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DELTA & PINE LAND CO
Form 10-Q
April 11, 2005

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

- Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934; For the quarterly period ended February 28, 2005 or
- Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934; For the transition period from _____ to _____

Commission File Number: 000-21788

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

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

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

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

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES NO

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

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock, \$0.10 Par Value, 38,452,574 shares outstanding as of March 31, 2005.

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

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

| | | February 28, 2005 | |
|--|----|----------------------|----|
| | | | |
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ | 110,632 | \$ |
| Receivables, net | | 139,330 | |
| Inventories | | 56,861 | |
| Prepaid expenses | | 2,038 | |
| Deferred income taxes | | 6,725 | |
| | | | |
| Total current assets | | 315,586 | |
| PROPERTY, PLANT AND EQUIPMENT, NET | | 62,005 | |
| EXCESS OF COST OVER NET ASSETS OF BUSINESSES ACQUIRED | | 4,183 | |
| INTANGIBLES, NET | | 5,757 | |
| OTHER ASSETS | | 1,545 | |
| DEFERRED INCOME TAXES | | 9,685 | |
| | | | |
| TOTAL ASSETS | \$ | 398,761 | \$ |
| | | | |

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| | | |
|---|----|----------|
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES : | | |
| Notes payable | \$ | 11,405 |
| Accounts payable | | 19,466 |
| Accrued expenses | | 108,508 |
| Income taxes payable | | 10,712 |
| | | ----- |
| Total current liabilities | | 150,091 |
| | | ----- |
| LONG-TERM DEBT | | 11,109 |
| | | ----- |
| DEFERRED INCOME TAXES | | - |
| | | ----- |
| MINORITY INTEREST IN SUBSIDIARIES | | 6,572 |
| | | ----- |
| COMMITMENTS AND CONTINGENCIES (Note 12) | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, par value \$0.10 per share; 2,000,000 shares authorized; | | |
| Series A Junior Participating Preferred, par value \$0.10 per share; | | |
| 456,989 shares authorized; no shares issued or outstanding; | | - |
| Series M Convertible Non-Voting Preferred, par value \$0.10 per share; | | |
| 1,066,667 shares authorized, issued and outstanding | | 107 |
| Common stock, par value \$0.10 per share; 100,000,000 shares authorized; | | |
| 40,788,040, 40,162,820 and 39,811,148 shares issued; | | |
| 39,120,574, 38,495,354 and 38,250,882 shares outstanding | | 4,079 |
| Capital in excess of par value | | 78,340 |
| Retained earnings | | 182,071 |
| Accumulated other comprehensive loss | | (1,889) |
| Treasury stock, at cost; 1,667,466, 1,667,466 and 1,560,266 shares | | (31,719) |
| | | ----- |
| TOTAL STOCKHOLDERS' EQUITY | | 230,989 |
| | | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ | 398,761 |
| | | ===== |

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

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

| | | |
|------------------------------|----|----------------------|
| | | February 28, 2005 |
| | | ----- |
| NET SALES AND LICENSING FEES | \$ | 119,85 |
| COST OF SALES | | 75,17 |
| | | ----- |

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| | |
|---|----------|
| GROSS PROFIT | 44,68 |
| OPERATING EXPENSES: | |
| Research and development | 5,64 |
| Selling | 3,48 |
| General and administrative | 4,90 |
| Total operating expenses | 14,03 |
| OPERATING INCOME | 30,64 |
| INTEREST INCOME, NET | 64 |
| OTHER EXPENSE, NET | (97) |
| EQUITY IN NET LOSS OF AFFILIATE | (64) |
| MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES | (|
| INCOME BEFORE INCOME TAXES | 29,65 |
| INCOME TAX EXPENSE | 10,49 |
| NET INCOME | 19,16 |
| DIVIDENDS ON PREFERRED STOCK | (12 |
| NET INCOME APPLICABLE TO COMMON SHARES | \$ 19,03 |
| BASIC EARNINGS PER SHARE | \$ 0.4 |
| NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS | 38,76 |
| DILUTED EARNINGS PER SHARE | \$ 0.4 |
| NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS | 40,27 |
| DIVIDENDS PER COMMON SHARE | \$ 0.1 |

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

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

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| | February 28, 2005 |
|---|----------------------|
| NET SALES AND LICENSING FEES | \$ 137,31 |
| COST OF SALES | 83,59 |
| GROSS PROFIT | 53,71 |
| OPERATING EXPENSES: | |
| Research and development | 10,07 |
| Selling | 6,55 |
| General and administrative | 9,44 |
| Total operating expenses | 26,07 |
| OPERATING INCOME | 27,64 |
| INTEREST INCOME, NET | 1,09 |
| OTHER EXPENSE, NET | (2,48) |
| EQUITY IN NET LOSS OF AFFILIATE | (1,38) |
| MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES | (2,34) |
| INCOME BEFORE INCOME TAXES | 22,53 |
| INCOME TAX EXPENSE | 7,69 |
| NET INCOME | 14,84 |
| DIVIDENDS ON PREFERRED STOCK | (25) |
| NET INCOME APPLICABLE TO COMMON SHARES | \$ 14,58 |
| BASIC EARNINGS PER SHARE | \$ 0.3 |
| NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS | 38,65 |
| DILUTED EARNINGS PER SHARE | \$ 0.3 |
| NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS | 40,12 |
| DIVIDENDS PER COMMON SHARE | \$ 0.2 |

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

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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FOR THE SIX MONTHS ENDED
(in thousands)
(Unaudited)

| | February 28, 2005 | | |
|--|----------------------|----------|-------|
| | ----- | | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$ | 14,843 | \$ |
| Adjustments to reconcile net income to net cash used in operating activities: | | | |
| Depreciation and amortization | | 4,265 | |
| (Gain) loss on sale of assets | | (323) | |
| Equity in net loss of affiliate | | 1,386 | |
| Foreign exchange gain | | (219) | |
| Accretion of debt discount | | 389 | |
| Minority interest in earnings of subsidiaries | | 2,345 | |
| Change in deferred taxes | | 974 | |
| Changes in assets and liabilities: | | | |
| Receivables | | 45,851 | |
| Inventories | | (26,260) | |
| Prepaid expenses | | (118) | |
| Intangibles and other assets | | (370) | |
| Accounts payable | | (4,591) | |
| Accrued expenses | | (79,431) | |
| Income taxes | | 3,987 | |
| | | ----- | |
| Net cash used in operating activities | | (37,272) | |
| | | ----- | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment | | (3,561) | |
| Sale of investments and property | | 388 | |
| Investment in affiliate | | (1,550) | |
| | | ----- | |
| Net cash used in investing activities | | (4,723) | |
| | | ----- | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payments of short-term debt | | - | |
| Dividends paid | | (9,580) | |
| Proceeds from short-term debt | | - | |
| Minority interest in dividends paid by subsidiary | | (359) | |
| Payments to acquire treasury stock | | - | |
| Proceeds from exercise of stock options | | 11,855 | |
| | | ----- | |
| Net cash provided by (used in) financing activities | | 1,916 | |
| | | ----- | |
| EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES | | 1,124 | |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (38,955) | |
| CASH AND CASH EQUIVALENTS, August 31 | | 149,587 | |
| | | ----- | |
| CASH AND CASH EQUIVALENTS, February 28 and February 29 | \$ | 110,632 | \$ |
| | | ===== | |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | | |
| Cash paid during the six months for: | | | |
| Interest | \$ | - | \$ |

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| | | | |
|---------------------------------------|----|-------|----|
| Income taxes paid | \$ | 1,645 | \$ |
| Noncash financing activities: | | | |
| Tax benefit of stock option exercises | \$ | 2,298 | \$ |

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

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

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the consolidated financial statements have been included. The business of Delta and Pine Land Company and its subsidiaries ("D&PL") is seasonal in nature; thus, the results of operations for the three and six month periods ended February 28, 2005 and February 29, 2004, or for any quarterly period, are not necessarily indicative of the results to be expected for the full year. D&PL's investment in 50%-owned affiliate DeltaMax Cotton, LLC ("DeltaMax") is accounted for using the equity method. For further information, reference should be made to the consolidated financial statements and footnotes thereto included in D&PL's Annual Report to Stockholders on Form 10-K for the fiscal year ended August 31, 2004.

Reclassifications

In the consolidated statements of operations for the three and six months ended February 28, 2005 and February 29, 2004, certain shipping expenses historically classified as a reduction to Net Sales and Licensing Fees have been reclassified as Cost of Sales. These expenses relate primarily to costs incurred to ship finished goods to customers. The amount of expenses reclassified for the three and six months ended February 28, 2005 and February 29, 2004 was \$919,000 and \$896,000, respectively.

In addition, certain other prior year amounts have been reclassified to conform with the current year presentation.

2. COMPREHENSIVE INCOME

Total comprehensive income for the three and six months ended February 28, 2005 and February 29, 2004, was (in thousands):

| | Three Months Ended | | |
|------------------------------------|----------------------|----------------------|-----------|
| | February 28, 2005 | February 29, 2004 | Febr 2 |
| Net income | \$ 19,160 | \$ 9,443 | \$ |
| Other comprehensive income (loss): | | | |

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| | | | |
|--|-----------|----------|----|
| Foreign currency translation gains | 312 | 190 | |
| Net realized and unrealized gains (losses) on hedging instruments | 105 | (606) | |
| Other comprehensive income (loss) | 417 | (416) | |
| Total comprehensive income | \$ 19,577 | \$ 9,027 | \$ |

3. SEGMENT DISCLOSURES

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

D&PL's chief operating decision maker utilizes revenue information in assessing performance and making overall operating decisions and resource allocations. Profit and loss information is reported by segment to the chief operating decision maker and D&PL's Board of Directors. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in D&PL's Form 10-K filed for the year ended August 31, 2004.

Information about D&PL's segments for the three and six month periods ended February 28, 2005 and February 29, 2004, is as follows (in thousands):

| | Three Months Ended | | |
|---|----------------------|----------------------|----------------|
| | February 28, 2005 | February 29, 2004 | Februar 200 |
| Net sales and licensing fees (by segment) | | | |
| Domestic | \$ 108,108 | \$ 77,778 | \$ |
| International | 11,751 | 11,394 | |
| | \$ 119,859 | \$ 89,172 | \$ |
| Net sales and licensing fees | | | |
| Cottonseed | \$ 114,457 | \$ 78,448 | \$ |
| Soybean seed | 4,813 | 9,475 | |
| Other | 589 | 1,249 | |
| | \$ 119,859 | \$ 89,172 | \$ |
| Operating income | | | |
| Domestic | \$ 28,530 | \$ 17,536 | \$ |
| International | 2,117 | 1,889 | |
| | \$ 30,647 | \$ 19,425 | \$ |

=====

4. SIGNIFICANT CHANGES IN ASSETS AND LIABILITIES FROM AUGUST 31, 2004

Accounts receivable decreased approximately \$45,429,000 to \$139,330,000 at February 28, 2005 from \$184,759,000 at August 31, 2004. This decrease is primarily related to the collection of the 2004 technology sublicense fees in September 2004. The corresponding decrease in accrued expenses is primarily related to the royalty payments made by the Company in September 2004 for the Bollgard(R) and Roundup Ready(R) licensing fees on fiscal year 2004 sales.

