

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A**

(Amendment No. 1)

(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, 2011

or

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

For the transition period from _____ to _____

Commission file number 001-16167

MONSANTO COMPANY

Exact name of registrant as specified in its charter

Delaware

*(State or other jurisdiction of incorporation or
organization)*

43-1878297

(I.R.S. Employer Identification No.)

800 North Lindbergh Blvd., St. Louis, 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:

Title of each class
Common Stock \$0.01 par value

Name of each exchange on which registered
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, 2011): 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: 535,409,098 shares of common stock, \$0.01 par value, outstanding at Nov. 1, 2011.

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 2011, are incorporated herein by reference into Part III of this Annual Report on Form 10-K/A.

MONSANTO COMPANY

2011 FORM 10-K/A

TABLE OF CONTENTS FOR FORM 10-K/A**PART II**

<u>Item 8. 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
<u>Item 9A. Controls and Procedures</u>	80

PART IV

<u>Item 15. Exhibits, Financial Statement Schedules</u>	82
---------------------------------------------------------	----

<u>SIGNATURES</u>	83
--------------------------	----

<u>EXHIBIT INDEX</u>	84
-----------------------------	----

EX-23EX-31.1EX-31.2EX-32EX-101 INSTANCE DOCUMENTEX-101 SCHEMA DOCUMENTEX-101 CALCULATION LINKBASE DOCUMENTEX-101 LABELS LINKBASE DOCUMENTEX-101 PRESENTATION LINKBASE DOCUMENTEX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

EXPLANATORY NOTE

We are filing this Amended Annual Report on Form 10-K/A (the Amended Filing) to our Annual Report on Form 10-K for the fiscal year ended Aug. 31, 2011, as filed with the Securities and Exchange Commission (the SEC) on Nov. 14, 2011 (the Original Filing), 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 48-50 in Part II, Item 8, and its consent filed as Exhibit 23, each of the Original Filing. The signed reports and consent were obtained by us prior to our filing of the Original Filing with the SEC, but the conformed signatures of D&T were inadvertently omitted from the Original Filing.

No other changes are being made to the Financial Statements or any other matter in Part II, Item 8 of the Original Filing. In addition, no changes are being made to any other item of our Original Filing other than the updating of: (i) the Exhibits to include updated Certifications of the Chief Executive and Chief Financial Officers, and (ii) the Exhibit Index to disclose that certain exhibits that were filed with the Original Filing are incorporated by reference into this Amended Filing. The sections of the Original Filing 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 and has not been updated to reflect events occurring subsequent to the Original Filing date.

Table of Contents

MONSANTO COMPANY

2011 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. 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, 2011.

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

Nov. 14, 2011

Table of Contents

MONSANTO COMPANY

2011 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, 2011.

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

Nov. 14, 2011

Table of Contents

MONSANTO COMPANY

2011 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, 2011, 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, 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.

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, 2011 of the Company and this report does not affect our report on such financial statements.

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, 2011, 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, 2011 and the related statements of consolidated operations, cash flows, and shareowners' equity and comprehensive income for the year ended August 31, 2011, of the Company and our report dated November 14, 2011 expressed an unqualified opinion and includes explanatory paragraphs regarding the

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

Company's adoption of new accounting guidance for variable interest entities effective September 1, 2010 applied prospectively and the Company's retrospective adoption of new accounting guidance related to noncontrolling interest and the computation of earnings per share.

/s/ DELOITTE & TOUCHE LLP

St. Louis, Missouri

November 14, 2011

Table of Contents

MONSANTO COMPANY

2011 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, 2011 and 2010, and the related statements of consolidated operations, cash flows and shareowners' equity and comprehensive income for each of the three years in the period ended August 31, 2011. 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, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 and Note 3 to the consolidated financial statements, the Company prospectively adopted new accounting guidance related to variable interest entities effective September 1, 2010. As discussed in Note 3 and 24 to the consolidated financial statements, the accompanying 2009 financial statements have been retrospectively adjusted for new accounting guidance related to noncontrolling interest and the computation of earnings per share.

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, 2011, 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 November 14, 2011 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

November 14, 2011

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

Statements of Consolidated Operations

(Dollars in millions, except per share amounts)	Year Ended Aug. 31,		
	2011	2010	2009
Net Sales	\$11,822	\$10,483	\$11,685
Cost of goods sold	5,743	5,416	4,965
Gross Profit	6,079	5,067	6,720
Operating Expenses:			
Selling, general and administrative expenses	2,190	2,049	2,037
Research and development expenses	1,386	1,205	1,098
Acquired in-process research and development			163
Restructuring charges, net	1	210	361
Total Operating Expenses	3,577	3,464	3,659
Income from Operations	2,502	1,603	3,061
Interest expense	162	162	129
Interest income	(74)	(56)	(71)
Other expense, net	40	7	85
Income from Continuing Operations Before Income Taxes	2,374	1,490	2,918
Income tax provision	717	379	813
Income from Continuing Operations Including Portion Attributable to Noncontrolling Interest	1,657	1,111	2,105
Discontinued Operations:			
Income from operations of discontinued businesses	3	4	19
Income tax provision	1		8
Income on Discontinued Operations	2	4	11
Net Income	1,659	1,115	2,116
Less: Net income attributable to noncontrolling interest	52	19	24
Net Income Attributable to Monsanto Company	\$ 1,607	\$ 1,096	\$ 2,092
Amounts Attributable to Monsanto Company:			
Income from continuing operations	\$ 1,605	\$ 1,092	\$ 2,081
Income on discontinued operations	2	4	11
Net Income Attributable to Monsanto Company	\$ 1,607	\$ 1,096	\$ 2,092

Basic Earnings per Share Attributable to Monsanto Company:

Income from continuing operations	\$ 2.99	\$ 2.01	\$ 3.80
Income on discontinued operations	0.01	0.01	0.02

Net Income Attributable to Monsanto Company	\$ 3.00	\$ 2.02	\$ 3.82
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Diluted Earnings per Share Attributable to Monsanto Company:

Income from continuing operations	\$ 2.96	\$ 1.99	\$ 3.75
Income on discontinued operations			0.02

Net Income Attributable to Monsanto Company	\$ 2.96	\$ 1.99	\$ 3.77
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Weighted Average Shares Outstanding:

Basic	536.5	543.7	547.1
Diluted	542.4	550.8	555.6

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

Statements of Consolidated Financial Position

(Dollars in millions, except share amounts)	As of Aug. 31,	
	2011	2010
Assets		
Current Assets:		
Cash and cash equivalents (variable interest entities restricted - 2011: \$96)	\$ 2,572	\$ 1,485
Short-term investments	302	
Trade receivables, net (variable interest entities restricted - 2011: \$51)	2,117	1,590
Miscellaneous receivables	629	717
Deferred tax assets	446	529
Inventory, net	2,591	2,649
Other current assets	152	80
Total Current Assets	8,809	7,050
Total property, plant and equipment	8,697	8,068
Less accumulated depreciation	4,303	3,841
Property, Plant and Equipment, Net	4,394	4,227
Goodwill	3,365	3,204
Other Intangible Assets, Net	1,309	1,263
Noncurrent Deferred Tax Assets	873	1,014
Long-Term Receivables, Net	475	513
Other Assets	619	581
Total Assets	\$19,844	\$17,852
Liabilities and Shareowners Equity		
Current Liabilities:		
Short-term debt, including current portion of long-term debt	\$ 678	\$ 241
Accounts payable	839	752
Income taxes payable	117	66
Accrued compensation and benefits	427	179
Accrued marketing programs	1,110	887
Deferred revenues	373	219
Grower production accruals	87	97
Dividends payable	161	151
Customer payable	94	83
Restructuring reserves	24	197
Miscellaneous short-term accruals	819	684
Total Current Liabilities	4,729	3,556
Long-Term Debt	1,543	1,862

Postretirement Liabilities	509	920
Long-Term Deferred Revenue	337	395
Noncurrent Deferred Tax Liabilities	152	137
Long-Term Portion of Environmental and Litigation Liabilities	176	188
Other Liabilities	682	681
Shareowners' Equity:		
Common stock (authorized: 1,500,000,000 shares, par value \$0.01) Issued 591,516,732 and 588,439,202 shares, respectively Outstanding 535,297,120 and 540,376,499 shares, respectively	6	6
Treasury stock 56,219,612 and 48,062,703 shares, respectively, at cost	(2,613)	(2,110)
Additional contributed capital	10,096	9,896
Retained earnings	4,174	3,178
Accumulated other comprehensive loss	(116)	(897)
Reserve for ESOP debt retirement	(2)	(4)
Total Monsanto Company Shareowners' Equity	11,545	10,069
Noncontrolling Interest	171	44
Total Shareowners' Equity	11,716	10,113
Total Liabilities and Shareowners' Equity	\$19,844	\$17,852

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

Statements of Consolidated Cash Flows

(Dollars in millions)	Year Ended Aug. 31,		
	2011	2010	2009
Operating Activities:			
Net Income	\$1,659	\$ 1,115	\$ 2,116
Adjustments to reconcile cash provided by operating activities:			
Items that did not require (provide) cash:			
Depreciation and amortization	613	602	548
Bad-debt expense	3	58	49
Stock-based compensation expense	104	102	116
Excess tax benefits from stock-based compensation	(36)	(43)	(35)
Deferred income taxes	135	22	235
Restructuring charges, net	1	210	361
Equity affiliate income, net	(21)	(29)	(15)
Acquired in-process research and development			163
Net gain on sales of a business or other assets	(5)	(3)	(66)
Other items	81	49	(25)
Changes in assets and liabilities that provided (required) cash, net of acquisitions:			
Trade receivables, net	(310)	(22)	520
Inventory, net	156	221	(634)
Deferred revenues	62	(89)	(700)
Accounts payable and other accrued liabilities	894	(395)	(302)
Restructuring cash payments	(183)	(263)	
Pension contributions	(291)	(134)	(187)
Net investment hedge settlement		(4)	35
Other items	(48)	1	67
Net Cash Provided by Operating Activities	2,814	1,398	2,246
Cash Flows Provided (Required) by Investing Activities:			
Purchases of short-term investments	(732)		
Maturities of short-term investments	430		132
Capital expenditures	(540)	(755)	(916)
Acquisition of businesses, net of cash acquired	(99)	(57)	(329)
Purchases of long-term debt and equity securities		(39)	(7)
Technology and other investments	(55)	(33)	(72)
Proceeds from divestiture of a business			300
Other investments and property disposal proceeds	21	50	169
Net Cash Required by Investing Activities	(975)	(834)	(723)

Cash Flows Provided (Required) by Financing Activities:			
Net change in financing with less than 90-day maturities	69	48	(142)
Short-term debt proceeds	84	75	75
Short-term debt reductions	(74)	(101)	(45)
Long-term debt proceeds	299		
Long-term debt reductions	(193)	(4)	(71)
Payments on other financing	(1)	(1)	(6)
Debt issuance costs	(5)		
Treasury stock purchases	(502)	(532)	(398)
Stock option exercises	65	56	39
Excess tax benefits from stock-based compensation	36	43	35
Tax withholding on restricted stock and restricted stock units	(4)		
Dividend payments	(602)	(577)	(552)
Proceeds from noncontrolling interest	69		
Dividend payments to noncontrolling interests	(105)	(45)	(10)
Net Cash Required by Financing Activities	(864)	(1,038)	(1,075)
Cash Assumed from Initial Consolidations of Variable Interest Entities	77		
Effect of Exchange Rate Changes on Cash and Cash Equivalents	35	3	(105)
Net Increase (Decrease) in Cash and Cash Equivalents	1,087	(471)	343
Cash and Cash Equivalents at Beginning of Period	1,485	1,956	1,613
Cash and Cash Equivalents at End of Period	\$2,572	\$ 1,485	\$ 1,956

See Note 25 Supplemental Cash Flow Information for further details.
The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

Statements of Consolidated Shareowners Equity and Comprehensive Income

	Monsanto Shareowners							
	Common Stock	Treasury Stock	Contributed Capital	Retained Earnings	Accumulated Comprehensive (Loss) ⁽¹⁾	Other Reserve for ESOP	Non- Controlling Debt Interest	Total
(Dollars in millions, except per share data)								
Balance as of Sept. 1, 2008	\$6	\$(1,177)	\$9,495	\$1,138	\$ (78)	\$(10)	\$ 37	\$ 9,411
Net income				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							19	1,445
Treasury stock purchases		(400)						(400)
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)	(10)
Allocation of ESOP shares, net of dividends received						4		4
Donation of noncontrolling interest							28	28
Purchase of noncontrolling interest							(5)	(5)
Balance as of Aug. 31, 2009	\$6	\$(1,577)	\$9,695	\$2,665	\$ (744)	\$ (6)	\$ 69	\$10,108
Net income				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
					5			5

Unrealized net derivative gains, net of tax of \$(7)									
Realized net derivative losses, net of tax of \$39						48			48
Comprehensive income for 2010								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	\$6	\$(2,110)	\$9,896	\$3,178	\$(897)	\$ (4)	\$ 44		\$10,113

(1) See Note 23 – 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

2011 FORM 10-K/A

Statements of Consolidated Shareowners Equity and Comprehensive Income (continued)

	Monsanto Shareowners							Total
	Common Stock	Treasury Stock	Contributed Capital	Retained Earnings	Comprehensive (Loss) ⁽¹⁾	ESOP Debt	Other Reserve Non- controlling Interest	
(Dollars in millions, except per share data)								
Balance as of Aug. 31, 2010	\$6	\$(2,110)	\$ 9,896	\$3,178	\$(897)	\$(4)	\$ 44	\$10,113
Net income				1,607			52	1,659
Foreign currency translation					510		4	514
Postretirement benefit plan activity, net of tax of \$98					160			160
Unrealized net derivative gains, net of tax of \$77					110			110
Realized net derivative losses, net of tax of \$5					1			1
Comprehensive income for 2011							56	2,444
Treasury stock purchases		(503)						(503)
Restricted stock withholding				(4)				(4)
Issuance of shares under employee stock plans				65				65
Excess tax benefits from stock-based compensation				36				36
Stock-based compensation expense				103				103
Cash dividends of \$1.14 per common share					(611)			(611)
Dividend payments to noncontrolling interest							(105)	(105)
Allocation of ESOP shares, net of dividends received						2		2
Proceeds from noncontrolling interest							69	69
Consolidation of VIEs							107	107
Balance as of Aug. 31, 2011	\$6	\$(2,613)	\$10,096	\$4,174	\$(116)	\$(2)	\$ 171	\$11,716

(1) See Note 23 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

2011 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 27 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 accompanying consolidated financial statements of Monsanto and its subsidiaries were prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) and include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries over which the Company exercises control and, when applicable, entities for which the Company has a controlling financial interest or is the primary beneficiary. Intercompany accounts and transactions have been eliminated in consolidation. 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.

