



DEAR SHAREOWNERS,

**By every measure, our 2007 fiscal year was an extraordinary year. We achieved record results, completed several strategic acquisitions, delivered the largest dividend increase in our history, and initiated several new collaborations. These achievements establish a strong foundation for continued earnings growth.**

This was also a year where our focus on satisfying our customers was evident. We delivered products that yielded real value for farmers and we returned real value to our shareowners.

Among our focus crops – corn, cotton, oilseeds and vegetables – we have strong balance and potential for new growth. Our portfolio balance, combined with the global nature of our business, insulates us from the natural cyclical nature of agriculture. And, as importantly, we believe our investment in new technologies anticipates where agriculture is heading.

To support our world's growing food, feed, fiber, and fuel needs, we remain focused on increasing the yield potential of seeds while also delivering valuable technologies that can protect or enhance each season's harvest. This approach puts us on a path to meet the key demands facing agriculture. We believe it also provides us with a competitive advantage, where we can expand the growth opportunities through continued industry leadership.

Backed by the growing demand for our seed and trait products, our business is poised for significant growth between now and the end of 2012. We believe we can effectively double our gross profit with the businesses we have today.

This growth is expected to result in an ongoing earnings per share (EPS) growth rate in the mid-to-high teens over the next five years.

As underscored in our report to you last year, our near-term growth will continue to be driven by six key factors. These factors now include: our U.S. and international corn business; our soybean business; our cotton business; our Seminis business; and our research and development (R&D) pipeline.

We've structured this year's report in a way that will allow you to gain a better understanding of these opportunities while also tying these growth drivers back to the growing value we're providing to our farmer customers, and to you, our shareowners. We hope this approach provides you with a valuable guide to our business and its potential.

### **Growing Value for Our Farmer Customers**

Around the world, from the United States to Europe to India, millions of farmers rewarded our company for the intrinsic value that our products are bringing to their farms and their lives. Their support of our business is both a testament to the potential of our portfolio today, and to the investment we're making for their future.

## Financial Highlights

In the 2007 fiscal year, Monsanto realized record sales for a fourth consecutive year.

This year, Monsanto also completed several strategic acquisitions and rewarded our shareowners with the largest dividend increase in the company's history.

Years ended Aug. 31

(in millions, except per share amounts)

### Operating Results

	2005	2006	2007	% Change 2006-2007
Net Sales	\$ 6,275	\$ 7,294	\$ 8,563	17%
EBIT <sup>(1)</sup>	\$ 347	\$ 1,095	\$ 1,376	26%
Net Income	\$ 255	\$ 689	\$ 993	44%
Diluted Earnings Per Share <sup>(2)</sup>	\$ 0.47	\$ 1.25	\$ 1.79	43%

### Other Selected Data

Free Cash Flow <sup>(3)</sup>	\$ 70	\$ 1,049	\$ (57)	NM
Capital Expenditures	\$ 281	\$ 370	\$ 509	38%
Depreciation and Amortization	\$ 488	\$ 519	\$ 527	2%
Diluted Shares Outstanding <sup>(2)</sup>	545.3	551.6	555.0	NM

See page 22 for footnotes 1-3 on pages 2 and 3.  
NM = Not meaningful

Agriculture is a complex business, but we remain focused on the simplicity of serving farmers and delivering increases in yield. Our focus is paying off.

Our results this year were largely driven by our seeds and traits business, specifically our global corn business. Strong adoption of our corn seed and trait products propelled us to record sales results for a fourth consecutive year. Backed by this strong adoption, we delivered ongoing EPS of \$2.00 for fiscal year 2007. This is an increase of 54 percent compared with fiscal year 2006 results, and marks our third consecutive year of 25-percent-plus ongoing EPS growth. This has simply been a remarkable period for expansion of our seeds and traits franchise. The yield and quality of the products delivered by our people resulted in greater demand for our products.

Equally impressive, we saw sales of our corn seed and traits business rise to \$2.8 billion, a more than \$1 billion increase over the previous year. Farmers increasingly chose Monsanto-bred corn genetics, as we saw strong share gains around the world in our corn seed business. We realized share growth in all key corn-growing regions except Brazil in 2007 (see chart at right).

Today, Monsanto researchers are actively applying the power of our breeding program across all of our crop platforms. Simply put, farmers select performance and yield, and that's what we're focused on delivering.

The growth in our global corn seed business serves as the backdrop for the emergence of our traits business internationally. We saw strong adoption of our trait technologies in key markets including the United States, Brazil, India, and even the European Union. Global use of Monsanto traits increased 13 percent to more than 246 million acres in 2007. By 2010, we believe the penetration of our traits outside the United States could be nearly three times what it was in 2007.

### Seeding Corn Growth Globally<sup>(1)</sup>

Region	FY06	FY07	Change ('06-'07)
U.S.	19%	23%	+4
EU27	12%	13%	+1
Brazil	34%	30%	-4
Argentina	35%	40%	+5
India	35%	39%	+4

(1) Share is for sales of hybrid corn seed only.