Inventories increased approximately \$26,710,000 to \$56,861,000 at February 28, 2005 from \$30,151,000 at August 31, 2004. This increase reflects the seasonal nature of the Company's domestic production cycle. The Company's domestic segment purchases bulk seed in its first and second fiscal quarters and begins processing for the current year's selling season. The increase in inventories at February 28, 2005 from August 31, 2004 is primarily related to those events and is consistent with the Company's historical experience.

5. RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions" (SFAS 153). This statement's amendments are based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. Further, SFAS 153 eliminates the narrow exception for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. Provisions of this statement are effective for fiscal periods beginning after June 15, 2005. The Company does not expect the adoption of this statement to have a material impact on D&PL's financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4," which clarifies the types of costs that should be expensed rather than capitalized as inventory. This statement also clarifies the circumstances under which fixed overhead costs associated with operating facilities involved in inventory processing should be capitalized. The provisions of SFAS No. 151 are effective for fiscal years beginning after June 15, 2005, and may impact certain inventory costs D&PL incurs after September 1, 2005. The Company has not determined the impact, if any, that this statement will have on D&PL's consolidated financial position or results of operations.

SFAS No. 123 (Revised 2004), "Share-Based Payment," issued in December 2004, is a revision of FASB Statement 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. The Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123 (Revised 2004) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. This statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. This statement will apply to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. SFAS No. 123(R) will be effective for D&PL in the first quarter of 2006. The Company has not yet made any decisions about how D&PL will adopt FAS 123(R). However, the pro forma net income effect of using the fair value method for the three and six months ended February 28, 2005 and February 29, 2004, is presented in Note 6 below. The pro forma

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compensation costs presented in Note 6 below and in our prior filings have been calculated using a Black-Scholes option pricing model and may not be indicative of amounts that should be expected in future years. We have not made any decisions about which option-pricing model is most appropriate for us for future awards. The Company has not determined the impact, if any, that this statement will have on D&PL's consolidated financial position or results of operations.

6. STOCK-BASED COMPENSATION PLANS

As permitted by both SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure -- an Amendment of FASB Statement No. 123," D&PL applies Accounting Principles Board Opinion 25 in accounting for its employee stock option plans. Therefore, no compensation expense for stock options is deducted in determining net income, as all options granted had an exercise price equal to the fair market value of the underlying common stock on the grant date. For further information about D&PL's employee stock option plans, reference should be made to the consolidated financial statements and footnotes thereto included in D&PL's Annual Report to Stockholders on Form 10-K for the fiscal year ended August 31, 2004.

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

| | Three Months Ended | | |
|---|----------------------|----------------------|----|
| | February 28, 2005 | February 29, 2004 | Fe |
| Net income: | | | |
| As reported | \$ 19,160 | \$ 9,443 | \$ |
| Less: Total stock-based compensation expense determined under the fair value based method for all awards, net of related tax effects | (700) | (788) | |
| Pro forma | \$ 18,460 | \$ 8,655 | \$ |
| Basic earnings per share: | | | |
| As reported | \$ 0.49 | \$ 0.24 | \$ |
| Pro forma | \$ 0.47 | \$ 0.22 | \$ |
| Diluted earnings per share: | | | |
| As reported | \$ 0.48 | \$ 0.24 | \$ |
| Pro forma | \$ 0.46 | \$ 0.22 | \$ |

7. INVENTORIES

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

| February 28, 2005 | August 31, 2004 | February 29, 2004 |
|----------------------|--------------------|----------------------|
| | | |

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| | | | | | | |
|----------------|----|---------|----|----------|----|---------|
| Finished goods | \$ | 36,626 | \$ | 24,867 | \$ | 35,785 |
| Raw materials | | 25,084 | | 14,333 | | 29,093 |
| Growing crops | | 169 | | 1,432 | | 187 |
| Supplies | | 1,461 | | 1,040 | | 1,076 |
| | | ----- | | ----- | | ----- |
| | | 63,340 | | 41,672 | | 66,141 |
| Less reserves | | (6,479) | | (11,521) | | (8,060) |
| | | ----- | | ----- | | ----- |
| | \$ | 56,861 | \$ | 30,151 | \$ | 58,081 |
| | | ===== | | ===== | | ===== |

Finished goods and raw material inventory is valued at the lower of average cost or market. Growing crops are recorded at cost. Elements of cost in inventories include raw materials, direct production costs, manufacturing overhead and immaterial general and administrative expenses. Inventory reserves relate to estimated excess and obsolete inventory. The provision recorded for excess and obsolete inventory for the quarters ended February 28, 2005 and February 29, 2004 were approximately \$3,766,000 and \$2,616,000, respectively. The provision recorded for excess and obsolete inventory for the six-month periods ended February 28, 2005 and February 29, 2004 were approximately \$3,923,000 and \$2,988,000, respectively. See Note 11 for a description of hedging activities.

8. PROPERTY, PLANT AND EQUIPMENT

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

| | February 28, 2005 | August 31, 2004 |
|-------------------------------|----------------------|--------------------|
| | ----- | ----- |
| Land and improvements | \$ 6,235 | \$ 5,981 |
| Buildings and improvements | 43,667 | 42,228 |
| Machinery and equipment | 62,766 | 59,125 |
| Germplasm | 7,500 | 7,500 |
| Breeder and foundation seed | 2,000 | 2,000 |
| Construction in progress | 1,635 | 2,538 |
| | ----- | ----- |
| | 123,803 | 119,372 |
| Less accumulated depreciation | (61,798) | (57,384) |
| | ----- | ----- |
| | \$ 62,005 | \$ 61,988 |
| | ===== | ===== |

Depreciation expense during the quarters ended February 28, 2005 and February 29, 2004 was approximately \$1,959,000 and \$1,924,000, respectively. Depreciation expense during the six-month periods ended February 28, 2005 and February 29, 2004 was approximately \$4,065,000 and \$3,862,000, respectively.

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

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

| February 28, 2005 | August 31, 2004 |
|-------------------|-----------------|
| ----- | ----- |
| Gross | Gross |

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| | Carrying Amount | Accumulated Amortization | Carrying Amount | Accumulated Amortization |
|---------------------------------|--------------------|-----------------------------|--------------------|-----------------------------|
| Trademarks | \$ 3,182 | \$ (918) | \$ 3,182 | \$ (879) |
| Commercialization agreements | 400 | (107) | 400 | (93) |
| Licenses | 1,350 | (138) | 1,100 | (83) |
| Patents | 991 | (105) | 772 | (97) |
| Other | 2,046 | (944) | 1,986 | (817) |
| | <u>\$ 7,969</u> | <u>\$ (2,212)</u> | <u>\$ 7,440</u> | <u>\$ (1,969)</u> |

Amortization expense for identifiable intangible assets during the quarters ended February 28, 2005 and February 29, 2004 was approximately \$80,000 and \$100,000, respectively. Amortization expense for identifiable intangible assets during the six-month periods ended February 28, 2005 and February 29, 2004 was approximately \$200,000 and \$180,000, respectively. Identifiable intangible asset amortization expense is estimated to be \$220,000 for the remainder of 2005 and \$400,000 in each of the fiscal years from 2006 through 2009 and \$300,000 in 2010.

During the fourth quarter of fiscal 2004, "EXCESS OF COST OVER NET ASSETS OF BUSINESS ACQUIRED" ("goodwill") attributable to the domestic segment was tested for impairment by comparing its implied fair value to its carrying value. Based on management's impairment test, management determined that none of the goodwill recorded was impaired.

10. INVESTMENT IN AFFILIATE

D&PL owns a 50% interest in DeltaMax, a limited liability company jointly owned with Verdia, Inc. Verdia was acquired by DuPont on July 2, 2004. Established in May 2002, the DeltaMax joint venture was formed to create, develop and commercialize herbicide tolerant and insect resistant traits for the cottonseed market. D&PL has licensed from DeltaMax the developed traits for commercialization in both the U.S. and other cotton-producing countries in the world. For the quarters ended February 28, 2005 and February 29, 2004, D&PL's equity in the net loss of DeltaMax was approximately \$648,000 and \$1,319,000, respectively. For the six-month periods ended February 28, 2005 and February 29, 2004, D&PL's equity in the net loss of DeltaMax was approximately \$1,386,000 and \$1,734,000, respectively.

11. DERIVATIVE FINANCIAL INSTRUMENTS

Accumulated other comprehensive loss includes the following related to the Company's soybean hedging program for the six-month periods ended February 28, 2005 and February 29, 2004 (in thousands):

| | 2005 |
|---|----------|
| Deferred net (loss) gain, as of August 31 | \$ (134) |
| Net losses on hedging instruments arising during the six months | (60) |
| Reclassification adjustment of losses (gains) on hedging instruments to earnings | 50 |
| Net change in accumulated other comprehensive loss | (10) |
| Deferred net loss on derivative instruments included in accumulated | |

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other comprehensive loss at February 28 and February 29

\$

(144)

=====

The net loss of \$144,000 included in accumulated other comprehensive loss at February 28, 2005 consists of net unrealized gains of \$46,000 and net realized losses of \$190,000. The net unrealized gains of \$46,000 will be recognized in earnings within the next twelve to eighteen months; however, the actual amount that will be charged to earnings may vary as a result of changes in market conditions. The net realized losses of \$190,000 will be reclassified into earnings in the period in which the forecasted transaction affects earnings, which is expected to occur during D&PL's third quarter.

For the six-month periods ended February 28, 2005 and February 29, 2004, D&PL recorded no gains or losses in earnings as a result of hedge ineffectiveness or discontinuance of cash flow hedges related to soybeans.

12. CONTINGENCIES

Product Claims

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

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

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

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March 31, 2000, the entity formed as Monsanto Ag Company and renamed Monsanto Company (NYSE: MON) on March 31, 2000, is referred to as "Monsanto".

