Monsanto

1975
Annual
Report
Monsanto
Company

DSW 020946

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Annual Meeting

The next Annual Meeting of the shareowners of Monsanto Company will be held at 2:30 p.m., Thursday, April 22, 1976, at the company's General Offices, 800 N. Lindbergh Blvd., St. Louis County, Mo. A formal notice of the meeting, together with a proxy statement and form of proxy, is being mailed to each shareowner.

10-K Report Available

A copy of Monsanto Company's 10-K Report filed with the Securities and Exchange Commission for 1975, which contains additional information relating to Monsanto, can be obtained by writing to: Shareowner Relations Department, Monsanto Company, 800 N. Lindbergh Blvd., St. Louis, Mo. 63166.

Italics identify Monsanto's trademarks.

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Operational Highlights

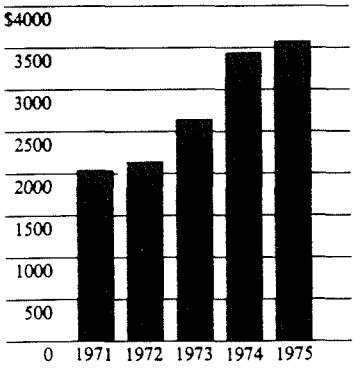
(Dollars in millions, except per share)

	1975	1974
Net Sales	**$3,624.7**	$3,497.9
Net Income	**$ 306.3**	$ 323.2
Per Common Share:		
Primary Earnings	**$ 8.63**	$ 9.25
Fully Diluted Earnings	**8.22**	8.73
Dividends	**2.55**	2.30
Book Value	**56.62**	51.39
Depreciation, Obsolescence and Depletion	**$ 172.7**	$ 171.9
Plant Additions and Replacements	**$ 527.7**	$ 313.4
Research and Development	**$ 115.7**	$ 87.2
Year End:		
Shareowners—Common Shares	**91,725**	98,542
Employes	**59,242**	60,926

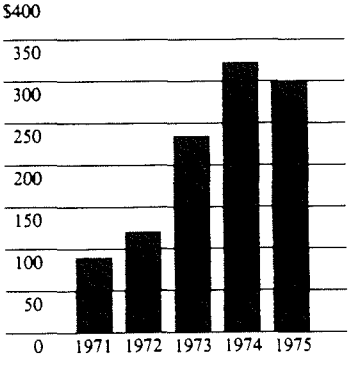
Operating Results by Lines of Business

	1975		1974	
	Net Sales	**Income**	Net Sales	Income
Lines of Business:				
Agricultural Products	**$ 547.4**	**$272.6**	$ 410.7	$202.3
Commercial Products	**512.4**	**(4.3)**	497.8	4.8
Industrial Chemicals	**1,001.7**	**226.7**	947.1	171.5
Polymers & Petrochemicals	**799.0**	**101.5**	854.6	136.4
Textiles	**764.2**	**(49.1)**	787.7	35.2
Sales and Operating Income	**$3,624.7**	**547.4**	$3,497.9	550.2
Income Charges (Credits) — Net		**11.1**		(24.1)
Income Before Income Taxes		**536.3**		574.3
Provision for Income Taxes		**230.0**		251.1
Net Income		**$306.3**		$323.2

Net Sales



Net Income



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To Our Shareowners



Despite the most severe worldwide economic recession in more than thirty years, 1975 was one of the most successful years in Monsanto's corporate history. Consolidated net sales reached a new record high. Net income was second only to the record achieved in 1974, but perhaps of even greater importance were the qualitative developments within the corporation during 1975. Significant accomplishments occurred in strengthened market positions. Further progress was made in our planning process and in the development of our human resources. We believe our organization improved its capability to aggressively pursue the long-term growth program which we have undertaken.

For the year, net sales were $3.625 billion, a 3.6 per cent improvement over the $3.498 billion sales level reached in 1974.

Net income for 1975 was $306.3 million, a decline of 5.2 per cent from the $323.2 million reported for 1974.

For the year, primary earnings per common share were $8.63. On a fully diluted basis, earnings per common share were $8.22. For 1974, primary earnings per common share were $9.25 and fully diluted earnings were $8.73.

1975 Results in Review

During 1975, the performance of Monsanto's product groups could be grouped into three distinct categories—those that showed improved momentum despite the impact of the recession; those that were able to hold their relative market positions without sacrificing profitability, and those that were significantly impacted by economic conditions.

Strong Progress Reported

For 1975, the strongest sales and profit gains were generated by Monsanto Agricultural Products Company. Worldwide sales increased 33 per cent and operating income improved 35 per cent over 1974 results. Farmers in many nations continued to recognize the importance of applying herbicides to their fields in order to control the weeds that rob crops of moisture and nutrients. The control of weed problems improves plant yields, which is so critical to a growing world population.

Today Monsanto is a major world force in the creation and production of agricultural products. Among the more significant products for agricultural markets are *Lasso* herbicide for weed control in corn and soybeans; *Avadex* herbicide for wild oat control in grain crops; *Machete* herbicide for weed control in rice crops, and *Polaris* ripener for improving sucrose yields in sugarcane.

Just before year-end, another major new Monsanto herbicide, *Roundup*, received registrations from the Environmental Protection Agency for use on crops in the United States. This new product is the first of its kind and is designed to kill over a hundred varieties of perennial weeds, including Johnson grass and quack grass. We expect that *Roundup*, which adds a potentially strong, new dimension to Monsanto's family of agricultural products, will become one of the world's leading herbicides in the years ahead.

A second strong producer of profits for Monsanto in 1975 was the phosphorus related product group of Monsanto Industrial Chemicals Company. Although actual volumes were down marginally from 1974, price improvements resulted in revenues being well above those of 1974. The sale of phosphates, particularly for use in end products such as detergents, toothpastes and food additives, was not generally affected by the recession as consumers continued to maintain demand for necessity items.

A third area of strength for 1975 was the process control product group of our subsidiary, Fisher Controls. These controls,

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consisting primarily of valves and regulators that control process flows, showed significant gains as the capital spending programs of the major process industries continued at high levels.

A fourth area of strength in 1975 was the oil and gas production activities of the Monsanto Polymers & Petrochemicals Company. While Monsanto has a relatively modest posture in the exploration and production of oil and natural gas, revenues from this activity were enhanced by the higher selling prices that prevailed during 1975.

Sales and Margins Maintained

Some Monsanto product groups, though affected by reduced demand throughout the recession, were able to achieve sales and margins roughly equal to prior year levels.

Sales of rubber and specialty chemicals maintained prerecession price levels despite declines in unit volumes. Revenues from these products were at levels near those of the previous year. In the process chemicals and plasticizer product group, sales of process chemicals continued strong but were offset by weaknesses in plasticizer demand.

Disappointing Results

Those areas of our business tied closely to major consumer purchases felt the full impact of the recession. As the charts on page five show, textile shipments fell dramatically as did automotive and home construction, both large volume users of plastics.

The past year was the most difficult year in history for Monsanto Textiles Company which, for the year, reported an operating loss. Demand for man-made fibers declined significantly in late 1974 as fiber customers, responding to the recession, drastically reduced their inventories. Sales showed improvement in each quarter of 1975.

Sales and operating income for Monsanto Polymers & Petrochemicals Company were substantially below 1974's record results. Demand for plastic materials and for petrochemicals fell sharply late in 1974 as the recession impacted major industries using our products.

Since reaching the bottom of the demand curve during the first quarter of 1975, sales improved at a steady but very modest rate for both plastic materials and petrochemicals through the end of the year. However, 1975 revenues were well below the record levels achieved in 1974. As consumer purchases of automobiles, durable goods and similar products improve, sales of plastic materials and petrochemicals are expected to follow a parallel pattern.

The Year in Summary

While 1975 was a year of both successes and disappointments, Monsanto Company emerged from the recession with gratifying results and with a proven base of earnings potential. Strengths in agricultural and industrial chemicals largely offset weaknesses in textiles and plastics while other areas of our diversified businesses were able to maintain both strong levels of profitability and excellent share of market.

Capital Programs

The year 1975 also witnessed the highest level of capital spending ever recorded by Monsanto, reaching $528 million, a 68 per cent increase over 1974's capital expenditures of $313 million. Our capital spending commitment for 1976 will show another year-to-year increase and is expected to approach $600 million.

The strategies behind our capital programs call for us to be aggressive where our product properties and market share make us a leader, invest in new programs with potential for making Monsanto a market leader and protect more mature product areas where we enjoy a strong and profitable business position.

Because Monsanto is embarked on an aggressive growth program, we deemed it prudent to arrange for some of our longer-term financing requirments during 1975. The two agencies that rate debt securities increased Monsanto's bond rating to "AA" from the previous "A" rating, reflecting a significant profit turnaround that the company has enjoyed over the past five years. With the benefit of this higher rating and the improvement in bond interest rates that took place at midyear, Monsanto offered new debt securities involving $175 million of 25-year debentures and $100 million of 10-year notes. These offerings were well received by the investing public and the proceeds provide an added degree of strength for the Monsanto in the future.

As currently projected, the company has adequate funds to meet its capital spending requirements for 1976. In addition to its present cash position, Monsanto has sufficient

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short-term credit arrangements in place in most areas of the world. We anticipate the need to raise additional funds, however, on one or more occasions throughout the balance of the decade. With the current trend of long-term interest rates, therefore, it is possible that Monsanto could seek to raise additional debt funds in 1976.

Board of Directors-Members and Actions

There were a number of important executive changes during 1975. On September 30, Mr. Charles H. Sommer retired as chairman of the Board of Directors after 41 years of important contributions to the growth and success of Monsanto. Fortunately, as a result of our policies, Mr. Sommer will be able to remain a member of our Board of Directors for three years. On the same date, the Board of Directors elected to consolidate the positions of chairman and president and asked that I accept the added responsibilities of the single role.

Two senior members of our board retired after providing many years of valuable counsel and outstanding service. Mr. Fredrick M. Eaton, a senior partner in the New York law firm of Shearman & Sterling, retired after 28 years of service. Mr. Edward A. O'Neal, a former chairman of the board, retired after 49 years of service to Monsanto.

We were saddened by the sudden death of former Chairman of the Joint Chiefs of Staff, Gen. Earle G. Wheeler, who had served our board with distinction for more than five years.

Mr. C. Preston Cunningham was transferred to Brussels, Belgium, as chairman of the board of Monsanto Europe, S.A., and resigned from the parent company board.

During 1975, the Board of Directors elected three new members:

Mr. Richard I. Fricke, chairman of the board of Mutual of New York, (MONY) was elected to the board on June 26.

Dr. Donald C. Carroll, dean of The Wharton School of the University of Pennsylvania, was elected to membership on July 24.

On October 23, the board elected Mr. H. Harold Bible and Mr. Edmond S. Bauer as executive vice presidents and also elected Mr. Bauer a director. Mr. Bible has been a director since 1969.

Also on October 23, the board elected two new vice presidents to succeed Messrs. Bible and Bauer as managing directors of two operating companies. Mr. Francis J. Fitzgerald became vice president and managing director of Monsanto Industrial Chemicals Company, and Mr. Richard J. Mahoney became vice president and managing director of Monsanto Agricultural Products Company.

In other executive changes, Mr. James E. Crawford Jr. was elected a group vice president and named managing director of the International Division; Mr. Richard C. O'Sullivan, who had been serving as controller, was elected treasurer and Mr. Francis A. Stroble was elected controller.

1976 Outlook

In the United States, the recession has essentially run its course. We expect to see moderately positive real growth in this country's Gross National Product for 1976. Before GNP growth can be translated into sales and earnings growth for Monsanto, however, there must be continued improvement in the segments of the U.S. economy that are most important to our company. These include the automotive industry, the textile industry, the consumer durable goods industry and, to a lesser extent, the construction industry.

In Europe, we expect 1976 to show a quite modest improvement over 1975 in terms of real GNP growth on the continent of Europe. However, we do not anticipate real growth during 1976 for those markets we serve in the United Kingdom.

We entered 1976 on a much brighter note than we entered 1975. We expect to record another strong performance for the Agricultural Products Company and for the Industrial Chemicals Company, as we did in 1975. At this point in 1976, the Textiles Company is operating at a profit. The Polymers & Petrochemicals Company is witnessing higher levels of demand for petrochemicals and plastics than it did a year ago, and the outlook in this area is encouraging. The Commercial Products Company will continue to show marginal profitability in 1976, due primarily to the significant developmental and start-up expenses associated with the *Cycle-Safe*

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plastic container now being utilized by The Coca-Cola Company in the East.

We would be remiss if we did not point out some of the factors that could detract from the apparent brightness of the 1976 picture.

Higher raw material and labor costs are already having an impact on the profit margins for some of our products. In a number of cases, we have been or will be able to pass along these cost increases in terms of higher selling prices for our products. We anticipate, however, that there will be occasions when Monsanto will be forced to absorb these increased costs until market conditions warrant higher selling prices.

As a result of the ambitious capital expenditure program that is underway at Monsanto, we must expect significantly higher start-up costs, because such costs bear a direct relationship to the size of the capital program. Similarly, because of the need to finance the capital expenditure program as well as to cope with the increased working capital requirements of our sales growth, we have incurred added debt and, therefore, must expect higher interest costs in 1976 than in prior years.

On balance, however, we anticipate that 1976 will be a satisfactory year—a record year for Monsanto in terms of both sales and earnings.

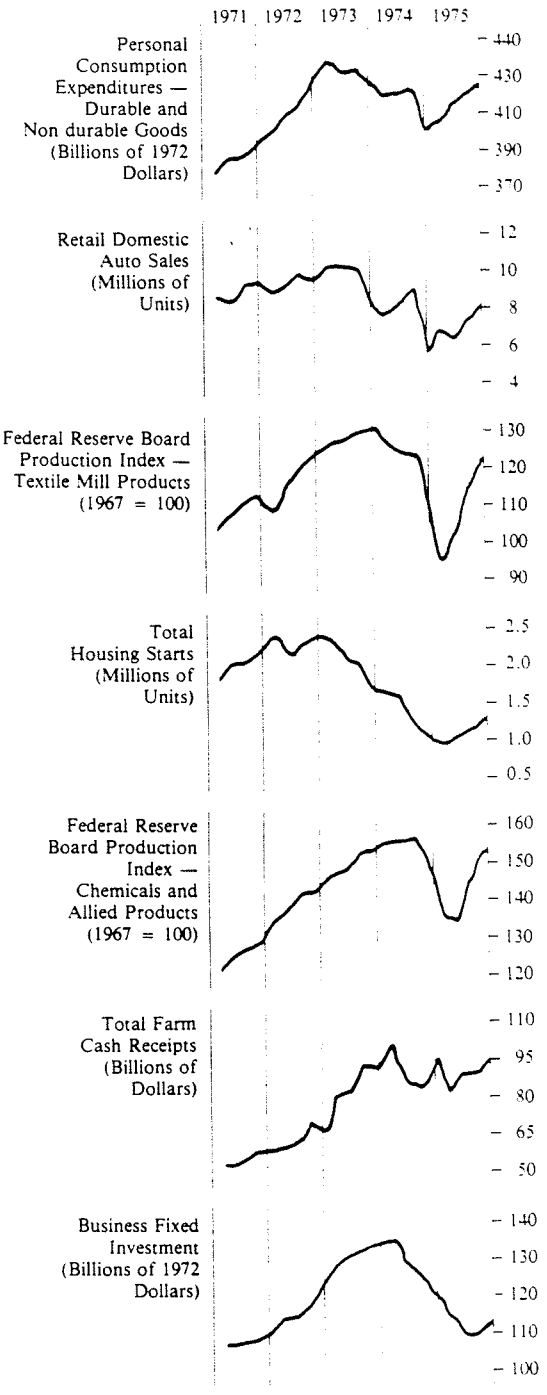
Finally, I would like to extend my personal thanks, as well as that of our top management, to all of the employes who make up Monsanto's worldwide family. During 1975, we initiated a number of organizational changes looking to the future, and we made an important forward thrust in implementing a changed management style for the company. Our employes took these changes in stride as they did the temporary setbacks resulting from the worldwide recession. To them belongs the greatest credit for past accomplishments and before them is our greatest challenge for future success.



