

PLAINTIFF'S EXHIBIT

MON-418

The logo consists of a stylized 'M' formed by four diagonal lines meeting at a central point, with the word 'Monsanto' in a bold, sans-serif font to its right.

Monsanto

1958

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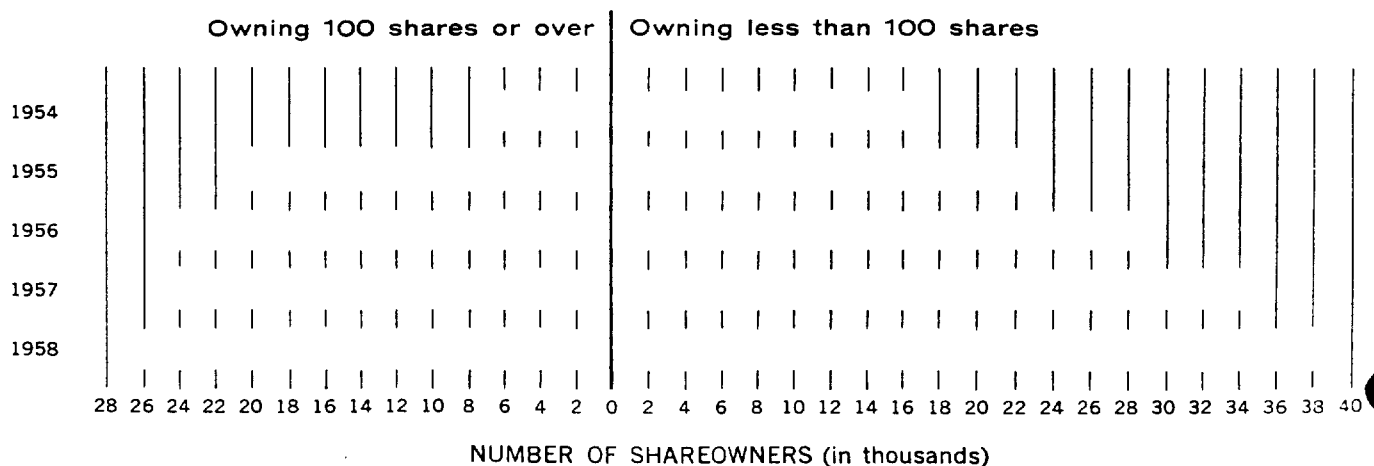
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The next Annual Meeting of the shareowners of the Company is to be held on Wednesday, March 25, 1959, at the Company's General Offices, 800 North Lindbergh Boulevard, St. Louis, Missouri. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to each shareowner.

SHAREOWNERS OF RECORD

	1958		1957		1956		1955		1954	
	Number of Share-owners	Number of Shares	Number of Share-owners	Number of Shares	Number of Share-owners	Number of Shares	Number of Share-owners	Number of Shares	Number of Share-owners	Number of Shares
Men.....	24,990	4,752,196	22,877	4,811,506	20,412	4,788,326	16,702	4,536,291	8,572	1,002,957
Women.....	21,460	3,678,163	20,017	3,799,064	18,433	3,667,225	15,149	3,627,534	9,135	883,346
Joint Accounts.....	11,973	724,561	9,756	648,250	7,641	563,826	5,147	465,640	1,729	62,279
Charitable Institutions..	265	179,961	288	206,025	145	147,082	154	133,830	133	44,429
Educational Institutions	114	131,892	139	145,224	117	117,618	105	126,631	89	40,414
Estates and Trusts.....	5,260	1,954,219	4,716	2,004,601	4,155	2,722,940	3,730	2,634,281	3,099	791,615
Insurance Companies..	169	772,671	179	767,352	180	793,439	168	780,424	152	254,374
Brokers and Nominees	1,126	8,989,736	1,158	8,856,181	971	7,723,290	1,767	7,738,397	894	2,022,934
All Others.....	1,070	1,073,201	906	988,426	964	922,715	694	955,917	419	167,703
Total.....	<u>66,427</u>	<u>22,256,600</u>	<u>60,036</u>	<u>22,226,629</u>	<u>53,018</u>	<u>21,446,461</u>	<u>43,616</u>	<u>20,998,945</u>	<u>24,222</u>	<u>5,270,051</u>



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TO THE SHAREOWNERS

Monsanto's 1958 performance, quarter by quarter, reversed last year's trend. The first quarter, traditionally our best in sales and earnings, was last year's best but 1958's poorest. Thereafter, each quarter this year reflected the nation's progressive recovery, and fourth-quarter sales and earnings, which were last year's lowest, were 1958's highest.

However, lower sales volumes in the year's earlier months and softening of some selling prices, notably those of plastics and refined petroleum products, were detrimental to a satisfactory year. Earnings were reduced, too, by a nine-week strike at our important Monsanto, Illinois, plant. On the other hand, some affiliated companies bettered their 1957 results. These and other factors are discussed more fully in sections which follow, for our product groups and our affiliated companies reacted uniformly in neither recession nor recovery. And in these discussions we must acknowledge, with regret, that we often have used names and terms which may be unintelligible to many readers. However, our products are chemicals and they have, in many cases, obscure uses; hence, there is no alternative but to describe our chemicals by their chemical names, their technical uses in technical terms.

Monsanto shareowners' net interests were:

	<u>1958</u>	<u>1957</u>	<u>Increase</u> <u>Decrease</u>
Sales.....	\$714,410,345	\$708,004,936	\$6,405,409
Income after taxes.....	42,856,916	48,877,895	6,020,979
Earnings per share.....	1.93	2.20	.27

These sales and earnings include not only those of the parent company but those of its domestic and foreign subsidiaries and one-half of the sales and earnings of 50 per cent-owned associated companies. Comparative balance sheets, complete income statements and other data of this consolidation appear on pages 16 to 19, inclusive.

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Sales of the parent company and its domestic and Canadian subsidiaries alone during 1958 were \$547,955,647, a decrease of 3.4 per cent from sales of \$567,116,091 in 1957. Earnings of this group alone were \$34,549,517, equal to \$1.55 a share in 1958, and \$37,416,151 and \$1.68 a share in 1957. Included are dividends and interest of \$4,272,951 received in 1958 from investments in unconsolidated subsidiary and associated companies. In 1957, such receipts were \$1,873,176.

CAPITAL INVESTMENT

We continued to invest relatively large sums to create more efficient plants, facilities for new products and, in some cases, to provide expanded output. Such 1958 expenditures for the parent company, its subsidiaries and its proportionate 50 per cent share of such expenditures by associated companies totaled \$72,604,000. Many projects were involved, none dominated; some are mentioned in the product group and associated company reviews which follow. Depreciation and depletion in 1958 were \$60,559,000. In 1957, capital investment was \$90,085,000, and depreciation and depletion, \$53,331,000.

Of the above expenditures, \$42,588,000 was for the account of the parent company and its domestic and Canadian subsidiaries, including \$8,032,000, the capitalized portion of Lion Oil's costs for development of oil and gas properties. Of the balance, our unconsolidated subsidiaries accounted for \$15,472,000, and our portion of the expenditures made by 50 per cent-owned associated companies was \$14,544,000.

In addition, \$25,933,000 was invested in or advanced to subsidiary and affiliated companies by the parent company.

MONSANTO'S OBJECTIVES

Management's prime objective has been, and is, to better the return on the company's invested

capital. The year's profits, however, do not reflect the economies, increased efficiencies and manufacturing cost improvements which were accomplished, as these were more than offset by heavy idle plant charges as we and the nation as a whole reduced inventories, by substantial increases in our wages and some salaries which followed the national pattern upward, by higher transportation rates and, above all, by substantial reductions in the selling prices of many products forced by highly competitive markets. Our efforts were aided by lower prices for some important raw materials, but their costs to us fell neither as far nor as fast as did our prices to our customers. Better returns remain management's prime concern. Further efficiencies and new technologies will be introduced, as will new products and new applications which we anticipate will carry higher margins. Research also will continue to explore approaches toward achieving the objective.

Some of the 1958 achievements are detailed in the product group reviews which follow.

INORGANIC CHEMICALS

Phosphorus and Phosphates

Sales and profits of phosphorus and phosphate salts continued their steady growth. Since prices were stable, these achievements represent increased tonnages and lower manufacturing costs.

Demand for the principal products, such as sodium tripolyphosphate, tetra sodium pyrophosphate and calcium phosphates, remained strong; they enter detergent and food industries which were not affected by the recession.

Major technological improvements, which helped defray continuing increases in labor and raw material costs, were made in the phosphorus operations in Tennessee and Idaho.

Construction of a new plant for sodium tripolyphosphate in Long Beach, California, is scheduled for completion early in 1959.

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Nitrogenous Products

Lower consumption of nitrogenous chemicals, caused by adverse spring weather, reduced sales and earnings of this group slightly. However, greater sales of anhydrous ammonia and nitrogen solutions reflected the growing trend by the nation's farmers to apply these products directly to the soil.

In late fall, facilities for a much improved ammonium nitrate began operating at both El Dorado, Arkansas, and Luling, Louisiana. The new form, developed in our laboratories, does not cake under ordinary storage conditions; its greater density cuts handling costs.

