

PLAINTIFF'S EXHIBIT

MON-433



®

1973
ANNUAL REPORT
MONSANTO COMPANY

MAR 001034

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10-K Report Available

A copy of Monsanto Company's 10-K Report filed with the Securities and Exchange Commission for 1973, which contains additional information relating to Monsanto, can be obtained by writing to: Public Relations Department, Monsanto Company, 800 N. Lindbergh Blvd., St. Louis, Mo. 63166.

Annual Meeting

The next Annual Meeting of the shareowners of Monsanto Company will be held at 2:30 p.m., Thursday, April 25, 1974, 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.

Italics identify Monsanto's trademarks.

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Operational Highlights

(Dollars in millions, except per share)

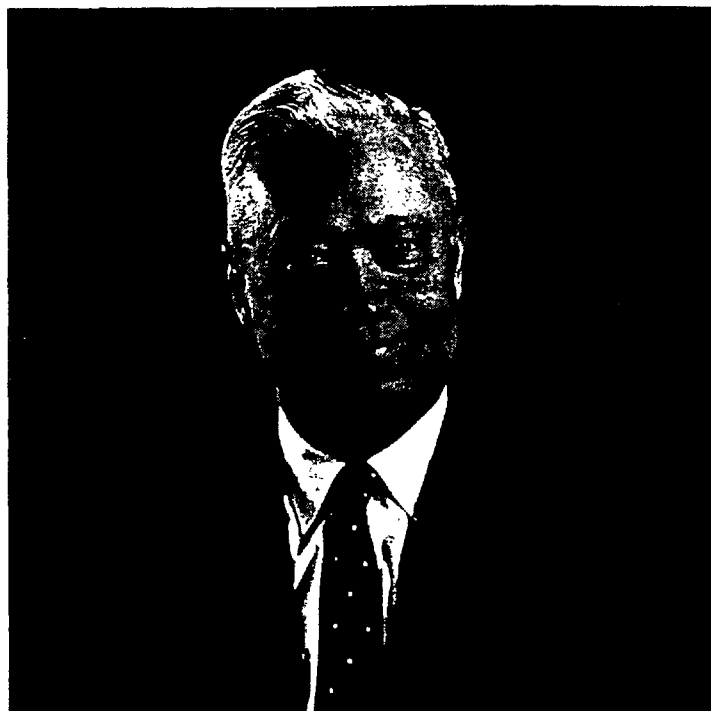
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	1973	1972
Net Sales	\$2,647.7	\$2,225.4
Net Income	\$ 238.3	\$ 122.0
Per Common Share:		
Primary Earnings	\$ 6.90	\$ 3.49
Dividends Paid	1.90	1.80
Book Value	44.26	39.05
Depreciation, Obsolescence and Depletion	\$ 170.3	\$ 193.9
Plant Additions and Replacements	\$ 205.3	\$ 168.3
Technological Expenses	\$ 101.1	\$ 92.0
Employees	58,277	57,891
Shareowners — Common Shares	98,964	104,369

Operating Results by Lines of Business

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	1973		1972	
	Net Sales	Income	Net Sales	Income
Lines of Business:				
Industrial Chemicals	\$ 666.5	\$103.9	\$ 572.3	\$ 57.7
Textiles	695.2	107.6	526.0	44.5
Polymers & Petrochemicals	593.5	74.4	556.8	46.5
Commercial Products	692.5	120.3	570.3	67.7
Sales and Operating Income	<u>\$2,647.7</u>	<u>406.2</u>	<u>\$2,225.4</u>	<u>216.4</u>
Income Charges (Credits)—Net		(4.9)		13.8
Income Before Income Taxes		<u>411.1</u>		<u>202.6</u>
Provision for Income Taxes		<u>172.8</u>		<u>80.6</u>
Net Income		<u>\$238.3</u>		<u>\$122.0</u>



Chairman Charles H. Sommer



President John W. Hanley

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To the Shareowners

Seldom have the economies of so many world areas surged simultaneously, as they did in 1973. It was a year of unprecedented worldwide economic vitality.

It was also a year of unprecedented growth for Monsanto Company, which was well positioned to benefit from the strong economic climate. Sales, net income and earnings per common share were new records for the company.

For 1973, sales reached \$2.648 billion, an increase of 19 per cent over the 1972 sales level of \$2.225 billion. The 1972 sales included \$69.8 million from the refining and marketing properties of Lion Oil, which were divested in September, 1972. Reflecting this divestiture, 1973 sales were up approximately 23 per cent over those of 1972.

Net income and earnings per common share responded even more sharply. Net income reached \$238.3 million, equal to primary earnings of \$6.90 per common share. This was nearly double the net income of \$122.0 million and primary earnings of \$3.49 per common share reported in 1972.

1973 Earnings Factors

Each of Monsanto's four operating companies showed brisk growth in sales and significant improvement in operating income in 1973.

Monsanto Textiles Company experienced high demand for man-made fibers in all world markets, and its 1973 sales increased more than 32 per cent over those of 1972.

Sales of products for agriculture, particularly herbicides, led Monsanto Commercial Products Company to another successful year. With tremendous worldwide demand for food, Monsanto is especially well positioned to supply the herbicides required to enhance yields of important crops such as corn and soybeans.

Monsanto Industrial Chemicals Company witnessed strong increases in sales

for all product lines, with large gains in rubber, specialty and process chemicals.

Monsanto Polymers & Petrochemicals Company had improved sales in all of its product lines, with significant increases in demand for plastic materials.

Implicit in our 1973 results was the effect of a number of programs initiated over several prior years.

Capital expenditure programs of recent years created a number of new plants and modernized existing plants. As a result, Monsanto was in an excellent position to meet the strong demands for products. Most of our plants operated at or near capacity for most of 1973.

During the year, Monsanto continued to strengthen and streamline its operations by divesting products that were marginal contributors or did not meet our standards for future growth—such as a salt mine operation in Louisiana and a cellulosic fibers company in England. We are also constantly expanding Monsanto through new and existing products and product lines, in addition to studying opportunities for growth into other areas beyond Monsanto's internal capabilities.

Organizationally, we were well equipped to capitalize on 1973's opportunities, and we are confident that we will be able to react with alacrity to future challenges and economic conditions.

While this was Monsanto's most successful year, 1973 was not without its problems.

As reported previously, Monsanto sold its United Kingdom subsidiary, Lansil Ltd., a producer of cellulosic fibers. This transaction enabled the company to withdraw from a market in which it had little impact and, at the same time, to divest itself of an enterprise which had recorded operating losses during the previous two years. As a result of the sale of this property, Monsanto's 1973 net income was

reduced by \$11.3 million.

In 1973, Monsanto Enviro-Chem Systems, Inc., continued to experience cost difficulties on several construction projects. Based on current projections of costs to complete these projects, charges were made to 1973's earnings resulting in a \$12.9 million reduction of net income.

International Results

The soundness of our long-term planning effort to build an aggressive Monsanto position in markets and world areas outside of the United States was again demonstrated in 1973. Sales of products manufactured overseas and products exported from the United States rose 40 per cent in 1973, reaching \$770.0 million, or approximately 29 per cent of total Monsanto sales. Importantly, net income from our international operations increased at an even greater rate.

Monsanto's international operations benefit the economies in which we operate, our employees, our customers and our shareowners. These operations have a favorable impact on the U.S. economy.

For many years, Monsanto has been able to contribute in a positive manner to the U.S. balance of trade. We did so again in 1973. Our exports of goods and services reached \$251.0 million in 1973, while imports, primarily crude oil and feedstocks, amounted to approximately \$63.0 million.

In our operations overseas, we strive to achieve our corporate objectives within the social and political mores, the laws and the administrative structures of each nation in which we invest our resources. Through our actions, we demonstrate to our host countries that our presence is of benefit to those nations' economic and social well being, while, at the same time, earning a profit for our shareowners. Significantly, of the 15,740 employees located

outside of the United States, fewer than 100 are U.S. citizens.

Several challenges affected Monsanto along with other companies and other industries in 1973. Principal among these were the growing shortage of energy and spiralling inflation in all world areas.

Energy Shortages

International energy problems are very real. We had been expecting shortages of energy and feedstocks for our plants for some time and had been directing our planning toward minimizing the effect of these shortages on our operations. In 1973, while shortages did cause varying dislocations among certain of our products, the effect on the year's corporate financial results was not extreme.

It is virtually impossible to predict the extent or duration of the shortages or the specific short-term effect on our operations. Actions by the federal government in allocating available petroleum and utilization of refinery capacities, global political considerations, escalating prices and embargoes are just a few of many considerations that enter the energy picture.

Estimates show that continued shortages of chemical-based products, particularly plastics, could result in the loss of a significant number of jobs in the United States in 1974.

However, with recent government actions strengthening our position to secure hydrocarbon raw materials, we, as well as our industry, should be able to greatly lessen the impact of shortages which could result in job losses.

While a more complete discussion on energy and feedstocks can be found on page 18 of this report, we would like to point out a recent action taken by management.

In February, the Board of Directors elected a new vice president responsible for the acquisition and distribution of

all materials necessary for Monsanto's worldwide operations. The economic impact of the energy situation reinforced the need for a long-range Monsanto-wide approach to the acquisition of all fuels, feedstocks, raw materials and supplies, and to the distribution of our products in international commerce. The establishment of this position will allow greater control as well as flexibility in this vital area.

Price Controls

During 1973, Monsanto operated under Phase II, Phase III, the freeze and Phase IV of the U.S. Economic Stabilization Program. Domestic prices for virtually all of the company's products were frozen from June 8, 1973, until Feb. 1, 1974.

On Jan. 30, 1974, the Cost of Living Council exempted most petrochemical feedstocks from Phase IV regulations and eliminated price controls on most petrochemical products. This and previous exemptive actions had the effect of freeing approximately 70 per cent of Monsanto's domestic output from price controls. Monsanto is, however, still subject to the profit margin restrictions of Phase IV.

Since receiving authority from the Cost of Living Council, Monsanto has raised prices on a number of its products to reflect previously incurred cost increases.

The actions by the Cost of Living Council reflect the concerns of both the federal government and the chemical industry about the effect shortages and unrealistic pricing structures have on the economy.

Executive Changes

A number of important changes were made in 1973 to improve our organizational structure. In December, seven key executives were elected group vice presidents by the Board of Directors. They include the managing director of

each of Monsanto's four operating companies: H. Harold Bible, Monsanto Industrial Chemicals Company; John R. Eck, Monsanto Polymers & Petrochemicals Company; Dr. Louis Fernandez, Monsanto Textiles Company, and Tom K. Smith Jr., Monsanto Commercial Products Company.

Additionally, the corporate staff was structured into three groups, each headed by a group vice president. They are: C. Preston Cunningham, operations staff; James J. Kerley, administrative staff, and Monte C. Throdahl, technical staff.

In October, Francis E. Reese, a vice president and director, was named managing director, international; and James E. Crawford Jr., also a vice president, was named general manager of the company's International Division.

On February 28, 1974, Ernest S. Robson Jr., was elected vice president, energy and materials management, a new position described earlier.

1974 Outlook

There are a number of imponderables as we face the rest of 1974. Among these is the lack of dynamic growth now being felt in almost all world areas. Shortages of energy and feedstocks will continue to affect various phases of our business operations. Governmental actions to stem inflation are certain to affect Monsanto in 1974, just as they have since 1971. Internationally, the strength of the dollar and the fluctuating parity rates of other currencies against the dollar will also influence our 1974 results.

These uncertainties, in an era already marked by uncertainty, offer great challenges for the effective management of Monsanto Company. Despite the current outlook for the 1974 economy, the sales of a large part of our output are more likely to be production limited rather than demand limited. With the easing of price restraints and with the

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prospects for good volume in many areas, the current year shapes up as a good one for Monsanto, although it will be difficult to match the uniqueness of 1973.

