Monsanto

1967
ANNUAL REPORT
MONSANTO COMPANY

FINANCIAL HIGHLIGHTS

(Dollars in Millions, Except Per Share Figures)

	1967	1966
Earnings a Share	$ 3.17*	$ 3.48
Cash Dividends a Share	1.60	1.60
Stock Dividend	2%	2%
Income:		
Net sales	$1,632.4	$1,611.9
Interest, dividends, etc	25.2	26.6
	1,657.6	1,638.5
Costs of Doing Business:		
Raw materials, fuel, supplies, etc	864.6	856.8
Wages and salaries to employes	397.8	375.8
Depreciation, depletion, etc	162.9	152.4
Taxes (income, property, etc.)	103.6	115.1
Interest expense	21.9	23.4
Minority interests in subsidiaries	2.4	2.7
	1,553.2	1,526.2
Net Income	104.4*	112.3
Cash Dividends Paid	51.4	50.5
Retained for Future Growth	$ 53.0	$ 61.8
Per Cent of Sales:		
Gross profit	25.8%	26.8%
Selling and administrative expenses	9.9	9.7
Research, development, patent, engineering	5.2	4.7
Net income	6.4	7.0
Plant Additions and Replacements	$ 160.4	$ 211.0
Long Term Debt (Exclusive of Current Maturities)	$ 451.4	$ 480.4
Shareowners' Equity	1,074.8	1,021.6
Equity to debt ratio	2.38	2.13
Common Shares (In Millions)	33.0	32.3
Book Value a Common Share	$ 32.61	$ 31.62
Working Capital	$ 409.7	$ 377.7
Current Assets to Current Liabilities Ratio	2.66	2.38
Employes	58,799	57,647
Shareowners	111,363	95,938

* Includes $6.4 million, or 19 cents a share, from sale of interest in Mobay Chemical Company.

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Despite Monsanto's 1967 achievements, which included a modest sales increase and significant cost reductions, profits lagged those of the prior year. The final quarter was in fact the only quarter in which earnings from operations exceeded their 1966 level.

Consolidated sales in 1967 rose to a record $1,632,357,000, which bettered the 1966 sales total by 1 per cent. But operational income declined 13 per cent to $97,959,000. This was equivalent to earnings of $2.98 a share on 32,962,005 shares outstanding, compared to $3.48 a share on 32,308,823 shares in 1966.

The foregoing figures exclude an extraordinary profit realized in 1967's first quarter from the sale of Monsanto's interest in Mobay Chemical Company. This nonrecurring gain, which was reported to shareowners earlier, amounted to $6,394,000 or 19 cents a share. It increased 1967's net income to $104,353,000 and total earnings to $3.17 a share.

As in past years, a table on this page shows how various factors combined to cause the year-to-year change in Monsanto's earnings. And as it has historically, the table makes abundantly clear the serious consequences of the continuing decline in selling prices. In 1967, this decline reduced net income by about $19 million.

In most of recent years, similar declines were offset by gains in sales volume. In 1967, however, difficulties in certain areas of the world economy held over-all sales close to year-earlier levels.

Lower selling prices were particularly damaging in the area of man-made fibers. Although demand for fibers strengthened sufficiently in the second half to trigger some price firming, the reversal was neither soon enough nor strong enough to offset earlier price cuts.

Administrative, marketing and technological expenses rose much less sharply than in 1966 and stayed well within budget. To continue Monsanto's

The year-to-year decrease in earnings of 31 cents a share is accounted for as follows:

	Earnings a Share		
Year 1966 earnings.............			$3.48
In 1967 earnings were reduced by:			
Lower selling prices............	$ .60		
Higher selling, administrative, research, development and other expenses..............	.23		
Higher raw material prices.....	.01	$ .84	
Earnings were increased by:			
Manufacturing cost savings....	.25		
Lower start-up costs...........	.07		
Higher sales volume...........	.15	.47	
Decrease in operating results....		.37	
Other decreases to earnings:			
Lower investment tax credit of $.12, less benefit of other tax items of $.07................	.05		
Higher income charges—net..	.01		
Effect on earnings of shares issued during the year.......	.07	.13	.50
Earnings before extraordinary items.........................			2.98
Extraordinary items:*			
Earnings were increased by the sale of the company's interest in Mobay Chemical Company			.19
Year 1967 earnings.............			$3.17

*In 1966 the company had two extraordinary items, one a loss on the write-off of Polythane Corporation goodwill and the other a gain on the sale of investments. Each amounted to 19 cents a share.

Italics in the text of this Annual Report identify Monsanto's registered ® trademarks.

growth, it is a virtual necessity that increasing sums of money be channeled into such important functions as research, engineering, development and activities in support of marketing.

The nonoperating factor that lowered 1967 earnings most significantly was the drop in investment tax credit, caused by reduced capital spending. The year's capital expenditures amounted to $160,365,000, compared to $210,972,000 in 1966. This was a decrease of 24 per cent.

In addition to the small sales increase and the item of extraordinary income, several other factors benefitted 1967 earnings. They included, for example, year-to-year cost savings on product manufacture and plant start-up expenses.

Product lines did not share equally in the 1967 sales advance. Some in fact lost ground. Farm chemicals, paced by Monsanto's proprietary weed killers, and petroleum products made the best gains.

The company's total sales beyond U.S. borders rose 5.5 per cent and amounted to $362 million, compared to $343 million in 1966.

Most manufacturing operations progressed well in 1967 as newly instituted production efficiencies reduced costs by more than $15 million. A notable exception, however, was at the world's largest phosphorus furnace, which Monsanto completed in 1966 at Soda Springs, Idaho. The furnace again experienced problems. Although its production rates rose, its output was still below design capacity. Furnace modifications made in 1967's fourth quarter are expected to provide more continuous operation and to increase output in 1968.

In October, the New Enterprise Division became Monsanto's ninth division. The newly created unit is devoted exclusively to the search for and creation of new businesses. Initially, it is interested in five promising areas: electronic semiconductor materials, displays, instruments and systems; engineered composite systems; protein foods; graphic systems; and *AstroTurf* recreational surfaces. General manager of the new division is Dr. Richard S. Gordon, former director of the company's Central Research Department.

Also in October, Monsanto formed a Corporate Development Committee to take the lead in planning and implementing the company's growth. Chaired by the president, the new committee evaluates corporate objectives, defines key issues facing Monsanto and develops appropriate long-term courses of action.

In June, Finis Morgan was elected Monsanto's financial vice president, a new position. Mr. Morgan previously had administrative responsibility in the financial area for the former Chemstrand Corporation and more recently served as manager of the Pensacola, Fla., plant — the company's largest. His new duties include direction of the Accounting, Central Planning & Evaluation, Treasury, and Financial Relations functions.

The company's fight against pollution of man's environment was accelerated in 1967 by the formation of Monsanto Biodize Systems, Inc. The new subsidiary will design, sell and install processes for removing water pollutants from a variety of industrial and municipal wastes. Its first commercial installation is to be a secondary waste-disposal system at Monsanto's resin plant in Trenton, Mich.

Meanwhile, in conjunction with Metropolitan Edison Company, Monsanto completed installation of its prototype unit to remove air-polluting sulfur dioxide from the stack gases of Met-Ed's coal-burning, electric-power station in Portland, Pa. The experimental unit is now under intensive evaluation. Concurrent work is under way to design commercial-size plants for removal of sulfur dioxide from boiler-plant stacks of industrial installations.

Legislative and administrative actions by the United States continue to be of deep concern because they are certain to have important effects on the international competitive strength of the American chemical industry and thus on the interests of Monsanto's employes and shareowners. As a case in point, agreements reached during the Kennedy Round of negotiations in Geneva resulted in tariff reductions on chemical and related products for which no reciprocal treatment was obtained from other nations. No agreements whatever were reached in connection with restrictive nontariff barriers, although Monsanto is glad to see evidence that the government is commencing to give attention to this important area.

Imports already supply almost 10 per cent of U.S. consumption of man-made fibers. This is an area of particular importance to Monsanto and one in which the company has a very high percentage of investment and employment. Monsanto has been working with the entire domestic textiles industry in requesting the government to extend to all fibers and fiber products treatment similar to that already applied to cotton.

The government's oil-import program, which is designed to protect domestic oil producers, requires that U.S. petrochemical companies pay 50 per cent more for raw materials than do overseas competitors. To attempt to equalize this major cost, Monsanto is working with other U.S. petrochemical producers in seeking government support to permit full access to petroleum feedstocks at world prices. This move is vital to the continued health of those aspects of Monsanto's business involving petroleum-derived chemicals and plastics.

