

MONSANTO CO /NEW/
Form 10-Q/A
November 14, 2011
Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended Feb. 28, 2011

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-16167

MONSANTO COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

43-1878297
(I.R.S. Employer Identification No.)

800 North Lindbergh Blvd.,
St. Louis, MO
(Address of principal executive offices)

63167
(Zip Code)

(314) 694-1000

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 535,978,786 shares of Common Stock, \$0.01 par value, outstanding as of April 1, 2011.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In the interests of our investors, and in accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, this section of our report explains some of the important reasons that actual results may be materially different from those that we anticipate. In this report, and from time to time throughout the year, we share our expectations for our company's future performance. These forward-looking statements include statements about our business plans; the potential development, regulatory approval, and public acceptance of our products; our expected financial performance, including sales performance, and the anticipated effect of our strategic actions; the anticipated benefits of recent acquisitions; the outcome of contingencies, such as litigation and the previously announced SEC investigation; the previously reported material weakness in our internal control over financial reporting; domestic or international economic, political and market conditions; and other factors that could affect our future results of operations or financial position, including, without limitation, statements under the captions

Overview Executive Summary Outlook, Seeds and Genomics Segment, Agricultural Productivity Segment, Financial Condition, Liquidity, and Capital Resources, Outlook, Critical Accounting Policies and Estimates and Legal Proceedings. Any statements we make that are not matters of current reportage or historical fact should be considered forward-looking. Such statements often include words such as believe, expect, anticipate, intend, plan, estimate, will, and similar expressions. By their nature, these types of statements are uncertain and are not guaranteed to our future performance.

Since these statements are based on factors that involve risks and uncertainties, our company's actual performance and results may differ materially from those described or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, among others: continued competition in seeds, traits and agricultural chemicals; the company's exposure to various contingencies, including those related to intellectual property protection, regulatory compliance and the speed with which approvals are received, and public acceptance of biotechnology products; the success of the company's research and development activities; the outcomes of major lawsuits; developments related to foreign currencies and economies; successful operation of recent acquisitions; fluctuations in commodity prices; compliance with regulations affecting our manufacturing; the accuracy of the company's estimates related to distribution inventory levels; the company's ability to fund its short-term financing needs and to obtain payment for the products that it sells; the effect of weather conditions, natural disasters and accidents on the agriculture business or the company's facilities; and other risks and factors described or referenced in Part II Item 1A Risk Factors below and Part I Item 1A of our Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010.

Our forward-looking statements represent our estimates and expectations and are based on currently available information at the time that we make those statements. However, circumstances change constantly, often unpredictably, and many events beyond our control will determine whether the expectations encompassed in our forward-looking statements will be realized. As a result, investors should not place undue reliance on these forward-looking statements. We disclaim any current intention or obligation to revise or update any forward-looking statements, or the factors that may affect their realization, whether in light of new information, future events or otherwise, and investors should not rely on us to do so.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

TABLE OF CONTENTS

<u>PART I FINANCIAL INFORMATION</u>		Page
Item 1.	<u>Financial Statements</u>	5
	<u>Statements of Consolidated Operations</u>	6
	<u>Condensed Statements of Consolidated Financial Position</u>	7
	<u>Statements of Consolidated Cash Flows</u>	8
	<u>Statements of Consolidated Shareowners' Equity and Comprehensive Income</u>	9
	<u>Notes to Consolidated Financial Statements</u>	10
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	44
	<u>Overview</u>	44
	<u>Results of Operations - Second Quarter Fiscal Year 2011</u>	46
	<u>Seeds and Genomics Segment</u>	49
	<u>Agricultural Productivity Segment</u>	50
	<u>Restructuring</u>	51
	<u>Financial Condition, Liquidity, and Capital Resources</u>	53
	<u>Outlook</u>	57
	<u>Critical Accounting Policies and Estimates</u>	59
	<u>New Accounting Standards</u>	61
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	61
Item 4.	<u>Controls and Procedures</u>	61
<u>PART II OTHER INFORMATION</u>		
Item 1.	<u>Legal Proceedings</u>	63
Item 1A.	<u>Risk Factors</u>	64
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	65
Item 6.	<u>Exhibits</u>	65
	<u>SIGNATURE</u>	66
	<u>EXHIBIT INDEX</u>	67

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

EXPLANATORY NOTE

In the third quarter of fiscal year 2011, Monsanto announced an investigation being conducted by the SEC of our financial reporting associated with our customer incentive programs for glyphosate products for fiscal years 2010 and 2009. Following the SEC notification, Monsanto began our own review and the Audit and Finance Committee of the Board of Directors retained independent advisors to conduct an internal investigation. Through this review, we identified certain adjustments that needed to be made as to the timing of recording the costs of certain customer incentive programs.

Accordingly, we are filing this Amended Quarterly Report on Form 10-Q/A (the Amended Filing or Form 10-Q/A) to our Quarterly Report on Form 10-Q for the three and six-month periods ended Feb. 28, 2011, (the Original Filing) to restate our unaudited condensed consolidated financial statements and related disclosures for the three and six-month periods ended Feb. 28, 2011, and Feb. 28, 2010. The Original Filing was filed with the Securities and Exchange Commission (SEC) on April 7, 2011.

In addition to the filing of this Form 10-Q/A, we are filing amendments to our Annual Report on Form 10-K for fiscal year ended Aug. 31, 2010, to restate our consolidated financial statements for the fiscal years ended Aug. 31, 2010, and Aug. 31, 2009, as well as our Quarterly Reports on Form 10-Q for the quarterly periods ended Nov. 30, 2010, and May 31, 2011, to restate our unaudited condensed consolidated financial statements.

We do not intend to file any other amended Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement.

The previously issued audited consolidated financial statements and the Reports of Independent Registered Public Accounting Firm thereon for fiscal years 2009 and 2010 in the original Form 10-K, and the unaudited condensed consolidated financial statements for the fiscal quarters ending Nov. 30, 2009, through May 31, 2011, filed on Forms 10-Q should no longer be relied upon.

While we are continuing in our efforts to respond to the SEC, Monsanto cannot predict the outcome of the investigation. The outcome of the SEC investigation and any related legal and administrative proceedings could include the institution of administrative, civil injunctive or criminal proceedings as well as the imposition of fines and other penalties, remedies and sanctions.

Background of the Restatement

We record accrued customer incentive program costs as a reduction of revenue based on an allocation of the incentive program cost to those revenue transactions that result in progress by the customer toward earning the program incentive. For annual incentive programs, this generally results in recording annual incentive program costs based on actual purchases made by customers during the year as a percentage of estimated annual sales volume targets agreed upon with customers. During Monsanto's internal investigation, we identified communications with customers and we identified other facts as described below that impacted our determination of which revenue transactions resulted in progress by the customer toward earning the program incentive.

Specifically, Monsanto implemented a program in the first quarter of fiscal year 2010 that was structured to provide payments to retailers who met sales volume targets and performed other marketing and sales activities in the fiscal year 2010 with the amount of the program incentive determined based on the amount of inventory maintained by the customer at Aug. 31, 2009. We originally accrued the costs of this incentive program based on the retailers' fiscal year 2010 purchases as a percentage of aggregated agreed upon fiscal year 2010 sales volume targets. As a result of our internal review, Monsanto determined that, although the program was implemented in first quarter of fiscal year 2010, Monsanto representatives communicated with retailers about the program in the fourth quarter of fiscal year 2009, including advising customers that purchasing product in the fourth quarter of 2009 was a qualification for participation in the program in fiscal year 2010. These communications were intended to induce customers to purchase branded glyphosate in the fourth quarter of fiscal year 2009. In light of these facts, Monsanto determined that purchases made by these retail customers in the fourth quarter of fiscal year 2009 represented progress toward earning the program incentive. As such, it is appropriate to record a portion of the related incentive cost as a reduction of revenue in that quarter as well as in

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

fiscal year 2010. As a result of our determination, approximately \$24 million of customer incentive accruals associated with the program originally recorded as a reduction of revenue in fiscal year 2010 were recorded as a reduction of revenue in fiscal year 2009.

Additionally, Monsanto maintained an incentive program related to annual incentive agreements with distributors regarding their sales of branded glyphosate. At the end of fiscal year 2009, Monsanto determined not to make annual incentive payments under this program to seven of our distributors who had failed to meet their agreed upon sales targets for branded glyphosate and reversed incentive accruals previously recorded under this program for these customers. We then provided these distributors with an opportunity to earn back a substantial portion of these incentives in fiscal year 2010 by achieving volume targets for branded glyphosate and performing other marketing and sales activities in that fiscal year. Monsanto originally recorded the costs of this program over these distributors' fiscal year 2010 purchases as a percentage of aggregated agreed upon fiscal year 2010 sales volume targets. As a result of our internal review, we determined that, although this program was formally announced in the first quarter of fiscal year 2010, Monsanto representatives communicated with distributors about the program in the fourth quarter of fiscal year 2009, and that the incentive opportunity ultimately provided to each distributor under this program in fiscal year 2010 was derived from each distributor's total sales of branded glyphosate in fiscal year 2009. In light of these facts, Monsanto determined that purchases made by these customers in fiscal years 2009 and 2010 represented progress toward earning the program incentive. As such, we determined that the appropriate method of recording the cost associated with this program is based upon each distributor's purchase volume over the period of fiscal years 2009 and 2010, with a cumulative catch-up entry in the fourth quarter of fiscal year 2009. Accordingly, we recorded an additional \$20 million of customer incentive program costs as a reduction of revenue in fiscal year 2009 originally recorded as a reduction of revenue in fiscal year 2010. In addition, Monsanto's internal review revealed that, during the second quarter of fiscal year 2010, one of the seven distributors received written confirmation from Monsanto that it had fulfilled the requirements of this program. Accordingly, we determined that it was appropriate to record the full amount of this distributor's unearned incentive in the second quarter of 2010. As a result of our determination, approximately \$10 million of accruals associated with this one distributor's incentive under this program originally recorded as a reduction of revenue in third quarter fiscal year 2010 were recorded as a reduction of revenue in second quarter fiscal year 2010.

A similar earn back program was offered to two distributors in fiscal year 2011. At the end of fiscal year 2010, Monsanto reversed customer incentive accruals for two distributors that failed to earn their fiscal year 2010 annual incentive payments because they did not meet their agreed upon sales targets. We then provided these distributors with an opportunity to earn back a substantial portion of this incentive in fiscal year 2011 by achieving agreed upon sales volume targets for branded glyphosate and performing other marketing and sales activities in fiscal year 2011. We originally accrued the costs of this incentive program over these distributors' fiscal year 2011 purchases as a percentage of aggregated agreed upon fiscal year 2011 sales volume targets. As a result of our internal review, Monsanto determined that purchases made by the customers in fiscal year 2010 represented progress toward earning the program incentive, and that it was appropriate to record the entire cost associated with this incentive program in fiscal year 2010 in view of several factors that made it more apparent that the two distributor customers had earned these incentives in fiscal year 2010. Such factors included the change in market dynamics following our May 2010 restructuring of our glyphosate business, the fact that both distributors received written confirmation from Monsanto in the second quarter of fiscal 2011 that they had fulfilled the requirements of this program prior to achieving sales volume targets and, with respect to the prepayment of program incentives to these customers in the first and second quarter of fiscal year 2011, the unlikelihood that Monsanto would have enforced its contractual right of offset against these distributors with respect to any unearned portion of their incentives. As a result of our determination, approximately \$48 million of customer incentive accruals associated with this program originally recorded as a reduction in revenue in fiscal year 2011 were recorded as a reduction in revenue in fiscal year 2010.

As a result of the findings of our investigation and the revised accounting described above, we announced a restatement of the consolidated financial statements for the fiscal years ended Aug. 31, 2010, and 2009. The restatement adjustments for customer incentive costs related solely to the Agricultural Productivity reporting segment, and did not affect any previously issued financial information for the Seeds and Genomics reporting segment.

Other Adjustments

In addition to the adjustments relating to certain customer incentive programs described above, Monsanto has made other adjustments that had been previously identified but not corrected because they were not material, individually or in the aggregate, to our consolidated financial statements. The adjustments included certain reclassifications between net sales and SG&A, inventory and grower production accruals, inventory and other non-current assets, miscellaneous receivables and income taxes payable and accrued marketing programs and miscellaneous accruals. The accrued marketing programs adjustment is unrelated to the adjustments described above surrounding customer incentive programs. Adjustments were also made to record certain discrete income tax items and equity affiliate activity in the proper periods.

Internal Control Considerations

Through the internal investigation, management identified: (i) control deficiencies in its internal controls over financial reporting associated with the timing of the recording of customer incentive programs that constitute a material weakness, as discussed in Part I, Item 4 of this Form 10-Q/A, and (ii) the need to restate prior period consolidated financial statements. A material

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim consolidated financial statements will not be prevented or detected. For a discussion of management's consideration of our disclosure controls and procedures and material weaknesses identified, see Part I, Item 4 included in this filing.

For convenience of the reader, this Amended Filing sets forth the Original Filing, in its entirety, as modified where necessary to reflect the restatement. The following items have been amended principally as a result of, and to reflect, the restatement:

Part I, Item 1. Financial Statements;

Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations;

Part I, Item 4. Controls and Procedures; and

Part II, Item 6. Exhibits.

In accordance with applicable SEC rules, this Amended Filing includes certifications from our Chief Executive Officer and Chief Financial Officer dated as of the date of this filing.

The remaining Items contained within this Amended Filing consist of all other Items originally contained in the Form 10-Q and are included for the convenience of the reader. The sections of the Form 10-Q which were not amended are unchanged and continue in full force and effect as originally filed. This Amended Filing speaks as of the date of the Original Filing date other than those associated with the internal investigation and the resulting restatement of Monsanto's consolidated financial statements.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Statements of Consolidated Operations of Monsanto Company and its consolidated subsidiaries for the three months and six months ended Feb. 28, 2011, and Feb. 28, 2010, the Condensed Statements of Consolidated Financial Position as of Feb. 28, 2011, and Aug. 31, 2010, the Statements of Consolidated Cash Flows for the six months ended Feb. 28, 2011, and Feb. 28, 2010, the Statements of Consolidated Shareowners Equity and Comprehensive Income for the six months ended Feb. 28, 2011, and year ended Aug. 31, 2010, and related Notes to Consolidated Financial Statements follow. Unless otherwise indicated, Monsanto and the company are used interchangeably to refer to Monsanto Company or to Monsanto Company and its consolidated subsidiaries, as appropriate to the context. Unless otherwise indicated, earnings (loss) per share and per share mean diluted earnings (loss) per share. In the notes to the consolidated financial statements, all dollars are expressed in millions, except per share amounts. Unless otherwise indicated, trademarks owned or licensed by Monsanto or its subsidiaries are shown in all capital letters. Unless otherwise indicated, references to ROUNDUP herbicides mean ROUNDUP branded herbicides, excluding all lawn-and-garden herbicides, and references to ROUNDUP and other glyphosate-based herbicides exclude all lawn-and-garden herbicides.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

Statements of Consolidated Operations

Unaudited	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
(Dollars in millions, except per share amounts)	2011	2010	2011	2010
	Restated ⁽¹⁾	Restated ⁽¹⁾	Restated ⁽¹⁾	Restated ⁽¹⁾
Net Sales	\$ 4,131	\$ 3,878	\$ 5,967	\$ 5,582
Cost of goods sold	1,821	1,791	2,833	2,749
Gross Profit	2,310	2,087	3,134	2,833
Operating Expenses:				
Selling, general and administrative expenses	502	512	952	1,008
Research and development expenses	320	279	623	546
Restructuring charges, net	1	30	8	44
Total Operating Expenses	823	821	1,583	1,598
Income from Operations	1,487	1,266	1,551	1,235
Interest expense	39	41	82	80
Interest income	(19)	(14)	(34)	(25)
Other expense (income), net	11	2	23	(10)
Income from Continuing Operations Before Income Taxes	1,456	1,237	1,480	1,190
Income tax provision	429	349	438	329
Income from Continuing Operations Including Portion Attributable to Noncontrolling Interest	\$ 1,027	\$ 888	\$ 1,042	\$ 861
Discontinued Operations:				
Income from operations of discontinued businesses	4		4	5
Income tax provision	1		1	
Income on Discontinued Operations	3		3	5
Net Income	\$ 1,030	\$ 888	\$ 1,045	\$ 866
Less: Net income attributable to noncontrolling interest	12	2	18	2
Net Income Attributable to Monsanto Company	\$ 1,018	\$ 886	\$ 1,027	\$ 864
Amounts Attributable to Monsanto Company:				
Income from continuing operations	\$ 1,015	\$ 886	\$ 1,024	\$ 859
Income on discontinued operations	3		3	5
Net Income Attributable to Monsanto Company	\$ 1,018	\$ 886	\$ 1,027	\$ 864

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Basic Earnings per Share Attributable to Monsanto Company:

Income from continuing operations	\$ 1.89	\$ 1.62	\$ 1.91	\$ 1.57
Income on discontinued operations	0.01			0.01
Net Income Attributable to Monsanto Company	\$ 1.90	\$ 1.62	\$ 1.91	\$ 1.58

Diluted Earnings per Share Attributable to Monsanto Company:

Income from continuing operations	\$ 1.87	\$ 1.60	\$ 1.89	\$ 1.55
Income on discontinued operations	0.01			0.01
Net Income Attributable to Monsanto Company	\$ 1.88	\$ 1.60	\$ 1.89	\$ 1.56

Weighted Average Shares Outstanding:

Basic	536.3	545.8	537.6	545.7
Diluted	542.4	553.4	543.7	553.4

Dividends Declared per Share	\$ 0.56	\$ 0.53	\$ 0.56	\$ 0.53
-------------------------------------	----------------	----------------	----------------	----------------

(1) See Note 24 Restatement of Consolidated Financial Statements of Notes to Consolidated Financial Statements
The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

Condensed Statements of Consolidated Financial Position

Unaudited	As of Feb. 28, 2011	As of Aug. 31, 2010
(Dollars in millions, except share amounts)	Restated ⁽¹⁾	Restated ⁽¹⁾
Assets		
Current Assets:		
Cash and cash equivalents (variable interest entities restricted - 2011: \$13)	\$ 1,837	\$ 1,485
Short-term investments	180	
Trade receivables, net (variable interest entities restricted - 2011: \$101)	2,377	1,590
Miscellaneous receivables	611	717
Deferred tax assets	467	529
Inventory, net	2,980	2,649
Other current assets	137	80
Total Current Assets	8,589	7,050
Total property, plant and equipment	8,337	8,068
Less accumulated depreciation	4,115	3,841
Property, Plant and Equipment, Net	4,222	4,227
Goodwill	3,320	3,204
Other Intangible Assets, Net	1,353	1,263
Noncurrent Deferred Tax Assets	1,038	1,014
Long-Term Receivables, Net	459	513
Other Assets	622	581
Total Assets	\$ 19,603	\$ 17,852
Liabilities and Shareowners Equity		
Current Liabilities:		
Short-term debt, including current portion of long-term debt	\$ 409	\$ 241
Accounts payable	634	752
Income taxes payable	275	66
Accrued compensation and benefits	258	179
Accrued marketing programs	923	887
Deferred revenues	919	219
Grower production accruals	203	97
Dividends payable	150	151
Customer payable	3	83
Restructuring reserves	59	197
Miscellaneous short-term accruals	668	684
Total Current Liabilities	4,501	3,556
Long-Term Debt	1,729	1,862

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Postretirement Liabilities	923	920
Long-Term Deferred Revenue	375	395
Noncurrent Deferred Tax Liabilities	143	137
Long-Term Portion of Environmental and Litigation Liabilities	179	188
Other Liabilities	645	681
Shareowners' Equity:		
Common stock (authorized: 1,500,000,000 shares, par value \$0.01) Issued 590,333,129 and 588,439,202 shares, respectively Outstanding 535,894,197 and 540,376,499 shares, respectively	6	6
Treasury stock 54,438,932 and 48,062,703 shares, respectively, at cost	(2,491)	(2,110)
Additional contributed capital	10,001	9,896
Retained earnings	3,903	3,178
Accumulated other comprehensive loss	(441)	(897)
Reserve for ESOP debt retirement	(3)	(4)
Total Monsanto Company Shareowners' Equity	10,975	10,069
Noncontrolling Interest	133	44
Total Shareowners' Equity	11,108	10,113
Total Liabilities and Shareowners' Equity	\$ 19,603	\$ 17,852

⁽¹⁾ See Note 24 Restatement of Consolidated Financial Statements of Notes to Consolidated Financial Statements. The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

Statements of Consolidated Cash Flows

Unaudited (Dollars in millions)	Six Months Ended Feb. 28,	
	2011 ⁽¹⁾	2010 ⁽¹⁾
Operating Activities:		
Net Income	\$ 1,045	\$ 866
Adjustments to reconcile cash provided (required) by operating activities:		
Items that did not require (provide) cash:		
Depreciation and amortization	310	294
Bad-debt expense	(6)	26
Stock-based compensation expense	55	52
Excess tax benefits from stock-based compensation	(19)	(31)
Deferred income taxes	(10)	(56)
Restructuring charges, net	8	44
Equity affiliate income, net	(8)	(18)
Net gain on sales of a business or other assets	(4)	(2)
Other items	59	30
Changes in assets and liabilities that provided (required) cash, net of acquisitions:		
Trade receivables, net	(612)	(459)
Inventory, net	(249)	(247)
Deferred revenues	656	341
Accounts payable and other accrued liabilities	472	(316)
Restructuring cash payments	(152)	(124)
Pension contributions	(44)	(86)
Net investment hedge settlement		(4)
Other items	(60)	(54)
Net Cash Provided by Operating Activities	1,441	256
Cash Flows Required by Investing Activities:		
Purchases of short-term investments	(180)	
Capital expenditures	(217)	(342)
Acquisition of businesses, net of cash acquired	(99)	(23)
Purchases of long-term equity securities		(8)
Technology and other investments	(44)	(14)
Other investments and property disposal proceeds	16	42
Net Cash Required by Investing Activities	(524)	(345)
Cash Flows Required by Financing Activities:		
Net change in financing with less than 90-day maturities	(12)	126
Short-term debt proceeds	45	25
Short-term debt reductions	(27)	(32)
Long-term debt reductions	(2)	(1)
Payments on other financing	(2)	(1)
Treasury stock purchases	(381)	(124)
Stock option exercises	37	38
Excess tax benefits from stock-based compensation	19	31
Tax withholding on restricted stock and restricted stock units	(4)	
Dividend payments	(302)	(290)
Proceeds from noncontrolling interest	8	
Dividend payments to noncontrolling interest	(47)	(31)
Net Cash Required by Financing Activities	(668)	(259)

Cash Assumed from Initial Consolidations of Variable Interest Entities	77	
Effect of Exchange Rate Changes on Cash and Cash Equivalents	26	(1)
Net Increase (Decrease) in Cash and Cash Equivalents	352	(349)
Cash and Cash Equivalents at Beginning of Period	1,485	1,956
Cash and Cash Equivalents at End of Period	\$ 1,837	\$ 1,607

⁽¹⁾ See Note 24 Restatement of Consolidated Financial Statements of Notes to Consolidated Financial Statements See Note 20 Supplemental Cash Flow Information for further details.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

Statements of Consolidated Shareowners Equity and Comprehensive Income

(Dollars in millions, except per share data)	Monsanto Shareowners						Non-Controlling Interest	Total
	Common Stock	Treasury Stock	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) ⁽²⁾	Reserve for ESOP Debt		
Balance as of Aug. 31, 2009 Restated ⁽¹⁾	\$ 6	\$ (1,577)	\$ 9,695	\$ 2,665	\$ (744)	\$ (6)	\$ 69	\$ 10,108
Net income Restated ⁽¹⁾				1,096			19	1,115
Foreign currency translation					(99)		(1)	(100)
Postretirement benefit plan activity, net of tax of \$(75)					(113)			(113)
Unrealized net losses on investment holdings, net of tax of \$(2)					(4)			(4)
Realized net losses on investment holdings, net of tax of \$6					10			10
Unrealized net derivative gains, net of tax of \$(7)					5			5
Realized net derivative losses, net of tax of \$39					48			48
Comprehensive income for 2010 Restated ⁽¹⁾							18	961
Treasury stock purchases		(533)						(533)
Restricted stock withholding			(6)					(6)
Issuance of shares under employee stock plans			56					56
Excess tax benefits from stock-based compensation			43					43
Stock-based compensation expense			108					108
Cash dividends of \$1.08 per common share				(583)				(583)
Dividend payments to noncontrolling interest							(45)	(45)
Allocation of ESOP shares, net of dividends received						2		2
Donation of noncontrolling interest							2	2
Balance as of Aug. 31, 2010 Restated ⁽¹⁾	\$ 6	\$ (2,110)	\$ 9,896	\$ 3,178	\$ (897)	\$ (4)	\$ 44	\$ 10,113
Net income Restated ⁽¹⁾				1,027			18	1,045
Foreign currency translation					326		3	329
Postretirement benefit plan activity, net of tax of \$13					20			20
Unrealized net gains on investment holdings, net of tax of \$3					6			6
Unrealized net derivative gains, net of tax of \$69					105			105
Realized net derivative gains, net of tax of \$4					(1)			(1)

Comprehensive income for 2011 Restated ⁽¹⁾								21	1,504
Treasury stock purchases	(381)								(381)
Restricted stock withholding		(4)							(4)
Issuance of shares under employee stock plans			37						37
Excess tax benefits from stock-based compensation			19						19
Stock-based compensation expense			53						53
Cash dividends of \$0.56 per common share				(302)					(302)
Dividend payments to noncontrolling interest								(47)	(47)
Allocation of ESOP shares, net of dividends received							1		1
Proceeds from noncontrolling interest								8	8
Noncontrolling interest in consolidated variable interest entities								107	107
Balance as of Feb. 28, 2011 Restated⁽¹⁾	\$ 6	\$ (2,491)	\$ 10,001	\$ 3,903	\$ (441)	\$ (3)	\$ 133	\$ 11,108	

⁽¹⁾ See Note 24 Restatement of Consolidated Financial Statements of Notes to Consolidated Financial Statements.