Other Legal Matters

On December 9, 2003, Bayer BioScience N.V. and Bayer CropScience GmbH (collectively "Bayer") filed a suit in the Federal Court of Australia alleging that the importing, exporting, selling and other alleged uses by Deltapine Australia Pty Ltd., D&PL's wholly-owned Australian subsidiary ("Deltapine Australia"), of Bollgard II(R) cottonseed infringes Bayer's Australian patent that claims an alleged invention entitled "Prevention of Bt Resistance Development." The suit seeks an injunction, damages and other relief against Deltapine Australia. Deltapine Australia disputes the validity, infringement and enforceability of Bayer's patent. On April 16, 2004, Deltapine Australia responded to the suit, denying infringement and asserting affirmative defenses and cross claims. The suit is in pretrial proceedings. Due to the status of this matter, management is unable to determine the impact of this matter on the consolidated financial statements.

In July 2003, D&PL received a notice from Monsanto asserting that disputes exist among Monsanto, D&PL and D&M Partners, a partnership of D&PL (90%) and Monsanto (10%), pertaining to matters under the Bollgard and Roundup Ready Licenses for the United States and matters under license agreements for Argentina and the Republic of South Africa. In August 2003, D&PL and D&M Partners responded to Monsanto's positions on each issue and notified Monsanto of additional disputes, each concerning Monsanto's compliance with its obligations under the Bollgard and Roundup Ready Licenses for the United States. In accordance with the dispute resolution provisions of the subject agreements, the issues raised in Monsanto, D&PL and D&M Partners' notices were submitted to a panel of senior executives (the "Executive Panel"). Monsanto subsequently withdrew from the Executive Panel the issue involving the license agreements for the Republic of South Africa and submitted to the Executive Panel one additional issue of interpretation of the Bollgard and Roundup Ready Licenses for the United States. Issues arising from operations in Argentina and issues involving technology fees and interest have been settled and are no longer in dispute. On May 20, 2004, Monsanto submitted to arbitration before the American Arbitration Association two unresolved issues: whether D&M Partners has paid Monsanto all royalties due and whether D&PL has made unauthorized transfers of materials containing Monsanto technology. In this arbitration proceeding, Monsanto seeks an adjudication of its alleged right to terminate the Bollgard and Roundup Ready Licenses, to dissolve D&M Partners, to obtain an accounting and to receive monetary damages and a return or destruction of materials containing Monsanto technologies. D&PL denies the claims asserted by Monsanto in the arbitration filing and has filed appropriate responses and counterclaims to Monsanto's claims based on the issues submitted by D&PL to the Executive Panel. On November 8, 2004, Monsanto submitted one new claim allegedly involving a dispute under the license agreements to the Executive Panel and the Executive Panel has that claim under consideration. D&PL is committed to participating in good faith resolution of the issues in dispute through arbitration, or through the Executive Panel, as applicable. Due to the status of this matter, management is unable to determine the impact of this matter on the consolidated financial statements.

In December 1999, Mycogen Plant Science, Inc. ("Mycogen") filed a suit in the Federal Court of Australia alleging that Monsanto Australia Ltd., Monsanto's wholly-owned Australian subsidiary, and Deltapine Australia have been infringing two of Mycogen's Australian patents by making, selling, and licensing cotton planting seed expressing insect resistance. The suit seeks injunction against continued sale of seed containing Monsanto's Ingard(R) gene and recovery of an unspecified amount of damages. Trial of this matter commenced on March 7, 2005, and concluded on April 6, 2005. The Court will render a decision later. Consistent with its commitments, Monsanto has agreed to defend D&PL in this suit and to indemnify D&PL against damages, if any are awarded. Monsanto is providing

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separate defense counsel for D&PL. D&PL is assisting Monsanto to the extent reasonably necessary. Due to the status of this matter, management is unable to determine the impact of this matter on the consolidated financial statements.

A corporation owned by the son of D&PL's former Guatemalan distributor sued D&PL in 1989 asserting that D&PL violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,292,459 Guatemalan quetzales (approximately \$700,000 at March 31, 2005 exchange rates) and an injunction preventing D&PL from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. D&PL continues to make available seed for sale in Central America and Mexico. D&PL believes that the resolution of the matter will not have a material impact on the consolidated financial statements.

D&PL vs. Monsanto Company and Pharmacia Corp.

On December 20, 1999, Monsanto withdrew its pre-merger notification filed pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") effectively terminating Monsanto's efforts to gain government approval of the merger of Monsanto with D&PL under the May 8, 1998, Merger Agreement. On December 30, 1999, D&PL filed suit in the First Judicial District of Bolivar County, Mississippi, seeking, among other things, the payment of the \$81 million termination fee due pursuant to the merger agreement, compensatory damages and punitive damages. On January 2, 2000, D&PL and Monsanto reached an agreement whereby D&PL would withdraw the suit, without prejudice, for the purpose of negotiating a settlement of D&PL's claims, and Monsanto would immediately pay the \$81 million. On January 3, 2000, Monsanto paid to D&PL the termination fee of \$81 million as required by the merger agreement. On January 18, 2000, after unsuccessful negotiations, D&PL re-filed its suit. D&PL seeks in excess of \$1 billion in compensatory and \$1 billion in punitive damages for breach of the merger agreement between the parties.

On September 12, 2003, Monsanto amended its answer to include four counterclaims against D&PL. Monsanto is seeking unspecified damages for its counterclaims, including the \$81 million paid by Monsanto to D&PL as a termination fee and related expenses. D&PL answered the counterclaims, denying all liability, and D&PL intends to vigorously defend against these counterclaims. On December 21, 2004, Monsanto filed a motion to amend its answer to withdraw two of its four counter claims. Due to the status of this matter, management is unable to determine the impact of this matter on the consolidated financial statements.

13. EARNINGS PER SHARE

Dilutive common share equivalents consist of both D&PL's Series M Convertible Non-Voting Preferred shares and the outstanding options to purchase D&PL's common stock that have been issued under the 1993 Stock Option Plan and the 1995 Long-Term Incentive Plan. Approximately 119,000 and 489,000 outstanding stock options were not included in the computation of diluted earnings per share for the three months ended February 28, 2005 and February 29, 2004, respectively, and approximately 192,000 and 551,000 outstanding stock options were not included in the computation of diluted earnings per share for the six months ended February 28, 2005 and February 29, 2004, respectively, because the exercise price exceeded the average market price of D&PL's common stock for each respective reporting date. These excluded options expire at various dates from 2007 to 2015.

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

For the Three Months Ended

For t

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| (in thousands, except per share amounts) | February 28, 2005 | February 29, 2004 | Februar 200 |
|--|----------------------|----------------------|----------------|
| Income: | | | |
| Net income | \$ 19,160 | \$ 9,443 | \$ |
| Less: Preferred stock dividends | (128) | (128) | |
| Net income for basic EPS | 19,032 | 9,315 | |
| Effect of Dilutive Securities: | | | |
| Convertible Preferred Stock Dividends | 128 | 128 | |
| Net income available to common stockholders plus assumed conversions - for diluted EPS | \$ 19,160 | \$ 9,443 | \$ |
| Shares: | | | |
| Basic EPS Shares | 38,763 | 38,138 | |
| Effect of Dilutive Securities: | | | |
| Options to purchase stock | 446 | 563 | |
| Convertible preferred stock | 1,067 | 1,067 | |
| Diluted EPS Shares | 40,276 | 39,768 | |
| Per Share Amounts: | | | |
| Basic | \$ 0.49 | \$ 0.24 | \$ |
| Diluted | \$ 0.48 | \$ 0.24 | \$ |

14. EMPLOYEE BENEFIT PLANS

Substantially all full-time employees are covered by a noncontributory defined benefit plan (the "Plan"). Benefits are paid to employees, or their beneficiaries, upon retirement, death or disability based on their final average compensation over the highest consecutive five years. D&PL's funding policy is to make contributions to the Plan that are at least equal to the minimum amounts required to be funded in accordance with the provisions of ERISA. Effective January 1992, D&PL adopted a Supplemental Executive Retirement Plan (the "SERP"), which will pay supplemental pension benefits to certain employees whose benefits from the Plan were decreased as a result of certain changes made to the Plan. The benefits from the SERP will be paid in addition to any benefits the participants may receive under the Plan and will be paid from Company assets, not Plan assets. For further information about D&PL's employee benefit plans, reference should be made to Note 10 to the consolidated financial statements contained in D&PL's Annual Report on Form 10-K for the year ended August 31, 2004.

The components of net periodic pension cost for D&PL's Plan and SERP follow as of:

Pension

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| | Three Months Ended | |
|--------------------------------------|----------------------|----------------------|
| | February 28, 2005 | February 29, 2004 |
| Service cost | \$ 213,000 | \$ 208,000 |
| Interest cost | 274,000 | 248,000 |
| Expected return on assets | (272,000) | (231,000) |
| Amortization of prior service cost | 1,000 | 1,000 |
| Recognized net actuarial loss (gain) | 101,000 | 118,000 |
| Net periodic pension cost | \$ 317,000 | \$ 344,000 |

| | Pension | |
|--------------------------------------|----------------------|----------------------|
| | Six Months Ended | |
| | February 28, 2005 | February 29, 2004 |
| Service cost | \$ 426,000 | \$ 416,000 |
| Interest cost | 548,000 | 495,000 |
| Expected return on assets | (544,000) | (461,000) |
| Amortization of prior service cost | 2,000 | 2,000 |
| Recognized net actuarial loss (gain) | 202,000 | 236,000 |
| Net periodic pension cost | \$ 634,000 | \$ 688,000 |

As of February 28, 2005, D&PL had not made any contributions to the Pension Plan. D&PL anticipates making a \$1 million contribution to the Pension Plan in fiscal 2005.

As of February 28, 2005, no contributions have been made to the SERP. D&PL presently does not anticipate contributing any amounts to the SERP in fiscal 2005.

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

OVERVIEW/OUTLOOK

We are currently processing and shipping our seed products to customers in the U.S. market. Cotton plantings have recently commenced in the major U.S. cotton growing states and is likely to continue until late June. As our second quarter results reflect, we believe there was a shift of product shipments into our second quarter from the third quarter this year due to our distributors requesting products earlier than last year. Strong early season shipments in the U.S. coupled with higher selling prices for seed and traits resulted in an increase in our second quarter revenues and operating results. On March 31, 2005, the USDA issued its "Prospective Plantings" report for this crop season, which estimated U.S. cotton plantings of 13.8 million acres. This is only slightly above 2004 cotton plantings of 13.7 million acres. Our 2005 earnings guidance was based on 2005 U.S. cotton acreage being unchanged from 2004 plantings of 13.7 million acres. Due to both the difficulty in accurately forecasting cotton plantings at present and because the recent USDA report

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reflects only a 1% increase in acreage over 2004, we do not believe it is necessary to update our previously issued earnings guidance. We will continue to monitor U.S. cotton plantings, and as more information becomes available, consider the need to update our earnings guidance. As we have previously stated, our earnings are affected by U.S. cotton plantings, the types of products we sell (product mix), market share and several other factors.