Although the tax burden is already heavy, Monsanto is aware that a temporary income tax increase, combined with a reduction in government expenditures, is probably needed to combat inflation. It should be noted, however, that acceleration of corporate tax payments in itself has constituted a tax increase. Social security taxes, state taxes and local taxes also have risen. In Monsanto's view, new increases should apply only after allowable tax credits have been recognized, including foreign tax and investment credits, in order to help U.S. business compete internationally.

Historically, the overseas investment policies of Monsanto and U.S. industry as a whole have strengthened the nation's balance of payments. It is therefore paradoxical that, while imposing new costs on business and following inflationary policies at home and exporting dollars for a variety of government programs abroad, the administration turns to the private sector to reduce the balance-of-payments deficit. While restraints on investment abroad may serve as temporary expedients, they cannot be regarded as realistic long-term solutions to the balance-of-payments problem.

Since 1965, Monsanto has been among more than 700 U.S. companies participating in the government's voluntary program which puts curbs on overseas investment. Although Monsanto has not yet been forced to curtail its expansion plans, the increasing trend toward more governmental restrictions on U.S. enterprise abroad will surely have a bearing on future expansion outside the United States.

Britain's devaluation of the pound sterling was felt throughout the financial world. Because Monsanto had taken the necessary steps to protect its assets, the devaluation had no adverse effect on the company's 1967 earnings.

We are proud of Monsanto employes at all levels for splendid performance during a rather difficult year. These men and women, who constitute the main strength of the company, will provide the drive needed for future gains.

Newly added facilities should reduce costs and enhance profitability. And we anticipate that intensive capital planning will result in improved return on investment. We are certain that changes made last year in the structure of our organization will accrue to Monsanto's benefit. Additionally, in late January, 1968, the Board of Directors authorized a restructuring of its committees in order to adapt the responsibilities of these committees to the company's changing needs. This restructuring is now under way.

As we strive for greater earnings in 1968 and beyond, we recognize that future gains could be restricted by factors beyond the company's control. But we have great confidence that Monsanto is equipped with the kind of vigor and efficiency essential to progress.

Sincerely,

Chas. A. Thomas

Chairman of the Board

Chas. Sommer

President

St. Louis
February 23, 1968

> The next annual meeting of the shareowners of the company is to be held at 10 a.m. Thursday, March 28, 1968, 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.

Most of Monsanto's activities relate in some way to the manufacture and sale of products. Therefore the year's more significant developments are discussed here primarily in terms of products and product uses. Information is classified according to Monsanto's 11 product groups and treated on a worldwide basis.

There was virtually no year-to-year change in Monsanto's sales of man-made fibers. However, fourth-quarter sales were encouragingly higher than those of the same 1966 quarter, reflecting the general improvement manifest in the textiles industry.

Sales volumes of *Blue "C"* nylon were at 1966 levels; but prices were significantly lower. Tire, carpet and hosiery yarns moved at record rates.

New nylon yarns marketed by Monsanto in 1967 included improved products for carpeting and hosiery manufacture. Also new was *Dye 1* cationic-dyeable nylon, which enables the creation of two-color or three-color fabric in a single dyeing. Checks, stripes and other color effects are easily achieved by knitting *Dye 1* into patterns with regular and deep-dyeing forms of *Blue "C"* nylon. The three yarn types have like physical properties. But varying degrees of dye receptivity cause them to be colored differently in the same dye bath.

At its nylon plant in Greenwood, S.C., Monsanto completed an addition of facilities to produce tire, textile and carpet yarns. The expansion added more than 30 million pounds to the plant's annual capacity.

As the year ended, the company's nylon plants in Luxembourg and Scotland were turning out yarn in record quantities. At the latter location, facilities were being installed to convert chemical intermediates for nylon production.

Sales of *Acrilan* acrylic fiber were greater than ever and would have risen higher had it not been for price declines on acrylic carpet fibers.

In 1967, Monsanto introduced a number of improved fibers for textiles and carpeting. Indoor-outdoor carpeting of *Acrilan* won excellent market acceptance during the year.

New marketing programs and lower-than-ever manufacturing costs have put *Acrilan* in an excellent competitive position. At year-end, production of the fiber was close to capacity in the United Kingdom and at the year's best levels elsewhere. Manufacture of *Acrilan* acrylic fiber in Israel continued throughout the Arab-Israeli conflict.

In 1967, Monsanto experienced its first full year as a supplier of polyester fiber, the market for which is fastest-growing of all fiber markets. After over-

CONSOLIDATED SALES BY PRODUCT GROUPS

PER CENT INCREASE-*DECREASE* 1967 OVER 1966	1962		PER CENT OF TOTAL 1967	1966	1962
1	59	Chemical Fibers	26.9	27.5	26.3
3	57	Plastics, Resins and Coatings	23.7	24.9	23.5
10	153	Products for Agriculture	11.2	10.4	6.9
5	31	Phosphates and Detergents	9.6	9.2	11.3
5	50	Intermediates, Plasticizers and Functional Fluids	9.5	9.2	9.8
3	32	Rubber and Oil Chemicals	6.3	6.2	7.4
10	32	Petroleum — Net of purchases	4.8	4.4	5.6
8	21	Food Ingredients and Fine Chemicals	2.6	2.9	3.3
7	8	Textile and Paper Chemicals	2.2	2.4	3.1
7	31	Heavy Chemicals	1.9	1.9	2.3
—	—	Other	1.3	1.0	.5
			100.0	100.0	100.0

coming most of its start-up problems, Monsanto was making *Blue "C"* polyester fiber at near-capacity rates at year-end and had the product on allocation.

PLASTICS, RESINS AND COATINGS

Sales of plastics and related products were 3 per cent below year-earlier levels.

The decline was caused mainly by sluggishness in certain sectors of the U.S. economy and by prolonged strikes in principal consuming industries. As the domestic economy gains strength, sales of this group should return to traditional growth rates. Meanwhile, weakness in U.S. plastics markets has been partially offset by improved sales in Mexico, Europe and the Far East.

In 1967, Monsanto introduced new grades of *Lustran* acrylonitrile-butadiene-styrene (ABS) for the manufacture of automotive parts and appliance components by injection molding. Expansion under way in Addyston, Ohio, will boost the company's domestic ABS capacity to 170 million pounds annually in 1968.

During the year's second half, work progressed on a new unit to produce *Lustrex* polystyrene in Montreal, Canada. The facility will replace the one destroyed there in 1966 by fire and explosion.

Also in 1967, capacity to manufacture styrene monomer was increased to 750 million pounds a year in Texas City, Tex. The monomer is a raw material for the production of both *Lustran* and *Lustrex*.

Vyram rigid polyvinyl chloride continued to expand its use for making clear bottles for toiletries and detergents. From the U.S. government, Monsanto has obtained clearance of the material for packaging food products.

In 1967, Monsanto polyethylenes increased their share of the market for wire and cable insulation in the United States and in the United Kingdom. Improved high-density polyethylenes were marketed for fabricating milk bottles and other containers. An expansion which neared completion in Fawley, England, will increase capacity to make low-density resins by 50 per cent, to about 100 million pounds a year.

Sales of nylon resins for production of automotive, electrical and industrial components increased sharply.

In Ghent, Belgium, Monsanto hiked its capacity to make *Saflex* polyvinyl butyral plastic interlayer for laminated safety glass of the kind used in auto windshields. Domestic capacity to produce resin for the interlayer was increased in Springfield, Mass., and in Trenton, Mich.

In 1967, Monsanto introduced a resin-treated decorative paper for upgrading the surfaces of wood products. It is offered to manufacturers of paneling made from particleboard, hardboard and plywood.

At the Addyston Plant, installation of a unit capable of producing 80 million pounds of formaldehyde annually lifted the company's total formaldehyde capacity to 400 million pounds a year. Formaldehyde is a raw material for a number of products sold to the furniture, paint and construction industries.

Capacity to make *Formvar* polyvinyl formal resin for wire-insulation enamels was boosted in Springfield. Other capacity increases in Canada, Mexico, Spain and the United Kingdom helped meet growing world demand for a variety of fabricated plastic products including pipe, packages and building materials.

Domestically, the company developed and marketed a premium line of garden hose. It is sold under the Monsanto label. Among other plastic-based products new from Monsanto in 1967 were vertical siding for building applications; insulating board for use in building mobile homes; and a great variety of packages.

