

MONSANTO CO /NEW/
Form 10-K/A
December 01, 2011
Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

(MARK ONE)

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

For the fiscal year ended Aug. 31, 2010

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, Missouri
(Address of principal executive offices)

63167
(Zip Code)

Registrant's telephone number including area code:

(314) 694-1000

Securities registered pursuant to Section 12(b) of the Act:

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| <i>Title of each class</i> | <i>Name of each exchange on which registered</i> |
|--|--|
| Common Stock \$0.01 par value | New York Stock Exchange |
| Securities Registered Pursuant to Section 12(g) of the Act: None | |

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A.

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check One): Large Accelerated Filer Accelerated Filer Non-Accelerated Filer 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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (Feb. 28, 2010): approximately \$38.4 billion.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 536,392,459 shares of common stock, \$0.01 par value, outstanding at Oct. 21, 2010.

Documents Incorporated by Reference

Portions of Monsanto Company's definitive proxy statement, which is expected to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in December 2010, are incorporated herein by reference into Part III of this Annual Report on Form 10-K/A.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

TABLE OF CONTENTS FOR FORM 10-K/A

PART II

| | | |
|----------|--|----|
| Item 8. | <u>Financial Statements and Supplementary Data</u> | 5 |
| | <u>Management Report</u> | 5 |
| | <u>Management's Annual Report on Internal Control over Financial Reporting</u> | 6 |
| | <u>Reports of Independent Registered Public Accounting Firm</u> | 7 |
| | <u>Statements of Consolidated Operations</u> | 10 |
| | <u>Statements of Consolidated Financial Position</u> | 11 |
| | <u>Statements of Consolidated Cash Flows</u> | 12 |
| | <u>Statements of Consolidated Shareowners' Equity and Comprehensive Income</u> | 13 |
| | <u>Notes to Consolidated Financial Statements</u> | 15 |
| Item 9A. | <u>Controls and Procedures</u> | 89 |

PART IV

| | | |
|----------|--|----|
| Item 15. | <u>Exhibits, Financial Statement Schedules</u> | 91 |
|----------|--|----|

| | |
|--------------------------|----|
| <u>SIGNATURES</u> | 92 |
|--------------------------|----|

| | |
|-----------------------------|----|
| <u>EXHIBIT INDEX</u> | 93 |
|-----------------------------|----|

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

EXPLANATORY NOTE

We are filing this Amended Annual Report on Form 10-K/A (Amendment No. 2) (the Amended Filing) to our Annual Report on Form 10-K for the fiscal year ended Aug. 31, 2010, as filed with the Securities and Exchange Commission (the SEC) on Oct. 27, 2010 (the Original Filing), as amended by Form 10-K/A, filed on Nov. 14, 2011 (Amendment No. 1), to include the conformed signatures of our independent registered public accounting firm, Deloitte & Touche LLP (D&T), on both of its Reports of Independent Registered Public Accounting Firm, set forth on pages 52-54 in Part II, Item 8, and its consent filed as Exhibit 23, each of Amendment No. 1. The signed reports and consent were obtained by us prior to our filing of Amendment No.1 with the SEC, but the conformed signatures of D&T were inadvertently omitted from Amendment No. 1.

No other changes are being made to the Financial Statements or any other matter in Part II, Item 8 of Amendment No. 1. In addition, no changes are being made to any other item of Amendment No. 1 other than the updating of: (i) correction of a date reference in Item 9A, (ii) the Exhibits to include updated Certifications of the Chief Executive and Chief Financial Officers, and (iii) the Exhibit Index to disclose that certain exhibits that were filed with Amendment No. 1 are incorporated by reference into this Amended Filing. The sections of the Original Filing as amended by Amendment No. 1 that are not being 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 as amended by Amendment No. 1 and has not been updated to reflect events occurring subsequent to the filing date for the Original Filing other than those associated with the restatement of Monsanto s consolidated financial statements and the reorganization of certain operating segments as reported in the Form 8-K filed on April 8, 2011.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Management Report

Monsanto Company's management is responsible for the fair presentation and consistency, in accordance with accounting principles generally accepted in the United States of America, of all the financial information included in this Form 10-K/A. Where necessary, the information reflects management's best estimates and judgments.

Management is also responsible for establishing and maintaining an effective system of internal control over financial reporting. The purpose of this system is to provide reasonable assurance that Monsanto's assets are safeguarded against material loss from unauthorized acquisition, use or disposition, that authorized transactions are properly recorded to permit the preparation of accurate financial information in accordance with generally accepted accounting principles, that records are maintained which accurately and fairly reflect the transactions and dispositions of the company, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the company. This system of internal control over financial reporting is supported by formal policies and procedures, including a Business Conduct program designed to encourage and assist employees in living up to high standards of integrity, as well as a Code of Ethics for Chief Executive and Senior Financial Officers. Management seeks to maintain the effectiveness of internal control over financial reporting by careful personnel selection and training, division of responsibilities, establishment and communication of policies, and ongoing internal reviews and audits. See Management's Annual Report on Internal Control over Financial Reporting for Management's conclusion of the effectiveness of Monsanto's internal control over financial reporting as of Aug. 31, 2010.

Monsanto's consolidated financial statements have been audited by Deloitte & Touche LLP, independent registered public accounting firm. Their audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), and included a test of financial controls, tests of accounting records, and such other procedures as they considered necessary in the circumstances.

The Audit and Finance Committee, composed entirely of outside directors, meets regularly with management, with the internal auditors and with the independent registered public accounting firm to review accounting, financial reporting, auditing and internal control matters. The committee has direct and private access to the registered public accounting firm and internal auditors.

/s/ Hugh Grant

Hugh Grant

Chairman, President and Chief Executive Officer

/s/ Pierre Courduroux

Pierre Courduroux

Senior Vice President and Chief Financial Officer

Oct. 27, 2010 (Nov. 14, 2011 as to the effect of the restatement discussed in Note 31)

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

Management's Annual Report on Internal Control over Financial Reporting

Management of Monsanto Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation identified the below material weakness in the company's internal control over financial reporting which is further discussed in Item 9A of this Annual Report.

The controls over the timing of the recording of customer incentives were improperly designed and were not effective in capturing the accuracy and timeliness of incentives communicated to customers. The controls that had been in place focused primarily on the review of contracts, including incentive programs with customers, the appropriate accounting for such programs and approval of payments to customers. The controls were not effective in recording incentives in the appropriate period based on communications between the sales organization and the customer.

Based on our evaluation under the COSO framework, management concluded that the company's internal control over financial reporting was not effective as of Aug. 31, 2010.

The company's independent registered public accounting firm, Deloitte & Touche LLP, was appointed by the Audit and Finance Committee of the company's Board of Directors, and ratified by the company's shareowners. Deloitte & Touche LLP has audited and reported on the Consolidated Financial Statements of Monsanto Company and subsidiaries and the effectiveness of the company's internal control over financial reporting. The reports of the independent registered public accounting firm are contained in Item 8 of this Annual Report.

/s/ Hugh Grant

Hugh Grant

Chairman, President and Chief Executive Officer

/s/ Pierre Courduroux

Pierre Courduroux

Senior Vice President and Chief Financial Officer

Oct. 27, 2010 (Nov. 14, 2011 as to the effect of the restatement discussed in Note 31)

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

Report of Independent Registered Public Accounting Firm

To the Shareowners of Monsanto Company:

We have audited the internal control over financial reporting of Monsanto Company and subsidiaries (the Company) as of August 31, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management’s Annual Report on Internal Control over Financial Reporting (as revised), the Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our report dated October 27, 2010, we expressed an unqualified opinion on internal control over financial reporting. As described in the following paragraph, a material weakness was subsequently identified as a result of the restatement of the Company’s previously issued financial statements. Accordingly, management has revised its assessment about the effectiveness of the Company’s internal control over financial reporting and our present opinion on the effectiveness of the Company’s internal control over financial reporting as of August 31, 2010, as expressed herein, is different from that expressed in our previous report.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management’s assessment: The controls over the timing of the recording of customer incentives were improperly designed and were not effective in capturing the accuracy and timeliness of incentives communicated to customers. The controls that had been in place focused primarily on the review of contracts, including incentive programs, with customers, the appropriate accounting for such programs and approval of payments to customers. The controls were not effective in recording incentives in the appropriate period based on communications between the sales organization and the customer. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the consolidated financial statements as of and for the year ended August 31, 2010 of the Company and this report does not affect our report on such financial statements.

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In our opinion, because of the effect of the material weakness identified above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of August 31, 2010

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of consolidated financial position as of August 31, 2010 and the related statements of consolidated operations, cash flows, and shareowners' equity and comprehensive income for the year ended August 31, 2010, of the Company and our report dated October 27, 2010 (April 8, 2011 as to the change in operating segments discussed in Note 26), (November 14, 2011 as to the effect of the restatement discussed in Note 31) expressed an unqualified opinion and includes explanatory paragraphs regarding (1) the Company's retrospective adoption of new accounting guidance related to noncontrolling interest and the computation of earnings per share, (2) the Company's prospective adoption of new accounting guidance related to fair value measures and disclosures and income taxes effective September 1, 2008 and September 1, 2007, respectively, and (3) the restatement of the Company's consolidated statements of financial position as of August 31, 2010 and 2009 and the consolidated statements of operations, cash flows, shareowners' equity and comprehensive income for the years ended August 31, 2010 and 2009.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri

October 27, 2010 (November 14, 2011 as to the effect of the material weakness described in Management's Report on Internal Controls over Financial Reporting (as revised))

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

Report of Independent Registered Public Accounting Firm

To the Shareowners of Monsanto Company:

We have audited the accompanying statements of consolidated financial position of Monsanto Company and subsidiaries (the Company) as of August 31, 2010 (restated) and 2009 (restated), and the related statements of consolidated operations, cash flows and shareowners' equity and comprehensive income for the years ended August 31, 2010 (restated), August 31, 2009 (restated), and 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Monsanto Company and subsidiaries as of August 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 and Note 23 to the consolidated financial statements, the accompanying 2009 and 2008 financial statements have been retrospectively adjusted for new accounting guidance related to noncontrolling interest and the computation of earnings per share. As discussed in Note 2 and Note 15 to the consolidated financial statements, the Company prospectively adopted new accounting guidance related to fair value measurements and disclosures and income taxes effective September 1, 2008 and September 1, 2007, respectively.

As discussed in Note 31, the accompanying consolidated financial statements as of August 31, 2010 and 2009, and for the years ended August 31, 2010 and 2009 have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of August 31, 2010, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 27, 2010 (November 14, 2011 as to the effect of the material weakness described in Management's Report on Internal Control over Financial Reporting (as revised)) expressed an adverse opinion on the Company's internal control over financial reporting because of a material weakness.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri

October 27, 2010, (April 8, 2011 as to the change in operating segments discussed in Note 26), (November 14, 2011 as to the effect of the restatement discussed in Note 31)

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

Statements of Consolidated Operations

Year Ended Aug. 31,

| (Dollars in millions, except per share amounts) | 2010 Restated⁽¹⁾ | 2009 Restated ⁽¹⁾ | 2008 |
|--|--|---------------------------------|-----------|
| Net Sales | \$ 10,483 | \$ 11,685 | \$ 11,365 |
| Cost of goods sold | 5,416 | 4,965 | 5,188 |
| Gross Profit | 5,067 | 6,720 | 6,177 |
| Operating Expenses: | | | |
| Selling, general and administrative expenses | 2,049 | 2,037 | 2,312 |
| Research and development expenses | 1,205 | 1,098 | 980 |
| Acquired in-process research and development | | 163 | 164 |
| Restructuring charges, net | 210 | 361 | |
| Total Operating Expenses | 3,464 | 3,659 | 3,456 |
| Income from Operations | 1,603 | 3,061 | 2,721 |
| Interest expense | 162 | 129 | 110 |
| Interest income | (56) | (71) | (132) |
| Solutia-related income, net | | | (187) |
| Other expense, net | 7 | 85 | 4 |
| Income from Continuing Operations Before Income Taxes | 1,490 | 2,918 | 2,926 |
| Income tax provision | 379 | 813 | 899 |
| Income from Continuing Operations Including Portion Attributable to Noncontrolling Interest | 1,111 | 2,105 | 2,027 |
| Discontinued Operations: | | | |
| Income from operations of discontinued businesses | 4 | 19 | 20 |
| Income tax provision | | 8 | 3 |

| | | | |
|---|-----------------|-----------------|-----------------|
| Income on Discontinued Operations | 4 | 11 | 17 |
| Net Income | 1,115 | 2,116 | 2,044 |
| Less: Net income attributable to noncontrolling interest | 19 | 24 | 20 |
| Net Income Attributable to Monsanto Company | \$ 1,096 | \$ 2,092 | \$ 2,024 |
| Amounts Attributable to Monsanto Company: | | | |
| Income from continuing operations | \$ 1,092 | \$ 2,081 | \$ 2,007 |
| Income on discontinued operations | 4 | 11 | 17 |
| Net Income Attributable to Monsanto Company | \$ 1,096 | \$ 2,092 | \$ 2,024 |
| Basic Earnings per Share Attributable to Monsanto Company: | | | |
| Income from continuing operations | \$ 2.01 | \$ 3.80 | \$ 3.66 |
| Income on discontinued operations | 0.01 | 0.02 | 0.03 |
| Net Income Attributable to Monsanto Company | \$ 2.02 | \$ 3.82 | \$ 3.69 |
| Diluted Earnings per Share Attributable to Monsanto Company: | | | |
| Income from continuing operations | \$ 1.99 | \$ 3.75 | \$ 3.59 |
| Income on discontinued operations | | 0.02 | 0.03 |
| Net Income Attributable to Monsanto Company | \$ 1.99 | \$ 3.77 | \$ 3.62 |
| Weighted Average Shares Outstanding: | | | |
| Basic | 543.7 | 547.1 | 548.9 |
| Diluted | 550.8 | 555.6 | 559.7 |

(1) See Note 31 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

2010 FORM 10-K/A

Statements of Consolidated Financial Position

As of Aug. 31,

| (Dollars in millions, except share amounts) | 2010 Restated ⁽¹⁾ | 2009 Restated ⁽¹⁾ |
|--|---------------------------------|---------------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,485 | \$ 1,956 |
| Trade receivables, net | 1,590 | 1,556 |
| Miscellaneous receivables | 717 | 619 |
| Deferred tax assets | 529 | 680 |
| Inventory, net | 2,649 | 2,851 |
| Other current assets | 80 | 121 |
| Total Current Assets | 7,050 | 7,783 |
| Total property, plant and equipment | 8,068 | 7,158 |
| Less accumulated depreciation | 3,841 | 3,549 |
| Property, Plant and Equipment, Net | 4,227 | 3,609 |
| Goodwill | 3,204 | 3,218 |
| Other Intangible Assets, Net | 1,263 | 1,371 |
| Noncurrent Deferred Tax Assets | 1,014 | 756 |
| Long-Term Receivables, Net | 513 | 557 |
| Other Assets | 581 | 537 |
| Total Assets | \$ 17,852 | \$ 17,831 |
| Liabilities and Shareowners Equity | | |
| Current Liabilities: | | |
| Short-term debt, including current portion of long-term debt | \$ 241 | \$ 79 |
| Accounts payable | 752 | 676 |
| Income taxes payable | 66 | 47 |
| Accrued compensation and benefits | 179 | 263 |

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| Accrued marketing programs | 887 | 943 |
| Deferred revenues | 219 | 219 |
| Grower production accruals | 97 | 97 |
| Dividends payable | 151 | 145 |
| Customer payable | 83 | 307 |
| Restructuring reserves | 197 | 286 |
| Miscellaneous short-term accruals | 684 | 665 |
| Total Current Liabilities | 3,556 | 3,727 |
| Long-Term Debt | 1,862 | 1,724 |
| Postretirement Liabilities | 920 | 793 |
| Long-Term Deferred Revenue | 395 | 488 |
| Noncurrent Deferred Tax Liabilities | 137 | 153 |
| Long-Term Portion of Environmental and Litigation Liabilities | 188 | 197 |
| Other Liabilities | 681 | 641 |
| Shareowners' Equity: | | |
| Common stock (authorized: 1,500,000,000 shares, par value \$0.01) | | |
| Issued 588,439,202 and 585,557,964 shares, respectively | | |
| Outstanding 540,376,499 and 545,407,427 shares, respectively | 6 | 6 |
| Treasury stock 48,062,703 and 40,150,537 shares, respectively, at cost | (2,110) | (1,577) |
| Additional contributed capital | 9,896 | 9,695 |
| Retained earnings | 3,178 | 2,665 |
| Accumulated other comprehensive loss | (897) | (744) |
| Reserve for ESOP debt retirement | (4) | (6) |
| Total Monsanto Company Shareowners' Equity | 10,069 | 10,039 |
| Noncontrolling Interest | 44 | 69 |
| Total Shareowners' Equity | 10,113 | 10,108 |
| Total Liabilities and Shareowners' Equity | \$ 17,852 | \$ 17,831 |

(1) See Note 31 "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

2010 FORM 10-K/A

Statements of Consolidated Cash Flows

Year Ended Aug. 31,

| (Dollars in millions) | 2010 Restated⁽¹⁾ | 2009 Restated ⁽¹⁾ | 2008 |
|---|--|---------------------------------|----------|
| Operating Activities: | | | |
| Net Income | \$ 1,115 | \$ 2,116 | \$ 2,044 |
| Adjustments to reconcile cash provided by operating activities: | | | |
| Items that did not require (provide) cash: | | | |
| Depreciation and amortization | 602 | 548 | 573 |
| Bad-debt expense | 58 | 49 | 57 |
| Receipt of securities from Solutia settlement | | | (38) |
| Stock-based compensation expense | 102 | 116 | 90 |
| Excess tax benefits from stock-based compensation | (43) | (35) | (198) |
| Deferred income taxes | 22 | 235 | 47 |
| Restructuring charges, net | 210 | 361 | |
| Equity affiliate income, net | (29) | (15) | (2) |
| Acquired in-process research and development | | 163 | 164 |
| Net gain on sales of a business or other assets | (3) | (66) | |
| Other items | 49 | (25) | 25 |
| Changes in assets and liabilities that provided (required) cash, net of acquisitions: | | | |
| Trade receivables, net | (22) | 520 | (318) |
| Inventory, net | 221 | (634) | (691) |
| Deferred revenues | (89) | (700) | 492 |
| Accounts payable and other accrued liabilities | (395) | (302) | 889 |
| Restructuring cash payments | (263) | | |
| Pension contributions | (134) | (187) | (120) |
| Net investment hedge settlement | (4) | 35 | (124) |
| Other items | 1 | 67 | (53) |
| Net Cash Provided by Operating Activities | 1,398 | 2,246 | 2,837 |
| Cash Flows Required by Investing Activities: | | | |
| Purchases of short-term investments | | | (132) |
| Maturities of short-term investments | | 132 | 59 |

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|---|-----------------|-----------------|-----------------|
| Capital expenditures | (755) | (916) | (918) |
| Acquisition of businesses, net of cash acquired | (57) | (329) | (1,022) |
| Purchases of long-term debt and equity securities | (39) | (7) | (78) |
| Technology and other investments | (33) | (72) | (41) |
| Proceeds from divestiture of a business | | 300 | |
| Other investments and property disposal proceeds | 50 | 169 | 90 |
| Net Cash Required by Investing Activities | (834) | (723) | (2,042) |
| Cash Flows Required by Financing Activities: | | | |
| Net change in financing with less than 90-day maturities | 48 | (142) | 92 |
| Short-term debt proceeds | 75 | 75 | |
| Short-term debt reductions | (101) | (45) | (10) |
| Long-term debt proceeds | | | 546 |
| Long-term debt reductions | (4) | (71) | (254) |
| Payments on other financing | (1) | (6) | (3) |
| Debt issuance costs | | | (5) |
| Treasury stock purchases | (532) | (398) | (361) |
| Stock option exercises | 56 | 39 | 114 |
| Excess tax benefits from stock-based compensation | 43 | 35 | 198 |
| Dividend payments | (577) | (552) | (419) |
| Dividend payments to noncontrolling interests | (45) | (10) | (23) |
| Net Cash Required by Financing Activities | (1,038) | (1,075) | (125) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | 3 | (105) | 77 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (471) | 343 | 747 |
| Cash and Cash Equivalents at Beginning of Period | 1,956 | 1,613 | 866 |
| Cash and Cash Equivalents at End of Period | \$ 1,485 | \$ 1,956 | \$ 1,613 |

(1) See Note 31 Restatement of Consolidated Financial Statements of Notes to Consolidated Financial Statements See Note 24 Supplemental Cash Flow Information for further details.

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

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

Statements of Consolidated Shareowners Equity and Comprehensive Income

Monsanto Shareowners

| (Dollars in millions, except per share data) | Common Stock | | Treasury Stock | Additional Contributed Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) ⁽²⁾ | Reserve for ESOP Debt | Non-Controlling Interest | Total |
|---|--------------|------------|----------------|--------------------------------|-------------------|---|-----------------------|--------------------------|----------|
| | Stock | Stock | | | | | | | |
| Balance as of Sept. 1, 2007 | \$ 6 | \$ (814) | | \$ 9,106 | \$ (405) | \$ (377) | \$ (13) | \$ 55 | \$ 7,558 |
| Net income | | | | | 2,024 | | | 20 | 2,044 |
| Foreign currency translation | | | | | | 346 | | (1) | 345 |
| Postretirement benefit plan activity, net of tax of \$(44) | | | | | | (99) | | | (99) |
| Unrealized net losses on investment holdings, net of tax of \$(4) | | | | | | (5) | | | (5) |
| Unrealized net derivative gains, net of tax of \$31 | | | | | | 53 | | | 53 |
| Realized net derivative losses, net of tax of \$(3) | | | | | | 4 | | | 4 |
| Comprehensive income for 2008 | | | | | | | | 19 | 2,342 |
| Treasury stock purchases | | | (363) | | | | | | (363) |
| Restricted stock withholding | | | | (11) | | | | | (11) |
| Issuance of shares under employee stock plans | | | | 114 | | | | | 114 |
| Excess tax benefits from stock-based compensation | | | | 198 | | | | | 198 |
| Stock-based compensation expense | | | | 88 | | | | | 88 |
| Cash dividends of \$0.83 per common share | | | | | (456) | | | | (456) |
| Dividend payments to noncontrolling interest | | | | | | | | (23) | (23) |
| Allocation of ESOP shares, net of dividends received | | | | | | | 3 | | 3 |
| Adjustment related to changes to the income tax topic of the ASC | | | | | (25) | | | | (25) |
| Purchase of noncontrolling interest | | | | | | | | (14) | (14) |
| Balance as of Aug. 31, 2008 | \$ 6 | \$ (1,177) | | \$ 9,495 | \$ 1,138 | \$ (78) | \$ (10) | \$ 37 | \$ 9,411 |
| Net income Restated ⁽¹⁾ | | | | | 2,092 | | | 24 | 2,116 |
| Foreign currency translation | | | | | | (333) | | (5) | (338) |
| Postretirement benefit plan activity, net of tax of \$(119) | | | | | | (189) | | | (189) |
| Unrealized net derivative losses, net of tax of \$(70) | | | | | | (81) | | | (81) |
| Realized net derivative gains, net of tax of \$(25) | | | | | | (63) | | | (63) |
| Comprehensive income for 2009 Restated ⁽¹⁾ | | | | | | | | 19 | 1,445 |
| Treasury stock purchases | | | (400) | | | | | | (400) |

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| | | |
|--|-------|-------|
| Restricted stock withholding | (7) | (7) |
| Issuance of shares under employee stock plans | 39 | 39 |
| Excess tax benefits from stock-based compensation | 35 | 35 |
| Stock-based compensation expense | 133 | 133 |
| Cash dividends of \$1.04 per common share | (565) | (565) |
| Dividend payments to noncontrolling interest | | (10) |
| Allocation of ESOP shares, net of dividends received | 4 | 4 |
| Donation of noncontrolling interest | | 28 |
| Purchase of noncontrolling interest | | (5) |

Balance as of Aug. 31, 2009 Restated⁽¹⁾ \$ 6 \$ (1,577) \$ 9,695 \$ 2,665 \$ (744) \$ (6) \$ 69 \$ 10,108

⁽¹⁾ See Note 31 Restatement of Consolidated Financial Statements of Notes to Consolidated Financial Statements.

⁽²⁾ See Note 22 Accumulated Other Comprehensive 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

2010 FORM 10-K/A

Statements of Consolidated Shareowners Equity and Comprehensive Income (continued)

Monsanto Shareowners

| (Dollars in millions, except per share data) | Monsanto Shareowners | | | | | | | | Total |
|---|----------------------|-------------------|--------------------------------|-------------------|---|-----------------------|--------------------------|------------------|-------|
| | Common Stock | Treasury Stock | Additional Contributed Capital | Retained Earnings | Accumulated Other Comprehensive (Loss) ⁽²⁾ | Reserve for ESOP Debt | Non-Controlling Interest | | |
| 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 | |

⁽¹⁾ See Note 31 Restatement of Consolidated Financial Statements of Notes to Consolidated Financial Statements.

⁽²⁾ See Note 22 Accumulated Other Comprehensive 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

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION

Monsanto 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 26 Segment and Geographic Data 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 and Consolidated Financial Position have been conformed to this presentation. The Dairy business was previously reported as part of the Agricultural Productivity segment. See Note 29 Discontinued Operations for further details.

Monsanto includes the operations, assets and liabilities that were previously the agricultural business of Pharmacia Corporation (Pharmacia), which is now a subsidiary of Pfizer Inc. Monsanto was incorporated as a subsidiary of Pharmacia in February 2000. On Sept. 1, 2000, the assets and liabilities of the agricultural business were transferred from Pharmacia to Monsanto, pursuant to the terms of a separation agreement dated as of that date (the Separation Agreement), from which time the consolidated financial statements reflect the results of operations, financial position, and cash flows of the company as a separate entity responsible for procuring or providing the services and financing previously provided by Pharmacia. In October 2000, Monsanto sold approximately 15 percent of its common stock at \$10 per share in an initial public offering. On Aug. 13, 2002, Pharmacia completed a spinoff of Monsanto by distributing its entire ownership interest via a tax-free dividend to Pharmacia's shareowners.

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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States. These statements pertain to Monsanto and its controlled subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. Investments in other companies in which Monsanto has the ability to exercise significant influence (generally through an ownership interest greater than 20 percent) are included in the other assets item in the Statements of Consolidated Financial Position. The company records income attributable to noncontrolling interest in the Statements of Consolidated Operations for any non-owned portion of consolidated subsidiaries. Noncontrolling interest is recorded within the equity section but separate from Monsanto's equity in the Statements of Consolidated Financial Position.

Arrangements with other business enterprises are also evaluated, and those in which Monsanto is determined to have controlling financial interest are consolidated. In January 2003, the Financial Accounting Standards Board (FASB) issued an interpretation with an amendment in December 2003. The amended interpretation addresses the consolidation of business enterprises to which the usual condition of consolidation (ownership of a majority voting interest) does not apply. This interpretation focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that, in the absence of clear control through voting interests, a company's exposure (variable interest)

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

to the economic risks and potential rewards from the variable interest entity's assets and activities is the best evidence of control. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary is required to consolidate the assets, liabilities and results of operations of the variable interest entity in its financial statements.

Upon evaluating its relationships with two entities, Monsanto has determined that even though the entities are variable interest entities and Monsanto holds variable interests in the entities, these entities are not required to be consolidated in the company's financial statements pursuant to the Consolidations topic of the ASC because either the entity is exempt from the scope of the guidance or Monsanto is not the primary beneficiary. During 2010, Monsanto began participating in a revolving financing program in Brazil that allows the company to transfer a limited amount of customer receivables to a qualified special-purpose entity. See Note 7 Customer Financing Programs for a description of this program, which is the first such entity. The second entity is a biotechnology company focused on plant gene research, development, and commercialization in which Monsanto had a 16 percent equity investment as of Aug. 31, 2010. Monsanto had an agreement in place under which Monsanto made payments for research services and receives rights to intellectual property developed within funded research. The entity reported total assets of \$48 million and total liabilities of \$7 million as of Aug. 31, 2010, and revenues of \$17 million for the 12 months ended Aug. 31, 2010. As of Aug. 31, 2010, Monsanto's estimate of maximum exposure to loss as a result of its relationships with this entity was approximately \$15 million, which represents Monsanto's equity investment in this entity. There were no other commitments to this entity as of Aug. 31, 2010. In 2009, Monsanto held a variable interest in an additional entity, a joint venture which packages and sells seeds, with a focus on corn and sunflower seeds, and also sells and distributes agricultural chemical products. This entity was acquired in 2010 and has been consolidated since the date of the acquisition.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Estimates are adjusted to reflect actual experience when necessary. Significant estimates and assumptions affect many items in the financial statements. These include allowance for doubtful trade receivables, sales returns and allowances, inventory obsolescence, income tax liabilities and assets and related valuation allowances, asset impairments, valuations of goodwill and other intangible assets, employee benefit plan liabilities, value of equity-based awards, marketing program liabilities, grower accruals (an estimate of amounts payable to farmers who grow seed for Monsanto), restructuring reserves, self-insurance reserves, environmental reserves, deferred revenue, contingencies, litigation, incentives, and the allocation of corporate costs to segments. Significant estimates and assumptions are also used to establish the fair value and useful lives of depreciable tangible and certain intangible assets. Actual results may differ from those estimates and assumptions, and such results may affect income, financial position, or cash flows.

Revenue Recognition

The company derives most of its revenue from three main sources: sales of branded conventional seed and branded seed with biotechnology traits; royalties and license revenues from licensed biotechnology traits and genetic material; and sales of agricultural chemical products.

Revenues from all branded seed sales are recognized when the title to the products is transferred. When the right of return exists in the company's seed business, sales revenues are reduced at the time of sale to reflect expected returns. In order to estimate the expected returns, management analyzes historical returns, economic trends, market conditions, and changes in customer demand.

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Revenues for agricultural chemical products are recognized when title to the products is transferred. The company recognizes revenue on products it sells to distributors when, according to the terms of the sales agreements, delivery has occurred, performance is complete, no right of return exists, and pricing is fixed or determinable at the time of sale.

There are several additional conditions for recognition of revenue including that the collection of sales proceeds must be reasonably assured based on historical experience and current market conditions and that there must be no further performance obligations under the sale or the royalty or license agreement.

Monsanto follows the Revenue Recognition topic of the ASC. The Revenue Recognition topic of the ASC primarily affects Monsanto's recognition of license revenues from biotechnology traits sold through third-party seed companies. Trait royalties

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

and license revenues are recorded when earned, usually when the third-party seed companies sell their seeds containing Monsanto traits to growers.

To reduce credit exposure in Latin America, Monsanto collects payments on certain customer accounts in grain. Monsanto does not take physical custody of the grain or assume the associated inventory risk and therefore does not record revenue or the related cost of sales for the 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 with grain merchants, 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 grain merchant converts the grain to cash for Monsanto. These forward sales 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.

Shipping and Handling Costs

Following the guidance of the Revenue Recognition topic of the ASC, Monsanto records outward freight, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, and other costs of the company's distribution network in cost of goods sold.