⁽²⁾ See Note 18 Accumulated Other Comprehensive Income (Loss) for further details of the components of accumulated other comprehensive loss.

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION

Monsanto Company (the company), along with its subsidiaries, is a leading global provider of agricultural products for farmers. Monsanto's seeds, biotechnology trait products, and herbicides provide farmers with solutions that improve productivity, reduce the costs of farming and produce better foods for consumers and better feed for animals.

Monsanto manages its business in two segments: Seeds and Genomics and Agricultural Productivity. Through the Seeds and Genomics segment, Monsanto produces leading seed brands, including DEKALB, ASGROW, DELTAPINE, SEMINIS and DE RUITER, and Monsanto develops biotechnology traits that assist farmers in controlling insects and weeds. Monsanto also provides other seed companies with genetic material and biotechnology traits for their seed brands. Through the Agricultural Productivity segment, the company manufactures ROUNDUP and HARNESS brand herbicides and other herbicides. See Note 22 Segment Information for further details.

In the fourth quarter of 2008, the company announced plans to divest its animal agricultural products business, which focused on dairy cow productivity (the Dairy business). This transaction was consummated on Oct. 1, 2008. As a result, financial data for this business has been presented as discontinued operations. The financial statements have been prepared in compliance with the provisions of the Property, Plant and Equipment topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, for all periods presented herein, the Statements of Consolidated Operations have been conformed to this presentation. See Note 23 Discontinued Operations for further details.

The accompanying consolidated financial statements have not been audited but have been prepared in conformity with accounting principles generally accepted in the United States for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, these unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the interim periods reported. This Report on

Form 10-Q/A should be read in conjunction with Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010. Financial information for the first six months of fiscal year 2011 should not be annualized because of the seasonality of the company's business.

NOTE 2. NEW ACCOUNTING STANDARDS

In July 2010, the FASB issued a new update that requires enhanced disclosures regarding credit quality and the related allowance for credit losses of financing receivables. The new disclosures require additional information for nonaccrual and past due accounts, the allowance for credit losses, impaired loans, credit quality, and account modifications. Accordingly, Monsanto adopted the new disclosure requirements in second quarter 2011, and the disclosures related to activities during the reporting period will begin in the third quarter 2011. See Note 7 Receivables for the new disclosures.

In January 2010, the FASB issued an amendment to the Fair Value Measurements and Disclosures topic of the ASC. This amendment requires disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This amendment was effective for periods beginning after Dec. 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements, which will be effective for fiscal years beginning after Dec. 15, 2010, and for interim periods within those fiscal years. Accordingly, Monsanto prospectively adopted this amendment in third quarter 2010, and adopted the additional Level 3 requirements in fiscal year 2011. See Note 14 Fair Value Measurements for the new disclosures.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

In June 2009, the FASB issued a standard that requires an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This statement requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This standard is effective for fiscal years beginning after Nov. 15, 2009. Accordingly, Monsanto adopted this standard on Sept. 1, 2010. See Note 5 Variable Interest Entities for the disclosures required by this standard.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

In June 2009, the FASB issued a standard that removes the concept of a qualifying special-purpose entity (QSPE) from U.S. generally accepted accounting principles (GAAP) and removes the exception from applying consolidation principles to a QSPE. This standard also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This standard is effective for fiscal years beginning after Nov. 15, 2009. Accordingly, Monsanto adopted this standard in first quarter fiscal year 2011. See Note 4 Customer Financing Programs for additional discussion regarding impact on its QSPE related to a Brazilian financing program and other financing programs.

NOTE 3. BUSINESS COMBINATIONS

Effective Sept. 1, 2009, Monsanto adopted the new guidance in the Business Combinations topic of the ASC for acquisitions subsequent to that date.

2011 Acquisitions: In February 2011, Monsanto acquired 100 percent of the outstanding stock of Divergence, Inc., a biotechnology research and development company located in St. Louis, Missouri. Acquisition costs were less than \$1 million and were classified as selling, general, and administrative (SG&A) expenses. The total cash paid and the fair value of the acquisition were \$71 million (net of cash acquired), and the purchase price was primarily allocated to intangibles and goodwill. The primary items that generated the goodwill were the premiums paid by the company for the right to control the business acquired and the value of the acquired assembled workforce. The goodwill is not deductible for tax purposes.

In December 2010, Monsanto acquired 100 percent of the outstanding stock of Pannon Seeds, a seed processing plant located in Hungary, from IKR Production Development and Commercial Corporation. The acquisition of this plant, which qualifies as a business under the Business Combinations topic of the ASC, allows Monsanto to reduce third party seed production in Hungary. Acquisition costs were less than \$1 million and were classified as SG&A. The total fair value of the acquisition was \$32 million, and the purchase price was primarily allocated to fixed assets and goodwill. This fair value includes \$28 million of cash paid (net of cash acquired) and \$4 million related to assumed liabilities. The primary items that generated the goodwill were the premiums paid by the company for the right to control the business acquired and the value of the acquired assembled workforce. The goodwill is not deductible for tax purposes.

2010 Acquisitions: In April 2010, Monsanto acquired a corn and soybean processing plant located in Paine, Chile from Anasac, a Santiago-based company that provides seed processing services. The acquisition of this plant, which qualifies as a business under the Business Combinations topic of the ASC, allows Monsanto to reduce third party seed production in Chile, while increasing production supply. Acquisition costs were less than \$1 million and were classified as SG&A. The total cash paid and the fair value of the acquisition were \$34 million, and the purchase price was primarily allocated to fixed assets, goodwill, and intangibles. The primary items that generated the goodwill were the premiums paid by the company for the right to control the business acquired and the value of the acquired assembled workforce. The goodwill is not deductible for tax purposes.

In October 2009, Monsanto acquired the remaining 51 percent equity interest in Seminium, S.A. (Seminiun), a leading Argentinean corn seed company. Acquisition costs were less than \$1 million and were classified as SG&A. The total fair value of Seminiun was \$36 million, and it was primarily allocated to inventory, fixed assets, intangibles, and goodwill. This fair value includes \$20 million of cash paid (net of cash acquired) and \$16 million for the fair value of Monsanto's 49 percent equity interest in Seminiun held prior to the acquisition. The primary items that generated goodwill were the premiums paid by the company for the right to control the business acquired and the value of the acquired assembled workforce. The goodwill is not deductible for tax purposes. Income of approximately \$12 million was recognized from the re-measurement to fair value of Monsanto's previous equity interest in Seminiun and is included in other (income) expense, net in the Statement

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

of Consolidated Operations for the quarter ended Nov. 30, 2009.

For all fiscal year 2011 and 2010 acquisitions described above, the business operations and employees of the acquired entities were included in the Seeds and Genomics segment results upon acquisition. These acquisitions were accounted for as business combinations. Accordingly, the assets and liabilities of the acquired entities were recorded at their estimated fair values at the dates of the acquisitions. The measurement period for purchase price allocations ends as soon as information on the facts and circumstances becomes available, but does not exceed twelve months. If new information is obtained about facts

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized for assets acquired and liabilities assumed, Monsanto will retrospectively adjust the amounts recognized as of the acquisition date. Proforma information related to acquisitions is not presented because the impact of the acquisitions on the company's consolidated results of operations is not considered to be significant.

NOTE 4. CUSTOMER FINANCING PROGRAMS

Monsanto participates in a revolving financing program in Brazil that allows Monsanto to transfer up to 1 billion Brazilian reais (approximately \$600 million) for selected customers in Brazil to a special purpose entity, formerly a qualified special purpose entity. Third parties, primarily investment funds, hold an 88 percent senior interest in the entity, and Monsanto holds the remaining 12 percent interest. Under the arrangement, a recourse provision requires Monsanto to cover the first 12 percent of credit losses within the program. The company has evaluated its relationship with the entity under updated guidance within the Consolidation topic of the ASC and, as a result, the entity has been consolidated effective Sept. 1, 2010. For further information on this topic, see Note 5 Variable Interest Entities.

In this program, receivables are considered delinquent when payments are one day past due, but the provisions on the financing program for nonperformance start on the 15th day past due. If a customer fails to pay an obligation when it is due, the provisions for bad debt on the program will be recorded. As of Feb. 28, 2011, there were no receivables sold through this financing program that were delinquent. There were \$3 million of receivables sold through this financing program that were delinquent as of Aug. 31, 2010. Based on the company's historical collection experience with these customers and a current assessment of credit exposure, Monsanto recorded its recourse provision at \$5 million as of Aug. 31, 2010. Since the entity is now consolidated, Monsanto recorded a bad debt allowance related to these receivables of \$2 million as of Feb. 28, 2011. The maximum potential amount of exposure under the program was \$12 million as of Feb. 28, 2011. If Monsanto is called upon to make payments under the recourse provision, it would have the benefit under the financing program of any amounts subsequently collected from the customer.

Monsanto has an agreement with a special purpose entity in Argentina to transfer customer receivables and to service such accounts. The company has evaluated its relationship with this entity under updated guidance within the Consolidation topic of the ASC and, as a result, the entity has been consolidated effective Sept. 1, 2010. For further information on this topic, see Note 5 Variable Interest Entities. As of Feb. 28, 2011, and Aug. 31, 2010, there were no receivables sold through this financing program that were delinquent. Based on the company's historical collection experience with these customers and a current assessment of credit exposure, Monsanto recorded a bad debt allowance related to these receivables of less than \$1 million as of Feb. 28, 2011. The maximum potential amount of exposure under the program was \$1 million as of Feb. 28, 2011.

Monsanto has an agreement in the United States to sell customer receivables up to a maximum of \$500 million and to service such accounts. These receivables qualify for sales treatment under the Transfers and Servicing topic of the ASC and accordingly, the proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows. The gross amount of receivables sold totaled \$3 million and \$2 million for the first six months of fiscal years 2011 and 2010, respectively. The agreement includes recourse provisions and thus a liability was established at the time of sale that approximates fair value based upon the company's historical collection experience with such receivables and a current assessment of credit exposure. The recourse liability recorded by Monsanto was \$2 million as of Feb. 28, 2011, and Aug. 31, 2010. The maximum potential amount of future payments under the recourse provisions of the agreement was \$2 million as of Feb. 28, 2011. The outstanding balance of the receivables sold was \$5 million and \$223 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. There were delinquent accounts of \$5 million and \$3 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Monsanto also sells accounts receivable in the United States and European regions, both with and without recourse. The sales within these programs qualify for sales treatment under the Transfers and Servicing topic of the ASC and accordingly, the proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows. The gross amounts of receivables sold totaled \$4 million and \$7 million for the first six months of fiscal years 2011 and 2010, respectively. The liability for the guarantees for sales with recourse is recorded at an amount that approximates fair value,

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

based on the company's historical collection experience for the customers associated with the sale of the receivables and a current assessment of credit exposure. There was no liability balance as of Feb. 28, 2011. The liability recorded by Monsanto was less than \$1 million as of Aug. 31, 2010. There were no outstanding balances of the receivables sold as of Feb. 28, 2011, and, therefore, no potential future payments under the recourse provisions of the agreements as of Feb. 28, 2011. The outstanding balance of the receivables sold was \$86 million as of Aug. 31, 2010. There were no delinquent accounts as of Feb. 28, 2011, or Aug. 31, 2010.

Monsanto has additional agreements with lenders to establish programs that provide financing of up to 550 million Brazilian reais (approximately \$330 million) for selected customers in Brazil. Monsanto provides a guarantee of the accounts in the event of customer default. The term of the guarantee is equivalent to the term of the bank loans. The liability for the guarantees is recorded at an amount that approximates fair value, based on the company's historical collection experience with customers that participate in the program and a current assessment of credit exposure. The guarantee liability recorded by Monsanto was \$1 million and \$3 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. If performance is required under the guarantee, Monsanto may retain amounts that are subsequently collected from customers. The maximum potential amount of future payments under the guarantee was \$72 million as of Feb. 28, 2011. The account balance outstanding for these programs was \$72 million and \$100 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. There were no delinquent accounts as of Feb. 28, 2011, and delinquent accounts of \$2 million as of Aug. 31, 2010.

Monsanto also has similar agreements with banks that provide financing to its customers in the United States, Brazil, Europe and Argentina. Under these programs, Monsanto provides a guarantee of the accounts in the event of customer default. The terms of the guarantees are equivalent to the terms of the bank loans. The liability for the guarantees is recorded at an amount that approximates fair value, based on the company's historical collection experience with customers that participate in the program and a current assessment of credit exposure. The guarantee liability recorded by Monsanto was \$1 million and \$2 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. If performance is required under the guarantee, Monsanto may retain amounts that are subsequently collected from customers. The maximum potential amount of future payments under the guarantees was \$36 million as of Feb. 28, 2011. The account balance outstanding for these programs was \$46 million and \$36 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively.

NOTE 5. VARIABLE INTEREST ENTITIES

Effective Sept. 1, 2010, Monsanto prospectively adopted the accounting standard update regarding improvements to financial reporting by enterprises involving variable interest entities (VIEs). A VIE is a legal entity that lacks sufficient equity to finance its activities, or the equity investors of the entity as a group lack any of the characteristics of a controlling interest. Monsanto is involved with various special purpose entities and other entities that are deemed to be VIEs. Monsanto has determined that the company holds variable interests in entities that are established as revolving financing programs. These programs allow the company to transfer a limited amount of customer receivables to a VIE. One program is in Brazil and the other is in Argentina. In addition, Monsanto has various variable interests in biotechnology companies that focus on plant gene research, development, and commercialization. These variable interests have also been determined to be VIEs.

If a company is considered the primary beneficiary of a VIE, the company is required to consolidate the entity. The primary beneficiary of a VIE is the enterprise that has both the power to direct the activities most significant to the economic performance of the VIE and the obligation to absorb losses or receive benefits that could potentially be significant to the VIE. For all VIEs in which the company has a variable interest, the company performs ongoing qualitative assessments to determine whether it is the primary beneficiary. In determining whether Monsanto is the primary beneficiary, a number of factors are considered, including the structure of the entity, contractual provisions that grant any additional rights to influence or control the economic performance of the VIE, and the company's obligation to absorb significant losses. In addition, the company determines which activities most significantly impact the economic performance of the VIE and whether the company has any rights that would allow it to direct those activities. If Monsanto is determined to be the primary beneficiary, the assets, liabilities and operations of the

VIE are consolidated.

As a result of the adoption of the updated accounting guidance, Monsanto was required to consolidate certain VIEs that are established as revolving financing programs including the special purpose entity referred to in Note 4 Customer Financing

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

Programs. As of the date of the initial consolidation of these VIEs, the company measured the assets and liabilities of the newly consolidated VIEs at their carrying value. The company was not required to deconsolidate any VIEs as of Sept. 1, 2010. The cumulative effect of the adoption of this guidance was insignificant to additional contributed capital, retained earnings and accumulated other comprehensive loss and, therefore, not identified separately on the Statement of Consolidated Shareowners' Equity and Comprehensive Income but is recorded within the Statement of Consolidated Operations.

Consolidated VIEs

Under the accounting guidance effective prior to Sept. 1, 2010, none of the interests in VIEs held were consolidated by Monsanto. For the most part, the VIEs involving the revolving financing programs are funded by investments from the company and other third parties, primarily investment funds, and have been established to service Monsanto's customer receivables. Creditors have no recourse against Monsanto in the event of default by these VIEs nor does the company have any implied or unfunded commitments to these VIEs. The company's financial or other support provided to these VIEs is limited to its original investment. Even though Monsanto holds a subordinate interest in the VIEs, the VIEs were established to service transactions involving the company and the company determines the receivables that are included in the revolving financing programs. Therefore, the determination is that Monsanto has the power to direct the activities most significant to the economic performance of the VIEs. As a result, the company is the primary beneficiary of these VIEs and, effective Sept. 1, 2010, these VIEs have been consolidated in Monsanto's Consolidated Financial Statements. The assets of these VIEs may only be used to settle the obligations of the respective entity. Third-party investors in the VIEs do not have recourse to the general assets of Monsanto other than the maximum exposure to loss relating to the VIE. The following table presents the carrying value of assets and liabilities, which are identified as restricted assets and liabilities on the company's Condensed Statement of Consolidated Financial Position, and the maximum exposure to loss relating to the VIEs for which Monsanto is the primary beneficiary.

	As of Feb. 28, 2011
	Financing Programs VIEs
(Dollars in millions)	
Cash and cash equivalents	\$ 13
Trade receivables, net	101
Total Assets	114
Total Liabilities	
Maximum Exposure to Loss	\$ 13

Non-Consolidated VIEs

Monsanto has variable interests through investments and arrangements with biotechnology companies that focus on plant gene research, development, and commercialization. The company has not provided financial or other support with respect to these investments or arrangements other than its original interest. The company also has no implied or unfunded commitments to these VIEs. The company determined that it was not the primary beneficiary due to the relative size of Monsanto's investment in comparison to the total equity of the VIEs, the level of the company's obligation to absorb losses or right to receive benefits from the VIEs, and the company's inability to direct the activities that most significantly impact the economic performance of the VIEs. Monsanto's maximum exposure to loss on these variable interests is limited to the amount of the company's investment in the entity. The following table presents the carrying value of assets and liabilities, and the maximum exposure to loss relating to VIEs that the company does not consolidate:

	As of Feb. 28, 2011
	Biotechnology VIEs
(Dollars in millions)	
Property, plant, and equipment, net	\$ 4
Other intangible assets, net	5
Other assets	15
Total Non-Current Assets	24
Total Liabilities	
Maximum Exposure to Loss	\$ 15

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**NOTE 6. RESTRUCTURING**

Restructuring charges were recorded in the Statements of Consolidated Operations as follows:

(Dollars in millions)	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
	2011	2010	2011	2010
Cost of Goods Sold ⁽¹⁾	\$ (2)	\$ (54)	\$ (2)	\$ (54)
Restructuring Charges, Net ⁽¹⁾⁽²⁾	(1)	(30)	(8)	(44)
Loss from Continuing Operations Before Income Taxes	(3)	(84)	(10)	(98)
Income Tax Benefit	1	30	4	31
Net Loss	\$ (2)	\$ (54)	\$ (6)	\$ (67)

⁽¹⁾ For the three months and the six months ended Feb. 28, 2011, the \$2 million of restructuring charges recorded in cost of goods sold related to the Seeds and Genomics segment. For the three months ended Feb. 28, 2011, the \$1 million of restructuring charges recorded in restructuring charges, net related to the Seeds and Genomics segment. For the six months ended Feb. 28, 2011, the \$8 million of restructuring charges recorded in restructuring charges, net were split by segment as follows: \$(4) million in Agricultural Productivity and \$12 million in Seeds and Genomics. For the three months and the six months ended Feb. 28, 2010, the \$54 million of restructuring charges recorded in cost of goods sold related to the Seeds and Genomics segment. For the three months ended Feb. 28, 2010, the \$30 million of restructuring charges, net were split by segment as follows: \$25 million in Agricultural Productivity and \$5 million in Seeds and Genomics. For the six months ended Feb. 28, 2010, the \$44 million of restructuring charges, net were split by segment as follows: \$36 million in Agricultural Productivity and \$8 million in Seeds and Genomics.

⁽²⁾ The restructuring charges for the three months and the six months ended Feb. 28, 2011, include reversals of \$25 million related to the 2009 Restructuring Plan. The restructuring charges for the three months and the six months ended Feb. 28, 2010, include reversals of \$9 million and \$11 million, respectively, related to the 2009 Restructuring Plan. The reversals are primarily related to severance. Although positions originally included in the plan were eliminated, individuals found new roles within the company due to attrition.

On June 23, 2009, the company's Board of Directors approved a restructuring plan (2009 Restructuring Plan) to take future actions to reduce costs in light of the changing market supply environment for glyphosate. These actions are designed to enable Monsanto to stabilize the Agricultural Productivity business and allow it to deliver optimal gross profit and a sustainable level of operating cash in the coming years, while better aligning spending and working capital needs. The company also announced that it will take steps to better align the resources of its global seeds and traits business. These actions include certain product and brand rationalization within the seed businesses. On Sept. 9, 2009, the company committed to take additional actions related to the previously announced restructuring plan. Furthermore, while implementing the plan, the company identified additional opportunities to better align the company's resources, and on Aug. 26, 2010, committed to take additional actions. The plan was substantially completed in the first quarter of fiscal year 2011, and the remaining payments are expected to be made by the

end of the fourth quarter in fiscal year 2011.

The following table displays the pretax charges by segment under the 2009 Restructuring Plan of \$3 million and \$84 million incurred for the three months ended Feb. 28, 2011, and Feb. 28, 2010, respectively, the pretax charges of \$10 million and \$98

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

million incurred for the six months ended Feb. 28, 2011, and Feb. 28, 2010, respectively, as well as the cumulative pretax charges of \$740 million.

(Dollars in millions)	Three Months Ended Feb. 28,						Six Months Ended Feb. 28,					
	Seeds and Genomics		Agricultural Productivity		Total		Seeds and Genomics		Agricultural Productivity		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Work Force Reductions	\$	\$ 3	\$	\$ 1	\$	\$ 4	\$ (11)	\$ 4	\$ (7)	\$ 11	\$ (18)	\$ 15
Facility Closures / Exit Costs	1	2		24	1	26	23	3	3	25	26	28
Asset Impairments												
Property, plant and equipment								1				1
Inventory	2	54			2	54	2	54			2	54
Total Restructuring Charges, Net	\$ 3	\$ 59	\$	\$ 25	\$ 3	\$ 84	\$ 14	\$ 62	\$ (4)	\$ 36	\$ 10	\$ 98

(Dollars in millions)	Cumulative Amount through Feb. 28, 2011		
	Seeds and Genomics	Agricultural Productivity	Total
Work Force Reductions	\$ 249	\$ 103	\$ 352
Facility Closures / Exit Costs	72	81	153
Asset Impairments			
Property, plant and equipment	39	5	44
Inventory	119	13	132
Other intangible assets	59		59
Total Restructuring Charges, Net	\$ 538	\$ 202	\$ 740

The company's written human resource policies are indicative of an ongoing benefit arrangement with respect to severance packages. Benefits paid pursuant to an ongoing benefit arrangement are specifically excluded from the Exit or Disposal Cost Obligations topic of the ASC, therefore severance charges incurred in connection with the 2009 Restructuring Plan are accounted for when probable and estimable as required under the Compensation Nonretirement Postemployment Benefits topic of the ASC. In addition, when the decision to commit to a restructuring plan requires an asset impairment review, Monsanto evaluates such impairment issues under the Property, Plant and Equipment topic of the ASC.