In 1967, the company continued as one of the world's major suppliers of plastic containers. Monsanto-made packages which were especially successful during the year included vinyl bottles for lighter fuel, hair dressing and shampoo; table-ready tubs for soft margarines, dairy dips and specialty foods; cups for dispensing hot and cold drinks from vending machines; and transparent trays for prepackaged meats and poultry. Sales of transparent trays more than doubled.

PRODUCTS FOR AGRICULTURE

Monsanto's expanding role as a supplier of farm chemicals was again apparent as total sales of this product group rose 10 per cent.

Movement of plant food was below 1966 levels

COMPARATIVE CONSOLIDATED SALES, INCOME AND EARNINGS A SHARE, ON A QUARTERLY BASIS

	1967	1966	Per Cent Increase *Decrease*
	(In Thousands)		
SALES:			
First quarter	$ 422,047	$ 407,187	3.6
Second quarter	422,091	433,149	*2.6*
Third quarter	383,386	378,534	1.3
Fourth quarter	404,833	393,011	3.0
	$1,632,357	$1,611,881	1.3
INCOME:			
First quarter	$ 38,126(1)	$ 36,390	4.8
Second quarter	27,538	39,402	*30.1*
Third quarter	16,238	13,225(2)	22.8
Fourth quarter	22,451	23,289(3)	*3.6*
	$ 104,353	$ 112,306	*7.1*

	1967	1966 Adjusted for 1967 Stock Dividend	1966 As Reported
EARNINGS A SHARE(4):			
First quarter	$1.16(1)	$1.10	$1.13
Second quarter	.83	1.20	1.22
Third quarter	.50	.40	.41(2)
Fourth quarter	.68	.71	.72(3)
	$3.17	$3.41	$3.48

SHARES OUTSTANDING DECEMBER 31:

1967	32,962,005
1966	32,308,823

(1) Includes profit on sale of investment, net of applicable income tax, of $6,394,000, equivalent to 19 cents a share.

(2) After deduction of $6,075,000 for write-off of goodwill, equivalent to 19 cents a share.

(3) Includes profit on sale of investments, net of applicable income tax, of $6,030,000, equivalent to 19 cents a share.

(4) Restated for the first three quarters of 1967 to reflect the shares outstanding on December 31.

due to a cold, wet spring which hampered fertilizer applications.

Sales of crop-protection chemicals, applications of which are less influenced by weather, gained strongly.

Ramrod weed and grass killer won additional favor among corn and soybean growers in the important markets of the U.S. Midwest. In 1967, *Ramrod* received new label clearances from the U.S. Department of Agriculture for use of the product on sweet corn and sugar beets. Prior to the 1968 growing season, additional clearances are expected on corn forage and silage, and grain and silage sorghum. Such clearances represent the opening of important new markets. To insure adequate supplies of *Ramrod*, additional production facilities were completed at Muscatine, Iowa, in 1967.

Avadex wild-oat killer and associated products were sold out in Canada and were in strong demand domestically and in Australia, Europe and Latin America.

Sales of *Rogue* herbicide, which controls the grassy weeds that infest rice fields, rose to record levels. The gain came despite strong competition from imported products of similar content. In December, Monsanto's patent application pertaining to the herbicidal use of *Rogue* was awarded priority of invention by the U.S. Patent Office.

Cutbacks in domestic cotton acreage, reduced infestation by the boll weevil and unfavorable weather depressed not only sales but selling prices of organophosphorus insect killer. Sales of the product increased outside the United States, especially in areas served by member companies in Central America.

Santoquin antioxidant, an additive for animal feed, gained an important new market in 1967 as a preservative for fish meal.

PHOSPHATES AND DETERGENTS

The group's total sales exceeded those of the prior year by 5 per cent.

Had the giant phosphorus furnace at Soda Springs, Idaho, operated at anticipated levels, the gain would have been greater. Furnace modifications are expected to increase phosphorus output and enable Monsanto to participate more fully in further market growth.

Output of Monsanto production units supplying phosphates to detergent makers and others exceeded previous records. The company manufactured a number of special new grades of phosphate for use in products the detergent industry began test marketing in 1967. Many such products are responsive to the changing detergent needs spawned by increased use of man-made fibers.

The market for dentifrice phosphates expanded in 1967. Export sales gained especially well.

Monsanto facilities producing biodegradable alkylbenzene had to run at capacity to keep detergent makers adequately supplied with the product.

In Anniston, Ala., a new Monsanto unit began producing phosphorus pentasulfide. The facility greatly increased the availability of an important intermediate widely used to make insecticides and oil additives.

Sales of Monsanto's *Dequest* organophosphorus sequestering agents grew in 1967 as new applications developed. The proprietary compounds serve customers in such diverse fields as industrial water treatment, textile processing and the manufacture of specialty detergents.

INTERMEDIATES, PLASTICIZERS AND FUNCTIONAL FLUIDS

There was a 5 per cent gain in sales of this group. Intermediates, used in the manufacture of other chemicals, made a particularly strong showing.

Phthalic anhydride, a mainstay of the group, has major applications in the production of paints, polyester resins and plasticizers. In 1967, a shortage of traditional feedstocks used in making phthalic pushed the price of the product to its highest point since 1963.

At the same time, a new phthalic anhydride unit came on stream at Monsanto's Chocolate Bayou Plant near Alvin, Tex. Unique technology employed there permits use of alternate feedstocks made by Monsanto and offers the possibility of significant cost savings.

Additional capacity to produce maleic anhydride for surface coatings, polyester resins and other uses was installed in St. Louis in 1967. A unit to produce a material imparting fire-retardancy to polyester resins for making boat hulls and other products was completed in Bridgeport, N.J. And in Australia, construction was begun on a modern phenol production unit scheduled for start-up late in 1968.

MONSANTO'S DIVISIONS

At the close of 1967, the company had these nine divisions: Agricultural Division, Hydrocarbons & Polymers Division, Inorganic Chemicals Division, International Division, New Enterprise Division, Organic Chemicals Division, Packaging Division, Plastic Products & Resins Division and Textiles Division.

Sales of plasticizers, used mainly to improve the properties of plastics, rose despite the adverse effects of a slowdown in the building industry and a strike in the automotive industry. Demand for resilient floorings and coated cloth — both major end uses for plasticizers — fell off sharply because of these soft spots in the U.S. economy.

Monsanto's new facilities producing *Santicizer* 160 primary plasticizer in Antwerp, Belgium, achieved production levels that exceeded forecasts. Product is being exported from there to Asia, Australia, South Africa and Eastern Europe.

Sales of Monsanto fluids for a variety of special uses again expanded. For example, *Skydrol* fire-resistant hydraulic fluid for aircraft bettered its position despite mounting competitive activity.

Monsanto's dielectric fluids are nonconductive, fire-resistant materials — which serve, among other uses, as coolants for electric transformers. To accommodate growing worldwide demand for such fluids, the company has programmed major expansions in the United States and in the United Kingdom.

Also in 1967, the company introduced new forms of *Pydraul* fire-resistant industrial hydraulic fluid and *Therminol* heat-transfer fluid. Both lines were enlarged to meet the requirements of new, highly specialized markets.

RUBBER AND OIL CHEMICALS

These chemicals bettered their 1966 sales performance by 3 per cent.

A strike that idled the U.S. rubber industry for three months caused Monsanto's domestic sales of rubber chemicals to decline sharply. But the lost sales were more than offset by a strong recovery in domestic business after the strike and by exceptionally brisk European business all year.

Domestically, Monsanto started making the concentrate used in the manufacture of isoprene rubber. In Australia, where Monsanto's sales to the rubber industry have been increasing, a 20 per cent expansion in styrene monomer capacity is scheduled for 1968 completion. The monomer is a key raw material in the manufacture of the synthetic rubber sold in largest volume.

In 1967, the company established major facilities for producing rubber chemicals in Antwerp, Belgium.

Sales of petroleum additives were below year-earlier levels, due largely to vigorous competition and to increasing self-manufacture by major petroleum producers.

In 1967, Monsanto's associate company in Japan established facilities to manufacture oil additives at its plant in Yokkaichi. Late in the year, an expansion of existing capacity to make the products was begun in Newport, England.

PETROLEUM PRODUCTS

All major petroleum products contributed to the group's over-all sales advance of 10 per cent.

Prices of gasolines, diesel fuels and heating oils were the highest in a decade. Market patterns improved especially well in those areas close to Monsanto's El Dorado, Ark., refinery.