Our International business continues to reflect an increase in both revenues and profitability. We believe sales in most of our international markets will increase this year over 2004 levels. We are currently shipping products to our international markets in the Northern hemisphere and cotton plantings in many of these markets have not yet begun. We have experienced an increase in our sales in Mexico (due to an increase in cotton acres) as well as Greece and Spain (due to lower inventory levels at our distributors). However, sales at our Chinese joint ventures are expected to decline this year due to increased competition from varieties developed locally by our Chinese competitors. In Brazil, our joint venture, MDM Sementes De Algodao Ltda., has increased its sales over 2004 levels due to higher selling prices and an increase in market share. We are optimistic about the Brazilian market due to recent favorable legislation being enacted which will regulate the sale of transgenic crops, including cotton. On March 17, 2005, Brazil's National Technical Commission For Biosafety approved the Bollgard(R) gene for sale in cotton. Shortly thereafter, the Brazilian President signed a law governing biosafety products in Brazil. We expect final regulations will be issued shortly which will determine how varieties are registered. Sales of transgenic varieties can commence once our varieties are registered. Based on current requirements, we believe our transgenic varieties may be available for sale in 2007.

Other Matters

1

We are continuing to rapidly develop new product offerings containing Monsanto's second generation traits, Bollgard II(R) and Roundup Ready Flex(R). On March 15, 2005, Monsanto announced it had obtained U.S. regulatory clearance for Roundup Ready Flex cotton. We expect to commercialize limited quantities of our varieties containing this technology in 2006. In addition, we are continuing to develop products containing Syngenta's VipCot technology and expect to have expanded field testing of VipCot products this year. Syngenta is responsible for obtaining U.S. regulatory approval for VipCot and we could have seed production in the U.S. as early as 2006 with commercial launch to occur in 2007 or 2008, depending on when full regulatory approval is obtained. In addition, our joint venture with Verdia, Inc. (a subsidiary of DuPont), DeltaMax Cotton LLC, continues development of novel cotton traits in the areas of glyphosate tolerance and insect resistance.

We continue to seek opportunities to expand our International business into new markets, including India and parts of Africa. Our subsidiary, D&PL India Seed Private Ltd., will expand research and testing of our hybrid products throughout India this year. Results of our testing programs from 2004 have shown many of our products are competitive in India in terms of both yield and fiber quality.

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

In this document, with respect to events occurring on or before March 31, 2000, the term "Monsanto" refers to the entity then designated Monsanto Company and renamed Pharmacia Corporation on that date. With respect to events occurring

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

We are continuing to pursue our litigation against Monsanto Company and Pharmacia. On February 22, 2005, we announced that the Mississippi Supreme Court (the "Court") had granted our petitions to appeal two rulings from the trial court. One petition related to our claim for expectation or "benefit of the bargain" damages. The second petition related the production of documents that Monsanto had claimed to be immune from disclosure under the attorney-client privilege and work product doctrine. As a result of these rulings, the Court will hear our appeals related to these matters immediately rather than after the trial occurs. The Court also issued a temporary stay of the trial while these appeals are being resolved. In addition, we filed a motion with the trial court to amend our complaint to add a claim against Monsanto and Pharmacia for fraudulently inducing us to extend the deadline for completing the merger in 1999. At this point, we do not expect the trial to occur in 2005. See Part II, Item 1 for further discussion.

On May 20, 2004, Monsanto submitted to arbitration before the American Arbitration Association two matters which had been in a formal dispute resolution process before a panel of senior executives since July, 2003. In the arbitration filing, Monsanto is seeking an adjudication of its alleged right to terminate the Bollgard and Roundup Ready(R) Licenses between our companies, monetary damages, as well as other items. We have responded to this arbitration filing and denied Monsanto's claims. In addition, we have asserted counterclaims based on issues that we had submitted to the panel of senior executives. Arbitrators have been selected and the first hearing has been held. See Part II, Item 1 for more information.

Results of Operations

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

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

| | For the Three Months Ended | | |
|--|----------------------------|----------------------|----|
| | February 28, 2005 | February 29, 2004 | |
| Operating results- | | | |
| Net sales and licensing fees | \$ 119,859 | \$ 89,172 | \$ |
| Gross profit | 44,684 | 32,164 | |
| Operating expenses | 14,037 | 12,739 | |
| Operating income | 30,647 | 19,425 | |
| Income before income taxes | 29,658 | 14,505 | |
| Net income applicable to common shares | 19,032 | 9,315 | |

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

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| | February 28, 2005 | August 31, 2004 |
|------------------------------------|----------------------|--------------------|
| | ----- | ----- |
| Balance sheet summary- | | |
| Current assets | \$ 315,586 | \$ 375,475 |
| Current liabilities | 150,091 | 226,225 |
| Working capital | 165,495 | 149,250 |
| Property, plant and equipment, net | 62,005 | 61,988 |
| Total assets | 398,761 | 457,023 |
| Outstanding borrowings | 22,514 | 22,125 |
| Stockholders' equity | 230,989 | 209,726 |

Three months ended February 28, 2005, compared to three months ended February 29, 2004:

For the quarter ended February 28, 2005, we reported net income of \$19.2 million, compared to net income of \$9.4 million reported in the comparable prior year quarter. This increase was due primarily to higher sales and profits in our domestic segment and lower litigation expenses incurred in our lawsuit against Monsanto/Pharmacia (\$1.5 million versus \$3.5 million), which are reported in Other Expense. These items were partially offset by higher operating expenses.

Net sales and licensing fees increased approximately \$30.7 million to \$119.9 million from \$89.2 million in the comparable period in the prior year. Gross profit increased approximately \$12.5 million to \$44.7 million from \$32.2 million. The increase in net sales and licensing fees is primarily attributable to the domestic segment, where cottonseed sales increased due to an anticipated shift in shipments into our second quarter from the third quarter. Price increases on seed and traits in the domestic segment also contributed to increased revenue. These increases were slightly offset by lower sales of soybean planting seed. Higher export sales to Greece and Mexico during the current-year quarter were offset by lower sales at our joint ventures in China for the international segment. Sales to Greece were higher due to an anticipated shift of shipments to that country into the second quarter from the third quarter. Shipments to Mexico increased due to an overall increase in acreage planted to cotton there. Gross profit as a percentage of Net Sales and Licensing Fees increased slightly to 37.3% in the current year quarter from 36.1% in the same prior year quarter. This increase was primarily due to price increases for cottonseed in the domestic segment and lower soybean sales, which earn a lower margin than cottonseed sales.

Operating expenses increased approximately \$1.3 million to \$14.0 million from \$12.7 million in the second quarter of 2004. This increase is primarily related to higher research and development and insurance expenses.

We reported net other expense of approximately \$1.0 million for the quarter ended February 28, 2005 compared to net other expense of approximately \$3.5 million for the same period in the prior year. The decrease is primarily attributable to lower legal fees related to the Monsanto/Pharmacia litigation. In the three months ended February 28, 2005, we incurred \$1.5 million, or \$0.02 per diluted share, related to the Monsanto/Pharmacia litigation expenses, compared to \$3.5 million, or \$0.06 per diluted share, in the three months ended February 29, 2004.

Six months ended February 28, 2005, compared to six months ended February 29, 2004:

For the six-month period ended February 28, 2005, we reported net income of

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\$14.8 million, compared to net income of \$2.5 million reported in the comparable prior year period. This increase was due primarily to higher revenues and profits in both the domestic and international segments and lower litigation expenses incurred in our lawsuit against Monsanto/Pharmacia (\$3.0 million versus \$6.4 million), which are reported in Other Expense. These items were partially offset by higher operating expenses.

Net sales and licensing fees increased approximately \$34.3 million to \$137.3 million from \$103.0 million in the comparable period in the prior year. Gross profit increased approximately \$15.7 million to \$53.7 million from \$38.0 million. The increase in net sales and licensing fees is primarily attributable to increased revenue in the domestic segment due to an anticipated shift in shipments into our second quarter from the third quarter. Price increases on seed and traits in the domestic segment also contributed to higher revenue. International revenues also increased due to higher sales in Australia and Brazil, and increased export sales to Greece and Mexico. Sales in Australia were higher due to an increase in cotton acreage and higher market share. Revenues from Brazil were higher due to higher selling prices and increased market share. These increases were offset by a reduction in sales at our two joint ventures in China due to stronger competition from local products. Gross profit as a percentage of Net Sales and Licensing Fees increased to 39.1% in the current year six-month period, compared to 36.9% in the same prior year period. This increase is primarily attributable to higher seed selling prices over 2004, a shift in sales to our higher priced cottonseed products, and a reduction in soybean sales which have a lower margin.

Operating expenses increased approximately \$1.7 million to \$26.1 million from \$24.4 million in the six months ended February 29, 2004. This increase is primarily related to higher research and development and advertising expenses.

We reported net other expense of approximately \$2.5 million for the six-month period ended February 28, 2005 compared to net other expense of approximately \$6.3 million for the same period in the prior year. The decrease is primarily attributable to lower legal fees related to the Monsanto/Pharmacia litigation. In the six months ended February 28, 2005, we incurred \$3.0 million, or \$0.05 per diluted share, related to the Monsanto/Pharmacia litigation expenses, compared to \$6.4 million, or \$0.10 per diluted share, in the six months ended February 28, 2005.

CONTRACTUAL OBLIGATIONS

As of February 28, 2005, we owed approximately \$3.4 million for a portion of our raw materials that had been received from the 2004 production season. This amount represents the amount due on seed production delivered that had not yet been paid. It does not include other amounts that may become due from contingencies contained in seed production contracts. The amount owed of \$3.4 million is included in Current Liabilities in our Consolidated Balance Sheet at February 28, 2005.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Overview

Management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing in Item 8 of our Annual Report on Form 10-K for the fiscal year ended August 31, 2004. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

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

Revenue Recognition

Revenues from domestic seed sales are recognized when the seed is shipped. Revenues from technology licensing fees are recognized when the seed is shipped. Domestically, the licensing fees charged to farmers for transgenic cottonseed are based on pre-established planting rates for each of nine geographic regions and, for years prior to 2004, considered the estimated number of seed contained in each bag which varied by variety, location grown, and other factors. Effective in 2004, picker and stripper cottonseed products were sold in bags containing approximately 250,000 seed or bulk boxes containing approximately 8,000,000 seed. Acala and Pima cottonseed products continue to be sold in 50-pound bags.

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

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

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

Provision for Damaged, Obsolete and Excess Inventory

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

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

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

Deferred Income Taxes

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

We are required to evaluate the likelihood of our ability to generate sufficient future taxable income that will enable us to realize the value of our deferred tax assets. If, in our judgment, we determine that we will not realize deferred tax assets, then valuation allowances are recorded. As of February 28, 2005, we had recorded net deferred tax assets of approximately \$16.4 million primarily related to capitalizing the licenses from Syngenta for income tax reporting purposes. We estimate that our deferred tax assets will be realized; therefore, we have not recorded any valuation allowances as of February 28, 2005.

