-till acreage in the last five years.

was signed with a leading tomato grower and shipper in December 1992. **OUTLOOK** Field trials will continue, distribution channels will be clarified, and product approvals will be sought from appropriate regulatory agencies. The first commercial biotechnology products could enter the market in the second half of the 1990s.

GOAL Position our residential products to continue worldwide growth. **STATUS** The residential version of *Roundup* herbicide continued double-digit growth in 1992. In January 1993, we signed a letter of intent to acquire Chevron Chemical Co.'s Ortho lawn-and-garden business.

OUTLOOK We've identified significant growth potential in the home lawn-and-garden market. Strong consumer marketing of *Roundup*, *Greensweep* lawn-care products, the Ortho products and other potential new products will allow us to expand in the residential market and generate incremental sales growth.



▲ Food phosphates enhance the flavor, appearance and texture of processed poultry, meat and seafood. Food phosphate products have played a major role in the shift of Monsanto's phosphorus-based businesses from commodity markets to higher-value, performance-oriented markets.

THE CHEMICAL GROUP

The Chemical Group manages a portfolio of chemical businesses that bring high value to our customers, allowing the group to contribute significantly to Monsanto's financial targets. It also selectively develops higher-growth, higher-return businesses that could offset the potential attrition of earnings from maturing operations. In 1992, operating income from the group's core businesses was suppressed by the continuing effect of the weak worldwide economy, especially in the automotive, construction and home furnishings markets. More than half of The Chemical Group's products are sold into these markets. Income was also affected by a charge for cost-cutting actions and asset write-downs.

Future performance of The Chemical Group depends on our ability to manage its five core businesses for steady growth of sales and operating income. The five largest businesses are plastics; rubber chemicals; nylon and acrylic fibers; *Saflex* plastic interlayer; and phosphorus and its derivatives. Together, they account for more than half of The Chemical Group's sales.

Assuming a reasonable, sustained economic recovery through mid-decade, each of these businesses is expected to grow steadily year to year. We anticipate that by 1996 their combined operating income will be significantly higher than their 1992 income.

Given a reasonable, sustained economic recovery through mid-decade, each of our largest chemical businesses is expected to grow steadily year to year.

Saflex plastic interlayer for laminated glass serves three major markets: windshields for new cars, replacement windshields, and architectural glazing.

The short-term outlook in Europe and Japan appears sluggish, but *Saflex*

WHERE WE ARE AND WHERE WE WANT TO BE

GOAL 1 Strengthen Monsanto's global leadership in key automotive and architectural markets for *Saflex* plastic interlayer through timely investments in facilities and technology.
STATUS Declining economies in several key markets resulted in below-forecast sales of *Saflex*. This resulted in lower capacity utilization and depressed income. During 1992, we commissioned new facilities for the production of a superior windshield product for the automotive market.
OUTLOOK With low-cost, state-of-the-art capacity in North and South America, Europe and Japan, we're strongly positioned to benefit from a renewal of growth in world markets, given a reasonable economic recovery.

GOAL 2 Expand the performance plastics business by enhancing our geographic, market, and specialty product

Robert G. Potter, ▶ executive vice president of Monsanto and president of The Chemical Group

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is well-positioned in major North American markets to benefit from the anticipated recovery. To generate additional growth in this business, we're investing in facilities to meet laminated glass demand worldwide — most recently in Western Europe, South America and Japan. We're also moving deeper into strategic segments where we haven't been major participants. In addition, we're continuing our efforts to expand the use of *Saflex* in architectural markets where the product's advantages in safety, security, sound control and energy efficiency are valued.

To generate additional growth for *Saflex* plastic interlayer, we're investing in facilities to meet laminated glass demand worldwide.

Our plastics business ranks in the industry's top tier worldwide. Our products — targeted at the higher-value end of the market — are used in hot tubs, camper tops, refrigerator interiors, hand tools and garden tools, trim and under-the-hood parts for automobiles, housings for business machines, and parts for medical delivery systems.

Typical users of our plastic products are companies in the computer, communications and automotive industries — global enterprises that expect consistent product performance as well as superior logistical and technical service. The fastest-growing market for *Lustran* ABS plastics today is the southern Asia/China region, which will account for more than one-third of world demand for ABS plastics by the end of this decade. To serve this region better, we entered a joint venture in 1992 to build and operate a plant for *Lustran* ABS in Thailand. When the plant becomes operational in 1995, we will be the only producer of ABS plastics to have manufacturing sites in all four major global markets.

Our nylon and acrylic carpet fibers business serves the U.S. carpet industry, particularly makers of quality residential replacement carpeting. Our carpet fibers

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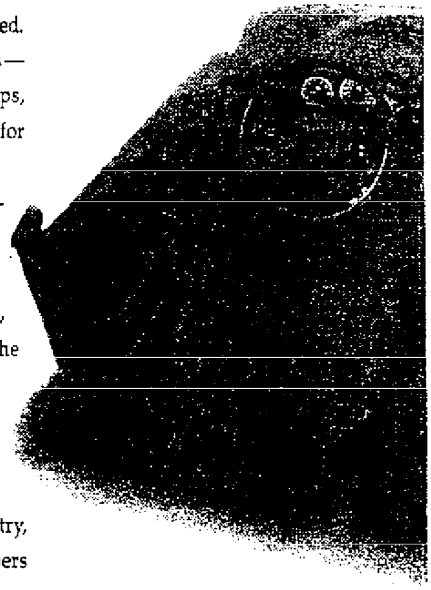
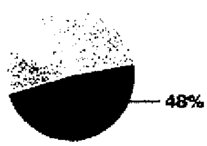
▼ The 1993 Dodge Intrepid by Chrysler Corp. contains Monsanto plastics in high-value applications on the console, interior door panel, steering column and instrument panel.



positions, while managing costs to improve near-term operating income.
STATUS Volumes increased in 1992, but margins decreased because of pressure on pricing.
In 1992, we formed a joint venture in Thailand that by 1995 should make us the only producer of ABS plastics to have manufacturing plants in all four major global markets.
OUTLOOK Slow but steady sales growth is projected, with continuing pressure on pricing as long as global oversupply persists.
GOAL 3 Maintain our position in the U.S. carpet market by focusing on selling our nylon and acrylic fibers to the residential replacement and commercial carpet segments.
STATUS Volumes increased in 1992, but margins narrowed because of price deterioration.
OUTLOOK Slow but steady volume growth is projected. Further cost reductions should help maintain profitability. Pricing will remain a key issue.

Continued on page 12

The Chemical Group Sales
(As a percent of total Monsanto sales)



▲ The Chemical Group's solid core of business franchises accounts for almost one-half of Monsanto's sales.

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 Continued from page 11

command a preferred market share because of their superior performance in the carpet manufacturing process. Our warranty for *Wear-Dated* carpet is our commitment to quality all the way through to the consumer, and it adds value to this business. In 1992, we completed a manufacturing project that resulted in added capacity and product improvements. We'll continue to generate growth over the next five years with more advances in quality and with new generations of differentiated products.

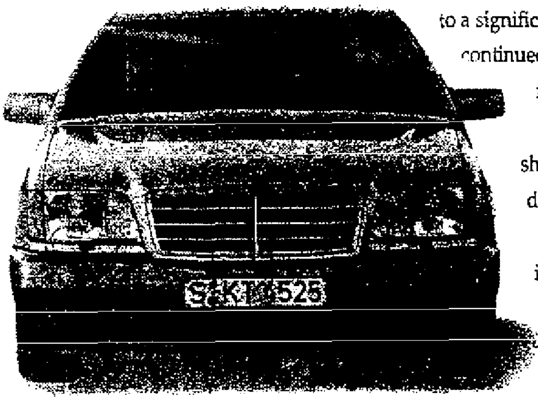
Our nylon and acrylic carpet fibers command a preferred market share because of their superior performance for our carpet mill customers.

Rubber chemicals and phosphorus and its derivatives are the most mature of our core businesses. We're finding ways to increase their sales and operating income within industries whose growth has leveled off.

In rubber chemicals, we've started a major program to determine the commercial viability of new production technology that not only is more efficient but also could lead to a significant reduction in process waste. In phosphorus and derivatives, we continued to benefit in 1992 from our decisions to reduce costs and to shift our market focus away from commodity home-laundry detergents and toward a variety of higher-value, higher-margin markets. In 1992, we shipped our last pound of phosphate for heavy-duty home-laundry detergents to U.S. manufacturers.

To supplement future earnings, The Chemical Group is investing in high-technology products with low fixed-capital requirements and high-growth potential. Among these products are *Flectron* metallized materials, a line that we bolstered with the acquisition of Devex S.A., a Swiss company that specializes in

▼ The Mercedes 400SEL features *Saflex* plastic interlayer, the world's leading product for laminated windshields. The three major markets for this product are new windshields, replacement windshields, and architectural uses.

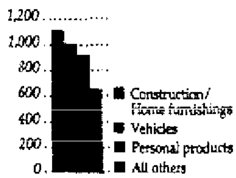


WHERE WE ARE AND WHERE WE WANT TO BE

Continued from page 11 **GOAL 4** Manage our world leadership position in rubber chemicals, while achieving the returns we experienced in previous years.

STATUS Sales declined in 1992 in an environment of global overcapacity, tire industry consolidation, and turmoil in the Commonwealth of Independent States.

1992 Sales by Market
(Dollars in millions)



▲ The Chemical Group makes high-value products sold primarily to the automotive, construction and home furnishings markets.

The government of the Soviet Union had been one of the largest buyers of our rubber chemicals products.

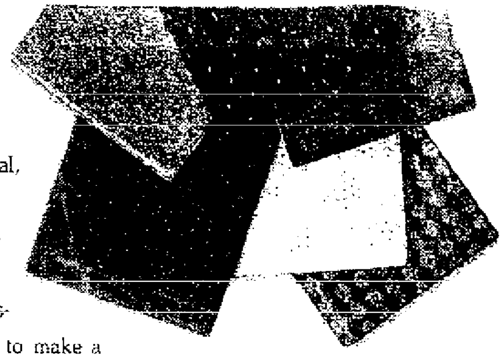
OUTLOOK Sales will grow slowly. A new production technology holds promise for significant improvements in manufacturing efficiency.

GOAL 5 Operate the lowest-cost, highest-value phosphorus and derivatives business in the United States.

STATUS Performance from operations improved in 1992, as we continued our move out of commodity home-laundry detergents into a variety of performance applications in food, dental and other high-value market segments.

DSW 022001

metallizing processes. We also acquired Diamonex Inc., a world leader in high-performance diamond and diamond-like coatings for industrial, optical and electronic uses.



▲ *Wear-Dated* carpet, made with nylon and acrylic fibers from Monsanto, is one of the most respected names in top-quality, high-performance residential carpeting. Residential carpeting makes up 65 percent of the U.S. carpet market.

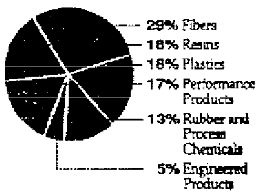
"We recognize that we're going to have to ramp up our investment in our businesses," says Robert G. Potter, executive vice president of Monsanto and president of The Chemical Group. "We'll invest to meet customer needs with four intentions: to make a lower-cost product, to make a higher-quality product, to meet specific demands of strategic segments of a market, and to increase capacity as necessary to take advantage of any market growth opportunity."

In 1992, we also initiated a process that should help us continue to reduce our cost of doing business. The Chemical Group's restructurings in 1985 and 1991 focused on closing inefficient plants and on getting out of businesses that didn't support our strategic objectives. The current initiative is designed to find more efficient ways to deal with inventories, to handle customer orders, to organize production runs, to use capital and human resources, and to manage all other essential business processes.

We're investing to make lower-cost and higher-quality products, to meet specific demands of market segments, and to increase capacity as needed to take advantage of market opportunities.

The management of our core businesses for steady, dependable growth of sales and operating income has three parts. First, we'll launch initiatives to exploit the distinct opportunities that exist within each business. Second, we'll support those initiatives with increased capital investment. And third, we'll become more competitive by reducing our overall cost of doing business. ●

1992 Sales by Division
(By percent)



▲ The Fibers Division contributes the largest sales percentage in The Chemical Group, followed by Resins, Plastics, Performance Products and Rubber and Process Chemicals.

OUTLOOK Sales growth should be moderate, despite continued intense competition. We expect to maintain our low-cost position because of improved manufacturing productivity.

GOAL 6 Build a portfolio of businesses based on high-technology concepts that have low fixed-capital requirements and high-growth potential.

STATUS *Flectron* metallized materials recorded its first commercial sales in 1992. We acquired the Swiss company Devex S.A. to complement *Flectron*. We also acquired Diamonex Inc., a two-year-old company that is a world leader in high-performance diamond and diamond-like coatings for industrial, optical and electronic uses.

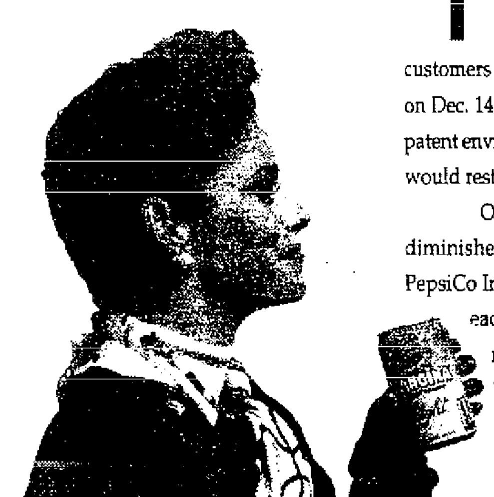
OUTLOOK Sales for *Flectron*, Devex and Diamonex are expected to grow rapidly, with high margins and high returns. These and other high-performance products to follow will supplement future earnings of maturing products. ●

DSW 022002

THE NUTRASWEET COMPANY

The NutraSweet Company contributes to shareowner value by generating cash and income for Monsanto. The unit makes and markets innovative food ingredients that promote healthy lifestyles, such as *NutraSweet* brand sweetener and *Simplesse* all natural fat substitute. In 1992, sales and operating income were less than in the previous year. This decline was caused by reduced selling prices for *NutraSweet* due to competitive pressures leading up to the December 1992 expiration of the company's U.S. patent for aspartame. Operating income was also affected by a charge for cost-cutting actions and an asset write-down.

▼ Orangina Light, made by Orangina France, is one of the European beverages that contain *NutraSweet* brand sweetener. Europe is the fastest-growing world market for *NutraSweet*.



The NutraSweet Company entered 1992 with two directives: one defensive, the other offensive. Defensively, we were concerned about the U.S. customer base for *NutraSweet* brand sweetener that fueled our rise from a start-up operation in 1981 to a company with $879 million in sales in 1992. Those customers would have other supplier options after our U.S. patent for aspartame expired on Dec. 14, 1992. Offensively, we had to identify new sources of sales growth in a post-patent environment, recognizing that competitive pricing for our large-volume customers would restrict revenue growth for *NutraSweet*, our brand name for aspartame.

Our defensive concerns have diminished: The Coca-Cola Co. and PepsiCo Inc., our two largest customers, each requested and signed separate agreements stipulating The NutraSweet Company as their preferred supplier of aspartame. Other carbonated soft drink companies sought similar assurances of supply.

Our two largest customers entered into separate agreements stipulating The NutraSweet Company as their preferred supplier of aspartame.

WHERE WE ARE AND WHERE WE WANT TO BE

GOAL 1 Retain and build our market position for *NutraSweet* brand sweetener with key carbonated soft drink customers, and sustain our competitive advantage in the carbonated soft drink industry.

STATUS Relationships with The Coca-Cola Co. and PepsiCo Inc. were solidified in 1992. Both entered into separate agreements stipulating The NutraSweet Company as their preferred supplier of aspartame. We remained the only company with the capacity to meet the requirements of customers who use large amounts of aspartame. We strengthened our position as the low-cost producer of aspartame and maintained our solid leadership in consumer brand loyalty.

OUTLOOK Aspartame volumes will continue to grow through mid-decade, although at lower post-patent prices.

Robert E. Flynn, ▶ chairman and chief executive officer of The NutraSweet Company

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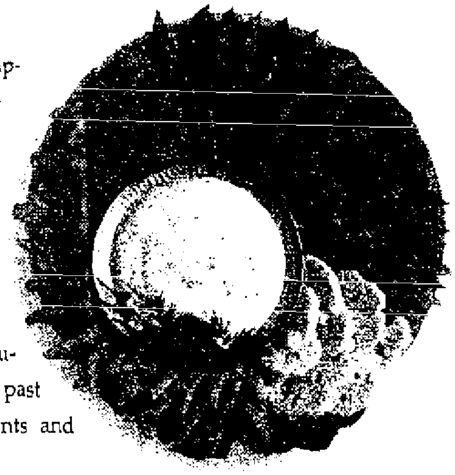
As of year-end 1992, no other supplier could produce aspartame in the quantities required by the top-tier users. "No one has yet built an aspartame plant anywhere in the world that can compete with us," says Robert E. Flynn, chairman and chief executive officer of The NutraSweet Company. "And we have reduced our cost of manufacturing by almost 70 percent over the past decade through process improvements and capital investments."



◀ Kraft Light n' Lively Light is the first sour cream to use *Simplesse* all natural fat substitute, which helps reduce fat and calories in foods such as dips.

In the race to provide the huge volumes of aspartame required by the carbonated soft drink industry, our competitive advantages are taste, cost, scale, reliability, quality, safety, customer support, and consumer brand loyalty.

Manufacturing costs for *NutraSweet* brand sweetener have been reduced by almost 70 percent during the past decade.

We have several options for growth in the carbonated soft drink market. One is fountain conversion — replacing the current blend of aspartame and saccharin in fountain products with 100 percent aspartame. Another is sugar blending, which substitutes aspartame as a lower-cost option for some of the sugar in nondiet products. A third is higher-concentration formulations that use more aspartame.

We also anticipate sales growth from tabletop sweeteners and food ingredients in the United States and from our European operations.

Continued on page 16

GOAL 2 Solidify category leadership for our family of tabletop sweeteners.

STATUS Our 1992 advertising campaign for *Equal* tabletop sweetener, featuring actress and singer Cher, increased sales and built consumer interest in the tabletop sweetener category. Our successful launch of *NutraSweet Spoonful* tabletop sweetener expanded the category by attracting consumers who didn't previously use a tabletop sweetener.

