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DELTA & PINE LAND CO
Form 10-Q
April 14, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended February 29, 2004 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: 000-21788

Exact name of registrant as specified in its charter:
DELTA AND PINE LAND COMPANY

State of Incorporation: Delaware
I.R.S. Employer Identification Number: 62-1040440

Address of Principal Executive Offices (including zip code):
One Cotton Row, Scott, Mississippi 38772

Registrant's telephone number, including area code:
(662) 742-4000

Indicate by check mark whether 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 is an accelerated filer (as defined in Exchange Act Rule 12b-2).

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.10 Par Value - 38,291,629 shares outstanding as of March 31, 2004.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(Unaudited)

		February 29, 2004	

ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$	91,617	\$
Receivables, net		99,773	

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Inventories	61,333	
Prepaid expenses	1,687	
Deferred income taxes	8,230	
	-----	-----
Total current assets	262,640	
PROPERTY, PLANT AND EQUIPMENT, NET	62,914	
EXCESS OF COST OVER NET ASSETS OF		
BUSINESSES ACQUIRED	4,183	
INTANGIBLES, NET	5,382	
INVESTMENT IN AFFILIATE	-	
OTHER ASSETS	1,735	
	-----	-----
TOTAL ASSETS	\$ 336,854	\$
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Notes payable	\$ 248	\$
Accounts payable	16,130	
Accrued expenses	90,674	
Income taxes payable	6,078	
	-----	-----
Total current liabilities	113,130	
	-----	-----
LONG-TERM DEBT	1,581	
	-----	-----
DEFERRED INCOME TAXES	4,304	
	-----	-----
MINORITY INTEREST IN SUBSIDIARIES	5,600	
	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred stock, par value \$0.10 per share; 2,000,000 shares authorized Series A		
Junior Participating Preferred, par value \$0.10 per share;		
456,989 shares authorized; no shares issued or outstanding;		-
Series M Convertible Non-Voting Preferred, par value \$0.10 per		
share; 1,066,667 shares authorized, issued and outstanding		107
Common stock, par value \$0.10 per share; 100,000,000 shares authorized;		
39,811,148, 39,525,116 and 39,391,105 shares issued;		
38,250,882, 38,107,850 and 38,030,939 shares outstanding		3,982
Capital in excess of par value	59,114	
Retained earnings	183,440	
Accumulated other comprehensive loss	(4,981)	
Treasury stock, at cost; 1,560,266, 1,417,266 and 1,360,166 shares	(29,423)	
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	212,239	
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 336,854	\$
	=====	=====

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

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FOR THE THREE MONTHS ENDED
(in thousands, except per share amounts)
(Unaudited)

	February 29, 2004
NET SALES AND LICENSING FEES	\$ 88,27
COST OF SALES	56,11
GROSS PROFIT	32,16
OPERATING EXPENSES:	
Research and development	4,99
Selling	3,20
General and administrative	4,53
OPERATING INCOME	12,73
INTEREST INCOME, NET	19,42
OTHER EXPENSE, NET	32
EQUITY IN NET LOSS OF AFFILIATE	(3,51)
MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES	(1,31)
INCOME BEFORE INCOME TAXES	(41)
INCOME TAX EXPENSE	14,50
NET INCOME	5,06
DIVIDENDS ON PREFERRED STOCK	9,44
NET INCOME APPLICABLE TO COMMON SHARES	(12)
BASIC EARNINGS PER SHARE	\$ 9,31
NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS	0.2
DILUTED EARNINGS PER SHARE	\$ 38,13
NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS	0.2
DIVIDENDS PER COMMON SHARE	\$ 39,76
	0.1

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

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DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED
(in thousands, except per share amounts)
(Unaudited)

	February 29, 2004
NET SALES AND LICENSING FEES	\$ 102,12
COST OF SALES	64,14
GROSS PROFIT	37,97
OPERATING EXPENSES:	
Research and development	9,13
Selling	5,95
General and administrative	9,27
Special charges	
	24,35
OPERATING INCOME	13,61
INTEREST INCOME, NET	69
OTHER EXPENSE, NET	(6,32)
EQUITY IN NET LOSS OF AFFILIATE	(1,73)
MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES	(2,40)
INCOME BEFORE INCOME TAXES	3,85
INCOME TAX EXPENSE	1,38
NET INCOME	2,46
DIVIDENDS ON PREFERRED STOCK	(23)
NET INCOME APPLICABLE TO COMMON SHARES	\$ 2,23
BASIC EARNINGS PER SHARE	\$ 0.0
NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS	38,11
DILUTED EARNINGS PER SHARE	\$ 0.0
NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS	39,71

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DIVIDENDS PER COMMON SHARE

\$ 0.2
=====

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

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DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
(in thousands)
(Unaudited)

	February 29, 2004	
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 2,465	\$
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	4,042	
Loss (gain) on sale of assets	49	
Equity in net loss of affiliate	1,734	
Foreign exchange gain	(131)	
Minority interest in earnings of subsidiaries	2,405	
Change in deferred taxes	1,510	
Changes in assets and liabilities:		
Receivables	67,300	
Inventories	(29,223)	
Prepaid expenses	417	
Intangibles and other assets	120	
Accounts payable	(1,988)	
Accrued expenses	(85,457)	
Income taxes	(2,266)	
	-----	-----
Net cash used in operating activities	(39,023)	
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,244)	
Sale of investments and property	47	
Investment in affiliate	(1,140)	
	-----	-----
Net cash used in investing activities	(3,337)	
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of short-term debt	(40)	
Dividends paid	(8,635)	
Proceeds from short-term debt	245	
Minority interest in dividends paid by subsidiary	(424)	
Payments to acquire treasury stock	(3,452)	
Proceeds from exercise of stock options	2,670	
	-----	-----

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Net cash used in financing activities	(9,636)	
EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES	328	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(51,668)	
CASH AND CASH EQUIVALENTS, August 31	143,285	
CASH AND CASH EQUIVALENTS, February 29 and February 28	\$ 91,617	\$
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the six months for:		
Interest	\$ 10	\$
Income taxes	\$ 1,800	\$
Noncash financing activities:		
Tax benefit of stock option exercises	\$ 1,600	\$

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

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the consolidated financial statements have been included. The business of Delta and Pine Land Company and its subsidiaries ("D&PL") is seasonal in nature; thus, the results of operations for the three and six month periods ended February 29, 2004 and February 28, 2003, or for any quarterly period, are not necessarily indicative of the results to be expected for the full year. D&PL's investment in 50%-owned affiliate DeltaMax Cotton, LLC ("DeltaMax") is accounted for using the equity method. For further information, reference should be made to the consolidated financial statements and footnotes thereto included in D&PL's Annual Report to Stockholders on Form 10-K for the fiscal year ended August 31, 2003.

Reclassifications

In the consolidated income statement for the three and six month periods ended February 29, 2004, certain expenses historically classified as Research and Development in Operating Expenses have been reclassified as Cost of Sales. These expenses for the prior year period have also been reclassified for consistency. The expenses relate to certain activities performed by the Technical Services department. As the sales of transgenic varieties have increased as a percentage of our Net Sales and Licensing Fees over the past several years, certain technical services department activities have become more related to preparing seed for sale than to Research and Development activities. The activities for which expenses have been reclassified relate primarily to the increase of seed quantities to allow us to offer certain varieties commercially and to late-stage

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trials performed to ensure that varieties that have been chosen to be offered commercially meet agronomic and transgenic requirements of our third party technology licenses. The amount of expenses reclassified for the three-month periods ended February 29, 2004 and February 28, 2003 was \$347,000 and \$319,000, respectively. The amount of expenses reclassified for the six-month periods ended February 29, 2004 and February 28, 2003 was \$831,000 and \$768,000, respectively.

Certain prior year amounts have been reclassified to conform with the current year presentation.

2. COMPREHENSIVE INCOME

Total comprehensive income for the three and six months ended February 29, 2004 and February 28, 2003, was (in thousands):

	Three Months Ended		
	February 29, 2004	February 28, 2003	Februar 200
Net income	\$ 9,443	\$ 16,132	\$
Other comprehensive (loss) income:			
Foreign currency translation gains	190	214	
Net realized and unrealized losses on hedging instruments	(606)	(142)	
Income tax benefit (expense) related to other comprehensive income	150	(26)	
Other comprehensive (loss) income, net of tax	(266)	46	
Total comprehensive income	\$ 9,177	\$ 16,178	\$

3. SEGMENT DISCLOSURES

D&PL is in a single line of business and operates in two business segments, domestic and international. D&PL's reportable segments offer similar products; however, the business units are managed separately due to the geographic dispersion of their operations. D&PL breeds, produces, conditions, and markets proprietary varieties of cotton and soybean planting seed in the United States. The international segment offers cottonseed in several foreign countries through both export sales and in-country operations. D&PL develops its proprietary seed products through research and development efforts in the United States and certain foreign countries.

D&PL's chief operating decision maker utilizes revenue information in assessing performance and making overall operating decisions and resource allocations. Profit and loss information is reported by segment to the chief operating decision maker and D&PL's Board of Directors. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in D&PL's Form 10-K filed for the year ended August 31, 2003.

Information about D&PL's segments for the three and six month periods ended February 29, 2004 and February 28, 2003, is as follows (in thousands):

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	Three Months Ended		
	February 29, 2004	February 28, 2003	Februar 200
Net sales and licensing fees (by segment)			
Domestic	\$ 76,882	\$ 92,714	\$
International	11,394	14,823	
	\$ 88,276	\$ 107,537	\$
Net sales and licensing fees			
Cottonseed	\$ 77,845	\$ 99,984	\$
Soybean seed	9,182	5,623	
Other	1,249	1,930	
	\$ 88,276	\$ 107,537	\$
Operating income			
Domestic	\$ 17,536	\$ 26,388	\$
International	1,889	3,622	
	\$ 19,425	\$ 30,010	\$

4. SIGNIFICANT CHANGES IN ASSETS AND LIABILITIES FROM AUGUST 31, 2003

Accounts receivable decreased approximately \$67,179,000 to \$99,773,000 at February 29, 2004 from \$166,952,000 at August 31, 2003. This decrease is primarily related to the collection of the 2003 technology sublicense fees in September 2003. The corresponding decrease in accrued expenses is primarily related to the royalty payments made by the Company for the Bollgard and Roundup Ready licensing fees on fiscal year 2003 sales in September 2003.

Inventories increased approximately \$29,102,000 to \$61,333,000 at February 29, 2004 from \$32,231,000 at August 31, 2003. This increase reflects the seasonal nature of the Company's domestic production cycle. The Company's domestic segment purchases bulk seed in its first and second fiscal quarters and begins processing for the current year's selling season. The increase in inventories at February 29, 2004 from August 31, 2003 is primarily related to those events and is consistent with the Company's historical experience.

5. RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities - An Interpretation of ARB No. 51,". In December 2003, the FASB published a revision to Interpretation No. 46(46R) to clarify some of the provisions of the original Interpretation. This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. Under the new guidance, special effective date provisions apply to enterprises that have fully or partially applied Interpretation 46 prior to issuance of this revised Interpretation. Otherwise, application of Interpretation 46R is required in financial statements of public entities that have interests in structures that are commonly referred to as special-purpose entities for periods ending after December 15, 2003. Application by public entities, other than small business issuers, for all other types of variable interest entities is required in financial statements for

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periods ending after March 15, 2004. The Company does not have any VIEs and, therefore, the adoption of this statement did not have a material impact on D&PL's consolidated financial position or results of operations.

Statement of Financial Accounting Standards ("SFAS") No. 132 (Revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," requires additional annual disclosures about pension plan assets, benefit obligations, cash flows, benefit costs and related information. SFAS No. 132 (Revised 2003) also requires companies to disclose various elements of pension and postretirement benefit costs in interim-period financial statements for quarters beginning after December 15, 2003. D&PL will be required to present this interim disclosure in its May 31, 2004 quarterly financial statements.

SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity," provides guidance on how to classify and measure certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. D&PL adopted this statement for financial instruments entered into after May 31, 2003 and otherwise adopted this statement September 1, 2003. The adoption of this statement did not have a material impact on D&PL's consolidated financial position or results of operations.

SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure -- an Amendment of FASB Statement No. 123," was issued in December 2002. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation under which compensation cost for stock options is recognized. In addition, this statement amends the disclosure requirements of FASB Statement No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. This required disclosure is included in Note 6.