John W. Hanley
Chairman of the Board
and President

March 11, 1976

U. S. Economic Factors Affecting Our Business
(Seasonally Adjusted Annual Rates)



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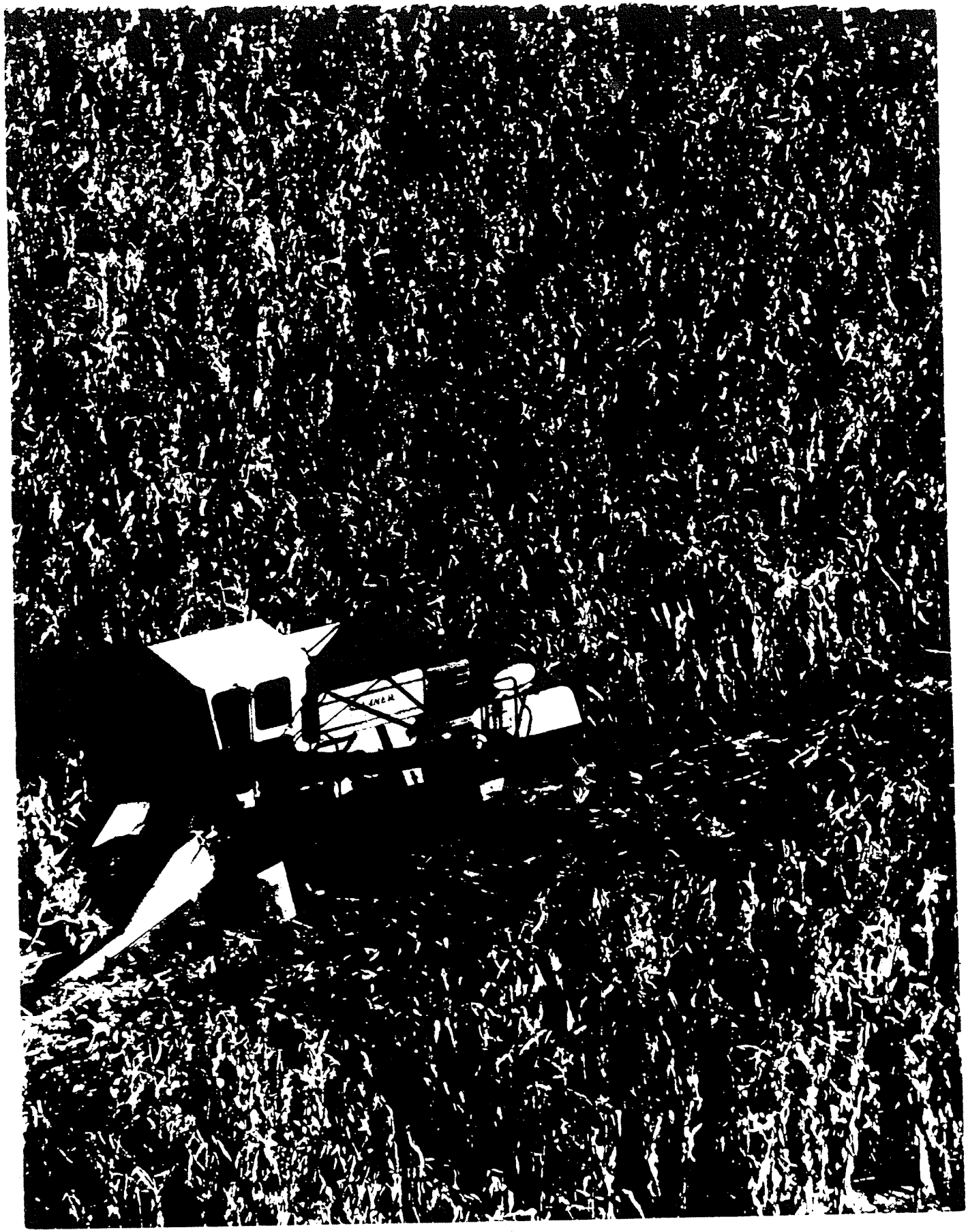

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Monsanto Agricultural Products Company

(Dollars in millions)

	Sales	Operating Income
1975.....	$547.4	$272.6
1974.....	410.7	202.3
1973.....	283.4	121.5
1972.....	222.3	80.9
1971.....	199.7	68.0

Sales of Monsanto Agricultural Products Company increased by 33 per cent over those of 1974, while operating income showed another strong gain, rising 35 per cent. The improvement was primarily the result of higher physical volumes, as well as higher selling prices for most products.

Sales of *Lasso* Improve

Again in 1975, gains were led by sales of *Lasso* herbicide used to control grassy-type weeds, principally in corn, soybean and peanut crops. While there was little change in the total number of acres planted in corn and soybeans in the U.S., farmers increased their use of *Lasso*.



Ripe soybean pods contain beans rich in protein and oil. More than 40 million acres in the U. S. are planted yearly with soybeans, and Monsanto's *Lasso* herbicide helps keep them weed-free.

During 1975, farmers continued to recognize that the use of herbicides results in substantial improvements in crop yields. In the United States, most corn and soybean acres are treated with herbicides—Monsanto's as well as competitors. The method in which herbicides were used and the weed problems farmers elected to attack continued to change during the year.

Farmers' use of herbicides in broadcast applications (spread over the entire field) increased substantially in 1975 while band application (spread on crop rows only) continued to decline from 1974 levels. Similarly, the use of herbicides used in combinations for control of more than a single-type weed problem continued to increase. The trend to both broadcast and combination applications is expected to continue to stimulate future sales of *Lasso*.



A 50 per cent increase in *Lasso* herbicide production will be made possible by this new expansion at Muscatine, Iowa. *Lasso* is an effective weed killer for use with corn and soybeans.

Sales gains for *Lasso* were also made outside the United States, particularly in Brazil where 15 million acres were planted in soybeans last year. A concerted governmental effort to increase soybean acres, combined with significantly increased Monsanto technical and marketing forces, led to 1975 gains and positioned Monsanto to secure further gains in future years.

In the fourth quarter of 1975, responding to substantial increases in the herbicide early-order program in the U.S., the company modified its marketing program and shipped products to its distributor network late in the year. In previous years, shipments began in January.

This Missouri farmer gets a bountiful harvest of corn, thanks in part to Monsanto's *Lasso* herbicide. Corn is an important product in many parts of the world.

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The first phase of a planned 50 per cent capacity expansion for production of *Lasso* came on stream in time for the 1975 planting season. The final phase of this expansion program is scheduled to be completed in the third quarter of 1976 at Muscatine, Iowa.

Applications of *Avadex* Higher

The family of *Avadex* herbicides, used to control wild oats in sugar beet, wheat, barley, green pea, lentil and flax crops, showed large volume gains in 1975, particularly in Canada. In that country, a large portion of acres planted last year had some type of wild oat infestation and further market penetration is anticipated as farmers become increasingly aware of yield gains from use of *Avadex*.

Production capacity for *Avadex* is being expanded at the company's Antwerp, Belgium, plant and a new plant will be completed at Luling, La. in the second quarter of 1976.

In the Far East, sales of *Machete* herbicides, used to control weeds in rice crops, increased substantially over those of 1975. The largest sales gains were made in Korea where Monsanto now operates a plant manufacturing *Machete* in partnership with local Korean partners.



Monsanto's *Polaris* plant growth regulator, which increases the yield of sucrose from sugar cane, was thoroughly field tested before becoming commercially available. Here researchers from Louisiana State University examine cane in a test plot.

Polaris, the first in Monsanto's planned family of plant growth regulators, continued to gain acceptance in major sugar producing areas of the world. In Hawaii, approximately 35 per cent of all sugarcane acres are treated with *Polaris* which increases sucrose content in sugarcane, improving yields 10 to 15 per cent.

***Roundup* Received Clearances**

Roundup, an exciting new member of Monsanto's growing family of herbicides, received U.S. Environmental Protection Agency registrations late in 1975 for use on major field crops. This new herbicide is expected to be a major contributor to both sales and earnings in future years. While other Monsanto herbicides are aimed principally at the control of annual weeds, *Roundup* controls tough perennial weeds including some of the more commonly known varieties such as Johnson grass and quack grass.



Coffee workers in Brazil may find their jobs a little easier thanks to Monsanto's *Roundup* herbicide, which is used to keep down choking weeds.

During 1975, *Roundup* was being used in industrial applications such as railroad rights of way in the United States. In Malaysia, *Roundup* was being used to control weeds in rubber plantations. In Europe, it was being used on small grains and, in Scandinavia, in forestry reserves. Longer-term sales of *Roundup* are expected to be larger outside the United States than within.

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Construction of a major new plant to produce *Roundup* is expected to be completed at Luling, La., early in 1976.

Parathion Sales Strong

World sales of parathion insecticide continued strong despite a large reduction in the number of acres planted in cotton in the United States and Central America.

During 1975, revenues and operating income for the Monsanto Agricultural Products Company were substantially increased by sales of ammonia-based fertilizers which, during the year, continued to command strong selling prices, although reduced somewhat from 1974 levels.

Sales of blasting products increased during the year reflecting increased demand from the coal industry.

Sales of synthetic methionine used in soybean meal as a food supplement and sales of antioxidants used in animal feeds to preserve vitamin values declined during 1975, reflecting poultry industry cutbacks which began in 1974. By year-end, sales had improved reflecting increased poultry production.

At Farmers Hybrid Companies, Inc., a wholly-owned producer and developer of hybrid swine, sales reached record levels as hog producers increased the use of Farmers Hybrid breeding stock. At year-end, seven Boar Power breeding centers were operating and construction of additional centers was underway.

1975 Highlights

(Dollars in millions)	Sales	Per Cent of Total
Herbicides, Insecticides and Other Products	$547.4	100

Agricultural Products

Strong gains in sales and operating income resulted in another record year. Sales of *Lasso* herbicide to corn, soybean and peanut farmers were up sharply as trend to broadcast application and combination use increased. Capacity expansion scheduled for completion in 1976.

Roundup, used to control perennial weeds, received EPA registrations for use on major field crops.

During 1975, *Roundup* herbicide was being used in U.S. industrial applications in rubber plantations in Malaysia and on small grains in Europe.

Longer term sales of *Roundup* expected to be bigger outside of the United States than within.

Sales of *Avadex* herbicides made major gains, particularly in Canada. Production being expanded in the United States and Belgium.

Polaris ripener continued to gain acceptance in major sugar-producing areas. Sales of *Machete*, a rice herbicide, were up significantly.

Sales of parathion insecticide continued strong during the year despite reductions in number of acres planted in cotton.

Revenues from ammonia-based fertilizers increased.

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Monsanto Commercial Products Company

(Dollars in millions)

	Sales	Operating Income
1975.....	$512.4	$(4.3)
1974.....	497.8	4.8
1973.....	399.0	(0.6)
1972.....	341.1	(11.0)
1971.....	328.8	(6.3)

Monsanto Commercial Products Company continued the development of new and emerging businesses and nurtured its more mature businesses during 1975. A modest increase in sales was recorded. An operating loss reflected the impact of planned substantial research and development expenses.

Many products from this operating unit are used in essentially the same form in which they are produced, such as plastic bottles for household products, electronic readout devices for handheld calculators, *AstroTurf* stadium surfaces and films for greenhouse roofs.

Fisher Controls Records Gains

Through the first six months of 1975, Monsanto Company's wholly-owned subsidiary, Fisher Controls Company, continued to respond to the surge in capital spending started by industry in 1974. For the year, sales of valves, regulators and controllers were well ahead of those of 1974. A substantial backlog of orders for valves, regulators and for process control systems was carried into 1976, indicating continued strong performance again this year.

Sales of ac^2 and dc^2 instruments, used as control mechanisms by process industries, recorded a 50 per cent growth in 1975 as Fisher continued to move into a major position in the electronic process control instrumentation market. During 1975, a 50,000 square foot electronics manufacturing center was completed for the production of these systems.

At the Fisher Controls subsidiary, a highly skilled pattern maker uses mahogany to convert engineering drawings into a three-dimensional foundry pattern of a control valve design.

Monsanto Enviro-Chem Systems, Inc., posted record sales in three areas in 1975. The number of sulfuric acid plants designed and constructed was at an all-time high, as was the manufacture and sales of vanadium catalyst, a key element in the operation of these plants. Monsanto Enviro-Chem has designed more than 600 sulfuric acid plants throughout the world.



Only four short blocks from the Oregon state capitol at Salem, and directly adjacent to a state wildlife preserve, this Boise Cascade plant produces fine paper products. Monsanto's *Brink* mist eliminators are at work here, helping to eliminate air pollution.

***Brink* Sales Strong**

Record sales of *Brink* mist eliminators were also posted. These products are used by chemical, textile, pulp and paper, plastic processing, fertilizer and detergent industries to control emissions of process mist to the atmosphere.

A 1,000 ton-a-day plant utilizing the *Landgard* solid waste disposal and resource recovery system underwent shakedown tests in Baltimore in 1975 during which certain mechanical problems were discovered. Work is being done to correct these and to reduce stack emissions to a level meeting the stringent State of Maryland requirements. The Federal Environmental Protection Agency cites this project as promising to offer a "preferable economic alternative" to current practices. EPA, along with the City of Baltimore and the State of Maryland, funded the demonstration project.

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Plastic Product Demand Soft

Sales of extruded plastic products were down significantly in 1975, particularly in the early months. As the year progressed, demand increased and some recovery was noted.

Sales of embossed film for disposable diapers remained firm throughout the year, while sales of blown film used in the agricultural and construction industries were lower than in 1974. Revenues from *Polyflex* packaging, both in the United States and in Europe, were depressed throughout most of 1975.

Fome-Cor sheathing board sales remained depressed throughout the year, reflecting the disappointing market for mobile homes. Sales of *Fome-Cor* for use as headliners in automobiles, however, increased during the year as automotive sales improved.

Revenues from polyethylene bottle sales for the household products, personal care and pharmaceutical industries remained relatively stable during 1975. Business increased significantly during the latter part of the year and order backlogs at year end were at a five-year high.

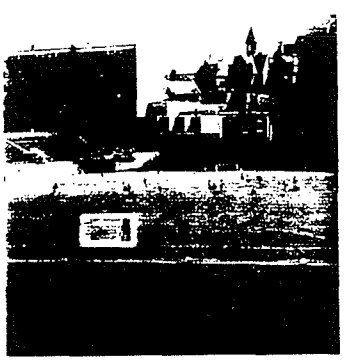
Electronic Product Demand Mixed

Sales of electronic materials showed steady, modest improvement throughout the year. III-V semiconductor materials sales to manufacturers of light-emitting diode (LED) calculator and digital watch displays took a strong upward swing at midyear and the business is currently in a sold-out position. A majority of all LED digital watches now sold employ Monsanto III-V materials in their displays. Expansion of manufacturing facilities to increase production capacity of III-V materials is scheduled for completion in 1977. Sales of electronic-grade silicon for semiconductor devices remained soft throughout 1975 but showed improvement early in 1976.



Solid state light emitting diode lamps are finding increasing use in instruments, computers, autos and appliances.

AstroTurf stadium surface sales reached record levels in 1975. Three fields are currently being installed in time for the Summer Olympics in Montreal and other international sales remained strong with installations in Algeria, Spain, Switzerland and The Netherlands being completed during 1975. Offsetting profits from these sales, however, were increased costs for developing and introducing new products for the consumer market, as well as a decline in demand for doormats.



In Montreal, Canada, this *AstroTurf* stadium surface at McGill University will be used by Olympic athletes in the 1976 Summer Games.