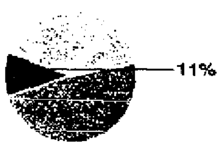
OUTLOOK By expanding the market for existing tabletop products and by introducing new ones, we expect to double our penetration of U.S. households by 1995.

GOAL 3 Retain existing food customers for aspartame while developing new business through regulatory approval of new ways to use aspartame in food.

STATUS Sales of aspartame for food uses increased in 1992 compared with 1991 results. In 1992, aspartame was approved in the United States for use as a bulk

Continued on page 16

The NutraSweet Company Sales
(As a percent of total Monsanto sales)



▲ Sales for The NutraSweet Company in 1992 were affected by reduced selling prices for *NutraSweet* brand sweetener because of competitive pressures prior to the U.S. patent expiration for aspartame.

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TOWOLDMON0015709

▲ The NutraSweet Company has established a market-leading position in the United States with *Equal* tabletop sweetener. Through aggressive marketing and new-product introductions, we intend to double U.S. consumer use of our tabletop sweeteners.

 Continued from page 15

Tabletop products include our established *Equal* tabletop sweetener and our new *NutraSweet Spoonful* tabletop sweetener. *Equal* leads the tabletop sweetener category in dollar sales, including significant increases in 1992 due to an aggressive advertising campaign featuring actress and singer Cher.

NutraSweet Spoonful was introduced in 1992, following U.S. Food and Drug Administration approval to market aspartame in bulk form. The bulk formulation allows one teaspoon of *NutraSweet Spoonful* to contain the same sweetness as one teaspoon of sugar, with one-eighth the calories. The target market for this product is the 40 million to 60 million U.S. consumers who use products containing *NutraSweet* brand sweetener, but don't use a tabletop sweetener.

Our food ingredients business in 1992 consisted primarily of nonbeverage aspartame uses and of *Simplesse* all natural fat substitute. Sales of aspartame as a food ingredient increased in 1992. *Simplesse* is now featured in approximately 30 different product lines worldwide. Twenty-two nations have approved *Simplesse* for use as a food ingredient. The product is now being used in reduced-fat cheese, frozen desserts, sour cream, baked goods, butter, margarine, mayonnaise, salad dressings, yogurt, puddings, soups and sauces. Current efforts are aimed at reducing the cost of *Simplesse* to allow greater penetration of the food manufacturing industry, which is extremely cost-sensitive.

Sales of *NutraSweet* brand sweetener in Europe are expected to outperform the total European market for aspartame in the second half of the decade.

Our European marketing joint venture with Ajinomoto Co. Inc. increased its sales of aspartame significantly in 1992, despite a heavy import duty. In the second half of the decade, sales of *NutraSweet* brand sweetener are expected to outperform the total

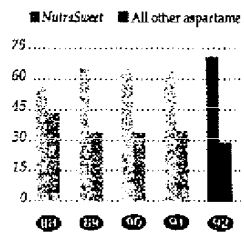
WHERE WE ARE AND WHERE WE WANT TO BE

Continued from page 15 tabletop sweetener and in hot breakfast cereals, in malt beverages containing fruit juice, and in refrigerated, ready-to-serve puddings and fillings. It was also approved in Canada for baking applications.

OUTLOOK Prices will be lower as a result of post-patent competition. Competition for the business of food manufacturers will also intensify. U.S. approvals are pending for the use of aspartame in baked goods, confections and noncarbonated beverages.

GOAL 1 Reduce the cost of *Simplesse* all natural fat substitute to the point where it will stimulate significant new sales to high-volume food manufacturers.

European Aspartame Sales
(Percent based on volume)



▲ Sales of *NutraSweet* brand sweetener have been more than half of the total estimated aspartame sales in Europe in the last five years.

STATUS Kraft Light n' Lively Light sour cream led the new-product launches that featured *Simplesse* as an ingredient in 1992. We continued to demonstrate in 1992 that *Simplesse* works as a good-tasting fat replacement.

OUTLOOK The technical questions have been answered. The remaining question is economic: Can

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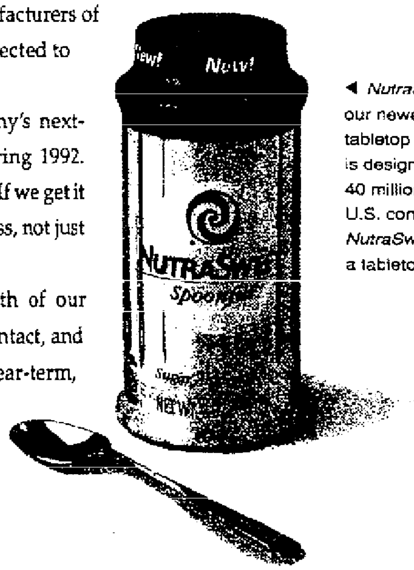
European market for aspartame, which is expanding at 15 percent annually. Our aspartame plant in Gravelines, France, is on schedule for completion and start-up in mid-1993. The plant is also a joint venture with Ajinomoto, a Japanese food ingredient company and long-time partner of The NutraSweet Company.

Sweetener 2000, our next-generation high-potency sweetener, offers the long-term opportunity of competing in the world's overall sweetener market.

The first European sales of *Simplesse* were recorded in 1992. We've demonstrated that *Simplesse* works as a fat substitute in the most important European categories of cheese, butter and dairy spreads. On the strength of sales to manufacturers of these products, European sales of *Simplesse* are expected to grow significantly over the next five years.

Development of The NutraSweet Company's next-generation high-potency sweetener continued during 1992. "Sweetener 2000 is really moving along," Flynn says. "If we get it approved, we'll go after the world's sweetener business, not just the diet sweetener business."

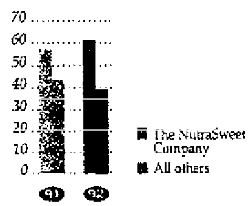
The pivotal year of 1992 ended with both of our directives accomplished. Our key customer base is intact, and sources of growth have been identified, from the near-term, new-product and new-market opportunities for *NutraSweet* brand sweetener and *Simplesse* all natural fat substitute, to the long-term possibilities of Sweetener 2000. ●



◄ *NutraSweet Spoonful*, our newest entry in the tabletop sweetener market, is designed to attract the 40 million to 60 million U.S. consumers who like *NutraSweet* but don't use a tabletop sweetener.

we sell *Simplesse* at a price that is profitable for us and for the food manufacturer, without requiring that finished goods be priced at more than the consumer is willing to pay? We'll seek to resolve that issue in 1993. **GOAL 5** Stimulate growth of aspartame and *Simplesse* in Europe. **STATUS** Aspartame sales in Europe increased in 1992 over 1991 results, despite a significant import duty. Work continued on construction of an aspartame plant in France, a project with our long-time partner in Europe, Ajinomoto Co. Inc. The plant is on schedule for start-up in mid-1993. The first European sales of *Simplesse* occurred in 1992. **OUTLOOK** The aspartame market in Europe will continue its strong growth, and our sales are expected to outpace the market's annual growth rate. Growth for *Simplesse* will be determined by our ability to produce it at a cost that will allow us to price it favorably for European manufacturers of cheese, butter and dairy spreads. ●

U.S. Retail Market Share of Tabletop Sweeteners
(Percent of dollar share volume)
(Source: Nielsen Household Panel Data)



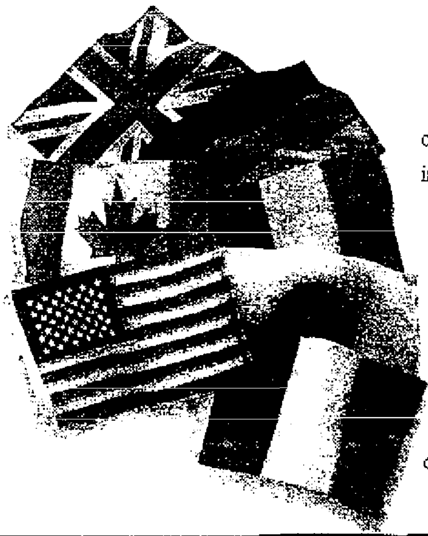
▲ The NutraSweet Company is increasing its presence in the U.S. retail market for tabletop sweeteners.

DSW 022006

SEARLE

Searle contributes to Monsanto's value by bringing to market new pharmaceutical products that generate revenue and earnings growth. Results in 1992 were lowered primarily by new-product launches, charges associated with cost-cutting actions, and lower prices for drugs sold to managed health care groups and through Medicaid. We also had our first generic competition in the United States for the sustained-release form of *Calan* calcium channel blocker. While pricing pressures may become a long-term concern for the pharmaceutical industry, launch costs and the charge for cost-cutting steps represent near-term investments that will position Searle for improved growth and profitability.

▼ Searle continues to expand its operations in the seven nations (clockwise from bottom left: the United States, Canada, the United Kingdom, Germany, Italy, Japan and France) that account for almost 80 percent of the world's pharmaceutical sales.



The year 1992 was pivotal for Searle, as we took dramatic steps to shift our product mix into a higher percentage of drugs with patent protection or marketing exclusivity. Four new drugs received approvals in various countries: *Maxaquin,* a once-a-day quinolone anti-infective agent; *Daypro,* a once-a-day treatment for the symptoms of arthritis; *Ambien,* a treatment for short-term insomnia; and *Arthrotec,* a treatment for the symptoms of arthritis.

These products were timely additions. The sustained-release form of *Calan,* our calcium channel blocker and a leading U.S. brand, faced its first generic competition in 1992. We'll shift the resources that have supported *Calan* to the U.S. launches and growth of *Maxaquin, Daypro* and *Ambien.*

Resources are being shifted to support the U.S. launches and growth of three new drugs.

In light of these changes, we face one central question: How quickly can we convert the promise of new products into significant sales and earnings?

WHERE WE ARE AND WHERE WE WANT TO BE

GOAL 1 Increase the introduction of new pharmaceutical products. **STATUS** Major pharmaceuticals were approved or launched in key markets in 1992. *Maxaquin* quinolone anti-infective agent was launched in the United States and approved in 11 other markets. *Daypro,* a treatment for the symptoms of arthritis, and *Ambien,* a treatment for short-term insomnia, were approved in the United States. *Arthrotec,* a treatment for the symptoms of arthritis, was approved in Sweden, France and the United Kingdom in 1992, and in Canada in early 1993. These last three products will be launched in 1993. In addition, global introduction of *Cytotec* ulcer preventive drug proceeded on schedule, with plans for a 1993 launch in Japan. **OUTLOOK** Sales of *Maxaquin, Daypro, Ambien* and *Arthrotec* will allow us to increase the percentage of our income from

Sheldon G. Gilgore, M.D., ► chairman and chief executive officer of G.D. Searle & Co.

DSW 022007

We've always planned to introduce major new products with marketing exclusivity to continue our growth and improve our profitability. Sales of *Maxaquin*, *Daypro*, *Ambien* and *Arthrotec* will allow us to increase the percentage of our income from products with marketing exclusivity. Patents protect two of the four into the next century. One exception is *Daypro*, whose marketing exclusivity extends until 1997, but for which we're seeking an extension. Patent applications are also pending for *Arthrotec*.

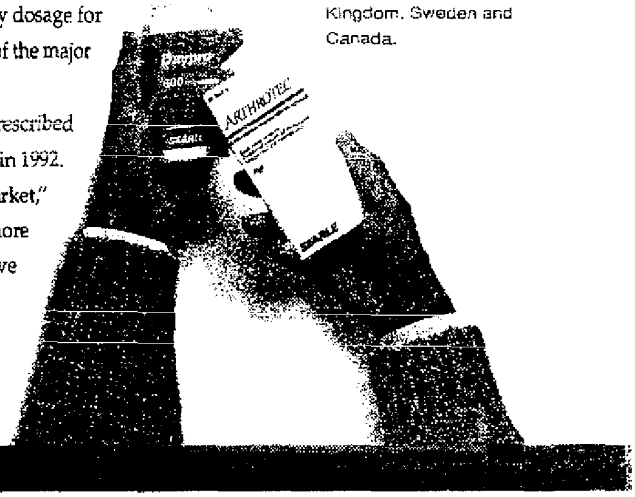
Our challenge is to quickly convert the promise of new products into significant sales and earnings growth.

Although the U.S. patent for *Maxaquin* runs through the year 2002, we've applied for an extension of our exclusivity into 2005. "This product has been successfully launched into the fastest-growing segment of the worldwide antibiotic market," says Sheldon G. Gilgore, M.D., chairman and chief executive officer of Searle. "In the United States alone, this market segment was well over $600 million in sales in 1992, twice what it was five years ago. With our once-a-day dosage for all approved indications, we're on our way toward being one of the major players in this category."

Daypro, the first once-a-day treatment in the most prescribed class of arthritis therapies, was approved in the United States in 1992. "*Daypro* should be an important new product for the U.S. market," Gilgore says. "Research has demonstrated that patients are more likely to take the proper amount of their medication if they have to take it only once a day."

Ambien, a treatment for short-term insomnia that preserves deep sleep with minimal unwanted aftereffects,

Continued on page 20



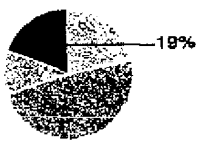
▼ In 1993, Searle will launch two new treatments for the symptoms of arthritis: *Daypro* in the United States, and *Arthrotec* in the United Kingdom, Sweden and Canada.

products with marketing exclusivity. Behind them, the product pipeline includes potential treatments for diseases such as AIDS, thrombosis, psoriasis, atrial arrhythmia, ulcerative colitis, and Alzheimer's and age-associated memory impairment.

GOAL 2 Manage the life cycles of existing products as their patents expire.

STATUS The sustained-release form of *Calan* calcium channel blocker lost marketing exclusivity in the United States in 1989 and faced its first generic competition in 1992. We've prepared for this challenge by strengthening the brand image of *Calan* and by pursuing a new patented formulation. We'll manage support costs to reduce the

Searle Sales
(As a percent of total Monsanto sales)



▲ Searle's sales are almost one-fifth of total Monsanto revenues, but this percentage is expected to increase over time.

effect of declining sales on operating income. *Canderel* tabletop sweetener, which has been without patent protection for several years, continued its healthy performance in Europe on the strength of its brand image.

OUTLOOK Market share erosion for *Calan* appears inevitable, but holding the

Continued on page 20

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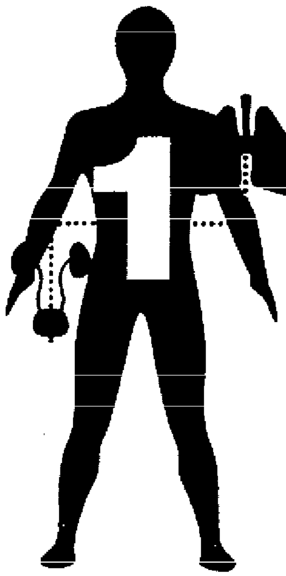


was approved in the United States and is awaiting approval in Canada. The sleep-aid market has shrunk in recent years because of physicians' and patients' safety concerns over benzodiazepine hypnotics. Because *Ambien* is from a different class of drugs, it offers a new alternative to a largely dissatisfied market.

Arthrotec arthritis treatment offers powerful pain relief with reduced risk of gastroduodenal ulcers through a combination of a leading anti-arthritis medication and our *Cytotec* ulcer preventive drug. *Arthrotec* was approved in Sweden, France and the United Kingdom in 1992, and in Canada in early 1993. Approval is pending in several other major European countries.

These four new high-potential drugs should reinvigorate our existing product line. The launch costs will affect earnings near-term, but the long-term payback should be substantial. Behind these drugs, the pipeline features new treatments for diseases such as AIDS, thrombosis, psoriasis, atrial arrhythmia, ulcerative colitis, and Alzheimer's and age-associated memory impairment. They still must demonstrate their safety, efficacy and economic value; some of them will never be commercialized. From their ranks, however, we expect the next generation of profitable Searle products.

Launch costs for new drugs will affect immediate earnings, but the long-term payback should be substantial.

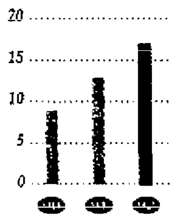
In addition, we continue to benefit from the contributions of two other solid performers. *Cytotec* ulcer preventive drug accounted for $124 million in sales in 1992. Launch plans for *Cytotec* in 1993 are being prepared for Japan, as we work toward completing its global introduction. *Canderel*, our tabletop sweetener made with *NutraSweet* brand sweetener and sold primarily in Europe, delivered $157 million in 1992 sales. It also

▲ *Maxaquin* quinolone anti-infective agent, a once-a-day treatment for urinary tract and lower respiratory tract infections, was launched in seven countries in 1992. It is part of the fastest-growing segment of the worldwide antibiotic market.

WHERE WE ARE AND WHERE WE WANT TO BE

Continued from page 19 line on costs should maintain this drug as a significant earnings contributor throughout the decade. No other major Searle products face generic competition before 1997. *Canderel*, which prior to 1986 was sold only in pharmacies in Europe, will continue its expansion into food stores.

Patented Product Sales
(By percent)

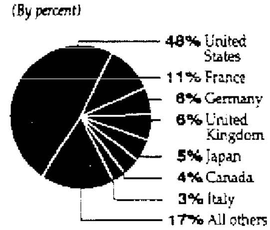


▲ Searle is growing the percentage of its sales that comes from products with patent protection.

GOAL Expand our presence in markets outside the United States.

STATUS In 1992, we acquired the remaining shares of our U.S. and Italian joint venture with Alfa Schiapparelli Wassermann. We also acquired majority interest in Sanitas, a medical products distribution company in the Czech Republic, and

Searle Sales by Country
(By percent)



▲ More than 80 percent of Searle's sales in 1992 were in the seven countries that make up the largest share of the worldwide pharmaceutical market.

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forms the foundation for an over-the-counter business that we'd like to expand. With an eye toward the over-the-counter market, we entered the Canadian diet food-supplement market in 1992 through the acquisition of *Nutri-Bar* and *Nutri-Diet* meal replacements.