Marketing (Customer Incentive Programs) and Advertising Costs

Promotional and advertising costs are expensed as incurred and are included in selling, general and administrative expenses in the Statements of Consolidated Operations. Accrued marketing program costs are recorded in accordance with the Revenue Recognition topic of the ASC, based on specific performance criteria met by our customers, such as purchase volumes, promptness of payment, and market share increases. The company introduced marketing programs that provide certain customers price protection consideration if standard published prices fall lower than the price the distributor paid on eligible products. The associated cost of marketing programs is recorded in net sales in the Statements of Consolidated Operations. As actual expenses are not known at the time of the sale, an estimate based on the best available information (such as historical experience and market research) is used as a basis for the liability. Management analyzes and reviews the marketing program balances on a quarterly basis and adjustments are recorded as appropriate. Under certain marketing programs, product performance and variations in weather can result in free product to customers. The associated cost of this free product is recognized as cost of goods sold in the Statements of Consolidated Operations.

Research and Development Costs

The company accounts for research and development (R&D) costs in accordance with the Research and Development topic of the ASC. Under the Research and Development topic of the ASC, all R&D costs must be charged to expense as incurred. Accordingly, internal R&D costs are expensed as incurred. Third-party R&D costs are expensed when the contracted work has been performed or as milestone results are achieved. For acquisitions that occurred in 2009 and 2008, in-process R&D (IPR&D) costs with no alternative future uses are expensed in the period acquired. As a result of adopting the provisions of a new accounting standard related to business combinations issued by the FASB, for acquisitions completed after Sept. 1, 2009, acquired IPR&D costs without alternative uses will be recorded on the Statements of Consolidated Financial Position as indefinite-lived intangible assets. The costs of purchased IPR&D that have alternative future uses are capitalized and amortized over the estimated useful life of the asset. The costs associated with equipment or facilities acquired or constructed for R&D activities that have alternative future uses are capitalized and depreciated on a straight-line basis over the estimated useful life of the asset. The

amortization and depreciation for such capitalized assets are charged to R&D expenses. In fiscal year 2007, Monsanto and BASF announced a long-term joint R&D and commercialization collaboration in plant technology that will focus on high-yielding crops and crops that are tolerant to adverse conditions. The collaboration resulted in shared R&D costs. Only Monsanto's portion has been included in research and development expenses in the Statements of Consolidated Operations.

Income Taxes

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. Management regularly assesses the likelihood that deferred tax assets will be recovered from future taxable income, and to the extent management believes that it is more likely than not that a deferred tax asset will not be realized, a valuation allowance is established. When a valuation allowance is established, increased or decreased, an income tax charge or benefit is included in the consolidated financial statements and net deferred

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

tax assets are adjusted accordingly. The net deferred tax assets as of Aug. 31, 2010, represent the estimated future tax benefits to be received from taxing authorities or future reductions of taxes payable.

On Sept. 1, 2007, Monsanto adopted the updated provisions of the Income Taxes topic of the ASC. Under this topic of the ASC, in order to recognize an uncertain tax benefit, the taxpayer must be more likely than not of sustaining the position, and the measurement of the benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. Tax authorities regularly examine the company's returns in the jurisdictions in which Monsanto does business. Management regularly assesses the tax risk of the company's return filing positions and believes its accruals for uncertain tax benefits are adequate as of Aug. 31, 2010, and Aug. 31, 2009.

Cash and Cash Equivalents

All highly liquid investments (defined as investments with a maturity of three months or less when purchased) are considered cash equivalents.

Accounts Receivable

The company provides an allowance for doubtful trade receivables equal to the estimated uncollectible amounts. That estimate is based on historical collection experience, current economic and market conditions, and a review of the current status of each customer's trade accounts receivable.

Long-Term Investments

Monsanto has long-term investments in equity securities, which are categorized as available-for-sale. They are classified as other assets in the Statements of Consolidated Financial Position, and they are carried at fair value, with unrealized gains and losses reported in the Statements of Consolidated Shareowners' Equity and Comprehensive Income in accumulated other comprehensive income (loss). If Monsanto believes that an other-than-temporary impairment exists, the investment in question is written down to market value in accordance with the Investments topic of the ASC. The write-down is recorded in the Statements of Consolidated Operations as an impairment of securities. Monsanto has other long-term investments in equity securities for which market values are not readily available. These other securities and investments are carried at cost, and they are reviewed regularly to evaluate whether they have experienced a decline in fair value.

Fair Values of Assets and Liabilities

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. For financial assets and liabilities, fair values are based on quoted market prices, estimates from brokers, and other appropriate valuation techniques. See Note 15 Fair Value Measurements and Note 16 Financial Instruments for further details, including management's responsibilities for determining these fair values. The fair value estimates do not necessarily reflect the values that could be realized in the current market on any one day.

Inventory Valuation

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Inventories are stated at the lower of cost or market, and the inventory reserve reduces the cost basis of inventory. Inventories are valued as follows:

Seeds and Genomics: Actual cost is used to value raw materials such as treatment chemicals and packaging, as well as goods in process. Costs for substantially all finished goods, which include the cost of carryover crops from the previous year, are valued at weighted-average actual cost. Weighted-average actual cost includes field growing and harvesting costs, plant conditioning and packaging costs, and manufacturing overhead costs.

Agricultural Productivity: Actual cost is used to value raw materials and supplies. Standard cost, which approximates actual cost, is used to value finished goods and goods in process. Variances, exclusive of abnormally low volume and operating performance, are capitalized into inventory. Standard cost includes direct labor and raw materials, and manufacturing overhead based on normal capacity. The cost of the Agricultural Productivity segment inventories in the United States (approximately 14 percent as of both Aug. 31, 2010, and Aug. 31, 2009) is determined by using the last-in, first-out (LIFO) method, which generally reflects the effects of inflation or deflation on cost of goods sold sooner than other inventory cost methods. The cost of inventories outside of the United States, as well as

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

supplies inventories in the United States, is determined by using the first-in, first-out (FIFO) method; FIFO is used outside of the United States because the requirements in the countries where Monsanto maintains inventories generally do not allow the use of the LIFO method. Inventories at FIFO approximate current cost.

In accordance with the Inventory topic of the ASC, Monsanto records abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) as current period charges and allocates fixed production overhead to the costs of conversion based on the normal capacity of the production facilities.

Goodwill

Monsanto follows the guidance of the Business Combinations topic of the ASC, in recording the goodwill arising from a business combination as the excess of purchase price and related costs over the fair value of identifiable assets acquired and liabilities assumed.

Under the Intangibles – Goodwill and Other topic of the ASC, goodwill is not amortized and is subject to annual impairment tests. A fair-value-based test is applied at the reporting unit level, which is generally at or one level below the operating segment level. The test compares the fair value of the company's reporting units to the carrying value of those reporting units. This test requires various judgments and estimates. The fair value of goodwill is determined using an estimate of future cash flows of the reporting unit and a risk-adjusted discount rate to compute a net present value of future cash flows. An adjustment to goodwill will be recorded for any goodwill that is determined to be impaired. Impairment of goodwill is measured as the excess of the carrying amount of goodwill over the fair values of recognized and unrecognized assets and liabilities of the reporting unit. Goodwill is tested for impairment at least annually, or more frequently if events or circumstances indicate it might be impaired. Goodwill was last tested for impairment as of March 1, 2010. See Note 10 – Goodwill and Other Intangible Assets for further discussion of the annual impairment test.

Other Intangible Assets

Other intangible assets consist primarily of acquired seed germplasm, acquired intellectual property, trademarks and customer relationships. Seed germplasm is the genetic material used in new seed varieties. Germplasm is amortized on a straight-line basis over useful lives ranging from five years for completed technology germplasm to a maximum of 30 years for certain core technology germplasm. Completed technology germplasm consists of seed hybrids and varieties that are commercially available. Core technology germplasm is the collective germplasm of inbred and hybrid seeds and has a longer useful life as it is used to develop new seed hybrids and varieties. Acquired intellectual property includes intangible assets related to acquisitions and licenses through which Monsanto has acquired the rights to various research and discovery technologies. These encompass intangible assets such as enabling processes and data libraries necessary to support the integrated genomics and biotechnology platforms. These intangible assets have alternative future uses and are amortized over useful lives ranging from three to 10 years. The useful lives of acquired germplasm and acquired intellectual property are determined based on consideration of several factors including the nature of the asset, its expected use, length of licensing agreement or patent and the period over which benefits are expected to be received from the use of the asset.

Monsanto has a broad portfolio of trademarks and patents, including trademarks for *Roundup* (for herbicide products); *Roundup Ready*, *Bollgard*, *Bollgard II*, *YieldGard*, *YieldGard VT*, *Roundup Ready 2 Yield* and *SmartStax* (for traits); *DEKALB*, *Asgrow*, *Deltapine* and *Vistive* (for agricultural seeds); *Seminis* and *De Ruiter* (for vegetable seeds); and patents for our insect-protection traits, formulations used to make our

herbicides and various manufacturing processes. The amortization period for trademarks and patents ranges from two to 30 years. Trademarks are amortized on a straight-line basis over their useful lives. The useful life of a trademark is determined based on the estimated market-life of the associated company, brand or product. Patents are amortized on a straight-line basis over the period in which the patent is legally protected, the period over which benefits are expected to be received, or the estimated market-life of the product with which the patent is associated, whichever is shorter.

In conjunction with acquisitions, Monsanto obtains access to the distribution channels and customer relationships of the acquired companies. These relationships are expected to provide economic benefits to Monsanto. The amortization period for customer relationships ranges from three to 20 years, and amortization is recognized on a straight-line basis over these periods. The amortization period of customer relationships represents management's best estimate of the expected usage or consumption of the economic benefits of the acquired assets, which is based on the company's historical experience of customer attrition rates.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In accordance with the Intangibles – Goodwill and Other topic of the ASC, all amortizable intangible assets are assessed for impairment whenever events indicate a possible loss. Such an assessment involves estimating undiscounted cash flows over the remaining useful life of the intangible. If the review indicates that undiscounted cash flows are less than the recorded value of the intangible asset, the carrying amount of the intangible is reduced by the estimated cash-flow shortfall on a discounted basis, and a corresponding loss is charged to the Statement of Consolidated Operations. See Note 10 – Goodwill and Other Intangible Assets for further discussion of Monsanto’s intangible assets.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost. Additions and improvements are capitalized; these include all material, labor, and engineering costs to design, install or improve the asset and interest costs on construction projects. Such costs are not depreciated until the assets are placed in service. Routine repairs and maintenance are expensed as incurred. The cost of plant and equipment is depreciated using the straight-line method over the estimated useful life of the asset – weighted-average periods of approximately 25 years for buildings, 10 years for machinery and equipment and seven years for software. In compliance with the Property, Plant and Equipment topic of the ASC, long-lived assets are reviewed for impairment whenever in management’s judgment conditions indicate a possible loss. Such impairment tests compare estimated undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its fair value or, if fair value is not readily determinable, to an estimated fair value based on discounted cash flows. Based on recent changes in the *Roundup* business, Monsanto performed an impairment test on the long-lived assets in the *Roundup* and other glyphosate-based products reporting unit’s asset group. The test indicated no impairment during fiscal year 2010.

Monsanto follows the Asset Retirement and Environmental Obligations topic of the ASC, which addresses financial accounting for and reporting of costs and obligations associated with the retirement of tangible long-lived assets. Monsanto has asset retirement obligations with carrying amounts totaling \$65 million and \$61 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively, primarily relating to its manufacturing facilities. The change in carrying value as of Aug. 31, 2010, consisted of \$7 million for accretion expense offset by \$3 million in decreased costs.

Environmental Remediation Liabilities

Monsanto follows the Asset Retirement and Environmental Obligations topic of the ASC, which provides guidance for recognizing, measuring and disclosing environmental remediation liabilities. Monsanto accrues these costs in the period when responsibility is established and when such costs are probable and reasonably estimable based on current law and existing technology. Postclosure and remediation costs for hazardous waste sites and other waste facilities at operating locations are accrued over the estimated life of the facility, as part of its anticipated closure cost.

Litigation and Other Contingencies

Monsanto is involved in various intellectual property, biotechnology, tort, contract, antitrust, employee benefit, environmental and other litigation, claims and legal proceedings; environmental remediation; and government investigations (see Note 25 – Commitments and Contingencies). Management routinely assesses the likelihood of adverse judgments or outcomes to those matters, as well as ranges of probable losses, to the extent losses are reasonably estimable. In accordance with the Contingencies topic of the ASC, accruals for such contingencies are recorded to the extent that management concludes their occurrence is probable and the financial impact, should an adverse outcome occur, is

reasonably estimable. Disclosure for specific legal contingencies is provided if the likelihood of occurrence is at least reasonably possible and the exposure is considered material to the consolidated financial statements. In making determinations of likely outcomes of litigation matters, management considers many factors. These factors include, but are not limited to, past experience, scientific and other evidence, interpretation of relevant laws or regulations and the specifics and status of each matter. If the assessment of the various factors changes, the estimates may change. That may result in the recording of an accrual or a change in a previously recorded accrual. Predicting the outcome of claims and litigation and estimating related costs and exposure involves substantial uncertainties that could cause actual costs to vary materially from estimates and accruals.

Guarantees

Monsanto is subject to various commitments under contractual and other commercial obligations. The company recognizes liabilities for contingencies and commitments under the Guarantees topic of the ASC. For additional information on the company's commitments and other contractual and commercial obligations, see Note 25 Commitments and Contingencies.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Foreign Currency Translation**

The financial statements for most of Monsanto's ex-U.S. operations are translated to U.S. dollars at current exchange rates. For assets and liabilities, the year-end rate is used. For revenues, expenses, gains and losses, the average rate for the period is used. Unrealized currency adjustments in the Statements of Consolidated Financial Position are accumulated in equity as a component of accumulated other comprehensive loss. The financial statements of ex-U.S. operations in highly inflationary economies are translated at either current or historical exchange rates at the time they are deemed highly inflationary, in accordance with the Foreign Currency Matters topic of the ASC. These currency adjustments are included in net income. Based on the Consumer Price Index (CPI), Monsanto designated Venezuela as a hyperinflationary country effective June 1, 2009.

Significant translation exposures include the Brazilian real, the European euro, the Canadian dollar, the Romanian leu and the Australian dollar. Currency restrictions are not expected to have a significant effect on Monsanto's cash flow, liquidity, or capital resources.

Derivatives and Other Financial Instruments

Monsanto uses financial derivative instruments to limit its exposure to changes in foreign currency exchange rates, commodity prices, and interest rates. Monsanto does not use financial derivative instruments for the purpose of speculating in foreign currencies, commodities or interest rates. Monsanto continually monitors its underlying market risk exposures and believes that it can modify or adapt its hedging strategies as needed.

In accordance with the Derivatives and Hedging topic of the ASC, all derivatives, whether designated for hedging relationships or not, are recognized in the Statements of Consolidated Financial Position at their fair value. At the time a derivative contract is entered into, Monsanto designates each derivative as: (1) a hedge of the fair value of a recognized asset or liability (a fair-value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a cash-flow hedge), (3) a foreign-currency fair-value or cash-flow hedge (a foreign-currency hedge), (4) a foreign-currency hedge of the net investment in a foreign subsidiary, or (5) a derivative that does not qualify for hedge accounting treatment.

Changes in the fair value of a derivative that is highly effective, and that is designated as and qualifies as a fair-value hedge, along with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk, are recorded currently in net income. Changes in the fair value of a derivative that is highly effective, and that is designated as and qualifies as a cash-flow hedge, to the extent that the hedge is effective, are recorded in accumulated other comprehensive loss, until net income is affected by the variability from cash flows of the hedged item. Any hedge ineffectiveness is included in current-period net income. Changes in the fair value of a derivative that is highly effective, and that is designated as and qualifies as a foreign-currency hedge, are recorded either in current-period earnings or in accumulated other comprehensive loss, depending on whether the hedging relationship satisfies the criteria for a fair-value or cash-flow hedge. Changes in the fair value of a derivative that is highly effective, and that is designated as a foreign-currency hedge of the net investment in a foreign subsidiary, are recorded in the accumulated foreign currency translation. Changes in the fair value of derivative instruments not designated as hedges are reported currently in earnings.

Monsanto formally and contemporaneously documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and its strategy for undertaking various hedge transactions. This includes linking all derivatives that are designated

as fair-value, cash-flow, or foreign-currency hedges either to specific assets and liabilities on the Statements of Consolidated Financial Position, or to firm commitments or forecasted transactions. Monsanto formally assesses a hedge at its inception and on an ongoing basis thereafter to determine whether the hedging relationship between the derivative and the hedged item is still highly effective, and whether it is expected to remain highly effective in future periods, in offsetting changes in fair value or cash flows. When derivatives cease to be highly effective hedges, Monsanto discontinues hedge accounting prospectively.

Pension and Postretirement Plans

Monsanto has various defined benefit and postretirement plans. Monsanto generally amortizes unrecognized actuarial gains and losses on a straight-line basis over the remaining estimated service life of participants. The measurement date is August 31. See Note 17 Postretirement Benefits Pensions and Note 18 Postretirement Benefits Health Care and Other Postemployment Benefits for a full description of these plans and the accounting and funding policies.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Stock-Based Compensation

In accordance with the Compensation – Stock Compensation topic of the ASC, Monsanto measures and recognizes compensation expense for all share-based payment awards made to employees and directors based on estimated fair values. See Note 20 – Stock-Based Compensation Plans for further details.

NOTE 3. 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, Monsanto will include the new disclosure requirements as of the end of the reporting period beginning in second quarter 2011, and the disclosures related to activities during the reporting period beginning in the third quarter 2011. The company is currently evaluating the disclosure impact of including this update on the consolidated financial statements.

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 is 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, except for the additional Level 3 requirements which will be adopted in fiscal year 2011. See Note 15 – Fair Value Measurements for the new disclosures. The company is currently evaluating the disclosure impact of adopting the additional Level 3 requirements of the standard on the consolidated financial statements.

In June 2009, the FASB issued its ASC Topic 105, *Generally Accepted Accounting Principles*, which became the single source of authoritative U.S. generally accepted accounting principles (GAAP) (other than rules and interpretive releases of the U.S. Securities and Exchange Commission). The ASC is typically based with topics organized by ASC number and updated with Accounting Standards Updates (ASUs). ASUs replace accounting guidance that historically was issued as FASB Statements of Financial Accounting Standards (SFAS), FASB Interpretations (FIN), FASB Staff Positions (FSP), Emerging Issues Task Force (EITF) Issues or other types of accounting standards. The ASC became effective Nov. 30, 2009, for Monsanto and disclosures within this Annual Report on Form 10-K/A have been updated to reflect the change. The ASC does not change GAAP and did not impact the company's consolidated financial statements.

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

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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 will adopt this standard in fiscal year 2011. The company is currently evaluating the impact of adoption on the consolidated financial statements.

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, Monsanto will adopt this standard in fiscal year 2011. The company is currently evaluating the impact of adoption on its QSPE related to a Brazilian financing program, other financing programs and on the consolidated financial statements.

In December 2008, the FASB issued a standard that provides additional guidance regarding disclosures about plan assets of defined benefit pension or other postretirement plans. This standard is effective for financial statements issued for fiscal years ending after Dec. 15, 2009. Accordingly, Monsanto adopted this standard as of Aug. 31, 2010. See Note 17 Postretirement Benefits Pensions for the disclosures required by this standard.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In February 2008, the FASB issued a standard that delayed the effective date of the new guidance regarding fair value measurement and disclosure for nonfinancial assets and liabilities to fiscal years beginning after Nov. 15, 2008. Accordingly, Monsanto adopted in fiscal year 2010 the additional requirements of the Fair Value Measurements and Disclosures topic of the ASC that were deferred by this standard. The adoption of this standard did not have an impact on the company's consolidated financial statements. See Note 15 Fair Value Measurements for additional discussion regarding fair value measurements.

In December 2007, the FASB issued a standard that requires an entity to clearly identify and present its ownership interests in subsidiaries held by parties other than the entity in the consolidated financial statements within the equity section but separate from the entity's equity. It also requires the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the Statements of Consolidated Operations; changes in ownership interest be accounted for similarly, as equity transactions; and when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary and the gain or loss on the deconsolidation of the subsidiary be measured at fair value. This statement is effective for financial statements issued for fiscal years beginning after Dec. 15, 2008. The provisions of the standard related to accounting for changes in ownership are to be applied prospectively, except for the presentation and disclosure requirements, which are to be applied retrospectively. Monsanto adopted this standard on Sept. 1, 2009, and the presentation and disclosure requirements of this standard were applied retrospectively to all periods presented. The adoption of this standard did not have a material impact on the consolidated financial statements, other than the following changes in presentation of noncontrolling interests:

Consolidated net income was recast to include net income attributable to both the company and noncontrolling interests in the Statements of Consolidated Operations.

Noncontrolling interests were reclassified from other liabilities to equity, separate from the parent's shareowners' equity, in the Statements of Consolidated Financial Position.

The Statements of Consolidated Cash Flows now begin with net income (including noncontrolling interests) instead of net income attributable to Monsanto Company, with net income from noncontrolling interests (previously, minority interests) no longer a reconciling item in arriving at net cash provided by operating activities, and the Statements of Consolidated Cash Flows were recast to include dividend payments to noncontrolling interests.

Statements of Consolidated Shareowners' Equity and Comprehensive Income have been combined and were recast to include noncontrolling interests.

NOTE 4. 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.

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 tolling in Chile, while increasing production supply. Acquisition costs were less than \$1 million in fiscal year 2010, and classified as selling, general, and administrative expenses. The total cash paid and the fair value of the acquisition were \$34 million, and it was primarily allocated to fixed assets, goodwill, and intangibles. 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.

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 in fiscal year 2010, and classified as selling, general and administrative expenses. 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

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

million was recognized from the re-measurement to fair value of Monsanto's previous equity interest in Seminium and is included in other expense, net, in the Statements of Consolidated Operations for fiscal year 2010.

For the fiscal year 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 12 months. If new information is obtained about facts 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. The preliminary purchase price allocations are summarized in the following table:

| (Dollars in millions) | Aggregate Acquisitions |
|----------------------------------|-----------------------------------|
| Current Assets | \$ 51 |
| Property, Plant and Equipment | 25 |
| Goodwill | 20 |
| Other Intangible Assets | 28 |
| Total Assets Acquired | 124 |
| Current Liabilities | 38 |
| Other Liabilities | 7 |
| Total Liabilities Assumed | 45 |
| Net Assets Acquired | \$ 79 |
| Supplemental Information: | |
| Net assets acquired | \$ 79 |

Cash acquired

3

| | |
|---------------------------------|--------------|
| Cash paid, net of cash acquired | \$ 76 |
|---------------------------------|--------------|

For these acquisitions, the primary items that generated the goodwill were the premiums paid by the company for the right to control the businesses acquired and the value of the acquired assembled workforce. The goodwill is not deductible for tax purposes. Pro forma information related to these acquisitions is not presented because the impact of these acquisitions, either individually or in the aggregate, on the company's consolidated results of operations is not considered to be significant.

The following table presents details of the acquired identifiable intangible assets:

| (Dollars in millions) | Weighted- Average Life (Years) | Useful Life (Years) | Aggregate Acquisitions |
|--------------------------------|--------------------------------------|------------------------|-----------------------------------|
| Acquired Germplasm | 5 | 5 | \$ 3 |
| Trademarks | 8 | 8 | 5 |
| Customer Relationships | 10 | 10 | 8 |
| Other | 1 | 1-5 | 12 |
| Other Intangible Assets | | | \$ 28 |

2009 Acquisitions: In July 2009, Monsanto acquired the assets of WestBred, LLC, a Montana-based company that specializes in wheat germplasm, for \$49 million (net of cash acquired), inclusive of transaction costs of \$4 million. The acquisition will bolster the future growth of Monsanto's seeds and traits platform.

In December 2008, Monsanto acquired 100 percent of the outstanding stock of Aly Participacoes Ltda. (Aly), which operates two sugarcane breeding and technology companies, CanaVialis S.A. and Alellyx S.A., both of which are based in Brazil, for \$264 million (net of cash acquired), inclusive of transaction costs of less than \$1 million.

All fiscal year 2009 acquisitions described above were included within Seeds and Genomics segment from their respective dates of acquisition. The purchase price allocations are summarized in the following table:

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

| (Dollars in millions) | Aggregate Acquisitions |
|--|---------------------------|
| Current Assets | \$ 2 |
| Property, Plant and Equipment | 6 |
| Goodwill | 131 |
| Other Intangible Assets | 33 |
| Acquired In-process Research and Development | 163 |
| Other Assets | |
| Total Assets Acquired | 335 |
| Current Liabilities | 10 |
| Other Liabilities | 2 |
| Total Liabilities Assumed | 12 |
| Net Assets Acquired | \$ 323 |
| Supplemental Information: | |
| Net assets acquired | \$ 323 |
| Cash acquired | |
| Cash paid, net of cash acquired | \$ 323 |

A charge of \$163 million was recorded in R&D expenses in fiscal year 2009 for the write-off of acquired IPR&D related to 2009 acquisitions. Of the \$163 million, \$162 million is related to the write-off of acquired IPR&D from Aly. The Income Approach valuation method was used to determine the fair value of the research projects. In developing assumptions for the valuation model, Monsanto used historical expense of Aly and other comparable data to estimate expected pricing, margins and expense levels. Management believed that the technological feasibility of the IPR&D was not established and that the research had no alternative future uses. Accordingly, the amount allocated to IPR&D was expensed immediately, in accordance with generally accepted accounting principles. The significant assumptions used to determine the fair value of IPR&D related to the Aly acquisition were as follows:

(Dollars in millions)

| | |
|---|-------------|
| Weighted Average Discount Rate | 17% |
| Expected Costs to Complete (undiscounted) | \$166 |
| Expected Years of Product Launches | 2010 - 2019 |

In 2009, Monsanto paid approximately \$5 million of contingent consideration related to fiscal year 2007 regional U.S. seed company acquisitions.

2008 Acquisitions: In June 2008, Monsanto acquired 100 percent of the outstanding stock of De Ruiters Seeds Group, B.V., and a related company (De Ruiters) for approximately \$756 million (net of cash acquired), inclusive of transaction costs of \$3 million. De Ruiters is a leading protected-culture vegetable seeds company based in the Netherlands with operations worldwide. Monsanto consummated the transaction with existing cash after receiving approvals from the appropriate regulatory authorities.

In July 2008, Monsanto acquired Marmot, S.A., which operates Semillas Cristiani Burkard, a privately held seed company headquartered in Guatemala City, Guatemala, for \$135 million (net of cash acquired), inclusive of transaction costs of \$3 million. The acquisition will build on Monsanto's corn business leadership and enable Monsanto to offer farmers in Central America broader access to high-yielding corn seed varieties. Monsanto consummated the transaction with existing cash.

In September 2007, Monsanto acquired 100 percent of the outstanding stock of Agroeste Sementes (Agroeste), a leading Brazilian corn seed company, for approximately \$91 million (net of cash acquired), inclusive of transaction costs of approximately \$1 million. Agroeste focuses on hybrid corn seed production and serves farmers throughout Brazil. Monsanto consummated the transaction with cash.

In fiscal year 2008, Monsanto completed other acquisitions for approximately \$18 million, inclusive of transaction costs of \$2 million, and the financial results of these businesses were included in the company's consolidated financial statements from the respective dates of acquisition.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

All fiscal year 2008 acquisitions described above were included within the Seeds and Genomics segment from their respective dates of acquisition. The purchase price allocations are summarized in the following table:

| (Dollars in millions) | De Ruiter | All Other Acquisitions | Aggregate Acquisitions |
|--|---------------|---------------------------|---------------------------|
| Current Assets | \$ 161 | \$ 105 | \$ 266 |
| Property, Plant and Equipment | 102 | 41 | 143 |
| Goodwill | 288 | 190 | 478 |
| Other Intangible Assets | 303 | 70 | 373 |
| Acquired In-process Research and Development | 161 | 2 | 163 |
| Other Assets | 13 | 11 | 24 |
| Total Assets Acquired | 1,028 | 419 | 1,447 |
| Current Liabilities | 89 | 71 | 160 |
| Other Liabilities | 153 | 83 | 236 |
| Total Liabilities Assumed | 242 | 154 | 396 |
| Net Assets Acquired | \$ 786 | \$ 265 | \$ 1,051 |
| Supplemental Information: | | | |
| Net assets acquired | \$ 786 | \$ 265 | \$ 1,051 |
| Cash acquired | 28 | 21 | 49 |
| Cash paid, net of cash acquired | \$ 758 | \$ 244 | \$ 1,002 |

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In fiscal year 2008, a charge of approximately \$164 million was recorded in R&D expenses for the write-off of acquired IPR&D related to 2008 acquisitions and finalizing the purchase price allocations for 2007 acquisitions. Of the \$164 million, \$161 million related to the write-off of acquired IPR&D associated with plant breeding acquired in the De Ruiters acquisition. The Income Approach valuation method was used to determine the fair value of the research projects. In developing assumptions for the valuation model, Monsanto used data from comparable commercialized hybrids from De Ruiters and hybrids marketed by Monsanto's current protected-culture vegetable business to estimate expected pricing, margins and expense levels. Management believed that the technological feasibility of the IPR&D projects was not established and that the research had no alternative future uses. Accordingly, the amounts allocated to IPR&D were expensed immediately, in accordance with generally accepted accounting principles. The significant assumptions used to determine the fair value of IPR&D related to the De Ruiters acquisition were as follows:

(Dollars in millions)

| | |
|---|-------------|
| Weighted Average Discount Rate | 12% |
| Expected Costs to Complete (undiscounted) | \$142 |
| Expected Years of Product Launches | 2009 - 2014 |

For fiscal year 2008 acquisitions, as of the acquisition dates, management began to assess and formulate plans to restructure the acquired entities in accordance with business combination accounting guidance. These activities primarily include the potential closure of certain acquired subsidiaries. Through Aug. 31, 2010, estimated costs of \$16 million had been recognized as short-term liabilities, and \$16 million had been charged against those liabilities, primarily related to payments for employee terminations and entity consolidation.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 5. RESTRUCTURING**

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

| | Year Ended | |
|---|----------------|---------|
| | Aug. 31, | |
| (Dollars in millions) | 2010 | 2009 |
| Costs of Goods Sold ⁽¹⁾ | \$(114) | \$(45) |
| Restructuring Charges, Net ⁽¹⁾⁽²⁾ | (210) | (361) |
| Loss from Continuing Operations Before Income Taxes | (324) | (406) |
| Income Tax Benefit | 100 | 116 |
| Net Loss | \$(224) | \$(290) |

⁽¹⁾ For the fiscal year ended 2010, the \$114 million of restructuring charges recorded in costs of goods sold were split by segment as follows: \$13 million in Agricultural Productivity and \$101 million in Seeds and Genomics. For the fiscal year ended 2009, the \$45 million of restructuring charges recorded in cost of goods sold were split by segment as follows: \$1 million in Agricultural Productivity and \$44 million in Seeds and Genomics. For the fiscal year ended 2010, the \$210 million of restructuring charges recorded in restructuring charges, net, were split by segment as follows: \$79 million in Agricultural Productivity and \$131 million in Seeds and Genomics. For the fiscal year ended 2009, the \$361 million of restructuring charges were split by segment as follows: \$113 million in Agricultural Productivity and \$248 million in Seeds and Genomics.