On September 1, 2010, Monsanto prospectively adopted the accounting standard update regarding improvements to financial reporting by enterprises involving variable interest entities (VIEs). This accounting standard codification (ASC) requires former qualifying Special Purpose Entities (SPE) to be evaluated for consolidation and also changed the approach to determining a VIEs primary beneficiary and requires companies to more frequently reassess whether

they must consolidate VIEs. Arrangements with business enterprises are evaluated, and those in which Monsanto is determined to be the primary

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

beneficiary are consolidated. See Note 8 Variable Interest Entities for a description of consolidated and non-consolidated VIEs.

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.

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 affects Monsanto's recognition of license revenues from biotechnology traits sold through third-party seed companies. Trait royalties 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.

Promotional, Advertising and Marketing Program Costs (Customer Incentive Programs)

Promotional and advertising costs are expensed as incurred and are included in selling, general and administrative expenses in the Statements of Consolidated Operations. 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 cost of marketing programs is recorded in net sales in the Statements of Consolidated Operations. As actual marketing program expenses are not known at the time of the sale, an

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

estimate based on the best available information (such as historical experience and market research) is used as a basis for recording marketing program liabilities. Management analyzes and reviews the marketing program balances on a quarterly basis and adjustments are recorded as appropriate. In fiscal years 2010 and 2009, the company executed marketing programs that provided certain customers price protection consideration if standard purchase prices fall lower than the price the distributor paid on eligible products. Accordingly, the company evaluated the impacts of these programs on revenue recognition, and recorded revenue when all revenue recognition criteria were met. 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 tax assets are adjusted accordingly. The net deferred tax assets as of Aug. 31, 2011, 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, 2011, and Aug. 31, 2010.

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.

Inventory Valuation and Obsolescence

Inventories are stated at the lower of cost or market, and an inventory reserve would permanently reduce 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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 10 percent as of Aug. 31, 2011 and 14 percent as of Aug. 31, 2010) 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 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.

Monsanto establishes allowances for obsolescence of inventory equal to the difference between the higher of cost of inventory and the estimated market value, based on assumptions about future demand and market conditions. The company regularly evaluates the adequacy of our inventory obsolescence reserves. If economic and market conditions are different from those anticipated, inventory obsolescence could be materially different from the amounts provided for in the company's consolidated financial statements. If inventory obsolescence is higher than expected, cost of goods sold will be increased, and inventory, net income, and shareowners' equity will be reduced.

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, 2011. See Note 11—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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

our insect-protection traits, formulations used to make our herbicides and various manufacturing processes. The amortization period for trademarks and patents ranges from one 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.

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 11—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. There were no indications that an impairment test was needed in fiscal year 2011.

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 \$71 million and \$65 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively, primarily relating to its manufacturing facilities. The change in carrying value as of Aug. 31, 2011, consisted of \$4 million for accretion expense offset by \$2 million in increased 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, shareowner claims, environmental and other litigation, claims and legal proceedings; environmental remediation; and government investigations (see Note 26 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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 26 Commitments and Contingencies.

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 fiscal year-end rate is used. For revenues, expenses, gains and losses, an approximation of 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 Mexican peso, the Canadian dollar, the Australian dollar, and the Romanian leu. 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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

NOTE 3. NEW ACCOUNTING STANDARDS

In September 2011, the FASB issued an amendment to the Intangibles-Goodwill and Other topic of the ASC. Prior to this amendment the company performs a two-step test as outlined by the ASC. Step one of the two-step impairment test is performed by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the company is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. Under this amendment, an entity has the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. An entity can choose to perform the qualitative assessment on none, some or all of its reporting units. Moreover, an entity can bypass the qualitative assessment for any reporting unit in any period and proceed directly to step one of the impairment test, and then resume performing the qualitative assessment in any subsequent period. The amendment is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after Dec. 15, 2011. Accordingly, Monsanto will adopt this amendment in fiscal year 2013. The company is currently evaluating the impact of adoption on the consolidated financial statements.

In June 2011, the FASB issued an amendment to the Comprehensive Income topic of the ASC. This amendment eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareowners' equity. In addition, items of other comprehensive income that may be reclassified to profit or loss in the future are required to be presented separately from those that would never be reclassified. The amendment is effective for fiscal years beginning after Dec. 15, 2011, and interim periods within that year. Accordingly, Monsanto will adopt this amendment in first quarter fiscal year 2013. The company is currently evaluating the impact of adoption on the consolidated financial statements.

In May 2011, the FASB issued a new accounting standard update, which amends the fair value measurement guidance and includes some enhanced disclosure requirements. The most significant change in disclosures is an expansion of the information required for Level 3 measurements based on unobservable inputs. The amendment is effective for interim and annual periods beginning after Dec. 15, 2011. Accordingly, Monsanto will adopt this amendment in third quarter of fiscal year 2012. The company is currently evaluating the impact of adoption on the 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 previously required for determining whether an entity is the primary beneficiary. This standard is effective for fiscal years beginning after Nov. 15, 2009. Accordingly, Monsanto adopted this standard on a prospective basis in fiscal year 2011.

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 adopted this standard in fiscal year 2011.

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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

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

For the fiscal year 2011 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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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	\$ 4
Property, Plant and Equipment	13
Goodwill	51
Other Intangible Assets	5
Acquired In-process Research and Development	45
Other Assets	9
Total Assets Acquired	127
Current Liabilities	2
Other Liabilities	21
Total Liabilities Assumed	23
Net Assets Acquired	\$ 104
Supplemental Information:	
Net assets acquired	\$ 104
Cash acquired	5
Cash paid, net of cash acquired	\$ 99

Proforma information related to acquisitions is not presented because the impact of the acquisitions on the company's consolidated results of operations is not considered to be significant.

The excess earnings method under the income approach valuation method was used to determine the fair value of the research project included within the IPR&D acquired. In developing assumptions for the valuation model, Monsanto used projected revenues likely to be generated upon completion of the project and expected pricing, margins and expense levels. The revenue and expense assumptions also considered that the product will be successful and that the product's development and commercialization meet management's current time schedule. Management's current time schedule includes expected product launches associated with the IPR&D within the next ten years. The significant assumptions used to determine the fair value of the IPR&D related to the Divergence acquisition were as follows:

(Dollars in millions)

Weighted Average Discount Rate	21%
Expected Costs to Complete (undiscounted)	\$ 100

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

(Dollars in millions)	Weighted- Average Life (Years)	Useful Life (Years)	Aggregate Acquisitions
Acquired Intellectual Property	17	17	\$ 5
Other Intangible Assets			\$ 5

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 and classified as selling, general, and administrative expenses. The total cash paid and the fair value of the acquisition was \$34 million, and the purchase price 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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

In October 2009, Monsanto acquired the remaining 51 percent equity interest in Seminium, S.A. (Seminiun), a leading Argentinean corn seed company. Acquisition costs were less than \$1 million and 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 million was recognized from the re-measurement to fair value of Monsanto's previous equity interest in Seminiun 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. The 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

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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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:

(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

On September 27, 2011, Monsanto acquired Beeologics; a technology start-up business based in Israel, which researches and develops biological tools to provide targeted control of pests and diseases. Beeologics' results of operations will be included in Monsanto's consolidated financial statements prospectively beginning in fiscal year 2012 after the date of acquisition. The acquisition of the company, which qualifies as a business under the Business Combinations topic of the ASC, will allow Monsanto to further explore the use of biologicals broadly in agriculture to provide farmers with innovative approaches to the challenges they face. Monsanto will use the base technology from Beeologics as a part of its continuing discovery and development pipeline. Acquisition costs were less than \$1 million in fiscal year 2011, and classified as selling, general and administrative expenses. The total cash paid and the fair value of the acquisition was \$113 million (net of cash acquired), and it was primarily allocated to goodwill and intangibles. The primary item that generated goodwill was the premium paid by the company for the right to control the acquired business and technology.

For the acquisition described above, the business operations and employees of the acquired entity are expected to be included in the Seeds and Genomics segment results upon acquisition. The estimated fair values of the assets and liabilities,

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

summarized in the table below, of the acquired entity represent the preliminary purchase price allocation. These allocations will be finalized as soon as the information becomes available, however not to exceed one year from the acquisition date.

(Dollars in millions)	Beeologics Acquisition
Current Assets	\$ 1
Property, Plant and Equipment	
Goodwill	78
Other Intangible Assets	45
Acquired In-process Research and Development	4
Other Assets	8
Total Assets Acquired	136
Current Liabilities	12
Other Liabilities	10
Total Liabilities Assumed	22
Net Assets Acquired	\$ 114
Supplemental Information:	
Net assets acquired	\$ 114
Cash acquired	1
Cash paid, net of cash acquired	\$ 113

Pro forma information related to the acquisition is not presented because the impact on the Company's consolidated results of operations is not expected to be significant.

NOTE 5. RESTRUCTURING

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

(Dollars in millions)	Year Ended Aug. 31,		
	2011	2010	2009
Costs of Goods Sold ⁽¹⁾	\$ (2)	\$(114)	\$ (45)
Restructuring Charges, Net ⁽¹⁾⁽²⁾	(1)	(210)	(361)
Loss from Continuing Operations Before Income Taxes	(3)	(324)	(406)
Income Tax Benefit	4	100	116
Net Income (Loss)	\$ 1	\$(224)	\$(290)

(1) For the fiscal year ended 2011, the \$2 million of restructuring charges recorded in costs of goods sold related to the Seeds and Genomics segment. For the fiscal year ended 2010, the \$114 million of restructuring charges recorded in cost 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 2011, the \$1 million of restructuring charges recorded in restructuring charges, net, were split by segment as follows: \$(8) million in Agricultural Productivity and \$9 million in Seeds and Genomics. For the fiscal year ended 2010, the \$210 million of restructuring charges 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 2011 include reversals of \$37 million related to the 2009 Restructuring Plan. The reversals primarily related to severance. Although positions originally included in the plan were eliminated, individuals found new roles within the company due to attrition.

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26, 2010, committed to take additional actions. The plan was substantially completed in the first quarter of fiscal year 2011, and the majority of the remaining payments are expected to be made by the end of the first quarter in fiscal year 2012.

The following table displays the pretax charges of \$3 million, \$324 million, and \$406 million incurred by segment under the 2009 Restructuring Plan for the fiscal years ended 2011, 2010, and 2009, respectively, as well as the cumulative pretax charges of \$733 million under the 2009 Restructuring Plan.

(Dollars in millions)	Year Ended Aug. 31, 2011			Year Ended Aug. 31, 2010			Year Ended Aug. 31, 2009		
	Seeds and Agricultural Genomics	Productivity	Total	Seeds and Agricultural Genomics	Productivity	Total	Seeds and Agricultural Genomics	Productivity	Total
Work Force Reductions	\$ (21)	\$ (11)	\$ (32)	\$ 85	\$ 47	\$ 132	\$ 175	\$ 63	\$ 238
Facility Closures / Exit Costs	26	3	29	46	31	77	3	47	50
Asset Impairments Property, plant and equipment	4		4	8	1	9	31	4	35
Inventory	2		2	93	13	106	24		24
Other intangible assets							59		59
Total Restructuring Charges, Net	\$ 11	\$ (8)	\$ 3	\$ 232	\$ 92	\$ 324	\$ 292	\$ 114	\$ 406

(Dollars in millions)	Cumulative Amount through Aug. 31, 2011		
	Seeds and Genomics	Agricultural Productivity	Total
Work Force Reductions	\$ 239	\$ 99	\$ 338
Facility Closures / Exit Costs	75	81	156

Asset Impairments			
Property, plant and equipment	43	5	48
Inventory	119	13	132
Other intangible assets	59		59
<hr/>			
Total Restructuring Charges, Net	\$535	\$ 198	\$733
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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 2011, pretax restructuring charges of \$3 million were recorded. The facility closures/exit costs of \$29 million relate primarily to the finalization of the termination of a corn toller contract in the United States. In workforce reductions, approximately \$13 million of additional charges were offset by \$37 million of reserve reversals and \$8 million of reversals of additional paid in capital for growth shares and stock options. Although positions originally included in the plan were eliminated, individuals found new roles within the company due to attrition. In asset impairments, property, plant and equipment impairments of \$4 million related to certain information technology assets in the United States. Inventory impairments of \$2 million were recorded in cost of goods sold related to discontinued corn and sorghum seed products in the United States.

In fiscal year 2010, pretax restructuring charges of \$324 million were recorded. The \$132 million in work force reductions relate primarily to Europe and the United States. The facility closures/exit costs of \$77 million relate 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 related to discontinued products worldwide.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. 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
Ending Liability as of Aug. 31, 2009	\$ 216	\$ 50	\$	\$ 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	\$	\$ 197
Restructuring charges recognized in fiscal year 2011	(32)	29	6	3
Cash payments	(110)	(73)		(183)
Asset impairments and write-offs			(6)	(6)
Reversal of acceleration of stock-based compensation expense in additional contributed capital	8			8
Foreign currency impact	5			5
Ending Liability as of Aug. 31, 2011	\$ 24	\$	\$	\$ 24

NOTE 6. RECEIVABLES

The following table displays a roll forward of the allowance for doubtful trade receivables for fiscal years 2009, 2010 and 2011.

(Dollars in millions)

Balance Sept. 1, 2008	\$218
Additions charged to expense	23
Other ⁽¹⁾	(79)
<hr/>	
Balance Aug. 31, 2009	\$162
Additions charged to expense	51
Other ⁽¹⁾	(70)
<hr/>	
Balance Aug. 31, 2010	\$143
Deductions credited against expense	(8)
Other⁽¹⁾	(37)
<hr/>	
Balance Aug. 31, 2011	\$ 98

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Effective with the second quarter of 2011, the company adopted the amended guidance in the Receivables topic of the ASC which requires greater transparency about a company's allowance for credit losses and the credit quality of its financing receivables. The company has financing receivables that represent long-term customer receivable balances related to past due accounts which are not expected to be collected within the current year. The long-term customer receivables were \$220 million and \$239 million with a corresponding allowance for credit losses on these receivables of \$213 million and \$226 million, as of Aug. 31, 2011, and Aug. 31, 2010, respectively. These long-term customer receivable balances and the corresponding allowance are included in long-term receivables, net on the Condensed Statements of Consolidated Financial Position. For these long-term customer receivables, interest is no longer accrued when the receivable is determined to be delinquent and classified as long-term based on estimated timing of collection.