A 100-ton-a-day urea plant came on stream at El Dorado; ammonia and carbon dioxide, raw materials for urea, are made at this location. This plant enables Monsanto to enlarge its services to agriculture. Urea is an important ingredient in mixed ruminant feeds, also. Furthermore, three operating divisions—Plastics, Organic and Inorganic—use urea in the manufacture of adhesives, textile finishes, binders for molding granulated wood, solid bleaches and other complex organic and inorganic products.

Other Products

Sulfuric acid facilities at Avon, California, were expanded. Operating economies were achieved at Everett, Massachusetts, in new alum facilities; the product is used in paper.

Enlarged facilities for alkyl benzene, a basic product in detergent manufacture, began operation in August. Research resulted in a new type alkyl benzene which was introduced successfully during 1958.

ACL-85 and ACL-70, chlorine carriers for use in dry bleaches and heavy duty scouring powders, introduced last year, continued to be well accepted. Expansion of manufacturing facilities is under way and two new products in this field now are being test marketed.

Production of quartz microtubing, so small that a 50-foot length is required to hold a drop of water, was initiated; it is useful for recovering helium from natural gas.

ORGANIC CHEMICALS

Monsanto's hundreds of organic chemicals include the company's oldest products, as well as many of its newest. Because they are consumed by almost every major industry, organics are not very vulnerable to sharp declines in one or more groups of them. Hence, our organic sales almost equalled last year's record levels. Lower profits, however, were the consequence of competitive pricing and of the prolonged strike at Monsanto, Illinois. Research remained vigorous.

Paper Chemicals

The raw materials position of *Mersize*, a fortified rosin size which gives water-resistance to paper and paperboard, was strengthened by the start-up of a new tall oil distillation unit at Nitro, West Virginia. The plant is jointly owned with Emery Industries, Inc., which will share its output. Filtered Rosin Products Company of Baxley, Georgia, was acquired to insure a gum rosin source. *Mersize* production will be augmented by plants being erected at Seattle, Washington and Nitro, West Virginia.

Agricultural Chemicals

Monsanto's dominant position in phosphate insecticides—widely used in cotton, alfalfa, orchard and field crops—was reinforced by a new and expanded plant at Anniston, Alabama; manufacturing economies permitted substantial price reductions.

Enlarged and modernized laboratory and greenhouse facilities for agricultural chemicals research were opened at the 288-acre General Offices' location in St. Louis County.

Marketing of Monsanto-brand farm chemicals,

introduced in 1956, was extended nation-wide.

Plasticizers

While sales matched 1957's levels, margins were lower—competitive pressure again.

To our line of more than 70 plasticizers—largest in the industry—three new ones were added: *Santicizer 409*, a polymeric plasticizer, gives permanent flexibility to vinyl plastic; *Santicizer 165* improves properties of plastics at low cost; *DNODA* gives plastics low-temperature flexibility. *Mod-Epoxy*, which makes liquid epoxy resins easier to use, cuts costs some 20 per cent, and enhances properties of the resins for electronics and other industries, was introduced. *Santonox* provides polyethylene with resistance to high temperatures; it was submitted to the Food and Drug Administration for clearance of its use in polyethylene food containers.

At Everett, Massachusetts, plasticizer facilities were expanded again.

Functional Fluids and Petroleum Additives

Sales did not equal last year's because of lower lubricant production and aggressive competition. *Skydrol* fire-resistant hydraulic fluid has logged over one billion fireless flight miles in reciprocating engined aircraft, and a companion product, *Skydrol 500*, is standard for all U.S. turbojet airliners and optional for several foreign turbojets. *Coolanol-45* gained ground as a coolant-dielectric for electronic equipment important to air defense and space exploration. *OS-81*, the first fire-resistant turbine lubricant, was used successfully in a major gas turbine application.

Certain hydrocarbons proved effective as coolant-moderators for a nuclear power reactor in Atomic Energy Commission tests completed at mid-year.

To broaden our group of petroleum additives, we introduced *Santopoid 23-RI*, which became firmly established as an additive for new multi-

purpose gear lubricants, including those for the new, controlled limited-slip axles. Custom-made gasoline additives were marketed in substantially increased volume.

Research facilities both for functional fluids and petroleum additives are being enlarged.

Fine Chemicals

Increased sales of bacteriostats for deodorant soaps and detergents required an expanded plant.

Fundamental data obtained by our scientists was instrumental in creating a larger market for *MHA*, a synthetic protein supplement for poultry feeds. Manufacturing capacity will be augmented by a new unit at Nitro, West Virginia. Process improvements and growing demand permitted a price reduction which should broaden the market for *MHA*.

Intermediates

Sales of intermediates—compounds halfway between raw materials and such varied end products as pharmaceuticals, dyes, paints and pesticides—were reduced because of the strike at Monsanto, Illinois, where many are made.

Expansion of a unit for para-nitrochlorobenzene, used in making pharmaceuticals, dyestuffs and other products, is nearing completion.

Resin Materials

Rapidly growing use of polyvinyl acetate surface coatings doubled sales of dibutyl maleate and dibutyl fumarate. A new fumaric acid plant is under construction. Enlarged capacity for bisphenol "A", ingredient of epoxy resins for producing tough moldings for surface coating and adhesives, has been completed.

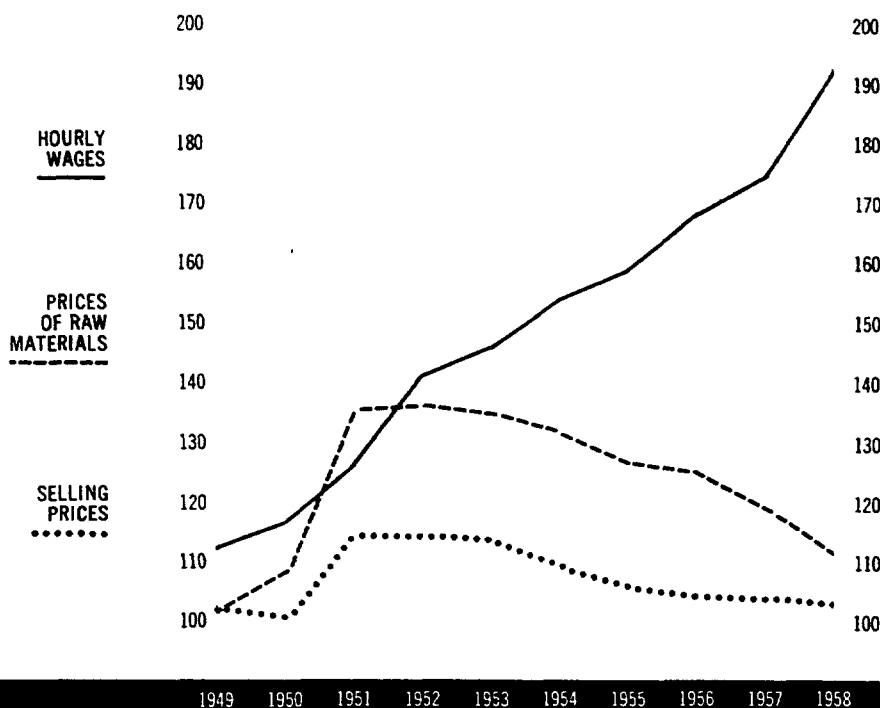
Rubber Chemicals

Sales dropped as the rubber industry reflected decreased automobile production. However, replacement tires compensated in part.

Facilities for *Santoflex-GP*, a new anti-degradant

INDEX OF
HOURLY WAGES,
PRICES OF RAW
MATERIALS AND
SELLING PRICES

1947-1949=100



and anti-ozonant for tires and mechanical goods, came on stream. Sales of *Santoflex-DD*, a general purpose anti-oxidant and stabilizer for synthetic rubber, achieved high levels.

PETROLEUM OPERATIONS

Reduced crude oil production and depressed prices of refined petroleum products caused an unsatisfactory year both for our Lion Oil Division and for the oil industry as a whole.

Several factors affected the American petroleum industry unfavorably: The recession lessened demand; high inventories of crude and refined products, backed up and swollen by large imports, depressed markets. The over-supply resulted in stringent state restrictions on amounts of oil permitted to be taken from domestic wells; production allowables in Texas, for instance, dropped from 173

days in 1957 to 122 days in 1958. In other states pipeline prorations curtailed production. Depressed prices more than offset modest increases in sales of the El Dorado refinery and station markets.

During the latter part of the year there was some improvement in heating oil and kerosene prices, and improved demand resulted in increased crude oil production allowables.

Lion continued its search for oil and gas reserves here and abroad. Exploration expenditures for 1958 were \$11,765,858.

Exploration was rewarding in Venezuela, where 11 successful wells were completed in a 2000-acre Lake Maracaibo concession in which Monsanto holds a 15 per cent interest. Fifteen successful completions were achieved in Canada, where an expansion of our activity is planned. Drilling continued on a 900,000-acre Bolivian concession, in

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which Lion holds a 25 per cent interest. Exploration continued in Sicily, although several concessions have been abandoned after a succession of dry holes.

Within our borders, successful exploratory wells were completed in Oklahoma, Texas and New Mexico. In December, important oil and gas discoveries were made in La Platte County, Colorado; in Matagorda County, Texas; in Bienville Parish, Louisiana, and in Simpson County, Mississippi. The company has substantial acreage holdings under and in the immediate vicinity of each discovery well.

Additions to oil and gas reserves in 1958 exceeded the year's withdrawals.