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

Contingent Liabilities

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

LIQUIDITY AND CAPITAL RESOURCES

In the United States, we purchase seed from contract growers in our first and second fiscal quarters. Seed conditioning, treating and packaging commence late in the first fiscal quarter and continue through the third fiscal quarter.

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

In the U.S., we record revenue and accounts receivable for technology licensing fees on transgenic seed sales upon shipment, usually in our second and third fiscal quarters. Receivables from seed sales generally become due in May and June. The licensing fees are due in September, at which time we receive payment. We then pay Monsanto its royalty for the Bollgard and Roundup Ready licensing fees, which is recorded as a component of cost of sales. As a result of the timing of these events, licensing fees receivable and royalties payable peak at our fiscal year end, August 31.

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

In April 1998, we entered into a syndicated credit facility with three lenders, which provided for aggregate, unsecured borrowings of \$110 million. This agreement expired on April 1, 2001. We have had discussions with several potential lenders about a replacement facility.

Capital expenditures were \$3.6 million and \$2.2 million in the six months ended February 28, 2005 and February 29, 2005, respectively. We anticipate that capital expenditures will approximate \$8.0 to \$10.0 million in 2005.

For the six months ended February 28, 2005, aggregate dividends of \$9.6 million have been paid on common and preferred shares. On April 1, 2005, we announced that our Board of Directors had declared a \$0.12 per share dividend for the third quarter. The third quarter dividend will be paid on June 14, 2005 to shareholders of record on May 31, 2005. The Board anticipates that quarterly dividends of \$0.12 per share will continue to be paid in the future; however, the Board of Directors reviews this policy quarterly. Based on a quarterly dividend of \$0.12 per share in 2005, aggregate preferred and common stock dividends should approximate \$19.2 million in 2005.

The Company purchases its common stock in the open market from time to time depending on market conditions and other factors. The shares repurchased are to be used to provide for option exercises, conversion of our Series M Convertible Non-Voting Preferred shares and for other general corporate purposes. From September 1, 2004 through March 31, 2005, the Company has purchased 672,600 shares of its common stock at an aggregate purchase price of \$17.8 million.

Cash provided from operations, cash on hand, early payments from customers and

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borrowings under a loan agreement, if necessary, should be sufficient to meet the Company's 2005 working capital needs.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure relative to fluctuations in the price of soybean raw material inventory, foreign currency fluctuations and interest rate changes. For more information about market risk and how we manage specific risk exposures, see Notes 1 and 14 to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended August 31, 2004. Also see Note 11 of the Notes to Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q for further details about our exposure to market risk.

The fair value of derivative commodity instruments outstanding as of February 28, 2005, was \$46,000. A 10% adverse change in the underlying commodity prices upon which these contracts are based would result in a \$25,000 loss in future earnings (not counting the gain on the underlying commodities).

Our earnings are also affected by fluctuations in the value of the U.S. dollar compared to foreign currencies as a result of transactions in foreign markets. We conduct non-U.S. operations through subsidiaries and joint ventures in, primarily, Argentina, Australia, Brazil, China, South Africa and Turkey. At February 28, 2005, the result of a uniform 10% change in the value of the dollar relative to the currencies in which our transactions are denominated would not cause a material impact on earnings.

For the quarter ended February 28, 2005, a 10% adverse change in the interest rate that we earned on our cash that we invested would not have resulted in a material change to our net interest income or cash flow.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

D&PL's chief executive officer and chief financial officer have evaluated the effectiveness of the design and operation of D&PL's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of February 28, 2005. Based on that evaluation, the chief executive officer and chief financial officer have concluded that D&PL's disclosure controls and procedures are effective to ensure that material information relating to D&PL and D&PL's consolidated subsidiaries is made known to such officers by others within these entities in order to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls.

There have not been any changes in D&PL's internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, D&PL's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The following sets forth all known pending litigation in which D&PL is named as a defendant and a description of other legal matters.

Product Claims

D&PL and Monsanto were named as defendants in a lawsuit filed in the 106th Judicial District Court of Gaines County, Texas, on April 27, 2000. In this case the plaintiff alleges, among other things, that certain cottonseed acquired from D&PL that contained the Roundup Ready gene did not perform as the farmer had

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anticipated. D&PL and Monsanto are investigating the claims to determine the cause or causes of the alleged problem. Pursuant to the terms of the February 2, 1996 Roundup Ready Gene License and Seed Service Agreement (the "Roundup Ready Agreement"), D&PL has tendered the defense of this claim to Monsanto and requested indemnity. Pursuant to the Roundup Ready Agreement, Monsanto is contractually obligated to defend and indemnify D&PL against all claims arising out of the failure of the Roundup(R) glyphosate tolerance gene and Monsanto has agreed to do so. D&PL will not have a right of indemnification from Monsanto, however, for any claim involving defective varietal characteristics separate from or in addition to the herbicide tolerance gene and such claims are contained in this litigation.

D&PL was named in two lawsuits filed in the Circuit Court of Holmes County, Mississippi. One was filed March 14, 2002, and the second was filed on August 19, 2002. Both cases include numerous plaintiffs who allege that certain cottonseed sold by D&PL was improperly mixed and blended and failed to perform as advertised. On December 14, 2004, an Order was entered in the March 14, 2002 case severing the individual claims of the 57 original plaintiffs into fifty-seven separate actions. Fourteen of the fifty-seven cases will remain in Holmes County, Mississippi. The venue to which the other cases will be transferred has not yet been determined. On January 24, 2005, the Supreme Court of the State of Mississippi granted D&PL's interlocutory appeal of the trial court's denial of D&PL's motion to dismiss the claims of seven plaintiffs for failure to comply with the Mississippi Seed Arbitration Act. The briefing and scheduling order has not yet been entered on the consolidated appeals but it is anticipated that resolution of this matter will take approximately one year. The interlocutory appeal issue is ultimately dispositive of the claims of forty-six plaintiffs in the March 14, 2002 suit and of fifteen plaintiffs' claims in the August 19, 2002 suit. Both cases are in the preliminary discovery stage. Dispositive motions are pending in the remanded August 19, 2002 case. It is anticipated the state court will rule on those motions precisely as it ruled on identical motions in the March 14, 2002 case. Neither of these lawsuits alleges that the Monsanto gene technology failed, and accordingly, it does not appear that D&PL has a claim for indemnity or defense under the terms of any of the gene licenses with Monsanto.

In December 2002, D&PL filed a suit in the Circuit Court of Holmes County, Mississippi, against Nationwide Agribusiness and other insurance companies seeking a declaration that the allegations of the Holmes County, Mississippi lawsuit filed March 14, 2002, are covered by D&PL's comprehensive general liability and umbrella liability policies. This case was removed by the defendants to the United States District Court for the Southern District of Mississippi. In this litigation, D&PL seeks a declaration that its insurers are responsible for the cost of defending such actions, and full indemnification of D&PL in the event a judgment is rendered against it based upon the seed mix claim alleged by plaintiffs. D&PL alleges in this litigation that the allegations of plaintiffs' complaint are covered by one or more of D&PL's insurance policies issued by the defendant insurance companies.

In the August 19, 2002 Holmes County lawsuit, D&PL has filed a third party Complaint and seeks a declaration that its insurers are responsible for the cost of defending the action and for full indemnification of D&PL in the event a judgment is entered against it. The third-party defendant removed the case to the United States District Court for the Southern District of Mississippi, Jackson Division, where a motion to remand was granted on September 28, 2004. Accordingly, that case has now been returned to the docket of Holmes County, Mississippi.

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

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Other Legal Matters

On December 9, 2003, Bayer BioScience N.V. and Bayer CropScience GmbH (collectively "Bayer") filed a suit in the Federal Court of Australia alleging that the importing, exporting, selling and other alleged uses by Deltapine Australia Pty Ltd., D&PL's wholly-owned Australian subsidiary ("Deltapine Australia"), of Bollgard II cottonseed infringes Bayer's Australian patent that claims an alleged invention entitled "Prevention of Bt Resistance Development." The suit seeks an injunction, damages and other relief against Deltapine Australia. Deltapine Australia disputes the validity, infringement and enforceability of Bayer's patent. On April 16, 2004, Deltapine Australia responded to the suit, denying infringement and asserting affirmative defenses and cross claims. The suit is in pretrial proceedings.

In July 2003, D&PL received a notice from Monsanto asserting that disputes exist among Monsanto, D&PL and D&M Partners, a partnership of D&PL (90%) and Monsanto (10%), pertaining to matters under the Bollgard and Roundup Ready Licenses for the United States and matters under license agreements for Argentina and the Republic of South Africa. In August 2003, D&PL and D&M Partners responded to Monsanto's positions on each issue and notified Monsanto of additional disputes, each concerning Monsanto's compliance with its obligations under the Bollgard and Roundup Ready Licenses for the United States. In accordance with the dispute resolution provisions of the subject agreements, the issues raised in Monsanto, D&PL and D&M Partners' notices were submitted to a panel of senior executives (the "Executive Panel"). Monsanto subsequently withdrew from the Executive Panel the issue involving the license agreements for the Republic of South Africa and submitted to the Executive Panel one additional issue of interpretation of the Bollgard and Roundup Ready Licenses for the United States. Issues arising from operations in Argentina and issues involving technology fees and interest have been settled without material financial impact on the Company and are no longer in dispute. On May 20, 2004, Monsanto submitted to arbitration before the American Arbitration Association two unresolved issues: whether D&M Partners has paid Monsanto all royalties due and whether D&PL has made unauthorized transfers of materials containing Monsanto technology. In this arbitration proceeding, Monsanto seeks an adjudication of its alleged right to terminate the Bollgard and Roundup Ready Licenses, to dissolve D&M Partners, to obtain an accounting and to receive monetary damages and a return or destruction of materials containing Monsanto technologies. D&PL denies the claims asserted by Monsanto in the arbitration filing and has filed appropriate responses and counterclaims to Monsanto's claims based on the issues submitted by D&PL to the Executive Panel. On November 8, 2004, Monsanto submitted one new claim allegedly involving a dispute under the license agreements to the Executive Panel and the Executive Panel has that claim under consideration. D&PL is committed to participating in good faith resolution of the issues in dispute through arbitration or through the Executive Panel, as applicable.