The following table displays a roll forward of the allowance for credit losses related to long-term customer receivables for fiscal years 2009, 2010 and 2011.

(Dollars in millions)

Balance Sept. 1, 2008	\$ 179
Additions charged to expense	26
Other ⁽¹⁾	(33)
<hr/>	
Balance Aug. 31, 2009	\$ 172
Additions charged to expense	7
Other ⁽¹⁾	47
<hr/>	
Balance Aug. 31, 2010	\$ 226
Incremental Provision	20
Recoveries	(9)
Other⁽¹⁾	(24)
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Balance Aug. 31, 2011	\$ 213

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

In addition, the company has long-term contractual receivables. These receivables are collected at fixed and determinable dates in accordance with the customer long-term agreement. The long-term contractual receivables were \$468 million and \$500 million, as of Aug. 31, 2011, and Aug. 31, 2010, respectively, and did not have any allowance recorded related to these balances. These receivables are included in long-term receivables, net on the Condensed Statements of Consolidated Financial Position. There are no balances related to these long-term contractual

receivables that are past due. These receivables are outstanding with large, reputable companies who have been timely with scheduled payments thus far and are considered to be fully collectible. Interest is accrued on these receivables in accordance with the agreements and is included within interest income in the Statements of Consolidated Operations. See Note 13 Deferred Revenue for more details on the significant agreements related to these long-term contractual receivables.

On an ongoing basis, the company evaluates credit quality of its financing receivables utilizing aging of receivables, collection experience and write-offs, as well as evaluating existing economic conditions, to determine if an allowance is necessary. As of Aug. 31, 2011, no significant long-term receivable balances are considered to be impaired.

NOTE 7. CUSTOMER FINANCING PROGRAMS

Monsanto participates in a revolving financing program in Brazil that allows Monsanto to transfer up to 1 billion Brazilian reais (approximately \$630 million) for select customers in Brazil to a special purpose entity (SPE), formerly a qualified special purpose entity (QSPE). Third parties, primarily investment funds, hold an 88 percent senior interest in the entity, and Monsanto holds the remaining 12 percent interest. Under the arrangement, a recourse provision requires Monsanto to cover the first 12 percent of credit losses within the program. The company has evaluated its relationship with the entity under the updated guidance within the Consolidation topic of the ASC and, as a result, the entity has been consolidated on a prospective basis effective Sept. 1, 2010. For further information on this topic, see Note 8 Variable Interest Entities. Proceeds from customer receivables sold through the financing program and derecognized from the Statements of

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consolidated Financial Position totaled \$115 million for fiscal year 2010. As of Aug. 31, 2010, Monsanto recorded a recourse provision of \$5 million and the maximum potential amount of future payments under the financing program is \$15 million.

Monsanto has an agreement with a SPE in Argentina to transfer customer receivables and to service such accounts. The company has evaluated its relationship with this entity under the updated guidance within the Consolidation topic of the ASC and, as a result, the entity has been consolidated on a prospective basis effective Sept. 1, 2010. For further information on this topic, see Note 8 Variable Interest Entities. As of Aug. 31, 2010, there are no receivables sold through this financing program that are delinquent and Monsanto recorded a bad debt allowance related to these receivables of less than \$1 million. The maximum amount of exposure under the program is \$1 million as of Aug. 31, 2010.

Monsanto has an agreement in the United States to sell customer receivables up to a maximum of \$500 million and to service such accounts. These receivables qualify for sales treatment under the Transfers and Servicing topic of the ASC and, accordingly, the proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows. The gross amount of receivables sold totaled \$3 million, \$221 million and \$319 million for fiscal years 2011, 2010 and 2009, respectively. The agreement includes recourse provisions and thus a liability is established at the time of sale that approximates fair value based upon the company's historical collection experience and a current assessment of credit exposure. There is no recourse liability recorded by Monsanto and there are no potential future payments under the recourse provisions of the agreement for previously sold receivables as of Aug. 31, 2011. The recourse liability of \$2 million was recorded as of Aug. 31, 2010. The outstanding balance of the receivables sold is \$3 million and \$223 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively. There were delinquent accounts of \$3 million as of Aug. 31, 2011, and Aug. 31, 2010.

Monsanto also sells accounts receivable in the United States and European regions, both with and without recourse. The sales within these programs qualify for sales treatment under the Transfers and Servicing topic of the ASC and, accordingly, the proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows. The gross amounts of receivables sold totaled \$61 million, \$107 million and \$72 million for fiscal years 2011, 2010 and 2009, 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. There is no liability balance as of Aug. 31, 2011. The liability recorded by Monsanto was less than \$1 million as of Aug. 31, 2010. The maximum potential amount of future payments under the recourse provisions of the agreements is \$46 million as of Aug. 31, 2011. The outstanding balance of the receivables sold is \$55 million and \$86 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively. There were no delinquent loans as of Aug. 31, 2011, or Aug. 31, 2010.

Monsanto has additional agreements with lenders to establish programs that provide financing of up to 550 million Brazilian reais (approximately \$350 million) for selected customers in Brazil. Monsanto provides a guarantee of the accounts in the event of customer default. The term of the guarantee is equivalent to the term of the bank loans. The liability for the guarantees is recorded at an amount that approximates fair value, based on the company's historical collection experience with customers that participate in the program and a current assessment of credit exposure. The guarantee liability recorded by Monsanto is \$1 million and \$3 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively. If performance is required under the guarantee, Monsanto may retain amounts that are subsequently collected from customers. The maximum potential amount of future payments under the guarantee is \$49 million as of Aug. 31, 2011. The account balance outstanding for these programs is \$49 million and \$100 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively. There were delinquent loans of \$1 million and \$2 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively.

Monsanto also has similar agreements with banks that provide financing to its customers in the United States, Europe and Latin America where Monsanto provides a guarantee of the accounts in the event of customer default. The maximum potential amount of future payments under the guarantees is \$27 million. The guarantee liability recorded by Monsanto is \$2 million as of Aug. 31, 2011, and Aug. 31, 2010.

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 SPE, serviced the loans and provided a first-loss guarantee of up to \$130 million. Following origination, the lender

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

transferred the loans to multiseller commercial paper conduits through a nonconsolidated QSPE which was treated as a sale, in accordance with the Transfers and Servicing topic of the ASC. Monsanto accounted for the program as if it were the originator of the loans and the transferor selling the loans to the QSPE, and accounted for the guarantee in accordance with the Guarantees topic of the ASC.

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. Proceeds from customer loans sold through the financing program totaled \$130 million for fiscal year 2009. 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, 2011, or Aug. 31, 2010.

NOTE 8. VARIABLE INTEREST ENTITIES

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

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

As a result of the adoption of the updated accounting guidance, Monsanto was required to consolidate certain VIEs that are established as revolving financing programs including the special purpose entity referred to in Note 7 Customer Financing Programs. As of the date of the initial consolidation of these VIEs, the company measured the assets and liabilities of the newly consolidated VIEs at their carrying value. The company was not required to deconsolidate any VIEs as of Sept. 1, 2010. The cumulative effect of the adoption of this guidance was insignificant to additional contributed capital, retained earnings and accumulated other comprehensive loss and, therefore, not identified separately on the Statement of Consolidated Shareowners' Equity and Comprehensive Income but is recorded within the Statement of Consolidated Operations.

Consolidated VIEs

Under the accounting guidance effective prior to Sept. 1, 2010, none of the interests in VIEs held were consolidated by Monsanto. For the most part, the VIEs involving the revolving financing programs are funded by investments from

the company and other third parties, primarily investment funds, and have been established to service Monsanto's customer receivables. Creditors have no recourse against Monsanto in the event of default by these VIEs nor does the company have any implied or unfunded commitments to these VIEs. The company's financial or other support provided to these VIEs is limited to its original investment. Even though Monsanto holds a subordinate interest in the VIEs, the VIEs were established to service transactions involving the company and the company determines the receivables that are included in the revolving financing programs. Therefore, the determination is that Monsanto has the power to direct the activities most significant to the economic performance of the VIEs. As a result, the company is the primary beneficiary of these VIEs and, effective Sept.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1, 2010, these VIEs have been consolidated in Monsanto's Consolidated Financial Statements. The assets of these VIEs may only be used to settle the obligations of the respective entity. Third-party investors in the VIEs do not have recourse to the general assets of Monsanto other than the maximum exposure to loss relating to the VIE. The following table presents the carrying value of assets and liabilities, which are identified as restricted assets and liabilities on the company's Condensed Statement of Consolidated Financial Position, and the maximum exposure to loss relating to the VIEs for which Monsanto is the primary beneficiary.

	As of Aug. 31, 2011
	Financing Programs VIEs
(Dollars in millions)	
Cash and cash equivalents	\$ 96
Trade receivables, net	51
Total Assets	\$ 147
Total Liabilities	
Maximum Exposure to Loss	\$ 11

Non-Consolidated VIEs

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

	As of Aug. 31, 2011
	Biotechnology VIEs
(Dollars in millions)	

Property, plant, and equipment, net	\$ 5
Other intangible assets, net	9
Other assets	15

Total Non-Current Assets	\$ 29
Total Liabilities	
Maximum Exposure to Loss	\$ 15

NOTE 9. INVENTORY

Components of inventory are:

(Dollars in millions)	As of Aug. 31,	
	2011	2010
Finished Goods	\$ 953	\$1,135
Goods In Process	1,434	1,299
Raw Materials and Supplies	390	326
Inventory at FIFO Cost	2,777	2,760
Excess of FIFO over LIFO Cost	(186)	(111)
Total	\$2,591	\$2,649

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The increase in the excess of FIFO over LIFO cost is primarily the result of increases in certain raw materials and production costs. During 2011, inventory quantities declined, resulting in the liquidation of LIFO inventory layers carried at higher costs than current year purchases and production. The income statement effect of such liquidation on cost of sales was an increase of approximately \$2 million.

Monsanto uses commodity futures and options contracts to hedge the price volatility of certain commodities, specifically soybeans, corn, and energy.

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 2009, 2010 and 2011.

(Dollars in millions)

Balance Sept. 1, 2008	\$ 264
Additions charged to expense	196
Deductions and other ⁽¹⁾	(123)
<hr/>	
Balance Aug. 31, 2009	\$ 337
Additions charged to expense	219
Deductions and other ⁽¹⁾	(224)
<hr/>	
Balance Aug. 31, 2010	\$ 332
Additions charged to expense	240
Deductions and other⁽¹⁾	(234)
<hr/>	
Balance Aug. 31, 2011	\$ 338

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

As part of Monsanto's 2009 Restructuring Plan, inventory impairment charges of \$2 million and \$106 million were recorded in fiscal year 2011 and 2010, respectively. See Note 5 Restructuring for additional information.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Components of property, plant and equipment were as follows:

As of Aug. 31,

(Dollars in millions)	2011	2010
Land and Improvements	\$ 545	\$ 502
Buildings and Improvements	1,946	1,750
Machinery and Equipment	5,034	4,591
Computer Software	587	531
Construction In Progress and Other	585	694
Total Property, Plant and Equipment	8,697	8,068
Less Accumulated Depreciation	(4,303)	(3,841)
Property, Plant and Equipment, Net	\$ 4,394	\$ 4,227

Gross assets acquired under capital leases of \$42 million and \$37 million are included primarily in machinery and equipment as of Aug. 31, 2011, and Aug. 31, 2010, respectively. See Note 15 Debt and Other Credit Arrangements and Note 26 Commitments and Contingencies for related capital lease obligations.

As part of Monsanto's 2009 Restructuring Plan, asset impairment charges of \$4 million and \$9 million were recorded in fiscal years 2011 and 2010, respectively. The impairment charges for 2011 were related to certain information technology assets. In 2010, the charges resulted from buildings and improvements, machinery and equipment and the associated accumulated depreciation. See Note 5 Restructuring for additional information.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 11. GOODWILL AND OTHER INTANGIBLE ASSETS**

The fiscal year 2011 and 2010 annual goodwill impairment tests were performed as of March 1, 2011 and 2010, 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, 2011. As of fiscal year 2011, accumulated goodwill impairment charges since the adoption of FASB Statement No. 142, Goodwill and Other Intangible Assets (codified in ASC 350) in 2002 were \$2 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 ASC 350 as well as unanticipated delays in biotechnology acceptance and regulatory approvals.

Changes in the net carrying amount of goodwill for fiscal years 2010 and 2011, by segment, are as follows:

(Dollars in millions)	Seeds and Genomics	Agricultural Productivity	Total
Balance as of Sept. 1, 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
Acquisition activity (see Note 4)	51		51
Effect of foreign currency translation adjustments	110		110
Balance as of Aug. 31, 2011	\$3,308	\$ 57	\$3,365

In fiscal year 2011, goodwill increased due to the current year acquisitions of Divergence and Pannon Seeds and the effects of foreign currency translation adjustments. 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. See Note 4 Business Combinations for further information.

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

As of Aug. 31, 2011		As of Aug. 31, 2010	
Carrying	Accumulated	Carrying	Accumulated

(Dollars in millions)	Amount	Amortization	Net	Amount	Amortization	Net
Acquired Germplasm	\$1,189	\$ (692)	\$ 497	\$1,161	\$ (640)	\$ 521
Acquired Intellectual Property	973	(710)	263	866	(649)	217
Trademarks	352	(110)	242	344	(94)	250
Customer Relationships	335	(146)	189	317	(113)	204
In Process Research & Development	45		45			
Other	136	(63)	73	121	(50)	71
Total	\$3,030	\$ (1,721)	\$1,309	\$2,809	\$(1,546)	\$1,263

The increase in acquired intellectual property during fiscal year 2011 primarily resulted from the purchase of licenses that provide Monsanto the access to use technology patents. The increase in IPR&D during fiscal year 2011 resulted from the Divergence acquisition described in Note 4 Business Combinations. The increases in the overall other intangible balances were primarily due to the effect of foreign currency translation adjustments.