We intend to invest more than \$325 million for capital programs, primarily for large-scale projects, further strengthening areas where Monsanto enjoys a significant market position.

On Jan. 28, 1974, a 14-year member of Monsanto's Board of Directors, Dillon Anderson, died. Mr. Anderson's long experience in government and industry enabled him to make significant contributions to the growth of our company. We are saddened by his death and will miss his counsel.

Finally, we would like to express our sincere thanks to the men and women of Monsanto around the world. If ever there was a time when the opportunities offered the company required a singular effort from every member of our employee family, 1973 was the year. Our employees led the way in this important chapter of progress.

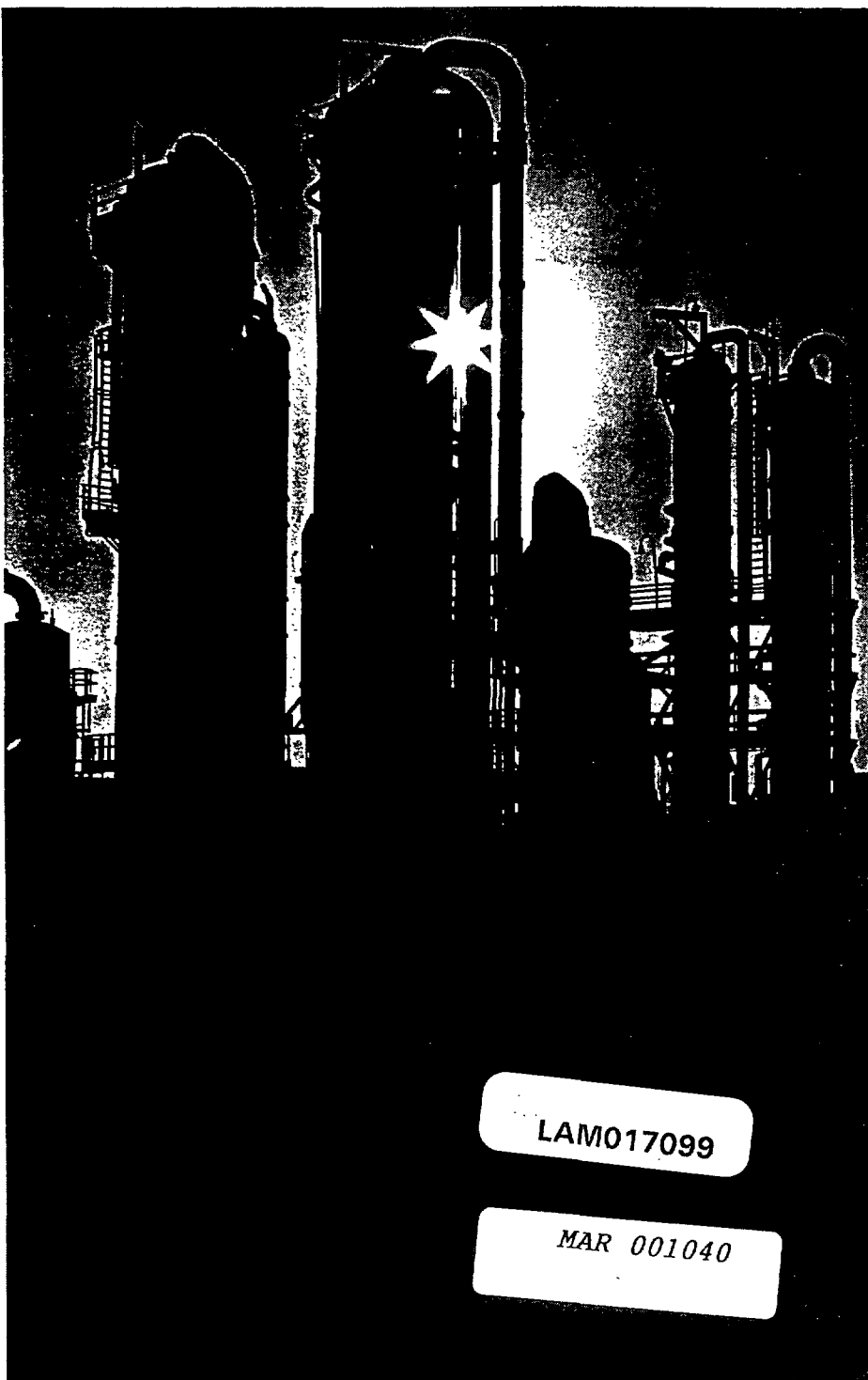
Sincerely,



Chairman of the Board



President



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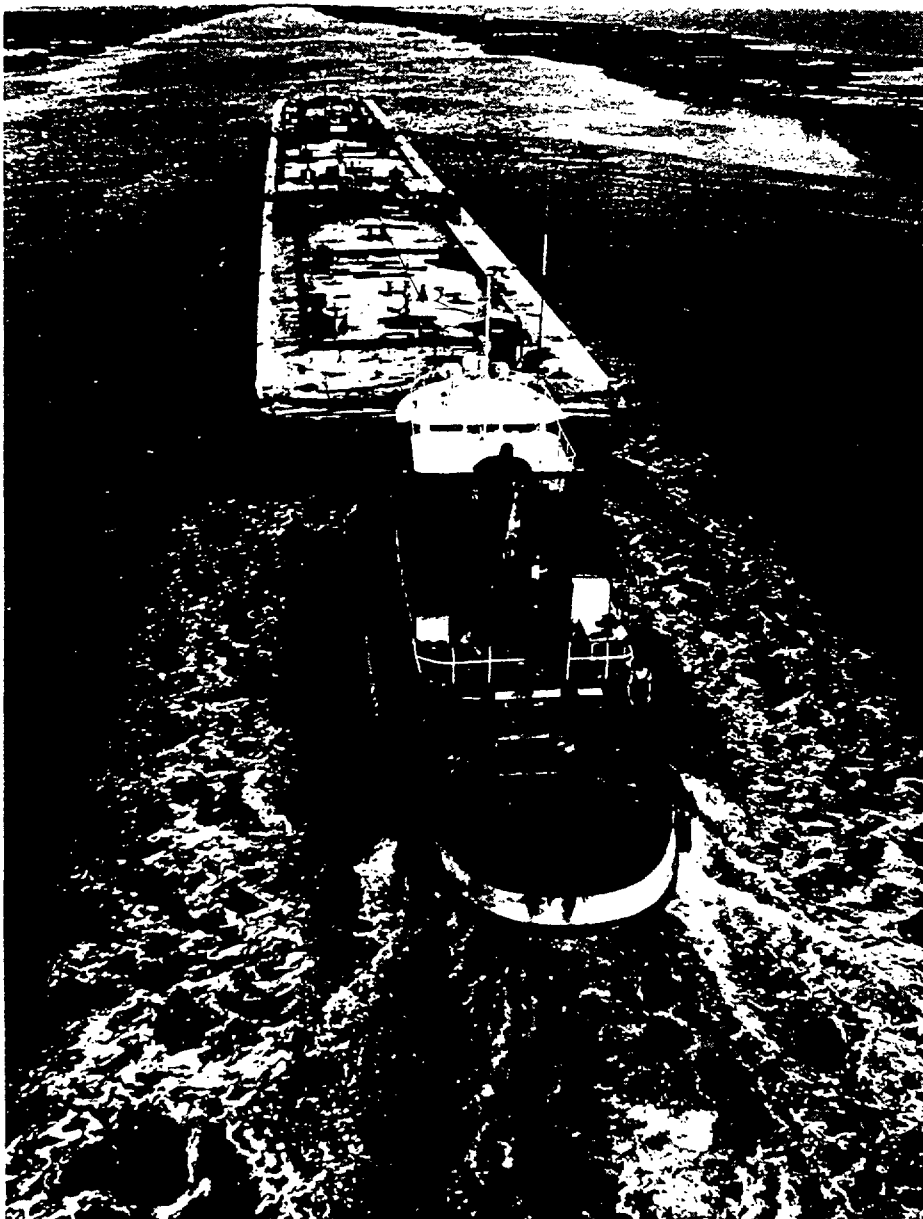
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March 7, 1974

The largest facility of its kind in the world, this unit at Monsanto's Texas City, Tex., plant is capable of producing 1.3 billion pounds of styrene monomer annually.

Monsanto Industrial Chemicals Company

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River barges are one efficient means of transportation utilized by Monsanto Industrial Chemicals Company to distribute raw materials to its manufacturing plants.

	1973	1972	1971
Sales	\$666.5	\$572.3	\$544.3
Operating			
Income	\$103.9	\$57.7	\$49.5

Strong demand for virtually all products produced by Monsanto Industrial Chemicals Company, together with high utilization of plant capacity, improved product mix and firm pricing, led to significant sales and income gains in 1973.

This operating company serves major industries worldwide with rubber and specialty chemicals, process chemicals, phosphates and detergent raw materials. Heavy demand kept industrial chemicals in tight supply in virtually all world markets.

Sales of chemicals and instruments to the rubber industry were strong in 1973. Bases for rubber chemicals production in eight countries provided particular market advantages and flexibility. To further strengthen its position worldwide in 1973, the company completed a new rubber chemicals plant in Argentina and made plans to locate a new facility in Brazil, as well as to expand an existing plant in Spain. Additionally, capacities of plants in the United States, the United Kingdom and Australia were expanded. As a result of these moves, the company will continue to be in an excellent position to serve rubber manufacturers in all major world areas.

During the year, manufacturing of extruders and curing equipment was begun, further expanding the company's ability to serve the rubber industry.

A new electronic tensile tester the Tensometer 500, was added to the product line, and the company's position in development of rubber testing instruments was strengthened when a new facility to manufacture instruments in Europe was established in Slough, England. Both developments will aid the company in becoming a significant participant in the worldwide market.

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for rubber testing instruments.

Strong demand, generally firm prices and good manufacturing operations resulted in outstanding performance in specialty chemicals during the year.

Latex binders in growing applications such as carpet backing, wall coverings, textiles and paper had sales four times 1972 levels. Demand for *ACL* swimming-pool chemicals, *Dequest* water-treating chemicals, *EMA* copolymers, and for fire-control chemicals often strained production capacity. Hydraulic fluids and lubricants for aircraft and dielectric fluids for the electric industry showed significant growth. Recently introduced encapsulant solvents for carbonless copy paper were at high sales levels.

To meet increasing demand for *ACL* chlorine compounds and *EMA* resins, plant expansions in Luling, La., were completed during the year.

Other specialty items such as paper chemicals, food and pharmaceutical products, vanillin, food phosphates and aspirin also experienced strong demand.

At Monsanto Flavor/Essence, Inc., domestic price controls affected profitability of products based, at least partially, on imported raw materials for which no price controls existed.

Increased market demand for L-dopa, a drug used in the treatment of Parkinson's disease, led Industrial Chemicals into production of this pharmaceutical during the year. Manufacture of the drug is based on proprietary technology.

Process chemicals, used by manufacturers to make other products, recorded significant sales increases.

In large-volume process chemicals, profitability was aided by improved plant operating capacities and allowable price increases in both the United States and Europe.

Plasticizers, fire retardants and polymers set sales records. More than a 10 per cent growth in the polyvinyl chloride industry, which uses the company's plasticizers, boosted sales of

these products during 1973.

Phosphorus production was strong, due in part to unexpected heavy demand for detergent phosphates. Environmental questions continue to be raised in this area, and research efforts continue to identify acceptable new products for use in detergents.

In response to increasing demand for

dental phosphates, plans were made to build a new plant to produce these materials in Augusta, Ga. It is expected to be on-stream in 1975.

In Ruabon, North Wales, construction is under way on a *TCC* bacteriostat plant to supply the European market. This plant should be ready in 1975. *TCC* is a proprietary product used in bar soaps.