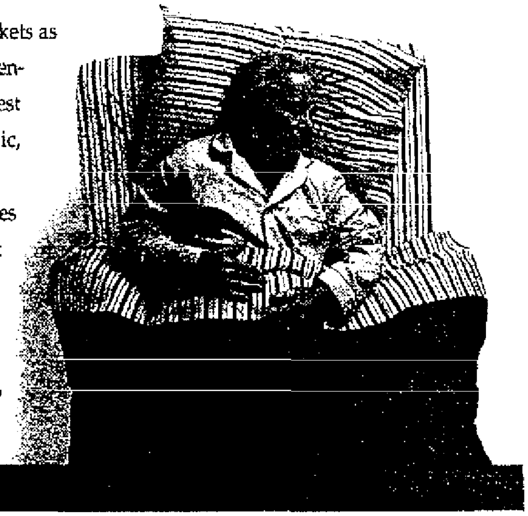
We continue to expand our presence in Western Europe and Japan, and to seek strategic alliances and other collaborations in emerging markets.

Even as we benefit from the sales of our new products, we expect *Calan* calcium channel blocker to remain an earnings contributor. The name *Calan* conjures a powerful image for physicians and patients that, in many cases, will sustain it as the calcium channel blocker of choice. We're also developing an enhanced formulation based on a unique delivery system that promises significant benefits and the potential for future growth. Currently, we're decreasing administrative and marketing investments behind the brand to reduce the effect of declining sales on operating income.

We're expanding the presence of our products in key global markets as well. In 1992, we acquired the remaining shares of our U.S. and Italian joint venture with Alfa Schiapparelli Wassermann. We also acquired a majority interest in Sanitas, a medical products distribution company in the Czech Republic, and we established a joint venture in Taiwan.

In the years ahead, the challenge of turning our new-product launches into profitable brands worldwide will require the best efforts of everyone at Searle. It will bolster these efforts by continuing to seek innovative alliances to complement our marketing and research and development. "We don't underestimate the magnitude of our task," Gilgore says. "But we're convinced that in 1992, we took actions that will help us achieve our goals." ●

▼ *Ambien*, a treatment for short-term insomnia, received approval in the United States in 1992. *Ambien* is the first product in a new class of compounds that offer physicians more options for their patients.



established a joint venture in Taiwan.

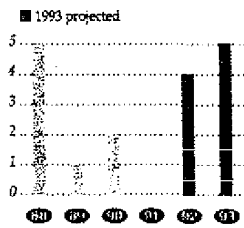
OUTLOOK We'll continue to expand our presence in the United States, the United Kingdom, France, Germany, Italy, Japan and Canada, which make up almost 80 percent of the global pharmaceutical market. In addition, we're seeking strategic partners and other collaborations in the emerging markets of Central and Eastern Europe and in the Commonwealth of Independent States.

GOAL 4 Evaluate opportunities to re-enter the consumer health care business.

STATUS The strong performance of *Canderel* tabletop sweetener provides the foundation on which to build an over-the-counter consumer health care business. We entered the Canadian diet food-supplement market in 1992 through the acquisition of *Nutri-Bar* and *Nutri-Diet* meal replacement products.

OUTLOOK We'll continue to look for over-the-counter product opportunities with multinational applications. ●

New Product Launches in Key Countries



▲ Searle continues to launch new products in important world markets, averaging more than two a year for the last five years.

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A TRIBUTE TO EARLE H. HARBISON, JR.

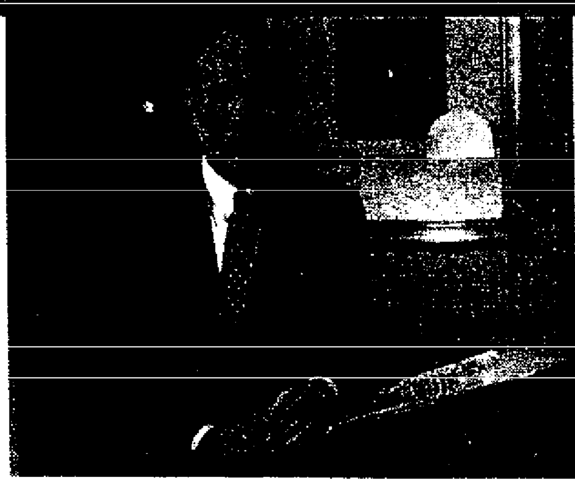
Earle H. Harbison, Jr. will retire from Monsanto on Sept. 1, 1993, bringing to an end a distinguished career that spans almost 26 years. From May 1986 to January 1993, he was president and chief operating officer. He has been a member of the board of directors for seven years, and he is currently chairman of the executive committee of the board.

Tenure and titles are only a partial measure of Earle Harbison's gift to the company. Equally at ease with heads of state and entry-level workers, Harbison has been a strong and persuasive voice for free world trade, a passionate disciple of Monsanto's technologies, a mentor and role model to many aspiring managers, and a true patron and civic leader in the St. Louis community.

He will leave Monsanto with a sense of satisfaction and confidence that the plans in place for the company's future are sound. "I firmly believe our people are our greatest asset. When you get the right people together with the right goals, you've got an unbeatable combination," Harbison says.

Still, the thought of his pending retirement is bittersweet. "I've enjoyed virtually every day I've spent at Monsanto," he says, "but there comes a time to move on, and that time is at hand. I look forward to the future with the same enthusiasm I felt 26 years ago when I walked into Monsanto."

Earle Harbison may be stepping aside, but he won't soon be forgotten. Certainly not by the thousands of Monsanto employees worldwide whose lives he touched over the years. In whatever he chooses to do, it's a sure bet he'll continue to make his mark as a true leader and a gentleman.



Earle H. Harbison, Jr., ▶ chairman, executive committee of the board of directors

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FINANCIAL SECTION CONTENTS

Unless otherwise indicated by the context, "Monsanto" means Monsanto Company and consolidated subsidiaries, and "the Company" means Monsanto Company only. All dollars are in millions, except per share data.

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MANAGEMENT REPORT

Monsanto Company management is responsible for the fair presentation and consistency of all financial information included in this Annual Report in accordance with generally accepted accounting principles. Where necessary, the information reflects management's best estimates and judgments.

Management also is responsible for maintaining a system of internal accounting controls with the objectives of providing reasonable assurance that Monsanto's assets are safeguarded against material loss from unauthorized use or disposition and that authorized transactions are properly recorded to permit the preparation of accurate financial information. Cost/benefit judgments are an important consideration in this regard. The effectiveness of internal controls is maintained by: personnel selection and training; division of responsibilities; establishment and communication of policies; and ongoing internal review programs and audits.

Management believes that Monsanto's system of internal accounting controls as of December 31, 1992, is effective and adequate to accomplish the above described objectives.

Richard J. Mahoney
Chairman and
Chief Executive Officer

Francis A. Stroble
Senior Vice President and
Chief Financial Officer

February 26, 1993

AUDIT COMMITTEE REPORT

The Audit Committee is composed of five nonemployee members of the Board of Directors and met five times during 1992. The Committee reviews and monitors Monsanto's internal accounting controls, financial reports, accounting practices and the scope and effectiveness of the audits performed by the independent auditors and internal auditors. The Committee also recommends to the full Board of Directors the appointment of Monsanto's principal independent auditors and approves in advance all significant audit and nonaudit services provided by such auditors. As ratified by shareowner vote at the 1992 annual meeting, Deloitte & Touche were appointed as independent auditors to examine, and to express an opinion as to the fair presentation of, the consolidated financial statements. This opinion follows.

The Audit Committee discusses audit and financial reporting matters with representatives of the Company's financial management, its internal auditors and Deloitte & Touche. The internal auditors and Deloitte & Touche meet with the Committee, with and without management representatives present, to discuss the results of their examinations, the adequacy of Monsanto's internal accounting controls and the quality of financial reporting. The Committee encourages the internal auditors and Deloitte & Touche to communicate directly with the Committee.

The Audit Committee has reviewed the financial section of this Annual Report. Pursuant to the recommendation of the Committee, the Board of Directors has approved the financial section.

Buck Mickel
Chairman, Audit Committee

February 26, 1993

INDEPENDENT AUDITORS' OPINION

To the Shareowners of Monsanto Company:

We have audited the accompanying statement of consolidated financial position of Monsanto Company and Subsidiaries as of December 31, 1992 and 1991, and the related statements of consolidated income, shareowners' equity and cash flow for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly in all material respects the financial position of Monsanto Company and Subsidiaries at December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

As discussed in the Notes to Financial Statements, in 1992 Monsanto changed its methods of accounting for postretirement benefits other than pensions and for income taxes.

Deloitte & Touche

Deloitte & Touche
St. Louis, Missouri

February 26, 1993

STATEMENT OF CONSOLIDATED INCOME

(Dollars in millions, except per share)	1992	1991	1990
Net Sales	$7,763	$7,936	$8,068
Cost of goods sold	4,710	4,519	4,787
Gross Profit	3,053	3,417	3,281
Marketing expenses	1,115	1,042	1,113
Administrative expenses	487	530	470
Technological expenses	720	680	661
Amortization of intangible assets	237	233	229
Restructuring expense – net	436	457	
Operating Income	58	475	808
Interest expense	(169)	(166)	(176)
Interest income	43	64	51
Other income (expense) – net	(106)	(19)	33
Income (Loss) from Continuing Operations Before Income Taxes	(174)	354	716
Income taxes	(48)	116	230
Income (Loss) from Continuing Operations	(126)	238	486
Discontinued Operations:			
Income from Fisher Controls	24	58	60
Gain on sale of Fisher Controls	554		
Income from Discontinued Operations	578	58	60
Income Before Accounting Changes	452	296	546
Cumulative Effect of Accounting Changes:			
Postretirement Benefits Other Than Pensions	(658)		
Income Taxes	118		
Net Income (Loss)	$ (88)	$ 296	$ 546
Earnings per Share:			
Income (Loss) from Continuing Operations	$(1.01)	$ 1.87	$ 3.77
Discontinued Operations	4.68	0.46	0.46
Accounting Changes	(4.38)		
Net Income (Loss)	$(0.71)	$ 2.33	$ 4.23

The above statement should be read in conjunction with pages 47 through 53 of this report.
Previously reported amounts have been reclassified to present Fisher Controls as discontinued operations.

KEY FINANCIAL STATISTICS	1992	1991	1990
As a Percent of Net Sales:			
Gross Profit	39%	43%	41%
Marketing, Administrative and Technological Expenses	30	28	28
Research and Development Expenses	8	8	7
Operating Income	1	6	10
Income (Loss) from Continuing Operations	(2)	3	6
Net Income (Loss)	(1)	4	7
Effective Income Tax Rate	(28)	33	32
Return on Shareowners' Equity	(2.6)	7.6	13.6

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1992 FINANCIAL RESULTS WERE BELOW EXPECTATIONS

The year 1992 was one of transition for Monsanto. Several nonrecurring actions affected 1992 net income, and performance from continuing operations was a disappointment. The U.S. economy has been slow in rebounding, while the European economy deteriorated. This resulted in significant competitive pressures on The Chemical Group's selling prices. Pharmaceuticals profitability suffered from the high costs associated with the launch of *Maxaquin* quinolone anti-infective agent, the expansion of the U.S. sales force to support *Maxaquin* and other anticipated new product introductions, and lower selling prices. In addition, as expected, NutraSweet net sales declined as a result of lower selling prices.

Bright spots in 1992 were the strong sales volume growth in *Roundup* and the acetanilide family of herbicides, prompted by successful marketing programs and good weather conditions, the completion of major NutraSweet customer contracts, and the governmental approval of several new Pharmaceutical products.

THE YEAR WAS AFFECTED BY NUMEROUS UNUSUAL EVENTS

The year 1992 was also significantly affected by numerous unusual events. Monsanto continued its restructuring program, which primarily affected Pharmaceuticals, in 1992. The Fisher Controls business was sold. In addition, Monsanto implemented new accounting rules related to postretirement benefits and income taxes.

NET LOSS INCURRED FOR THE YEAR

These unusual events resulted in Monsanto incurring a net loss of $88 million, or $0.71 per share, for 1992. The impact of the 1992 and 1991 unusual events is summarized in the following table:

	Net Income (Loss) 1992	1991
Gain on the sale of Fisher Controls	**$ 554**	
Restructuring and other actions	**(425)**	$(332)
Other unusual items	**(47)**	
Accounting changes:		
Postretirement Benefits Other Than Pensions	**(687)**	
Income Taxes	**118**	
Total Unusual Events	**(487)**	(332)
Income from Fisher Controls Operations	**24**	58
Total Impact on Net Income	**$(463)**	$(274)

In October 1992, Monsanto sold Fisher Controls for $1,275 million in cash, realizing an aftertax gain of $554 million, or $4.49 per share. The financial statements present the results of Fisher Controls as discontinued operations. Reported amounts for previous years have been reclassified consistent with this presentation. See page 48 in the Notes to Financial Statements for further information on Fisher Controls.

In November 1992, the Board of Directors approved a series of restructuring actions in operating and staff units designed to make worldwide operations more focused, productive and cost-effective. Major elements include reductions in employment, a number of consolidations, closings and sales of nonstrategic businesses and facilities, and a realignment of selected research investments. These actions resulted in a one-time aftertax expense of $425 million, or $3.44 per share, in the fourth quarter of 1992.

Other unusual items totaled an aftertax expense of $47 million, or $0.38 per share. These items principally were costs incurred as a result of damage to a glyphosate raw material manufacturing unit in January 1992 and the settlement of certain lawsuits related to the Brio Superfund site in the second quarter of 1992.

Effective January 1, 1992, Monsanto adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its retiree benefit plans. The adoption of this rule resulted in a one-time aftertax expense of $658 million ($1,045 million pretax), or $5.34 per share. The incremental effect of SFAS No. 106 during 1992 decreased operating income by $45 million and income from continuing operations by $29 million, or $0.23 per share.

Also effective January 1, 1992, Monsanto adopted SFAS No. 109, "Accounting for Income Taxes." The adoption of this rule resulted in a one-time aftertax gain of $118 million, or $0.96 per share.

Excluding the unusual actions and events summarized in the table above, 1992 net income would have been $375 million compared with $570 million for the prior year, a decline of 34 percent. Earnings per share in 1992 would have been $3.04, a 32 percent decline from the prior year.

NET SALES DECLINED DUE TO LOWER SELLING PRICES

Net sales in 1992 declined 2 percent as higher sales volume from continuing businesses did not offset the lack of sales from divested businesses and lower selling prices in all operating units. NutraSweet's average aspartame selling price declined, as expected, as NutraSweet approached the December 1992 expiration of the aspartame-use patent in the United States. Continued poor economic conditions in many of The Chemical Group's key markets resulted in significant pressures on chemical selling prices. Sales volume of The Chemical Group did improve modestly over that of the prior year.

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Net sales of The Agricultural Group benefited from its pricing and new end-use strategies, farmers' conversion to conservation tillage and good weather conditions, on balance, in many key markets, especially North America. Glyphosate sales volume increased 16 percent worldwide. *Lasso* herbicide sales volume grew 8 percent. However, The Agricultural Group's total 1992 net sales were 2 percent below the prior year, which included $132 million of sales associated with the subsequently divested animal feed ingredients business.

The Chemical Group's net sales declined in 1992 because of the lack of sales from divested businesses, lower average selling prices worldwide, principally due to the worsening economic conditions in Western Europe, Japan and the Commonwealth of Independent States, and the slow economic recovery in the United States. Sales volume in the United States gradually improved in 1992 as North American automobile production levels and housing starts increased over the depressed 1991 levels.

NutraSweet's net sales declined 8 percent in 1992 due to lower average selling prices, partially offset by slightly higher aspartame sales volume. The 1992 sales volume increase was due primarily to significantly higher sales of tabletop sweeteners.

Pharmaceuticals net sales in 1992 were slightly below the prior year. Sales of the *Calan* family of calcium channel blockers declined 10 percent, primarily due to lower selling prices resulting from higher rebates to state Medicaid programs and the continued shift in demand from retail pharmacy to managed health care providers, coupled with the impact of generic competition for the sustained-release form. Sales of *Canderel* tabletop sweetener, made with *NutraSweet* brand sweetener, increased 7 percent. In addition, Pharmaceuticals benefited from sales of new products, such as *Maxaquin* quinolone anti-infective agent.

Net sales in markets outside the United States represented 41 percent of Monsanto's total 1992 net sales, which is about the same level as the prior year.

OPERATING RESULTS DECLINE

Operating income was $58 million in 1992, a decline of 88 percent compared with 1991. Excluding the $624 million of pretax restructuring and unusual charges in 1992 and the $457 million of restructuring charges in 1991, operating income would have decreased about 27 percent in 1992. Operating results in 1992 were hurt by lower selling prices but helped by improved sales volume and mix from certain products, as well as lower raw material costs.

Excluding 1992 and 1991 restructuring and unusual charges, operating results declined for all business segments except The Agricultural Group. The core businesses of The Agricultural Group benefited from significantly higher sales volumes of *Roundup* and *Lasso* herbicides, lower manufacturing costs and cost savings from prior years' restructuring actions. Operating results in 1992 for The Chemical Group were hurt by lower selling prices and $26 million of incremental SFAS No. 106 costs. These factors were partially offset by lower raw material costs and higher sales volumes. NutraSweet operating income was adversely affected by lower selling prices, but benefited from cost savings from the 1991 reorganization. Operating income for Pharmaceuticals decreased in 1992, primarily because of costs to launch *Maxaquin* quinolone anti-infective agent in the United States, expansion of the U.S. sales force to support *Maxaquin* and other anticipated new product launches, and lower selling prices.

Marketing expenses increased 7 percent in 1992, principally from the above-mentioned costs incurred by Pharmaceuticals. Administrative expenses decreased 8 percent due to cost savings resulting from prior years' restructuring programs and lower incentive compensation.

The loss in "Other income (expense) — net" in 1992 was larger than in the previous year, principally due to the 1992 write-down of investments to market value and higher currency losses.

PRINCIPAL FINANCIAL TARGET REMAINS 20 PERCENT RETURN ON EQUITY

Management's principal financial target is to reach and sustain a 20 percent return on shareowners' equity (ROE). Although the previously discussed 1992 restructuring actions, accounting changes and unusual events resulted in a negative ROE in 1992, these restructuring actions will make the Company more cost competitive in its world markets.