Total amortization expense of other intangible assets was \$150 million in fiscal year 2011, \$158 million in fiscal year 2010, and \$151 million in fiscal year 2009.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(Dollars in millions)	Amount
2012	\$ 142
2013	115
2014	121
2015	117
2016	113

NOTE 12. INVESTMENTS AND EQUITY AFFILIATES**Investments**

As of Aug. 31, 2011, Monsanto has short-term investments outstanding of \$302 million. The investments are comprised of treasury bills and commercial paper with original maturities of one year or less. See Note 16 Fair Value Measurements.

During fiscal year 2010, Monsanto invested in long-term debt securities with a cost of \$15 million, which were classified as available-for-sale. The investments were recorded in other assets in the Statements of Consolidated Financial Position at their fair value of \$10 million and net unrealized losses (net of deferred taxes) of \$3 million were included in accumulated other comprehensive loss in shareowners' equity as of Aug. 31, 2010. As a result of the adoption of a new accounting standard within the Consolidation topic of the ASC, the special purpose entity in which the company invested is now consolidated and the investment is no longer included in other assets in the Statement of Consolidated Financial Position. See Note 8 Variable Interest Entities for further discussion related to these debt securities.

Monsanto has investments in long-term equity securities, which are considered available-for-sale. As of Aug. 31, 2011, and Aug. 31, 2010, these long-term equity securities are recorded in other assets in the Statements of Consolidated Financial Position at a fair value of \$26 million and \$23 million, respectively. Net unrealized gains (net of deferred taxes) of less than \$1 million and \$3 million are included in accumulated other comprehensive loss in shareowners' equity related to these investments as of Aug. 31, 2011, and Aug. 31, 2010, respectively. Monsanto recorded an impairment of \$16 million related to one of these long-term equity securities in fiscal year 2010.

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, 2011, and Aug. 31, 2010, this investment is recorded in other assets in the Statements of Consolidated Financial Position at \$67 million and \$65 million, respectively. During fiscal years 2011 and 2010, Monsanto purchased \$184 million and \$162 million of inventory from the seed supplier and recorded sales of inventory to the seed supplier of \$14 million and \$12 million, respectively. As of Aug. 31, 2011, and Aug. 31, 2010, the amount payable to the seed supplier is \$2 million and \$5 million, respectively, and is recorded in accounts payable in the Statements of Consolidated Financial Position. As of Aug. 31, 2011, and Aug. 31, 2010, there were prepayments of \$9 million and \$7 million included in other current

assets in the Statements of Consolidated Financial Position for inventory that will be delivered in fiscal year 2012 and 2011, respectively.

NOTE 13. DEFERRED REVENUE

In 2008, Monsanto entered into a corn herbicide tolerance and insect control trait technologies agreement with Pioneer Hi-Bred International, Inc. Among its provisions, the agreement modified certain existing corn license agreements between the parties. Under the agreement, which requires fixed annual payments, the company recorded a receivable and deferred revenue of \$635 million in first quarter 2008. Cumulative cash receipts will be \$725 million over an eight-year period. Revenue of \$79 million related to this agreement was recorded in fiscal years 2011, 2010 and 2009. As of Aug. 31, 2011, and Aug. 31,

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2010, the remaining receivable balance is \$393 million and \$470 million and the remaining deferred revenue balance is \$317 million and \$397 million, respectively. The interest portion of this receivable is \$13 million, \$16 million and \$19 million for fiscal years 2011, 2010 and 2009, respectively.

In 2008, Monsanto and Syngenta entered into a *Genuity Roundup Ready 2 Yield* Soybean License Agreement which grants Syngenta access to Monsanto's *Genuity Roundup Ready 2 Yield* Soybean technology in consideration of royalty payments from Syngenta, based on sales. The minimum obligation from Syngenta over the nine-year contract period is \$81 million. Revenue of \$4 million related to this agreement was recorded in fiscal year 2011. As of Aug. 31, 2011, and Aug. 31, 2010, the remaining receivable balance is \$75 million and \$73 million and the remaining deferred revenue balance is \$62 million and \$67 million, respectively. The interest portion of this receivable is \$3 million for fiscal years 2011, 2010 and 2009.

NOTE 14. INCOME TAXES

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

(Dollars in millions)	Year Ended Aug. 31,		
	2011	2010	2009
United States	\$1,640	\$1,230	\$2,137
Outside United States	734	260	781
Total	\$2,374	\$1,490	\$2,918

The components of income tax provision from continuing operations were:

(Dollars in millions)	Year Ended Aug. 31,		
	2011	2010	2009
Current:			
U.S. federal	\$ 330	\$258	\$531
U.S. state	43	5	8
Outside United States	271	122	170

Total Current	\$ 644	\$385	\$709
<hr/>			
Deferred:			
U.S. federal	151	42	101
U.S. state	37	34	32
Outside United States	(115)	(82)	(29)
<hr/>			
Total Deferred	73	(6)	104
<hr/>			
Total	\$ 717	\$379	\$813
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Table of Contents

MONSANTO COMPANY

2011 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:

(Dollars in millions)	Year Ended Aug. 31,		
	2011	2010	2009
U.S. Federal Statutory Rate	\$831	\$ 522	\$1,021
U.S. R&D Tax Credit	(34)	(10)	(33)
U.S. Domestic Manufacturing Deduction	(37)	(22)	(45)
Lower Ex-U.S. Rates	(98)	(130)	(122)
State Income Taxes	52	33	58
Valuation Allowances	(7)	10	4
Adjustment for Unrecognized Tax Benefits	(1)	3	(16)
Other	11	(27)	(54)
Income Tax Provision	\$717	\$ 379	\$ 813

Deferred income tax balances are related to:

(Dollars in millions)	As of Aug. 31,	
	2011	2010
Net Operating Loss and Other Carryforwards	\$ 971	\$ 865
Employee Fringe Benefits	394	504
Restructuring and Impairment Reserves	154	168
Intangibles	152	195
Inventories	132	149
Environmental and Litigation Reserves	87	97
Allowance for Doubtful Accounts	58	56
Other	316	284
Valuation Allowance	(44)	(57)
Total Deferred Tax Assets	\$2,220	\$2,261

Property, Plant and Equipment	\$ 527	\$ 409
Intangibles	454	454
Other	115	45
<hr/>		
Total Deferred Tax Liabilities	1,096	908
<hr/>		
Net Deferred Tax Assets	\$1,124	\$1,353
<hr/>		

As of Aug. 31 2011, Monsanto had available approximately \$1.5 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 \$320 million of U.S. foreign tax credit carryforwards, which expire from 2015 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 2011, 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.

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 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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 of Aug. 31, 2011, Monsanto had total unrecognized tax benefits of \$348 million, of which \$273 million would favorably impact the effective tax rate if recognized. 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.

Accrued interest and penalties included in the Statements of Consolidated Financial Position were \$55 million and \$46 million as of Aug. 31, 2011, and Aug. 31, 2010, 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, 2011, the company recognized \$8 million of income tax expense for interest and penalties. For the 12 months ended Aug. 31, 2010, the company recognized a benefit of \$5 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, 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
Increases for prior year tax positions	18
Decreases for prior year tax positions	(8)
Increases for current year tax positions	13
Settlements	(1)
Lapse of statute of limitations	(22)
Foreign currency translation	7

Balance Aug. 31, 2011	\$ 348
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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 2011
U.S. state and local income taxes	2000 2011
Argentina	2001 2011
U.S. federal income tax	2007 2011

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 \$115 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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 15. DEBT AND OTHER CREDIT ARRANGEMENTS**

Monsanto has a \$2 billion credit facility agreement with a group of banks that provides a four-year senior unsecured revolving credit facility through April 1, 2015. This credit facility replaces the previous \$2 billion credit facility established in 2007. 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, 2011, Monsanto was in compliance with all debt covenants, and there were no outstanding borrowings under this credit facility.

Short-Term Debt

(Dollars in millions)	As of Aug. 31,	
	2011	2010
Current Maturities of Long-Term Debt	\$626	\$193
Notes Payable to Banks	52	48
Total Short-Term Debt	\$678	\$241

The fair value of the total short-term debt was \$710 million and \$241 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively. The weighted average interest rate on notes payable to banks was 6.7 percent and 4.5 percent as of Aug. 31, 2011, and Aug. 31, 2010, respectively.

As of Aug. 31, 2011, the company did not have any outstanding commercial paper, but it had short-term borrowings to support ex-U.S. operations throughout the year, 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 \$136 million on the purchase price which is included in short-term debt on the Statement of Consolidated Financial Position as of Aug. 31, 2011.

Long-Term Debt

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

7 % Senior Notes, Due 2012)	\$	\$ 485
5 ¹ / ₂ % Senior Notes, Due 2035 ⁽¹⁾	395	395
2 ³ / ₄ % Senior Notes, Due 2016 ⁽¹⁾	299	
5 % Senior Notes, Due 2018)	299	299
5 ¹ / ₂ % Senior Notes, Due 2025 ⁽¹⁾	277	274
5 % Senior Notes, Due 2038)	247	247
Other (including Capital Leases) ⁽²⁾	26	162
<hr/>		
Total Long-Term Debt	\$1,543	\$1,862
<hr/>		

(1) Amounts are net of unamortized discounts. For the 5¹/₂% Senior Notes due 2025, amount is also net of the unamortized premium of \$38 million and \$40 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively.

(2) Includes \$136 million as of Aug. 31, 2010 related to the Chesterfield Village Research Center purchase. The fair value of the total long-term debt was \$1,797 million and \$2,094 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 7 % Senior Notes. As of Aug. 31, 2011, \$485 million of the 7 % Senior Notes are due on Aug. 15, 2012 (see discussion below regarding a debt exchange for \$314 million of the 7 % 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 (5¹/₂% 2035 Senior Notes). In April 2008, Monsanto issued \$300 million of 5 % Senior Notes under the 2005 shelf registration, which are due on April 15, 2018 (5 % 2018 Senior Notes). The net proceeds from the issuance of the 5 % 2018 Senior Notes were used to finance the expansion of corn seed production facilities. Also in April 2008, Monsanto issued \$250 million of 5⁷/₈% Senior Notes under the 2005 shelf registration, which are due on April 15, 2038 (5⁷/₈% 2038 Senior Notes). The net proceeds from the sale of the 5⁷/₈% 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 August 2005, Monsanto exchanged \$314 million of new 5¹/₂% Senior Notes due 2025 (5¹/₂% 2025 Senior Notes) for \$314 million of its outstanding 7 % Senior Notes due 2012, which were issued in 2002. The exchange was conducted as a private transaction with holders of the outstanding 7 % 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 5¹/₂% 2025 Senior Notes. As a result of the debt premium, the effective interest rate on the 5¹/₂% 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 5¹/₂% Senior Notes due 2025, in exchange for the same principal amount of its 5¹/₂% 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 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 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. In April 2011, the term of the swaps ended. 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, which will be subsequently recognized in earnings over the term of the debt. In April 2011, Monsanto issued \$300 million of 2.75% Senior Notes under the 2008 shelf registration, which are due on April 15, 2016 (2.75% 2016 Senior Notes). The net proceeds from the sale of the 2.75% 2016 Senior Notes were used for general corporate purposes, including refinancing of the company's indebtedness.

Monsanto plans to issue new fixed-rate debt on or before Aug. 15, 2012, to repay \$485 million of 7 % Senior Notes that are due on Aug. 15, 2012. In March 2009, the company entered into forward-starting interest rate swaps with a total notional amount of \$250 million. The purpose of the swaps was to hedge the variability of the forecasted interest payments on this expected debt issuance that may result from changes in the benchmark interest rate before the debt is issued. Unrealized losses, net of tax, of \$14 million and \$8 million were recorded in accumulated other comprehensive loss to reflect the aftertax change in the fair value of the forward-starting interest rate swaps as of Aug. 31, 2011, and Aug. 31, 2010, respectively. In August 2010, the company entered into forward-starting interest rate swaps with a total notional amount of \$225 million. The purpose of the swaps was to hedge the variability of the forecasted interest payments on this expected debt issuance that may result from changes in the benchmark interest rate before the debt is issued. Unrealized losses, net of tax, of \$10 million and \$9 million were recorded in accumulated other comprehensive loss to reflect the aftertax change in the fair value of the

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

forward-starting interest rate swaps as of Aug. 31, 2011, and Aug. 31, 2010, respectively. These swaps are accounted for under the Derivatives and Hedging topic of the ASC.

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,		
	2011	2010	2009
Interest Cost Incurred	\$184	\$187	\$163
Less: Capitalized on Construction	(22)	(25)	(34)
Interest Expense	\$162	\$162	\$129

NOTE 16. FAIR VALUE MEASUREMENTS

Monsanto determines the fair market value of its financial assets and liabilities based on quoted market prices, estimates from brokers, and other appropriate valuation techniques. The company uses the fair value hierarchy established in the Fair Value Measurements and Disclosures topic of the ASC, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The 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, 2011, and Aug. 31, 2010. As required by the Fair Value Measurements and Disclosures topic of the ASC, assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair 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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Fair Value Measurements at Aug. 31, 2011, Using**

(Dollars in millions)	Level 1	Level 2	Level 3	Cash Collateral Offset ⁽¹⁾	Net Balance
Assets at Fair Value:					
Cash equivalents	\$1,896	\$	\$	\$	\$1,896
Short-term investments	302				302
Equity securities	26				26
Derivative assets related to:					
Foreign currency		3			3
Corn	88	30		(84)	34
Soybeans	21	2		(21)	2
Energy and raw materials		3			3
Total Assets at Fair Value	\$2,333	\$38	\$	\$(105)	\$2,266
Liabilities at Fair Value:					
Derivative liabilities related to:					
Foreign currency	\$	\$14	\$	\$	\$ 14
Interest rates		38			38
Corn	2	30			32
Soybeans		1			1
Energy and raw materials		9			9
Total Liabilities at Fair Value	\$ 2	\$92	\$	\$	\$ 94

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

(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. Level 1 measurements are based on quoted market prices in active markets. Level 2 measurements are based on estimates from brokers or through market observable assumptions for similar items in active markets, including forward and spot prices, interest rates and volatilities adjusted, as necessary, for credit risk. Level 3 measurements are based on an independent

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

pricing source adjusted for expected future credit losses developed using internal assumptions. See Note 17 Financial Instruments for further details on Monsanto's derivative instruments.

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.

The following table summarizes the changes in fair value of the Level 3 asset for the year ended Aug. 31, 2011.

