UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended Nov. 30, 2016

or

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

For the transition period from _________ to _________

Commission file number 001-16167

MONSANTO COMPANY
(Exact name of registrant as specified in its charter)

Delaware	43-1878297
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
800 North Lindbergh Blvd., St. Louis, MO (Address of principal executive offices)	63167 (Zip Code)

(314) 694-1000
(Registrant’s telephone number, including area code)

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 438,554,825 shares of common stock, $0.01 par value, outstanding as of January 3, 2017.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

In the interests of our investors, this section of our report explains some of the important reasons that actual results may be materially different from those that we anticipate. In this report, and from time to time throughout the year, we share our expectations for our company's future performance. These forward-looking statements include statements about our business plans; the pending transaction with Bayer Aktiengesellschaft ("Bayer"); the potential development, regulatory approval, and public acceptance of our products; our expected financial performance, including sales performance, and the anticipated effect of our strategic actions; the anticipated benefits of acquisitions; the outcome of contingencies, such as litigation; domestic or international economic, political and market conditions; and other factors that could affect our future results of operations or financial position, including, without limitation, statements under the captions "Overview — Executive Summary — Outlook," "Seeds and Genomics Segment," "Agricultural Productivity Segment," "Financial Condition, Liquidity and Capital Resources," "Outlook," "Critical Accounting Policies and Estimates" and "Legal Proceedings." Any statements we make that are not matters of current reportage or historical fact should be considered forward-looking. Such statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "will," and similar expressions. By their nature, these types of statements are uncertain and are not guarantees of our future performance.

Since these statements are based on factors that involve risks and uncertainties, our company's actual performance and results may differ materially from those described or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, among others: continued competition in seeds, traits and agricultural chemicals; the company's exposure to various contingencies, including those related to intellectual property protection, regulatory compliance and the speed with which approvals are received, and public understanding and acceptance of our biotechnology and other agricultural products; the success of the company's research and development activities; the outcomes of major lawsuits; developments related to foreign currencies and economies; the impact of exploring, responding to, entering into or consummating potential acquisitions or other transactions and proposals, including risks related to the pending Merger with Bayer; fluctuations in commodity prices; compliance with regulations affecting our manufacturing; the accuracy of the company's estimates related to distribution inventory levels; the increases in and expected higher levels of indebtedness; the company's ability to fund its short-term financing needs and to obtain payment for the products that it sells; the effect of weather conditions, natural disasters, accidents, and security breaches, including cybersecurity incidents, on the agriculture business or the company's facilities; and other risks and factors described or referenced in Part II — Item 1A — Risk Factors — below and Part I — Item 1A of our Report on Form 10-K for the fiscal year ended Aug. 31, 2016.

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

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The Statements of Consolidated Operations of Monsanto Company and its consolidated subsidiaries for the three months ended Nov. 30, 2016, and Nov. 30, 2015, the Statements of Consolidated Comprehensive Loss for the three months ended Nov. 30, 2016, and Nov. 30, 2015, the Statements of Consolidated Financial Position as of Nov. 30, 2016, and Aug. 31, 2016, the Statements of Consolidated Cash Flows for the three months ended Nov. 30, 2016, and Nov. 30, 2015, the Statements of Consolidated Shareowners' Equity for the three months ended Nov. 30, 2016, and year ended Aug. 31, 2016, and related Notes to the Consolidated Financial Statements follow. Unless otherwise indicated, "Monsanto" and the "company" are used interchangeably to refer to Monsanto Company or to Monsanto Company and its consolidated subsidiaries, as appropriate to the context. Unless otherwise indicated, "earnings per share" and "per share" mean diluted earnings per share. In the Notes to the Consolidated Financial Statements, all dollars are expressed in millions, except per share amounts. Unless otherwise indicated, trademarks owned or licensed by Monsanto or its subsidiaries are shown in special type. Unless otherwise indicated, references to "*Roundup* herbicides" mean *Roundup* branded herbicides, excluding all lawn-and-garden herbicides and other glyphosate-based herbicides, and references to "*Roundup* and other glyphosate-based herbicides" exclude all lawn-and-garden herbicides.

Statements of Consolidated Operations

Unaudited (Dollars in millions, except per share amounts)	Three Months Ended Nov. 30, 2016	Three Months Ended Nov. 30, 2015
Net Sales	**$ 2,650**	$ 2,219
Cost of goods sold	**1,391**	1,318
Gross Profit	**1,259**	901
Operating Expenses:		
Selling, general and administrative expenses	**585**	543
Research and development expenses	**370**	364
Restructuring charges	**(36)**	266
Pending Bayer transaction related costs	**93**	—
Total Operating Expenses	**1,012**	1,173
Income (Loss) from Operations	**247**	(272)
Interest expense	**136**	129
Interest income	**(18)**	(20)
Other expense, net	**43**	25
Income (Loss) from Continuing Operations Before Income Taxes	**86**	(406)
Income tax provision (benefit)	**61**	(137)
Income (Loss) from Continuing Operations Including Portion Attributable to Noncontrolling Interest	**$ 25**	$ (269)
Discontinued Operations:		
Income from operations of discontinued business	**16**	20
Income tax provision	**6**	8
Income from Discontinued Operations	**10**	12
Net Income (Loss)	**$ 35**	$ (257)
Less: Net income (loss) attributable to noncontrolling interest	**6**	(4)
Net Income (Loss) Attributable to Monsanto Company	**$ 29**	$ (253)
Amounts Attributable to Monsanto Company:		
Income (loss) from continuing operations	**$ 19**	$ (265)
Income from discontinued operations	**10**	12
Net Income (Loss) Attributable to Monsanto Company	**$ 29**	$ (253)
Basic Earnings per Share Attributable to Monsanto Company:		
Income (loss) from continuing operations	**$ 0.05**	$ (0.58)
Income from discontinued operations	**0.02**	0.02
Net Income (Loss) Attributable to Monsanto Company	**$ 0.07**	$ (0.56)
Diluted Earnings per Share Attributable to Monsanto Company:		
Income (loss) from continuing operations	**$ 0.05**	$ (0.58)
Income from discontinued operations	**0.02**	0.02
Net Income (Loss) Attributable to Monsanto Company	**$ 0.07**	$ (0.56)
Weighted Average Shares Outstanding:		
Basic	**438.1**	454.1
Diluted	**441.7**	454.1
Dividends Declared per Share	**$ —**	$ —

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

Statements of Consolidated Comprehensive Loss

Unaudited (Dollars in millions)	Three Months Ended Nov. 30, 2016	Three Months Ended Nov. 30, 2015
Comprehensive Loss Attributable to Monsanto Company		
Net Income (Loss) Attributable to Monsanto Company	**$ 29**	$ (253)
Other Comprehensive Loss, Net of Tax:		
Foreign currency translation, net of tax of $(1), and $1, respectively	**(268)**	(229)
Postretirement benefit plan activity, net of tax of $6, and $5, respectively	**10**	10
Unrealized net losses on investment holdings, net of tax of $1, and $(1), respectively	**(1)**	(2)
Unrealized net derivative gains, net of tax of $15, and $(4), respectively	**31**	—
Realized net derivative losses, net of tax of $15, and $5, respectively	**21**	4
Total Other Comprehensive Loss, Net of Tax	**(207)**	(217)
Comprehensive Loss Attributable to Monsanto Company	**$ (178)**	$ (470)
Comprehensive Income (Loss) Attributable to Noncontrolling Interests		
Net Income (Loss) Attributable to Noncontrolling Interests	**6**	(4)
Other Comprehensive Loss		
Foreign currency translation	**(1)**	(1)
Total Other Comprehensive Loss	**(1)**	(1)
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	**$ 5**	$ (5)
Total Comprehensive Loss	**$ (173)**	$ (475)

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

Statements of Consolidated Financial Position

Unaudited (Dollars in millions, except share amounts)	As of Nov. 30, 2016	 Aug. 31, 2016
Assets		
Current Assets:		
Cash and cash equivalents (variable interest entity restricted - 2017: $17 and 2016: $122)	**$ 2,129**	$ 1,676
Short-term investments	**60**	60
Trade receivables, net (variable interest entity restricted - 2017: $92 and 2016: $7)	**2,196**	1,926
Miscellaneous receivables	**917**	755
Inventory, net	**3,839**	3,241
Assets held for sale	**267**	272
Other current assets	**244**	227
Total Current Assets	**9,652**	8,157
Total property, plant and equipment	**11,124**	11,116
Less accumulated depreciation	**5,907**	5,885
Property, Plant and Equipment	**5,217**	5,231
Goodwill	**3,998**	4,020
Other Intangible Assets, Net	**1,078**	1,125
Noncurrent Deferred Tax Assets	**487**	613
Long-Term Receivables, Net	**39**	101
Other Assets	**488**	489
Total Assets	**$ 20,959**	$ 19,736
Liabilities and Shareowners' Equity		
Current Liabilities:		
Short-term debt, including current portion of long-term debt (variable interest entity restricted - 2017: $0 and 2016: $113)	**$ 570**	$ 1,587
Accounts payable	**1,073**	1,006
Income taxes payable	**130**	41
Accrued compensation and benefits	**212**	239
Accrued marketing programs	**1,038**	1,650
Deferred revenue	**2,907**	568
Grower production accruals	**429**	47
Dividends payable	**—**	237
Customer payable	**94**	123
Restructuring reserves	**136**	227
Miscellaneous short-term accruals	**911**	1,004
Total Current Liabilities	**7,500**	6,729
Long-Term Debt (variable interest entity restricted - 2017: $94 and 2016: $0)	**8,047**	7,453
Postretirement Liabilities	**338**	371
Long-Term Deferred Revenue	**31**	35
Noncurrent Deferred Tax Liabilities	**90**	68
Long-Term Portion of Environmental and Litigation Liabilities	**198**	200
Long-Term Restructuring Reserves	**14**	17
Other Liabilities	**324**	318
Shareowners' Equity:		
Common stock (authorized: 1,500,000,000 shares, par value $0.01)		
Issued 612,135,613 and 611,435,047 shares, respectively		
Outstanding 438,495,500 and 437,795,024 shares, respectively	**6**	6
Treasury stock 173,640,113 and 173,640,023 shares, respectively, at cost	**(15,053)**	(15,053)
Additional contributed capital	**11,672**	11,626
Retained earnings	**10,792**	10,763
Accumulated other comprehensive loss	**(3,015)**	(2,808)
Total Monsanto Company Shareowners' Equity	**4,402**	4,534
Noncontrolling Interest	**15**	11

Total Shareowners' Equity		**4,417**		4,545
Total Liabilities and Shareowners' Equity	**$**	**20,959**	$	19,736

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

Statements of Consolidated Cash Flows

Unaudited (Dollars in millions)	Three Months Ended Nov. 30, 2016	Nov. 30, 2015
Operating Activities:		
Net Income (Loss)	**$ 35**	$ (257)
Adjustments to reconcile cash provided by operating activities:		
Items that did not require (provide) cash:		
Depreciation and amortization	**189**	181
Bad-debt expense	**7**	12
Stock-based compensation expense	**36**	37
Excess tax benefits from stock-based compensation	**(4)**	(6)
Deferred income taxes	**94**	6
Restructuring impairments	**1**	99
Equity affiliate expense, net	**2**	2
Other items	**12**	18
Changes in assets and liabilities that (required) provided cash, net of acquisitions:		
Trade receivables, net	**(271)**	(515)
Inventory, net	**(681)**	(528)
Deferred revenue	**2,344**	2,787
Accounts payable and other accrued liabilities	**(54)**	(423)
Restructuring, net	**(89)**	208
Pension contributions	**(19)**	(3)
Other items, net	**(139)**	(255)
Net Cash Provided by Operating Activities	**1,463**	1,363
Cash Flows (Required) Provided by Investing Activities:		
Capital expenditures	**(317)**	(326)
Acquisition of businesses, net of cash acquired	**(7)**	—
Technology and other investments	**(5)**	(12)
Other investments and property disposal proceeds	**2**	2
Net Cash Required by Investing Activities	**(327)**	(336)
Cash Flows (Required) Provided by Financing Activities:		
Net change in financing with less than 90-day maturities	**(511)**	839
Short-term debt proceeds	**3**	—
Short-term debt reductions	**(8)**	(3)
Long-term debt proceeds	**599**	4
Long-term debt reductions	**(509)**	(3)
Debt issuance costs	**(2)**	—
Treasury stock purchases	**—**	(3,000)
Stock option exercises	**21**	16
Excess tax benefits from stock-based compensation	**4**	6
Tax withholding on restricted stock and restricted stock units	**(14)**	(18)
Dividend payments	**(237)**	(254)
Payments to noncontrolling interests	**(1)**	(1)
Net Cash Required by Financing Activities	**(655)**	(2,414)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(28)**	(37)
Net Increase (Decrease) in Cash and Cash Equivalents	**453**	(1,424)
Cash and Cash Equivalents at Beginning of Period	**1,676**	3,701
Cash and Cash Equivalents at End of Period	**$ 2,129**	$ 2,277

See Note 17 — Supplemental Cash Flow Information for further details.

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

Statements of Consolidated Shareowners' Equity

Unaudited (Dollars in millions, except per share data)	Monsanto Shareowners						
	Common Stock	Treasury Stock	Additional Contributed Capital	Retained Earnings	Accumulated Other Comprehensive (Loss)[1]	Non-Controlling Interest	Total
Balance as of Aug. 31, 2015	$ 6	$ (12,053)	$ 11,464	$ 10,374	$ (2,801)	$ 15	$ 7,005
Net Income (Loss)	—	—	—	1,336	—	(23)	1,313
Other Comprehensive Loss for 2016	—	—	—	—	(7)	(1)	(8)
Treasury Stock Purchases	—	(3,000)	(1)	—	—	—	(3,001)
Restricted Stock and Restricted Stock Unit Tax Withholding	—	—	(24)	—	—	—	(24)
Issuance of Shares Under Employee Stock Plans	—	—	81	—	—	—	81
Net Excess Tax Benefits from Stock-based Compensation	—	—	11	—	—	—	11
Stock-based Compensation Expense	—	—	111	—	—	—	111
Cash Dividends of $2.16 per Common Share	—	—	—	(947)	—	—	(947)
Acquisition of Noncontrolling Interest	—	—	(16)	—	—	26	10
Payments to Noncontrolling Interest	—	—	—	—	—	(6)	(6)
Balance as of Aug. 31, 2016	$ 6	$ (15,053)	$ 11,626	$ 10,763	$ (2,808)	$ 11	$ 4,545
Net Income	**—**	**—**	**—**	**29**	**—**	**6**	**35**
Other Comprehensive Loss for 2017	**—**	**—**	**—**	**—**	**(207)**	**(1)**	**(208)**
Issuance of Shares Under Employee Stock Plans	**—**	**—**	**21**	**—**	**—**	**—**	**21**
Restricted Stock and Restricted Stock Unit Tax Withholding	**—**	**—**	**(14)**	**—**	**—**	**—**	**(14)**
Net Excess Tax Benefits from Stock-based Compensation	**—**	**—**	**3**	**—**	**—**	**—**	**3**
Stock-based Compensation Expense	**—**	**—**	**36**	**—**	**—**	**—**	**36**
Payments to Noncontrolling Interest	**—**	**—**	**—**	**—**	**—**	**(1)**	**(1)**
Balance as of Nov. 30, 2016	**$ 6**	**$ (15,053)**	**$ 11,672**	**$ 10,792**	**$ (3,015)**	**$ 15**	**$ 4,417**

(1) See Note 15 — Accumulated Other Comprehensive Loss — for further details of the components of accumulated other comprehensive loss.

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

NOTE 1. BACKGROUND AND BASIS OF PRESENTATION

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

Monsanto manages its business in two reportable segments: Seeds and Genomics and Agricultural Productivity. Through the Seeds and Genomics segment, Monsanto produces leading seed brands, including *DEKALB*, *Asgrow*, *Deltapine*, *Seminis* and *De Ruiter*, and Monsanto develops biotechnology traits that assist farmers in controlling insects and weeds and digital agriculture to assist farmers in decision making. Monsanto also provides other seed companies with genetic material and biotechnology traits for their seed brands. Through the Agricultural Productivity segment, the company manufactures *Roundup* and *Harness* brand herbicides and other herbicides. See Note 19 — Segment Information — for further details.

In the fourth quarter of 2008, the company announced plans to divest its animal agricultural products business, which focused on dairy cow productivity and was previously reported as part of the Agricultural Productivity segment. This transaction was consummated on Oct. 1, 2008, and included a 10-year earn-out with potential annual payments being earned by Monsanto if certain revenue levels are exceeded. As a result, financial data for this business has been presented as discontinued operations.

On Nov. 2, 2015, the company signed a definitive agreement with Deere & Company ("Deere") to sell the Precision Planting equipment business which is included in the Seed and Genomics segment for approximately $190 million in cash, subject to customary working capital adjustments. As of Nov. 30, 2016, and Aug. 31, 2016, Monsanto had $169 million and $172 million of assets held for sale, respectively, and $6 million and $12 million of liabilities held for sale classified within miscellaneous short-term accruals, respectively, on the Statements of Consolidated Financial Position related to this transaction. The assets were primarily related to inventory, net; trade receivables, net; property, plant, and equipment, net; goodwill; and other intangible assets, net, and the liabilities were primarily related to accrued marketing programs and accounts payable. In August 2016, the U.S. Department of Justice filed a lawsuit to block Deere's acquisition of the Precision Planting equipment business, which Deere is contesting. As a result of this development, the closing date for this transaction is uncertain.

The accompanying consolidated financial statements have not been audited but have been prepared in conformity with accounting principles generally accepted in the United States for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, these unaudited consolidated financial statements contain all necessary adjustments which are normal and recurring to present fairly the financial position, results of operations and cash flows for the interim periods reported. This Report on Form 10-Q should be read in conjunction with Monsanto's Report on Form 10-K for the fiscal year ended Aug. 31, 2016. Financial information for the first three months of fiscal year 2017 should not be annualized because of the seasonality of the company's business.

NOTE 2. NEW ACCOUNTING STANDARDS

In November 2016, the Financial Accounting Standards Board ("FASB") issued accounting guidance, "Statement of Cash Flows: Restricted Cash" which requires restricted cash and restricted cash equivalents to be classified in the Statements of Cash Flows as cash and cash equivalents. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2017, with early adoption permitted. Adoption will be applied on a retrospective basis to all periods presented. Monsanto is required to adopt this standard in the first quarter of fiscal year 2019. The company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In October 2016, the FASB issued accounting guidance, "Income Taxes: Intra-Entity Transfers of Assets Other than Inventory" which will require the recognition of income tax effects of intra-entity transfers of assets other than inventory to be recognized when the transfer occurs. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2017, with early adoption permitted as of the beginning of an annual period. Adoption will be applied on a modified retrospective basis. Monsanto is required to adopt the standard in the first quarter of fiscal year 2019. The company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In August 2016, the FASB issued accounting guidance, "Classification of Certain Cash Receipts and Cash Payments" which clarifies the classification of the activity in the Statements of Consolidated Cash Flows and how the predominant principle should be applied when cash receipts and cash payments have more than one class of cash flows. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2017, with early adoption permitted. Adoption will be applied retrospectively. Monsanto is required to adopt the standard in the first quarter of fiscal year 2019. The company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In June 2016, the FASB issued accounting guidance, “Measurement of Credit Losses on Financial Instruments” which replaces the incurred loss methodology to record credit losses with a methodology that reflects the expected credit losses for financial assets not accounted for at fair value with gains and losses recognized through net income. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2019, with early adoption permitted for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2018. This standard will be adopted on a modified retrospective basis. Monsanto is required to adopt this standard in the first quarter of fiscal year 2021, with early adoption permitted in the first quarter of fiscal year 2020. The company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In March 2016, the FASB issued accounting guidance, “Improvements to Employee Share-Based Payment Accounting” which will simplify the income tax consequences, accounting for forfeitures and classification on the Statements of Consolidated Cash Flows. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2016, with early adoption permitted. Monsanto is required to adopt the standard in the first quarter of fiscal year 2018. The company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In February 2016, the FASB issued accounting guidance, “Leases” which will supersede the existing lease guidance and will require all leases with a term greater than 12 months to be recognized in the Statements of Financial Position and eliminate current real estate-specific lease guidance, while maintaining substantially similar classification criteria for distinguishing between finance leases and operating leases. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2018, with early adoption permitted. This standard will be adopted on a modified retrospective basis. Monsanto is required to adopt the standard in the first quarter of fiscal year 2020. The company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In January 2016, the FASB issued accounting guidance, “Recognition and Measurement of Financial Assets and Financial Liabilities” which would require equity investments not accounted for as an equity method investment or that result in consolidation to be recorded at their fair value with changes in fair value recognized in the Statements of Consolidated Operations. Those equity investments that do not have a readily determinable fair value may be measured at cost less impairment, if any, plus or minus changes resulting from observable price changes. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after Dec. 15, 2017, with early adoption prohibited. Monsanto is required to adopt the standard in the first quarter of fiscal year 2019. The company is currently evaluating the impact this guidance will have on the consolidated financial statements and related disclosures.

In February 2015, the FASB issued accounting guidance, “Amendments to the Consolidation Analysis” which changes the guidance with respect to the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The new guidance affects the following areas: (1) limited partnerships and similar legal entities, (2) evaluating fees paid to a decision maker or a service provider as a variable interest, (3) the effect of fee arrangements on the primary beneficiary determination, (4) the effect of related parties on the primary beneficiary determination and (5) certain investment funds. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after Dec. 15, 2015. Accordingly, Monsanto adopted this standard in the first quarter of fiscal year 2017. The adoption of this guidance did not have an impact on the consolidated financial statements or related disclosures.

In May 2014, the FASB issued accounting guidance, “Revenue from Contracts with Customers” which has been further clarified and amended. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and clarify guidance for multiple-element arrangements. Entities have the option to apply the new guidance under a retrospective approach to each prior reporting period presented or a modified retrospective approach with the cumulative effect of initially applying the new guidance recognized at the date of initial application within the Statement of Consolidated Financial Position. In August 2015, the FASB amended the guidance to allow for the deferral of the effective date of this standard. The standard is effective for fiscal years, and interim periods within those years, beginning after Dec. 15, 2017. Accordingly, Monsanto is required to adopt this standard in the first quarter of fiscal year 2019. One-year early adoption is permitted. The initial analysis identifying areas that will be impacted by the new guidance is substantially complete, and the company is currently analyzing the potential impacts to the consolidated financial statements and related disclosures. The company believes the most significant impact relates to its accounting for biotechnology trait license revenue with fixed payments. Revenue from seed sales, agricultural chemical products and biotechnology trait licenses recognized as third-party seed companies sell seed is expected to remain substantially unchanged. Specifically, under the new standard, revenue for biotechnology trait license with fixed payments are expected to be recognized upon commencement of the license term rather than over the contract period. Due to complexities of certain biotechnology trait license agreements, the actual revenue recognition treatment under the standard will be dependent upon contract-specific terms and may vary in some instances from recognition upon commencement of the license term. The company has not made a decision on the method of adoption.