In the six months ended Feb. 28, 2011, pretax restructuring charges of \$10 million were recorded. The facility closures/exit costs of \$26 million relate primarily to the finalization of the termination of a corn toller contract in the United States. In workforce reductions, approximately \$7 million of additional charges were offset by \$25 million of reversals. Although positions originally included in the plan were eliminated, individuals found new roles within the company due to attrition. In asset impairments, inventory impairments of \$2 million recorded in cost of goods sold related to discontinued corn and sorghum seed products in the United States. In the six months ended Feb. 28, 2010, pretax

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

restructuring charges of \$98 million were recorded. The \$15 million in workforce reductions relate primarily to Europe. The facility closures/exit costs of \$28 million relate primarily to the finalization of the termination of a chemical supply contract in the United States. In asset impairments, inventory impairments of \$54 million recorded in cost of goods sold related to discontinued corn seed products in the United States.

The following table summarizes the activities related to the company's 2009 Restructuring Plan.

(Dollars in millions)	Work Force Reductions	Facility Closures / Exit Costs	Asset Impairments	Total
Beginning Liability as of Aug. 31, 2010	\$ 153	\$ 44	\$	\$ 197
Restructuring charges recognized in first six months of fiscal year 2011	(18)	26	2	10
Cash payments	(84)	(68)		(152)
Asset impairments and write-offs			(2)	(2)
Foreign currency impact	6			6
Ending Liability as of Feb. 28, 2011	\$ 57	\$ 2	\$	\$ 59

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**NOTE 7. RECEIVABLES**

Trade receivables on the Condensed Statements of Consolidated Financial Position are net of allowances of \$111 million and \$143 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively.

Effective with the second quarter of 2011, the company adopted the amended guidance in the Receivables topic of the ASC which requires greater transparency about a company's allowance for credit losses and the credit quality of its financing receivables. The company has financing receivables that represent long-term customer receivable balances related to past due accounts which are not expected to be collected within the current year. The long-term customer receivables were \$265 million and \$239 million with a corresponding allowance for credit losses on these receivables of \$253 million and \$226 million, as of Feb. 28, 2011, and Aug. 31, 2010, respectively. These long-term customer receivable balances and the corresponding allowance are included in long-term receivables, net on the Condensed Statements of Consolidated Financial Position. For these long-term customer receivables, interest is no longer accrued when the receivable is determined to be delinquent and classified as long-term based on estimated timing of collection.

In addition, the company has long-term contractual receivables. These receivables are collected at fixed and determinable dates in accordance with the customer long-term agreement. The long-term contractual receivables were \$447 million and \$500 million, as of Feb. 28, 2011, and Aug. 31, 2010, respectively, and did not have any allowance recorded related to these balances. These receivables are included in long-term receivables, net on the Condensed Statements of Consolidated Financial Position. There are no balances related to these long-term contractual receivables that are past due. These receivables are outstanding with large, reputable companies who have been timely with scheduled payments thus far and are considered to be fully collectible. Interest is accrued on these receivables in accordance with the agreements and is included within interest income in the Statements of Consolidated Operations. See Note 11 Deferred Revenue for more details on the significant agreements related to these long-term contractual receivables.

On an ongoing basis, the company evaluates credit quality of its financing receivables utilizing aging of receivables, collection experience and write-offs, as well as evaluating existing economic conditions, to determine if an allowance is necessary. As of Feb. 28, 2011, no significant long-term receivable balances are considered to be impaired.

NOTE 8. INVENTORY

Components of inventory are:

	As of Feb. 28, 2011	As of Aug. 31, 2010
(Dollars in millions)	Restated	Restated

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Finished Goods	\$	1,355	\$	1,135
Goods In Process		1,384		1,299
Raw Materials and Supplies		376		326
Inventory at FIFO Cost		3,115		2,760
Excess of FIFO over LIFO Cost		(135)		(111)
Total	\$	2,980	\$	2,649

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**NOTE 9. GOODWILL AND OTHER INTANGIBLE ASSETS**

Changes in the net carrying amount of goodwill for the first six months of fiscal year 2011, by segment, are as follows:

(Dollars in millions)	Seeds and Genomics	Agricultural Productivity	Total
Balance as of Aug. 31, 2010	\$ 3,147	\$ 57	\$ 3,204
Acquisition activity (see Note 3)	50		50
Effect of foreign currency translation adjustments	66		66
Balance as of Feb. 28, 2011	\$ 3,263	\$ 57	\$ 3,320

In the six months ended Feb. 28, 2011, goodwill increased due to the 2011 acquisitions of Divergence and Pannon Seeds and the effects of foreign currency translation adjustments. See Note 3 Business Combinations for further information. There were no events or circumstances indicating that goodwill might be impaired as of Feb. 28, 2011. The 2011 annual goodwill impairment test will be performed as of March 1, 2011.

Information regarding the company's other intangible assets is as follows:

(Dollars in millions)	As of Feb. 28, 2011			As of Aug. 31, 2010		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Intangible Assets with Finite Lives:						
Acquired germplasm	\$1,180	\$ (668)	\$ 512	\$1,161	\$ (640)	\$ 521
Acquired intellectual property	961	(681)	280	866	(649)	217
Trademarks	349	(102)	247	344	(94)	250
Customer relationships	327	(130)	197	317	(113)	204
Other	128	(55)	73	121	(50)	71
	\$2,945	\$ (1,636)	\$ 1,309	\$2,809	\$ (1,546)	\$ 1,263

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Total Other Intangible Assets, Finite Lives

In process research & development, indefinite lives	44		44			
Total Other Intangible Assets	\$2,989	\$ (1,636)	\$ 1,353	\$2,809	\$ (1,546)	\$ 1,263

The increase in acquired intellectual property during the six months ended Feb. 28, 2011, primarily resulted from the purchase of licenses that provide Monsanto the access to use technology patents.

The in-process research and development was a result of the acquisition of Divergence described in Note 3 Business Combinations. This asset is subject to an indefinite life until the research is developed and commercialized.

Total amortization expense of other intangible assets was \$37 million in second quarter of fiscal year 2011 and \$39 million in second quarter of fiscal year 2010. Total amortization expense of other intangible assets was \$75 million for the six months ended Feb. 28, 2011, and \$79 million for the six months ended Feb. 28, 2010. The estimated intangible asset amortization expense for fiscal year 2011 through fiscal year 2015 is as follows:

(Dollars in millions)	Amount
2011	\$ 151
2012	139
2013	112
2014	117
2015	113

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**NOTE 10. INVESTMENTS AND EQUITY AFFILIATES****Investments**

As of Feb. 28, 2011, Monsanto has short-term investments outstanding of \$180 million. See Note 14 Fair Value Measurements for further discussion related to these investments.

During fiscal year 2010, Monsanto invested in long-term debt securities with a cost of \$15 million, which were classified as available-for-sale as of Aug. 31, 2010. The investments were recorded in other assets in the Condensed Statement of Consolidated Financial Position at their fair value of \$10 million as of Aug. 31, 2010. Net unrealized losses (net of deferred taxes) of \$3 million were included in accumulated other comprehensive loss in shareowners' equity related to these investments as of Aug. 31, 2010. As a result of the adoption of a new accounting standard within the Consolidation topic of the ASC, the special purpose entity in which the company invested is now consolidated and the investment is no longer included in other assets in the Condensed Statement of Consolidated Financial Position. See Note 5 Variable Interest Entities for further discussion related to these debt securities.

Monsanto has investments in long-term equity securities, which are considered available-for-sale. As of Feb. 28, 2011, and Aug. 31, 2010, these long-term equity securities are recorded in other assets in the Condensed Statements of Consolidated Financial Position at a fair value of \$36 million and \$23 million, respectively. Net unrealized gains (net of deferred taxes) of \$6 million and \$3 million are included in accumulated other comprehensive loss in shareowners' equity related to these investments as of Feb. 28, 2011, and Aug. 31, 2010, respectively.

Equity Affiliates

Monsanto owns a 19 percent interest in a seed supplier that produces, conditions, and distributes corn and soybean seeds. Monsanto is accounting for this investment as an equity method investment as Monsanto has the ability to exercise significant influence over the seed supplier. As of Feb. 28, 2011, and Aug. 31, 2010, this investment is recorded in other assets in the Condensed Statements of Consolidated Financial Position at \$68 million and \$65 million, respectively. Monsanto purchased \$72 million and \$141 million of inventory from the seed supplier for the three and six months ended Feb. 28, 2011, respectively, and \$101 million and \$109 million for the three and six months ended Feb. 28, 2010. There were no sales of inventory to the seed supplier in either 2011 or 2010. As of Feb. 28, 2011, and Aug. 31, 2010, the amount payable to the seed supplier was \$23 million and \$5 million, respectively, and recorded in accounts payable in the Condensed Statements of Consolidated Financial Position. As of Feb. 28, 2011, there were no prepayments, while the prepayment as of Aug. 31, 2010, was \$7 million, included in other current assets in the Condensed Statements of Consolidated Financial Position related to inventory delivered in fiscal year 2011.

NOTE 11. DEFERRED REVENUE

In first quarter 2008, Monsanto entered into a corn herbicide tolerance and insect control trait technologies agreement with Pioneer Hi-Bred International, Inc., a wholly-owned subsidiary of E. I. du Pont de Nemours and Company. Among its provisions, the agreement modified certain existing corn license agreements between the parties, included provisions under which the parties agreed not to assert certain intellectual property rights against each other, and granted each party the right to use certain regulatory data of the other in order to develop additional

products. As a result of the new agreement which requires fixed annual payments, the company recorded a receivable and deferred revenue of \$635 million in first quarter 2008. Cumulative cash receipts will be \$725 million over an eight-year period. Revenue of \$20 million related to this agreement was recorded for the three months ended Feb. 28, 2011, and Feb. 28, 2010, and revenue of \$40 million was recorded for the six months ended Feb. 28, 2011, and Feb. 28, 2010. As of Feb. 28, 2011, and Aug. 31, 2010, the remaining receivable balance is \$386 million and \$470 million, respectively. The majority of this balance is included in long-term receivables, and the current portion is included in trade receivables. As of Feb. 28, 2011, and Aug. 31, 2010, the remaining deferred revenue balance is \$357 million and \$397 million, respectively. The majority of this balance is included in long-term deferred revenue, and the current portion is included in deferred revenue in the Condensed Statements of Consolidated Financial Position. The interest portion of this receivable is reported in interest income and totaled \$3 million and \$7 million for the three and six months ended Feb. 28, 2011, respectively. Interest income for the three and six months ended Feb. 28, 2010, was \$4 million and \$8 million, respectively.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

In third quarter 2008, Monsanto and Syngenta entered into a GENUITY ROUNDUP READY 2 YIELD Soybean License Agreement. The agreement grants Syngenta access to Monsanto's GENUITY ROUNDUP READY 2 YIELD Soybean technology in consideration of royalty payments from Syngenta, based on sales. Under this agreement Syngenta will fulfill the contractual sales volumes over a nine-year period. The minimum obligation from Syngenta over this period is \$81 million. Revenue of \$3 million related to this agreement was recorded for the three and six months ended Feb. 28, 2011. As of Feb. 28, 2011, and Aug. 31, 2010, the remaining receivable balance is \$73 million related to the net present value of expected payments under this agreement. The majority of this balance is included in long-term receivables on the Condensed Statements of Consolidated Financial Position and the current portion is included in trade receivables. The interest portion of this receivable is reported in interest income in the Statements of Consolidated Operations and was less than \$1 million and \$1 million for both the three and six months ended Feb. 28, 2011, and Feb. 28, 2010. As of Feb. 28, 2011, and Aug. 31, 2010, the remaining deferred revenue balance of \$64 million and \$67 million, respectively, is included in long-term deferred revenue in the Condensed Statements of Consolidated Financial Position and the current portion is included in deferred revenue.

NOTE 12. INCOME TAXES

Management regularly assesses the tax risk of the company's tax return filing positions for all open years and establishes reserves accordingly. During the first half of 2011, statutes expired in several ex-US jurisdictions. Additionally, the company benefitted from the retroactive extension of the research and development credit pursuant to the enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. Primarily as a result of these items, Monsanto recorded a tax benefit of \$18 million in the first half of 2011.

During the first half of 2010, statutes expired in several jurisdictions and several domestic and ex-US tax matters were resolved favorably. In addition, favorable adjustments were recorded as a result of the preparation of tax returns in several jurisdictions. Primarily as a result of these items, Monsanto recorded a tax benefit of \$32 million in the first half of 2010.

NOTE 13. DEBT AND OTHER CREDIT ARRANGEMENTS

In early April 2011, Monsanto finalized a new \$2 billion credit facility agreement with a group of banks. This agreement provides a four-year senior unsecured revolving credit facility, which replaces the existing \$2 billion credit facility established in 2007.

Monsanto plans to issue new fixed-rate debt on or before Aug. 15, 2012, to repay \$486 million of 7³/₈% Senior Notes that are due on Aug. 15, 2012. In March 2009, the company entered into forward-starting interest rate swaps with a total notional amount of \$250 million. The purpose of the swaps was to hedge the variability of the forecasted interest payments on this expected debt issuance that may result from changes in the benchmark interest rate before the debt is issued. Unrealized gains and losses, net of tax, of \$6 million and \$8 million were recorded in accumulated other comprehensive loss to reflect the aftertax change in the fair value of the forward-starting interest rate swaps as of Feb. 28, 2011, and Aug. 31, 2010, respectively. In August 2010, the company entered into forward-starting interest rate swaps with a total notional amount of \$225 million. The purpose of the swaps was to hedge the variability of the forecasted interest payments on this expected debt issuance that may result from changes in the benchmark interest rate before the debt is issued. An unrealized gain and loss, net of tax, of \$17 million and \$9 million were recorded in accumulated other comprehensive loss to reflect the aftertax change in the fair value of the forward-starting interest rate swaps as of Feb. 28, 2011, and Aug. 31, 2010, respectively. These swaps are accounted for under the Derivatives and Hedging topic of the ASC.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Monsanto plans to issue new fixed-rate debt on or before April 15, 2011. In July 2010, the company entered into forward-starting interest rate swaps with a total notional amount of \$300 million. The purpose of the swaps was to hedge the variability of the forecasted interest payments on this expected debt issuance that may result from changes in the benchmark

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

interest rate before the debt is issued. Unrealized losses, net of tax, of \$5 million and \$7 million were recorded in accumulated other comprehensive loss to reflect the aftertax change in the fair value of the forward-starting interest rate swaps as of Feb. 28, 2011, and Aug. 31, 2010, respectively.

The fair value of the total short-term debt was \$409 million and \$241 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. The fair value of the total long-term debt was \$1,864 million and \$2,094 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively.

As of Feb. 28, 2011, Monsanto had no commercial paper borrowings outstanding.

In April 2010, Monsanto completed the purchase of the Chesterfield Village Research Center from Pfizer. There is debt outstanding of \$324 million on the purchase price which is included in short-term debt on the Condensed Statements of Consolidated Financial Position as of Feb. 28, 2011.

NOTE 14. FAIR VALUE MEASUREMENTS

Monsanto determines the fair market value of its financial assets and liabilities based on quoted market prices, estimates from brokers, and other appropriate valuation techniques. The company uses the fair value hierarchy established in the Fair Value Measurements and Disclosures topic of the ASC, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy contains three levels as follows, with Level 3 representing the lowest level of input:

Level 1 Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 Values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Values generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions would reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques could include use of option pricing models, discounted cash flow models and similar techniques.

The following tables set forth by level Monsanto's assets and liabilities that were accounted for at fair value on a recurring basis as of Feb. 28, 2011, and Aug. 31, 2010. As required by the Fair Value Measurements and Disclosures topic of the ASC, assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

value measurement. Monsanto's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

(Dollars in millions)	Fair Value Measurements at Feb. 28, 2011, Using Cash				
	Level 1	Level 2	Level 3	Collateral Offset ⁽¹⁾	Net Balance
Assets at Fair Value:					
Cash equivalents	\$ 1,525	\$	\$	\$	\$ 1,525
Short-term investments	180				180
Equity securities	36				36
Derivative assets related to:					
Foreign currency		11			11
Interest rates		40			40
Corn	44	4		(43)	5
Soybeans	38	6		(38)	6
Energy and raw materials		4			4
Total Assets at Fair Value	\$ 1,823	\$ 65	\$	\$ (81)	\$ 1,807
Liabilities at Fair Value:					
Derivative liabilities related to:					
Foreign currency		17			17
Interest rates		4			4
Corn		4			4
Soybeans	3	3			6
Energy and raw materials		13			13
Total Liabilities at Fair Value	\$ 3	\$ 41	\$	\$	\$ 44

(Dollars in millions)	Fair Value Measurements at Aug. 31, 2010, Using Cash				
	Level 1	Level 2	Level 3	Collateral Offset ⁽¹⁾	Net Balance
Assets at Fair Value:					
Cash equivalents	\$ 1,078	\$	\$	\$	\$ 1,078
Debt and equity securities	23		10		33
Derivative assets related to:					
Foreign currency		26			26
Corn	10	2		(9)	3

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Soybeans	6	3	(6)	3	
Total Assets at Fair Value	\$ 1,117	\$ 31	\$ 10	\$ (15)	\$ 1,143
Liabilities at Fair Value:					
Derivative liabilities related to:					
Foreign currency	\$	\$ 5	\$	\$	\$ 5
Interest rates		39			39
Corn		9			9
Soybeans		4			4
Energy and raw materials		22			22
Total Liabilities at Fair Value	\$	\$ 79	\$	\$	\$ 79

- (1) As allowed by the Derivatives and Hedging topic of the ASC, commodity derivative assets and liabilities have been offset by cash collateral due and paid under a master netting arrangement.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

The following table summarizes the changes in fair value of the Level 3 asset as of Feb. 28, 2011.

(Dollars in millions)	Three Months Ended Feb. 28, 2011	Six Months Ended Feb. 28, 2011
Beginning Balance	\$ 10	\$ 10
Elimination due to consolidation of variable interest entities	(10)	(10)
Ending Balance	\$	\$

Short-term investments of treasury bills and commercial paper with original maturities of one year or less are stated at fair value. Because these investments are valued at purchase price and are traded in an active market these investments are considered to be Level 1.

Disclosures for nonfinancial assets and liabilities that are measured at fair value, but are recognized and disclosed as fair value on a nonrecurring basis, were required prospectively beginning Sept. 1, 2009.

During the three and six months ended Feb. 28, 2011, there were no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition.

The recorded amounts of cash, trade receivables, miscellaneous receivables, third-party guarantees, accounts payable, grower accruals, accrued marketing programs, miscellaneous short-term accruals, and short-term debt approximate their fair values as of Feb. 28, 2011, and Aug. 31, 2010.

NOTE 15. FINANCIAL INSTRUMENTS**Cash Flow Hedges**

The company uses foreign currency options and foreign currency forward contracts as hedges of anticipated sales or purchases denominated in foreign currencies. The company enters into these contracts to protect itself against the risk that the eventual net cash flows will be adversely affected by changes in exchange rates.

Monsanto's commodity price risk management strategy is to use derivative instruments to minimize significant unanticipated earnings fluctuations that may arise from volatility in commodity prices. Price fluctuations in commodities, mainly in corn and soybeans, can cause the actual prices paid to production growers for corn and soybean seeds to differ from anticipated cash outlays. Monsanto uses commodity futures and options contracts to manage these risks. Monsanto's energy and raw material risk management strategy is to use derivative instruments to minimize significant unanticipated manufacturing cost fluctuations that may arise from volatility in natural gas, diesel and ethylene prices.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Monsanto's interest rate risk management strategy is to use derivative instruments, such as forward-starting interest rate swaps, to minimize significant unanticipated earnings fluctuations that may arise from volatility in interest rates of the company's borrowings and to manage the interest rate sensitivity of its debt.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of accumulated other comprehensive loss and reclassified into earnings in the period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

The maximum term over which the company is hedging exposures to the variability of cash flow (for all forecasted transactions) is 18 months for foreign currency hedges, 37 months for commodity hedges and 18 months for interest rate hedges. During the next 12 months, a pretax net gain of approximately \$81 million will be reclassified from other comprehensive loss into earnings. During the three and six months ended Feb. 28, 2011, no cash flow hedges were discontinued. During the three and six months ended Feb. 28, 2010, a loss of \$25 million and \$29 million, respectively, was

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

reclassified into earnings as a result of the discontinuance of cash flow hedges because it was probable that the original forecasted transaction would not occur by the end of the originally specified time period.

Fair-Value Hedges

The company uses commodity futures and options contracts as fair value hedges to manage the value of its soybean inventory. For derivative instruments that are designated and qualify as fair value hedges, both the gain or loss on the derivative and the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. No fair-value hedges were discontinued during the three and six months ended Feb. 28, 2011, or Feb. 28, 2010.

Net Investment Hedges

To protect the value of its investment from adverse changes in exchange rates, the company may, from time to time, hedge a portion of its net investment in one or more of its foreign subsidiaries. Gains or losses on derivative instruments that are designated as a net investment hedge are included in accumulated foreign currency translation adjustment and reclassified into earnings in the period during which the hedged net investment is sold or liquidated.

Derivatives Not Designated as Hedging Instruments

The company uses foreign currency contracts to hedge the effects of fluctuations in exchange rates on foreign currency denominated third-party and intercompany receivables and payables. Both the gain or loss on the derivative and the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings.

The company uses commodity option contracts to hedge anticipated cash payments to corn growers in the United States, Mexico and Brazil, which can fluctuate with changes in corn price. Because these option contracts do not meet the provisions specified by the Derivatives and Hedging topic of the ASC, they do not qualify for hedge accounting treatment. Accordingly, the gain or loss on these derivatives is recognized in current earnings.

To reduce credit exposure in Latin America, Monsanto collects payments on certain customer accounts in grain. Such payments in grain are negotiated at or near the time Monsanto's products are sold to the customers and are valued at the prevailing grain commodity prices. By entering into forward sales contracts related to grain, Monsanto mitigates the commodity price exposure from the time a contract is signed with a customer until the time a grain merchant collects the grain from the customer on Monsanto's behalf. The forward sales contracts do not qualify for hedge accounting treatment under the Derivatives and Hedging topic of the ASC. Accordingly, the gain or loss on these derivatives is recognized in current earnings.

Monsanto uses interest rate contracts to minimize the variability in forecasted cash flows arising from the company's VIE. The interest rate contracts do not qualify for hedge accounting under the Derivatives and Hedging Topic of the ASC. Accordingly, the gain or loss on these derivatives is recognized in current earnings.

Certain of Monsanto's grower contracts that include minimum guaranteed payment provisions are considered derivatives under the Derivatives and Hedging Topic of the ASC. These contracts do not qualify for hedge accounting treatment. Accordingly, the gain or loss on these derivatives is recognized in current earnings.