A catalytic reformer now on stream at the El Dorado refinery places Lion in position to meet anticipated demands for even higher octane motor fuels. An expansion of the refinery, scheduled for completion in 1960, is under way; its rated daily thruput will increase from 29,000 to 33,000 barrels. Operating economies will result and, as part of Lion's program for channeling its products toward chemicals, the addition will provide for the production of propylene tetramer, which is used by our Inorganic Chemicals Division—the first important step in our program to create our own hydrocarbon infrastructure.

Expansion of station marketing is being directed toward the construction of outlets with high volume potential. In order to achieve better returns on existing stations, unprofitable outlets are being eliminated and changes are being made to increase the sales of others.

PLASTICS

The plastics industry has become most competitive. New manufacturers, attracted by its growth, have brought in fresh capacity; imports captured some markets and some large plastic consumers, striving to offset low margins, elected to manufacture their own plastics. These developments

forced price reductions, lower volume, reduced earnings. Important technological improvements offset, only partially, shrinking margins.

The heightened competition put severe pressure on research, engineering and product development groups. New materials were produced for a growing spectrum of specialized end uses; new markets were developed.

Forty-seven new types were introduced during the year. Included were a high-impact sheet extrusion grade *Lustrex* polystyrene, which can be formed into a variety of strong, lightweight and colorful products; a static-dissipating *Lustrex* for dust-prone products such as display signs; and a low-stress oriented transparent styrene sheet which promises to capture a good share of the fast-expanding, "see-it-before-you-buy" packaging market.

The application of *Ultron* vinyl film as a surface laminate to replace printed felt-base products in low-cost floor coverings upgraded such coverings by utilizing the decorative assets and wear-resistance of printed vinyl film. *Fome-Cor*, a sandwich board made of foamed styrene surfaced with kraft paper and developed jointly by Monsanto and St. Regis Paper Company, can be fabricated into containers which are competitive with specialty cartons and boxes. These lightweight, durable, moisture-resistant containers are being used for cut flowers, fresh fruits and vegetables; an expanding market is foreseen.

Good progress was made in polyethylene; the Texas City facilities operated profitably and additions are under way. Our product range was broadened to include all important high quality types. Bags fabricated of *Monsanto Polyethylene*, with superior moisture and insect resistance, have been introduced as shipping containers for a variety of industrial and agricultural products, including some of Monsanto's.

An improved *Opalon* vinyl plastisol is finding

wide usage in metal coating, fibers and fabrics for both decoration and protection. A new, stable, water-borne phenolic liquid resin for shell molding was introduced to foundries. A high-temperature phenolic resin was developed for aircraft rockets and missiles. *Lytron* emulsions, based on styrene latex, found new uses in paint, paper and shoe industries.

Acrylonitrile is used as a raw material for synthetic fibers. Its production was expanded, costs were reduced. It was moved overseas in tankships and domestically in barges.

The new plant at Trenton, Michigan, for *Saflex* vinyl butyral—which imparts shatter-resistance to laminated safety glass—was utilized fully for the first time during the fall surge in automotive production.

RESEARCH

Some \$23.4 millions were invested in research, development, patent work and basic engineering for our own account; in 1957, such investment was \$22.7 millions.

Of the sum spent this year for research, 24 per cent was for new product research; 34 per cent for exploratory research; and 42 per cent for improvement of present products. New product research is effort aimed at bringing a discovery to commercial fruition once a specific new product for a foreseeable use can be delineated. Exploratory research is aimed at uncovering basic new information such as new chemical reactions, new compounds, new uses and new technologies. Ideally, results of exploratory research can be patented, helping to insure opportunity to recover costs of innovation and to achieve greater profitability. In 1958, Monsanto was granted 269 U.S. patents and 273 foreign patents.

Because our products are marketed in a highly competitive environment, it also is in the field of "improvement of present products and processes"

that both research and engineering manifest themselves as major counter-measures to reduced profit margins faced by virtually every successful new chemical as it suffers the profit erosion almost inevitable in our industry. Alert research anticipates product maturity by technological improvements which lower costs and enhance quality. Then application research seeks new markets previously denied because of former costs.

Responsibility for exploratory and fundamental research is the principal function of the Research and Engineering Division at its locations in St. Louis, Everett, Massachusetts, and Dayton, Ohio. This division's objective is the creation and application of new technology to our operations; in this function it works closely with the manufacturing divisions searching for new products, new processes, new engineering techniques.

The Research and Engineering Division also has been instrumental in the adaptation of systems engineering principles to our processes and in the application of large digital and analog computers to complex technical problems. A large manufacturing unit, already highly instrumented, soon will be placed under direct, on-line computer control. The electronic computer will observe continually the process instruments, make numerous calculations and adjust the controls to achieve maximum capacity at minimum cost. This unit will be, to the best of our knowledge, the world's first truly "automated" chemical plant.

Last year we announced the establishment in Zurich, Switzerland, of a laboratory to conduct exploratory research. This facility, staffed by European scientists under the guidance of an experienced Monsanto research director, is operating satisfactorily and promises to justify the venture.

We continue to operate Mound Laboratory at Miamisburg, Ohio, where contract research and production are carried on for the Atomic Energy Commission; our Everett, Massachusetts, labora-

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**GROSS ADDITIONS
TO PROPERTY
AND DEPRECIATION
(in \$ millions)**

*Depreciation includes:
depreciation, obsolescence,
amortization and depletion.

1955-1958
include Lion Oil.

**PROPERTY
ADDITIONS**

DEPRECIATION*
.....



tory is being devoted almost exclusively to contract research for the U. S. government.

Research is the most dynamic aspect of the chemical industry. Dollar investment is but one measure of Monsanto's imperative absorption in it. During the past five years, while the company's total employment increased 25 per cent, technical personnel increased 35 per cent; and technical personnel in research increased 44 per cent.

OVERSEAS

To give our shareowners a fuller grasp of Monsanto's operations in two hemispheres, the accompanying pictorial Annual Review covers our manufacturing activities in 11 foreign countries.

Greater sales by affiliated foreign companies more than offset a decline in our exports. The latter reflected increasing self-sufficiencies of many foreign countries as plants built by our affiliates and

others provided not only for the internal requirements of these countries but, in many cases, export surpluses as well.

Combined earnings of those foreign operations included in the world-wide consolidation decreased slightly because of extreme competition in world markets and a somewhat slower industrial pace which prevailed in many large nations.

The establishment of the European Common Market by France, West Germany, Italy, Belgium, Holland and Luxembourg dominates the politico-economic unfoldments of our time. The creation of supranational authorities and the gradual abolishment of tariffs among these nations, together with the erection of a common exterior tariff wall, will influence and affect the development and economies of all nations outside this portentous community. Implementation of the Common Market has begun; tariffs of member nations were cut 10

per cent and import quotas liberalized at the beginning of 1959.

Advent of the European Free Trade Area, which was projected to include the Common Market, with as many as 11 other European nations, has been postponed by the inability of Britain and France to agree upon terms. While it still looms as a possibility, the prevailing ambivalence exhibited by these nations points, at this writing, toward a somewhat fugitive middleground.

Monsanto has been keenly aware of these developments and of the desire of many nations to become chemically self-sufficient. It is now in position to reap some advantage from these rather swift changes in our groaning world. Our operations in United Kingdom date from 1920; now Monsanto Chemicals Limited has 4200 employees. Its plants are in Newport, on the Bristol Channel, and in Ruabon, North Wales. This company, in which we hold two-thirds of the common equity, makes a variety of organic chemicals, plastics, pharmaceuticals, fine, heavy and industrial chemicals; its new polyethylene plant at Fawley, near Southampton, began operating in January, 1959. It owns a one-third interest in a styrene monomer plant near Edinburgh. Monsanto Chemicals Limited's sales and earnings fell short of those of 1957, as credit stringency, reflecting the British government's anti-inflation drive, reduced the pace of British industry.

Of importance to our shareowners, also, is our position in the European Common Market. In northern Italy, locally produced natural gas is available at a price low for Europe, and Near Eastern oil costs less at Italian ports than Texas crude at the wellheads. These resources are significant, as more than one-fourth of all chemicals produced in United States derive from petroleum or natural gas. We now hold 40 per cent of the equity in Sicedison S.p.A., an important Italian chemical company which has two substantial plants in northern Italy

—in Mantova in the Po Valley, and in Porto Marghera, which is the industrial suburb of Venice. Already a diversified manufacturer of organic and inorganic chemicals, plastics and petrochemicals, Sicedison in 1958 began producing ethylene, propylene and propylene tetramer, products with which Monsanto has had ample experience. Under construction are plants for plasticizers, fluorine derivatives, expanded acrylonitrile capacity and several other products. Near Milan, a substantial research laboratory is nearing completion.

Sicedison's sales have been climbing steadily and, despite heavy start-up expenses, its income has increased. We expect to subscribe to our proportion of new shares which this company will issue soon.

In France, jointly owned Societe Monsanto-Boussois set new sales records. Expansion of its plant, now in progress, will provide additional capacity and permit manufacture of products new to the French market. To help insure availability of raw materials, Monsanto-Boussois procured an interest in Ethyl-Synthese, presently France's only styrene monomer producer.

Monsanto Canada Limited, a wholly-owned subsidiary, experienced market problems related to ours but, while its sales were less than in 1957, its income was a little greater.