NOTE 3. RESTRUCTURING

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

(Dollars in millions)	Three Months Ended **Nov. 30, 2016**	Three Months Ended Nov. 30, 2015
Cost of Goods Sold[1]	**$ (1)**	$ (52)
Restructuring Charges[2]	**36**	(266)
Income (Loss) from Continuing Operations Before Income Taxes	**$ 35**	$ (318)
Income Tax (Provision) Benefit	**(10)**	108
Net Income (Loss)	**$ 25**	$ (210)

(1) For the three months ended Nov. 30, 2016, and Nov. 30, 2015, $1 million and $52 million of restructuring charges in cost of goods sold was recorded in the Seeds and Genomics segment.

(2) For the three months ended Nov. 30, 2016, the net reversal of previously recognized expense of $36 million is split by segment as follows: $34 million in Seeds and Genomics and $2 million in Agricultural Productivity. For the three months ended Nov. 30, 2015, $266 million of restructuring charges is split by segment as follows: $237 million in Seeds and Genomics and $29 million in Agricultural Productivity.

On Oct. 6, 2015, the company approved actions to realign resources to increase productivity, enhance competitiveness by delivering cost improvements and support long-term growth. On Jan. 5, 2016, the company approved additional actions which, together with the Oct. 6, 2015 actions, comprise the 2015 Restructuring Plan. Actions include streamlining and reprioritizing some commercial, enabling, supply chain and research and development efforts.

Cumulative pretax charges related to the 2015 Restructuring Plan are estimated to be approximately $1 billion. Implementation of the 2015 Restructuring Plan is expected to be completed by the end of fiscal year 2018, and substantially all of the cash payments are expected to be made by the end of fiscal year 2018. These pretax charges are currently estimated to be comprised of the following categories: $375 million to $420 million in work force reductions, including severance and related benefits; $130 million to $150 million in facility closures/exit costs, including contract termination costs; $450 million to $485 million in asset impairments and write-offs related to property, plant and equipment, inventory and goodwill and other assets. These pretax charges are currently estimated to be incurred primarily by the Seeds and Genomics segment.

The following table displays the pretax charges incurred by segment under the 2015 Restructuring Plan.

	Three months ended Nov. 30, 2016			Three months ended Nov. 30, 2015			Cumulative Amount through Nov. 30, 2016		
(Dollars in millions)	**Seeds and Genomics**	**Agricultural Productivity**	**Total**	Seeds and Genomics	Agricultural Productivity	Total	Seeds and Genomics	Agricultural Productivity	Total
Work Force Reductions	**$ (36)**	**$ (2)**	**$ (38)**	$ 208	$ 9	$ 217	$ 347	$ 21	$ 368
Facility Closures/Exit Costs	**2**	**—**	**2**	2	—	2	25	5	30
Asset Impairments and Write-offs:									
Property, plant and equipment	**1**	**—**	**1**	24	—	24	123	2	125
Inventory	**1**	**—**	**1**	37	—	37	94	—	94
Goodwill and other assets	**(1)**	**—**	**(1)**	18	20	38	185	20	205
Total Restructuring Charges, Net	**$ (33)**	**$ (2)**	**$ (35)**	$ 289	$ 29	$ 318	$ 774	$ 48	$ 822

The company's written human resource policies are indicative of an ongoing benefit arrangement with respect to severance packages. Benefits paid pursuant to an ongoing benefit arrangement are specifically excluded from the Exit or Disposal Cost Obligations topic of the Accounting Standards Codification ("ASC"); therefore, severance charges incurred in connection with the 2015 Restructuring Plan are accounted for when probable and estimable as required under the Compensation - Nonretirement Postemployment Benefits topic of the ASC. In addition, when the decision to commit to a restructuring plan requires a long-lived asset and finite-lived intangible asset impairment review, Monsanto evaluates such impairment issues under the Property, Plant and Equipment topic of the ASC.

The three months ended Nov. 30, 2016, includes the reversal of $45 million of previously recognized expense due to changes in estimates related to work force reductions.

The following table summarizes the activities related to the company's 2015 Restructuring Plan.

(Dollars in millions)	Work Force Reductions(1)	Facility Closures/Exit Costs	Asset Impairments and Write-offs	Total
Balance as of Aug. 31, 2015	$ 217	$ —	$ —	$ 217
Net restructuring charges recognized in fiscal year 2016	189	28	147	364
Cash payments	(164)	(28)	—	(192)
Asset impairments and write-offs	—	—	(147)	(147)
Foreign currency impact	2	—	—	2
Balance as of Aug. 31, 2016	$ 244	$ —	$ —	$ 244
Net restructuring charges recognized in first quarter of fiscal year 2017	**(38)**	**2**	**1**	**(35)**
Cash payments	**(51)**	**(2)**	**—**	**(53)**
Asset impairments and write-offs	**—**	**—**	**(1)**	**(1)**
Foreign currency impact	**(5)**	**—**	**—**	**(5)**
Balance as of Nov. 30, 2016	**$ 150**	**$ —**	**$ —**	**$ 150**

(1) The restructuring liability balance included $14 million and $17 million that were recorded in long-term restructuring reserves in the Statements of Consolidated Financial Position as of Nov. 30, 2016, and Aug. 31, 2016, respectively.

NOTE 4. CUSTOMER FINANCING PROGRAMS

Monsanto participates in customer financing programs as follows:

	As of	
(Dollars in millions)	**Nov. 30, 2016**	Aug. 31, 2016
Transactions that Qualify for Sales Treatment		
U.S. agreement to sell trade receivables(1)		
Outstanding balance	**$ 352**	$ 511
Maximum future payout under recourse provisions	**15**	19
European and Latin American agreements to sell trade receivables(2)		
Outstanding balance	**$ 22**	$ 60
Maximum future payout under recourse provisions	**8**	35
Agreements with Lenders(3)		
Outstanding balance	**$ 90**	$ 73
Maximum future payout under the guarantee	**65**	57

The gross amounts of receivables sold under transactions that qualify for sales treatment were:

	Gross Amounts of Receivables Sold	
	Three Months Ended	
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015
Transactions that Qualify for Sales Treatment		
U.S. agreement to sell trade receivables[1]	**$ 115**	$ 16
European and Latin American agreements to sell trade receivables[2]	**6**	21

(1) Monsanto has agreements in the United States to sell trade receivables, both with and without recourse, up to a maximum outstanding balance of $1.4 billion and to service such accounts. These receivables qualify for sales treatment under the Transfers and Servicing topic of the ASC and, accordingly, the proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows. The liability for the guarantees for sales with recourse is recorded at an amount that approximates fair value, based upon the company's historical collection experience and a current assessment of credit exposure.

(2) Monsanto has various agreements in European and Latin American countries to sell trade receivables, both with and without recourse. These receivables qualify for sales treatment under the Transfers and Servicing topic of the ASC and, accordingly, the proceeds are included in net cash provided by operating activities in the Statements of Consolidated Cash Flows. The liability for the guarantees for sales with recourse is recorded at an amount that approximates fair value, based upon the company's historical collection experience and a current assessment of credit exposure.

(3) Monsanto has additional agreements with lenders to establish programs that provide financing for select customers in the United States, Latin America and Europe. Monsanto provides various levels of recourse through guarantees of the accounts in the event of customer default. The term of the guarantee is equivalent to the term of the customer loans. The liability for the guarantees is recorded at an amount that approximates fair value, based on the company's historical collection experience with customers that participate in the program and a current assessment of credit exposure. If performance is required under the guarantee, Monsanto may retain amounts that are subsequently collected from customers.

In addition to the arrangements in the above table, Monsanto also participates in a financing program in Brazil that allows Monsanto to transfer up to 350 million Brazilian reais (approximately $103 million as of Nov. 30, 2016) for select customers in Brazil to a revolving financing program. Under the arrangement, a recourse provision requires Monsanto to cover the first credit losses within the program up to the amount of the company's investment. Credit losses above Monsanto's investment would be covered by senior interests in the entity by a reduction in the fair value of their mandatorily redeemable shares. The company evaluated its relationship with the entity under the guidance within the Consolidation topic of the ASC, and as a result, the entity has been consolidated. For further information on this topic, see Note 5 — Variable Interest Entities and Investments.

There were no significant recourse or non-recourse liabilities for all programs as of Nov. 30, 2016, and Aug. 31, 2016. There were no significant delinquent loans for all programs as of Nov. 30, 2016, and Aug. 31, 2016.

NOTE 5. VARIABLE INTEREST ENTITIES AND INVESTMENTS

Variable Interest Entities

On Oct. 19, 2016, Monsanto exited a financing program in Brazil that was recorded as a consolidated variable interest entity ("VIE"). On Nov. 4, 2016, Monsanto entered into a new financing program in Brazil that is recorded as a consolidated VIE. For the most part, the new and previous arrangements of the Brazil VIE consist of a revolving financing program that is funded by investments from the company and other third parties, primarily investment funds, and has been established to service Monsanto's customer receivables. Under the new arrangement, third parties, primarily investment funds, hold senior interests of 89 percent, and Monsanto holds the remaining 11 percent in the entity as of Nov. 30, 2016. Under the previous arrangement, as of Aug. 31, 2016, third parties, primarily investment funds, held senior interest of 89 percent, and Monsanto held the remaining 11 percent interest. Under the new arrangement, the senior interests held by third parties are mandatorily redeemable shares and are included in long-term debt in the Statement of Consolidated Financial Position as of Nov. 30, 2016. Under the previous arrangement, the senior interests held by third parties were mandatorily redeemable shares and were included in short-term debt in the Statement of Consolidated Financial Position as of Aug. 31, 2016.

Under the new arrangement, Monsanto is required to maintain an investment in the Brazil VIE of at least 11.1 percent and could be required to provide additional contributions to the Brazil VIE. Monsanto currently has no unfunded commitments to the Brazil VIE. Creditors have no recourse against Monsanto in the event of default by the Brazil VIE. The company's financial or other support provided to the Brazil VIE is limited to its investment. Even though Monsanto holds a subordinate interest in the Brazil VIE, the Brazil VIE was established to service transactions involving the company, and the company determines the receivables that are included in the revolving financing program. Therefore, the determination is that Monsanto has the power to direct the activities most significant to the economic performance of the Brazil VIE. As a result, the company is the primary beneficiary of the Brazil VIE, and the Brazil VIE has been consolidated in Monsanto’s consolidated financial statements. The assets of the Brazil VIE may only be used to settle the obligations of the respective entity. Third-party investors in the Brazil VIE do not have recourse to the general assets of Monsanto. See Note 4 — Customer Financing Programs and Note 11 — Fair Value Measurements— for additional information.

Monsanto has entered into an agreement with third parties to establish an entity to focus on research and development (“R&D”) related to various activities including agricultural fungicides for agricultural applications. This entity is recorded as a consolidated VIE of Monsanto. Under the arrangement, Monsanto holds a call option to acquire the majority of the equity interests in the R&D VIE from the third-party owners. Monsanto funds the operations of the R&D VIE in return for additional equity interests or to retain the call options. The funding is provided in separate research phases if research milestones are met. The R&D VIE was established to perform agricultural-based R&D activities for the benefit of Monsanto, and Monsanto provides all funding of the R&D VIE’s activities. Further, Monsanto has the power to direct the activities most significant to the R&D VIE. As a result, Monsanto is the primary beneficiary of the R&D VIE, and the R&D VIE is consolidated in Monsanto’s consolidated financial statements. The third-party owners of the R&D VIE do not have recourse to the general assets of Monsanto beyond Monsanto’s maximum exposure to loss at any given time relating to the R&D VIE.

Equity Method and Cost Basis Investments

Monsanto has equity method and cost basis investments recorded in other assets in the Statements of Consolidated Financial Position. Due to the nature of the cost basis investments, the fair market value is not readily determinable. These investments are reviewed for impairment indicators on a quarterly basis.

For such investments that were accounted for under the equity method and cost basis included in other assets in the Statements of Consolidated Financial Position, the amounts are summarized in the following table:

	As of	
(Dollars in millions)	**Nov. 30, 2016**	Aug. 31, 2016
Equity Method Investments	**$ 148**	$ 152
Cost Basis Investments	**95**	94
Total	**$ 243**	$ 246

NOTE 6. RECEIVABLES

Trade receivables in the Statements of Consolidated Financial Position are net of allowances of $102 million and $94 million as of Nov. 30, 2016, and Aug. 31, 2016, respectively.

The company has long-term customer financing receivables that relate to past due accounts which are not expected to be collected within the current year. The long-term customer receivables were $250 million and $260 million with a corresponding allowance for credit losses on these receivables of $217 million and $228 million as of Nov. 30, 2016, and Aug. 31, 2016, respectively. These long-term customer receivable balances and the corresponding allowance are included in long-term receivables, net in the Statements of Consolidated Financial Position. For these long-term customer receivables, interest is no longer accrued when the receivable is determined to be delinquent and classified as long-term based on estimated timing of collection.

The following table displays a roll forward of the allowance for credit losses related to long-term customer receivables.

(Dollars in millions)		
Balance as of Aug. 31, 2015	$	120
Incremental Provision		78
Recoveries		(2)
Write-offs		(4)
Other[1]		36
Balance as of Aug. 31, 2016	$	228
Recoveries		**(14)**
Other[1]		**3**
Balance as of Nov. 30, 2016	**$**	**217**

(1) Includes reclassifications from the allowance for current receivables and foreign currency translation adjustments.

On an ongoing basis, the company evaluates credit quality of its financing receivables utilizing aging of receivables, collection experience and write-offs, as well as evaluating existing economic conditions, to determine if an allowance is necessary.

NOTE 7. INVENTORY

Components of inventory are:

	As of	
(Dollars in millions)	**Nov. 30, 2016**	Aug. 31, 2016
Finished Goods	**$ 1,704**	$ 1,404
Goods In Process	**1,746**	1,489
Raw Materials and Supplies	**546**	498
Inventory at FIFO Cost	**3,996**	3,391
Excess of FIFO over LIFO Cost	**(157)**	(150)
Total	**$ 3,839**	$ 3,241

NOTE 8. GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in the net carrying amount of goodwill for the first three months of fiscal year 2017, by segment, are as follows:

(Dollars in millions)	Seeds and Genomics	Agricultural Productivity	Total
Balance as of Aug. 31, 2016	$ 3,967	$ 53	$ 4,020
Effect of foreign currency translation and other adjustments	**(24)**	**2**	**(22)**
Balance as of Nov. 30, 2016	**$ 3,943**	**$ 55**	**$ 3,998**

There were no events or circumstances indicating that goodwill might be impaired as of Nov. 30, 2016. The fiscal year 2017 annual goodwill impairment test will be performed as of Mar. 1, 2017.

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

	As of Nov. 30, 2016			As of Aug. 31, 2016		
(Dollars in millions)	**Carrying Amount**	**Accumulated Amortization**	**Net**	Carrying Amount	Accumulated Amortization	Net
Acquired Germplasm	**$ 1,061**	**$ (778)**	**$ 283**	$ 1,070	$ (778)	$ 292
Acquired Intellectual Property	**1,033**	**(611)**	**422**	1,042	(593)	449
Trademarks	**332**	**(154)**	**178**	334	(152)	182
Customer Relationships	**297**	**(224)**	**73**	301	(223)	78
Other	**66**	**(35)**	**31**	65	(33)	32
Total Other Intangible Assets, Finite Lives	**$ 2,789**	**$ (1,802)**	**$ 987**	$ 2,812	$ (1,779)	$ 1,033
In Process Research & Development, Indefinite Lives	**91**	**—**	**91**	92	—	92
Total Other Intangible Assets	**$ 2,880**	**$ (1,802)**	**$ 1,078**	$ 2,904	$ (1,779)	$ 1,125

Total amortization expense of total other intangible assets was $30 million and $31 million for the three months ended Nov. 30, 2016, and Nov. 30, 2015, respectively.

The estimated intangible asset amortization expense for fiscal year 2017 through fiscal year 2021 is as follows:

(Dollars in millions)	Amount
2017	$ 132
2018	116
2019	108
2020	104
2021	103

NOTE 9. DEFERRED REVENUE

As of Nov. 30, 2016, and Aug. 31, 2016, short-term deferred revenue was $2,907 million and $568 million, respectively. These balances primarily consist of cash received related to Monsanto's prepayment programs in the United States and Brazil. These programs allow Monsanto's customers to receive a discount if they prepay by a certain date, and the short-term deferred revenue balances are consistent with the seasonality of Monsanto's business. Prepayment options are attractive to customers given the discounted pricing and the ability to utilize cash flow from the current year grain harvest to pay for the next season seed purchases. The deferred revenue balances related to these prepayment programs are considered short-term in nature and thus classified in current liabilities as the prepayments are for products to be shipped within the next 12 months.

NOTE 10. DEBT AND OTHER CREDIT ARRANGEMENTS

In April 2016, Monsanto filed a shelf registration with the Securities and Exchange Commission ("SEC") ("2016 shelf registration") that allows the company to issue a maximum aggregate amount of $6 billion of debt, equity and hybrid offerings. The 2016 shelf registration expires in April 2019.

Monsanto has a $3 billion credit facility agreement that provides a senior unsecured revolving credit facility through Mar. 27, 2020. As of Nov. 30, 2016, Monsanto was in compliance with all debt covenants, and there were no outstanding borrowings under this credit facility.

Monsanto's short-term debt instruments include commercial paper, the current portion of long-term debt and notes payable to banks. As of Nov. 30, 2016, Monsanto had no commercial paper borrowings outstanding. As of Aug. 31, 2016, there was $500 million of commercial paper borrowings outstanding. Additionally, as of Nov. 30, 2016, the mandatorily redeemable shares of the Brazil VIE were classified as long-term debt instruments. These instruments were classified as short-term debt as of Aug. 31, 2016. See Note 5 — Variable Interest Entities and Investments — for additional information.

In October 2016, Monsanto closed a $1 billion delayed draw term loan facility that matures the earlier of October 2019 or the consummation of the Merger with Bayer. Borrowings under the facility were $500 million as of Nov. 30, 2016. Proceeds were used for general corporate purposes.

The fair value of total short-term debt was $571 million and $1,589 million as of Nov. 30, 2016, and Aug. 31, 2016, respectively. The fair value of the total long-term debt was $7,896 million and $7,834 million as of Nov. 30, 2016, and Aug. 31, 2016, respectively. See Note 11 — Fair Value Measurements — for additional information.

NOTE 11. FAIR VALUE MEASUREMENTS

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

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

Level 2 — Values based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, discounted cash flow models, or other model-based valuation techniques adjusted, as necessary, for credit risk.

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

The following tables set forth by level Monsanto’s assets and liabilities disclosed at fair value on a recurring basis as of Nov. 30, 2016, and Aug. 31, 2016. As required by the Fair Value Measurements and Disclosures topic of the ASC, assets and liabilities are classified in their entirety based on the lowest level of input that is a significant component of the fair value measurement. Monsanto’s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the classification of fair value assets and liabilities within the fair value hierarchy levels.

	Fair Value Measurements at Nov. 30, 2016, Using			
(Dollars in millions)	Level 1	Level 2	Level 3	Net Balance
Assets at Fair Value:				
Cash equivalents	**$ 1,702**	**$ —**	**$ —**	**$ 1,702**
Short-term investments	**60**	**—**	**—**	**60**
Equity securities	**11**	**—**	**—**	**11**
Derivative assets related to:				
Foreign currency contracts	**—**	**21**	**—**	**21**
Commodity contracts	**13**	**5**	**—**	**18**
Total Assets at Fair Value	**$ 1,786**	**$ 26**	**$ —**	**$ 1,812**
Liabilities at Fair Value:				
Short-term debt instruments(1)	**$ —**	**$ 571**	**$ —**	**$ 571**
Long-term debt instruments(1)	**—**	**7,802**	**94**	**7,896**
Derivative liabilities related to:				
Foreign currency contracts	**—**	**30**	**—**	**30**
Commodity contracts	**27**	**17**	**—**	**44**
Total Liabilities at Fair Value	**$ 27**	**$ 8,420**	**$ 94**	**$ 8,541**

(1) Debt instruments, excluding mandatorily redeemable shares, are not recorded at fair value on a recurring basis; however, they are measured at fair value for disclosure purposes, as required by the Fair Value Measurements and Disclosures topic of the ASC.

	Fair Value Measurements at Aug. 31, 2016, Using			
(Dollars in millions)	Level 1	Level 2	Level 3	Net Balance
Assets at Fair Value:				
Cash equivalents	$ 1,081	$ —	$ —	$ 1,081
Short-term investments	60	—	—	60
Equity securities	13	—	—	13
Derivative assets related to:				
Foreign currency contracts	—	10	—	10
Commodity contracts	9	9	—	18
Total Assets at Fair Value	$ 1,163	$ 19	$ —	$ 1,182
Liabilities at Fair Value:				
Short-term debt instruments(1)	$ —	$ 1,476	$ 113	$ 1,589
Long-term debt instruments(1)	—	7,834	—	7,834
Derivative liabilities related to:				
Foreign currency contracts	—	15	—	15
Commodity contracts	32	20	—	52
Interest rate contracts	—	41	—	41
Total Liabilities at Fair Value	$ 32	$ 9,386	$ 113	$ 9,531

(1) Debt instruments, excluding mandatorily redeemable shares, are not recorded at fair value on a recurring basis; however, they are measured at fair value for disclosure purposes, as required by the Fair Value Measurements and Disclosures topic of the ASC.

The company's derivative contracts are measured at fair value, including forward commodity purchase and sale contracts, exchange-traded commodity futures and option contracts and over-the-counter ("OTC") instruments related primarily to agricultural commodities, energy and raw materials, interest rates and foreign currencies. Exchange-traded futures and options contracts are valued based on unadjusted quoted prices in active markets and are classified as Level 1. Fair value for forward commodity purchase and sale contracts is estimated based on exchange-quoted prices adjusted for differences in local markets. These differences are generally determined using inputs from broker or dealer quotations or market transactions in either the listed or OTC markets and are classified as Level 2. Interest rate contracts consist of interest rate swaps measured using broker or dealer quoted prices. When observable inputs are available for substantially the full term of the contract, it is classified as Level 2. Based on historical experience with the company's suppliers and customers, the company's own credit risk and knowledge of current market conditions, the company does not view nonperformance risk to be a significant input to the fair value for the majority of its forward commodity purchase and sale contracts. The effective portions of changes in the fair value of derivatives designated as cash flow hedges are recognized in the Statements of Consolidated Financial Position as a component of accumulated other comprehensive loss until the hedged items are recorded in earnings or it is probable the hedged transaction will no longer occur. Changes in the fair value of derivatives are recognized in the Statements of Consolidated Operations as a component of net sales, cost of goods sold and other expense, net.

The company's short-term investments may consist of commercial paper and cash which is contractually restricted as to withdrawal or usage. The company's equity securities consist of publicly traded equity investments. Commercial paper and publicly traded equity investments are valued using quoted market prices and are classified as Level 1. Contractually restricted cash may be held in an interest bearing account measured using prevailing interest rates and is classified as Level 1. Short-term debt instruments are classified as Level 2. The company's long-term debt securities are classified as Level 2 and valued using broker or dealer quoted prices with a maturity greater than one year.

Short-term debt instruments may consist of commercial paper, current portion of long-term debt and notes payable to banks. Commercial paper and notes payable to banks are recorded at amortized cost in the Statements of Consolidated Financial Position, which approximates fair value. Current portion of long-term debt is measured at fair value for disclosure purposes and determined based on current market yields for Monsanto's debt traded in the secondary market. See Note 10 — Debt and Other Credit Arrangements — for additional disclosures.