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Consumers Prefer *Cycle-Safe* Container

The *Cycle-Safe* container achieved its first commercial market introduction in the Providence, R.I., area in June by The Coca-Cola Company. Consumer preference for the light weight, safety and convenience features of the recyclable 32-ounce container continues to prove very high.



Consumers enjoy the safety and convenience of *Cycle-Safe* carbonated beverage containers developed by Monsanto. This young lady also gets a cash payment for the bottles she is returning.

In addition to being attractive to the consumer, Monsanto is convinced *Cycle-Safe* containers are environmentally compatible as well. However, a recent lawsuit directed against nonreturnable plastic bottles seeks to revoke Food and Drug Administration actions authorizing the use of such bottles because of FDA's failure to issue an environmental impact statement. Despite this type of attack, Monsanto continues to be optimistic about the long-term potential for *Cycle-Safe* containers.

Production capacity of the polymeric container at the South Windsor, Conn., plant is being expanded and new plants in Havre de Grace, Md., and Park Forest South, Ill., will begin deliveries in 1976.

While emphasis is on the *Cycle-Safe* container for the soft drink industry, other uses are being actively studied. Heavy start-up and development expenses are anticipated for the next several years.

1975 Highlights

(Dollars in millions)

	Sales	Per Cent of Total
Process Controls and Electronics	$237.9	47
Plastic Products	144.6	28
Chemical and Environmental Systems	77.5	15
Other Products	52.4	10

Process Controls and Electronics

Fisher Controls Company records its best year in history. Large order backlog carried into 1976 indicating continued strong performance.

After a slow start, sales of electronic materials showed steady improvement throughout the year.

Plastic Products

Demand for blownware and extruded products was down early in 1975 with some recovery evident as year progressed.

Marketing of *Cycle-Safe* container by The Coca Cola Company initiated on East Coast. Capacity expansions underway at three locations.

Chemical and Envrionmental Systems

Record sales posted for *Brink* systems to control emission of process mists into atmosphere.

Landgard system underwent shakedown tests; work now in process to meet State of Maryland requirements.

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Monsanto Industrial Chemicals Company

(Dollars in millions)

	Sales	Operating Income
1975.....	$1,001.7	$226.7
1974.....	947.1	171.5
1973.....	666.5	103.9
1972.....	572.3	57.7
1971.....	544.3	49.5

Monsanto Industrial Chemicals Company set new sales and operating income records in 1975, as this operating unit became the first within Monsanto Company to reach the billion dollar sales level. Revenues increased 6 per cent over those of 1974, and operating income rose 32 per cent.

Characterized by a diverse product line with more than 1,200 individual products, this operating unit serves a broad spectrum of industries both in the United States and abroad. The diversification of products and markets gave some protection from the worldwide recession of 1974 and 1975, which affected demand outside the United States to a greater degree than it did within the United States.

Phosphate Gains Recorded

Sales of phosphates and detergents led the operating unit's 1975 gains in revenues. Selling prices held firm even though demand softened during the year.

Demand for dentifrice phosphates was stable throughout the year, but sales of phosphorous derivatives for general industrial purposes paralleled the recession and remained slack through most of the year. Detergent raw materials sales were able to absorb the decline in other markets until midyear when customers began large inventory reductions and formulation of heavy-duty laundry detergents with lower phosphate levels.

Research efforts continue to be directed toward the development of new detergent builders. During 1975, pilot plant quantities of a new, proprietary nonphosphate detergent builder were produced for customer application and formulation testing. Construction of an interim plant to support customer market testing could begin in 1976.

In Brazil, construction of a multiphosphate complex was begun in 1975 with the first operating unit scheduled to begin production in mid-1976. Elemental phosphorus will be supplied from plants in the United States.



Monsanto's efforts in restoring mine phosphate lands at Soda Springs, Ida., have been recognized by the U. S. government as an example of how land reclamation programs should be planned and accomplished.

Pilot plant production of a synthetic fatty acid, utilizing proprietary technology, was begun in 1975. Initial customer tests support research findings that the product is suitable for replacing natural materials in bar soaps and is superior in several industrial applications.

Rubber Chemical Demand Softens

Demand for rubber chemicals softened somewhat during 1975 reflecting the worldwide economic decline. Rubber chemical sales,

These tires meet heavy demands for strength and safety, thanks in part to accelerators and other rubber chemicals provided by Monsanto, a world leader in rubber technology.

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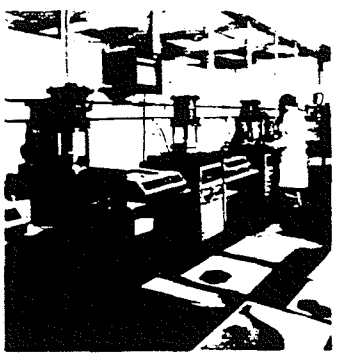
however, were equal to the record achieved in 1974 as pricing levels were maintained. Profit levels were not up to 1974, due to energy costs and lower operating rates, but were still the second best ever achieved.



Monsanto serves the worldwide rubber and tire industry with a broad line of testing instruments such as these Rheometer—100 curemeters which are designed for rapid, repetitive testing of the processing characteristics of rubber samples.

Sales of rubber instruments and equipment failed to achieve growth during 1975, as major customers sharply curtailed capital spending plans. Improvement was noted late in the year and 1976 started with a backlog of orders.

Expanded capacity for *Dequest* water treatment chemicals came on-stream in this country during 1975, and a new plant in the United Kingdom is nearing completion with start-up scheduled for early in 1976. Also in the U.S., an expansion was completed for production of *ACL* swimming pool chemicals.

Early in 1976, Monsanto announced that because of environmental concerns it intends to phase out of the production of polychlorinated biphenyl (PCB) dielectric fluids. Dielectric fluids are nonconductors of electric current and are necessary ingredients in most electric power generation and distribution equipment. Monsanto will shut down its manufacturing units as soon as acceptable alternate dielectric fluids are available. The company began restricting the sale of PCB products in 1970 and by 1972 sales were made solely for use in closed electrical systems. Currently, Monsanto sells approximately $18 million worth of these products with modest profitability. U.S. capacitor manufacturers are currently evaluating Monsanto's replacement fluid candidates and test results to date are encouraging.

Process Chemical Sales Mixed

Demand for process chemicals, basic building blocks used by a variety of manufacturers, was slightly lower than in the previous year, but continued to show strength in such key markets as agricultural chemicals, fertilizers and oil additives. Strength in these areas helped to offset weaknesses in the plastic resins, intermediates and paper chemical markets. In those markets where demand was lower, a bottoming out was reached in the second quarter of 1975 and there has been modest sales improvement since that time.

Sales of plasticizers, used to impart flexibility and other desirable properties to plastics, fell sharply in 1975. Housing and automotive markets, major users of plasticized resins, were severely depressed in the first half of 1975. Recovery began late in the year with U.S. sales at improved levels.

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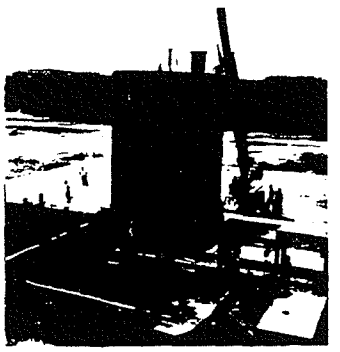
Competitive conditions in all world markets, resulting from temporary overcapacity in the plasticizer industry, made it impossible to recover increased costs through higher selling prices. However, despite pressures, selling prices remained firm throughout the year.



In construction underway at Sao Jose dos Campos, Brazil, a large glass fiber tank is set into place in a phosphoric acid unit at the new phosphate plant scheduled for 1976 completion.

Plant expansions in the United States substantially increased production capacity of Monsanto's proprietary plasticizer, *Santicizer 711,* used with polyvinyl chloride in plastics. Additional production capacity for another proprietary product, *Santicizer 160,* a leading plasticizer for vinyl flooring markets, was authorized during the year. Scheduled for completion in 1977, the new U.S. plant will increase production capacity of *Santicizer 160* by 40 per cent, supplementing existing facilities in the U.S. and Europe.

1975 Highlights

(Dollars in millions)	Sales	Per Cent of Total
Rubber and Specialty Chemicals	$378.7	38
Phosphates and Detergents	315.4	31
Process Chemicals and Plasticizers	307.6	31

Rubber and Specialty Chemicals

Rubber chemical sales at same levels of prior year reflecting strong selling prices. Revenues from rubber instruments and equipment below 1974 levels.

Specialty chemicals demand below that of 1974. Several expansion programs under way.

Phosphates and Detergents

Revenue at record levels. Demand for detergent phosphates helped to partially offset weak industrial demand. Construction continued on Brazil plant.

Process Chemicals and Plasticizers

Demand for process chemicals slightly lower than in 1974. Sales showed improvement throughout year.

Plasticizer sales fell sharply reflecting economic conditions. Additional capacity came on-stream for *Santicizer 711* in the U.S.

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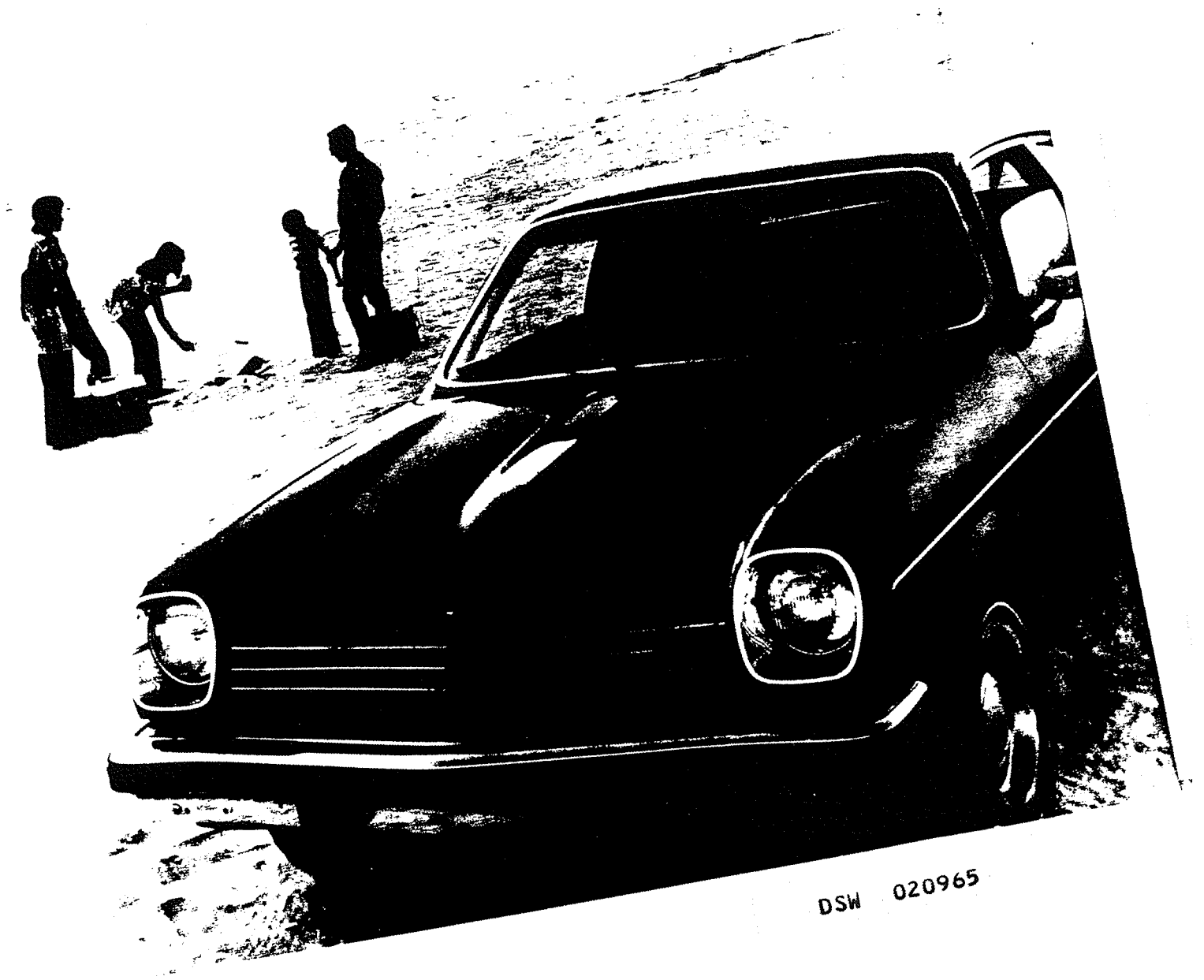

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Monsanto Polymers & Petrochemicals Company

(Dollars in millions)

	Sales	Operating Income
1975.....	$799.0	$101.5
1974.....	854.6	136.4
1973.....	593.5	74.4
1972.....	556.8	46.5
1971.....	531.4	30.3

Monsanto Polymers & Petrochemicals Company, while significantly impacted by the worldwide recession, reported the second best year in its history. Sales were off 7 per cent from 1974's record high, and operating income declined 26 per cent from the previous year's record.

Petrochemical Prices Firm

The petrochemicals business group made substantial contributions to Monsanto Polymers & Petrochemicals Company's operating income during 1975, despite lower sales volumes. Selling prices averaged higher than those of 1974 when price controls were in effect early in the year. Selling prices for primary petrochemicals, styrene monomer, acrylonitrile, acetic acid, phenol and methanol held at realistic levels throughout the year.

Some raw material costs were below the record high levels of 1974 when, because of shortages, these costs were inflated. Energy costs for plant operations and natural gas costs were ahead of the previous year, however.

As 1975 opened, demand for petrochemical products was weak. Improvement began in the second quarter and sales increased at moderate rates throughout the rest of the year. Fourth-quarter revenues were substantially ahead of last year's depressed levels, and gains continued into 1976.

During the year, Monsanto continued to profit from its strong proprietary position in the production of acetic acid, used primarily in the manufacture of vinyl acetate, and from a similar position in the production of ethylbenzene/styrene monomer, used by the rubber and plastics industries. Recognizing this technological leadership, the worldwide chemical industry licensed Monsanto's acetic acid technology which will be used in 90 per cent of the capacity increases announced in 1975. Also, Monsanto's technology will be used in 70 per cent of licensed capacity increases announced in 1975 for ethylbenzene/styrene monomer.



Vydyne R mineral-reinforced nylon resins from Monsanto were used to mold the headlamp housings and entire grille on this new-model car.

Plastic Sales Off

Consumer purchases of products with high plastic content such as appliances, automobiles, furniture and toys remained at low levels through much of 1975. This weakness in demand, combined with early-in-the-year inventory liquidations at the manufacturer level, served to keep 1975 unit sales volumes at low levels. Through the first half of the year, these factors resulted in production facilities operating at low rates of capacity.



Almost 40 pounds of styrenic plastics are used in this refrigerator, including door panels, food liners and meat and vegetable pans. Homemakers like the ease of maintenance provided by *Lustrex* polystyrene and *Lustran* ABS plastics from Monsanto.

In April, as inventory liquidations were largely completed and the U.S. economy evidenced signs of recovery, sales of plastics began to improve and for the remainder of the year showed a steady but modest growth. In Europe, however, sales volumes remained low and selling prices were under severe pressure for most of the year. Some European sales improvement was recorded in the fourth quarter and continued into 1976. Further gains are anticipated for both U.S. and European markets as 1976 progresses.

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During 1975, Monsanto continued to improve its technological position in the production of polystyrene with continuing advancements in its proprietary technology employed at new manufacturing facilities. The new process provided significant improvements in product quality and energy efficiency. Polystyrene is an important plastic used in packaging, appliance components, toys and many other consumer items.



Saflex polyvinyl butyral sheet, an interlayer for laminated safety glass, is used throughout the world for automotive windshield and architectural applications. Monsanto manufactures *Saflex* in the U.S., Europe and Japan, and exports to glass laminators in other parts of the world.