6. STOCK-BASED COMPENSATION PLANS

As permitted by both SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure -- an Amendment of FASB Statement No. 123," D&PL applies Accounting Principles Board Opinion 25 in accounting for its employee stock option plans. Therefore, no compensation expense for stock options is deducted in determining net income, as all options granted had an exercise price equal to the fair market value of the underlying common stock on the grant date. For further information about D&PL's employee stock option plans, reference should be made to the consolidated financial statements and footnotes thereto included in D&PL's Annual Report to Stockholders on Form 10-K for the fiscal year ended August 31, 2003.

The following table illustrates the effect on net income and earnings per share if D&PL had recorded compensation expense in accordance with the fair value provisions of SFAS No. 123.

	Three Months Ended		
	February 29, 2004	February 28, 2003	F
Net income:			
As reported	\$ 9,443	\$ 16,132	\$

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Less: Total stock-based compensation expense determined under the fair value based method for all awards, net of related tax effects	(788)	(887)	
Pro forma	\$ 8,655	\$ 15,245	\$
Basic earnings per share:			
As reported	\$ 0.24	\$ 0.42	\$
Pro forma	\$ 0.22	\$ 0.40	\$
Diluted earnings per share:			
As reported	\$ 0.24	\$ 0.41	\$
Pro forma	\$ 0.22	\$ 0.39	\$

7. INVENTORIES

Inventories consisted of the following as of (in thousands):

	February 29, 2004	August 31, 2003
Finished goods	\$ 35,785	\$ 21,476
Raw materials	32,345	17,062
Growing crops	187	1,199
Supplies	1,076	733
	69,393	40,470
Less reserves	(8,060)	(8,239)
	\$ 61,333	\$ 32,231

Finished goods and raw material inventory is valued at the lower of average cost or market. Growing crops are recorded at cost. Elements of cost in inventories include raw materials, direct production costs, manufacturing overhead and immaterial general and administrative expenses. Inventory reserves relate to estimated excess and obsolete inventory. The provision recorded for excess and obsolete inventory for the six-month periods ended February 29, 2004 and February 28, 2003 were \$2,988,000 and \$3,394,000, respectively. See Note 11 for description of hedging activities.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following as of (in thousands):

	February 29, 2004	August 31, 2003
Land and improvements	\$ 5,197	\$ 5,124
Buildings and improvements	42,343	41,272
Machinery and equipment	60,234	56,202

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Germplasm	7,500	7,500
Breeder and foundation seed	2,000	2,000
Construction in progress	3,143	5,464
	-----	-----
	120,417	117,562
Less accumulated depreciation	(57,503)	(53,121)
	-----	-----
	\$ 62,914	\$ 64,441
	=====	=====

9. INTANGIBLES AND EXCESS OF COST OVER NET ASSETS OF BUSINESS ACQUIRED

The components of identifiable intangible assets follow as of (in thousands):

	February 29, 2004		August 31, 2003	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	\$ 3,182	\$ (839)	\$ 3,182	\$ (800)
Commercialization agreements	400	(79)	400	(65)
Licenses	1,100	(28)	1,100	-
Patents	502	(90)	426	(84)
Other	1,973	(739)	1,959	(648)
	-----	-----	-----	-----
	\$ 7,157	\$ (1,775)	\$ 7,067	\$ (1,597)
	=====	=====	=====	=====

Amortization expense for identifiable intangible assets during the three- and six-month periods ended February 29, 2004 was approximately \$100,000 and \$180,000, respectively. Identifiable intangible asset amortization expense is estimated to be \$210,000 for the remainder of 2004 and \$400,000 in each of the fiscal years from 2005 through 2008 and \$300,000 in 2009.

During the fourth quarter of fiscal 2003, "EXCESS OF COST OVER NET ASSETS OF BUSINESS ACQUIRED" ("goodwill") attributable to the domestic segment was tested for impairment by comparing its implied fair value to its carrying value. Based on management's impairment test, management determined that none of the goodwill recorded was impaired.

10. INVESTMENT IN AFFILIATE

D&PL owns a 50% interest in DeltaMax, a limited liability company jointly owned with Verdia, Inc. (formerly known as MaxyAg, Inc.), a wholly-owned subsidiary of Maxygen, Inc. Established in May 2002, the DeltaMax joint venture was formed to create, develop and commercialize herbicide tolerant and insect resistant traits for the cottonseed market. D&PL has licensed from DeltaMax the developed traits for commercialization in both the U.S. and other cotton-producing countries in the world. For the quarters ended February 29, 2004, and February 28, 2003, D&PL's equity in the net loss of DeltaMax was \$1,319,000 and \$481,000, respectively. For the six months ended February 29, 2004, and February 28, 2003, D&PL's equity in the net loss of DeltaMax was \$1,734,000 and \$941,000, respectively.

11. DERIVATIVE FINANCIAL INSTRUMENTS

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Accumulated other comprehensive loss includes the following related to the Company's soybean hedging program for the six-month periods ended February 29, 2004 and February 28, 2003 (in thousands):

	2004

Deferred net gain, as of August 31	\$ 262
Net (losses) gains on hedging instruments arising during the six months	(208)
Reclassification adjustment of gains on hedging instruments to earnings	(150)

Net change in accumulated other comprehensive loss	(358)

Deferred net (loss) gain on derivative instruments included in accumulated other comprehensive loss at February 29 and February 28	\$ (96)
	=====

The net loss of \$96,000 included in accumulated other comprehensive loss at February 29, 2004 consists of net unrealized losses of \$245,000 and net realized gains of \$149,000. The net unrealized losses of \$245,000 will be recognized in earnings within the next twelve months; however, the actual amount that will be charged to earnings may vary as a result of changes in market conditions. The net realized gains of \$149,000 will be reclassified into earnings in D&PL's third quarter.

For the six-month periods ended February 29, 2004 and February 28, 2003, D&PL recorded no gains or losses in earnings as a result of hedge ineffectiveness or discontinuance of cash flow hedges related to soybeans.

12. CONTINGENCIES

Product Claims

D&PL is named as a defendant in various lawsuits that allege, among other things, that certain of D&PL's products (including those containing Monsanto's technology) did not perform as the farmer had anticipated or expected. In some of these cases, Monsanto and/or the dealer or distributor who sold the seed are also named as defendants. In all cases where the seed sold contained either or both of Monsanto's Bollgard(R) and/or Roundup Ready(R) gene technologies, and where the farmer alleged a failure of one or more of those technologies, D&PL has tendered the defense of the case to Monsanto and requested indemnity. Pursuant to the terms of the February 2, 1996 Bollgard Gene License and Seed Services Agreement (the "Bollgard Agreement") and the February 2, 1996 Roundup Ready Gene License and Seed Services Agreement (the "Roundup Ready Agreement") (both as amended December 1999, January 2000 and March 2003 and the Roundup Ready Agreement as additionally amended July 1996), D&PL has a right to be contractually indemnified by Monsanto against all claims arising out of the failure of Monsanto's gene technology. Pharmacia remains liable for Monsanto's performance under these indemnity agreements. Some of the product liability lawsuits contain varietal claims which are aimed solely at D&PL. D&PL does not have a right to indemnification from Monsanto for any claims involving varietal characteristics separate from or in addition to the failure of the Monsanto technology. D&PL believes that the resolution of these matters will not have a material impact on the consolidated financial statements. D&PL intends to vigorously defend itself in these matters.

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1. On March 31, 2000, Monsanto Company consummated a merger with Pharmacia & Upjohn Inc. and changed its name to Pharmacia Corporation. On February 9, 2000, Monsanto Company formed a new subsidiary corporation, Monsanto Ag Company, which, on March 31, 2000, changed its name to Monsanto Company. On August 31, 2002, Pharmacia distributed to its shareholders its remaining interest in the new Monsanto Company. Pursuant to the closing of a merger on April 16, 2003, Pharmacia Corporation merged with and into a wholly-owned subsidiary of Pfizer Inc. Pharmacia survived the merger as a wholly-owned subsidiary of Pfizer Inc.

In this document, with respect to events occurring on or before March 31, 2000, the term "Monsanto" refers to the entity then designated Monsanto Company and renamed Pharmacia Corporation on that date. With respect to events occurring between March 31, 2000 and April 16, 2003, this entity is referred to as "Pharmacia". With respect to events occurring after April 16, 2003, the entity referred to as "Pharmacia" is that entity which on that date became a wholly-owned subsidiary of Pfizer Inc. With respect to events occurring after March 31, 2000, the entity formed as Monsanto Ag Company and renamed Monsanto Company (NYSE: MON) on March 31, 2000, is referred to as "Monsanto".

Other Legal Matters

On December 9, 2003, Bayer BioScience N.V. and Bayer CropScience GmbH (collectively "Bayer") filed a suit in the Federal Court of Australia alleging that the importing, exporting, selling and other alleged uses by Deltapine Australia Pty Ltd., D&PL's wholly-owned Australian subsidiary ("Deltapine Australia"), of Bollgard II(R) cotton seed infringes Bayer's Australian patent that claims an alleged invention entitled "Prevention of Bt Resistance Development." The suit seeks an injunction, damages and other relief against Deltapine Australia. Deltapine Australia disputes the validity, infringement and enforceability of Bayer's patent. Deltapine Australia is responding to the suit, denying infringement and asserting affirmative defenses.

In July 2003, D&PL received a notice from Monsanto asserting that disputes exist among Monsanto, D&PL and D&M Partners pertaining to four matters under the Bollgard and Roundup Ready Licenses for the United States and two matters under license agreements for Argentina and the Republic of South Africa, respectively. Monsanto's notice of dispute asserts that D&PL's failure to address these issues would be a breach of D&PL obligations under the relevant agreements and reserves all of Monsanto's rights under these agreements. In August 2003, D&PL and D&M Partners responded to Monsanto's positions on each issue and notified Monsanto of three additional disputes, each concerning Monsanto's compliance with its obligations under the Bollgard and Roundup Ready Licenses for the United States. In accordance with the dispute resolution provisions of the subject agreements, the issues raised in Monsanto, D&PL and D&M Partners' notices have been submitted to a panel of senior executives. Monsanto has subsequently withdrawn from the executive panel the issue involving the license agreements for the Republic of South Africa and has submitted to the executive panel one additional issue of interpretation of the Bollgard and Roundup Ready Licenses for the United States. Issues arising from operations in Argentina have been resolved and are no longer in dispute. D&PL is committed to participating in good faith resolution of the remaining issues in dispute. Any issues not resolved by the executive panel may be submitted to binding arbitration as provided in the relevant agreements.

In July 2002, Syngenta Biotechnology, Inc. ("SBI") brought suit in the U.S. District Court in Delaware alleging that D&PL's making, using, selling and offering to sell cotton planting seed containing Monsanto's insect-resistant Bt genes, being sold under the trade name Bollgard, and Monsanto's herbicide tolerance genes, being sold under the trade name Roundup Ready, infringed U.S. Patent 6,051,757 entitled "Regeneration Of Plants Containing Genetically Engineered T-DNA". In July 2003, SBI added D&M Partners as an additional

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defendant. The suit sought a preliminary and permanent injunction against D&PL, Monsanto and D&M Partners against further acts of alleged infringement, contributory infringement and inducement of infringement of SBI's patent and recovery of damages for an unspecified amount including treble damages on account of the defendants' alleged willful infringement. Monsanto agreed to defend D&PL in this suit and to indemnify D&PL against damages, if any, which might have been awarded. This suit was dismissed with prejudice by a Stipulation of Dismissal filed February 20, 2004, with no material impact to D&PL.

In May 2002, Pharmacia Corporation filed a suit in state court in Missouri against D&PL International Technology Corp. ("DITC"), D&PL's subsidiary, seeking a declaratory judgment that it was entitled to invoke the cross purchase provision in the Operating Agreement for D&M International, LLC, a limited liability company jointly owned by Pharmacia and DITC. In the alternative, Pharmacia sought a declaratory judgment that DITC was deemed to have consented to Pharmacia's transfer of the Operating Agreement to Monsanto and its issuance and transfer of shares of Monsanto's stock. DITC moved to dismiss on June 6, 2002, because the case was moot and did not present a justiciable controversy, in that DITC had already invoked its rights under the cross purchase provision and had caused Pharmacia's interest in D&M International, LLC to be redeemed. Instead of answering DITC's motion, on or about June 13, 2002, Pharmacia filed an amended petition, dropping all of its prior claims, and seeking a declaratory judgment that DITC has no contractual rights to enjoin Pharmacia from selling its shares of Monsanto or to seek damages for Pharmacia's prior initial public offering of Monsanto's shares to the public. DITC moved to dismiss the suit, since it had never threatened to enjoin the spin-off, and, in the alternative, moved for a more definite statement. On October 12, 2002, the Court denied DITC's motion to dismiss but granted DITC's motion for a more definite statement. Pharmacia filed a Second Amended Petition on October 30, 2002, and DITC filed a motion to dismiss the Second Amended Petition on November 19, 2002. In March 2004, the parties agreed to settle the matter without material financial impact to the Company. It is anticipated that the Court will enter an order of dismissal.