Financial instruments are neither held nor issued by the company for trading purposes.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

The notional amounts of the company's derivative instruments outstanding as of Feb. 28, 2011, and Aug. 31, 2010, were as follows:

(Dollars in millions)	As of Feb. 28, 2011	As of Aug. 31, 2010
Derivatives Designated as Hedges:		
Foreign exchange contracts	\$ 336	\$ 383
Commodity contracts	473	387
Interest rate contracts	775	775
Total Derivatives Designated as Hedges	\$ 1,584	\$ 1,545
Derivatives Not Designated as Hedges:		
Foreign exchange contracts	\$ 1,196	\$ 862
Commodity contracts	138	123
Interest rate contracts	95	
Grower contracts	54	34
Total Derivatives Not Designated as Hedges	\$ 1,483	\$ 1,019

The fair values of the company's derivative instruments outstanding as of Feb. 28, 2011, and Aug. 31, 2010, were as follows:

(Dollars in millions)	Balance Sheet Location	Fair Value ⁽¹⁾	
		As of Feb. 28, 2011	As of Aug. 31, 2010
Asset Derivatives:			
Derivatives designated as hedges:			
Foreign exchange contracts	Miscellaneous receivables	\$ 6	\$ 23
Foreign exchange contracts	Other assets	1	
Commodity contracts	Other current assets ⁽¹⁾	74	12
Commodity contracts	Other assets ⁽¹⁾	12	4
Interest rate contracts	Other assets	40	
Total derivatives designated as hedges		133	39
Derivatives not designated as hedges:			
Foreign exchange contracts	Miscellaneous receivables	4	3
Commodity contracts	Trade receivables, net	10	5

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Total derivatives not designated as hedges		14	8
Total Asset Derivatives		\$ 147	\$ 47
Liability Derivatives:			
Derivatives designated as hedges:			
Foreign exchange contracts	Miscellaneous short-term accruals	\$ 9	\$
Foreign exchange contracts	Other liabilities	2	
Commodity contracts	Other current assets ⁽¹⁾	3	
Commodity contracts	Miscellaneous short-term accruals	7	14
Commodity contracts	Other liabilities	6	8
Interest rate contracts	Miscellaneous short-term accruals	4	11
Interest rate contracts	Other liabilities		28
Total derivatives designated as hedges		31	61
Derivatives not designated as hedges:			
Foreign exchange contracts	Miscellaneous short-term accruals	6	5
Commodity contracts	Trade receivables, net	1	4
Commodity contracts	Miscellaneous short-term accruals	6	9
Total derivatives not designated as hedges		13	18
Total Liability Derivatives		\$ 44	\$ 79

⁽¹⁾ As allowed by the Derivatives and Hedging topic of the ASC, corn and soybean commodity derivative assets and liabilities have been offset by cash collateral due and paid under a master netting arrangement. Therefore, all commodity contracts that are in an asset or liability position are included in asset accounts within the Condensed Statements of Consolidated Financial Position. See Note 14 Fair Value Measurements for a reconciliation to amounts reported in the Condensed Statements of Consolidated Financial Position as of Feb. 28, 2011, and Aug. 31, 2010.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

The gains and losses on the company's derivative instruments were as follows:

(Dollars in millions)	Amount of Gain (Loss) Recognized in AOCI ⁽¹⁾ (Effective Portion)		Amount of Gain (Loss) Recognized in Income ⁽²⁾⁽³⁾		Income Statement Classification
	Three Months Ended Feb. 28, 2011	2010	Three Months Ended Feb. 28, 2011	2010	
Derivatives Designated as Hedges:					
Fair value hedges:					
Commodity contracts ⁽⁴⁾			\$ (12)	\$ 13	Cost of goods sold
Cash flow hedges:					
Foreign exchange contracts	\$ (8)	\$ (1)	(1)	1	Net sales
Foreign exchange contracts	(7)	20	4	1	Cost of goods sold
Commodity contracts	80	(44)	1	(54)	Cost of goods sold
Interest rate contracts	34	8	(1)	(1)	Interest expense
Total Derivatives Designated as Hedges	99	(17)	(9)	(40)	
Derivatives Not Designated as Hedges:					
Foreign exchange contracts ⁽⁶⁾			3	(12)	Other expense, net
Commodity contracts			3		Net sales
Total Derivatives Not Designated as Hedges			6	(12)	
Total Derivatives	\$ 99	\$ (17)	\$ (3)	\$ (52)	

(Dollars in millions)	Amount of Gain (Loss) Recognized in AOCI ⁽¹⁾ (Effective Portion)		Amount of Gain (Loss) Recognized in Income ⁽²⁾⁽³⁾		Income Statement Classification
	Six Months Ended Feb. 28, 2011	2010	Six Months Ended Feb. 28, 2011	2010	
Derivatives Designated as Hedges:					
Fair value hedges:					

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Commodity contracts ⁽⁴⁾			\$ (20)	\$ 8	Cost of goods sold
Cash flow hedges:					
Foreign exchange contracts	\$ (13)	\$ (6)	(3)	2	Net sales
Foreign exchange contracts	(9)	11	8	8	Cost of goods sold
Commodity contracts	121	29	(4)	(68)	Cost of goods sold
Interest rate contracts	75	4	(3)	(3)	Interest expense
Net investment hedges:					
Foreign exchange contracts		(3)			N/A ⁽⁵⁾
Total Derivatives Designated as Hedges	174	35	(22)	(53)	
Derivatives Not Designated as Hedges:					
Foreign exchange contracts ⁽⁶⁾			3	(20)	Other expense, net
Commodity contracts			2		Net sales
Commodity contracts			(1)		Cost of goods sold
Total Derivatives Not Designated as Hedges			4	(20)	
Total Derivatives	\$ 174	\$ 35	\$ (18)	\$ (73)	

(1) Accumulated other comprehensive income (loss) (AOCI)

(2) For derivatives designated as cash flow and net investment hedges under the Derivatives and Hedging topic of the ASC, this represents the effective portion of the gain (loss) reclassified from AOCI into income during the period.

(3) Gain or loss on commodity cash flow hedges includes a gain of less than \$1 million and loss of less than \$(1) million from ineffectiveness for the three months ended Feb. 28, 2011, and Feb. 28, 2010, respectively, and a gain of less than \$1 million and \$1 million from ineffectiveness for the six months ended Feb. 28, 2011, and Feb. 28, 2010, respectively. There were no hedges discontinued for the three or six months ended Feb. 28, 2011. Additionally, the gain or loss on commodity cash flow hedges includes a loss from discontinued hedges of \$25 million and \$29 million for the three and six months ended Feb. 28, 2010, respectively.

(4) Loss and gain on commodity fair value hedges is offset by a gain of \$8 million and a loss of \$(12) million on the underlying hedged inventory for the three months ended Feb. 28, 2011, and Feb. 28, 2010, respectively, and a gain of \$15 million and a loss of \$(7) million on the underlying hedged inventory for the six months ended Feb. 28, 2011, and Feb. 28, 2010, respectively. A loss and gain from ineffectiveness of \$(4) million and \$1 million, respectively, during the three months ended Feb. 28,

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

2011, and Feb. 28, 2010, and a loss and gain from ineffectiveness of \$(5) million and \$1 million, respectively, during the six months ended Feb. 28, 2011, and Feb. 28, 2010, respectively, was included in cost of goods sold.

- (5) Gain or loss would be reclassified into income only during the period in which the hedged net investment was sold or liquidated.
- (6) Gain or loss on foreign exchange contracts not designated as hedges is offset by a foreign currency transaction loss of \$24 million and less than \$1 million during the three months ended Feb. 28, 2011, and Feb. 28, 2010, respectively, and a loss of \$(38) million and a gain of \$5 million during the six months ended Feb. 28, 2011, and Feb. 28, 2010, respectively.

Most of the company's outstanding foreign-currency derivatives are covered by International Swap Dealers Association (ISDA) Master Agreements with the counterparties. There are no requirements to post collateral under these agreements; however, should the company's credit rating fall below a specified rating immediately following the merger of the company with another entity, the counterparty may require all outstanding derivatives under the ISDA Master Agreement to be settled immediately at current market value, which equals carrying value. Any foreign-currency derivatives that are not covered by ISDA Master Agreements do not have credit-risk-related contingent provisions. Most of the company's outstanding commodity derivatives are listed commodity futures, and the company is required by the relevant commodity exchange to post collateral each day to cover the change in the fair value of these futures. Any non-exchange traded commodity derivatives are covered by the aforementioned ISDA Master Agreements and are subject to the same credit-risk-related contingent provisions, as are the company's interest rate derivatives. The aggregate fair value of all derivative instruments under ISDA Master Agreements that are in a liability position is \$32 million as of Feb. 28, 2011, and Feb. 28, 2010, which is the amount that would be required for settlement if the credit-risk-related contingent provisions underlying these agreements were triggered.

Credit Risk Management

Monsanto invests its excess cash in deposits with major banks or money market funds throughout the world in high-quality short-term debt instruments. Such investments are made only in instruments issued or enhanced by high-quality institutions. As of Feb. 28, 2011, and Aug. 31, 2010, the company had no financial instruments that represented a significant concentration of credit risk. Limited amounts are invested in any single institution to minimize risk. The company has not incurred any credit risk losses related to those investments.

The company sells a broad range of agricultural products to a diverse group of customers throughout the world. In the United States, the company makes substantial sales to relatively few large wholesale customers. The company's agricultural products business is highly seasonal, and it is subject to weather conditions that affect commodity prices and seed yields. Credit limits, ongoing credit evaluation, and account monitoring procedures are used to minimize the risk of loss. Collateral is secured when it is deemed appropriate by the company.

Monsanto regularly evaluates its business practices to minimize its credit risk. During the six months ended Feb. 28, 2011, and Aug. 31, 2010, the company engaged multiple banks in the United States, Argentina, Brazil and Europe in the development of customer financing options that involve direct bank financing of customer purchases. For further information on these programs, see Note 4 Customer Financing Programs.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**NOTE 16. POSTRETIREMENT BENEFITS PENSIONS, HEALTH CARE AND OTHER**

The majority of Monsanto's employees are covered by noncontributory pension plans sponsored by the company. The company also provides certain postretirement health care and life insurance benefits for retired employees through insurance contracts. The company's net periodic benefit cost for pension benefits, and health care and other postretirement benefits include the following components:

Pension Benefits	Three Months Ended Feb. 28, 2011			Three Months Ended Feb. 28, 2010		
	U.S.	Outside the U.S.	Total	U.S.	Outside the U.S.	Total
(Dollars in millions)						
Service Cost for Benefits Earned During the Period	\$ 14	\$ 1	\$ 15	\$ 12	\$ 1	\$ 13
Interest Cost on Benefit Obligation	20	3	23	22	4	26
Assumed Return on Plan Assets	(26)	(4)	(30)	(29)	(4)	(33)
Amortization of Unrecognized Net Loss	17	2	19	13	1	14
Curtailment and Settlement Charge (Gain)		2	2	2	(7)	(5)
Total Net Periodic Benefit Cost (Gain)	\$ 25	\$ 4	\$ 29	\$ 20	\$ (5)	\$ 15

Pension Benefits	Six Months Ended Feb. 28, 2011			Six Months Ended Feb. 28, 2010		
	U.S.	Outside the U.S.	Total	U.S.	Outside the U.S.	Total
(Dollars in millions)						
Service Cost for Benefits Earned During the Period	\$ 30	\$ 4	\$ 34	\$ 25	\$ 3	\$ 28
Interest Cost on Benefit Obligation	43	6	49	47	8	55
Assumed Return on Plan Assets	(55)	(8)	(63)	(61)	(8)	(69)
Amortization of Unrecognized Net Loss	36	3	39	27	2	29
Curtailment and Settlement Charge (Gain)		2	2	2	(7)	(5)
Total Net Periodic Benefit Cost (Gain)	\$ 54	\$ 7	\$ 61	\$ 40	\$ (2)	\$ 38

Health Care and Other Postretirement Benefits	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
	2011	2010	2011	2010
(Dollars in millions)				

Service Cost for Benefits Earned During the Period	\$ 3	\$ 2	\$ 5	\$ 5
Interest Cost on Benefit Obligation	3	2	5	6
Amortization of Unrecognized Net Gain	(1)	(2)	(1)	(6)
Total Net Periodic Benefit Cost	\$ 5	\$ 2	\$ 9	\$ 5

Monsanto contributed \$30 million and \$75 million to its U.S. qualified plan in the six month period ended Feb. 28, 2011, and Feb. 28, 2010, respectively. Monsanto contributed \$8 million and \$11 million to plans outside the United States in the six month period ended Feb. 28, 2011, and Feb. 28, 2010, respectively. Management is currently evaluating the initial results of the funded status of its U.S. qualified plan. Pending a final determination, additional plan contributions exceeding the amount already contributed in the six month period ended Feb. 28, 2011, are reasonably possible during the remainder of the fiscal year. As of Feb. 28, 2011, management expects to make additional contributions of approximately \$2 million to the company's pension plans outside the United States during the remainder of fiscal year 2011.

Employee Savings Plan

The Monsanto leveraged employee stock ownership plan debt was restructured in December 2004 and November 2008 to level out the future allocation of stock thereunder in an impartial manner intended to ensure equitable treatment for and generally to be in the best interests of current and future plan participants consistent with the level of benefits that Monsanto intended for the plan to provide to participants. To that end, the terms of the restructuring were determined pursuant to an arm's length negotiation between Monsanto and an independent trust company serving as fiduciary for the plan for this restructuring. In this role, the independent fiduciary determined that the restructuring, including certain financial commitments and enhancements that were made or will be made in the future by Monsanto to benefit participants and beneficiaries of the plan, was completed in accordance with the best interests of plan participants. A liability of \$57 million and \$56 million is due to the Monsanto Savings and Investment Plan from the company and is included in other liabilities on

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

the Condensed Statements of Financial Position as of Feb. 28, 2011, and Aug. 31, 2010, respectively, related to these restructurings.

NOTE 17. STOCK-BASED COMPENSATION PLANS

The following table shows total stock-based compensation expense included in the Statements of Consolidated Operations for the three and six months ended Feb. 28, 2011, and Feb. 28, 2010. Stock-based compensation cost capitalized in inventory was \$7 million and \$8 million as of Feb. 28, 2011, and Aug. 31, 2010.

(Dollars in millions)	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
	2011	2010	2011	2010
Cost of Goods Sold	\$ 4	\$ 4	\$ 9	\$ 8
Selling, General and Administrative Expenses	17	17	33	32
Research and Development Expenses	7	7	13	12
Pre-Tax Stock-Based Compensation Expense	28	28	55	52
Income Tax Benefit	(10)	(10)	(19)	(18)
Net Stock-Based Compensation Expense	\$ 18	\$ 18	\$ 36	\$ 34

The following table summarizes stock-based compensation activity for the six months ended Feb. 28, 2011, for employees under the Monsanto Company Long-Term Incentive Plan (LTIP), as amended, and the Monsanto Company 2005 Long-Term Incentive Plan (2005 LTIP), and for directors under the Monsanto Non-Employee Director Incentive Compensation Plan (Director Plan):

	LTIP and 2005 LTIP			Director Plan	
	Stock Options	Restricted	Restricted	Deferred	Restricted
		Stock Units	Stock	Stock	Stock
Granted	3,964,630	252,410	3,120	24,387	6,279
Weighted-average grant date fair value	\$ 19.60	\$ 56.73	\$ 62.50	\$ 54.66	\$ 55.56

Pre-tax unrecognized compensation expense for stock options, net of estimated forfeitures, was \$100 million as of Feb. 28, 2011, and will be recognized as expense over a weighted-average period of 2.1 years. Pre-tax unrecognized compensation expense, net of estimated forfeitures, for nonvested restricted stock units and restricted stock was \$53 million and less than \$1 million, respectively, as of Feb. 28, 2011, which will be recognized as expense over the weighted-average remaining requisite service periods. The weighted-average remaining requisite service periods for nonvested restricted stock units and restricted stock were 2.0 years and 1.8 years, respectively, as of Feb. 28, 2011. Pre-tax unrecognized compensation expense for awards granted under the Director Plan was \$1 million as of Feb. 28, 2011, and will be recognized as expense over a weighted-average period of one year.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**NOTE 18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Comprehensive income (loss) includes all nonshareowner changes in equity. It consists of net income, foreign currency translation adjustments, net unrealized losses on available-for-sale securities, postretirement benefit plan activity, and net accumulated derivative gains and losses on cash flow hedges not yet realized. Information regarding comprehensive income (loss) is as follows:

(Dollars in millions)	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
	2011 Restated	2010 Restated	2011 Restated	2010 Restated
Comprehensive Income	\$ 1,295	\$ 699	\$ 1,504	\$ 936

The components of accumulated other comprehensive loss are as follows:

(Dollars in millions)	As of Feb. 28, 2011	As of Aug. 31, 2010
Accumulated Foreign Currency Translation Adjustments	\$ 86	\$ (240)
Net Unrealized Gain on Investments, Net of Tax	6	
Net Accumulated Derivative Loss (Income), Net of Tax	56	(48)
Postretirement Benefit Plan Activity, Net of Tax	(589)	(609)
Accumulated Other Comprehensive Loss	\$ (441)	\$ (897)

NOTE 19. EARNINGS PER SHARE

Basic earnings per share (EPS) was computed using the weighted-average number of common shares outstanding during the period shown in the table below. For the three months and six months ended Feb. 28, 2011, and Feb. 28, 2010, diluted EPS was computed taking into account the effect of dilutive potential common shares, as shown in the table below. Potential common shares consist primarily of stock options, restricted stock, restricted stock units and directors' deferred shares calculated using the treasury stock method and are excluded if their effect is antidilutive. Approximately 12 million and 8 million stock options were excluded from the computations of dilutive potential common shares as they were antidilutive for the three and six months ended Feb. 28, 2011, and Feb. 28, 2010, respectively. Of those antidilutive options, approximately 8 million and 5 million stock options were excluded from the computations of dilutive potential common shares for the three and six months ended Feb. 28, 2011, and Feb. 28, 2010, as their exercise prices were greater than the average market price of common shares for the period.

	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
	2011	2010	2011	2010
Weighted-Average Number of Common Shares	536.3	545.8	537.6	545.7
Dilutive Potential Common Shares	6.1	7.6	6.1	7.7

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**NOTE 20. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash payments for interest and taxes were as follows:

(Dollars in millions)	Six Months Ended Feb. 28,	
	2011	2010
Interest	\$ 83	\$ 81
Taxes	66	160

During the first half of fiscal 2011 and 2010, the company recorded the following noncash investing and financing transaction: In second quarter 2011 and 2010, the board of directors declared a dividend which was payable in third quarter 2011 and 2010, respectively. As of Feb. 28, 2011, and Feb. 28, 2010, a dividend payable of \$150 million and \$145 million, respectively, was recorded.

In third quarter 2010, Monsanto acquired the Chesterfield Village Research Center from Pfizer for \$435 million. The seller financed \$324 million of this purchase. As of Feb. 28, 2011, \$324 million is included in short-term debt on the Condensed Statement of Consolidated Financial Position. See Note 13 Debt and Other Credit Arrangements for further details.

NOTE 21. COMMITMENTS AND CONTINGENCIES

Environmental and Litigation Liabilities: Monsanto is involved in environmental remediation and legal proceedings related to its current business and, pursuant to its indemnification obligations, related to Pharmacia's former chemical and agricultural businesses. In addition, Monsanto has liabilities established for various product claims. With respect to certain of these proceedings, Monsanto has a liability recorded of \$241 million and \$255 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively, for the estimated contingent liabilities. Information regarding the environmental liabilities appears in Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010.

Litigation: The above liability includes amounts related to certain third-party litigation with respect to Monsanto's business, as well as tort litigation related to Pharmacia's former chemical business, including lawsuits involving polychlorinated biphenyls (PCBs), dioxins, and other chemical and premises liability litigation. Additional matters that are not reflected in the liability may arise in the future, and Monsanto may manage, settle, or pay judgments or damages with respect thereto in order to mitigate contesting potential liability. Following is a description of one of the more significant litigation matters reflected in the liability.

As described in our Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010, and Monsanto's Report on Form 10-Q/A for the quarterly period ended Nov. 30, 2010, on Dec. 17, 2004, 15 plaintiffs filed a purported class action lawsuit, styled *Virgie Allen, et al. v. Monsanto, et al.*, in the Putnam County, West Virginia, state court against Monsanto, Pharmacia and seven other defendants. Monsanto is named as the successor in interest to the liabilities of Pharmacia. The alleged class consists of all current and former residents, workers, and students who, between 1949 and the present, were allegedly exposed to dioxins/furans contamination in counties surrounding Nitro,

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

West Virginia. The complaint alleges that the source of the contamination is a chemical plant in Nitro, formerly owned and operated by Pharmacia and later by Flexsys, a joint venture between Solutia and Akzo Nobel Chemicals, Inc. (Akzo Nobel). Akzo Nobel and Flexsys were named defendants in the case but Solutia was not, due to its then pending bankruptcy proceeding. The suit seeks damages for property cleanup costs, loss of real estate value, funds to test property for contamination levels, funds to test for human exposure, and future medical monitoring costs. The complaint also seeks an injunction against further contamination and punitive damages. Monsanto has agreed to indemnify and defend Akzo Nobel and the Flexsys defendant group. The class action certification hearing was held on Oct. 29, 2007. On Jan. 8, 2008, the trial court issued an order certifying the Allen (now Zina G. Bibb et al. v. Monsanto et al., because Bibb replaced Allen as class representative) case as a class action. The court has set a trial date of Sept. 6, 2011, for the Bibb class action.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

In October 2007 and November 2009, a total of approximately 200 separate, single plaintiff civil actions were filed in Putnam County, West Virginia, against Monsanto, Pharmacia, Akzo Nobel (and several of its affiliates), Flexsys America Co. (and several of its affiliates), Solutia, and Apogee Coal Company, LLC. These cases allege personal injury occasioned by exposure to dioxin generated by the Nitro Plant during production of 2,4,5 T (1949-1969) and thereafter. Monsanto has agreed to accept the tenders of defense in the matters by Pharmacia, Solutia, Akzo Nobel, Flexsys America, and Apogee Coal under a reservation of rights.

Including litigation reflected in the liability, Monsanto is involved in various legal proceedings that arise in the ordinary course of its business or pursuant to Monsanto's indemnification obligations to Pharmacia, as well as proceedings that management has considered to be material under SEC regulations. Some of the lawsuits seek damages in very large amounts, or seek to restrict the company's business activities. Monsanto believes that it has meritorious legal arguments and will continue to represent its interests vigorously in all of the proceedings that it is defending or prosecuting. Although the ultimate liabilities resulting from such proceedings, or the proceedings reflected in the above liability, may be significant to profitability in the period recognized, management does not anticipate they will have a material adverse effect on Monsanto's consolidated financial position or liquidity. A description of one of these proceedings appears below.

As described in our Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010, and Monsanto's Report on Form 10-Q/A for the quarterly period ended Nov. 30, 2010, on June 23, 2004, two former employees of Monsanto and Pharmacia filed a purported class action lawsuit in the U.S. District Court for the Southern District of Illinois against Monsanto and the Monsanto Company Pension Plan, which is referred to as the Pension Plan. The suit claims that the Pension Plan has violated the age discrimination and other rules under the Employee Retirement Income Security Act of 1974 from Jan. 1, 1997 (when the Pension Plan was sponsored by Pharmacia, then known as Monsanto Company) and continuing to the present. In January 2006, a separate group of former employees of Pharmacia filed a similar purported class action lawsuit in the U.S. District Court for the Southern District of Illinois against Pharmacia, the Pharmacia Cash Balance Plan, and other defendants. On July 7, 2006, the plaintiffs amended their lawsuit to add Monsanto and the Pension Plan as additional defendants. On Sept. 1, 2006, the Court consolidated these lawsuits with two purported class action lawsuits also pending in the same Court against the Solutia Company Pension Plan, under Walker v. Monsanto, the first filed case. The court conducted a class certification hearing on Sept. 12, 2007. Prior to the hearing, all parties agreed the case should proceed as a class action and also agreed on a definition of the respective classes. The classes were certified by court order on May 22, 2008. On July 11, 2008, all parties filed dispositive motions on the issue of liability, which motions were heard by the court on May 6, 2009. On June 11, 2009, the Court granted summary judgment in favor of Monsanto and the other defendants on the age discrimination claims. The Court granted summary judgment in favor of the plaintiffs on a separate claim regarding post-termination interest, which was subsequently settled for an immaterial amount. The Court entered judgment on the entire case on Sept. 29, 2009. On Oct. 27, 2009, the plaintiffs filed a notice of appeal of the summary judgment order on the age discrimination claims. The Seventh Circuit Court of Appeals heard oral argument in the case on April 20, 2010, and on July 30, 2010, the Court issued its decision affirming the decision of the District Court in all respects. The plaintiffs' subsequent petition for rehearing and petition for rehearing en banc was denied in an order of the Court of Appeals issued on Sept. 14, 2010. On Dec. 13, 2010, the plaintiffs filed a petition for a writ of certiorari with the United States Supreme Court, which was denied by the Court on March 21, 2011.

Guarantees: Disclosures regarding the guarantees Monsanto provides for certain customer loans in the United States, Brazil, Europe, and Argentina can be found in Note 4 Customer Financing Programs of this Form 10-Q/A. Except as described in that note, there have been no significant changes to guarantees made by Monsanto since Aug. 31, 2010. Disclosures regarding these guarantees made by Monsanto can be found in Note 25 Commitments and Contingencies of the notes to the consolidated financial statements contained in Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010.