Long-term debt was measured at fair value for disclosure purposes and determined based on current market yields for Monsanto's debt traded in the secondary market. Long-term debt includes mandatorily redeemable shares. Mandatorily redeemable shares are recorded in the Statements of Consolidated Financial Position at fair value, which represents the amount of cash the consolidated variable interest entity would pay if settlement occurred as of the respective reporting date. Fair value of the mandatorily redeemable shares of the variable interest entity is calculated using observable and unobservable inputs from an interest rate market in Brazil and stated contractual terms (a Level 3 measurement). See Note 10 — Debt and Other Credit Arrangements — for additional disclosures. Accretion expense is included in the Statements of Consolidated Operations as interest expense.

For the three months ended Nov. 30, 2016, and Nov. 30, 2015, the company had no transfers between Level 1, Level 2 and Level 3. Monsanto does not have any assets with fair value determined using Level 3 inputs as of Nov. 30, 2016, and Aug. 31, 2016. The following table summarizes the change in fair value of the Level 3 long-term debt instrument for the three months ended Nov. 30, 2016.

(Dollars in millions)		
Balance Aug. 31, 2016	$	—
Issuance of mandatorily redeemable shares		**93**
Accretion expense		**1**
Balance Nov. 30, 2016[(1)]	**$**	**94**

(1) Includes 315,000 mandatorily redeemable shares outstanding with a par value of 1,000 Brazilian reais (approximately $294) as of Nov. 30, 2016.

The following table summarizes the change in fair value of the Level 3 short-term debt instrument for the three months ended Nov. 30, 2016.

(Dollars in millions)		
Balance Aug. 31, 2016[(1)]	$	113
Redemption of mandatorily redeemable shares		**(103)**
Accretion expense		**2**
Payments		**(7)**
Effect of foreign currency translation adjustments		**(5)**
Balance Nov. 30, 2016	**$**	**—**

(1) Includes 350,000 mandatorily redeemable shares outstanding with a par value of 1,000 Brazilian reais (approximately $309) as of Aug. 31, 2016.

There were no significant measurements of liabilities to their implied fair value on a nonrecurring basis during the three months ended Nov. 30, 2016, and Nov. 30, 2015.

There were no significant measurements of assets to their implied fair value on a nonrecurring basis during the three months ended Nov. 30, 2016. Significant measurements during the three months ended Nov. 30, 2015, of assets to their implied fair value on a nonrecurring basis were as follows:

Property, Plant and Equipment, Net: During the three months ended Nov. 30, 2015, property, plant and equipment within the Seeds and Genomics segment with a net book value of $34 million was written down to its implied fair value estimate of $10 million, resulting in an impairment charge of $24 million, with $15 million included in cost of goods sold and $9 million included in restructuring charges in the Statement of Consolidated Operations. The implied fair value calculations were performed using a discounted cash flow model (a Level 3 measurement). See Note 3 — Restructuring — for additional disclosures.

Other Intangible Assets, Net: During the three months ended Nov. 30, 2015, other intangible assets within the Seeds and Genomics segment with a net book value of $16 million were written down to their implied fair value of less than $1 million, resulting in an impairment charge of $16 million, with $16 million included in restructuring charges in the Statement of Consolidated Operations. The implied fair value calculations were performed using a discounted cash flow model (a Level 3 measurement). See Note 3 — Restructuring — for additional disclosures.

During the three months ended Nov. 30, 2015, other intangible assets within the Agricultural Productivity segment with a net book value of $20 million were written down to their implied fair value of less than $1 million, resulting in an impairment charge of $20 million, with $20 million included in restructuring charges in the Statement of Consolidated Operations. The implied fair value calculations were performed using a discounted cash flow model (a Level 3 measurement). See Note 3 — Restructuring — for additional disclosures.

The recorded amounts of cash, trade receivables, miscellaneous receivables, third-party guarantees, accounts payable, grower production accruals, accrued marketing programs and miscellaneous short-term accruals approximate their fair values as of Nov. 30, 2016, and Aug. 31, 2016.

Management is ultimately responsible for all fair values presented in the company's consolidated financial statements. The company performs analysis and review of the information and prices received from third parties to ensure that the prices represent a reasonable estimate of fair value. This process involves quantitative and qualitative analysis. As a result of the analysis, if the company determines there is a more appropriate fair value based upon the available market data, the price received from the third party is adjusted accordingly.

NOTE 12. FINANCIAL INSTRUMENTS

Cash Flow Hedges

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

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

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

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

The maximum term over which the company is hedging exposures to the variability of cash flow (for all forecasted transactions) is 9 months for foreign currency hedges and 24 months for commodity hedges. During the next 12 months, a pretax net loss of approximately $23 million is expected to be reclassified from accumulated other comprehensive loss into earnings. A pretax loss of $37 million was reclassified into other expense, net as a result of the discontinuance of an interest rate hedge during the three months ended Nov. 30, 2016, because it was probable the original forecasted transaction would not occur by the end of the originally specified time period. A pretax loss of less than $1 million during the three months ended Nov. 30, 2015, was reclassified into cost of goods sold in the Statement of Consolidated Operations as a result of the discontinuance of commodity cash flow hedges because it was probable that the original forecasted transaction would not occur by the end of the originally specified time period.

Fair Value Hedges

The company uses commodity futures, forwards and options contracts as fair value hedges to manage the value of its soybean inventory and other assets. For derivative instruments that are designated and qualify as fair value hedges, both the gain or loss on the derivative and the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. No fair value hedges were discontinued during the three months ended Nov. 30, 2016, and Nov. 30, 2015.

Derivatives Not Designated as Hedging Instruments

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

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

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

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

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

The notional amounts of the company's derivative instruments outstanding as of Nov. 30, 2016, and Aug. 31, 2016, are as follows:

	As of	
(Dollars in millions)	**Nov. 30, 2016**	Aug. 31, 2016
Derivatives Designated as Hedges:		
Foreign exchange contracts	**$ 277**	$ 388
Commodity contracts	**617**	484
Interest rate contracts	**—**	150
Total Derivatives Designated as Hedges	**$ 894**	$ 1,022
Derivatives Not Designated as Hedges:		
Foreign exchange contracts	**$ 1,270**	$ 1,096
Commodity contracts	**173**	223
Interest rate contracts	**79**	116
Total Derivatives Not Designated as Hedges	**$ 1,522**	$ 1,435

The net presentation of the company’s derivative instruments outstanding was as follows:

	As of Nov. 30, 2016						
(Dollars in millions)	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Consolidated Financial Position	Net Amounts Included in the Statement of Consolidated Financial Position	Collateral Pledged	Net Amounts Reported in the Statement of Consolidated Financial Position	Other Items Included in the Statement of Consolidated Financial Position	Statement of Consolidated Financial Position Balance
Asset Derivatives:							
Other current assets							
Derivatives designated as hedges:							
Commodity contracts[(1)]	$ 8	$ (25)	$ (17)	$ 17	$ —		
Foreign exchange contracts	13	—	13	—	13		
Derivatives not designated as hedges:							
Commodity contracts[(1)]	5	(3)	2	—	2		
Foreign exchange contracts	8	—	8	—	8		
Total other current assets	34	(28)	6	17	23	$ 221	$ 244
Other assets							
Derivatives designated as hedges:							
Commodity contracts[(1)]	5	(2)	3	—	3		
Total other assets	5	(2)	3	—	3	485	488
Total Asset Derivatives	$ 39	$ (30)	$ 9	$ 17	$ 26		
Liability Derivatives:							
Other current assets							
Derivatives designated as hedges:							
Commodity contracts[(1)]	$ 25	$ (25)	$ —	$ —	$ —		
Derivatives not designated as hedges:							
Commodity contracts(1)	3	(3)	—	—	—		
Total other current assets	28	(28)	—	—	—		
Other Assets							
Derivatives designated as hedges:							
Commodity contracts(1)	2	(2)	—	—	—		
Total other assets	2	(2)	—	—	—		
Miscellaneous short-term accruals							
Derivatives designated as hedges:							
Commodity contracts	13	—	13	—	13		
Derivatives not designated as hedges:							
Foreign exchange contracts	30	—	30	—	30		
Total miscellaneous short-term accruals	43	—	43	—	43	$ 868	$ 911
Other liabilities							
Derivatives designated as hedges:							
Commodity contracts	1	—	1	—	1		
Total other liabilities	1	—	1	—	1	323	324
Total Liability Derivatives	$ 74	$ (30)	$ 44	$ —	$ 44		

(1) As allowed by the Derivatives and Hedging topic of the ASC, derivative assets and liabilities have been offset by collateral subject to an enforceable master netting arrangement or similar arrangement. Therefore, contracts that are in an asset or liability position are included in asset accounts within the Statements of Consolidated Financial Position.

	As of Aug. 31, 2016						
(Dollars in millions)	Gross Amounts Recognized	Gross Amounts Offset in the Statement of Consolidated Financial Position	Net Amounts Included in the Statement of Consolidated Financial Position	Collateral Pledged	Net Amounts Reported in the Statement of Consolidated Financial Position	Other Items Included in the Statement of Consolidated Financial Position	Statement of Consolidated Financial Position Balance
Asset Derivatives:							
Other current assets							
Derivatives designated as hedges:							
Commodity contracts[(1)]	$ 9	$ (29)	$ (20)	$ 20	$ —		
Foreign exchange contracts	4	—	4	—	4		
Derivatives not designated as hedges:							
Commodity contracts[(1)]	9	(6)	3	—	3		
Foreign exchange contracts	6	—	6	—	6		
Total other current assets	28	(35)	(7)	20	13	$ 214	$ 227
Other assets							
Derivatives designated as hedges							
Commodity contracts[(1)]	—	(4)	(4)	4	—		
Total other assets	—	(4)	(4)	4	—	489	489
Total Asset Derivatives	$ 28	$ (39)	$ (11)	$ 24	$ 13		
Liability Derivatives:							
Other current assets							
Derivatives designated as hedges:							
Commodity contracts[(1)]	$ 29	$ (29)	$ —	$ —	$ —		
Derivatives not designated as hedges:							
Commodity contracts[(1)]	6	(6)	—	—	—		
Total other current assets	35	(35)	—	—	—		
Other assets							
Derivatives designated as hedges:							
Commodity contracts[(1)]	4	(4)	—	—	—		
Total other assets	4	(4)	—	—	—		
Miscellaneous short-term accruals							
Derivatives designated as hedges:							
Commodity contracts	11	—	11	—	11		
Foreign currency contracts	8	—	8	—	8		
Interest rate contracts	41	—	41	—	41		
Derivatives not designated as hedges:							
Foreign exchange contracts	7	—	7	—	7		
Total miscellaneous short-term accruals	67	—	67	—	67	$ 937	$ 1,004
Other liabilities							
Derivatives designated as hedges:							
Commodity contracts	2	—	2	—	2		
Total other liabilities	2	—	2	—	2	316	318
Total Liability Derivatives	$ 108	$ (39)	$ 69	$ —	$ 69		

(1) As allowed by the Derivatives and Hedging topic of the ASC, commodity derivative assets and liabilities have been offset by collateral subject to an enforceable master netting arrangement or similar arrangement. Therefore, these commodity contracts that are in an asset or liability position are included in asset accounts within the Statements of Consolidated Financial Position.

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

	Amount of Gain (Loss) Recognized in AOCL[1] (Effective Portion)		Amount of Gain (Loss) Recognized in Income[2][3]		
	Three Months Ended		Three Months Ended		Statements of Consolidated Operations Classification
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015	**Nov. 30, 2016**	Nov. 30, 2015	
Derivatives Designated as Hedges:					
Fair value hedges:					
Commodity contracts			**$ (13)**	$ —	Cost of goods sold
Cash flow hedges:					
Foreign currency contracts	**$ 17**	$ 2	**7**	4	Net sales
Foreign currency contracts	**6**	10	**1**	7	Cost of goods sold
Commodity contracts	**19**	(9)	**(3)**	(17)	Cost of goods sold
Interest rate contracts	**—**	—	**(37)**	—	Other expense, net
Interest rate contracts	**4**	(7)	**(4)**	(3)	Interest expense
Total Derivatives Designated as Hedges	**46**	(4)	**(49)**	(9)	
Derivatives Not Designated as Hedges:					
Foreign currency contracts[4]			**(45)**	(55)	Other expense, net
Commodity contracts			**—**	1	Net sales
Commodity contracts			**(1)**	—	Cost of goods sold
Total Derivatives Not Designated as Hedges			**(46)**	(54)	
Total Derivatives	**$ 46**	$ (4)	**$ (95)**	$ (63)	

(1) Accumulated other comprehensive loss (AOCL).

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

(3) The gain or loss on derivatives designated as hedges from ineffectiveness is not significant during the three months ended Nov. 30, 2016, and Nov. 30, 2015. No gains or losses were excluded from the assessment of hedge effectiveness during the three months ended Nov. 30, 2016, and Nov. 30, 2015.

(4) Gain or loss on foreign currency contracts not designated as hedges was offset by a foreign currency transaction gain of $39 million and $28 million during the three months ended Nov. 30, 2016, and Nov. 30, 2015, respectively.

Most of the company's outstanding foreign currency derivatives are covered by International Swap and Derivatives Association ("ISDA") Master Agreements with the counterparties. There are no requirements to post collateral under these agreements; however, should Monsanto's credit rating fall below a specified rating immediately following the merger of the company with another entity, the counterparty may require all outstanding derivatives under the ISDA Master Agreement to be settled immediately at current market value, which equals carrying value. Foreign currency derivatives that are not covered by ISDA Master Agreements do not have credit-risk-related contingent provisions. Most of Monsanto's outstanding commodity derivatives are listed commodity futures, and the company is required by the relevant commodity exchange to post collateral each day to cover the change in the fair value of these futures in the case of an unrealized loss position. Non-exchange-traded commodity derivatives and interest rate contracts may be covered by the aforementioned ISDA Master Agreements and would be subject to the same credit-risk-related contingent provisions. The aggregate fair value of all derivative instruments under ISDA Master Agreements that are in a liability position was $25 million and $63 million as of Nov. 30, 2016, and Aug. 31, 2016, respectively, which is the amount that would be required for settlement if the credit-risk-related contingent provisions underlying these agreements were triggered.

Credit Risk Management

Monsanto invests excess cash in deposits with major banks or money market funds throughout the world in high-quality short-term debt instruments. Such investments are made only in instruments issued or enhanced by high-quality institutions. As of Nov. 30, 2016, and Aug. 31, 2016, the company had no financial instruments that represented a significant concentration of credit risk. Limited amounts are invested in any single institution to minimize risk. The company has not incurred any credit risk losses related to those investments.

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

Monsanto regularly evaluates its business practices to minimize its credit risk and periodically engages multiple banks in the United States, Latin America and Europe in the development of customer financing options that involve direct bank financing of customer purchases. For further information on these programs, see Note 4 — Customer Financing Programs.

NOTE 13. POSTRETIREMENT BENEFITS — PENSIONS, HEALTH CARE AND OTHER

Monsanto maintains noncontributory pension plans for the benefit of its U.S. employees. Effective Jul. 8, 2012, the U.S. pension plans were closed to new entrants; there were no significant changes to these plans for eligible employees hired prior to that date. The company also provides certain postretirement health care and life insurance benefits for eligible retired employees and certain pension plan benefits outside the U.S. The company's net periodic benefit cost for pension benefits and health care and other postretirement benefits include the following components:

Pension Benefits	**Three Months Ended Nov. 30, 2016**			Three Months Ended Nov. 30, 2015		
(Dollars in millions)	**U.S.**	**Outside the U.S.**	**Total**	U.S.	Outside the U.S.	Total
Service Cost for Benefits Earned During the Period	**$ 15**	**$ 3**	**$ 18**	$ 16	$ 3	$ 19
Interest Cost on Benefit Obligation	**21**	**2**	**23**	24	2	26
Assumed Return on Plan Assets	**(42)**	**(2)**	**(44)**	(39)	(2)	(41)
Amortization of Unrecognized Net Loss	**12**	**1**	**13**	12	1	13
Total Net Periodic Benefit Cost	**$ 6**	**$ 4**	**$ 10**	$ 13	$ 4	$ 17

Health Care and Other Postretirement Benefits	Three Months Ended	
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015
Service Cost for Benefits Earned During the Period	**$ 1**	$ 2
Interest Cost on Benefit Obligation	**1**	1
Amortization of Unrecognized Net Loss/(Gain)	**1**	(1)
Total Net Periodic Benefit Cost	**$ 3**	$ 2

NOTE 14. STOCK-BASED COMPENSATION PLANS

The following table shows total stock-based compensation expense included in the Statements of Consolidated Operations for the three months ended Nov. 30, 2016, and Nov. 30, 2015, respectively.

	Three Months Ended	
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015
Cost of Goods Sold	**$ 3**	$ 4
Selling, General and Administrative Expenses	**26**	25
Research and Development Expenses	**6**	8
Restructuring Charges	**1**	—
Pre-Tax Stock-Based Compensation Expense	**36**	37
Income Tax Benefit	**(13)**	(12)
Net Stock-Based Compensation Expense	**$ 23**	$ 25

NOTE 15. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the after-tax components of accumulated other comprehensive loss and changes thereto:

(Dollars in millions)	Foreign Currency Translation Adjustments	Net Unrealized Gain (Loss) on Available-for-Sale Securities	Cash Flow Hedges	Postretirement Benefit Items	Total Accumulated Other Comprehensive (Loss) Income
Balance as of Aug. 31, 2015	$ (2,327)	$ 2	$ (190)	$ (286)	$ (2,801)
Other comprehensive income (loss) before reclassifications	35	(2)	(42)	(83)	(92)
Amounts reclassified from accumulated other comprehensive loss	—	1	55	29	85
Net current-period other comprehensive income (loss)	35	(1)	13	(54)	(7)
Balance as of Aug. 31, 2016	$ (2,292)	$ 1	$ (177)	$ (340)	$ (2,808)
Other comprehensive (loss) income before reclassifications	**(268)**	**(1)**	**31**	**—**	**(238)**
Amounts reclassified from accumulated other comprehensive loss	**—**	**—**	**21**	**10**	**31**
Net current-period other comprehensive (loss) income	**(268)**	**(1)**	**52**	**10**	**(207)**
Balance as of Nov. 30, 2016	**$ (2,560)**	**$ —**	**$ (125)**	**$ (330)**	**$ (3,015)**

The following table provides additional information regarding items reclassified out of accumulated other comprehensive loss into earnings.

	Three Months Ended		
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015	Affected Line Item in the Statements of Consolidated Operations
Cash Flow Hedges:			
Foreign Exchange Contracts	**$ (7)**	$ (4)	Net sales
Foreign Exchange Contracts	**(1)**	(7)	Cost of goods sold
Commodity Contracts	**3**	17	Cost of goods sold
Interest Rate Contracts	**37**	—	Other expense, net
Interest Rate Contracts	**4**	3	Interest expense
	36	9	Total before income taxes
	(15)	(5)	Income tax provision (benefit)
	$ 21	$ 4	Net of tax
Postretirement Benefit Items:			
Amortization of Unrecognized Net Loss	**$ 6**	$ 4	Inventory/Cost of goods sold(1)
Amortization of Unrecognized Net Loss	**10**	8	Selling, general and administrative expenses
	16	12	Total before income taxes
	(6)	(4)	Income tax provision (benefit)
	$ 10	$ 8	Net of tax
Total Reclassifications For The Period	**$ 31**	$ 12	Net of tax

(1) The amortization of unrecognized net loss is recorded to net periodic benefit cost, which is allocated to selling, general and administrative expenses and to inventory, which is recognized through cost of goods sold. The company recorded $6 million and $4 million of net periodic benefit cost to inventory, of which approximately $2 million and $1 million was recognized in cost of goods sold during the three months ended Nov. 30, 2016, and Nov. 30, 2015, respectively. See Note 13 — Postretirement Benefits - Pensions, Health Care and Other — for additional information.

NOTE 16. EARNINGS PER SHARE

Basic earnings per share ("EPS") was computed using the weighted-average number of common shares outstanding during the periods shown in the table below. The diluted EPS computation takes into account the effect of dilutive potential common shares when in a net income position. Potential common shares consist primarily of stock options, restricted stock, restricted stock units and directors' deferred shares calculated using the treasury stock method and are excluded if their effect is antidilutive. Of those antidilutive options, certain options were excluded from the computations of dilutive potential common shares as their exercise prices were greater than the average market price of the common shares for the period.

	Three Months Ended	
(Shares in millions)	**Nov. 30, 2016**	Nov. 30, 2015
Weighted-Average Number of Common Shares	**438.1**	454.1
Dilutive Potential Common Shares	**3.6**	3.2
Antidilutive Potential Common Shares	**4.0**	4.4
Shares Excluded From Computation of Dilutive Potential Shares with Exercise Prices Greater than the Average Market Price of Common Shares for the Period	**3.2**	3.2

NOTE 17. SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments for interest and taxes were as follows:

	Three Months Ended	
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015
Interest	**$ 95**	$ 71
Taxes	**70**	211

During the three months ended Nov. 30, 2016, and Nov. 30, 2015, the company recorded the following noncash transactions:

- During the three months ended Nov. 30, 2016, and Nov. 30, 2015, the company recognized noncash transactions related to restructuring. See Note 3 — Restructuring.
- As of Nov. 30, 2016, and Nov. 30, 2015, the company recognized noncash capital expenditures of $102 million and $73 million, respectively, in accounts payable in the Statements of Consolidated Financial Position.
- During the three months ended Nov. 30, 2016, and Nov. 30, 2015, the company recognized noncash transactions related to stock-based compensation. See Note 14 — Stock-Based Compensation Plans.

NOTE 18. COMMITMENTS AND CONTINGENCIES

Environmental and Litigation Liabilities: Monsanto is involved in environmental remediation and legal proceedings to which Monsanto is party in its own name and proceedings to which its former parent, Pharmacia LLC ("Pharmacia"), or its former subsidiary, Solutia, Inc. ("Solutia"), is a party but that Monsanto manages and for which Monsanto is responsible pursuant to certain indemnification agreements. In addition, Monsanto has liabilities established for various product claims. With respect to certain of these proceedings, Monsanto has a liability recorded of $295 million and $545 million as of Nov. 30, 2016, and Aug. 31, 2016, respectively, for the estimated contingent liabilities. Information regarding the environmental liabilities appears in Monsanto's Report on Form 10-K for the fiscal year ended Aug. 31, 2016.