In December 1999, Mycogen Plant Science, Inc. ("Mycogen") filed a suit in the Federal Court of Australia alleging that Monsanto Australia Ltd., Monsanto's wholly-owned Australian subsidiary, and Deltapine Australia have been infringing two of Mycogen's Australian patents by making, selling, and licensing cotton planting seed expressing insect resistance. The suit seeks injunction against continued sale of seed containing Monsanto's Ingard(R) gene and recovery of an unspecified amount of damages. The litigation is currently in discovery and pretrial proceedings. Consistent with its commitments, Monsanto has agreed to defend D&PL in this suit and to indemnify D&PL against damages, if any are awarded. Monsanto is providing separate defense counsel for D&PL. D&PL is assisting Monsanto to the extent reasonably necessary.

A corporation owned by the son of D&PL's former Guatemalan distributor sued in 1989 asserting that D&PL violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,292,459 Guatemalan quetzales (approximately \$671,000 at March 31, 2004 exchange rates) and an injunction preventing D&PL from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. D&PL continues to make available seed for sale in Central America and Mexico.

The litigation filed against D&PL in the Circuit Court of Dunklin County, Missouri, in July 2003, has now been resolved without material financial impact to the company.

13. EARNINGS PER SHARE

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Dilutive common share equivalents consist of both D&PL's Series M Convertible Non-Voting Preferred shares and the outstanding options to purchase D&PL's common stock that have been issued under the 1993 Stock Option Plan and the 1995 Long-Term Incentive Plan. Approximately 489,000 and 1,130,000 outstanding stock options were not included in the computation of diluted earnings per share for the three months ended February 29, 2004 and February 28, 2003, respectively, and approximately 551,000 and 2,223,000 outstanding stock options were not included in the computation of diluted earnings per share for the six months ended February 29, 2004 and February 28, 2003, respectively, because the exercise price exceeded the average market price of D&PL's common stock for each respective reporting date. These excluded options expire at various dates from 2007 to 2014.

The table below reconciles the basic and diluted per share computations:

(in thousands, except per share amounts)	For the Three Months Ended		For
	February 29, 2004	February 28, 2003	Februar 200
	-----	-----	-----
Income:			
Net income	\$ 9,443	\$ 16,132	\$
Less: Preferred stock dividends	(128)	(64)	
	-----	-----	
Net income for basic EPS	9,315	16,068	
Effect of Dilutive Securities:			
Convertible Preferred Stock Dividends	128	64	
	-----	-----	
Net income available to common stockholders plus assumed conversions - for diluted EPS	\$ 9,443	\$ 16,132	\$
	=====	=====	=====
Shares:			
Basic EPS Shares	38,138	38,124	
Effect of Dilutive Securities:			
Options to purchase stock	563	365	
Convertible preferred stock	1,067	1,067	
	-----	-----	
Diluted EPS Shares	39,768	39,556	
	=====	=====	=====
Per Share Amounts:			
Basic	\$ 0.24	\$ 0.42	\$
	=====	=====	=====
Diluted	\$ 0.24	\$ 0.41	\$
	=====	=====	=====

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW/OUTLOOK

At the time of this filing, we are processing and shipping our seed products to our customers in the U.S. market. Cotton planting has recently commenced in the major U.S. cotton growing states. The recent increase in soybean commodity prices contrasts with a decline in cotton fiber prices and causes us concern that some U.S. acreage initially expected to be planted with cotton may shift to

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soybeans. On March 31, 2004, the USDA issued its "Prospective Plantings" report for this crop season, which estimated U.S. cotton plantings of 14.4 million acres. On March 29, 2004, Reuters news service released a poll of various cotton industry insiders which reflected an average of cotton acreage estimates of those individuals polled of 13.5 million acres. The difference in these two reports may be attributable in part to the timing of the respective surveys and other factors. However, both estimates are below the 14.5 million acre estimate used by the Company in developing its earlier earnings guidance. Due to the difficulty in accurately forecasting cotton plantings at present, the Company is not releasing updated earnings guidance at this time. As more information becomes available, we will consider the need to update the previously issued guidance. As we have previously stated, for each 500,000 acre change in planted cotton acreage in cotton planting states east of Texas, we estimate that our earnings per share could be affected by approximately \$0.10 per share. This earnings sensitivity is based on the types of products sold (i.e., product mix) and our market position in these states as well as other factors. In addition to commodity prices, weather, as well as other factors, during the planting season will affect not only the crops (for example, cotton, soybeans, etc.) that are planted, but also the specific varieties of seed within crop species.

Over the last year, cotton fiber prices have increased from \$0.56 per pound (at June 3, 2003) to \$0.86 per pound as recently as October 29, 2003, but have now declined to the mid to high \$0.60's per pound. However, we are optimistic that cotton fiber prices could strengthen over the long term given that the U.S. cotton "stocks-to-use" ratio is at an eight year low and the worldwide "stocks-to-use" ratio is a ten year low. A lower "stocks-to-use" ratio could potentially drive higher cotton fiber prices which may result in increased U.S. cotton plantings in 2005.

Other Matters

We are continuing to work to secure alternative technologies for our cottonseed products such as insect resistance, herbicide tolerance and other technologies. We expect that this access will be gained either through licenses, joint ventures or outright purchase. In connection with this, we are continuing to work with third-party trait providers to develop, test and evaluate elite cotton varieties containing insect resistant genes. If appropriate testing indicates these third-party traits combined with our germplasm is competitive, if commercialization agreements are reached, and if U.S. government regulatory approval is received, our elite varieties containing these traits may be available for introduction to growers. In addition, we continue to have discussions with potential partners to enter new markets as a part of executing our international growth strategy. We expect to form joint ventures, take positions in established businesses, or develop businesses ourselves depending on the potential benefit of each alternative. In addition, our joint venture with Verdia, Inc., DeltaMax Cotton, LLC ("DeltaMax"), has initiated cotton transformation of proprietary glyphosate tolerant and insect resistance genes.

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With respect to our suit against Monsanto and Pharmacia, the parties remain in discovery. A new trial date has not yet been scheduled, but the Court ordered on September 8, 2003, an April 2004 fact-discovery deadline as well as other deadlines from that date until April 15, 2005, when pre-trial statements are due to the Court. Therefore, the trial is not expected to occur prior to April 15, 2005. On September 12, 2003, Monsanto amended its response to our lawsuit to include four counterclaims against us. Monsanto is seeking unspecified damages

1. On March 31, 2000, Monsanto Company consummated a merger with Pharmacia & Upjohn Inc. and changed its name to Pharmacia Corporation. On February 9, 2000, Monsanto Company formed a new subsidiary corporation, Monsanto Ag Company, which, on March 31, 2000, changed its name to Monsanto Company. On August 31, 2002, Pharmacia distributed to its shareholders its remaining interest in the new Monsanto Company. Pursuant to the closing of a merger on April 16, 2003,

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Pharmacia Corporation merged with and into a wholly-owned subsidiary of Pfizer Inc. Pharmacia survived the merger as a wholly-owned subsidiary of Pfizer Inc.

In this document, with respect to events occurring on or before March 31, 2000, the term "Monsanto" refers to the entity then designated Monsanto Company and renamed Pharmacia Corporation on that date. With respect to events occurring between March 31, 2000 and April 16, 2003, this entity is referred to as "Pharmacia". With respect to events occurring after April 16, 2003, the entity referred to as "Pharmacia" is that entity which on that date became a wholly-owned subsidiary of Pfizer Inc. With respect to events occurring after March 31, 2000, the entity formed as Monsanto Ag Company and renamed Monsanto Company (NYSE: MON) on March 31, 2000, is referred to as "Monsanto".

for its counterclaims, including the \$81 million paid by Monsanto to D&PL as a termination fee and related expenses. We have answered Monsanto's counterclaims and do not believe we have any liability. We continue to vigorously pursue our lawsuit and defend Monsanto's counterclaims. See Part II, Item 1 for further discussion.

Pursuant to our previously announced share repurchase program, we repurchased 143,000 shares of our stock in the open market from September 1, 2003 to March 31, 2004.

In August 2003, we announced that we would begin packaging our cottonseed varieties in bags containing approximately 250,000 seed in the 2004 selling season, as compared to historically packaging our cottonseed varieties in 50-pound bags. Pima and Acala varieties will continue to be packaged in 50-pound bags. This is intended to simplify pricing and production planning, and will help standardize technology fees and make inventory management for our distribution partners and farmers more precise.

Results of Operations

Due to the seasonal nature of our business, we typically incur losses in our first and fourth fiscal quarters because the majority of our domestic sales are made in our second and third quarters. Sales in the first and fourth quarters are generally limited to those made to export markets and those made by our non-U.S. joint ventures and subsidiaries located primarily in the Southern hemisphere.

The following sets forth selected operating data of D&PL (in thousands):

	For the Three Months Ended		
	February 29, 2004	February 28, 2003	Fe
Operating results-			
Net sales and licensing fees	\$ 88,276	\$ 107,537	\$
Gross profit	32,164	41,842	
Operating expenses	12,739	11,832	
Operating income	19,425	30,010	
Income before income taxes	14,505	24,878	
Net income applicable to common shares	9,315	16,068	

The following sets forth selected balance sheet data of D&PL at the following dates (in thousands):

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	February 29, 2004	August 31, 2003
	-----	-----
Balance sheet summary-		
Current assets	\$ 262,640	\$ 355,261
Current liabilities	113,130	204,050
Working capital	149,510	151,211
Property, plant and equipment, net	62,914	64,441
Total assets	336,854	431,552
Outstanding borrowings	1,829	1,597
Stockholders' equity	212,239	217,107

Three months ended February 29, 2004, compared to three months ended February 28, 2003:

For the quarter ended February 29, 2004, we reported net income of \$9.4 million, compared to net income of \$16.1 million reported in the comparable prior year quarter. This decrease was due primarily to lower sales in our domestic and international segments, higher operating expenses and an increase in the net loss of 50%-owned DeltaMax. These items were partially offset by a decrease in litigation expenses incurred in our lawsuit against Monsanto/Pharmacia, which are reported in Other Expense.

Net sales and licensing fees decreased approximately \$19.2 million to \$88.3 million from \$107.5 million in the comparable period in the prior year. The decrease in net sales and licensing fees is primarily attributable to an anticipated shift of domestic cottonseed sales into the third quarter from our continuing transition to a new inventory management strategy whereby inventory shipments to distributors are more closely matched to farmer orders. The decrease in domestic cottonseed sales was partially offset by an increase in soybean sales over the prior year quarter. International revenues were lower due primarily to sales in China occurring in this year's first quarter versus the second quarter of last year. Sales were also lower in Greece due to an anticipated shift in shipments to the third quarter, and in Spain. These reductions were partially offset by increased sales in Mexico and at our joint venture in Brazil.

Gross profit decreased approximately \$9.6 million to \$32.2 million from \$41.8 million. Gross profit as a percentage of net sales and licensing fees decreased to 36% from 39% in the same quarter of the prior year. This decrease is due to higher raw material costs for both cottonseed and soybean seed, and to a higher percentage of our sales in the current year quarter coming from soybean seed, on which we earn a lower gross profit percentage, as compared to the prior year quarter. Also, the reduction of sales to Greece in the current year quarter reduced the gross profit percentage of the international segment.

Operating expenses increased approximately \$0.9 million to \$12.7 million from \$11.8 million in the second quarter of 2003. This increase related primarily to higher research and development costs, and an increase in professional fees.

We reported net other expense of approximately \$3.5 million for the quarter ended February 29, 2004, compared to net other expense of approximately \$4.0 million for the same period in the prior year. The decrease is due to a reduction in Monsanto/Pharmacia litigation expenses in the current year quarter. For the quarter ended February 29, 2004, we incurred \$3.5 million, or \$0.06 per diluted share, related to Monsanto/Pharmacia litigation expenses, compared to \$4.1 million, or \$0.07 per diluted share, in the quarter ended February 28, 2003.