PRODUCT DEVELOPMENT AND COMMERCIALIZATION ARE TOP PRIORITY

New product development and commercialization continue to be the most important strategic priority for Monsanto. Research and development expenditures were $651 million in 1992, 8 percent of net sales, a level that reflects management's strong, long-term commitment to research and development. Major investments continue to be the discovery and development of pharmaceutical and agricultural products. Research in existing product technology and new applications also continues across all business units. Monsanto's research program also includes acquisition of new technologies through licensing. The result is that Monsanto has many potential products in the research and development pipeline, several of which should be commercialized over the next few years.

PRIOR YEAR REVIEW

In 1991, Monsanto's operating performance was reasonably strong considering the depressed economic climate in several of Monsanto's major markets.

In October 1990 and June 1991, the Board of Directors approved restructuring steps to strengthen The Agricultural Group, The Chemical Group and the corporate staff for the future. Net income for 1991 declined 46 percent because of the $325 million, $2.54 per share, aftertax restructuring charge. Earnings per share were 45 percent lower in 1991. Excluding the restructuring charge, net income would have increased 14 percent. Net income in 1991 benefited from lower petrochemical-based raw material costs and improved sales volume and mix from continuing products.

Net sales for 1991 were down only slightly from that of the prior year and were the second-best in Monsanto's history. Modest sales volume growth in continuing businesses was more than offset by the decrease in sales due to divested businesses. Average selling prices were marginally lower than those in 1990.

Net sales for Pharmaceuticals, The Agricultural Group and NutraSweet increased compared with the prior year. Net sales for The Chemical Group declined. Pharmaceuticals net sales growth was led by the *Calan* family of calcium channel blockers, up 9 percent; *Cytotec* ulcer preventive drug, up 35 percent; and *Canderel* tabletop sweetener, up 11 percent. Net sales for The Agricultural Group grew as weather conditions improved in most key markets. In addition, 1991 strategic price reductions in certain countries for *Roundup* glyphosate-based herbicide generated higher sales volume. Glyphosate sales volume increased 17 percent worldwide. NutraSweet's sales volume increased 5 percent, while selling prices decreased. The Chemical Group's net sales for 1991 were lower as a result of discontinued product lines and lower demand caused by the depressed North American automotive industry, the delayed U.S. economic recovery and a slowdown in the European economy.

Operating income declined 41 percent in 1991, as a result of the $457 million pretax restructuring charge. Operating results in 1991 were helped by lower raw material costs and improved sales volume and mix from continuing products. The effect of The Chemical Group's lower manufacturing capacity utilization reduced earnings when compared with 1990.

Operating income for The Agricultural Group and Pharmaceuticals increased in 1991, while operating results declined for The Chemical Group and NutraSweet. The Agricultural Group's operating income benefited from higher sales volume, lower manufacturing costs and cost savings from restructuring actions implemented in late 1990. Operating income for Pharmaceuticals increased in 1991, primarily because of strong volume growth in key products, higher average selling prices and gains from the divestiture of nonstrategic product rights. The profit improvement was partially offset by the December 1990 divestiture of several consumer products to a third party under a prior agreement. The Chemical Group incurred an operating loss compared with operating income in 1990, because of its restructuring expense. Operating results for The Chemical Group were helped by lower petrochemical-based raw material costs and hurt by the effect of lower sales volume, lower selling prices, and lower manufacturing capacity utilization. NutraSweet operating income benefited from higher sales volume, but was adversely affected by lower selling prices.

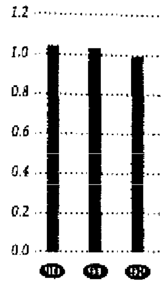
Marketing expenses decreased 6 percent in 1991 because of lower advertising and promotional expenses. Administrative expenses increased in 1991, in part because of higher 1991 incentive compensation.

"Other income (expense) — net" in 1991 decreased, principally because the prior year included higher gains from divestitures.

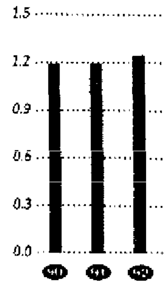
ANALYSIS OF CHANGE IN EARNINGS PER SHARE – BETTER (WORSE)

	1992 vs. 1991	1991 vs. 1990
Sales-Related Factors:		
Selling prices	$(1.47)	$(0.35)
Sales volume and mix	0.66	0.61
Total Sales-Related Factors	(0.81)	0.26
Cost-Related Factors:		
Raw material costs	0.26	1.02
Manufacturing capacity utilization	0.15	(0.26)
Other manufacturing costs	(0.11)	0.03
Marketing, administrative and technological expenses	(0.50)	(0.28)
Total Cost-Related Factors	(0.20)	0.51
Interest expense	(0.02)	0.05
Interest income	(0.10)	0.07
Other income (expense) – net	(0.06)	(0.26)
Change in income taxes	(0.34)	0.20
Change in shares outstanding	0.10	0.04
Change in Earnings per Share Before Other Factors	(1.43)	0.87
Other Factors:		
Restructuring and other unusual actions	(1.22)	(2.60)
Gain on sale of Fisher Controls	4.49	
Divestitures	(0.27)	(0.17)
Accounting change for post-retirement benefits	(5.57)	
Accounting change for income taxes	0.96	
Total Other Factors	(1.61)	(2.77)
Change in Earnings per Share	$(3.04)	$(1.90)

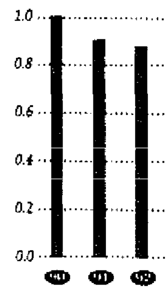
Selling Price Index
(1987=1.0)



Sales Volume Index
(1987=1.0)



Raw Material Cost Index
(1987=1.0)



OPERATING UNIT SEGMENT DATA

	Net Sales			Operating Income (Loss)[1]			Research and Development		
	1992	1991	1990	1992	1991	1990	1992	1991	1990
The Agricultural Group	**$1,676**	$1,711	$1,676	**$ 245**	$400	$327	**$149**	$140	$151
The Chemical Group	**3,705**	3,740	4,035	**94**	(154)	297	**109**	105	115
NutraSweet	**879**	954	933	**72**	173	183	**44**	41	41
Pharmaceuticals	**1,503**	1,531	1,424	**(232)**	170	93	**276**	259	228
Biotechnology Product Discovery				**(62)**	(57)	(52)	**62**	57	52
Corporate				**(59)**	(57)	(40)	**11**	8	8
Total	**$7,763**	$7,936	$8,068	**$ 58**	$475	$808	**$651**	$610	$595

	Total Assets			Capital Expenditures			Depreciation and Amortization		
	1992	1991	1990	1992	1991	1990	1992	1991	1990
The Agricultural Group	**$1,678**	$1,592	$1,668	**$ 136**	$ 93	$134	**$112**	$104	$124
The Chemical Group	**3,234**	3,162	3,163	**290**	300	340	**301**	272	260
NutraSweet	**934**	1,155	1,296	**49**	58	113	**234**	233	218
Pharmaceuticals	**2,398**	2,342	2,085	**104**	96	112	**108**	94	87
Biotechnology Product Discovery	**41**	51	59	**6**	5	8	**8**	9	13
Corporate	**800**	294	318	**1**	2	4	**2**	2	2
Fisher Controls		631	647						
Total	**$9,085**	$9,227	$9,236	**$ 586**	$554	$711	**$765**	$714	$704

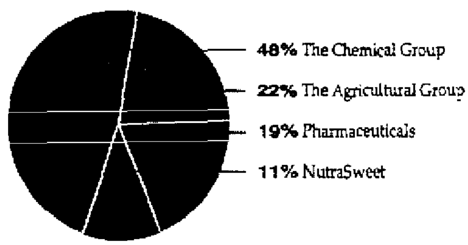
[1]Operating income was affected by the 1992 and 1991 restructuring and other unusual charges as follows:

	Income (Expense) 1992	1991
Operating Unit:		
The Agricultural Group	**$(135)**	$ 30
The Chemical Group	**(148)**	(478)
NutraSweet	**(70)**	
Pharmaceuticals	**(265)**	
Corporate	**(6)**	(9)
Total	**$(624)**	$(457)

Although inflation is relatively low in most of Monsanto's major markets, it continues to affect operating results. To mitigate the effect of inflation, Monsanto has implemented measures to manage working capital, control costs, improve productivity and raise selling prices where government regulations and competitive conditions permit. In addition, it is estimated that the current cost of replacing certain assets is greater than their historical cost presented in the financial statements. Accordingly, the depreciation expense reported in the Statement of Consolidated Income would be greater if the expense were stated on a current cost basis.

Sales between operating units were not significant. Certain corporate expenses, primarily those related to the overall management of Monsanto, were not allocated to the operating units or geographic areas. Corporate assets primarily include investments in affiliates and a portion of the cash balance.

1992 Net Sales
(Percent by operating unit)



The principal factors that accounted for the operating units' performance in 1992 and 1991, along with the factors that are expected to affect operating results in the near term, are described on the following pages.

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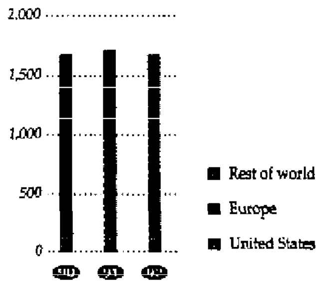
THE AGRICULTURAL GROUP

	1992	1991	1990
Net Sales:			
Crop chemicals	**$1,647**	$1,551	$1,508
Animal feed ingredients	**29**	160	168
Total	**$1,676**	$1,711	$1,676
Operating Income	**245**	400	327

The Agricultural Group is a leading worldwide producer and marketer of herbicides, including *Roundup, Lasso, Bullet, Harness, Micro-Tech, Far-Go, Avadex* and *Machete* herbicides. More than half of the unit's herbicide net sales are made to markets outside the United States. Weather conditions in the agricultural markets throughout the world affect sales volume.

The Agricultural Group Net Sales
(Dollars in millions)



The Agricultural Group had a strong operating performance in 1992 excluding the adverse impact on operating income from the unusual items discussed below.

The Agricultural Group 1992 net sales revenue was 2 percent below the prior year. However, excluding the 1991 sales of the subsequently divested animal feed ingredients business, 1992 net sales for The Agricultural Group would have been 6 percent higher than the prior year.

Operating income in 1992 decreased 39 percent compared with 1991. The decline in 1992 operating income resulted from unusual items occurring in both 1992 and 1991. The unusual items included in 1992 operating income were the $42 million loss associated with damage to a manufacturing site of a raw material for *Roundup* herbicide, $30 million charge for the write-down of certain bovine somatotropin (BST) inventories because of expiration of the shelf life, and $63 million in restructuring charges and other items, principally related to employment reductions. In 1991, operating income benefited from a $30 million gain from restructuring and $30 million in income from the subsequently divested animal feed ingredients business.

The principal factors for the change in operating income were:

	Better (Worse)	
	1992 vs. 1991	1991 vs. 1990
Selling prices	**$ (64)**	$(31)
Sales volume and mix	**95**	48
Raw material and other manufacturing costs	**38**	56
Restructuring and other charges	**(93)**	30
Glyphosate plant damage costs	**(42)**	
Inventory write-down	**(30)**	
Divestitures	**(30)**	(38)
Other	**(29)**	8
Change in operating income	**$(155)**	$ 73

Worldwide sales volume of glyphosate herbicide increased 16 percent, benefiting from the pricing and new end-use strategies, farmers' conversion to conservation tillage and good weather conditions, on balance, in many key markets, especially North America. The reductions in selling prices, principally in the United States on certain glyphosate products, continued to benefit glyphosate sales volume by making the herbicide cost-effective for weed control for a broader range of crop and industrial uses. The operating income effect of the increased glyphosate herbicide sales volume exceeded the effect of lower selling prices. Profitability on the acetanilide family of herbicides increased significantly because of the combination of increased sales volumes and improved cost management. Expenditures for BST, while less than those in the prior year, continued to affect financial results adversely. Total manufacturing capacity utilization for The Agricultural Group was 64 percent and 61 percent in 1992 and 1991, respectively.

In 1991, The Agricultural Group's net sales and operating income increased 2 percent and 22 percent, respectively, as compared with that of 1990. A pretax restructuring gain of $30 million resulted from the 1990 restructuring program and was included in 1991 operating income. Lower raw material and other manufacturing costs, along with cost savings resulting from the restructuring actions, also helped to improve operating income.

Worldwide sales volume of glyphosate herbicide increased 17 percent in 1991, benefiting from improved weather conditions in the United States and certain other key country markets. Reductions in selling prices, principally in the United States on certain glyphosate products, continued to benefit glyphosate sales volume.

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Profitability on the acetanilide family of herbicides increased significantly because of the combination of improved cost management, a new product form and a selling price increase, partially offset by a decrease in sales volume. Market share for these herbicides declined slightly during 1991.

Net sales and profitability of *Avadex* herbicide decreased in 1991 due primarily to the poor farm economy in Canada.

AGRICULTURAL GROUP OUTLOOK

Patents protecting glyphosate herbicide in various countries expired in 1991, while compound *per se* patent protection for the active ingredient in *Roundup* herbicide continues in the United States until the year 2000. Management expects that manufacturing process patents that are important to Monsanto's cost position will maintain our competitive position after the expiration of the other patents.

The Agricultural Group has a significant number of new products in the research and development pipeline and some that are currently in the initial stages of commercialization. The focus continues to be on a number of chemical and biotechnology-related products.

BST will have significant value to the dairy industry through the reduction of milk production costs, but BST continues to meet opposition from certain groups. BST has been approved in nine countries, but not yet in the United States. Management believes BST will be approved in the United States. However, if U.S. approval is not received, a material charge to earnings could result. Monsanto continues to maintain the technical capabilities needed to secure regulatory approval and is prepared to expand commercial capabilities to launch the product.

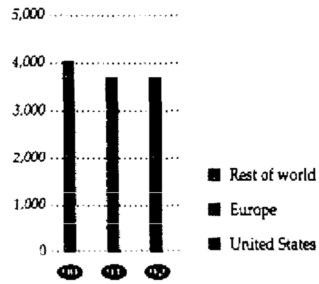
As mentioned in the Notes to Financial Statements on page 48, Monsanto has signed a letter of intent to purchase the assets, including working capital, of the Ortho Consumer Products Division of Chevron Chemical Co. This business, with annual sales of approximately $250 million, will complement the residential products business of The Agricultural Group.

THE CHEMICAL GROUP

	1992	1991	1990
Net Sales:			
Fibers	**$1,065**	$ 974	$ 971
Performance products	**619**	648	668
Plastics	**661**	710	850
Resins	**686**	683	660
Rubber and process chemicals	**471**	482	530
Engineered products	**203**	145	137
Discontinued products		98	219
Total	**$3,705**	$3,740	$4,035
Operating Income (Loss)	**94**	(154)	297

The Chemical Group produces a wide range of chemicals, plastics, fibers and other products listed in the table above. The unit's principal strengths are nylon carpet fiber, high-performance plastics, *Saflex* plastic interlayer, phosphorus and derivatives, and rubber chemicals.

The Chemical Group Net Sales
(Dollars in millions)



In 1992, The Chemical Group was impacted by the worsening economic conditions in Western Europe, Japan and the Commonwealth of Independent States (CIS) and by the slow economic recovery in the United States.

The Chemical Group's net sales from continuing products for 1992 were 2 percent higher compared with 1991, as a result of a 4 percent increase in sales volume, partially offset by lower selling prices principally in fibers and plastics. The sales volume increase in 1992 was primarily in fibers as U.S. housing starts rebounded from 1991 levels. However, various product sales volumes to Europe, Japan and the CIS declined as a result of weak demand.

In 1992, The Chemical Group had operating income of $94 million versus an operating loss of $154 million in the prior year. However, there were a number of unusual items affecting the profitability in both years. Specifically, 1992 operating income was adversely affected by $77 million in restructuring expenses associated with implementing further cost-cutting actions, $41 million in costs associated with the settlement of certain litigation related to the Brio Superfund site, $30 million in expenses related to a facility asset impairment, and $26 million of incremental SFAS No. 106 costs. In 1991, The Chemical Group had a $478 million expense associated with the 1991 restructuring program.

An analysis of the change in operating income is provided below:

	Better (Worse)	
	1992 vs. 1991	1991 vs. 1990
Selling prices	**$ (83)**	$ (33)
Sales volume and mix	**25**	(30)
Manufacturing capacity utilization	**11**	(52)
Raw material costs	**46**	181
Restructuring charges	**401**	(478)
Asset impairment	**(30)**	
Brio litigation settlement	**(41)**	
Incremental SFAS No. 106 costs	**(26)**	
Other	**(55)**	(39)
Change in operating income	**$248**	$(451)

Lower raw material costs were not sufficient to offset the 2 percent decline in average selling prices. Capacity utilization, an important factor for The Chemical Group profitability, was 78 percent in 1992, versus 75 percent in 1991.

Fibers net sales in 1992 were 9 percent above those of 1991 despite lower selling prices. This strong performance is primarily due to increased sales to the home replacement carpet market in the United States, higher sales of *Acrilan* acrylic fiber and improved global demand for fiber intermediates. Sales of nylon carpet fiber were 7 percent higher than the prior year.

Performance products net sales were below those of the prior year, principally due to the weak U.S. economy. Phosphorus and derivatives results were better in 1992 due to improved market conditions and reduced industry capacity.

Plastics net sales in 1992 were lower than those of 1991, primarily because of lower selling prices throughout the world. Sales volume increased in the United States as North American automobile production levels increased over those in 1991, but were partially offset by lower volumes in Europe, Brazil and Japan.

Worldwide sales volume in 1992 of *Saflex* plastic interlayer, the largest resin product, was essentially flat with 1991. Increased demand for architectural products was offset by lower worldwide demand for automotive products, principally due to the worsening economic conditions in Western Europe and Japan.

Rubber chemicals sales volumes were adversely affected by the depressed economies in Europe, as well as the economic disruption in the CIS. However, North American sales volumes increased over those in 1991.

The Chemical Group's net sales for 1991 were 7 percent below 1990. This was primarily a result of discontinued product lines and lower sales volumes of continuing businesses, a reflection of the lack of a U.S. economic recovery, the lowest North American automotive production level since 1983, and the slowdown in the European economy. A pretax restructuring charge of $478 million resulted in the 1991 operating loss for The Chemical Group. Excluding this charge, operating income would have improved 9 percent compared with 1990. Operating income benefited from lower raw material costs and cost containment programs but was hurt by lower manufacturing capacity utilization.