(2) The restructuring charges for the fiscal year ended 2010 include reversals of \$32 million related to the 2009 Restructuring Plan. The reversals are primarily related to severance as positions originally included in the plan were eliminated through 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 is expected to be completed by the end of the first quarter in fiscal year 2011, and substantially all payments will be made by the end of the second quarter in fiscal year 2011.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table displays the pretax charges of \$324 million and \$406 million incurred by segment under the 2009 Restructuring Plan for the fiscal years ended 2010 and 2009, respectively, as well as the cumulative pretax charges of \$730 million under the 2009 Restructuring Plan.

| (Dollars in millions) | Year Ended Aug. 31, 2010 | | | Year Ended Aug. 31, 2009 | | |
|---|--------------------------|---------------------------|--------------|--------------------------|---------------------------|--------------|
| | Seeds and Genomics | Agricultural Productivity | Total | Seeds and Genomics | Agricultural Productivity | Total |
| Work Force Reductions | \$ 85 | \$ 47 | \$132 | \$175 | \$63 | \$238 |
| Facility Closures / Exit Costs | 46 | 31 | 77 | 3 | 47 | 50 |
| Asset Impairments | | | | | | |
| Property, plant and equipment | 8 | 1 | 9 | 31 | 4 | 35 |
| Inventory | 93 | 13 | 106 | 24 | | 24 |
| Other intangible assets | | | | 59 | | 59 |
| Total Restructuring Charges, Net | \$ 232 | \$92 | \$324 | \$292 | \$114 | \$406 |

| (Dollars in millions) | Cumulative Amount through Aug. 31, 2010 | | |
|--------------------------------|---|---------------------------|--------|
| | Seeds and Genomics | Agricultural Productivity | Total |
| Work Force Reductions | \$260 | \$110 | \$ 370 |
| Facility Closures / Exit Costs | 49 | 78 | 127 |
| Asset Impairments | | | |
| Property, plant and equipment | 39 | 5 | 44 |
| Inventory | 117 | 13 | 130 |
| Other intangible assets | 59 | | 59 |

| | | | | | | | |
|----------------------------------|--|--|--|--|-------|-------|-------|
| Total Restructuring Charges, Net | | | | | \$524 | \$206 | \$730 |
|----------------------------------|--|--|--|--|-------|-------|-------|

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. Certain asset impairment charges were recorded in the fourth quarters of 2010 and 2009 related to the decisions to shut down facilities under the 2009 Restructuring Plan as the future cash flows for these facilities were insufficient to recover the net book value of the related long-lived assets.

In fiscal year 2010, pretax restructuring charges of \$324 million were recorded. The \$132 million in work force reductions was related primarily to Europe and the United States. The facility closures/exit costs of \$77 million were related primarily to the finalization of the termination of a chemical supply contract in the United States and worldwide entity consolidation costs. In asset impairments, inventory impairments of \$106 million recorded in cost of goods sold were related to discontinued products worldwide. In fiscal year 2009, pretax restructuring charges of \$406 million were recorded. The \$238 million in work force reductions related to site closures and downsizing primarily in the United States and Europe. The facility closures/exit costs of \$50 million related primarily to the termination of a chemical supply contract in the United States and the termination of chemical distributor contracts in Central America. In asset impairments, property, plant, and equipment impairments of \$35 million related to certain manufacturing and technology breeding facilities in the United States, Europe, and Central America that were closed in fiscal year 2010. Inventory impairments of \$24 million were also recorded for discontinued seed products in the United States and Europe. Other intangible impairments of \$59 million related to the discontinuation of certain seed brands, which included \$18 million related to the write-off of intellectual property for technology that the company elected to no longer pursue. Of the \$118 million total asset impairments in fiscal year 2009, \$45 million was recorded in cost of goods sold and the remainder in restructuring charges.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the activities related to the company's 2009 Restructuring Plan. See Note 4 Business Combinations for restructuring reserves related to acquisitions.

| (Dollars in millions) | Work Force Reductions | Facility Closures/ Exit Costs | Asset Impairments | Total |
|---|--------------------------|----------------------------------|----------------------|---------------|
| Restructuring charges recognized in fourth quarter 2009 | \$ 238 | \$ 50 | \$ 118 | \$ 406 |
| Cash payments | (7) | | | (7) |
| Asset impairments and write-offs | | | (118) | (118) |
| Acceleration of stock-based compensation expense in additional contributed capital | (15) | | | (15) |
| Ending Liability as of Aug. 31, 2009 | \$ 216 | \$ 50 | \$ 115 | \$ 266 |
| Restructuring charges recognized in fiscal year 2010 | 132 | 77 | 115 | 324 |
| Cash payments | (180) | (83) | | (263) |
| Asset impairments and write-offs | | | (115) | (115) |
| Acceleration of stock-based compensation expense in additional contributed capital | (4) | | | (4) |
| Foreign currency impact | (11) | | | (11) |
| Ending Liability as of Aug. 31, 2010 | \$ 153 | \$ 44 | \$ 115 | \$ 197 |

NOTE 6. RECEIVABLES

The following table displays a roll forward of the allowance for doubtful trade receivables for fiscal years 2008, 2009 and 2010.

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(Dollars in millions)

| | |
|-------------------------------------|---------------|
| Balance Sept. 1, 2007 | \$ 217 |
| Additions charged to expense | 42 |
| Other ⁽¹⁾ | (41) |
| | |
| Balance Aug. 31, 2008 | \$ 218 |
| Additions charged to expense | 23 |
| Other ⁽¹⁾ | (79) |
| | |
| Balance Aug. 31, 2009 | \$ 162 |
| Additions charged to expense | 51 |
| Other ⁽¹⁾ | (70) |
| | |
| Balance Aug. 31, 2010 | \$ 143 |

⁽¹⁾ Includes reclassifications to long-term, write-offs, and foreign currency translation adjustments.

The following table displays a roll forward of the allowance for doubtful long-term receivables for fiscal years 2008, 2009 and 2010.

(Dollars in millions)

| | |
|-------------------------------------|---------------|
| Balance Sept. 1, 2007 | \$ 131 |
| Additions charged to expense | 15 |
| Other ⁽¹⁾ | 33 |
| | |
| Balance Aug. 31, 2008 | \$ 179 |
| Additions charged to expense | 26 |
| Other ⁽¹⁾ | (33) |
| | |
| Balance Aug. 31, 2009 | \$ 172 |
| Additions charged to expense | 7 |
| Other⁽¹⁾ | 47 |
| | |
| Balance Aug. 31, 2010 | \$ 226 |

⁽¹⁾ Includes reclassifications from current, write-offs, and foreign currency translation adjustments.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 7. CUSTOMER FINANCING PROGRAMS**

Monsanto previously established a revolving financing program to provide financing of up to \$250 million to selected customers in the United States through a third-party specialty lender. The program was terminated in the third quarter of fiscal year 2009. Under the financing program, Monsanto originated customer loans on behalf of the lender, which was a special-purpose entity (SPE) that Monsanto consolidated, pursuant to Monsanto's credit and other underwriting guidelines as approved by the lender. Under the program, Monsanto serviced the loans and provided a first-loss guarantee of up to \$130 million. Following origination, the lender transferred the loans to multiseller commercial paper conduits through a nonconsolidated QSPE. Monsanto accounted for this transaction as a sale, in accordance with the Transfers and Servicing topic of the ASC.

Monsanto had no ownership interest in the lender, the QSPE, or in the loans. However, because Monsanto substantively originated the loans through the SPE (which it consolidated) and partially guaranteed and serviced the loans, Monsanto accounted for the program as if it were the originator of the loans and the transferor selling the loans to the QSPE. Because QSPEs are excluded from the current guidance within the Consolidation topic of the ASC, and Monsanto did not have the unilateral right to liquidate the QSPE, the consolidation guidance did not have an effect on Monsanto's accounting for the U.S. customer financing program.

Monsanto accounted for the guarantee in accordance with the Guarantees topic of the ASC, which requires that a guarantor recognize, at the inception of the guarantee, a liability for the fair value of the guarantee obligation undertaken. Monsanto recorded its guarantee liability at a value that approximated fair value (except that it did not discount credit losses because of the short-term nature of the loans), primarily driven by expected future credit losses. Monsanto did not recognize any servicing asset or liability because the servicing fee was considered adequate compensation for the servicing activities. Servicing activities, including discounts on the sale of customer receivables, resulted in income of \$1 million for 2009 and expense of \$2 million for 2008.

Proceeds from customer loans sold through the financing program totaled \$130 million for fiscal year 2009 and \$66 million for fiscal year 2008. These proceeds are included in net cash provided by operating activities in the Statement of Consolidated Cash Flows. There were no loan balances outstanding as of Aug. 31, 2010, or Aug. 31, 2009.

During the second quarter 2010, Monsanto began participating in a revolving financing program in Brazil. The program allows Monsanto to transfer up to 1 billion Brazilian reais (approximately \$550 million) in customer receivables to a QSPE. Third parties, primarily investment funds, hold an 88 percent senior interest in the QSPE, and Monsanto holds the remaining 12 percent subordinate interest. Because QSPEs are excluded from the scope of the current guidance within the Consolidation topic of the ASC, and Monsanto does not have the unilateral right to liquidate the QSPE, the consolidation guidance does not have an effect on Monsanto's accounting for this customer financing program.

Monsanto's investment in the QSPE was \$10 million as of Aug. 31, 2010. It is included in other assets in the Statements of Consolidated Financial Position and is classified as a debt security. Interest earned on Monsanto's investment in the QSPE was \$2 million for the year ended

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Aug. 31, 2010, and is included in interest income on the Statements of Consolidated Operations.

Under the financing program, Monsanto's transfer of select customer receivables to the QSPE is accounted for as a sale, in accordance with the Transfers and Servicing topic of the ASC. Monsanto does not service the receivables. However, under the QSPE, a recourse provision requires Monsanto to cover the first 12 percent of credit losses within the program.

Proceeds from customer receivables sold through the financing program and derecognized from the Statements of Consolidated Financial Position totaled \$115 million for fiscal year 2010. These proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows and are net of a loss on sale of receivables of \$10 million for the year ended Aug. 31, 2010. The remaining receivable balance in the QSPE outstanding as of Aug. 31, 2010, was \$48 million. 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 accounted for as an expense by the QSPE, and the investment on

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Monsanto's Statements of Consolidated Financial Position will be decreased. As of Aug. 31, 2010, there were \$3 million of 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 its recourse provision at \$5 million as of Aug. 31, 2010. Adverse changes in the actual loss rate would decrease Monsanto's investment asset. The maximum potential amount of future payments under the recourse provision was \$15 million as of Aug. 31, 2010. 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.

In August 2009, Monsanto entered into 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 \$221 million and \$319 million for fiscal years 2010 and 2009, respectively. The agreement includes recourse provisions and, so 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 Aug. 31, 2010, and Aug. 31, 2009. The maximum potential amount of future payments under the recourse provisions of the agreement was \$9 million as of Aug. 31, 2010. The outstanding balance of the receivables sold was \$223 million and \$319 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively. There were delinquent loans of \$3 million as of Aug. 31, 2010. There were no delinquent loans as of Aug. 31, 2009.

Monsanto also sells accounts receivable in the United States, European regions and Argentina, both with and without recourse. These sales 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 \$112 million, \$72 million and \$48 million for fiscal years 2010, 2009 and 2008, respectively. The liability for the guarantees for sales with recourse is recorded at an amount that approximates fair value, 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. The liability recorded by Monsanto was less than \$1 million as of Aug. 31, 2010, and Aug. 31, 2009. The maximum potential amount of future payments under the recourse provisions of the agreements was \$58 million as of Aug. 31, 2010. The outstanding balance of the receivables sold was \$91 million and \$57 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively. There were no delinquent loans as of Aug. 31, 2010, or Aug. 31, 2009.

Monsanto has additional agreements with lenders to establish programs that provide financing of up to 550 million Brazilian reais (approximately \$300 million) for selected customers in Brazil. Monsanto provides a guarantee of the loans 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 \$3 million and \$6 million as of Aug. 31, 2010, and Aug. 31, 2009, 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 \$100 million as of Aug. 31, 2010. The loan balance outstanding for these programs was \$100 million and \$160 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively. There were delinquent loans of \$2 million as of Aug. 31, 2010, and Aug. 31, 2009.

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 loans 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

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historical collection experience with customers that participate in the program and a current assessment of credit exposure. The guarantee liability recorded by Monsanto was \$2 million and \$5 million as of Aug. 31, 2010, and Aug. 31, 2009, 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 \$29 million as of Aug. 31, 2010. The loan balance outstanding for these programs was \$36 million and \$48 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 8. INVENTORY**

Components of inventory are:

| | As of Aug. 31, | |
|-------------------------------|-----------------------|----------|
| | 2010 | 2009 |
| (Dollars in millions) | Restated | Restated |
| Finished Goods | \$1,135 | \$1,362 |
| Goods In Process | 1,299 | 1,298 |
| Raw Materials and Supplies | 326 | 376 |
| Inventory at FIFO Cost | 2,760 | 3,036 |
| Excess of FIFO over LIFO Cost | (111) | (185) |
| Total | \$2,649 | \$2,851 |

During 2010, inventory quantities declined, resulting in the liquidation of LIFO inventory layers carried at lower costs than current year purchases and production. The income statement effect of such liquidation on cost of sales was a reduction of approximately \$2 million.

Monsanto uses commodity futures and options contracts to hedge the price volatility of certain commodities, primarily soybeans and corn. This hedging activity is intended to reduce the commodity price risk associated with seed purchases from corn and soybean production growers.

Inventory obsolescence reserves are utilized as valuation accounts and effectively establish a new cost basis. The following table displays a roll forward of the inventory obsolescence reserve for fiscal years 2008, 2009 and 2010.

(Dollars in millions)

| | |
|---|--------------|
| Balance Sept. 1, 2007 | \$169 |
| Additions charged to expense | 135 |
| Deductions and other ⁽¹⁾ | (40) |
| | |
| Balance Aug. 31, 2008 | \$264 |
| Additions charged to expense | 196 |
| Deductions and other ⁽¹⁾ | (123) |
| | |
| Balance Aug. 31, 2009 | \$337 |
| Additions charged to expense | 219 |
| Deductions and other⁽¹⁾ | (224) |
| | |
| Balance Aug. 31, 2010 | \$332 |

⁽¹⁾ Deductions and other includes disposals and foreign currency translation adjustments.

As part of Monsanto's 2009 Restructuring Plan, inventory impairment charges of \$106 million and \$24 million were recorded in fiscal year 2010 and 2009, respectively. See Note 5 Restructuring for additional information.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 9. PROPERTY, PLANT AND EQUIPMENT**

Components of property, plant and equipment were as follows:

| (Dollars in millions) | As of Aug. 31, | |
|-------------------------------------|-----------------|----------|
| | 2010 | 2009 |
| Land and Improvements | \$ 502 | \$ 381 |
| Buildings and Improvements | 1,750 | 1,524 |
| Machinery and Equipment | 4,591 | 4,119 |
| Computer Software | 531 | 479 |
| Construction In Progress and Other | 694 | 655 |
| Total Property, Plant and Equipment | 8,068 | 7,158 |
| Less Accumulated Depreciation | (3,841) | (3,549) |
| Property, Plant and Equipment, Net | \$ 4,227 | \$ 3,609 |

Gross assets acquired under capital leases of \$37 million and \$35 million are included primarily in machinery and equipment as of Aug. 31, 2010, and Aug. 31, 2009, respectively. See Note 14 Debt and Other Credit Arrangements and Note 25 Commitments and Contingencies for related capital lease obligations.

As part of Monsanto's 2009 Restructuring Plan, asset impairment charges of \$9 million and \$35 million were recorded in fiscal years 2010 and 2009, respectively. These impairment charges primarily were related to buildings and improvements and to machinery and equipment and the associated accumulated depreciation. See Note 5 Restructuring for additional information.

NOTE 10. GOODWILL AND OTHER INTANGIBLE ASSETS

The fiscal year 2010 and 2009 annual goodwill impairment tests were performed as of March 1, 2010 and 2009, and no indications of goodwill impairment existed as of either date. Goodwill is tested for impairment at least annually, or more frequently if events or circumstances indicate it might be impaired. There were no events or changes in circumstances indicating that goodwill might be impaired as of Aug. 31, 2010. As of fiscal year 2010, accumulated goodwill impairment charges were \$2.1 billion. The charges related to Seeds and Genomics and were primarily a result of a change in the valuation method (from an undiscounted cash flow methodology to a discounted cash flow methodology) upon adoption of FASB Statement No. 142, Goodwill and Other Intangible Assets (codified in ASC 350) in 2002 as well as unanticipated delays in biotechnology acceptance and regulatory approvals.

Changes in the net carrying amount of goodwill for fiscal years 2009 and 2010, by segment, are as follows:

| (Dollars in millions) | Seeds and Genomics | Agricultural Productivity | Total |
|---|-----------------------|------------------------------|----------------|
| Balance as of Sept. 1, 2008 | \$3,070 | \$62 | \$3,132 |
| Acquisition activity (see Note 4) | 110 | | 110 |
| Effect of foreign currency translation adjustments and other | (24) | | (24) |
| Balance as of Aug. 31, 2009 | \$3,156 | \$62 | \$3,218 |
| Acquisition activity (see Note 4) | 21 | | 21 |
| Effect of foreign currency translation adjustments and other | (30) | (5) | (35) |
| Balance as of Aug. 31, 2010 | \$3,147 | \$57 | \$3,204 |

In fiscal year 2010, goodwill decreased due to the effect of foreign currency translation adjustments. This was offset by increases due to the 2010 acquisitions of Seminium and a seed processing business in Chile and the updating of the preliminary purchase price allocations for some of the 2009 acquisitions. In fiscal year 2009, a goodwill increase of \$125 million was related to 2009 acquisitions, and \$5 million was related to the resolution of contingent considerations for 2007

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

acquisitions. These increases were offset by a decrease of \$20 million related to the finalization of the purchase price allocations for 2008 acquisitions. See Note 4 – Business Combinations for further information.

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

| (Dollars in millions) | As of Aug. 31, 2010 | | | As of Aug. 31, 2009 | | |
|--------------------------------|---------------------|--------------------------|----------------|---------------------|--------------------------|----------------|
| | Carrying Amount | Accumulated Amortization | Net | Carrying Amount | Accumulated Amortization | Net |
| Acquired Germplasm | \$1,161 | \$(640) | \$ 521 | \$1,172 | \$(604) | \$ 568 |
| Acquired Intellectual Property | 866 | (649) | 217 | 829 | (589) | 240 |
| Trademarks | 344 | (94) | 250 | 345 | (81) | 264 |
| Customer Relationships | 317 | (113) | 204 | 317 | (88) | 229 |
| Other | 121 | (50) | 71 | 110 | (40) | 70 |
| Total | \$2,809 | \$(1,546) | \$1,263 | \$2,773 | \$(1,402) | \$1,371 |

The increase in acquired intellectual property during fiscal year 2010 primarily resulted from a paid-up license agreement for glyphosate manufacturing technology for \$39 million. The increases in other intangible assets as of 2010, primarily resulted from the acquisitions described in Note 4 – Business Combinations. These increases were partially offset by a decrease due to the effect of foreign currency translation adjustments.

Total amortization expense of other intangible assets was \$158 million in fiscal year 2010, \$151 million in fiscal year 2009, and \$167 million in fiscal year 2008.

The estimated intangible asset amortization expense for each of the five succeeding fiscal years is as follows:

(Dollars in millions)

Amount

| | |
|------|--------|
| 2011 | \$ 153 |
| 2012 | 132 |
| 2013 | 105 |
| 2014 | 97 |
| 2015 | 86 |

NOTE 11. INVESTMENTS AND EQUITY AFFILIATES**Investments**

Short-Term Investments: There were no short-term investments as of Aug. 31, 2010, or Aug. 31, 2009.

During second quarter 2008, Monsanto received \$38 million of Solutia common stock as part of the settlement of its claims against Solutia. During fourth quarter 2008, Monsanto sold the Solutia common stock and realized a loss of less than \$1 million. See Note 27 Other Expense and Solutia-Related Items for discussion of the gain recorded in conjunction with Solutia's emergence from bankruptcy.

Long-Term Investments: During 2010, Monsanto invested in long-term debt securities with a cost of \$15 million, which are classified as available-for-sale. The investments are recorded in other assets in the Statements 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 are included in accumulated other comprehensive loss in shareowners' equity related to these investments as of Aug. 31, 2010. See Note 15 Fair Value Measurements for further discussion related to these debt securities.

In 2009, Monsanto invested in a long-term equity security with a cost of \$2 million, which is classified as available-for-sale. This investment is recorded in other assets in the Statements of Consolidated Financial Position at its fair value of \$1 million and \$2 million as of Aug. 31, 2010, and Aug. 31, 2009. Net unrealized losses (net of deferred taxes) of less than \$1 million are included in accumulated other comprehensive loss in shareowners' equity related to this investment as of Aug. 31, 2010.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In 2008, Monsanto invested in long-term equity securities with a cost of \$33 million, which are classified as available-for-sale. As of Aug. 31, 2010, and Aug. 31, 2009, these long-term equity securities are recorded in other assets in the Statements of Consolidated Financial Position at their fair value of \$22 million and \$23 million, respectively. Net unrealized gains (net of deferred taxes) of \$4 million and net unrealized losses (net of deferred taxes) of \$6 million are included in accumulated other comprehensive loss in shareowners' equity related to these investments as of Aug. 31, 2010, and Aug. 31, 2009. Monsanto recorded an impairment related to one of these long-term equity securities as of Aug. 31, 2010, of \$16 million.

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 Aug. 31, 2010, and Aug. 31, 2009, this investment is recorded in other assets in the Statements of Consolidated Financial Position at its carrying value of \$65 million and \$60 million, respectively. During fiscal year 2010 and 2009, Monsanto purchased \$162 million and \$330 million of inventory from the seed supplier and recorded sales of inventory to the seed supplier of \$12 million and \$9 million, respectively. As of Aug. 31, 2010, and Aug. 31, 2009, the amount payable to the seed supplier is approximately \$5 million and approximately \$84 million, respectively, and is recorded in accounts payable in the Statements of Consolidated Financial Position. During fiscal year 2010 and 2009, Monsanto paid the seed supplier \$7 million and \$5 million for inventory that will be delivered in fiscal year 2011 and 2010, respectively.

Reessen LLC, Monsanto's former joint venture with Cargill, Inc. (Cargill) which Monsanto acquired the additional 50% interest during fiscal year 2010, had developed and planned to commercialize a proprietary grain processing technology, marketed under the name *Extrax*. This technology separated corn into three high-value fractions: a high-starch fraction, ideal for ethanol fermentation; food-grade corn oil, valuable as a non-trans fat oil solution or for biodiesel; and a nutrient-rich meal that can be used as a corn replacement in animal feed rations. In the fourth quarter 2010, Monsanto decided to no longer pursue any *Extrax* projects and therefore, the remaining Reessen related intangible assets were written off to research and development expenses in the Statements of Consolidated Operations. The total impairment charge was \$9 million as of Aug. 31, 2010.

In 2008, Monsanto and Cargill signed an agreement to narrow the scope of the Reessen joint venture to focus solely on the *Extrax* project. Other projects that were formerly under the joint venture and related intellectual property were transferred to, and are now owned by, Monsanto or Cargill. Monsanto agreed to pay \$20 million to Cargill to obtain full rights to intellectual property for products that Monsanto planned to develop and commercialize. These projects were discontinued and the related intangible asset was written off as a result of the restructuring described in Note 5 Restructuring. As of Aug. 31, 2010, Monsanto has no amounts payable to Cargill. As of Aug. 31, 2009, the amount payable to Cargill was less than \$1 million and is recorded in short-term miscellaneous accruals in the Statements of Consolidated Financial Position.

During fiscal years 2010, 2009 and 2008, Monsanto performed R&D services for Reessen of less than \$1 million, \$1 million and \$5 million, respectively, which were recovered at cost. The fair value of performing these services approximates the recovered costs. As discussed above, Monsanto acquired the remaining 50% interest it did not previously own of Reessen during 2010 and therefore, Monsanto no longer has an investment in Reessen recorded as of Aug. 31, 2010. Monsanto's investment in Reessen, including outstanding advances, was \$1 million as of Aug. 31, 2009. Equity affiliate expense from Reessen was less than \$1 million in fiscal year 2010, \$2 million in fiscal year 2009, and \$3 million in fiscal year 2008, and represented substantially all of the equity affiliate expense.

NOTE 12. 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

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2008. Cumulative cash receipts will be \$725 million over an eight-year period. Revenue of \$79 million related to this agreement was recorded in fiscal year 2010 and 2009. As of Aug. 31, 2010, and Aug. 31, 2009, the remaining receivable balance is \$470 million and \$543 million, respectively. The majority of this balance is included in long-term receivables, and the current portion is included in trade receivables. As of Aug. 31, 2010, and Aug. 31, 2009, the remaining deferred revenue balance is \$397 million and \$476 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 Statements of Consolidated Financial Position. The interest portion of this receivable is reported in interest income and totaled \$16 million and \$19 million for the fiscal year ended Aug. 31, 2010, and Aug. 31, 2009, respectively.

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. As of Aug. 31, 2010, and Aug. 31, 2009, the remaining receivable balance is \$73 million and \$70 million, respectively, related to the net present value of expected payments under this agreement. The majority of this balance is included in long-term receivables in the 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 is \$3 million for the fiscal year ended Aug. 31, 2010, and Aug. 31, 2009, respectively. As of Aug. 31, 2010, and Aug. 31, 2009, the remaining deferred revenue balance of \$67 million and \$70 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 Statements of Consolidated Financial Position.

NOTE 13. INCOME TAXES

The components of income from continuing operations before income taxes were:

Year Ended Aug. 31,

| (Dollars in millions) | 2010 Restated | 2009 Restated | 2008 |
|-----------------------|--------------------------|------------------|------|
|-----------------------|--------------------------|------------------|------|

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| | | | |
|-----------------------|----------------|---------|---------|
| United States | \$1,230 | \$2,137 | \$1,419 |
| Outside United States | 260 | 781 | 1,507 |
| Total | \$1,490 | \$2,918 | \$2,926 |

The components of income tax provision from continuing operations were:

| (Dollars in millions) | Year Ended Aug. 31, | | |
|-----------------------|--------------------------|------------------|-------|
| | 2010 Restated | 2009 Restated | 2008 |
| Current: | | | |
| U.S. federal | \$258 | \$531 | \$527 |
| U.S. state | 5 | 8 | 57 |
| Outside United States | 122 | 170 | 343 |
| Total Current | \$385 | \$709 | \$927 |
| Deferred: | | | |
| U.S. federal | 42 | 101 | (51) |
| U.S. state | 34 | 32 | 25 |
| Outside United States | (82) | (29) | (2) |
| Total Deferred | (6) | 104 | (28) |
| Total | \$379 | \$813 | \$899 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Factors causing Monsanto's income tax provision from continuing operations to differ from the U.S. federal statutory rate were:

| | Year Ended Aug. 31, | | |
|--|--------------------------------|------------------|---------|
| (Dollars in millions) | 2010 Restated | 2009 Restated | 2008 |
| U.S. Federal Statutory Rate | \$ 522 | \$1,021 | \$1,024 |
| U.S. R&D Tax Credit | (10) | (33) | (5) |
| U.S. Domestic Manufacturing Deduction | (22) | (45) | (13) |
| Lower Ex-U.S. Rates | (130) | (122) | (201) |
| State Income Taxes | 33 | 58 | 49 |
| Valuation Allowances | 10 | 4 | (41) |
| Acquired IPR&D | | | 57 |
| Adjustment for Unrecognized Tax Benefits | 3 | (16) | 40 |
| Other | (27) | (54) | (11) |
| | | | |
| Income Tax Provision | \$ 379 | \$ 813 | \$ 899 |

Deferred income tax balances are related to:

As of Aug. 31,

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| (Dollars in millions) | 2010 Restated | 2009 Restated |
|--|------------------|------------------|
| Net Operating Loss and Other Carryforwards | \$ 865 | \$ 695 |
| Employee Fringe Benefits | 504 | 424 |
| Intangibles | 195 | 187 |
| Restructuring and Impairment Reserves | 168 | 187 |
| Inventories | 149 | 168 |
| Environmental and Litigation Reserves | 97 | 89 |
| Allowance for Doubtful Accounts | 56 | 73 |
| Other | 284 | 345 |
| Valuation Allowance | (57) | (38) |
| | | |
| Total Deferred Tax Assets | \$2,261 | \$2,130 |
| | | |
| Intangibles | \$ 454 | \$ 459 |
| Property, Plant and Equipment | 409 | 375 |
| Other | 45 | 39 |
| | | |
| Total Deferred Tax Liabilities | 908 | 873 |
| | | |
| Net Deferred Tax Assets | \$1,353 | \$1,257 |

As of Aug. 31, 2010, Monsanto had available approximately \$1.2 billion in net operating loss carryforwards (NOLs), most of which related to Brazilian operations, which have an indefinite carryforward period. Monsanto also had available approximately \$330 million of U.S. foreign tax credit carryforwards, which expire from 2014 through 2020. Management regularly assesses the likelihood that deferred tax assets will be recovered from future taxable income. To the extent management believes that it is more likely than not that a deferred tax asset will not be realized, a valuation allowance is established. As of Aug. 31, 2010, management continues to believe it is more likely than not that the company will realize the deferred tax assets in Brazil and the United States. At the beginning of fiscal 2008, Argentina had a valuation allowance of \$43 million for the deferred tax assets related to NOLs. However, based on improvements in Monsanto Argentina's operations and improvements in Argentina's overall economy, and in particular the agricultural sector, management believed it was more likely than not that such deferred tax assets would be realized. Accordingly, the previously recorded \$43 million valuation allowance was reversed in the third quarter of fiscal 2008. As of Aug. 31, 2010, all of the Argentina NOLs have been utilized.

Income taxes and remittance taxes have not been recorded on approximately \$3.6 billion of undistributed earnings of foreign operations of Monsanto, either because any taxes on dividends would be substantially offset by foreign tax credits, or because

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Monsanto intends to reinvest those earnings indefinitely. It is not practicable to estimate the income tax liability that might be incurred if such earnings were remitted to the United States.

Tax authorities regularly examine the company's returns in the jurisdictions in which Monsanto does business. Due to the nature of the examinations, it may take several years before they are completed. Management regularly assesses the tax risk of the company's return filing positions for all open years. During fiscal year 2010, Monsanto recorded a favorable adjustment to the income tax reserve as a result of the conclusion of an IRS audit for tax years 2007 and 2008, ex-U.S. audits and the resolution of various state income tax matters. Monsanto is appealing one issue related to the IRS audit for tax years 2007 and 2008. During fiscal year 2009, Monsanto recorded a favorable adjustment to the income tax reserve as a result of the conclusion of an IRS audit for tax years 2005 and 2006, ex-U.S. audits and the resolution of various state income tax matters.

As required, the company adopted an amendment to the Income Taxes topic of the ASC as of Sept. 1, 2007. As a result of this implementation, Monsanto recorded a charge to retained deficit of \$25 million, primarily attributable to liabilities related to interest and penalties on certain income tax matters. The total amount of unrecognized tax benefits as of the date of adoption on Sept. 1, 2007, was \$256 million. In addition, as of Sept. 1, 2007, liabilities for accrued interest and penalties relating to the unrecognized tax benefits totaled \$55 million.