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Six months ended February 29, 2004, compared to six months ended February 28, 2003:

For the six-month period ended February 29, 2004, we reported net income of \$2.5 million, compared to net income of \$8.7 million reported in the comparable prior year period. This decrease was due primarily to lower sales in our domestic segment, higher operating expenses and an increase in the net loss of 50%-owned DeltaMax Cotton LLC. These items were slightly offset by an increase in international sales.

Net sales and licensing fees decreased approximately \$11.0 million to \$102.1 million from \$113.1 million in the comparable period in the prior year. The decrease in net sales and licensing fees is primarily attributable to an anticipated shift of domestic cottonseed sales into the third quarter from our continuing transition to a new inventory management strategy whereby inventory shipments to distributors are more closely matched to farmer orders. The decrease in domestic cottonseed sales was partially offset by an increase in soybean sales over the prior year period. International revenues slightly increased due to higher sales in Australia, Brazil, Mexico and Turkey. These improvements were partially offset by decreased sales in Greece, which we anticipate will occur in the third quarter.

Gross profit decreased approximately \$5.2 million to \$38.0 million from \$43.2 million. Gross profit as a percentage of net sales and licensing fees decreased to 37% from 38% in the same period of the prior year. This decrease is due to higher raw material costs for both cottonseed and soybean seed, and to a higher percentage of our sales in the current year period coming from soybean seed, on which we earn a lower gross profit percentage, as compared to the prior year period. Also, the reduction in sales to Greece in the current year period reduced the gross profit percentage of the international segment.

Operating expenses increased approximately \$2.4 million to \$24.4 million from \$22.0 million in the second quarter of 2003. This increase related primarily to higher research and development costs and an increase in professional fees.

During the six months ended February 28, 2003, we reported special charges of \$0.5 million related to the severance costs associated with the closing of our facility in Centre, Alabama as well as a headcount reduction at our joint venture in Hebei Province, People's Republic of China.

We reported net other expense of approximately \$6.3 million for the six-month period ended February 29, 2004, compared to net other expense of approximately \$6.0 million for the same period in the prior year. This is due to a slight increase in Monsanto/Pharmacia litigation expenses in the current year period. For the six-month period ended February 29, 2004, we incurred \$6.4 million, or \$0.10 per diluted share, related to Monsanto/Pharmacia litigation expenses, compared to \$6.1 million, or \$0.10 per diluted share, in the six-month period ended February 28, 2003.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Overview

Management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing in Item 8 of our Annual Report on Form 10-K for the fiscal year ended August 31, 2003. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

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We have identified below the accounting policies that involve those estimates and assumptions that we believe are critical to an understanding of our financial statements. Our management has discussed the development and selection of each critical accounting estimate with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the related disclosures below. Since application of these accounting policies involves the exercise of judgment and use of estimates, actual results could differ from those estimates.

Revenue Recognition

Revenues from domestic seed sales are recognized when the seed is shipped. Revenues from Bollgard(R) and Roundup Ready(R) licensing fees are recognized when the seed is shipped. Domestically, the licensing fees charged to farmers for Bollgard and Roundup Ready cottonseed are based on pre-established planting rates for each of nine geographic regions and consider the estimated number of seeds contained in each bag for years prior to 2004 which may vary by variety, location grown, and other factors. Effective this year, picker and stripper cottonseed products will be sold in bags containing 250,000 seed. Acala and Pima cottonseed products will continue to be sold in 50-pound bags.

International export revenues are recognized upon the later of when the seed is shipped or the date letters of credit (or instruments with similar security provisions) are confirmed. International export sales are not subject to return except in limited cases in Mexico and Colombia. All other international revenues from the sale of planting seed, less estimated reserves for returns, are recognized when the seed is shipped, except in Australia and South Africa where certain immaterial revenues are recognized when collected.

All of our domestic seed products (including those containing Bollgard and Roundup Ready technologies) are subject to return and credit risk, the effects of which vary from year to year. The annual level of returns and, ultimately, net sales are influenced by various factors, principally commodity prices and weather conditions occurring in the spring planting season during our third and fourth quarters. We provide for estimated returns as sales occur. To the extent actual returns differ from estimates, adjustments to our operating results are recorded when such differences become known, typically in our fourth quarter. All significant returns occur or are accounted for by fiscal year end. Therefore, the application of this estimate could affect our quarterly information.

Domestically, we promote our cotton and soybean seed directly to farmers and sell our seed through distributors and dealers. We also offer various sales incentive programs for seed and participate in such programs related to the Bollgard and Roundup Ready technology fees offered by Monsanto. Under these programs, if a farmer plants his seed and the crop is lost (usually due to inclement weather) by a certain date, a portion of the price of the seed and technology fees are forgiven or rebated to the farmer if certain conditions are met. The amount of the refund and the impact to D&PL depends on a number of factors including whether the farmer can replant the crop that was destroyed. We record monthly estimates to account for these programs. The majority of program rebates occur during the second and third quarters. Essentially all material claims under these programs have occurred or are accounted for by fiscal year end.

Provision for Damaged, Obsolete and Excess Inventory

Each year, we record a provision related to inventory based on our estimate of seed that will not pass our quality assurance ("QA") standards at year end, or is deemed excess based on our desired seed stock level for a particular variety ("dump seed"). Seed can fail QA standards based on physical defects (i.e., cut seed, moisture content, discoloration, etc.), germination rates, or transgenic purities. The amount recorded as inventory provision in a given year is

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calculated based on the total quantity of inventory that has not passed QA standards at any fiscal year end, any seed that is expected to deteriorate before it can be sold and seed deemed to be excess. In establishing the provision, we consider the scrap value of the seed to be disposed. An initial estimate of the needed provision is made at the beginning of each year and recorded over the course of the year. Adjustments for changes in our estimates are made monthly, if necessary.

See Note 7 of the Notes to Consolidated Financial Statements in Item 1 for further details about inventory reserves.

Deferred Income Taxes

Deferred income taxes are estimated based upon temporary differences between the income and losses that we report in our financial statements and our taxable income and losses as determined under applicable tax laws. We estimate the value of deferred income taxes based on existing tax rates and laws, and our expectations of future earnings. For deferred income taxes, we applied a composite statutory income tax rate of 38%.

We are required to evaluate the likelihood of our ability to generate sufficient future taxable income that will enable us to realize the value of our deferred tax assets. If, in our judgment, we determine that we will not realize deferred tax assets, then valuation allowances are recorded. As of February 29, 2004, we had recorded net deferred tax assets of approximately \$3.9 million. We estimate that our deferred tax assets will be realized; therefore, we have not recorded any valuation allowances as of February 29, 2004.

We use management judgment and estimates when estimating deferred taxes. If our judgments and estimates prove to be inadequate, or if certain tax rates and laws should change, our financial results could be materially adversely impacted in future periods.

Contingent Liabilities

A liability is contingent if the amount is not presently known, but may become known in the future as a result of the occurrence of some uncertain future event. D&PL estimates its contingent liabilities based on management's estimates about the probability of outcomes and its ability to estimate the range of exposure. Accounting standards require that a liability be recorded if management determines that it is probable that a loss has occurred and the loss can be reasonably estimated. In addition, it must be probable that the loss will be confirmed by some future event. As part of the estimation process, management is required to make assumptions about matters that are by their nature highly uncertain. The assessment of contingent liabilities, including legal contingencies and income tax liabilities, involves the use of critical estimates, assumptions and judgments. Management's estimates are based on their belief that future events will validate the current assumptions regarding the ultimate outcome of these exposures. However, there can be no assurance that future events, such as court decisions or I.R.S. positions, will not differ from management's assessments. Whenever practicable, management consults with third party experts (attorneys, accountants, claims administrators, etc.) to assist with the gathering and evaluation of information related to contingent liabilities.

LIQUIDITY AND CAPITAL RESOURCES

In the United States, we purchase seed from contract growers in our first and second fiscal quarters. Seed conditioning, treating and packaging commence late in the first fiscal quarter and continue through the third fiscal quarter. Seasonal cash needs normally begin to increase in the first fiscal quarter and cash needs peak in the third fiscal quarter. Cash is generated and loan

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repayments, if applicable, normally begin in the middle of the third fiscal quarter and are typically completed by the first fiscal quarter of the following year. In some cases, we offer customers financial incentives to make early payments. To the extent we attract early payments from customers, bank borrowings, if any, are reduced.

In the U.S., we record revenue and accounts receivable for licensing fees on Bollgard and Roundup Ready seed sales upon shipment, usually in our second and third fiscal quarters. Receivables from seed sales are generally due from May to July. The licensing fees are due in September, at which time we receive payment. We then pay Monsanto its royalty for the Bollgard and Roundup Ready licensing fees, which is recorded as a component of cost of sales. As a result of the timing of these events, licensing fees receivable and royalties payable peak at fiscal year end.

The seasonal nature of our business significantly impacts cash flow and working capital requirements. Historically, we have maintained credit facilities, and used early payments by customers and cash from operations to fund working capital needs. In the past, we have borrowed on a short-term basis to meet seasonal working capital needs. However, in fiscal years 2002 and 2003, we used cash generated from operations and other available cash to meet working capital needs. We continue to evaluate potential uses of our cash for purposes other than for working capital needs. Potential uses of our cash may be the acquisition of, or funding of, alternative technologies (such as, or in addition to, DeltaMax) that could be used to enhance our product portfolio and ultimately our long-term earnings potential and/or an investment in new markets outside the U.S. Another potential use is the repurchase in the open market of our shares pursuant to our previously announced share repurchase program. Once the evaluation of certain transactions that are currently being considered is completed, we may consider other potential uses of the remaining cash, including increasing the dividend rate or repurchasing shares more aggressively depending on market considerations and other factors.

In April 1998, we entered into a syndicated credit facility with three lenders, which provided for aggregate borrowings of \$110 million. This agreement expired on April 1, 2001. D&PL and potential lenders have had discussions about a replacement facility that will provide for aggregate borrowings sufficient to meet our current working capital needs.

Capital expenditures were \$2.2 million and \$2.4 million in six months ended February 29, 2004 and February 28, 2003, respectively. We anticipate that capital expenditures will approximate \$7.0 to \$9.0 million in fiscal 2004.

Annual dividends of \$0.27 and \$0.20 per share were paid in 2003 and 2002, respectively. Aggregate dividends paid on common and preferred shares in 2003 and 2002 were \$10.6 million and \$7.9 million, respectively. For the six months ended February 29, 2004, aggregate dividends of \$8.6 million have been paid on common and preferred shares. On April 1, 2004, we announced that our Board of Directors had declared a \$0.12 per share dividend for the third quarter. The third quarter dividend, payable to shareholders of record on May 31, 2004, will be paid on June 14, 2004. The Board anticipates that quarterly dividends of \$0.12 per share will continue to be paid in the future; however, the Board of Directors reviews this policy quarterly. Aggregate preferred and common dividends should approximate \$18.1 million in 2004.

In February 2000, the Board of Directors authorized a program for the repurchase of up to \$50 million of our common stock. The shares repurchased under this program are to be used to provide for option exercises, conversion of our Series M Convertible Non-Voting Preferred shares and for other general corporate purposes. At August 31, 2003, we had repurchased 1,303,000 shares at an aggregate purchase price of approximately \$23.8 million under this program. During the year ended August 31, 2003, we purchased 310,100 shares at an

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aggregate purchase price of \$6.1 million under this plan. Between September 1, 2003 and March 31, 2004, we repurchased 143,000 shares at an aggregate purchase price of \$3.5 million.

Cash provided from operations, cash on hand, early payments from customers and borrowings under a loan agreement, if necessary, should be sufficient to meet the Company's 2004 working capital needs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure relative to fluctuations in the price of soybean raw material inventory, foreign currency fluctuations and interest rate changes. For more information about market risk and how we manage specific risk exposures, see Notes 1 and 14 to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended August 31, 2003. Also see Note 11 of the Notes to Consolidated Financial Statements in Item 1 for further details about our exposure to market risk.

The fair value of derivative commodity instruments outstanding as of February 29, 2004, was \$250,000. A 10% adverse change in the underlying commodity prices upon which these contracts are based would result in a \$300,000 loss in future earnings arising from these contracts (not counting the gain on the underlying commodities).

Our earnings are also affected by fluctuations in the value of the U.S. dollar compared to foreign currencies as a result of transactions in foreign markets. We conduct non-U.S. operations through subsidiaries and joint ventures in, primarily, Argentina, Australia, Brazil, China, South Africa and Turkey. At February 29, 2004, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which our transactions are denominated would not cause a material impact on earnings.