Sales of crude oil and natural gas benefitted in 1967 from increased demand, new well completions and improved performance in secondary recovery of crude.

Canadian exploration programs resulted in completion of four oil wells in the North Zama region of Alberta and discovery of an oil field in southeast Saskatchewan. Monsanto's acreage in North Zama, one of North America's most significant producing areas, is under further development. Domestically, Monsanto discovered and developed substantial petroleum reserves in the Four Corners area of Colorado and Utah.

As a member of a joint exploration group, the company has applied for prospecting licenses covering 33 blocks in the Netherlands North Sea. Monsanto is also participating in a multicompany exploration program in Alaska.

FOOD INGREDIENTS AND FINE CHEMICALS

Sales of this group of products declined 8 per cent.

Saccharin and adipic acid moved in good volume. But sales of vanillin products were depressed by import competition.

Sales of bulk aspirin were below expectations, mainly because of a slowdown in world consumption on the heels of 1966 inventory buildups by Monsanto customers.

In February, 1968, Monsanto obtained ownership of George Lueders & Company, a manufacturer of flavors and fragrances. The move will permit Monsanto to serve such product needs of the food, cosmetics and toiletries industries.

TEXTILE AND PAPER CHEMICALS

Sales of chemicals for the manufacture of textiles and paper declined 7 per cent.

Part of the acrylonitrile Monsanto makes is used by the company in the production of chemical fibers and plastics. The rest is marketed for similar uses. Although the company's own use of acrylonitrile increased in 1967, sales of the product were below year-earlier levels.

The 1961 decision to create a paper chemicals department continued to pay dividends in 1967. Sales of paper chemicals rose slightly despite cutbacks in production of paper and paperboard.

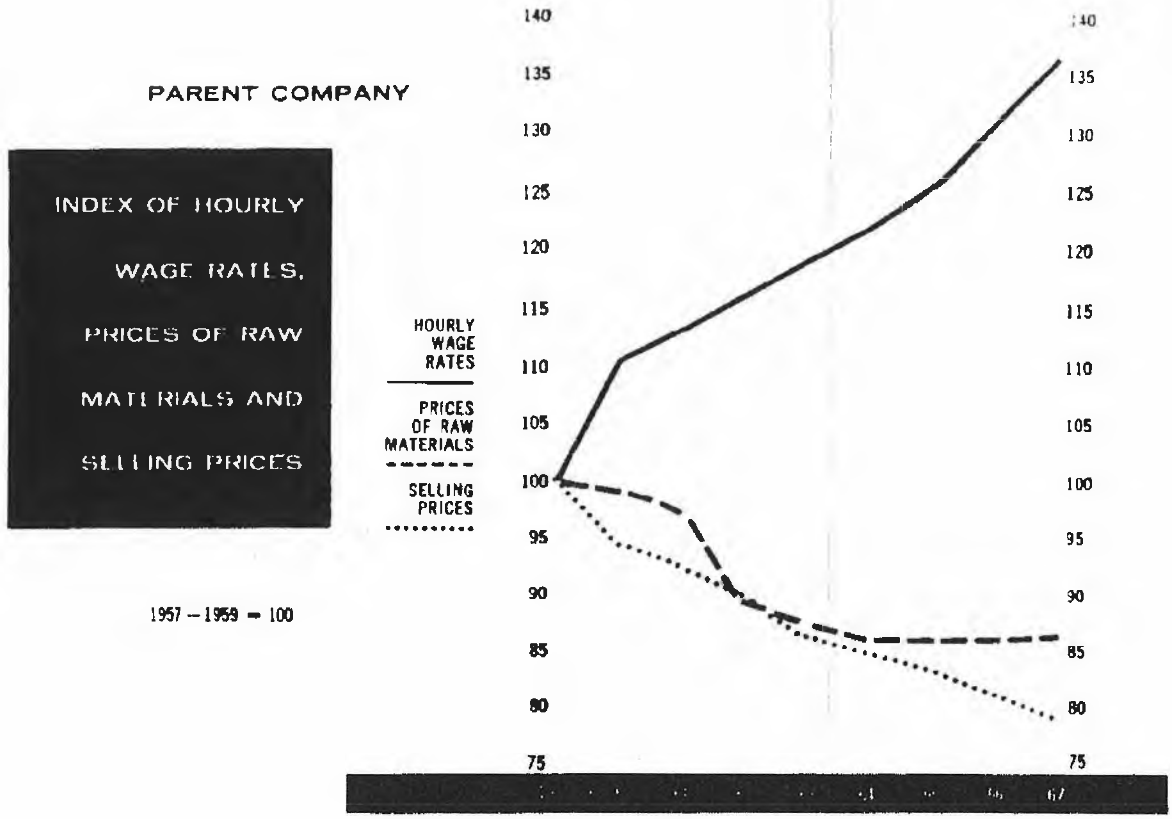
Sales of *Mersize* sizing agents for paper increased. Sales of *Scripset* surface additives doubled as new areas of application for the products continued to develop.

HEAVY CHEMICALS

Heavy chemicals had a sales increase of 7 per cent.

At its Sauget, Ill., plant Monsanto brought into production the world's most modern unit for manufacturing sulfuric acid. The facility incorporates effective, new systems to curb air pollution. The production unit and all auxiliary equipment are operating as planned.

At Cote Blanche Island, La., salt-mining operations progressed well. Production of salt at the partially owned mine was at record rates in 1967.



OTHER PRODUCTS

The electronic industry's 1967 transition from discrete transistors and diodes to microcircuits significantly changed the market for silicon materials. For example, the "polished wafer" became the form of silicon most demanded. Having anticipated and prepared for the change, Monsanto was positioned to benefit. The company's silicon sales gained well.

In 1967, the efficiency and performance of Monsanto's solid-state, light-emitting diodes were improved tenfold — making them the brightest, most efficient, least expensive available. A variety of new applications were found for the company's solid-state infrared lasers. And Monsanto developed and began producing eight new electronic instruments for measuring and testing.

AstroTurf recreational surfaces were installed in two outdoor stadiums and successfully used there during the 1967 football season. In both cases, the Monsanto product wore well, was easy to clean and required little maintenance. At the same time, *AstroTurf* tailored to other recreational uses served well on putting greens, golf-tee surfaces and playgrounds. Indications are that *AstroTurf* is earning deserved recognition among architects, designers, athletic directors and others.

Also in 1967, Monsanto technology was used to adapt a high-protein soft drink already popular in Hong Kong to the flavor preferences of other regions of the world. In 1968, Monsanto plans to supply a concentrate of the drink to franchised bottlers in Taiwan and Latin America for local introduction.

RESEARCH, DEVELOPMENT AND ENGINEERING

Successful introduction of new products again demonstrated the effectiveness of Monsanto's technological efforts.

In 1967, the company commercialized 63 basic new products and upgraded many of its existing products. Also during the year, Monsanto received 584 U.S. patents and 2,267 patents in other countries.

Expenditures for research, development, patent work and basic engineering totaled $84.2 million, compared to $76.0 million in 1966.

Formation of the New Enterprise Division late in the year significantly altered the organization of the

GROSS ADDITIONS TO PROPERTY AND DEPRECIATION

	Property Additions	Depreciation, Obsolescence, Amortization and Depletion
	(Millions of Dollars)	
1958	58.1	52.9
1959	68.7	56.1
1960	121.3	79.0
1961	153.8	86.9
1962	168.8	97.6
1963	114.5	114.6
1964	218.1	120.3
1965	295.2	133.5
1966	211.0	152.4
1967	160.4	162.9

Central Research Department. There was a transfer from the department to the division of a number of projects nearing completion. Many of the people involved were transferred at the same time. The department was consequently reoriented to more basic work.

Still within the scope of Central Research is the continuing search for better ways to make existing products. The department's present work includes investigation of new catalysts, organic reaction mechanisms and chemical physics. In 1967, a research program being conducted with Washington University for the U.S. Department of Defense resulted in significant new findings in the important field of reinforced composites.

Wholly owned Monsanto Research Corporation continued its work on research problems relating to national defense, health, safety and the conquest of space. Important projects conducted for the Department of Defense and for many civilian agencies of the government included work in the fields of advanced materials and energy conversion. One project resulted in new plastic materials and designs showing promise of improved blood compatibility for use in artificial heart and kidney devices.