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

As described in Monsanto's Report on Form 10-K for the fiscal year ended Aug. 31, 2016, the company is defending legal claims made by plaintiffs allegedly injured by PCBs manufactured by Pharmacia's chemical business over four decades ago and incorporated into products made, used and sometimes disposed of by others. The company was named in approximately 30 personal injury lawsuits filed over several years on behalf of approximately 750 persons in state courts in St. Louis, Missouri and Los Angeles, California. The suits primarily claim that plaintiffs' various forms of non-Hodgkin lymphoma have been caused by exposure to trace levels of PCBs. The company believes it has meritorious legal and factual defenses to these cases and is vigorously defending them. The company is defending these PCB-related claims under indemnity agreements resulting from its 2000 spin-off from Pharmacia and subsequent agreements under Solutia's February 2008 plan of reorganization. In September 2016, the parties reached an agreement that would potentially settle all of these personal injury lawsuits including those with verdicts on appeal. Under the agreement all litigation is to be stayed pending dismissal upon completion of settlement. The company will be required to pay up to $280 million into a settlement fund, with the settlement and the final payment amount contingent upon the level of claimant participation. The company accrued the settlement as it is deemed probable the level of claimant participation will be met, and the amount of the settlement could be reasonably estimated. As of Aug. 31, 2016, $280 million was recorded in the Statement of Consolidated Financial Position within miscellaneous short-term accruals; the related expense was included in selling, general and administrative expenses in the Statement of Consolidated Operations. In November 2016, the first claimant participation level was met, and the company paid $250 million into the settlement fund. In December 2016, the second threshold was met necessitating a payment of $25 million subsequent to quarter end. The company also has been named in lawsuits brought by various governmental entities claiming that Monsanto, Pharmacia and Solutia, collectively as a manufacturer of PCBs, should be responsible for a variety of damages due to PCBs in bodies of water, regardless of how PCBs came to be located there. The company believes that these novel claims are without merit and is vigorously defending the cases on legal and factual grounds.

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

Legal actions have been filed in Brazil that raise various issues challenging the right to collect certain royalties for *Roundup Ready* soybeans, such as whether Brazilian pipeline patents have the duration of their corresponding U.S. patents (2014 for *Roundup Ready* soybeans) and whether Brazil's Plant Variety Protection law affects the enforceability of patents. These issues are currently under judicial review in Brazil. Monsanto believes it has meritorious legal arguments and will continue to represent its interests vigorously in these proceedings. The current estimate of the company's reasonably possible loss contingency is not material to consolidated results of operations, financial position, cash flows or liquidity.

Guarantees: Disclosures regarding the guarantees Monsanto provides for certain customer loans in the United States, Latin America and Europe can be found in Note 4 — Customer Financing Programs — of this Form 10-Q. Except as described in that note, there have been no significant changes to guarantees made by Monsanto since Aug. 31, 2016. Disclosures regarding these guarantees made by Monsanto can be found in Note 24 — Commitments and Contingencies — of the notes to the consolidated financial statements contained in Monsanto's Report on Form 10-K for the fiscal year ended Aug. 31, 2016.

Off-Balance Sheet Arrangement: Monsanto is in the process of making a significant expansion of its Chesterfield, Missouri facility. In December 2013, Monsanto executed the first of a series of incentive agreements with the County of St. Louis, Missouri. Under these agreements Monsanto has transferred the Chesterfield, Missouri facility to St. Louis County and received Industrial Revenue Bonds in the amount of up to $470 million, which enables the company to reduce the cost of constructing and operating the expansion by reducing certain state and local tax expenditures. Monsanto immediately leased the facility from the County of St. Louis and has an option to purchase the facility upon tendering the Industrial Revenue Bonds received to the County. The payments due to the company in relation to the Industrial Revenue Bonds and owed by the company in relation to the lease of the facility qualify for the right of offset under ASC 210, *Balance Sheet*, in the Statements of Consolidated Financial Position. As such, neither the Industrial Revenue Bonds nor the lease obligation are recorded in the Statements of Consolidated Financial Position as an asset or liability, respectively. The Chesterfield facility and the expansion are being treated as being owned by Monsanto.

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NOTE 19. SEGMENT INFORMATION

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

The Seeds and Genomics segment consists of the global seeds and related traits businesses, biotechnology platforms and digital agriculture. Within the Seeds and Genomics segment, Monsanto's significant operating segments are corn seed and traits, soybean seed and traits, cotton seed and traits, vegetable seeds and all other crops seeds and traits. The Agricultural Productivity reportable segment consists of the Agricultural Productivity operating segment. EBIT is defined as earnings (loss) before interest and taxes and is an operating performance measure for the two reportable segments. EBIT is useful to management in demonstrating the operational profitability of the segments by excluding interest and taxes, which are generally accounted for across the entire company on a consolidated basis. Sales between segments were not significant. Certain selling, general and administrative expenses ("SG&A") are allocated between segments based on the segment's relative contribution to total Monsanto operations. Allocation percentages remain consistent for fiscal years 2016 and 2017.

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

	Three Months Ended	
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015
Net Sales[1]		
Corn seed and traits	**$ 949**	$ 745
Soybean seed and traits	**600**	438
Cotton seed and traits	**116**	48
Vegetable seeds	**131**	138
All other crops seeds and traits	**52**	30
Total Seeds and Genomics	**$ 1,848**	$ 1,399
Agricultural productivity	**802**	820
Total Agricultural Productivity	**$ 802**	$ 820
Total	**$ 2,650**	$ 2,219
Gross Profit		
Corn seed and traits	**$ 535**	$ 366
Soybean seed and traits	**451**	302
Cotton seed and traits	**73**	25
Vegetable seeds	**69**	40
All other crops seeds and traits	**12**	(5)
Total Seeds and Genomics	**$ 1,140**	$ 728
Agricultural productivity	**119**	173
Total Agricultural Productivity	**$ 119**	$ 173
Total	**$ 1,259**	$ 901
EBIT[(2)(3)]		
Seeds and Genomics	**$ 199**	$ (333)
Agricultural Productivity	**13**	59
Total	**$ 212**	$ (274)

	Three Months Ended	
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015
Depreciation and Amortization Expense		
Seeds and Genomics	**$ 143**	$ 149
Agricultural Productivity	**46**	32
Total	**$ 189**	$ 181

(1) Represents net sales from continuing operations.

(2) EBIT is defined as earnings (loss) before interest and taxes; see the following table for reconciliation. Earnings (loss) is intended to mean net income (loss) attributable to Monsanto Company as presented in the Statements of Consolidated Operations under U.S. GAAP. EBIT is an operating performance measure for the two reportable segments.

(3) Agricultural Productivity EBIT includes income from operations of discontinued businesses of $16 million and $20 million for the three months ended Nov. 30, 2016, and Nov. 30, 2015, respectively.

A reconciliation of EBIT to net income (loss) for each period is as follows:

	Three Months Ended	
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015
EBIT(1)	**$ 212**	$ (274)
Interest Expense — Net	**118**	109
Income Tax Provision (Benefit)(2)	**65**	(130)
Net Income (Loss) Attributable to Monsanto Company	**$ 29**	$ (253)

(1) Includes the income from operations of discontinued businesses and the income (loss) from operations of noncontrolling interests.

(2) Includes the income tax provision on discontinued operations and the income tax expense (benefit) of noncontrolling interest.

NOTE 20. SUBSEQUENT EVENTS

On Dec. 5, 2016, the Board of Directors declared a quarterly dividend on its common shares of 54 cents per share. The dividend is payable on Jan. 27, 2017, to shareowners of record on Jan. 6, 2017.

On Dec. 13, 2016, the company signed a definitive agreement to sell its silthiofam chemical business for approximately $140 million in cash, subject to customary working capital adjustments. Of the $140 million, approximately $85 million, less the carrying amount of assets and liabilities sold, will be recognized upon closing. The remaining amount is contingent on silthiofam re-registration within the European Union. Closing is subject to customary conditions and is expected to occur in the second quarter of fiscal year 2017.

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

OVERVIEW

Background

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

We manage our business in two reporting segments: Seeds and Genomics and Agricultural Productivity. Through our Seeds and Genomics segment, we produce leading seed brands, including *DEKALB*, *Asgrow*, *Deltapine*, *Seminis* and *De Ruiter,* and we develop biotechnology traits that assist farmers in controlling insects and weeds and digital agriculture products to assist farmers in decision making. We also provide other seed companies with genetic material and biotechnology traits for their seed brands. Through our Agricultural Productivity segment, we manufacture *Roundup* and *Harness* brand herbicides and other herbicides.

Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with Monsanto's consolidated financial statements and the accompanying notes. This Report on Form 10-Q should also be read in conjunction with Monsanto's Report on Form 10-K for the fiscal year ended Aug. 31, 2016. Financial information for the first three months of fiscal year 2017 should not be annualized because of the seasonality of our business. The notes to the consolidated financial statements referred to throughout this MD&A are included in Part I — Item 1 — Financial Statements — of this Report on Form 10-Q. Unless otherwise indicated, "Monsanto," the "company," "we," "our" and "us" are used interchangeably to refer to Monsanto Company or to Monsanto Company and its consolidated subsidiaries, as appropriate to the context. Unless otherwise indicated, "earnings per share" and "per share" mean diluted earnings per share. Unless otherwise indicated, trademarks owned or licensed by Monsanto or its subsidiaries are shown in special type. Unless otherwise noted, all amounts and analyses are based on continuing operations. Unless otherwise indicated, references to "*Roundup* herbicides" mean *Roundup* branded herbicides, excluding all lawn-and-garden herbicides and other glyphosate-based herbicides, and references to "*Roundup* and other glyphosate-based herbicides" exclude all lawn-and-garden herbicides.

Non-GAAP Financial Measures

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

EBIT is defined as earnings (loss) before interest and taxes. Earnings (loss) is intended to mean net income (loss) attributable to Monsanto Company as presented in the Statements of Consolidated Operations under GAAP. EBIT is an operating performance measure for our two business segments. We believe that EBIT is useful to investors and management to demonstrate the operational profitability of our segments by excluding interest and taxes, which are generally accounted for across the entire company on a consolidated basis. EBIT is also one of the measures used by Monsanto management to determine resource allocations within the company. See Item 1 — Financial Statements — Note 19 — Segment Information — for a reconciliation of EBIT to net income (loss) attributable to Monsanto Company for the three months ended Nov. 30, 2016, and Nov. 30, 2015.

We also provide information regarding free cash flow, an important liquidity measure for Monsanto. We define free cash flow as the total of net cash provided or required by operating activities and net cash provided or required by investing activities. Free cash flow does not represent the residual cash flow available for discretionary expenditures. We believe that free cash flow is useful to investors and management as a measure of the ability of our business to generate cash. Once business needs and obligations are met, this cash can be used to reinvest in the company for future growth or to return to our shareowners through dividend payments or share repurchases. Free cash flow is also used as one of the performance measures in determining incentive compensation. See the "Financial Condition, Liquidity and Capital Resources — Cash Flow" section of MD&A for a reconciliation of free cash flow to net cash provided by operating activities and net cash required by investing activities on the Statements of Consolidated Cash Flows.

Executive Summary

Consolidated Operating Results — Net sales increased $431 million, or 19 percent, in the three-month comparison. The primary contributors to the increase were increases in corn seed and traits, soybean seed and traits and cotton seed and traits, offset by a decrease in agricultural productivity. The increase in corn seed and traits was primarily driven by volume due to increased acres and higher average net selling prices in South America. The increase in soybean seed and traits was primarily driven by increased *Intacta RR2 PRO* penetration in South America and favorable currency impacts. The increase in cotton seed and traits was primarily driven by higher volumes in Australia resulting from increased planted acres. The decrease in agricultural productivity reflects the lower average net selling price of Roundup and other glyphosate-based herbicides, partially offset by increased volumes.

For a detailed discussion of the factors affecting net sales, cost of goods sold and gross profit, see the "Seeds and Genomics Segment" and "Agricultural Productivity Segment" sections in this MD&A.

Net income (loss) attributable to Monsanto Company was $0.07 per share in the first quarter of 2017, compared to $(0.56) per share in the first quarter of 2016.

Financial Condition, Liquidity and Capital Resources — At Nov. 30, 2016, working capital was $2,152 million compared with $1,966 million at Nov. 30, 2015, an increase of $186 million, and compared with $1,428 million at Aug. 31, 2016, an increase of $724 million. For a detailed discussion of the factors affecting the working capital comparison, see the "Working Capital and Financial Condition" section of the "Financial Condition, Liquidity and Capital Resources" section in this MD&A.

In the first three months of fiscal 2017, net cash provided by operating activities was $1,463 million compared with $1,363 million provided in the first three months of fiscal 2016. Net cash required by investing activities was $327 million in the first three months of fiscal 2017 compared with $336 million in the first three months of fiscal 2016. Free cash flow was an inflow of $1,136 million in the first three months of fiscal 2017 compared with an inflow of $1,027 million in the first three months of fiscal 2016. For a detailed discussion of the factors affecting the free cash flow comparison, see the "Cash Flow" section of the "Financial Condition, Liquidity and Capital Resources" section in this MD&A.

At Nov. 30, 2016, our debt-to-capital ratio was 66 percent compared with 67 percent at Aug. 31, 2016. The one percentage point decrease from Aug. 31, 2016, was primarily due to a decrease in short-term debt due to no commercial paper outstanding at Nov. 30, 2016, compared to Aug. 31, 2016.

For a detailed discussion see the "Capital Resources and Liquidity" section of the "Financial Condition, Liquidity and Capital Resources" section in this MD&A.

Pending Merger with Bayer — On Sept. 14, 2016, we entered into an agreement and plan of merger (the "Merger Agreement") with Bayer Aktiengesellschaft, a German stock corporation ("Bayer"), and KWA Investment Co., a Delaware corporation and an indirect wholly owned subsidiary of Bayer ("Merger Sub"). The Merger Agreement provides, among other things and subject to the terms and conditions set forth therein, that Merger Sub will be merged with and into the company (the "Merger"), with the company continuing as the surviving corporation and as a wholly owned subsidiary of Bayer. The Merger Agreement provides that each share of common stock of the company, par value $0.01 per share (other than certain shares specified in the Merger Agreement), outstanding immediately prior to the effective time of the Merger (the "Effective Time") will be automatically converted into the right to receive $128.00 in cash, without interest. The obligation of the parties to complete the Merger is subject to customary closing conditions, including, among others, (i) the approval of the adoption of the Merger Agreement by the holders of a majority of the outstanding shares of common stock of the company entitled to vote, which was obtained at a special meeting of the company's shareowners held on December 13, 2016, (ii) the expiration or earlier termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) the adoption of all approvals necessary for the completion of the Merger by the European Commission under Council Regulation (EC) No. 139/2004, (iv) the receipt of certain other required foreign antitrust approvals, (v) completion of the review process by the Committee on Foreign Investment in the United States ("CFIUS"), (vi) no approvals related to CFIUS or antitrust laws having been made or obtained with the imposition of conditions that, together with Divestiture Actions (as defined in the Merger Agreement) undertaken, would reasonably be expected to have a Substantial Detriment (as defined in the Merger Agreement), (vii) no law, order or injunction that is in effect that enjoins or otherwise prohibits the completion of the Merger having been enacted, issued, promulgated, enforced or entered into after Sept. 14, 2016, by a court or other governmental entity of competent jurisdiction, (viii) the accuracy of the representations and warranties contained in the Merger Agreement (subject to certain qualifications) and (ix) the performance by the parties of their respective obligations under the

Merger Agreement in all material respects. Additional information about the Merger Agreement is set forth in our Current Report on Form 8-K filed with the SEC on Sept. 20, 2016.

Outlook — We plan to continue to innovate and improve our products in order to maintain market leadership and to support near-term performance. We are focused on applying innovation and technology to make our farmer customers more productive and profitable by protecting and improving yields and improving the ways they can produce food, fiber, feed and fuel. We use the tools of modern biology and technology in an effort to make seeds easier to grow, to allow farmers to do more with fewer resources and to help produce healthier foods for consumers. Our current R&D strategy and commercial priorities are focused on bringing our farmer customers integrated yield solutions through our innovative platforms in plant breeding, biotechnology, chemistry, biologicals and data science. Our capabilities in biotechnology and breeding research are generating a rich product pipeline that is expected to drive long-term growth. The viability of our product pipeline depends in part on the speed of regulatory approvals globally, continued patent and legal rights to offer our products, general public acceptance of the products and the value they will deliver to the market.

Roundup herbicides remain the largest crop protection brand globally. Monsanto's crop protection business focus is to support strategically Monsanto's *Roundup Ready* crops through our weed management platform that delivers weed control offerings for farmers. We are focused on managing the costs associated with our agricultural chemistry business as that sector matures globally.

See the "Outlook" section of MD&A for a more detailed discussion of some of the opportunities and risks we have identified for our business. For additional information related to the outlook for Monsanto, see "Caution Regarding Forward-Looking Statements" at the beginning of this Report on Form 10-Q, Part II — Item 1A — Risk Factors below and Part I — Item 1A — Risk Factors of our Report on Form 10-K for the fiscal year ended Aug. 31, 2016.

New Accounting Pronouncements — See Item 1 — Financial Statements — Note 2 — New Accounting Standards — for a description of recently issued and adopted accounting pronouncements, including the dates of adoption and impacts on our results of operations, financial position and cash flows, as applicable.

RESULTS OF OPERATIONS

	Three Months Ended		
(Dollars in millions, except per share amounts)	**Nov. 30, 2016**	Nov. 30, 2015	Increase/ (Decrease)
Net Sales	**$ 2,650**	$ 2,219	19 %
Cost of goods sold	**1,391**	1,318	6 %
Gross Profit	**1,259**	901	40 %
Operating Expenses:			
Selling, general and administrative expenses	**585**	543	8 %
Research and development expenses	**370**	364	2 %
Restructuring charges	**(36)**	266	(114)%
Pending Bayer transaction related costs	**93**	—	NM
Total Operating Expenses	**1,012**	1,173	(14)%
Income (Loss) from Operations	**247**	(272)	(191)%
Interest expense	**136**	129	5 %
Interest income	**(18)**	(20)	(10)%
Other expense, net	**43**	25	72 %
Income (Loss) from Continuing Operations Before Income Taxes	**86**	(406)	(121)%
Income tax provision (benefit)	**61**	(137)	(145)%
Income (Loss) from Continuing Operations Including Portion Attributable to Noncontrolling Interest	**25**	(269)	(109)%
Discontinued Operations:			
Income from operations of discontinued business	**16**	20	(20)%
Income tax provision	**6**	8	(25)%
Income from Discontinued Operations	**10**	12	(17)%
Net Income (Loss)	**$ 35**	$ (257)	(114)%
Less: Net income (loss) attributable to noncontrolling interest	**6**	(4)	(250)%
Net Income (Loss) Attributable to Monsanto Company	**$ 29**	$ (253)	(111)%
Diluted Earnings per Share Attributable to Monsanto Company:			
Income (loss) from continuing operations	**$ 0.05**	$ (0.58)	(109)%
Income from discontinued operations	**0.02**	0.02	— %
Net Income (Loss) Attributable to Monsanto Company	**$ 0.07**	$ (0.56)	(113)%

NM = Not Meaningful

Effective Tax Rate	**71%**	34 %
Comparison as a Percent of Net Sales:		
Cost of goods sold	**52%**	59 %
Gross profit	**48%**	41 %
Selling, general and administrative expenses	**22%**	24 %
Research and development expenses	**14%**	16 %
Total operating expenses	**38%**	53 %
Income (loss) from continuing operations before income taxes	**3%**	(18)%
Net income (loss) attributable to Monsanto Company	**1%**	(11)%

First Quarter Fiscal Year 2017

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

Net sales increased $431 million, or 19 percent, in the first quarter of fiscal 2017 from the same quarter a year ago. Our Seeds and Genomics segment net sales increased $449 million, and our Agricultural Productivity segment net sales decreased $18 million in the three-month comparison.

The following table presents the percentage increase/(decrease) in first quarter of fiscal 2017 worldwide net sales by segment compared with net sales in the prior year quarter, including the effects of volume, price and currency:

	First Quarter 2017 Percentage Change in Net Sales vs. First Quarter 2016			
	Volume	Price	Currency	Total
Seeds and Genomics Segment	11%	15%	6%	32%
Agricultural Productivity Segment	9%	(14)%	3%	(2)%
Total Monsanto Company	10%	4%	5%	19%

Cost of goods sold for the total company increased $73 million, or six percent, in the three-month comparison. Cost of goods sold as a percent of net sales for the total company decreased seven percentage points to 52 percent. Our Seeds and Genomics segment cost of goods sold as a percent of net sales decreased ten percentage points to 38 percent, and our Agricultural Productivity segment cost of goods sold as a percent of net sales increased six percentage points to 85 percent.

The following table represents the percentage increase/(decrease) in first quarter of 2017 worldwide cost of goods sold by segment compared with cost of goods sold in the prior year quarter, including the effects of volume, costs and currency:

	First Quarter 2017 Percentage Change in Cost of Goods Sold vs. First Quarter 2016			
	Volume	Costs[1]	Currency	Total
Seeds and Genomics Segment	8%	(6)%	4%	6%
Agricultural Productivity Segment	7%	(5)%	4%	6%
Total Monsanto Company	8%	(6)%	4%	6%

[1] Seeds and Genomics segment includes $1 million and $52 million of restructuring charges related to discontinued products during the first quarter of fiscal 2017 and 2016, respectively. See Item 1 — Financial Statements — Note 3 — Restructuring — for further information.

Gross profit increased $358 million in the three-month comparison. Gross profit as a percent of net sales for the total company increased seven percentage points to 48 percent in the first quarter of fiscal 2017. Our Seeds and Genomics segment gross profit as a percent of net sales increased ten percentage points to 62 percent, and our Agricultural Productivity segment gross profit as a percent of net sales decreased six percentage points to 15 percent.

For a detailed discussion of the factors affecting net sales, cost of goods sold and gross profit comparison, see the “Seeds and Genomics Segment” and the “Agricultural Productivity Segment” sections.

Operating expenses decreased $161 million in the first quarter of fiscal 2017 compared to the prior year comparable quarter. The decrease in operating expenses is due to a decrease in restructuring charges year over year partially offset by pending Bayer related transaction costs and increased SG&A expenses.

Restructuring charges decreased $302 million to $(36) million in the first quarter of fiscal 2017 compared to $266 million in the first quarter of fiscal 2016. The three months ended Nov. 30, 2016 includes the reversal of $45 million of previously recognized expense due to changes in estimates related to work force reductions. See discussion of the 2015 Restructuring Plan in Item 1 — Financial Statements — Note 3 — Restructuring.

In the first quarter of fiscal 2017, pending Bayer related transaction costs were $93 million.

In the first quarter of fiscal 2017, SG&A expenses increased $42 million, primarily due to currency impact and higher commission expenses in South America due to strong first quarter results. R&D expenses remained fairly consistent year over year.

As a percent of net sales, SG&A expenses decreased two percentage points to 22 percent and R&D expenses decreased two percentage points to 14 percent for the first quarter of fiscal 2017 compared to the prior year quarter.

Other expense — net was $43 million in the first quarter of fiscal 2017, an $18 million change from expense of $25 million in the first quarter of fiscal 2016. The increase was primarily due to a loss of $37 million that was reclassified into earnings as a result of the discontinuance of an interest rate hedge.

Income tax provision (benefit) was $61 million in the first quarter of fiscal 2017, an increase of $198 million from the prior year quarter, primarily as a result of higher pre-tax income and higher tax in Argentina as a result of a valuation allowance. The effective tax rate increased to 71 percent from 34 percent in the first quarter of fiscal 2016, primarily due to the valuation allowance in Argentina.