(Dollars in millions)

Balance Sept. 1, 2010	\$ 10
Elimination due to consolidation of variable interest entities	(10)
Balance Aug. 31, 2011	\$

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

See Note 5 Restructuring for details on nonrecurring measurements of assets at fair value during fiscal year 2011. There were no other significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition during fiscal year 2011.

Measurements during fiscal year 2010 of assets and liabilities 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. The recorded amounts of cash, trade receivables, net, 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, 2011, and Aug. 31, 2010.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 17. 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 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 11 months for foreign currency hedges, 36 months for commodity hedges and 12 months for interest rate hedges. During the next 12 months, a pretax net gain of approximately \$73 million will be reclassified from accumulated other comprehensive loss into earnings. No cash flow hedges were discontinued during fiscal years 2011 or 2009. 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.

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 2011, 2010 or 2009.

Net Investment Hedges

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

Derivatives Not Designated as Hedging Instruments

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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, 2011, and Aug. 31, 2010, were as follows:

(Dollars in millions)	As of Aug. 31,	
	2011	2010
Derivatives Designated as Hedges:		
Foreign exchange contracts	\$ 359	\$ 383
Commodity contracts	517	387
Interest rate contracts	475	775
Total Derivatives Designated as Hedges	\$1,351	\$1,545
Derivatives Not Designated as Hedges:		
Foreign exchange contracts	\$ 779	\$ 862
Commodity contracts	181	123
Interest rate contracts	153	
Grower contracts	71	34
Total Derivatives Not Designated as Hedges	\$1,184	\$1,019

Table of Contents

MONSANTO COMPANY

2011 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, 2011, and Aug. 31, 2010, were as follows:

	Balance Sheet Location	Fair Value	
		As of Aug. 31,	
(Dollars in millions)		2011	2010
Asset Derivatives:			
Derivatives designated as hedges:			
Foreign exchange contracts	Miscellaneous receivables	\$ 1	\$23
Commodity contracts	Other current assets ⁽¹⁾	93	12
Commodity contracts	Other assets ⁽¹⁾	16	4
Total derivatives designated as hedges		110	39
Derivatives not designated as hedges:			
Foreign exchange contracts	Miscellaneous receivables	2	3
Commodity contracts	Trade receivables, net	30	5
Commodity contracts	Miscellaneous receivables	2	
Commodity contracts	Other current assets ⁽¹⁾	3	
Total derivatives not designated as hedges		37	8
Total Asset Derivatives		\$147	\$47
Liability Derivatives:			
Derivatives designated as hedges:			
Foreign exchange contracts	Miscellaneous short-term accruals	\$ 9	\$
Commodity contracts	Other current assets ⁽¹⁾	2	
Commodity contracts	Miscellaneous short-term accruals	6	14
Commodity contracts	Other liabilities	4	8
Interest rate contracts	Miscellaneous short-term accruals	38	11
Interest rate contracts	Other liabilities		28
Total derivatives designated as hedges		59	61
Derivatives not designated as hedges:			
Foreign exchange contracts	Miscellaneous short-term accruals	5	5

Commodity contracts	Trade receivables, net	1	4
Commodity contracts	Miscellaneous short-term accruals	29	9
Total derivatives not designated as hedges		35	18
Total Liability Derivatives		\$ 94	\$79

- (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 16 Fair Value Measurements for a reconciliation to amounts reported in the Statements of Consolidated Financial Position as of Aug. 31, 2011, and Aug. 31, 2010.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Amount of Gain (Loss) Recognized in AOCL ⁽¹⁾ (Effective Portion)			Amount of Gain (Loss) Recognized in Income ⁽²⁾⁽³⁾			Income Statement Classification
	Year Ended Aug. 31,			Year Ended Aug. 31,			
(Dollars in millions)	2011	2010	2009	2011	2010	2009	
Derivatives Designated as Hedges:							
Fair value hedges:							
Commodity contracts ⁽⁴⁾				\$ (20)	\$ 6	\$ (9)	Cost of goods sold
Cash flow hedges:							
Foreign exchange contracts	\$ (16)	\$(12)	\$ 34	(12)	(5)	35	Net sales
Foreign exchange contracts	(20)	19	40	5	18	32	Cost of goods sold
Commodity contracts	228	43	(243)	7	(94)	23	Cost of goods sold
Interest rate contracts	(4)	(53)	14	(7)	(6)	(6)	Interest expense
Net investment hedges:							
Foreign exchange contracts		(3)	21				N/A ⁽⁵⁾
Total Derivatives Designated as Hedges	188	(6)	(134)	(27)	(81)	75	
Derivatives Not Designated as Hedges:							
Foreign exchange				(9)	(46)	(140)	Other

contracts ⁽⁶⁾							expense, net
Commodity contracts				2	(10)		Net sales
Commodity contracts				(1)	(1)	14	Cost of goods sold
Commodity contracts					(2)		Other expense, net
<hr/>							
Total Derivatives Not Designated as Hedges				(8)	(59)	(126)	
<hr/>							
Total Derivatives	\$188	\$ (6)	\$(134)	\$(35)	\$(140)	\$ (51)	
<hr/>							

- (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 \$2 million, a gain of \$1 million and a loss of \$3 million from ineffectiveness for fiscal years 2011, 2010 and 2009, 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 2011 or 2009. No amounts were excluded from the assessment of hedge effectiveness during fiscal years 2011, 2010 or 2009.
- (4) Gain or loss on commodity fair value hedges was offset by a gain of \$18 million, a loss of \$11 million and a gain of \$8 million on the underlying hedged inventory during fiscal years 2011, 2010 and 2009, respectively. A loss of \$2 million, \$5 million and \$1 million during fiscal years 2011, 2010 and 2009, 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 loss of \$40 million, a gain of \$14 million and a gain of \$25 million during fiscal years 2011, 2010 and 2009, 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 in the case of an unrealized loss position. The counterparty is required to post collateral each day to cover the change in fair value of these futures in the case of an unrealized gain position. 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 \$50 million on Aug. 31, 2011, and \$64 million on Aug. 31, 2010, 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

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Credit Risk Management**

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

The company sells a broad range of agricultural products to a diverse group of customers throughout the world. In the United States, the company makes substantial sales to relatively few large wholesale customers. The company's 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 2011, 2010 and 2009, 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 18. 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 \$122 million, \$85 million and \$80 million in fiscal years 2011, 2010 and 2009, 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:

	Year Ended Aug. 31, 2011			Year Ended Aug. 31, 2010			Year Ended Aug. 31, 2009		
	U.S.	Outside the U.S.	Total	U.S.	Outside the U.S.	Total	U.S.	Outside the U.S.	Total
Service Cost for Benefits Earned During the Year	\$ 59	\$ 9	\$ 68	\$ 49	\$ 6	\$ 55	\$ 45	\$ 7	\$ 52
Interest Cost on Benefit Obligation	84 (108)	14 (17)	98 (125)	91 (118)	14 (15)	105 (133)	100 (109)	15 (17)	115 (126)

Assumed Return on Plan Assets									
Amortization of Unrecognized Net Loss	71	6	77	52	4	56	35	3	38
Curtailment and Settlement Charge (Gain)		4	4	3	(1)	2		1	1
Total Net Periodic Benefit Cost	\$ 106	\$ 16	\$ 122	\$ 77	\$ 8	\$ 85	\$ 71	\$ 9	\$ 80

Table of Contents

MONSANTO COMPANY

2011 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, 2011, were:

(Dollars in millions)	U.S.	Outside the U.S.	Total
Current Year Actuarial Gain	\$(166)	(14)	\$(180)
Recognition of Actuarial Loss	(71)	(9)	(80)
Recognition of Prior Service Cost		(1)	(1)
Effect of Foreign Currency Translation Adjustment		9	9
Total Recognized in Accumulated Other Comprehensive Loss	\$(237)	\$ (15)	\$(252)

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 Aug. 31, 2011		Year Ended Aug. 31, 2010		Year Ended Aug. 31, 2009	
	U.S.	Outside the U.S.	U.S.	Outside the U.S.	U.S.	Outside the U.S.
Discount Rate	4.35%	4.24%	5.30%	5.54%	6.50%	5.84%
Assumed Long-Term Rate of Return on Assets	7.50%	6.51%	7.75%	6.63%	8.00%	7.09%
Annual Rates of Salary Increase (for plans that base benefits on final compensation level)	4.00%	3.97%	2.45%	4.04%	4.25%	4.14%

Table of Contents

MONSANTO COMPANY

2011 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, 2011, and Aug. 31, 2010, was as follows:

(Dollars in millions)	U.S.		Outside the U.S.		Total	
	Year Ended Aug. 31,		Year Ended Aug. 31,		Year Ended Aug. 31,	
	2011	2010	2011	2010	2011	2010
Change in Benefit Obligation:						
Benefit obligation at beginning of period	\$1,950	\$1,744	\$ 319	\$307	\$2,269	\$2,051
Service cost	59	49	9	6	68	55
Interest cost	84	91	14	14	98	105
Plan participants contributions			2	1	2	1
Plan amendments		(3)		1		(2)
Actuarial (gain) loss	(74)	210	(15)	32	(89)	242
Benefits paid	(136)	(138)	(9)	(23)	(145)	(161)
Special termination benefits				1		1
Settlements / curtailments		(3)	(132)	(6)	(132)	(9)
Currency loss (gain)			37	(26)	37	(26)
Other ⁽³⁾			24	12	24	12
Benefit Obligation at End of Period	\$1,883	\$1,950	\$ 249	\$319	\$2,132	\$2,269
Change in Plan Assets:						
Fair value of plan assets at beginning of period	\$1,383	\$1,281	\$ 243	\$235	\$1,626	\$1,516
Actual return on plan assets	200	126	13	25	213	151
Employer contribution ⁽¹⁾	272	114	12	19	284	133
Plan participants contributions			2	1	2	1
Settlements			(16)		(16)	
Transfer of plan assets ⁽²⁾			(116)		(116)	
Benefits paid ⁽¹⁾	(136)	(138)	(9)	(23)	(145)	(161)
Currency gain (loss)			31	(22)	31	(22)
Other				8		8

Plan Assets at End of Period	\$1,719	\$1,383	\$ 160	\$243	\$1,879	\$1,626
Net Amount Recognized	\$ 164	\$ 567	\$ 89	\$ 76	\$ 253	\$ 643

- (1) Employer contributions and benefits paid include \$7 million and \$12 million paid from employer assets for unfunded plans in fiscal years 2011 and 2010, respectively.
- (2) The transfer of plan assets is attributable to the transfer of the liabilities and assets of the Monsanto sponsored retirement plan in the Netherlands to an industry multi-employer plan.
- (3) Other includes early retirement liabilities of \$21 million related to restructuring plans in Europe. Weighted-average assumptions used to determine benefit obligations as of Aug. 31, 2011, and Aug. 31, 2010, were as follows:

	U.S.		Outside the U.S.	
	Year Ended Aug. 31,		Year Ended Aug. 31,	
	2011	2010	2011	2010
Discount Rate	4.59%	4.35%	5.24%	4.25%
Rate of Compensation Increase	4.00%	4.00%	3.82%	3.79%

Fiscal year 2012 pension expense, which will be determined using assumptions as of Aug. 31, 2011, is expected to decrease compared with fiscal year 2011 expense. The company increased its discount rate assumption as of Aug. 31, 2011, to reflect current economic conditions of market interest rates.

The U.S. accumulated benefit obligation (ABO) was \$1.8 billion as of Aug. 31, 2011, and Aug. 31, 2010. The ABO for plans outside of the United States was \$171 million and \$268 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The projected benefit obligation (PBO) and the fair value of the plan assets for pension plans with PBOs in excess of plan assets as of Aug. 31, 2011, and Aug. 31, 2010, were as follows:

(Dollars in millions)	U.S.		Outside the U.S.		Total	
	As of Aug. 31,		As of Aug. 31,		As of Aug. 31,	
	2011	2010	2011	2010	2011	2010
PBO	\$1,883	\$1,950	\$176	\$283	\$2,059	\$2,233
Fair Value of Plan Assets with PBOs in Excess of Plan Assets	1,719	1,383	130	226	1,849	1,609

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, 2011, and Aug. 31, 2010, were as follows:

(Dollars in millions)	U.S.		Outside the U.S.		Total	
	As of Aug. 31,		As of Aug. 31,		As of Aug. 31,	
	2011	2010	2011	2010	2011	2010
PBO	\$1,883	\$1,950	\$58	\$168	\$1,941	\$2,118
ABO	1,803	1,848	49	157	1,852	2,005
Fair Value of Plan Assets with ABOs in Excess of Plan Assets	1,719	1,383	16	118	1,735	1,501

As of Aug. 31, 2011, and Aug. 31, 2010, amounts recognized in the Statements of Consolidated Financial Position were included in the following balance sheet accounts:

Net Amount Recognized

(Dollars in millions)	U.S.		Outside the U.S.		Total	
	As of Aug. 31,		As of Aug. 31,		As of Aug. 31,	
	2011	2010	2011	2010	2011	2010

Miscellaneous Short-Term						
Accruals	\$ 4	\$ 4	\$11	\$ 6	\$ 15	\$ 10
Postretirement Liabilities	160	563	85	76	245	639
Other Assets			(7)	(6)	(7)	(6)
Net Liability Recognized	\$164	\$567	\$89	\$76	\$253	\$643

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

(Dollars in millions)	U.S.		Outside the U.S.		Total	
	As of Aug. 31,		As of Aug. 31,		As of Aug. 31,	
	2011	2010	2011	2010	2011	2010
Net Loss	\$685	\$921	\$61	\$75	\$746	\$996
Prior Service Cost		1		1		2
Total	\$685	\$922	\$61	\$76	\$746	\$998

The estimated net loss 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 is \$67 million.

Table of Contents

MONSANTO COMPANY

2011 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, 2011, and Aug. 31, 2010, and the target allocation range for fiscal year 2012, by asset category, follow. The fair value of assets for these plans was \$1.7 billion and \$1.4 billion as of Aug. 31, 2011, and Aug. 31, 2010, respectively.