As of Aug. 31, 2010, Monsanto had total unrecognized tax benefits of \$341 million, of which \$276 million would favorably impact the effective tax rate if recognized. As of Aug. 31, 2009, Monsanto had total unrecognized tax benefits of \$358 million, of which \$279 million would favorably impact the effective tax rate if recognized.

Accrued interest and penalties included in the Statements of Consolidated Financial Position were \$46 million and \$42 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively. Monsanto recognizes accrued interest and penalties related to unrecognized tax benefits as a component of income tax expense. For the 12 months ended Aug. 31, 2010, the company recognized \$5 million of income tax expense for interest and penalties. For the 12 months ended Aug. 31, 2009, the company recognized a benefit of \$32 million in the income tax provision for interest and penalties.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

(Dollars in millions)

| | |
|--|--------|
| Balance Sept. 1, 2008 | \$ 434 |
| Increases for prior year tax positions | 23 |

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| | |
|---|---------------|
| Decreases for prior year tax positions | (27) |
| Increases for current year tax positions | 59 |
| Settlements | (117) |
| Lapse of statute of limitations | (4) |
| Foreign currency translation | (10) |
| | |
| Balance Aug. 31, 2009 | \$ 358 |
| Increases for prior year tax positions | 42 |
| Decreases for prior year tax positions | (102) |
| Increases for current year tax positions | 55 |
| Settlements | (6) |
| Lapse of statute of limitations | (9) |
| Foreign currency translation | 3 |
| | |
| Balance Aug. 31, 2010 | \$ 341 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Monsanto operates in various countries throughout the world and, as a result, files income tax returns in numerous jurisdictions. These tax returns are subject to examination by various federal, state and local tax authorities. For Monsanto's major tax jurisdictions, the tax years that remain subject to examination are shown below:

| Jurisdiction | Tax Years |
|-----------------------------------|-----------|
| Brazil | 1999 2010 |
| U.S. state and local income taxes | 2000 2010 |
| Argentina | 2001 2010 |
| U.S. federal income tax | 2007 2010 |

If the company's assessment of unrecognized tax benefits is not representative of actual outcomes, the company's financial statements could be significantly impacted in the period of settlement or when the statute of limitations expires. Management estimates that it is reasonably possible that the total amount of uncertain tax benefits could decrease by as much as \$50 million within the next 12 months, primarily as a result of the resolution of audits currently in progress in several jurisdictions involving issues common to large multinational corporations, and the lapsing of the statute of limitations in multiple jurisdictions.

NOTE 14. DEBT AND OTHER CREDIT ARRANGEMENTS

Monsanto has a \$2 billion credit facility agreement with a group of banks that provides a five-year senior unsecured revolving credit facility through February 2012. This facility was initiated to be used for general corporate purposes, which may include working capital requirements, acquisitions, capital expenditures, refinancing, and support of commercial paper borrowings. The agreement also provides for European euro-denominated loans, letters of credit, and swingline borrowings, and allows certain designated subsidiaries to borrow with a company guarantee. Covenants under this credit facility restrict maximum borrowings. There are no compensating balances, but the facility is subject to various fees, which are based on the company's credit ratings. As of Aug. 31, 2010 and Aug. 31, 2009, Monsanto was in compliance with all financial debt covenants, and there were no outstanding borrowings under this credit facility.

Short-Term Debt

| (Dollars in millions) | As of Aug. 31, | |
|--------------------------------------|----------------|------|
| | 2010 | 2009 |
| Current Maturities of Long-Term Debt | \$193 | \$31 |
| Notes Payable to Banks | 48 | 48 |
| Total Short-Term Debt | \$241 | \$79 |

The fair value of the total short-term debt was \$241 million and \$79 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively. The weighted average interest rate on notes payable to banks was 4.5 percent and 10.4 percent as of Aug. 31, 2010, and Aug. 31, 2009, respectively.

As of Aug. 31, 2010, the company did not have any outstanding commercial paper, but it had several short-term borrowings to support ex-U.S. operations, which had weighted-average interest rates as indicated above. Certain of these bank loans also act to limit exposure to changes in foreign-currency exchange rates.

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 of which \$188 million is included in short-term debt and \$136 million is included in long-term debt on the Statements of Consolidated Financial Position as of Aug. 31, 2010. As of Aug. 31, 2010, the interest rate on the notes was 0.99 percent.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Long-Term Debt**

| | As of Aug. 31, | |
|---|----------------|----------------|
| (Dollars in millions) | 2010 | 2009 |
| 7 ³ / ₈ % Senior Notes, Due 2012 ⁽¹⁾ | \$ 485 | \$ 485 |
| 5 ¹ / ₂ % Senior Notes, Due 2035 ⁽¹⁾ | 395 | 394 |
| 5 ¹ / ₈ % Senior Notes, Due 2018 ⁽¹⁾ | 299 | 299 |
| 5 ¹ / ₂ % Senior Notes, Due 2025 ⁽¹⁾ | 274 | 271 |
| 5 ⁷ / ₈ % Senior Notes, Due 2038 ⁽¹⁾ | 247 | 246 |
| Other (including Capital Leases) ⁽²⁾ | 162 | 29 |
| Total Long-Term Debt | \$1,862 | \$1,724 |

⁽¹⁾ Amounts are net of unamortized discounts. For the 5¹/₂% Senior Notes due 2025, amount is also net of the unamortized premium of \$40 million and \$42 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively.

⁽²⁾ Includes \$136 million related to the Chesterfield Village Research Center purchase. The fair value of the total long-term debt was \$2,094 million and \$1,863 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively.

In 2002, Monsanto filed a shelf registration with the SEC for the issuance of up to \$2.0 billion of registered debt (2002 shelf registration) and issued \$800 million in 7³/₈% Senior Notes. As of Aug. 31, 2010, \$486 million of the 7³/₈% Senior Notes are due on Aug. 15, 2012 (see discussion below regarding a debt exchange for \$314 million of the 7³/₈% Senior Notes).

In May 2005, Monsanto filed a new shelf registration with the SEC (2005 shelf registration) that allowed the company to issue up to \$2.0 billion of debt, equity and hybrid offerings (including debt securities of \$950 million remaining available under the May 2002 shelf registration statement). In July 2005, Monsanto issued \$400 million of 5¹/₂% Senior Notes under the 2005 shelf registration, which are due on July 15, 2035

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(5 1/2% 2035 Senior Notes). In April 2008, Monsanto issued \$300 million of 5 1/8% Senior Notes under the 2005 shelf registration, which are due on April 15, 2018 (5 1/8% 2018 Senior Notes). The net proceeds from the issuance of the 5 1/8% 2018 Senior Notes were used to finance the expansion of corn seed production facilities. Also in April 2008, Monsanto issued \$250 million of 5 7/8% Senior Notes under the 2005 shelf registration, which are due on April 15, 2038 (5 7/8% 2038 Senior Notes). The net proceeds from the sale of the 5 7/8% 2038 Senior Notes were used to repay \$238 million of 4% Senior Notes that were due on May 15, 2008. The 2005 shelf registration expired in December 2008.

In October 2008, Monsanto filed a new shelf registration with the SEC (2008 shelf registration) that allows the company to issue an unlimited capacity of debt, equity and hybrid offerings. The 2008 shelf registration will expire on Oct. 31, 2011.

In August 2005, Monsanto exchanged \$314 million of new 5 1/2% Senior Notes due 2025 (5 1/2% 2025 Senior Notes) for \$314 million of its outstanding 7 3/8% Senior Notes due 2012, which were issued in 2002. The exchange was conducted as a private transaction with holders of the outstanding 7 3/8% Senior Notes who certified to the company that they were qualified institutional buyers within the meaning of Rule 144A under the Securities Act of 1933. The transaction has been accounted for as an exchange of debt under the Debt topic of the ASC. Under the terms of the exchange, the company paid a premium of \$53 million to holders participating in the exchange, and the \$53 million premium will be amortized over the life of the new 5 1/2% 2025 Senior Notes. As a result of the debt premium, the effective interest rate on the 5 1/2% 2025 Senior Notes will be 7.035% over the life of the debt. The exchange of debt allowed the company to adjust its debt-maturity schedule while also allowing it to take advantage of market conditions which the company considered to be favorable.

In October 2005, the company filed a registration statement with the SEC on Form S-4 with the intention to commence a registered exchange offer during fiscal year 2006 to provide holders of the newly issued privately placed notes with the opportunity to exchange such notes for substantially identical notes registered under the Securities Act of 1933. In February 2006, Monsanto issued \$314 million aggregate principal amount of its 5 1/2% Senior Notes due 2025, in exchange for the same principal amount of its 5 1/2% Senior Notes due 2025 which had been issued in the private placement transaction in August 2005. The offering of the notes issued in February was registered under the Securities Act of 1933.

In June 2008, Monsanto assumed long-term debt as part of the De Ruiter acquisition. See Note 4 Business Combinations for additional discussion of the De Ruiter acquisition. The assumed debt was denominated in European euros and was due

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

on Sept. 25, 2012. The interest rate was a variable rate based on the Euribor. As of Aug. 31, 2009, the debt assumed as a part of the acquisition had been settled.

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. An unrealized loss and gain, net of tax, of \$8 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 Aug. 31, 2010 and Aug. 31, 2009, 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 loss, net of tax, of \$9 million was recorded in accumulated other comprehensive loss to reflect the aftertax change in the fair value of the forward-starting interest rate swaps as of Aug. 31, 2010. These swaps are accounted for under the Derivatives and Hedging topic of the ASC.

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 interest rate before the debt is issued. An unrealized loss, net of tax, of \$7 million was recorded in accumulated other comprehensive loss to reflect the aftertax change in the fair value of the forward-starting interest rate swaps as of Aug. 31, 2010.

The information regarding interest expense below reflects Monsanto's interest expense on debt and amortization of debt issuance costs:

| (Dollars in millions) | Year Ended Aug. 31, | | |
|-----------------------------------|---------------------|--------|--------|
| | 2010 | 2009 | 2008 |
| Interest Cost Incurred | \$ 187 | \$ 163 | \$ 132 |
| Less: Capitalized on Construction | (25) | (34) | (22) |
| Interest Expense | \$ 162 | \$ 129 | \$ 110 |

NOTE 15. FAIR VALUE MEASUREMENTS

Effective Sept. 1, 2008, Monsanto adopted a standard that provides a framework for measuring fair value. The standard also eliminates the deferral of gains and losses at inception associated with certain derivative contracts whose fair value was not evidenced by observable market data. The standard requires that the impact of this change in accounting for derivative contracts be recorded as an adjustment to opening retained earnings in the period of adoption. Monsanto did not have any deferred gains or losses at inception of derivative contracts. Therefore, no adjustment to opening retained earnings was made upon adoption of the standard.

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.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Aug. 31, 2010, and Aug. 31, 2009. 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 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.

Fair Value Measurements at Aug. 31, 2010, Using

| (Dollars in millions) | Level 1 | Level 2 | Level 3 | Cash 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 |
| 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

Fair Value Measurements at Aug. 31, 2009, Using

| (Dollars in millions) | Level 1 | Level 2 | Level 3 | Cash Collateral Offset ⁽¹⁾ | Net Balance |
|---|-----------------|--------------|-----------|--|-----------------|
| Assets at Fair Value: | | | | | |
| Cash equivalents | \$ 1,548 | \$ | \$ | \$ | \$ 1,548 |
| Equity securities | 25 | | | | 25 |
| Derivative assets related to: | | | | | |
| Foreign currency | | 34 | | | 34 |
| Interest rates | | 14 | | | 14 |
| Commodities | 2 | | | (2) | |
| Total Assets at Fair Value | \$ 1,575 | \$ 48 | \$ | \$ (2) | \$ 1,621 |
| Liabilities at Fair Value: | | | | | |
| Derivative liabilities related to: | | | | | |
| Foreign currency | | 37 | | | 37 |
| Commodities | 93 | 31 | | (93) | 31 |
| Total Liabilities at Fair Value | \$ 93 | \$ 68 | \$ | \$ (93) | \$ 68 |

(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.

For assets that are measured using quoted prices in active markets, the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs are primarily valued by reference to quoted prices of markets that are not active. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Cash equivalents: The carrying value of cash equivalents approximates fair value as maturities are less than three months. Monsanto's cash equivalents are primarily money market funds that trade on a regular basis in active markets and are therefore classified as Level 1.

Equity securities: Monsanto's equity securities are classified as available-for-sale and are included in other assets on the Statements of Consolidated Financial Position. They are measured at fair value using quoted market prices and are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Debt securities: As discussed in Note 7 – Customer Financing Programs, Monsanto purchased available-for-sale debt securities in fiscal year 2010, which are recorded in other assets in the Statement of Consolidated Financial Position. Monsanto measured the initial investment at fair value by using an independent pricing source. The amount was subsequently adjusted for expected future credit losses. Because the credit losses are based on internal assumptions, these investments are considered to be Level 3.

Foreign currency hedges: Monsanto manages its foreign currency risk with foreign currency derivatives, primarily forward foreign exchange contracts and foreign currency options. Foreign currency derivative values are classified as Level 2, and are calculated using pricing components (e.g., exchange rates, forward rates, interest rates and options volatilities) obtained from third-party pricing sources that report the trading of these components in active markets. The calculated valuations are adjusted for credit risk. The foreign currency derivative assets are included in miscellaneous receivables or other assets, and foreign currency derivative liabilities are included in miscellaneous short-term accruals on the Statements of Consolidated Financial Position.

Interest rate swaps: Monsanto enters into forward-starting interest rate swaps to hedge the variability of the forecasted interest payments on an expected debt issuance. These swaps are held with banks and will be settled based on broker-quoted prices based on observable market data, adjusted for credit risk, and therefore are classified as Level 2. The interest rate derivative assets are included in other assets and the interest rate derivative liabilities are included in miscellaneous short-term accruals and other liabilities on the Statements of Consolidated Financial Position.

Commodity hedges: Monsanto's commodity contracts relate to corn and soybeans. The commodity derivative instruments that the company currently uses are futures and forward sales contracts. Futures are traded on the Chicago Board of Trade (CBOT). The CBOT is an active market with quoted prices, and therefore these instruments are classified as Level 1. Monsanto collects payment on certain customer accounts in grain, and enters into forward sales contracts to mitigate the commodity price exposure. The prices of these forward sales contracts are based on observable market data and therefore these contracts are classified as Level 2. The commodity derivative assets are included in trade receivables, net, other current assets and other assets and the commodity derivative liabilities are included in miscellaneous short-term accruals on the Statements of Consolidated Financial Position. Certain commodity derivative assets and liabilities have been offset under a master netting arrangement. These commodity contracts that are in a liability position are netted against trade receivables, net, other current assets or other assets, based upon the nature of the hedged item.

Energy and raw materials: The energy contracts consist of natural gas and diesel swaps which settle based on quoted prices from the New York Mercantile Exchange and the Energy Information Administration, respectively, but are held with various banks, not directly with the exchanges. As a result, the natural gas and diesel swaps are classified as Level 2 and the fair values are adjusted for credit risk. The raw material contracts consist of ethylene swaps which settle based on quoted prices published by Chemical Market Associates, Inc. and which are also held with various banks. As a result, the ethylene swaps are also classified as Level 2 and the fair values are adjusted for credit risk. The energy and raw materials derivative liabilities are included in miscellaneous short-term accruals and other liabilities on the Statements of Consolidated Financial

Position.

As discussed above, Monsanto utilizes information from third parties, such as pricing services and brokers, to assist in determining fair values for certain assets and liabilities; however, management is ultimately responsible for all fair values presented in the company's consolidated financial statements. The company performs analysis and review of the information and prices received from third parties to ensure that the prices represent a reasonable estimate of fair value. This process involves quantitative and qualitative analysis. As a result of the analysis, if the company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the changes in fair value of the Level 3 asset for the year ended Aug. 31, 2010.

(Dollars in millions)

| | |
|--|-------------|
| Balance Sept. 1, 2009 | \$ |
| Purchases, sales, issuances, settlements and payments received | 15 |
| Unrealized loss on investments included in accumulated other comprehensive loss | (5) |
| | |
| Balance Aug. 31, 2010 | \$10 |

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.

Measurements during fiscal year 2010 of assets at fair value on a nonrecurring basis subsequent to their initial recognition were as follows:

Property, Plant and Equipment, Net: Property, plant and equipment with a carrying value of \$21 million was written down to its implied fair value of less than \$1 million, resulting in an impairment charge of \$21 million, which was primarily included in cost of goods sold in the Statement of Consolidated Operations for fiscal year 2010. Long-lived assets held for sale with a carrying amount of \$2 million were written down to their implied fair value of less than \$1 million, resulting in an impairment charge of \$2 million, which was primarily included in cost of goods sold in the Statement of Consolidated Operations for fiscal year 2010. Costs to sell were not significant.

Other Intangible Assets, Net: Other intangible assets with a carrying value of \$14 million were written down to their implied fair value of less than \$1 million, resulting in an impairment charge of \$14 million, which was primarily included in research and development expenses in the Statement of Consolidated Operations for fiscal year 2010.

There were no significant measurements of liabilities at fair value on a nonrecurring basis subsequent to their initial recognition during fiscal year 2010.

The recorded amounts of cash, trade receivables, miscellaneous receivables, third-party guarantees, accounts payable, grower accruals, accrued marketing programs and miscellaneous short-term accruals approximate their fair values as of Aug. 31, 2010, and Aug. 31, 2009.

NOTE 16. FINANCIAL INSTRUMENTS

Monsanto's business and activities expose it to a variety of market risks, including risks related to changes in commodity prices, foreign currency exchange rates and interest rates. These financial exposures are monitored and managed by the company as an integral part of its market risk management program. This program recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effects that market volatility could have on operating results. As part of its market risk management strategy, Monsanto uses derivative instruments to protect fair values and cash flows from fluctuations caused by volatility in currency exchange rates, commodity prices and interest rates.

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

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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 12 months for foreign currency hedges, 43 months for commodity hedges and 24 months for interest rate hedges. During the next 12 months, a pretax net loss of approximately \$9 million will be reclassified from accumulated other comprehensive loss into earnings. During fiscal year 2010, a pretax loss of \$29 million was 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. No cash flow hedges were discontinued during fiscal years 2009 or 2008.

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 fiscal years 2010, 2009 or 2008.

Net Investment Hedges

The difference between the carrying value and the fair value of hedged items classified as fair hedges was offset by the change in fair value of the related derivatives. Accordingly, hedge ineffectiveness for fair value hedges, determined in accordance with the Derivatives and Hedging topic of the ASC, had an immaterial effect on earnings in fiscal years 2010, 2009 and 2008. No fair value hedges were discontinued during fiscal years 2010, 2009 or 2008.

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

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

The notional amounts of the company's derivative instruments outstanding as of Aug. 31, 2010, and Aug. 31, 2009, were as follows:

| (Dollars in millions) | As of Aug. 31, | |
|---|-----------------|-----------------|
| | 2010 | 2009 |
| Derivatives Designated as Hedges: | | |
| Foreign exchange contracts | \$ 383 | \$ 718 |
| Commodity contracts | 387 | 716 |
| Interest rate contracts | 775 | 250 |
| Total Derivatives Designated as Hedges | \$ 1,545 | \$ 1,684 |
| Derivatives Not Designated as Hedges: | | |
| Foreign exchange contracts | \$ 862 | \$ 1,391 |
| Commodity contracts | 123 | 1 |
| Grower contracts | 34 | 42 |

| | | |
|--|-----------------|----------|
| Total Derivatives Not Designated as Hedges | \$ 1,019 | \$ 1,434 |
|--|-----------------|----------|

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The fair values of the company's derivative instruments outstanding as of Aug. 31, 2010, and Aug. 31, 2009, were as follows:

| | Balance Sheet Location | Fair Value | |
|---|-------------------------------------|-------------------|-------|
| | | As of Aug. 31, | |
| | | 2010 | 2009 |
| (Dollars in millions) | | | |
| Asset Derivatives: | | | |
| Derivatives designated as hedges: | | | |
| Foreign exchange contracts | Miscellaneous receivables | \$23 | \$ 14 |
| Foreign exchange contracts | Other assets | | 13 |
| Commodity contracts | Other current assets ⁽¹⁾ | 12 | 1 |
| Commodity contracts | Other assets ⁽¹⁾ | 4 | 1 |
| Interest rate contracts | Other assets | | 14 |
| Total derivatives designated as hedges | | 39 | 43 |
| Derivatives not designated as hedges: | | | |
| Foreign exchange contracts | Miscellaneous receivables | 3 | 7 |
| Commodity contracts | Trade receivables, net | 5 | |
| Total derivatives not designated as hedges | | 8 | 7 |
| Total Asset Derivatives | | \$47 | \$ 50 |

Liability Derivatives:

| | | | |
|--|-------------------------------------|----|-------|
| Derivatives designated as hedges: | | | |
| Foreign exchange contracts | Miscellaneous short-term accruals | \$ | \$ 10 |
| Commodity contracts | Other current assets ⁽¹⁾ | | 85 |
| Commodity contracts | Other assets ⁽¹⁾ | | 7 |
| Commodity contracts | Miscellaneous short-term accruals | 14 | 19 |
| Commodity contracts | Other liabilities | 8 | 12 |
| Interest rate contracts | Miscellaneous short-term accruals | 11 | |
| Interest rate contracts | Other liabilities | 28 | |
| Total derivatives designated as hedges | | 61 | 133 |

Derivatives not designated as hedges:

| | | | |
|--|-----------------------------------|----|----|
| Foreign exchange contracts | Miscellaneous short-term accruals | 5 | 27 |
| Commodity contracts | Trade receivables, net | 4 | |
| Commodity contracts | Other current assets | | 1 |
| Commodity contracts | Miscellaneous short-term accruals | 9 | |
| Total derivatives not designated as hedges | | 18 | 28 |

Total Liability Derivatives **\$79** \$161

⁽¹⁾ As allowed by the Derivatives and Hedging topic of the ASC, certain corn and soybean commodity derivative assets and liabilities have been offset by cash collateral due and paid under a master netting arrangement. Therefore, these commodity contracts that are in an asset or liability position are included in asset accounts within the Statements of Consolidated Financial Position. See Note 15 Fair Value Measurements for a reconciliation to amounts reported in the Statements of Consolidated Financial Position as of Aug. 31, 2010, and Aug. 31, 2009.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

| (Dollars in millions) | Amount of Gain (Loss) | | | Amount of Gain (Loss) | | | Income Statement Classification |
|---|-----------------------------------|--------------|-------------|--|-----------|-------------|---------------------------------|
| | Recognized in AOCL ⁽¹⁾ | | | Recognized in Income ⁽²⁾⁽³⁾ | | | |
| | (Effective Portion) | | | | | | |
| | Year Ended Aug. 31, | | | Year Ended Aug. 31, | | | |
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 | |
| Derivatives Designated as Hedges: | | | | | | | |
| Fair value hedges: | | | | | | | |
| Commodity contracts ⁽⁴⁾ | | | | \$ 6 | \$ (9) | \$ (17) | Cost of goods sold |
| Cash flow hedges: | | | | | | | |
| Foreign exchange contracts | \$ (12) | \$ 34 | \$ 2 | (5) | 35 | (15) | Net sales |
| Foreign exchange contracts | 19 | 40 | (4) | 18 | 32 | (18) | Cost of goods sold |
| Commodity contracts | 43 | (243) | 133 | (94) | 23 | 39 | Cost of goods sold |
| Interest rate contracts | (53) | 14 | (47) | (6) | (6) | (4) | Interest expense |
| Net investment hedges: | | | | | | | |
| Foreign exchange contracts | (3) | 21 | (127) | | | | N/A ⁽⁵⁾ |
| Total Derivatives Designated as Hedges | (6) | (134) | (43) | (81) | 75 | (15) | |
| Derivatives Not Designated as Hedges: | | | | | | | |
| Foreign exchange contracts ⁽⁶⁾ | | | | (46) | (140) | 71 | Other expense, net |

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| | | | | | | | |
|--|--------|----------|---------|----------|---------|-------|--------------------|
| Commodity contracts | | | | (10) | | | Net sales |
| Commodity contracts | | | | (1) | 14 | (1) | Cost of goods sold |
| Commodity contracts | | | | (2) | | | Other expense, net |
| Total Derivatives Not Designated as Hedges | | | | (59) | (126) | 70 | |
| Total Derivatives | \$ (6) | \$ (134) | \$ (43) | \$ (140) | \$ (51) | \$ 55 | |

- (1) Accumulated other comprehensive loss (AOCL).
- (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 AOCL into income during the period.
- (3) Gain or loss on commodity cash flow hedges includes a gain of \$1 million, a loss of \$3 million and a gain of \$3 million from ineffectiveness for fiscal years 2010, 2009 and 2008, respectively. Additionally, the gain or loss on commodity cash flow hedges includes a loss from discontinued hedges of \$29 million for fiscal year 2010. There were no hedges discontinued in fiscal years 2009 or 2008. No gains or losses were excluded from the assessment of hedge effectiveness during fiscal years 2010, 2009 or 2008.
- (4) Gain or loss on commodity fair value hedges was offset by a loss of \$11 million, a gain of \$8 million and a gain of \$15 million on the underlying hedged inventory during fiscal years 2010, 2009 and 2008, respectively. A loss of \$5 million, \$1 million and \$2 million during fiscal years 2010, 2009 and 2008, respectively, was included in cost of goods sold due to ineffectiveness.
- (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 was offset by a foreign currency transaction gain of \$14 million, a gain of \$25 million and a loss of \$76 million during fiscal years 2010, 2009 and 2008, 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 Monsanto's credit rating fall below a specified rating immediately following the merger of Monsanto 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. Foreign currency derivatives that are not covered by ISDA Master Agreements do not have credit-risk-related contingent provisions. Most of Monsanto'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. 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 in a liability position was \$64 million on Aug. 31, 2010, and \$43 million on Aug. 31, 2009, which is the amount that would be required for settlement if the credit-risk-related contingent provisions underlying these agreements were triggered.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Aug. 31, 2010, and Aug. 31, 2009, 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 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 or credit insurance is obtained when it is deemed appropriate by the company.

Monsanto regularly evaluates its business practices to minimize its credit risk. During fiscal years 2010, 2009 and 2008, the company engaged multiple banks primarily in the United States, Argentina, Brazil and Europe in the development of customer financing programs. For further information on these programs, see Note 7 Customer Financing Programs.

NOTE 17. POSTRETIREMENT BENEFITS PENSIONS

Most of Monsanto's U.S. employees are covered by noncontributory pension plans sponsored by the company. Pension benefits are based on an employee's years of service and compensation level. Funded pension plans in the United States and outside the United States were funded in accordance with the company's long-range projections of the plans' financial condition. These projections took into account benefits earned and expected to be earned, anticipated returns on pension plan assets, and income tax and other regulations.

Components of Net Periodic Benefit Cost

Total pension cost for Monsanto employees included in the Statements of Consolidated Operations was \$85 million, \$80 million and \$68 million in fiscal years 2010, 2009, and 2008, respectively. The information that follows relates to all of the pension plans in which Monsanto employees participated. The components of pension cost for these plans were:

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| | Year Ended Aug. 31, 2010 | | | Year Ended Aug. 31, 2009 | | | Year Ended Aug. 31, 2008 | | |
|--|--------------------------|-------------|--------------|--------------------------|-------------|--------------|--------------------------|-------------|--------------|
| | Outside | | | Outside | | | Outside | | |
| | the | | | the | | | the | | |
| (Dollars in millions) | U.S. | U.S. | Total | U.S. | U.S. | Total | U.S. | U.S. | Total |
| Service Cost for Benefits Earned During the Year | \$ 49 | \$ 6 | \$ 55 | \$ 45 | \$ 7 | \$ 52 | \$ 39 | \$ 6 | \$ 45 |
| Interest Cost on Benefit Obligation | 91 | 14 | 105 | 100 | 15 | 115 | 94 | 15 | 109 |
| Assumed Return on Plan Assets | (118) | (15) | (133) | (109) | (17) | (126) | (108) | (18) | (126) |
| Amortization of Unrecognized Net Loss | 52 | 4 | 56 | 35 | 3 | 38 | 37 | 3 | 40 |
| Curtailment and Settlement Charge (Gain) | 3 | (1) | 2 | | 1 | 1 | | | |
| Total Net Periodic Benefit Cost | \$ 77 | \$ 8 | \$ 85 | \$ 71 | \$ 9 | \$ 80 | \$ 62 | \$ 6 | \$ 68 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The other changes in plan assets and benefit obligations recognized in accumulated other comprehensive loss for the year ended Aug. 31, 2010, were:

| (Dollars in millions) | Outside the | | Total |
|---|---------------|--------------|--------------|
| | U.S. | U.S. | |
| Current Year Actuarial Loss | \$ 198 | \$ 29 | \$227 |
| Recognition of Actuarial (Loss) | (52) | (10) | (62) |
| Current Year Prior Service (Credit) Cost | (3) | 1 | (2) |
| Recognition of Prior Service Credit (Cost) | (2) | 2 | |
| Effect of Foreign Currency Translation Adjustments | | (8) | (8) |
| Total Recognized in Accumulated Other Comprehensive Loss | \$ 141 | \$ 14 | \$155 |

The following assumptions, calculated on a weighted-average basis, were used to determine pension costs for the principal plans in which Monsanto employees participated:

| Year Ended | | Year Ended | | Year Ended | |
|---------------|----------|---------------|----------|---------------|----------|
| Aug. 31, 2010 | | Aug. 31, 2009 | | Aug. 31, 2008 | |
| Outside | | Outside | | Outside | |
| U.S. | the U.S. | U.S. | the U.S. | U.S. | the U.S. |

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| | | | | | | |
|--|--------------|--------------|-------|-------|-------|-------|
| Discount Rate | 5.30% | 5.54% | 6.50% | 5.84% | 6.05% | 5.48% |
| Assumed Long-Term Rate of Return on Assets | 7.75% | 6.63% | 8.00% | 7.09% | 8.25% | 7.05% |
| Annual Rates of Salary Increase (for plans that base benefits on final compensation level) | 2.45% | 4.04% | 4.25% | 4.14% | 4.30% | 3.28% |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Obligations and Funded Status**

Monsanto uses a measurement date of August 31 for its pension plans. The funded status of the pension plans as of Aug. 31, 2010, and Aug. 31, 2009, was as follows:

| | U.S. | | Outside the U.S. | | Total | |
|--|---------------------|----------------|---------------------|--------------|---------------------|----------------|
| | Year Ended Aug. 31, | | Year Ended Aug. 31, | | Year Ended Aug. 31, | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| (Dollars in millions) | | | | | | |
| Change in Benefit Obligation: | | | | | | |
| Benefit obligation at beginning of period | \$1,744 | \$1,569 | \$307 | \$309 | \$2,051 | \$1,878 |
| Service cost | 49 | 45 | 6 | 7 | 55 | 52 |
| Interest cost | 91 | 100 | 14 | 15 | 105 | 115 |
| Plan participants' contributions | | | 1 | 1 | 1 | 1 |
| Plan amendments | (3) | | 1 | | (2) | |
| Actuarial loss | 210 | 145 | 32 | 6 | 242 | 151 |
| Benefits paid | (138) | (115) | (23) | (16) | (161) | (131) |
| Special termination benefits | | | 1 | | 1 | |
| Settlements / curtailments | (3) | | (6) | (2) | (9) | (2) |
| Currency loss | | | (26) | (13) | (26) | (13) |
| Other | | | 12 | | 12 | |
| Benefit Obligation at End of Period | \$1,950 | \$1,744 | \$319 | \$307 | \$2,269 | \$2,051 |
| Change in Plan Assets: | | | | | | |
| Fair value of plan assets at beginning of period | \$1,281 | \$1,319 | \$235 | \$241 | \$1,516 | \$1,560 |
| Actual (loss) gain on plan assets | 126 | (99) | 25 | 4 | 151 | (95) |
| Employer contribution ⁽¹⁾ | 114 | 176 | 19 | 11 | 133 | 187 |
| Plan participants' contributions | | | 1 | 2 | 1 | 2 |

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| | | | | | | |
|------------------------------|---------|---------|-------|-------|---------|---------|
| Benefits paid ⁽¹⁾ | (138) | (115) | (23) | (16) | (161) | (131) |
| Currency loss | | | (22) | (10) | (22) | (10) |
| Other | | | 8 | 3 | 8 | 3 |
| Plan Assets at End of Period | \$1,383 | \$1,281 | \$243 | \$235 | \$1,626 | \$1,516 |
| Net Amount Recognized | \$ 567 | \$ 463 | \$ 76 | \$ 72 | \$ 643 | \$ 535 |

⁽¹⁾ Employer contributions and benefits paid include \$12 million and \$7 million paid from employer assets for unfunded plans in fiscal years 2010 and 2009, respectively.