Earnings of Mitsubishi-Monsanto Chemical Company Limited, the jointly owned Japanese company, were affected adversely by low internal prices, but the outlook is improving. Capacity for newer types of polystyrene is being erected and economies in the production both of polystyrene and vinyl sheeting materials are projected by new technologies.

Monsanto Chemicals (Australia) Limited, in which our direct and indirect interest is some 77 per cent, achieved new highs both in sales and income. Through purchase of the complementary facilities of Beetle Elliott Pty. Ltd., Monsanto (Australia) almost doubled its physical plant. It

is one of Australia's largest producers of industrial, pharmaceutical and plastic products; its expectations are linked to the nation's current industrial boom.

Monsanto Mexicana S.A., a wholly-owned subsidiary, experienced record sales and income. It is constructing plants for high-grade phosphoric acid and for sodium tripolyphosphate, the latter for the local detergent industry.

Wholly-owned Monsanto Argentina S.A.I.C. had a very successful year, but in dollars its profits suffered attrition from peso inflation. It is now building plants for vinyl compounds and the plasticizers required for them, and it is scheduled to manufacture soon phthalic anhydride, a raw material for plasticizers. Vinyl resin, the other major raw material required for vinyl compounds, will be manufactured in a plant now under construction at Mendoza, which lies at the foothills of the Andes, by Monsanto-Andes S.A.I.C., a newly-formed partnership with Carbometal S.A., Argentina's largest producer of calcium carbide. Monsanto-Andes also will produce chlorine for its own use and caustic soda for the market.

In Spain, our affiliate, Etino-Quimica S.A., in which we hold 25 per cent interest, began operation of a unit which added new products to its vinyl resin line; also on stream was a new polystyrene plant producing diversified forms of this plastic.

Monsanto has, also, small minority interests in another French company—Societe des Produits Chimiques Coignet-France—a producer of phosphorus and its derivatives; in Sweden, in Belgium, and is co-owner, with our British affiliate, of Monsanto Chemicals of India Private Ltd.

The gross assets of companies outside United States in which Monsanto holds, directly or indirectly, 40 per cent or more of the equities, approximate \$250,000,000. A substantial part of these assets—more than 70 per cent—is in Great Britain and Western Europe.

As is customary in many foreign countries, these companies operate with a high ratio of debentures, preference stock and overdrafts to common equity. After providing for such senior securities, our portions of the net book values approximate \$60,000,000.

50 PER CENT-OWNED DOMESTIC ASSOCIATED COMPANIES

The Chemstrand Corporation's quarterly sales and earnings paralleled Monsanto's, as the textile industry usually heralds changes in the nation's economy. Chemstrand's upsurge began in April and culminated in record fourth quarter sales and earnings of both nylon and Acrilan acrylic fibers.

This year, as last, Chemstrand has issued its own Annual Report—a copy of which, for shareowners, was enclosed in the envelope which contained this Report. As disclosed in Chemstrand's Report, consolidated earnings were \$18,355,000. In 1957, they were \$18,813,000. In December, Chemstrand paid its first dividend to its owners, Monsanto and American Viscose Corporation. Monsanto received \$2,500,000, the net of which, after providing for intercorporate dividend tax, was \$2,305,000. In addition, Chemstrand retired \$2,500,000 of subordinated notes held by us and an equal quantity held by Viscose.

Mobay Chemical Company passed a milestone in the fall; a long-delayed profit breakthrough was achieved. Operating profits were realized during the fourth quarter, but they were insufficient to offset the year's early losses and write-offs attributable more properly to prior years.

The volume of urethane foams used by automotive, furniture and other industries expanded as an increasing number of fabricating companies found them satisfactory and economical. In addition, these foams have emerged as versatile engineering materials in such diverse applications as insulation in hulls of nuclear submarines, one-

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celled refrigerated transport units, cushioning in jet airliners and protective packaging for missiles.

In the third quarter, Mobay reduced sharply the price of its key product, tolylene diisocyanate, and, during the fourth quarter, it announced the development of a greatly simplified system for the production of polyether foams—which reduces the costs and complexity of producing these foams. The lower price, coupled with this simplified system, is expected to accelerate urethane's growth. In anticipation, Mobay completed a sizeable expansion of its facilities.

Tough, castable urethane elastomers, marketed under our partner's (Farbenfabriken Bayer A.G.) trademark, *Vulkollan*, have created widespread interest. The transition of *Vulkollan* from developmental to commercial status occurred in a number of applications in the automotive, shoe and materials-handling industries. *Vulkollan* looms as an important partner to Mobay's foaming materials.

Shawinigan Resins Corporation's sales were slowed by customer inventory reductions and low automotive output. Its vinyl butyral resin, which is converted by Monsanto into *Saflex* film for laminating safety glass, is necessarily sensitive to fluctuations in the auto industry. With the new Trenton, Michigan, plant, which came on stream in the latter part of 1957, now operating efficiently, Shawinigan offers Monsanto and other customers two sources of supply.

Sale of Shawinigan's polyvinyl alcohol, *Gelvatol*, is steadily increasing from the new plant at Springfield, Massachusetts. This product finds applications in surface-coatings, adhesives, textile sizing, paper coatings and film. In addition to domestic competition, *Gelvatol* has been meeting aggressive competition from imports. Nevertheless, Shawinigan's sales of the product increased, although at lower prices. Two new polyvinyl acetate emulsions were introduced—one for low-cost,

high-quality interior paints, the other a base for water-dispersed gloss paints.

Shawinigan made a modest profit.

Plax Corporation increased its sales and earnings slightly. Polyethylene squeeze bottles continued to invade markets formerly served exclusively by metal and glass containers. Economical multicolor printing was achieved; Plax now offers up to four-color offset printing on containers at prices competitive with those of paper or foil labels. To broaden markets for *Polyflex*—a biaxially oriented polystyrene sheeting—Plax introduced a thin gauge film competitive with cellophane in such applications as packaging overwrap, glue-sealed bags, envelope and carton windows.

ANTI-TRUST MATTERS

In last year's report we advised that Lever Brothers Company had purchased the trademark and franchise to market the non-sudsing detergent *all*, which we had developed and marketed for several years successfully, but without commensurate profit.

In July, the Department of Justice filed a civil suit against both Lever and Monsanto, alleging that the transaction may lessen competition inasmuch as with *all* and its other products Lever may obtain a decisive advantage over other detergent producers.

Both Lever and ourselves will defend the arrangement which benefits both companies and which, we believe, is not disadvantageous to consumers of the product or to other detergent producers.

Monsanto is also one of the defendants in a suit brought by the Department of Justice against 29 companies engaged in marketing crude oil and petroleum products—the Department alleging conspiracies in fixing prices. Monsanto, with all other defendants, will contest the allegation.

PERSONNEL

Of our 25 plants in United States and Canada, hourly paid production and maintenance employees are represented by locals of international labor unions in all but eight locations, which remain unorganized. Our relationships with all our employees are good to very good and, as a result of an intensive program, they are improving constantly. At all unionized locations, save one, expiring contracts were renewed, after appropriate bargaining. At the exception—Monsanto, Illinois—employees were on strike for nine weeks, the issue relating to introduction of procedures for reduction in costs. The union ultimately agreed to accept the majority of the company's procedures.

Throughout the company, personnel development has been receiving increased emphasis. In addition to on-the-job training, a Tuition Payment Program assists both hourly and salaried personnel who study job-related subjects at local evening classes. Extensive management training is provided to employees with such responsibilities.

The Academic Leave Program, designed to afford our scientists and technologists opportunities to up-date their formal education, permits selected personnel to attend universities for graduate work. Management training provides similar leaves for other individuals to attend recognized graduate schools of business administration.

Last spring, 125 key personnel attended the second term of Monsanto's own Advanced Management School at Excelsior Springs, Missouri, where three-week courses were administered by university professors. The enthusiasm of the enrollees for the courses and their better understanding of our business and objectives amply justified the school's cost.

Occasionally, educational leaves are granted to groups, such as the group of engineers which completed a one-year systems engineering course established by Monsanto at St. Louis University.

An additional group is now enrolled in this course. The Key Scientist and Technologist Advancement Plan encourages personnel with exceptional creative gifts to follow their scientific leanings at will.

We report with gratitude that the recession, despite its effect on various elements of our business, caused virtually no dislocation of our loyal and capable people. Our personnel represent not only human ties, often of long standing, but a large investment in training and experience. It was Monsanto's philosophy, as we entered the recession, that it would be shortsighted to part with trained, efficient employees who were in such short supply in the immediate past and who might be needed again in the immediate future. Recovery is not yet complete, but our staff has been maintained almost intact.

The company experienced an excellent safety record. A frequency of .67 lost-time accidents per million man hours is the best ever achieved by Monsanto.

In March, the Board of Directors elected Vice Presidents John L. Gillis of St. Louis and T. M. Martin of El Dorado, Arkansas, to the company's Executive Committee, expanding its membership to seven.

The Board also elected Irving C. Smith of St. Louis a vice president; to succeed Martin, H. Harold Bible of El Dorado was elected a vice president and general manager of the Lion Oil Division and, to succeed Smith, E. J. Cunningham of St. Louis was elected controller. To succeed E. D. Toland Jr., who resigned, P. J. Dowd of St. Louis was elected treasurer in September.