In October 2002, Transportes Darkepe Ltda, a Brazilian trucking company, filed suit in a local court in the State of Parana, Brazil, against an employee of D&PL Brasil Ltda. ("D&PL Brasil"), a Brazilian subsidiary of D&PL, and Localiza Rent a Car ("LRC"), alleging that the employee had caused a motor vehicle accident resulting in property damage to a truck owned by the plaintiff. In December 2002, D&PL Brasil was joined as a defendant on the basis that the rental car driven by the employee had been rented in its name. The case remains pending in pretrial proceedings. The damages sought, including interest, is approximately \$49,000. The employee and D&PL Brasil are being defended and are indemnified in this litigation by the respective insurance carriers for LRC and D&PL.

In January 2001, Sure Grow Seed Inc. ("Sure Grow"), an indirect subsidiary of D&PL, gave notice to Ozbugday Tarim Isletmeleri ve Tohumculuk A.S. ("OTIT"), a Turkish seed company, of termination (effective at the end of the 2001 crop year) of OTIT's exclusive distributorship for cottonseed of Sure Grow varieties

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in the Republic of Turkey. OTIT refused to acknowledge the validity of this termination. In October 2002, Sure Grow and the Turkish Branch of Turk Deltapine, Inc. ("Turk Deltapine"), D&PL's local affiliate in Turkey, commenced a civil action in a Turkish commercial court seeking an injunction against continued sales of Sure Grow varieties by OTIT. OTIT filed a counterclaim seeking an injunction against Turk Deltapine's marketing of seed of Sure Grow varieties in alleged violation of OTIT's exclusive distribution rights and monetary damages for lost profits in an amount to be determined. In June 2004, a panel of legal experts appointed by the court in which the case is pending rendered an advisory opinion that Turkish law should govern the termination of OTIT's distributorship agreement and, that under Turkish law, the January 2001 notice of termination was not effective. In November 2004, the court rejected the initial panel's advisory opinion and ordered the appointment of a new panel of legal experts to decide what law governs the termination of the distribution agreement. Both OTIT and Turk Deltapine have continued to distribute cotton planting seed of Sure Grow varieties in Turkey.

In June 2004, D&PL filed an application with the Turkish Ministry of Agriculture to gain intellectual property protection of certain of D&PL's proprietary cotton varieties under Turkey's new law protecting breeders' rights for new plant varieties, which was enacted in January 2004. On November 3, 2004, the Ministry of Agriculture denied protection under Turkish law for all but one of these varieties. In December 2004, D&PL filed a petition with the Ministry of Agriculture requesting reconsideration of its decision denying protection. The Ministry of Agriculture is still considering D&PL's petition. D&PL also filed a petition in January 2005 in the Administrative Court of Ankara requesting a decision granting intellectual property protection of D&PL's varieties. This petition is currently pending before the Administrative Court.

In December 1999, Mycogen Plant Science, Inc. ("Mycogen") filed a suit in the Federal Court of Australia alleging that Monsanto Australia Ltd., Monsanto's wholly-owned Australian subsidiary, and Deltapine Australia have been infringing two of Mycogen's Australian patents by making, selling, and licensing cotton planting seed expressing insect resistance. The suit seeks an injunction against continued sale of seed containing Monsanto's Ingard(R) gene and recovery of an unspecified amount of damages. Trial of this matter commenced on March 7, 2005, and concluded on April 6, 2005. The Court will render a decision later. Consistent with its commitments, Monsanto has agreed to defend D&PL in this suit and to indemnify D&PL against damages, if any are awarded. Monsanto is providing separate defense counsel for D&PL. D&PL is assisting Monsanto to the extent reasonably necessary.

A corporation owned by the son of D&PL's former Guatemalan distributor sued in 1989 asserting that D&PL violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,292,459 Guatemalan quetzales (approximately \$700,000 at March 31, 2005, exchange rates) and an injunction preventing D&PL from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. D&PL continues to make seed available for sale in Central America and Mexico.

D&PL vs. Monsanto Company and Pharmacia Corp.

On December 20, 1999, Monsanto withdrew its pre-merger notification filed pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") effectively terminating Monsanto's efforts to gain government approval of the merger of Monsanto with D&PL under the May 8, 1998, Merger Agreement. On December 30, 1999, D&PL filed suit (the "December 30 Suit") in the First Judicial District of Bolivar County, Mississippi, seeking, among other things, the payment of the \$81 million termination fee due pursuant to the merger agreement, compensatory damages and punitive damages. On January 2, 2000, D&PL

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and Monsanto reached an agreement whereby D&PL would withdraw the December 30 Suit without prejudice for the purpose of negotiating a settlement of D&PL's claims, and Monsanto would immediately pay the \$81 million. On January 3, 2000, Monsanto paid to D&PL the termination fee of \$81 million as required by the merger agreement. On January 18, 2000, after unsuccessful negotiations, D&PL filed a suit (the "January 18 Suit") reinstating essentially all of the allegations contained in the December 30 Suit. The January 18 Suit by D&PL against Monsanto seeks, among other things, in excess of \$1 billion in compensatory and \$1 billion in punitive damages for breach of contract under the merger agreement between the parties. D&PL alleges that Monsanto failed to use its best efforts, commercially reasonable efforts, and/or reasonable best efforts to obtain antitrust approval from the U.S. Department of Justice, as required under the terms of the merger agreement. D&PL also seeks damages for breach of the January 2, 2000, agreement pursuant to which the parties were to negotiate for two weeks to resolve the dispute over failure of the merger to close.

The parties litigated for several months in 2000 over the appropriate forum to hear the case. On July 17, 2000, the Delaware Court of Chancery rejected Monsanto's attempt to maintain the action in Delaware and returned the parties to the Circuit Court for the First Judicial District of Bolivar County, Mississippi.

On December 18, 2000, D&PL amended its complaint to include a claim for tortious interference with prospective business relations on the grounds that Monsanto's unreasonable delay prevented the consummation of the merger and kept D&PL from being in a position to enter into transactions and relationships with others in the industry. In light of the merger of Monsanto into Pharmacia & Upjohn, Inc., after the filing of the original complaint, D&PL named both Pharmacia Corp. (the renamed existing defendant) and Monsanto Company as defendants in the amended complaint.

In January, 2001, Monsanto filed a motion for summary judgment on the breach of contract claims, alleging that D&PL suffered no cognizable damages as a result of the failed merger. Monsanto also filed a motion to dismiss (or in the alternative for summary judgment) with respect to the tortious interference claim, arguing that it was entitled to 1) dismissal of the action on the grounds that D&PL's amended complaint did not satisfy any of the elements of a tortious interference claim and, thus, did not state a viable claim; and 2) summary judgment because D&PL has not suffered any damages as a result of Monsanto's actions. On November 15, 2001, the Circuit Court denied the defendants' motion for summary judgment on the breach of contract claims, holding that the case presents issues for trial by jury including the existence and extent of benefit-of-the-bargain damages. The Court also denied defendants' motion to dismiss or for summary judgment on D&PL's claim for tortious interference with business relationships.

In June, 2003, the original trial judge to whom this case was assigned, retired and the case was assigned to a new trial court judge.

On September 12, 2003, Monsanto amended its answer to include four counterclaims against D&PL, alleging breach of contract, fraudulent inducement, and negligent misrepresentation. The fraudulent inducement and negligent misrepresentation claims allege that D&PL misrepresented the status of the Department of Justice's investigation into D&PL's 1996 acquisition of the Sure Grow companies prior to the signing of the merger agreement. The breach of contract claim alleges that D&PL failed to notify Monsanto that D&PL had sustained a material adverse change, where the alleged material adverse change relates to some of the matters for which D&PL seeks consequential damages in this litigation. The breach of contract claim also alleges that D&PL failed to use its contractually-required efforts to inform Monsanto that Monsanto was not using contractually-required efforts to complete the transaction. Monsanto is seeking unspecified damages for

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its counterclaims, including the \$81 million paid by Monsanto to D&PL as a termination fee and related expenses. D&PL answered the counterclaims, denying all liability, and intends to vigorously defend against these counterclaims. On December 21, 2004, Monsanto filed a motion to amend its answer to withdraw two of its four counterclaims, specifically the fraudulent inducement and negligent misrepresentations counterclaims.

On December 5, 2003, Monsanto filed a motion for partial summary judgment relating to one method that D&PL had used to calculate its damages, and on October 8, 2004, the Court granted Monsanto's motion. D&PL sought an interlocutory appeal of this ruling to the Mississippi Supreme Court. On February 14, 2005, the Mississippi Supreme Court granted D&PL's petition to hear its appeal. The Mississippi Supreme Court also agreed to hear D&PL's appeal of a discovery ruling relating to documents that Monsanto claimed to be immune from disclosure under the attorney-client privilege and work product doctrine. The original trial judge had ordered Monsanto to produce the documents and the new trial judge has ordered D&PL to return them.

On January 3, 2005, Monsanto filed two additional motions for partial summary judgment. Both motions seek summary judgment on certain aspects of D&PL's damages. On February 17, 2005, D&PL filed a motion with the trial court to amend its complaint to add a claim against Monsanto for fraudulently inducing D&PL to extend the deadline to complete the merger with Monsanto. The Mississippi Supreme Court has stayed the proceedings in the trial court pending the resolution of the two interlocutory appeals.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In February 2000, the Board of Directors authorized a program for the repurchase of up to \$50 million of D&PL's common stock. The shares repurchased under this program are to be used to provide for option exercises, conversion of D&PL's Series M Convertible Non-Voting Preferred shares and for other general corporate purposes.

There were no shares purchased in the quarter ended February 28, 2005 pursuant to the February 2000 stock repurchase plan or for any other reason. As of February 28, 2005, the approximate dollar value of shares that may yet be purchased under the February 2000 stock repurchase plan is \$20.4 million.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of the Shareholders of Delta and Pine Land Company was held on January 11, 2005. The following matters were brought to a vote with the noted results:

| | Item | For | Against | Abstain |
|----|---|------------|---------|-----------|
| 1. | Re-election of Class III Director Jon E. M. Jacoby | 33,222,146 | 0 | 3,276,530 |
| 2. | Re-election of Class III Director F. Murray Robinson | 33,956,915 | 0 | 2,541,761 |
| 3. | Ratify appointment of KPMG LLP as the independent public accountants for the fiscal year ending August 31, 2005 | 36,169,554 | 315,479 | 13,643 |

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| | | | | |
|----|--|------------|-----------|---------|
| 4. | Adopt the Delta and Pine Land Company 2005 Omnibus Stock Plan | 23,599,242 | 7,111,528 | 119,001 |
|----|--|------------|-----------|---------|

Item 5. Other Information

Domestic

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

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

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

International

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

We sell our products in foreign countries through (i) export sales to distributors and (ii) direct in-country operations through either joint ventures or wholly-owned subsidiaries. The method varies and evolves, depending on our assessment of the potential size and profitability of the market, governmental policies, currency and credit risks, sophistication of the target country's agricultural economy, and costs (as compared to risks) of commencing physical operations in a particular country. In 2004, the majority of international sales came from direct in-country operations (primarily Argentina, Australia, Brazil, China, South Africa and Turkey).