NOTE 22. SEGMENT INFORMATION

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Monsanto conducts its worldwide operations through global businesses, which are aggregated into reportable segments based on similarity of products, production processes, customers, distribution methods and economic characteristics. The operating

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

segments are aggregated into two reportable segments: Seeds and Genomics and Agricultural Productivity. The Seeds and Genomics segment consists of the global seeds and related traits businesses and biotechnology platforms. Within the Seeds and Genomics segment, Monsanto's significant operating segments are corn seed and traits, soybean seed and traits, cotton seed and traits, vegetable seeds and all other crops seeds and traits. The wheat and sugarcane businesses acquired in fourth and second quarters of 2009, respectively, are included in the all other crops seeds and traits operating segment. In February 2011, the company reorganized the operating segments within our Agricultural Productivity reportable segment as a result of a change in the way the Chief Executive Officer, who is the chief operating decision maker, evaluates the performance of operations, develops strategy and allocates capital resources. The ROUNDUP and other glyphosate-based herbicides operating segment and the all other agricultural products operating segments within Agricultural Productivity were combined into one operating segment titled Agricultural Productivity which is now managed as one business representing our weed management platform and supporting our Seeds and Genomics business. The change in operating segments had no impact on the company's reportable segments. The historical segment disclosures have been recast to be consistent with the current presentation. The Dairy business, which was previously included in the Agricultural Productivity segment, was divested in fiscal year 2009 and is included in discontinued operations. EBIT is defined as earnings (loss) before interest and taxes. EBIT is useful to management in demonstrating the operational profitability of the segments by excluding interest and taxes, which are generally accounted for across the entire company on a consolidated basis. Sales between segments were not significant. Certain SG&A expenses are allocated between segments based on activity. Based on the Agricultural Productivity segment's decreasing contribution to total Monsanto operations, the allocation percentages were changed at the beginning of fiscal year 2010.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

Data for the Seeds and Genomics and Agricultural Productivity reportable segments, as well as for Monsanto's significant operating segments, is presented in the table that follows:

(Dollars in millions)	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
	2011	2010	2011	2010
	Restated	Restated	Restated	Restated
Net Sales⁽¹⁾				
Corn seed and traits	\$ 2,397	\$ 2,247	\$ 3,011	\$ 2,816
Soybean seed and traits	615	633	841	834
Cotton seed and traits	67	34	179	93
Vegetable seeds	229	223	412	396
All other crops seeds and traits	113	111	141	140
Total seeds and genomics	\$ 3,421	\$ 3,248	\$ 4,584	\$ 4,279
Agricultural productivity	710	630	1,383	1,303
Total agricultural productivity	\$ 710	\$ 630	\$ 1,383	\$ 1,303
Total	\$ 4,131	\$ 3,878	\$ 5,967	\$ 5,582
Gross Profit				
Corn seed and traits	\$ 1,506	\$ 1,420	\$ 1,845	\$ 1,724
Soybean seed and traits	414	386	567	525
Cotton seed and traits	42	15	116	48
Vegetable seeds	125	138	238	250
All other crops seeds and traits	44	53	44	62
Total seeds and genomics	\$ 2,131	\$ 2,012	\$ 2,810	\$ 2,609
Agricultural productivity	179	75	324	224
Total agricultural productivity	\$ 179	\$ 75	\$ 324	\$ 224
Total	\$ 2,310	\$ 2,087	\$ 3,134	\$ 2,833
EBIT⁽²⁾⁽³⁾⁽⁴⁾				
Seeds and genomics	\$ 1,403	\$ 1,362	\$ 1,383	\$ 1,305
Agricultural productivity	62	(100)	127	(59)

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Total	\$ 1,465	\$ 1,262	\$ 1,510	\$ 1,246
-------	----------	----------	----------	----------

Depreciation and Amortization Expense

Seeds and genomics	\$ 124	\$ 114	\$ 246	\$ 224
Agricultural productivity	31	36	64	70

Total	\$ 155	\$ 150	\$ 310	\$ 294
-------	--------	--------	--------	--------

- (1) Represents net sales from continuing operations.
- (2) EBIT is defined as earnings (loss) before interest and taxes; see the following table for reconciliation. Earnings (loss) is intended to mean net income (loss) as presented in the Statements of Consolidated Operations under generally accepted accounting principles.
- (3) Agricultural Productivity EBIT includes income from operations of discontinued businesses of \$4 million for the three months ended Feb. 28, 2011, and \$4 million and \$5 million for the six months ended Feb. 28, 2011, and Feb. 28, 2010, respectively.
- (4) EBIT includes restructuring charges for three and six months ended Feb. 28, 2011. See Note 6 Restructuring for additional information. A reconciliation of EBIT to net income for each period follows:

(Dollars in millions)	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
	2011 Restated	2010 Restated	2011 Restated	2010 Restated
EBIT ⁽¹⁾	\$ 1,465	\$ 1,262	\$ 1,510	\$ 1,246
Interest Expense Net	20	27	48	55
Income Tax Provision ⁽²⁾	427	349	435	327
Net Income Attributable to Monsanto Company	\$ 1,018	\$ 886	\$ 1,027	\$ 864

- (1) Includes the income from operations of discontinued businesses and pre-tax noncontrolling interest.
- (2) Includes the income tax provision from continuing operations, the income tax benefit on noncontrolling interest and the income tax provision on discontinued operations.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**NOTE 23. DISCONTINUED OPERATIONS**

Dairy Business Divestiture: During fourth quarter 2008, the company determined that the Dairy business was no longer consistent with its strategic business objectives, and thus entered into an agreement to sell the majority of the Dairy business assets (excluding cash, trade receivables and certain property) to Eli Lilly and Company for \$300 million, plus additional contingent consideration. The contingent consideration is a 10 year earn-out with potential annual payments being earned by Monsanto if certain revenue levels are exceeded. During the three and six months ended Feb. 28, 2011, income from operations of discontinued business included a \$2 million pre-tax gain related to the contingency. On Oct. 1, 2008, Monsanto consummated the sale to Eli Lilly after receiving approval from the appropriate regulatory agencies. As a result, the Dairy business has been segregated from continuing operations and presented as discontinued operations. The Dairy business was previously reported as a part of the Agricultural Productivity segment. During the three and six months ended Feb. 28, 2011, income from operations of discontinued businesses included a \$2 million pre-tax gain related to the sale of assets. During the six months ended Feb. 28, 2010, income from operations of discontinued businesses included a \$5 million pre-tax gain related to the sale of assets.

NOTE 24. RESTATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS**Background of the Restatement**

Monsanto records accrued customer incentive program costs as a reduction of revenue based on an allocation of the incentive program cost to those revenue transactions that result in progress by the customer toward earning the program incentive. For annual incentive programs, this generally results in recording annual incentive program costs based on actual purchases made by customers during the year as a percentage of estimated annual sales volume targets agreed upon with customers.

In the third quarter of fiscal year 2011, Monsanto announced an investigation being conducted by the SEC of the company's financial reporting associated with its customer incentive programs for glyphosate products for fiscal years 2010 and 2009. Following the SEC notification, Monsanto began its own review and the Audit and Finance Committee of the Board of Directors retained independent advisors to conduct an internal investigation. During Monsanto's internal investigation, the company identified communications with customers and the company identified other facts as described below that impacted the determination of which revenue transactions resulted in progress by the customer toward earning the program incentive.

Specifically, Monsanto implemented a program in the first quarter of fiscal year 2010 that was structured to provide payments to retailers who met sales volume targets and performed other marketing and sales activities in the fiscal year 2010 with the amount of the program incentive determined based on the amount of inventory maintained by the customer at Aug. 31, 2009. The company originally accrued the costs of this incentive program based on the retailers' fiscal year 2010 purchases as a percentage of aggregated agreed upon fiscal year 2010 sales volume targets. As a result of the company's internal review, Monsanto determined that, although the program was implemented in first quarter of fiscal year 2010, Monsanto representatives communicated with retailers about the program in the fourth quarter of fiscal year 2009, including advising customers that purchasing product in the fourth quarter of 2009 was a qualification for participation in the program in fiscal year 2010. These communications were intended to induce customers to purchase branded glyphosate in the fourth quarter of fiscal year 2009. In light of these facts, Monsanto determined that purchases made by these retail customers in the fourth quarter of fiscal year 2009 represented progress toward earning the program incentive. As such, it is appropriate to record a portion of the related incentive cost as a reduction of revenue in that quarter as well as in fiscal year 2010.

Additionally, Monsanto maintained an incentive program related to annual incentive agreements with distributors regarding their sales of branded glyphosate. At the end of fiscal year 2009, Monsanto determined not to make annual incentive payments under this program to seven of its distributors who had failed to meet their agreed upon sales targets for branded glyphosate and reversed incentive accruals previously recorded under this program for these customers. The company then provided these distributors with an opportunity to earn back a substantial portion of these incentives in fiscal year 2010 by achieving volume targets for branded glyphosate and performing other marketing and sales activities in that fiscal year. Monsanto originally recorded the costs of this program over these distributors' fiscal year 2010 purchases as a percentage of aggregated agreed upon fiscal year 2010 sales volume targets. As a result of its internal review, the company determined that, although this program was formally announced in the first quarter of fiscal year 2010, Monsanto representatives communicated with distributors about the program in the fourth quarter of fiscal year 2009, and that the incentive opportunity ultimately provided to each distributor under this program in fiscal year 2010 was derived from each distributor's total sales of branded glyphosate in fiscal year 2009. In light of these facts, Monsanto determined that purchases made by these customers in fiscal years 2009 and 2010 represented progress toward earning the program incentive. As such, the company determined that the appropriate method of recording the cost associated with this program is based upon each distributor's purchase volume over the period of fiscal years 2009 and 2010, with a cumulative catch-up entry in the fourth quarter of fiscal year 2009. In addition, Monsanto's internal review revealed that, during the second quarter of fiscal year 2010, one of the seven distributors received written confirmation from Monsanto that it had fulfilled the requirements of this program. Accordingly, the company determined that it was appropriate to record the full amount of this distributor's unearned incentive in the second quarter of 2010. As a result of the company's determination, approximately \$10 million of accruals associated with this one distributor's incentive under this program originally recorded as a reduction of revenue in third quarter fiscal year 2010 were recorded as a reduction of revenue in second quarter fiscal year 2010.

A similar earn back program was offered to two distributors in fiscal year 2011. At the end of fiscal year 2010, Monsanto reversed customer incentive accruals for two distributors that failed to earn their fiscal year 2010 annual incentive payments because they did not meet their agreed upon sales targets. The company then provided these distributors with an opportunity to earn back a substantial portion of this incentive in fiscal year 2011 by achieving agreed upon sales volume targets for branded glyphosate and performing other marketing and sales activities in fiscal year 2011. The company originally accrued the costs of this incentive program over these distributors' fiscal year 2011 purchases as a percentage of aggregated agreed upon fiscal year 2011 sales volume targets. As a result of its internal review, Monsanto determined that purchases made by the customers in fiscal year 2010 represented progress toward earning the program incentive, and that it was appropriate to record the entire cost associated with this incentive program in fiscal year 2010 in view of several factors that made it more apparent that the two distributor customers had earned these incentives in fiscal year 2010. Such factors included the change in market dynamics following the company's May 2010 restructuring of its glyphosate business, the fact that both distributors received written confirmation from Monsanto in the second quarter of fiscal 2011 that they had fulfilled the requirements of this program prior to achieving sales volume targets and, with respect to the prepayment of program incentives to these customers in the first and second quarter of fiscal year 2011, the unlikelihood that Monsanto would have enforced its contractual right of offset against these distributors with respect to any unearned portion of their incentives.

As a result of the findings of the company's investigation and the revised accounting described above, Monsanto announced a restatement of the consolidated financial statements for the fiscal years ended Aug. 31, 2010, and 2009. The restatement adjustments for customer incentive costs related solely to the Agricultural Productivity reporting segment, and did not affect any previously issued financial information for the Seeds and Genomics reporting segment.

The effects of the adjustments relating to certain customer incentive programs to our previously issued unaudited Statements of Consolidated Operations for the three months ended Feb. 28, 2011, and Feb. 28, 2010, include an increase in net sales of \$2 million and a decrease of \$12 million, an increase in income tax expense of \$1 million and a benefit of \$5 million and an increase in net income of \$1 million and a decrease of \$7 million, respectively. The effects of the adjustments to our previously issued unaudited Statements of Consolidated Operations for the six months ended Feb. 28, 2011, and Feb. 28, 2010, include an increase in net sales of \$8 million and a decrease of \$5 million, an increase in income tax expense of \$4 million and a benefit of \$2 million and an increase in net income of \$4 million and a decrease of \$3 million, respectively. The effects of the adjustments to our previously issued unaudited Condensed Statement of Consolidated Financial position as of Feb. 28, 2011, and Aug. 31, 2010, include increases in deferred tax assets of \$16 million and \$18 million and increases in accrued marketing programs of \$42 million and \$48 million, respectively.

Other Adjustments

In addition to the adjustments relating to certain customer incentive programs described above, Monsanto has made other adjustments that had been previously identified but not corrected because they were not material, individually or in the

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)

aggregate, to the company's consolidated financial statements. The adjustments included certain reclassifications between net sales and SG&A, inventory and grower production accruals, inventory and other non-current assets, miscellaneous receivables and income taxes payable and accrued marketing programs and miscellaneous accruals. The accrued marketing programs adjustment is unrelated to the adjustments described above surrounding customer incentive programs. Adjustments were also made to record certain discrete income tax items and equity affiliate activity in the proper periods.

The following tables present the impact of the restatement on Monsanto's previously issued Statements of Consolidated Operations for the three and six months ended Feb. 28, 2011, and Feb. 28, 2010, and its Condensed Statements of Consolidated Financial Position as of Feb. 28, 2010, and Aug. 31, 2010:

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **UNAUDITED** *(continued)***Statements of Consolidated Operations**

Unaudited (Dollars in millions, except per share amounts)	Three Months Ended Feb. 28, 2011		
	Previously Reported	Adjustments	Restated
Net Sales	\$ 4,129	\$ 2	\$ 4,131
Cost of goods sold	1,821		1,821
Gross Profit	2,308	2	2,310
Operating Expenses:			
Selling, general and administrative expenses	502		502
Research and development expenses	320		320
Restructuring charges, net	1		1
Total Operating Expenses	823		823
Income from Operations	1,485	2	1,487
Interest expense	39		39
Interest income	(19)		(19)
Other expense (income), net	11		11
Income from Continuing Operations Before Income Taxes	1,454	2	1,456
Income tax provision	428	1	429
Income from Continuing Operations Including Portion			
Attributable to Noncontrolling Interest	\$ 1,026	\$ 1	\$ 1,027
Discontinued Operations:			
Income from operations of discontinued businesses	4		4
Income tax provision	1		1
Income on Discontinued Operations	3		3
Net Income	\$ 1,029	\$ 1	\$ 1,030
Less: Net income attributable to noncontrolling interest	12		12
Net Income Attributable to Monsanto Company	\$ 1,017	\$ 1	\$ 1,018
Amounts Attributable to Monsanto Company:			
Income from continuing operations	\$ 1,014	\$ 1	\$ 1,015
Income on discontinued operations	3		3
Net Income Attributable to Monsanto Company	\$ 1,017	\$ 1	\$ 1,018
Basic Earnings per Share Attributable to Monsanto Company:			
Income from continuing operations	\$ 1.89	\$	\$ 1.89
Income on discontinued operations	0.01		0.01
Net Income Attributable to Monsanto Company	\$ 1.90	\$	\$ 1.90

Diluted Earnings per Share Attributable to Monsanto Company:			
Income from continuing operations	\$ 1.87	\$	\$ 1.87
Income on discontinued operations	0.01		0.01
Net Income Attributable to Monsanto Company	\$ 1.88	\$	\$ 1.88
Weighted Average Shares Outstanding:			
Basic	536.3		536.3
Diluted	542.4		542.4
Dividends Declared per Share	\$ 0.56		\$ 0.56

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**Statements of Consolidated Operations**

Unaudited (Dollars in millions, except per share amounts)	Three Months Ended Feb. 28, 2010		
	Previously Reported	Adjustments	Restated
Net Sales	\$ 3,890	\$ (12)	\$ 3,878
Cost of goods sold	1,791		1,791
Gross Profit	2,099	(12)	2,087
Operating Expenses:			
Selling, general and administrative expenses	512		512
Research and development expenses	279		279
Restructuring charges, net	30		30
Total Operating Expenses	821		821
Income from Operations	1,278	(12)	1,266
Interest expense	41		41
Interest income	(14)		(14)
Other expense (income), net	2		2
Income from Continuing Operations Before Income Taxes	1,249	(12)	1,237
Income tax provision	360	(11)	349
Income from Continuing Operations Including Portion			
Attributable to Noncontrolling Interest	\$ 889	\$ (1)	\$ 888
Discontinued Operations:			
Income from operations of discontinued businesses			
Income tax provision			
Income on Discontinued Operations			
Net Income	\$ 889	\$ (1)	\$ 888
Less: Net income attributable to noncontrolling interest	2		2
Net Income Attributable to Monsanto Company	\$ 887	\$ (1)	\$ 886
Amounts Attributable to Monsanto Company:			
Income from continuing operations	\$ 887	\$ (1)	\$ 886
Income on discontinued operations			
Net Income Attributable to Monsanto Company	\$ 887	\$ (1)	\$ 886
Basic Earnings per Share Attributable to Monsanto Company:			
Income from continuing operations	\$ 1.63	\$ (0.01)	\$ 1.62
Income on discontinued operations			
Net Income Attributable to Monsanto Company	\$ 1.63	\$ (0.01)	\$ 1.62

Diluted Earnings per Share Attributable to Monsanto Company:			
Income from continuing operations	\$ 1.60	\$	\$ 1.60
Income on discontinued operations			
Net Income Attributable to Monsanto Company	\$ 1.60	\$	\$ 1.60
Weighted Average Shares Outstanding:			
Basic	545.8		545.8
Diluted	553.4		553.4
Dividends Declared per Share	\$ 0.53		\$ 0.53

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **UNAUDITED** *(continued)***Statements of Consolidated Operations**

Unaudited (Dollars in millions, except per share amounts)	Six Months Ended Feb. 28, 2011		
	Previously Reported	Adjustments	Restated
Net Sales	\$ 5,959	\$ 8	\$ 5,967
Cost of goods sold	2,833		2,833
Gross Profit	3,126	8	3,134
Operating Expenses:			
Selling, general and administrative expenses	952		952
Research and development expenses	623		623
Restructuring charges, net	8		8
Total Operating Expenses	1,583		1,583
Income from Operations	1,543	8	1,551
Interest expense	82		82
Interest income	(34)		(34)
Other expense (income), net	23		23
Income from Continuing Operations Before Income Taxes	1,472	8	1,480
Income tax provision	434	4	438
Income from Continuing Operations Including Portion Attributable to Noncontrolling Interest	\$ 1,038	\$ 4	\$ 1,042
Discontinued Operations:			
Income from operations of discontinued businesses	4		4
Income tax provision	1		1
Income on Discontinued Operations	3		3
Net Income	\$ 1,041	\$ 4	\$ 1,045
Less: Net income attributable to noncontrolling interest	18		18
Net Income Attributable to Monsanto Company	\$ 1,023	\$ 4	\$ 1,027

Amounts Attributable to Monsanto Company:

Income from continuing operations	\$ 1,020	\$ 4	\$ 1,024
Income on discontinued operations	3		3
Net Income Attributable to Monsanto Company	\$ 1,023	\$ 4	\$ 1,027

Basic Earnings per Share Attributable to Monsanto Company:

Income from continuing operations	\$ 1.90	\$ 0.01	\$ 1.91
Income on discontinued operations			
Net Income Attributable to Monsanto Company	\$ 1.90	\$ 0.01	\$ 1.91

Diluted Earnings per Share Attributable to Monsanto Company:

Income from continuing operations	\$ 1.88	\$ 0.01	\$ 1.89
Income on discontinued operations			
Net Income Attributable to Monsanto Company	\$ 1.88	\$ 0.01	\$ 1.89

Weighted Average Shares Outstanding:

Basic	537.6	537.6
Diluted	543.7	543.7

Dividends Declared per Share	\$ 0.56	\$ 0.56
-------------------------------------	---------	---------

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**Statements of Consolidated Operations**

Unaudited (Dollars in millions, except per share amounts)	Six Months Ended Feb. 28, 2010		
	Previously Reported	Adjustments	Restated
Net Sales	\$ 5,587	\$ (5)	\$ 5,582
Cost of goods sold	2,749		2,749
Gross Profit	2,838	(5)	2,833
Operating Expenses:			
Selling, general and administrative expenses	1,008		1,008
Research and development expenses	546		546
Restructuring charges, net	44		44
Total Operating Expenses	1,598		1,598
Income from Operations	1,240	(5)	1,235
Interest expense	80		80
Interest income	(25)		(25)
Other expense (income), net	(10)		(10)
Income from Continuing Operations Before Income Taxes	1,195	(5)	1,190
Income tax provision	330	(1)	329
Income from Continuing Operations Including Portion Attributable to Noncontrolling Interest	\$ 865	\$ (4)	\$ 861
Discontinued Operations:			
Income from operations of discontinued businesses	5		5
Income tax provision			
Income on Discontinued Operations	5		5
Net Income	\$ 870	\$ (4)	\$ 866
Less: Net income attributable to noncontrolling interest	2		2
Net Income Attributable to Monsanto Company	\$ 868	\$ (4)	\$ 864

Amounts Attributable to Monsanto Company:

Income from continuing operations	\$ 863	\$ (4)	\$ 859
Income on discontinued operations	5		5
Net Income Attributable to Monsanto Company	\$ 868	\$ (4)	\$ 864

Basic Earnings per Share Attributable to Monsanto Company:

Income from continuing operations	\$ 1.58	\$ (0.01)	\$ 1.57
Income on discontinued operations	0.01		0.01
Net Income Attributable to Monsanto Company	\$ 1.59	\$ (0.01)	\$ 1.58

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Diluted Earnings per Share Attributable to Monsanto Company:

Income from continuing operations	\$ 1.56	\$ (0.01)	\$ 1.55
Income on discontinued operations	0.01		0.01
Net Income Attributable to Monsanto Company	\$ 1.57	\$ (0.01)	\$ 1.56

Weighted Average Shares Outstanding:

Basic	545.7	545.7
Diluted	553.4	553.4

Dividends Declared per Share	\$ 0.53	\$ 0.53
-------------------------------------	----------------	----------------

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**Condensed Statements of Consolidated Financial Position**

Unaudited (Dollars in millions, except share amounts)	Previously Reported	As of Feb. 28, 2011		Restated
		Adjustments	Reclass	
Assets				
Current Assets:				
Cash and cash equivalents (variable interest entities restricted - 2011: \$13)	\$ 1,837	\$	\$	\$ 1,837
Short-term investments	180			180
Trade receivables, net (variable interest entities restricted - 2011: \$101)	2,377			2,377
Miscellaneous receivables	620		(9)	611
Deferred tax assets	451	16		467
Inventory, net	3,090		(110)	2,980
Other current assets	137			137
Total Current Assets	8,692	16	(119)	8,589
Total property, plant and equipment	8,337			8,337
Less accumulated depreciation	4,115			4,115
Property, Plant and Equipment, Net	4,222			4,222
Goodwill	3,320			3,320
Other Intangible Assets, Net	1,353			1,353
Noncurrent Deferred Tax Assets	1,038			1,038
Long-Term Receivables, Net	459			459
Other Assets	565		57	622
Total Assets	\$ 19,649	\$ 16	\$ (62)	\$ 19,603
Liabilities and Shareowners Equity				
Current Liabilities:				
Short-term debt, including current portion of long-term debt	\$ 409	\$	\$	\$ 409
Accounts payable	634			634
Income taxes payable	284		(9)	275
Accrued compensation and benefits	258			258
Accrued marketing programs	881	42		923
Deferred revenues	919			919
Grower production accruals	256		(53)	203
Dividends payable	150			150
Customer payable	3			3
Restructuring reserves	59			59
Miscellaneous short-term accruals	668			668

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Total Current Liabilities	4,521	42	(62)	4,501
Long-Term Debt	1,729			1,729
Postretirement Liabilities	923			923
Long-Term Deferred Revenue	375			375
Noncurrent Deferred Tax Liabilities	143			143
Long-Term Portion of Environmental and Litigation Liabilities	179			179
Other Liabilities	645			645
Shareowners' Equity:				
Common stock (authorized: 1,500,000,000 shares, par value \$0.01) Issued 590,333,129 shares Outstanding 535,894,197 shares	6			6
Treasury stock 54,438,932 at cost	(2,491)			(2,491)
Additional contributed capital	10,001			10,001
Retained earnings	3,929	(26)		3,903
Accumulated other comprehensive loss	(441)			(441)
Reserve for ESOP debt retirement	(3)			(3)
Total Monsanto Company Shareowners' Equity	11,001	(26)		10,975
Noncontrolling Interest	133			133
Total Shareowners' Equity	11,134	(26)		11,108
Total Liabilities and Shareowners' Equity	\$ 19,649	\$ 16	\$ (62)	\$ 19,603

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (continued)**Condensed Statements of Consolidated Financial Position**

(Dollars in millions, except share amounts)	Previously Reported	As of Aug. 31, 2010		Restated
		Adjustments	Reclass	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,485	\$	\$	\$ 1,485
Trade receivables, net	1,590			1,590
Miscellaneous receivables	717			717
Deferred tax assets	511	18		529
Inventory, net	2,739		(90)	2,649
Other current assets	80			80
Total Current Assets	7,122	18	(90)	7,050
Total property, plant and equipment	8,068			8,068
Less accumulated depreciation	3,841			3,841
Property, Plant and Equipment, Net	4,227			4,227
Goodwill	3,204			3,204
Other Intangible Assets, Net	1,263			1,263
Noncurrent Deferred Tax Assets	1,014			1,014
Long-Term Receivables, Net	513			513
Other Assets	524		57	581
Total Assets	\$ 17,867	\$ 18	\$ (33)	\$ 17,852
Liabilities and Shareowners Equity				
Current Liabilities:				
Short-term debt, including current portion of long-term debt	\$ 241	\$	\$	\$ 241
Accounts payable	752			752
Income taxes payable	66			66
Accrued compensation and benefits	179			179
Accrued marketing programs	839	48		887
Deferred revenues	219			219
Grower production accruals	130		(33)	97
Dividends payable	151			151
Customer payable	83			83
Restructuring reserves	197			197
Miscellaneous short-term accruals	684			684

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Total Current Liabilities	3,541	48	(33)	3,556
Long-Term Debt	1,862			1,862
Postretirement Liabilities	920			920
Long-Term Deferred Revenue	395			395
Noncurrent Deferred Tax Liabilities	137			137
Long-Term Portion of Environmental and Litigation Liabilities	188			188
Other Liabilities	681			681
Shareowners' Equity:				
Common stock (authorized: 1,500,000,000 shares, par value \$0.01) Issued 588,439,202 shares Outstanding 540,376,499 shares	6			6
Treasury stock 48,062,703 shares at cost	(2,110)			(2,110)
Additional contributed capital	9,896			9,896
Retained earnings	3,208	(30)		3,178
Accumulated other comprehensive loss	(897)			(897)
Reserve for ESOP debt retirement	(4)			(4)
Total Monsanto Company Shareowners' Equity	10,099	(30)		10,069
Noncontrolling Interest	44			44
Total Shareowners' Equity	10,143	(30)		10,113
Total Liabilities and Shareowners' Equity	\$ 17,867	\$ 18	\$ (33)	\$ 17,852

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **UNAUDITED** *(continued)*

The following tables present the impact of the restatement on Monsanto's previously issued audited Statements of Consolidated Cash Flows for the six months ended Feb. 28, 2011, and 2010. The only effect of the restatement on the Statements of Consolidated Cash Flows for both years was to components within operating cash flows. There were no effects on total operating, investing activities, financing activities, or cash and cash equivalents as a result of the restatement.