Vice President Smith also was appointed chairman of a newly established Corporate Planning Group, which assists the Executive Committee in appraising appropriation forecasts, and has the important task of coordinating and consolidating long-range plans.

It is with profound regret that we report the

deaths of one of our directors and of Monsanto's first employe; the former, Dr. Ernest O. Lawrence; the latter, Dr. Louis Veillon.

Dr. Lawrence, a Monsanto Board member and Professor of Physics and Director of the University of California's Radiation Laboratory, died August 28 at Palo Alto, California. Dr. Lawrence's career was a distinguished one; the Nobel Prize in Physics was but one of his many awards. Your Board members, who had come to know him intimately and respect him, will miss his guidance and his service. We join Dr. Lawrence's countrymen in acknowledging his legacy; we share their sorrow at his passing.

Dr. Louis Veillon died, at 84, in Switzerland—the land of his birth, to which he had retired. He came to the United States in 1901 to help the late John Francis Queeny when he founded Monsanto. Dr. Veillon built the company's first plant, contributing manual labor in its construction, as well as planning its form.

When this country's small organic chemical industry was cut off by World War I from German intermediates upon which it depended, Dr. Veillon was one of the leaders in the overnight building of an integrated American chemical industry. He, like Dr. Lawrence, finds our nation in his debt.

In December, the Board elected Herbert Hoover Jr. of Los Angeles, California, to its membership. Mr. Hoover, who has served in many important posts, including that of Under-Secretary of State,

brings to the company valuable knowledge and wide contacts gained by his long experience, especially in foreign affairs. He will prove most helpful in guiding our course in today's many-problemmed, violent but wondrous world.

Even though this report has been winnowed of less important matters, its length is indicative of Monsanto management's endeavor to maintain a close rapport with the company's owners, its endeavor to keep them informed of all aspects of the business. The accompanying Annual Review is an effort to portray pictorially the contents of this largely technical and financial document. And so that shareowners may be informed currently of our fortunes and new products and development, the scope of quarterly reports has been enlarged recently; other supplementary information accompanies our quarterly dividends.

Monsanto Magazine, which translates our company's products and processes into topical stories and pictures, is being sent to all shareowners who have indicated they would like to receive it. If you have not done so, a note to one of us will place your name among the addressees.

We consider communications with you, the owners of Monsanto, a most important part of our responsibilities. All communications from any of you which are addressed to either of us receive personal attention and reply. We are glad to receive your suggestions or comments regarding any aspect of your business; we solicit them.

Sincerely,



Chairman of the Board



President

St. Louis, Missouri
February 11, 1959

MAR 000570

LAM016629

**PARENT COMPANY, DOMESTIC
AND CANADIAN SUBSIDIARIES
SALES BY PRODUCT GROUPS**

	1958 %	1957 %	1953 %
Plastics, Synthetic Resins and Surface Coatings.....	28.4	30.2	32.2
Phosphate Products and Detergents.....	16.9	16.6	21.2
Intermediates and Plasticizers.....	13.7	13.3	15.5
Petroleum Products—Net of purchases.....	10.8	10.1	—
Wood Preservatives and Agricultural Chemicals.....	9.1	10.0	4.0
Rubber and Oil Chemicals.....	6.6	6.7	10.4
Textile and Paper Chemicals.....	6.0	5.2	2.2
Pharmaceuticals, Flavors and Condiments.....	4.5	4.1	5.9
Heavy Chemicals.....	3.3	3.1	5.4
Other.....	.7	.7	3.2
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

**PARENT COMPANY
SALES TO PUBLIC AND CONSUMING INDUSTRIES**

	1958		1957		1956	
	Position	% of Total	Position	% of Total	Position	% of Total
Soap and Detergent.....	1	13.24	4	9.17	6	7.48
Petroleum.....	2	11.53	1	11.17	4	9.70
Agriculture.....	3	10.02	6	8.06	5	7.90
Plastics and Resins.....	4	9.70	2	10.56	2	10.79
Rubber.....	5	7.92	3	10.12	3	9.71
Textile.....	6	6.00	8	5.75	10	3.90
Metal.....	7	5.77	7	5.85	7	6.38
Public-Service station sales, <i>all</i> , etc.....	8	4.98	5	8.34	1	12.40
Paper and Printing.....	9	4.80	11	3.52	12	3.59
Paint, Varnish and Printing Ink.....	10	4.66	10	4.00	9	4.08
Stone, Glass and Vitreous Product.....	11	4.65	9	5.45	8	6.09
Pharmaceutical.....	12	3.49	12	3.45	11	3.60
Food.....	13	3.04	13	3.17	13	3.56
Lumber and Timber.....	14	2.53	14	2.49	14	2.82
Color and Dyestuff.....	15	1.76	17	1.37	17	1.06
Iron, Steel and Related Product.....	16	1.38	15	1.98	15	1.49
Transportation Equipment.....	17	.87	16	1.44	16	1.24
Non-ferrous Metal.....	18	.73	18	1.11	18	.87
Other.....		2.93		3.00		3.34
		<u>100.00</u>		<u>100.00</u>		<u>100.00</u>

MAR 000571

LAM016630

SHAREOWNERS' NET INTERESTS, WORLD-WIDE

As mentioned in previous reports, Monsanto's shareowners' true assets and true earnings include all assets and earnings of foreign subsidiaries and portions of other companies' assets and profits which are not given full effect in normal consolidations. To present such overall equities, the following pages contain consolidated financial statements and other data respecting the Company and its domestic and foreign subsidiaries, together with that portion of the assets, liabilities, sales, income, employees, additions to property and other data, which are represented by our 50 per cent ownership in associated companies.

These consolidations include our proportionate 50 per cent interests in The Chemstrand Corporation, Mobay Chemical Company, Plax Corporation, Shawinigan Resins Corporation, Monsanto Boussois (France), Mitsubishi Monsanto (Japan), and the following active subsidiaries:

- Monsanto Export Company
- Monsanto Overseas S.A. (Panama)
- Monsanto Argentina S.A.I.C.
- Monsanto Andes S.A.I.C.
- Monsanto Research S.A.
- Monsanto Canada Limited and subsidiary
- Monsanto Mexicana S.A.
- Monsanto Chemicals Limited and British subsidiaries
- Monsanto Chemicals (Australia) Limited and subsidiary

Monsanto Chemicals of India Private Ltd.

Subsidiaries participating in oil and gas exploration in Canada, Bolivia, Venezuela and Sicily.

In years when such enterprises suffered losses, income taxes were reduced in the statements by the amounts they would have been reduced had our portions of the operations been integral parts of the parent company. Conversely, when such companies became profitable, no reduction was made in the income taxes shown in the consolidation because tax credit had been taken in prior years. All the companies operated profitably in 1958 with the exception of Mobay, Mitsubishi Monsanto and some oil and gas exploration subsidiaries.

All earnings of the consolidated subsidiaries and associated companies are available for dividends with the exception of Chemstrand, whose dividends are limited to the terms of its indenture and to a loan agreement, and in some foreign countries dividends are subject to exchange controls. However, assuming that our share of all such earnings had been received as dividends, we have included in each year's income taxes a provision for additional income and corporate dividend tax which we estimate would have been payable.

All dollar amounts are stated in millions except those relating to book values, per share earnings, dividends per share and capital per employee. Foreign currencies have been converted to U.S. dollars at exchange rates prevailing at each year's end, except long term debt, capital stock, and property and related reserves, which have been converted at approximate rates in effect at dates of issuance or acquisition.

MAR 000572

LAM016631

SHAREOWNERS'

IN PARENT COMPANY, DOMESTIC

50% OWNED ASSO

Consolidating Only That Percentage of Associated Companies

(In millions)

ASSETS

	1958	1957	1956	1955	1954	10 YEARS AGO 1948	25 YEARS AGO 1933
Current Assets:							
Cash.....	\$ 37.0	\$ 36.7	\$ 32.9	\$ 59.3	\$ 43.9	\$ 15.9	\$ 2.0
Marketable securities.....	38.8	24.5	21.7	24.4	4.9	7.0	.3
Receivables, less reserves.....	106.5	88.5	86.1	72.4	50.5	20.4	1.7
Inventories.....	117.7	122.6	113.9	100.0	75.0	40.2	3.2
	<u>\$300.0</u>	<u>\$272.3</u>	<u>\$254.6</u>	<u>\$256.1</u>	<u>\$174.3</u>	<u>\$ 83.5</u>	<u>\$ 7.2</u>
Investments, etc.....	\$ 32.1	\$ 14.4	\$ 7.9	\$ 6.4	\$ 4.0	\$ 2.3	\$ 1.4
Property:							
Land.....	\$ 12.7	\$ 11.8	\$ 11.5	\$ 10.7	\$ 7.2	\$ 4.0	\$ 1.2
Buildings.....	138.2	128.7	114.5	98.0	78.3	37.0	3.3
Machinery and equipment.....	604.2	561.4	505.7	455.6	341.0	125.2	9.6
Phosphate deposits.....	6.2	6.1	5.9	5.6	5.0	1.4	
Producing oil and gas properties...	74.9	67.7	64.6	59.5			
Undeveloped oil and gas leaseholds	12.8	19.7	15.1	10.4			
	<u>\$849.0</u>	<u>\$795.4</u>	<u>\$717.3</u>	<u>\$639.8</u>	<u>\$431.5</u>	<u>\$167.6</u>	<u>\$14.1</u>
Less depreciation, depletion, etc...	338.2	289.7	248.8	219.1	134.6	55.4	4.9
Net property.....	<u>\$510.8</u>	<u>\$505.7</u>	<u>\$468.5</u>	<u>\$420.7</u>	<u>\$296.9</u>	<u>\$112.2</u>	<u>\$ 9.2</u>
Deferred Charges.....	\$ 14.7	\$ 12.7	\$ 7.2	\$ 7.0	\$ 5.8	\$ 1.9	\$.1
	<u>\$857.6</u>	<u>\$805.1</u>	<u>\$738.2</u>	<u>\$690.2</u>	<u>\$481.0</u>	<u>\$199.9</u>	<u>\$17.9</u>

See explanation, page 15.