Weighted-average assumptions used to determine benefit obligations as of Aug. 31, 2010, and Aug. 31, 2009, were as follows:

| | U.S. | | Outside the U.S. | |
|-------------------------------|---------------------|-------|---------------------|-------|
| | Year Ended Aug. 31, | | Year Ended Aug. 31, | |
| | 2010 | 2009 | 2010 | 2009 |
| Discount Rate | 4.35% | 5.30% | 4.25% | 5.54% |
| Rate of Compensation Increase | 4.00% | 2.45% | 3.79% | 4.04% |

Fiscal year 2011 pension expense, which will be determined using assumptions as of Aug. 31, 2010, is expected to increase compared with fiscal year 2010 expense. The company decreased its discount rate assumption as of Aug. 31, 2010, to reflect current economic conditions of market interest rates.

The U.S. accumulated benefit obligation (ABO) was \$1.8 billion and \$1.7 billion as of Aug. 31, 2010, and Aug. 31, 2009, respectively. The ABO for plans outside of the United States was \$268 million and \$244 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The projected benefit obligation (PBO), ABO, and the fair value of the plan assets for pension plans with PBOs in excess of plan assets as of Aug. 31, 2010, and Aug. 31, 2009, were as follows:

| | U.S. | | Outside the U.S. | | Total | |
|--|----------------|----------|------------------|--------|----------------|----------|
| | As of Aug. 31, | | As of Aug. 31, | | As of Aug. 31, | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| (Dollars in millions) | | | | | | |
| PBO | \$ 1,950 | \$ 1,744 | \$ 283 | \$ 260 | \$ 2,233 | \$ 2,004 |
| ABO | 1,848 | 1,683 | 260 | 230 | 2,108 | 1,913 |
| Fair Value of Plan Assets with PBOs in Excess of Plan Assets | 1,383 | 1,281 | 226 | 206 | 1,609 | 1,487 |

The PBO, ABO, and the fair value of the plan assets for pension plans with ABOs in excess of plan assets as of Aug. 31, 2010, and Aug. 31, 2009, were as follows:

| | U.S. | | Outside the U.S. | | Total | |
|-----------------------|----------------|----------|------------------|--------|----------------|----------|
| | As of Aug. 31, | | As of Aug. 31, | | As of Aug. 31, | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| (Dollars in millions) | | | | | | |
| PBO | \$ 1,950 | \$ 1,744 | \$ 168 | \$ 165 | \$ 2,118 | \$ 1,909 |
| ABO | 1,848 | 1,683 | 157 | 142 | 2,005 | 1,825 |
| | 1,383 | 1,281 | 118 | 113 | 1,501 | 1,394 |

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Fair Value of Plan Assets with ABOs in Excess of Plan Assets

As of Aug. 31, 2010, and Aug. 31, 2009, amounts recognized in the Statements of Consolidated Financial Position were included in the following balance sheet accounts:

Net Amount Recognized

| | U.S. | | Outside the U.S. | | Total | |
|-----------------------------------|----------------|---------------|------------------|--------------|----------------|---------------|
| | As of Aug. 31, | | As of Aug. 31, | | As of Aug. 31, | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| (Dollars in millions) | | | | | | |
| Miscellaneous Short-Term Accruals | \$ 4 | \$ 4 | \$ 6 | \$ 8 | \$ 10 | \$ 12 |
| Postretirement Liabilities | 563 | 459 | 76 | 75 | 639 | 534 |
| Other Assets | | | (6) | (11) | (6) | (11) |
| Net Liability Recognized | \$ 567 | \$ 463 | \$ 76 | \$ 72 | \$ 643 | \$ 535 |

The following table provides a summary of the pretax components of the amount recognized in accumulated other comprehensive loss:

| | U.S. | | Outside the U.S. | | Total | |
|-----------------------------|----------------|---------------|------------------|--------------|----------------|---------------|
| | As of Aug. 31, | | As of Aug. 31, | | As of Aug. 31, | |
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| (Dollars in millions) | | | | | | |
| Net Loss | \$ 921 | \$ 775 | \$ 75 | \$ 64 | \$ 996 | \$ 839 |
| Prior Service Cost (Credit) | 1 | 6 | 1 | (2) | 2 | 4 |
| Total | \$ 922 | \$ 781 | \$ 76 | \$ 62 | \$ 998 | \$ 843 |

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are \$76 million and \$1 million, respectively.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Plan Assets**

U.S. Plans: The asset allocations for Monsanto's U.S. pension plans as of Aug. 31, 2010, and Aug. 31, 2009, and the target allocation range for fiscal year 2011, by asset category, follow. The fair value of assets for these plans was \$1.4 billion and \$1.3 billion as of Aug. 31, 2010, and Aug. 31, 2009, respectively.

| Asset Category | Percentage of Plan Assets | | |
|-------------------|---------------------------|----------------|--------|
| | Target | As of Aug. 31, | |
| | Allocation | 2010 | 2009 |
| Equity Securities | 50 60% | 58.7% | 59.5% |
| Debt Securities | 35 45% | 33.4% | 28.3% |
| Real Estate | 2 8% | 2.9% | 3.3% |
| Other | 0 3% | 5.0% | 8.9% |
| Total | | 100.0% | 100.0% |

The expected long-term rate of return on these plan assets was 7.75 percent in fiscal year 2010, 8.0 percent in fiscal year 2009, and 8.25 percent in fiscal year 2008. The expected long-term rate of return on plan assets is based on historical and projected rates of return for current and planned asset classes in the plan's investment portfolio. Assumed projected rates of return for each asset class were selected after analyzing historical experience and future expectations of the returns and volatility of the various asset classes. The overall expected rate of return for the portfolio is based on the target asset allocation for each asset class and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and the effect of expenses paid for plan assets.

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The general principles guiding investment of U.S. pension plan assets are embodied in the Employee Retirement Income Security Act of 1974 (ERISA). These principles include discharging the company's investment responsibilities for the exclusive benefit of plan participants and in accordance with the prudent expert standards and other ERISA rules and regulations. Investment objectives for the company's U.S. pension plan assets are to optimize the long-term return on plan assets while maintaining an acceptable level of risk, to diversify assets among asset classes and investment styles, and to maintain a long-term focus.

The plan's investment fiduciaries are responsible for selecting investment managers, commissioning periodic asset/liability studies, setting asset allocation targets, and monitoring asset allocation and investment performance. The company's pension investment professionals have discretion to manage assets within established asset allocation ranges approved by the plan fiduciaries.

Late in 2010, an asset/liability study was conducted to determine the optimal strategic asset allocation to meet the plan's projected long-term benefit obligations and desired funded status. The target asset allocation resulting from the asset/liability study is outlined in the previous table.

Plans Outside the United States: The weighted-average asset allocation for Monsanto's pension plans outside of the United States as of Aug. 31, 2010, and Aug. 31, 2009, and the weighted-average target allocation for fiscal year 2011, by asset category, follow. The fair value of plan assets for these plans was \$243 million and \$235 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively.

| Asset Category | Percentage of Plan Assets | | |
|-------------------|---------------------------|----------------|--------|
| | Target | As of Aug. 31, | |
| | Allocation ⁽¹⁾ | 2010 | 2009 |
| Equity Securities | 37% | 30.6% | 32.9% |
| Debt Securities | 57% | 54.5% | 59.6% |
| Other | 6% | 14.9% | 7.5% |
| Total | | 100.0% | 100.0% |

⁽¹⁾ Monsanto's plans outside the United States have a wide range of target allocations, and therefore the 2011 target allocations shown above reflect a weighted-average calculation of the target allocations of each of the plans.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The weighted-average expected long-term rate of return on the plans' assets was 6.6 percent in fiscal year 2010 and 7.1 percent in fiscal years 2009 and 2008. Determination of the expected long-term rate of return for plans outside the United States is consistent with the U.S. methodology.

Fair Value Measurements

U.S. Plans: The fair values of our U.S. defined benefit pension plan investments as of Aug. 31, 2010, by asset category, are as follows:

Fair Value Measurements at Aug. 31, 2010 Using

| (Dollars in millions) | Level 1 | Level 2 | Level 3 | Cash Collateral Offset ⁽¹⁾ | Balance as of Aug. 31, 2010 |
|---|---------|---------|---------|--|--------------------------------|
| Investments at Fair Value: | | | | | |
| Cash and Cash Equivalents | \$ 14 | \$ | \$ | \$ | \$ 14 |
| Debt Securities: | | | | | |
| U.S. government debt | | 159 | | | 159 |
| U.S. agency debt | | 8 | | | 8 |
| U.S. state and municipal debt | | 8 | | | 8 |
| U.S. corporate debt | | 130 | | | 130 |
| Foreign corporate debt | | 37 | | | 37 |
| Other debt securities | | 15 | | | 15 |
| Common and Preferred Stock: | | | | | |
| Domestic small capitalization | 50 | | | | 50 |
| Domestic large capitalization | 223 | | | | 223 |
| International: | | | | | |
| Developed markets | 170 | | | | 170 |
| Emerging markets | 34 | 1 | | | 35 |
| Private Equity Investments | | | 57 | | 57 |
| Partnership and Joint Venture Interests | | | 36 | | 36 |
| Real Estate Investments | | | 40 | | 40 |

| | | | | | |
|---|--------------|--------------|--------------|-------------|----------------|
| Interest in Pooled Funds: | | | | | |
| Cash and cash equivalents funds | | 115 | | | 115 |
| Common and preferred stock funds | | 168 | | | 168 |
| Corporate debt funds | | 71 | | | 71 |
| Mortgage-Backed securities funds | | 7 | | | 7 |
| Interest in Pooled Collateral Fund Held Under Securities Lending Agreement | | | | | |
| | | 168 | | | 168 |
| Derivatives: | | | | | |
| Equity index futures | 5 | | | (5) | |
| Common and preferred stock sold short | | (21) | | 21 | |
| Total Investments at Fair Value | \$496 | \$866 | \$133 | \$16 | \$1,511 |

(1) Futures derivative assets and common and preferred stock sold short have been offset by cash collateral held by the counterparty. The following table summarizes the changes in fair value of the Level 3 investments as of Aug. 31, 2010.

(Dollars in millions)

| | |
|---|--------------|
| Balance Sept. 1, 2009 | \$121 |
| Purchases, sales, issuances, settlements and payments received | (1) |
| Unrealized loss in investments | 13 |
| Balance Aug. 31, 2010 | \$133 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table reconciles the investments at fair value to the plan assets as of Aug. 31, 2010.

(Dollars in millions)

| | |
|---|---------------------|
| Total Investments at Fair Value | \$ 1,511 |
| Liability to return collateral held under securities lending agreement | (168) |
| Non-interest bearing cash | 1 |
| Accrued income / expense | 4 |
| Other receivables and payables | 35 |
| Plan Assets at the End of the Period | \$ 1,383 |

In managing the plan assets, Monsanto reviews and manages risk associated with funded status risk, market risk, liquidity risk and operational risk. Asset allocation determined in light of the plans' liability characteristics and asset class diversification are central to the company's risk management approach and are integral to the overall investment strategy. Further mitigation of asset class risk is achieved by investment style, investment strategy and investment management firm diversification. Investment guidelines are included in all investment management agreements with investment management firms managing publicly traded equities and fixed income accounts for the plan.

Plans Outside the United States: The fair values of our defined benefit pension plan investments outside of the United States as of Aug. 31, 2010, by asset category, are as follows:

Fair Value Measurements at Aug. 31, 2010 Using

| (Dollars in millions) | Level 1 | Level 2 | Level 3 | Balance as of Aug. 31, 2010 |
|-----------------------|---------|---------|---------|--------------------------------|
|-----------------------|---------|---------|---------|--------------------------------|

| | | | | |
|---|-------------|--------------|-------------|--------------|
| Cash and Cash Equivalents | \$13 | \$ | \$ | \$ 13 |
| Debt Securities Foreign Government Debt | | 13 | | 13 |
| Common and Preferred stock: | | | | |
| Domestic large capitalization | 21 | | | 21 |
| International | 28 | | | 28 |
| Insurance Backed Securities | 1 | | 11 | 12 |
| Interest in Pooled Funds: | | | | |
| Common and preferred stock funds | | 96 | | 96 |
| Government debt funds | | 1 | | 1 |
| Corporate debt funds | | 57 | | 57 |
| Total Investments at Fair Value | \$63 | \$167 | \$11 | \$241 |

The following table summarizes the changes in fair value of the Level 3 investments as of Aug. 31, 2010.

(Dollars in millions)

| | |
|---|--------------|
| Balance Sept. 1, 2009 | \$ 6 |
| Purchases, sales, issuances, settlements and payments received | 5 |
| Unrealized loss in investments | |
| Balance Aug. 31, 2010 | \$ 11 |

The following table reconciles the investments at fair value to the plan asset as of Aug. 31, 2010.

(Dollars in millions)

| | |
|---|---------------|
| Total Investments at Fair Value | \$ 241 |
| Non-interest bearing cash | 1 |
| Other receivables and payables | 1 |
| Plan Assets at the End of the Period | \$ 243 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In managing the plan assets, risk associated with funded status risk, market risk, liquidity risk and operational risk is considered. The design of a plan's overall investment strategy will take into consideration one or more of the following elements: a plan's liability characteristics, diversification across assets classes, diversification within assets classes and investment management firm diversification. Investment policies consistent with the plan's overall investment strategy are established.

For assets that are measured using quoted prices in active markets, the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs, which have been determined to be immaterial. Assets that are measured using significant other observable inputs are primarily valued by reference to quoted prices of markets that are not active. The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents: The carrying value of cash represents fair value as it consists of actual currency, and is classified as level 1.

Debt securities: Debt securities consist of U.S. and foreign corporate credit, U.S. and foreign government issues (including related agency debentures and mortgages), U.S. state and municipal securities, and U.S. term bank loans. Debt securities are generally priced by institutional bids, which reflect estimated values based on underlying model frameworks at various dealers and vendors, or are formally listed on exchanges, where dealers exchange bid and ask offers to arrive at most executed transaction prices. Term bank loans are priced in a similar fashion to corporate debt securities. All debt securities included in the plans are classified as Level 2.

Common and preferred stock: The plans' common and preferred stock primarily consists of investments in listed U.S. and international company stock. Most stock investments are valued using quoted prices from the various public markets. Most equity securities trade on formal exchanges, both domestic and foreign (e.g., NYSE, NASDAQ, LSE), and can be accurately described as active markets. The observable valuation inputs are unadjusted quoted prices that represent active market trades, and are classified as Level 1. Some common and preferred stock holdings are not listed on established exchanges or actively traded inputs to determine their values are obtainable from public sources, and are thus classified as Level 2.

Private equity investments: The U.S. plan invests in private equity, which as an asset class is generally characterized as requiring long-term commitments where liquidity is typically limited. Therefore, private equity does not have an actively traded market with readily observable prices. Valuations depend on a variety of proprietary model methodologies, some of which may be derived from publicly available sources. However, there are also material inputs that are not readily observable, and that require subjective assessments. All private equity investments are classified as Level 3.

Partnership and joint venture interests: The U.S. plan invests in these investments which include interests in two limited partnership funds which are considered absolute return funds in which the manager takes long and short positions to generate returns. While most individual securities in these strategies would fall under level 1 or level 2 if held individually, the lack of available quotes and unique structure of the funds cause these to be classified as level 3.

Real estate investments: The U.S. plan invests in U.S. real estate through indirect ownership entities, which are structured as limited partnerships or private real estate investment trusts (REITs). Real estate investments are generally illiquid long-term assets valued in large part using inputs not readily observable in the public markets. There are no formal listed markets for either the funds' underlying commercial properties, or for shares in any given fund. All real estate investments are classified as Level 3.

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Interest in pooled funds: Investments are structured as commingled pools, or funds. These funds are comprised of other broad asset category types, such as equity and debt securities, derivatives and cash and equivalents. The underlying holdings are all based on unadjusted quoted market prices in an active exchange market, and the total fund value can be ascertained from readily available market data. However, because there are no publicly available market quotes for the pooled funds themselves, all pooled funds are classified as Level 2.

Derivatives: The U.S. plan is permitted to use financial derivative instruments to hedge certain risks and for investment purposes. The plan enters into futures contracts in the normal course of its investing activities to manage market risk associated with the plan's equity and fixed income investments and to achieve overall investment portfolio objectives. The credit risk associated with these contracts is minimal as they are traded on organized exchanges and settled daily. Exchange-

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

traded equity index and interest rate futures are measured at fair value using quoted market prices making them qualify as Level 1 investments. The notional value of all derivatives was \$154 million as of Aug. 31, 2010.

The U.S. plan also holds listed common and preferred stock short sale positions, which involves a counterparty arrangement with a prime broker. The existence of the prime broker counter-party relationship introduces the possibility that short sale market values may need to be adjusted to reflect any counter-party risk, however no such adjustment was required as of Aug. 31, 2010. Therefore, the short positions have been classified as Level 2. The notional value of the short position derivatives was \$23 million as of Aug. 31, 2010.

Insurance backed securities: Insurance backed securities are contracts held with an insurance company. The fair value of the investments is determined based upon the value of the underlying investments as determined by the insurance company. These investments are classified as Level 3.

Collateral held under securities lending agreement: The U.S. plan participates in a securities lending program through Northern Trust. Securities loaned are fully collateralized by cash and U.S. government securities. Because the collateral pool itself lacks a formal public market and price quotes, it is classified as Level 2.

Expected Cash Flows

Information about the expected cash flows for the pension plans follows:

| (Dollars in millions) | U.S. | Outside the U.S. |
|-----------------------------|-------|---------------------|
| Employer Contributions 2011 | \$ 34 | \$11 |
| Benefit Payments | | |
| 2011 | 164 | 17 |
| 2012 | 151 | 17 |
| 2013 | 151 | 22 |
| 2014 | 153 | 20 |
| 2015 | 153 | 21 |
| 2016-2020 | 773 | 99 |

The company may contribute additional amounts to the plans depending on the level of future contributions required.

NOTE 18. POSTRETIREMENT BENEFITS HEALTH CARE AND OTHER POSTEMPLOYMENT BENEFITS

Monsanto-Sponsored Plans

Substantially all regular full-time U.S. employees hired prior to May 1, 2002, and certain employees in other countries become eligible for company-subsidized postretirement health care benefits if they reach retirement age while employed by Monsanto and have the requisite service history. Employees who retired from Monsanto prior to Jan. 1, 2003, were eligible for retiree life insurance benefits. These postretirement benefits are unfunded and are generally based on the employees' years of service or compensation levels, or both. The costs of postretirement benefits are accrued by the date the employees become eligible for the benefits. Total postretirement benefit costs for Monsanto employees and the former employees included in Monsanto's Statements of Consolidated Operations in fiscal years 2010, 2009 and 2008, were \$8 million, \$14 million and \$30 million, respectively.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following information pertains to the postretirement benefit plans in which Monsanto employees and certain former employees of Pharmacia allocated to Monsanto participated, principally health care plans and life insurance plans. The cost components of these plans were:

| (Dollars in millions) | Year Ended Aug. 31, | | |
|--|---------------------|--------------|-------------|
| | 2010 | 2009 | 2008 |
| Service Cost for Benefits Earned During the Period | \$ 9 | \$ 11 | \$12 |
| Interest Cost on Benefit Obligation | 12 | 17 | 17 |
| Amortization of Prior Service Cost | (3) | | |
| Amortization of Actuarial Gain | (10) | | |
| Amortization of Unrecognized Net Gain | | (14) | (3) |
| Settlement Charge | | | 4 |
| Total Net Periodic Benefit Cost | \$ 8 | \$ 14 | \$30 |

The other changes in plan assets and benefit obligations recognized in accumulated other comprehensive loss for the year ended Aug. 31, 2010, were:

| (Dollars in millions) | Year Ended Aug. 31 | |
|------------------------------------|--------------------|--------|
| | 2010 | 2009 |
| Net Loss (Gain) | \$21 | \$(17) |
| Amortization of Prior Service Cost | 1 | 1 |

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| | | |
|---|-------------|--------|
| Amortization of Loss | 11 | 13 |
| Total Recognized in Accumulated Other Comprehensive Loss (Income) | \$33 | \$ (3) |

The following assumptions, calculated on a weighted-average basis, were used to determine the postretirement costs for the principal plans in which Monsanto employees participated:

| | Year Ended Aug. 31, | | |
|---|---------------------|-------|-------|
| | 2010 | 2009 | 2008 |
| Discount Rate | 5.30% | 6.50% | 6.05% |
| Initial Trend Rate for Health Care Costs | 6.00% | 6.50% | 7.00% |
| Ultimate Trend Rate for Health Care Costs | 5.00% | 5.00% | 5.00% |

A 6 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2010. This assumption is consistent with the plans' recent experience and expectations of future growth. It is assumed that the rate will decrease gradually to 5 percent for 2012 and remain at that level thereafter. Assumed health care cost trend rates have an effect on the amounts reported for the health care plans. A 1 percentage-point change in assumed health care cost trend rates would have the following effects:

| (Dollars in millions) | 1 Percentage-Point Increase | 1 Percentage-Point Decrease |
|--|-----------------------------|-----------------------------|
| Effect on Total of Service and Interest Cost | \$1 | \$(1) |
| Effect on Postretirement Benefit Obligation | \$1 | \$(1) |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Monsanto uses a measurement date of August 31 for its other postretirement benefit plans. The status of the postretirement health care, life insurance, and employee disability benefit plans in which Monsanto employees participated was as follows for the periods indicated:

| (Dollars in millions) | Year Ended Aug. 31, | |
|---|---------------------|-------|
| | 2010 | 2009 |
| Change in Benefit Obligation: | | |
| Benefit obligation at beginning of period | \$248 | \$261 |
| Service cost | 9 | 11 |
| Interest cost | 12 | 17 |
| Actuarial loss (gain) | 21 | (18) |
| Plan participant contributions | 3 | 3 |
| Plan amendments | (2) | |
| Medicare Part D subsidy receipts | 2 | 1 |
| Benefits paid ⁽¹⁾ | (29) | (27) |
| | | |
| Benefit Obligation at End of Period | \$264 | \$248 |

⁽¹⁾ Benefits paid under the other postretirement benefit plans include \$29 million and \$27 million from employer assets in fiscal years 2010 and 2009, respectively.

Weighted-average assumptions used to determine benefit obligations as of Aug. 31, 2010, and Aug. 31, 2009, were as follows:

Year Ended Aug. 31,

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| | 2010 | 2009 |
|---|--------------|-------|
| Discount Rate Postretirement | 4.10% | 5.30% |
| Discount Rate Postemployment | 2.30% | 3.50% |
| Initial Trend Rate for Health Care Costs ⁽¹⁾ | 7.00% | 6.00% |
| Ultimate Trend Rate for Health Care Costs | 5.00% | 5.00% |

⁽¹⁾ As of Aug. 31, 2010, this rate is assumed to decrease gradually to 5 percent for 2017 and remain at that level thereafter. As of Aug. 31, 2010, and Aug. 31, 2009, amounts recognized in the Statements of Consolidated Financial Position were as follows:

| | As of Aug. 31, | |
|-----------------------------------|----------------|-------|
| (Dollars in millions) | 2010 | 2009 |
| Miscellaneous Short-Term Accruals | \$ 25 | \$ 26 |
| Postretirement Liabilities | 239 | 222 |

Asset allocation is not applicable to the company's other postretirement benefit plans because these plans are unfunded.

The following table provides a summary of the pretax components of the amount recognized in accumulated other comprehensive loss:

| | Year Ended Aug. 31, | |
|-----------------------|---------------------|------|
| (Dollars in millions) | 2010 | 2009 |
| Net (Loss) Gain | \$(1) | \$31 |
| Prior Service Credit | 4 | 5 |
| Total | \$ 3 | \$36 |

The estimated net gain or loss and prior service credit for the defined benefit postretirement plans that will be amortized from accumulated other comprehensive loss into net periodic benefit cost over the next fiscal year are \$1 million, respectively.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Expected Cash Flows**

Information about the expected cash flows for the other postretirement benefit plans follows:

(Dollars in millions)

U.S.

| | |
|---------------------------------|-------|
| Employer Contributions 2011 | \$ 26 |
| Benefit Payments ⁽¹⁾ | |
| 2011 | 26 |
| 2012 | 27 |
| 2013 | 27 |
| 2014 | 27 |
| 2015 | 27 |
| 2016-2020 | 115 |

⁽¹⁾ Benefit payments are net of expected federal subsidy receipts related to prescription drug benefits granted under the Medicare Prescription Drug, Improvement and Modernization Act of 2003, which are estimated to be \$2 million through 2013.

Expected contributions include other postretirement benefits of \$26 million to be paid from employer assets in fiscal year 2011. Total benefits expected to be paid include both the company's share of the benefit cost and the participants' share of the cost, which is funded by participant contributions to the plan.

Other Sponsored Plans

Other plans are offered to certain eligible employees. There is an accrual of \$43 million and \$37 million as of Aug. 31, 2010, and Aug. 31, 2009, respectively, in the Statements of Consolidated Financial Position for anticipated payments to employees who have retired or terminated their employment.

NOTE 19. EMPLOYEE SAVINGS PLANS

Monsanto-Sponsored Plans

The U.S. tax-qualified Monsanto Savings and Investment Plan (Monsanto SIP) was established in June 2001 as a successor to a portion of the Pharmacia Corporation Savings and Investment Plan. The Monsanto SIP is a defined contribution profit-sharing plan with an individual account for each participant. Employees who are 18 years of age or older are generally eligible to participate in the plan. The Monsanto SIP provides for voluntary contributions, generally ranging from 1 percent to 25 percent of an employee's eligible pay. Monsanto matches employee contributions to the plan with shares released from the leveraged employee stock ownership plan (Monsanto ESOP). The Monsanto ESOP is leveraged by debt due to Monsanto. The debt, which was \$4 million as of Aug. 31, 2010, is repaid primarily through company contributions and dividends paid on Monsanto common stock held in the ESOP. The Monsanto ESOP debt was restructured in December 2004 to level out the future allocation of stock 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 as fiduciary for the plan. In this role, the independent fiduciary determined that the restructuring, including certain financial commitments and enhancements that were or will be made in the future by Monsanto to benefit participants and beneficiaries of the plan, including the increased diversification rights that were provided to certain participants, was completed in accordance with the best interests of plan participants. As a result of these enhancements related to the 2004 restructuring, a liability of \$51 million and \$47 million was included in other liabilities in the Statements of Consolidated Financial Position as of Aug. 31, 2010, and Aug. 31, 2009, respectively, to reflect the 2004 ESOP enhancements.

The Monsanto ESOP debt was again restructured in November 2008. The terms of the restructuring were determined pursuant to an arm's length negotiation between Monsanto and an independent trust company as fiduciary for the plan. In this role, the independent fiduciary determined that the restructuring, including certain financial commitments and enhancements that were or will be made in the future by Monsanto to benefit participants and beneficiaries of the plan, was in the best

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

interests of participants in the plan's ESOP component. As a result of these enhancements related to the 2008 ESOP restructuring, Monsanto committed to funding an additional \$8 million to the plan, above the number of shares currently scheduled for release under the restructured debt schedule. Pursuant to the agreement, a \$4 million Special Allocation was allocated proportionately to eligible participants in May 2009 and funded using plan forfeitures and dividends on Monsanto common stock held in the ESOP suspense account. As of Aug. 31, 2010, and Aug. 31, 2009, a liability of \$5 million was included in other liabilities in the Statements of Consolidated Financial Position to reflect the 2008 ESOP enhancements.

As of Aug. 31, 2010, the Monsanto ESOP held 7.5 million shares of Monsanto common stock (allocated and unallocated). The unallocated shares of Monsanto common stock held by the ESOP are allocated each year to employee savings accounts as matching contributions in accordance with the terms of the Monsanto SIP. During fiscal year 2010, 0.7 million Monsanto shares were allocated specifically to Monsanto participants, leaving 1.3 million shares of Monsanto common stock remaining in the Monsanto ESOP and unallocated as of Aug. 31, 2010.

Contributions to the plan are required annually in amounts sufficient to fund ESOP debt repayment. Dividends paid on the shares held by the Monsanto ESOP were \$9 million in 2010, \$9 million in 2009 and \$7 million in 2008. These dividends were greater than the cost of the shares allocated to the participants and the Monsanto contributions resulting in total ESOP expense of less than \$1 million in 2010, 2009 and 2008.

Other Sponsored Plans

De Ruiters Seeds Group, B.V. (De Ruiters) maintained a qualified company-sponsored defined contribution savings plan covering eligible employees. Effective Dec. 31, 2009, this plan was frozen. Effective Oct. 1, 2009, De Ruiters employees became eligible to participate in the Monsanto SIP. The assets of the De Ruiters Savings Plan that had been allocated to the participants were transferred to the Monsanto SIP on Dec. 31, 2009.