Power sources utilizing radioisotopic heat generated from plutonium-238 and polonium-210 radioisotopic fuels are being developed at Mound Laboratory in Miamisburg, Ohio, which Monsanto Research Corporation continues to operate for the Atomic Energy Commission. In 1967, the laboratory produced power sources for the Apollo Lunar Surface Experiment Package. Additional Mound-produced power sources had application to other space programs, to the life sciences and to oceanographic research.

The Central Engineering Department carried out the company's major expansions in 1967. And throughout Monsanto, the department helped implement successful programs of process improvement and cost reduction.

Increased construction costs were partially offset by highly efficient procedures for procuring equipment. Such procedures — which included value analysis, national contracts and competitive bidding — effected a savings of 5 per cent on the cost of equipment purchases for major construction projects.

The 1967 program of property additions was handled without major deviation from the originally estimated total cost. There were some overruns and underruns. But early project planning, careful scheduling, and efficient design and construction tended to reduce cost variations.

In a number of areas, the use of computers in process control continued to improve productivity.

PERSONNEL

Programs to speed the development of key personnel were continued. In 1967, more than 1,000 professional and managerial employes participated. More than 2,500 others bettered their job skills outside working hours under the provisions of Monsanto's improved tuition-refund policy.

The company achieved its 1967 recruiting objectives despite strong competition for professional manpower. At the same time, Monsanto's summer employment of college students and extensive aid-to-education programs continued to enhance the company's reputation on U.S. campuses.

To increase the availability and usefulness of personnel records, Monsanto installed a computerized data system. It is designed to make information readily accessible for use in the development and placement of manpower.

Six labor contracts were negotiated during the year. In addition, four existing contracts were extended beyond their original termination dates. The only major work stoppage occurred in Kenilworth, N.J., during negotiations for a first contract there. The strike lasted four months.

Monsanto's safety record continues to be among industry's best. In 1967, the company operated more safely than all but one other U.S. chemical maker.

SHAREOWNERS OF RECORD

	1967		1966		1965		1964		1963	
	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	37,094	5,004,713	32,301	4,583,590	32,084	4,610,890	30,446	4,691,800	27,863	4,354,601
Women	32,811	3,961,870	29,983	3,837,791	29,211	3,872,397	28,328	3,850,905	24,322	3,603,280
Joint Accounts	24,541	1,282,708	19,030	952,801	18,431	897,004	17,770	909,442	16,881	876,116
Charitable Institutions	511	200,787	508	206,202	488	204,768	480	204,432	395	144,691
Educational Institutions	147	202,529	143	208,153	128	197,391	136	190,164	127	151,485
Estates and Trusts	12,363	1,771,876	10,429	1,795,397	9,770	1,723,319	9,384	1,669,731	8,065	1,395,227
Insurance Companies	228	1,317,139	267	1,279,902	270	1,322,827	236	1,196,581	211	1,058,065
Brokers and Nominees	1,999	18,186,175	1,900	18,429,055	1,800	17,853,952	1,685	16,629,555	1,640	13,397,722
All Others	1,669	1,034,208	1,377	1,015,932	1,356	951,809	1,368	1,517,317	1,104	4,982,638
Total	111,363	32,962,005	95,938	32,308,823	93,538	31,634,357	89,833	30,859,927	80,608	29,963,825

In 1967, 68 per cent of Monsanto shareowners held fewer than 100 shares.

ACCOUNTANTS' OPINION

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

515 OLIVE STREET
SAINT LOUIS 63101

Monsanto Company:

We have examined the statement of consolidated financial position of Monsanto Company and its subsidiary companies as of December 31, 1967 and the related statements of consolidated income, consolidated paid-in surplus and retained earnings and of consolidated source and application of funds 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 financial statements (pages 12 through 16) present fairly the financial position of Monsanto Company and its subsidiaries at December 31, 1967 and the results of their operations and source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 8, 1968

Haskins & Sells

MONS 352233

TOWOLDMON0014386

MONSANTO COMPANY

STATEMENT OF CONSOLIDATED FINANCIAL

ASSETS

	1967	1966
	(In Thousands)	
Current Assets:		
Cash	$ 23,276	$ 27,697
Marketable securities, at cost which approximates market	31,272	45,865
Net receivables	313,483	298,576
Inventories	288,748	278,450
	656,779	650,588
Investments and Miscellaneous Assets, at Cost or Less:		
Investment in and advances to associates	11,859	23,558
Miscellaneous investments and receivables	67,252	63,453
	79,111	87,011
Property, Plant and Equipment, at Cost	2,258,740	2,138,387
Less accumulated depreciation and depletion, etc.	1,181,928	1,050,398
Net property	1,076,812	1,087,989
Deferred Charges	46,313	39,508
	$1,859,015	$1,865,096

The above statement should be read in conjunction with pages 17, 18 and 19 of this report.

MONS 352234

AND SUBSIDIARIES

POSITION AT DECEMBER 31, 1967 AND 1966

LIABILITIES

	1967	1966
	(In Thousands)	
Current Liabilities:		
Accounts payable and accruals	$ 186,687	$ 193,669
Income taxes	50,389	62,056
Current portion of long term debt	10,063	17,192
	247,139	272,917
Notes, Debentures, etc.—Less Current Portion Above	451,377	480,411
Other Liabilities and Deferred Credits:		
Deferred income taxes	50,927	53,261
Miscellaneous	9,437	7,177
	60,364	60,438
Minority Interests in Subsidiary Companies	25,270	29,736
Shareowners' Equity:		
Common shares—authorized, 35,000,000 shares, par value $2 each; outstanding, 32,962,005 shares in 1967 and 32,308,823 shares in 1966	65,924	64,618
Paid-in surplus	580,533	550,842
Retained earnings	428,408	406,134
	1,074,865	1,021,594
	$1,859,015	$1,865,096

MONS 352235

MONSANTO COMPANY

STATEMENT OF CONSOLIDATED INCOME

	1967	1966	Increase Decrease
	(In Thousands)		
Net Sales	$1,632,357	$1,611,881	$20,476
Cost of Goods Sold	1,211,256	1,179,709	31,547
Gross Profit	421,101	432,172	*11,071*
Less:			
Selling and administrative expenses	161,680	156,731	4,949
Research, development, patent and engineering expenses	84,224	75,963	8,261
	245,904	232,694	13,210
Operating Profit	175,197	199,478	*24,281*
Income Charges — Net	10,769	10,707	62
Income Before Income Taxes	164,428	188,771	*24,343*
Provision for Income Taxes:			
Current	68,803	77,012	*8,209*
Deferred (credit)	(2,334)	(592)	*1,742*
	66,469	76,420	*9,951*
Income Before Extraordinary Items	97,959	112,351	*14,392*
Extraordinary Items (Credits):			
Write-off of goodwill		6,075	*6,075*
Gain on sale of investments, less applicable income taxes of $2,131,000 in 1967 and $2,010,000 in 1966	(6,394)	(6,030)	364
	(6,394)	45	6,439
Net Income	$ 104,353	$ 112,306	*$ 7,953*
Earnings a Common Share(1):			
Before extraordinary items	$2.98	$3.48	*$.50*
Including extraordinary items	3.17	3.48	*.31*

(1) Based on shares outstanding at end of year—32,962,005 in 1967 and 32,308,823 in 1966.
The above statement should be read in conjunction with pages 17, 18 and 19 of this report.

MONS 352236

TOWOLDMON0014389

AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED PAID-IN SURPLUS AND RETAINED EARNINGS

	1967	1966
	(In Thousands)	
PAID-IN SURPLUS		
Balance at Beginning of Year	$550,842	$524,033
Additions:		
Excess of approximate market value of common capital stock distributed as a stock dividend over the par value thereof	29,440	24,586
Excess of amounts received over the par value of common capital stock issued under stock option plans	251	2,223
Balance at End of Year	$580,533	$550,842
RETAINED EARNINGS		
Balance at Beginning of Year	$406,134	$370,188
Addition — Net Income for the Year	104,353	112,306
	510,487	482,494
Deduction:		
Dividends on capital stock of parent company:		
Cash — $1.60 a share	51,347	50,507
Stock — 2%	30,732	25,853
	82,079	76,360
Balance at End of Year	$428,408	$406,134

The above statement should be read in conjunction with pages 17, 18 and 19 of this report.