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

Joint Ventures

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

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

In December 1997, D&M International, LLC formed a joint venture with Ciagro S.R.L. ("Ciagro"), a distributor of agricultural inputs in the Argentine cotton region, for the production and sale of genetically improved cottonseed. CDM Mandiyu S.R.L. ("CDM") is owned 60% by D&M International, LLC, and 40% by Ciagro. In September 1998, CDM began construction of a cottonseed conditioning and storage facility in Avia Terai, Chaco, Argentina. Construction was completed in June 1999. CDM has been licensed to sell our cotton varieties containing Monsanto's Bollgard and Roundup Ready gene technologies. Sales of Bollgard varieties commenced in 1999 and sales of Roundup Ready varieties began in 2003.

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

In November 1998, D&M International, LLC and Maeda Administracao e Participacoes Ltda, an affiliate of Agropem - Agro Pecuria Maeda S.A., formed a joint venture in Minas Gerais, Brazil. The joint venture, MDM Sementes De Algodao, Ltda. ("MDM"), produces, conditions and sells our varieties of acid-delinted cotton planting seed. In 2000, we began selling our conventional cotton varieties. MDM will introduce transgenic cottonseed varieties containing both Bollgard and Roundup Ready gene technologies in the Brazilian market as soon as all required government approvals are obtained. Monsanto is responsible for obtaining government approvals for Bollgard and Roundup Ready traits. On March 17, 2005, the Brazilian government announced approval of the Bollgard trait for sale in cotton. Once Bollgard cottonseed varieties are registered, MDM will begin sales of these products, which may not occur until 2007. MDM is 51% owned by D&M International, LLC and 49% owned by Maeda Administracao e Participacoes S/A (formerly Maeda Administracao e Participacoes Ltda).

In October 2001, we announced that we had signed Letters of Intent with two parties in China to form two new joint ventures there, one each in Hubei and Henan provinces. These two new potential markets contain approximately 4.5 million acres of cotton planted in 2001 which is almost 2.5 times the size of

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the combined Hebei and Anhui markets. A joint venture agreement was negotiated and agreed to with the parties in Henan province and the agreement was submitted to the Chinese government authorities for approval. However, in April 2002, China announced rules prohibiting new foreign investment in seed companies that intend to sell genetically modified seed, which will restrict the ability of non-Chinese companies, including us, from investing in such joint ventures. However, our joint venture in Hebei province, Ji Dai, signed a distribution agreement with a party in the Henan province and distributed seed there beginning in fiscal 2003. We expect to continue to expand our business in China through our existing joint ventures, Ji Dai and An Dai.

In May 2002, we established DeltaMax Cotton, LLC ("DeltaMax"), a limited liability company jointly owned with Verdia, Inc. ("Verdia"), which was purchased by DuPont on July 2, 2004. DeltaMax was formed to create, develop and commercialize value-enhancing traits for the cottonseed market that will complement and/or compete with traits available today. It is currently focusing on glyphosate-tolerant, insect-resistance and nematode-resistance strategies for use in cotton. Commercialization of new traits developed by this venture is not expected until after 2010. DeltaMax will contract research and development activities to Verdia, third parties and D&PL when appropriate, and license its products to D&PL and potentially to others. D&PL and Verdia each own 50% of DeltaMax.

Subsidiaries

D&PL South Africa, Inc. ("D&PL South Africa"), our wholly-owned subsidiary, through a South African branch, commercializes cottonseed varieties containing Monsanto's Bollgard and Roundup Ready technologies in South Africa. In addition, D&PL South Africa maintains winter nursery facilities, produces cottonseed varieties for export to other countries and processes foundation seed grown in that country.

D&PL Semillas Ltda., our wholly-owned subsidiary, maintains a winter nursery and foundation seed operation in Canas, Costa Rica and has a delinting plant there to process foundation seed for export to the United States. Multiple winter nursery locations are used to manage seed production risks. The use of Southern Hemisphere winter nurseries and seed production programs such as these may accelerate the introduction of new varieties because we can raise at least two crops per year by taking advantage of the Southern Hemisphere growing season.

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

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

In September 2004, D&PL established, through Indian nominee shareholders, Deltapine India Seed Private Ltd. ("Deltapine India"). This company will be wholly-owned by D&PL (by itself or through wholly-owned affiliates), pending formal transfer of ownership from the nominee shareholders. Deltapine India was formed with the intent to breed, test, produce, market and sell agricultural seeds and services in India.

Employees

As of April 1, 2005, we employed a total of 538 full-time employees worldwide.

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In addition, our foreign joint ventures employ approximately 100 employees. Due to the nature of our business, we utilize seasonal employees in our delinting plants and our research and foundation seed programs. The maximum number of seasonal employees approximates 175 and typically occurs in October and November of each year. We consider our employee relations to be good.

Biotechnology

Insect Resistance for Cotton

Monsanto Company

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

Pursuant to the terms of the Bollgard Agreement, farmers must buy a limited use sublicense for the technology from D&M Partners, a partnership of D&PL (90%) and Monsanto (10%), in order to purchase seed containing the Bollgard gene technology. Monsanto determines the licensing fee growers pay for use of Bollgard technology. Growers may receive discounts and/or rebates of licensing fees under certain crop destruct, crop replant and other programs. D&M Partners contracts the billing and collection activities for Bollgard and Roundup Ready licensing fees to Monsanto. The distributor/dealers who coordinate the farmer licensing process receive a portion of the technology sublicensing fee, presently approximately 15%. After the dealers and distributors are compensated, D&M Partners pays Monsanto a royalty equal to 71% of the net sublicense fee (technology sublicensing fees less certain distributor/dealer payments), and we receive the remainder of net sublicense revenue for our services. The expiration date of the Bollgard Agreement is determined by the last to expire of the patent rights licensed under that agreement. On that basis (unless we terminate sooner, as is permitted after October 11, 2008), the expiration date of the Bollgard Agreement will be June 13, 2011, the date the last of the presently issued patents will expire. This date may be extended in the event additional relevant patents issue that have expiration dates later than June 13, 2011.

Pursuant to the Bollgard Agreement, Monsanto must defend and indemnify us against claims of patent infringement, including all damages awarded or amounts

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paid in settlements. Monsanto must also indemnify us against (a) costs of inventory and (b) lost profits on inventory which becomes unsaleable because of patent infringement claims. Monsanto must defend any claims of failure of performance of a Bollgard gene. Monsanto and D&PL share the cost of any product performance claims in proportion to each party's share of the net sublicense fees. The indemnity from Monsanto only covers performance claims involving failure of performance of the Bollgard gene and not claims arising from other causes. Pharmacia remains liable for Monsanto's performance under these defense and indemnity agreements.

In December 2000, D&PL and Monsanto executed the Bollgard II Gene License and Seed Services Agreement (the "Bollgard II Agreement") for Monsanto's subsequent insect resistance product. The Bollgard II Agreement contains essentially the same terms as the Bollgard Agreement. On December 23, 2002, Monsanto announced that it had received U.S. regulatory clearance for Bollgard II. We have commercialized limited quantities of our Bollgard II cotton varieties in the U.S. beginning in fiscal 2003. The expiration date of the Bollgard II Agreement is determined by the last to expire of the patent rights licensed under that Agreement. On that basis (unless we terminate sooner, as is permitted after October 11, 2008), the expiration date of the Bollgard II Agreement will be November 4, 2018, the date the last of the presently issued patents will expire. This date may be extended in the event additional relevant patents issue that have expiration dates later than November 4, 2018.

Syngenta Crop Protection AG

In August 2004, we executed a License Acquisition Agreement with Syngenta Crop Protection AG ("Syngenta") under which D&PL acquired worldwide licenses for the commercialization of Syngenta's VIP3A and CryIAb insect resistance genes in cotton (the "VipCot Gene Licenses"). D&PL agreed to pay \$46.8 million for these licenses, payable in installments, of which \$9.2 million represents contingent payments. These licenses provide for commercialization of insect resistant cotton varieties containing Syngenta insect resistance genes in the United States and in other countries, subject to government approval of the technologies. Syngenta is responsible for obtaining such government approval in the United States and, if instructed by D&PL, in other countries. Syngenta is required to consult with D&PL and to assist and support commercialization of D&PL's products containing Syngenta's insect resistance genes.

Pursuant to the VipCot Gene Licenses, farmers will be sublicensed by D&PL to use seed containing Syngenta's insect resistance technologies. The VipCot technologies will be marketed on a competitive basis with alternative insect control costs and other available technologies. After dealers and distributors are compensated for their services, and after deduction of certain marketing expenses and other costs, D&PL will pay Syngenta a royalty equal to 30% of the net revenue obtained from sublicensing of the VipCot gene technologies. D&PL retains the balance of such net sublicense revenue. Provisions for payment of royalties under the VipCot Gene Licenses generally continue until the expiration of the last to expire of Syngenta's applicable patent rights on a country-by-country basis or for a minimum of ten years after the first commercial sale of a licensed product in the subject country, after which D&PL will hold a permanent paid-up license to Syngenta's licensed patent rights for use in cotton. D&PL has the rights to sublicense its affiliates (and, in countries outside the United States, third parties) to commercialize Syngenta's insect resistance technologies. In the event D&PL elects not to make the contingent payments, and upon other termination events, D&PL will retain rights to commercialize products containing VipCot events which have then received government approval for sale in the United States.

The VipCot Gene Licenses make D&PL the primary licensee of Syngenta's insect resistance technology. To retain this status, D&PL must meet milestones for development of VipCot cotton varieties, produce seed for commercial sale in the

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United States and meet and maintain certain sales objectives.

Pursuant to the VipCot Gene Licenses, Syngenta is responsible for obtaining required intellectual property rights and for defense of claims of patent infringement. The costs of defense and indemnification are borne either by Syngenta alone or by Syngenta and D&PL proportionately based on the nature of the claim. D&PL is responsible for managing the defense of grower claims alleging failure of performance of a licensed gene. Syngenta and D&PL will bear the cost of product performance claims in proportion to each party's share of net sublicense fees. The product performance indemnity from Syngenta only covers claims involving failure of performance of the Syngenta insect resistance genes and not claims arising from other causes.

Dow AgroSciences

In January 2003, we announced a collaboration agreement with Dow AgroSciences LLC ("DAS") under which we would develop, test and evaluate elite cotton varieties containing DAS insect resistance traits. We continue to work with DAS insect resistant traits. On October 4, 2004, DAS announced it had received full EPA registration for its WideStrike™ Insect Protection technology and would introduce products from its subsidiary in 2005. We may commercialize varieties containing DAS insect resistance technology if we reach a commercialization agreement. To date, no such agreement has been reached.