Unaudited (Dollars in millions)	Six Months Ended Feb. 28, 2011			
	Previously Reported	Adjustments	Reclass	Restated
Operating Activities:				
Net Income	\$ 1,041	\$ 4	\$	\$ 1,045
Adjustments to reconcile cash provided by operating activities:				
Items that did not require (provide) cash:				
Depreciation and amortization	310			310
Bad-debt expense	(6)			(6)
Stock-based compensation expense	55			55
Excess tax benefits from stock-based compensation	(19)			(19)
Deferred income taxes	(13)	3		(10)
Restructuring charges, net	8			8
Equity affiliate income, net	(8)			(8)
Net gain on sales of a business or other assets	(4)			(4)
Other items	59			59
Changes in assets and liabilities that provided (required) cash, net of acquisitions:				
Trade receivables, net	(612)			(612)
Inventory, net	(269)		20	(249)
Deferred revenues	656			656
Accounts payable and other accrued liabilities	507	(7)	(28)	472
Restructuring cash payments	(152)			(152)
Pension contributions	(44)			(44)
Other items	(68)		8	(60)
Net Cash Provided by Operating Activities	1,441			1,441

Unaudited (Dollars in millions)	Six Months Ended Feb. 28, 2010			
	Previously Reported	Adjustments	Reclass	Restated
Operating Activities:				
Net Income	\$ 870	\$ (4)	\$	\$ 866
Adjustments to reconcile cash provided by operating activities:				
Items that did not require (provide) cash:				

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Depreciation and amortization	294			294
Bad-debt expense	26			26
Stock-based compensation expense	52			52
Excess tax benefits from stock-based compensation	(31)			(31)
Deferred income taxes	(62)	5	1	(56)
Restructuring charges, net	44			44
Equity affiliate income, net	(18)			(18)
Net gain on sales of a business or other assets	(2)			(2)
Other items	38		(8)	30
Changes in assets and liabilities that provided (required) cash, net of acquisitions:				
Trade receivables, net	(459)			(459)
Inventory, net	(241)		(6)	(247)
Deferred revenues	341			341
Accounts payable and other accrued liabilities	(323)	5	2	(316)
Restructuring cash payments	(124)			(124)
Pension contributions	(86)			(86)
Net investment hedge settlement	(4)			(4)
Other items	(59)	(6)	11	(54)
Net Cash Provided by Operating Activities	256			256

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As discussed in the Explanatory Note and Note 24 Restatement of Consolidated Financial Statements we have restated our previously issued condensed consolidated financial statements; accordingly, Management's Discussion and Analysis of Financial Condition and Results of Operations have been revised for the effects of the restatement.

OVERVIEW**Background**

Monsanto Company, along with its subsidiaries, is a leading global provider of agricultural products for farmers. Our seeds, biotechnology trait products, and herbicides provide farmers with solutions that improve productivity, reduce the costs of farming, and produce better foods for consumers and better feed for animals.

We manage our business in two segments: Seeds and Genomics and Agricultural Productivity. Through our Seeds and Genomics segment, we produce leading seed brands, including DEKALB, ASGROW, DELTAPINE, SEMINIS and DE RUITER, and we develop biotechnology traits that assist farmers in controlling insects and weeds. We also provide other seed companies with genetic material and biotechnology traits for their seed brands. Through our Agricultural Productivity segment, we manufacture ROUNDUP and HARNESS brand herbicides and other herbicides.

In the fourth quarter of 2008, we entered into an agreement to divest the Dairy business. This transaction was consummated on Oct. 1, 2008. As a result, financial statements have been prepared in compliance with the provisions of the Property, Plant and Equipment topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Statements of Consolidated Operations have been conformed to this presentation. The Dairy business was previously reported as part of the Agricultural Productivity segment. See Note 23 Discontinued Operations for further details.

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with Monsanto's consolidated financial statements and the accompanying notes. This Report on Form 10-Q/A should also be read in conjunction with Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010. Financial information for the first six months of fiscal year 2011 should not be annualized because of the seasonality of our business. The notes to the consolidated financial statements referred to throughout this MD&A are included in Part I Item 1 Financial Statements of this Report on Form 10-Q/A. Unless otherwise indicated, Monsanto, the company, we, our and us are used interchangeably to refer to Monsanto Company or to Monsanto Company and its consolidated subsidiaries, as appropriate to the context. Unless otherwise indicated, earnings (loss) per share and per share mean diluted earnings (loss) per share. Unless otherwise noted, all amounts and analyses are based on continuing operations. Unless otherwise indicated, trademarks owned or licensed by Monsanto or its subsidiaries are shown in all capital letters. Unless otherwise indicated, references to ROUNDUP herbicides mean ROUNDUP branded herbicides, excluding all lawn-and-garden herbicides, and references to ROUNDUP and other glyphosate-based herbicides exclude all lawn-and-garden herbicides.

Non-GAAP Financial Measures

MD&A includes financial information prepared in accordance with U.S. generally accepted accounting principles (GAAP), as well as two other financial measures, EBIT and free cash flow, that are considered non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's financial performance, financial position or cash flows that exclude (or include) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The presentation of EBIT and free cash flow information is intended to supplement investors' understanding of our operating performance and liquidity. Our EBIT and free cash flow measures may not be comparable to other companies' EBIT and free cash flow measures. Furthermore, these measures are not intended

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

to replace net income, cash flows, financial position, or comprehensive income, as determined in accordance with GAAP.

EBIT is defined as earnings (loss) before interest and taxes. Earnings is intended to mean net income (loss) attributable to Monsanto Company as presented in the Statements of Consolidated Operations under GAAP. We believe that EBIT is useful to investors and management to demonstrate the operational profitability of our segments by excluding interest and taxes, which are generally accounted for across the entire company on a consolidated basis. EBIT is also one of the measures used by Monsanto management to determine resource allocations within the company. See Note 22 Segment Information for

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

a reconciliation of EBIT to net income attributable to Monsanto Company for the three and six months ended Feb. 28, 2011, and Feb. 28, 2010.

We also provide information regarding free cash flow, an important liquidity measure for Monsanto. We define free cash flow as the total of net cash provided or required by operating activities and provided or required by investing activities. We believe that free cash flow is useful to investors and management as a measure of the ability of our business to generate cash. This cash can be used to meet business needs and obligations, to reinvest in the company for future growth, or to return to our shareowners through dividend payments or share repurchases. Free cash flow is also used by management as one of the performance measures in determining incentive compensation. See the **Financial Condition, Liquidity, and Capital Resources Cash Flow** section of MD&A for a reconciliation of free cash flow to net cash provided (required) by operating activities and net cash required by investing activities on the Statements of Consolidated Cash Flows.

Executive Summary

Consolidated Operating Results Net sales increased \$253 million, or seven percent, in the three-month comparison and \$385 million, or seven percent, in the six-month comparison. This increase was primarily a result of increased sales of corn and cotton seed and traits as well as increased sales in Agricultural Productivity. Net income in first half 2011 was \$1.89 per share, compared with \$1.56 per share in first half 2010.

Financial Condition, Liquidity, and Capital Resources In first half 2011, net cash provided by operating activities was \$1,441 million, compared with \$256 million in the prior-year period. This increase was primarily due to improved earnings and a favorable change in accounts payable and other accrued liabilities and deferred revenue. Net cash required by investing activities was \$524 million in first half of 2011 compared with \$345 million in first half of 2010, primarily due to purchases of short-term investments. As a result, free cash flow improved to \$917 million for the six months ended Feb. 28, 2011, compared with a negative \$89 million for the six months ended Feb. 28, 2010. For a more detailed discussion of the factors affecting the free cash flow comparison, see the **Cash Flow** section of the **Financial Condition, Liquidity, and Capital Resources** section in this MD&A.

Outlook We plan to continue to improve our products in order to maintain market leadership and to support near-term performance. We are focused on applying innovation and technology to make our farmer customers more productive and profitable by protecting yields and improving the ways they can produce food, fiber and feed. We use the tools of modern biology to make seeds easier to grow, to allow farmers to do more with fewer resources, and to help produce healthier foods for consumers. Our current research and development (R&D) strategy and commercial priorities are focused on bringing our farmer customers second- and third-generation traits, on delivering multiple solutions in one seed (**stacking**), and on developing new pipeline products. Our capabilities in biotechnology and breeding research are generating a rich product pipeline that is expected to drive long-term growth. The viability of our product pipeline depends in part on the speed of regulatory approvals globally, and on continued patent and legal rights to offer our products.

ROUNDUP herbicides remain the largest crop protection brand globally. Following a period of increasing inventories within the global glyphosate market and expansion of global glyphosate production capacity, the market moved to an overcapacity position. As a result, the significant supply of lower-priced generics caused increased competitive pressure in the market. We are focused on managing the costs associated with our agricultural chemistry business as that sector matures globally.

See the **Outlook** section of MD&A for a more detailed discussion of some of the opportunities and risks we have identified for our business. For additional information related to the outlook for Monsanto, see **Caution Regarding Forward-Looking Statements** at the beginning of this Report on Form 10-Q/A, Part II **Item 1A Risk Factors** below and Part I **Item 1A** of our Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

RESULTS OF OPERATIONS

	Three Months Ended Feb. 28,			Six Months Ended Feb. 28,		
	2011	2010	Change	2011	2010	Change
(Dollars in millions, except per share amounts)						
Net Sales	Restated \$ 4,131	Restated \$ 3,878	7 %	Restated \$ 5,967	Restated \$ 5,582	7 %
Gross Profit	2,310	2,087	11 %	3,134	2,833	11 %
Operating Expenses:						
Selling, general and administrative expenses	502	512	(2)%	952	1,008	(6)%
Research and development expenses	320	279	15 %	623	546	14 %
Restructuring charges, net	1	30	(97)%	8	44	(82)%
Total Operating Expenses	823	821	NM	1,583	1,598	(1)%
Income from Operations	1,487	1,266	17 %	1,551	1,235	26 %
Interest expense	39	41	(5)%	82	80	3 %
Interest income	(19)	(14)	36 %	(34)	(25)	36 %
Other expense (income) net	11	2	450 %	23	(10)	(330)%
Income from Continuing Operations Before Income Taxes	1,456	1,237	18 %	1,480	1,190	24 %
Income tax provision	429	349	23 %	438	329	33 %
Income from Continuing Operations Including Portion						
Attributable to Noncontrolling Interest	1,027	888	16 %	1,042	861	21 %
Discontinued Operations:						
Income from operations of discontinued businesses	4		NM	4	5	(20)%
Income tax provision	1		NM	1		NM
Income on Discontinued Operations	3		NM	3	5	(40)%
Net Income	\$ 1,030	\$ 888	16 %	\$ 1,045	\$ 866	21 %
Less: Net income attributable to noncontrolling interest	12	2	500 %	18	2	800 %
Net Income Attributable to Monsanto Company	\$ 1,018	\$ 886	15 %	\$ 1,027	\$ 864	19 %
Diluted Earnings per Share						
Attributable to Monsanto Company:						
Income from continuing operations	\$ 1.87	\$ 1.60	17 %	\$ 1.89	\$ 1.55	22 %
Income on discontinued operations	0.01		NM		0.01	NM
Net Income	\$ 1.88	\$ 1.60	18 %	\$ 1.89	\$ 1.56	21 %
NM = Not Meaningful						
Effective Tax Rate	29%	28%		30%	28%	

Comparison as a Percent of Net Sales:

Gross profit	56%	54%		53%	51%	
Selling, general and administrative expenses	12%	13%		16%	18%	
Research and development expenses	8%	7%		10%	10%	
Total operating expenses	20%	21%		27%	29%	
Income from continuing operations before income taxes	35%	32%		25%	21%	
Net income attributable to Monsanto Company	25%	23%		17%	15%	

Second Quarter Fiscal Year 2011

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

The following explanations discuss the significant components of our results of operations that affected the quarter-to-quarter comparison of our second quarter income from continuing operations:

Net sales increased seven percent in second quarter 2011 from the same quarter a year ago. Our Seeds and Genomics segment net sales increased five percent, and our Agricultural Productivity segment net sales increased 13 percent. The following table

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

presents the percentage changes in second quarter 2011 worldwide net sales by segment compared with net sales in the prior-year quarter, including the effect volume, price, currency and acquisitions had on these percentage changes:

Second Quarter 2011 Percentage Change in Net Sales vs. Second Quarter 2010
Impact
of

	Volume	Price	Currency	Subtotal	Acquisitions ⁽¹⁾	Net Change
Seeds and Genomics Segment	3%	2%		5%		5%
Agricultural Productivity Segment	9%	4%		13%		13%
Total Monsanto Company	4%	2%	1 %	7%		7%

⁽¹⁾ See Note 3 Business Combinations and Financial Condition, Liquidity, and Capital Resources in MD&A for details of our acquisitions in fiscal years 2011 and 2010. Acquisitions are segregated in this presentation for one year from the acquisition date.

For a more detailed discussion of the factors affecting the net sales comparison, see the Seeds and Genomics Segment and the Agricultural Productivity Segment sections.

Gross profit increased 11 percent in the three-month comparison. Gross profit as a percent of net sales (gross profit percentage) for the total company increased two percentage points to 56 percent in second quarter 2011 primarily driven by the increase in Agricultural Productivity, cotton and soy margins. Gross profit percentage in the Seeds and Genomics Segment remained flat at 62 percent in second quarter 2011. See the Seeds and Genomics Segment section of MD&A for further details. Gross profit percentage for the Agricultural Productivity segment increased 13 percentage points to 25 percent in second quarter 2011. This increase was due to cost improvements. See the Agricultural Productivity Segment section of the MD&A for further details regarding the Agricultural Productivity gross profit.

Operating expenses increased \$2 million, in second quarter 2011 from the prior-year comparable quarter. In the three-month comparison, selling, general and administrative (SG&A) expenses decreased two percent primarily because of lower spending for administrative functions as well as savings from restructuring actions. R&D expenses increased 15 percent related to the increase in our expanded product pipeline. As a percent of net sales, SG&A decreased one percentage point to 12 percent, and R&D expenses increased one percentage point to eight percent.

Interest income increased \$5 million in the quarter-over-quarter comparison because of increased income earned on our investments in second quarter 2011.

Other expense net was expense of \$11 million in second quarter 2011, compared with expense of \$2 million in the prior-year quarter. The increase occurred due to an increase in foreign currency losses in the current year primarily related to the Venezuela currency devaluation.

Income tax provision was \$429 million in second quarter 2011, an increase of \$80 million over the prior-year quarter primarily as a result of the increase in pretax income from continuing operations. The effective tax increased to 29 percent in second quarter 2011 from 28 percent in second quarter 2010. Second quarter 2011 included several discrete tax adjustments resulting in a tax benefit of \$18 million. The majority of this benefit resulted from the enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 which led to the retroactive extension of the research and development credit (R&D credit) and the expiration of statutes in several ex-U.S. jurisdictions. Second quarter 2010 included several discrete tax adjustments resulting in a tax benefit of \$24 million. This mainly resulted from the resolution of domestic tax matters, the expiration of statutes in several ex-U.S. jurisdictions, and favorable adjustments from the preparation of tax returns in several jurisdictions. Without the discrete items, our effective tax rate for second quarter 2011 would have been comparable to the 2010 rate.

First Half of Fiscal Year 2011

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

The following explanations discuss the significant components of our results of operations that affected the six-month comparison of our first half of fiscal years 2011 and 2010 income from continuing operations:

Net sales increased seven percent in first half 2011 from the same period a year ago. Our Seeds and Genomics segment net sales increased seven percent, and our Agricultural Productivity segment net sales increased six percent, as well. The

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

following table presents the percentage changes in first half 2011 worldwide net sales by segment compared with net sales in the prior-year first half, including the effect volume, price, currency and acquisitions had on these percentage changes:

	First Half 2011 Percentage Change in Net Sales vs. First Half 2010 Impact of					
	Volume	Price	Currency	Subtotal	Acquisitions ⁽¹⁾	Net Change
Seeds and Genomics Segment	5%	2%		7%		7%
Agricultural Productivity Segment	9%	(3)%		6%		6%
Total Monsanto Company	6%		1%	7%		7%

⁽¹⁾ See Note 3 Business Combinations and Financial Condition, Liquidity, and Capital Resources in MD&A for details of our acquisitions in fiscal years 2011 and 2010. Acquisitions are segregated in this presentation for one year from the acquisition date.

For a more detailed discussion of the factors affecting the net sales comparison, see the Seeds and Genomics Segment and the Agricultural Productivity Segment sections.

Gross profit increased 11 percent in the six-month comparison. Gross profit percentage for the total company increased two percentage points to 53 percent in first half 2011. Gross profit percentage in the Seeds and Genomics segment remained flat at 61 percent in first half 2011. See the Seeds and Genomics Segment section of MD&A for further details. Gross profit percentage for the Agricultural Productivity segment increased six percentage points to 23 percent in the first six months of 2011 because of cost improvements. See the Agricultural Productivity Segment section of the MD&A for the further information regarding the Agricultural Productivity gross profit.

Operating expenses decreased one percent, or \$15 million, in first half 2011 from the prior-year comparable half. In the six-month comparison, SG&A expenses decreased six percent primarily because of lower spending for marketing, administrative functions and savings from restructuring actions, and R&D expenses increased 14 percent related to the increase in our expanded product pipeline. As a percent of net sales, SG&A expenses decreased two percentage points to 16 percent, and R&D expenses remained flat at 10 percent in the six-month comparison.

Interest income increased \$9 million in the six-month comparison because of more interest earned on our investments in first half 2011.

Other expense (income) net was expense of \$23 million in the first half of 2011, compared with income of \$10 million in the prior-year first half. The change occurred due to increased foreign currency losses in the current year and the gain recorded on the Seminium acquisition in the prior year.

Income tax provision was \$438 million in first half 2011, an increase of \$109 million from the prior-year comparable period primarily as a result of the increase in pretax income from continuing operations. The effective tax rate increased to 30 percent from 28 percent in the prior period. First half 2011 included several discrete tax adjustments resulting in a tax benefit of \$18 million. The majority of this benefit resulted from the retroactive extension of the R&D credit discussed above and the expiration of statutes in several jurisdictions. First half 2010 included several discrete tax adjustments resulting in a tax benefit of \$32 million. The majority of this benefit was a result of the expiration of statutes in several jurisdictions and the resolution of domestic and ex-U.S. tax matters. In addition, favorable adjustments were recorded as a result of the preparation of tax returns in several jurisdictions. Without the discrete items, our effective tax rate for first half 2011 would have been comparable to the 2010 rate.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

SEEDS AND GENOMICS SEGMENT

(Dollars in millions)	Three Months Ended Feb. 28,			Six Months Ended Feb. 28,		
	2011	2010	Change	2011	2010	Change
Net Sales						
Corn seed and traits	\$2,397	\$ 2,247	7 %	\$ 3,011	\$ 2,816	7 %
Soybean seed and traits	615	633	(3)%	841	834	1 %
Cotton seed and traits	67	34	97 %	179	93	92 %
Vegetable seeds	229	223	3 %	412	396	4 %
All other crops seeds and traits	113	111	2 %	141	140	1 %
Total Net Sales	\$3,421	\$ 3,248	5 %	\$ 4,584	\$ 4,279	7 %
Gross Profit						
Corn seed and traits	\$1,506	\$ 1,420	6 %	\$ 1,845	\$ 1,724	7%
Soybean seed and traits	414	386	7 %	567	525	8 %
Cotton seed and traits	42	15	180 %	116	48	142 %
Vegetable seeds	125	138	(9)%	238	250	(5)%
All other crops seeds and traits	44	53	(17)%	44	62	(29)%
Total Gross Profit	\$2,131	\$ 2,012	6 %	\$ 2,810	\$ 2,609	8 %
EBIT⁽¹⁾	\$1,403	\$ 1,362	3 %	\$ 1,383	\$ 1,305	6 %

⁽¹⁾ EBIT is defined as earnings (loss) before interest and taxes. Interest and taxes are recorded on a total company basis. We do not record these items at the segment level. See Note 22 Segment Information and the Overview Non-GAAP Financial Measures section of MD&A for further details.

Seeds and Genomics Financial Performance Second Quarter Fiscal Year 2011

Net sales of corn seed and traits increased seven percent, or \$150 million, in the three-month comparison, primarily because of higher sales in the United States and Brazil. These increases were driven by increased volumes due to higher planted acres in Brazil, increased volumes shipped in the United States and a shift to higher margin corn trait products.

Cotton seed and traits net sales increased 97 percent, or \$33 million, in the three-month comparison. Current year sales improved as we are experiencing lower sales deductions for grower programs. Prior year growers experienced a drought in Texas that resulted in increased participation in our crop loss and drought programs.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

The net sales increases discussed throughout this section resulted in \$119 million higher gross profit in second quarter 2011. Gross profit as a percent of sales for this segment remained flat in the quarter-over-quarter comparison at 62 percent. This gross profit increase was primarily driven by increased sales for cotton seed and trait sales as we experienced lower sales deductions for grower programs as well as increased penetration of higher margin soybean traits.

EBIT for the Seeds and Genomics segment increased \$41 million to \$1,403 million in second quarter 2011.

Seeds and Genomics Financial Performance First Half of Fiscal Year 2011

Net sales of corn seed and traits increased seven percent, or \$195 million, in the six-month comparison, primarily in Brazil, the United States and Europe. The increase in these regions was primarily driven by higher volumes due to improved acres in Brazil and Europe, an increase in higher margin traits, as well as an increase in volumes shipped in the United States.