MONS 352237

MONSANTO COMPANY AND SUBSIDIARIES

SOURCE AND APPLICATION OF FUNDS

(In Thousands)

	TOTAL	1967	1966	1965	1964	1963
Source of Funds:						
From operations:						
Net income	$ 537,507	$104,353	$112,306	$122,967	$114,891	$ 82,990
Non-cash charges to income:						
Depreciation, depletion, etc.	683,592	162,871	152,362	133,485	120,268	114,606
Deferred income taxes	28,905	*2,334*	*592*	7,478	11,980	12,373
Goodwill write-off	6,075		6,075			
	1,256,079	264,890	270,151	263,930	247,139	209,969
Outside financing:						
4½%-4¾% promissory notes	100,000		25,000	75,000		
4½% sinking fund debentures	25,000			25,000		
Foreign subsidiaries	42,927		5,206	32,776	3,276	1,669
Common shares issued under options	37,309	265	2,305	8,099	12,108	14,532
Other — net	6,019	3,089	3,745	2,982	1,571	*5,368*
	1,467,334	268,244	306,407	407,787	264,094	220,802
Application of Funds:						
Dividends on common shares	219,247	51,347	50,507	44,809	37,606	34,978
Plant additions and replacements	999,104	160,365	210,972	295,160	218,105	114,502
Investment in affiliated companies	32,909			1,126	13,340	18,443
Retirement of debt	76,921	31,692	9,963	11,396	10,418	13,452
Increase in working capital[1]	189,014	43,854	52,678	44,595	29,845	18,042
Increase — *decrease* in cash and securities	*49,861*	*19,014*	*17,713*	10,701	*45,220*	21,385
	$1,467,334	$268,244	$306,407	$407,787	$264,094	$220,802

(1) Exclusive of cash and securities and current portion of long term debt.
Italics indicate deduction.

FINANCIAL REVIEW

Basis of Consolidation

The accompanying financial statements (pages 12 through 16) consolidate all active domestic and foreign subsidiaries in which Monsanto Company directly or indirectly has more than a 50 per cent interest.

Depreciation, Obsolescence, Depletion

Charges against income for depreciation, obsolescence and depletion amounted to $162,871,000, of which $158,850,000 was depreciation and obsolescence, and $4,021,000 depletion. In 1966, such charges were $148,843,000 and $3,519,000.

The use of the sum of the years digits method for computing depreciation on most of new assets acquired since 1954 was continued in 1967. The excess of depreciation provided by this method over straight line depreciation was $23,545,000 in 1967 and $23,952,000 in 1966. For income tax purposes only, the company in 1962 adopted the guideline lives established for machinery and equipment by the United States Treasury Department. The additional depreciation taken for tax purposes reduces the current income tax liability. The reduction of current taxes payable was $134,000 in 1967 and $1,386,000 in 1966. Net income, however, is not affected, since an amount equivalent to the reduction in current taxes payable is charged to income to provide for deferred taxes payable in future years.

In certain prior years, provisions were made for income taxes payable in future years resulting from the excess of depreciation and amortization of facilities constructed under Certificates of Necessity for income tax purposes over depreciation for accounting purposes. For the years 1967 and 1966, $1,864,000 and $2,001,000 of such taxes became payable and were charged against the reserve provided in prior years.

Dividends

During 1967, cash dividends of 40 cents were paid in each quarter on the common shares. Also, 646,313 common shares were distributed on December 26, 1967 in payment of a two per cent stock dividend.

Doubtful Accounts and Allowances

The reserves for doubtful accounts and allowances were $14,012,000 at December 31, 1967 and $8,236,000 at the end of 1966.

Employes' Bonus

No awards were granted for 1967 under the company's bonus plan. However, a provision of $1,200,000 was made during the year for bonuses earned which will be awarded in the future. In 1966, a provision of $2,500,000 was made and awarded in the form of bonuses.

Equity in Associates

The equity in the unaudited 1967 net income of 50 per cent-owned companies was $1,502,000 compared with $1,292,000 in 1966. (The latter figure includes one-half of the net income of Mobay Chemical Company, the interest in which was sold in March, 1967.) Dividends of $553,000 were received from these companies in 1967 and $234,000 in 1966. The equity in the unaudited net assets of such companies at December 31, 1967 was $12,145,000, which exceeded the carrying value of the investment therein of $11,859,000 by $286,000.

Extraordinary Income and Expense

The gain in 1967 of $6,394,000, net of tax, from the sale of investment was realized on the disposal of a 50 per cent ownership in Mobay Chemical Company. The purchasers were Farbenfabriken Bayer A. G. interests, which owned the other half-interest in Mobay. The gain in 1966 of $6,030,000, net of tax, from the sale of investments resulted from the relinquishment of minority holdings in the capital stocks of Mitsubishi Vonnel Company Ltd. of Japan, and Applicazioni Chimiche Societa per Azioni of Italy. The extraordinary write-off of goodwill of $6,075,000 in 1966 related to the discontinuance of spandex elastomeric yarn operations by Polythane

Corporation, a subsidiary which was liquidated in that year.

Foreign Currency Devaluation

As a result of the company's continuing practice of following closely international monetary developments and taking steps necessary to protect its assets, Monsanto was fully protected against the devaluation in November and, therefore, it had no adverse effect on consolidated net income for the year.

Income Taxes

The company's Federal income tax returns have been examined and closed for all years through 1956. Returns for the years 1957 through 1959 have been examined by the Internal Revenue Service, and returns for the years 1960 through 1963 are presently under examination. Differences of opinion exist between the company and the service on the tax treatment of certain items of income and expense, principally depletion and foreign-source income. The Internal Revenue Service has proposed an assessment for the years 1957 through 1959 of approximately $8 million and the company is contesting the assessment. The ultimate disposition of the items in question is not presently determinable, but it is believed that adequate provision has been made in the accounts for possible deficiencies.

The Revenue Act of 1964 provides for a credit against Federal income taxes equal to approximately 7 per cent of expenditures for machinery and equipment purchased and placed in service during the year. The reduction in income tax provision for 1967 resulting from this credit was $6,969,000 which compares with a credit of $10,931,000 in 1966.

Inventory Valuation

Inventories are stated at the lower of cost or market, determined generally on the first-in, first-out basis. Annual rate of turnover was 4.3 in 1967 and 4.4 in 1966.

Leases

The company has a number of lease agreements covering the use of transportation and other equipment, certain buildings, and retail outlets, which are generally cancellable without penalty. For the most part, the agreements are short term, with a few extending up to 20 years. The annual rental for all leases amounts to approximately $27,309,000.

Legal Proceedings

The company and its subsidiaries are defendants in several lawsuits and in several related patent-infringement actions. The proceedings are in various stages, and each suit is being vigorously defended. While the results of litigation cannot be predicted, company counsel believe that the prospects of successfully defending these actions are good and that the results of such litigation will not materially adversely affect the financial position or operations of Monsanto and its consolidated subsidiaries.

Liabilities — Contingent

The company and its subsidiaries were contingently liable as guarantors of bank loans, customer loans, and for customers' receivables discounted aggregating approximately $10,200,000 at December 31, 1967 and $8,500,000 at the end of 1966.

Long Term Debt

The long term debt of the company and its subsidiaries at December 31, 1967 and 1966, exclusive of current maturities, was as follows:

	1967	1966
	(In Thousands)	
Parent company:		
4½% - 4¾% promissory notes, due 1970/1975	$100,000	$100,000
2.65% debentures, due 1971	18,000	19,000
3⅜% sinking fund debentures, due 1972	8,000	8,500
3½% promissory notes, due 1972	21,512	27,312
4½% notes, due 1976	3,120	3,320
4¾% promissory notes, due 1993	100,000	100,000
3¾% income debentures, due 2002	91,000	91,000
4¼% income debentures, due 2008	50,000	50,000
Monsanto International Finance Company:		
4½% guaranteed sinking fund debentures, due 1985	25,000	25,000
Monsanto Chemicals Limited (English subsidiary):		
6% debentures, due 1977/1982	6,071	7,318
5% debentures, due 1982	7,132	8,568
Monsanto Textiles Limited (English subsidiary):		
Bank loans (½% over bank rate) due 1969	10,805	13,758
Monsanto Cie S.A. (A Luxembourg subsidiary):		
4¾% bank loans due 1968/1971	6,012	8,016
6¼% bank loans due 1968/1969	—	8,000
4⅛% bank loan due 1969	3,000	3,000
Monsanto Europe S.A. (Belgian subsidiary):		
6.8% bank loan due 1969/1975	—	5,440
Other subsidiaries	1,725	2,179
Total	$451,377	$480,411

Monsanto International Finance Company Debentures

The $25 million of 4½ per cent Sinking Fund Debentures due 1985 of Monsanto International Finance Company, which are fully guaranteed by Monsanto Company, are convertible into Monsanto Common Stock at $89 a share, subject to adjustment under certain conditions.