Asset Category	Target Allocation	Percentage of Plan Assets	
		As of Aug. 31,	
	2012	2011	2010
Public Equity Securities	43-59%	50.9%	54.6%
Private Equity Investments	2-8%	4.0%	4.1%
Debt Securities	32-46%	41.6%	33.4%
Real Estate	2-8%	2.5%	2.9%
Other	0-3%	1.0%	5.0%
Total		100.0%	100.0%

The expected long-term rate of return on these plan assets was 7.5 percent in fiscal year 2011, 7.75 percent in fiscal year 2010, and 8.0 percent in fiscal year 2009. 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. 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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Plans Outside the United States: The weighted-average asset allocation for Monsanto's pension plans outside of the United States as of Aug. 31, 2011, and Aug. 31, 2010, and the weighted-average target allocation for fiscal year 2012, by asset category, follow. The fair value of plan assets for these plans was \$160 million and \$243 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively.

Asset Category	Target Allocation ⁽¹⁾	Percentage of Plan Assets	
		As of Aug. 31,	
	2012	2011	2010
Equity Securities	46.0%	40.4%	30.6%
Debt Securities	41.4%	49.0%	54.5%
Other	12.6%	10.6%	14.9%
Total		100.0%	100.0%

⁽¹⁾ Monsanto's plans outside the United States have a wide range of target allocations, and therefore the 2012 target allocations shown above reflect a weighted-average calculation of the target allocations of each of the plans. The weighted-average expected long-term rate of return on the plans' assets was 6.5 percent in fiscal year 2011, 6.6 percent in fiscal year 2010, and 7.1 percent in fiscal year 2009. Determination of the expected long-term rate of return for plans outside the United States is consistent with the U.S. methodology.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Fair Value Measurements**

U.S. Plans: The fair values of our U.S. defined benefit pension plan investments as of Aug. 31, 2011, and Aug. 31, 2010, by asset category, are as follows:

Fair Value Measurements at Aug. 31, 2011

(Dollars in millions)	Level 1	Level 2	Level 3	Cash Collateral Offset ⁽¹⁾	Balance as of Aug. 31, 2011
Investments at Fair Value:					
Cash and Cash Equivalents	\$ 15	\$	\$	\$	\$ 15
Debt Securities:					
U.S. government debt		292			292
U.S. agency debt		3			3
U.S. state and municipal debt		25			25
Foreign government debt		5			5
U.S. corporate debt		183			183
Mortgage-Backed securities		1			1
Asset-Backed securities		1			1
Foreign corporate debt		48			48
Common and Preferred Stock:					
Domestic small capitalization	51				51
Domestic large capitalization	284				284
International:					
Developed markets	122				122
Emerging markets	35	1			36
Private Equity Investments			68		68
Partnership and Joint Venture Interests			38		38
Real Estate Investments			44		44
Interest in Pooled Funds:					
Interest-bearing cash and cash equivalents funds		125			125
Common and preferred stock funds:					
Domestic small-capitalization		5			5
Domestic large-capitalization		219			219
International		64			64
Corporate debt funds		74			74

Mortgage-Backed securities		8			8
Interest in Pooled Collateral Fund					
Securities Lending		263			263
Derivatives:					
Interest rate futures	1			(1)	
Equity index futures	3			(3)	
Common and preferred stock sold short		(27)		27	
Total Investments at Fair Value	\$511	\$1,290	\$150	\$ 23	\$ 1,974

(1) Futures derivative assets and common and preferred stock sold short have been offset by cash collateral held by the counterparty.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fair Value Measurements at Aug. 31, 2010

(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					
Securities Lending		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, 2011.

(Dollars in millions)

Balance Sept. 1, 2009	\$121
Purchases, sales, issuances, settlements and payments received	(1)
Unrealized gain in investments	13
Balance Sept. 1, 2010	\$133
Purchases	13
Settlements	(13)
Unrealized gain in investments	17
Balance Aug. 31, 2011	\$150

Table of Contents

MONSANTO COMPANY

2011 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, 2011.

(Dollars in millions)

Total Investments at Fair Value	\$1,974
Liability to return collateral held under securities lending agreement	(263)
Accrued income / expense	6
Other receivables and payables	2
Plan Assets at the End of the Period	\$1,719

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, 2011, and Aug. 31, 2010, by asset category, are as follows:

Fair Value Measurements at Aug. 31, 2011

(Dollars in millions)	Level 1	Level 2	Level 3	Balance as of Aug. 31, 2011
Cash and Cash Equivalents	\$ 3	\$	\$	\$ 3
Debt Securities - Foreign Government Debt		18		18
Common and Preferred stock	42			42
Insurance Backed Securities	1		15	16
Interest in Pooled Funds:				
Common and preferred stock funds		18		18
Government debt funds		8		8
Corporate debt funds		55		55
Total Investments at Fair Value	\$46	\$99	\$15	\$ 160

Fair Value Measurements at Aug. 31, 2010

(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	49			49
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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table summarizes the changes in fair value of the Level 3 investments as of Aug. 31, 2011.

(Dollars in millions)

Balance Sept. 1, 2009	\$ 6
Purchases, sales, issuances, settlements and payments received	5
Balance Sept. 1, 2010	\$11
Purchases	6
Settlements	(3)
Unrealized gains in investments	1
Balance Aug. 31, 2011	\$15

The following table reconciles the investments at fair value to the plan asset as of Aug. 31, 2011.

(Dollars in millions)

Total Investments at Fair Value	\$160
Non-interest bearing cash	(1)
Other receivables and payables	1
Plan Assets at the End of the Period	\$160

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 asset classes, diversification within asset 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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. Real estate fund holdings are appraised and valued on an on-going basis. In the case of the investments structured as partnerships, while a net asset value (NAV) is not explicitly calculated, audited financial statements and valuations are produced on an annual basis. For investments structured as private REITs, redemption requests for units held are at the discretion of fund managers. All real estate investments are classified as Level 3.

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-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 futures derivatives was \$198 million as of Aug. 31, 2011.

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, 2011. Therefore, the short positions have been classified as Level 2, and their notional value was \$30 million as of Aug. 31, 2011.

Insurance backed securities: Insurance backed securities are contracts held with an insurance company. Level 1 securities are quoted prices in active markets for identical assets. The Level 3 fair value of the investments is determined based upon the value of the underlying investments as determined by the insurance company.

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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

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

The expected employer contributions and benefit payments are shown in the following table for the pension plans:

(Dollars in millions)	U.S.	Outside the U.S.
Employer Contributions 2012	\$ 64	\$ 14
Benefit Payments		
2012	157	17
2013	155	20
2014	157	20
2015	156	18
2016	157	18
2017-2021	790	83

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

NOTE 19. 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 2011, 2010 and 2009, were \$19 million, \$8 million and \$14 million, respectively.

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,		
	2011	2010	2009
Service Cost for Benefits Earned During the Period	\$10	\$ 9	\$ 11
Interest Cost on Benefit Obligation	10	12	17
Amortization of Prior Service Credit	(1)	(3)	
Amortization of Actuarial Gain		(10)	
Amortization of Unrecognized Net Gain			(14)
Total Net Periodic Benefit Cost	\$19	\$ 8	\$ 14

The other changes in plan assets and benefit obligations recognized in accumulated other comprehensive loss for the year ended Aug. 31, 2011, and Aug. 31, 2010, were:

(Dollars in millions)	Year Ended Aug. 31,	
	2011	2010
Actuarial (Gain) Loss	\$ (9)	\$21
Amortization of Prior Service Credit	1	1
Amortization of Gain		11
Total Recognized in Accumulated Other Comprehensive Loss	\$ (8)	\$33

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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,		
	2011	2010	2009
Discount Rate	4.10%	5.30%	6.50%
Initial Trend Rate for Health Care Costs	7.00%	6.00%	6.50%
Ultimate Trend Rate for Health Care Costs	5.00%	5.00%	5.00%

A 7.0 percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 2011. 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 2017 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	1
	Percentage-Point Increase	Percentage-Point Decrease
Effect on Total of Service and Interest Cost	\$ 1	\$ (1)
Effect on Postretirement Benefit Obligation	\$ 2	\$ (2)

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,	
	2011	2010
Change in Benefit Obligation:		
Benefit obligation at beginning of period	\$264	\$248
Service cost	10	9
Interest cost	10	12
Actuarial (gain) loss	(9)	21
Plan participant contributions	3	3
Plan amendments		(2)
Medicare Part D subsidy receipts	2	2
Benefits paid ⁽¹⁾	(30)	(29)
Benefit Obligation at End of Period	\$250	\$264

(1) Benefits paid under the other postretirement benefit plans include \$30 million and \$29 million from employer assets in fiscal years 2011 and 2010, respectively.

Weighted-average assumptions used to determine benefit obligations as of Aug. 31, 2011, and Aug. 31, 2010, were as follows:

	Year Ended Aug. 31,	
	2011	2010
Discount Rate Postretirement	4.30%	4.10%
Discount Rate Postemployment	2.20%	2.30%
Initial Trend Rate for Health Care Costs ⁽¹⁾	7.00%	7.00%
Ultimate Trend Rate for Health Care Costs	5.00%	5.00%

(1) As of Aug. 31, 2011, this rate is assumed to decrease gradually to 5 percent for 2017 and remain at that level thereafter.

As of Aug. 31, 2011, and Aug. 31, 2010, amounts recognized in the Statements of Consolidated Financial Position were as follows:

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(Dollars in millions)	As of Aug. 31,	
	2011	2010
Miscellaneous Short-Term Accruals	\$ 25	\$ 25
Postretirement Liabilities	225	239

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:

(Dollars in millions)	Year Ended Aug. 31,	
	2011	2010
Actuarial (Gain) Loss	\$ (8)	\$ 1
Prior Service Credit	(4)	(4)
Total	\$ (12)	\$ (3)

The estimated net loss and prior service credit for the defined benefit postretirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are \$6 million and \$1 million, respectively.

Expected Cash Flows

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

(Dollars in millions)	U.S.
Employer Contributions 2012	\$ 25
Benefit Payments ⁽¹⁾	
2012	25
2013	26
2014	26
2015	26
2016	26
2017-2021	105

(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 \$25 million to be paid from employer assets in fiscal year 2012. 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 \$37 million and \$43 million as of Aug. 31, 2011, and Aug. 31, 2010, respectively, in the Statements of Consolidated Financial Position for anticipated payments to employees who have retired or terminated their employment.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 20. 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 \$2.4 million as of Aug. 31, 2011, 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 \$54 million and \$51 million was included in other liabilities in the Statements of Consolidated Financial Position as of Aug. 31, 2011, and Aug. 31, 2010, respectively, to reflect the 2004 ESOP enhancements. The liability related to the 2004 ESOP refinancing is required to be paid no later than Dec. 31, 2017.

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 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, 2011, and Aug. 31, 2010, a liability of \$5 million was included in other liabilities in the Statements of Consolidated Financial Position to reflect the 2008 ESOP enhancements. The liability related to the 2008 ESOP refinancing is required to be paid no later than Dec. 31 of the fifth year following the loan repayment date and in no case later than Dec. 31, 2032.

As of Aug. 31, 2011, the Monsanto ESOP held 6.6 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 2011, 0.6 million Monsanto shares were allocated specifically to Monsanto participants, leaving 0.7 million shares of Monsanto common stock remaining in the Monsanto ESOP and unallocated as of Aug. 31, 2011.

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 \$8 million in 2011, \$9 million in 2010, and \$9 million in 2009. 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 2011, 2010, and 2009.

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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 21. STOCK-BASED COMPENSATION PLANS**

Stock-based compensation expense of \$105 million, \$105 million and \$131 million was recognized under Compensation Stock Compensation topic of the ASC in fiscal years 2011, 2010 and 2009, 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 \$7 million, \$8 million, and \$7 million as of Aug. 31, 2011, Aug. 31, 2010, and Aug. 31, 2009. The 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 stock-based compensation in the Statements of Consolidated Operations and Statements of Consolidated Cash Flows.

(Dollars in millions)	Year Ended Aug. 31,		
	2011	2010	2009
Cost of Goods Sold	\$ (18)	\$ (16)	\$ (21)
Selling, General and Administrative Expenses	(68)	(61)	(72)
Research and Development Expenses	(27)	(24)	(23)
Restructuring Charges	8	(4)	(15)
Total Stock-Based Compensation Expense Included in Operating Expenses	(105)	(105)	(131)
Loss from Continuing Operations Before Income Taxes	(105)	(105)	(131)
Income Tax Benefit	36	36	45
Net Loss	\$ (69)	\$ (69)	\$ (86)
Basic Loss per Share	\$ (0.13)	\$ (0.13)	\$ (0.16)
Diluted Loss per Share	\$ (0.13)	\$ (0.13)	\$ (0.15)
Net Cash Required by Operating Activities	\$ (36)	\$ (43)	\$ (35)
Net Cash Provided by Financing Activities	\$ 36	\$ 43	\$ 35

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 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- to 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 2011, 2010 and 2009, Monsanto issued 33,030, 41,980, and 200,060 restricted stock units, respectively, to certain

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 company's common stock on the vesting date. As of Aug. 31, 2011, 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 2011, 2010 and 2009. Additionally, less than \$1 million, \$1 million, and \$1 million was paid related to phantom stock in each of the fiscal years 2011, 2010 and 2009, respectively.

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 stock, deferred 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 granted under the LTIP as provided for in the Director Plan. The grant date fair value of awards outstanding under the Director Plan was \$11 million as of Aug. 31, 2011. Compensation expense for most awards under the Director Plan is measured at fair value at the date of grant and recognized over the vesting period of the award. There was \$4 million of share-based liabilities paid under the Director Plan in 2011. There were no share-based liabilities paid under the Director Plan in 2010 or 2009. Additionally, 217,063 shares of directors deferred stock related to grants and dividend equivalents received in prior years were vested and outstanding at Aug. 31, 2011.

A summary of the status of Monsanto's stock options for the periods from Sept. 1, 2008, through Aug. 31, 2011, follows:

	Options	Outstanding Weighted-Average Exercise Price
Balance Outstanding Sept. 1, 2008	19,910,376	\$ 32.49
Granted	2,852,030	88.96
Exercised	(1,821,983)	21.37
Forfeited	(187,919)	82.39

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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
<hr/>		
Balance Outstanding Aug. 31, 2010	20,998,207	47.22
Granted	4,001,100	58.95
Exercised	(2,825,500)	22.96
Forfeited	(664,772)	73.08
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Balance Outstanding Aug. 31, 2011	21,509,035	\$ 51.78
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Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Monsanto stock options outstanding as of Aug. 31, 2011, 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 ⁽¹⁾
\$7.33 - \$10.00	1,340,527	1.57	\$ 8.16	\$ 81	1,340,527	1.57	\$ 8.16	\$ 81
\$10.01-\$20.00	1,324,315	1.98	\$ 16.26	\$ 70	1,324,315	1.98	\$ 16.26	\$ 70
\$20.01-\$30.00	4,710,880	3.65	\$ 25.75	\$203	4,710,880	3.65	\$ 25.75	\$203
\$30.01-\$80.00	9,583,732	7.55	\$ 58.08	\$110	3,999,960	5.87	\$ 51.51	\$ 72
\$80.01-\$141.50	4,549,581	6.62	\$ 88.67	\$	3,871,161	6.53	\$ 88.58	\$
	21,509,035	5.79	\$ 51.78	\$464	15,246,843	4.64	\$ 46.09	\$426

⁽¹⁾ The aggregate intrinsic value represents the total pretax intrinsic value, based on Monsanto's closing stock price of \$68.93 as of Aug. 31, 2011, which would have been received by the option holders had all option holders exercised their options as of that date.