SEEDS AND GENOMICS SEGMENT

	Three Months Ended		
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015	Increase/ (Decrease)
Net Sales			
Corn seed and traits	**$ 949**	$ 745	27 %
Soybean seed and traits	**600**	438	37 %
Cotton seed and traits	**116**	48	142 %
Vegetable seeds	**131**	138	(5)%
All other crops seeds and traits	**52**	30	73 %
Total Net Sales	**$ 1,848**	$ 1,399	32 %
Gross Profit			
Corn seed and traits	**$ 535**	$ 366	46 %
Soybean seed and traits	**451**	302	49 %
Cotton seed and traits	**73**	25	192 %
Vegetable seeds	**69**	40	73 %
All other crops seeds and traits	**12**	(5)	340 %
Total Gross Profit	**$ 1,140**	$ 728	57 %
EBIT[(1)]	**$ 199**	$ (333)	160 %

(1) EBIT is defined as earnings (loss) before interest and taxes. Interest and taxes are recorded on a total company basis. We do not record these items at the segment level. See Item 1 — Financial Statements —Note 19 — Segment Information and the "Overview — Non-GAAP Financial Measures" section of MD&A for further details.

Seeds and Genomics Financial Performance — First Quarter Fiscal Year 2017

Net Sales for the Seeds and Genomics segment increased $449 million in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. The net sales increase of $204 million in corn seed and traits was primarily driven by higher volumes in Argentina and Brazil resulting from increased acres, higher average net selling prices in Brazil and Argentina and favorable currency impacts in Brazil. The net sales increase of $162 million in soybean seed and traits was primarily driven by increased *Intacta RR2 PRO* penetration in Brazil and Argentina and favorable currency impacts in Brazil. The net sales increase of $68 million in cotton seed and traits was primarily driven by higher volumes in Australia resulting from increased planted area.

Cost of goods sold in the Seeds and Genomics segment primarily represents field growing, plant processing and distribution costs. Cost of goods sold increased $37 million, or six percent, to $708 million in the first quarter of fiscal 2017 compared to $671 million in the first quarter of fiscal 2016. The increase was primarily the result of higher sales volumes in corn seed and traits as noted in the net sales discussion.

Gross profit for the Seeds and Genomics segment increased $412 million in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. The increase in gross profit was primarily due to increased volume in corn seed and traits and cotton seed and traits coupled with higher average net selling prices in corn seed and traits and increased *Intacta RR2 PRO* penetration in soybean seed and traits as noted in the net sales discussion. In addition, favorable currency impacts in Brazil also increased gross profit compared to the first quarter of fiscal 2016.

Gross profit as a percent of net sales for the segment increased 10 percentage points to 62 percent in the first quarter of fiscal 2017 compared to 52 percent in the first quarter of fiscal 2016 primarily attributable to *Intacta RR2 PRO* penetration in soybean seed and traits and higher average net selling prices in corn seed and traits.

AGRICULTURAL PRODUCTIVITY SEGMENT

	Three Months Ended		
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015	Increase/ (Decrease)
Net Sales			
Agricultural productivity	**$ 802**	$ 820	(2)%
Total Net Sales	**$ 802**	$ 820	(2)%
Gross Profit			
Agricultural productivity	**$ 119**	$ 173	(31)%
Total Gross Profit	**$ 119**	$ 173	(31)%
EBIT[(1)]	**$ 13**	$ 59	(78)%

(1) EBIT is defined as earnings (loss) before interest and taxes. Interest and taxes are recorded on a total company basis. We do not record these items at the segment level. See Item 1 — Financial Statements — Note 19 — Segment Information — and the "Overview — Non-GAAP Financial Measures" section of MD&A for further details.

Agricultural Productivity Financial Performance — First Quarter Fiscal Year 2017

Net sales in our Agricultural Productivity segment slightly decreased by $18 million in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016 primarily due to the lower average net selling price of *Roundup* and other glyphosate-based herbicides globally resulting from the decline in acid prices. The decrease in net sales due to price is partially offset by increased volume due to increased customer demand.

Cost of goods sold in the Agricultural Productivity segment primarily represents material, conversion and distribution costs. Cost of goods sold increased $36 million, or six percent, in the first quarter of fiscal 2017 to $683 million compared to $647 million in the first quarter of fiscal 2016. *Roundup* and other glyphosate-based herbicides cost of goods sold increased as a result of higher sales volumes when compared to the first quarter of fiscal 2016 partially offset by lower manufacturing costs due mainly to lower raw material costs and project expenses when compared to the first quarter of fiscal 2016.

The net sales and cost of goods sold discussed above resulted in $54 million lower gross profit in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. Gross profit as a percent of net sales for the Agricultural Productivity segment decreased six percentage points to 15 percent in the first quarter of fiscal 2017 compared to 21 percent in the first quarter of fiscal 2016. This decrease is primarily due to the lower average net selling price as noted in the net sales discussion partially offset by lower raw material prices.

RESTRUCTURING

On Oct. 6, 2015, the company approved actions to realign resources to increase productivity, enhance competitiveness by delivering cost improvements and support long-term growth. On Jan. 5, 2016, the company approved additional actions which, together with the Oct. 6, 2015 actions, comprise the 2015 Restructuring Plan. Actions include streamlining and reprioritizing some commercial, enabling, supply chain and research and development efforts.

Cumulative pretax charges related to the 2015 Restructuring Plan are estimated to be approximately $1 billion. Implementation of the 2015 Restructuring Plan is expected to be completed by the end of fiscal year 2018, and substantially all of the cash payments are expected to be made by the end of fiscal year 2018. These pretax charges are currently estimated to be comprised of the following categories: $375 million to $420 million in work force reductions, including severance and related benefits; $130 million to $150 million in facility closures/exit costs, including contract termination costs; $450 million to $485 million in asset impairments and write-offs related to property, plant and equipment, inventory and goodwill and other assets. These pretax charges are currently estimated to be incurred primarily by the Seeds and Genomics segment.

In the three months ended Nov. 30, 2016, pretax restructuring charges of $(35) million were recorded within the Statement of Consolidated Operations, of which $1 million of expense and a net reversal of $36 million of previously recognized expense were included in cost of goods sold and restructuring charges, respectively. The reversal of previously recognized expense was due to changes in estimates related to work force reductions. In the three months ended Nov. 30, 2015, pretax restructuring charges of $318 million were recorded within the Statement of Consolidated Operations, of which $52 million and $266 million were included in cost of goods sold and restructuring charges, respectively. For additional information on the 2015 Restructuring Plan, see Item 1 — Financial Statements — Note 3 — Restructuring.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Working Capital and Financial Condition

	As of		
(Dollars in millions, except current ratio)	**Nov. 30, 2016**	Nov. 30, 2015	Aug. 31, 2016
Cash and Cash Equivalents[1]	**$ 2,129**	$ 2,277	$ 1,676
Trade Receivables, Net[1]	**2,196**	2,106	1,926
Inventory, Net	**3,839**	3,872	3,241
Other Current Assets[2]	**1,488**	2,212	1,314
Total Current Assets	**$ 9,652**	$ 10,467	$ 8,157
Short-Term Debt, including current portion of long-term debt[1]	**$ 570**	$ 1,788	$ 1,587
Accounts Payable[1]	**1,073**	818	1,006
Accrued Liabilities[1][3]	**5,857**	5,895	4,136
Total Current Liabilities	**$ 7,500**	$ 8,501	$ 6,729
Working Capital[4]	**$ 2,152**	$ 1,966	$ 1,428
Current Ratio[4]	**1.29:1**	1.23:1	1.21:1

(1) May include restrictions as a result of variable interest entities. See the Statements of Consolidated Financial Position and Item 1 — Financial Statements — Note 5 — Variable Interest Entities and Investments — for more information.

(2) Includes short-term investments, miscellaneous receivables, assets held for sale and other current assets at Nov. 30, 2016 and Aug. 31, 2016. Includes short-term investments, miscellaneous receivables, other current assets and current deferred tax assets at Nov. 30, 2015.

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

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

Nov. 30, 2016, compared with Aug. 31, 2016: Working capital increased $724 million, or 51 percent, between Aug. 31, 2016, and Nov. 30, 2016, primarily because of the following factors:

- Cash and cash equivalents increased $453 million between respective periods primarily due to operating cash inflows of $1,463 million primarily related to cash receipts from customer prepayments, partially offset by capital expenditures, payments of dividends and repayment of financing with less than 90-day maturities and long-term debt.
- Trade receivables, net increased $270 million between respective periods primarily due to the seasonality of our business.
- Inventory increased $598 million between respective periods primarily due to the seasonality of our U.S. corn and soybean seed businesses in which the fall harvest of seed products occurs in the first quarter of the fiscal year resulting in a higher inventory balance.
- Other current assets increased $174 million between respective periods primarily due to an increase in income taxes recoverable.
- Short-term debt, including the current portion of long-term debt, decreased $1,017 million primarily driven by commercial paper payments and payments related to the mandatorily redeemable shares of the Brazil VIE and other debt.

These increases to working capital between Nov. 30, 2016, and Aug. 31, 2016, were partially offset by the following factors:

- Accounts payable increased $67 million between respective periods primarily due to timing of payments and payments due to third-parties for pending Bayer transaction costs.

- Accrued liabilities increased $1,721 million between respective periods due to the following fluctuations:
  - Income taxes payable increased $89 million primarily due to higher pretax income.
  - Deferred revenues increased $2,339 million due to customer prepayments in the United States that occurred in the first quarter of fiscal 2017.
  - Grower production accruals increased $382 million primarily due to corn and soybean deliveries in advance of the 2017 fiscal year commercial selling season as a result of the seasonality of our business.

  The increases in accrued liabilities were partially offset by the following:
  - Accrued marketing programs decreased $612 million between respective periods primarily due to the seasonality of our business and the timing of payments.
  - Dividends payable decreased $237 million due to the timing of dividend declarations and payments.
  - Restructuring reserves decreased $91 million as a result of payments made under the 2015 Restructuring Plan and changes in estimates related to work force reductions.
  - Miscellaneous short-term accruals decreased $93 million primarily due to a payment related to the PCB settlement of $250 million as described in Item 1 — Financial Statements — Note 18 — Commitments and Contingencies. This decrease was partially offset by amounts due to a third party related to trade receivables sold.

Nov. 30, 2016, compared with Nov. 30, 2015: Working capital increased $186 million between Nov. 30, 2015, and Nov. 30, 2016, primarily because of the following factor:

- Short-term debt, including the current portion of long-term debt, decreased $1,218 million between respective periods primarily due to the repayment of commercial paper borrowings, Senior Notes and other debt, including the mandatorily redeemable shares of the Brazil VIE, slightly offset by the reclassification of $500 million Senior Notes due in June 2017 from long-term to short-term.

This increase to working capital between Nov. 30, 2016, and Nov. 30, 2015, was offset by the following factors:

- Cash and cash equivalents decreased $148 million between respective periods primarily due to long term debt repayments and dividend payments offset by operating cash flows from cash receipts.

- Other current assets decreased $724 million between respective periods primarily due a deferred tax assets decrease of $772 million between respective periods due to the adoption of Accounting Standards Update 2015-17 “Balance Sheet Classification of Deferred Taxes” during the third quarter of fiscal 2016, partially offset by an increase in assets held for sale of $71 million due to the reclassification of the packaging materials from other assets to assets held for sale.

- Accounts payable increased $255 million between respective periods primarily due to timing of payments and payments due to third-parties for pending Bayer transaction costs.

Customer Financing Programs: We participate in various customer financing programs in an effort to reduce our receivables risk and to reduce our reliance on commercial paper borrowings. As of Nov. 30, 2016, the programs had $374 million in outstanding balances, and we received $121 million of proceeds during the first three months of fiscal 2017 under these programs. Our future maximum payout under the programs, including our responsibility for our guarantees with lenders, was $88 million as of Nov. 30, 2016. See Item 1 — Financial Statements — Note 4 — Customer Financing Programs — for further discussion of these programs.

Cash Flow

	Three Months Ended	
(Dollars in millions)	**Nov. 30, 2016**	Nov. 30, 2015
Net Cash Provided by Operating Activities	**$ 1,463**	$ 1,363
Net Cash Required by Investing Activities	**(327)**	(336)
Free Cash Flow[(1)]	**1,136**	1,027
Net Cash Required by Financing Activities	**(655)**	(2,414)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(28)**	(37)
Net Increase (Decrease) in Cash and Cash Equivalents	**453**	(1,424)
Cash and Cash Equivalents at Beginning of Period	**1,676**	3,701
Cash and Cash Equivalents at End of Period	**$ 2,129**	$ 2,277

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

Operating: The increase in cash provided by operating activities in the first three months of fiscal 2017 compared to the first three months of fiscal 2016 was primarily due to the following items:

- Increased net income compared to prior year, and
- A decrease in cash utilized for taxes, grower production and employee incentives.

These increases in cash flow were partially offset by the following increases in cash outflows:

- A cash payment of $250 million related to the PCB settlement described in Item 1 — Financial Statements — Note 18 — Commitments and Contingencies,
- An increase in payments related to the 2015 Restructuring Plan, and
- More cash utilized in inventory production, primarily corn seed inventory and agricultural productivity inventory.

Investing: Cash required by investing activities in the first three months of fiscal 2017 compared to the first three months of fiscal 2016 was consistent year over year.

Financing: The decrease in cash required by financing activities in the first three months of fiscal 2017 compared to the first three months of fiscal 2016 was primarily due to the cash outflow in the first quarter of fiscal 2016 related to the treasury share purchases that did not occur in the first quarter of fiscal 2017 and borrowings against the delayed draw term loan during the first quarter of fiscal 2017. This was partially offset by the net change in financing with less than 90-day maturities driven by commercial paper payments and payments related to the mandatorily redeemable shares of the Brazil VIE and other debt.

Capital Resources and Liquidity

	As of		As of
(Dollars in millions, except debt-to-capital ratio)	**Nov. 30, 2016**	Nov. 30, 2015	Aug. 31, 2016
Short-Term Debt	**$ 570**	$ 1,788	$ 1,587
Long-Term Debt	**8,047**	7,939	7,453
Total Monsanto Company Shareowners' Equity	**4,402**	3,559	4,534
Debt-to-Capital Ratio[(1)]	**66%**	73%	67%

(1) Debt-to-Capital ratio represents short-term and long-term debt divided by total Monsanto Company shareowners' equity, short-term and long-term debt.

A major source of our liquidity is operating cash flows, which can be derived from net income. This cash-generating capability and access to long-term investment grade debt financing markets provides us with the financial flexibility we need to meet operating, investing and financing needs. We believe our sources of liquidity will be sufficient to sustain operations and to finance anticipated investments. To the extent that cash provided by operating activities is not sufficient to fund our cash needs, we believe short-term commercial paper borrowings can be used to finance these requirements. We had no commercial paper borrowings outstanding as of Nov. 30, 2016.

Share Repurchases: On Oct. 9, 2015, we entered into uncollared ASR agreements with each of Citibank, N.A. and JPMorgan Chase Bank, N.A., which settled in January 2016. In accordance with the terms of the agreements, an additional 3.8 million shares were received upon final settlement in fiscal year 2016 for a total of 32.2 million shares of Monsanto common stock repurchased at an aggregate cost to us of $3.0 billion. The ASR agreements were entered into pursuant to the share repurchase authorization announced June 2014.

Debt and Other Credit Arrangements: In April 2016, Monsanto filed a shelf registration with the SEC ("2016 shelf registration") that allows the company to issue a maximum aggregate amount of $6 billion of debt, equity and hybrid offerings. The 2016 shelf registration expires in April 2019.

We have a $3 billion credit facility agreement with a group of banks that provides a senior unsecured revolving credit facility through Mar. 27, 2020. As of Nov. 30, 2016, we did not have any borrowings under this credit facility, and we were in compliance with all debt covenants.

In October 2016, we closed a $1 billion delayed draw term loan facility that matures the earlier of October 2019 or the consummation of the Bayer merger. Borrowings under the facility were $500 million as of Nov. 30, 2016. Proceeds were used for general corporate purposes.

As of Nov. 30, 2016, our debt-to-capital ratio was 66 percent compared with 67 percent at Aug. 31, 2016, and 73 percent at Nov. 30, 2015. The one percentage point decrease from Aug. 31, 2016, was primarily due to a decrease in short-term debt due to decreased commercial paper outstanding at Nov. 30, 2016 compared to Aug. 31, 2016. The seven percentage point decrease from Nov. 30, 2015, was primarily driven by an increase in shareowners' equity as a result of earnings, partially offset by dividends declared in 2016, a decrease in short-term debt due to decreased commercial paper outstanding at Nov. 30, 2016 compared to Nov. 30, 2015 and repayment of Senior Notes.

We held cash and cash equivalents and short-term investments of $2,189 million and $1,736 million as of Nov. 30, 2016, and Aug. 31, 2016, respectively, of which $1,568 million and $1,629 million was held by foreign entities, respectively. Our intent is to indefinitely reinvest approximately $4.6 billion of the $4.6 billion of undistributed earnings of our foreign operations that existed as of Aug. 31, 2016. It is not practicable to estimate the income tax liability that might be incurred if such indefinitely reinvested earnings were remitted to the United States.

Dividends: There were no dividends declared in the first quarter of fiscal 2017. On Dec. 5, 2016, we declared a quarterly dividend on our common shares of $0.54 per share related to the our first quarter of fiscal 2017 that is payable on Jan. 27, 2017 to shareowners of record on Jan. 6, 2017.

Capital Expenditures: We expect fiscal 2017 cash required by investing to be $1.0 to $1.2 billion, with the capital expenditures component allocated towards both the Seeds and Genomics segment and the Agricultural Productivity segment. Capital expenditures within the Agricultural Productivity segment include expenditures to construct a dicamba manufacturing facility in Luling, Louisiana.

Pension Contributions: In the first quarter of fiscal 2017, we contributed $15 million to our U.S. qualified plan. We expect to contribute an additional $15 million to our U.S. qualified plan in each of the remaining quarters of fiscal 2017 for a total of $60 million for the year.

2016 Disposals: On Nov. 2, 2015, we signed definitive agreements with Deere & Company ("Deere") to sell the Precision Planting equipment business and to enable exclusive third-party near real-time data connectivity between certain John Deere farm equipment and the Climate *FieldView* platform. Deere, based in Moline, IL, would acquire Precision Planting, while we retain the digital agriculture portfolio that has been integrated into the Climate *FieldView* platform. The agreements will provide customers with the option to share their agronomic data between the John Deere Operations Center and the Climate *FieldView* platform and execute agronomic prescriptions with John Deere equipment. In August 2016, the U.S. Department of Justice filed a lawsuit to block Deere's acquisition of the Precision Planting equipment business, which Deere is contesting. As a result of this development, the closing date for this transaction is uncertain.

On Dec. 13, 2016, we signed a definitive agreement to sell our silthiofam chemical business for approximately $140 million in cash, subject to customary working capital adjustments. Of the $140 million, approximately $85 million, less the carrying amount of assets and liabilities sold, will be recognized upon closing. The remaining amount is contingent on silthiofam re-registration within the European Union. Closing is subject to customary conditions and is expected to occur in the second quarter of fiscal year 2017.

2017 Contractual Obligations: There have been no significant changes to the contractual obligations table as disclosed in our Annual Report on Form 10-K for the year ended Aug. 31, 2016.

Off-Balance Sheet Arrangements

Under our Separation Agreement with Pharmacia, we are required to indemnify Pharmacia for certain matters, such as environmental remediation obligations and litigation. To the extent we are currently managing any such matters, we evaluate them in the course of managing our own potential liabilities and establish reserves as appropriate. However, additional matters may arise in the future, and we may manage, settle or pay judgments or damages with respect to those matters in order to mitigate contingent liability and protect Pharmacia and Monsanto. See Item 1 — Financial Statements — Note 18 — Commitments and Contingencies and Part II — Item 1 — Legal Proceedings — for further information.

We have entered into various customer financing programs which are accounted for in accordance with the Transfers and Servicing topic of the ASC. See Item 1 — Financial Statements — Note 4 — Customer Financing Programs — for further information.

We are in the process of making a significant expansion of our Chesterfield, Missouri facility. In December 2013, we executed the first of a series of incentive agreements with the County of St. Louis, Missouri. Under these agreements we have transferred our Chesterfield, Missouri facility to St. Louis County and received Industrial Revenue Bonds in the amount of up to $470 million, which enables us to reduce our cost of constructing and operating the expansion by reducing certain state and local tax expenditures. We immediately leased the facility from the County of St. Louis and have an option to purchase the facility upon tendering the Industrial Revenue Bonds we received to the County. The payments due to us in relation to the Industrial Revenue Bonds and owed by us in relation to the lease of the facility qualify for the right of offset under ASC 210, *Balance Sheet*, in our Statements of Consolidated Financial Position. As such, neither the Industrial Revenue Bonds nor the lease obligation are recorded in the Statements of Consolidated Financial Position as an asset or liability, respectively. The Chesterfield facility and the expansion are being treated as being owned by us.

OUTLOOK

We believe we have achieved an industry-leading position in the areas in which we compete in both of our business segments. However, the outlook for each part of our businesses is quite different. In the Seeds and Genomics segment, our seeds and traits business is expected to expand via our investments in new products. In the Agricultural Productivity segment, we expect to continue to deliver new product formulations and systematic approaches that support our Seeds and Genomics segment.

We believe that our company is positioned to deliver value-added products to growers enabling us to grow our gross profit in the future. We expect to see strong cash flow in the future, and we remain committed to returning value to shareowners through vehicles such as investments that expand the business and dividends. We will remain focused on cost and cash management, both to support the progress we have made in managing our investment in working capital and to realize the full earnings potential of our businesses. We are in the process of executing our plan to reduce operational spending through fiscal year 2018. We plan to continue to seek additional external financing opportunities for our customers as a way to manage receivables for each of our segments. In the United States, we expect to incur higher interest costs as we refinance maturing debt.

Outside of the United States, our businesses will continue to face challenges related to the risks inherent in operating in international markets. We will continue to consider, assess and address these developments and the challenges and issues they place on our businesses. We believe we have taken appropriate measures to manage our credit exposure, which has the potential to affect sales negatively in the near term. In addition, volatility in foreign currency exchange rates may negatively affect our profitability, the book value of our assets outside the United States and our shareowners' equity. We continuously monitor the potential for currency devaluation in Brazil, Argentina, Venezuela and Ukraine, including changes to exchange rate mechanisms or structures, and the potential impact on future periods. Subsequent to recent currency devaluations in Argentina and Venezuela, we continue to monitor the economic situations and the impact of currency volatility on earnings.

Seeds and Genomics

Our capabilities in plant breeding and biotechnology research and development are generating a rich and balanced product pipeline that we expect will drive long-term growth. We plan to continue to invest in the areas of seeds, genomics, biotechnology, digital agriculture and biologicals and to invest in technology arrangements that have the potential to increase the efficiency and effectiveness of our R&D efforts. We believe that our seeds and traits businesses will have near-term growth opportunities through a combination of improved breeding, continued growth of stacked biotech traits and expansion in established and emerging markets.

We expect advanced breeding techniques combined with improved production practices and capital investments will continue to contribute to improved germplasm quality and yields for our seed offerings, leading to increased global demand for both our branded germplasm and our licensed germplasm. Our vegetable seeds business, which has a portfolio focused on 21 crops, is expected to continue to develop and deliver new innovative products to our customer base as we continue to focus on our breeding investments and process optimization. We expect to see continued competition in seeds and genomics. We believe we will maintain a competitive advantage because of our global breeding capabilities and our multiple-channel sales approach in the United States for corn and soybean seeds.