MONS 352240

Pension Plans

The company and its subsidiaries have several pension plans covering substantially all of their employes, including certain employes in foreign countries. The total pension expense for the year 1967 was approximately $26,300,000 which includes, as to certain of the plans, amortization of prior service cost generally over a period of 30 years. It is the policy to fund pension cost accrued. The actuarially computed value of vested benefits for the plans of the parent company and certain domestic subsidiaries as of December 31, 1967 was approximately equal to the related pension funds.

Pro Forma Earnings

The reduction in earnings a common share which would result from the complete conversion of debentures of Monsanto International Finance Company and the exercise of all outstanding stock options would be approximately five cents.

Repairs

Repair and maintenance charges included in operating expenses were $102,846,000 in 1967 and $98,091,000 in 1966.

Shares Reserved

At December 31, 1967, there were 791,277 shares of common stock reserved for stock option plans, and 280,898 shares reserved for conversion of debentures of Monsanto International Finance Company.

Stock Options

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

	1951 Plan	1960 Plan	1964 Plan
Outstanding 1/1/67......	21,977	187,669	457,631
Unoptioned 1/1/67.......	—	—	119,824
Optioned during year......	—	—	8,000
Exercised during year.....	1,429	5,440	—
Terminated during year...	—	4,452	27,218
Outstanding 12/31/67....	20,948*	181,325*	447,101*
Unoptioned 12/31/67.....	—	—	141,903*

*Adjusted for 1967 two per cent stock dividend.

Under the three key plans, 498 options are outstanding, at prices, after adjustment for stock dividends, ranging from $32.28 to $97.18 a share.

Post Balance Sheet Event

In February 1968, the company acquired the business of George Lueders & Company, a flavor and fragrance manufacturer, for 70,000 shares of Monsanto treasury stock. The transaction will be treated as a pooling of interests. Because of the timing of this transaction, it was impracticable to reflect it in the accompanying financial statements.

MONSANTO COMPANY

HISTORICAL STATEMENT OF

(In millions)

ASSETS

	1967	1966	1965	1964	1963	10 YEARS AGO 1957	25 YEARS AGO 1942
Current Assets:							
Cash	$ 23.3	$ 27.7	$ 33.1	$ 27.8	$ 40.9	$ 28.3	$ 9.4
Marketable securities	31.3	45.9	58.2	52.8	84.7	22.7	—
Net receivables	313.5	298.6	267.3	239.7	198.7	79.6	10.1
Inventories	288.7	278.4	258.7	214.9	191.6	108.3	12.7
	656.8	650.6	617.3	535.2	515.9	238.9	32.2
Investments, etc.	79.1	87.0	87.4	85.9	85.6	55.4	2.5
Property:							
Land	33.5	32.3	27.7	27.4	27.7	10.9	2.4
Buildings	349.4	325.5	289.7	263.0	237.0	103.0	13.5
Machinery and equipment	1,754.7	1,662.6	1,529.1	1,295.2	1,148.2	453.3	48.0
Phosphate deposits	11.4	10.6	10.0	9.8	9.6	6.1	1.0
Producing oil and gas properties	102.4	100.0	97.9	94.7	89.2	67.7	—
Undeveloped oil and gas leaseholds	7.3	7.4	7.6	8.2	9.1	19.7	—
Accumulated depreciation, etc.	*1,139.7*	*1,010.4*	*886.5*	*785.7*	*707.2*	*238.5*	*25.6*
Accumulated depletion	*42.2*	*40.0*	*38.8*	*36.6*	*33.3*	*22.3*	*.2*
Net property	1,076.8	1,088.0	1,036.7	876.0	780.3	399.9	39.1
Deferred Charges	46.3	39.5	42.7	37.9	32.4	6.5	.5
	$1,859.0	$1,865.1	$1,784.1	$1,535.0	$1,414.2	$700.7	$74.3

(1) After deduction of tax notes of $11.7 million.
Italics indicate deduction.

MONS 352242

TOWOLDMON0014395

AND SUBSIDIARIES

CONSOLIDATED FINANCIAL POSITION

(In millions)

LIABILITIES

	1967	1966	1965	1964	1963	10 YEARS AGO 1957	25 YEARS AGO 1942
Current Liabilities:							
Accounts payable and accruals.....	$ 186.6	$ 193.7	$ 197.6	$ 154.8	$ 122.8	$ 61.2	$ 5.7
Income taxes......................	50.4	62.0	59.8	75.8	69.1	25.7	(1)2.4
Current portion of long term debt...	10.1	17.2	9.8	10.5	10.2	1.8	—
	247.1	272.9	267.2	241.1	202.1	88.7	8.1
Notes, Debentures, etc................	451.4	480.4	467.5	345.5	352.8	163.3	—
Other Liabilities and Deferred Credits:							
Deferred income taxes.............	50.9	53.3	53.9	46.4	41.4	17.5	—
Miscellaneous......................	9.5	7.2	9.8	3.4	2.4	3.3	3.7
	60.4	60.5	63.7	49.8	43.8	20.8	3.7
Minority Interests in Subsidiaries....	25.3	29.7	28.2	26.9	31.3	20.2	2.4
Shareowners' Equity:							
Preference shares..................	—	—	—	—	—	—	21.0
Common shares....................	65.9	64.6	63.3	61.7	59.9	44.4	12.4
Paid-in surplus.....................	580.5	550.9	524.0	466.1	406.2	186.5	11.5
Retained earnings..................	428.4	406.1	370.2	343.9	318.1	176.8	15.2
	1,074.8	1,021.6	957.5	871.7	784.2	407.7	60.1
	$1,859.0	$1,865.1	$1,784.1	$1,535.0	$1,414.2	$700.7	$74.3

MONS 352243

TOWOLDMON0014396

MONSANTO COMPANY

HISTORICAL STATEMENT OF CONSOLIDATED INCOME

(In millions except per share earnings)

	1967	1966	1965	1964	1963	10 YEARS AGO 1957	25 YEARS AGO 1942
Net Sales	$1,632.4	$1,611.9	$1,468.1	$1,358.7	$1,192.3	$624.8	$77.1
Cost of Goods Sold	1,211.3	1,179.7	1,039.6	940.1	849.7	468.8	52.7
Gross Profit	421.1	432.2	428.5	418.6	342.6	156.0	24.4
Less:							
Selling and administrative	161.7	156.7	149.4	134.3	117.7	53.5	5.0
Research, development, patent and engineering	84.2	76.0	69.9	66.8	58.4	24.2	1.9
	245.9	232.7	219.3	201.1	176.1	77.7	6.9
Operating Profit	175.2	199.5	209.2	217.5	166.5	78.3	17.5
Income Charges — Net	2.2	8.8	6.6	3.4	6.1	5.5	(.4)
Income Before Income Taxes	173.0	190.7	202.6	214.1	160.4	72.8	17.9
Provision for Income Taxes	68.6	78.4	79.6	99.2	77.4	33.0	12.5
Net Income	$ 104.4	$ 112.3	$ 123.0	$ 114.9	$ 83.0	$ 39.8	$ 5.4
Per Common Share:							
Adjusted for splits	$ 3.17	$ 3.48	$ 3.89	$ 3.72	$ 2.77	$ 1.79	$ .40
Adjusted for splits and stock dividends	$ 3.17	$ 3.41	$ 3.74	$ 3.51	$ 2.56	$ 1.50	$ .32

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AND SUBSIDIARIES

OTHER DATA

(In millions except where italicized)

	1967	1966	1965	1964	1963	10 YEARS AGO 1957	25 YEARS AGO 1942
Plant additions and replacements	$ 160.4	$ 211.0	$295.2	$218.1	$114.5	$ 64.8	$ 7.4
Depreciation, depletion, etc.	$ 162.9	$ 152.4	$133.5	$120.3	$114.6	$ 48.2	$ 4.9
Dividends a common share(1)	*$1.60*	*$1.60*	*$1.45*	*$1.25*	*$1.20*	*$1.00*	*$.25*
Book value a common share(1)	*$32.61*	*$31.62*	*$30.27*	*$28.25*	*$26.17*	*$18.34*	*$3.50*
Common shares(1)	33.0	32.3	31.6	30.9	30.0	22.2	11.2
Preference shares	—	—	—	—	—	—	*210,000*
Working capital	$ 409.7	$ 377.7	$350.1	$294.1	$313.8	$150.2	$24.1
Long term debt (less current maturities)	$ 451.4	$ 480.4	$467.5	$345.5	$352.8	$163.3	—
Shareowners' equity	$1,074.8	$1,021.6	$957.5	$871.7	$784.2	$407.7	$60.1
Employes(2)	*58,799*	*57,647*	*56,227*	*52,284*	*48,133*	*24,868*	*10,359*
Shareowners	*111,363*	*95,938*	*93,538*	*89,833*	*80,608*	*60,036*	*10,119*

(1) Adjusted for splits.
(2) Includes Monsanto employes in plants operated for U.S. Government (1,878 in 1967).