Herbicide Tolerance for Cotton

Monsanto Company

In February 1996, D&PL, Monsanto and D&M Partners executed the Roundup Ready Gene License and Seed Services Agreement (the "Roundup Ready Agreement"), which provides for the commercialization of Roundup Ready cottonseed. Pursuant to the collaborative biotechnology licensing agreements executed in 1996 and amended in July 1996, December 1999, January 2000 and March 2003, we have also developed transgenic cotton varieties that are tolerant to Roundup(R), a glyphosate-based herbicide sold by Monsanto. In 1996, such Roundup Ready plants were approved by the Food and Drug Administration, the USDA, and the EPA. The Roundup Ready Agreement grants a license to D&PL and certain of our affiliates the right in the United States to sell cottonseed of our varieties that contain Monsanto's Roundup Ready gene. The Roundup Ready gene makes cotton plants tolerant to contact with Roundup herbicide applications made during a finite early season growth period. Similar to the Bollgard Agreement, farmers must execute limited use sublicenses in order to purchase seed containing the Roundup Ready gene. Monsanto determines the licensing fee growers pay for use of Roundup Ready technology. Growers may receive discounts and/or rebates of licensing fees under certain crop destruct, crop replant and other programs. The distributors/dealers who coordinate the farmer licensing process receive a portion of the technology sublicensing fee. After the dealers and distributors are compensated, D&M Partners pays Monsanto a royalty equal to 70% of the net sublicense fee (technology sublicensing fees less certain distributor/dealer payments), and we receive the remainder of net sublicense revenue for our services. The expiration date of the Roundup Ready Agreement is determined by the last to expire of the patent rights licensed under that agreement. On that basis (unless we terminate sooner, as is permitted after October 11, 2008), the expiration date of the Roundup Ready Agreement will be April 18, 2017, the date the last of the presently issued patents will expire. This date may be extended in the event additional relevant patents issue that have expiration dates later than April 18, 2017.

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

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

On January 7, 2005, D&PL executed the Roundup Ready Flex Gene License and Seed Services Agreement (the "Roundup Ready Flex Agreement") for Monsanto's advanced herbicide tolerance product. The Roundup Ready Flex Agreement contains essentially the same terms, including compensatory terms, as the existing Roundup Ready Agreement between D&PL and Monsanto. The expiration date of the Roundup Ready Flex Agreement is determined by the last to expire of the patent rights under this Agreement which cover the licensed gene. On that basis (unless we terminate sooner, as is permitted after October 11, 2008), assuming that all of the patents identified by Monsanto in the addendum to the Roundup Ready Flex Agreement cover the licensed gene, the expiration date of the Roundup Ready Flex Agreement will be December 15, 2020, the date the last of the presently issued patents will expire. This date may be extended in the event additional relevant patents issue that have expiration dates later than December 15, 2020.

In November 2004, Monsanto notified D&PL that Monsanto would license contract seed production by D&PL in 2005. On March 15, 2005, Monsanto announced it had obtained U.S. regulatory clearance for Roundup Ready Flex technology. We are preparing to commercialize limited quantities of Roundup Ready Flex cotton varieties in the U.S. beginning in fiscal 2006.

Cotton Technology Licenses for Countries Outside the United States

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

Herbicide Tolerance for Soybeans

In February 1997, D&PL and Monsanto executed a Roundup Ready Soybean License Agreement which provided for commercialization of Roundup Ready soybean seed. Effective September 1, 2001, D&PL and Monsanto executed a new Roundup Ready Soybean License and Seed Services Agreement (the "Roundup Ready Soybean Agreement") for 2001 and future years. The Roundup Ready Soybean Agreement grants a non-exclusive license to D&PL to produce and to sell in the United States soybean seed containing Monsanto's Roundup Ready gene. The Roundup Ready gene makes soybean plants tolerant to contact with Roundup herbicide

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applications when used in accordance with product instructions. Similar to the Bollgard Agreement and the Roundup Ready Agreement for cotton, farmers must execute limited use sublicenses in order to purchase soybean seed containing the Roundup Ready gene. The royalty charged to the seed partners, including D&PL, is set annually by Monsanto. We receive a portion of the royalty for our services under the Roundup Ready Soybean Agreement and may receive additional incentives based on a separate licensee incentive agreement. We have the right to terminate the Roundup Ready Soybean Agreement at our option upon 90 days notice to Monsanto; Monsanto may terminate the agreement only for cause. Unless terminated sooner, the Roundup Ready Soybean Agreement will expire December 31, 2012.

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

Transformation, Enabling and Other Technologies

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

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

The technologies described above resulted from basic research and will require further development in order to be used in commercial seed. We estimate that it will be several years before either of these technologies could be available

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commercially. In addition, we have rights to other transformation, enabling and other technologies that are useful to our research and commercial efforts and, in some cases, may be sublicensed to others.

Other

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

Commercial Seed

The following table presents the number of commercial cottonseed and soybean seed varieties we sold in the years ended August 31, 2004 and 2003:

| | 2004 | 2003 |
|---------------------------|-------|-------|
| | ----- | ----- |
| Cotton | | |
| Conventional | 11 | 20 |
| Bollgard | 3 | 5 |
| Roundup Ready | 16 | 14 |
| Bollgard/Roundup Ready | 14 | 14 |
| Bollgard II/Roundup Ready | 1 | 2 |
| | ----- | ----- |
| | 45 | 55 |
| | ===== | ===== |
| Soybeans | | |
| Conventional | 1 | 1 |
| Roundup Ready | 19 | 15 |
| STS | 2 | 2 |
| | ----- | ----- |
| | 22 | 18 |
| | ===== | ===== |

In addition to the above, in 2004, we had 87 experimental cotton varieties and 6 experimental soybean varieties in late stage development prior to commercialization. In 2003, we had 76 experimental cotton varieties and 6 experimental soybean varieties in late stage development prior to commercialization.

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

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

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patent laws make unlawful any unauthorized planting of seed containing patented technology, such as Bollgard and Roundup Ready, saved from prior crops.

We farm approximately 5,500 acres globally, primarily for research purposes and for production of cotton and soybean foundation seed. Additionally, we have annual agreements with various growers to produce seed for cotton and soybeans. The growers plant parent seed purchased from us and follow quality assurance procedures required for seed production. If the grower adheres to our established quality assurance standards throughout the growing season and if the seed meets our standards upon harvest, we may be obligated to purchase specified minimum quantities of seed, usually in our first and second fiscal quarters, at prices equal to the commodity market price of the seed plus a grower premium. We then condition the seed for sale.

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

Revenues from domestic seed sales are recognized when the seed is shipped. Revenues from Bollgard and Roundup Ready licensing fees are recognized when the seed is shipped. Domestically, the licensing fees charged to farmers for Bollgard and Roundup Ready cottonseed are based on pre-established planting rates for nine geographic regions and, for years prior to 2004, considered the estimated number of seed contained in each bag which varied by variety, location grown, and other factors. Effective in 2004, picker and stripper cottonseed products were sold in bags containing approximately 250,000 seed as well as bulk boxes containing approximately 8,000,000 seeds. Acala and Pima cottonseed products continue to be sold in 50-pound bags.

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

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

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Availability of Information on Our Website

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

RISKS AND UNCERTAINTIES

From time to time, we may publish forward-looking statements relating to such matters as anticipated financial performance (including when earnings estimates are discussed), existing products, technical developments, new products, new technologies, research and development activities, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of our business include those noted elsewhere in this filing and the following:

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

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

We currently are engaged in a dispute resolution and arbitration process with Monsanto, the principal licensor of our cotton technology. In the arbitration, Monsanto is seeking a determination by the arbitrators of its right to terminate certain agreements between our companies, including the Bollgard and Roundup Ready licenses. In addition, we are currently engaged in litigation with Monsanto (the January 18 Suit) concerning the failed merger of the companies. The result of this litigation (and the process of litigating) may materially affect the results of our business. (See Part II, Item 1.)

There is no assurance that new technologies such as the DeltaMax and the Syngenta technologies will result in commercially viable products or that such technologies are developed in the time frame or for the amounts

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estimated to complete. Also, there is no assurance that regulatory approval will be obtained for the products.

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

The publicity related to genetically modified organisms ("GMOs") or products made from plants that contain GMOs may have an effect on our sales in the future. In 2004, approximately 94% of our cottonseed that was sold in the United States contained either or both of Monsanto's Bollgard and Roundup Ready gene technologies, and 95% of our soybean seed sales contained the Roundup Ready gene technology. Although many farmers have rapidly adopted these technologies, the concern of some customers and governmental entities over finished products that contain GMOs could impact demand for crops (and ultimately seed) raised from seed containing such traits.

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

Our customers in many markets, including the U.S., benefit from government subsidy programs. The Farm Security and Rural Investment Act of 2002 expires on January 1, 2007(although the bill includes the 2007 cotton planting season), and future U.S. farm subsidy programs are uncertain. Various other countries have challenged, and may continue to challenge, the appropriateness of U.S. farm subsidies through the World Trade Organization ("WTO") or other forums. The outcome of these challenges has not yet been determined, but may negatively impact U.S. farmers. U.S. farm programs and WTO rulings impacting such programs may materially affect the results of our business.

Overall profitability will depend on the factors noted above as well as weather conditions, government policies in all countries where we sell products and operate, worldwide commodity prices, our ability to successfully open new international markets, our ability to develop the Texas High Plains market, the technology partners' ability to obtain timely government approval (and maintain such approval) for existing and for additional biotechnology products on which they and D&PL are working, our technology partners' ability to successfully defend challenges to proprietary technologies licensed to us and our ability to produce sufficient commercial quantities of high quality planting seed of these products. Any delay in or inability to successfully complete these projects may affect future profitability. In addition, earnings forecasts do not

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consider the impact of potential transactions, their related accounting and other factors, that may be under consideration by the Company, but have not yet been completed or their effect determined at the date of a particular filing.

The risks and uncertainties that may affect the operations, performance, development and results of our business include those noted elsewhere in this Item and in "Risks and Uncertainties" in Item 7 of D&PL's Form 10-K filed for the year ended August 31, 2004.

Item 6. Exhibits.

Exhibits.

- 10.33 Roundup Ready Flex Gene License and Seed Services Agreement dated December 22, 2004
- 31.01 Section 302 Certification of Chief Executive Officer
- 31.02 Section 302 Certification of Chief Financial Officer
- 32.01 Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350 by Principal Executive Officer
- 32.02 Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350 by Principal Financial and Accounting Officer

SIGNATURES

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

DELTA AND PINE LAND COMPANY

Date: April 11, 2005 /s/ W. Thomas Jagodinski

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

Date: April 11, 2005 /s/ R. D. Greene

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