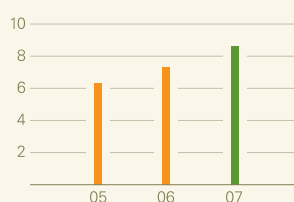
This year, we were granted key regulatory approvals which will pave the way for our first-generation corn products in Brazil and Argentina, as well as our first High-Impact Technology (HIT) project, *Roundup RReady2Yield* soybeans, in the United States. The news out of Latin America is encouraging and underscores the long-awaited opportunity in these markets. These approvals pave the way for new growth opportunities for our business leading up to the turn of the decade and beyond.

In addition to these approvals, this year we continued to lay a strong foundation for meaningful collaborations. These collaborations offer us a way to both accelerate and broaden our pipeline. It's a new path and while it's still early days, we believe these new opportunities are important for future growth and, more importantly, we believe they further reinforce that Monsanto is a preferred partner of choice for innovation in agriculture.

For example, our collaborations with BASF and Dow AgroSciences LLC are focused on both discovering and delivering new innovative products to the farm through our pipeline and marketing efforts. We're excited about the potential of these collaborations as well as our multiple collaborations with large and small technology companies.

### Net Sales

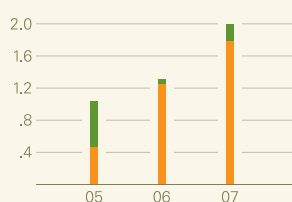
(in billions of dollars for years ended Aug. 31)



Backed by higher sales of our seed and trait products, Monsanto realized record net sales in 2007.

### Earnings Per Share<sup>(2)</sup>

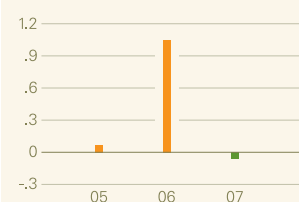
■ As Reported ■ Ongoing  
(in dollars for years ended Aug. 31)



In 2007, Monsanto realized a greater than 25 percent increase in ongoing EPS for a third consecutive year.

### Free Cash Flow<sup>(3)</sup>

(in billions of dollars for years ended Aug. 31)



Higher spending on strategic acquisitions and higher net income resulted in a use of free cash in 2007.

### Growing Value for Our Shareowners

While we continue to work hard to earn the farmer's business each and every season, we remain focused on delivering on the commitments we make to our shareowners. We're focused on continuing to earn your trust and investment in our company.

This year, a substantial portion of our free cash was used to finance strategic acquisitions including Delta and Pine Land, one of the world's leading cotton seed companies, as well as several acquisitions that will bolster our American Seeds Inc. family of U.S. regional seed brands.

In 2007, we also completed several international acquisitions. Our acquisition of Agroeste in Brazil should support our ability to breed a better seed product for a key corn-growing region, while our investment in the International Seeds Group is expected to bolster our fruits-and-vegetables portfolio.

In addition to these acquisitions, we committed up to \$610 million through 2009 in capital expenditures in our U.S. corn manufacturing facilities. This investment will help us meet the anticipated demand for our higher-yielding corn seed products. And we'll continue to make major investments in our R&D program including investing approximately 10 percent of our annual sales into R&D

in fiscal year 2008. These investments are an important part of preserving and extending our innovative leadership in agriculture. They are also an indication of our commitment and confidence to future growth.

At the same time, we continue to actively return value to shareowners via dividends and share repurchases.

In 2007, we returned approximately \$258 million in cash to shareowners through dividends. We also raised the dividend twice this year including by 25 percent in December and by 40 percent in August. Our August dividend approval represents the largest increase in the history of our company. Additionally, we continue to repurchase shares. To date, we've repurchased \$311 million in shares through the first 22 months of our current four-year, \$800 million repurchase program.

By the end of 2012, we believe the free cash flow generation of our business, exclusive of acquisitions, will be in the range of \$2 billion to \$2.2 billion. We plan to continue to use this free cash to repurchase shares, and, as we have historically, we'll continue to review the return of free cash to shareowners through dividends. This growth in free cash would also give us greater flexibility for strategic acquisitions and technology investments for future growth.

### Focused on the Future

By all accounts, this was one of the most exciting years of my tenure, but I realize that we have a lot left to achieve. Performance in agriculture is judged one year at a time. Our current business, combined with our promising pipeline, is poised to deliver valuable new innovations that can help support our world's growing food, feed, fiber and fuel needs. This is more than just an aspiration; it is a commitment that Monsanto employees around the world work hard to deliver every day. We are focused on growing value for farmers and growing value for our shareowners.

On behalf of every one of us at Monsanto, thank you for your investment in our company, and for your commitment to agriculture and its future.

### Hugh Grant

Chairman, President and Chief Executive Officer

Oct. 26, 2007