Businesses

Rubber and Specialty Chemicals

1973 Highlights

Plans approved to establish manufacturing sites in Brazil and India.

Production of extruders for rubber and plastic products started, and test instrument product line expanded. Test instruments production on line in U.K. Technical center opened near Brussels.

Demand for *Phos-Chek* P/30, used in fire-retardant coatings, increased. Manufacturing capacity doubled.

Plant expansions completed to produce water-treating chemicals. Sales at all-time high.

Paper chemical sales paralleled paper industry performance. Recognized technical leadership in surface sizing expanded business opportunities.

Food ingredients and pharmaceutical sales strong. Vanillin production up over 1972.

Process Chemicals

Strong profit improvement as plants reached near capacity levels. Plasticizer sales set new records. Demand high for fire retardant additives.

Phosphates and Detergents

Company continued as a major raw material supplier to the soap and detergent industry. Builders, surface active agents and bacteriostats led product line. Research continues on development of new builders for detergents.

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Monsanto Textiles Company



	1973	1972	1971
Sales.....	\$695.2	\$526.0	\$479.7
Operating			
Income.....	\$107.6	\$44.5	\$40.5

Monsanto Textiles Company, stimulated by heavy demand for man-made fibers in all world markets, enjoyed a most successful year in 1973.

In both the United States and Europe, demand for man-made fibers was given considerable impetus in 1973 by the shortage of natural fibers and the subsequent high prices commanded by cotton and wool. As a result, sales improved in every product area.

Increased production capacity also helped this operating unit improve its performance in 1973. New polyester filament facilities at Sand Mountain, Ala., and the acrylic fiber plant in Lingen, West Germany, contributed significantly to production increases, as both operated near capacity for the entire year.

In the United States, selling prices, which had been eroding for years, remained firm during 1973 and even increased slightly prior to the June 8, 1973, price freeze. In Europe, where government control of selling prices was less stringent than in the United States, both nylon and *Acrilan* fiber prices increased, although not to the degree that prices of natural fibers rose in that area.

The greatest percentage gain in sales was made by the apparel fibers group, which benefited from Sand Mountain's increased polyester capacity.

Sales of *SEF* modacrylic fiber, a product with fire retardance chemically built into it, increased. *SEF* is used for children's sleepwear, draperies and other products.

During 1973, *Monvelle* biconstituent nylon and spandex yarn was brought to commercial status. This unique fiber, an industry first, has been initially introduced in women's support hosiery, where it combines support properties

At Monsanto Textiles Company's Sand Mountain, Ala., plant, new facilities will increase polyester filament yarn capacity to 130 million pounds a year in 1975.

with fashion sheerness. The fiber has been established at the retail level through seven licensees.

Progress with *Monvelle* and the success of L-80 textured nylon hosiery yarn led to creation of the hosiery business group in early 1974. The new hosiery group will allow Monsanto to provide better service to this important customer sector.

The industrial business group also showed improvement in 1973, despite phasing out of polyester tire yarn in Decatur, Ala. The facility currently is being converted to the manufacture of nylon.

Supply of nylon tire yarn could not meet demand. Other industrial applications — especially the nylon seatbelt program — recorded another good year, with growth limited only by the availability of raw materials for yarn.

The carpet business group had record sales volume for the year in both nylon and *Acrilan* carpet fibers. Continuing to benefit from record levels of residential and commercial construction in 1972, carpet yarns remained in a sold-out position throughout 1973.

The home furnishings business group, which was established in 1972, made excellent progress, almost doubling its sales of fibers for draperies, blankets, area rugs, pillows, upholstery and similar products.

Wig fibers showed appreciable gains over 1972's previously outstanding performance. Sales of Monsanto's modacrylic fiber for *Elura* wigs improved more than the over-all wig market did. As a result, *Elura* further established itself worldwide as a premium quality wig.

The Textiles-Europe business group experienced sharp gains in demand, improved pricing and successful operation of the new Lingen plant.

In October, Lansil Ltd., a producer of cellulosic fibers, was sold. This subsidiary was in a loss position for two successive years, and its product line

did not fit into the company's long-range business plans.

During 1973, a number of projects were planned for the selective expansion of production capacity for those fibers with the greatest profit potential.

Plans call for doubling the capacity of the Lingen plant by 1975. Both carpet and apparel fibers will be produced to meet the heavy demand for *Acrilan* acrylic fiber in Europe. The carpet fiber expansion will be of the bicomponent, flame-retardant type presently manufactured there. A new, bicomponent fiber with improved properties for the production of knitwear, jersey and pile fabrics will be added to the range of apparel fibers now made at Lingen.

The company will also enlarge capacity of its Sand Mountain polyester filament yarn plant to 130 million pounds a year in 1975.

A number of other minor expansions and debottlenecking programs will also be undertaken.

Moving into its second decade, Monsanto's *Wear-Dated* guarantee program continues to grow. The program's first application to the drapery industry came in 1973 with the introduction of draperies made of *SEF* modacrylic fiber. This application is evidence of the company's continuing determination to strive for the highest levels of performance for home and interior textile products, as well as for apparel.

Business

Man-Made Fibers

1973 Highlights

Acrylic staple plant at Lingen, W. Germany, to double production in 1975 to meet strong demand. *Acrilan* carpet yarn growth sets record volume for year, capturing greater share of markets previously held exclusively by wool. Apparel fiber demand up dramatically in Europe.

Modacrylic fibers growth limited only by production availability. *Elura* wigs maintain leading position. *SEF* for children's sleepwear fully commercialized. *SEF* introduced to draperies market under *Wear-Dated* guarantee for two years.

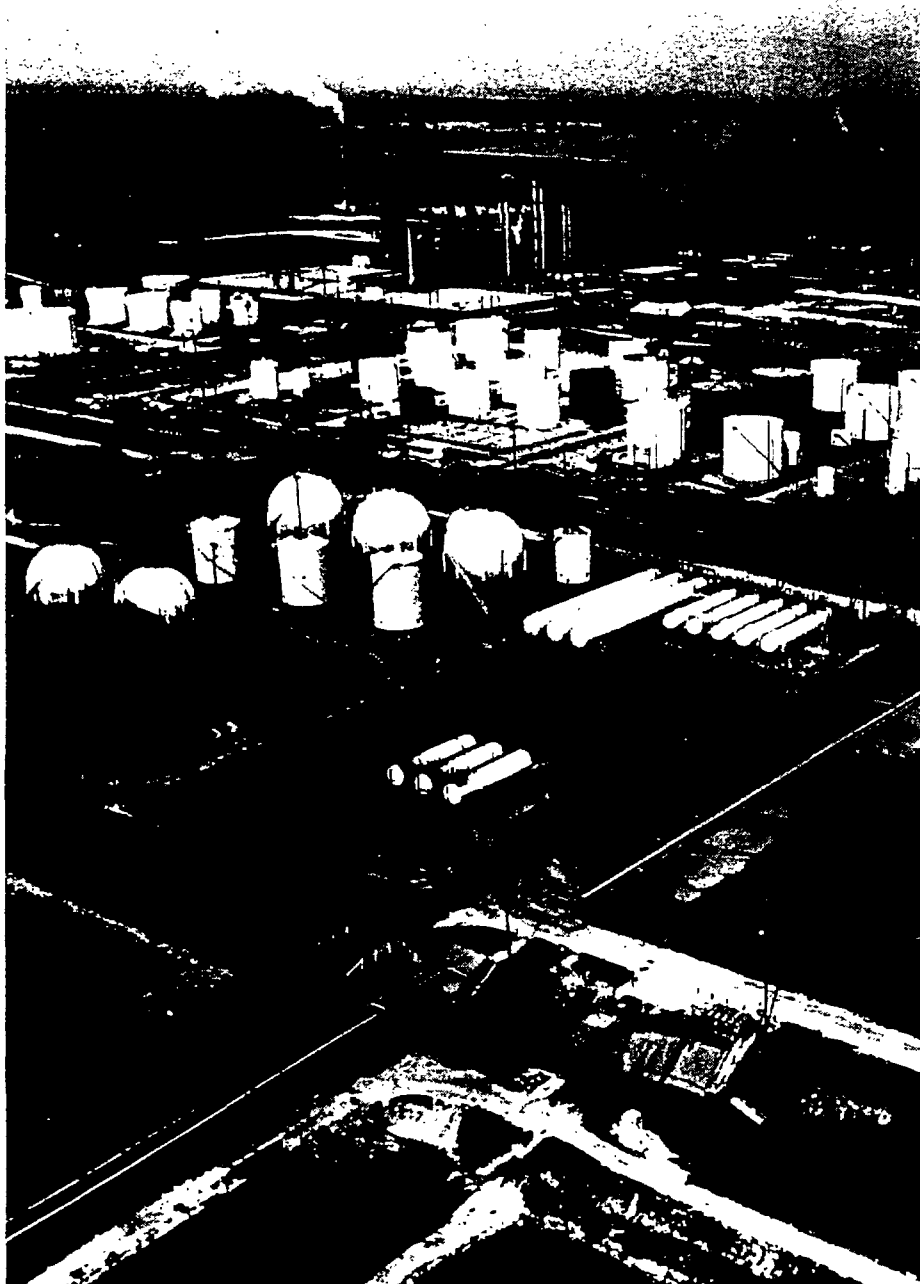
Nylon also in sold-out position throughout year. Hosiery of *Monvelle* established at retail level through seven licensees. Demand for *Cadon* staple nylon carpet yarn grew. Seatbelt program enjoyed good year.

Polyester filament yarn significant contributor to 1973 operations; Board approves plan to double Sand Mountain capacity. Decision made to convert Decatur polyester tire yarn facility to manufacture of nylon.

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Monsanto Polymers & Petrochemicals Company



Monsanto Polymers & Petrochemicals Company's large Chocolate Bayou, Tex., petrochemicals plant was able to run at near or full capacity throughout 1973.

	1973	1972	1971
Sales	\$593.5	\$556.8	\$531.4
Operating Income	\$74.4	\$46.5	\$30.3

Sales of Monsanto Polymers & Petrochemicals Company rose to record levels in 1973. Each of the company's major product groups reported gains in sales worldwide.

Market demand for plastics, resin products and petrochemicals was at an all-time high.

Polymers & Petrochemicals' ability to fully capitalize on unprecedented demand for plastics and petrochemicals was limited by shortages of raw materials and feedstocks. Nevertheless, the huge Chocolate Bayou petrochemical complex was able to operate at near or full capacity throughout the year.

Sales of *Lustran* ABS (acrylonitrile-butadiene-styrene) and *Lustran* SAN (styrene-acrylonitrile) plastics increased for major applications such as automobiles, appliances and pipe.

To meet growing demand for ABS and SAN, manufacturing expansions were completed and under way in 1973. A modern SAN plant, utilizing a new process, went on-stream in Addyston, Ohio. An ABS plant was completed in Sarnia, Ont., Canada; and construction began on a major ABS facility in Muscatine, Iowa. Upon completion of the Iowa facility, worldwide *Lustran* ABS and SAN capacity will exceed 850 million pounds annually. Located in 10 countries, this manufacturing capability will ensure a leadership position in these plastics.

Sales of *Vydyne* nylon resins grew considerably. *Vydyne* R mineral-reinforced, engineering thermoplastic was used increasingly to replace metals and other plastics in applications for automobiles and industrial markets. *Vydyne* nylon 6/9, a new moisture-resistant resin for use in automotive electrical systems and other applications, was

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introduced during 1973.

Lustrex polystyrene sales were vigorous worldwide, but were limited by raw material shortages. Used in packaging, appliances and related applications, polystyrene has been in increasing demand around the world. In 1973, construction of new facilities was under way in the United States, and capital projects were approved for Spain and Japan. An expansion was completed in Australia during the year.