We utilize fixed and variable-rate debt to maintain liquidity and fund our business operations, with the terms and amounts based on business requirements, market conditions and other factors. At February 29, 2004, a 100 basis point change in interest rates (with all other variables held constant) on the portion of our debt with variable interest rates would not result in a material change to our interest expense or cash flow.

For the six months ended February 29, 2004, a 10% adverse change in the interest rate that we earned on our excess cash that we invested would not have resulted in a material change to our net interest income or cash flow.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

D&PL's chief executive officer and chief financial officer have evaluated the effectiveness of the design and operation of D&PL's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of February 29, 2004. Based on that evaluation, the chief executive officer and chief financial officer have concluded that D&PL's disclosure controls and procedures are effective to ensure that material information relating to D&PL and D&PL's consolidated subsidiaries is made known to such officers by others within these entities, particularly during the period this report was prepared, in order to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls.

There have not been any significant changes in D&PL's internal control over financial reporting or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The following sets forth known pending litigation and a description of other legal matters.

Product Claims

D&PL and Monsanto are named as defendants in a lawsuit filed in Hockley County, Texas, on April 14, 1999. This lawsuit was removed to the United States District Court, Lubbock Division, but subsequently remanded back to the state court. This case was tried to a jury in August 2002, and an adverse verdict was returned against D&PL and Monsanto. On February 24, 2004, this case was reversed and rendered in D&PL's favor by the 7th Appellate Court District (Amarillo Division) of the Texas Court of Appeals. Although the original plaintiff has not attempted to further appeal the case to the Texas Supreme Court, time for such appeal remains available. In this case the plaintiff alleged that certain cottonseed acquired from the Paymaster division of D&PL did not perform as the farmer had anticipated and as allegedly represented to him.

D&PL and Monsanto were named as defendants in a lawsuit filed in the 106th Judicial District Court of Gaines County, Texas, on April 27, 2000. In this case the plaintiff alleges, among other things, that certain cottonseed acquired from D&PL that contained the Roundup Ready gene did not perform as the farmer had anticipated. D&PL and Monsanto are investigating the claims to determine the cause or causes of the alleged problem. Pursuant to the terms of the February 2, 1996 Roundup Ready Gene License and Seed Service Agreement (the "Roundup Ready Agreement"), D&PL has tendered the defense of this claim to Monsanto and requested indemnity. Pursuant to the Roundup Ready Agreement, Monsanto is contractually obligated to defend and indemnify D&PL against all claims arising out of the failure of the Roundup(R) glyphosate tolerance gene and Monsanto has agreed to do so. D&PL will not have a right of indemnification from Monsanto, however, for any claim involving defective varietal characteristics separate from or in addition to the herbicide tolerance gene and such claims are contained in this litigation.

D&PL was named as a defendant in a lawsuit filed in the 110th Judicial District Court of Floyd County, Texas on November 21, 2002. In this multiple plaintiff case, each plaintiff alleges that seed purchased from D&PL failed to perform as represented and seeks compensatory damages for crop losses during the 2002 growing season. D&PL and the claimants in this case have now entered into an agreement for binding arbitration of the claims pursuant to the arbitration clause contained in the Monsanto Gene Licensing Agreement executed by the growers. Although the claim involves a cotton variety that contains the Roundup Ready gene, no claim against Monsanto was alleged, nor was there any allegation that Monsanto technology caused or contributed to plaintiffs' alleged problems. Thus, it does not presently appear that Monsanto is contractually obligated to defend and/or indemnify D&PL in this case. D&PL has thoroughly investigated the claims and anticipates these cases will be finally arbitrated within the next three months.

D&PL and Monsanto and various retail seed suppliers were named in six pending lawsuits in the State of South Carolina. One lawsuit was filed November 15, 1999, in the Beaufort Division of the United States District Court, District of South Carolina; two of the other cases were filed on November 15, 1999, in the Court of Common Pleas of Hampton County, South Carolina. The two 1999 state court lawsuits were removed to the United States District Court for the District of South Carolina but were subsequently remanded back to the state court in which they were filed. The remaining three lawsuits were filed July 29, 2002, in the Court of Common Pleas of Hampton County, South Carolina. The 2002 state

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court filing of one of those cases was removed to United States District Court for the District of South Carolina, Beaufort Division, but has now been remanded back to Hampton County. In each of these cases the plaintiff alleges, among other things, that certain seed acquired from D&PL which contained the Roundup Ready gene and/or the Bollgard gene did not perform as the farmer had anticipated. These lawsuits also include varietal claims aimed solely at D&PL. D&PL and Monsanto are continuing to investigate the claims to determine the cause or causes of the alleged problem. Pursuant to the terms of the Roundup Ready Agreement and the Bollgard Agreement between D&PL and Monsanto, D&PL has a right to be contractually indemnified against all claims arising out of the failure of Monsanto's gene technology. D&PL will not have a right to indemnification, however, from Monsanto for any claim involving varietal characteristics separate from or in addition to the failure of the Monsanto technology and such claims are contained in each of these lawsuits.

D&PL was named in two lawsuits filed in the Circuit Court of Holmes County, Mississippi. One was filed March 14, 2002, and the second was filed on August 19, 2002. Both cases include numerous plaintiffs who allege that certain cotton seed sold by D&PL was improperly mixed and blended and failed to perform as advertised. In the second Holmes County lawsuit, D&PL has filed a third party Complaint and seeks a declaration that its insurers are responsible for the cost of defending the action and for full indemnification of D&PL in the event a judgment is entered against it. Both cases are still pending and in the discovery stages. Neither of these lawsuits alleges that the Monsanto gene technology failed, and accordingly, it does not appear that D&PL has a claim for indemnity or defense under the terms of any of the gene licenses with Monsanto.

The litigation previously filed against D&PL in the 110th Judicial District of Floyd County, Texas on October 16, 2002, the Circuit Court of Webster County, Mississippi on August 10, 2001, the Circuit Court of Noxubee County on August 12, 2002, the Middle District of Georgia, Albany Division, on April 5, 2002, and the Superior Court of Fulton County, Georgia, on April 29, 2002, have all been resolved. Individually and collectively, the resolution of these cases did not have a material impact on D&PL.

All lawsuits related to product claims seek monetary damages. See Note 12 of the Notes to Consolidated Financial Statements in Item 1 for further details about product claims.

Other Legal Matters

On December 9, 2003, Bayer BioScience N.V. and Bayer CropScience GmbH (collectively "Bayer") filed a suit in the Federal Court of Australia alleging that the importing, exporting, selling and other alleged uses by Deltapine Australia Pty Ltd., D&PL's wholly-owned Australian subsidiary ("Deltapine Australia"), of Bollgard II(R) cotton seed infringes Bayer's Australian patent that claims an alleged invention entitled "Prevention of Bt Resistance Development." The suit seeks an injunction, damages and other relief against Deltapine Australia. Deltapine Australia disputes the validity, infringement and enforceability of Bayer's patent. Deltapine Australia is responding to the suit, denying infringement and asserting affirmative defenses.

In July 2003, D&PL received a notice from Monsanto asserting that disputes exist among Monsanto, D&PL and D&M Partners pertaining to four matters under the Bollgard and Roundup Ready Licenses for the United States and two matters under license agreements for Argentina and the Republic of South Africa, respectively. Monsanto's notice of dispute asserts that D&PL's failure to address these issues would be a breach of D&PL obligations under the relevant agreements and reserves all of Monsanto's rights under these agreements. In August 2003, D&PL and D&M Partners responded to Monsanto's positions on each issue and notified Monsanto of three additional disputes, each concerning Monsanto's compliance with its obligations under the Bollgard and Roundup Ready Licenses for the United States.

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In accordance with the dispute resolution provisions of the subject agreements, the issues raised in Monsanto, D&PL and D&M Partners' notices have been submitted to a panel of senior executives. Monsanto has subsequently withdrawn from the executive panel the issue involving the license agreements for the Republic of South Africa and has submitted to the executive panel one additional issue of interpretation of the Bollgard and Roundup Ready Licenses for the United States. Issues arising from operations in Argentina have been resolved and are no longer in dispute. D&PL is committed to participating in good faith resolution of the issues in dispute. Any issues not resolved by the executive panel may be submitted to binding arbitration as provided in the relevant agreements.

In December 2002, D&PL filed a suit in the Circuit Court of Holmes County, Mississippi, against Nationwide Agribusiness and other insurance companies seeking a declaration that the allegations of the Holmes County, Mississippi lawsuits referenced under "Product Claims" immediately above are covered by D&PL's comprehensive general liability and umbrella liability policies. This case was removed by the defendants to the United States District Court for the Southern District of Mississippi. In this litigation, D&PL seeks a declaration that its insurers are responsible for the cost of defending such actions, and full indemnification of D&PL in the event a judgment is rendered against it based upon the seed mix claim alleged by plaintiffs. D&PL alleges in this litigation that the allegations of plaintiffs' complaint are covered by one or more of D&PL's insurance policies issued by the defendant insurance companies.

In November 2002, D&PL filed suit in the Circuit Court of Washington County, Mississippi, against its fire insurance carrier, Reliance Insurance Company of Illinois. That suit seeks recovery of seed inventory lost, damaged or destroyed during a fire that occurred in November 1999 at D&PL's Hollandale, Mississippi facility. A Stay Order has now been entered in this case pursuant to the powers of the Receiver of Reliance Insurance Company of Illinois, which is now in liquidation.

In July 2002, Syngenta Biotechnology, Inc. ("SBI") brought suit in the U.S. District Court in Delaware alleging that D&PL's making, using, selling and offering to sell cotton planting seed containing Monsanto's insect-resistant Bt genes, being sold under the trade name Bollgard, and Monsanto's herbicide tolerance genes, being sold under the trade name Roundup Ready, infringed U.S. Patent 6,051,757 entitled "Regeneration Of Plants Containing Genetically Engineered T-DNA." In July 2003, SBI added D&M Partners as an additional defendant. The suit sought a preliminary and permanent injunction against D&PL, Monsanto and D&M Partners against further acts of alleged infringement, contributory infringement and inducement of infringement of SBI's patent and recovery of damages for an unspecified amount including treble damages on account of the defendants' alleged willful infringement. Monsanto agreed to defend D&PL in this suit and to indemnify D&PL against damages, if any, which might have been awarded. This suit was dismissed with prejudice by a Stipulation of Dismissal filed February 20, 2004, with no material impact to D&PL.

In May 2002, Pharmacia Corporation filed a suit in state court in Missouri against D&PL International Technology Corp. ("DITC"), D&PL's subsidiary, seeking a declaratory judgment that it was entitled to invoke the cross purchase provision in the Operating Agreement for D&M International, LLC, a limited liability company jointly owned by Pharmacia and DITC. In the alternative, Pharmacia sought a declaratory judgment that DITC was deemed to have consented to Pharmacia's transfer of the Operating Agreement to Monsanto and its issuance and transfer of shares of Monsanto's stock. DITC moved to dismiss on June 6, 2002, because the case was moot and did not present a justiciable controversy, in that DITC had already invoked its rights under the cross purchase provision and had caused Pharmacia's interest in D&M International, LLC to be redeemed. Instead of answering DITC's motion, on or about June 13, 2002, Pharmacia filed an amended petition, dropping all of its prior claims, and seeking a declaratory

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judgment that DITC has no contractual rights to enjoin Pharmacia from selling its shares of Monsanto or to seek damages for Pharmacia's prior initial public offering of Monsanto's shares to the public. DITC moved to dismiss the suit, since it had never threatened to enjoin the spin-off, and, in the alternative, moved for a more definite statement. On October 12, 2002, the Court denied DITC's motion to dismiss but granted DITC's motion for a more definite statement. Pharmacia filed a Second Amended Petition on October 30, 2002, and DITC filed a motion to dismiss the Second Amended Petition on November 19, 2002. In March 2004, the parties agreed to settle the matter without material financial impact to the Company. It is anticipated that the Court will enter an order of dismissal.

In December 1999, Mycogen Plant Science, Inc. ("Mycogen") filed a suit in the Federal Court of Australia alleging that Monsanto Australia Ltd., Monsanto's wholly-owned Australian subsidiary, and Deltapine Australia have been infringing two of Mycogen's Australian patents by making, selling, and licensing cotton planting seed expressing insect resistance. The suit seeks an injunction against continued sale of seed containing Monsanto's Ingard(R) gene and recovery of an unspecified amount of damages. The litigation is currently in discovery and pretrial proceedings. Consistent with its commitments, Monsanto has agreed to defend D&PL in this suit and to indemnify D&PL against damages, if any are awarded. Monsanto is providing separate defense counsel for D&PL. D&PL is assisting Monsanto to the extent reasonably necessary.