At Aug. 31, 2011, 20,911,950 nonqualified stock options were vested or expected to vest. The weighted-average remaining contractual life of these stock options was 5.71 years and the weighted-average exercise price was \$51.39 per share. The aggregate intrinsic value of these stock options was \$461 million at Aug. 31, 2011.

The weighted-average grant-date fair value of nonqualified stock options granted during fiscal 2011, 2010 and 2009 was \$19.62, \$24.03 and \$37.39, respectively, per share. The total pretax intrinsic value of options exercised during the fiscal years ended 2011, 2010 and 2009 was \$123 million, \$137 million and \$112 million, respectively. Pretax unrecognized compensation expense for stock options, net of estimated forfeitures, was \$68 million as of Aug. 31, 2011, and will be recognized as expense over a weighted-average remaining vesting period of 1.7 years.

A summary of the status of Monsanto's restricted stock, restricted stock units and directors' deferred stock compensation plans for fiscal year 2011 follows:

	Restricted Stock	Weighted-Average Grant Date Fair Values	Restricted Stock Units	Weighted-Average Grant Date Fair Values	Directors' Deferred Stock	Weighted-Average Grant Date Fair Value
Nonvested as of Aug. 31, 2010	41,970	\$ 42.04	1,386,771	\$ 106.76		
Granted	12,167	\$ 60.86	556,774	\$ 61.96	24,534	\$ 54.75
Vested	(28,292)	\$ 38.60	(205,907)	\$ 98.83	(21,848)	\$ 54.84

Forfeitures	(1,264)	\$ 53.99	(113,914)	\$ 85.50	(2,686)	\$ 53.99
Nonvested as of Aug. 31, 2011	24,581	\$ 54.71	1,623,724	\$ 93.99		

The weighted-average grant-date fair value of restricted stock granted during fiscal years 2011, 2010 and 2009 was \$60.86, \$81.94 and \$81.55, respectively, per share. The weighted-average grant-date fair value of restricted stock units granted during fiscal years 2011, 2010 and 2009 was \$61.96, \$69.57 and \$82.01, respectively, per share. The weighted-average grant-date fair value of directors' deferred stock granted during fiscal years 2011, 2010 and 2009 was \$54.75, \$81.94 and \$113.13, respectively, per share. The total fair value of restricted stock that vested during fiscal years 2011, 2010 and 2009 was \$1 million, \$1 million and \$2 million, respectively. The total fair value of restricted stock units that vested during fiscal years 2011, 2010 and 2009 was \$20 million, \$26 million and \$10 million, respectively. The total fair value of directors' deferred stock vested during fiscal years 2011, 2010 and 2009 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 \$52 million, respectively, as of Aug. 31, 2011, which will be recognized as expense over the weighted-average remaining requisite service periods. At Aug. 31, 2011, there was no unrecognized compensation

Table of Contents

MONSANTO COMPANY

2011 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 2.3 years and 2.0 years, respectively, as of Aug. 31, 2011.

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		
	2011	2010	2009
Expected Dividend Yield	1.7%	1.3%	0.9%
Expected Volatility	31%-43%	28%-43%	37%-69%
Weighted-Average Volatility	41.8%	40.0%	45.5%
Risk-Free Interest Rates	1.82%-3.04%	2.35%-3.16%	1.72%-3.39%
Weighted-Average Risk-Free Interest Rate	1.85%	3.03%	3.35%
Expected Option Life (in years)	6.5	6.3	6.4

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 22. CAPITAL STOCK

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 shareholders, 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, 2011, or Aug. 31, 2010. As of Aug. 31, 2011, and Aug. 31, 2010, 535.3 million and 540.4 million shares of common stock were outstanding, respectively. In addition, 108 million shares of common stock were approved for employee and director stock options, of which 9 million and

12 million were remaining in reserve at Aug. 31, 2011, and Aug. 31, 2010, 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

2011 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, 2011, and Aug. 31, 2010, 8.1 million and less than one million shares have been repurchased for \$502 million and \$1 million, respectively, under the June 2010 program.

NOTE 23. ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive 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 loss is as follows:

(Dollars in millions)	Year Ended Aug. 31,		
	2011	2010	2009
Accumulated Foreign Currency Translation Adjustments	\$ 270	\$(240)	\$(141)
Net Unrealized Loss on Investments, Net of Tax			(6)
Net Accumulated Derivative Income (Loss), Net of Tax	63	(48)	(101)
Postretirement Benefit Plan Activity, Net of Tax	(449)	(609)	(496)
Accumulated Other Comprehensive Loss	\$ (116)	\$(897)	\$(744)

NOTE 24. 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 5.9 million, 7.1 million and 8.5 million, in fiscal years 2011, 2010 and 2009, respectively. Approximately 11 million, 8 million and 5 million stock options were excluded from the computations of dilutive potential common shares for the years ended Aug. 31, 2011, 2010 and 2009, respectively, as their effect is antidilutive. Of those antidilutive options, approximately 8 million, 8 million and 5 million stock options were excluded from the computations of dilutive potential common shares for the fiscal years ended Aug. 31, 2011, 2010 and 2009, 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 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.

	Year Ended Aug. 31,		
	2011	2010	2009
Weighted-Average Number of Common Shares	536.5	543.7	547.1
Dilutive Potential Common Shares	5.9	7.1	8.5

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 25. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash payments for interest and taxes during fiscal years 2011, 2010 and 2009, were as follows:

(Dollars in millions)	Year Ended Aug. 31,		
	2011	2010	2009
Interest	\$151	\$156	\$136
Taxes	385	497	657

During fiscal years 2011, 2010 and 2009, the company recorded the following noncash investing and financing transactions:

In fourth quarter 2011, 2010 and 2009, the board of directors declared a dividend payable in first quarter 2012, 2011 and 2010, respectively. As of Aug. 31, 2011, 2010 and 2009, a dividend payable of \$161 million, \$151 million and \$145 million, respectively, was recorded.

During fiscal years 2011, 2010 and 2009, the company recognized noncash transactions related to restricted stock units and acquisitions. See Note 21 *Stock-Based Compensation Plans* for further discussion of restricted stock units and Note 4 *Business Combinations* for details of adjustments to goodwill.

During fiscal year 2011, the company recognized noncash transactions related to a paid-up license agreement for weed control and herbicide combination use. An intangible asset of \$81 million was recorded on the Statement of Consolidated Financial Position. The pending payment of \$40 million will be made in December 2011.

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, 2011, \$136 million is included in short-term debt on the Statements of Consolidated Financial Position. See Note 15 *Debt and Other Credit Arrangements* for further details.

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

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 11 *Goodwill and Other Intangible Assets* for further details.

In 2009, intangible assets of \$4 million, long-term investments of \$2 million, and liabilities of \$6 million were recorded as a result of payment provisions under collaboration and license agreements. See Note 12 *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

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**NOTE 26. COMMITMENTS AND CONTINGENCIES**

Contractual obligations: The following table sets forth the company's estimates of future payments under contracts as of Aug. 31, 2011.

(Dollars in millions)	Payments Due by Fiscal Year Ending Aug. 31,						
	Total	2012	2013	2014	2015	2016	2017 and beyond
Total Debt, including Capital Lease Obligations	\$2,221	\$ 678	\$ 4	\$ 3	\$ 2	\$301	\$1,233
Interest Payments Relating to Long-Term Debt and Capital Lease Obligations ⁽¹⁾	1,331	80	80	79	79	79	934
Operating Lease Obligations	528	126	104	77	67	64	90
Purchase Obligations: Uncompleted additions to property	112	112					
Commitments to purchase inventories	2,183	1,331	223	172	156	163	138
Commitments to purchase breeding research	83	44	3	3	3	3	27
R&D alliances and joint venture obligations	132	41	26	14	6	10	35
Other purchase obligations	11	6	5				
Other Liabilities: Postretirement and ESOP liabilities ⁽²⁾	162	103					59
Unrecognized tax benefits ⁽³⁾	299	4					
Other liabilities	234	22	15	11	16	11	159
Total Contractual Obligations	\$7,296	\$2,547	\$460	\$359	\$329	\$631	\$2,675

- (1) For variable rate debt, interest is calculated using the applicable rates as of Aug. 31, 2011.
- (2) Includes the company's planned pension and other postretirement benefit contributions for 2012. The actual amounts funded in 2012 may differ from the amounts listed above. Contributions in 2013 through 2017 are excluded as those amounts are unknown. Refer to Note 18 Postretirement Benefits Pensions and Note 19 Postretirement Benefits Health Care and Other Postemployment Benefits for more information. The 2017 and beyond amount relates to the ESOP enhancement liability balance. Refer to Note 20 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 14 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 \$222 million for fiscal year 2011, \$193 million for fiscal year 2010 and \$205 million for fiscal year 2009.

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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 2011 and 2010, 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, 2011, and Aug. 31, 2010, by significant customer concentrations:

(Dollars in millions)	As of Aug. 31,	
	2011	2010
U.S. Agricultural Product Distributors	\$ 908	\$ 634
Europe-Africa ⁽¹⁾	422	399
Argentina ⁽¹⁾	222	152
Asia-Pacific ⁽¹⁾	218	142

Mexico ⁽¹⁾	132	122
Brazil ⁽¹⁾	150	105
Canada ⁽¹⁾	48	26
Other	115	153
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Gross Trade Receivables	2,215	1,733
Less: Allowance for Doubtful Accounts	(98)	(143)
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Net Trade Receivables	\$2,117	\$1,590
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⁽¹⁾ Represents customer receivables within the specified geography.

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

proceedings, Monsanto has established a reserve for the estimated liabilities. For more information on Monsanto's policies regarding Litigation and Other Contingencies, see Note 2 Significant Accounting Policies. Portions of the liability included in a reserve 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 2.6 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 reserve for environmental and litigation liabilities:

(Dollars in millions)

Aggregate Undiscounted Amount	\$ 135
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Discounted Portion:

Expected payment (undiscounted) for:

2012	22
2013	14
2014	11
2015	16
2016	11
Undiscounted aggregate expected payments after 2016	160

Aggregate Amount to be Discounted as of Aug. 31, 2011	234
Discount, as of Aug. 31, 2011	(104)

Aggregate Discounted Amount Accrued as of Aug. 31, 2011	\$ 130
---------------------------------------------------------	--------

Total Environmental and Litigation Reserve as of Aug. 31, 2011	\$ 265
----------------------------------------------------------------	--------

Changes in the environmental and litigation liabilities for fiscal years 2009, 2010, and 2011 are as follows:

Balance at Sept. 1, 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

Balance at Aug. 31, 2010	\$255
Payments	(53)
Accretion	11
Additional liabilities recognized in fiscal year 2011	52

Total Environmental and Litigation Reserve as of Aug. 31, 2011 **\$265**

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 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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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, cash flows 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 *Virgie Allen, et al. v. Monsanto, et al.*, in the Putnam County, West Virginia, state court against Monsanto, Pharmacia and seven other defendants. Monsanto is named as the successor in interest to the liabilities of Pharmacia. The alleged class consists of all current and former residents, workers, and students who, between 1949 and the present, were allegedly exposed to dioxins/furans contamination in counties surrounding Nitro, 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, but on May 27, 2011, the judge dismissed both Akzo Nobel and Flexsys from the case. 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 for property damage and for medical monitoring. On Nov. 2, 2011, the court, in response to defense motions, entered an order decertifying the property class. The court has set a trial date of Jan. 3, 2012, for the Bibb medical monitoring 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 results of operations, financial position, cash flows 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.

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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

agreed on a definition of the respective classes. The classes were certified by court order on May 22, 2008. On July 11, 2008, all parties filed dispositive motions on the issue of liability, which motions were heard by the court on May 6, 2009. On June 11, 2009, the Court granted summary judgment in favor of Monsanto and the other defendants on the age discrimination claims. The Court granted summary judgment in favor of the plaintiffs on a separate claim regarding post-termination interest, which was subsequently settled for an immaterial amount. The Court entered judgment on the entire case on Sept. 29, 2009. On Oct. 27, 2009, the plaintiffs filed a notice of appeal of the summary judgment order on the age discrimination claims. The Seventh Circuit Court of Appeals heard oral argument in the case on April 20, 2010, and on July 30, 2010, the Court issued its decision affirming the decision of the District Court in all respects. The plaintiffs' subsequent petition for rehearing and petition for rehearing en banc was denied in an order of the Court of Appeals issued on Sept. 14, 2010. On Dec. 13, 2010, the plaintiffs filed a petition for a writ of certiorari with the United States Supreme Court, which was denied by the Court on March 21, 2011.

