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DELTA & PINE LAND CO
Form 10-Q
April 15, 2002

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

- (x) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended February 28, 2002 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) 742-4500

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 (x) 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 - 38,317,544 shares outstanding as of March 29, 2002.

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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, 2001 | August 31, 2001 | February 28, 2002 |
|---------------------------|----------------------|--------------------|----------------------|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | \$ 26,404 | \$ 114,003 | \$ 57,613 |

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| | | | |
|--|------------|------------|------------|
| Receivables, net | 194,721 | 176,177 | 141,038 |
| Inventories | 66,005 | 36,745 | 67,991 |
| Prepaid expenses | 1,936 | 2,138 | 1,438 |
| Deferred income taxes | 7,420 | 8,674 | 8,456 |
| | ----- | ----- | ----- |
| Total current assets | 296,486 | 337,737 | 276,536 |
| PROPERTY, PLANT and EQUIPMENT, net | 65,316 | 62,839 | 60,436 |
| EXCESS OF COST OVER NET ASSETS OF BUSINESS ACQUIRED, net | 4,263 | 4,148 | 4,184 |
| INTANGIBLES, net | 4,397 | 4,383 | 4,225 |
| OTHER ASSETS | 2,475 | 2,414 | 2,316 |
| | ----- | ----- | ----- |
| | ----- | ----- | ----- |
| | \$ 372,937 | \$ 411,521 | \$ 347,697 |
| | ===== | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Notes payable | \$ 2,612 | \$ 1,629 | \$ 96 |
| Accounts payable | 25,266 | 15,279 | 18,565 |
| Accrued expenses | 133,808 | 175,085 | 108,862 |
| Income taxes payable | 16,877 | 16,048 | 11,079 |
| | ----- | ----- | ----- |
| | ----- | ----- | ----- |
| Total current liabilities | 178,563 | 208,041 | 138,602 |
| | ----- | ----- | ----- |
| LONG-TERM DEBT, less current maturities | 2,916 | 2,836 | 1,624 |
| | ----- | ----- | ----- |
| DEFERRED INCOME TAXES | 4,975 | 4,706 | 4,732 |
| | ----- | ----- | ----- |
| MINORITY INTEREST IN SUBSIDIARIES | 8,521 | 7,530 | 7,058 |
| | ----- | ----- | ----- |
| 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 | 107 | 107 |
| Common stock, par value \$0.10 per share; 100,000,000 shares authorized; 39,090,449; 39,111,233 and 39,252,099 issued: 38,522,483; 38,543,267 and 38,476,333 shares outstanding | 3,909 | 3,911 | 3,925 |
| Capital in excess of par value | 47,871 | 48,406 | 50,776 |
| Retained earnings | 139,745 | 149,923 | 159,265 |
| Accumulated other comprehensive loss | (3,794) | (4,063) | (4,660) |

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| | | | |
|---|------------|------------|------------|
| Treasury stock at cost, 567,966; 567,966 and 775,766 shares | (9,876) | (9,876) | (13,732) |
| Total stockholders' equity | 177,962 | 188,408 | 195,681 |
| | \$ 372,937 | \$ 411,521 | \$ 347,697 |

The accompanying notes are an integral part of these balance sheets.

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, 2001 | February 28, 2002 |
|---|----------------------|----------------------|
| NET SALES AND LICENSING FEES | \$ 150,154 | \$ 111,867 |
| COST OF SALES | 98,372 | 71,745 |
| GROSS PROFIT | 51,782 | 40,122 |
| OPERATING EXPENSES: | | |
| Research and development | 4,975 | 4,560 |
| Selling | 3,361 | 2,934 |
| General and administrative | 4,033 | 3,354 |
| | 12,369 | 10,848 |
| OPERATING INCOME | 39,413 | 29,274 |
| INTEREST INCOME, net | 545 | 477 |
| OTHER EXPENSE, net | (2,167) | (3,129) |
| MINORITY INTEREST IN (EARNINGS) / LOSS OF SUBSIDIARIES | (517) | 936 |
| INCOME BEFORE INCOME TAXES | 37,274 | 27,558 |
| INCOME TAX PROVISION | 13,388 | 9,784 |
| NET INCOME | 23,886 | 17,774 |
| DIVIDENDS ON PREFERRED STOCK | (43) | (53) |
| NET INCOME APPLICABLE TO COMMON SHARES | \$ 23,843 | \$ 17,721 |

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| | | |
|--|---------|---------|
| BASIC EARNINGS PER SHARE | \$ 0.62 | \$ 0.46 |
| | ===== | ===== |
| NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS | 38,425 | 38,454 |
| | ===== | ===== |
| DILUTED EARNINGS PER SHARE | \$ 0.59 | \$ 0.44 |
| | ===== | ===== |
| | ===== | ===== |
| NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS | 40,101 | 39,991 |
| | ===== | ===== |
| | ===== | ===== |
| DIVIDENDS PER COMMON SHARE | \$ 0.04 | \$ 0.05 |
| | ===== | ===== |

The accompanying notes are an integral part of these statements.