A corporation owned by the son of D&PL's former Guatemalan distributor sued in 1989 asserting that D&PL violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,292,459 Guatemalan quetzales (approximately \$671,000 at March 31, 2004, exchange rates) and an injunction preventing D&PL from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. D&PL continues to make seed available for sale in Central America and Mexico.

The litigation filed against D&PL in the Circuit Court of Dunklin County, Missouri, in July of 2003, has now been resolved without material financial impact to the company.

D&PL vs. Monsanto Company and Pharmacia Corp.

On December 20, 1999, Monsanto withdrew its pre-merger notification filed pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") effectively terminating Monsanto's efforts to gain government approval of the merger of Monsanto with D&PL under the May 8, 1998, Merger Agreement. On December 30, 1999, D&PL filed suit (the "December 30 Suit") in the First Judicial District of Bolivar County, Mississippi, seeking, among other things, the payment of the \$81 million termination fee due pursuant to the merger agreement, compensatory damages and punitive damages. On January 2, 2000, D&PL and Monsanto reached an agreement whereby D&PL would withdraw the December 30 Suit, and Monsanto would immediately pay the \$81 million. On January 3, 2000, Monsanto paid to D&PL a termination fee of \$81 million as required by the merger agreement. On January 18, 2000, D&PL filed a suit (the "January 18 Suit") reinstating essentially all of the allegations contained in the December 30 Suit. The January 18 Suit by D&PL against Monsanto seeks in excess of \$1 billion in compensatory and \$1 billion in punitive damages for breach of contract under the merger agreement between the parties. D&PL alleges that Monsanto failed to make its best efforts, commercially reasonable efforts, and/or reasonable best efforts to obtain antitrust approval from the U.S. Department of Justice, as required under the terms of the merger agreement. D&PL also seeks damages for breach of the January 2, 2000, agreement pursuant to which the parties were to negotiate for two weeks to resolve the dispute over failure of the merger to close.

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The parties litigated for several months over the appropriate forum to hear the case. A Delaware Court of Chancery ruling rejected Monsanto's attempt to maintain the action in Delaware and returned the parties to the Circuit Court for the First Judicial District of Bolivar County, Mississippi. Monsanto filed a motion for summary judgment on the breach of contract claims alleging that D&PL suffered no cognizable damages as a result of the failed merger. On December 18, 2000, D&PL amended its complaint to include a claim for tortious interference with prospective business relations on the grounds that Monsanto's unreasonable delay prevented the consummation of the merger and kept D&PL from being in a position to enter into transactions and relationships with others in the industry. In light of the merger of Monsanto into Pharmacia & Upjohn, Inc., after the filing of the original complaint, D&PL named both Pharmacia Corp. (the renamed existing defendant) and Monsanto Company (a newly spun-off subsidiary) as defendants in the amended complaint. D&PL filed two motions to compel additional discovery from Monsanto. Pharmacia and Monsanto filed a motion for summary judgment and a motion to dismiss the added claim of tortious interference contained in the amended complaint. Pharmacia and Monsanto alleged that they were entitled to 1) dismissal of the action on the grounds that D&PL's amended complaint did not satisfy any of the elements of a tortious interference claim and, thus, did not state a viable claim; and 2) summary judgment because D&PL has not suffered any injury as a result of Monsanto's actions. On November 15, 2001, the Circuit Court denied the defendants' motion for summary judgment on the breach of contract claims, holding that the case presents issues for trial by jury. The Court also denied defendants' motion to dismiss or for summary judgment on D&PL's claim for tortious interference with business relationships. The Court also granted substantially all of the discovery sought by D&PL in its motion to compel. The judge to whom this case was assigned has retired and a new judge has been appointed. On September 12, 2003, Monsanto amended its answer to include four counterclaims against D&PL, alleging breach of contract, fraudulent inducement, and negligent misrepresentation. The fraudulent inducement and negligent misrepresentation claims allege that D&PL misrepresented the status of the Department of Justice's investigation into D&PL's acquisition of the Sure Grow companies prior to the signing of the Agreement. The breach of contract claim alleges that D&PL failed to notify Monsanto that D&PL had sustained a material adverse change, where the alleged adverse change resulted from the conduct that D&PL seeks damages for in this litigation. The breach of contract claim also alleges that D&PL failed to use requisite efforts to inform Monsanto that Monsanto was not using requisite efforts to complete the transaction. Monsanto is seeking unspecified damages for its counterclaims, including the \$81 million paid by Monsanto to D&PL as a termination fee and related expenses. D&PL answered the counterclaims, denying all liability, and D&PL intends to vigorously defend against these counterclaims. On December 5, 2003, Monsanto filed a motion for partial summary judgment on a portion of D&PL's damage claims. D&PL has opposed this motion. The parties are currently in discovery, and the Court has ordered an April 2004 fact-discovery deadline as well as other deadlines from that date until April 15, 2005, when pre-trial statements are due to the Court. Therefore, the trial is not expected to occur prior to April 15, 2005.

Item 2. Changes in Securities and Use of Proceeds
Not applicable

Item 3. Defaults Upon Senior Securities
Not applicable

Item 4. Submission of Matters to a Vote of Security Holders
The Annual Meeting of the Shareholders of Delta and Pine Land Company was held on January 15, 2004. The following matters were brought to a vote with the noted results:

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	Item	For	Against	Abstain
1.	Re-election of Class II Director Joseph M. Murphy	34,057,748	0	1,196,125
2.	Re-election of Class II Director Rudi E. Scheidt	34,065,112	0	1,188,761
3.	Ratify appointment of KPMG LLP as the independent public accountants for the fiscal year ending August 31, 2004	34,805,377	445,707	2,789

Item 5. Business

Domestic

Delta and Pine Land Company, a Delaware corporation, and subsidiaries ("D&PL") is primarily engaged in the breeding, production, conditioning and marketing of proprietary varieties of cotton planting seed in the United States and other cotton producing nations. We also breed, produce, condition and distribute soybean planting seed in the United States.

Since 1915, we have bred, produced and/or marketed upland picker varieties of cotton planting seed for cotton varieties that are grown primarily east of Texas and in Arizona. We have used our extensive classical plant breeding programs to develop a gene pool necessary for producing cotton varieties with improved agronomic traits important to farmers (such as crop yield) and to textile manufacturers (such as enhanced fiber characteristics).

In 1980, we added soybean seed to our product line. In 1996, we commenced commercial sales in the United States of cotton planting seed containing Bollgard ("Bollgard") gene technology licensed from Monsanto which expresses a protein toxic to certain lepidopteran pests. Since 1997, we have marketed in the U.S. cotton planting seed that contains a gene that provides tolerance to glyphosate-based herbicides, commonly referred to as Roundup Ready ("Roundup Ready") Cotton. In 1997, we commenced commercial sales in the U.S. of soybean planting seed that contains a gene that provides tolerance to glyphosate-based herbicides ("Roundup Ready Soybeans"). In 1998, we commenced sales of cotton planting seed of varieties containing both the Bollgard and Roundup Ready genes.

International

During the 1980's, as a component of our long-term growth strategy, we began to market our products, primarily cottonseed, internationally. Over a period of years, we have strengthened and expanded our international staff in order to support our expanding international business. In foreign countries, cotton acreage is often planted with farmer-saved seed which has not been delinted or treated and is of low overall quality. We believe that we have an attractive opportunity to penetrate foreign markets because of our widely adaptable, superior cotton varieties, technological know-how in producing and conditioning high-quality seed and our brand name recognition. Furthermore, Monsanto's Bollgard and Roundup Ready gene technologies (that we either have licensed or have options to license) are effective in many countries and could bring value to farmers.

We sell our products in foreign countries through (i) export sales to distributors, (ii) direct in-country operations through either joint ventures or wholly-owned subsidiaries and (iii) to a lesser degree, licensees. The method varies and evolves, depending on our assessment of the potential size and

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profitability of the market, governmental policies, currency and credit risks, sophistication of the target country's agricultural economy, and costs (as compared to risks) of commencing physical operations in a particular country. In 2003, the majority of international sales came from direct in-country operations (primarily Argentina, Australia, Brazil, China, South Africa and Turkey).

See Note 3 of the Notes to Consolidated Financial Statements in Item 1 for further details about business segments.

Joint Ventures

In March 1995, D&PL and Monsanto formed D&M International, LLC to introduce cotton planting seed in international markets combining our acid delinting technology and elite germplasm (cottonseed varieties) with Monsanto's Bollgard and Roundup Ready gene technologies. In May 2002, Pharmacia activated a cross purchase provision in the operating agreement for D&M International, LLC, and we elected to have D&M International, LLC redeem Pharmacia's 50% interest in D&M International, LLC. As a result of the redemption of Pharmacia's interest, we now own all of D&M International, LLC.

In November 1995, D&M International, LLC formed a subsidiary, D&PL China Pte Ltd. ("D&PL China"). D&PL China is 80% owned by D&M International, LLC and 20% owned by a Singaporean entity. In November 1996, D&PL China formed Hebei Ji Dai Cottonseed Technology Company Ltd. ("Ji Dai") with parties in Hebei Province, one of the major cotton producing regions in the People's Republic of China. Ji Dai is 67% owned by D&PL China and 33% owned by Chinese parties. In June 1997, Ji Dai commenced construction of a cottonseed conditioning and storage facility in Shijiazhuang, Hebei, China, pursuant to the terms of the joint venture agreement. The new facility was completed in December 1997 and seed processing and sales of seed of a D&PL cotton variety containing Monsanto's Bollgard technology commenced in 1998.

In December 1997, D&M International, LLC formed a joint venture with Ciagro S.R.L. ("Ciagro"), a distributor of agricultural inputs in the Argentine cotton region, for the production and sale of genetically improved cottonseed. CDM Mandiyu S.R.L. ("CDM") is owned 60% by D&M International, LLC, and 40% by Ciagro. In September 1998, CDM began construction of a cottonseed conditioning and storage facility in Avia Terai, Chaco, Argentina. Construction was completed in June 1999. CDM has been licensed to sell our cotton varieties containing Monsanto's Bollgard gene technology. Sales of such varieties commenced in 1999. CDM has also been licensed to sell Roundup Ready cottonseed varieties, which received government approval in 2001. Roundup Ready cottonseed has been available for sale in Argentina since October 2002.

In July 1998, D&PL China and the Anhui Provincial Seed Corporation formed a joint venture, Anhui An Dai Cotton Seed Technology Company, Ltd. ("An Dai") which is located in Hefei City, Anhui, China. An Dai is 49% owned by D&PL China and 51% owned by Chinese parties. Under the terms of the joint venture agreement, An Dai produces, conditions and sells our varieties of acid-delinted cottonseed, which contain Monsanto's Bollgard gene. Commercial sales of our cotton varieties containing the Bollgard gene technology began in 2000. In January 2002, An Dai began construction of a cottonseed conditioning and storage facility in Hefei City, Anhui, China. Construction was completed in October 2003 and the facility is now operational.

In November 1998, D&M International, LLC and Maeda Administracao e Participacoes Ltda, an affiliate of Agropem - Agro Pecuria Maeda S.A., formed a joint venture in Minas Gerais, Brazil. The joint venture, MDM Sementes De Algodao, Ltda. ("MDM"), produces, conditions and sells our varieties of acid-delinted cotton planting seed. In 2000, we began selling our conventional cotton varieties. MDM will introduce transgenic cottonseed varieties containing both Bollgard and Roundup Ready gene technologies in the Brazilian market as soon as government

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approvals are obtained. Monsanto is responsible for obtaining these government approvals and has announced approval may not occur until 2005. MDM is 51% owned by D&M International, LLC and 49% owned by Maeda Administracao e Participacoes S/A (formerly Maeda Administracao e Participacoes Ltda).