Commercialization of second- and third-generation traits and the stacking of multiple traits in corn, soy and cotton are expected to increase penetration in approved markets, particularly as we continue to price our traits in line with the value growers have experienced from their use. We continue to experience an increase in competition in biotechnology as more competitors launch traits in the United States and internationally. Acquisitions may also present mid-to-longer term opportunities to increase penetration of our traits. The United States business could be impacted by timing of regulatory approvals related to the *Roundup Ready XTEND* platform.

Intacta RR2 PRO technology has been fully approved by Brazil, Argentina, Paraguay, Uruguay and their key export markets, and we are currently selling that technology in Brazil, Argentina, Paraguay and Uruguay. In South America, we generally operate using a business model working with growers and grain handlers to collect technology value for soybeans either on the sale of new certified seed or through a point-of-delivery system for seeds that have been saved and replanted. The system has been operating in Brazil for many years, and nearly all of the grain handlers have enrolled in the point-of-delivery system. In Argentina, nearly all of the exporting grain handlers have enrolled in the point-of-delivery system, and we are enrolling additional local elevators. As previously announced, due to uncertainty raised by recent actions of the government of Argentina, and while we continue to pursue value capture in Argentina, we have placed a hold on the launch of new soybean traits in that country. We continue to pursue a long-term system that operates with integrity and predictability and will continue to evaluate our soybean business in Argentina. With regard to first generation *Roundup Ready* soybeans, we have deferred collection of royalties in Brazil until a final decision is reached by the courts on our patent term correction case. The Supreme Court of Brazil has granted certiorari of the case. We do not plan to collect on first generation *Roundup Ready* soybeans in Argentina.

Our international traits businesses, in particular, are likely to continue to face unpredictable regulatory environments that may be highly politicized. We operate in volatile, and often difficult, economic and political environments. Longer term, income is expected to grow in South America as farmers choose to plant more of our approved traits in soybeans, corn and cotton. The agricultural economy in Brazil and Argentina could be impacted by global commodity prices, particularly for corn and soybeans. We continue to maintain our strict credit policy, expand our grain-based collection system and focus on cash collection and sales, as part of a continuous effort to manage our risk in Brazil and Argentina against such volatility. India's cotton germplasm and traits business could continue to be significantly impacted by government policies, including controlled pricing and regulatory uncertainties, and we will continue to evaluate our cotton business in India.

Agricultural Productivity

Our Agricultural Productivity businesses operate in markets that are competitive. Gross profit and cash flow levels will fluctuate in the future based on global business dynamics including market supply, demand and manufacturing capacity. We expect to maintain our branded prices at a slight premium over generic products, and we believe our *Roundup* herbicide business will continue to be a sustainable source of cash and gross profit. Our crop protection business focus is to support strategically our *Roundup Ready* crops through our weed management platform that delivers weed control offerings for farmers. We continue to invest in the growth of our *Roundup Ready XTEND* crop system, which includes capital expenditures to construct a dicamba manufacturing facility in Luling, Louisiana. In addition, we expect our lawn-and-garden business will continue to be a solid contributor to our Agricultural Productivity segment.

Global glyphosate producers have the capacity to supply the market, but global dynamics including demand, environmental regulation compliance and raw material availability can cause fluctuations in supply and price of those generic products. We expect the fluctuation in global capacity will impact the selling prices and margins of *Roundup* brands and our third party sourcing opportunities.

Other Information

As discussed in Item 1 — Financial Statements — Note 18 — Commitments and Contingencies — and Part II — Item 1 — Legal Proceedings, Monsanto is involved in a number of lawsuits and claims relating to a variety of issues, including lawsuits that relate to intellectual property disputes. We expect that such disputes will continue to occur as the agricultural biotechnology industry evolves. Third parties, including non-governmental organizations, have challenged the validity or enforceability of patents issued to the company regarding our biotechnology products. For additional information related to the outlook for Monsanto, see "Caution Regarding Forward-Looking Statements" at the beginning of this Report on Form 10-Q, Part II — Item 1A — Risk Factors below and Part I — Item 1A — Risk Factors of our Report on Form 10-K for the fiscal year ended Aug. 31, 2016.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our consolidated financial statements, we must select and apply various accounting policies. Our most significant policies are described in Part II — Item 8 — Note 2 — Significant Accounting Policies — to the consolidated financial statements contained in our Report on Form 10-K for the fiscal year ended Aug. 31, 2016. In order to apply our accounting policies, we often need to make estimates based on judgments about future events. In making such estimates, we rely on historical experience, market and other conditions, and on assumptions that we believe to be reasonable. However, the estimation process is by its nature uncertain given that estimates depend on events over which we may not have control. If market and other conditions change from those that we anticipate, our financial condition, results of operations or liquidity may be affected materially. In addition, if our assumptions change, we may need to revise our estimates or take other corrective actions, either of which may have a material effect on our financial condition, results of operations or liquidity.

The estimates that have an inherently higher degree of uncertainty and require our most significant judgments are outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Report on Form 10-K for fiscal year ended Aug. 31, 2016. Had we used estimates different from any of those contained in such Report on Form 10-K, our financial condition, profitability or liquidity for the current period could have been materially different from those presented in this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes related to market risk from the disclosures in Monsanto's Report on Form 10-K for the fiscal year ended Aug. 31, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of Nov. 30, 2016. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based upon the evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of Nov. 30, 2016.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal proceedings that arise in the ordinary course of our business, as well as proceedings that we have considered to be material under SEC regulations. These include proceedings to which we are party in our own name and proceedings to which our former parent Pharmacia LLC, or its former subsidiary Solutia, Inc., is a party but that we manage and for which we are responsible pursuant to certain indemnification agreements. Information regarding certain material proceedings and the possible effects on our business of proceedings we are defending is disclosed in Part I — Financial Information —Item 1 — Financial Statements — Note 18 — Commitments and Contingencies — under the subheading "Environmental and Litigation Liabilities" and is incorporated by reference herein. Other information with respect to legal proceedings appears in our Report on Form 10-K for the fiscal year ended Aug. 31, 2016.

ITEM 1A. RISK FACTORS

Please see "Caution Regarding Forward-Looking Statements," at the beginning of this Report on Form 10-Q and Part I — Item 1A of our Report on Form 10-K for the fiscal year ended Aug. 31, 2016, for information regarding risk factors. There have been no material changes from the risk factors previously disclosed in our Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table is a summary of any purchases of equity securities during the first quarter of fiscal year 2017 by Monsanto and any affiliated purchasers, pursuant to SEC rules.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share(1)	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 2016:				
Sept. 1, 2016, through Sept. 30, 2016	**30** (2)	**$ 102.20**	**—**	**$ —**
October 2016:				
Oct. 1, 2016, through Oct. 31, 2016	**30** (2)	**$ 100.77**	**—**	**$ —**
November 2016:				
Nov. 1, 2016, through Nov. 30, 2016	**30** (2)	**$ 102.70**	**—**	**$ —**
Total	**90**	**$ 101.89**	**—**	**$ —**

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

(2) Shares withheld for taxes on restricted stock.

There were no publicly announced repurchase plans outstanding as of Nov. 30, 2016. The Merger Agreement includes restrictions on purchases of shares of the company's common stock by the company.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

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

SIGNATURE

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

MONSANTO COMPANY
(Registrant)

By: /s/ NICOLE M. RINGENBERG
Nicole M. Ringenberg
Vice President and Controller
(On behalf of the Registrant and as Principal Accounting Officer)

Date: January 6, 2017

EXHIBIT INDEX

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

Exhibit No.	Description
2	Omitted
3	Omitted
4	Omitted
10.1	Monsanto Company ERISA Parity Savings and Investment Plan, as amended and restated as of January 1, 2016.†
10.2	Form of Change of Control Employment Security Agreement for Messrs. Begemann, Grant and Mizell, effective Sept. 1, 2010 (incorporated by reference to Exhibit 10 of Form 8-K, filed on Sept. 7, 2010, File No. 1-16167).†
10.3	Form of Change of Control Employment Security Agreement for Messrs. Courduroux and Frank, effective Feb. 4. 2011 (incorporated by reference to Exhibit 10 of Form 8-K, filed on Feb. 10, 2011, File No. 1-16167).†
11	Omitted — see Note 16 of Notes to Consolidated Financial Statements — Earnings Per Share.
12	Computation of Ratio of Earnings to Fixed Charges.
15	Omitted
18	Omitted
19	Omitted
22	Omitted
23	Omitted
24	Omitted
31.1	Rule 13a-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Executive Officer).
31.2	Rule 13a-14(a) Certifications (pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, executed by the Chief Financial Officer).
32	Rule 13a-14(b) Certifications (pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by the Chief Executive Officer and the Chief Financial Officer).
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

† Represents management contract or compensatory plan or arrangement.

EXHIBIT 10.1

MONSANTO COMPANY ERISA PARITY SAVINGS AND INVESTMENT PLAN

(As Amended and Restated Effective As of January 1, 2016)

SECTION 1.
PURPOSE

Effective as of July 1, 2001, Monsanto Company established the Monsanto Company ERISA Parity Savings and Investment Plan (the "Plan") as a successor to the Pharmacia Corporation ERISA Parity Savings and Investment Plan for the benefit of certain participants in the Monsanto Company Savings and Investment Plan ("SIP").

The Plan is intended to be an unfunded plan that is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as defined by Sections 201(2), 301(a)(3), and 401(a)(1) of ERISA. The purpose of the Plan is to provide Participants and their beneficiaries with:

A. The ability to elect to defer federal income taxation on the portion of their Eligible Compensation that might have been contributed to SIP but for the Compensation Limitation and Section 415 Limitation; or to elect to defer another amount; and to be credited with Employer matching or certain other contributions that might have been made to SIP but for the Compensation Limitation or the Section 415 Limitation.

B. The ability to designate the manner in which amounts credited to the Plan on the Participant's behalf are credited with gains and losses, and to receive distribution from the Plan following Separation from Service or death.

SECTION 2.
EFFECTIVE DATE

The Plan was restated as of December 31, 2008, subsequently amended and then restated as of June 11, 2012, and then subsequently amended on six occasions prior to this amendment and restatement of the Plan effective as of January 1, 2016. The Plan, as restated and amended (with the exception of provisions that first became effective after December 31, 2008), applies to Participants who terminated employment on or after January 1, 2005 and on or before December 31, 2008 and had undistributed benefits under the Plan on the latter date. Special provisions applicable to such Participants are set forth in Appendix A of the version of this Plan, as amended and restated as of December 31, 2008. The benefits and rights of any Participant who terminated employment before January 1, 2005 will be determined solely under the terms of the Plan in effect on the date of his termination. This document sets forth the provisions of the Plan as amended and restated as of January 1, 2016. To the extent that the Plan sets forth rules that are identified as being applicable as of a certain date (the "Specified Effective Date") but does not specifically set forth the rules applicable prior to the Specified Effective Date, the terms of the Plan in effect prior to the Specified Effective Date will remain applicable for the period of time prior to the Specified Effective Date.

The Plan, as restated and amended, is generally intended to continue to comply with the requirements of Code Section 409A and related regulatory guidance, provided, however, that Grandfathered Accounts are not intended to comply with such requirements.

SECTION 3.
DEFINITIONS

3.1 Except as otherwise defined herein, all words with initial capitals will have the same meaning as in SIP, whether or not such words are capitalized in SIP.

(a) "2005-2009 Contribution Account" means the sub-account within a Participant's SIP Parity Account to which contributions made by the Participant and matching or other contributions made by his Employer for 2005, 2006, 2007, 2008 and 2009, and all earlier contributions that were not earned and vested before January 1, 2005, will be credited. A Participant's 2005-2009 Contribution Account will be adjusted for earnings and losses and reduced by distributions.

(b) "409A Account," means, for purposes of Section 5 of the Plan, the portion of a Participant's SIP Parity Account comprised of his 2005-2009 Contribution Account and Post-2009 Contribution Account, as applicable.

(c) "Affiliate" means,

(i) a corporation that is a member of a controlled group of corporations (within the meaning of Code § 414(b)) that includes an Employer;

(ii) a trade or business (whether or not incorporated) that is under common control (within the meaning of Code § 414(c)) with an Employer;

(iii) an organization (whether or not incorporated) that is a member of an affiliated service group (within the meaning of Code § 414(m)) that includes an Employer; or

(iv) any other entity required to be aggregated with an Employer pursuant to regulations issued under the Code § 414(o).

(d) "Board People Committee" means the People and Compensation Committee of the Board of Directors of the Company.

(e) "Code" means the Internal Revenue Code of 1986 or any successor thereto, as amended from time to time, and any applicable regulations thereunder.

(f) "Committee" means the Board People Committee or the Internal People Committee, as the context may require, as more fully set forth in Section 10.

(g) "Company" means Monsanto Company, a Delaware corporation that was incorporated on February 9, 2000 under the name Monsanto Ag Company and changed its name to Monsanto Company on March 31, 2000.

(h) "Compensation Limitation" means the limitation on the amount of compensation that may be taken into account in a given year under SIP under Code Section 401(a)(17).

(i) "Death Benefit Beneficiary" has the meaning set forth in Section 7.1.

(j) "Deferral Election" means an election by a Participant, made in accordance with the provisions of Section 4 hereof, and the rules and procedures established from time to time by the Company, to have Excess Eligible Compensation deferred under the Plan.

(k) "Deferral Period" means the Deferral Period elected by a Participant pursuant to Section 5.3 or Section 6.3 as part of a Subsequent Deferral Election. The Deferral Period will begin on the date on which payment would have been made to the Participant in the absence of the Subsequent Deferral Election and end on the date payment is made or commences.

(l) "Deferred Payment Plan" means the Monsanto Company Deferred Payment Plan and any successor plan.

(m) "Disabled" means a Participant who has been deemed, under the terms of the Monsanto Company Disability Plan ("Disability Plan"), at the time he ceases to perform services as an active Eligible Employee, to have incurred a long-term disability due to his inability to perform with or without reasonable accommodation, any reasonable occupation for which he is qualified or may become qualified by virtue of his education, training, or experience and he is eligible for benefits under the Disability Plan as a result of such long-term disability.

(n) "EBPC" means the Employee Benefits Plans Committee of the Company or, to the extent necessary or appropriate in view of Sections 16(a) and 16(b) of the Securities Exchange Act of 1934, the Board People Committee.

(o) "Eligible Compensation" means remuneration received by a Participant from an Employer while an Eligible Employee, as determined pursuant to the Plan provisions in effect when the remuneration is earned. Eligible Compensation will include base pay, shift differential pay, overtime pay, holiday pay, fire brigade pay, military service pay (but only in an amount equivalent to the amount of the Participant's base pay in effect on the last day worked prior to his military leave), sick leave pay, call-in pay, contract notice of termination pay, commissions, sales awards, gain sharing, and annual incentive pay. Eligible Compensation will exclude amounts attributable to the exercise of stock options; the value of any restricted stock, restricted stock units or other equity granted under any long-term incentive plan maintained by an Employer and any dividends or dividend equivalents payable thereon; amounts paid or reimbursed by an Employer for insurance or other welfare plans or benefits; pay in lieu of vacations; severance payments and other benefits received by a Participant under a severance plan or separation pay plan maintained by an Employer; ad hoc or one-time payments; and any other amounts identified in any applicable Supplement to SIP. Overtime pay is treated as earned in the month in which it is paid. Eligible Compensation will also include elective amounts that are not includible in the gross income of the Participant under Code Section 125, 132(f)(4) or 402(e)(3). Unless specifically provided otherwise, other previously deferred compensation or pay that is paid during the Year will not be included in Eligible Compensation. Pay or compensation not specifically listed in this paragraph as included in Eligible Compensation will be excluded. Effective January 1, 2013, any amounts of pay or compensation that would otherwise constitute Eligible Compensation with respect to a calendar year but are deferred under this Plan shall nevertheless be treated as Eligible Compensation for purposes of determining a Participant's share of any Employer Excess Contribution attributable to such calendar year.

If a Participant is not an Eligible Employee for an entire Year (including the year of hire for a Participant who is eligible to participate on his date of hire), the Participant's Eligible Compensation will be the amount determined as described above for such partial Year during which the Participant was an Eligible Employee.

(p) "Eligible Employee" means, effective September 1, 2015, (i) a SIP Participant whose Employer incentive opportunity level is at least M04 or MC4 and who has elected to participate in this Plan and (ii) any SIP Participant who (A) does not have an Employer incentive opportunity level of at least M04 or MC4, or (B) does have an Employer incentive opportunity level of at least M04 or MC4 but has not elected to participate in the Plan, but, in the case of (A) and (B) above, only if such SIP Participant (x) becomes Disabled, (y) is in Employee Group B, as defined in SIP, and (z) was receiving a level of compensation immediately prior to becoming Disabled that equaled or exceeded the dollar threshold used under Section 414(q) of the Code to define a "highly compensated employee." An individual who becomes an Eligible Employee pursuant to (ii) above, will not be eligible to make Employee Excess Contributions to the Plan but will only be considered an Eligible Employee for purposes of receiving an allocation of Employer Excess Contributions described in 3.1(s)(iii) that are based upon the Employer Core Contribution under SIP and will not be eligible to receive any other Employer Excess Contributions under this Plan.

(q) "Employee Excess Contributions" means Excess Eligible Compensation which are credited to a Participant's SIP Parity Account pursuant to a valid Deferral Election.

(r) "Employer" means the Company and each Affiliate that, with the consent of the Company, has adopted SIP.

(s) "Employer Excess Contribution" means each of the following:

(i) With respect to Employee Excess Contributions made prior to January 1, 2013, 60 percent of the amount of a Participant's Employee Excess Contributions that are not in excess of seven percent of Excess Eligible Compensation and with respect to Employee Excess Contributions made on and after January 1, 2013, 80 percent of the amount of a Participant's Employee Excess Contributions that are not in excess of eight percent of Excess Eligible Compensation; and

(ii) Prior to January 1, 2013, in the case of Eligible Employees in Employee Group A, as defined in SIP, the product of the Discretionary Percentage determined by the Company under SIP for the year and the Participant's Employee Excess Contributions that are not in excess of 10 percent (or such other percentage determined by the Company under SIP for the year) of Excess Eligible Compensation; and

(iii) In the case of an Eligible Employee who has become Disabled and would otherwise be eligible for an allocation of the Employer Core Contribution under the SIP, a contribution equal to (a) the Eligible Employee's "imputed" compensation level as such term is used under SIP to determine the Employer Core Contribution for individuals who are Disabled (except that for purposes of this 3.1(s)(iii), an Eligible Employee's "imputed" compensation will not be subject to the limitations on compensation imposed under SIP pursuant to Code Section 401(a)(17)), multiplied by (b) the percentage that would otherwise have been used to compute the individual's Employer Core Contribution under SIP. However, a Disabled Participant's eligibility to receive an Employer Excess Contribution pursuant to this 3.1(s)(iii) will cease upon the earlier to occur of (a) the Disabled Participant's attainment of age 65, or (b) the withdrawal by the Disabled Participant of any portion of his Employer Core Account from SIP; and

(iv) Any other Employer matching or other Employer contributions that would have been made to SIP including, but not limited to, the Employer Core Contribution but for the Section 415 Limitation or the Compensation Limitation.

(t) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any applicable regulations thereunder.

(u) "Excess Eligible Compensation" means, effective January 1, 2013, an Eligible Employee's Eligible Compensation for a year earned after the earlier of:

(i) The point in time during the year when the Eligible Employee's Eligible Compensation (as defined in SIP for purposes of SIP) equals the Compensation Limitation; or

(ii) The point in time during the year when the sum of the following amounts equals the Section 415 Limitation:

1) The Eligible Employee's Before-Tax Contributions to SIP for the year (exclusive of any Catch-Up Contributions made in accordance with Section 4.7 of SIP);

2) The Eligible Employee's After-Tax Contributions to SIP for the year;

3) The Eligible Employee's Roth Contributions to SIP for the year (exclusive of any Catch-Up Contributions made in accordance with Section 4.7 of SIP); and

4) Any Employer Contributions, as defined in Section 2.32 of SIP, made on behalf of the Eligible Employee for the year.

(v) "Executive Officer" means a Participant who is subject to the reporting requirement of Section 16 of the Securities Exchange Act of 1934.

(w) "Grandfathered Account" will mean the sub-account within a Participant's SIP Parity Account to which contributions made by the Participant and matching contributions made by his Employer that were earned and vested before January 1, 2005, as determined in accordance with the provisions of the Plan as in effect on that date and the rules under Treas. Reg. § 1.409A-6(a)(3) (or any successor provision) and reflected in the Company's records, will be credited. A Participant's Grandfathered Account will be adjusted for earnings and losses and reduced by distributions.

(x) "Incentive Pay" means cash amounts paid under an annual incentive plan maintained by an Employer.

(y) "Investment Election" means an election by a Participant regarding the manner in which such Participant's SIP Parity Account will be credited with gains and losses in accordance with such procedures and subject to such limitations as may be established by the Company from time to time.

(z) "Participant" means any current or former employee of an Employer for whom amounts are credited to a SIP Parity Account under the Plan. A Participant will remain a Participant until his account under the Plan is fully distributed or forfeited.

(aa) "Pension Parity Plan" means the plan currently known as the Monsanto Company ERISA Parity Pension Plan, as amended and restated from time to time, or any successor thereto.

(bb) "Plan" means the Monsanto Company ERISA Parity Savings and Investment Plan.

(cc) "Post-2009 Contribution Account" means the sub-account within a Participant's SIP Parity Account to which all contributions made by the Participant or his Employer that are not credited to the Participant's Grandfathered Account or 2005-2009 Contribution Account will be credited. A Participant's Post-2009 Contribution Account will be adjusted for earnings and losses and reduced by distributions.

(dd) "Section 415 Limitation" means the limitation on Annual Additions described in Section 6.3 of SIP.

(ee) "Separation from Service" means a Participant's "separation from service" as defined under Code Section 409A and Treas. Reg. § 1.409A-1(h) (or any successor provision). For this purpose, a Participant will have a Separation from Service if the Participant ceases to be an employee of his Employer and all persons with whom the Employer would be considered a single employer under Code Section 414(b) or (c). A Participant will have a Separation from Service if it is reasonably anticipated that no further services will be performed by the Participant, or that the level of services the Participant will perform will permanently decrease to no more than 20 percent of the average level of services performed by the Participant over the immediately preceding 36-month period (or the Participant's full period of service, if the Participant has been performing services for less than 36 months).

(ff) "SIP" means the Monsanto Company Savings and Investment Plan, as amended and restated from time to time, or any successor thereto.

(gg) "SIP Parity Account" means a Participant's share of a reserve established on the financial records of the Company under this Plan, equal to the amount credited to the Participant under Sections 4.1 and 4.2 (or the prior provisions of the Plan), adjusted for earnings and losses, and reduced by distributions. The SIP Parity Account will include the Participant's Grandfathered Account, 2005-2009 Contribution Account and Post-2009 Contribution Account, as applicable, each of which will include a "Deferral Election Sub-Account" for amounts credited pursuant to a Participant's Deferral Election under Sections 4.1 and 4.2(a) (or the prior provisions of the Plan regarding deferrals by Participants), and an "Employer Matching and Non-Disability Core Contribution Sub-Account" for amounts that are credited pursuant to Section 4.2(b) and that are described in Section 3.1(s)(i), (ii) or (iv) (or the prior provisions of the Plan regarding Employer contributions). In addition, the Post-2009 Contribution Account will also include an "Employer Disability Core Contribution Sub-Account" for amounts that are credited pursuant to Section 4.2(b) and that are described in Section 3.1(s)(iii).