Sales of *Saflex* Improve

In the resin products business area, sales of *Saflex* polyvinyl butyral sheet, the interlayer used worldwide in the manufacture of laminated safety glass for automotive windshields and architectural applications, were up modestly over 1974 levels. After a sluggish start early in the year, sales improved in the second quarter and gained momentum as the year progressed, reflecting the improvement in automotive production in the United States. In Europe, the switch from tempered to laminated glass for automotive windshields appeared to be accelerating and is expected to improve 1976 sales volumes of *Saflex*.

Resin sales for coatings, adhesives and bonding applications were depressed during the first half of 1975 and plant utilization was low. A recovery began during the third quarter of the year and, although dampened somewhat by slow housing construction rates, continued to improve going into 1976.

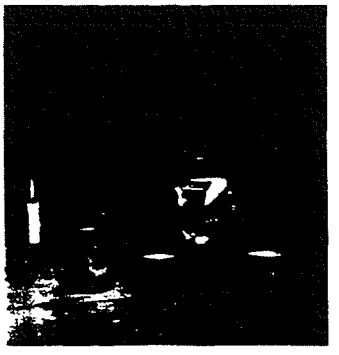
Oil and Gas Revenues Higher

Revenues from oil and gas production increased during 1975 as prices rose in U.S. markets. Monsanto continued its worldwide search for petroleum during 1975 and recorded oil and gas reserve additions somewhat in excess of that which it produced, both in the United States and abroad.

A potentially significant discovery well was completed in the United Kingdom North Sea and, during 1976, confirmation drilling will take place on a tract there of which Monsanto owns 33-1/3 per cent and is the operator. An important gas discovery was made in the Gulf of Mexico on a tract in which Monsanto has a 30 per cent interest.

Expansion Programs Underway

A number of capacity increases for petrochemical, plastic and resin production were completed in 1975 and several major projects were underway.



These insulated serving-ware items recreate Bicentennial scenes. They are molded of *Lustran* SAN plastics from Monsanto, and are safe for upper tray dishwasher use.

In the United States, a large acrylonitrile expansion is scheduled for completion in 1976, and a similar expansion is planned for

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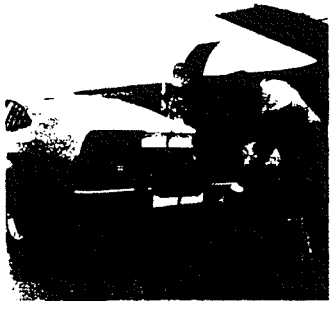
completion in the United Kingdom in 1977. Acrylonitrile is a basic raw material used for the production of man-made fibers, plastics and *Cycle-Safe* containers.

Expansion of *Lustran* ABS and *Lustran* SAN plastics capacity in Canada was completed in 1975, as was a *Lustrex* polystyrene expansion in France. In the United States, new capacity for *Lustran* will come on-stream early in 1976.

High Performance Plastics

New facilities for the production of *Vydyne* R mineral-reinforced nylon resins are under construction, supported by further expansion of *Vydyne* resin facilities. The additional capacity



The increasing use of plastic in auto parts is dramatized in this new car with spoiler bar window louvers and three other elements molded from Monsanto—produced thermoplastics.

will enable Monsanto to meet growing demand for these high performance plastics used in such applications as automobile headlight and grille assemblies, industrial filters and parts for textile processing equipment.

Construction of additional plant capacity to produce *Butvar* polyvinyl butyral resin used in *Saflex* is expected to be on-stream late in 1976 in the United States.

1975 Highlights

(Dollars in millions)

	Sales	Per Cent of Total
Plastic Materials	$540.3	68
Petrochemicals	200.2	25
Oil & Gas Production and Exploration	58.5	7

Plastic Materials

Production and sales at low rates early in the year with improvement steady, reflecting consumer demand for autos and durable goods.

Sales of *Saflex* polyvinyl butyral glass interlayer were higher in 1975 after sluggish start early in the year.

New plants scheduled to help meet demand for *Vydyne* R —engineering thermoplastics used in automotive and industrial fields.

Petrochemicals

After slow start, sales increased steadily throughout the year. Fourth quarter revenues substantially ahead of depressed prior year's period. Selling prices remained firm despite market pressures. Construction continues on major acrylonitrile expansions.

Oil & Gas

Oil and gas production higher and revenues increase. Exploration continues in various parts of the world.

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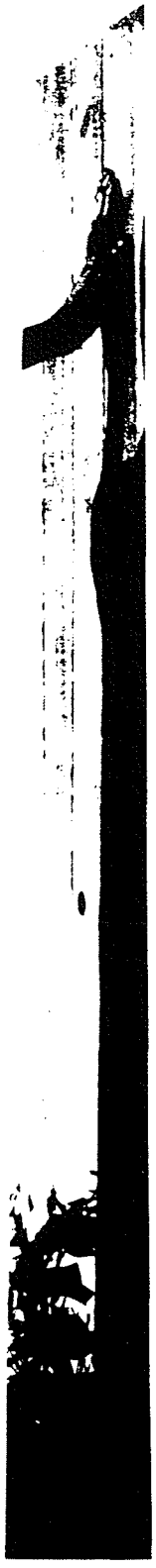
Monsanto Textiles Company



(Dollars in millions)

	Sales	Operating Income
1975.....	$764.2	$(49.1)
1974.....	787.7	35.2
1973.....	705.3	107.0
1972.....	532.9	42.3
1971.....	482.9	36.4

Monsanto Textiles Company, bearing the full brunt of a severe 1974-1975 textile industry recession, recorded the most difficult year in its history in 1975.

As 1975 opened, the entire textiles industry was under extreme pressure. At Monsanto, U.S. fiber plants were operating at below 50 per cent of capacity. Inventories continued to be liquidated throughout the textiles pipeline; selling prices were falling, and consumer confidence was extremely low. In Europe, Monsanto's second most important market for man-made fibers, economies and attitudes followed a course paralleling that in the U.S.

Selling Prices Depressed

On the average, 1975 selling prices for all fibers continued depressed from previous year levels while costs continued to increase. While there was some recovery in polyester and nylon selling prices during the last half of the year, these clearly were not sufficient to offset higher costs nor to reach reasonable levels of profitability.

As anticipated, the first indications that the U.S. textiles industry was beginning to recover came in the first quarter as demand for man-made fibers for apparel markets showed a slight increase. This initial improvement came in the form of increased orders for polyester fibers, and by the end of the second quarter polyester shipments were essentially back to 1974 levels.

U. S. shipments of nylon and acrylics also began to show some improvement in the first quarter, but the recovery was much more modest than the surge in demand for polyester. By August, however, Monsanto Textiles Company shipments of U.S. produced nylon and acrylic fibers reached levels equal to the previous year's highs.



Hooked rugs are easy for the uninitiated, thanks to a new kit that provides everything needed, including yarn of *Acrilan* acrylic fiber. End result can look like this.

In the third quarter, shipments for all Monsanto produced fibers peaked prior to going through a normal seasonal decline during the fourth quarter. Sales of most fibers were at good levels as the year ended and continue strong in the first quarter of 1976. However, even at these price levels, profitability was and is unsatisfactory if the Textiles Company—and in fact the industry—are to maintain the capability to meet the substantial needs of the American consumer for synthetic fibers.

European Demand Weak

In Europe, the 1975 sales pattern differed from that in the U.S. There, after witnessing modest improvement in the second quarter of the year, sales again lost momentum and remained at low levels until late in the year when there was some modest improvement in demand.

Two of Monsanto's textile fibers are represented in this striking photo. The oriental rug is woven of *Acrilan* plus acrylic fibers. The caftan is made of 100 per cent Monsanto polyester.

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In spite of the disappointing operating results in 1975, it was a year in which current positions were critically examined and strategic decisions reached which should favorably impact future Monsanto Textiles Company earnings performance.

In nylon, Monsanto enjoys a very strong raw materials base and has excellent chemical process technology. By building on this base, streamlining the nylon product portfolio, and concentrating technical resources, Monsanto will focus on growth markets that offer higher profit potential.

One such area is the carpet market. The carpet industry is expected to double its present consumption of one billion pounds of nylon by 1984. Monsanto has taken the steps necessary to pursue this attractive business opportunity.



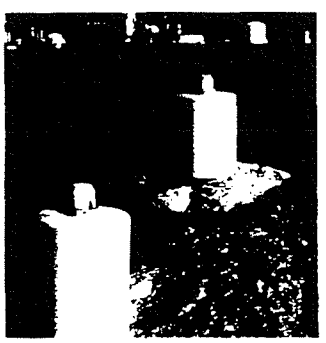
Smart fashions of Monsanto's *Acrilan* acrylic fiber are popular in many areas of the world. This Milanese beauty shows off her versatile garment in the bright Italian sunlight.

Largest Acrylic Producer

Monsanto, in 1976, will become the world's largest producer of acrylics. This wool-like man-made fiber, while having somewhat lower growth prospects than either nylon or polyester, does have an opportunity to make good strides, particularly in European countries where climatic conditions favor acrylic sales. As in nylon, Monsanto enjoys excellent technology, a strong raw material base and a fine cost position.

From its strong technical position in acrylics, Monsanto has developed a modacrylic fiber which extinguishes upon removal of the source of ignition. This fiber makes it possible for Monsanto to assist its customers in meeting the ever-growing legislative flammability standards for apparel. Additional uses are being found in blankets and home furnishings.

Polyester is forecasted to be the strongest growth area for man-made fibers in the next decade. Filament polyester is a versatile fiber, providing garments that are easy to care for. In late 1975, a major polyester expansion came on-stream at the company's Sand Mountain, Ala., plant, increasing polyester filament capacity by approximately 75 per cent, and further expansions in this fastest growing man-made fiber are planned. These moves are part of Monsanto's plan to continue to grow in the apparel market. The apparel industry is expected to use an additional 700 million pounds of filament polyester in the next five years and double today's consumption by 1984.



Polyester filament produced at Monsanto's Sand Mountain plant in Alabama will wind up in the practical, goodlooking apparel that is now so much in demand.

In 1975, Monsanto Textiles Company assumed the responsibility to expand a new business previously in Monsanto's New Enterprise Division. This is the Non-Wovens business—a business with strong future potential.

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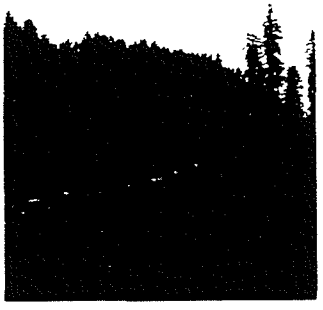
The Non-Wovens business comprises two product areas —*Cerex*, a spun-bonded nylon, and *Bidim*, a spun-bonded polyester. Both products are made by processes that go from fiber to fabric in one step. To date, both have been used in industrial applications. However, in 1976, commercial development programs will be implemented to expand applications into other areas.



Bidim, a spun-bonded fabric made of continuous filament 100 per cent polyester, is being used to add strength and durability to road beds. Monsanto has U. S. and Canadian rights to the patents and manufacturing technology for the new fabric.

Technological Advances

During 1975, the Textiles Company made a number of technological advances. A unique new nylon fiber, having a conductive carbon stripe, will provide the no-shock properties long sought by the carpet industry. A new acrylic carpet fiber was developed which is continually piece-dyeable, thereby making acrylics more competitive with nylon and polyester for carpet markets. Also in acrylics, the company developed a light denier fiber, making practical the manufacture of light weight fabrics for the year-round apparel market.

As this operating company entered 1976, sales in the U.S. were strong and sales in Europe were improving. Revenues are expected to show substantial increases over 1975's depressed levels and higher volumes, together with higher selling prices, will improve operating income in 1976.

1975 Highlights

(Dollars in millions)	Sales	Per Cent of Total
Man-Made Fibers	$764.2	100

Man-Made Fibers

Significant drop in sales and operating loss reflected the worldwide economic recession. Selling prices averaged below 1974 levels despite cost increases, severely impacting profitability.

Shipments began improving in first quarter and continued to show strength throughout the year.

Even at current volume levels profitability is unsatisfactory if this operating company—and in fact the entire industry—are to maintain the capability to meet growing needs of American consumers for synthetic fibers.

Acrylic expansions scheduled for 1976 will make Monsanto world's largest producer. Polyester filament expansion significantly increased capacity at Sand Mountain, Ala., during 1975.

Technological advances included development of unique new nylon fiber with conductive carbon stripe to provide no-shock properties long sought by carpet industry; development of light denier acrylic fiber for use in year-round apparel.

Sales of man-made fibers in Europe remained at low levels throughout most of 1975 with some improvement noticed at year end.

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International Division

Monsanto's operations outside of the United States were more severely affected by the worldwide recession in 1975 than were operations in the United States. Recovery from recessionary pressures continued to lag the U.S. recovery by several months, and it was not until the fourth quarter of 1975 that some modest improvement was evidenced in European countries.

International sales including exports from the United States increased nearly 7 per cent over those of the previous year, reaching $1.067 billion in 1975. Because of lower selling prices and significantly higher costs, income from international operations was considerably below 1974's record levels.

Monsanto's operating companies generally have worldwide responsibility for product lines. Worldwide sales and operating income have been included in the operating company sections.

The International Division is responsible for coordinating Monsanto's business interests outside the United States in conjunction with the operating companies. One of the prime responsibilities of the International Division is to identify high priority countries for marketing and investment purposes, matching Monsanto's products with markets in which the company can effectively participate. Over many years, this process has carried Monsanto products and plants all over the world.

Export Sales Higher

Export sales from the United States increased to $355.7 million, compared to $296.2 million in 1974. Sales increases were led by phosphates and other industrial chemicals, man-made fibers and products for agriculture.

In 1975 nearly 29 per cent of Monsanto sales were made outside the United States. Biggest growth area was for exports, symbolized in this photo of Big Ben in London.

The largest international sales area for the company is Europe where 1975 sales of locally manufactured products declined marginally from 1974's $480.0 million to $473.9 million. Growth in agricultural products and rubber chemical sales were offset by declining demand for styrenic plastics and for acrylonitrile. In the fourth quarter, sales showed some improvement and the improvement was carried over into 1976. Selling prices, however, continued depressed.



Monsanto's *Avadex* herbicide is used to control wild oats in grain fields like this one in Saskatchewan, Canada. *Avadex*, like other Monsanto herbicides, breaks down rapidly in the soil and does not persist in the environment.

Agricultural Revenues Increase

Sales in Canada and Latin America reached $159.5 million in 1975, an increase of 10 per cent from $144.9 million in 1974. Gains were made by agricultural products, Fisher Controls and Mexican consumer products.

In Latin America, sales were relatively strong until midyear when the recession experienced earlier in other world areas began to affect operations. Additionally, lack of feedstocks in some countries restrained operations. A new plant is under construction in Brazil to manufacture rubber chemicals and phosphates.

In Asia Pacific and other world areas, sales remained at approximately the same levels of the prior year and were $78.3 million in 1975. Australian operations were seriously affected by economic conditions, increased raw material

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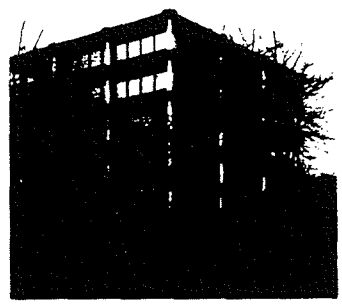
prices and sizable wage increases. A new joint venture was entered into during the year for the production of styrene monomer, a basic raw material for Monsanto's established styrenic polymer operations. The new plant will be located on the company's West Footscray site near Melbourne.



The new Monsanto office building in Brussels will be occupied in the Spring of 1976. With ample parking and its own cafeteria, the new building is convenient for both employes and visitors.