MAR 000573

LAM016632

NET INTERESTS

AND FOREIGN SUBSIDIARIES AND

CIATED COMPANIES

which is Represented by Monsanto Shareowners' Equity

(In millions)

LIABILITIES

	1958	1957	1956	1955	1954	10 YEARS AGO 1948	25 YEARS AGO 1933
Current Liabilities:							
Accounts payable and accruals.....	\$ 66.9	\$ 64.8	\$ 59.1	\$ 51.5	\$ 37.6	\$ 16.0	\$ 1.9
Income taxes less tax notes.....	33.0	31.3	25.5	13.2		8.8	.5
Sinking funds and notes payable...	13.0	6.6	6.0	3.1	1.8	.3	
Employees' bonus awards.....	2.0	3.3	3.0	3.1	2.2		
	\$114.9	\$106.0	\$ 93.6	\$ 70.9	\$ 41.6	\$ 25.1	\$ 2.4
Debentures, etc.....	\$129.9	\$133.7	\$123.9	\$130.4	\$ 95.8	\$ 30.5	\$ 1.0
Income Debentures.....	\$116.0	\$ 91.0	\$ 91.0	\$ 91.0	\$ 66.0		
Other Liabilities:							
Deferred income taxes.....	\$ 25.7	\$ 22.7	\$ 16.2	\$ 10.2	\$ 5.0		
Pensions, etc.....	2.0	2.8	4.2	4.4	5.2	\$ 6.9	\$.5
Employees' bonus—unawarded.....	1.2	1.1	1.2	.9	.7		
	\$ 28.9	\$ 26.6	\$ 21.6	\$ 15.5	\$ 10.9	\$ 6.9	\$.5
Capital Stock and Surplus:							
Minority interests in subsidiaries...	\$ 9.2	\$ 9.9	\$ 7.9	\$ 7.5	\$ 8.6	\$ 4.5	
Preference shares.....	10.2	10.2	10.2	10.2	26.0	39.1	
Common shares.....	44.5	44.5	42.9	42.0	26.4	21.4	\$ 4.3
Paid-in surplus.....	190.2	188.6	165.9	151.4	102.6	32.2	5.4
Earned surplus.....	213.8	194.6	181.2	171.3	103.1	40.2	4.3
	\$467.9	\$447.8	\$408.1	\$382.4	\$266.7	\$137.4	\$14.0
	\$857.6	\$805.1	\$738.2	\$690.2	\$481.0	\$199.9	\$17.9

MAR 000574

LAM016633

SHARE OWNERS

IN PARENT COMPANY, SUBS

Consolidating Only That Percentage of Associated Companie

(In millions except per share earnings)

	1958	1957	1956	1955	1954	10 YEARS AGO 1948	25 YEARS AGO 1933
Income:							
Net sales.....	\$714.4	\$708.0	\$653.8	\$630.4	\$407.6	\$181.9	\$15.5
Other.....	5.5	6.1	3.7	2.5	2.5	3.2	.2
	\$719.9	\$714.1	\$657.5	\$632.9	\$410.1	\$185.1	\$15.7
Deductions:							
Cost of goods sold.....	\$531.3	\$515.0	\$467.7	\$434.9	\$291.6	\$130.0	\$10.9
Selling, administrative, research...	90.9	87.4	88.1	83.0	62.1	21.6	1.9
Provision for employees' bonus.....	.2	1.2	1.4	2.2	.6		
Income charges.....	14.6	14.4	11.5	11.4	8.2	2.3	.3
Minority interests.....	.9	1.0	.9	1.0	1.0	.7	
	\$637.9	\$619.0	\$569.6	\$532.5	\$363.5	\$154.6	\$13.1
Income Before Income Taxes.....	\$ 82.0	\$ 95.1	\$ 87.9	\$100.4	\$ 46.6	\$ 30.5	\$ 2.6
Provision for Income Taxes.....	39.1	46.2	42.1	50.1	21.4	11.8	.4
Net Income.....	\$ 42.9	\$ 48.9	\$ 45.8	\$ 50.3	\$ 25.2	\$ 18.7	\$ 2.2
Per Common Share⁽¹⁾.....	\$ 1.93	\$ 2.20	\$ 2.13	\$ 2.37	\$ 1.56	\$ 1.36	\$.29

See explanation, page 15.

(1) Adjusted for splits.

MAR 000575

LAM016634

NET INTERESTS**DIARIES AND ASSOCIATES**

which is Represented by Monsanto Shareowners' Equity

(In millions except where italicized)

	1958	1957	1956	1955	1954	10 YEARS AGO 1948	25 YEARS AGO 1933
Depreciation, depletion, etc.....	\$ 60.6	\$ 53.3	\$ 46.8	\$ 44.7	\$ 30.8	\$ 8.0	\$.8
Book value a share ⁽¹⁾	<i>\$20.15</i>	<i>\$19.24</i>	<i>\$18.18</i>	<i>\$17.37</i>	<i>\$14.68</i>	<i>\$7.31</i>	<i>\$1.80</i>
Gross additions to property.....	\$ 72.6	\$ 90.1	\$ 98.7	\$ 61.8	\$ 53.3	\$ 41.8	\$ 1.0
Employees ⁽²⁾	<i>30,306</i>	<i>30,011</i>	<i>27,547</i>	<i>26,621</i>	<i>21,608</i>	<i>15,543</i>	<i>2,637</i>
Net working capital.....	\$185.1	\$166.3	\$161.0	\$185.2	\$132.7	\$ 58.4	\$ 4.8
Employed capital ⁽³⁾	\$713.8	\$672.5	\$623.0	\$603.8	\$428.5	\$167.9	\$15.0
Employed capital per employee.....	<i>\$23,553</i>	<i>\$22,408</i>	<i>\$22,616</i>	<i>\$22,687</i>	<i>\$19,831</i>	<i>\$10,802</i>	<i>\$5,688</i>
Parent company:							
Cash dividends on common shares	\$ 22.2	\$ 21.5	\$ 21.0	\$ 20.3	\$ 13.1	\$ 8.5	\$.9
Per common share ⁽¹⁾	<i>\$1.00</i>	<i>\$1.00</i>	<i>\$1.00</i>	<i>\$.92</i>	<i>\$.83</i>	<i>\$.67</i>	<i>\$.11</i>
Preference shares outstanding.....					<i>150,000</i>	<i>330,669</i>	
Common shares outstanding ⁽¹⁾	22.3	22.2	21.4	21.0	15.8	12.8	7.8
Number of shareowners.....	<i>66,427</i>	<i>60,036</i>	<i>53,018</i>	<i>43,616</i>	<i>24,222</i>	<i>15,186</i>	<i>3,696</i>

(1) Adjusted for splits.

(2) Excluding employees of government plants.

(3) Net worth and long term debt.

MAR 000576

LAM016635

FINANCIAL REVIEW

Consolidated financial statements of the parent company and its domestic and Canadian subsidiaries alone are presented on pages 22 through 25 and should be read in conjunction with the following comments and explanations. Comparative sales and income of the companies in this consolidation were:

	(In Thousands)		
	1958	1957	Per Cent Increase Decrease
Sales:			
First quarter.....	\$127,475	\$151,285	15.7
Second quarter.....	137,571	145,861	5.7
Third quarter.....	138,020	139,644	1.2
Fourth quarter.....	144,890	130,326	11.2
	<u>\$547,956</u>	<u>\$567,116</u>	<u>3.4</u>
Income:			
First quarter.....	\$ 6,066	\$ 11,534	47.4
Second quarter.....	6,933	10,630	34.8
Third quarter.....	7,959	8,810	9.7
Fourth quarter.....	13,592	6,442	111.0
	<u>\$ 34,550</u>	<u>\$ 37,416</u>	<u>7.7</u>
Per share earnings were:	1958	1957	
First quarter.....	\$.27	\$.52	
Second quarter.....	.31	.48	
Third quarter.....	.36	.39	
Fourth quarter.....	.61	.29	
	<u>\$1.55</u>	<u>\$1.68</u>	
Shares outstanding December 31.....	22,256,600	22,226,629	

Equity in the unaudited 1958 net income of unconsolidated subsidiaries was approximately \$3,109,000 and of 50 per cent owned companies, \$9,314,000. Dividends of \$3,563,738 were received from these companies in 1958 and have been included in the parent's income.