(hh) SIP Participant" means a participant in SIP to the extent of his participation in that plan.

(ii) "Subsequent Deferral Election" means an election by a Participant pursuant to Section 5.3 or Section 6.3, as applicable, to defer distribution to a date later than the date on which payment would have been made to the Participant under Section 5.1, 5.2 or 6.2, as applicable.

(jj) "Transition Election" means an election by a Participant pursuant to Section 5.2 regarding the timing and form of payment of his 2005-2009 Contribution Account.

(kk) "Unforeseeable Emergency" means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has experienced an Unforeseeable Emergency will be made in accordance with Treas. Reg. § 1.409A-3(i)(3) (or any successor provision).

(ll) "Window Policy" will mean the Monsanto Company Executive and Director Securities Trading Policy.

(mm) "Year," unless otherwise specified, means a calendar year.

SECTION 4.
DEFERRAL AND INVESTMENT ELECTIONS

4.1 Deferral Elections. Deferrals in this Plan with respect to any post-2008 Employee Excess Contributions and Employer Excess Contributions will be governed by this Section 4.1.

(a) Election Procedures.

(i) Each Eligible Employee will have the opportunity to elect to have a portion of his Excess Eligible Compensation for a year credited to the Eligible Employee's SIP Parity Account instead of being paid in cash. A Deferral Election will be made and become irrevocable no later than August 31 of the year prior to the year to which it applies, or such earlier time as may be determined by the Company, consistent with the requirements of Code Section 409A and Treas. Reg. § 1.409A-2(a) (or successor provisions).

An Eligible Employee's deferral election under SIP with respect to compensation paid in a year (including an election to commence or terminate participation in SIP's automatic increase feature) will be made at the same time as his Deferral Election under this Plan with respect to Excess Eligible Compensation paid in the same year, subject to the right to subsequently change such SIP election to the extent permitted by the regulations under Code Section 401(k) and Code Section 409A. A Deferral Election under this Plan will apply to 1% to 25% of the Eligible Employee's Excess Eligible Compensation for a year, as elected by the Eligible Employee (or such other amounts as the Company will designate). The Company may, from time to time, provide separate rules governing the application of Deferral Elections to Incentive Pay.

For years prior to 2008, the percentage of Excess Eligible Compensation deferred by an Eligible Employee under this Plan was required to be the same as the percentage of compensation deferred by the Eligible Employee under SIP. As provided above, for deferrals in 2008 and subsequent years, an Eligible Employee may make separate deferral elections and designate different contribution percentages under this Plan and SIP and both deferral elections will become irrevocable at the same time.

For years beginning on and after January 1, 2014, an Eligible Employee will file separate Deferral Elections under this Plan in respect of (i) any Excess Eligible Compensation that constitute Eligible Compensation other than annual incentive pay and (ii) any Excess Eligible Compensation that constitute annual incentive pay. Such separate Deferral Elections may utilize different percentages and each will be expressed in 1% increments.

The above-referenced rules will not apply to any election made by an Eligible Employee to make Catch-Up Contributions to SIP in accordance with Section 4.7 of SIP. Any such election to make Catch-Up Contributions to SIP will have no impact upon the amounts creditable to an Eligible Employee under this Plan.

(ii) Effective January 1, 2008, and prior to January 1, 2013, if an individual is hired by an Employer after the deadline established under Section 4.1(a)(i) for making a Deferral Election for a year, and the individual is designated as an Eligible Employee prior to the date on which he commences employment, the individual may make an irrevocable Deferral Election for the year as long as the election is made prior to his employment commencement date, to take effect on his employment commencement date. Effective January 1, 2013, an individual who first becomes eligible to participate in the Plan will have the opportunity to make an irrevocable Deferral Election, no more than thirty (30) days after the date on which he commences employment or otherwise first qualifies to participate in the Plan, to make Employee Excess Contributions during the current year in respect of Excess Eligible Compensation earned after the date such irrevocable Deferral Election is made. Effective January 1, 2014, the above-referenced ability to make a deferral election with respect to Excess Eligible Compensation that are earned in the same year as the year in which such election is made will not be available to an individual who commences employment or otherwise first qualifies to participate in the Plan on or after July 1 unless such individual either (i) has a level of base pay of at least $600,000, or (ii) was transferred to the United Stated during such year from a position in another country. In addition, if an individual first becomes eligible to participate in the Plan after the deadline established under Section 4.1(i) for making a Deferral Election for the following year, such individual will have the opportunity to make an irrevocable Deferral Election, no more than thirty (30) days after the date on which he commences employment or otherwise first qualifies to participate in the Plan, to make Employee Excess Contributions during the following year in respect of Excess Eligible Compensation earned in such following year. This provision will apply to an individual (including a rehired individual) only to the extent permitted by Treas. Reg. § 1.409A-2(a)(7) (or any successor provision).

(b) Irrevocability. An Eligible Employee's Deferral Election will remain in effect until revoked or modified in accordance with procedures established by the Company consistent with the requirements of Code Section 409A and Treas. Reg. § 1.409A-2(a) (or successor provisions).

4.2 SIP Parity Account Credits.

(a) Employee Excess Contributions. An Eligible Employee's Deferral Election for a year will apply only to his Excess Eligible Compensation. An amount equal to the percentage elected by the Eligible Employee in his

Deferral Election multiplied by his Excess Eligible Compensation will be credited to the Eligible Employee's SIP Parity Account as Employee Excess Contributions. Such credits will be made each payroll period in which the Eligible Employee earns Excess Eligible Compensation, or such other time as the Company will determine, provided that the Employee Excess Contributions during the year, in the aggregate, reflect the Eligible Employee's Deferral Election in accordance with Code section 409A.

(b) Employer Excess Contributions. An Eligible Employee who has made a Deferral Election and who reaches the Compensation Limitation or the Section 415 Limitation for a year and an Eligible Employee who has become Disabled and who is entitled to an Employer Excess Contribution pursuant to Section 3.1(s)(iii) will have Employer Excess Contributions credited to his SIP Parity Account for the year as follows:

(i) Timing of Crediting of Employer Excess Contributions. Any Employer Excess Contributions described in Section 3.1(s)(i) will be credited to the Eligible Employee's SIP Parity Account each payroll period, or such other time as the Company will determine, provided that such matching contributions during the year, in the aggregate, reflect the total amount determined under Section 3.1(s)(i). Any Employer Excess Contributions described in Section 3.1(s)(ii), (iii) or (iv) will be credited as of the last day of the year.

(ii) Form of Crediting of Employer Excess Contributions. On or before December 31, 2007, any Employer Excess Contributions will be credited to the Participant's SIP Parity Account as if such amount would have been credited as a Matching Contribution under SIP. Effective January 1, 2008, any Employer Excess Contributions will be credited to the Participant's SIP Parity Account as elected by the Participant in his Investment Election.

4.3 Investment Elections. On or before December 31, 2007, the investment of future deferrals to a Participant's SIP Parity Account corresponded to the investment of future deferrals to his SIP account, and the investment of the Participant's existing SIP Parity Account corresponded to the investment of his existing SIP account. Effective January 1, 2008, Participants may make separate Investment Elections with respect to their SIP Parity Accounts as set forth in this Section 4.3.

(a) Adjustments to SIP Parity Accounts. Each Participant's SIP Parity Account will be credited and charged with the dividends, income, gains and losses, and adjusted for stock splits, stock dividends, recapitalizations, consolidations or other changes in capitalization, as the case may be, that such amount would have been credited, charged with or adjusted for, if the SIP Parity Account had been invested in the deemed investment funds that are elected by the Participant in his Investment Election. The deemed investment funds available for the investment of Participants' SIP Parity Accounts will be the same as the Investment Funds available under SIP, except as provided in Section 4.3(c).

(b) Procedures for Investment Elections. In accordance with such procedures and subject to such limitations as may be established by the Company from time to time, each Participant may make an Investment Election for future deferrals (which will apply to both his Employee Excess Contributions and Employer Excess Contributions), and may change his Investment Election for future deferrals or for his existing SIP Parity Account. If a Participant fails to make an Investment Election, such Participant's SIP Parity Account will be credited and charged with the income, gains and losses with respect to such amount that would have been credited and charged had such amount been invested pursuant to SIP's default investment rules for future contributions in effect at that time. A Participant's Investment Election may be different for future deferrals than for the existing SIP Parity Account.

(c) Special Rules for Executive Officers and Certain Other Participants. Except as set forth below, no Executive Officer may make an Investment Election directing that any portion of the Employee Excess Contributions credited to his SIP Parity Account be charged with or adjusted as if such amounts had been invested in the Monsanto Company (Employee) Stock Fund in SIP. If such a Participant makes such an Investment Election, such Participant's Employee Excess Contributions, if any, will be credited and charged with the income, gains and losses with respect to such amount that would have been credited and charged had such amount been invested pursuant to SIP's default investment rules for future contributions in effect at the time. With respect to his existing SIP Parity Account, an Executive Officer or other Participant who is subject to the Window Policy may direct the deemed investment of all or a portion of the SIP Parity Account into the Monsanto Company (Employee) Stock Fund, or may direct that amounts deemed invested in the Monsanto Company (Employee) Stock Fund or the Monsanto Company (Employer) Stock Fund be transferred to another deemed investment fund, but any such election will be subject to and comply with the provisions of the Window Policy and any additional rules and procedures established by the Company.

(d) Transfer Restrictions. The following rules will apply to an exchange in and then out of any deemed investment fund (other than a deemed investment found having the characteristics of stable value fund) within a 30-day period in an amount that is greater than $1,000 ("Roundtrip Transaction"):

(i) If a Participate completes one Roundtrip Transaction, a warning letter will be issued

(ii) If a Participate completed two Roundtrip Transactions in any one deemed investment fund within any 90-day period, the Participant will be prohibited from making a constructive investment into such deemed investment fund for a period of 85 days beginning on the date on which the second Roundtrip Transaction is completed;

(iii) If Participant completes four Roundtrip Transactions in one or more deemed investment funds within any 12-month period, the Participant will be limited to one constructive exchange day per calendar quarter for a period of 12 months following the date on which the fourth Roundtrip Transaction occurs;

(iv) Once the 12-month limitation period described in subsection (3) above expires, any subsequent Roundtrip Transaction in any one deemed investment fund in the 12-month period following the expiration date will result in another 12-month limitation period of one exchange date per calendar quarter;

(v) Notwithstanding the preceding, a Participant may make an election to constructively withdraw out of any deemed investment fund at any time and may constructively invest amounts into a deemed investment fund having the characteristics of stable value fund at any time; and

(vi) These rules do not apply to contributions, or withdrawals.

4.4 No Investment Election After Termination of Employment. The following rules apply to a Participant's Investment Election upon his Termination of Employment:

(a) With respect to a Participant who incurs a Separation from Service prior to December 1, 2015, (i) the Participant's Investment Election with respect to his SIP Parity Account will expire on the last day of the calendar month within which such Participant's Separation from Service occurs, and (ii) effective on the first day of the calendar month following such Participant's Separation from Service and ending on the date distribution of his SIP Parity Account commences, his SIP Parity Account will be credited with interest at a rate equal to the average of the monthly averages of the Moody BAA Bond index for the preceding year.

(b) With respect to a Participant who incurs a Termination of Employment on or after December 1, 2015, (i) the Participant's Investment Election with respect to his SIP Parity Account will expire on the last day of the calendar month within which his Termination of Employment occurs, and (iii) effective on the first day of the calendar month following the Participant's Termination of Employment and ending on the date distribution of his SIP Parity Account commences, his SIP Parity Account will be credited with interest at a rate equal to the average of the monthly averages of the Moody BAA Bond index for the preceding year.

(c) Notwithstanding the provisions of (a) or (b) above, any Participant who incurred a Termination of Employment prior to December 1, 2015 but did not incur a Separation from Service as of that date will be given the ability to elect, no later than January 31, 2016, that (i) his Investment Election with respect to his SIP Parity Account expire as of January 31, 2016, and (ii) effective as of February 1, 2016 and ending on the date distribution of his SIP Parity Account commences, his SIP Parity Account will be credited with interest at a rate equal to the average of the monthly averages of the Moody BAA Bond index for the preceding year. In the event such Participant fails to timely make such election, the provisions of subsection (a) above will remain in effect until such time as the Participant's Separation from Service.

SECTION 5.
MANNER AND TIME OF PAYMENT OF 409A ACCOUNTS

5.1 Timing and Form of Payment.

(a) Payment Event. The vested portion of a Participant's 409A Account (i.e., the Participant's 2005-2009 Contribution Account and Post-2009 Contribution Account, as applicable) will be paid to the Participant following Separation from Service as described below.

(b) Timing and Form. The vested portion of a Participant's 409A Account, other than any portion of the Participant's 409A Account that consists of an Employer Disability Core Contribution Sub-Account, will be paid to the Participant in cash in a single lump sum distribution in the thirteenth month that begins after the month of the Participant's Separation from Service (e.g., for a Separation from Service that occurs on February 15, 2009, payment will be made in March 2010). Notwithstanding any other provision of the Plan to the contrary, including the provisions of Section 5.3 dealing with Subsequent Deferral Elections, the vested portion of a Participant's 409A Account that consists of an Employer Disability Core Contribution Sub-Account will be paid to the Participant (or to the applicable Death Benefit Beneficiary or Beneficiaries of such Participant, as the case may be) in cash in a single lump sum distribution 60 days following the Participant's (i) attainment of age 65, or (ii) death, whichever first occurs. All references to a Participant's 409A Account or Post-2009 Contribution Account in all other provisions of the Plan dealing with withdrawals or distributions will be deemed to mean the Participant's 409A Account or Post-2009 Contribution Account, in each case, determined without regard to the Participant's Employer Disability Core Contribution Sub-Account, if any.

5.2 2008 Transition Period Elections. Prior to January 1, 2009, Participants were permitted to make a Transition Election as to the timing and form of payment of their 2005-2009 Contribution Accounts, to the extent vested, pursuant to procedures set forth in a prior version of the Plan. If an eligible Participant did make such a Transition Election, if the Participant's Separation from Service occurs on or prior to the date the Participant attains age 70 ½, and if under the terms of such Transition Election payments will commence no later than the date the Participant attains age 70 ½, the Participant's 2005 - 2009 Contribution Account will be paid in accordance with the terms of such Transition Election, subject to the Participant's right to make a Subsequent Deferral Election with respect to such Account pursuant to Section 5.3. If an eligible Participant did not make such a Transition Election, and/or if the Participant's Separation from Service occurs after the date the Participant attains age 70 ½, and/or if under the terms of such Transition Election payments will not commence on or prior to the date Participant attains age 70 ½, the Participant's 2005-2009 Contribution Account will be paid as provided in Section 5.1, subject to the Participant's right to make a Subsequent Deferral Election with respect to such Account pursuant to Section 5.3.

5.3 Subsequent Deferral Elections.

(a) Submission of Subsequent Deferral Election. A Participant may elect to defer distribution of his 2005-2009 Contribution Account and/or Post-2009 Contribution Account, to the extent vested, to a date (i.e., month and year), later than provided under Section 5.1, or, if applicable with respect to the Participant's 2005-2009 Contribution Account, to a date later than elected by the Participant pursuant to a 2008 Transition Period election referenced in Section 5.2. Any such Subsequent Deferral Election must be submitted to the Company or its delegate in accordance with the rules and procedures adopted by the Company. A Subsequent Deferral Election must specify the Deferral Period, including the date on which payment is to commence, and the form of payment elected by the Participant. A Participant may make separate Subsequent Deferral Elections with respect to his 2005-2009 Contribution Account and Post-2009 Contribution Account (whether or not the Participant has made a Transition Election with respect to the 2005-2009 Contribution Account as referenced in Section 5.2). Subject to Section 5.7 (regarding reemployed Participants), a Participant may make only one Subsequent Deferral Election with respect to each type of account. Any Subsequent Deferral Election made by a Participant may not be changed by the Participant following its submission to the Company.

Effective January 1, 2008, Subsequent Deferral Elections will be automatically approved, provided that the applicable requirements are met.

(b) Timing of Election. A Subsequent Deferral Election must be submitted before, but no more than 60 days before, the Participant's Separation from Service and will become irrevocable upon the Participant's Separation from Service. If the Participant files a Subsequent Deferral Election before incurring a Separation from Service and the Participant does not have a Separation from Service within 60 days following the submission of the Subsequent Deferral Election, the Subsequent Deferral Election will not be given effect. A Subsequent Deferral Election will not take effect until at least 12 months after the date on which the Subsequent Deferral Election is made.

(c) Determination of Deferral Period. Any Deferral Period elected by a Participant will be a minimum of five years from the date that payment to the Participant would have been made under Section 5.1, or, if applicable with respect to the Participant's 2005-2009 Contribution Account, from the date elected by the Participant in a Transition Election as referenced in Section 5.2; provided, that distribution begins no later than the date the Participant attains age 70-1/2. If the Deferral Period elected by the Participant does not meet these requirements, the Participant's Subsequent Deferral Election will not be given effect and the Participant will be notified that the applicable portion of his Account instead will be paid as provided in Section 5.1 or Section 5.2, as applicable. Any installment form previously elected by the Participant with respect to his 2005-2009 Contribution Account pursuant to Section 5.2 will be treated as a single payment for purposes of applying this provision (i.e., if the Participant elects to change the form of payment of his 2005-2009 Contribution Account to a lump sum or to another installment form providing for payment over a different number of years than previously elected, the required five-year minimum Deferral Period will be measured from the date the first installment would have been paid under the previously elected form).

(d) Form of Payment. As part of a Subsequent Deferral Election, the Participant will elect to have the applicable portion of his 409A Account (i.e., the 2005-2009 Contribution Account and/or the Post-2009 Contribution Account), to the extent vested, paid pursuant to one of the forms of payment set forth below.

(i) A Single Lump Sum Option under which the entire value of the applicable portion of the Participant's 409A Account (i.e., the 2005-2009 Contribution Account and/or the Post-2009 Contribution Account), to the extent vested, will be paid to the Participant in a single lump sum at the end of the Deferral Period on the date specified in the Subsequent Deferral Election.

(ii) A Term Certain Option which will provide for distribution of the value of the applicable portion of the Participant's 409A Account (i.e., the 2005-2009 Contribution Account and/or the Post-2009 Contribution Account), to the extent vested, to the Participant in equal monthly installments over a designated number of whole years not to exceed 10 years, beginning at the end of the Deferral Period on the date specified in the Subsequent Deferral Election. The amount of each monthly installment will equal the value of the applicable portion of the Participant's 409A Account, to the extent vested, at payment commencement divided by an annuity factor based on an annualized interest rate of 8.0%. The annuity factor for each Term Certain Option is as follows:

Term Certain Period	Annuity Factor
1 year	11.5870
2 years	22.3156
3 years	32.2495
4 years	41.4476
5 years	49.9643
6 years	57.8502
7 years	65.1519
8 years	71.9128
9 years	78.1728
10 years	83.9692

Notwithstanding the above, with respect to any Term Certain Option that is payable pursuant to a Subsequent Deferral Election that provides for a benefit commencement date that is on or after January 1, 2013, the amount of the monthly installment with respect to a particular calendar month will equal the value of the applicable portion of the Participant's 409A Account, to the extent vested, as of the first day of such month multiplied by a fraction, the numerator of which will be one and the denominator of which will be the number of months (including the then-current month) remaining in the designated term certain period.

5.4 Financial Emergency Distribution. In the event that a Participant who has made a Transition Election or Subsequent Deferral Election incurs an Unforeseeable Emergency following his Separation from Service, such Participant or his legal representative may submit a written request to the EBPC that it approve an immediate distribution of all or a portion of his vested 409A Account; provided, however, that no distribution will be made under this provision prior to the date on which payment would have been made to the Participant under Section 5.1 in the absence of such Transition Election or Subsequent Deferral Election. If the EBPC approves such request, the Company will pay to the Participant, within 60 days following such approval, an amount equal to the lesser of (i) the value of the Participant's vested 409A Account or, if payments have commenced, the value of the remaining payments (as described below), and (ii) the amount reasonably necessary to satisfy the emergency need (plus amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution), taking into account the extent to which such need is or may be relieved through reimbursement or compensation from insurance or otherwise, or by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. No amount will be paid under this provision in excess of the amount permitted under Code Section 409A and Treas. Reg. § 1.409A-3(i)(3) (or any successor provisions).

With respect to a term certain option elected in connection with a Transition Election or a Subsequent Deferral Election that provides for a benefit commencement date that is prior to January 1, 2013, for purposes of determining the maximum amount which may be distributed in accordance with the preceding paragraph, the value of the remaining payments for a Participant receiving payment in an Term Certain Option pursuant to Section 5.3(d)(ii) will be equal to the monthly annuity payment multiplied by an annuity factor based on the number of remaining term certain payments and a monthly interest rate of 0.643404%.

With respect to a term certain option elected in connection with a Transition Election or a Subsequent Deferral Election that provides for a benefit commencement date that is prior to January 1, 2013, if a Participant receives a distribution pursuant to this Section 5.4, the value of the Participant's subsequent installment payments will be reduced by the annuity value of such distribution, based on an annualized interest rate of 8.0%, so that the amount of each subsequent installment is equal.

With respect to a term certain option elected in connection with a Subsequent Deferral Election that provides for a benefit commencement date that is on or after January 1, 2013, the maximum potential amount which may be distributed pursuant to this Section 5.4 shall be the remaining balance of the Participant's vested 409A Account and if a Participant receives a distribution pursuant to this Section 5.4, the amount of the Participant's subsequent installment payments for each calendar month will equal the value of the applicable portion of the Participant's 409A Account after such distribution pursuant to this Section 5.4, to the extent vested, as of the first day of such month multiplied by a fraction, the numerator of which will be one and the denominator of which will be the number of months (including the then-current month) remaining in the designated term certain period.

The value of the remaining payments for a Participant who has received a complete distribution of his 409A Account pursuant to Section 5.3(d)(i) or (ii) will be zero.

Payment will be made pro rata from the Participant's 2005-2009 Contribution Account and Post-2009 Contribution Account, as applicable. If a Participant has elected a different time and/or form of payment for his 2005-2009 Contribution Account and Post-2009 Contribution Account, the preceding provisions regarding the calculation of the Participant's remaining payments and subsequent installments will apply separately to each such account.

Subject to the guidelines set forth herein, the EBPC will have sole authority to determine if an Unforeseeable Emergency exists and, if so, the amount of the distribution necessary to meet the Unforeseeable Emergency. The decision of the EBPC will be final and binding upon all parties.

5.5 Early Payment of Benefits. The EBPC, in its sole discretion, may authorize early payment of all or a portion of a Participant's vested 409A Account to the extent permitted by Treas. Reg. § 1.409A-3(j)(4) (or any successor provision). Without limitation, payment may be accelerated:

(a) To the extent necessary to fulfill a domestic relations order (as defined in Code Section 414(p)(1)(B)).

(b) To pay any Federal Insurance Contributions Act (FICA) tax imposed on compensation deferred under the Plan, to pay any federal, state, local or foreign income tax imposed as a result of payment of the FICA tax amount, and to pay the additional income tax attributable to the pyramiding wages and taxes. The total payment may not exceed the aggregate FICA tax amount and the income tax withholding related to such FICA tax amount.