Cotton seed and traits net sales increased 92 percent, or \$86 million, in the six-month comparison, primarily because of increased acres, higher cotton commodity prices and favorable weather conditions in Australia and an increase in volumes shipped in the United States.

Gross profit increased \$201 million in the first half of 2011. Gross profit as a percent of sales for this segment remained flat in the period-over-period comparison at 61 percent. The net sales increases discussed throughout this section resulted in increased gross profit. In addition, in the prior year we recorded inventory impairments of \$54 million related to discontinued corn seed products in the United States as part of our 2009 Restructuring Plan which did not reoccur in the current year. See Note 6 Restructuring for further information. Partially offsetting these increases, the average net selling price of corn seed and traits in the United States declined compared to the prior six-month comparison as we focus on mix for our GENUITY SMARTSTAX family of products.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

EBIT for the Seeds and Genomics segment increased \$78 million to \$1,383 million in the first half of 2011.

AGRICULTURAL PRODUCTIVITY SEGMENT

	Three Months Ended Feb. 28,			Six Months Ended Feb. 28,		
	2011	2010	Change	2011	2010	Change
(Dollars in millions)	Restated	Restated		Restated	Restated	
Net Sales						
Agricultural productivity	\$ 710	\$ 630	13 %	\$ 1,383	\$ 1,303	6 %
Total Net Sales	\$ 710	\$ 630	13 %	\$ 1,383	\$ 1,303	6 %
Gross Profit						
Agricultural productivity	\$ 179	\$ 75	139 %	\$ 324	\$ 224	45 %
Total Gross Profit	\$ 179	\$ 75	139 %	\$ 324	\$ 224	45 %
EBIT ⁽¹⁾	\$ 62	\$ (100)	(162)%	\$ 127	\$ (59)	(315)%

⁽¹⁾ EBIT is defined as earnings (loss) before interest and taxes. Interest and taxes are recorded on a total company basis. We do not record these items at the segment level. See Note 22 Segment Information and the Overview Non-GAAP Financial Measures section of MD&A for further details.

Agricultural Productivity Financial Performance Second Quarter Fiscal Year 2011

Net sales for Agricultural Productivity increased 13 percent, or \$80 million, in the three-month comparison. Sales of ROUNDUP and other glyphosate-based herbicides was the largest contributor to the increase. Sales volumes of ROUNDUP and other glyphosate-based herbicides increased 13 percent in second quarter 2011 compared to second quarter 2010. Offsetting this increase, the average net selling price for ROUNDUP and other glyphosate-based herbicides decreased in most regions in second quarter 2011 due to previously announced price decreases.

The net sales increases discussed throughout this section resulted in \$104 million higher gross profit in second quarter 2011. Gross profit as a percent of sales for the Agricultural Productivity segment increased 13 percentage points to 25 percent in second quarter 2011 because of cost improvements primarily related to production efficiencies. EBIT for the Agricultural Productivity segment increased \$162 million to \$62 million in second quarter 2011.

Agricultural Productivity Financial Performance First Half of Fiscal Year 2011

Net sales for Agricultural Productivity increased six percent, or \$80 million, in the six-month comparison, primarily due to increased sales for ROUNDUP and other glyphosate-based herbicides. ROUNDUP and other glyphosate-based herbicides volume increased 13 percent in the period-over-period comparison due to increased demand primarily in Argentina and Europe. Offsetting this increase, the average net selling price of ROUNDUP and other glyphosate-based herbicides decreased in most regions in the first six months of 2011 compared to the first six months of 2010 due to previously announced price decreases.

The net sales increases and the cost improvements resulted in \$100 million higher gross profit in the first half of 2011. Gross profit as a percent of sales for the Agricultural Productivity segment increased six percentage points to 23 percent in the period-over-period comparison. EBIT for the Agricultural Productivity segment increased \$186 million to \$127 million in the first half of 2011.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

RESTRUCTURING

Restructuring charges were recorded in the Statements of Consolidated Operations as follows:

(Dollars in millions)	Three Months Ended Feb. 28,		Six Months Ended Feb. 28,	
	2011	2010	2011	2010
Cost of Goods Sold ⁽¹⁾	\$ (2)	\$ (54)	\$ (2)	\$ (54)
Restructuring Charges, Net ⁽¹⁾⁽²⁾	(1)	(30)	(8)	(44)
Loss from Continuing Operations Before Income Taxes	(3)	(84)	(10)	(98)
Income Tax Benefit	1	30	4	31
Net Loss	\$ (2)	\$ (54)	\$ (6)	\$ (67)

⁽¹⁾ For the three months and the six months ended Feb. 28, 2011, the \$2 million of restructuring charges recorded in cost of goods sold related to the Seeds and Genomics segment. For the three months ended Feb. 28, 2011, the \$1 million of restructuring charges recorded in restructuring charges, net related to the Seeds and Genomics segment. For the six months ended Feb. 28, 2011, the \$8 million of restructuring charges recorded in restructuring charges, net were split by segment as follows: \$(4) million in Agricultural Productivity and \$12 million in Seeds and Genomics. For the three months and the six months ended Feb. 28, 2010, the \$54 million of restructuring charges recorded in cost of goods sold related to the Seeds and Genomics segment. For the three months ended Feb. 28, 2010, the \$30 million of restructuring charges, net were split by segment as follows: \$25 million in Agricultural Productivity and \$5 million in Seeds and Genomics. For the six months ended Feb. 28, 2010, the \$44 million of restructuring charges, net were split by segment as follows: \$36 million in Agricultural Productivity and \$8 million in Seeds and Genomics.

⁽²⁾ The restructuring charges for the three months and the six months ended Feb. 28, 2011, include reversals of \$25 million related to the 2009 Restructuring Plan. The restructuring charges for the three months and the six months ended Feb. 28, 2010, include reversals of \$9 million and \$11 million, respectively, related to the 2009 Restructuring Plan. The reversals are primarily related to severance. Although positions originally included in the plan were eliminated, individuals found new roles within the company due to attrition.

On June 23, 2009, our Board of Directors approved a restructuring plan (2009 Restructuring Plan) to take future actions to reduce costs in light of the changing market supply environment for glyphosate. These actions are designed to enable us to stabilize the Agricultural Productivity business and allow it to deliver optimal gross profit and a sustainable level of operating cash in the coming years, while better aligning spending and working capital needs. We also announced that we will take steps to better align the resources of our global seeds and traits business. These actions include certain product and brand rationalization within our seed businesses. On Sept. 9, 2009, we committed to take additional actions related to the previously announced restructuring plan. Furthermore, while implementing the plan, we identified additional opportunities to better align our resources, and on Aug. 26, 2010, committed to take additional actions. The plan was substantially completed in the first quarter of fiscal year 2011, and the remaining payments are expected to be made by the end of the fourth quarter in fiscal year 2011.

The total restructuring costs are now expected to be approximately \$740 million to \$780 million and were substantially completed by the end of the first quarter of 2011. The charges are expected to be comprised of approximately \$350 million to \$370 million in severance and related benefits, \$150 million to \$170 million of costs related to facility closures and exit costs and \$240 million of asset impairments. Payments related to the 2009 Restructuring Plan will be generated from cash from operations.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

The following table displays the pretax charges by segment under the 2009 Restructuring Plan of \$3 million and \$84 million incurred for the three months ended Feb. 28, 2011, and Feb. 28, 2010, respectively, the pretax charges of \$10 million and

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

\$98 million incurred for the six months ended Feb. 28, 2011, and Feb. 28, 2010, respectively, as well as the cumulative pretax charges of \$740 million.

(Dollars in millions)	Three Months Ended Feb. 28,						Six Months Ended Feb. 28,					
	Seeds and Genomics		Agricultural Productivity		Total		Seeds and Genomics		Agricultural Productivity		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Work Force Reductions	\$	\$ 3	\$	\$ 1	\$	\$ 4	\$ (11)	\$ 4	\$ (7)	\$ 11	\$ (18)	\$ 15
Facility Closures / Exit Costs	1	2		24	1	26	23	3	3	25	26	28
Asset Impairments												
Property, plant and equipment								1				1
Inventory	2	54			2	54	2	54			2	54
Total Restructuring Charges, Net	\$ 3	\$ 59	\$	\$ 25	\$ 3	\$ 84	\$ 14	\$ 62	\$ (4)	\$ 36	\$ 10	\$ 98

(Dollars in millions)	Cumulative Amount through Feb. 28, 2011		
	Seeds and Genomics	Agricultural Productivity	Total
Work Force Reductions	\$ 249	\$ 103	\$ 352
Facility Closures / Exit Costs	72	81	153
Asset Impairments			
Property, plant and equipment	39	5	44
Inventory	119	13	132
Other intangible assets	59		59
Total Restructuring Charges, Net	\$ 538	\$ 202	\$ 740

Our written human resource policies are indicative of an ongoing benefit arrangement with respect to severance packages. Benefits paid pursuant to an ongoing benefit arrangement are specifically excluded from the Exit or Disposal Cost Obligations topic of the ASC, therefore severance charges incurred in connection with the 2009 Restructuring Plan are accounted for when probable and estimable as required under the Compensation – Nonretirement Postemployment Benefits topic of the ASC. In addition, when the decision to commit to a restructuring plan requires an asset impairment review, Monsanto evaluates such impairment issues under the Property, Plant and Equipment topic of the ASC.

In the six months ended Feb. 28, 2011, pretax restructuring charges of \$10 million were recorded. The facility closures/exit costs of \$26 million relate primarily to the finalization of the termination of a corn toiler contract in the United States. In workforce reductions, approximately \$7 million of additional charges were offset by \$25 million of reversals. Although positions originally included in the plan were eliminated, individuals found new roles within the company due to attrition. In asset impairments, inventory impairments of \$2 million recorded in cost of goods sold related to discontinued corn and sorghum seed products in the United States. In the six months ended Feb. 28, 2010, pretax restructuring charges of \$98 million were recorded. The \$15 million in workforce reductions relate primarily to Europe. The facility closures/exit costs of \$28 million relate primarily to the finalization of the termination of a chemical supply contract in the United States. In asset impairments, inventory impairments of \$54 million recorded in cost of goods sold related to discontinued corn seed products in the United States.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

The actions related to the overall restructuring plan are expected to produce annual cost savings of \$300 million to \$340 million, primarily in cost of goods sold and SG&A. Approximately one-fourth of these savings were recognized in fiscal year 2010, with the full benefit expected to be realized in 2011.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES**Working Capital and Financial Condition**

	As of Feb. 28, 2011	2010	As of Aug. 31, 2010
(Dollars in millions, except current ratio)	Restated	Restated	Restated
Cash and Cash Equivalents (variable interest entities - 2011: \$13)	\$ 1,837	\$ 1,607	\$ 1,485
Trade Receivables, Net (variable interest entities - 2011: \$101)	2,377	2,093	1,590
Inventory, Net	2,980	3,123	2,649
Other Current Assets ⁽¹⁾	1,395	1,325	1,326
Total Current Assets	\$ 8,589	\$ 8,148	\$ 7,050
Short-Term Debt	\$ 409	\$ 114	\$ 241
Accounts Payable	634	673	752
Accrued Liabilities ⁽²⁾	3,458	2,871	2,563
Total Current Liabilities	\$ 4,501	\$ 3,658	\$ 3,556
Working Capital⁽³⁾	\$ 4,088	\$ 4,490	\$ 3,494
Current Ratio⁽³⁾	1.91:1	2.23:1	1.98:1

⁽¹⁾ Includes short-term investments, miscellaneous receivables, deferred tax assets and other current assets.

⁽²⁾ Includes income taxes payable, accrued compensation and benefits, accrued marketing programs, deferred revenues, grower production accruals, dividends payable, customer payable, restructuring reserves and miscellaneous short-term accruals.

⁽³⁾ Working capital is total current assets less total current liabilities; current ratio represents total current assets divided by total current liabilities.

Feb. 28, 2011, compared with Aug. 31, 2010: Working capital increased \$594 million between Aug. 31, 2010, and Feb. 28, 2011, because of the following factors:

Cash and cash equivalents increased \$352 million between the respective periods. See the Cash Flow section in this section of MD&A and the Cash Flow section of Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010, for further details of this increase.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Trade receivables increased \$787 million due to normal ongoing sales activity because of the seasonality of our business.

Inventory increased \$331 million between the respective periods primarily because of the seasonality of our U.S. corn and soybean seed business in which the fall harvest of seed products occurs in the first half of the fiscal year resulting in a higher inventory balance as of Feb. 28, 2011.

These increases to working capital between Aug. 31, 2010, and Feb. 28, 2011, were offset by the following factors:

Income taxes payable increased \$209 million primarily due to the seasonality of U.S. results coupled with the timing of U.S. income tax payments.

Deferred revenue increased \$700 million related to customer prepayments for product that will be shipped in the current fiscal year. *Feb. 28, 2011, compared with Feb. 28, 2010:* Working capital decreased \$402 million between Feb. 28, 2011, and Feb. 28, 2010. The following factors decreased working capital as of Feb. 28, 2011, compared with Feb. 28, 2010:

Short-term debt increased \$295 million primarily due to the acquisition of the Chesterfield Village Research Center in the prior year. As of Feb. 28, 2011, \$324 million is included within short-term debt related to payments due on the acquisition.

Accrued liabilities increased \$587 million. Accrued marketing programs related to current year sales increased \$209 million due to the increase in sales and timing of payments. Further, an increase of \$318 million in deferred revenue is due to increased customer prepayments in the United States compared to the prior six-month period.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

These working capital decreases were partially offset by the following factors:

Cash and cash equivalents increased \$230 million between the respective periods. See the Cash Flow section in this section of MD&A for further details of this increase.

Trade receivables increased \$284 million due to an increase in current year sales compared to prior year.

Customer Financing Programs: We participate in a revolving financing program in Brazil that allows us to transfer up to 1 billion Brazilian reais (approximately \$600 million) for selected customers in Brazil to a special purpose entity, formerly a qualified special purpose entity. Third parties, primarily investment funds, hold an 88 percent senior interest in the entity, and we hold the remaining 12 percent interest. Under the arrangement, a recourse provision requires us to cover the first 12 percent of credit losses within the program. We have evaluated our relationship with the entity under updated guidance within the Consolidation topic of the ASC and, as a result, the entity has been consolidated effective Sept. 1, 2010. For further information, see Note 5 Variable Interest Entities.

As of Feb. 28, 2011, there were no receivables sold through this financing program that were delinquent. As of Aug. 31, 2010, there was \$3 million of receivables sold through this financing program that was delinquent. Based on our historical collection experience with these customers and a current assessment of credit exposure, we recorded our recourse provision at \$5 million as of Aug. 31, 2010. Since the entity is now consolidated, we recorded a bad debt allowance related to these receivables of \$2 million as of Feb. 28, 2011. The maximum potential amount of exposure under the program was \$12 million as of Feb. 28, 2011. If we are called upon to make payments under the recourse provision, we would have the benefit under the financing program of any amounts subsequently collected from the customer.

We have an agreement with a special purpose entity in Argentina to transfer customer receivables and to service such accounts. We have evaluated our relationship with this entity under updated guidance within the Consolidation topic of the ASC and, as a result, the entity has been consolidated effective Sept. 1, 2010. For further information on this topic, see Note 5 Variable Interest Entities. Based on our historical collection experience with these customers and a current assessment of credit exposure, we recorded a bad debt allowance related to these receivables of less than \$1 million as of Feb. 28, 2011. The maximum potential amount of exposure under the program was \$1 million as of Feb. 28, 2011.

We have an agreement in the United States to sell customer receivables up to a maximum of \$500 million and to service such accounts. These receivables qualify for sales treatment under the Transfers and Servicing topic of the ASC and, accordingly, the proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows. The gross amount of receivables sold totaled \$3 million and \$2 million for the first six months of fiscal year 2011 and 2010, respectively. The agreement includes recourse provisions and thus a liability was established at the time of sale that approximates fair value based upon our historical collection experience with such receivables and a current assessment of credit exposure. The recourse liability recorded by us was \$2 million as of Feb. 28, 2011, and Aug. 31, 2010. The maximum potential amount of future payments under the recourse provisions of the agreement was \$2 million as of Feb. 28, 2011. The outstanding balance of the receivables sold was \$5 million and \$223 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. There were delinquent accounts of \$5 million and \$3 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively.

We sell accounts receivable in the United States and European regions, both with and without recourse. The sales within these programs qualify for sales treatment under the Transfers and Servicing topic of the ASC and, accordingly, the proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows. The gross amounts of accounts receivable sold totaled \$4 million and \$7 million for the first six months of 2011 and 2010, respectively. The liability for the guarantees for sales with recourse is recorded at an amount that approximates fair value, based on our historical collection experience for the customers associated with the sales of the accounts receivable and a current assessment of credit exposure. There was no liability as of Feb. 28, 2011. Our guarantee liability was less than \$1 million as of Aug. 31, 2010. There were no outstanding balances of the receivables sold as of Feb. 28, 2011, and, therefore, no potential future payments under the recourse provisions of the agreements as of Feb. 28, 2011. The outstanding balance of the receivables sold was \$86 million as of Aug. 31, 2010.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

We also have agreements with lenders to establish programs to provide financing of up to 550 million Brazilian reais (approximately \$330 million) for selected customers in Brazil. The amount of loans outstanding was \$72 million and \$100

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. In this program, we provide a guarantee of the loans in the event of customer default. The maximum potential amount of future payments under the guarantees was \$72 million as of Feb. 28, 2011. The liability for the guarantee is recorded at an amount that approximates fair value, primarily based on our historical collection experience with customers that participate in the program and a current assessment of credit exposure. Our guarantee liability was \$1 million and \$3 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. If performance is required under the guarantee, we may retain amounts that are subsequently collected from customers.

We also have similar agreements with banks that provide financing to our customers in the United States, Brazil, Europe and Argentina. The amount of loans outstanding was \$46 million and \$36 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively. We provide a guarantee of the loans in the event of customer default. The maximum potential amount of future payments under the guarantees was \$36 million as of Feb. 28, 2011. The liability for the guarantee is recorded at an amount that approximates fair value, primarily based on our historical collection experience with customers that participate in the program and a current assessment of credit exposure. Our guarantee liability was \$1 million and \$2 million as of Feb. 28, 2011, and Aug. 31, 2010, respectively.

Cash Flow

(Dollars in millions)	Six Months Ended Feb. 28,	
	2011	2010
Net Cash Provided by Operating Activities	\$ 1,441	\$ 256
Net Cash Required by Investing Activities	(524)	(345)
Free Cash Flow⁽¹⁾	917	(89)
Net Cash Required by Financing Activities	(668)	(259)
Cash Assumed from Initial Consolidation of Variable Interest Entities	77	
Effect of Exchange Rate Changes on Cash and Cash Equivalents	26	(1)
Net Increase (Decrease) in Cash and Cash Equivalents	352	(349)
Cash and Cash Equivalents at Beginning of Period	1,485	1,956
Cash and Cash Equivalents at End of Period	\$ 1,837	\$ 1,607

⁽¹⁾ Free cash flow represents the total of net cash provided by operating activities and required by investing activities (see the Non-GAAP Financial Measures section in MD&A for a further discussion).

Cash provided by operating activities was \$1,441 million in first half 2011 compared with \$256 million in first half 2010. The increase of \$1,185 million was driven by the change in accounts payable and other accrued liabilities of \$788 million in the six-month comparison because of higher accrued marketing programs, customer payables, and employee incentives. In addition, the increase was also driven by higher net income of \$179 million in the six-month comparison from \$866 million to \$1,045 million. Further, the change in deferred revenue of \$315 million provided increased cash as customer prepayments in the United States increased in the first half 2011 over first half 2010.

Cash required by investing activities was \$524 million in first half 2011 compared to \$345 million in first half 2010. We purchased short-term investments for \$180 million in the current year. Further, we acquired businesses for \$99 million in the current year. Partially offsetting these uses, our capital expenditures decreased \$125 million in the six-month comparison due to less spending in the first half of the current year.

The amount of cash required by financing activities was \$668 million in the first six months of 2011 compared with \$259 million in the first six months of 2010. The net change in short-term financing was a source of cash of \$6 million in first half 2011 compared with a source of cash of \$119 million in the prior-year first half primarily due to increased short-term borrowings to support ex-U.S. operations during the prior fiscal year. Further, treasury stock purchases increased \$257 million as we increased our repurchase of shares during the first six months of 2011 compared to the comparable prior-year period.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

Capital Resources and Liquidity

	As of Feb. 28, 2011	2010	As of Aug. 31, 2010
	Restated	Restated	Restated
(Dollars in millions, except debt-to-capital ratio)			
Short-Term Debt	\$ 409	\$ 114	\$ 241
Long-Term Debt	1,729	1,726	1,862
Total Shareowners' Equity	10,975	10,679	10,069
Debt-to-Capital Ratio	16%	15%	17%

A major source of our liquidity is operating cash flows, which are derived from net income. This cash-generating capability provides us with the financial flexibility we need to meet operating, investing and financing needs. To the extent that cash provided by operating activities is not sufficient to fund our cash needs, which generally occurs during the first and third quarters of the fiscal year because of the seasonal nature of our business, short-term commercial paper borrowings are used to finance these requirements. Although the commercial paper market has not fully returned to historical levels, the market is available to those companies with high short-term credit ratings such as Monsanto. We accessed the commercial paper markets in 2011 for short periods of time to finance working capital needs and do not believe our options will be limited in the future. We had no commercial paper borrowings outstanding at Feb. 28, 2011.

Total debt outstanding increased \$298 million between Feb. 28, 2010, and Feb. 28, 2011, primarily because we acquired the Chesterfield Village Research Center in April 2010 for \$435 million of which \$111 million was paid in fiscal year 2010 and \$324 million is included within short-term debt as of Feb. 28, 2011.

We plan to issue new fixed-rate debt on or before Aug. 15, 2012, to repay \$486 million of 7 ³/₈% Senior Notes that are due on Aug. 15, 2012. In March 2009, we entered into forward starting interest rate swaps with a total notional amount of \$250 million. In August 2010, we entered into forward starting interest rate swaps with a total notional amount of \$225 million. Our purpose was to hedge the variability of the forecasted interest payments on this expected debt issuance that may result from changes in the benchmark interest rate before the debt is issued.

We plan to issue additional fixed-rate debt on or before April 15, 2011. In July 2010, we entered into forward starting interest rate swaps with a notional amount of \$300 million. Our purpose was to hedge the variability of the forecasted interest payments on this expected debt issuance that may result from changes in the benchmark interest rate before the debt is issued.

Dividend: In January 2011, we declared a quarterly dividend of 28 cents payable on April 29, 2011, to shareowners of record as of April 8, 2011.

Capital Expenditures: We expect 2011 capital expenditures to be in the range of \$600 million to \$700 million compared with \$755 million in 2010. The primary driver of this decrease is lower spending on projects to expand corn seed production facilities and R&D facilities compared to prior year.

Divestiture: In October 2008, we sold the Dairy business after receiving approval from the appropriate regulatory agencies. During the six months ended Feb. 28, 2011, and Feb. 28, 2010, income from operations of discontinued businesses included a pre-tax gain related to the sale of \$4 million and \$5 million, respectively.

2011 Acquisitions: In February 2011, we acquired 100 percent of the outstanding stock of Divergence, Inc., a biotechnology research and development company located in St. Louis, Missouri. The total cash paid and the fair value of the acquisition were \$71 million, and the purchase price was primarily allocated to intangibles and goodwill.

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

In December 2010, we acquired 100 percent of the outstanding stock of Pannon Seeds, a seed processing plant located in Hungary, from IKR Production Development and Commercial Corporation. The acquisition of this plant, which qualifies as a business under the Business Combinations topic of the ASC, allows Monsanto to reduce third party seed production in Hungary. The total fair value of the acquisition was \$32 million, and the purchase price was primarily allocated to fixed assets and goodwill. This fair value includes \$28 million of cash paid (net of cash acquired) and \$4 million related to assumed liabilities.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

2010 Acquisitions: In April 2010, we acquired a corn and soybean processing plant located in Paine, Chile from Anasac, a Santiago-based company that provides seed processing services. The total cash paid and the fair value of the acquisition were \$34 million, and the purchase price was primarily allocated to fixed assets, goodwill and intangibles.

In October 2009, we acquired the remaining 51 percent equity interest in Seminium, S.A. (Seminiun), a leading Argentinean corn seed company. The total fair value of Seminiun was \$36 million. This fair value includes \$20 million of cash paid (net of cash acquired) and \$16 million for the fair value of Monsanto's 49 percent equity interest in Seminiun held prior to the acquisition.