NOTE 20. STOCK-BASED COMPENSATION PLANS

Stock-based compensation expense of \$105 million, \$131 million and \$90 million was recognized under Compensation - Stock Compensation topic of the ASC in fiscal years 2010, 2009 and 2008, respectively. Stock-based compensation expense recognized during the period is based on the value of the portion of share-based payment awards that are ultimately expected to vest. Compensation cost capitalized as part of inventory was \$8 million, \$7 million, and \$5 million as of Aug. 31, 2010, Aug. 31, 2009, and Aug. 31, 2008. Compensation - Stock Compensation topic of the ASC requires that excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid, which is included within operating cash flows. Monsanto's income taxes currently payable have been reduced by the tax benefits from employee stock option exercises. The excess tax benefits were recorded as an increase to additional paid-in capital. The following table shows the components of

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

stock-based compensation in the Statements of Consolidated Operations and Statements of Consolidated Cash Flows.

| | Year Ended Aug. 31, | | |
|---|---------------------|----------|----------|
| (Dollars in millions) | 2010 | 2009 | 2008 |
| Cost of Goods Sold | \$ (16) | \$ (21) | \$ (9) |
| Selling, General and Administrative Expenses | (61) | (72) | (63) |
| Research and Development Expenses | (24) | (23) | (18) |
| Restructuring Charges | (4) | (15) | |
| | | | |
| Total Stock-Based Compensation Expense Included in Operating Expenses | (105) | (131) | (90) |
| Loss from Continuing Operations Before Income Taxes | (105) | (131) | (90) |
| Income Tax Benefit | 36 | 45 | 32 |
| | | | |
| Net Loss | \$ (69) | \$ (86) | \$ (58) |
| | | | |
| Basic Loss per Share | \$(0.13) | \$(0.16) | \$(0.11) |
| Diluted Loss per Share | \$(0.13) | \$(0.15) | \$(0.10) |
| | | | |
| Net Cash Required by Operating Activities | \$ (43) | \$ (35) | \$ (198) |
| Net Cash Provided by Financing Activities | \$ 43 | \$ 35 | \$ 198 |

Plan Descriptions: Share-based awards are designed to reward employees for their long-term contributions to the company and to provide incentives for them to remain with the company. Monsanto issues stock option awards, time-based restricted stock, restricted stock units and restricted stock units with performance conditions under three stock plans. Under the Monsanto Company Long-Term Incentive Plan, as amended (LTIP), the company may grant awards to key officers, directors and employees of Monsanto, including stock options, of up to 78.5 million shares of Monsanto common stock. Other employees may be granted options under the Monsanto Company Broad-Based Stock Option Plan (Broad-Based Plan), which permits the granting of a maximum of 5.4 million shares of Monsanto common stock to employees other than officers and other employees subject to special reporting requirements. In January 2005, shareowners approved the Monsanto Company

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2005 Long-Term Incentive Plan (2005 LTIP), under which the company may grant awards to key officers, directors and employees of Monsanto, including stock options, of up to 24.0 million shares of Monsanto common stock. Under the LTIP and the 2005 LTIP, the option exercise price equals the fair value of the common stock on the date of grant.

The plans provide that the term of any option granted may not exceed 10 years and that each option may be exercised for such period as may be specified in the terms and conditions of the grant, as approved by the People and Compensation Committee of the board of directors. Generally, the options vest over three years, with one-third of the total award vesting each year. Grants of restricted stock or restricted stock units generally vest at the end of a three-year or five-year service period as specified in the terms and conditions of the grant, as approved by the Chairperson of the People and Compensation Committee of the board of directors. Restricted stock and restricted stock units represent the right to receive a number of shares of stock dependent upon vesting requirements. Vesting is subject to the terms and conditions of the grant, which generally require the employees' continued employment during the designated service period and may also be subject to Monsanto's attainment of specified performance criteria during the designated performance period. Shares related to restricted stock and restricted stock units are released to employees upon satisfaction of all vesting requirements. During fiscal years 2010, 2009 and 2008, Monsanto issued 41,980, 200,060 and 874,900 restricted stock units, respectively, to certain Monsanto employees under a one-time, broad-based program, as approved by the People and Compensation Committee of the board of directors. Compensation expense for stock options, restricted stock and restricted stock units is measured at fair value on the date of grant, net of estimated forfeitures, and recognized over the vesting period of the award.

Certain Monsanto employees outside the United States may receive stock appreciation rights or cash settled restricted stock units as part of Monsanto's stock compensation plans. In addition, certain employees on international assignment may receive phantom stock awards that are based on the value of the company's stock, but paid in cash upon the occurrence of certain events. Stock appreciation rights entitle employees to receive a cash amount determined by the appreciation in the fair value of the company's common stock between the grant date of the award and the date of exercise. Cash settled restricted stock units and phantom stock awards entitle employees to receive a cash amount determined by the fair value of the

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

company's common stock on the vesting date. As of Aug. 31, 2010, the fair value of stock appreciation rights, restricted stock units and phantom stock accounted for as liability awards was less than \$1 million, less than \$1 million and \$1 million, respectively. The fair value is remeasured at the end of each reporting period until exercised, and compensation expense is recognized over the requisite service period in accordance with Compensation-Stock Compensation topic of the ASC. Share-based liabilities paid related to stock appreciation rights were less than \$1 million in each of the fiscal years 2010, 2009 and 2008. Additionally, \$1 million was paid related to phantom stock in each of the fiscal years 2010, 2009 and 2008.

Monsanto also issues share-based awards under the Monsanto Non-Employee Director Equity Incentive Compensation Plan (Director Plan) for directors who are not employees of Monsanto or its affiliates. Under the Director Plan, half of the annual retainer for each nonemployee director is paid in the form of deferred stock—shares of common stock to be delivered at a specified future time. The remainder is payable, at the election of each director, in the form of restricted common stock, deferred common stock, current cash and/or deferred cash. The Director Plan also provides that a nonemployee director will receive a one-time restricted stock grant upon becoming a member of Monsanto's board of directors which is equivalent to the annual retainer divided by the closing stock price on the service commencement date. The restricted stock grant will vest on the third anniversary of the grant date. Awards of deferred stock and restricted stock under the Director Plan are automatically granted under the LTIP as provided for in the Director Plan. The grant date fair value of awards outstanding under the Director Plan was \$13 million as of Aug. 31, 2010. Compensation expense for most awards under the Director Plan is measured at fair value at the date of grant, net of estimated forfeitures, and recognized over the vesting period of the award. There were no share-based liabilities paid under the Director Plan in 2010, 2009 or 2008. Additionally, 290,857 shares of directors' deferred stock related to grants and dividend equivalents received in prior years were vested and outstanding at Aug. 31, 2010.

A summary of the status of Monsanto's stock options for the periods from Sept. 1, 2007, through Aug. 31, 2010, follows:

| | Options | Outstanding Weighted-Average Exercise Price |
|-----------------------------------|-------------|---|
| Balance Outstanding Sept. 1, 2007 | 23,801,494 | \$23.27 |
| Granted | 2,500,920 | 87.96 |
| Exercised | (6,190,876) | 18.28 |
| Forfeited | (201,162) | 68.00 |
| Balance Outstanding Aug. 31, 2008 | 19,910,376 | 32.49 |
| Granted | 2,852,030 | 88.96 |
| Exercised | (1,821,983) | 21.37 |

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| | | |
|--|--------------------|----------------|
| Forfeited | (187,919) | 82.39 |
| Balance Outstanding Aug. 31, 2009 | 20,752,504 | 40.78 |
| Granted | 3,337,920 | 70.75 |
| Exercised | (2,632,279) | 21.14 |
| Forfeited | (459,938) | 76.75 |
| Balance Outstanding Aug. 31, 2010 | 20,998,207 | \$47.22 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Monsanto stock options outstanding as of Aug. 31, 2010, are summarized as follows:

(Dollars in
millions, except
per share amounts)

| Range of Exercise Price | Options Outstanding | | | | Options Exercisable | | | |
|----------------------------|---------------------|--|--|--|---------------------|--|--|---------------------------------|
| | Options | Weighted-Average Remaining Contractual Life (Years) | Weighted- Average Exercise Price | Aggregate Intrinsic Value ⁽¹⁾ | Options | Weighted- Average Remaining Contractual Life (Years) | Weighted- Average Exercise Price | Aggregate Intrinsic Value |
| \$7.32 - \$10.00 | 2,117,521 | 2.04 | \$ 8.54 | \$ 93 | 2,117,521 | 2.04 | \$ 8.54 | \$ 93 |
| \$10.01 - \$20.00 | 1,782,432 | 3.23 | \$16.19 | \$ 65 | 1,782,432 | 3.23 | \$16.19 | \$ 65 |
| \$20.01 - \$30.00 | 5,784,776 | 4.63 | \$25.51 | \$157 | 5,784,776 | 4.63 | \$25.51 | \$157 |
| \$30.01 - \$80.00 | 6,490,257 | 7.50 | \$56.88 | \$ 30 | 3,389,996 | 6.06 | \$44.21 | \$ 30 |
| \$80.01 - \$141.50 | 4,823,221 | 7.63 | \$88.68 | \$ | 2,676,986 | 7.48 | \$88.51 | \$ |
| | 20,998,207 | 5.83 | \$47.22 | \$345 | 15,751,711 | 4.92 | \$36.91 | \$345 |

(1)

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The aggregate intrinsic value represents the total pretax intrinsic value, based on Monsanto's closing stock price of \$52.65 as of Aug. 31, 2010, which would have been received by the option holders had all option holders exercised their options as of that date. At Aug. 31, 2010, 20,591,969 nonqualified stock options were vested or expected to vest. The weighted-average remaining contractual life of these stock options was 5.77 years and the weighted-average exercise price was \$46.62 per share. The aggregate intrinsic value of these stock options was \$345 million at Aug. 31, 2010.

The weighted-average grant-date fair value of nonqualified stock options granted during fiscal 2010, 2009 and 2008 was \$24.03, \$37.39 and \$30.04, respectively, per share. The total pretax intrinsic value of options exercised during the fiscal years ended 2010, 2009 and 2008 was \$137 million, \$112 million and \$562 million, respectively. Pretax unrecognized compensation expense for stock options, net of estimated forfeitures, was \$66 million as of Aug. 31, 2010, and will be recognized as expense over a weighted-average remaining vesting period of 1.8 years.

A summary of the status of Monsanto's restricted stock, restricted stock units and directors' deferred stock compensation plans for fiscal year 2010 follows:

| | Weighted-Average | | Weighted- | | Weighted-Average | |
|--------------------------------------|------------------|-----------------|------------------|------------------|------------------|------------------|
| | Restricted | Grant Date Fair | Restricted | Average Grant | Directors | Weighted-Average |
| | Stock | Values | Stock Units | Date Fair Values | Deferred Stock | Grant Date Fair |
| | | | | | | Value |
| Nonvested as of Aug. 31, 2009 | 80,586 | \$41.79 | 1,450,827 | \$113.27 | | |
| Granted | | \$ | 337,021 | \$ 69.57 | 17,970 | \$81.94 |
| Vested | 35,550 | \$40.91 | 269,994 | \$ 97.64 | 17,970 | \$81.94 |
| Forfeitures | 3,066 | \$48.60 | 131,083 | \$ 99.63 | | |
| Nonvested as of Aug. 31, 2010 | 41,970 | \$42.04 | 1,386,771 | \$106.76 | | |

The weighted-average grant-date fair value of restricted stock granted during fiscal years 2009 and 2008 was \$81.55 and \$131.54, respectively, per share. There were no restricted stock grants in fiscal year 2010. The weighted-average grant-date fair value of restricted stock units granted during fiscal years 2010, 2009 and 2008 was \$69.57, \$82.01 and \$128.13, respectively, per share. The weighted-average grant-date fair value of directors' deferred stock granted during fiscal years 2010, 2009 and 2008 was \$81.94, \$113.13 and \$71.64, respectively, per share. The total fair value of restricted stock that vested during fiscal years 2010, 2009 and 2008 was \$1 million, \$2 million and \$2 million, respectively. The total fair value of restricted stock units that vested during fiscal years 2010, 2009 and 2008 was \$26 million, \$10 million and \$7 million, respectively. The total fair value of directors' deferred stock vested during fiscal years 2010, 2009 and 2008 was \$1 million per year.

Pretax unrecognized compensation expense, net of estimated forfeitures, for nonvested restricted stock and restricted stock units was less than \$1 million and \$55 million, respectively, as of Aug. 31, 2010, which will be recognized as expense over the weighted-average remaining requisite service periods. At Aug. 31, 2010, there was no unrecognized compensation

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

expense related to directors' deferred stock. The weighted-average remaining requisite service periods for nonvested restricted stock and restricted stock units were 1.2 years and 2.3 years, respectively, as of Aug. 31, 2010.

Valuation and Expense Information under Compensation-Stock Compensation topic of the ASC: Monsanto estimates the value of employee stock options on the date of grant using a lattice-binomial model. A lattice-binomial model requires the use of extensive actual employee exercise behavior data and a number of complex assumptions including volatility, risk-free interest rate and expected dividends. Expected volatilities used in the model are based on implied volatilities from traded options on Monsanto's stock and historical volatility of Monsanto's stock price. The expected life represents the weighted-average period the stock options are expected to remain outstanding and is a derived output of the model. The lattice-binomial model incorporates exercise and post-vesting forfeiture assumptions based on an analysis of historical data. The following assumptions were used to calculate the estimated value of employee stock options:

| Assumptions | Lattice-binomial | | |
|--|------------------|-------------|-------------|
| | 2010 | 2009 | 2008 |
| Expected Dividend Yield | 1.3% | 0.9% | 1.2% |
| Expected Volatility | 28%-43% | 37%-69% | 30%-54% |
| Weighted-Average Volatility | 40.0% | 45.5% | 35.9% |
| Risk-Free Interest Rates | 2.35%-3.16% | 1.72%-3.39% | 2.77%-4.18% |
| Weighted-Average Risk-Free Interest Rate | 3.03% | 3.35% | 4.2% |
| Expected Option Life (in years) | 6.3 | 6.4 | 6 |

Monsanto estimates the value of restricted stock units using the fair value on the date of grant. When dividends are not paid on outstanding restricted stock units, the award is valued by reducing the grant-date price by the present value of the dividends expected to be paid, discounted at the appropriate risk-free interest rate. The fair value of restricted stock units granted is calculated using the same expected dividend yield and weighted-average risk-free interest rate assumptions as those used for stock options.

NOTE 21. CAPITAL STOCK

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Monsanto is authorized to issue 1.5 billion shares of common stock, \$0.01 par value, and 20 million shares of undesignated preferred stock, \$0.01 par value. The board of directors has the authority, without action by the shareowners, to designate and issue preferred stock in one or more series and to designate the rights, preferences and privileges of each series, which may be greater than the rights of the company's common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of common stock until the board of directors determines the specific rights of the holders of preferred stock.

The authorization of undesignated preferred stock makes it possible for Monsanto's board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of the company. These and other provisions may deter hostile takeovers or delay attempts to change management control.

There were no shares of preferred stock outstanding as of Aug. 31, 2010, or Aug. 31, 2009. As of Aug. 31, 2010, and Aug. 31, 2009, 540.4 million and 545.4 million of common stock were outstanding, respectively. In addition, 108 million shares of common stock were approved for employee and director stock options, of which 12 million and 16 million were remaining in reserve at Aug. 31, 2010, and Aug. 31, 2009, respectively.

In October 2005, the board of directors authorized the purchase of up to \$800 million of the company's common stock over a four year period. In 2009 and 2008, the company purchased \$129 million and \$361 million, respectively, of common stock under the \$800 million authorization. A total of 11.2 million shares have been repurchased under this program, and it was completed on Dec. 23, 2008.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In April 2008, the board of directors authorized a repurchase program of up to \$800 million of the company's common stock over a three year period. In 2010 and 2009, the company purchased \$531 million and \$269 million, respectively, of common stock under the \$800 million authorization. A total of 11.3 million shares have been repurchased under this program, and it was completed on Aug. 24, 2010.

In June 2010, the board of directors authorized a new repurchase program of up to an additional \$1 billion of the company's common stock over a three year period beginning July 1, 2010. This repurchase program commenced on Aug. 24, 2010, and will expire on Aug. 24, 2013. Through Aug. 31, 2010, less than one million shares had been repurchased for \$1 million under the June 2010 program.

NOTE 22. ACCUMULATED OTHER COMPREHENSIVE 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 accumulated other comprehensive income (loss) is as follows:

| | Year Ended Aug. 31, | | |
|--|---------------------|---------|---------|
| (Dollars in millions) | 2010 | 2009 | 2008 |
| Accumulated Foreign Currency Translation Adjustments | \$(240) | \$(141) | \$ 192 |
| Net Unrealized Loss on Investments, Net of Tax | | (6) | (5) |
| Net Accumulated Derivative (Loss) Income, Net of Tax | (48) | (101) | 43 |
| Postretirement Benefit Plan Activity, Net of Tax | (609) | (496) | (308) |
| Accumulated Other Comprehensive Loss | \$(897) | \$(744) | \$ (78) |

NOTE 23. EARNINGS PER SHARE

Basic earnings per share (EPS) was computed using the weighted-average number of common shares outstanding during the periods shown in the table below. The diluted EPS computation takes into account the effect of dilutive potential common shares, as shown in the table below. Potential common shares consist 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. These dilutive potential common shares consisted of 7.1 million, 8.5 million and 10.8 million, in fiscal years 2010, 2009 and 2008, respectively. Approximately 8 million, 5 million and less than 0.1 million stock options were excluded from the computations of dilutive potential common shares for the years ended Aug. 31, 2010, 2009 and 2008, respectively, as their effect is antidilutive. Of those antidilutive options, approximately 8 million, 5 million and less than 0.1 million stock options were excluded from the computations of dilutive potential common shares for the fiscal years ended Aug. 31, 2010, 2009 and 2008, respectively, as their exercise prices were greater than the average market price of common shares for the period.

Effective Sept. 1, 2009, the company retrospectively adopted a FASB-issued standard that requires unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in the two-class method of computing earnings per share as described in the Earnings Per Share topic of the ASC. The adoption of this

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

standard increased the weighted average number of basic and diluted shares by 0.6 million and 0.4 million, respectively, for the fiscal year ended Aug. 31, 2009, and by 0.8 million and 0.4 million, respectively, for the fiscal year ended Aug. 31, 2008, respectively.

| | Year Ended Aug. 31, | | |
|--|---------------------|-------|-------|
| | 2010 | 2009 | 2008 |
| Weighted-Average Number of Common Shares | 543.7 | 547.1 | 548.9 |
| Dilutive Potential Common Shares | 7.1 | 8.5 | 10.8 |

NOTE 24. SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments for interest and taxes during fiscal years 2010, 2009 and 2008, were as follows:

| | Year Ended Aug. 31, | | |
|-----------------------|---------------------|--------|--------|
| (Dollars in millions) | 2010 | 2009 | 2008 |
| Interest | \$ 156 | \$ 136 | \$ 105 |
| Taxes | 497 | 657 | 596 |

During fiscal years 2010, 2009 and 2008, the company recorded the following noncash investing and financing transactions:

During fiscal year 2010, the company recognized noncash transactions related to restructuring. See Note 5 Restructuring.

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During fiscal year 2010, the company recognized noncash transactions related to a paid-up license agreement for Glyphosate manufacturing technology. Intangibles of \$39 million were recorded on the Statement of Consolidated Financial Position. See Note 10 Goodwill and Other Intangible Assets for further details.

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 Aug. 31, 2010, \$188 million is included in short-term debt and \$136 million is included in long-term debt on the Statements of Consolidated Financial Position. See Note 14 Debt and Other Credit Arrangements for further details.

During fiscal years 2010, 2009 and 2008, the company recognized noncash transactions related to restricted stock units and acquisitions. See Note 20 Stock-Based Compensation Plans for further discussion of restricted stock units and Note 4 Business Combinations for details of adjustments to goodwill.

In fourth quarter 2010, 2009 and 2008, the board of directors declared a dividend payable in first quarter 2011, 2010 and 2009, respectively. As of Aug. 31, 2010, 2009 and 2008, a dividend payable of \$151 million, \$145 million and \$132 million, respectively, was recorded.

In 2009 and 2008, intangible assets of \$4 million and \$16 million, long-term investments of \$2 million and \$7 million, and liabilities of \$6 million and \$23 million, respectively, were recorded as a result of payment provisions under collaboration and license agreements. See Note 11 Investments and Equity Affiliates for further discussion of the investments.

In 2009, the company recognized noncash transactions related to a new capital lease. Long-term debt, short-term debt and assets of \$18 million, \$2 million, and \$20 million, respectively, were recorded as a result of payment provisions under the lease agreement.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In 2008, intangible assets in the amount of \$20 million and a liability in the amount of \$10 million were recorded as a result of payment provisions under a joint venture agreement. See Note 11 Investments and Equity Affiliates for further discussion of the agreement.

NOTE 25. COMMITMENTS AND CONTINGENCIES

Contractual obligations: The following table sets forth the company's estimates of future payments under contracts as of Aug. 31, 2010.

| (Dollars in millions) | Payments Due by Fiscal Year Ending Aug. 31, | | | | | | |
|---|---|----------------|----------------|--------------|--------------|--------------|-----------------|
| | Total | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 and beyond |
| Total Debt, including Capital Lease Obligations | \$2,103 | \$241 | \$624 | \$3 | \$3 | \$3 | \$1,229 |
| Interest Payments Relating to Long-Term Debt and Capital Lease Obligations ⁽¹⁾ | 1,433 | 107 | 107 | 71 | 71 | 71 | 1,006 |
| Operating Lease Obligations | 538 | 117 | 108 | 89 | 71 | 43 | 110 |
| Purchase Obligations: | | | | | | | |
| Uncompleted additions to property | 103 | 103 | | | | | |
| Commitments to purchase inventories | 1,837 | 881 | 229 | 201 | 187 | 183 | 156 |
| Commitments to purchase breeding research | 129 | 45 | 45 | 3 | 3 | 3 | 30 |
| R&D alliances and joint venture obligations | 164 | 71 | 37 | 19 | 12 | 8 | 17 |
| Other purchase obligations | 9 | 4 | 4 | 1 | | | |
| Other Liabilities: | | | | | | | |
| Postretirement and ESOP liabilities ⁽²⁾ | 127 | 71 | | | | | 56 |
| Unrecognized tax benefits ⁽³⁾ | 292 | 6 | | | | | |
| Other liabilities | 186 | 26 | 18 | 21 | 15 | 7 | 99 |
| Total Contractual Obligations | \$6,921 | \$1,672 | \$1,172 | \$408 | \$362 | \$318 | \$2,703 |

- (1) For variable rate debt, interest is calculated using the applicable rates as of Aug. 31, 2010.
- (2) Includes the company's planned pension and other postretirement benefit contributions for 2011. The actual amounts funded in 2011 may differ from the amounts listed above. Contributions in 2012 through 2015 are excluded as those amounts are unknown. Refer to Note 17 Postretirement Benefits Pensions and Note 18 Postretirement Benefits Health Care and Other Postemployment Benefits for more information. The 2016 and beyond amount relates to the ESOP enhancement liability balance. Refer to Note 19 Employee Savings Plans for more information.
- (3) Unrecognized tax benefits relate to uncertain tax positions recorded under the Income Taxes topic of the ASC. The company is unable to reasonably predict the timing of tax settlements, as tax audits can involve complex issues and the resolution of those issues may span multiple years, particularly if subject to negotiation or litigation. See Note 13 Income Taxes for more information.

Leases: The company routinely leases buildings for use as administrative offices or warehousing, land for research facilities, company aircraft, railcars, motor vehicles and equipment. Assets held under capital leases are included in property, plant and equipment. Certain operating leases contain renewal options that may be exercised at Monsanto's discretion. The expected lease term is considered in the decision about whether a lease should be recorded as capital or operating.

Certain operating leases contain escalation provisions for an annual inflation adjustment factor and some are based on the CPI published by the Bureau of Labor Statistics. Additionally, certain leases require Monsanto to pay for property taxes, insurance, maintenance, and other operating expenses called rent adjustments, which are subject to change over the life of the lease. These adjustments were not determinable at the time the lease agreements were executed. Therefore, Monsanto recognizes the expenses for rent and rent adjustments when they become known and payable, which is more representative of the time pattern in which the company derives the related benefit in accordance with the Leases topic of the ASC.

Other lease agreements provide for base rent adjustments contingent upon future changes in Monsanto's use of the leased space. At the inception of these leases, Monsanto does not have the right to control more than the percentage defined in the lease agreement of the leased property. Therefore, as the company's use of the leased space increases, the company recognizes rent expense for the additional leased property during the period during which the company has the right to control the use of additional property in accordance with the Leases topic of the ASC.

Rent expense was \$193 million for fiscal year 2010, \$205 million for fiscal year 2009 and \$165 million for fiscal year 2008.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Guarantees: Monsanto may provide and has provided guarantees on behalf of its consolidated subsidiaries for obligations incurred in the normal course of business. Because these are guarantees of obligations of consolidated subsidiaries, Monsanto's consolidated financial position is not affected by the issuance of these guarantees.

Monsanto warrants the performance of certain products through standard product warranties. In addition, Monsanto provides extensive marketing programs to increase sales and enhance customer satisfaction. These programs may include performance warranty features and indemnification for risks not related to performance, both of which are provided to qualifying customers on a contractual basis. The cost of payments for claims based on performance warranties has been, and is expected to continue to be, insignificant. It is not possible to predict the maximum potential amount of future payments for indemnification for losses not related to the performance of our products (for example, replanting due to extreme weather conditions), because it is not possible to predict whether the specified contingencies will occur and if so, to what extent.

In various circumstances, Monsanto has agreed to indemnify or reimburse other parties for various losses or expenses. For example, like many other companies, Monsanto has agreed to indemnify its officers and directors for liabilities incurred by reason of their position with Monsanto. Contracts for the sale or purchase of a business or line of business may require indemnification for various events, including certain events that arose before the sale, or tax liabilities that arise before, after or in connection with the sale. Certain seed licensee arrangements indemnify the licensee against liability and damages, including legal defense costs, arising from any claims of patent, copyright, trademark, or trade secret infringement related to Monsanto's trait technology. Germplasm licenses generally indemnify the licensee against claims related to the source or ownership of the licensed germplasm. Litigation settlement agreements may contain indemnification provisions covering future issues associated with the settled matter. Credit agreements and other financial agreements frequently require reimbursement for certain unanticipated costs resulting from changes in legal or regulatory requirements or guidelines. These agreements may also require reimbursement of withheld taxes, and additional payments that provide recipients amounts equal to the sums they would have received had no such withholding been made. Indemnities like those in this paragraph may be found in many types of agreements, including, for example, operating agreements, leases, purchase or sale agreements and other licenses. Leases may require indemnification for liabilities Monsanto's operations may potentially create for the lessor or lessee. It is not possible to predict the maximum future payments possible under these or similar provisions because it is not possible to predict whether any of these contingencies will come to pass and if so, to what extent. Historically, these types of provisions did not have a material effect on Monsanto's financial position, profitability or liquidity. Monsanto believes that if it were to incur a loss in any of these matters, it would not have a material effect on its financial position, profitability or liquidity. Based on the company's current assessment of exposure, Monsanto has recorded a liability of \$3 million as of fiscal years 2010 and 2009, related to these indemnifications.

Monsanto provides guarantees for certain customer loans in the United States, Brazil, Europe and Argentina. See Note 7 Customer Financing Programs for additional information.

Information regarding Monsanto's indemnification obligations to Pharmacia under the Separation Agreement can be found below in the Litigation section of this note.

Customer Concentrations in Gross Trade Receivables: The following table sets forth Monsanto's gross trade receivables as of Aug. 31, 2010, and Aug. 31, 2009, by significant customer concentrations:

As of Aug. 31,

| (Dollars in millions) | 2010 | 2009 |
|--|---------|---------|
| U.S. Agricultural Product Distributors | \$ 634 | \$ 577 |
| Europe-Africa ⁽¹⁾ | 399 | 470 |
| Argentina ⁽¹⁾ | 152 | 183 |
| Asia-Pacific ⁽¹⁾ | 142 | 123 |
| Mexico ⁽¹⁾ | 122 | 81 |
| Brazil ⁽¹⁾ | 105 | 75 |
| Canada ⁽¹⁾ | 26 | 84 |
| Other | 153 | 125 |
| Gross Trade Receivables | 1,733 | 1,718 |
| Less: Allowance for Doubtful Accounts | (143) | (162) |
| Net Trade Receivables | \$1,590 | \$1,556 |

⁽¹⁾ Represents customer receivables within the specified geography.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Environmental and Litigation Liabilities: Monsanto is involved in environmental remediation and legal proceedings related to its current business and also, pursuant to 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 established a reserve for the estimated liabilities. Portions of the liability for which the amount and timing of cash payments are fixed or readily determinable were discounted, using a risk-free discount rate adjusted for inflation ranging from 2.2 percent to 3.5 percent. The remaining portions of the liability were not subject to discounting because of uncertainties in the timing of cash outlay. The following table provides a detailed summary of the discounted and undiscounted amounts included in the environmental and litigation liabilities:

(Dollars in millions)

| | |
|--|-------|
| Aggregate Undiscounted Amount | \$122 |
| Discounted Portion: | |
| Expected payment (undiscounted) for: | |
| 2011 | 16 |
| 2012 | 13 |
| 2013 | 18 |
| 2014 | 11 |
| 2015 | 7 |
| Undiscounted aggregate expected payments after 2015 | 99 |
| Aggregate Amount to be Discounted as of Aug. 31, 2010 | 164 |
| Discount, as of Aug. 31, 2010 | (31) |
| Aggregate Discounted Amount Accrued as of Aug. 31, 2010 | \$133 |
| Total Environmental and Litigation Reserve as of Aug. 31, 2010 | \$255 |

Changes in the environmental and litigation liabilities for fiscal years 2008, 2009, and 2010 are as follows:

| | |
|---|-------|
| Balance at Sept. 1, 2007 | \$278 |
| Payments | (48) |
| Accretion | 6 |
| Additional liabilities recognized in fiscal year 2008 | 36 |

| | |
|---|-------|
| Balance at Aug. 31, 2008 | \$272 |
| Payments | (85) |
| Accretion | 8 |
| Additional liabilities recognized in fiscal year 2009 | 56 |
| Foreign currency translation and other | 11 |

| | |
|--|-------------|
| Balance at Aug. 31, 2009 | \$262 |
| Payments | (57) |
| Accretion | 5 |
| Additional liabilities recognized in fiscal year 2010 | 45 |

Total Environmental and Litigation Reserve as of Aug. 31, 2010 **\$255**

Environmental: Included in the liability are amounts related to environmental remediation of sites associated with Pharmacia's former chemicals and agricultural businesses, with no single site representing the majority of the environmental liability. These sites are in various stages of environmental management: at some sites, work is in the early stages of assessment and investigation, while at others the cleanup remedies have been implemented and the remaining work consists of monitoring the integrity of that remedy. The extent of Monsanto's involvement at the various sites ranges from less than 1 percent to 100 percent of the costs currently anticipated. At some sites, Monsanto is acting under court or agency order, while at others it is acting with very minimal government involvement.

Monsanto does not currently anticipate any material loss in excess of the amount recorded for the environmental sites reflected in the liability. However, it is possible that new information about these sites for which the accrual has been established, such as results of investigations by regulatory agencies, Monsanto, or other parties, could require Monsanto to

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

reassess its potential exposure related to environmental matters. Monsanto's future remediation expenses at these sites may be affected by a number of uncertainties. These uncertainties include, but are not limited to, the method and extent of remediation, the percentage of material attributable to Monsanto at the sites relative to that attributable to other parties, and the financial capabilities of the other potentially responsible parties. Monsanto cannot reasonably estimate any additional loss and does not expect the resolution of such uncertainties, or environmental matters not reflected in the liability, to have a material adverse effect on its consolidated results of operations, financial position or liquidity.

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. Following is a description of one of the more significant litigation matters reflected in the liability.

On Dec. 17, 2004, 15 plaintiffs filed a purported class action lawsuit, styled *Virddie 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, 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 April 4, 2011, for the Bibb class action.

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 positions 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. Specific information with respect to these proceedings appears below and in Part I Item 3 Legal Proceedings of Monsanto's Report on Form 10-K.