Equity in the unaudited net assets of
unconsolidated subsidiaries was.....\$30,803,000
And in 50% owned companies was..... 68,759,000
Totaling.....\$99,562,000
Which exceeded our carrying value of..... 57,638,000
By.....\$41,924,000

Charges against income for depreciation, obsolescence and depletion totaled \$45,068,748, of which \$42,451,789 was depreciation and obsolescence, and \$2,616,959 depletion of mines and wells. In 1957, such charges were \$40,334,821 and \$2,329,946.

Depreciation in excess of normal provided by the sum of the years digits method of computing depreciation on recent property additions increased from \$5,530,643 in 1957 to \$6,533,635.

Repair and maintenance charges included in operating expenses were \$37,719,105 in 1958 and \$37,409,728 in 1957.

Inventories are valued substantially at the lower of cost or market. Valuation of approximately one-fifth has been determined on the last-in, first-out basis. Annual rates of inventory turnover were 4.7 in 1958 and 4.6 in 1957.

Reserves for doubtful accounts were \$1,277,208 in 1958 and \$1,089,563 in 1957.

The company issued in March and sold at par \$25 millions of 4¼ per cent income debentures. The series matures in 50 years; a sinking fund begins in 30 years. The interest on these debentures, as well as on the \$91 millions of 3¾ per cent income debentures sold in 1952 and 1955, is cumulative but payable only if earned.

The May 1, 1959 and 1960, sinking fund payments on the 2.65% debentures were anticipated by the purchase of \$2 millions of these debentures.

The usual, annual \$1.00 a share cash dividend was paid. The two per cent year-end stock dividend, which was paid 1955 to 1957 inclusive, was omitted this year because of reduced earnings during the earlier quarters. There are considerable differences of opinion among shareowners regard-

ing the desirability of small, annual stock dividends. However, if the current recovery in earnings continues, the Board will institute a shareowner survey to assist it in reconsidering, next fall, the policy of paying year-end stock dividends.

Earnings in 1958 were insufficient to accumulate any funds for employe bonuses, and none was paid. However, 120 new stock options were granted in 1958, for 176,310 shares, to key employes immediately below top management level.

Monsanto has two stock option plans in effect: the Plan authorized by shareowners in 1951 for key employes and the Employees' Stock Plan, authorized by shareowners in 1956 for hourly and salaried employes, except participants of the preceding plan. The status of the authorized shares of each and the changes occurring during the year were:

	Stock Option Plan	Employees' Stock Plan
Options outstanding 1/1/58	526,092	241,356
Unoptioned 1/1/58.....	222,889	—
Optioned during year.....	176,310	—
Exercised during year.....	29,866	105
Unexercised options expired	13,762	62,194
Options outstanding 12/31/58	658,774	179,057
Unoptioned 12/31/58.....	60,341	—

Under the Stock Option Plan, 224 options are outstanding, at prices ranging from \$27.17 to \$45.06 a share, the prices having been adjusted for the 1955 three-for-one split and the 1955, 1956 and 1957 stock dividends of two per cent each. Under the Employees' Stock Plan, 400,000 shares were allotted to employes at \$38.50 a share, being 95 per cent of the New York Stock Exchange average price on September 7, 1956, the date on which the plan became effective. No officers, directors or others participating in the 1951 Plan were eligible for the Employees' Stock Plan. At the year end, 5,007 options were outstanding.

PARENT COMPANY, DOMESTIC

CONSOLIDATED FINANCIAL POSITION

ASSETS

	1958	1957
Current Assets:		
Cash.....	\$ 20,264,731	\$ 24,335,109
Marketable securities.....	35,496,872	14,137,196
Net receivables.....	79,620,295	67,969,876
Inventories.....	84,921,615	94,513,502
	<u>\$220,303,513</u>	<u>\$200,955,683</u>
Investments and Miscellaneous Assets:		
Investment in and advances to subsidiaries.....	\$ 13,946,354	\$ 9,663,925
Investment in and advances to associates.....	43,691,192	45,666,192
Common shares held for bonus awards.....	763,937	1,132,998
Miscellaneous investments and receivables.....	25,558,653	3,702,430
	<u>\$ 83,960,136</u>	<u>\$ 60,165,545</u>
Property, Plant and Equipment.....	\$626,844,713	\$605,000,889
Less accumulated depreciation and depletion.....	275,787,068	242,032,099
Net property.....	<u>\$351,057,645</u>	<u>\$362,968,790</u>
Deferred Charges.....	\$ 8,770,968	\$ 6,979,285
	<u>\$664,092,262</u>	<u>\$631,069,303</u>

The above statement should be read in conjunction with pages 20 and 21 of this report.

ALCOA CANADIAN SUBSIDIARIES

AT DECEMBER 31, 1958 AND 1957

LIABILITIES

	1958	1957
Current Liabilities:		
Accounts payable and accruals.....	\$ 51,117,509	\$ 49,911,494
Income taxes (less \$1,981,648 government securities in 1957).....	18,027,514	19,348,258
Sinking fund payments (less \$1,000,000 debentures in treasury).....	1,790,000	1,790,000
Employees' bonus awards.....	1,917,853	3,183,987
	<u>\$ 72,852,876</u>	<u>\$ 74,233,739</u>
Debentures, Bonds—Less Current Portion Above:		
3¼% Debentures, due 1968.....	\$ 15,000,000	\$ 16,250,000
2.65% Debentures, due 1971 (less \$1,000,000 in treasury in 1958).....	26,000,000	28,000,000
3½% Debentures, due 1972.....	12,500,000	13,000,000
Canadian subsidiary's bonds.....	540,000	660,000
	<u>\$ 54,040,000</u>	<u>\$ 57,910,000</u>
Income Debentures:		
3¾%, due 2002.....	\$ 91,000,000	\$ 91,000,000
4¼%, due 2008.....	25,000,000	
	<u>\$116,000,000</u>	<u>\$ 91,000,000</u>
Other Liabilities:		
Deferred income taxes.....	\$ 15,754,317	\$ 14,825,317
Pensions.....	1,660,854	2,519,582
Employees' bonus—unawarded.....	692,215	692,215
	<u>\$ 18,107,386</u>	<u>\$ 18,037,114</u>
Capital Stock and Surplus:		
Common shares—authorized, 25,000,000 shares, par value \$2 each; reserved for stock options, 837,831 shares in 1958 and 767,448 shares in 1957; outstanding, 22,256,600 shares in 1958 and 22,226,629 shares in 1957.....	\$ 44,513,200	\$ 44,453,258
Surplus:		
Paid-in.....	180,406,603	179,594,503
Earned.....	178,172,197	165,840,689
	<u>\$403,092,000</u>	<u>\$389,888,450</u>
	<u>\$664,092,262</u>	<u>\$631,069,303</u>

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LAM016639

PARENT COMPANY, DOMESTIC

CONSOLIDATED INCOME

Income:	1958	1957	Increase Decrease
Net sales.....	\$547,955,647	\$567,116,091	\$ 19,160,444
Dividends from subsidiary and associated companies.....	3,563,738	1,193,176	2,370,562
Other.....	4,735,332	6,162,122	1,426,790
	<u>\$556,254,717</u>	<u>\$574,471,389</u>	<u>\$ 18,216,672</u>
Deductions:			
Cost of goods sold.....	\$422,265,756	\$426,030,409	\$ 3,764,653
Selling, administrative and research expenses.....	66,962,098	69,888,182	2,926,084
Provision for employees' bonus.....		943,940	943,940
Interest expense.....	6,272,363	5,415,570	856,793
Other.....	3,152,983	4,915,137	1,762,154
	<u>\$498,653,200</u>	<u>\$507,193,238</u>	<u>\$ 8,540,038</u>
Income Before Provision for Income Taxes.....	<u>\$ 57,601,517</u>	<u>\$ 67,278,151</u>	<u>\$ 9,676,634</u>
Provision for Income Taxes:			
Current.....	\$ 22,123,000	\$ 25,886,000	\$ 3,763,000
Deferred.....	929,000	3,976,000	3,047,000
	<u>\$ 23,052,000</u>	<u>\$ 29,862,000</u>	<u>\$ 6,810,000</u>
Net Income.....	<u>\$ 34,549,517</u>	<u>\$ 37,416,151</u>	<u>\$ 2,866,634</u>

The above statement should be read in conjunction with pages 20 and 21 of this report.

MAR 000581

LAM016640

AND CANADIAN SUBSIDIARIES

CONSOLIDATED SURPLUS

PAID-IN SURPLUS

	1958	1957
Balance at Beginning of Year.....	\$179,594,503	\$157,328,247
Additions:		
Excess of approximate market value of common capital stock distributed as a stock dividend over the par value thereof.....		12,159,266
Excess of approximate market value over the par value of common capital stock issued for a 50 per cent interest in Plax Corporation		9,587,500
Excess of amounts received over the par value of common capital stock issued under stock option plans.....	812,100	519,490
Balance at End of Year.....	<u>\$180,406,603</u>	<u>\$179,594,503</u>

EARNED SURPLUS

Balance at Beginning of Year.....	\$165,840,689	\$162,972,790
Add—Net Income for the Year.....	34,549,517	37,416,151
	<u>\$200,390,206</u>	<u>\$200,388,941</u>
Deductions:		
Dividends on common capital stock:		
Cash—at the rate of \$1 a share.....	\$ 22,218,009	\$ 21,517,354
Stock—2%.....		13,030,898
	<u>\$ 22,218,009</u>	<u>\$ 34,548,252</u>
Balance at End of Year.....	<u>\$178,172,197</u>	<u>\$165,840,689</u>

The above statement should be read in conjunction with pages 20 and 21 of this report.