2011 Contractual Obligations: There have been no significant changes to the contractual obligations table as disclosed in our Annual Report on Form 10-K/A for the year ended Aug. 31, 2010, except as discussed above.

Off-Balance Sheet Arrangement

Under our Separation Agreement with Pharmacia, we are required to indemnify Pharmacia for certain matters, such as environmental remediation obligations and litigation. To the extent we are currently managing any such matters, we evaluate them in the course of managing our own potential liabilities and establish reserves as appropriate. However, additional matters may arise in the future, and we may manage, settle or pay judgments or damages with respect to those matters in order to mitigate contingent liability and protect Pharmacia and Monsanto. See Note 21 Commitments and Contingencies and Part II Item 1 Legal Proceedings for further information.

We have entered into various customer financing programs which are accounted for in accordance with the Transfers and Servicing topic of the ASC. See Note 4 Customer Financing Programs for further information.

OUTLOOK

We believe we have achieved an industry-leading position in the areas in which we compete in both of our business segments. However, the outlook for each part of our business is quite different. In the Seeds and Genomics segment, our seeds and traits business is expected to expand via our investment in new products. In the Agricultural Productivity segment, we expect to deliver competitive products in a more steady-state business.

We believe that our company is positioned to deliver value-added products to growers enabling us to grow our gross profit in the future. We expect to see strong cash flow in the future, and we remain committed to returning value to shareowners through vehicles such as investments that expand the business, dividends and share repurchases. We will remain focused on cost and cash management for each segment, both to support the progress we have made in managing our investment in working capital and to realize the full earnings potential of our businesses. We plan to continue to seek additional external financing opportunities for our customers as a way to manage receivables for each of our segments.

Economic activity in the United States and globally appears to be recovering from the slowdown seen in fiscal year 2009, though credit availability is still restrained. Outside of the United States, our businesses will continue to face additional challenges related to the risks inherent in operating in emerging markets. We expect to continue to monitor these developments and the challenges and issues they place on our business. We believe we have taken appropriate measures to manage our credit exposure, which has the potential to affect sales negatively in the near term. In addition, volatility in foreign currency exchange rates may negatively affect our profitability, the book value of our assets outside the United States and our shareowners' equity.

Seeds and Genomics

Our capabilities in plant breeding and biotechnology research are generating a rich and balanced product pipeline that we expect will drive long-term growth. We plan to continue to invest in the areas of seeds, genomics and biotechnology and to invest in technology arrangements that have the potential to increase the efficiency and effectiveness of our R&D efforts. We believe that our seeds and traits businesses will have

significant near-term growth opportunities through a combination of improved breeding and continued growth of stacked and second-generation biotech traits.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

We expect advanced breeding techniques combined with improved production practices and capital investments will continue to contribute to improved germplasm quality and yields for our seed offerings, leading to increased global demand for both our branded germplasm and our licensed germplasm. We plan to improve and grow our vegetable seeds business, which has a portfolio focused on 23 crops. We continue to apply our molecular breeding and marker capabilities to our vegetable seeds germplasm, which we expect will lead to business growth. The business integration into a global platform, along with a number of process improvements, has improved our ability to develop and deliver new, innovative products to our broad customer base. The acquisition of Aly Participacoes Ltda. will enable us to combine our areas of breeding expertise to enhance yields in sugarcane, a crop that is vital to addressing growing global food and fuel demands. We also plan to continue making strategic acquisitions in our seed businesses to grow our branded seed market share, expand our germplasm library and strengthen our global breeding programs. We expect to see continued competition in seeds and genomics. We believe we will have a competitive advantage because of our global breeding capabilities and our multiple-channel sales approach in the United States for corn and soybean seeds.

Commercialization of second- and third-generation traits and the stacking of multiple traits in corn and cotton are expected to increase penetration in approved markets, particularly as we continue to price our traits in line with the value growers have experienced. In 2010, we saw higher-value, stacked-trait products representing a larger share of our total U.S. corn seed sales than they did in 2009. We experienced an increase in competition in biotechnology as more competitors launched traits in the United States and internationally. Acquisitions may also present mid to longer term opportunities to increase penetration of our traits. We believe our competitive position continues to enable us to deliver second- and third-generation traits when our competitors are delivering their first-generation traits.

Key regulatory approvals were obtained for the 2010 commercial launch of our next generation corn product. GENUITY SMARTSTAX, a product that contains five proteins that control important above ground (corn borer, corn ear worm) and below ground (corn root worm) pests and provides tolerance to the herbicides glyphosate and glufosinate, uses multiple modes of action for insect control, the proven means to enhance performance, reduce structured refuge and maintain long-term durability of corn trait technology. GENUITY SMARTSTAX uniquely features a combination of weed and insect control traits that significantly reduces the risk of resistance for both above and below ground pests. As a result, the U.S. EPA and the Canadian Food Inspection Agency allowed reduction of the typical structured farm refuge from 20 percent to 5 percent for GENUITY SMARTSTAX in the U.S. Corn Belt and Canada and from 50 percent to 20 percent for the U.S. Cotton Belt. GENUITY SMARTSTAX corn was launched in the United States in 2010.

Full regulatory submissions were completed for a five percent refuge-in-a-bag (RIB) seed blend to the U.S. EPA for GENUITY SMARTSTAX and GENUITY VT DOUBLE PRO. GENUITY SMARTSTAX and VT DOUBLE PRO RIB would provide a single bag solution to enable farmers in the Corn Belt to plant corn without a separate refuge.

Notwithstanding continuing and varied legal challenges by private and governmental parties, we expect to continue to operate our dual-track business model of certified seeds and our point-of-delivery payment system (ROUNDUP READY soybeans, INTACTA ROUNDUP READY 2 PRO in the future) or our indemnification collection system (BOLLGARD cotton) to ensure that we capture value on all of our ROUNDUP READY soybeans and BOLLGARD cotton crops grown there. Income is expected to grow in Brazil as farmers choose to plant more of these approved traits. Although Brazilian law clearly states that these products protected by pipeline patents have the duration of the U.S. patent (2014 for ROUNDUP READY soybeans and 2011 for BOLLGARD cotton), legal rulings have not consistently achieved that outcome. The agricultural economy in Brazil could be impacted by global commodity prices, particularly for corn and soybeans. We continue to maintain our strict credit policy, expand our grain-based collection system, and focus on cash collection and sales, as part of a continuous effort to manage our Brazilian risk against such volatility.

During 2007, we announced a long-term joint R&D and commercialization collaboration in plant biotechnology with BASF that will focus on high-yielding crops and crops that are tolerant to adverse conditions such as drought. We have completed all North American and key import country regulatory submissions for the first biotech drought-tolerant corn product. Pending necessary approvals, we expect to move to on-farm testing plots with growers around 2012 to obtain on-farm data. Over the long-term life of the collaboration, we and BASF will dedicate a joint budget of potentially \$2.5 billion to fund a dedicated pipeline of yield and stress tolerance traits for corn, soybeans, cotton, canola and wheat.

Our international traits businesses, in particular, will continue to face unpredictable regulatory environments that may be highly politicized. We operate in volatile, and often difficult, economic environments. Although we see growth potential in

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

our India cotton business with the ongoing conversion to higher planting rates with hybrids and BOLLGARD II, this business is currently operating under state governmental pricing directives that we believe limit near-term earnings potential in India.

Efforts to secure an orderly system in Argentina to support the introduction of new technology products are underway. We do not plan to collect on first generation ROUNDUP READY soybeans and we do not plan to commercialize new soybean traits in Argentina until we can achieve more certainty that we will be compensated for providing the technology. Growers and grain handler agreements will be essential prior to a launch of INTACTA ROUNDUP READY 2 PRO in Argentina.

In March 2008, a judge of the French Supreme Administrative court (Conseil d'Etat) rejected an application for interim relief by French farmers, French grower associations and various companies, including Monsanto, to overturn the French government's suspension of planting of YIELDGARD Corn Borer pending review and completion under a new regulatory regime. The outcome means that there will be no additional sales or planting of this product in France during the forthcoming growing season. The European Food Safety Authority (EFSA) has issued an opinion that the French suspension is not supported on a scientific basis. The case was referred to the European Court of Justice (ECJ) and on March 22, 2011, the Advocate General issued an opinion supporting the arguments against the ban. The Court's judgment is expected later in 2011. On April 17, 2009, Germany undertook a procedural action under European law and banned the planting of YIELDGARD Corn Borer. We sought interim relief to overturn the ban which the German administrative courts denied. As a result, there will be no sales or planting of MON810 products in Germany this growing season. The court proceedings are postponed pending the outcome of administrative proceedings. Other European Union Member States (e.g., Austria, Luxembourg and Greece) have also invoked procedural measures but we have focused our legal challenges to those countries with significant corn plantings.

Agricultural Productivity

Our Agricultural Productivity gross profit peaked in 2008, declined slightly in 2009 and declined significantly in 2010. The structural changes that have occurred in the global glyphosate market, including overcapacity at the manufacturing level, have created a significant compression in the manufacturer's margin. We believe this structural change is permanent and will therefore have a long term impact on the level of profits and cash generated by this business. While we expect the business to continue to be cash positive, we have oriented the focus of Monsanto's crop protection business to strategically support Monsanto's ROUNDUP READY crops through our weed management platform that delivers weed control offerings for farmers.

We have submitted a mine plan to the U.S. Bureau of Land Management (BLM) regarding a new phosphate ore mine near Soda Springs, Idaho, that we intend to use to meet existing and future production demands for our ROUNDUP herbicides and licensed glyphosate. BLM has prepared a final Environmental Impact Statement (EIS) for the mine. We anticipate receiving regulatory approvals for our new mine in fiscal year 2011. However, we are aware that certain environmental groups have initiated litigation against other phosphate producers to disrupt and delay the permitting process.

Other Information

As discussed in Note 21 Commitments and Contingencies and Part II Item 1 Legal Proceedings, Monsanto is involved in a number of lawsuits and claims relating to a variety of issues. Many of these lawsuits relate to intellectual property disputes. We expect that such disputes will continue to occur as the agricultural biotechnology industry evolves. Third parties, including non-governmental organizations, have challenged the validity or enforceability of patents issued to the company regarding our biotechnology products. For additional information related to the outlook for Monsanto, see Caution Regarding Forward-Looking Statements at the beginning of this Report on Form 10-Q, Part II Item 1A Risk Factors below and Part I Item 1A of our Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements, we must select and apply various accounting policies. Our most significant policies are described in Part II Item 8 Note 2 Significant Accounting Policies to the consolidated financial statements contained in our Report on Form 10-K/A for the fiscal

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

year ended Aug. 31, 2010. In order to apply our accounting policies, we often need to make estimates based on judgments about future events. In making such estimates, we rely on historical experience, market and other conditions, and on assumptions that we believe to be reasonable. However, by its nature the

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

estimation process is uncertain, given that estimates depend on events over which we may not have control. If market and other conditions change from those that we anticipate, our financial condition, results of operations, or liquidity may be affected materially. In addition, if our assumptions change, we may need to revise our estimates or take other corrective actions, either of which may have a material effect on our financial condition, results of operations, or liquidity.

The estimates that have a higher degree of inherent uncertainty and require our most significant judgments are outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Report on Form 10-K/A for fiscal year ended Aug. 31, 2010. Had we used estimates different from any of those contained in such Report on Form 10-K/A, our financial condition, profitability, or liquidity for the current period could have been materially different from those presented in this Form 10-Q/A.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

NEW ACCOUNTING STANDARDS

In July 2010, the FASB issued a new update that requires enhanced disclosures regarding credit quality and the related allowance for credit losses of financing receivables. The new disclosures will require additional information for nonaccrual and past due accounts, the allowance for credit losses, impaired loans, credit quality, and account modifications. Accordingly, we adopted the new disclosure requirements in second quarter 2011, and the disclosures related to activities during the reporting period will begin in the third quarter 2011. See Note 7 Receivables for the new disclosures.

In January 2010, the FASB issued an amendment to the Fair Value Measurements and Disclosures topic of the ASC. This amendment requires disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This amendment was effective for periods beginning after Dec. 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements, which will be effective for fiscal years beginning after Dec. 15, 2010, and for interim periods within those fiscal years. Accordingly, we prospectively adopted this amendment in third quarter 2010, and adopted the additional Level 3 requirements in fiscal year 2011. See Note 14 Fair Value Measurements for the new disclosures.

In June 2009, the FASB issued a standard that requires an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This statement requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This standard is effective for fiscal years beginning after Nov. 15, 2009. Accordingly, we adopted this standard on Sept. 1, 2010. See Note 5 Variable Interest Entities for the disclosures required by this standard.

In June 2009, the FASB issued a standard that removes the concept of a qualifying special-purpose entity (QSPE) from GAAP and removes the exception from applying consolidation principles to a QSPE. This standard also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This standard is effective for fiscal years beginning after Nov. 15, 2009. Accordingly, we adopted this standard in first quarter fiscal year 2011. See Note 4 Customer Financing Programs for additional discussion regarding the impact on our QSPE related to a Brazilian financing program and other financing programs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes related to market risk from the disclosures in Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, re-evaluated the effectiveness of our disclosure controls and procedures as of Feb. 28, 2011. The term disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers,

as appropriate to allow timely decisions regarding required disclosure.

In connection with the restatement described in Note 24 Restatement of Consolidated Financial Statements to our condensed consolidated financial statements, our Chief Executive Officer and Chief Financial Officer re-evaluated our disclosure controls and procedures and determined that there was a material weakness in our internal control over financial

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

reporting as of Feb. 28, 2011. Specifically, our controls over the timing of the recording of customer incentive programs were improperly designed and were not effective in capturing the accuracy and timeliness of incentives communicated to customers. A material weakness existed in the design of the controls over the timing of recognizing the cost of these customer incentive programs. Based on this re-evaluation and because of the material weakness described above, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of Feb. 28, 2011.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

PART II OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

We are involved in various legal proceedings that arise in the ordinary course of our business, as well as proceedings that we have considered to be material under SEC regulations. These include proceedings to which we are party in our own name and proceedings to which our former parent Pharmacia Corporation or its former subsidiary Solutia Inc. is a party but that we manage and for which we are responsible. Information regarding certain material proceedings and the possible effects on our business of proceedings we are defending is disclosed in Note 21 under the subheading Environmental and Litigation Liabilities Litigation and is incorporated by reference herein. The following discussion provides new and updated information regarding certain other proceedings for which we are responsible. Other information with respect to legal proceedings appears in our Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010.

Governmental Proceedings and Undertakings

As described in our Report of Form 10-K/A for the fiscal year ended Aug. 31, 2010, and Monsanto's Report on Form 10-Q/A for the quarterly period ended Nov. 30, 2010, on Dec. 2, 2005, the Federal Revenue Service of the Ministry of Finance of Brazil issued a tax assessment against our wholly owned subsidiary, Monsanto do Brasil Ltda., challenging the tax treatment of \$575 million of notes issued in 1998 on the basis that the transactions involving the notes represented contributions to the capital of Monsanto do Brasil rather than funding through issuance of notes. The assessment denies tax deductions for approximately \$1.2 billion (subject to currency exchange rates) of interest expense and currency exchange losses that were claimed by Monsanto do Brasil under the notes. The assessment seeks payment of approximately \$263 million (subject to currency exchange rates) of tax, penalties and interest related to the notes, and would preclude Monsanto do Brasil from using a net operating loss carryforward of approximately \$1 billion (subject to currency exchange rates). The issuance of the notes was properly registered with the Central Bank of Brazil and we believe that there is no basis in law for this tax assessment. On Dec. 29, 2005, Monsanto do Brasil filed an appeal of this assessment with the Federal Revenue Service. On Oct. 28, 2008, the company received a partially favorable decision issued by the first level of Administrative Court. The Court reduced the assessed penalty from 150% to 75%, respectively, from \$86 million to \$43 million (each subject to currency exchange rates) and maintained the tax and interest. On Nov. 26, 2008, we filed an appeal before the second level of Administrative Court with regard to the adverse portion of the decision by the first level of Administrative Court. The Federal Revenue Service also appealed the portion of the decision favorable to Monsanto do Brasil. On Sept. 17, 2010, the appeals were assigned to the Administrative Council of Tax Appeals. The court date is pending. The company continues to believe that there is no basis in law for this tax assessment. Under the terms of a tax sharing agreement concluded with Pharmacia at the time of our separation from Pharmacia, Pharmacia would be responsible for a portion of any liability incurred by virtue of the tax assessment. As noted, certain dollar amounts have been calculated based on an exchange rate of 1.6 Brazilian reais per U.S. dollar, and will fluctuate with exchange rates in the future. We believe we have meritorious legal positions and will continue to represent our interests vigorously in this matter.

Securities and Derivative Proceedings

As described in Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010, and Monsanto's Report on

Form 10-Q/A for the quarterly period ended Nov. 30, 2010, on July 29, 2010, a purported class action suit, styled Rochester Laborers Pension Fund v. Monsanto Co., et al., was filed against us and three of our past and present executive officers in the U.S. District Court for the Eastern District of Missouri. The suit alleged that defendants violated the federal securities laws by making false or misleading statements between Jan. 7, 2009, and May 27, 2010, regarding our earnings guidance for fiscal 2009 and 2010 and the anticipated future performance of our ROUNDUP business. On Nov. 1, 2010, the Court appointed the Arkansas Teacher Retirement System as lead plaintiff in the action. On Jan. 31, 2011, lead plaintiff filed an amended complaint against us and four of our past and present executive officers in the same action. The amended complaint alleges that defendants violated the federal securities laws by making false and misleading statements during the same time period, regarding our earnings guidance for fiscal 2009 and 2010 as well as the anticipated future performance of our ROUNDUP business and our Seeds and

Edgar Filing: MONSANTO CO /NEW/ - Form 10-Q/A

Genomics business, lead plaintiff claims that these statements artificially inflated the price of our stock and that purchasers of our stock during the relevant period were damaged when the stock price later declined. Lead plaintiff seeks the award of unspecified amount of damages on behalf of the alleged class, counsel fees and costs. We believe

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

we have meritorious legal positions and will continue to represent our interests vigorously in this matter. On Apr. 1, 2011, defendants moved to dismiss the amended complaint for failure to state a claim upon which relief may be granted.

As described in Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010, and Monsanto's Report on Form 10-Q/A for the quarterly period ended Nov. 30, 2010, on Aug. 4 and 5, 2010, two purported derivative suits styled *Espinoza v. Grant, et al.* and *Clark v. Grant, et al.*, were filed on our behalf against our directors and three of our past and present executive officers in the Circuit Court of St. Louis County, Missouri. Asserting claims for breach of fiduciary duty, corporate waste and unjust enrichment, plaintiffs allege that our directors themselves made or allowed Monsanto to make the same allegedly false and misleading statements pertaining to the anticipated future performance of our ROUNDUP business that are at issue in the purported class action. Plaintiffs also assert a claim arising out of the acceleration of certain stock options held by one of our former executive officers upon his retirement, as well as a claim based on one director's sale of Monsanto stock while allegedly in possession of material, non-public information relating to our earnings guidance. Plaintiffs seek injunctive relief and the award of unspecified amounts of damages and restitution for Monsanto, counsel fees and costs. Plaintiffs have moved for an order consolidating the *Espinoza* and *Clark* actions and appointing lead and liaison counsel. On Mar. 11, 2011, the Court approved the parties' stipulation and consolidated the two actions. Defendants have moved for a stay of these actions in favor of the proposed federal securities class action (described above) and the federal derivative action (described below). On Mar. 11, 2011, the Court approved the parties' stipulation to a stay of these actions pending resolution of motions to dismiss expected to be filed in the federal actions, subject to specified exceptions.

As described in Monsanto's Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010, and Monsanto's Report on Form 10-Q/A for the quarterly period ended Nov. 30, 2010, another purported derivative action styled *Kurland v. AtLee, et al.*, was filed on our behalf against our directors in the U.S. District Court for the Eastern District of Missouri. Asserting claims for breach of fiduciary duty, abuse of control, gross mismanagement, corporate waste, unjust enrichment and insider selling and misappropriation under Delaware law, the complaint contains allegations similar to the two state court derivative actions described above relating to the same allegedly false and misleading statements and a director's sale of shares, and adds allegations relating to a senior executive's sale of Monsanto stock while allegedly in possession of material, non-public information. Plaintiff seeks injunctive relief and the award of unspecified amounts of compensatory and exemplary damages, counsel fees and costs. On Sept. 3, 2010, defendants in the securities class action described above moved for consolidation and coordination of that action with the *Kurland* derivative action. On Sept. 28, 2010, the Court denied this motion, but stated that pretrial coordination of the federal actions should occur. On Oct. 11, 2010, a second purported derivative action styled *Stone v. Bachmann, et al.*, was filed in the same federal district court on our behalf against certain of our directors. The allegations made and relief sought in the action are substantially similar to the allegations made and relief sought in the *Kurland* action. On Oct. 13, 2010, a third purported derivative action, styled *Fagin v. AtLee, et al.*, was filed on our behalf against our directors in the same federal district court. The allegations made and relief sought in the *Fagin* action are substantially similar to the allegations made and relief sought in both the *Kurland* and *Stone* actions. The parties in these three derivative actions stipulated to their consolidation for all purposes and to the filing of a consolidated complaint, and the Court approved their stipulation on Nov. 30, 2010. The parties thereafter filed an agreed motion for a stay of the consolidated derivative action until thirty days after (a) the Court in the proposed securities class action enters an order dismissing lead plaintiff's amended complaint in that action without leave to amend or (b) defendants in the proposed securities class action answer lead plaintiff's amended complaint. On Feb. 28, 2011, the Court granted the agreed motion for a stay.

ITEM 1A. RISK FACTORS

Please see Caution Regarding Forward-Looking Statements, at the beginning of this Report on Form 10-Q/A and Part I Item 1A of our Report on Form 10-K/A for the fiscal year ended Aug. 31, 2010, for information regarding risk factors. There have been no material changes from the risk factors previously disclosed in our Report on Form 10-K/A.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**Issuer Purchases of Equity Securities**

The following table is a summary of any purchases of equity securities during the second quarter of fiscal year 2011 by Monsanto and any affiliated purchasers, pursuant to SEC rules.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share⁽¹⁾	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
December 2010:				
Dec. 1, 2010, through Dec. 31, 2010	70,510	\$61.77	70,510	\$727,691,540
January 2011:				
Jan. 1, 2011, through Jan. 31, 2011	1,407,181	\$73.85	1,407,181	\$623,769,171
February 2011:				
Feb. 1, 2011, through Feb. 28, 2011	72,791	\$74.07	72,791	\$618,377,449
Total	1,550,482	\$73.31	1,550,482	\$618,377,449

⁽¹⁾ The average price paid per share is calculated on a trade date basis and excludes commission.

In June 2010, the board of directors authorized a repurchase program of up to \$1 billion of the company's common stock over a three-year period beginning July 1, 2010. This repurchase program commenced Aug. 24, 2010. There were no other publicly announced plans outstanding as of Feb. 28, 2011.

ITEM 6. EXHIBITS

Exhibits: The list of exhibits in the Exhibit Index to this Report is incorporated herein by reference.

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MONSANTO COMPANY

(Registrant)

By: /s/ NICOLE M. RINGENBERG
Nicole M. Ringenberg

Vice President and Controller

(On behalf of the Registrant and as Principal
Accounting Officer)

Date: Nov. 14, 2011

Table of Contents

MONSANTO COMPANY

SECOND QUARTER 2011 FORM 10-Q/A

EXHIBIT INDEX

These Exhibits are numbered in accordance with the Exhibit Table of Item 601 of Regulation S-K.

Exhibit

No.	Description
2	Omitted
3	Omitted
4	Omitted
10	Form of Change of Control Employment Security Agreement for Mr. Courduroux, effective Feb. 4, 2011 (incorporated by reference to Exhibit 10 to Form 8-K, filed Feb. 10, 2011, File No. 1-16167).
11	Omitted see Note 19 of Notes to Consolidated Financial Statements Earnings Per Share.
12	Computation of Ratio of Earnings to Fixed Charges.
15	Omitted
18	Omitted
19	Omitted
22	Omitted
23	Omitted
24	Omitted
31.1	Rule 13a-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Executive Officer).
31.2	Rule 13a-14(a) Certification (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Financial Officer).
32	Rule 13a-14(b) Certifications (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Chief Executive Officer and the Chief Financial Officer).
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.