CHEMICAL GROUP OUTLOOK

The Chemical Group outlook for 1993 is for improvement, but the degree is difficult to predict, primarily because of the unknown timing of the economic recovery in Western Europe and Japan, coupled with the uncertain pace of the U.S. economic recovery. Maintaining market share for strategic products with good cost positions and continuing cost reduction efforts will be the focus of The Chemical Group. Active management of environmental compliance activities is also a major focus.

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NUTRASWEET

	1992	1991	1990
Net Sales	**$879**	$954	$933
Operating Income	**72**	173	183

The NutraSweet Company manufactures and markets *NutraSweet* brand sweetener, which is sold worldwide, *Equal* tabletop sweetener, which is sold in the United States, *NutraSweet Spoonful* brand tabletop sweetener, and *Simplesse* all natural fat substitute. Sales of *NutraSweet* brand sweetener in the European market are made by a 50 percent-owned European joint venture and therefore are not included in NutraSweet net sales and operating income. NutraSweet's share of the European joint venture's earnings are reflected in "Other income (expense) — net" in the Statement of Consolidated Income. About 90 percent of NutraSweet net sales were in the U.S. market.

NutraSweet net sales and operating income in 1992 decreased 8 percent and 58 percent, respectively, compared with the 1991 amounts. Worldwide aspartame sales volumes were slightly higher while average selling prices were lower on planned price decreases. Operating income in 1992 also was reduced by a $46 million inventory write-down discussed below and restructuring actions totaling $24 million associated with plant consolidations, employment reductions, and other actions. Operating income benefited from lower operating expenses from the 1991 reorganization. An analysis of the change in operating income is provided below:

	Better (Worse)	
	1992 vs. 1991	1991 vs. 1990
Sales decline (selling prices offset by volume)	**$ (96)**	$ (3)
Restructuring charge	**(24)**	
Inventory adjustment	**(46)**	
Other, principally lower operating costs in 1992	**65**	(7)
Change in operating income	**$(101)**	$(10)

NutraSweet inventories are valued using the last-in, first-out (LIFO) method. Lower selling prices in post-patent contracts with customers necessitated a lower of cost or market adjustment to the LIFO value of inventories in the fourth quarter of 1992, concurrent with the patent expiration.

In 1991, net sales were up 2 percent, while operating income decreased 5 percent compared with 1990. The effect of 5 percent higher sales volume was partially offset by the lower selling prices. Operating income was reduced by one-time costs of $10 million associated with various reorganizing actions taken during 1991.

NUTRASWEET OUTLOOK

The prospects for *NutraSweet* brand sweetener remain strong worldwide, despite the expiration of the U.S. patent. NutraSweet has built important competitive advantages, including: (a) brand name identity and logo recognition, (b) proprietary low-cost manufacturing processes, (c) state-of-the-art manufacturing facilities, (d) technical expertise, (e) the reputation as a superior quality, highly reliable supplier, (f) an economical replacement for sugar in certain markets, and (g) the possibility of an internally developed, next-generation high-potency sweetener.

Competition from generic aspartame producers and others will lower selling prices in the future. These lower prices will adversely affect operating income and cash flow. Operating income in 1993 and beyond will benefit from lower annual amortization expense of $173 million because the aspartame-use patent is now fully amortized.

The United States will remain the principal market for *NutraSweet* brand sweetener in 1993, but growth in international markets will continue. Accordingly, NutraSweet has invested in a new manufacturing facility in France, through a European joint venture. The plant is scheduled to begin production in 1993.

Simplesse, the company's all natural fat substitute, is expected to be more broadly marketed for use in multiple food categories. However, *Simplesse* faces a challenging market in which competition continues to intensify.

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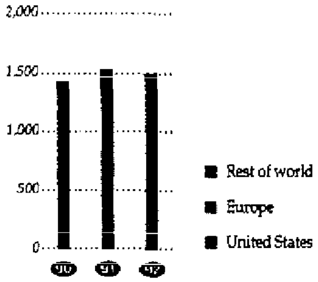
PHARMACEUTICALS

	1992	1991	1990
Net Sales	**$1,503**	$1,531	$1,424
Operating Income (Loss)	**(232)**	170	93

Searle is a research-based, worldwide pharmaceutical business concentrating on drugs for the treatment of cardiovascular, gastrointestinal, immuno-inflammatory, central nervous system and infectious diseases.

Pharmaceuticals Net Sales
(Dollars in millions)



Pharmaceuticals net sales declined 2 percent in 1992 when compared with 1991. Net sales of the *Calan* family of calcium channel blockers for hypertension and angina, sold primarily in the North American market, were $456 million, 10 percent lower than the prior year. This decline was due to lower selling prices and the introduction of generic competition for the sustained-release form of *Calan*. Continued growth of *Canderel* tabletop sweetener (which is marketed by Searle outside the United States and by NutraSweet in the United States under the brand name *Equal*) and new products, such as *Maxaquin* quinolone anti-infective agent, partially offset the sales decline. Net sales of *Canderel* were $157 million in 1992, up 7 percent from 1991. Sales of new products were $93 million, led by *Maxaquin*, which was launched in the United States in mid-1992. Sales volume of *Cytotec* ulcer preventive drug increased 2 percent in 1992. However, net sales were about the same level as the prior year due to increased sales of the lower dosage form. Average selling prices for Pharmaceuticals were moderately lower, resulting from rebates, principally for *Calan*, to state Medicaid programs and a continued shift in demand from retail pharmacy to managed health care providers in the United States.

A significant part of the restructuring approved by the Board of Directors in November 1992 affected Pharmaceuticals. The restructuring steps included reductions in employment, plant closings and consolidations, a rationalization of research investments, and sales of nonstrategic businesses. A pretax restructuring charge of $265 million resulted in a 1992 operating loss for Pharmaceuticals.

In addition to the restructuring charges, costs to introduce *Maxaquin* quinolone anti-infective agent in the United States, the expansion of the U.S. sales force to support *Maxaquin* and other anticipated new product introductions, and lower selling prices negatively affected 1992 results. Operating income in 1991 benefited from the sales of nonstrategic product rights. The principal factors for the change in operating income were:

	Better (Worse)	
	1992 vs. 1991	1991 vs. 1990
Selling prices	**$ (30)**	$ 25
Sales volume and mix	**39**	43
Product rights sales	**(49)**	36
Restructuring	**(265)**	
Marketing, administrative and technological expenses	**(89)**	(20)
Other	**(8)**	(7)
Change in operating income	**$(402)**	$ 77

Pharmaceuticals investment in research and development (R&D) continues to be significant. R&D expenditures were 18 percent and 17 percent of the unit's net sales in 1992 and 1991, respectively. Although the 1992 restructuring realigned some research investments, the future R&D spending level is expected to continue to be significant. This spending level demonstrates the commitment to product discovery and development that is aimed at securing sound, long-term financial performance for Pharmaceuticals.

Pharmaceuticals net sales increased 8 percent in 1991 when compared with 1990. The improvement reflected continued growth for *Cytotec* ulcer preventive drug, the *Calan* family of calcium channel blockers for hypertension and angina, and *Canderel* tabletop sweetener, as well as higher selling prices. Net sales for *Calan*, sold primarily in the North American market, were $508 million, 9 percent higher than 1990 sales. Worldwide sales for *Cytotec* were $123 million, up 35 percent from 1990. Net sales of *Canderel* outside the United States were $147 million in 1991, up 11 percent from 1990. Net sales for *Calan*, *Cytotec* and other products in the United States were reduced by $30 million for rebates to state Medicaid programs mandated under the 1990 Omnibus Budget Reconciliation Act. Comparisons with 1990 also were affected by the December 1990 divestiture of certain of Searle's consumer products outside the United States to a third party, under the terms of a 1985 agreement related to the Company's acquisition of Searle.

Sales and operating income of these consumer products were $52 million and $30 million, respectively, in 1990.

Pharmaceuticals operating income increased 83 percent in 1991 due to higher sales and the sale of certain nonstrategic product rights.

PHARMACEUTICALS OUTLOOK

Calan participates in an increasingly competitive market for antihypertensive drugs and now faces generic competition. This increased competition is likely to adversely affect the future sales and profits of *Calan*. Searle is developing a formulation of *Calan* with proprietary delayed-release technology that could eventually enhance the product's competitive position.

In 1992, Searle launched *Maxaquin*, the first once-a-day anti-infective drug in the quinolone class, in the United States. *Maxaquin* also received 1992 regulatory approvals in Italy, France, the United Kingdom, Canada and 7 other countries. *Daypro*, a nonsteroidal anti-inflammatory drug, and *Ambien*, the first of a new class of prescription sleep aids, have been approved by the U.S. Food and Drug Administration and will be launched in 1993. *Ambien* is awaiting regulatory approval in Canada. *Cytotec* ulcer preventive drug was approved in Japan. *Cytotec* has now been approved in all major markets. *Arthrotec*, a new product for the treatment of arthritis, is a combination of Searle's *Cytotec* and diclofenac, the world's best-selling prescription arthritis medication. *Arthrotec* has been approved in the U.K., France, Canada, Sweden and Portugal. As a result of these approvals, increased launch costs are expected in 1993.

Products currently in various stages of scientific development include potential treatments for abnormal heart rhythms; Alzheimer's disease and age-associated memory impairment; psoriasis and ulcerative colitis; thrombosis; acquired immune deficiency syndrome (AIDS), and other viral diseases.

BIOTECHNOLOGY PRODUCT DISCOVERY

The mission of Biotechnology Product Discovery is to generate a continuous pipeline of proprietary product opportunities and new technologies essential to success in the areas of human health, plant-related agriculture and chemical products. For human health care, Monsanto applies biotechnology to provide target proteins for the development of novel pharmaceutical chemicals. The strategy for plant-related agriculture is to isolate novel genes, the products of which are expressed in genetically transformed plants providing unique agronomic characteristics. The chemical research programs provide novel high-performance chemicals and unique approaches to manufacturing processes and waste minimization. When product leads and new technologies are refined and clarified, they are transferred to the operating units for further development and commercialization.

GEOGRAPHIC DATA

	Net Sales to Unaffiliated Customers			Operating Income (Loss)[1]			Total Assets		
	1992	1991	1990	1992	1991	1990	1992	1991	1990
United States	$4,964	$5,100	$5,131	$ 181	$440	$601	$5,641	$5,655	$5,909
Europe-Africa	1,652	1,708	1,776	(168)	74	200	2,046	2,088	1,945
Asia-Pacific	566	530	486	50	19	36	533	526	441
Canada	290	305	341	18	13	17	147	129	138
Latin America	291	293	334	29	(38)	16	242	208	264
Interarea Eliminations				7	24	(22)	(324)	(304)	(426)
Corporate				(59)	(57)	(40)	800	294	318
Fisher Controls								631	647
Total	$7,763	$7,936	$8,068	$ 58	$475	$808	$9,085	$9,227	$9,236

The data above are prepared on an "entity basis," which means that net sales, operating income and assets of a legal entity are assigned to the geographic area where the legal entity is located (for example, a sale from the United States to Latin America is reported as a U.S. sale). Interarea sales, which are sales between Monsanto locations in different world areas, were made on a market price basis. Interarea sales have been excluded from the above table and were:

	1992	1991	1990
World area shipped from:			
United States	$ 683	$ 716	$ 740
Europe-Africa	105	80	125
Asia-Pacific	5	4	1
Canada	33	14	11
Latin America	2	2	17
Interarea Eliminations	(828)	(816)	(894)
Total	$ —	$ —	$ —

Following is a reconciliation of ex-U.S. operating income and total assets to the net income and net assets of consolidated ex-U.S. subsidiaries.

	1992	1991	1990
Operating income (loss)	$ (71)	$ 68	$ 269
Interest and other income (expense) – net	(89)	17	(7)
Income taxes	54	(35)	(84)
Net Income (Loss) of Consolidated Ex-U.S. Subsidiaries	$ (106)	$ 50	$ 178
Total operating assets	$2,968	$2,951	$2,788
Total liabilities	1,416	1,154	1,020
Net Assets of Consolidated Ex-U.S. Subsidiaries	$1,552	$1,797	$1,768

The reported operating income for the individual geographic areas does not include the full profitability generated by sales of Monsanto products imported from other locations, principally from the United States. Direct export sales from the United States to non-U.S. third party customers were $393 million, $473 million and $426 million for 1992-1990, respectively. The 1992 decline was principally in The Agricultural Group due to the lack of sales from the divested animal feed ingredients business.

Sales and operating income for the geographic segments do not include the financial results from those joint venture companies in which Monsanto does not have management control. Monsanto's share of the income or loss of these companies is reflected in "Other income (expense) — net" in the Statement of Consolidated Income. Monsanto's share of the unconsolidated net sales and income or loss of these companies for 1992 follows:

	Monsanto's Share Net Sales	Monsanto's Share Income (Expense)
United States	$ 99	$—
Europe-Africa	37	2
Asia-Pacific	111	(1)
Latin America	88	1

[1]Geographic area operating income was affected by the 1992 and 1991 restructuring and other unusual items as follows:

	Income (Expense) 1992	1991
United States	$(327)	$(296)
Europe-Africa	(295)	(95)
Asia-Pacific	13	(4)
Canada	(8)	(6)
Latin America	(1)	(47)
Corporate	(6)	(9)
Total	$(624)	$(457)

QUARTERLY DATA

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Net Sales	**1992**	**$1,973**	**$2,045**	**$1,880**	**$1,865**	**$7,763**
	1991	1,993	2,234	1,818	1,891	7,936
Gross Profit	**1992**	**853**	**831**	**766**	**603**	**3,053**
	1991	869	1,018	761	769	3,417
Operating Income (Loss)	**1992**	**259**	**185**	**119**	**(505)**	**58**
	1991	267	(76)	168	116	475
Income (Loss) from Continuing Operations	**1992**	**146**	**95**	**46**	**(413)**	**(126)**
	1991	154	(74)	107	51	238
Net Income (Loss)	**1992**	**(388)**	**105**	**54**	**141**	**(88)**
	1991	166	(52)	116	66	296
Earnings per Share:						
Income (Loss) from Continuing Operations	**1992**	**1.17**	**0.78**	**0.39**	**(3.35)**	**(1.01)**
	1991	1.21	(0.58)	0.84	0.40	1.87
Net Income (Loss)	**1992**	**(3.16)**	**0.86**	**0.45**	**1.14**	**(0.71)**
	1991	1.31	(0.42)	0.91	0.53	2.33
Dividends per Share	**1992**	**0.52**	**0.56**	**0.56**	**0.56**	**2.20**
	1991	0.485	0.52	0.52	0.52	2.045
Common Stock Price						
1992	**High**	**71¼**	**68¾**	**57½**	**58⅜**	**71¼**
	Low	**62¾**	**53**	**52⅜**	**49¼**	**49¼**
1991	High	62½	69¾	76	71⅞	76
	Low	46	56½	64½	57½	46

Monsanto's net income is historically higher during the first half of the year primarily because of the concentration of generally more profitable sales of The Agricultural Group during that part of the year.

The net loss for the first quarter of 1992 included the net aftertax cumulative effect of accounting changes of $540 million, or $4.38 per share and $9 million of net aftertax expenses, principally associated with the damage to a glyphosate herbicide manufacturing unit. The effect of retroactively adopting the new accounting rules as of January 1, 1992, decreased previously reported first-quarter net income by $549 million, or $4.44 per share. Previously reported second- and third-quarter net income were each reduced by $8 million, or $0.06 per share, from the effect of adopting the new accounting rules.

The second quarter of 1992 included $26 million of aftertax expense associated with the settlement of certain litigation relating to the Brio Superfund site and $12 million of aftertax expense related to the damaged glyphosate manufacturing unit.

The fourth quarter of 1992 included pretax expense of $625 million, $425 million aftertax, or $3.44 per share, for the restructuring program and other actions approved by the Board of Directors. The 1992 total pretax expense related to restructuring and other actions was $699 million, $472 million aftertax, or $3.82 per share. The fourth quarter also included an aftertax gain of $554 million, or $4.49 per share, from the sale of Fisher Controls.

The net loss for the second quarter of 1991 included net pretax restructuring expense of $457 million, $325 million aftertax, or $2.54 per share.

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

(Dollars in millions, except per share)	At December 31,	
Assets	1992	1991
Current Assets:		
Cash and cash equivalents	$ 729	$ 189
Trade receivables, net of allowances of $33 in 1992 and $36 in 1991	1,405	1,422
Miscellaneous receivables and prepaid expenses	375	296
Deferred income tax benefit	395	249
Inventories	1,156	1,214
Current assets – Fisher Controls		341
Total Current Assets	4,060	3,711
Property, Plant and Equipment:		
Land	106	104
Buildings	1,240	1,215
Machinery and equipment	5,939	5,772
Construction in progress	317	419
Total property, plant and equipment	7,602	7,510
Less accumulated depreciation	4,597	4,319
Net Property, Plant and Equipment	3,005	3,191
Investments in Affiliates	248	248
Intangible Assets, net of accumulated amortization of $383 in 1992 and $1,422 in 1991	1,066	1,224
Other Assets	706	591
Other Assets – Fisher Controls		262
Total Assets	$9,085	$9,227

The above statement should be read in conjunction with pages 47 through 53 of this report.
Previously reported amounts have been reclassified to present Fisher Controls as discontinued operations.

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(Dollars in millions, except per share)

Liabilities and Shareowners' Equity	At December 31, 1992	1991
Current Liabilities:		
Accounts payable	$ 525	$ 530
Wages and benefits	191	217
Income and other taxes	477	155
Restructuring reserves	377	186
Miscellaneous accruals	721	585
Short-term debt	257	335
Current liabilities – Fisher Controls		167
Total Current Liabilities	2,548	2,175
Long-Term Debt	1,423	1,871
Deferred Income Taxes	65	512
Postretirement Liabilities	1,252	294
Other Liabilities	792	685
Other Liabilities – Fisher Controls		36
Shareowners' Equity:		
Common stock (authorized, 200,000,000 shares, par value $2)		
Issued, 164,394,194 shares in 1992 and 1991	329	329
Additional contributed capital	820	726
Treasury stock, at cost (43,929,827 shares in 1992 and 41,466,707 shares in 1991)	(2,029)	(1,797)
Reserve for ESOP debt retirement	(233)	(250)
Accumulated currency adjustment	15	187
Reinvested earnings	4,103	4,459
Total Shareowners' Equity	3,005	3,654
Total Liabilities and Shareowners' Equity	$9,085	$9,227

The above statement should be read in conjunction with pages 47 through 53 of this report.
Previously reported amounts have been reclassified to present Fisher Controls as discontinued operations.