In October 2001, we announced that we had signed Letters of Intent with two parties in China to form two new joint ventures there, one each in Hubei and Henan provinces. These two new potential markets contain approximately 4.5 million acres of cotton planted in 2001 which is almost 2.5 times the size of the combined Hebei and Anhui markets. A joint venture agreement was negotiated and agreed to with the parties in Henan province and the agreement was submitted to the Chinese government authorities for approval. However, in April 2002, China announced rules prohibiting new foreign investment in seed companies that intend to sell genetically modified seed, which will restrict the ability of non-Chinese companies, including us, from investing in such joint ventures. However, our joint venture in Hebei province, Ji Dai, signed a distribution agreement with a party in the Henan province and distributed seed there in fiscal 2003. We expect to continue to expand our business in China through our existing joint ventures, Ji Dai and An Dai.

In May 2002, we established DeltaMax Cotton, LLC ("DeltaMax"), a limited liability company jointly owned with Verdia, Inc. ("Verdia", formerly known as MaxyAg, Inc.), a wholly-owned subsidiary of Maxygen, Inc. DeltaMax was formed to create, develop and commercialize value-enhancing traits for the cottonseed market that will complement and/or compete with traits available today. It is currently focusing on glyphosate-tolerant, insect-resistance and nematode-resistance strategies for use in cotton. Commercialization of new traits developed by this venture is not expected until after 2009. DeltaMax will contract research and development activities to Verdia, third parties and D&PL when appropriate, and license its products to D&PL and potentially to others. D&PL and Verdia each own 50% of DeltaMax.

Subsidiaries

D&PL South Africa, Inc. ("D&PL South Africa"), our wholly-owned subsidiary, through a South African branch, commercializes cottonseed varieties containing Monsanto's Bollgard and Roundup Ready technologies in South Africa. In addition, D&PL South Africa maintains winter nursery facilities, produces cottonseed varieties for export to other countries and processes foundation seed grown in that country. We maintain a winter nursery and foundation seed operation in Canas, Costa Rica and have a delinting plant there to process foundation seed for export to the United States. Multiple winter nursery locations are used to manage seed production risks. The use of Southern Hemisphere winter nurseries and seed production programs such as these may accelerate the introduction of new varieties because we can raise at least two crops per year by taking advantage of the Southern Hemisphere growing season.

Deltapine Australia Pty. Ltd., our wholly-owned Australian subsidiary, breeds, produces, conditions and markets cotton planting seed in Australia. Certain varieties developed in Australia are well adapted to other major cotton producing countries and Australian-developed varieties are exported to those areas. We sell seed of both conventional and transgenic varieties, containing Monsanto's Bollgard and Roundup Ready technologies, in Australia.

Turk DeltaPine, Inc. ("Turk DeltaPine"), our wholly-owned subsidiary, through a Turkish branch, produces, conditions and markets cotton planting seed in Turkey. In addition, Turk DeltaPine produces conventional cottonseed varieties for sale in Turkey and Europe.

Employees

As of March 31, 2004, we employed a total of 547 full time employees worldwide,

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excluding approximately 110 employees of joint ventures. Due to the nature of our business, we utilize seasonal employees in our delinting plants and our research and foundation seed programs. The maximum number of seasonal employees approximates 175 and typically occurs in October and November of each year. We consider our employee relations to be good.

Biotechnology

Insect Resistance for Cotton

Collaborative biotechnology licensing agreements, which were executed with Monsanto in March 1992 and subsequently revised in April 1993, October 1993, February 1996, December 1999, January 2000 and March 2003, provide for the commercialization of Monsanto's Bollgard ("Bacillus thuringiensis" or "Bt") gene technology in our varieties in the United States. The selected Bt gene is from a bacterium found naturally in soil and produces proteins toxic to certain lepidopteran larvae, the principal cotton pests in many cotton growing areas. Monsanto created a transgenic cotton plant by inserting Bt genes into cotton plant tissue. The resulting transgenic plant tissue is lethal to certain lepidopteran larvae that consume it. The gene and related technology were patented or licensed from others by Monsanto and were licensed to us for use under the trade name Bollgard. In our primary markets, the cost of insecticides is a major expenditure for many cotton growers. The insect resistant capabilities of transgenic cotton containing the Bollgard gene may reduce the amount of insecticide required to be applied by cotton growers using planting seed containing the Bollgard gene. In October 1995, the United States Environmental Protection Agency ("EPA") completed its initial registration of the Bollgard gene technology, thus clearing the way for commercial sales of seed containing the Bollgard gene. In 1996, we sold commercially for the first time two Deltapine varieties, which contained the Bollgard gene, in accordance with the terms of the Bollgard Gene License and Seed Services Agreement (the "Bollgard Agreement") among D&PL, Monsanto and D&M Partners. This initial EPA registration had been set to expire on January 1, 2001 but was updated to expire January 1, 2002. In September 2001, the EPA renewed the registration for an additional five years, at which time the EPA will, among other things, reevaluate the effectiveness of the insect resistance management plan and decide whether to convert the registration to a non-expiring (and/or unconditional) registration.

Pursuant to the terms of the Bollgard Agreement, farmers must buy a limited use sublicense for the technology from D&M Partners, a partnership of D&PL (90%) and Monsanto (10%), in order to purchase seed containing the Bollgard gene technology. Monsanto determines the licensing fee growers pay for use of Bollgard technology. Growers may receive discounts and/or rebates of licensing fees under certain crop destruct, crop replant and other programs. D&M Partners contracts the billing and collection activities for Bollgard and Roundup Ready licensing fees to Monsanto. The distributor/dealers who coordinate the farmer licensing process receive a portion of the technology sublicensing fee, presently approximately 15%. After the dealers and distributors are compensated, D&M Partners pays Monsanto a royalty equal to 71% of the net sublicense fee (technology sublicensing fees less certain distributor/dealer payments), and we receive the remainder of net sublicense revenue for our services. The expiration date of the Bollgard Agreement is determined by the last to expire of the patent rights licensed under that agreement. On that basis (unless we terminate sooner, as is permitted after October 11, 2008), the expiration date of the Bollgard Agreement will be November 4, 2018.

Pursuant to the Bollgard Agreement, Monsanto must defend and indemnify us against claims of patent infringement, including all damages awarded or amounts paid in settlements. Monsanto must also indemnify us against a) costs of inventory and b) lost profits on inventory which becomes unsaleable because of patent infringement claims. Monsanto must defend any claims of failure of

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performance of a Bollgard gene. Monsanto and D&PL share the cost of any product performance claims in proportion to each party's share of the net sublicense fees. The indemnity from Monsanto only covers performance claims involving failure of performance of the Bollgard gene and not claims arising from other causes. Pharmacia remains liable for Monsanto's performance under these defense and indemnity agreements.

In December 2000, D&PL and Monsanto executed the Bollgard II Gene License and Seed Services Agreement (the "Bollgard II Agreement") for Monsanto's subsequent insect resistance product. The Bollgard II Agreement contains essentially the same terms as the Bollgard Agreement. On December 23, 2002, Monsanto announced that it had received U.S. regulatory clearance for Bollgard II. We commercialized limited quantities of our Bollgard II cotton varieties in the U.S. during fiscal 2003 and have limited quantities available for sale this year.

In May 2002, we signed a product development agreement with Syngenta Seed AG ("Syngenta") whereby we will perform development work, including introgression, testing and evaluation, of Syngenta's insect resistance technology in our elite cotton germplasm. We may commercialize varieties containing Syngenta's insect resistance technology if we reach a commercialization agreement and Syngenta obtains U.S. government regulatory approval.

In January 2003, we announced a collaboration agreement with Dow AgroSciences LLC ("DAS") under which we will develop, test and evaluate elite cotton varieties containing DAS insect resistance traits. We may commercialize varieties containing DAS insect resistance technology if we reach a commercialization agreement and DAS obtains U.S. government regulatory approval.

Herbicide Tolerance for Cotton

In February 1996, D&PL, Monsanto and D&M Partners executed the Roundup Ready Gene License and Seed Services Agreement (the "Roundup Ready Agreement"), which provides for the commercialization of Roundup Ready cottonseed. Pursuant to the collaborative biotechnology licensing agreements executed in 1996 and amended in July 1996, December 1999, January 2000 and March 2003, we have also developed transgenic cotton varieties that are tolerant to Roundup, a glyphosate-based herbicide sold by Monsanto. In 1996, such Roundup Ready plants were approved by the Food and Drug Administration, the USDA, and the EPA. The Roundup Ready Agreement grants a license to D&PL and certain of our affiliates the right in the United States to sell cottonseed of our varieties that contain Monsanto's Roundup Ready gene. The Roundup Ready gene makes cotton plants tolerant to contact with Roundup herbicide applications made during a finite early season growth period. Similar to the Bollgard Agreement, farmers must execute limited use sublicenses in order to purchase seed containing the Roundup Ready gene. Monsanto determines the licensing fee growers pay for use of Roundup Ready technology. Growers may receive discounts and/or rebates of licensing fees under certain crop destruct, crop replant and other programs. The distributors/dealers who coordinate the farmer licensing process receive a portion of the technology sublicensing fee. After the dealers and distributors are compensated, D&M Partners pays Monsanto a royalty equal to 70% of the net sublicense fee (technology sublicensing fees less certain distributor/dealer payments), and we receive the remainder of net sublicense revenue for our services. The expiration date of the Roundup Ready Agreement is determined by the last to expire of the patent rights licensed under that agreement. On that basis (unless we terminate sooner, as is permitted after October 11, 2008), the expiration date of the Roundup Ready Agreement will be January 16, 2018.

Pursuant to the Roundup Ready Agreement, Monsanto must defend and indemnify us against claims of patent infringement, including all damages awarded or amounts paid in settlements. Monsanto will also indemnify us against the cost of

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inventory that becomes unsaleable because of patent infringement claims, but Monsanto is not required to indemnify us against lost profits on such unsaleable seed. In contrast with the Bollgard Agreement, where the cost of gene performance claims will be shared in proportion to the division of net sublicense revenue, Monsanto must defend and must bear the full cost of any claims of failure of performance of the Roundup Ready Gene. Pharmacia remains liable for Monsanto's performance under these defense and indemnity agreements. In both agreements, generally, we are responsible for varietal/seed performance issues, and Monsanto is responsible for failure of the genes.

Cotton Technology Licenses for Countries Outside the United States

In February 1996, D&PL and Monsanto executed an Option Agreement (subsequently amended in December 1999) which provides us with option rights for an exclusive license for Monsanto's Bollgard and other genes active against lepidopteran insects in each country outside the United States where Monsanto commercializes such genes in cotton (except for Australia where we have an option for a non-exclusive license to such genes and India where we have no option rights to such genes), option rights to non-exclusive licenses to Roundup Ready genes in cotton in all countries outside the United States, and option rights to non-exclusive licenses for all countries for any gene that may be commercialized by Monsanto that enhances the fiber characteristics of cotton. The terms of such licenses must be offered and negotiated in good faith. All such licenses that are non-exclusive must provide us most favored licensee status. The Option Agreement remains in effect so long as the Bollgard Agreement and Roundup Ready Agreement for the United States remain in effect. Pursuant to the Option Agreement, Monsanto and D&PL (or D&PL's affiliates or joint venture companies) have entered into exclusive Bollgard licenses for seven countries outside the United States and a non-exclusive license for lepidopteran active genes for Australia, as well as non-exclusive Roundup Ready licenses for four countries outside the United States.

Herbicide Tolerance for Soybeans

In February 1997, D&PL and Monsanto executed a Roundup Ready Soybean License Agreement which provided for commercialization of Roundup Ready soybean seed. Effective September 1, 2001, D&PL and Monsanto executed a new Roundup Ready Soybean License and Seed Services Agreement (the "Roundup Ready Soybean Agreement") for 2001 and future years. The Roundup Ready Soybean Agreement grants a non-exclusive license to D&PL to produce and to sell in the United States soybean seed containing Monsanto's Roundup Ready gene. The Roundup Ready gene makes soybean plants tolerant to contact with Roundup herbicide applications when used in accordance with product instructions. Similar to the Bollgard Agreement and the Roundup Ready Agreement for cotton, farmers must execute limited use sublicenses in order to purchase soybean seed containing the Roundup Ready gene. The royalty charged to the seed partners, including D&PL, is set annually by Monsanto. We receive a portion of the royalty for our services under the Roundup Ready Soybean Agreement and may receive additional incentives based on a separate licensee incentive agreement. We have the right to terminate the Roundup Ready Soybean Agreement at our option upon 90 days notice to Monsanto; Monsanto may terminate the agreement only for cause. Unless terminated sooner, the Roundup Ready Soybean Agreement will expire December 31, 2012.