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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,

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTE 26. SEGMENT AND GEOGRAPHIC DATA

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 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 certain 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 other operating segments within Agricultural Productivity were combined into one operating segment representing our weed management platform and to support 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. 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 and is an operating performance measure for the two business segments. 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

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

| (Dollars in millions) | Year Ended Aug. 31, | | |
|----------------------------------|---------------------|-----------|-----------|
| | 2010 | 2009 | 2008 |
| | Restated | Restated | |
| Net Sales⁽¹⁾ | | | |
| Corn seed and traits | \$ 4,260 | \$ 4,119 | \$ 3,542 |
| Soybean seed and traits | 1,486 | 1,448 | 1,174 |
| Cotton seed and traits | 611 | 466 | 450 |
| Vegetable seeds | 835 | 808 | 744 |
| All other crops seeds and traits | 419 | 462 | 459 |
| Total Seeds and Genomics | \$ 7,611 | \$ 7,303 | \$ 6,369 |
| Agricultural productivity | 2,872 | 4,382 | 4,996 |
| Total Agricultural Productivity | \$ 2,872 | \$ 4,382 | \$ 4,996 |
| Total | \$ 10,483 | \$ 11,685 | \$ 11,365 |
| Gross Profit | | | |
| Corn seed and traits | \$ 2,464 | \$ 2,608 | \$ 2,174 |
| Soybean seed and traits | 905 | 871 | 725 |
| Cotton seed and traits | 454 | 344 | 313 |
| Vegetable seeds | 492 | 416 | 394 |
| All other crops seeds and traits | 223 | 267 | 251 |
| Total Seeds and Genomics | \$ 4,538 | \$ 4,506 | \$ 3,857 |
| Agricultural productivity | 529 | 2,214 | 2,320 |
| Total Agricultural Productivity | \$ 529 | \$ 2,214 | \$ 2,320 |

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| | | | |
|--|-----------|-----------|-----------|
| Total | \$ 5,067 | \$ 6,720 | \$ 6,177 |
| EBIT⁽²⁾⁽³⁾⁽⁶⁾ | | | |
| Seeds and genomics | \$ 1,597 | \$ 1,651 | \$ 1,200 |
| Agricultural productivity | (29) | 1,307 | 1,691 |
| Total | \$ 1,568 | \$ 2,958 | \$ 2,891 |
| Depreciation and Amortization Expense⁽⁴⁾ | | | |
| Seeds and genomics | \$ 461 | \$ 428 | \$ 399 |
| Agricultural productivity | 141 | 120 | 174 |
| Total | \$ 602 | \$ 548 | \$ 573 |
| Equity Affiliate (Income) Expense | | | |
| Seeds and genomics | \$ (15) | \$ (17) | \$ (2) |
| Agricultural productivity | | | |
| Total | \$ (15) | \$ (17) | \$ (2) |
| Total Assets⁽⁵⁾ | | | |
| Seeds and genomics | \$ 13,584 | \$ 13,347 | \$ 13,165 |
| Agricultural productivity | 4,268 | 4,484 | 4,826 |
| Total | \$ 17,852 | \$ 17,831 | \$ 17,991 |
| Property, Plant and Equipment Purchases | | | |
| Seeds and genomics | \$ 623 | \$ 717 | \$ 779 |
| Agricultural productivity | 132 | 199 | 139 |
| Total | \$ 755 | \$ 916 | \$ 918 |
| Investment in Equity Affiliates | | | |
| Seeds and genomics | \$ 131 | \$ 122 | \$ 104 |
| Agricultural productivity | | | |
| Total | \$ 131 | \$ 122 | \$ 104 |

(1) Represents net sales from continuing operations.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (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 attributable to Monsanto Company as presented in the Statements of Consolidated Operations under generally accepted accounting principles. EBIT is an operating performance measure for the two business segments.
- (3) Agricultural Productivity EBIT includes income of \$4 million, \$18 million and \$22 million from discontinued operations for fiscal years 2010, 2009 and 2008, respectively.
- (4) Agricultural Productivity depreciation and amortization includes \$37 million from discontinued operations for fiscal year 2008.
- (5) Includes assets recorded in continuing operations and discontinued operations.
- (6) EBIT includes restructuring charges for fiscal years 2010 and 2009. See Note 5 Restructuring for additional information. A reconciliation of EBIT to net income for each period follows:

| (Dollars in millions) | Year Ended Aug. 31, | | |
|---|---------------------|------------------|----------|
| | 2010 Restated | 2009 Restated | 2008 |
| EBIT ⁽¹⁾ | \$ 1,568 | \$ 2,958 | \$ 2,891 |
| Interest Expense (Income) Net | 106 | 58 | (22) |
| Income Tax Provision ⁽²⁾ | 366 | 808 | 889 |
| Net Income Attributable to Monsanto Company | \$ 1,096 | \$ 2,092 | \$ 2,024 |

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(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 (benefit) provision on discontinued operations.

Net sales and long-lived assets are attributed to the geographic areas of the relevant Monsanto legal entities. For example, a sale from the United States to a customer in Brazil is reported as a U.S. export sale.

| (Dollars in millions) | Net Sales to Unaffiliated Customers | | | Long-Lived Assets | |
|-----------------------|-------------------------------------|------------------|------------------|-------------------|------------------|
| | Year Ended Aug. 31, | | | As of Aug. 31, | |
| | 2010 Restated | 2009 Restated | 2008 | 2010 Restated | 2009 Restated |
| United States | \$ 5,993 | \$ 6,395 | \$ 5,693 | \$ 6,817 | \$ 6,216 |
| Europe-Africa | 1,272 | 1,763 | 1,919 | 1,157 | 1,409 |
| Brazil | 1,066 | 1,419 | 1,260 | 873 | 791 |
| Asia-Pacific | 692 | 568 | 811 | 322 | 282 |
| Argentina | 616 | 597 | 783 | 223 | 235 |
| Canada | 364 | 457 | 432 | 72 | 68 |
| Mexico | 312 | 332 | 301 | 86 | 83 |
| Other | 168 | 154 | 166 | 227 | 184 |
| Total | \$ 10,483 | \$ 11,685 | \$ 11,365 | \$ 9,777 | \$ 9,268 |

NOTE 27. OTHER EXPENSE AND SOLUTIA-RELATED ITEMS

The significant components of other expense were hedging expenses, the gain recorded on the Seminium acquisition, foreign currency transaction losses, and equity affiliate income. See Note 4 Business Combinations for further information regarding the Seminium acquisition. See Note 11 Investments and Equity Affiliates for information regarding equity affiliate income.

On Dec. 17, 2003, Solutia, Inc. (Solutia), and 14 of its U.S. subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. In accordance with a plan of reorganization approved by the Bankruptcy Court on Nov. 29, 2007, Solutia emerged from bankruptcy protection on Feb. 28, 2008. Upon Solutia's emergence from bankruptcy, in satisfaction of Monsanto's claims against Solutia, Monsanto received from Solutia: (1) approximately \$163 million in cash (which represents proceeds from a rights offering from Solutia's equity holders, third-party reimbursements and Monsanto's administrative claim for environmental remediation payments it made in Anniston and Saugnet during Solutia's Chapter 11 proceeding in excess of \$50 million); (2) approximately 2.5 million shares of common stock of Solutia, representing that portion of the equity of reorganized

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Solutia allocated to Monsanto under the plan which was not purchased by Solutia's equity holders; (3) a credit in an amount in excess of \$30 million against certain future payments by Monsanto to Solutia under supply contracts used in the production of an intermediate for glyphosate at Monsanto's facility at Chocolate Bayou, Texas; (4) a release for Monsanto and Pharmacia from certain legacy liabilities associated with Pharmacia's chemical business that arose prior to Sept. 1, 1997, including liabilities related to retiree medical, retiree life insurance, and disability benefits for individuals who retired or became disabled prior to Sept. 1, 1997; and (5) a release for Monsanto and Pharmacia for the litigation filed by Solutia, the Official Committee of Retirees, and the Official Committee of Equity Holders of Solutia against Monsanto and Pharmacia. Since Monsanto had previously recognized the expenses for the amounts incurred, the settlement amounts resulted in an after-tax gain of approximately \$130 million (\$210 million pretax), or \$0.23 per share. Also, included in the Consolidated Statement of Operations for 2008 are expenses of \$23 million related to Solutia-related environmental and legal matters prior to Solutia's emergence from bankruptcy.

NOTE 28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Advertising Costs: Costs for producing and communicating advertising for the various brands and products were charged to selling, general and administrative (SG&A) expenses as they were incurred. Advertising costs were \$120 million, \$59 million and \$95 million in 2010 (restated), 2009 and 2008, respectively.

Agency Fee and Marketing Agreement: In 1998, Pharmacia entered into an agency and marketing agreement with The Scotts Miracle-Gro Company (f/k/a The Scotts Company) (Scotts) with respect to the lawn-and-garden herbicide business, which was transferred to Monsanto in connection with its separation from Pharmacia. Scotts acts as Monsanto's principal agent to market and distribute its lawn-and-garden herbicide products. The agreement has an indefinite term, except in certain countries in the European Union. The agreement related to those countries terminates on Sept. 30, 2011, with an option to extend to 2015. Under the agreement, beginning in fourth quarter 1998, Scotts was obligated to pay Monsanto a \$20 million fixed fee each year (the annual payment) for the length of the contract to defray costs associated with the lawn-and-garden herbicide business. Monsanto records the annual payment from Scotts as a reduction of SG&A expenses ratably over the year to which the payment relates.

Monsanto is obligated to pay Scotts an annual commission based on the earnings of the lawn-and-garden herbicide business (before interest and income taxes). The amount of the commission due to Scotts varies depending on whether or not the earnings of the lawn-and-garden herbicide business exceed certain thresholds. The commission due to Scotts is accrued monthly and is included in SG&A expenses. The commission expense included in SG&A expenses was \$90 million in fiscal year 2010, \$71 million in fiscal year 2009, and \$64 million in fiscal year 2008 (the commission expense presented herein is not netted with any payments received from Scotts).

NOTE 29. 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. 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 year ended Aug. 31, 2010, income from operations of discontinued businesses included a \$4 million pretax gain related to the sale of assets. During the year ended Aug. 31, 2009, income from operations of discontinued businesses included an \$11 million pretax gain related to the sale.

As of Aug. 31, 2010 and 2009, the remaining assets and liabilities of the Dairy business were insignificant.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following amounts related to the Dairy business have been segregated from continuing operations and reflected as discontinued operations.

| | Year Ended Aug. 31, | | |
|--|---------------------|------|-------|
| (Dollars in millions) | 2010 | 2009 | 2008 |
| Net Sales | \$ | \$16 | \$214 |
| Income from Operations of Discontinued Businesses ⁽¹⁾ | 4 | 19 | 20 |
| Income Tax Provision ⁽²⁾ | | 8 | 3 |
| Net Income of Discontinued Operations | \$ 4 | \$11 | \$17 |

⁽¹⁾ Includes pre-tax gain on Dairy business divestiture of \$11 million for fiscal year 2009.

⁽²⁾ Includes tax provision on Dairy business divestiture of \$6 million for fiscal year 2009.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 30. QUARTERLY DATA (UNAUDITED)**

The following table includes financial data for the fiscal year quarters in 2010 and 2009, which have been adjusted for discontinued operations. See Note 29 Discontinued Operations for further discussion of the divested Dairy business.

As discussed in Note 31 Restatement of Consolidated Financial Statements, the company has restated its annual consolidated financial statements for 2010 and 2009 in connection with filing a Form 10-K/A for the period ending Aug. 31, 2010.

(Dollars in millions, except per share amounts)

| 2010 | Previously Reported | 1st Quarter Restated | | |
|--|------------------------|----------------------------|---------|------------------|
| | | Adjustments ⁽⁴⁾ | Reclass | Restated |
| Net Sales | \$ 1,697 | \$ 7 | \$ | \$ 1,704 |
| Gross Profit | 739 | 7 | | 746 |
| (Loss) from Continuing Operations Attributable to Monsanto Company | (24) | (3) | | (27) |
| Income on Discontinued Operations | 5 | | | 5 |
| Net (Loss) | (19) | (3) | | (22) |
| Net (Loss) Attributable to Monsanto Company | \$ (19) | \$ (3) | \$ | \$ (22) |
| Basic (Loss) Earnings per Share Attributable to Monsanto Company: | | | | |
| (Loss) from continuing operations | \$ (0.04) | \$ (0.01) | \$ | \$ (0.05) |
| Income on discontinued operations | 0.01 | | | 0.01 |
| Net (Loss) Attributable to Monsanto Company | \$ (0.03) | \$ (0.01) | \$ | \$ (0.04) |
| Diluted (Loss) Earnings per Share Attributable to Monsanto Company:⁽¹⁾ | | | | |

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| | | | | |
|--|-----------|-----------|----|------------------|
| (Loss) from continuing operations | \$ (0.04) | \$ (0.01) | \$ | \$ (0.05) |
| Income on discontinued operations | 0.01 | | | 0.01 |
| Net (Loss) Attributable to Monsanto Company | \$ (0.03) | \$ (0.01) | \$ | \$ (0.04) |
| 2009 | | | | |

| | | | | |
|--|----------|--------|----|----------|
| Net Sales | \$ 2,649 | \$ 6 | \$ | \$ 2,655 |
| Gross Profit | 1,550 | 3 | | 1,553 |
| Income (Loss) from Continuing Operations Attributable to Monsanto Company ⁽³⁾ | 546 | (5) | | 541 |
| Income on Discontinued Operations | 10 | | | 10 |
| Net Income (Loss) | 558 | (5) | | 553 |
| Net Income (Loss) Attributable to Monsanto Company ⁽³⁾ | \$ 556 | \$ (5) | \$ | \$ 551 |

Basic Earnings (Loss) per Share Attributable to Monsanto Company:⁽²⁾

| | | | | |
|--|---------|-----------|----|---------|
| Income (Loss) from continuing operations | \$ 0.99 | \$ (0.01) | \$ | \$ 0.98 |
| Income on discontinued operations | 0.02 | | | 0.02 |
| Net Income (Loss) Attributable to Monsanto Company | \$ 1.01 | \$ (0.01) | \$ | \$ 1.00 |

Diluted Earnings (Loss) per Share Attributable to Monsanto Company:⁽¹⁾⁽²⁾

| | | | | |
|--|---------|-----------|----|---------|
| Income (Loss) from continuing operations | \$ 0.98 | \$ (0.01) | \$ | \$ 0.97 |
| Income on discontinued operations | 0.02 | | | 0.02 |
| Net Income (Loss) Attributable to Monsanto Company | \$ 1.00 | \$ (0.01) | \$ | \$ 0.99 |

- (1) Because Monsanto reported a loss from continuing operations in the first quarter of 2010, generally accepted accounting principles required diluted loss per share to be calculated using weighted-average common shares outstanding, excluding common stock equivalents. As a result, the quarterly earnings (loss) per share do not total to the full-year amount.
- (2) Effective Sept. 1, 2009, Monsanto retrospectively adopted a FASB-issued standard that requires unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in the two-class method of computing earnings per share as described in the Earnings Per Share topic of the ASC.
- (3) Effective Sept. 1, 2009, Monsanto retrospectively adopted the new accounting guidance related to the Consolidation topic of the ASC.
- (4) The restatement adjustments, related to the review of certain customer incentive programs, to our previously filed audited consolidated financial statements for three months ended Nov. 30, 2009, increased net sales by \$7 million, increased gross profit by \$7 million, and decreased net loss by \$4 million. There were no adjustments

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the three months ended Nov. 30, 2008 related to the customer incentive programs. The amounts shown in the table, above, are also impacted by other adjustments that are unrelated to the customer incentive programs. Also refer to Note 31 Restatement of Consolidated Financial Statements.

(Dollars in millions, except per share amounts)

| 2010 | 2nd Quarter Restated | | | |
|---|----------------------|----------------------------|---------|-----------------|
| | Previously Reported | Adjustments ⁽³⁾ | Reclass | Restated |
| Net Sales | \$ 3,890 | \$ (12) | \$ | \$ 3,878 |
| Gross Profit | 2,099 | (12) | | 2,087 |
| Income (Loss) from Continuing Operations Attributable to Monsanto Company | 887 | (1) | | 886 |
| Income (Loss) on Discontinued Operations | | | | |
| Net Income (Loss) | 889 | (1) | | 888 |
| Net Income (Loss) Attributable to Monsanto Company | \$ 887 | \$ (1) | \$ | \$ 886 |
| Basic Earnings (Loss) per Share Attributable to Monsanto Company: | | | | |
| Income (Loss) from continuing operations | \$ 1.63 | \$ (0.01) | \$ | \$ 1.62 |
| Income on discontinued operations | | | | |
| Net Income (Loss) 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 |
| 2009 | | | | |
| Net Sales | \$ 4,035 | \$ | \$ | \$ 4,035 |
| Gross Profit | 2,521 | | | 2,521 |
| Income from Continuing Operations Attributable to Monsanto Company ⁽²⁾ | 1,091 | | | 1,091 |
| Income on Discontinued Operations | 1 | | | 1 |
| Net Income | 1,093 | | | 1,093 |

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| | | | | |
|---|----------|----|----|----------|
| Net Income Attributable to Monsanto Company ⁽²⁾ | \$ 1,092 | \$ | \$ | \$ 1,092 |
| Basic Earnings per Share Attributable to Monsanto Company:⁽¹⁾ | | | | |
| Income from continuing operations | \$ 1.99 | \$ | \$ | \$ 1.99 |
| Income on discontinued operations | 0.01 | | | 0.01 |
| Net Income Attributable to Monsanto Company | \$ 2.00 | \$ | \$ | \$ 2.00 |
| Diluted Earnings per Share Attributable to Monsanto Company:⁽¹⁾ | | | | |
| Income from continuing operations | \$ 1.96 | \$ | \$ | \$ 1.96 |
| Income on discontinued operations | 0.01 | | | 0.01 |
| Net Income Attributable to Monsanto Company | \$ 1.97 | \$ | \$ | \$ 1.97 |

- (1) Effective Sept. 1, 2009, Monsanto retrospectively adopted a FASB-issued standard that requires unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in the two-class method of computing earnings per share as described in the Earnings Per Share topic of the ASC.
- (2) Effective Sept. 1, 2009, Monsanto retrospectively adopted the new accounting guidance related to the Consolidation topic of the ASC.
- (3) The restatement adjustments, related to the review of certain customer incentive programs, to our previously filed audited consolidated financial statements for three months ended Feb. 28, 2010, decreased net sales by \$12 million, decreased gross profit by \$12 million, and decreased net income by \$7 million. There were no adjustments for the three months ended Feb. 28, 2009 related to the customer incentive programs. The amounts shown in the table, above, are also impacted by other adjustments that are unrelated to the customer incentive programs. Also refer to Note 31 Restatement of Consolidated Financial Statements.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollars in millions, except per share amounts)

| 2010 | 3rd Quarter Restated | | | |
|---|----------------------|----------------------------|------------------------|-----------------|
| | Previously Reported | Adjustments ⁽³⁾ | Reclass ⁽³⁾ | Restated |
| Net Sales | \$ 2,962 | \$ 46 | \$ (5) | \$ 3,003 |
| Gross Profit | 1,387 | 46 | (5) | 1,428 |
| Income from Continuing Operations Attributable to Monsanto Company | 384 | 19 | | 403 |
| Income on Discontinued Operations | | | | |
| Net Income | 397 | 19 | | 416 |
| Net Income Attributable to Monsanto Company | \$ 384 | \$ 19 | \$ | \$ 403 |
| Basic Earnings per Share Attributable to Monsanto Company: | | | | |
| Income from continuing operations | \$ 0.71 | \$ 0.03 | \$ | \$ 0.74 |
| Income on discontinued operations | | | | |
| Net Income Attributable to Monsanto Company | \$ 0.71 | \$ 0.03 | \$ | \$ 0.74 |
| Diluted Earnings per Share Attributable to Monsanto Company: | | | | |
| Income from continuing operations | \$ 0.70 | \$ 0.03 | \$ | \$ 0.73 |
| Income on discontinued operations | | | | |
| Net Income Attributable to Monsanto Company | \$ 0.70 | \$ 0.03 | \$ | \$ 0.73 |
| 2009 | | | | |
| Net Sales | \$ 3,161 | \$ | \$ | \$ 3,161 |
| Gross Profit | 1,834 | | | 1,834 |
| Income from Continuing Operations Attributable to Monsanto Company ⁽²⁾ | 694 | 6 | | 700 |
| Income on Discontinued Operations | | | | |
| Net Income | 705 | 6 | | 711 |
| Net Income Attributable to Monsanto Company ⁽²⁾ | \$ 694 | \$ 6 | \$ | \$ 700 |
| Basic Earnings per Share Attributable to Monsanto Company:⁽¹⁾ | | | | |
| Income from continuing operations | \$ 1.27 | \$ 0.01 | \$ | \$ 1.28 |
| Income on discontinued operations | | | | |
| Net Income Attributable to Monsanto Company | \$ 1.27 | \$ 0.01 | \$ | \$ 1.28 |
| Diluted Earnings per Share Attributable to Monsanto Company:⁽¹⁾ | | | | |

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| | | | | |
|---|---------|---------|----|---------|
| Income from continuing operations | \$ 1.25 | \$ 0.01 | \$ | \$ 1.26 |
| Income on discontinued operations | | | | |
| Net Income Attributable to Monsanto Company | \$ 1.25 | \$ 0.01 | \$ | \$ 1.26 |

- (1) Effective Sept. 1, 2009, Monsanto retrospectively adopted a FASB-issued standard that requires unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in the two-class method of computing earnings per share as described in the Earnings Per Share topic of the ASC.
- (2) Effective Sept. 1, 2009, Monsanto retrospectively adopted the new accounting guidance related to the Consolidation topic of the ASC.
- (3) The restatement adjustments, related to the review of certain customer incentive programs, to our previously filed audited consolidated financial statements for three months ended May 31, 2010, increased net sales by \$46 million, increased gross profit by \$46 million, and increased net income by \$29 million. There was also a reclassification adjustment made for the three months ended May 31, 2010, which affected net sales and gross profit by a decrease of \$5 million. There were no adjustments for the three months ended May 31, 2009 related to the customer incentive programs. The amounts shown in the table, above, are also impacted by other adjustments that are unrelated to the customer incentive programs. Also refer to Note 31 Restatement of Consolidated Financial Statements.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollars in millions, except per share amounts)

| 2010 | 4th Quarter Restated | | | |
|---|----------------------|----------------------------|------------------------|------------------|
| | Previously Reported | Adjustments ⁽⁴⁾ | Reclass ⁽⁴⁾ | Restated |
| Net Sales | \$ 1,953 | \$ (45) | \$ (10) | \$ 1,898 |
| Gross Profit | 861 | (45) | (10) | 806 |
| (Loss) from Continuing Operations Attributable to Monsanto Company | (142) | (28) | | (170) |
| (Loss) on Discontinued Operations | (1) | | | (1) |
| Net (Loss) | (139) | (28) | | (167) |
| Net (Loss) Attributable to Monsanto Company | \$ (143) | \$ (28) | \$ | \$ (171) |
| Basic (Loss) per Share Attributable to Monsanto Company: | | | | |
| (Loss) from continuing operations | \$ (0.27) | \$ (0.04) | \$ | \$ (0.31) |
| Income on discontinued operations | | | | |
| Net (Loss) Attributable to Monsanto Company | \$ (0.27) | \$ (0.04) | \$ | \$ (0.31) |
| Diluted (Loss) per Share Attributable to Monsanto Company:⁽¹⁾ | | | | |
| (Loss) from continuing operations | \$ (0.27) | \$ (0.04) | \$ | \$ (0.31) |
| Income on discontinued operations | | | | |
| Net (Loss) Attributable to Monsanto Company | \$ (0.27) | \$ (0.04) | \$ | \$ (0.31) |
| 2009 | | | | |
| Net Sales | \$ 1,879 | \$ (45) | \$ | \$ 1,834 |
| Gross Profit | 857 | (45) | | 812 |
| (Loss) from Continuing Operations Attributable to Monsanto Company⁽³⁾ | (233) | (18) | | (251) |
| Income on Discontinued Operations | | | | |
| Net (Loss) | (223) | (18) | | (241) |
| Net (Loss) Attributable to Monsanto Company⁽³⁾ | \$ (233) | \$ (18) | \$ | \$ (251) |
| Basic (Loss) per Share Attributable to Monsanto Company:⁽²⁾ | | | | |
| (Loss) from continuing operations | \$ (0.42) | \$ (0.03) | \$ | \$ (0.45) |
| (Loss) on discontinued operations | (0.01) | | | (0.01) |
| Net (Loss) Attributable to Monsanto Company | \$ (0.43) | \$ (0.03) | \$ | \$ (0.46) |

Diluted (Loss) per Share Attributable to Monsanto Company:⁽¹⁾⁽²⁾

| | | | | |
|---|-----------|-----------|----|-----------|
| (Loss) from continuing operations | \$ (0.42) | \$ (0.03) | \$ | \$ (0.45) |
| (Loss) on discontinued operations | (0.01) | | | (0.01) |
| Net (Loss) Attributable to Monsanto Company | \$ (0.43) | \$ (0.03) | \$ | \$ (0.46) |

- (1) Because Monsanto reported a loss from continuing operations in the fourth quarters of 2010 and 2009, generally accepted accounting principles required diluted loss per share to be calculated using weighted-average common shares outstanding, excluding common stock equivalents. As a result, the quarterly earnings (loss) per share do not total to the full-year amount.
- (2) Effective Sept. 1, 2009, Monsanto retrospectively adopted a FASB-issued standard that requires unvested share-based payment awards that contain rights to receive non-forfeitable dividends or dividend equivalents to be included in the two-class method of computing earnings per share as described in the Earnings Per Share topic of the ASC.
- (3) Effective Sept. 1, 2009, Monsanto retrospectively adopted the new accounting guidance related to the Consolidation topic of the ASC.
- (4) The restatement adjustments, related to the review of certain customer incentive programs, to our previously filed audited consolidated financial statements for three months ended Aug. 31, 2010, and Aug. 31, 2009, decreased net sales by \$45 million and \$45 million, decreased gross profit by \$45 million and \$45 million, and increased net loss by \$28 million and \$28 million, respectively. There was also a reclassification adjustment made for the three months ended Aug. 31, 2010, which affected net sales and gross profit by a decrease of \$10 million. The amounts shown in the table, above, are also impacted by other adjustments that are unrelated to the customer incentive programs. Also refer to Note 31 Restatement of Consolidated Financial Statements.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 31. 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. As a result of the company's 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 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. Accordingly, the company 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.

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

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 company's 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 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 the company's previously issued audited consolidated financial statements for fiscal years 2010 and 2009 include decreases in net sales by \$4 million and \$45 million, decreases in income tax expense by \$1 million and \$17 million, decreases in net income by \$3 million and \$28 million, increases in deferred tax assets by \$18 million and \$18 million, and increases in accrued marketing programs by \$48 million and \$45 million, respectively. There was also a reclassification adjustment made for the fiscal year ended Aug. 31, 2010, between net sales and SG&A, which resulted in a decrease of \$15 million in both line items.

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 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.

Additionally, the information included in the Agricultural Productivity segment has been restated to include the impact of the adjustments. As Monsanto filed a Form 8-K in April 2011 to reflect the reorganization of certain operating segments within the Agricultural Productivity reportable segment, the Agricultural Productivity segment information has also been recast to reflect the operating segment reorganization.