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

| | February 28, 2001 | February 28, 2002 |
|--|----------------------|----------------------|
| | ----- | ----- |
| NET SALES AND LICENSING FEES | \$ 159,848 | \$ 120,120 |
| COST OF SALES | 105,770 | 77,194 |
| | ----- | ----- |
| GROSS PROFIT | 54,078 | 42,926 |
| | ----- | ----- |
| OPERATING EXPENSES: | | |
| Research and development | 9,132 | 8,642 |
| Selling | 6,489 | 5,468 |
| General and administrative | 7,973 | 6,626 |
| | ----- | ----- |
| | 23,594 | 20,736 |
| | ----- | ----- |
| OPERATING INCOME | 30,484 | 22,190 |
| | ----- | ----- |
| INTEREST INCOME, net | 2,536 | 1,158 |
| OTHER EXPENSE, net | (2,305) | (3,215) |
| MINORITY INTEREST IN (EARNINGS)/ LOSS OF SUBSIDIARIES | (1,019) | 472 |
| | ----- | ----- |

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| | | |
|--|-----------|-----------|
| INCOME BEFORE INCOME TAXES | 29,696 | 20,605 |
| INCOME TAX PROVISION | 10,735 | 7,316 |
| | ----- | ----- |
| NET INCOME | 18,961 | 13,289 |
| DIVIDENDS ON PREFERRED STOCK | (75) | (106) |
| | ----- | ----- |
| NET INCOME APPLICABLE TO COMMON SHARES | \$ 18,886 | \$ 13,183 |
| | ===== | ===== |
| | | |
| BASIC NET INCOME PER SHARE | \$ 0.49 | \$ 0.34 |
| | ===== | ===== |
| | | |
| NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS | 38,405 | 38,420 |
| | ===== | ===== |
| | | |
| DILUTED NET INCOME PER SHARE | \$ 0.47 | \$ 0.33 |
| | ===== | ===== |
| | ===== | ===== |
| | | |
| NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS | 40,124 | 39,871 |
| | ===== | ===== |
| | ===== | ===== |
| | | |
| DIVIDENDS PER COMMON SHARE | \$ 0.07 | \$ 0.10 |
| | ===== | ===== |

The accompanying notes are an integral part of these statements.

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

February 28,

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| | 2001 |
|---|-------------|
| <hr/> | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Net income | \$ 18,961 |
| Adjustments to reconcile net income to net cash used in operating activities: | |
| Depreciation and amortization | 3,501 |
| Loss on sale of property and equipment | 23 |
| Minority interest in net income / (loss) of subsidiaries | 1,019 |
| Change in deferred income taxes | - |
| Changes in current assets and liabilities: | |
| Receivables | (13,416) |
| Inventories | (31,109) |
| Prepaid expenses | 295 |
| Accounts payable | 1,825 |
| Accrued expenses | (30,894) |
| Income taxes payable | (8,174) |
| Intangibles and other assets | 29 |
| | <hr/> |
| Net cash used in operating activities | (57,940) |
| | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of property and equipment | (4,021) |
| Sale of investments and property | 15 |
| | <hr/> |
| Net cash used in investing activities | (4,006) |
| | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Payments of short-term debt | (539) |
| Payments of long-term debt | (889) |
| Dividends paid | (2,767) |
| Proceeds from long-term debt | 1,323 |
| Proceeds from short-term debt | 1,151 |
| Payments to acquire treasury stock | - |
| Minority interest portion of investment in subsidiaries | (232) |
| Proceeds from exercise of stock options | 2,667 |
| | <hr/> |
| Net cash provided by and (used in) financing activities | 714 |
| | <hr/> |
| EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES | 169 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (61,063) |
| CASH AND CASH EQUIVALENTS, as of August 31 | 87,467 |
| | <hr/> |
| CASH AND CASH EQUIVALENTS, as of February 28 | \$ 26,404 |
| | <hr/> <hr/> |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | |
| Cash paid during the six months for: | |
| Interest, net of capitalized interest | \$ 100 |
| Income taxes | \$ 18,000 |
| Noncash financing activities: | |
| Tax benefit of stock option exercises | \$ 100 |

The accompanying notes are an integral part of these statements.