(c) If the Plan fails to meet the requirements of Code Section 409A. The payment may not exceed the amount required to be included in income as a result of such failure.

5.6 Latest Payment Date. Notwithstanding anything herein to the contrary, where a date is specified for payment of the

Participant's 409A Account under this Section 5 or in Appendix A of the original version of this Plan, as restated as of December 31, 2008, payment may be made at any later date within the same calendar year, or, if later, in the next calendar year, by the 15 th day of the third calendar month following the specified date (or at any other later or earlier time permitted by Code Section 409A).

5.7 Reemployment.

(a) Continued Distribution of Account. If a Participant who is scheduled to receive or is receiving payment following Separation from Service (whether pursuant to Section 5.1, 5.2 or 5.3) is reemployed by an Employer prior to the complete distribution of his vested 409A Account, payment will be made to the Participant at the scheduled time or times without regard to the Participant's reemployment.

(b) New Account. A reemployed Participant who is an Eligible Employee may make a new Deferral Election pursuant to Section 4.1 and receive additional Employer contributions, in which case a new account will be established for such Participant to which contributions relating to the period following the Participant's re-employment will be credited. Such new account will be distributed at the time provided in Section 5.1, subject to the Participant's right to make a Subsequent Deferral Election with respect to such new account under Section 5.3, provided that payment of any previously forfeited unvested amounts that are restored upon the Participant's reemployment will be made in the form applicable at the time of the Participant's prior termination in accordance with the rules set forth herein.

5.8 Participants Terminating Prior to January 1, 2009. The payment provisions applicable to the 409A Accounts of the Participants who terminate employment on or after January 1, 2005 and on or before December 31, 2008 will be as set forth in Appendix A of the original version of this Plan, as restated as of December 31, 2008.

5.9 Death Benefits. Notwithstanding anything in Section 5 to the contrary, the event of the death of a Participant, the Participant's 409A Account will be paid as follows:

(a) Death Before Commencement of Payments. In the event that a Participant dies at any time before the payment or commencement of payment of his 2005-2009 Contribution Account and/or Post-2009 Contribution Account, as applicable, such Account or Accounts, as applicable, will be paid to the applicable Death Benefit Beneficiary or Beneficiaries in a single lump sum payment 60 days following the date of the Participant's death.

(b) Death After Commencement of Payments. In the event a Participant who has made a Transition Election or Subsequent Deferral Election dies after installment payment of his 2005-2009 Contribution Account and/or Post-2009 Contribution Account, as applicable, has commenced, the remaining installments (if any) from such Account or Accounts, as applicable, will be paid to the applicable Death Benefit Beneficiary or Beneficiaries in a single lump sum payment 60 days following the date of the Participant's death.

SECTION 6.
MANNER AND TIME OF PAYMENT OF GRANDFATHERED ACCOUNTS

6.1 Distribution of Grandfathered Accounts. Notwithstanding anything in the foregoing to the contrary, the distribution of all Grandfathered Accounts will be made in accordance with the provisions of this Section 6. These distribution provisions are the same as the distribution provisions under the Plan as in effect on October 3, 2004, except that (a) certain distribution options previously available to Participants have been eliminated and (b) as reflected in these provisions, effective January 1, 2008, the Company has, in its discretion, determined that all deferral requests made by Participants will be automatically approved upon timely submission in accordance with the procedures established by the Company. No provision of this restatement of the Plan or provision of any subsequent amendment that (i) represents a material enhancement of the benefits or rights available under the Plan on October 3, 2004 or (ii) adds a new material benefit or right that did not exist under the Plan on October 3, 2004 will apply to Grandfathered Accounts.

6.2 Distribution at Termination. Unless a Participant makes a timely Subsequent Deferral Election under Section 6.3 below, the Participant's Grandfathered Account will be paid to the Participant, or his beneficiaries, in cash in a single lump sum distribution as soon as administratively feasible after the first January 1 or July 1 that is at least six months following the Participant's termination or death.

6.3 Subsequent Deferral Election. A Participant who terminates employment from the Employers and all Affiliates may elect to defer distribution of his Grandfathered Account in accordance with the provisions of this Section 6.3. Such an election is referred to as a "Subsequent Deferral Election."

(a) Deferral of Grandfathered Account. A Participant may elect to defer distribution of his Grandfathered Account under the Plan to a date later than the first January 1 or July 1 that is at least six months following his termination of employment pursuant to a Subsequent Deferral Election. If a Participant makes a Subsequent Deferral Election, the Company will pay his Grandfathered Account under the Plan at the time and in the manner specified in this Section 6.3.

(b) Submission of Subsequent Deferral Election. A Subsequent Deferral Election must be submitted to the Company prior to the Participant's termination of employment in accordance with the procedures established by the Company. The Subsequent Deferral Election must specify the Deferral Period (as defined in Section 6.3(c) below) and the Payment Form (as defined in Section 6.3(d) below) elected by the Participant. Except as provided in Sections 6.3(e) and (f) below, once a Subsequent Deferral Election has been submitted, the Subsequent Deferral Election will be irrevocable. A Participant's deferral request that was granted under the Pharmacia Parity Plan will remain in effect under the Plan.

(c) Determination of Deferral Period. Any Deferral Period with respect to a Participant's Grandfathered Account will be a minimum of three years from the first January 1 or July 1 that is at least six months after the Participant's termination of employment, except that payment must begin no later than the date the Participant attains age 70-1/2.

(d) Form of Payment. As part of his Subsequent Deferral Election, the Participant will elect that, at the end of the Deferral Period, the Participant's Grandfathered Account will be paid pursuant to one of the payment forms specified below :

(i) A Single Lump Sum Option under which the entire value of the Participant's Grandfathered Account will be paid to the Participant in a single lump sum at the end of the Deferral Period.

(ii) A Term Certain Option which will provide for payment of the Grandfathered Account to the Participant in equal monthly installments over a designated number of whole years not to exceed the lesser of (x) the life expectancy of the Participant at the end of the Deferral Period and (y) 10 years, beginning at the end of the Deferral Period. The methodology for computing the amount of each monthly installment will depend upon whether the Subsequent Deferral Election provided for a benefit commencement date that was prior to January 1, 2013 or provided for a benefit commencement date that was on or after January 1, 2013 and shall be the applicable methodology described in Section 5.3(d)(ii).

(e) Death of Participant.

(i) Death Before Termination of Employment. In the event that a Participant dies prior to termination of employment, any Subsequent Deferral Election will be cancelled, and the Participant's Grandfathered Account will be paid to the applicable Death Benefit Beneficiary or Beneficiaries in cash as soon as administratively feasible after the January 1 or July 1 that is at least six months after the Participant's death. A Subsequent Deferral Election will only become effective if the Participant lives until his termination of employment.

(ii) Death During Deferral Period. In the event that a Participant who has made a Subsequent Deferral Election with respect to his Grandfathered Account dies during the Deferral Period, his Grandfathered Account will be paid to the applicable Death Benefit Beneficiary or Beneficiaries in 60 equal monthly installments commencing on the first day of the month following the month in which the Participant dies.

(iii) Death After Commencement of Payments. In the event that a Participant dies after the commencement of installment payments from his Grandfathered Account, the remaining installments (if any) will continue to be paid to the applicable Death Benefit Beneficiary or Beneficiaries. In the event that the applicable Death Benefit Beneficiary dies after the Participant dies and before the entire Grandfathered Account is distributed, the value of any remaining payments will be paid in a single lump sum to the estate of the applicable Death Benefit Beneficiary unless the Participant designated a surviving concurrent, contingent or successor Death Benefit Beneficiary for purposes of his Grandfathered Account.

(f) Financial Emergency Distribution. In the event that a Participant who has made a Subsequent Deferral Election incurs a severe, unforeseeable financial emergency either after his termination of employment or after payment has begun, such Participant may request from the EBPC an emergency distribution of the amount necessary to satisfy the financial emergency. The EBPC will have sole authority to determine if a financial emergency exists and the amount of the distribution necessary to meet the emergency. The decision of the EBPC will be final and binding upon all parties. The EBPC may determine that a severe financial hardship exists only if the distribution is necessary in light of immediate and heavy financial needs of the Participant which cannot be met from the other financial sources available to the Participant and if disallowance of the accelerated distribution would result in a severe financial hardship to the Participant. Amounts which are distributed under this provision will reduce the Participant's benefit.

6.4 Participants Terminating Prior to January 1, 2009. The payment provisions applicable to the Grandfathered Accounts of Participants who terminate employment on or after January 1, 2005 and on or before December 31, 2008 are set forth in Appendix A of the original version of this Plan.

SECTION 7.
BENEFICIARY DESIGNATIONS

7.1 Generally. A Participant may designate one or more beneficiaries (each a "Death Benefit Beneficiary") to receive all or any defined portion of the death benefit payable with respect to the Participant's SIP Parity Account in the event that the Participant dies prior to receipt of the full balance of such SIP Parity Account. A Participant may designate separate Death Benefit Beneficiaries in respect of his 409 Account and his Grandfathered Account. In the event that a Participant fails to designate a Death Benefit Beneficiary for any portion of his SIP Parity Account or each Death Benefit Beneficiary for any portion of his SIP Parity Account predeceases a Participant, the beneficiary designation in effect for such Participant under SIP will govern to whom distributions are to be made from the Plan with respect to such portion of the Participant's SIP Parity Account in the event such Participant dies prior to receipt of all amounts due him under the Plan with respect to such portion of the Participant's SIP Parity Account. In the event that no designated Death Benefit Beneficiary survives a Participant with respect to any portion of a Participant's SIP Parity Account and such Participant fails to designate a beneficiary under SIP or the designated beneficiary under SIP predeceases the Participant, such portion of the Participant's SIP Parity Account will be paid to the deceased Participant's estate.

7.2 Procedures. Each Death Benefit Beneficiary designation will be made in such form or format as may be determined by the Company from time to time. A Death Benefit Beneficiary designation will be effective only if completed, dated and filed by the Participant with the Company prior to the Participant's death in accordance with the rules and procedures established by the Company. A Participant may revoke a Death Benefit Beneficiary designation and make a new Death Benefit Beneficiary designation at any time (including after installment payments have commenced), but any such change will be effective only if it is received by the Company prior to the Participant's death. A Participant's Death Benefit Beneficiary designation in effect under the Pharmacia Parity Plan immediately prior to the Effective Date will be deemed a valid Death Benefit Beneficiary designation under the Plan unless and until the Participant revokes such beneficiary designation or makes a new beneficiary designation as provided in the Plan.

SECTION 8.
VESTING; LOANS

8.1 Vesting. A Participant's interest in a Deferral Election Sub-Account is always fully vested and nonforfeitable. A Participant's interest in any form of Employer Excess Contribution will be based upon the vesting provisions of SIP applicable to the Equivalent Form of Employer Contribution under SIP (such as Employer Matching Contributions and Employer Core Contributions) and will become vested and nonforfeitable at such times during employment and in such percentages as it would have if such contributions had been made as an Equivalent Form of Employer Contribution under SIP. No amounts will become vested after a Participant's Separation from Service or death.

8.2 Loans Prohibited. No loans will be permitted to any Participant of any amounts credited to his SIP Parity Account. No portion of a Participant's SIP Parity Account will be considered as part of the Participant's SIP Accounts for purposes of determining the maximum amounts that can be borrowed from SIP.

SECTION 9.
SOURCE OF PAYMENTS

All amounts due under the Plan and any expenses of administration will be payable solely from the general assets of the Employers. The establishment of the Plan, and the operation thereof, will not be deemed to create a trust. No Participant will have any security or other interest in any assets of the Employers due to or arising from his participation in the Plan.

SECTION 10.
ADMINISTRATION; AMENDMENT AND TERMINATION

10.1 General Administration. The Company will have full authority to establish, amend and rescind rules and regulations relating to the Plan and administer the Plan with respect to all Participants, generally. Unless otherwise set forth to the contrary herein, the Plan and the rules and regulations hereunder will be construed and interpreted by the Internal People Committee, or, to the extent necessary or appropriate in view of Sections 16(a) and 16(b) of the Securities Exchange Act of 1934, by the Board People Committee. The Company or the Committee, as appropriate, may delegate any of its authority, duties and responsibilities under the Plan to any other person, including any third party administrator selected by the Company. Any such delegation will be in writing and will specify the identity of the delegate and the responsibilities delegated to such person.

10.2 Amendment and Termination.

(a) The Board People Committee or its delegate may from time to time make such amendments to the Plan as it may deem proper and in the best interests of the Company, and it may terminate the Plan at any time; provided, that no such amendment or termination will, without the consent of the affected Participant, reduce the amounts that have been credited to the Participant’s SIP Parity Account. If this Plan is terminated, the Board People Committee or its delegate may authorize early payment of benefits to Participants and Beneficiaries to the extent consistent with the requirements of Treas. Reg. § 1.409A-3(j)(4)(ix) (or any successor provision).

(b) Notwithstanding any other provision of the Plan, subject to the requirements of Code Section 409A, to the extent applicable to a Participant’s benefit, the Committee or its delegate may make such amendments to the Plan, to any procedures established under the Plan, and to any Deferral Election or Subsequent Deferral Election hereunder, as it may determine to be necessary to comply with any applicable law, regulation or requirement, including without limitation wage controls or guidelines. Such amendments need not apply uniformly to all Participants.

SECTION 11.
CLAIMS PROCEDURES

A claim for benefits under the Plan will be handled as follows:

11.1 Filing a Claim. Each individual who claims to be eligible for benefits under the Plan (a “Claimant”), or his duly authorized representative, may submit a written claim for benefits (a “Claim”) to the EBPC for a first level review where the individual believes a benefit to which such individual is eligible has not been provided under the Plan. A Claim must be set forth in writing on a form provided or otherwise approved by the EBPC and must be submitted to the EBPC. Notwithstanding the foregoing, any Claim associated with a Claimant who is an Executive Officer must be submitted to the Board People Committee instead of the EBPC and the Board People Committee will apply the Claims procedures described in this Section 11 in handling such Claim.

11.2 Review of Claim. The EBPC will evaluate each properly filed Claim and notify the Claimant of the approval or denial of the Claim within 90 days after the EBPC receives the Claim, unless special circumstances require an extension of time for processing the Claim. If an extension of time for processing the Claim is required, the EBPC will provide the Claimant with written notice of the extension before the expiration of the initial 90-day period, specifying the circumstances requiring an extension and the date by which a final decision will be reached (which date will not be later than 180 days after the date on which the EBPC received the claim).

11.3 Notice of Claim Denial. If a Claim is denied in whole or in part, the EBPC will provide the Claimant with a written notice setting forth: (a) the specific reasons for the denial; (b) references to pertinent Plan provisions upon which the denial is based; (c) a description of any additional material or information needed and an explanation of why such material or information is necessary to perfect the Claim; and (d) the Claimant’s right to seek review of the denial pursuant to

Section 11.4 below.

11.4 Review of Claim Denial. If a Claim is denied, in whole or in part, the Claimant will have the right to: (a) request a second level review by the EBPC; (b) review pertinent documents; and (c) submit issues and comments in writing, provided that the Claimant files a written request for a second level review with the EBPC within 60 days after the date on which the Claimant received written notice from the EBPC of the denial. Within 60 days after the EBPC receives a properly filed request for review, the EBPC will conduct such review and advise the Claimant in writing of its decision on review, unless special circumstances require an extension of time for conducting the review. If an extension of time for conducting the review is required, the EBPC will provide the Claimant with written notice of the extension before the expiration of the initial 60-day period, specifying the circumstances requiring an extension and the date by which such review will be completed (which date will not be later than 120 days after the date on which the EBPC received the request for review). The EBPC will inform the Claimant of its decision on review in a written notice, setting forth the specific reason(s) for the decision, reference to Plan provisions upon which the decision is based and other required information. A decision on review will be final and binding on all persons for all purposes.

11.5 Procedures Control. No Claimant or other individual may file any Claim for benefits or request a review of a denial of any Claim unless such person follows the provisions and timeframes of this Section. A Claimant or other individual will not be entitled to bring any action in any court unless such person has exhausted such person's rights under this Section by timely submitting a Claim and requesting a review of a decision with respect to such Claim. For example, if the Claimant fails to request the second level review by the EBPC within 60 days after the Claimant received notice of the initial denial, the initial decision will become final. In that event, the Claimant will not have a right to any further review by the EPBC and will not have a right to pursue the Claim in court.

All Claims procedures provided for in the Plan, i.e., both the first and second level of review, must be exhausted before any legal action may be brought. The Claims procedures afforded by the Plan are exhausted upon the date of the EBPC's final decision on the second level of review. Any legal action by a Claimant must be commenced within 1 year of the date of the EBPC's final decision on the second level of review and must be filed in the District Court for the Eastern District of Missouri.

11.6 Compliance with Code Section 409A. Any claim for benefits under the Plan must be made by the Claimant no later than the time prescribed by Treas. Reg. § 1.409A-3(g) (or any successor provision), to the extent applicable. If a Claimant's claim or appeal is approved, any resulting payment of benefits will be made no later than the time prescribed for payment of benefits by Treas. Reg. § 1.409A-3(g) (or any successor provision), to the extent applicable.

SECTION 12.
LIMITATIONS ON PAYMENTS

All payments hereunder will be subject to applicable income tax withholding. Except as may be required by the federal income tax withholding provisions of the Code, by the tax withholding provisions of an applicable state's income tax act, or by the tax withholding provisions of an applicable foreign, city, county or municipality's earnings or income tax act, the interests of the Participants and their designated beneficiaries under the Plan are not subject to state or other foreign, city, county or municipality escheat laws and are not subject to the claims of the creditors of any Participant or the designated beneficiaries of any Participant and may not be voluntarily or involuntarily sold, transferred, alienated, assigned, pledged, anticipated, or encumbered. Any attempt by a Participant, his beneficiary, or any other person or entity to sell, transfer, alienate, assign, pledge, anticipate, encumber, charge or otherwise dispose of any right to benefits payable hereunder will be void. The Company may cancel and refuse to pay any portion of a SIP Parity Account which is sold, transferred, alienated, assigned, pledged, anticipated or encumbered.

SECTION 13.
GENERAL PROVISIONS

13.1 Facility of Payment. When a person entitled to a distribution under the Plan is under a legal disability, or, in the opinion of the EBPC, is in any way incapacitated and unable to manage his financial affairs, the EBPC may direct that the distribution to which such person otherwise would be entitled will be made to such person's legal representative(s) or to a relative or friend of such person for such person's benefit, or the EBPC may direct the application of such distribution for the benefit of such person.

13.2 Absence of Guaranty. Neither the Company, the Employers nor any committee of the Company or the Employers in any way guarantees any payment to any person with respect to this Plan.

13.3 Security. A Participant will remain a general creditor of the Company with respect to his SIP Parity Account and will not have any security or other interest in any assets of the Company, or any other Employer, due to or arising from the fact that any portion of his interest in such SIP Parity Account is nonforfeitable.

13.4 Employment Rights. The Plan does not constitute a contract of employment, and participation in the Plan will not give any Participant the right to be retained in the employment of the Company or any Employer or Affiliate.

13.5 Gender and Number. Where the context admits, words denoting the masculine gender will include the feminine and neuter genders, the singular will include the plural, and the plural will include the singular.

13.6 Headings. Section headings and titles are for reference only. In the event of a conflict between a title and the content of a section, the content of the Section will control.

13.7 Successors. The provisions of the Plan will be binding upon the Company, the Employers and successors and assigns of any of them and upon the Participant and his heirs, beneficiaries, estates and legal representatives.

13.8 Controlling State Law. To the extent not superseded by the laws of the United States, the laws of the State of Missouri, determined without regard to its conflict of law rules, will be controlling in all matters relating to the Plan.

13.9 Severability. In case any provision of the Plan will be held illegal or invalid for any reason, such illegality or invalidity will not affect the remaining provisions of the Plan, and the Plan will be construed and enforced as if such illegal and invalid provisions had never been set forth in the Plan.

13.10 Code Section 409A. The Plan is intended to comply with the requirements of Code Section 409A, to the extent applicable, and will be interpreted and administered accordingly.

13.11 Missing Participants. In the event that the EBPC cannot locate a Participant or beneficiary who is entitled to a distribution from the Plan or to whom a distribution has been made but the distribution check remains uncashed after reasonable measures have been taken to locate such Participant or beneficiary, the EBPC may, consistent with applicable laws, regulations, and other pronouncements under the Code and ERISA, treat the amount otherwise distributable as forfeited under the Plan. However, if the Participant or Beneficiary is later located, such benefit will be restored to the extent of the amount of such provisional forfeiture, unadjusted for earnings and/or losses.

Exhibit 12

MONSANTO COMPANY
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES[(1)(2)]
(Dollars in millions)

	Three Months Ended Nov. 30,	Year Ended Aug. 31,				
	2016	**2016**	**2015**	**2014**	**2013**	**2012**
EARNINGS:						
Income from Continuing Operations Before Income Taxes	$ 86	$ 1,991	$ 3,161	$ 3,827	$ 3,429	$ 2,988
Add:						
Fixed charges	159	515	509	327	246	257
Equity affiliate loss (income) - net	2	12	13	8	(15)	(10)
Amortization of capitalized interest	5	20	18	17	16	15
Less:						
Capitalized interest	(10)	(32)	(26)	(28)	(23)	(21)
Earnings available for fixed charges	$ 242	$ 2,506	$ 3,675	$ 4,151	$ 3,653	$ 3,229
FIXED CHARGES:						
Interest expense[(3)]	$ 137	$ 437	$ 434	$ 250	$ 176	$ 191
Capitalized interest	10	32	26	28	23	21
Portion of rents representative of interest factor	12	46	49	49	47	45
Total fixed charges	$ 159	$ 515	$ 509	$ 327	$ 246	$ 257
Ratio of Earnings to Fixed Charges	1.52	4.87	7.22	12.69	14.85	12.56

(1) Monsanto has not paid any preference security dividends and, therefore, has not included the ratio of combined fixed charges and preference security dividends to earnings for the relevant periods.

(2) The operating results of the Dairy business have been conformed to discontinued operations presentation for all relevant fiscal years presented.

(3) Includes amortization of deferred debt issuance costs and the interest component of the income tax provision.

EXHIBIT 31.1

CERTIFICATIONS

I, Hugh Grant, certify that:

1. I have reviewed this report on Form 10-Q of Monsanto Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 6, 2017

/s/ Hugh Grant

Hugh Grant

Chairman and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Pierre Courduroux, certify that:

1. I have reviewed this report on Form 10-Q of Monsanto Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 6, 2017

/s/ Pierre Courduroux

Pierre Courduroux
Senior Vice President and Chief Financial Officer

EXHIBIT 32

CERTIFICATIONS PURSUANT TO
EXCHANGE ACT RULE 13a-14(b) AND 18 U.S.C. SECTION 1350

In connection with the report of Monsanto Company (the "Company") on Form 10-Q for the period ended Nov. 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), and pursuant to Exchange Act Rule 13a-14(b) and 18 U.S.C. Section 1350, each of the undersigned officers of the Company does hereby certify that, to the best of such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Hugh Grant
Hugh Grant
Chairman and Chief Executive Officer

/s/ Pierre Courduroux
Pierre Courduroux
Senior Vice President and Chief Financial Officer

January 6, 2017