International sales of *Saflex* polyvinyl butyral sheet, an interlayer for laminated safety glass used in automotive and industrial applications, reached record levels. The performance of *Saflex* reflected high rates of automotive production worldwide. Toward the end of 1973 and early in 1974, sales softened in the United States as automotive production was cut back.

With completion of a new plant in Japan by a company affiliate, Monsanto now has the capability to manufacture *Saflex* in all major automotive markets.

Sales of thermosetting resins, used in thermal insulation, decorative laminates and plywood fabrication, reached a new high worldwide in 1973. A relatively favorable supply of raw material enabled the company to improve its market penetration.

Resins developed for surface coatings systems gained increased acceptance in the paint industry. Plant expansions completed during 1973 in Addyston, Ohio, and Springfield, Mass., enabled the company to meet increased demand.

Specialty vinyl acetate resins increased their market penetration. Expansion of copolymer facilities serving markets for pressure-sensitive adhesives and photocopying paper was completed in Springfield, Mass., and construction began on a plant in Antwerp, Belgium.

Petrochemical product sales volume reached a new level in 1973, as production records were established for styrene monomer, acrylonitrile, phenol, acetic

acid, methanol and related products. Raw material shortages in the second half of the year limited production.

Unprecedented demand for styrene monomer and its polymer derivatives outpaced the availability of raw materials, causing severe shortages. Styrene monomer is a basic chemical used in the manufacture of plastics, synthetic rubber and surface coatings.

In early 1974, the company announced plans to construct the world's largest acrylonitrile plant. Scheduled to be on-stream in Texas City in 1976, the plant will more than double Monsanto's U.S. acrylonitrile capacity—to more than one billion pounds a year. Acrylonitrile

is used in the production of *Acrilan* acrylic fiber, *Lustran* ABS plastics, nylon and *LOPAC* containers.

In 1974, the company began marketing gas and condensate from wells offshore Texas. Natural gas properties continued to be developed from a well drilled in New Mexico in 1973.

The company acquired from the Kerr-McGee Group a 30 per cent interest in 15 U.S. tracts, aggregating 80,000 acres, in the Gulf of Mexico. Exploratory drilling was begun to evaluate these tracts.

Oil and gas exploration in offshore areas in the Java Sea and North Sea was continued.

Businesses

Plastic Materials

1973 Highlights

Substantial growth for ABS plastic in all major uses, including automotive, appliances and pipe. Expansions completed in 1973.

Major growth in nylon resins. New resin introduced for automotive electrical systems.

Sales vigorous throughout world for polystyrene. Expansion completed in Australia and under way in United States.

Sales reached record levels for *Saflex* polyvinyl butyral glass interlayer.

Petrochemicals

Volume of petrochemical sales at record levels. Successful search for new sources of purchased crude oil kept Chocolate Bayou petrochemical plant in operation at or near capacity. Plans made early in 1974 for world's largest acrylonitrile plant. Demand for styrene monomer and polymer derivatives exceeded raw material availability.

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Petroleum

Acquired interest from Kerr-McGee Group in 80,000 acres in Gulf of Mexico for exploratory drilling.

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Monsanto Commercial Products Company



Herbicides produced by Monsanto Commercial Products Company keep crops such as corn free of weeds which rob the soil of nutrients needed for healthy growth.

	1973	1972	1971
Sales.....	\$692.5	\$570.3	\$531.7
Operating Income.....	\$120.3	\$67.7	\$57.6

Monsanto Commercial Products Company, led by sales of products for agriculture and by substantial sales gains in process controls and electronics, recorded its best performance in 1973.

Substantial progress was made in expanding sales of agricultural chemicals in all markets, as the world demand for food and protein continued to increase.

Lasso herbicide led the sales advance, as its use increased sharply among growers of corn and soybeans. During the year, new U.S. Environmental Protection Agency registrations permitted the use of *Lasso* in combination with other herbicides, broadening the product's versatility and increasing its acceptance. To meet growing demand, production capacity was increased.

Strong sales gains were made by *Avadex* and *Avadex BW* wild oat herbicides in Canada and Europe and by *Machete* herbicide, which controls grassy weeds in rice, in the Far East.

Demand was also strong for parathion, used to control insects, and for other crop protection materials.

Sales of fertilizer materials and blasting products were at a new high level, and prices were strengthened late in 1973 as price controls for these products were lifted by the Cost of Living Council.

During 1973, two developmental products, *Roundup*, a postemergence herbicide for a variety of applications, and *Polaris*, a plant growth regulator for sugarcane, showed strong market potential in extensive field tests.

Initial commercialization of *Roundup* for industrial uses is expected in 1974, with its first crop application under an experimental label expected to follow. *Polaris* tests continue in Hawaii. Florida

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and Louisiana. Full label registration and subsequent commercialization of *Polaris* are expected in 1974.

Sales of fabricated plastic products increased moderately over the 1972 level. Strong sales performances were achieved in household consumer products in Mexico, coated fabrics and foam cushioning products in Canada, and polystyrene meat trays, film and sheet in Belgium. In the United States, however, sales of plastic packaging containers were hampered late in 1973 by material shortages and unsteady conditions in end-use markets.

Construction and agricultural industries ordered record amounts of polyethylene film during the year.

In October, the signing of agreements was announced with several bottlers of Coca-Cola to begin introductory supply of LOPAC carbonated beverage containers in 1974. A unit for producing the new polymer for the container was under way in Springfield, Mass., and the first bottle fabrication plant was being completed in South Windsor, Conn.

Accelerated demand for electronic equipment in consumer, industrial and commercial applications in 1973 brought substantial sales growth to the electronics business, which encompasses silicon, III-V materials and optoelectronic devices.

Use of optoelectronic devices increased throughout the year, especially in displays for calculators, wristwatches and other consumer products.

Capacity increases for silicon and III-V materials in St. Peters, Mo., and expansion of electronics production units in the Far East were under way in 1973 to meet demand for these products.

Sales of Fisher Controls Company, Inc., benefited from a surge in capital spending and were at a record level in 1973. Fisher continued to expand its sales of automatic control valves with the introduction of new products for the

rapidly growing nuclear power industry and new noise abatement devices.

In 1973, the subsidiary also established itself as a leading supplier of both digital and analog process control instruments. To meet growing industry demand, a new line of digital control instruments was introduced.

Performance of Monsanto Enviro-Chem Systems, Inc., did not meet expectations in 1973 due to cost overruns on municipal water-treatment construction projects. Except for the completion of existing projects, Enviro-Chem has

no further business plans in this area of activity. Existing projects have been subcontracted to the extent possible.

Enviro-Chem's sales of *Brink* mist eliminators for air-pollution control reached an all-time high, as did sales of vanadium catalyst, used in sulfuric acid manufacture.

Construction of a 1,000-ton-a-day *Landgard* solid-waste disposal and resource recovery system for the City of Baltimore continued on schedule. Start-up of the unit is expected in 1974's third quarter.

Businesses

1973 Highlights

Products for Agriculture

The year 1973 was one of significant growth. Market demand high for all major product lines. International sales show strong year-to-year gain. Expansion of herbicide manufacturing capacity under way. Market uses for *Lasso* herbicide broadened. Demand for nitrogen-based products high — prices strengthened. Animal product sales at record level. New developmental products meeting expectations.

Process Controls and Electronics

Strong market demand and new product introductions boosted sales to record levels. Expansion of silicon, III-V materials and optoelectronic production facilities under way. Order backlog strong for automatic control valves.

Plastic Products

Moderate gains led by ex-U.S. operations. Domestic sales hampered by tight supply of raw materials. Facilities to produce soft-drink containers for Coca-Cola in start-up.

Chemical and Environmental Systems

Good performance in established product lines. Cost overruns on several construction projects. Sales of *Brink* and vanadium catalyst products at all-time high. Construction of *Landgard* system for City of Baltimore on schedule for 1974 start-up.

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International Division



The harbor in Antwerp, Belgium, is an important distribution point for many of the raw materials needed for Monsanto's manufacturing operations on the Continent.

The high level of worldwide economic activity provided the opportunity for Monsanto to meet varied needs of the world marketplace. Responding to this challenge, Monsanto's sales outside of the United States reached record levels.

For 1973, sales abroad, made up of exports of U.S.-produced products and sales of products manufactured outside of the United States, reached \$770.0 million, a 40 per cent increase over the \$551.5 million reached in 1972.

Monsanto's operating companies have worldwide responsibility for product lines, and their international sales and the attendant operating income have been reported in the operating company sections.

In Europe, sales reached \$429.8 million in 1973, compared to \$320.2 million in 1972. Higher market demands for man-made fibers, agricultural chemicals, electronic products, *Saflex* laminated safety glass plastic interlayer and plasticizers stimulated sales growth.

Major expansions were planned for acrylic fibers in Lingen, West Germany, and Coleraine, Northern Ireland, and for vinyl chloride monomer in Spain. A new European technical center was opened at Louvain-la-Neuve, Belgium.

In the United Kingdom, polystyrene foam products operations were merged into a new joint venture—Vencel Resil Ltd. Two major subsidiaries, Monsanto Chemicals Ltd. and Monsanto Textiles Ltd., were merged into one corporate entity, Monsanto Limited.

Sales to Eastern European countries and the U.S.S.R. expanded significantly.

In Canada and Latin America, sales were \$198.1 million in 1973, compared to \$151.1 million in 1972.

Canadian sales were led by agricultural chemicals, phosphates, *Saflex* and synthetic fibers. New plant expansions came on-stream for *Lustran* ABS plastic, polyurethane foam, and plasticizers.

Latin American interests were expanded in several areas. In Brazil,

Monsanto acquired a minority interest in a leading plastic fabricating company and early in 1974 purchased a plant site near São Paulo for installation of a rubber chemicals operation. In Argentina, a polystyrene expansion and a new rubber chemicals plant were completed.

In Asia-Pacific and other areas, sales reached \$142.1 million in 1973, a 77 per cent increase over 1972 sales of \$80.2 million.

In Australia, resin products, styrene polymers and phenol were the major contributors to record performance. A styrene polymers expansion and an expandable polystyrene plant came on-stream, and construction was started on a hydrofluoric acid plant to produce material used for fluorocarbon products.

Monsanto representatives visited the People's Republic of China for discussions on commercial trade and technology licensing. In Malaysia and Indonesia, manufacture of electronic devices was under way. In India, a project to manufacture rubber chemicals is also under way.

The company's Spanish affiliate, Aiscondel S.A., a major plastics producer and fabricator, reported record sales.

In Mexico, Industrias Resistol S.A. experienced a significant increase in sales and began construction of expanded production capacity for phosphates and decorative laminates.

Mitsubishi Monsanto Chemical Company, Monsanto's affiliate in Japan, experienced strong sales growth in the Asia-Pacific area with the start-up of a new safety glass plastic interlayer plant and expansions in plastic films and electronic products.

The potential for mutually beneficial trade with the developing areas of the world and with the U.S.S.R. and the People's Republic of China has become increasingly apparent. Increased emphasis is being given to programs related to these areas.

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 for the Atomic Energy Commission.

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. (60%) 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

Goyana S.A. Industrias Brasileiras de Materias Plasticas (20%) manufactures and markets plastic products.

Colombia

Fabrica de Hilazas Vanylon S.A. (49%) produces nylon 6 yarns.

Mexico

Industrias Resistol S.A. (38%) produces chemicals and plastics.

Compania Industrial de Plasticos S.A. (100%) fabricates plastic consumer products.

Netherlands Antilles

Monsanto International N.V. (100%) obtains funds abroad to assist in financing the operations of Monsanto Company and its subsidiaries.

Panama

Chemstrand Overseas S.A. (100%) and **Monsanto Overseas S.A.** (100%) hold investments outside the United States.

ASIA AND AUSTRALIA

Australia

Australian Petrochemicals Ltd. (55%) manufactures petrochemicals.

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.