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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. Due to the seasonal nature of Delta and Pine Land Company and subsidiaries' ("D&PL" or the "Company") business, the results of operations for the three and six month periods ended February 28, 2001 and February 28, 2002 or for any quarterly period, are not necessarily indicative of the results to be expected for the full year. For further information reference should be made to the consolidated financial statements and footnotes thereto included in the Company's Annual Report to Stockholders on Form 10-K for the fiscal year ended August 31, 2001.

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

Significant Accounting Policies

Intangible Assets and Deferred Charges

Intangible assets consist of trademarks, patents and other intangible assets and are being amortized using the straight-line method over 5 to 40 years. Excess of cost over net assets of businesses acquired was amortized using the straight-line method over 40 years, until September 1, 2001 when amortization was discontinued as discussed further in Note 5.

Derivative Financial Instruments

The Company uses various derivative financial instruments to mitigate its risk to variability in cash flows related to soybean purchases and to effectively fix the cost of a significant portion of its soybean raw material inventory. The terms of the hedging derivatives used by the Company are negotiated to approximate the terms of the forecasted transaction; therefore, the Company expects the instruments used in hedging transactions to be highly effective in offsetting changes in cash flows of the hedged items. Realized and unrealized hedging gains and losses are recorded as a component of other comprehensive income and are reclassified into earnings in the period in which the forecasted transaction affects earnings (i.e., is sold or disposed) which generally occurs during the Company's second and third fiscal quarters. Quantities hedged that do not exceed the forecasted transactions are accounted for as cash flow hedges. However, to the extent that the quantities hedged exceed the forecasted transactions due to intra-season changes to the sales forecast where it is probable that the originally forecasted transaction will no longer occur, the Company accounts for these derivative instruments as discontinued cash flow hedges. The Company does not enter into any derivative instruments that extend beyond the close of the following fiscal year.

During the six months ended February 28, 2002, a foreign subsidiary entered into foreign currency forward exchange contracts to mitigate its risk associated with

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currency fluctuations in foreign currency denominated debt. The terms of the foreign currency forward exchange contracts used were negotiated to approximate the terms of the forecasted transaction (i.e., debt maturity and interest payments dates and amounts). The foreign currency forward exchange contracts expired during the second quarter of fiscal 2002 and there were no foreign currency forward exchange contracts outstanding as of February 28, 2002.

2. COMPREHENSIVE INCOME

Total comprehensive income for the three and six months ended February 28, 2001 and February 28, 2002, was (in thousands):

| | Three Months Ended | | Six |
|--|----------------------|----------------------|-----------------|
| | February 28, 2001 | February 28, 2002 | Februar 2001 |
| Net income | \$ 23,886 | \$ 17,774 | \$18 |
| Other comprehensive (loss) income: | | | |
| Foreign currency translation gains/(losses) | 150 | 200 | |
| Net unrealized losses on hedging instruments | (255) | (20) | |
| Income tax benefit (expense) related to other comprehensive income | 40 | (64) | |
| Other comprehensive (loss) income, net of tax | (65) | 116 | |
| Total comprehensive income | \$ 23,821 | \$ 17,890 | \$18 |

3. SEGMENT DISCLOSURES

The Company is in a single line of business and operates in two business segments, domestic and international. The Company'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. The Company develops its proprietary seed products through research and development efforts in the United States and certain foreign countries.

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The Company'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 the Company'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 the Company's Form 10-K filed for the year ended August 31, 2001.

Information about the Company's segments for the three and six months ended February 28, 2001 and February 28, 2002 is as follows (in thousands):

| | Three Months Ended | | Six Months Ended |
|------------------|----------------------|----------------------|----------------------|
| | February 28, 2001 | February 28, 2002 | February 28, 2001 |
| Net sales | | | |
| Domestic | \$ 57,217 | \$ 40,746 | \$ 57,313 |
| International | 15,793 | 12,259 | 23,414 |
| Licensing Fees | 77,144 | 58,862 | 79,121 |
| | \$ 150,154 | \$ 111,867 | \$ 159,848 |
| Operating income | | | |
| Domestic | \$ 31,330 | \$ 22,818 | \$ 21,392 |
| International | 8,083 | 6,456 | 9,092 |
| | \$ 39,413 | \$ 29,274 | \$ 30,484 |

4. SIGNIFICANT CHANGES IN ASSETS FROM FISCAL YEAR ENDED AUGUST 31, 2001

Inventories increased approximately \$31,246,000 to \$67,991,000 at February 28, 2002 from \$36,745,000 at August 31, 2001. 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 production for the current year's selling season. The increase at February 28, 2002 from August 31, 2001 in inventories and accounts payable is primarily related to those events and is consistent with the Company's historical experience.