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LAM016641

ACCOUNTANTS' CERTIFICATE**HASKINS & SELLS**

CERTIFIED PUBLIC ACCOUNTANTS

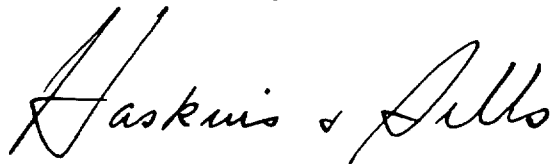
BOATMEN'S BANK BUILDING
SAINT LOUIS 2

Monsanto Chemical Company:

We have examined the statement of consolidated financial position of Monsanto Chemical Company and its domestic and Canadian subsidiary companies as of December 31, 1958 and the related statements of consolidated income and surplus for the year then ended. 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, the accompanying statement of consolidated financial position and statements of consolidated income and surplus (pages 22 through 25) present fairly the financial position of Monsanto Chemical Company and its domestic and Canadian subsidiaries at December 31, 1958 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 27, 1959.



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LAM016642

PARENT COMPANY,

DOMESTIC AND CANADIAN SUBSIDIARIES

SOURCE AND DISPOSITION OF FUNDS

(In Thousands)

Source of Funds:	TOTAL	1958	1957	1956	1955	1954
Net income.....	\$176,482	\$ 34,550	\$37,416	\$38,646	\$ 42,170	\$23,700
Lion Oil balance at beginning of year....	10,389				10,389	
Provisions for:						
Depreciation, etc.....	184,497	45,069	42,665	38,449	35,029	23,285
Deferred income taxes.....	14,504	929	3,976	4,769	4,830	
Sale of 4¼% income debentures.....	25,000	25,000				
Sale of 3¾% income debentures.....	25,000				25,000	
Common stock issued under options....	4,909	872	558	799	2,680	
Other—net.....	9,467	6,417	28	3,602	981	1,561
	<u>\$450,248</u>	<u>\$112,837</u>	<u>\$84,643</u>	<u>\$86,265</u>	<u>\$121,079</u>	<u>\$45,424</u>
Disposition of Funds:						
Dividends paid:						
Preference.....	\$ 1,178				\$ 601	\$ 577
Common.....	98,218	\$ 22,218	\$21,517	\$20,992	20,343	13,148
	<u>\$ 99,396</u>	<u>\$ 22,218</u>	<u>\$21,517</u>	<u>\$20,992</u>	<u>\$ 20,944</u>	<u>\$13,725</u>
Redemption of preference stock:						
Parent company.....	15,600				15,600	
Canadian subsidiary.....	850				850	
Plant additions and replacements.....	252,689	42,588	54,404	69,239	45,156	41,302
Investment in affiliated companies.....	43,620	23,433	6,316	553	7,173	7,251
Sinking fund payments.....	11,120	3,870	2,750	2,750	1,750	
Increase—decrease in working capital ⁽¹⁾	11,899	3,439	665	3,105	11,661	5,641
	<u>\$435,174</u>	<u>\$ 95,548</u>	<u>\$84,322</u>	<u>\$95,533</u>	<u>\$103,134</u>	<u>\$56,637</u>
Increase—Decrease in Cash and Securities	<u>\$ 15,074</u>	<u>\$ 17,289</u>	<u>\$ 321</u>	<u>\$ 9,268</u>	<u>\$ 17,945</u>	<u>\$ 11,213</u>

Italics indicate decrease.

(1) Exclusive of cash and securities.

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PETROLEUM OPERATING DATA

	1958	1957	1956	1955	1954
Expenditures for Exploration.....	\$11,765,858	\$15,647,840	\$20,175,034	\$13,245,034	\$11,095,306
Portion Capitalized.....	\$ 8,031,826	\$11,401,163	\$14,656,754	\$ 9,452,742	\$ 8,983,860
Portion Expensed.....	\$ 3,734,032	\$ 4,246,677	\$ 5,518,280	\$ 3,792,292	\$ 2,111,446
Leaseholds Expired and Abandoned....	\$ 4,038,948	\$ 2,654,890	\$ 1,452,725	\$ 964,766	\$ 1,242,397
Number of Producing Wells (net).....	1,157	1,141	1,098	1,062	937
Natural Gas Produced—Net MCF ⁽¹⁾	21,161,443	21,456,156	20,906,875	18,622,567	14,490,875
Liquefied Pet. Gas Produced—Bbls.....	733,306	884,804	994,517	744,160	662,875
Gross Crude Oil Produced—Barrels.....	8,050,160	8,568,035	9,322,559	9,415,719	8,333,034
Net Crude Oil Produced—Barrels.....	7,103,196	7,502,654	8,163,161	8,244,486	7,296,572
Average Crude Price Per Barrel ⁽²⁾	\$2.90	\$2.98	\$2.75	\$2.74	\$2.77
Domestic Undeveloped Acreage.....	1,301,657	2,392,507	2,250,591	1,808,552	1,466,878
Domestic Producing Acreage.....	79,203	78,141	71,800	66,144	56,041
Crude Oil Run to Stills—Barrels.....	10,392,687	10,527,774	8,393,703	9,294,844	8,853,248
Daily Average Crude Oil Runs—Barrels	28,473	28,843	22,934	25,465	24,255
Refinery Production—Barrels.....	11,375,494	11,347,931	8,943,546	10,180,126	9,557,350
Station Sales—Gallons.....	114,177,697	111,562,216	116,057,474	109,476,394	104,445,456
Refined Oil Sales—Gallons ⁽³⁾	478,416,598	455,120,546	372,239,287	411,997,884	376,151,644

(1) Excludes gas returned to formations.

(2) At end of year.

(3) Includes station sales.

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DIRECTORS, OFFICERS AND COMMITTEES

BOARD OF DIRECTORS

EDGAR M. QUEENY, <i>Chairman</i>	ST. LOUIS
THOMAS H. BARTON	EL DORADO, ARK.
CHARLES S. CHESTON.....	PHILADELPHIA
FRANCIS J. CURTIS	ST. LOUIS
FREDRICK M. EATON	NEW YORK
JOHN L. GILLIS.....	ST. LOUIS
CARROLL A. HOCHWALT	ST. LOUIS
HERBERT HOOVER JR.....	LOS ANGELES
TRUEMAN M. MARTIN	EL DORADO, ARK.
WILLIAM W. SCHNEIDER.....	ST. LOUIS
CHARLES ALLEN THOMAS.....	ST. LOUIS
FELIX N. WILLIAMS.....	ST. LOUIS

EXECUTIVE COMMITTEE

CHARLES ALLEN THOMAS, *Chairman*

JOHN L. GILLIS	EDGAR M. QUEENY
CARROLL A. HOCHWALT	WILLIAM W. SCHNEIDER
TRUEMAN M. MARTIN	FELIX N. WILLIAMS

FINANCE COMMITTEE

CHARLES S. CHESTON, *Chairman*
 THOMAS H. BARTON EDGAR M. QUEENY
 FREDRICK M. EATON WILLIAM W. SCHNEIDER
 CHARLES ALLEN THOMAS

Transfer Agent

GUARANTY TRUST COMPANY OF NEW YORK

Registrar

THE CHASE MANHATTAN BANK

OFFICERS

EDGAR M. QUEENY.....	Chairman, Board of Directors
CHARLES ALLEN THOMAS.....	President
FRANCIS J. CURTIS.....	Vice President
JOHN L. GILLIS.....	Vice President
CARROLL A. HOCHWALT.....	Vice President
TRUEMAN M. MARTIN.....	Vice President
WILLIAM W. SCHNEIDER.....	Vice President
FELIX N. WILLIAMS.....	Vice President

H. HAROLD BIBLE	<i>Vice President</i>
J. L. CHRISTIAN	<i>Vice President</i>
R. K. MUELLER	<i>Vice President</i>
HOWARD K. NASON	<i>Vice President</i>
IRVING C. SMITH	<i>Vice President</i>
CHARLES H. SOMMER	<i>Vice President</i>
J. RUSSELL WILSON	<i>Vice President</i>
MARSHALL E. YOUNG	<i>Vice President</i>

EDWIN J. CUNNINGHAM.....Controller
EDWIN J. PUTZELL JR.....Secretary
PATRICK J. DOWD.....Treasurer

ALFRED W. LONG	Assistant Controller
WALTER C. THILKING	Assistant Controller
EARL J. WIPFLER	Assistant Controller
CHARLES E. CASPARI JR.	Assistant Secretary
JEFF DAVIS	Assistant Secretary
JOHN N. EHLERS	Assistant Secretary
FRANKLIN C. REHFELD	Assistant Secretary
JOHN F. MARTIN	Assistant Treasurer
J. ROBERT MATLOCK	Assistant Treasurer
ROLLA H. STOCKE	Assistant Treasurer

Regional Vice Presidents

ROY L. BRANDENBURGER EDWARD W. GAMBLE JR.
VICTOR E. WILLIAMS

MONSANTO CHEMICAL COMPANY • ST. LOUIS, MISSOURI

MAR 000587

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