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FINANCIAL POSITION REMAINED STRONG

Monsanto's financial position remained strong in 1992, as evidenced by Monsanto's current "A" or better debt rating. Financial resources were adequate to support existing businesses and to fund new business opportunities.

Working capital was lower at year-end 1992 due principally to higher restructuring reserves and income tax accruals offset by increased cash and cash equivalent balances, resulting from receipt of the sales proceeds from the Fisher Controls divestiture, and deferred tax benefits principally related to the 1992 restructuring reserves. Inventories and trade receivables at year-end 1992 decreased slightly compared with the prior year-end.

The amount of net property, plant and equipment was less than year-end 1991, as $586 million of capital additions were less than the depreciation expense and the write-down of property divested or to be divested under the restructuring actions. Intangible assets declined in 1992, due mainly to final amortization of the NutraSweet aspartame patent, which expired in December 1992.

As mentioned in the Notes to Financial Statements on pages 49 and 51, Monsanto adopted in 1992 Statement of Financial Accounting Standards (SFAS) No. 106, the accounting rule for postretirement benefits other than pensions, and SFAS No. 109, the new income tax accounting rule. Adoption of SFAS No. 106 resulted in year-end 1992 balances of liabilities for postretirement benefits other than pensions and the related deferred tax benefits exceeding the respective year-end 1991 balances by $1,013 million and $370 million. Adoption of SFAS No. 109 resulted primarily in $118 million lower noncurrent deferred tax liabilities. Total deferred tax benefits, both current and noncurrent, of $514 million at year-end 1992 are primarily related to operations in the United States, which generally has had a strong earnings history.

Long-term debt at year-end 1992 was lower than that of the prior year-end. Monsanto retired $565 million of outstanding debt and incurred $120 million of new debt.

Monsanto uses financial markets worldwide for its financing needs and has available various short- and medium-term bank credit facilities, which are discussed in the Notes to Financial Statements (page 50). These credit facilities provide the financing flexibility to take advantage of investment opportunities that may arise and to satisfy future funding requirements. To maintain adequate financial flexibility and access to debt markets worldwide, Monsanto management intends to maintain an "A" debt rating. An important factor in establishing that rating is the ratio of total debt to total capitalization, which was 36 percent in 1992.

In October 1991, Monsanto's Board of Directors approved the establishment of an employee stock ownership plan (ESOP). In January 1992, the ESOP purchased from Monsanto $250 million of common stock that will be used to match employee contributions under the Company's existing savings and investment plan. A more detailed description of the ESOP is provided in the Notes to the Financial Statements on page 52.

Monsanto's commitments and contingencies are described in the Notes to Financial Statements on page 53.

The 1992 decline in Shareowners' Equity is due principally to the adoption of SFAS No. 106 and the aftertax cost of the 1992 restructuring program, partially offset by the gain on the Fisher Controls divestiture.

Monsanto's return on shareowners' equity (ROE) was a negative 2.6 percent in 1992. Excluding the $463 million of aftertax unusual items summarized on page 27, ROE would have been over 10 percent. Monsanto's principal financial target is a sustained ROE of 20 percent or greater. The ROE and other key financial statistics are presented in the table below.

KEY FINANCIAL STATISTICS	1992	1991	1990
Return on Shareowners' Equity (ROE) (Net income divided by average shareowners' equity)	(2.6)%	7.6%	13.6%
Current Ratio (Current assets divided by current liabilities)	1.6	1.7	1.6
Trade Receivables – Days Sales Outstanding (Fourth-quarter trade receivables divided by fourth-quarter net sales times 30 days)	67	68	63
Inventory Turnover Ratio (Cost of goods sold divided by inventory)	4.1	3.7	4.2
Interest Coverage (Income before interest expense and income taxes divided by total interest cost)	—	2.7	4.4
Cash Provided by Operations/Total Debt	54%	53%	50%
Total Debt/Total Capitalization[1]	36%	38%	35%

[1] *Total capitalization is the sum of short-term debt, long-term debt and shareowners' equity.*

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STATEMENT OF CONSOLIDATED SHAREOWNERS' EQUITY

(Dollars in millions, except per share)	1992	1991	1990
Common Stock:			
Balance, January 1	$ 329	$ 329	$ 164
Par value of stock issued in two-for-one stock split			165
Balance, December 31	$ 329	$ 329	$ 329
Additional Contributed Capital:			
Balance, January 1	$ 726	$ 714	$ 877
Employee stock plans and ESOP	94	12	2
Par value of stock issued in two-for-one stock split			(165)
Balance, December 31	$ 820	$ 726	$ 714
Treasury Stock:			
Balance, January 1	$(1,797)	$(1,563)	$(1,244)
Shares purchased (6,732,300; 4,395,900; and 6,707,900 shares in 1992-1990, respectively)	(417)	(296)	(326)
Shares issued under employee stock plans and ESOP (4,269,180; 1,545,333; and 193,072 shares in 1992-1990, respectively)	185	62	7
Balance, December 31	$(2,029)	$(1,797)	$(1,563)
Reserve for ESOP Debt Retirement:			
Balance, January 1	$ (250)		
ESOP formation		$ (250)	
Allocation of ESOP shares	17		
Balance, December 31	$ (233)	$ (250)	
Accumulated Currency Adjustment:			
Balance, January 1	$ 187	$ 188	$ 24
Translation adjustments	(172)	(3)	171
Income taxes		2	(7)
Balance, December 31	$ 15	$ 187	$ 188
Reinvested Earnings:			
Balance, January 1	$ 4,459	$ 4,421	$ 4,120
Net income (loss)	(88)	296	546
Dividends (net of ESOP tax benefits)	(268)	(258)	(242)
Common stock purchase rights redemption			(3)
Balance, December 31	$ 4,103	$ 4,459	$ 4,421

The above statement should be read in conjunction with pages 47 through 53 of this report.

KEY FINANCIAL STATISTICS		1992	1991	1990
Stock Price[1]	High	$ 71¼	$ 76	$ 60⅛
	Low	49¾	46	38¼
	Year-end	57⅝	67⅞	48¼
Per Share	Dividends	2.20	2.045	1.88
	Shareowners' Equity	24.95	29.72	32.51
Average Daily Share Trading Volume (thousands of shares)		392	359	425

[1] *Based on daily reported high and low stock prices.*

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STATEMENT OF CONSOLIDATED CASH FLOW

(Dollars in millions)	1992	1991	1990
Increase (Decrease) in Cash and Cash Equivalents			
Operating Activities:			
Income (loss) from continuing operations	$ (126)	$ 238	$ 486
Add income taxes – continuing operations	(48)	116	230
Income (loss) from continuing operations before income taxes	(174)	354	716
Adjustments to reconcile to Cash Provided by Continuing Operations:			
Income tax payments	(162)	(201)	(229)
Items that did not use cash:			
Depreciation and amortization	765	714	704
Restructuring expense – net	436	457	
Incremental SFAS No. 106 expenses	45		
Other	157	37	—
Working capital changes that provided (used) cash:			
Accounts receivable	21	(101)	(171)
Inventories	(30)	(141)	(89)
Accounts payable and accrued liabilities	(107)	(40)	122
Other	(125)	7	60
Nonoperating pretax gains from asset disposals	(6)	(11)	(86)
Other items	28	37	(49)
Cash Provided by Continuing Operations	848	1,112	978
Cash Provided by Discontinued Operations	64	68	126
Total Cash Provided by Operations	912	1,180	1,104
Investing Activities:			
Property, plant and equipment purchases	(586)	(554)	(711)
Acquisition and investment payments	(259)	(225)	(194)
Investment and property disposal proceeds	177	324	100
Proceeds from sale of Fisher Controls	1,275		
Discontinued operations – other	(30)	10	(46)
Cash Provided by (Used in) Investing Activities	577	(445)	(851)
Financing Activities:			
Net change in short-term financing	(78)	(245)	77
Long-term debt proceeds	120	317	523
Long-term debt reductions	(565)	(291)	(351)
Treasury stock purchases	(417)	(296)	(326)
Dividend payments	(270)	(258)	(242)
Common stock issued to ESOP	250		
Other financing activities	11	23	17
Cash Used in Financing Activities	(949)	(750)	(302)
Increase (Decrease) in Cash and Cash Equivalents	540	(15)	(49)
Cash and Cash Equivalents:			
Beginning of year	189	204	253
End of year	$ 729	$ 189	$ 204

The above statement should be read in conjunction with pages 47 through 53 of this report.
Previously reported amounts have been reclassified to present Fisher Controls as discontinued operations.
The effect of exchange rate changes on cash and cash equivalents was not material.
Cash payments for interest (net of amounts capitalized) were $176 million, $169 million and $161 million, for the years 1992-1990, respectively.
During 1991, Monsanto established an employee stock ownership plan (ESOP). Monsanto was guarantor of $90 million of ESOP notes and $100 million of ESOP debentures at December 31, 1992.

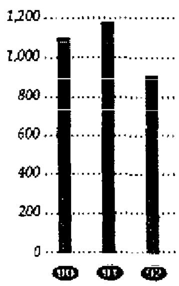
Monsanto's cash flow for the three-year period of 1992-1990 is shown in the Statement of Consolidated Cash Flow on the preceding page.

CASH FLOW REMAINED STRONG

Cash flow remained strong in 1992, with the cash proceeds from the Fisher Controls divestiture and that provided by operations. However, cash provided by operations of $912 million was 23 percent lower than the prior year. This was due to the lower selling prices and higher marketing expenses more than offsetting higher sales volumes and lower raw material costs. Cash from operations was generated primarily by The Chemical Group, The Agricultural Group and NutraSweet. As discussed in NutraSweet's operating unit segment data on page 35, future cash flow from NutraSweet is expected to be lower, due to anticipated lower future selling prices.

Monsanto's operations have historically generated sufficient cash to fund existing businesses, growth-related research and investments. Management expects cash provided by operations, supplemented by periodic borrowings, to be adequate to fund future requirements.

Cash Provided by Operations
(Dollars in millions)



Monsanto received $1,275 million of cash from the sale of Fisher Controls. A portion of the cash proceeds was used in 1992 to reduce debt and to purchase Monsanto common stock. Most of the income taxes related to the sale will be paid in the first quarter of 1993. Other investment and property disposals in 1992 generated $177 million of cash. The principal proceeds in 1992 and 1991 were related to the sale of various businesses associated with the 1991 restructuring, including in 1991 the animal feed ingredients business.

Major uses of cash for the period 1992-1990 included capital expenditures, treasury stock purchases and dividends. The investment in various 1992 acquisitions and purchase of an interest in a Japanese pharmaceuticals firm in 1991 were also major uses of cash. Monsanto's 1992 capital expenditures focused on improved technology, capacity expansions and environmental projects, and totaled $586 million.

Long-term debt proceeds in 1992 included $61 million in ex-U.S. floating-rate notes and $45 million from the issuance of industrial development bonds. These proceeds were used essentially to refinance other borrowings. In 1991, long-term debt proceeds included $100 million of 30-year fixed-rate debentures and $194 million from the issuance of medium-term notes. Long-term debt repayments in 1992 included $145 million in 11⅜ percent debentures, $141 million in 8¾ percent debentures, $104 million in 8½ percent debentures, and $51 million in industrial development bonds.

Monsanto continually evaluates risk retention and insurance levels for product liability, property damage and other potential areas of risk. Monsanto devotes significant effort to maintaining and improving safety and internal control programs, which reduce its exposure to certain risks. Based on the cost and availability of insurance and the likelihood of a loss, management decides the amount of insurance coverage to purchase from unaffiliated companies and the appropriate amount of risk to retain. Since 1986, Monsanto's liability insurance has been on the "claims made" policy form. Management believes that the current levels of risk retention are consistent with those of other companies in the various industries in which Monsanto operates. Monsanto's liquidity, financial position and profitability are not expected to be affected materially by the levels of risk retention which the Company accepts.

MONSANTO MAINTAINS STRONG ENVIRONMENTAL COMMITMENT

Monsanto is subject to various laws and governmental regulations concerning environmental matters, employee safety and employee health. It is anticipated that increasingly stringent requirements will be imposed upon Monsanto and industry in general. Monsanto is dedicated to a long-term environmental protection program that reduces emissions of hazardous materials into the environment, as well as to the remediation of identified existing environmental concerns. In 1988, management committed to a 90 percent reduction in toxic air emissions by the end of 1992, a goal that has been substantially met. The cost to accomplish this target did not materially affect operating results. In fact, some of the target projects lowered operating costs and improved operating efficiency.

Expenditures in 1992 were approximately $123 million for environmental capital projects and approximately $264 million for operation and maintenance of environmental protection facilities. Monsanto estimates that during 1993 and 1994 approximately $75 million-$125 million per year will be spent on additional capital projects for environmental protection.

Monsanto periodically receives notices from the Environmental Protection Agency (EPA) that it is a poten-

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tially responsible party (PRP) under Superfund. Monsanto has been designated by the EPA as a PRP at 88 Superfund sites; however, the EPA has provided notice deleting Monsanto from 2 of these sites. Monsanto has resolved disputes in 22 of these Superfund cases. In addition, partial consent decrees or administrative orders have been entered between Monsanto and the United States in 16 of these cases settling a portion of Monsanto's liability. Of the remaining sites, 6 are matters that involve allegations predicated on tentative findings of reuse of drums by others that once contained products sold by Monsanto. These 6 matters have been inactive as to Monsanto for at least 8 years. At one other site, Monsanto has determined it has no liability whatsoever. Monsanto's future Superfund remediation expenses will be affected by a number of uncertainties, including the method and extent of remediation, the percentage of material attributable to Monsanto at the sites relative to that attributable to other parties, and the financial capabilities of the other PRPs at most sites.

Monsanto spent $46 million in 1992 for remediation of Superfund and other waste disposal sites. Most of these expenditures related to The Chemical Group, and similar or greater amounts can be expected in future years. Monsanto's policy is to accrue these costs in the accounting period in which the responsibility is established and the cost is estimable. At December 31, 1992, Monsanto's Statement of Consolidated Financial Position included an accrued liability of $242 million for the remediation of identified waste disposal sites. Because of the uncertainties associated with remediation activities, Monsanto's future expenses to remediate these sites could approximate an additional $300 million. These potential future expenses would be expected to be incurred over the balance of the decade. While the costs and results of remediation of waste disposal sites cannot be predicted with certainty, management believes that, with future developments in remediation technology, Monsanto's liquidity and profitability in any one year will not be materially affected.

COMMON STOCK PURCHASE PROGRAM CONTINUED

In April 1992, Monsanto's Board of Directors authorized the purchase of 5 million shares of Monsanto common stock. In October 1992, the Board authorized the purchase of an additional 12 million shares. In 1992, Monsanto purchased 6.7 million shares at a cost of $417 million. Since June 1987, Monsanto has purchased 43.8 million shares at a cost of $2,170 million. Management believes the stock purchase program represents a sound economic investment for Monsanto's shareowners.

DIVIDENDS INCREASE FOR THE 20TH CONSECUTIVE YEAR

Monsanto has paid dividends on its common shares without interruption or reduction since 1928, and has increased the dividend per share in each of the past 20 years. Dividend payout for 1992 was 30 percent of cash provided by operations. Monsanto's dividend policy reflects a desired long-term payout percentage based on Monsanto's expectations of future growth and profitability levels. In any individual year, additional consideration is given to expected financial position and results, working and fixed capital needs, scheduled debt repayments and economic conditions, including inflation.

Monsanto's common stock is traded principally on the New York Stock Exchange and is listed on the exchanges in Tokyo and 7 European cities. The number of shareowners of record as of February 26, 1993, was 59,165, and the high and low common stock prices on that date were $51½ and $50⅞.

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SIGNIFICANT ACCOUNTING POLICIES

Monsanto's significant accounting policies are italicized in the following Notes to Financial Statements. The financial statements present the results of Fisher Controls as discontinued operations. Previously reported amounts have been reclassified consistent with this presentation.

BASIS OF CONSOLIDATION

The consolidated financial statements include the Company and its majority-owned subsidiaries. Intercompany transactions have been eliminated in consolidation. Other companies in which Monsanto has a significant ownership interest (generally greater than 20 percent) are included in "Investments in Affiliates" in the Statement of Consolidated Financial Position, and Monsanto's share of these companies' income or loss is included in "Other income (expense) — net" in the Statement of Consolidated Income.

CURRENCY TRANSLATION

Most of Monsanto's ex-U.S. entities' financial statements are translated into U.S. dollars using current exchange rates. Unrealized currency adjustments in the Statement of Consolidated Financial Position are accumulated in shareowners' equity. The financial statements of ex-U.S. entities that operate in hyperinflationary economies, principally Brazil, are translated at either current or historical exchange rates, as appropriate. These currency adjustments are included in net income.

Major currencies are the U.S. dollar, British pound sterling, Belgian franc and Japanese yen. Other important currencies include the Brazilian cruzeiro, Canadian dollar, French franc, German mark and Italian lira. Currency restrictions are not expected to have a significant effect on Monsanto's cash flow, liquidity or capital resources.

Currency option contracts are purchased to manage currency exposure for anticipated transactions (for example, export sales for the following year). Currency option and forward contracts are used to manage other currency exposures. At December 31, 1992 and 1991, Monsanto had currency forward and option contracts to purchase $53 million and $240 million, respectively, and to sell $597 million and $714 million, respectively, of other currencies, principally the British pound sterling, French franc, Japanese yen and German mark. *Gains and losses on contracts that are designated and effective as hedges are deferred and included in the recorded value of the transaction being hedged. Gains and losses on other currency forward and option contracts are included in net income immediately.* Monsanto is subject to loss in the event of nonperformance by the counterparties to these contracts.

RESTRUCTURING AND OTHER ACTIONS

In November 1992, the Board of Directors approved a series of actions designed to make Monsanto's worldwide operations more focused, productive and cost-effective. Major elements include a realignment of selected research investments, reductions in employment and a number of consolidations, closings, asset write-downs and sales of nonstrategic businesses and facilities. The pretax expense related to these actions totaled $625 million ($425 million aftertax) and principally affected Pharmaceuticals. These actions also include some further fine-tuning of other operating units and a reduction in corporate staff.