Technology

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In a new fire safety research laboratory in Dayton, Ohio, Monsanto Research Corporation conducts experiments to gain knowledge about the combustion process.

Many Monsanto products and services are the result of years of research and development accomplishment, and future successes are dependent, in many ways, on current technological efforts. In 1973, to generate new knowledge of products and processes, Monsanto expended \$101.1 million. Many of the products detailed in other sections of this report are the result of proprietary technology.

Monsanto's principal concern is tomorrow, as the company strives to position itself in the forefront of practical technological advances. Yet, the challenges are today's.

In 1973, at Monsanto Research Corporation in Dayton, Ohio, a fire safety laboratory was established, one of the largest private sector efforts in this field. In this laboratory, the company intends to expand its extensive knowledge of fire-retarding and fire-extinguishing properties, which it began to build into products some years ago. The establishment of the fire safety laboratory is a deliberate effort to keep Monsanto on the leading edge of this type of technology.

Consumer safety is an area where Monsanto constantly tries to move ahead of governmental requirements. Products are under constant review to assure that they can be manufactured safely, transported safely and used safely, and that they do not pose an environmental risk in the ultimate products in which they are used.

The company devotes great effort to insure its products and processes do not harm the environment. For a number of years, new products and processes have had to meet rigorous internal safety and environmental standards. In May, 1973, a further refinement of this system was established. Now, all requests for appropriations for new products and processes must be accompanied by formal environmental impact reviews. These receive top manage-

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ment attention and are a vital consideration in the decision-making process.

Since many environmental problems are based on chemical and biological relationships, two fields in which Monsanto has considerable technological depth, the company is in a unique position to understand the problems of the environment and contribute to its improvement.

Monsanto has a wide variety of future-oriented research programs under way. Life science areas, both plant and animal, continue to be explored in the constant search for products which have profit potential in the 1980s. In 1973, the company scaled up research programs in cell biology, root function and biochemical genetics, all highly uncertain fields, but fields in which Monsanto stands an excellent chance of being a leader.

Quick measures of success are hard to make in long-range research and developmental effort.

Monsanto, in 1973, received 309 U.S. patents. Monsanto Research Corporation's management contract at Mound Laboratory, Miamisburg, Ohio, was renewed for a five-year term by the U.S. Atomic Energy Commission, and this subsidiary was awarded important research contracts by the National Institutes of Health, the U.S. Environmental Protection Agency, the U.S. Department of the Interior, the U.S. Department of State, and the U. S. Army, Navy and Air Force.

The company continues to emphasize the need for a better understanding of basic principles in such fields as catalysis and analytical instrumentation, an understanding which is essential in competitive technological markets.

Monsanto is currently benefiting from its past industrial research and is convinced that its technical resources are so deployed that the probability of future success in commercial terms is good.



Monsanto's Corporate Research Department in St. Louis focuses much attention on developing new catalysts to improve the economics of commercial processes

Energy and Feedstocks

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Energy and petroleum are used by Monsanto in three distinct ways. First, energy is required to run company plants and offices throughout the world. Second, petroleum feedstocks are needed to manufacture products. Third, many chemical intermediates purchased by the company are made from petroleum.

Energy shortages have been expected for some time, and Monsanto began planning against these shortages some years ago. Engineering personnel were assigned ongoing responsibility to ensure that electricity, natural gas, purchased steam or solid fuels were consumed at the most efficient rates and at the lowest cost possible. A number of plants, because of their locations, were designed to use combinations of oil, coal and natural gas, depending on price and availability. As a result of these activities, Monsanto was positioned to adjust quickly as energy supplies began dwindling.

The 1973 supply situation placed even greater emphasis on fuel use. Nonessential temperatures and lighting were reduced. Additional manpower was assigned to search out and correct sources of heat loss.

In Europe, particularly in the United Kingdom, the energy problem was even more acute than in the United States. The year-end disruptions, aggravated by the oil embargo and local work slowdowns, were partially offset by in-house production of electricity at several plant locations and by rescheduling production.

Feedstocks are the crude oil fractions and condensates which are processed at the Chocolate Bayou, Texas, plant into materials such as ethylene, propylene, benzene and xylene.

Monsanto also defines feedstocks to include purchases of the chemical building-block materials which augment the company's own production. A prime example is natural gas used to synthesize



By burning gas from a waste-elimination process, this new unit at Monsanto's man-made fiber complex in Pensacola, Fla., will produce power for plant use

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ammonia and methanol.

Monsanto was able to maintain feedstock supplies at generally high levels in 1973. Production from the company's net interest in approximately 1,500 oil and gas wells was the equivalent of one-third of the Chocolate Bayou plant's requirement, which provided some price protection.

Purchases of feedstocks were approximately \$180.0 million in 1973 and approximately \$125.0 million in 1972. This 44 per cent increase was attributable to both higher costs and volume.

Merchant supply of chemical building-block materials was limited during the year. A serious shortage of benzene was encountered as refineries used this material to stretch gasoline supplies and improve octane levels. Difficulties in obtaining benzene led to unsatisfied demand for Monsanto's styrene monomer, polystyrene and other products.

In addition to feedstocks, Monsanto purchases other chemical intermediates which are based on petroleum. Examples are terephthalic acid and ethylene glycol for polyester fibers, various alcohols for plasticizers, and many others essential to Monsanto processes, although some are in small amounts.

Shortages developed in 1973 which restricted production in some product lines to levels short of market demand, and prices of raw materials moved sharply upward as higher petroleum costs began to be reflected.

The U.S. government has placed high priority on the use of petroleum when the end product is chemical in nature, because of the value added in terms of gross national product and employment. This is important to Monsanto, as over 70 per cent of the company's final products are derived directly or indirectly from petroleum or natural gas. While this priority is not a guarantee of availability, it does emphasize the importance of the petrochemical industry in the federal government's planning.

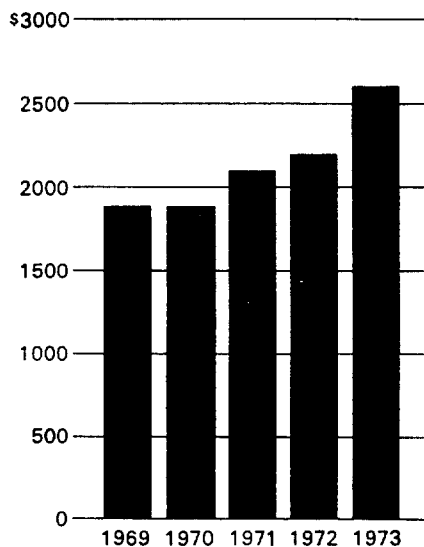


Monsanto conducts exploratory drilling both on and off shore around the world as part of a continuing program to find and develop valuable oil and gas reserves.

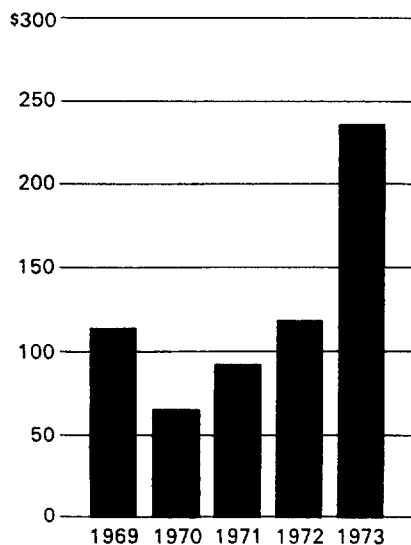
Financial Review

(Dollars in charts and tables in millions, except per share)

Net Sales



Net Income



Sales and Earnings

For 1973, sales and earnings reached record highs, reflecting increased business activity throughout Monsanto's worldwide operations. For the year, sales were \$2.648 billion—an increase of 19 per cent over the 1972 sales level of \$2.225 billion. For 1972, sales included \$69.8 million from the refining and marketing properties of Lion Oil. These portions of Lion Oil were divested in the latter part of that year. If these sales were to be eliminated from the 1972 results, the sales increase—1973 vs. 1972—would approximate 23 per cent.

	1973	1972	1973 Over 1972	
			Amount	Per cent
Continuing Operations	\$2,647.7	\$2,155.6	\$492.1	22.8%
Discontinued Lion Oil Operations	—	69.8	(69.8)	—
Total	\$2,647.7	\$2,225.4	\$422.3	19.0%

For 1973, net income was \$238.3 million—equal to \$6.90 per common share. This was almost double the 1972 net income level of \$122.0 million or \$3.49 per common share. The results for each quarter represented a significant improvement over the comparable period of 1972.

Sales and Earnings—By Quarter—1973 vs. 1972

	Net Sales	Net Income	Earnings per Share	
			Primary	Fully Diluted
1973:				
First Quarter	\$ 695.1	\$ 73.8	\$2.16	\$2.04
Second Quarter	665.0	65.2	1.90	1.79
Third Quarter	628.3	54.9	1.58	1.49
Fourth Quarter	659.3	44.4	1.26	1.22
Total Year	\$2,647.7	\$238.3	\$6.90	\$6.54
1972:				
First Quarter	\$ 615.0	\$ 47.5	\$1.38	\$1.32
Second Quarter	564.8	31.8	0.91	0.89
Third Quarter	522.8	18.8	0.52	0.52
Fourth Quarter	522.8	23.9	0.68	0.67
Total Year	\$2,225.4	\$122.0	\$3.49	\$3.40

Sales by Product Group

For 1973, sales of all major product groups improved significantly over 1972. The largest improvement—\$169.2 million or 32.2 per cent—occurred in man-made fibers.

	1973	1972	1971	1970	1969
Industrial Chemicals:					
Rubber and Specialty Chemicals	\$ 305.0	\$ 255.6	\$ 245.5	\$ 234.9	\$ 204.8
Process Chemicals	193.1	160.0	142.8	136.7	168.4
Phosphates and Detergents	168.4	156.7	156.0	173.1	165.9
Textiles:					
Man-Made Fibers	695.2	526.0	479.7	442.9	508.6
Polymers & Petrochemicals:					
Plastic Materials	435.6	346.5	310.4	280.6	293.1
Petrochemicals	128.4	112.7	106.3	97.1	90.5
Petroleum Products	29.5	27.8	27.5	26.1	25.7
Commercial Products:					
Products for Agriculture	283.4	222.3	199.7	200.3	172.0
Process Controls and Electronics	194.3	137.3	125.0	122.5	103.9
Plastic Products	146.3	144.4	134.8	124.7	116.8
Chemical and Environmental Systems	41.8	39.9	52.8	35.2	5.1
Other Products	26.7	26.4	19.4	20.5	11.5
Sales from Continuing Operations	2,647.7	2,155.6	1,999.9	1,894.6	1,866.3
Sales from Discontinued Lion Oil Operations	—	69.8	87.2	77.0	72.5
Total	\$2,647.7	\$2,225.4	\$2,087.1	\$1,971.6	\$1,938.8

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Sales By World Area

For 1973, sales in all world areas increased significantly over the levels attained in 1972. In the United States, sales amounted to \$1,877.7 million—\$203.8 million or 12 per cent higher than 1972. Sales in Europe were \$429.8 million—an improvement of \$109.6 million or 34 per cent over 1972. For the balance of the world, sales were \$340.2 million—up \$108.9 million or 47 per cent over 1972.

	1973	1972	1973 Over 1972		Per cent of 1973 Sales
			Amount	Per cent	
United States.....	\$1,877.7	\$1,673.9	\$203.8	12%	71%
Europe.....	429.8	320.2	109.6	34	16
Canada.....	111.5	80.5	31.0	39	4
Latin America.....	86.6	70.6	16.0	23	3
Rest of World.....	142.1	80.2	61.9	77	6
Total.....	\$2,647.7	\$2,225.4	\$422.3	19%	100%

Earnings Improvement—1973 vs. 1972

The year-to-year earnings improvement was attributable primarily to higher sales volume and improved product mix. Increases in selling prices, which for domestic operations were limited under the Price Control Regulations, were offset by increased costs of raw materials and other operating costs.