Affiliates Have Mixed Performances

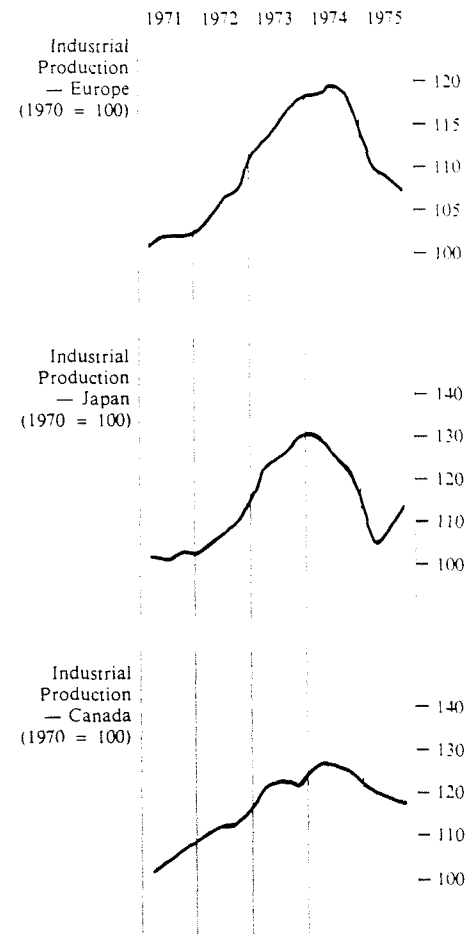
In Spain, Aiscondel S.A., an affiliate and a major plastics producer and fabricator, experienced a reduction in sales as a result of the country's economic problems. Improvement was reflected in the fourth quarter.

The company's Mexican affiliate, Industrias Resistol S.A., recorded higher sales. Two major new plant sites for the production of detergent raw materials and polyvinyl chloride resins are under construction with start-up scheduled for 1976.

Mitsubishi Monsanto Chemical Company, a Monsanto affiliate in Japan, experienced a slight decrease in sales as a result of the sluggish Japanese economic conditions. Selected selling price increases were made during the year but not enough to offset volume losses.

International Factors Affecting Our Business

(Seasonally Adjusted)



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Worldwide Interests

Included among Monsanto's member companies around the world are those appearing in the following list. Per cent ownerships are noted parenthetically. In addition, there are a number of other member companies not listed, many of which have been established for marketing or investment purposes.

	NORTH AMERICA
United States	**Farmers Hybrid Companies, Inc.** (100%) produces hybrid breeding swine.
	Fisher Controls Company, Inc. (100%) manufactures and markets process measurement and control equipment.
	Monsanto Enviro-Chem Systems, Inc. (100%) develops and markets engineered chemical facilities and pollution-abatement systems.
	Monsanto Flavor/Essence, Inc. (100%) manufactures essential oils, aroma chemicals, flavors and fragrances.
	Monsanto International Finance Company (100%) obtains funds abroad to help finance overseas expansion.
	Monsanto Research Corporation (100%) conducts research for government agencies and for Monsanto; produces nuclear sources; operates a government-owned laboratory.
	United Systems Corporation (100%) manufactures electronic test and measurement instruments.
Canada	**Monsanto Canada Ltd.** (100%) manufactures chemicals and plastics.
	EUROPE AND MIDDLE EAST
Belgium	**Monsanto Europe S.A.** (100%) manufactures plastics and chemicals in Belgium and conducts marketing activities throughout Europe.
France	**Societe Monsanto** (100%) manufactures plastics.
Israel	**Israel Chemical Fibres Ltd.** (53%) manufactures acrylic fiber.
Luxembourg	**Monsanto Cie S.A.** (100%) manufactures nylon 6,6 yarns.
Spain	**Aiscondel S.A.** (50%) makes consumer plastic products. A subsidiary produces chemicals and plastics.
Switzerland	**Monsanto Research S.A.** (100%) performs basic research.
United Kingdom	**Monsanto Limited** (100%) manufactures and markets chemicals, plastics, acrylic fiber and nylon 6,6 yarns.
West Germany	**Monsanto (Deutschland) GmbH** (100%) manufactures acrylic fiber and markets Monsanto products.
	LATIN AMERICA
Argentina	**Monsanto Argentina S.A.I.C.** (100%) manufactures plastics and chemicals.
Brazil	**Industrias Monsanto Ltd.** (100%) manufactures rubber chemicals and phosphates. **Goyana S.A. Industrias Brasileiras de Materias Plasticas** (44%) manufactures and markets plastic products.
Colombia	**Fabrica de Hilazas Vanylon S.A.** (49%) produces nylon 6 yarns.
Mexico	**Industrias Resistol S.A.** (39%) produces chemicals and plastics. **Compania Industrial de Plasticos S.A.** (100%) fabricates plastic consumer products.
	ASIA AND AUSTRALIA
Australia	**Monsanto Australia Ltd.** (100%) manufactures chemicals and plastics. Affiliate companies produce fluorocarbons and synthetic latex products.
Hong Kong	**Monsanto Far East Ltd.** (100%) supervises marketing of Monsanto products in the Asia-Pacific area outside Japan and Australia.
Japan	**Mitsubishi Monsanto Chemical Company** (49%) manufactures and markets chemicals and plastics.

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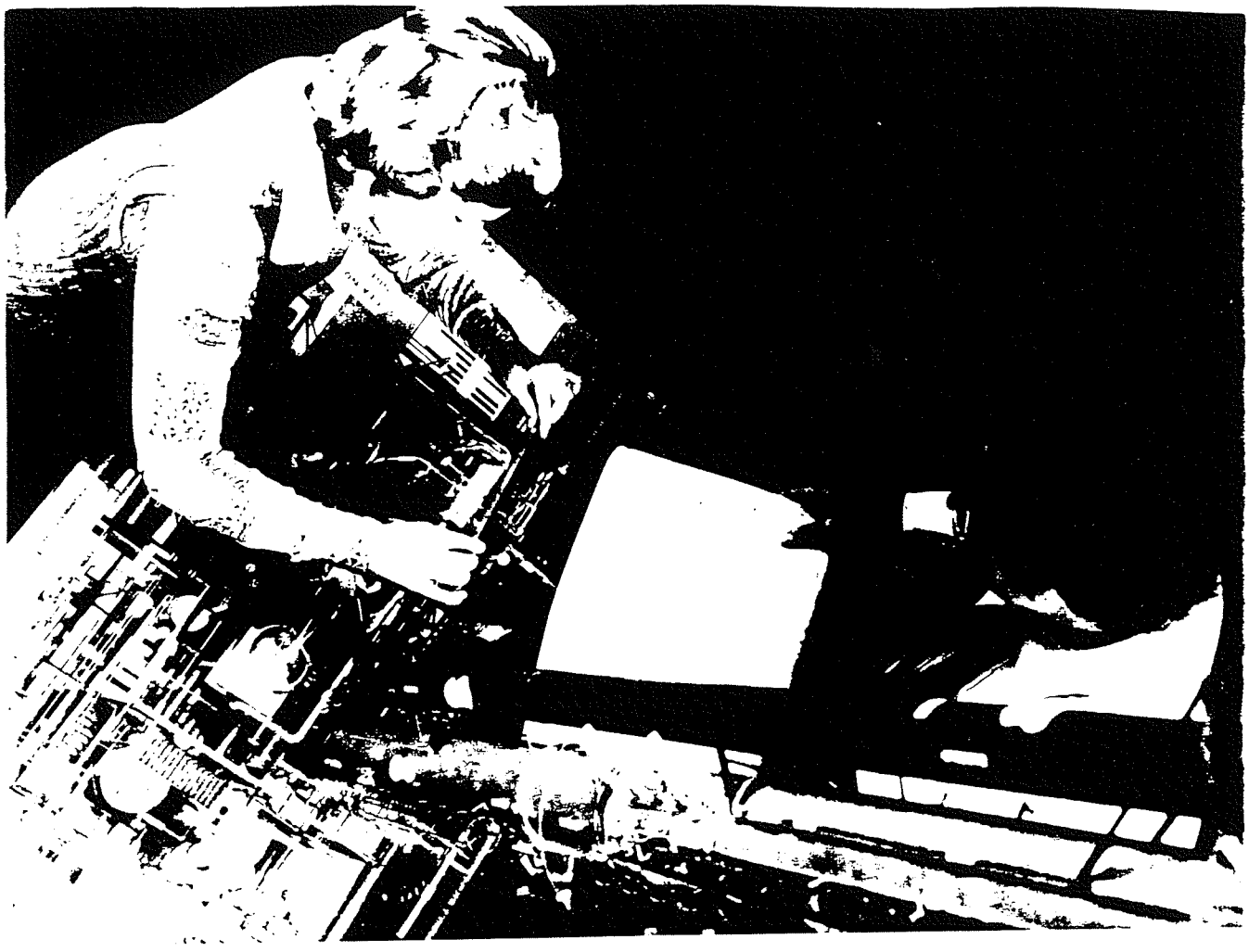

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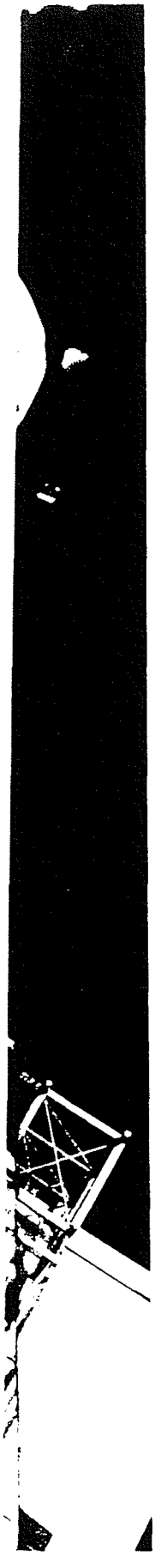
Staff Resources



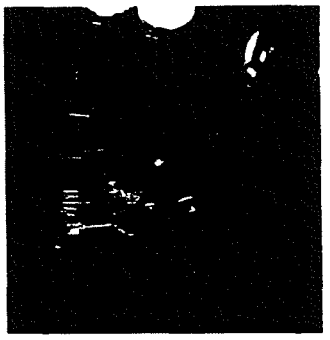
Scale models play an important role in assisting plant design construction. This model is for a new nitrochlorobenzene area at the William G. Krummrich Plant in Illinois.

Technology

Monsanto continued to invest heavily in research and development during 1975, spending $116 million to improve existing products and processes while searching for new areas of future growth.

Several advances originating from Monsanto's research moved from the research stage to the developmental stage and to the commercialization stage during 1975.

Typical of the products and processes in transition modes, described in greater detail in the operating company sections of this report, are *Cycle-Safe* containers; the development of a new detergent builder; the commercialization of *Roundup* herbicide.



To study the effect of chemicals on the growth of plants, this apparatus is being used to examine the photosynthetic process. Fine wires hold the leaf of the living soybean plant in place.

While research and development concerns itself with products and processes, it is also directed at improving man's environment. At Fisher Controls Company, a Monsanto subsidiary, efforts have been successfully directed at reducing noise levels caused by gases flowing through valves. Employing laser techniques, scientists and engineers were able to design a valve cage that prevents the gas streams from merging, thereby vastly reducing noise pollution.



This sophisticated Raman spectrometer focuses a laser beam on a maleic anhydride crystal and bounces it off a mirror (center right) to provide an image for closer study.

Longer range, to highlight only two of many research programs now underway, Monsanto is investing significant funds in the development of the next generation of agricultural products, plant growth regulators. Substantial efforts are also being directed into the development of high performance plastic products of the future.

Facilities and Planning

During 1975, the energy and hydrocarbon-based raw material picture stabilized somewhat as both liquid petroleum and natural gas feedstocks were in adequate supply. The cost of feedstocks and purchased petrochemicals was $390 million, compared to $400 million in 1974.

U. S. shortages in the supply of natural gas as a fuel continued to increase, however. Many of Monsanto's U. S. plants facing gas interruption were prepared with alternate fuels capability. The cost of fuels, purchased energy and utilities was $252 million, compared to $195 million in 1974.

The anticipated continued shortage in natural gas in the United States led to the adoption of a new energy fuels policy for Monsanto's U. S. plants. At those plants still dependent on gas, equipment will be added to convert them to fuel oil capability by 1978. Additionally, all large new boilers in the U. S. will be designed to burn coal, regardless of their location.

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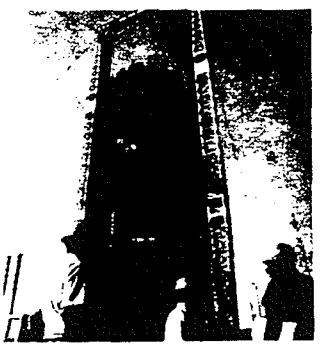
Continuation of the worldwide energy conservation program begun in 1973 permitted the company to reduce energy consumption in the U. S., Canada and Europe by six per cent in 1975, saving $16 million.

Monsanto continued its aggressive capital expansion program during 1975 and increased expenditures are planned for 1976. Among the major projects completed or in process during 1975 were an expansion of capacities for polystyrene plastic, polyester filament and agricultural herbicides.



Monsanto's worldwide production capacity for acrylonitrile will be boosted to more than a billion pounds annually when the new plant at Texas City, which includes this reactor, comes-on stream in 1976.

In 1976, a major expansion of the company's acrylonitrile capacity at Texas City is scheduled for completion helping to insure Monsanto's raw material position for acrylic and nylon fibers, for plastics and for *Cycle-Safe* containers. A similar expansion is underway in the United Kingdom.

Significant expenditures are also planned for product areas where Monsanto enjoys either a proprietary position or is a market leader. These include capacity expansions for agricultural chemicals, for mineral reinforced nylon engineering plastics, for rubber chemicals and phosphates and for a number of other chemicals.

Personnel

Monsanto firmly believes that its employes are its richest resource. Thus, the company's personnel programs are aimed at providing employes with the fullest opportunity to reach their potential.

These programs attempt to foster not only the opportunity for growth, but the desire as well. By tying rewards to the accomplishments of results, the challenge to achieve is made a practical consideration as well as an idealistic one.

All personnel programs at Monsanto have been geared to this new concept since 1974. During 1975 the company began to feel the benefits of the programs. As further integration into the company continues during 1976, it is expected that there will be renewed commitment to achievement on the part of all employes.

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Financial Review

(Dollars in millions, except per share)

Operating Results

Monsanto's consolidated sales in 1975 were the highest in the history of the Company and earnings were the second highest. Despite worldwide recessionary pressures, sales of $3.625 billion established a new record, exceeding the previous record year of 1974 by $127 million or 3.6 per cent. Net income of $306.3 million in 1975 declined 5.2 per cent from the record year 1974. Primary earnings per common share were $8.63 and fully diluted earnings were $8.22 per share. In 1974, primary earnings per common share were $9.25 and fully diluted earnings were $8.73.

Quarterly sales, net income and net income per share for 1975 and 1974 were:

			Net Income per Share	
	Net Sales	Net Income	Primary	Fully Diluted
1975:				
First Quarter	$ 912.7	$ 97.4	$ 2.79	$ 2.62
Second Quarter	884.7	74.1	2.08	1.98
Third Quarter	884.8	56.1	1.56	1.51
Fourth Quarter	942.5	78.7	2.20	2.11
Year	$3,624.7	$306.3	$ 8.63	$ 8.22
1974:				
First Quarter	$ 838.2	$ 94.5	$ 2.74	$ 2.58
Second Quarter	922.2	108.0	3.12	2.92
Third Quarter	956.7	74.8	2.10	1.98
Fourth Quarter	780.8	45.9	1.29	1.25
Year	$3,497.9	$323.2	$ 9.25	$ 8.73
Increase (Decrease)	$ 126.8	$ (16.9)	$(0.62)	$(0.51)

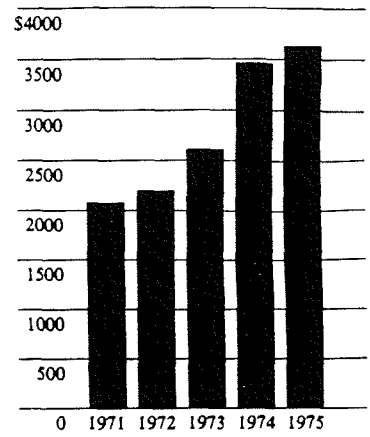
The Company's sales and results of operations were significantly impacted by the worldwide recession, particularly during the early part of the year. The latter part of the year, however, contained numerous positive indicators. Fourth quarter 1975 revenues, which were exceeded only by sales in the third quarter 1974, were significantly higher than those of the fourth quarter 1974. Also, sales in each of the last three quarters of 1975, excluding sales of the Agricultural Products Company which are seasonal in nature, exceeded sales of the preceding quarter.