Other unusual items, primarily in the first and second quarters of 1992, totaled a pretax expense of $74 million. These items principally were costs incurred as a result of damage to a manufacturing unit for a key raw material for *Roundup* herbicide in January 1992 and the settlement of certain lawsuits related to the Brio Superfund site in the second quarter of 1992.

In June 1991, the Board of Directors approved restructuring steps, principally to strengthen The Chemical Group for the future. Corporate staff reductions were also approved. In September 1990, the Board of Directors approved a restructuring of The Agricultural Group. The 1990 and 1991 actions included the shutdown and consolidation of various facilities and the sale of certain businesses, including the animal feed ingredients business, that did not meet Monsanto's long-term strategic direction.

The components of the pretax expense related to the restructuring programs and the other unusual items were:

	1992	1991
Cost of employee reductions	$224	$ 215
Shutdown and consolidation of various facilities and departments	164	417
Asset write-downs	188	
Glyphosate plant damage costs	42	
Brio litigation settlement	41	
Other costs	111	64
Gains on business sales	(71)	(239)
Total	$699	$ 457

These expenses were recorded in the Statement of Consolidated Income in the following categories:

	1992	1991
Cost of goods sold	$188	
Restructuring expense – net	436	$ 457
Decrease in operating income	624	457
Other expense	75	
Total decrease in income from continuing operations before income taxes	$699	$ 457

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Income from continuing operations was reduced by $472 million aftertax, or $3.82 per share, and $332 million aftertax, or $2.60 per share, for 1992 and 1991, respectively, from the effect of these restructurings and unusual items. Product sales of businesses targeted for divestiture in these restructurings were excluded from Monsanto's net sales after Board of Directors' approval. Product sales of these businesses in 1992-1990 included in Monsanto's net sales were $74 million, $299 million and $429 million, respectively.

PRINCIPAL ACQUISITIONS AND DIVESTITURES

In October 1992, Monsanto sold the worldwide business of Fisher Controls. Monsanto received $1,275 million in cash, which resulted in an aftertax gain of $554 million (net of applicable income taxes of $371 million). Financial data for Fisher Controls were:

	1992*	1991	1990
Net sales	$679	$928	$927
Income before income taxes	$ 37	$ 88	$ 94
Income taxes	13	30	34
Net income	$ 24	$ 58	$ 60

*For the nine months ended September 30, 1992.

In 1991, Monsanto purchased 12.25 percent of the shares of Hokuriku Seiyaku Co., a Japanese pharmaceuticals firm. The investment is included in "Other Assets."

In June 1990, certain assets of a Monsanto joint venture in Japan were sold. Monsanto recognized a pretax gain of $45 million, or an aftertax gain of $31 million, or $0.24 per share, on the sale of these assets.

On January 7, 1993, Monsanto signed a letter of intent to purchase the assets, including working capital, of the Ortho Consumer Products Division of Chevron Chemical Co. The transaction is subject, among other conditions, to a due diligence review of the Ortho business and the signing of a definitive agreement. Subject to the timing of the transaction in relation to Monsanto's seasonal working capital needs, financing of the acquisition is to be achieved through available cash balances and additional short-term borrowings. Ortho Consumer Products, with annual sales of approximately $250 million, is a leading U.S. marketer of lawn and garden products.

DEPRECIATION AND AMORTIZATION

	1992	1991	1990
Depreciation	$473	$453	$437
Amortization of intangible assets	237	233	229
Obsolescence	55	28	38
Total	$765	$714	$704

Property, plant and equipment is recorded at cost. The cost of plant and equipment is depreciated over weighted average periods of 22 years for buildings and 11 years for machinery and equipment, using the straight-line method.

Intangible assets are recorded at cost less accumulated amortization. The components of intangible assets and their estimated remaining useful lives were:

	Estimated Remaining Life*	1992	1991
Goodwill	30	$ 692	$ 687
Patents	7	85	275
Other intangible assets	15	289	262
Total		$1,066	$1,224

*Weighted average, in years, at December 31, 1992.

Goodwill is the cost of acquired businesses in excess of the fair value of their identifiable net assets and is amortized over the estimated periods of benefit (5 to 40 years). Patents obtained in a business acquisition are recorded at the present value of estimated future cash flows resulting from patent ownership. The cost of patents is amortized over their legal lives. The cost of other intangible assets (principally product rights and trademarks) is amortized over their estimated useful lives.

INVENTORY VALUATION

Inventories are stated at cost or market, whichever is less. Actual cost is used to value raw materials and supplies. Standard cost, which approximates actual cost, is used to value finished goods and goods in process. Standard cost includes direct labor, raw material and manufacturing overhead based on practical capacity. The cost of certain inventories (55 percent at December 31, 1992) is determined by using the last-in, first-out (LIFO) method, which generally reflects the effects of inflation or deflation on cost of goods sold sooner than other inventory cost methods. The cost of other inventories generally is determined by using the first-in, first-out (FIFO) method.

The components of inventories were:

	1992	1991
Finished goods	$ 743	$ 838
Goods in process	298	300
Raw materials and supplies	426	384
Inventories, at FIFO cost	1,467	1,522
Excess of FIFO over LIFO cost	(311)	(308)
Total	$1,156	$1,214

Inventories at FIFO cost approximate current cost.

INCOME TAXES

The components of income (loss) from continuing operations before income taxes were:

	1992	1991	1990
United States	$ (14)	$ 269	$454
Outside United States	(160)	85	262
Total	$(174)	$ 354	$716

The components of income tax expense (benefit) charged to continuing operations were:

	1992	1991	1990
Current:			
U.S. federal	$ 56	$ 225	$102
U.S. state	24	26	17
Outside United States	19	56	83
	99	307	202
Deferred:			
U.S. federal	(59)	(149)	26
U.S. state	(15)	(21)	1
Outside United States	(73)	(21)	1
	(147)	(191)	28
Total	$ (48)	$ 116	$230

Factors causing Monsanto's effective tax rate for continuing operations to differ from the U.S. federal statutory rate were:

	1992	1991	1990
U.S. federal statutory rate	(34)%	34%	34%
Benefits attributable to:			
U.S. export earnings	(9)	(7)	(2)
Puerto Rico operations	(4)	(3)	(2)
Sale of investments	—	(3)	—
Higher (lower) ex-U.S. rates	(12)	4	(1)
Nondeductible goodwill	3	2	1
Valuation allowances	19		
State income taxes	2	1	2
Other	7	5	
Effective Income Tax Rate	(28)%	33%	32%

The income taxes netted against the gain on the sale of Fisher Controls and the cumulative effect of adopting Statement of Financial Accounting Standards (SFAS) No. 106 exceeded the 34 percent U.S. federal statutory rate primarily because of the effect of state income taxes.

Monsanto adopted SFAS No. 109, "Accounting for Income Taxes," effective as of January 1, 1992, and recognized a gain of $118 million, or $0.96 per share. This gain has been reflected in the Statement of Consolidated Income as a cumulative effect of an accounting change. Deferred income tax balances in 1992 reflect the impact of temporary differences between the amounts of assets and liabilities for income tax purposes, compared with the respective amounts for financial statement purposes.

Deferred income tax balances at December 31, 1992, were related to:

	Asset	Liability
Property	$(301)	$43
Postretirement benefits	392	12
Restructuring reserves	184	
Environmental liabilities	83	
Inventory	71	2
Other	147	10
Valuation allowances	(62)	
Total	$ 514	$67

Included in the SFAS No. 109 adoption at January 1, 1992, were valuation allowances of $32 million.

Under the previous income tax accounting rules, deferred income taxes were provided for significant timing differences in the recognition of revenue and expense for tax and financial statement purposes. The source of these timing differences and the tax effect of each were:

	1991	1990
Depreciation and obsolescence	$ (14)	$ 9
Restructuring	(146)	19
State income taxes	(21)	1
Other	(10)	(1)
Total	$(191)	$ 28

Income and remittance taxes have not been recorded on $400 million of undistributed earnings of subsidiaries, either because any taxes on dividends would be offset substantially by foreign tax credits or because Monsanto intends to indefinitely reinvest those earnings. The estimated U.S. income tax if such earnings were paid as dividends would be approximately $55 million.

SHORT-TERM DEBT AND CREDIT ARRANGEMENTS

Short-term debt was:

	1992	1991
Notes payable to banks	$ 70	$ 75
Commercial paper		66
Bank overdrafts	78	125
Current portion of long-term debt	109	69
Total	$257	$335
Weighted average interest rates of notes payable at December 31:		
Banks[1]	9.8%	14.2%
Commercial paper		4.9%

[1] *Includes the effect of rates in certain countries where local inflation results in high interest rates.*

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Monsanto has aggregate short-term loan facilities of $297 million, under which loans totaling $70 million were outstanding at December 31, 1992. Interest on these loans is related to various bank rates. Monsanto's worldwide unused short-term loan facilities were $227 million at December 31, 1992. In addition, Monsanto has a $750 million credit facility, which expires in 1996. There were no borrowings under this facility at December 31, 1992. The credit facility is used to support the issuance of commercial paper. Interest on amounts borrowed under this agreement would likely be at money market rates. Covenants under this credit facility restrict maximum borrowings. It is not anticipated that future borrowings will be limited by these restrictions.

LONG-TERM DEBT

Long-term debt (exclusive of current maturities) was:

	1992	1991
Industrial development bond obligations, rates in 1992 ranging from 5.60% to 11.50%, due 1994 to 2022	$ 363	$ 371
Medium-term notes, rates in 1992 ranging from 7.85% to 9.00%, due 1994 to 2005	300	364
9¼% notes due 1996	150	150
8½% sinking fund debentures due 2000		104
7.09% and 8.13% amortizing ESOP notes and debentures due 2000 and 2006, guaranteed by the Company	180	200
8¾% sinking fund debentures due 2008		141
8⅞% debentures due 2009	99	99
11⅞% sinking fund debentures due 2015		145
8.7% debentures due 2021	100	100
Other	231	197
Total	**$1,423**	**$1,871**

Maturities and sinking fund requirements on long-term debt are $109 million, $102 million, $98 million, $266 million and $73 million for 1993-1997, respectively.

Interest rate swap options (interest options) are used to manage interest expense. At December 31, 1992 and 1991, Monsanto had sold interest options with an aggregate notional principal amount of $395 million and $351 million, respectively, related to existing debt. Two interest options would effectively refinance, at 8½ percent, $150 million of 9¼ percent notes in the period 1993 through 1996. Another interest option would effectively convert $99 million of 8⅞ percent debentures to commercial paper rates in the period 1994 through 2000. Additional interest options would effectively convert $96 million of variable rate debt to fixed rates ranging from 8⅞ percent to 9¼ percent in the period 1993 to 2000. Another interest option would effectively convert $50 million of 7.09 percent amortizing ESOP notes to a variable rate in the period 1993 to 1996. *Premiums from the sale of interest options are amortized over the related debt period. Interest differentials to be paid or received are accrued as interest rates change over the related debt period.*

FINANCIAL INSTRUMENTS FAIR VALUES

The estimated December 31, 1992, fair values of Monsanto's financial instruments were:

	Recorded Amount	Fair Value
Assets:		
Foreign currency forward and option contracts	$ 7	$ 21
Miscellaneous receivables	31	26
Investments in securities	208	206
Liabilities:		
Currency swaps and interest options	11	26
Long-term debt	1,423	1,496

The recorded amounts of cash, trade receivables, discounted receivables, third party guarantees, accounts payable and short-term debt approximate their fair values. *Investments in securities are recorded at cost and reduced to market value when a decline is deemed other than temporary.*

Fair values are estimated using quoted market prices, estimates obtained from brokers and other appropriate valuation techniques based on information available as of December 31, 1992. The fair value estimates are not necessarily indicative of values Monsanto could realize in the current market.

POSTRETIREMENT BENEFITS – PENSIONS

Most Monsanto employees are covered by noncontributory pension plans. The components of pension cost (income) were:

	1992	1991	1990
Service cost for benefits earned during the year	$ 65	$ 63	$ 61
Interest cost on benefit obligation	272	259	230
Assumed return on plan assets*	(291)	(269)	(259)
Amortization of unrecognized net gain	(41)	(33)	(46)
Total	$ 5	$ 20	$ (14)

*Actual return (loss) on plan assets was $230 million, $689 million and $(83) million in 1992-1990, respectively.

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Pension benefits are determined based on the employee's years of service and/or compensation level. Pension plans are funded in accordance with Monsanto's long-range projections of the plans' financial conditions, considering benefits earned and expected to be earned in the future, anticipated future returns on pension plan assets and income tax and other regulations. Pension cost is determined by using the preceding year-end assumptions. Assumptions used as of December 31 for the principal plans were:

	1992	1991	1990
Discount rate	8½%	8½%	8½%
Assumed long-term rate of return on plan assets	9½%	8½%	8½%
Annual rates of salary increase (for plans that base benefits on final compensation level)	6%	6½%	6½%

The funded status of Monsanto's pension plans at year-end was:

	1992	1991
Plan Assets at Fair Value	**$3,751**	$3,753
Actuarial present value of plan benefits:		
Vested	**$2,848**	$2,732
Nonvested	**123**	105
Accumulated benefit obligation	**2,971**	2,837
Effect of projected future salary increases	**426**	384
Projected Benefit Obligation	**$3,397**	$3,221
Excess of plan assets over projected benefit obligation	**$ 354**	$ 532
Less:		
Unrecognized initial net gain	**221**	266
Unrecognized prior service costs	**(216)**	(185)
Unrecognized subsequent net gain	**538**	624
Accrued Net Pension Liability	**$ 189**	$ 173
The accrued net pension liability was included in:		
Postretirement liabilities	**$ 232**	$ 229
Less: Other assets	**(43)**	(56)
Accrued Net Pension Liability	**$ 189**	$ 173

At December 31, 1992, the accrued net pension liability included $101 million for unfunded plans. Projected benefit obligations and plan assets included in the above table for the principal U.S. plans were approximately $3,040 million and $3,425 million, respectively, at December 31, 1992. Plan assets consist principally of common stocks and U.S. government and corporate obligations. Because the Company's principal pension plans are well funded, contributions to these plans were neither required nor made in 1992-1990.

POSTRETIREMENT BENEFITS – HEALTH CARE AND OTHER

Monsanto provides certain health care and life insurance benefits for retired employees. Substantially all of Monsanto's regular, full-time U.S. employees and certain employees in other countries may become eligible for these benefits if they reach retirement age while employed by Monsanto. These postretirement benefits are generally determined based on the employee's years of service and/or compensation level and are unfunded.

Monsanto adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective as of January 1, 1992, and recognized an aftertax expense of $658 million ($1,045 million pretax), or $5.34 per share for retiree benefits earned through 1991. The expense was included in the Statement of Consolidated Income as a cumulative effect of an accounting change. SFAS No. 106 requires that the cost of other postretirement benefits be accrued by the date the employees become eligible for the benefits. Under the previous accounting rule, these postretirement benefits were expensed as benefits were paid.

The components of the cost of these postretirement benefits, principally health care and life insurance, were:

	1992
Service cost for benefits earned during the year	$ 26
Interest cost on benefit obligation	88
Total	**$114**

The 1991-1990 expense for these postretirement benefits under the previous accounting rule was $51 million and $43 million, respectively.

The following assumptions were used for the principal plans in 1992: a discount rate of 8½ percent and an initial assumed health care cost trend rate of 15 percent declining by 1 percent per year to an ultimate cost rate of 6 percent for years after 2000.

A 1 percent increase in the assumed health care cost trend rate would have increased the cost of 1992 postretirement health care benefits by $6 million and the accumulated benefit obligation at December 31, 1992, by $51 million.

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The status at December 31, 1992, of Monsanto's postretirement health care and life insurance benefit plans and employee disability benefit plans was:

	1992
Accumulated Benefit Obligation:	
Retirees	$ 768
Eligible active employees	103
Other active employees	226
Accrued Liability	$1,097
The accrued liability was included in:	
Miscellaneous accruals	$ 77
Postretirement liabilities	1,020
Accrued Liability	$1,097

EMPLOYEE SAVINGS PLANS

For some employee savings plans, employee contributions are matched in part by Monsanto. Matching contributions charged to expense for such plans were $33 million, $34 million and $34 million in 1992-1990, respectively.

In October 1991, Monsanto established an employee stock ownership plan (ESOP). In December 1991, the ESOP issued $100 million each of 7.09 percent amortizing notes and 8.13 percent amortizing debentures guaranteed by Monsanto, and the ESOP borrowed $50 million from Monsanto. The unpaid balance of ESOP borrowings is included in "Reserve for ESOP debt retirement" in Shareowners' Equity. The unpaid balance of notes and debentures guaranteed by Monsanto is included in "Long-term Debt" in the Statement of Consolidated Financial Position. In January 1992, the ESOP used the proceeds of the loans to purchase 3.7 million shares of common stock from Monsanto, a portion of which will be allocated each year to employee savings accounts as matching contributions. The proceeds from the issuance of common stock to the ESOP were used primarily for the purchase of an equivalent number of common shares under a treasury stock purchase program. Dividends on the common stock owned by the ESOP will be used to repay the ESOP borrowings. Total expense for the ESOP was $28 million in 1992, of which $19 million represented interest expense. In 1992, Monsanto's cash contribution to the ESOP was $19 million, and dividends of $8 million were paid on common shares held by the ESOP.

STOCK OPTION PLANS

Key officers and employees have been granted Monsanto stock options under the Company's 1974, 1984 and 1988 Management Incentive Plans, the Searle Monsanto Stock Option Plan (Searle Plan) and the NutraSweet/Monsanto Stock Plan (NutraSweet Plan). Information about the status of such stock options is presented below:

	Exercisable	Outstanding	
	Shares	Shares	Price per Share
December 31, 1990	3,360,357	7,051,529	$15.69-$61.44
1991:			
Granted		3,628,172	50.56- 74.25
Exercised		(1,612,380)	15.59- 58.00
Expired		(189,879)	43.53- 62.13
December 31, 1991	4,125,193	8,877,442	19.33- 74.25
1992:			
Granted		2,078,533	51.56- 67.13
Exercised		(485,094)	19.33- 58.00
Expired		(328,176)	34.50- 73.56
December 31, 1992	5,140,969	10,142,705	21.31- 74.25

Under the 1988 Management Incentive Plans, the Searle Plan and the NutraSweet Plan, 6,471,826 shares remain available for grant.