The following tables present the impact of the restatement on Monsanto's previously issued audited Statements of Consolidated Operations for the years ended Aug. 31, 2010, and 2009 and its Statements of Consolidated Financial Position as of Aug. 31, 2010, and 2009. All restatement adjustments for customer incentive program costs and other adjustments that are not reclassification in nature are included in the Adjustments column below.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

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

Year Ended Aug. 31, 2010

| (Dollars in millions, except per share amounts) | Previously | | | Restated |
|--|------------|-------------|---------|-----------------|
| | Reported | Adjustments | Reclass | |
| Net Sales | \$10,502 | \$ (4) | \$ (15) | \$10,483 |
| Cost of goods sold | 5,416 | | | 5,416 |
| Gross Profit | 5,086 | (4) | (15) | 5,067 |
| Operating Expenses: | | | | |
| Selling, general and administrative expenses | 2,064 | | (15) | 2,049 |
| Research and development expenses | 1,205 | | | 1,205 |
| Restructuring charges, net | 210 | | | 210 |
| Total Operating Expenses | 3,479 | | (15) | 3,464 |
| Income from Operations | 1,607 | (4) | | 1,603 |
| Interest expense | 162 | | | 162 |
| Interest income | (56) | | | (56) |
| Other expense, net | 7 | | | 7 |
| Income from Continuing Operations Before Income Taxes | 1,494 | (4) | | 1,490 |
| Income tax provision | 370 | 9 | | 379 |
| Income from Continuing Operations Including Portion Attributable to Noncontrolling Interest | 1,124 | (13) | | 1,111 |
| Discontinued Operations: | | | | |
| Income from operations of discontinued businesses | 4 | | | 4 |

| | | | | |
|---|----------|----------|----|-----------------|
| Income on Discontinued Operations | 4 | | | 4 |
| Net Income | 1,128 | (13) | | 1,115 |
| Less: Net income attributable to noncontrolling interest | 19 | | | 19 |
| Net Income Attributable to Monsanto Company | \$ 1,109 | \$ (13) | \$ | \$ 1,096 |
| Amounts Attributable to Monsanto Company: | | | | |
| Income from continuing operations | \$ 1,105 | (13) | | \$ 1,092 |
| Income on discontinued operations | 4 | | | 4 |
| Net Income Attributable to Monsanto Company | \$ 1,109 | (13) | | \$ 1,096 |
| Basic Earnings per Share Attributable to Monsanto Company: | | | | |
| Income from continuing operations | \$ 2.03 | (0.02) | | \$ 2.01 |
| Income on discontinued operations | 0.01 | | | 0.01 |
| Net Income Attributable to Monsanto Company | \$ 2.04 | (0.02) | | \$ 2.02 |
| Diluted Earnings per Share Attributable to Monsanto Company: | | | | |
| Income from continuing operations | \$ 2.01 | \$(0.02) | \$ | \$ 1.99 |
| Net Income Attributable to Monsanto Company | \$ 2.01 | \$(0.02) | \$ | \$ 1.99 |
| Weighted Average Shares Outstanding: | | | | |
| Basic | 543.7 | | | 543.7 |
| Diluted | 550.8 | | | 550.8 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

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

Year Ended Aug. 31, 2009

| (Dollars in millions, except per share amounts) | Previously Reported | Adjustments | Restated |
|---|------------------------|-------------|------------------|
| Net Sales | \$ 11,724 | \$ (39) | \$ 11,685 |
| Cost of goods sold | 4,962 | 3 | 4,965 |
| Gross Profit | 6,762 | (42) | 6,720 |
| Operating Expenses: | | | |
| Selling, general and administrative expenses | 2,037 | | 2,037 |
| Research and development expenses | 1,098 | | 1,098 |
| Acquired in-process research and development | 163 | | 163 |
| Restructuring charges, net | 361 | | 361 |
| Total Operating Expenses | 3,659 | | 3,659 |
| Income from Operations | 3,103 | (42) | 3,061 |
| Interest expense | 129 | | 129 |
| Interest income | (71) | | (71) |
| Other expense, net | 78 | 7 | 85 |
| Income from Continuing Operations Before Income Taxes | 2,967 | (49) | 2,918 |
| Income tax provision | 845 | (32) | 813 |
| | 2,122 | (17) | 2,105 |

Income from Continuing Operations Including Portion Attributable to Noncontrolling Interest**Discontinued Operations:**

| | | | |
|---|----|--|-----------|
| Income from operations of discontinued businesses | 19 | | 19 |
| Income tax provision | 8 | | 8 |

| | | | |
|--|----|--|-----------|
| Income on Discontinued Operations | 11 | | 11 |
|--|----|--|-----------|

| | | | |
|-------------------|-------|------|--------------|
| Net Income | 2,133 | (17) | 2,116 |
|-------------------|-------|------|--------------|

| | | | |
|--|----|--|-----------|
| Less: Net income attributable to noncontrolling interest | 24 | | 24 |
|--|----|--|-----------|

| | | | |
|--|----------|---------|-----------------|
| Net Income Attributable to Monsanto Company | \$ 2,109 | \$ (17) | \$ 2,092 |
|--|----------|---------|-----------------|

Amounts Attributable to Monsanto Company:

| | | | |
|-----------------------------------|----------|------|-----------------|
| Income from continuing operations | \$ 2,098 | (17) | \$ 2,081 |
| Income on discontinued operations | 11 | | 11 |

| | | | |
|--|----------|------|-----------------|
| Net Income Attributable to Monsanto Company | \$ 2,109 | (17) | \$ 2,092 |
|--|----------|------|-----------------|

Basic Earnings per Share Attributable to Monsanto Company:

| | | | |
|-----------------------------------|---------|--------|----------------|
| Income from continuing operations | \$ 3.83 | (0.03) | \$ 3.80 |
| Income on discontinued operations | 0.02 | | 0.02 |

| | | | |
|---|---------|--------|----------------|
| Net Income Attributable to Monsanto Company | \$ 3.85 | (0.03) | \$ 3.82 |
|---|---------|--------|----------------|

Diluted Earnings per Share Attributable to Monsanto Company:

| | | | |
|-----------------------------------|---------|--------|----------------|
| Income from continuing operations | \$ 3.78 | (0.03) | \$ 3.75 |
| Income on discontinued operations | 0.02 | | 0.02 |

| | | | |
|---|---------|--------|----------------|
| Net Income Attributable to Monsanto Company | \$ 3.80 | (0.03) | \$ 3.77 |
|---|---------|--------|----------------|

Weighted Average Shares Outstanding:

| | | | |
|---------|-------|--|--------------|
| Basic | 547.1 | | 547.1 |
| Diluted | 555.6 | | 555.6 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

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

As of Aug. 31, 2010

| (Dollars in millions, except share amounts) | Previously Reported | Adjustments | Reclass | Restated |
|---|------------------------|--------------|----------------|------------------|
| 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 |
| 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

2010 FORM 10-K/A

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

| | As of Aug. 31, 2009 | | | |
|--|---------------------|--------------|----------------|------------------|
| (Dollars in millions, except share amounts) | Previously Reported | Adjustments | Reclass | Restated |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and cash equivalents | \$ 1,956 | \$ | \$ | \$ 1,956 |
| Trade receivables, net | 1,556 | | | 1,556 |
| Miscellaneous receivables | 654 | (7) | (28) | 619 |
| Deferred tax assets | 662 | 18 | | 680 |
| Inventory, net | 2,934 | | (83) | 2,851 |
| Other current assets | 121 | | | 121 |
| Total Current Assets | 7,883 | 11 | (111) | 7,783 |
| Total property, plant and equipment | 7,158 | | | 7,158 |
| Less accumulated depreciation | 3,549 | | | 3,549 |
| Property, Plant and Equipment, Net | 3,609 | | | 3,609 |
| Goodwill | 3,218 | | | 3,218 |
| Other Intangible Assets, Net | 1,371 | | | 1,371 |
| Noncurrent Deferred Tax Assets | 743 | 13 | | 756 |
| Long-Term Receivables, Net | 557 | | | 557 |
| Other Assets | 496 | | 41 | 537 |
| Total Assets | \$ 17,877 | \$ 24 | \$ (70) | \$ 17,831 |
| Liabilities and Shareowners Equity | | | | |
| Current Liabilities: | | | | |
| Short-term debt, including current portion of long-term debt | \$ 79 | \$ | \$ | \$ 79 |
| Accounts payable | 676 | | | 676 |

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| | | | | |
|---|------------------|--------------|----------------|------------------|
| Income taxes payable | 79 | (4) | (28) | 47 |
| Accrued compensation and benefits | 263 | | | 263 |
| Accrued marketing programs | 934 | 45 | (36) | 943 |
| Deferred revenues | 219 | | | 219 |
| Grower production accruals | 139 | | (42) | 97 |
| Dividends payable | 145 | | | 145 |
| Customer payable | 307 | | | 307 |
| Restructuring reserves | 286 | | | 286 |
| Miscellaneous short-term accruals | 629 | | 36 | 665 |
| Total Current Liabilities | 3,756 | 41 | (70) | 3,727 |
| Long-Term Debt | 1,724 | | | 1,724 |
| Postretirement Liabilities | 793 | | | 793 |
| Long-Term Deferred Revenue | 488 | | | 488 |
| Noncurrent Deferred Tax Liabilities | 153 | | | 153 |
| Long-Term Portion of Environmental and Litigation Liabilities | 197 | | | 197 |
| Other Liabilities | 641 | | | 641 |
| Shareowners' Equity: | | | | |
| Common stock (authorized: 1,500,000,000 shares, par value \$0.01) | | | | |
| Issued 585,557,964 shares | | | | |
| Outstanding 545,407,427 shares | 6 | | | 6 |
| Treasury stock 40,150,537 shares, at cost | (1,577) | | | (1,577) |
| Additional contributed capital | 9,695 | | | 9,695 |
| Retained earnings | 2,682 | (17) | | 2,665 |
| Accumulated other comprehensive loss | (744) | | | (744) |
| Reserve for ESOP debt retirement | (6) | | | (6) |
| Total Monsanto Company Shareowners' Equity | 10,056 | (17) | | 10,039 |
| Noncontrolling Interest | 69 | | | 69 |
| Total Shareowners' Equity | 10,125 | (17) | | 10,108 |
| Total Liabilities and Shareowners' Equity | \$ 17,877 | \$ 24 | \$ (70) | \$ 17,831 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following tables present the impact of the restatement on Monsanto's previously issued audited Statements of Consolidated Cash Flows for the years ended Aug. 31, 2010, and 2009. 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.

| (Dollars in millions) | Year Ended Aug. 31, 2010 | | | |
|---|--------------------------|-------------|---------|----------|
| | Previously Reported | Adjustments | Reclass | Restated |
| Operating Activities: | | | | |
| Net Income | \$ 1,128 | \$ (13) | \$ | \$ 1,115 |
| Adjustments to reconcile cash provided by operating activities: | | | | |
| Items that did not require (provide) cash: | | | | |
| Depreciation and amortization | 602 | | | 602 |
| Bad-debt expense | 58 | | | 58 |
| Stock-based compensation expense | 102 | | | 102 |
| Excess tax benefits from stock-based compensation | (43) | | | (43) |
| Deferred income taxes | 10 | 12 | | 22 |
| Restructuring charges, net | 210 | | | 210 |
| Equity affiliate income, net | (29) | | | (29) |
| Net gain on sales of a business or other assets | (3) | | | (3) |
| Other items | 65 | | (16) | 49 |
| Changes in assets and liabilities that provided (required) cash, net of acquisitions: | | | | |
| Trade receivables, net | (22) | | | (22) |
| Inventory, net | 213 | | 8 | 221 |
| Deferred revenues | (89) | | | (89) |
| Accounts payable and other accrued liabilities | (438) | 7 | 36 | (395) |
| Restructuring cash payments | (263) | | | (263) |
| Pension contributions | (134) | | | (134) |
| Net investment hedge settlement | (4) | | | (4) |
| Other items | 35 | (6) | (28) | 1 |

| | | |
|--|-------|--------------|
| Net Cash Provided by Operating Activities | 1,398 | 1,398 |
|--|-------|--------------|

Year Ended Aug. 31, 2009

| | | | | |
|-----------------------|------------------------|-------------|---------|-----------------|
| (Dollars in millions) | Previously Reported | Adjustments | Reclass | Restated |
|-----------------------|------------------------|-------------|---------|-----------------|

Operating Activities:

| | | | | |
|---|--------------|---------|------|-----------------|
| Net Income | \$ 2,133 | \$ (17) | \$ | \$ 2,116 |
| Adjustments to reconcile cash provided by operating activities: | | | | |
| Items that did not require (provide) cash: | | | | |
| Depreciation and amortization | 548 | | | 548 |
| Bad-debt expense | 49 | | | 49 |
| Stock-based compensation expense | 116 | | | 116 |
| Excess tax benefits from stock-based compensation | (35) | | | (35) |
| Deferred income taxes | 264 | (29) | | 235 |
| Restructuring charges, net | 361 | | | 361 |
| Equity affiliate income, net | (22) | 7 | | (15) |
| Acquired in-process research and development | 163 | | | 163 |
| Net gain on sales of a business or other assets | (66) | | | (66) |
| Other items | (25) | | | (25) |
| Changes in assets and liabilities that provided (required) cash, net of acquisitions: | | | | |
| Trade receivables, net | 526 | (6) | | 520 |
| Inventory, net | (638) | 4 | | (634) |
| Deferred revenues | (700) | | | (700) |
| Accounts payable and other accrued liabilities | (327) | 41 | (16) | (302) |
| Pension contributions | (187) | | | (187) |
| Net investment hedge settlement | 35 | | | 35 |
| Other items | 51 | | 16 | 67 |
| Net Cash Provided by Operating Activities | 2,246 | | | 2,246 |

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

ITEM 9A. CONTROLS AND PROCEDURES**Restatement of Prior Period Financial Statements Filed**

As Monsanto announced in June 2011, the SEC is conducting an investigation into the financial reporting of the company's customer incentive programs related to glyphosate products in fiscal years 2009 and 2010. Following the SEC's notification, the company began its own review and the Audit and Finance Committee of the Board of Directors retained independent advisors to conduct an internal investigation. Based on the results of that work, on Oct. 3, 2011, the Audit and Finance Committee of the Board of Directors of the company and management determined that previously issued consolidated financial statements for the fiscal years 2010 and 2009 would need to be restated.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined under Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended) as of Aug. 31, 2010, in connection with the filing of our original Form 10-K in October 2010. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide a reasonable level of assurance that the information required to be disclosed in the reports filed or submitted by Monsanto under the Securities Exchange Act of 1934 was recorded, processed, summarized and reported within the requisite time periods.

Subsequent to the evaluation made in connection with the Original Filing and in connection with the restatement and the filing of this Form 10-K/A, our management, including our Chief Executive Officer and Chief Financial Officer, re-evaluated the effectiveness of the design and operation of our disclosure controls and procedures and concluded that, because of the material weakness in our internal control over financial reporting of the company's customer incentive programs related to the glyphosate business discussed below, our disclosure controls and procedures were not effective as of Aug. 31, 2010. Notwithstanding the material weakness discussed below, our management, including our Chief Executive Officer and Chief Financial Officer, has concluded that the consolidated financial statements included in this Form 10-K/A present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

Management's Report on Internal Control over Financial Reporting (As Revised)

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that:

•• pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

•• provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

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... provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the filing of the original Form 10-K in October 2010, our management included Management's Annual Report on Internal Control over Financial Reporting therein, which expressed a conclusion that management believed that our internal control over financial reporting was effective as of Aug. 31, 2010. In connection with filing this amended Form 10-K/A for the year ended Aug. 31, 2010, management, including our Chief Executive Officer and Chief Financial Officer

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

reassessed the effectiveness of the company's internal control over financial reporting as of Aug. 31, 2010. In making this reassessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Based on management's reassessment, including consideration of the control deficiencies discussed below, management has concluded that the company's internal control over financial reporting was not effective as of Aug. 31, 2010, due to the fact that there was a material weakness in its internal control over financial reporting. Specifically, through the investigation discussed above, management identified: (i) control deficiencies in its internal controls associated with the customer incentives processes that constitute a material weakness, and (ii) the need to restate prior period financial statements. The material weakness in internal control over financial reporting identified is as follows:

Revenue Recognition - The controls over the timing of the recording of customer incentives were improperly designed and were not effective in capturing the accuracy and timeliness of incentives communicated to customers. The controls that had been in place focused primarily on the review of contracts, including incentive programs with customers, the appropriate accounting for such programs and approval of payments to customers. The controls were not effective in recording incentives in the appropriate period based on communications between the sales organization and the customer.

The effectiveness of Monsanto's internal control over financial reporting as of Aug. 31, 2010, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

During the quarter that ended on the Evaluation Date, there was no change in internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Remediation Plan

Management has been actively engaged in developing remediation plans to address the above control deficiencies. The remediation efforts expected to be implemented include the following:

Simplifying customer programs;

Enhancing the training program for sales and finance personnel on revenue recognition;

Establishing a more comprehensive review and approval procedure for prepayments to customers to ensure that the company understands when obligations are fulfilled and payments are earned; and

Implementing procedures to improve the capture, review, approval, and recording of all incentive arrangements in the appropriate accounting period.

Management has developed a detailed plan and timetable for the implementation of the foregoing remediation efforts and will monitor the implementation. In addition, under the direction of the Audit and Finance Committee, management will continue to review and make necessary

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changes to the overall design of the company's internal control environment, as well as to policies and procedures to improve the overall effectiveness of internal control over financial reporting.

Management believes the foregoing efforts will effectively remediate the material weakness. As the company continues to evaluate and work to improve its internal control over financial reporting, management may determine to take additional measures to address control deficiencies or determine to modify the remediation plan described above.

If not remediated, these control deficiencies could result in further material misstatements to the company's financial statements.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Report:

- (1) The following financial statements appearing in Item 8: Statements of Consolidated Operations ; Statements of Consolidated Financial Position ; Statements of Consolidated Cash Flows ; Statements of Consolidated Shareowners' Equity and Comprehensive Income.
- (2) Exhibits: The list of exhibits in the Exhibit Index to this Report is incorporated herein by reference. The exhibits will be filed with the SEC but will not be included in the printed version of the Annual Report to Shareowners.

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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
(Principal Accounting Officer)

Date: Dec. 1, 2011

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

EXHIBIT INDEX

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

| Exhibit No. | Description |
|-------------|---|
| 2 | <ol style="list-style-type: none"> 1. Separation Agreement, dated as of Sept. 1, 2000, between the company and Pharmacia (incorporated by reference to Exhibit 2.1 of Amendment No. 2 to Registration Statement on Form S-1, filed Sept. 22, 2000, File No. 333-36956).* 2. First Amendment to Separation Agreement, dated July 1, 2002, between Pharmacia and the company (incorporated by reference to Exhibit 99.2 of Form 8-K, filed July 30, 2002, File No. 1-16167).* |
| 3 | <ol style="list-style-type: none"> 1. Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of Amendment No. 1 to Registration Statement on Form S-1, filed Aug. 30, 2000, File No. 333-36956). 2. Monsanto Company Bylaws, as amended effective Oct. 27, 2009 (incorporated by reference to Exhibit 3.2(i) of Form 8-K, filed Oct. 30, 2009, File No. 1-16167). |
| 4 | <ol style="list-style-type: none"> 1. Indenture, dated as of Aug. 1, 2002, between the company and The Bank of New York Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.2 of Form 8-K, filed Aug. 31, 2005, File No. 1-16167). 2. Form of Registration Rights Agreement, dated Aug. 25, 2005, relating to 5 1/2 % Senior Notes due 2025 of the company (incorporated by reference to Exhibit 4.3 of Form 8-K, filed Aug. 31, 2005, File No. 1-16167). |
| 9 | Omitted |
| 10 | <ol style="list-style-type: none"> 1. Tax Sharing Agreement, dated July 19, 2002, between the company and Pharmacia (incorporated by reference to Exhibit 10.4 of Form 10-Q for the period ended June 30, 2002, File No. 1-16167). 2. Employee Benefits and Compensation Allocation Agreement between Pharmacia and the company, dated as of Sept. 1, 2000 (incorporated by reference to Exhibit 10.7 of Amendment No. 2 to Registration Statement on Form S-1, filed Sept. 22, 2000, File No. 333-36956). 2.1. Amendment to Employee Benefits and Compensation Allocation Agreement between Pharmacia and the company, dated Sept. 1, 2000 (incorporated by reference to Exhibit 2.1 of Form 10-K for the period ended Dec. 31, 2001, File No. 1-16167). 3. Intellectual Property Transfer Agreement, dated Sept. 1, 2000, between the company and Pharmacia (incorporated by reference to Exhibit 10.8 of Amendment No. 2 to Registration Statement on Form S-1, filed Sept. 22, 2000, File No. 333-36956). 4. |

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Services Agreement, dated Sept. 1, 2000, between the company and Pharmacia (incorporated by reference to Exhibit 10.9 of Amendment No. 2 to Registration Statement on Form S-1, filed Sept. 22, 2000, File No. 333-36956).

5. Corporate Agreement, dated Sept. 1, 2000, between the company and Pharmacia (incorporated by reference to Exhibit 10.10 of Amendment No. 2 to Registration Statement on Form S-1, filed Sept. 22, 2000, File No. 333-36956).
6. Agreement among Solutia, Pharmacia and the company, relating to settlement of certain litigation (incorporated by reference to Exhibit 10.25 of Form 10-K for the transition period ended Aug. 31, 2003, File No. 1-16167).
7. Global Settlement Agreement, executed Sept. 9, 2003, in the U.S. District Court for the Northern District of Alabama, and in the Circuit Court of Etowah County, Alabama (incorporated by reference to Exhibit 10.25 of Form 10-K for the transition period ended Aug. 31, 2003, File No. 1-16167).
8. Solutia's Fifth Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (As Modified) (incorporated by reference to Exhibit 2.1 of Solutia's Form 8-K filed December 5, 2007, SEC File No. 001-13255).
9. Amended and Restated Settlement Agreement dated February 28, 2008, by and among Solutia Inc., Monsanto Company and SFC LLC (incorporated by reference to Exhibit 10.1 of Solutia's Form 8-K filed March 5, 2008, SEC File No. 001-13255).
10. First Amended and Restated Retiree Settlement Agreement dated as of July 10, 2007, among Solutia Inc., the company and the claimants set forth therein (incorporated by reference to Exhibit 10.3 of Solutia's Form 8-K filed March 5, 2008, SEC File No. 001-13255).
11. Letter Agreement between the company and Pharmacia, effective Aug. 13, 2002 (incorporated by reference to Exhibit 10.6 of Form 10-Q for the period ended June 30, 2002, File No. 1-16167).
12. Statements Re Computation of Ratios (incorporated by reference to Exhibit 12 of Form 10-K/A for the period ended Aug. 31, 2010, File No. 1-16167).
13. Monsanto Non-Employee Director Equity Incentive Compensation Plan, as amended and restated, effective Sept. 1, 2007 (incorporated by reference to Exhibit 10.18 of Form 10-K for the period ended Aug. 31, 2007, File No. 1-16167).
- 13.1. First Amendment, effective Dec. 1, 2007, to Monsanto Non-Employee Director Equity Incentive Compensation Plan, as amended and restated as of Sept. 1, 2007 (incorporated by reference to Exhibit 10 of Form 10-Q for the period ended Nov. 30, 2007, File No. 1-16167).
- 13.2. Second Amendment, dated June 18, 2008, to Monsanto Non-Employee Director Equity Incentive Compensation Plan, as amended and restated as of Sept. 1, 2007 (incorporated by reference to Exhibit 10 of the Form 10-Q for the period ended May 31, 2008, File No. 1-16167).
14. Monsanto Company Long-Term Incentive Plan, as amended and restated, effective April 24, 2003 (formerly known as Monsanto 2000 Management Incentive Plan) (incorporated by reference to Appendix C to Notice of Annual Meeting and Proxy Statement dated March 13, 2003, File No. 1-16167).
- 14.1. First Amendment, effective Jan. 29, 2004, to the Monsanto Company Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.16.1 of the Form 10-Q for the period ended Feb. 29, 2004, File No. 1-16167).
- 14.2. Second Amendment, effective Oct. 23, 2006, to the Monsanto Company Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.18.2 of the Form 10-K for the period ended Aug. 31, 2006, File No. 1-16167).
- 14.3. Third Amendment, effective June 14, 2007, to the Monsanto Company Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.19.3 of Form 10-K for the period ended Aug. 31, 2007, File No. 1-16167).
- 14.4. Fourth Amendment, effective June 14, 2007, to the Monsanto Company Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.19.4 of Form 10-K for the period ended Aug. 31, 2007, File No. 1-16167).
- 14.5. Fifth Amendment, effective Sept. 1, 2010, to the Monsanto Company Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.1 to Form 8-K, filed Sept. 1, 2010, File No. 1-16167).

Table of Contents

MONSANTO COMPANY

2010 FORM 10-K/A

- 14.6.** Form of Terms and Conditions of Option Grant Under the Monsanto Company Long-Term Incentive Plan, as amended and restated, as of Oct. 2004 (incorporated by reference to Exhibit 10.16.2 of Form 10-K for the period ended Aug. 31, 2004, File No. 1-16167).
- 14.7.** Form of Terms and Conditions of Option Grant Under the Monsanto Company Long-Term Incentive Plan and the Monsanto Company 2005 Long-Term Incentive Plan, as approved by the People and Compensation Committee of the Board of Directors on Aug. 6, 2007 (incorporated by reference to Exhibit 10.3 to Form 8-K, filed Aug. 10, 2007, File No. 1-16167).
- 14.8.** Form of Terms and Conditions of Option Grant Under the Monsanto Company Long-Term Incentive Plan and the Monsanto Company 2005 Long-Term Incentive Plan, as of Oct. 2008 (incorporated by reference to Exhibit 10.19.7 to Form 10-K, filed Oct. 27, 2009, File No. 1-16167).
- 14.9.** Form of Terms and Conditions of Option Grant Under the Monsanto Company Long-Term Incentive Plan and the Monsanto Company 2005 Long-Term Incentive Plan, as approved on Oct. 25, 2010 (incorporated by reference to Exhibit 14.9 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 14.10.** Form of Terms and Conditions of Restricted Stock Grant Under the Monsanto Company Long-Term Incentive Plan (incorporated by reference to Exhibit 10.17.3 of Form 10-K for the period ended Aug. 31, 2005, File No. 1-16167).
- 14.11.** Form of Terms and Conditions of Restricted Stock Unit Grant Under the Monsanto Company Long-Term Incentive Plan, as of Oct. 2006 (incorporated by reference to Exhibit 10.18.5 of the Form 10-K for the period ended Aug. 31, 2006, File No. 1-16167).
- 14.12.** Form of Terms and Conditions of Restricted Stock Unit Grant Under the Monsanto Company Long-Term Incentive Plan, as of Oct. 2005 (incorporated by reference to Exhibit 10.17.4 of Form 10-K for the period ended Aug. 31, 2005, File No. 1-16167).
- 14.13.** Form of Terms and Conditions of Restricted Stock Unit Grant Under the Monsanto Company Long-Term Incentive Plan and the Monsanto Company 2005 Long-Term Incentive Plan, as approved by the People and Compensation Committee of the Board of Directors on Aug. 6, 2007 (incorporated by reference to Exhibit 10.4 to Form 8-K, filed Aug. 10, 2007, File No. 1-16167).
- 14.14.** Form of Non-Employee Director Restricted Share Grant Terms and Conditions Under the Monsanto Company Long-Term Incentive Plan and the Monsanto 2005 Long-Term Incentive Plan, as amended and restated (incorporated by reference to Exhibit 10.16.2 of the Form 10-Q for the period ended May 31, 2004, File No. 1-16167).
- 15.** Monsanto Company 2005 Long-Term Incentive Plan, effective Jan. 20, 2005 (incorporated by reference to Exhibit 10.1 of Form 8-K, filed Jan. 26, 2005, File No. 1-16167).
- 15.1.** First Amendment, effective Oct. 23, 2006, to the Monsanto Company 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.18.2 of the Form 10-K for the period ended Aug. 31, 2006, File No. 1-16167).
- 15.2.** Second Amendment, effective June 14, 2007, to the Monsanto Company 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.20.2 of Form 10-K for the period ended Aug. 31, 2007, File No. 1-16167).
- 15.3.** Third Amendment, effective June 14, 2007, to the Monsanto Company 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.20.3 of Form 10-K for the period ended Aug. 31, 2007, File No. 1-16167).
- 15.4.** Fourth Amendment, effective Sept. 1, 2010, to the Monsanto Company 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Form 8-K, filed Sept. 1, 2010, File No. 1-16167).

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- 15.5.** Form of Terms and Conditions of Restricted Stock Units Grant Under the Monsanto Company 2005 Long-Term Incentive Plan, as approved by the People and Compensation Committee of the Board of Directors by executed unanimous written consent on Oct. 11, 2007 (incorporated by reference to Exhibit 10.1 of Form 8-K, filed Oct. 17, 2007, File No. 1-16167).
- 15.6.** Form of Terms and Conditions of Restricted Stock Units Grant Under the Monsanto Company 2005 Long-Term Incentive Plan, as approved by the People and Compensation Committee of the Board of Directors on Oct. 20, 2008 (incorporated by reference to Exhibit 20.5 of Form 10-K for the period ended Aug. 31, 2009, File No. 1-16167).
- 15.7.** Form of Terms and Conditions of Restricted Stock Units Grant Under the Monsanto Company 2005 Long-Term Incentive Plan, as approved by the People and Compensation Committee of the Board of Directors on Oct. 26, 2009 (incorporated by reference to Exhibit 10.20.6 to Form 10-K, filed Oct. 27, 2009, File No. 16167).
- 15.8.** Form of Terms and Conditions of Fiscal Year 2011 Restricted Stock Unit Grant Under the Monsanto Company 2005 Long-Term Incentive Plan, as approved on Aug. 26, 2010 (incorporated by reference to Exhibit 10.4 to Form 8-K, filed Sept. 1, 2010, File No. 1-16167).
- 15.9.** Form of Terms and Conditions of Strategic Performance Goal Restricted Stock Units Grant Under the Monsanto Company 2005 Long-Term Incentive Plan, as approved by the People and Compensation Committee of the Board of Directors on Oct. 26, 2009 (incorporated by reference to Exhibit 10.20.7 to Form 10-K, filed Oct. 27, 2009, File No. 1-16167).
- 15.9.1.** Summary of Potential Number of Shares that may Vest Under, and Terms and Conditions of, the Strategic Performance Goal Restricted Stock Unit Grants (incorporated by reference to Exhibit 10.20.7.1 to Form 10-K, filed Oct. 27, 2009, File No. 1-16167).
- 16.** Amended and Restated Deferred Payment Plan, effective Dec. 8, 2008 (incorporated by reference to Exhibit 16 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 16.1.** Amendment No. 1, effective Aug. 27, 2009, to the Amended and Restated Deferred Payment Plan, effective Dec. 8, 2008 (incorporated by reference to Exhibit 16.1 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 16.2.** Amendment No. 2, effective Aug. 1, 2010, to the Amended and Restated Deferred Payment Plan, effective Dec. 8, 2008 (incorporated by reference to Exhibit 16.2 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 17.** Monsanto Company Phantom Share Unit Retention Plan for Long-Term International Assignees, amended and restated on Dec. 15, 2008 (incorporated by reference to Exhibit 17 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 17.1.** Form of Terms and Conditions of Units Under the Monsanto Company Phantom Share Unit Retention Plan for Long-Term International Assignees, amended and restated on Dec. 15, 2008 (incorporated by reference to Exhibit 17.1 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 18.** Annual Incentive Program for Certain Executive Officers (incorporated by reference to the description appearing under the sub-heading Approval of Performance Goal Under §162(m) of the Internal Revenue Code on pages 12 through 13 of the Proxy Statement dated Dec. 14, 2005).

Table of Contents

- 19. Fiscal Year 2010 Annual Incentive Plan Summary, as approved by the People and Compensation Committee of the Board of Directors on Aug. 27, 2009 (incorporated by reference to Exhibit 10 to Form 8-K, filed Sept. 1, 2009, File No. 1-16167).
- 20. Fiscal Year 2011 Annual Incentive Plan Summary, as approved by the People and Compensation Committee of the Board of Directors on Aug. 26, 2010 (incorporated by reference to Exhibit 10.5 to Form 8-K, filed Sept. 1, 2010, File No. 1-16167).
- 21. Form of Change of Control Employment Security Agreement, effective Sept. 1, 2010 (incorporated by reference to Exhibit 10 to Form 8-K, filed on Sept. 7, 2010, File No. 1-16167).
- 22. Monsanto Company Executive Health Management Program, as amended and restated as of Oct. 25, 2010 (incorporated by reference to Exhibit 22 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 23. Amended and Restated Monsanto Company Recoupment Policy, as approved by the Board of Directors on Oct. 27, 2009 (incorporated by reference to Exhibit 10.20.7 to Form 10-K, filed Oct. 27, 2009, File No. 1-16167).
- 24. Monsanto Benefits Plan for Third Country Nationals (incorporated by reference to Exhibit 10.2 to Form 8-K, filed Aug. 11, 2008, File No. 1-16167)
- 24.1. Amendment to Monsanto Benefits Plan for Third Country Nationals, effective Aug. 5, 2008 (incorporated by reference to Exhibit 10.3 to Form 8-K, filed Aug. 11, 2008, File No. 1-16167).
- 25. Annual Cash Compensation of Named Executive Officers dated Oct. 2010 (incorporated by reference to Exhibit 25 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 11 Omitted see Item 8 Note 23 Earnings per Share.
- 12 Statements Re Computation of Ratios (incorporated by reference to Exhibit 12 of Form 10-K/A for the period ended Aug. 31, 2010, File No. 1-16167).
- 13 Omitted
- 14 Omitted Monsanto s Code of Ethics for Chief Executive and Senior Financial Officers is available on our Web site at www.monsanto.com.
- 16 Omitted
- 18 Omitted
- 21 Subsidiaries of the Registrant (incorporated by reference to Exhibit 21 of Form 10-K for the period ended Aug. 31, 2010, File No. 1-16167).
- 22 Omitted
- 23 Consent of Independent Registered Public Accounting Firm.
- 24
 - 1. Powers of Attorney submitted by David L. Chicoine, Janice L. Fields, Laura K. Ipsen, Jon R. Moeller, Gwendolyn S. King, C. Steven McMillan, William U. Parfet, George H. Poste and Robert J. Stevens (incorporated by reference to Exhibit 24.1 of Form 10-K/A for the period ended Aug. 31, 2010, File No. 1-16167).
 - 2. Power of Attorney submitted by Arthur H. Harper (incorporated by reference to Exhibit 24.2 of Form 10-K/A for the period ended Aug. 31, 2010, File No. 1-16167).
- 31
 - 1. Rule 13a-14(a)/15d-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by Chief Executive Officer).
 - 2. Rule 13a-14(a)/15d-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by 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.

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| | |
|---------|---|
| 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. |

* Schedules and similar attachments to this Agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish supplementally a copy of any omitted schedule or similar attachment to the SEC upon request.

Represents management contract or compensatory plan or arrangement.

Monsanto Company agrees to furnish to the Securities and Exchange Commission, upon request, copies of any long-term debt instruments that authorize an amount of securities constituting 10 percent or less of the total assets of the company and its subsidiaries on a consolidated basis.