Analysis of Earnings per Share Improvement—1973 vs. 1972

Primary Earnings per Share for 1973.....	\$6.90
Primary Earnings per Share for 1972.....	3.49
Improvement per Share—1973 over 1972.....	\$3.41

Major Causal Factors—1973 Better/(Worse) 1972

Sales Related Factors:	
Change in sales volume and product mix.....	\$3.46
Higher selling prices.....	2.10
Total Sales Related Factors.....	5.56
Cost Related Factors:	
Higher raw material prices.....	(0.85)
Higher manufacturing costs.....	(0.55)
Higher nonmanufacturing costs.....	(0.61)
Higher start-up costs.....	(0.03)
Total Cost Related Factors.....	(2.04)
Other Factors:	
Higher interest expense.....	(0.03)
Higher income credits—net.....	0.37
Higher tax rate.....	(0.29)
Impact of discontinued operations.....	(0.10)
Increase in common shares outstanding.....	(0.06)
Total Other Factors.....	(0.11)
Total Improvement—1973 over 1972.....	\$3.41

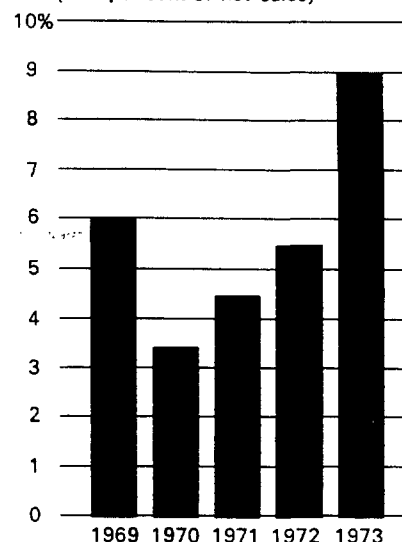
Major Operating Costs

Higher sales volumes and increasing rates of inflation—both in the United States and abroad—contributed to significant increases in major operating costs.

	1973	1972
Purchased Raw Materials.....	\$648.4	\$553.5
Energy and Utilities Costs.....	130.1	110.0
Wages, Salaries and Employee Benefits.....	693.3	645.5

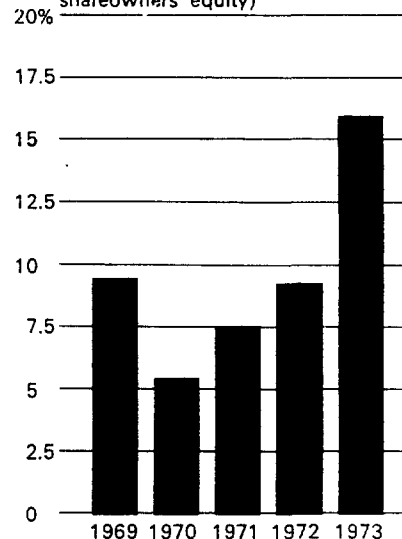
Net Income

(as a per cent of net sales)



Net Income

(as a per cent of shareowners' equity)



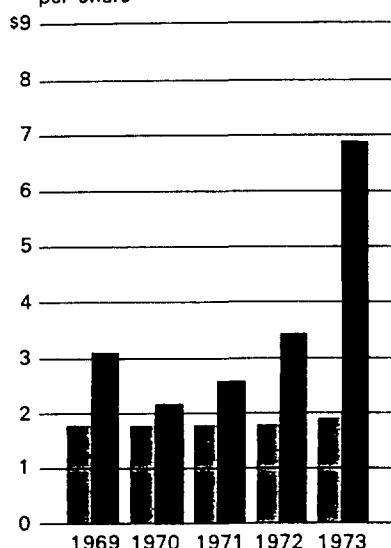
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Financial Review

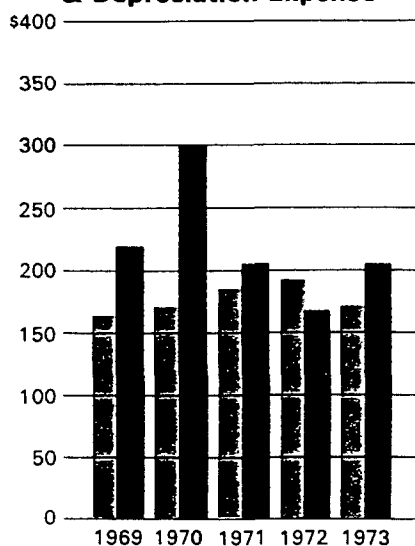
(Dollars in charts and tables in millions, except per share)

Earnings & Dividends per share



■ Earnings
▨ Dividends

Capital Expenditures & Depreciation Expense



■ Capital Expenditures
▨ Depreciation, Obsolescence and Depletion Expense

Impact of Significant Charges to Earnings

For each of the past two years, Monsanto's financial results have been impacted significantly by charges in two areas.

In the fourth quarter of 1973, Monsanto sold Lansil Ltd., a United Kingdom subsidiary, that produces cellulosic fibers. The sale of this property resulted in a charge to 1973 net income of \$11.3 million. In 1972, in recognition of the poor performance of this subsidiary, a decision was made to reduce the value of the investment, and this resulted in a write-off of goodwill that reduced 1972 net income by \$4.2 million.

In 1972, based on then-current cost projections, provisions were made for projected cost overruns on several construction projects under way at Monsanto Enviro-Chem Systems, Inc., a wholly-owned subsidiary. For 1972, the overrun projections resulted in a total charge of \$5.3 million against Monsanto's net income. In 1973, based on updated cost projections, additional charges were made to earnings resulting in a \$12.9 million reduction of net income.

Dividend Payments

Common stock dividends in 1973 amounted to \$62.9 million, equal to \$1.90 per common share. Effective in the third quarter of 1973, the Board of Directors increased the quarterly dividend from \$0.45 to \$0.50 per share. A regular cash dividend has been paid quarterly without interruption or reduction since 1928.

Year	Primary Earnings*	Dividend Payments	Dividends as a Per cent of Earnings*
1969	\$3.08	\$1.80	58.4%
1970	2.17	1.80	82.9
1971	2.65	1.80	67.9
1972	3.49	1.80	51.6
1973	6.90	1.90	27.5
1969-1973 Average			49.8

*Before extraordinary items.

Capital Expenditures

The Company's investment in plants and equipment amounted to \$205.3 million in 1973, compared with expenditures of \$168.3 million in the preceding year.

Major facilities placed into operation in 1973 included textile fiber expansions in both the United States and Europe, electronics expansion for the production of light-emitting diodes in the United States and abroad, and a number of important debottlenecking projects in support of various product lines of the Company.

Capital Expenditures by World Area

	1973	1972	1971	1970	1969
United States	\$165.8	\$114.2	\$144.5	\$232.3	\$174.7
Europe	25.6	47.1	56.3	59.2	35.5
Canada and Latin America	8.0	5.5	3.3	5.0	6.9
All Other	5.9	1.5	1.1	4.3	2.8
Total	\$205.3	\$168.3	\$205.2	\$300.8	\$219.9

Financial Position

Monsanto ended 1973 in a sound financial position with net working capital of \$854.5 million and a current ratio of 3:1.

Cash and marketable securities at December 31, 1973, totaled \$390.3 million—an improvement of \$195.6 million from 1972. Accounts receivable at December 31,

1973, increased over the prior year-end amount by \$85.1 million or approximately 21 per cent, reflecting the higher level of sales volume. Inventories—as expressed in dollars—remained at about the same level, reflecting, to some degree, the current tight supply of many of the Company's raw materials.

Long-Term Debt

As of December 31, 1973, the Company's long-term debt was \$579.3 million. This represented 28 per cent of the Company's total capitalization.

In view of the Company's strong financial position, it is presently anticipated that the substantial majority of the capital expenditures planned for 1974 will be financed by internally generated funds. With the exception of some small amounts of long-term debt financing for pollution control purposes, no major debt financing is currently contemplated for 1974.

As further flexibility for its long-term planning, the Company maintains a \$100.0 million line of credit with sixteen major banks in the United States. Similar short-term credit arrangements are maintained in most foreign countries where the Company has significant operations.

The Company's scheduled debt retirements during the five-year period, 1974-1978, total \$93.5 million, as follows:

Scheduled Debt Retirements

	1974	1975	1976	1977	1978
6½%—8½% bank loan.....	\$ —	\$ 1.0	\$ 1.9	\$ 1.9	\$ 1.9
4½% promissory notes.....	4.7	4.7	4.7	4.7	4.7
9½% sinking fund debentures.....	—	—	6.0	6.0	6.0
4½% guaranteed sinking fund debentures.....	—	—	2.5	2.5	2.5
Bank loans (Monsanto Limited).....	5.5	—	—	—	—
Bank loans (Monsanto Europe S.A.).....	1.9	3.3	3.3	3.3	3.3
Other.....	2.6	3.5	5.1	3.0	3.0
Total.....	<u>\$14.7</u>	<u>\$12.5</u>	<u>\$23.5</u>	<u>\$21.4</u>	<u>\$21.4</u>

Shareowners' Equity

Shareowners' equity was \$1,483.7 million at December 31, 1973, as compared with \$1,293.8 million at the end of 1972. Book value at the end of 1973 was \$44.26 per common share.

For 1973, net income was 9.0 per cent of sales, compared with 5.5 per cent for 1972. Net income as a percentage return on shareowners' equity was 16.1 per cent in 1973, as compared with 9.4 per cent for 1972.

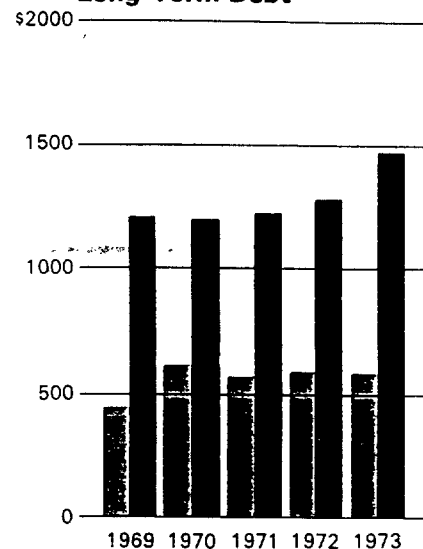
Common Stock

Monsanto's common stock is traded on the New York Stock Exchange and some other major exchanges throughout the world.

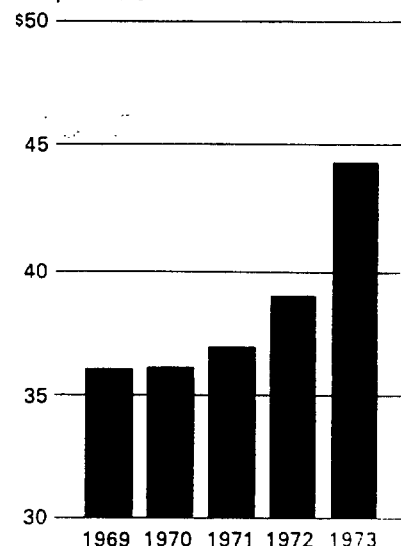
The high and the low sales prices on the New York Stock Exchange, by quarter, for 1973 and 1972 were:

	1973		1972	
	High	Low	High	Low
First Quarter.....	55½	47½	54½	46
Second Quarter.....	57½	49½	57½	49½
Third Quarter.....	67½	50½	56½	48½
Fourth Quarter.....	75½	43½	52½	48

Shareowners' Equity & Long-Term Debt



Book Value per share



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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 calculated at the approximate rates prevailing when the fixed assets were acquired.