Factors other than the recession also unfavorably impacted Monsanto in 1975. Although the costs of raw materials were somewhat lower in 1975, overall operating costs increased as a result of significant increases in other costs including energy and utilities and wages, salaries and benefits.

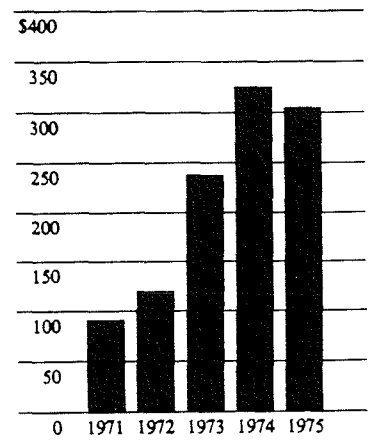
1975 saw two other records established. Monsanto Industrial Chemicals Company became the first operating company to exceed the $1 billion sales mark and the operating income of the Agricultural Products Company reached $272.6 million.

Sales and operating income by lines of business for the last five years are included in the sections on the five operating companies.

Net Sales



Net Income



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Financial Review

(Dollars in millions, except per share)

Sales and operating income—defined as income before interest expense, other income charges (credits) net, and provision for income taxes—by lines of business for 1975 were:

Sales

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Agricultural Products	$252.9	$138.5	$ 73.4	$ 82.6	$ 547.4
Commercial Products	110.4	127.3	138.8	135.9	512.4
Industrial Chemicals	246.4	242.0	255.9	257.4	1,001.7
Polymers & Petrochemicals	164.4	186.5	203.7	244.4	799.0
Textiles	138.6	190.4	213.0	222.2	764.2
Total Company	$912.7	$884.7	$884.8	$942.5	$3,624.7

Operating Income

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Agricultural Products	$131.3	$ 68.1	$ 33.9	$ 39.3	$272.6
Commercial Products	(2.5)	(0.5)	1.8	(3.1)	(4.3)
Industrial Chemicals	66.5	52.9	53.9	53.4	226.7
Polymers & Petrochemicals	3.7	22.1	25.6	50.1	101.5
Textiles	(31.3)	(10.3)	2.2	(9.7)	(49.1)
Total Company	$167.7	$132.3	$117.4	$130.0	$547.4

A review of quarterly sales and operating income by lines of business discloses the impact of the seasonal demand for Agricultural Products and the timing of the recovery from the recession by the Polymers & Petrochemicals and Textiles businesses.

The sales and operating income of Agricultural Products were favorably affected by the decision to ship herbicides to U. S. distributors in the fourth quarter rather than beginning January 1, as had been the case in previous years. This decision was made to insure that these herbicides reached end markets in time for use and favorably increased net income by 22 cents per share.

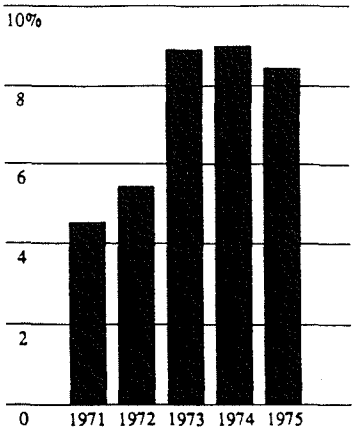
Worldwide Operations

Sales in all world areas were impacted by the 1975 recession. Although sales dollars in some world areas increased from prior years, volumes in most world areas decreased from 1974 reflecting the worldwide reduction in demand. However, exports from the U. S., encouraged by DISC tax legislation, showed improvement over 1974.

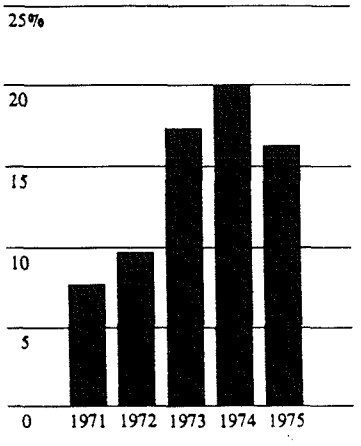
Sales by World Area

	1975	1974	1975 Over 1974 Amount	1975 Over 1974 Per Cent	Per Cent of 1975 Sales
United States	$2,557.3	$2,498 2	$ 59.1	2%	71%
Exports from U.S.	355.7	296.2	59.5	20	10
Europe	473.9	480.0	(6.1)	(1)	13
Canada	104.3	96.5	7.8	8	3
Latin America	55.2	48.4	6.8	14	1
Other World Areas	78.3	78.6	(0.3)	—	2
Total Company	$3,624.7	$3,497.9	$126.8	4%	100%

Net Income
(as a per cent of net sales)



Net Income
(as a per cent of average shareowners' equity)



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Operating income of foreign subsidiaries as well as the Company's equity in the net income of nonconsolidated foreign affiliates were negatively affected by the 1975 recession. Royalty income from nonconsolidated foreign affiliates and other foreign licensees increased in 1975 over 1974.

	1975	1974
Operating income of foreign subsidiaries	$32.0	$117.7
Equity in net income (loss) of nonconsolidated foreign affiliates	(2.4)	12.4
Royalty income	8.0	7.0

Sales by Product Group

For the fourth consecutive year, sales of Agricultural Products, Process Controls and Electronics, Rubber and Specialty Chemicals, Phosphates and Detergents and Oil & Gas Production and Exploration increased from the previous year. Sales of Agricultural Products and Phosphates and Detergents increased $136.7 or 33.3 per cent and $60.9 or 23.9 per cent, respectively. However, 1975 sales of Plastic Materials, Petrochemicals and Textiles were down from 1974 levels.

Sales by Product Group

	1975	1974	1973	1972	1971
Agricultural Products:					
Herbicides, Insecticides and Other Products	$ 547.4	$ 410.7	$ 283.4	$ 222.3	$ 199.7
Commercial Products:					
Process Controls and Electronics	237.9	212.4	194.3	137.3	125.0
Plastic Products	144.6	160.7	146.3	144.4	134.8
Chemical and Environmental Systems	77.5	85.2	41.8	39.9	52.8
Other Products	52.4	39.5	16.6	19.5	16.2
Industrial Chemicals:					
Rubber and Specialty Chemicals	378.7	366.2	271.0	223.7	215.3
Process Chemicals and Plasticizers	307.6	326.4	221.6	187.1	168.2
Phosphates and Detergents	315.4	254.5	173.9	161.5	160.8
Polymers & Petrochemicals:					
Plastic Materials	540.3	578.9	435.6	346.5	310.4
Petrochemicals	200.2	224.9	128.4	112.7	106.3
Oil & Gas Production and Exploration	58.5	50.8	29.5	27.8	27.5
Textiles:					
Man-Made Fibers	764.2	787.7	705.3	532.9	482.9
Sales from Continuing Operations	3,624.7	3,497.9	2,647.7	2,155.6	1,999.9
Sales from Discontinued Operations	—	—	—	69.8	87.2
Total Company	$3,624.7	$3,497.9	$2,647.7	$2,225.4	$2,087.1

Analysis of Change in Earnings

The most significant factor affecting earnings in 1975 compared with those of 1974 was the unfavorable effect of sales volume and

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Financial Review

(Dollars in millions, except per share)

product mix. In most areas of the Company, particularly Textiles, Rubber and Specialty Chemicals and Plastic Materials, physical quantities of products sold decreased. Earnings in 1975 were also adversely affected by an increase in marketing, administrative and technological expenses over 1974 as a result of higher developmental expenses related to the *Cycle-Safe* container and the impact of inflation on salaries and other costs.

Although, on an overall basis, the Company was able to increase selling prices to offset the impact of higher other manufacturing, start-up, and non-manufacturing expenses, the net effect of these items did not offset the impact of volume and mix. Additionally, earnings were affected by higher interest expense, resulting primarily from the issuance of new debt securities in the principal amount of $272 million, lower interest income; which resulted primarily from lower interest rates for the securities in which Monsanto invested; lower income from affiliates; and lower income taxes, resulting primarily from higher investment tax credits.

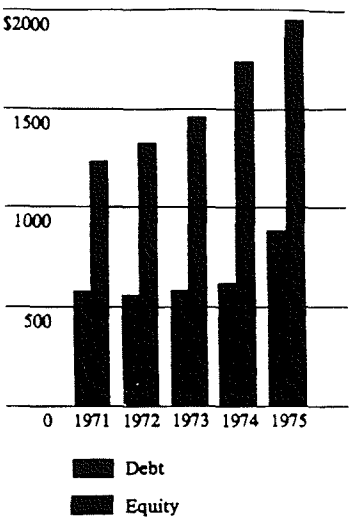
The improvement in 1974 earnings over those for 1973 primarily reflected the Company's ability to price its products on a historical margin basis as the cost of materials, labor and services escalated sharply. Additionally, the change from the first-in, first-out method to the last-in, first-out method of accounting for substantially all United States inventories increased 1974 raw material and other manufacturing costs by $2.26 per share. These factors, partially offset by unfavorable changes in volume and mix late in the year, resulted in an increase in operating income. Higher short-term interest rates, coupled with larger average cash balances available for short-term investment, resulted in improved interest income. An increase in interest expense, a higher effective tax rate and an increase in shares outstanding combined, however, to more than offset this improvement.

A summary of operating results for the years 1966 through 1975 is included on pages 52 and 53.

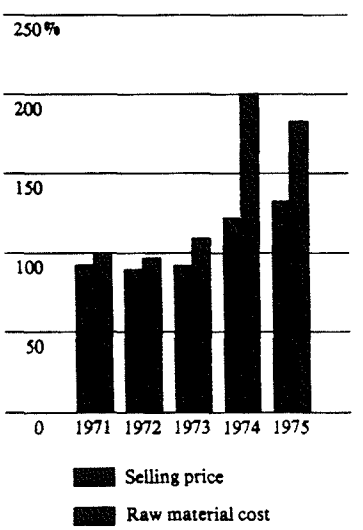
Analysis of Change in Earnings per Share

	1975 vs. 1974	1974 vs. 1973
Operating Income:		
Higher Selling Prices	$ 5.44	$13.97
Sales Volume and Product Mix	(2.63)	(0.44)
Lower Raw Material Prices	1.07	(8.91)
Higher Other Manufacturing Costs	(2.61)	(0.99)
Higher Start-up Costs	(0.31)	(0.08)
Higher Non-manufacturing Expenses	(1.01)	(1.07)
Increase (Decrease) in Operating Income	$ (0.05)	$ 2.48
Other Causes:		
Higher Interest Expense	$ (0.22)	$ (0.07)
Other Income Charges—Net	(0.36)	0.40
Lower Tax Rate	0.13	(0.29)
Increased Shares Outstanding	(0.12)	(0.17)
Decrease from Other Causes	$ (0.57)	$ (0.13)
Net Increase (Decrease)	$ (0.62)	$ 2.35

Shareowners' Equity & Long-Term Debt



Cost/Price Index
(Domestic and Export)
(Year 1967 = 100%)



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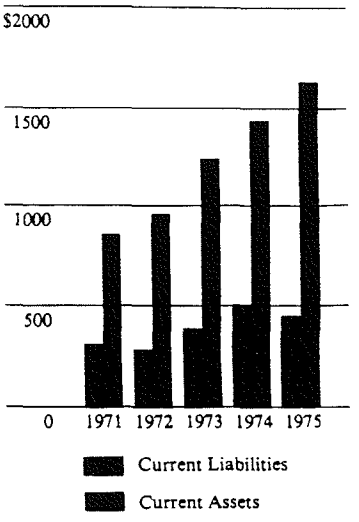
Financial Position

Monsanto's financial position at December 31, 1975 continued to be very strong with working capital of $1,149.6 million—an increase of $181.8 million over the prior year-end—and a current ratio of 3.4:1. Working capital additions provided by operations totaled $551.8 million in 1975 compared with $504.3 million in 1974.

Cash, short-term securities and time deposits totaled $425.6 million at year-end 1975, an increase of $101.5 million from the end of 1974. This increase includes the portion of the proceeds from debentures and notes issued in June, 1975 which have not as yet been required for capital expenditures.

Accounts receivable at December 31, 1975 increased $158.6 million over the previous year reflecting the improvement in fourth quarter 1975 sales over the same period in 1974. December 31, 1975 inventories decreased significantly from the prior year as a result of continued efforts to control inventory levels.

Working Capital



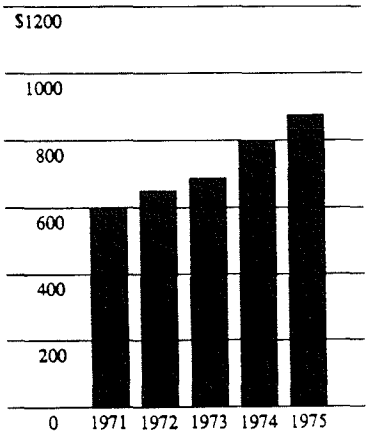
Financing

In June, 1975 Monsanto issued new debt securities to provide funds needed for planned capital expenditures. The securities consisted of $175 million 25-year debentures and $100 million 10-year notes; proceeds from debt with a principal amount of $272.0 million were received in June, the remaining proceeds were received in January, 1976. Just prior to the offering, Moody's and Standard & Poor's, major rating agencies, upgraded Monsanto's debt to double-A from single-A. The issues were well received by the investing community. Pollution control facilities were financed in 1975 with industrial revenue bonds when favorable interest rates were available.

To provide continued flexibility in financing future growth, credit facilities of $230.0 million, which were arranged with nineteen U.S. banks on January 15, 1975, were continued. These arrangements provide for $115.0 million in short-term lines of credit and a $115.0 million eight-year revolving credit-term loan agreement. Short-term credit arrangements are also maintained in most foreign countries where Monsanto has significant operations.

As of December 31, 1975, Monsanto's long-term debt was $845.3 million, representing 30 per cent of its total capitalization compared with 25 per cent at the end of 1974. Debt retirements scheduled during the five-year period, 1976-1980, total $125.3 million.

Wages, Salaries and Employe Benefits



Major Operating Expenditures

During 1975, the prices of purchased raw materials decreased slightly from the record high levels established in 1974. However, the costs of energy and utilities and wages, salaries and employe benefits continued to increase.

	1975	1974
Purchased Raw Materials	$1,018.7	$1,194.4
Energy and Utilities	252.1	195.0
Wages, Salaries and Employe Benefits	892.7	803.3

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Financial Review

(Dollars in millions, except per share)

Capital Expenditures

Monsanto's expenditures of $527.7 million in 1975 for new plants and equipment established a new record and represent an increase of $214.3 million or 68.4 per cent over the previous record year of 1974. Major expenditures in 1975 were for increased or new production capacity for herbicides, man-made fibers, plastic materials, *Cycle-Safe* containers for carbonated beverages, acrylonitrile—a key raw material for many of the Company's products—and other product lines where additional capacity was required. Expenditures for environmental control projects represented over 10 per cent of the total.