Accounts receivable decreased approximately \$35,139,000 to \$141,038,000 at February 28, 2002 from \$176,177,000 at August 31, 2001. This decrease is primarily related to the collection of sublicense revenue for the 2001 season in September 2001 and lower 2002 sales. The decrease in accrued expenses from August 31, 2001 to February 28, 2002 is primarily attributable to the related royalty payment for the Bollgard and Roundup Ready gene technologies for the 2001 season and lower 2002 sales on which D&PL must pay royalties to Monsanto.

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5. RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. This statement is effective for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early application encouraged. Therefore, D&PL must adopt this statement no later than September 1, 2002. Management has not determined the impact, if any, that this statement will have on its consolidated financial position or results of operations.

SFAS No. 143, "Accounting for Asset Retirement Obligations," addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. Therefore, D&PL must adopt this statement no later than September 1, 2002. Management has not determined the impact, if any, that this statement will have on its consolidated financial position or results of operations.

SFAS No. 141, "Business Combinations," sets forth guidelines for applying the purchase method of accounting in the determination of intangible assets, including goodwill acquired in a business combination, and expands financial disclosures concerning business combinations consummated after June 1, 2001. The application of SFAS 141 did not affect the Company's previously reported amounts for goodwill or other intangible assets.

SFAS No. 142, "Goodwill and Other Intangible Assets," addresses the financial accounting and reporting for acquired goodwill and other intangible assets. Effective September 1, 2001, the Company adopted SFAS 142 at which time all goodwill amortization ceased (second quarter 2002 goodwill amortization would have been approximately \$43,000, and \$74,000 year-to-date). During the second quarter of fiscal 2002, recorded goodwill attributable to the domestic segment was tested for impairment by comparing the fair value to its carrying value. Based on management's initial impairment test, management determined that none of the goodwill recorded was impaired. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses. Excess of cost over net assets of business acquired at February 28, 2001 and February 28, 2002 was \$4,263,000 and \$4,184,000, respectively.

In connection with adopting SFAS 142, the Company reassessed the useful lives and the classification of its identifiable intangible assets and determined that they continue to be appropriate. The components of amortized intangible assets follow (in thousands):

| | February 28, 2001 | | August 31, 2001 | | |
|----------------|--------------------------|-----------------------------|--------------------------|-----------------------------|----|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization | |
| Contract-based | \$ 5,447 | \$ (1,050) | \$ 5,501 | \$ (1,118) | \$ |

Amortization expense for intangible assets during the six months ended February 28, 2002 was approximately \$125,000. Intangible asset amortization expense is estimated to be \$130,000 for the remainder of 2002 and \$215,000 in each of the

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fiscal years from fiscal 2003 through fiscal 2007.

Pro forma results of operations for the three and six months ended February 28, 2001 had we applied the nonamortization provisions of SFAS 142 in those periods would not have been materially different than actual results for those periods.

6. INVENTORIES

Inventories consisted of the following (in thousands):

| | February 28, 2001 | August 31, 2001 | |
|--------------------|----------------------|--------------------|-------|
| | ----- | ----- | ----- |
| Finished goods | \$ 54,316 | \$ 31,835 | \$ |
| Raw materials | 21,287 | 12,515 | |
| Growing crops | 1,245 | 2,218 | |
| Supplies and other | 721 | 1,162 | |
| | ----- | ----- | ----- |
| | 77,569 | 47,730 | |
| Less reserves | (11,564) | (10,985) | |
| | ----- | ----- | ----- |
| | \$ 66,005 | \$ 36,745 | \$ |
| | ===== | ===== | ===== |

Substantially all finished goods and raw material inventory is valued at the lower of average cost or market. Growing crops are recorded at cost. See Note 8 for description of hedging activities.

7. PROPERTY, PLANT AND EQUIPMENT

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

| | February 28, 2001 | August 31, 2001 | |
|-------------------------------|----------------------|--------------------|-------|
| | ----- | ----- | ----- |
| Land and improvements | \$ 4,014 | \$ 4,284 | |
| Buildings and improvements | 37,813 | 38,777 | |
| Machinery and equipment | 47,709 | 48,279 | |
| Germplasm | 7,500 | 7,500 | |
| Breeder and foundation seed | 2,000 | 2,000 | |
| Construction in progress | 6,350 | 1,529 | |
| | ----- | ----- | ----- |
| | 105,386 | 102,369 | |
| Less accumulated depreciation | (40,070) | (39,530) | |
| | ----- | ----- | ----- |
| | \$ 65,316 | \$ 62,839 | |
| | ===== | ===== | ===== |