Year-end currency exchange and translation gains and losses are recorded in a reserve for foreign operations. Losses in excess of the reserve balance are charged to income currently.

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 generally uses 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 related properties are 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 credits.

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, determined generally on the first-in, first-out basis.

Pension Plans

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

Technological Expenses

Research, development and engineering expenditures are charged to costs as incurred.

Statement of Consolidated Income*(Dollars in millions, except per share)*

	<u>Year 1973</u>	<u>Year 1972</u>
Net Sales	\$2,647.7	\$2,225.4
Cost of Goods Sold	<u>1,904.0</u>	<u>1,696.3</u>
Gross Profit	<u>743.7</u>	<u>529.1</u>
Less:		
Marketing and administrative expenses	236.4	220.7
Technological expenses	<u>101.1</u>	<u>92.0</u>
	<u>337.5</u>	<u>312.7</u>
Operating Income	<u>406.2</u>	<u>216.4</u>
Income Charges (Credits):		
Interest expense	38.9	37.2
Other — net	<u>(43.8)</u>	<u>(23.4)</u>
	<u>(4.9)</u>	<u>13.8</u>
Income Before Income Taxes	<u>411.1</u>	<u>202.6</u>
Provision for Income Taxes:		
Current	170.0	80.9
Deferred (credit)	<u>2.8</u>	<u>(0.3)</u>
	<u>172.8</u>	<u>80.6</u>
Net Income	<u>\$ 238.3</u>	<u>\$ 122.0</u>
Earnings per Common Share Based on Weighted Average		
Number of Shares Outstanding:		
Primary	\$6.90	\$3.49
Fully diluted	6.54	3.40

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The above statement should be read in conjunction with page 24 and pages 30 through 33 of this report.

Statement of Consolidated Financial Position*(Dollars in millions, except per share)*

ASSETS	Dec. 31, 1973	Dec. 31, 1972
Current Assets:		
Cash	\$ 42.4	\$ 34.6
Marketable securities, at cost which approximates market	347.9	160.1
Receivables, net of allowances of \$20.6 in 1973 and \$18.0 in 1972	485.3	400.2
Inventories	394.1	394.3
	<u>1,269.7</u>	<u>989.2</u>
Investments and Miscellaneous Assets:		
Investments in affiliates — at equity	46.4	41.3
Miscellaneous investments and receivables — at cost or less	41.7	39.4
	<u>88.1</u>	<u>80.7</u>
Property, Plant and Equipment, at Cost:		
Land	29.4	30.1
Buildings	424.4	414.3
Machinery and equipment	2,250.1	2,197.2
Mineral rights and related properties	147.7	123.4
	<u>2,851.6</u>	<u>2,765.0</u>
Less accumulated depreciation and depletion, etc.	1,699.2	1,631.7
Net property	<u>1,152.4</u>	<u>1,133.3</u>
Deferred Charges	<u>35.1</u>	<u>33.7</u>
	<u>\$2,545.3</u>	<u>\$2,236.9</u>

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LIABILITIES AND SHAREOWNERS' EQUITY**Dec. 31,
1973****Dec. 31,
1972****Current Liabilities:**

Accounts payable and accruals	\$ 307.1	\$ 263.1
Income taxes	93.4	36.2
Current portion of long-term debt	14.7	12.6
	<u>415.2</u>	<u>311.9</u>

Long-Term Debt—Less Current Portion Above	<u>579.3</u>	<u>576.2</u>
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Other Liabilities and Deferred Credits:

Deferred income taxes	30.0	27.2
Miscellaneous	34.3	24.8
	<u>64.3</u>	<u>52.0</u>

Minority Interests in Subsidiary Companies	<u>2.8</u>	<u>3.0</u>
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Shareowners' Equity:

Preferred stock—authorized, 10,000,000 shares without par value, issuable in series; outstanding, 2,316,269 shares in 1973 and 2,321,610 shares in 1972	5.2	5.2
Common stock—authorized, 50,000,000 shares, par value \$2 each; issued, 33,709,617 shares in 1973 and 33,308,988 shares in 1972	67.4	66.6
Paid-in surplus	613.1	593.0
Retained earnings	810.5	641.5
	<u>1,496.2</u>	<u>1,306.3</u>
Less common stock in treasury, at cost (307,206 shares in 1973 and 307,033 shares in 1972)	12.5	12.5
	<u>1,483.7</u>	<u>1,293.8</u>
	<u>\$2,545.3</u>	<u>\$2,236.9</u>

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Statement of Changes in Consolidated Financial Position*(Dollars in millions)*

	<u>Year 1973</u>	<u>Year 1972</u>
Source of Working Capital :		
Operations:		
Income	\$238.3	\$122.0
Depreciation, obsolescence and depletion	170.3	193.9
Working capital from operations	<u>408.6</u>	<u>315.9</u>
Outside financing	6.6	41.4
Property disposals	15.9	11.4
Proceeds from sale of capital stock	16.6	6.8
Other—net	21.5	12.4
	<u>469.2</u>	<u>387.9</u>
Application of Working Capital :		
Capital expenditures	205.3	168.3
Dividends	69.3	65.5
Debt reduction	17.4	23.4
	<u>292.0</u>	<u>257.2</u>
Net Increase in Working Capital	<u>\$177.2</u>	<u>\$130.7</u>
Changes in Elements of Working Capital :		
Increase (decrease) in current assets:		
Cash and marketable securities	\$195.6	\$120.1
Net receivables	85.1	(2.7)
Inventories	(0.2)	(1.1)
	<u>280.5</u>	<u>116.3</u>
(Increase) decrease in current liabilities:		
Accounts payable and accruals	(44.0)	(15.9)
Income taxes	(57.2)	27.1
Current portion of long-term debt	(2.1)	3.2
	<u>(103.3)</u>	<u>14.4</u>
Net Increase in Working Capital	<u>\$177.2</u>	<u>\$130.7</u>

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Statements of Consolidated Paid-In Surplus and Retained Earnings*(Dollars in millions, except per share)***PAID-IN SURPLUS**

	<u>Year 1973</u>	<u>Year 1972</u>
Balance at Beginning of Year	<u>\$593.0</u>	<u>\$586.5</u>
Additions:		
Income tax benefits resulting from exercises and dispositions of option stock by employees	1.7	—
Excess of amounts received over the stated or par value of shares of capital stock issued under stock option plans:		
Preferred stock—stated value \$2.24 each:		
8,500 shares in 1973 and 1,200 shares in 1972	0.4	0.1
Common stock—par value \$2 each:		
337,557 shares in 1973 and 152,628 shares in 1972	15.5	6.4
Excess of conversion price over par value at \$2 each of shares of common stock issued to holders of convertible loan stock of a wholly owned subsidiary of parent company: 47,573 shares in 1973 and 860 shares in 1972	2.5	—
	<u>20.1</u>	<u>6.5</u>
Balance at End of Year	<u>\$613.1</u>	<u>\$593.0</u>

RETAINED EARNINGS**Balance at Beginning of Year:**

As previously reported	\$641.5	\$580.2
Adjustment for certain affiliates from cost to equity	—	4.8
As restated	<u>641.5</u>	<u>585.0</u>
Addition—Net income for the year	238.3	122.0
	<u>879.8</u>	<u>707.0</u>
Deduction:		
Dividends on capital stock of parent company:		
Preferred—\$2.75 per share	6.4	6.4
Common—\$1.90 per share in 1973 and \$1.80 in 1972	62.9	59.1
	<u>69.3</u>	<u>65.5</u>
Balance at End of Year	<u>\$810.5</u>	<u>\$641.5</u>

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Notes to Financial Statements

(Dollars in millions, except per share)

Depreciation, Obsolescence and Depletion

Charges against income were:	1973	1972
Depreciation and amortization.....	\$153.1	\$168.4
Obsolescence.....	13.5	21.7
Depletion.....	3.7	3.8
	<u>\$170.3</u>	<u>\$193.9</u>

To conform with prevailing industry practice, effective January 1, 1972, the Company changed from the sum of the years digits method to the straight line method of computing depreciation for financial statement purposes on most domestic assets placed in service on or after that date. The change resulted in reduced depreciation charges of \$12.7 and \$5.0 and increases in net income of \$6.6 and \$2.6, or 20 and 8 cents per share for 1973 and 1972, respectively.

The Company continued the use of the sum of the years digits method of computing depreciation on most domestic assets placed in service prior to 1972. The excess of depreciation provided by this method over straight line depreciation on such assets was \$6.3 in 1973 and \$13.0 in 1972.

Earnings per Common Share

Primary earnings per common share are based on the weighted average number of common shares outstanding in each year plus shares issuable upon the conversion of convertible loan stock of Monsanto Limited and the exercise of employee stock options. Net income used in this computation is after deduction of dividends on the \$2.75 Preferred Stock but before deduction of interest (less tax) on the convertible loan stock.

Fully diluted earnings per common share are based on the number of shares used in the determination of primary earnings, plus common shares issuable upon conversion of \$2.75 Preferred Stock and the convertible debentures of Monsanto International Finance Company. Net income used in this computation is before deduction of dividends on the preferred stock and before deduction of interest (less tax) on the convertible loan stock and the convertible debentures.

Employee Bonus

For 1973, the maximum allowable credit to the Bonus Reserve, as provided for under the Monsanto Management Incentive Plan which was approved by the Company's stockholders in 1969, was \$15.8. The Executive Compensation Committee, at its discretion as provided in the Plan, determined that only \$5.8 of the above amount should be charged against 1973 earnings and credited to the Bonus Reserve. The 1973 bonus awards aggregating \$4.1 were made to 16 directors and officers and 436 other employees. In 1972 bonus awards were \$2.0. After giving effect to the 1973 transactions, a balance of \$2.5 was carried forward in the Bonus Reserve for future years' awards.

Employee Stock Options

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

	1969 Plan	1964 Plan	1960 Plan
Outstanding 1/1/73.....	807,075	98,130	2,706
Unoptioned 1/1/73.....	49,959	—	—
Optioned during year.....	5,500	—	—
Exercised during year.....	275,367	62,190	—
Expired during year.....	—	19,800	2,706
Terminated during year.....	15,459	5,000	—
Outstanding 12/31/73.....	521,749	11,140	—
Unoptioned 12/31/73.....	59,918	—	—

Under the above plans, 588 options were outstanding at prices ranging from \$31.25 to \$52.94 per share, or a weighted average of \$48.98 per share.

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The status of the authorized shares of \$2.75 Preferred Stock for the stock option plan for employees of the former Fisher Governor Company and the changes occurring during the year were:

	Shares
Outstanding 1/1/73.....	8,900
Exercised during year.....	8,500
Outstanding 12/31/73.....	400

Under this plan, four options were outstanding at a price of \$46.00 per share.

Equity in Affiliates and Foreign Subsidiaries

Effective January 1, 1972, the Company changed from the cost to the equity method of reporting its investments in the common stock of certain affiliates considered corporate joint ventures. Retained earnings as of January 1, 1972, have been credited with the Company's equity in the undistributed earnings of these affiliates as of that date.

The Company's equity in the unaudited net income of these companies totaled \$13.5 in 1973 and is included in other income. Equity in net income was \$4.6 in 1972.

The Company's equity in the net income of foreign subsidiaries was \$43.4 in 1973 and \$17.2 in 1972. The Company's equity in the net assets of these companies at December 31, 1973 and 1972, was \$345.7 and \$303.9, respectively.

Consolidated retained earnings at December 31, 1973, included \$179.4 of the undistributed earnings of these subsidiaries and corporate joint ventures. The remittance of a substantial portion of these earnings has been indefinitely postponed since they have been 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.

Exchange and Translation Gains and Losses

Other liabilities and deferred credits—miscellaneous includes a reserve for foreign operations of \$1.2 and \$6.8 as of December 31, 1973 and 1972, respectively. Net exchange and translation losses of \$5.6 were charged to this account in 1973; net exchange and translation gains of \$4.9 were credited to this account in 1972.