NOTE 27. 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 which is now managed as one business 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 to be consistent with the current presentation. The Dairy business, which was previously included in the Agricultural Productivity segment, was divested in fiscal year 2009 and is included in discontinued operations. EBIT is defined as earnings (loss) before interest and taxes 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

2011 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,		
	2011	2010	2009
Net Sales⁽¹⁾			
Corn seed and traits	\$ 4,805	\$ 4,260	\$ 4,119
Soybean seed and traits	1,542	1,486	1,448
Cotton seed and traits	847	611	466
Vegetable seeds	895	835	808
All other crops seeds and traits	493	419	462
Total Seeds and Genomics	\$ 8,582	\$ 7,611	\$ 7,303
Agricultural productivity	3,240	2,872	4,382
Total Agricultural Productivity	\$ 3,240	\$ 2,872	\$ 4,382
Total	\$ 11,822	\$ 10,483	\$ 11,685
Gross Profit			
Corn seed and traits	\$ 2,864	\$ 2,464	\$ 2,608
Soybean seed and traits	1,045	905	871
Cotton seed and traits	642	454	344
Vegetable seeds	534	492	416
All other crops seeds and traits	221	223	267
Total Seeds and Genomics	\$ 5,306	\$ 4,538	\$ 4,506
Agricultural productivity	773	529	2,214

Total Agricultural Productivity	\$ 773	\$ 529	\$ 2,214
<hr/>			
Total	\$ 6,079	\$ 5,067	\$ 6,720
<hr/>			
EBIT⁽²⁾⁽³⁾⁽⁵⁾			
Seeds and genomics	\$ 2,106	\$ 1,597	\$ 1,651
Agricultural productivity	281	(29)	1,307
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Total	\$ 2,387	\$ 1,568	\$ 2,958
<hr/>			
Depreciation and Amortization Expense			
Seeds and genomics	\$ 496	\$ 461	\$ 428
Agricultural productivity	117	141	120
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Total	\$ 613	\$ 602	\$ 548
<hr/>			
Equity Affiliate Income			
Seeds and genomics	\$ (21)	\$ (15)	\$ (17)
Agricultural productivity			
<hr/>			
Total	\$ (21)	\$ (15)	\$ (17)
<hr/>			
Total Assets⁽⁴⁾			
Seeds and genomics	\$15,351	\$13,584	\$13,347
Agricultural productivity	4,493	4,268	4,484
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Total	\$19,844	\$17,852	\$17,831
<hr/>			
Property, Plant and Equipment Purchases			
Seeds and genomics	\$ 434	\$ 623	\$ 717
Agricultural productivity	106	132	199
<hr/>			
Total	\$ 540	\$ 755	\$ 916
<hr/>			

Investment in Equity Affiliates

Seeds and genomics	\$ 141	\$ 131	\$ 122
Agricultural productivity			
<hr/>			
Total	\$ 141	\$ 131	\$ 122
<hr/>			

(1) Represents net sales from continuing operations.

73

Table of Contents

MONSANTO COMPANY

2011 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 \$3 million, \$4 million and \$18 million from discontinued operations for fiscal years 2011, 2010 and 2009, respectively.
- (4) Includes assets recorded in continuing operations and discontinued operations.
- (5) EBIT includes restructuring charges for fiscal years 2011, 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,		
	2011	2010	2009
EBIT ⁽¹⁾	\$2,387	\$1,568	\$2,958
Interest Expense - Net	88	106	58
Income Tax Provision ⁽²⁾	692	366	808
Net Income Attributable to Monsanto Company	\$1,607	\$1,096	\$2,092

- (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,	
	2011	2010	2009	2011	2010

United States	\$ 6,372	\$ 5,993	\$ 6,395	\$ 6,869	\$6,817
Europe-Africa	1,515	1,272	1,763	1,326	1,157
Brazil	1,276	1,066	1,419	948	873
Asia-Pacific	841	692	568	348	322
Argentina	773	616	597	237	223
Canada	458	364	457	94	72
Mexico	362	312	332	96	86
Other	225	168	154	234	227
<hr/>					
Total	\$11,822	\$10,483	\$11,685	\$10,152	\$9,777

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 \$100 million, \$120 million and \$59 million in 2011, 2010 and 2009, 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 was automatically renewed for two more years on September 30, 2011. 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.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 \$78 million in fiscal year 2011, \$90 million in fiscal year 2010, and \$71 million in fiscal year 2009 (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 fiscal years 2011, 2010, and 2009 income from operations of discontinued businesses was insignificant.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

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

In November 2011, Monsanto filed an Amended Annual Report on Form 10-K/A (Amendment No. 1) (Form 10-K/A) to its Annual Report on Form 10-K for the fiscal year ended Aug. 31, 2010, to restate the company's audited consolidated financial statements and related disclosures for the fiscal years ended Aug. 31, 2010, and Aug. 31, 2009. The original Form 10-K was filed with the Securities and Exchange Commission (SEC) on Oct. 27, 2010. In addition to the filing of the Form 10-K/A, Monsanto filed amendments to the company's Quarterly Reports on Form 10-Q for each of the quarterly periods ended Nov. 30, 2010, Feb. 28, 2011, and May 31, 2011, to restate the company's unaudited condensed consolidated financial statements and related financial information for those quarterly periods and the comparative fiscal year 2010 periods for the effects of the restatement. The financial data for the fiscal year quarters in 2011 and 2010 herein incorporate the effects of this 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 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. Through this review, the company identified communications with customers and we identified other facts as described below that impacted our determination of which revenue transactions resulted in progress by the customer toward earning the program incentive.

Specifically, Monsanto implemented a program in the first quarter of fiscal year 2010 that was structured to provide payments to retailers who met sales volume targets and performed other marketing and sales activities in the fiscal year 2010 with the amount of the program incentive determined based on the amount of inventory maintained by the customer at Aug. 31, 2009. 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 in revenue in fiscal year 2010. In

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

addition, Monsanto's internal review revealed that, during the second quarter of fiscal year 2010, one of the seven distributors received written confirmation from Monsanto that it had fulfilled the requirements of this program. Accordingly, the company determined that it was appropriate to record the full amount of this distributor's unearned incentive in the second quarter of 2010. As a result of the company's determination, approximately \$10 million of accruals associated with this one distributor's incentive under this program originally recorded as a reduction of revenue in third quarter fiscal year 2010 were recorded as a reduction of revenue in second quarter fiscal year 2010. A similar earn back program was offered to two distributors in fiscal year 2011. At the end of fiscal year 2010, Monsanto reversed customer incentive accruals for two distributors that failed to earn their fiscal year 2010 annual incentive payments because they did not meet their agreed upon sales targets. The company then provided these distributors with an opportunity to earn back a substantial portion of this incentive in fiscal year 2011 by achieving agreed upon sales volume targets for branded glyphosate and performing other marketing and sales activities in fiscal year 2011. The company originally accrued the costs of this incentive program over these distributors' fiscal year 2011 purchases as a percentage of aggregated agreed upon fiscal year 2011 sales volume targets. As a result of its internal review, Monsanto determined that purchases made by the customers in fiscal year 2010 represented progress toward earning the program incentive, and that it was appropriate to record the entire cost associated with this incentive program in fiscal year 2010 in view of several factors that made it more apparent that the two distributor customers had earned these incentives in fiscal year 2010. Such factors included the change in market dynamics following the company's May 2010 restructuring of its glyphosate business, the fact that both distributors received written confirmation from Monsanto in the second quarter of fiscal 2011 that they had fulfilled the requirements of this program prior to achieving sales volume targets and, with respect to the prepayment of program incentives to these customers in the first and second quarter of fiscal year 2011, the unlikelihood that Monsanto would have enforced its contractual right of offset against these distributors with respect to any unearned portion of their incentives. As a result of the 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 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.

The following tables include the impact of the restatement on Monsanto's previously issued audited Statements of Consolidated Operations for the year ended Aug. 31, 2010.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**Discontinued Operations**

The following table includes financial data for the fiscal year quarters in 2011 and 2010 which have been adjusted for discontinued operations. See Note 29 Discontinued Operations for further discussion of the divested Dairy business.

(Dollars in millions, except per share amounts)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
2011					
Net Sales	\$1,836	\$4,131	\$3,608	\$2,247	\$11,822
Gross Profit	824	2,310	1,973	972	6,079
Income (Loss) from Continuing Operations Attributable to Monsanto Company	9	1,015	692	(111)	1,605
Income (Loss) on Discontinued Operations		3		(1)	2
Net Income (Loss)	15	1,030	712	(98)	1,659
Net Income (Loss) Attributable to Monsanto Company	\$ 9	\$1,018	\$ 692	\$ (112)	\$ 1,607
Basic Earnings (Loss) per Share Attributable to Monsanto Company:					
Income (Loss) from continuing operations	\$ 0.02	\$ 1.89	\$ 1.29	\$ (0.21)	\$ 2.99
Income on discontinued operations		0.01			0.01
Net Income (Loss) Attributable to Monsanto Company	\$ 0.02	\$ 1.90	\$ 1.29	\$ (0.21)	\$ 3.00
Diluted Earnings (Loss) per Share Attributable to Monsanto Company:⁽¹⁾					
Income (Loss) from continuing operations	\$ 0.02	\$ 1.87	\$ 1.28	\$ (0.21)	\$ 2.96
Income on discontinued operations		0.01			
Net Income (Loss) Attributable to Monsanto Company	\$ 0.02	\$ 1.88	\$ 1.28	\$ (0.21)	\$ 2.96
2010					
Net Sales	\$1,704	\$3,878	\$3,003	\$1,898	\$10,483
Gross Profit	746	2,087	1,428	806	5,067

(Loss) Income from Continuing Operations Attributable to Monsanto Company	(27)	886	403	(170)	1,092
Income (Loss) on Discontinued Operations	5			(1)	4
Net (Loss) Income	(22)	888	416	(167)	1,115
Net (Loss) Income Attributable to Monsanto Company	\$ (22)	\$ 886	\$ 403	\$ (171)	\$ 1,096

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

(Loss) Income from continuing operations	\$ (0.05)	\$ 1.62	\$ 0.74	\$ (0.31)	\$ 2.01
Income on discontinued operations	0.01				0.01
Net (Loss) Income Attributable to Monsanto Company	\$ (0.04)	\$ 1.62	\$ 0.74	\$ (0.31)	\$ 2.02

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

(Loss) Income from continuing operations	\$ (0.05)	\$ 1.60	\$ 0.73	\$ (0.31)	\$ 1.99
Income on discontinued operations	0.01				
Net (Loss) Income Attributable to Monsanto Company	\$ (0.04)	\$ 1.60	\$ 0.73	\$ (0.31)	\$ 1.99

(1) Because Monsanto reported a loss from continuing operations in the fourth quarter 2011 and the first and fourth quarters 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.

NOTE 31. SUBSEQUENT EVENTS

The company had no subsequent events other than those described in Note 4 Business Combinations, Note 14 Income Taxes, and Note 15 Debt and Other Credit Arrangements.

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

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

As the company 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. The company filed a Form 10-K/A for fiscal year 2010 on Nov. 14, 2011.

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 the period covered by this report 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 the period covered by this report. 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 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

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
- 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.

Management, including our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of the company's internal control over financial reporting as of Aug. 31, 2011. In making this assessment, 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 assessment, 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, 2011, 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

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

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, 2011, 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 period that ended on Aug. 31, 2011, there was no change in internal control over financial reporting (as defined by 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 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

2011 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

2011 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

82

Table of Contents

MONSANTO COMPANY

2011 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 June.8, 2011 (incorporated by reference to Exhibit 3.2(i) of Form 8-K, filed June 14, 2011, 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.

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. Five-Year Credit Agreement, dated April 1, 2011 (incorporated by reference to Exhibit 10.1 to Form 8-K, filed April 7, 2011, File No. 1-16167).
13. The Monsanto Non-Employee Director Equity Incentive Compensation Plan, as amended and restated, effective Sept. 1, 2011 (incorporated by reference to Exhibit 10.13 of Form 10-K for the period ended Aug. 31, 2011, 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).
- 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).

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

Exhibit No.	Description
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 10.14.9 to Form 10-K, filed Oct. 27, 2010, File No. 1-16167).
14.10.	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 Aug. 24, 2011 (incorporated by reference to Exhibit 10.14.10 of Form 10-K for the period ended Aug. 31, 2011, File No. 1-16167).
14.11.	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).
14.12.	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).
14.13.	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).
14.14.	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).
14.15.	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).
14.16	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 approved on Aug. 3, 2011 (incorporated by reference to Exhibit 10.14.16 of Form 10-K for the period ended Aug. 31, 2011, 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).
- 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 Restricted Stock Unit Grant Under the Monsanto Company Long-Term Incentive Plan and the 2005 Long-Term Incentive Plan, as approved on Aug. 24, 2011 (incorporated by reference to Exhibit 10.15.9 of Form 10-K for the period ended Aug. 31, 2011, File No. 1-16167).
- 15.10.** Form of Terms and Conditions of Financial Goal Restricted Stock Units Under the Monsanto Company 2005 Long-Term Incentive Plan, as approved Oct. 24, 2011 (incorporated by reference to Exhibit 10.15.10 of Form 10-K for the period ended Aug. 31, 2011, File No. 1-16167).
- 15.11.** 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).

- 15.11.1.** 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).
- 15.12.** Form of Terms and Conditions of Retention and Performance Restricted Stock Unit Grant under the Monsanto Company 2005 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.15.12 of Form 10-K for the period ended Aug. 31, 2011, File No. 1-16167).
- 16.** Amended and Restated Deferred Payment Plan, effective Dec. 8, 2008 (incorporated by reference to Exhibit 10.16 to Form 10-K, filed Oct. 27, 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 10.16.1 to Form 10-K, filed Oct. 27, 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 10.16.2 to Form 10-K, filed Oct. 27, 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 10.17 to Form 10-K, filed Oct. 27, 2010, File No. 1-16167).

Table of Contents

MONSANTO COMPANY

2011 FORM 10-K/A

Exhibit No.	Description
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 10.17.1 to Form 10-K, filed Oct. 27, 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).
19.	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).
20.	Fiscal Year 2012 Annual Incentive Plan, as approved by the People and Compensation Committee of the Board of Directors on Aug. 24, 2011 (incorporated by reference to Exhibit 10 to Form 8-K, filed Aug. 30, 2011, File No. 1-16167).
21.1	Form of Change of Control Employment Security Agreement for Messrs. Begemann, Grant and Snively, and Dr. Fraley, effective Sept. 1, 2010 (incorporated by reference to Exhibit 10 to Form 8-K, filed on Sept. 7, 2010, File No. 1-16167).
21.2.	Form of Change of Control Employment Security Agreement for Mr. Courduroux, effective Feb. 4, 2011 (incorporated by reference to Exhibit 10 to Form 8-K, filed on Feb. 10, 2011, 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 10.22 to Form 10-K, filed Oct. 27, 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.	Base Salaries of Named Executive Officers dated Oct. 2011 (incorporated by reference to Exhibit 10.25 of Form 10-K for the period ended Aug. 31, 2011, 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 for the period ended Aug. 31, 2011, 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, 2011, 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 for the period ended Aug. 31, 2011, File No. 1-16167).
 - 2.** Power of Attorney submitted by Arthur H. Harper (incorporated by reference to Exhibit 24.2 of Form 10-K for the period ended Aug. 31, 2011, 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.
- 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.