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MONSANTO'S WORLDWIDE INTERESTS

This list of Monsanto's principal equities gives some indication of the scope and diversity of the company's international operations. Per cent ownerships, in some cases rounded to the nearest whole number, are shown parenthetically.

NORTH AMERICA

UNITED STATES: Chemstrand Research Center, Inc. (100%) conducts research in the field of textiles.

Fabric Services, Inc. (100%) dyes and finishes polyester-cotton blends and other fabrics for the textiles industry.

Filtered Rosin Products Company (100%) produces gum naval stores and synthetic resins.

George Lueders & Company (100%) manufactures essential oils, flavors and fragrances.

Leonard Construction Company (100%) designs and builds chemical and other types of plants. A subsidiary performs these services in Canada.

Monsanto Biodize Systems, Inc. (80%) develops and markets processes and plants for removing water pollutants from industrial and municipal wastes.

Monsanto Export Company (100%) handles export sales of Monsanto products in the western hemisphere.

Monsanto Graphic Systems, Inc. (100%) owns patents, patent licenses and other useful properties in the field of graphic arts.

Monsanto International Finance Company (100%) was formed to obtain investment 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.

Wood Treating Chemicals Co. (100%) produces wood preservatives.

CANADA: Monsanto Canada Ltd. (100%) manufactures chemicals and plastics raw materials.

Plax Canada Ltd. (50%) produces plastic blownware.

MEXICO: Monsanto Mexicana S.A. (100%) produces chemicals, plastics raw materials and building products. A subsidiary makes plastic consumer products.

CENTRAL AND SOUTH AMERICA

ARGENTINA: Monsanto Argentina S.A.I.C. (100%) manufactures chemicals and plastics raw materials.

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

PANAMA: Monsanto Overseas S.A. (100%) handles certain investments and licensing outside the United States.

PUERTO RICO: Chemstrand Overseas S.A. (100%) markets chemical fibers exported to areas outside Europe and handles certain investments outside the United States.

VENEZUELA: Monsanto Venezuela, Inc. (100%) produces petroleum.

EUROPE AND MIDDLE EAST

BELGIUM: Monsanto Europe S.A. (100%) supervises investments and marketing activities throughout Europe; produces polyvinyl butyral plastic interlayer for laminated safety glass; produces plasticizers and rubber chemicals.

FRANCE: Societe Monsanto (100%) makes plastics raw materials and plastic containers.

ISRAEL: Israel Chemical Fibres Ltd. (60%) manufactures *Acrilan* acrylic fiber.

LUXEMBOURG: Monsanto Cie S.A. (100%) manufactures nylon 6,6 yarns.

SPAIN: Alscondel S.A. (50%) makes consumer products of plastics. Two subsidiaries produce chemicals and plastics raw materials.

UNITED KINGDOM: Lansil Ltd. (100%) produces acetate flake and yarn, textile fabrics and apparel.

Monsanto Chemicals Ltd. (67%) manufactures chemicals, plastics and plastics raw materials. Major subsidiaries produce plastics for construction and packaging.

Monsanto Textiles Ltd. (100%) manufactures *Acrilan* acrylic fiber and nylon 6,6 yarns.

ASIA AND AUSTRALIA

AUSTRALIA: Australian Petrochemicals Ltd. (55%) manufactures raw material for plastics and rubber.

Monsanto Chemicals (Australia) Ltd. (85%) makes chemicals and plastics raw materials. An associate produces fluorocarbons.

JAPAN: Mitsubishi Monsanto Chemical Company (50%) manufactures chemicals, plastics, plastics raw materials and petroleum additives.

Monsanto's participation in international commerce and trade is further revealed in this listing of companies engaged in various activities on a more modest scale than those listed above. Omitted entirely are more than 100 sales agencies representing Monsanto in most parts of the world.

Goldsworthy Engineering, Inc. — United States
Lomond Ltd. — Hong Kong
Monoil UK, Inc. — United Kingdom
Monsanto GmbH — Austria
Monsanto Agricola de Espana S.A. — Spain
Monsanto Agricola de Nicaragua S.A. — Nicaragua
Monsanto Chemicals of India Private Ltd. — India
Monsanto Chile Comercial e Industrial Ltda. — Chile
Monsanto Comercio e Industria Ltda. — Brazil
Monsanto (Deutschland) GmbH — West Germany
Monsanto (El Salvador) S.A. — El Salvador
Monsanto Far East Ltd. — Hong Kong
Monsanto (Guatemala) S.A. — Guatemala
Monsanto Italiana S.p.A. — Italy
Monsanto Japan Ltd. — Japan
Monsanto (Nicaragua) S.A. — Nicaragua
Monsanto N.V. — The Netherlands
Monsanto Oils Ltd. — Canada
Monsanto Overseas Enterprises Company — United States
Monsanto Research S.A. — Switzerland
Monsanto (Scandinavia) AB — Sweden
Monsanto (Suisse) S.A. — Switzerland
Monsanto (Thailand) Ltd. — Thailand
Monsanto (Venezuela) C.A. — Venezuela
Plax A.G. — Switzerland
Sidaplax N.V. — Belgium
Sinteticos Slowak S.A. — Uruguay

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DIRECTORS AND OFFICERS

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Dillon Anderson	Houston
Edward J. Bock	St. Louis
David R. Calhoun	St. Louis
John L. Christian	St. Louis
Fredrick M. Eaton	New York
John L. Gillis	St. Louis
Herbert Hoover Jr.	Los Angeles
Robert K. Mueller	St. Louis
Edgar M. Queeny	St. Louis
James S. Rockefeller	New York
Charles H. Sommer	St. Louis
Charles Allen Thomas	St. Louis
Monte C. Throdahl	St. Louis

EXECUTIVE COMMITTEE

Charles H. Sommer, *Chairman*

Edward J. Bock	Robert K. Mueller
John L. Christian	Edward A. O'Neal
John L. Gillis	Monte C. Throdahl

FINANCE COMMITTEE

Charles Allen Thomas, *Chairman*

Dillon Anderson	Edward A. O'Neal
David R. Calhoun	Edgar M. Queeny
Fredrick M. Eaton	James S. Rockefeller
Herbert Hoover Jr.	Charles H. Sommer

Transfer Agents

Morgan Guaranty Trust Company of New York
The Boatmen's National Bank of St. Louis

Registrars

The Chase Manhattan Bank (National Association)
St. Louis Union Trust Company

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John L. Gillis	*Vice President*
Robert K. Mueller	*Vice President*
Monte C. Throdahl	*Vice President*

H. Harold Bible	*Vice President*
William H. Bromley	*Vice President*
James E. Crawford Jr.	*Vice President*
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James D. Mahoney	*Vice President*
Finis Morgan	*Vice President*
Edwin J. Putzell Jr.	*Vice President*
Robert R. Rumer	*Vice President*
Tom K. Smith Jr.	*Vice President*
J. Russell Wilson	*Vice President*

Earl J. Wipfler	*Controller*
Edwin J. Putzell Jr.	*Secretary*
Patrick J. Dowd	*Treasurer*

Jack W. Mueller	*Assistant Controller*
Francis A. Stroble	*Assistant Controller*
Walter C. Thilking	*Assistant Controller*
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John N. Ehlers	*Assistant Secretary*
Rodney Harris Jr.	*Assistant Secretary*
C. Brent Holleran	*Assistant Secretary*
Franklin C. Rehfeld	*Assistant Secretary*
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Norvell G. Jones	*Assistant Treasurer*
J. Robert Matlock	*Assistant Treasurer*
Walter J. Naber Jr.	*Assistant Treasurer*
Thomas M. Rasmussen	*Assistant Treasurer*

Regional Vice Presidents

Roy L. Brandenburger — Richard T. Clark
M. R. Dalton

Feb. 23, 1968

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