Income Taxes

The components of the provision for current income taxes were:

	1973	1972
Federal.....	\$130.6	\$66.1
State.....	9.5	5.0
Foreign.....	29.9	9.8
	<u>\$170.0</u>	<u>\$80.9</u>

The provision for income taxes is 42 per cent of income before income taxes, as compared to the statutory federal income tax rate of 48 per cent. The difference arises from reduction of the provision for income taxes by the amount of investment tax credits (\$6.7 in 1973 and \$7.3 in 1972), the tax treatment afforded the earnings of domestic international sales corporations (DISC), capital gains and depletion allowances, and lower foreign income taxes in relation to pretax foreign income.

Leases and Contingent Liabilities

The Company and its subsidiaries were contingently liable as guarantors of bank loans and for customers' receivables discounted aggregating approximately \$21.1 at December 31, 1973, and \$22.8 at the end of 1972.

Commitments in connection with uncompleted additions to property aggregated approximately \$69.5 and \$32.7 at December 31, 1973 and 1972, respectively.

Rentals under leases with a remaining term of more than one month were approximately \$24.0 in 1973 and \$25.0 in 1972.

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Notes to Financial Statements

(Dollars in millions, except per share)

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 operations of the Company and its subsidiaries.

Long-Term Debt

The long-term debt of the Company and its subsidiaries at December 31, 1973 and 1972, exclusive of current maturities, and repayable in U.S. dollars, except where indicated, was as follows:

	1973	1972
Parent Company:		
6½%-8½% bank loan due 1975/1985 (West German deutsche mark)	\$ 19.3	\$ 16.0
4¼% promissory notes due 1993	86.0	90.7
9¼% sinking fund debentures due 2000	150.0	150.0
3¼% 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)	25.0	25.0
Monsanto International N.V. (Netherlands Antilles subsidiary):		
8¼% guaranteed sinking fund debentures due 1985	15.8	18.6
5½% guaranteed bonds due 1987 (Swiss franc)	25.0	20.8
Monsanto Limited (United Kingdom subsidiary) (British pound):		
Guaranteed bank loans (1% over bank rate) due 1974	—	5.7
6% debentures due 1977/1982	4.5	4.8
5% debentures due 1982	5.6	6.0
5% guaranteed loan stock due 1982/1986 (b)	22.3	25.3
5% guaranteed loan stock due 1992/1997	3.5	3.5
6¼% guaranteed loan stock due 1992/1997	3.5	3.5
Monsanto (Suisse) S.A. (Swiss subsidiary) (Swiss franc):		
6¼% guaranteed sinking fund debentures due 1985	9.4	7.3
6½% guaranteed sinking fund debentures due 1986	15.6	13.0
Monsanto Europe S.A. (Belgian subsidiary) (Belgian franc):		
9% guaranteed bank loan due 1974/1986	22.5	21.5
8.6% guaranteed bank loan due 1975/1983 (c)	12.5	11.0
Other	17.8	12.0
Total (d)	<u>\$579.3</u>	<u>\$576.2</u>

Notes:

- These debentures are guaranteed by Monsanto Company and are currently convertible into Monsanto common stock at \$89 per share, subject to adjustment under certain conditions.
- This loan stock is guaranteed by Monsanto Company and is convertible into Monsanto common stock at the rate of one share per £22 18s. 4d. (approximately 22 pounds 92 new pence) (\$53 at December 31, 1973 exchange rate), subject to adjustment under certain conditions.
- Interest on this bank loan is reduced by a government subsidy of 2% expiring in 1974.
- Maturities and sinking fund requirements on long-term debt for the five years ending December 31, 1978, are as follows:

	1974	1975	1976	1977	1978
6½%-8½% bank loan	\$ —	\$ 1.0	\$ 1.9	\$ 1.9	\$ 1.9
4¼% promissory notes	4.7	4.7	4.7	4.7	4.7
9¼% sinking fund debentures	—	—	6.0	6.0	6.0
4½% guaranteed sinking fund debentures	—	—	2.5	2.5	2.5
Bank loans (Monsanto Limited)	5.5	—	—	—	—
Bank loans (Monsanto Europe S.A.)	1.9	3.3	3.3	3.3	3.3
Other	2.6	3.5	5.1	3.0	3.0
	<u>\$14.7</u>	<u>\$12.5</u>	<u>\$23.5</u>	<u>\$21.4</u>	<u>\$21.4</u>

Pension Plans

The Company and its subsidiaries have several pension plans covering substantially all of their employees.

The total provision for pension costs was approximately \$35.9 in both 1973 and 1972.

The market value of assets in the related pension funds exceeded the actuarially computed value of vested benefits for plans of the Company and certain domestic subsidiaries as of December 31, 1973.

Preferred 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. The stock may be redeemed at the Company's option any time on or after August 12, 1974, at \$73 per share, which amount is also the voluntary liquidation preference. The involuntary liquidation preference is \$35 per share, or an aggregate of \$81.1 in 1973 and \$81.3 in 1972.

Project Cost Overruns

The Company has projected significant cost overruns on several construction projects of its subsidiary, Monsanto Enviro-Chem Systems, Inc. Based on the then-current projections, provisions for cost overruns were made in 1972 which reduced net income by \$5.3. Additional provisions for cost overruns, based on evaluation of the progress on these projects, were made in 1973 which reduced net income by \$12.9.

Repairs

Repair and maintenance charges were \$150.9 in 1973 and \$135.7 in 1972.

Sale of Lion Oil Properties

The Company sold its petroleum marketing and refining properties in September, 1972. This resulted in a gain, after applicable taxes, of \$3.4.

The net sales of these discontinued operations for the first nine months of 1972 were \$69.8; operating income, excluding allocated corporate charges, was \$5.5.

Sale of Subsidiary

During 1973 the Company sold Lansil Ltd., a United Kingdom subsidiary, a producer of cellulosic fibers; this transaction resulted in a charge to net income of \$11.3. Goodwill associated with this investment was written off in 1972, reducing net income by \$4.2.

Shares in Treasury

The Company held 307,206 shares of its common stock in treasury for general corporate purposes at December 31, 1973. The Company also held 57,524 shares of its common stock for specific purposes which are included in Miscellaneous Investments in the accompanying statement of financial position at December 31, 1973.

Shares Reserved

At December 31, 1973, there were 400 shares of \$2.75 Preferred Stock reserved for stock options, and 3,891,213 shares of common stock were reserved for the following purposes:

	Shares
Conversion of \$2.75 Preferred Stock	2,594,221
Stock option plans	593,255
Conversion of convertible loan stock of Monsanto Limited	422,839
Conversion of debentures of Monsanto International Finance Company	280,898
	<u>3,891,213</u>

Short-Term Bank Credit Arrangements

On March 1, 1973, the Company arranged with 16 banks for domestic short-term bank credit facilities of \$100.0. These arrangements supersede prior revolving credit and line of credit arrangements aggregating \$120.0.

All loans under these facilities are to bear interest related to the prime commercial rate of each bank. No borrowings have been made under these loan arrangements.

Accountants' Opinion

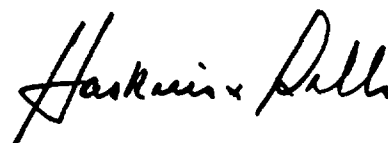
HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

TEN BROADWAY
SAINT LOUIS 63102

Monsanto Company:

We have examined the accompanying consolidated financial statements (pages 24 through 33) of Monsanto Company and Subsidiaries for the years ended December 31, 1973 and 1972. 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, 1973 and 1972 and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the period subsequent to the change, with which we concur, made as of January 1, 1972, in the method of computing depreciation explained on page 30 in the notes to financial statements.



February 11, 1974

Ten-Year Summary*(In millions, except per share and where italicized)*

	<u>1973</u>	<u>1972</u>	<u>1971</u>
Operating Results			
Net sales	\$2,647.7	\$2,225.4	\$2,087.1
Gross profit	743.7	529.1	472.8
<i>Per cent of net sales</i>	28.1%	23.8%	22.7%
Operating income	406.2	216.4	177.9
Income before extraordinary items	238.3	122.0	93.7
Extraordinary charges (credits) — net	—	—	—
Net income	238.3	122.0	93.7
<i>Per cent of net sales</i>	9.0%	5.5%	4.5%
Earnings per common share:			
Primary:			
Before extraordinary items	\$6.90	\$3.49	\$2.65
After extraordinary items	6.90	3.49	2.65
Fully diluted:			
Before extraordinary items	6.54	3.40	2.63
After extraordinary items	6.54	3.40	2.63
Financial Position			
Working capital	\$ 854.5	\$ 677.3	\$ 546.6
Property, plant and equipment — gross	2,851.6	2,765.0	2,735.1
Property, plant and equipment — net	1,152.4	1,133.3	1,170.3
Total assets	2,545.3	2,236.9	2,153.5
Long-term debt	579.3	576.2	558.2
Shareowners' equity	1,483.7	1,293.8	1,225.7
Other Data			
Depreciation, obsolescence and depletion	\$170.3	\$193.9	\$186.9
Capital expenditures	205.3	168.3	205.2
Employees	58,277	57,891	59,271
Shareowners:			
Common	98,964	104,369	110,490
Preferred	3,855	3,939	3,897
Common shares outstanding	33.4	33.0	32.8
Per common share:			
Dividends	\$ 1.90	\$ 1.80	\$ 1.80
Book value	44.26	39.05	37.16

(1) Excludes \$16.0 applicable to extraordinary charges.

<u>1970</u>	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>	<u>1964</u>
\$1,971.6	\$1,938.8	\$1,865.1	\$1,705.3	\$1,679.0	\$1,526.5	\$1,407.9
445.2	513.5	497.2	449.5	459.8	452.8	439.2
22.6%	26.5%	26.7%	26.4%	27.4%	29.7%	31.2%
128.2	190.9	213.7	185.7	211.0	219.4	226.2
77.9	109.4	115.6	105.3	120.4	130.0	120.6
11.3	(6.7)	—	(6.4)	—	—	—
66.6	116.1	115.6	111.7	120.4	130.0	120.6
3.4%	6.0%	6.2%	6.6%	7.2%	8.5%	8.6%
\$2.17	\$3.08	\$3.26	\$2.96	\$3.48	\$3.86	\$3.65
1.83	3.28	3.26	3.15	3.48	3.86	3.65
2.17	3.03	3.20	2.92	3.40	3.73	3.56
1.83	3.21	3.20	3.10	3.40	3.73	3.56
\$ 537.9	\$ 509.5	\$ 519.7	\$ 433.9	\$ 396.2	\$ 364.2	\$ 306.6
2,636.7	2,470.8	2,344.6	2,293.1	2,167.0	1,982.3	1,715.1
1,169.9	1,071.4	1,046.5	1,097.6	1,105.0	1,046.9	883.5
2,144.7	2,012.2	1,956.7	1,907.5	1,905.9	1,814.5	1,561.4
589.3	454.0	472.8	492.4	520.3	500.8	378.6
1,194.2	1,204.7	1,154.4	1,103.0	1,044.4	975.1	884.8
\$170.4 ⁽¹⁾	\$163.7	\$174.3	\$165.2	\$154.0	\$134.8	\$121.4
300.8	219.9	135.0	166.4	219.6	299.1	219.7
62,940	64,604	62,815	62,073	60,697	58,817	54,376
121,399	118,156	111,538	111,363	95,938	93,538	89,833
3,941	3,621	—	—	—	—	—
32.8	33.1	33.1	33.0	32.3	31.6	30.9
\$ 1.80	\$ 1.80	\$ 1.65	\$ 1.60	\$ 1.60	\$ 1.45	\$ 1.25
36.27	36.25	34.74	33.31	32.17	30.67	28.51

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