By Lines of Business

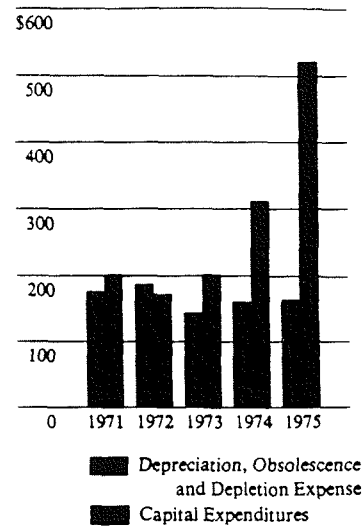
	1975	1974	1973	1972	1971
Agricultural Products	$ 90.2	$ 19.9	$ 11.9	$ 15.1	$ 8.3
Commercial Products	37.6	56.7	39.2	13.5	18.3
Industrial Chemicals	76.7	37.3	20.7	22.0	35.8
Polymers & Petrochemicals	175.9	85.0	68.9	41.7	74.0
Textiles	130.6	90.8	60.3	73.4	64.6
Other	16.7	23.7	4.3	2.6	4.2
Total Company	$527.7	$313.4	$205.3	$168.3	$205.2

By World Area

	1975	1974	1973	1972	1971
United States	$399.2	$253.3	$165.6	$114.2	$144.5
Europe	101.0	44.5	25.8	47.1	56.3
Canada and Latin America	17.3	11.5	8.0	5.5	3.3
Other World Areas	10.2	4.1	5.9	1.5	1.1
Total Company	$527.7	$313.4	$205.3	$168.3	$205.2

Capital expenditures for 1976 are expected to approach $600.0 million.

Capital Expenditures & Depreciation Expense



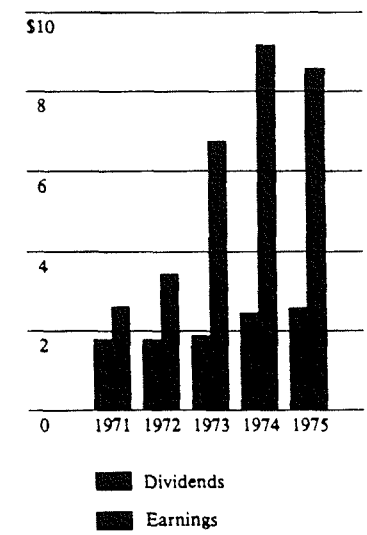
Dividend Payments

Common stock dividends in 1975 amounted to $88.0 million, equal to $2.55 per share. Effective in the second quarter of 1975, the Board of Directors increased the quarterly dividend from $0.60 to $0.65 per share—the third increase in the past 21 months. A regular cash dividend has been paid quarterly without interruption or reduction since 1928.

Common Stock Dividends

	1975	1974	1973	1972	1971
Dividend Payments:					
First Quarter	$0.60	$0.50	$0.45	$0.45	$0.45
Second Quarter	0.65	0.60	0.45	0.45	0.45
Third Quarter	0.65	0.60	0.50	0.45	0.45
Fourth Quarter	0.65	0.60	0.50	0.45	0.45
	$2.55	$2.30	$1.90	$1.80	$1.80
Primary Earnings	$8.63	$9.25	$6.90	$3.49	$2.65

Earnings & Dividends
(per share)



Preferred stock dividends amounted to $5.1 million in 1975 or $2.75 per share. Quarterly dividends of $0.6875 per share have been paid regularly since issuance of the preferred shares in 1969.

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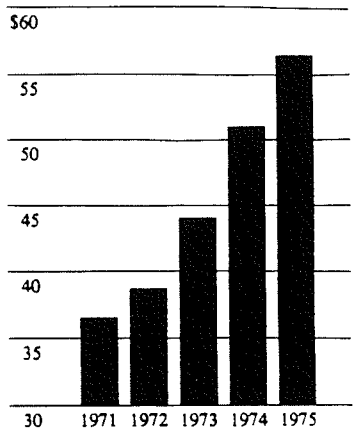
Shareowners' Equity

Shareowners' equity increased 12.6 per cent from December 31, 1974 to a total of $1,976.7 at December 31, 1975. Book value increased from $51.39 per common share at the end of 1974 to $56.62 at December 31, 1975.

For 1975, net income was 8.4 per cent of sales, compared with 9.2 per cent for 1974. Net income as a percentage return on average shareowners' equity decreased from 20.0 per cent in 1974 to 16.4 per cent in 1975.

Book Value
(per share)



Capital Stock

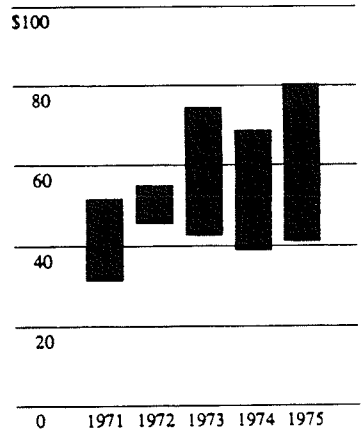
Monsanto common stock is traded on the New York Stock Exchange and certain other major exchanges throughout the world, including the London, Paris, Amsterdam and certain Swiss and Belgian Exchanges. The Company's preferred stock is traded on the New York Stock Exchange.

The high and low sales prices on the New York Stock Exchange, by quarter, for 1975 and 1974 were:

Common Stock Prices

	1975		1974	
	High	Low	High	Low
First Quarter	57¾	41	63½	48⅞
Second Quarter	73	53⅞	69½	57⅛
Third Quarter	74⅞	66½	64⅞	44⅛
Fourth Quarter	80⅞	67¾	53¼	39⅜

Common Stock Price Range



► At December 31

Preferred Stock Prices

	1975		1974	
	High	Low	High	Low
First Quarter	62½	48	70¾	58
Second Quarter	81½	60¼	77⅜	64
Third Quarter	83	74⅝	71⅛	55
Fourth Quarter	90	77⅝	58¾	45½

Research and Development Expenditures

Research and development expenditures (as defined by the Financial Accounting Standards Board) increased from $87.2 million in 1974 to $115.7 million in 1975. These expenditures reflect Monsanto's continued emphasis on the development of new products and processes, and improvements in existing products and processes.

By Lines of Business

	1975	1974
Agricultural Products	$ 7.5	$ 6.5
Commercial Products	41.8	25.2
Industrial Chemicals	18.1	14.5
Polymers & Petrochemicals	17.8	14.6
Textiles	21.6	19.7
All Other	8.9	6.7
Total	$115.7	$ 87.2

The research and development expenditures shown for Commercial Products include expenditures on the *Cycle-Safe* container and expenditures by the New Enterprise Division.

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Summary of Significant Accounting Policies

Basis of Consolidation—The consolidated financial statements include Monsanto Company (the Company) and all its domestic and foreign subsidiaries in which it has more than a 50 per cent interest. All significant intercompany transactions have been eliminated.

Foreign currency assets and liabilities are translated into United States dollars at approximate year-end rates, except that fixed assets are translated at exchange rates prevailing at the dates acquired. Income and expense items are translated at approximate average rates in effect during the year, except depreciation which is translated at the approximate rates prevailing when the fixed assets were acquired.

Beginning in 1975, exchange and translation gains and losses are included in income. In 1974 and prior years, year-end currency exchange and translation gains and losses were recorded in a reserve for foreign operations. Losses in excess of the reserve balance were charged to income.

Investments in the common stock of certain affiliates considered joint ventures, in which the Company has 20 per cent but not more than 50 per cent interest, are accounted for by the equity method.

Construction Contracts—Monsanto Enviro-Chem Systems, Inc., a subsidiary, reports income on its long-term contracts on the percentage-of-completion basis. Losses on such contracts are reported in the period first recognized.

Depreciation and Depletion—The Company and its subsidiaries generally use the straight line method of computing depreciation on assets; however, the sum of the years digits method is used on most domestic assets placed in service prior to January 1, 1972. Depreciation rates are based on the estimated useful lives of the individual assets. Depreciation and depletion of mineral rights and oil and gas properties are computed by the unit of production method based upon estimated recoverable reserves.

Income Taxes—The Company follows the practice of reducing its provision for current income taxes by the full amount of its investment tax credit.

Accelerated methods of depreciation and, for machinery and equipment, guideline lives and Asset Depreciation Range System class lives are used in computing depreciation for income tax purposes.

Income on long-term contracts of Monsanto Enviro-Chem Systems, Inc., is recognized on the completed contract basis for income tax purposes.

Deferred income taxes are provided for amounts which affect financial and taxable income in different periods.

Inventory Valuation—Inventories are stated at the lower of cost or market. Effective January 1, 1974, the method of determining cost for substantially all domestic inventories was changed from the first-in, first-out (FIFO) basis to the last-in, first-out (LIFO) basis. The cost for other inventories continues to be determined generally on the first-in, first-out (FIFO) basis.

Pension Plans—Pension costs include charges applicable to current service and amortization of unfunded prior service costs, whenever applicable, generally over periods ranging from 15 to 30 years. It is the policy to fund pension costs accrued.

Technological Expenses—Research, development, engineering and patent expenditures are charged to income as incurred.

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Monsanto Company and Subsidiaries

Statement of Consolidated Income

(Dollars in millions, except per share)

	Year 1975	Year 1974
Net Sales	**$3,624.7**	$3,497.9
Cost of Goods Sold	**2,616.4**	2,548.2
Marketing and Administrative Expenses	**308.0**	273.4
Technological Expenses	**152.9**	126.1
	3,077.3	2,947.7
Operating Income	**547.4**	550.2
Income Charges (Credits):		
Interest expense	**56.4**	43.0
Other—net	**(45.3)**	(67.1)
	11.1	(24.1)
Income Before Income Taxes	**536.3**	574.3
Provision for Income Taxes	**230.0**	251.1
Net Income	**$ 306.3**	$ 323.2
Earnings per Common Share:		
Primary	**$8.63**	$9.25
Fully diluted	**8.22**	8.73

The above statement should be read in conjunction with page 40 and pages 46-51 of this report.

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Monsanto Company and Subsidiaries

Statement of Consolidated Financial Position

(Dollars in millions, except per share)

ASSETS	Dec. 31, 1975	Dec. 31, 1974
Current Assets:		
Cash	$ 35.3	$ 32.3
Short-term securities and time deposits, at cost which approximates market	390.3	291.8
Receivables, net of allowances of $19.0 in 1975 and $16.2 in 1974	679.4	520.8
Inventories	526.1	636.8
	1,631.1	1,481.7
Investments and Miscellaneous Assets:		
Investments in affiliates—at equity	82.3	64.6
Miscellaneous investments and receivables—at cost or less	35.6	38.8
	117.9	103.4
Property, Plant and Equipment, at Cost:		
Land	41.7	35.9
Buildings	500.3	452.0
Machinery and equipment	2,908.6	2,510.6
Mineral rights and oil and gas properties	169.3	158.0
	3,619.9	3,156.5
Less accumulated depreciation and depletion, etc.	1,959.8	1,844.9
Net property	1,660.1	1,311.6
Deferred Charges	41.8	41.3
	$3,450.9	$2,938.0

The above statement should be read in conjunction with page 40 and pages 46-51 of this report.

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LIABILITIES AND SHAREOWNERS' EQUITY	Dec. 31, 1975	Dec. 31, 1974
Current Liabilities:		
Accounts payable and accruals	$ 427.7	$ 408.6
Income taxes	32.5	91.0
Current portion of long-term debt	21.3	14.3
	481.5	513.9
Long-Term Debt—Less Current Portion Above	845.3	587.0
Other Liabilities and Deferred Credits:		
Deferred income taxes	119.8	53.7
Miscellaneous	27.6	28.4
	147.4	82.1
Shareowners' Equity:		
Preferred stock—authorized, 10,000,000 shares without par value, issuable in series; outstanding, 1,666,184 shares in 1975 and 2,234,069 shares in 1974	3.7	5.0
Common stock—authorized, 50,000,000 shares, par value $2 each; issued, 35,116,300 shares in 1975 and 34,362,261 shares in 1974	70.2	68.7
Paid-in surplus	638.1	631.4
Retained earnings	1,275.7	1,062.5
	1,987.7	1,767.6
Less common stock in treasury, at cost (268,903 shares in 1975 and 308,302 shares in 1974)	11.0	12.6
	1,976.7	1,755.0
	$3,450.9	$2,938.0

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Monsanto Company and Subsidiaries

Statement of Changes in Consolidated Financial Position

(Dollars in millions)

	Year 1975	Year 1974
Source of Working Capital:		
Net income	**$306.3**	$323.2
Income charges (credits) not affecting working capital:		
Depreciation, obsolescence and depletion	**172.7**	171.9
Deferred income taxes	**66.1**	23.7
Other—net	**6.7**	(14.5)
Working capital from operations	**551.8**	504.3
Outside financing	**296.0**	8.0
Property disposals	**12.2**	18.6
Proceeds from issuance of capital stock	**5.8**	16.9
	865.8	547.8
Application of Working Capital:		
Capital expenditures	**527.7**	313.4
Dividends	**93.1**	83.9
Debt reduction	**31.6**	18.7
Other—net	**31.6**	18.5
	684.0	434.5
Net Increase in Working Capital	**$181.8**	$113.3
Changes in Elements of Working Capital:		
Increase (decrease) in current assets:		
Cash and marketable securities	**$101.5**	$(66.2)
Net receivables	**158.6**	35.5
Inventories	**(110.7)**	242.7
	149.4	212.0
(Increase) decrease in current liabilities:		
Accounts payable and accruals	**(19.1)**	(101.5)
Income taxes	**58.5**	2.4
Current portion of long-term debt	**(7.0)**	0.4
	32.4	(98.7)
Net Increase in Working Capital	**$181.8**	$113.3

The above statement should be read in conjunction with page 40 and pages 46-51 of this report.

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Monsanto Company and Subsidiaries

Statement of Shareowners' Equity

(Dollars in millions, except per share)

	Capital Stock		Paid-in	Retained	Treasury
	Preferred	Common	Surplus	Earnings	Stock
Balance, January 1, 1974	$ 5.2	$67.8	$614.4	$ 823.2	$(12.5)
Net Income				323.2	
Dividends:					
Preferred—$2.75 per share				(6.3)	
Common—$2.30 per share				(77.6)	
Conversion of $2.75 preferred stock to common stock	(0.2)	0.2	—		
Shares issued under stock option plans	—	0.5	11.3		
Shares issued upon conversion of Monsanto Limited convertible loan stock		0.2	4.9		
Other			0.8		(0.1)
Balance, December 31, 1974	5.0	68.7	631.4	1,062.5	(12.6)
Net Income				**306.3**	
Dividends:					
Preferred—$2.75 per share				**(5.1)**	
Common—$2.55 per share				**(88.0)**	
Conversion of $2.75 preferred stock to common stock	**(1.3)**	**1.3**	—		
Shares issued under stock option plans		**0.1**	3.9		
Shares issued upon conversion of Monsanto Limited convertible loan stock		**0.1**	**1.7**		
Other			**1.1**		1.6
Balance, December 31, 1975	**$ 3.7**	**$70.2**	**$638.1**	**$1,275.7**	$(11.0)

The above statement should be read in conjunction with page 40 and pages 46-51 of this report.

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Notes to Financial Statements

(Dollars in millions, except per share)

Bank Credit Agreements

On January 15, 1975, the Company replaced previous domestic short-term bank credit facilities of $100.0 with new domestic credit facilities aggregating $230.0 with 19 banks. These arrangements provide $115.0 under a revolving credit-term loan agreement plus an additional $115.0 of short-term lines of credit. Loans under the revolving credit-term loan agreement will bear interest related to the prime commercial rate of the agent bank, First National City Bank, New York; loans under the short-term lines of credit will bear interest related to the prime commercial rate of the various banks. No borrowings were made under either of these loan arrangements through February 13, 1976.