Prior to 1991, stock appreciation rights (SARs) were granted to certain Monsanto officers in tandem with stock options under the plans, including retroactive grants for unexercised options. In 1991, the SAR grants were canceled, and unexercised SARs held by current officers were forfeited.

EARNINGS PER SHARE

Earnings per share were computed using the weighted average number of common shares and common share equivalents outstanding each year (123,443,744; 127,126,216; and 129,107,666 in 1992-1990, respectively). Common share equivalents (1,041,096; 1,437,179; and 676,393 in 1992-1990, respectively) consist primarily of common stock issuable upon exercise of outstanding stock options. Earnings per share assuming full dilution were not significantly different from the primary amounts.

CAPITAL STOCK

At December 31, 1992, there were 16,614,531 common shares reserved for employee stock options.

In January 1990, the Company's Board of Directors declared a dividend of one Preferred Stock Purchase Right on each outstanding share of the Company's common stock. If a person or group acquires beneficial ownership of 20 percent or more, or announces a tender offer that would result in beneficial ownership of 20 percent or more, of the Company's outstanding common stock, the rights become exercisable and each right will entitle its holder to purchase one one-hundredth of a share of a new series of preferred stock for $450. If Monsanto is acquired in a business combination transaction while the rights are outstanding, each right will entitle its holder to purchase, for $450, common shares of the acquiring company having a market value of $900. In addition, if a person or group acquires beneficial ownership of 20 percent or more of the Company's outstanding common stock, each right will entitle its holder (other than such person or members of such group) to purchase, for $450, a number of shares of the Company's common stock having a market value of $900. Furthermore, at any time after a person or group acquires beneficial ownership of 20 percent or more (but less than 50 percent) of the Company's outstanding common stock, the Board of Directors may, at its option, exchange part or all of the rights (other than rights held by the acquiring person or group) for shares of the Company's common stock on a one-for-one basis. At any time prior to the acquisition of such a 20 percent position, the Company can redeem each right for 1 cent. The Board of Directors is also authorized to reduce the 20 percent thresholds referred to above to not less than 10 percent. The rights expire in the year 2000.

In connection with this dividend declaration, the Board of Directors also authorized the redemption in February 1990 of the then existing Common Stock Purchase Rights at their redemption price of 5 cents per right.

COMMITMENTS AND CONTINGENCIES

Commitments, principally in connection with uncompleted additions to property, were approximately $92 million at December 31, 1992. Excluding the ESOP notes and debentures, Monsanto was contingently liable as a guarantor of bank loans and for discounted customers' receivables totaling approximately $245 million and $223 million at December 31, 1992 and 1991, respectively. Future minimum payments under noncancellable operating leases and unconditional inventory purchases are $172 million; $87 million; $59 million; $38 million; and $74 million for 1993-1997, respectively, and $120 million thereafter.

The more significant concentrations in Monsanto's trade receivables at year-end were:

	1992	1991
U.S. agricultural product distributors	$175	$141
European agricultural product distributors	149	176
Pharmaceutical distributors worldwide	315	332
Customers in the Commonwealth of Independent States	75	77

Management does not anticipate incurring losses on its trade receivables in excess of established allowances.

Monsanto is a party to a number of lawsuits and claims, which it is vigorously defending. Such matters arise out of the normal course of business and relate to product liability, government regulation, including environmental issues, and other issues. Certain of the lawsuits and claims seek damages in very large amounts. While the results of litigation cannot be predicted with certainty, management believes, based upon the advice of Company counsel, that the final outcome of such litigation will not have a material adverse effect on Monsanto's consolidated financial position. *Costs for remediation of waste disposal sites are accrued in the accounting period in which the responsibility is established and the cost is estimable.*

SUPPLEMENTAL DATA

Supplemental income statement data were:

	1992	1991	1990
Raw material and energy costs	$2,247	$2,283	$2,441
Employee compensation and benefits	2,016	1,983	1,867
Current income and other taxes	393	580	471
Rent expense	138	130	130
Technological expenses:			
Research and development	651	610	595
Engineering, commercial development and patent	69	70	66
Total Technological Expenses	720	680	661
Interest expense:			
Total interest cost	185	190	205
Less capitalized interest	(16)	(24)	(29)
Net Interest Expense	169	166	176
Currency gains (losses) including equity in affiliates' currency gains and losses	(39)	(10)	(45)

SEGMENT INFORMATION

Certain operating unit segment data and geographic data for 1992-1990 appear on pages 31 and 38 and are integral parts of the accompanying financial statements. The principal product lines included in each operating unit are shown in the operating unit segment data.

FINANCIAL SUMMARY

(Dollars in millions, except per share)	1992[1]	1991[2]	1990[3]	1989[4]	1988
Operating Results					
Net Sales	$ 7,763	$ 7,936	$ 8,068	$ 7,829	$ 7,453
Operating Income	58	475	808	1,006	919
As a Percent of Net Sales	1%	6%	10%	13%	12%
Income (Loss) from Continuing Operations	(126)	238	486	627	563
As a Percent of Net Sales	(2)%	3%	6%	8%	8%
Income from Discontinued Operations	578	58	60	52	28
Cumulative Effect of Accounting Changes	(540)				
Net Income (Loss)	(88)	296	546	679	591
Return on Shareowners' Equity	(2.6)%	7.6%	13.6%	17.6%	15.4%
Earnings per Share					
Income (Loss) from Continuing Operations	$ (1.01)	$ 1.87	$ 3.77	$ 4.63	$ 3.95
Net Income (Loss)	(0.71)	2.33	4.23	5.01	4.14
Year-End Financial Position					
Total Assets	$ 9,085	$ 9,227	$ 9,236	$ 8,604	$ 8,461
Working Capital	1,512	1,536	1,323	1,326	1,117
Property, Plant and Equipment:					
Gross	$ 7,602	$ 7,510	$ 7,226	$ 6,578	$ 6,577
Net	3,005	3,191	3,316	3,009	2,977
Long-term Debt	$ 1,423	$ 1,871	$ 1,645	$ 1,464	$ 1,406
Shareowners' Equity	3,005	3,654	4,089	3,941	3,800
Current Ratio	1.6	1.7	1.6	1.7	1.6
Percent of Total Debt to Total Capitalization	36%	38%	35%	33%	34%
Other Data					
Property, Plant and Equipment Purchases	$ 586	$ 554	$ 711	$ 578	$ 565
Depreciation and Amortization	765	714	704	659	666
Interest Expense	169	166	176	176	164
Research and Development Expenses	651	610	595	581	556
Income Taxes	(48)	116	230	327	292
Cash Provided by Operations	912	1,180	1,104	1,037	1,304
Stock Price:					
High	$ 71¼	$ 76	$ 60⅛	$ 62⅛	$ 46¼
Low	49¾	46	38¾	40¼	36¾
Year-end	57⅜	67⅞	48¼	57¾	40⅞
Price/Earnings Ratio on Year-end Stock Price	—	29	11	12	10
Per Share:					
Dividends	$ 2.20	$ 2.045	$ 1.88	$ 1.65	$ 1.475
Shareowners' Equity	24.95	29.72	32.51	29.79	27.60
Shareowners (year-end)	60,074	60,152	62,230	61,942	66,066
Shares Outstanding (year-end, in millions)	120	123	126	132	138
Employees (year-end)	33,797	39,281	41,081	42,179	45,635

(1) Loss from continuing operations and net loss for 1992 includes an aftertax loss for restructuring and other unusual items of $472 million, or $3.82 per share.
(2) Net income for 1991 includes net restructuring expense of $325 million, or $2.54 per share.
(3) Net income for 1990 includes $56 million, or $0.43 per share, in gains resulting from divestitures, including the divestiture of certain assets of a joint venture in Japan.
(4) Net income for 1989 includes a $36 million, or $0.27 per share, gain on the sale of the analgesics business.

EXECUTIVE & OTHER OFFICERS

Chairman and Chief Executive Officer
Richard J. Mahoney*

Vice Chairman
Nicholas L. Reding*

President and Chief Operating Officer
Robert B. Shapiro*

Chairman, Executive Committee of the Board of Directors
Earle H. Harbison, Jr.*

Executive Vice President
Robert G. Potter*

Senior Vice President and Chief Financial Officer
Francis A. Stroble*

Senior Vice President, Secretary and General Counsel
Richard W. Duesenberg*

Vice Presidents
Barry Biltstein
Robert A. Clausen
Leonard A. Cohn
Grant W. Denison, Jr.
A. Nicholas Filippello, Ph.D.
Martin J. Kallen
Philip Needleman, Ph.D.*
James H. Nisbet
Richard A. Overton
Michael A. Pierle
David L. Silney
Hendrik A. Verfaillie*
Virginia V. Weldon, M.D.*

Vice President and Controller
Bruce R. Sents

Vice President and Treasurer
Juanita H. Hinshaw

Chairman and Chief Executive Officer, The NutraSweet Company
Robert E. Flynn*

Chairman and Chief Executive Officer, G.D. Searle & Co.
Sheldon G. Gilgore, M.D.*

ADVISORY DIRECTORS

Monsanto established advisory directors in 1981 to provide counsel from executive officers to the board of directors on board matters. Currently, seven executive officers serve as advisory directors.

Robert E. Flynn, 59, joined Monsanto in 1981 as executive vice president of Fisher Controls International Inc., which was then a subsidiary of Monsanto. In 1990, he was named chairman and chief executive officer of The NutraSweet Company, a subsidiary of Monsanto. Flynn was appointed an advisory director effective Jan. 1, 1993.

Sheldon G. Gilgore, M.D., 61, is chairman and chief executive officer of G.D. Searle & Co., a subsidiary of Monsanto. He joined Searle in 1986 as president and chief executive officer, and was named chairman later that year. Gilgore was named an advisory director effective Jan. 1, 1993.

Philip Needleman, Ph.D., 54, is vice president of research and development and chief scientist of Monsanto, and president of research and development of G.D. Searle & Co. Needleman joined Monsanto in 1989 and has been an advisory director for two years.

Robert G. Potter, 53, joined Monsanto in 1965 and has held a variety of sales, marketing and administrative positions in Monsanto's chemical businesses. Currently, he is an executive vice president of Monsanto and president of The Chemical Group, a Monsanto operating unit. Potter has been an advisory director for seven years.

Francis A. Stroble, 62, is senior vice president and chief financial officer of Monsanto. Stroble has been an advisory director for 11 years. He has 36 years of experience in accounting, finance, planning, management information systems, and controllership assignments at Monsanto.

Hendrik A. Verfaillie, 47, is a vice president of Monsanto and president of The Agricultural Group, a Monsanto operating unit. He was appointed an advisory director effective Jan. 1, 1993. Verfaillie joined Monsanto in 1976 and has served in marketing and administrative assignments in Brussels, Belgium, and St. Louis.

Virginia V. Weldon, M.D., 57, joined Monsanto in 1989. She is vice president of public policy and is responsible for the policy analysis, government affairs and corporate communications functions. She has been an advisory director for two years.

* *Executive officers as defined by the Securities and Exchange Commission. Ages and years of service as of March 1, 1993.*

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Richard J. Mahoney, 59, of St. Louis, is chairman and chief executive officer of Monsanto. He joined Monsanto in 1962 and was appointed to his current position in April 1986. He has been a director for 14 years. Mahoney is a member of the board's executive and finance committees.

Joan T. Bok, 63, of Westborough, Massachusetts, is chairman of New England Electric System. She has been a Monsanto director for six years. Bok is a member of the board's audit and corporate social responsibility committees.

Earle H. Harbison, Jr., 64, of St. Louis, is chairman of the executive committee of the board of Monsanto. He joined Monsanto in 1967. He was president and chief operating officer from May 1986 to January 1993, and has been a director for seven years. Harbison is also a member of the board's pension and savings funds committee.

Robert M. Heyssel, M.D., 64, of Baltimore, is a consultant and the president emeritus of The Johns Hopkins Health System. He is the retired president and chief executive officer of The Johns Hopkins Health System and The Johns Hopkins Hospital. He has been a Monsanto director for four years. Heyssel is a member of the board's audit, pension and savings funds, and executive compensation and development committees.

Philip Leder, M.D., 58, of Boston, is chairman of the Department of Genetics at Harvard Medical School. He is also senior investigator for the Howard Hughes Medical Institute. He has been a Monsanto director for three years. Leder is a member of the board's pension and savings funds committee.

Howard M. Love, 62, of Pittsburgh, is the retired chief executive officer of National Intergroup Inc. He has been a Monsanto director for 15 years. Love is chairman of the board's executive compensation and development committee, and a member of the finance and nominating committees.

Frank A. Metz, Jr., 59, of Sloatsburg, New York, is a retired director, senior vice president of finance and planning, and chief financial officer of IBM Corp. He has been a Monsanto director for three years. Metz is a member of the board's finance, nominating and executive compensation and development committees.

Buck Mickel, 67, of Greenville, South Carolina, is chairman and chief executive officer of R.S.I. Holdings Inc. He has been a Monsanto director for 18 years. Mickel is chairman of the board's audit and nominating committees, and a member of the executive compensation and development committee.

Jacobus F.M. Peters, 61, of The Hague, Netherlands, is chairman of the executive board and chief executive officer of AEGON N.V., an international insurance and financial services company. He was elected a member of Monsanto's board effective Feb. 1, 1993. Peters is a member of the board's pension and savings funds committee.

Nicholas L. Reding, 58, of St. Louis, is vice chairman of the board of Monsanto. He joined Monsanto in 1956. He was elected a member of the board and vice chairman effective Jan. 1, 1993. Prior to this position, Reding was executive vice president of environment, safety, health and manufacturing. He has also served as president of The Agricultural Group, an operating unit of Monsanto.

John S. Reed, 54, of New York, is chairman and chief executive officer of Citicorp and Citibank N.A. He has been a Monsanto director for eight years. Reed is chairman of the board's finance committee.

William D. Ruckelshaus, 60, of Houston, is chairman and chief executive officer of Browning-Ferris Industries Inc. He is also the former administrator of the U.S. Environmental Protection Agency. He has been a Monsanto director for eight years. Ruckelshaus is a member of the board's audit and corporate social responsibility committees.

Robert B. Shapiro, 54, of St. Louis, is president and chief operating officer of Monsanto. Shapiro joined Searle, a subsidiary of Monsanto, in 1979. He became chairman and chief executive officer of The NutraSweet Company, also a Monsanto subsidiary, and then an executive vice president of Monsanto and president of The Agricultural Group, an operating unit of Monsanto. He was named to his current position and elected a member of the board effective Jan. 1, 1993.

John B. Slaughter, Ph.D., 58, of Los Angeles, is president of Occidental College. He is the former director of the National Science Foundation. He has been a Monsanto director for 10 years. Slaughter is a member of the board's audit, executive and corporate social responsibility committees.

Admiral Stansfield Turner (U.S. Navy, Retired), 69, of McLean, Virginia, is a lecturer and writer, and a professor at the University of Maryland. He is also the former director of U.S. Central Intelligence and the CIA, and the former John M. Olin Professor of National Security at the U.S. Military Academy at West Point. He has been a Monsanto director for 12 years. Turner is chairman of the board's corporate social responsibility and pension and savings funds committees.

Ages and years of service as of March 1, 1993.

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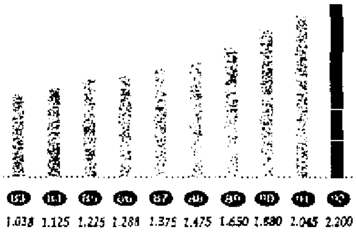
SHAREOWNER INFORMATION

Dividends Per Share
(In dollars)



◄ Monsanto's dividend has increased 112 percent in the last decade.

Dividend Policy
The declaration and payment of quarterly dividends is made at the discretion of Monsanto's board of directors. Dividends are reviewed by the board annually. Monsanto has paid dividends on its common shares without interruption on a quarterly basis since 1928 and has increased the dividend in each of the past 20 years.

Dividend Reinvestment Plan
Registered shareowners (shareowners whose stock certificates state that they are the holders of shares in Monsanto) who are U.S. citizens may reinvest their dividends in common shares of Monsanto. To receive an enrollment form, please call or write:

Shareholder Services
Monsanto Company
800 North Lindbergh Boulevard
St. Louis, Missouri 63167
U.S.A.
(314) 694-5392

Duplicate Mailings
If you receive duplicate mailings of Monsanto's annual report and would like for us to eliminate the extra copies, please send us your written permission. Duplicate mailings can occur if shares are held in multiple accounts, are registered under different names, or are registered with slight differences in names and addresses. Please send us the labels from the copies you don't want or the names of the accounts. If you have the account numbers, that's also helpful. Please send this information to:

Shareholder Services
Monsanto Company
800 North Lindbergh Boulevard
St. Louis, Missouri 63167
U.S.A.

Additional Information About Monsanto
You can receive additional information about Monsanto upon request. Available financial information includes quarterly reports for shareowners; the 1992 Form 10-K, which is filed with the Securities and Exchange Commission; and the Corporate Data Book, which provides a detailed analysis of Monsanto's financial results and businesses. Monsanto also has a strong commitment to the environment, and our progress is explained in our Environmental Annual Review. Please let us know which publication you would like to receive by writing or calling:

Literature Fulfillment
Monsanto Company
1723F
800 North Lindbergh Boulevard
St. Louis, Missouri 63167
U.S.A.
(314) 694-3155

Annual Meeting
The next annual meeting of the shareowners of Monsanto will be held at 1:45 p.m., Friday, April 23, 1993, in K Building at the company's world headquarters at 800 North Lindbergh Boulevard, St. Louis, Missouri. A formal notice of the meeting, together with a proxy statement, is being mailed to each shareowner.

For Additional Information
For additional information, shareowners can contact Monsanto's investor relations staff:

A. Nicholas Filippello, Ph.D.
Corporate Vice President,
Financial Communications
and Chief Economist
(314) 694-8148

Donna B. Smith
Director, Investor Relations
(314) 694-7867

Stock Symbol — MTC

Stock Exchanges/Bourses

Amsterdam	Frankfurt	Paris
Brussels	Geneva	Tokyo
Chicago (options)	London	Zurich
	New York	

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