Since 1987, we have conducted research to develop soybean plants that are tolerant to certain DuPont Sulfonylurea herbicides. Such plants enable farmers to apply these herbicides for weed control without significantly affecting the agronomics of the soybean plants. Since soybean seed containing the STS(R) herbicide-tolerant trait is not genetically engineered, sale of this seed does not require government approval, although the herbicide to which they express tolerance must be EPA approved.

Transformation, Enabling and Other Technologies

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In March 1998, D&PL and the United States of America, as represented by the Secretary of Agriculture (USDA) were granted United States Patent No. 5,723,765, entitled "Control Of Plant Gene Expression". Subsequently, two other patents (United States Patent Nos. 5,925,808 and 5,977,441) were granted under the same title. These patents for the Technology Protection System resulted from a concept developed by research scientists employed by both D&PL and the U.S. Department of Agriculture's Agricultural Research Service ("USDA-ARS"). The patents broadly cover all species of plants and seed, both transgenic and conventional, for a system designed to allow control of progeny seed viability without harming the crop. One application of the technology could be to control unauthorized planting of seed of proprietary varieties (sometimes called "brown bagging") by making such a practice non-economic since unauthorized saved seed will not germinate, and, therefore, would be useless for planting. Another application of the technology would be to prevent the unlikely possibility of transfer of transgenes, through pollen, to closely related species of plants. These patents have the prospect of opening significant worldwide seed markets to the sale of transgenic technology in varietal crops in which crop seed currently is saved and used in subsequent seasons as planting seed. D&PL and the USDA executed a commercialization agreement on July 6, 2001, for this technology giving us the exclusive right to market this technology. Once developed, we intend licensing of this technology to be widely available to other seed companies.

In July 1999, United States Patent No. 5,929,300, entitled "Pollen Based Transformation System Using Solid Media," was issued to the United States of America as represented by the Secretary of Agriculture (USDA). This patent covers transformation of plants. The patent for the Pollen Transformation System resulted from a research program conducted pursuant to a Cooperative Research and Development Agreement between D&PL and the USDA-ARS in Lubbock, Texas. D&PL and the USDA executed on December 18, 2000, a commercialization agreement, providing us exclusive rights to market this technology to third parties, subject to certain rights reserved to the USDA. This transformation method uses techniques and plant parts that are not covered by currently issued plant transformation U.S. patents held by others. It is a method which should be more efficient and effective than many other plant transformation techniques currently available. This patent and the marketing rights apply to all plant species on which this method of transformation is effective.

The technologies described above resulted from basic research and will require further development in order to be used in commercial seed. We estimate that it will be several years before either of these technologies could be available commercially. In addition, we have rights to other transformation, enabling and other technologies that are useful to our research and commercial efforts and, in some cases, may be sublicensed to others.

Other

We have licensing, research and development, confidentiality and material transfer agreements with providers of technology that we are evaluating for potential commercial applications and/or introduction. We also contract with third parties to perform research on our behalf for enabling and other technologies that we believe have potential commercial applications in varietal crops around the world.

Commercial Seed

The following table presents the number of commercial cottonseed and soybean seed varieties we sold in the years ended August 31, 2003 and 2002:

2003	2002
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Cotton

Conventional	20	24
Bollgard	5	6
Roundup Ready	14	16
Bollgard/Roundup Ready	14	16
Bollgard II/Roundup Ready	2	-
	-----	-----
	55	62
	=====	=====

Soybeans

Conventional	1	2
Roundup Ready	15	10
STS	2	2
	-----	-----
	18	14
	=====	=====

In addition to the above, in 2003, we had 76 experimental cotton varieties and 6 experimental soybean varieties in late stage development prior to commercialization. In 2002, we had 59 experimental cotton varieties and 11 experimental soybean varieties in late stage development prior to commercialization.

Seed of all commercial plant species is either varietal or hybrid. Our cotton and soybean seed are varietals. Varietal plants can be reproduced from seed produced by a parent plant, with the offspring exhibiting only minor genetic variations. The Plant Variety Protection Act of 1970, as amended in 1994, in essence prohibits, with limited exceptions, purchasers of varieties protected under the amended Act from selling seed harvested from these varieties without permission of the plant variety protection certificate owner. Some foreign countries provide similar legal protection for breeders of crop varieties.

Although cotton is varietal and, therefore, can be grown from seed of parent plants saved by the growers, most farmers in our primary domestic markets purchase seed from commercial sources each season because cottonseed requires delinting prior to seed treatment with chemicals and in order to be sown by modern planting equipment. Delinting and conditioning may be done either by a seed company on its proprietary seed or by independent delinters for farmers. Modern cotton farmers in upland picker areas generally recognize the greater assurance of genetic purity, quality and convenience that professionally grown and conditioned seed offers compared to seed they might save. Additionally, U.S. patent laws make unlawful any unauthorized planting of seed containing patented technology, such as Bollgard and Roundup Ready, saved from prior crops.

We farm approximately 3,000 acres in the U.S., primarily for research purposes and for production of cotton and soybean foundation seed. Additionally, we have annual agreements with various growers to produce seed for cotton and soybeans. The growers plant parent seed purchased from us and follow quality assurance procedures required for seed production. If the grower adheres to our established quality assurance standards throughout the growing season and if the seed meets our standards upon harvest, we may be obligated to purchase specified minimum quantities of seed, usually in our first and second fiscal quarters, at prices equal to the commodity market price of the seed plus a grower premium. We then condition the seed for sale.

The majority of our sales are made from late in the second fiscal quarter through the end of the third fiscal quarter. Varying climatic conditions can change the quarter in which seed is delivered, thereby shifting sales and our earnings between quarters. Thus, seed production, distribution and sales are seasonal and interim results will not necessarily be indicative of our results for a fiscal year.

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Revenues from domestic seed sales are recognized when the seed is shipped. Revenues from Bollgard and Roundup Ready licensing fees are recognized when the seed is shipped. Domestically, the licensing fees charged to farmers for Bollgard and Roundup Ready cottonseed are based on pre-established planting rates for nine geographic regions and consider the estimated number of seeds contained in each bag for years prior to 2004 which may vary by variety, location grown, and other factors. Effective this year, picker and stripper cottonseed products will be sold in bags containing 250,000 seed. Acala and Pima cottonseed products will continue to be sold in 50-pound bags.

International export revenues are recognized upon the later of when the seed is shipped or the date letters of credit (or instruments with similar security provisions) are confirmed. International export sales are not subject to return except in limited cases in Mexico and Colombia. All other international revenues from the sale of planting seed, less estimated reserves for returns, are recognized when the seed is shipped, except in Australia and South Africa where certain immaterial revenues are recognized when collected.

Domestically, we promote our cotton and soybean seed directly to farmers and sell our seed through distributors and dealers. All of our domestic seed products (including those containing Bollgard and Roundup Ready technologies) are subject to return and credit risk, the effects of which vary from year to year. The annual level of returns and, ultimately, net sales are influenced by various factors, principally commodity prices and weather conditions occurring in the spring planting season during our third and fourth quarters. We provide for estimated returns as sales occur. To the extent actual returns differ from estimates, adjustments to our operating results are recorded when such differences become known, typically in our fourth quarter. All significant returns occur and are accounted for by fiscal year end. We also offer various sales incentive programs for seed and participate in such programs related to the Bollgard and Roundup Ready technology fees offered by Monsanto. Under these programs, if a farmer plants his seed and the crop is lost (usually due to inclement weather) by a certain date, a portion of the price of the seed and technology fees are forgiven or rebated to the farmer if certain conditions are met. The amount of the refund and the impact to D&PL depends on a number of factors including whether the farmer can replant the crop that was destroyed. We record monthly estimates to account for these programs. The majority of program rebates occur during the second and third quarters. Essentially all material claims under these programs have occurred or are accounted for by fiscal year end.

Availability of Information on Our Website

Additional information (including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) and 15(d) of the Exchange Act) is available at our website at www.deltaandpine.com under Investor Relations, as soon as reasonably practicable after we electronically file such material with or furnish such material to the Securities and Exchange Commission.

RISKS AND UNCERTAINTIES

From time to time, we may publish forward-looking statements relating to such matters as anticipated financial performance, existing products, technical developments, new products, new technologies, research and development activities, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. The

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risks and uncertainties that may affect the operations, performance, development and results of our business include those noted elsewhere in this filing and the following:

Demand for our seed will be affected by government programs and policies and by weather. Demand for seed is also influenced by commodity prices, the cost of other crop inputs, and the demand for a crop's end-uses such as textiles, animal feed, cottonseed oil, food and raw materials for industrial use. These factors, along with weather, influence the cost and availability of seed for subsequent seasons. Weather impacts crop yields, commodity prices and the planting decisions that farmers make regarding both original planting commitments and, when necessary, replanting levels.

The planting seed market is highly competitive, and our products face competition from a number of seed companies, diversified chemical companies, agricultural biotechnology companies, governmental agencies and academic and scientific institutions. A number of chemical and biotechnology companies have seed production and/or distribution capabilities to ensure market access for new seed products and new technologies that may compete with the Bollgard and Roundup Ready gene technologies of Monsanto, our principal licensor of such technology. We currently are engaged in a dispute resolution process with Monsanto. (See Part II, Item 1.) Our seed products and technologies contained therein may encounter substantial competition from technological advances by others or products from new market entrants. Many of our competitors are, or are affiliated with, large diversified companies that have substantially greater resources than we.

The production, distribution or sale of crop seed in or to foreign markets may be subject to special risks, including fluctuations in foreign currency, exchange rate controls, expropriation, nationalization and other agricultural, economic, tax and regulatory policies of foreign governments. Particular policies which may affect our domestic and international operations include the use of and the acceptance of products that were produced from plants that have been genetically modified, the testing, quarantine and other restrictions relating to the import and export of plants and seed products and the availability (or lack thereof) of proprietary protection for plant products. In addition, United States government policies, particularly those affecting foreign trade and investment, may impact our international operations.

The publicity related to genetically modified organisms ("GMOs") or products made from plants that contain GMOs may have an effect on our sales in the future. In 2003, approximately 96% of our cottonseed that was sold in the United States contained either or both of Monsanto's Bollgard and Roundup Ready gene technologies, and 94% of our soybean seed sales contained the Roundup Ready gene technology. Although many farmers have rapidly adopted these technologies, the concern of some customers and governmental entities over finished products that contain GMOs could impact demand for crops (and ultimately seed) raised from seed containing such traits.

Due to the varying levels of agricultural and social development of the international markets in which we operate and because of factors within the particular international markets we target, international profitability and growth may be less stable and predictable than domestic profitability and growth. Furthermore, recent action taken by the U.S. government, including that taken by the U.S. military in the aftermath of the tragic events of September 11, 2001, the war in Iraq, and conflicts between major cotton producing nations, may serve to further complicate our ability to execute our long range ex-U.S. business plans because those plans include future expansion into Uzbekistan, Pakistan and India. World health concerns about

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infectious diseases also affect the conduct of our international business.

Overall profitability will depend on the factors noted above as well as weather conditions, government policies in all countries where we sell products and operate, worldwide commodity prices, our ability to successfully open new international markets, our ability to develop the High Plains market, the technology partners' ability to obtain timely government approval (and maintain such approval) for existing and for additional biotechnology products on which they and D&PL are working, our technology partners' ability to successfully defend challenges to proprietary technologies licensed to us and our ability to produce sufficient commercial quantities of high quality planting seed of these products. Any delay in or inability to successfully complete these projects may affect future profitability.

The risks and uncertainties that may affect the operations, performance, development and results of our business include those noted elsewhere in this Item and in "Risks and Uncertainties" in Item 7 of D&PL's Form 10-K filed for the year ended August 31, 2003.

Item 6. Exhibits and Reports on Form 8-K

Exhibits.

- 31.01 Section 302 Certification of Chief Executive Officer
- 31.02 Section 302 Certification of Chief Financial Officer
- 32.01 Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350 by Principal Executive Officer
- 32.02 Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350 by Principal Financial and Accounting Officer

Reports on Form 8-K.

On April 1, 2004, D&PL filed a report on Form 8-K dated April 1, 2004 under Items 7 and 12 announcing a press release dated April 1, 2004, reporting results of operations and financial condition for the quarter and six-months ended February 29, 2004.

SIGNATURES

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

DELTA AND PINE LAND COMPANY

Date: April 14, 2004

/s/ W. Thomas Jagodinski

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W. Thomas Jagodinski
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: April 14, 2004

/s/ R. D. Greene

R. D. Greene
Vice President - Finance, Treasurer and
Assistant Secretary
(Principal Financial and Accounting Officer)