In addition, certain foreign subsidiaries have short-term loan facilities aggregating approximately $85.2 of which $57.9 was drawn down as of December 31, 1975. Interest is related to the various bank rates, primarily the London interbank sterling market rate.

Capital Stock

The outstanding preferred stock is stated at $2.24 per share and has a cumulative dividend of $2.75 per share. It is convertible at any time into Company common stock at the initial rate of 1.12 shares of common for each share of preferred, subject to adjustment in certain events under antidilution provisions. During 1975, 567,885 preferred shares were converted into 635,933 common shares; in 1974, 82,600 preferred shares were converted into 92,503 common shares. The preferred stock may be redeemed at the Company's option at $73 per share, which amount is also the voluntary liquidation preference. The involuntary liquidation preference is $35 per share, or an aggregate of $58.3 and $78.2 at December 31, 1975 and 1974, respectively.

The Company issued 34,970 and 92,989 shares of common stock in 1975 and 1974, respectively, to holders of convertible loan stock issued by Monsanto Limited, a United Kingdom subsidiary, upon exercise of their conversion rights.

The Company held 268,903 shares of its common stock in treasury for general corporate purposes at December 31, 1975. The Company also held 37,428 shares of its common stock for specific purposes which are included in Miscellaneous Investments in the accompanying statement of financial position at December 31, 1975.

There were 3,621,247 shares of common stock reserved for the following purposes at December 31, 1975:

	Shares
Conversion of $2.75 Preferred Stock	1,866,126
Stock option plans	1,172,885
Conversion of convertible loan stock of Monsanto Limited	294,880
Conversion of debentures of Monsanto International Finance Company	287,356
	3,621,247

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Depreciation, Obsolescence, and Depletion and Repairs

Charges to income were:

	1975	1974
Depreciation and amortization	$158.1	$156.7
Obsolescence	11.2	11.6
Depletion	3.4	3.6
	$172.7	$171.9
Repairs and maintenance	$180.9	$179.2

Earnings per Common Share

Income and the number of shares used in the computation of earnings per common share were determined as follows:

	1975		1974	
Income	Primary	Fully Diluted	Primary	Fully Diluted
Net income	$306.3	$306.3	$323.2	$323.2
Preferred dividends	(5.1)		(6.3)	
Interest (less tax) on:				
Loan stock of Monsanto Limited	0.4	0.4	0.5	0.5
Debentures of Monsanto International Finance Company		0.6		0.6
	$301.6	$307.3	$317.4	$324.3
Number of Shares (In thousands)				
Weighted average shares:				
Outstanding	34,528	34,528	33,905	33,905
Incremental shares for outstanding stock options	93	146	51	53
Shares issuable upon conversion of:				
Loan stock of Monsanto Limited	316	316	366	366
Debentures of Monsanto International Finance Company		286		283
$2.75 Preferred Stock		2,113		2,552
	34,937	37,389	34,322	37,159

Employe Stock Options

The status of the authorized common shares for the stock option plans and the changes occurring during 1975 were:

	1974 Plan	1969 Plan
Outstanding 1/1/75	145,950	306,271
Unoptioned 1/1/75	804,050	—
Optioned during year	181,000	—
Exercised during year	7,545	75,591
Expired during year	—	250
Terminated during year	1,250	—
Outstanding 12/31/75	318,155	230,430
Unoptioned 12/31/75	624,300	—

Under the above plans, options for 548,585 shares were outstanding at prices ranging from $32.50 to $80.19 per share, or a weighted average of $57.68 per share.

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Notes to Financial Statements

(Dollars in millions, except per share)

Equity in Affiliates and Foreign Subsidiaries

The Company's equity in the unaudited net loss of affiliates totaled $2.4 in 1975 and is included in other income. Equity in net income of affiliates was $12.6 in 1974.

The Company's equity in the net income of foreign subsidiaries was $8.0 in 1975 and $62.3 in 1974. The Company's equity in the net assets of these companies at December 31, 1975 and 1974 was $437.1 and $412.8, respectively.

Consolidated retained earnings at December 31, 1975, included $268.3 of the undistributed earnings of these affiliates and foreign subsidiaries. The remittance of a substantial portion of these earnings has been indefinitely postponed since they have been or will be reinvested by the companies. Any tax on dividends which may be received will be substantially offset by foreign tax credits. Consequently, no provision has been made for U.S. taxes on these undistributed earnings.

Income Taxes

The components of the provision for income taxes were:

	1975	1974
Current:		
Federal (after investment tax credits of $22.1 in 1975 and $8.5 in 1974)	$147.1	$158.7
State	14.6	18.2
Foreign	2.2	50.5
	163.9	227.4
Deferred:		
Federal	46.3	17.9
Foreign	19.8	5.8
	66.1	23.7
Total Income Taxes	$230.0	$251.1

The provision for income taxes in 1975 and 1974 was less than the federal statutory rate because of the factors indicated below:

	1975	1974
Statutory corporate tax rate	48.0%	48.0%
Investment tax credit	(4.1)	(1.5)
Tax treatment afforded earnings of domestic international sales corporations (DISC)	(2.3)	(1.6)
Excess of statutory over cost depletion	(1.4)	(1.4)
State and local income taxes	1.4	1.6
Provision for timing difference on prior years' intangible drilling costs	1.6	
Other	(0.3)	(1.4)
	42.9%	43.7%

Inventory Valuation

As of January 1, 1974, the Company and certain domestic subsidiaries changed from the first-in, first-out (FIFO) basis of inventory valuation to the last-in, first-out (LIFO) basis for substantially all domestic inventories. This was done because the rapid

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increase in prices during the year would have resulted in an overstatement of profits if use of the FIFO basis of inventory valuation had been continued, since inventories sold were replaced at substantially higher prices. The effect of the change was to decrease 1974 net income by $77.5 or $2.26 per primary share.

If the FIFO basis of inventory valuation (which approximates replacement cost) had been used, inventories at December 31, 1975 and 1974 would have been $167.1 and $155.0, respectively, higher than reported.

Key Employe Bonus

For 1975, the maximum allowable credit to the Bonus Reserve for the Monsanto Management Incentive Plan of 1974 which was approved by the Company's stockholders was $22.3. The Executive Compensation and Development Committee, at its discretion as provided in the Plan, determined that $6.0 of the above amount should be charged against 1975 earnings and credited to the Bonus Reserve. The 1975 bonus awards aggregating $5.0 were authorized to 18 directors and officers and 395 other key employes. In 1974 a bonus provision of $5.7 was charged to earnings and awards totaled $5.1. After giving effect to the 1975 transactions, a balance of $4.2 was carried forward in the Bonus Reserve for future years' awards.

Leases and Contingent Liabilities

The Company and its subsidiaries were contingently liable as guarantors of bank loans and for customers' receivables discounted aggregating approximately $31.8 at December 31, 1975, and $34.3 at the end of 1974.

Commitments in connection with uncompleted additions to property aggregated approximately $201.9 and $226.2 at December 31, 1975 and 1974, respectively.

Rentals under leases with a remaining term of more than one month were approximately $39.3 in 1975 and $32.1 in 1974, including rentals on non-capitalized financing leases of $3.9 in each year.

Minimum rental commitments under non-cancelable leases are:

1976	$11.4	1981—1985	$21.9
1977	9.0	1986—1990	18.0
1978	7.2	1991—1995	13.2
1979	6.6	Past 1995	3.1
1980	5.9		

Legal Proceedings

The Company and its subsidiaries are parties to a number of lawsuits arising in the normal course of business. While the results of litigation cannot be predicted with certainty, management, based upon advice of Company counsel, believes that the final outcome of such litigation will not have a materially adverse effect on the consolidated financial position or results of operations of the Company and its subsidiaries.

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Notes to Financial Statements

(Dollars in millions, except per share)

Long-Term Debt

The long-term debt of the Company and its subsidiaries at December 31, 1975 and 1974, exclusive of current maturities, and repayable in U.S. dollars, except where indicated, was as follows:

	1975	1974
Parent Company:		
6½%-8½% bank loan due 1976/1985 (West German deutsche mark)	$ 15.1	$ 19.6
8% notes due 1985	100.0	
4¾% promissory notes due 1993	76.6	81.3
8½% sinking fund debentures due 2000	172.0	
9⅛% sinking fund debentures due 2000	143.3	150.0
3¾% income debentures due 2002	91.0	91.0
4¼% income debentures due 2008	50.0	50.0
Monsanto International Finance Company:		
4½% guaranteed sinking fund debentures due 1985 (a)	22.5	25.0
Monsanto International N.V. (Netherland Antilles subsidiary):		
8¾% guaranteed sinking fund debentures due 1985	11.6	13.0
5½% guaranteed bonds due 1987 (Swiss franc)	30.4	30.4
Monsanto Limited (United Kingdom subsidiary) (British pound):		
5% guaranteed loan stock due 1982/1986 (b)	13.5	17.4
Monsanto (Suisse) S.A. (Swiss subsidiary) (Swiss franc):		
6¾% guaranteed sinking fund debentures due 1985	11.4	11.4
6½% guaranteed sinking fund debentures due 1986	19.0	19.0
Monsanto Europe, S.A. (Belgian subsidiary) (Belgian franc):		
9% guaranteed bank loan due 1976/1986	18.8	22.7
8.6% guaranteed bank loan due 1976/1983 (c)	9.7	12.2
Other	60.4	44.0
Total (d)	$845.3	$587.0

Notes:

(a) These debentures are guaranteed by the Company and are currently convertible into Monsanto common stock at $87 per share, subject to adjustment under certain conditions.

(b) This loan stock is guaranteed by the Company and is convertible into Monsanto common stock at the approximate rate of one share per 22 pounds 92 new pence ($46 at December 31, 1975 exchange rate), subject to adjustment under certain conditions.

(c) Interest on this bank loan was reduced by a government subsidy of 2% which expired in 1974.

(d) Maturities and sinking fund requirements on long-term debt for the five years ending December 31, 1980, are as follows:

	1976	1977	1978	1979	1980
6½%-8½% bank loan	$ 2.8	$ 4.2	$ 5.6	$ 5.2	$ —
4¾% promissory notes	4.7	4.7	4.7	4.7	4.7
9⅛% sinking fund debentures	—	5.3	6.0	6.0	6.0
4½% guaranteed sinking fund debentures	2.5	2.5	2.5	2.5	2.5
8¾% guaranteed sinking fund debentures	1.4	1.4	1.4	1.4	1.4
Bank loans (Monsanto Europe, S.A.)	3.3	3.3	3.3	3.3	3.3
Other	6.6	5.7	2.3	2.6	7.5
	$21.3	$27.1	$25.8	$25.7	$25.4

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Pension Plans

Several non-contributory pension plans provide retirement benefits for substantially all employes of the Company and its subsidiaries. The expense related to these pension plans was $57.3 in 1975 and $47.2 in 1974, including $10.5 in each year related to the recognition of decreased equity market values in the plans' assets.

The actuarially computed value of vested benefits of certain plans exceeded the market value of the assets in the related funds by approximately $58.0 as of December 31, 1975.

Certain changes in the actuarial cost factors for the Company's major plans were approved in 1975 and are effective December 31, 1975. These changes were adopted in order to keep the underlying cost factors of the plans realistic with respect to expected future events and conditions. Management believes the Company is in compliance with the Employee Retirement Income Security Act of 1974.

Research and Development

Research and development expenses (as defined by the Financial Accounting Standards Board) for new products or processes or for significant improvements to existing products or processes amounted to $115.7 in 1975 and $87.2 in 1974.

Accountants' Opinion

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TEN BROADWAY
SAINT LOUIS 63102

Monsanto Company:

We have examined the accompanying consolidated financial statements (pages 40 through 51) of Monsanto Company and Subsidiaries for the years ended December 31, 1975 and 1974. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the consolidated financial position of Monsanto Company and Subsidiaries at December 31, 1975 and 1974 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Haskins & Sells

February 13, 1976

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Monsanto Company and Subsidiaries

Ten-Year Summary

(In millions, except per share and where italicized)

	1975	1974
Operating Results		
Net sales	$3,625	$3,498
Operating income	547	550
Interest expense	56	43
Provision for income taxes	230	251
Income before extraordinary items	306	323(1)
Extraordinary charges (credits)—net	—	—
Net income	306	323(1)
Per cent of net sales	*8.4%*	*9.2%*
Per cent of average shareowners' equity	*16.4%*	*20.0%*
Earnings per common share:		
Primary:		
Before extraordinary items	$8.63	$9.25
After extraordinary items	8.63	9.25
Fully diluted:		
Before extraordinary items	8.22	8.73
After extraordinary items	8.22	8.73

Note: Refer to the management analysis of the results of operations which is included under the caption "Analysis of Change in Earnings" on page 35 of the report.

Year-End Financial Position		
Total assets	$3,451	$2,938
Working capital	1,150	968
Property, plant and equipment—gross	3,620	3,157
Property, plant and equipment—net	1,660	1,312
Long-term debt	845	587
Shareowners' equity	1,977	1,755
Other Data		
Per common share:		
Dividends	$ 2.55	$ 2.30
Book value	56.62	51.39
Capital expenditures	$ 528	$ 313
Depreciation, obsolescence and depletion	173	172
Year End:		
Shareowners:		
Common	*91,725*	*98,542*
Preferred	*2,836*	*3,709*
Common shares outstanding	34.8	34.1
Employes	*59,242*	*60,926*

(1) As of January 1, 1974, the Company and certain of its domestic subsidiaries changed their method of inventory valuation for substantially all United States inventories from the FIFO basis to the LIFO basis. The effect of this change was to decrease 1974 income by $77.5 or $2.26 per primary share.
(2) Excludes $16.0 applicable to extraordinary charges.

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1973	1972	1971	1970	1969	1968	1967	1966
$2,648	$2,225	$2,087	$1,972	$1,939	$1,865	$1,705	$1,679
406	216	178	128	191	214	186	211
39	37	39	33	22	21	23	24
173	81	66	35	73	88	71	82
238	122	94	78	109	116	105	120
—	—	—	11	(7)	—	(6)	—
238	122	94	67	116	116	111	120
9.0%	*5.5%*	*4.5%*	*3.4%*	*6.0%*	*6.2%*	*6.6%*	*7.2%*
17.2%	*9.7%*	*7.8%*	*5.6%*	*9.8%*	*10.3%*	*10.3%*	*11.9%*
$6.90	$3.49	$2.65	$2.17	$3.08	$3.26	$2.96	$3.48
6.90	3.49	2.65	1.83	3.28	3.26	3.15	3.48
6.54	3.40	2.63	2.17	3.03	3.20	2.92	3.40
6.54	3.40	2.63	1.83	3.21	3.20	3.10	3.40
$2,545	$2,237	$2,154	$2,145	$2,012	$1,957	$1,908	$1,906
855	677	547	538	510	520	434	396
2,852	2,765	2,735	2,637	2,471	2,345	2,293	2,167
1,152	1,133	1,170	1,170	1,071	1,047	1,098	1,105
579	576	558	589	454	473	492	520
1,484	1,294	1,226	1,194	1,205	1,154	1,103	1,044
$ 1.90	$ 1.80	$ 1.80	$ 1.80	$ 1.80	$ 1.65	$ 1.60	$ 1.60
44.26	39.05	37.16	36.27	36.25	34.74	33.31	32.17
$ 205	$ 168	$ 205	$ 301	$ 220	$ 135	$ 166	$ 220
170	194	187	170(2)	164	174	165	154
98,964	*104,369*	*110,490*	*121,399*	*118,156*	*111,538*	*111,363*	*95,938*
3,855	*3,939*	*3,897*	*3,941*	*3,621*	—	—	—
33.4	33.0	32.8	32.8	33.1	33.1	33.0	32.3
58,277	*57,891*	*59,271*	*62,940*	*64,604*	*62,815*	*62,073*	*60,697*

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