8. DERIVATIVE FINANCIAL INSTRUMENTS

Net losses of \$382,000 and \$95,000 were recorded as other comprehensive income during the six months ended February 28, 2001 and February 28, 2002,

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respectively. During the six months ended February 28, 2002, losses of \$119,000 that had previously been recorded as other comprehensive income were reclassified from equity to current year earnings, compared to losses of \$151,000 for the six months ended February 28, 2001. At February 28, 2002, the deferred loss of \$95,000, reflected as a component of accumulated other comprehensive loss, included realized losses of approximately \$111,000. The deferred loss will be charged to earnings within the fiscal year, however, the actual amount that will be charged to earnings may vary as a result of changes in market conditions. There were no foreign currency forward exchange contracts outstanding as of February 28, 2002.

For the three and six months ended February 28, 2001 and February 28, 2002, the Company recorded no gains or losses in earnings as a result of hedge ineffectiveness or discontinuance of cash flow hedges.

9. CONTINGENCIES

Product Liability Litigation

The Company is named as a defendant in various lawsuits that allege, among other things, that certain of the Company's products (including Monsanto's technology) did not perform as the farmer had anticipated or expected. In all cases where the seed contained either or both of Monsanto's Bollgard and/or Roundup Ready gene technologies, and a failure of such technology was alleged, D&PL has tendered the defense of those cases to Monsanto and requested indemnity. In certain cases where the seed sold contained either or both of Monsanto's Bollgard and Roundup Ready gene technologies, but did not allege a failure of such technology, D&PL has given Monsanto notice of the claims pursuant to the various gene licensing agreements, but has not 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 8, 1999) D&PL has a right to be contractually indemnified by Monsanto against all claims arising out of the failure of Monsanto's gene technology. Some of the product liability lawsuits contain varietal claims which are aimed solely at the Company. D&PL does not have a right to indemnification, however, from Monsanto for any claims involving varietal characteristics separate from or in addition to the failure of the Monsanto technology. The Company believes that the resolution of these matters will not have a material impact on the consolidated financial statements. The Company intends to vigorously defend itself in these matters. See Part II, Item I for a discussion of each case.

Other Litigation

On May 15, 2000, several farmers and a seller of farm supplies filed suit in the United States District Court for the Northern District of Alabama, against Monsanto, the Company, and D&M International, LLC (a joint venture of Monsanto and the Company) under federal antitrust laws and requested class certification. Plaintiffs claim that defendants have: (1) unlawfully attempted to monopolize the U.S. cotton seed and herbicide market in violation of ss. 2 of the Sherman Act; (2) monopolized the U.S. cotton seed and herbicide market in violation of ss. 2 of the Sherman Act; (3) conspired to unreasonably restrain trade in the U.S. cotton seed and herbicide market in violation of ss. 1 of the Sherman Act; and (4) engaged in unlawful tying of cotton seed and herbicide in violation of ss. 3 of the Clayton Act. Plaintiffs demand unspecified antitrust damages, including treble and compensatory damages, plus costs of litigation, including attorneys' fees. In July 2000, the Company answered the complaint and in October 2000, moved for dismissal of the action on the ground that plaintiffs had failed to allege any conduct or action by the Company that violates the federal antitrust laws. Discovery has not commenced. On December 6, 2001, the United

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States District Judge, acting on the recommendation of the Magistrate Judge, granted Monsanto's and DPL's motions to dismiss the complaint without prejudice. The plaintiffs were granted 30 days from the District Court's Order to file an Amended Complaint. On January 7, 2002, plaintiffs filed an Amended Complaint against Monsanto and the Company; however, plaintiffs did not assert in their Amended Complaint any claims against D&M International, LLC.

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

In November 1999, Bios Agrosystems S.A. ("Bios"), a former distributor of SureGrow brand cottonseed in Greece, brought suit in the U.S. District Court in Delaware against D&PL International Technology, D&PL's subsidiary, to enjoin the termination of its distributorship which was to become effective at the end of November 1999. The suit demanded a declaratory judgment that the termination is not effective and compensatory and punitive damages for wrongful termination. Bios also filed a request for arbitration and a parallel suit seeking injunctive relief in a Greek court. In January 2000, the U. S. District Court denied the request for an injunction to prevent termination of Bios' distributorship and subsequently enjoined Bios from proceeding with parallel litigation in the Greek courts. Bios appealed to the United States Court of Appeals for the Third Circuit. In March 2001, Bios gave notice that it was dismissing its appeal. On March 14, 2002, the case was finally dismissed by the U. S. District Court for failure to prosecute. Bios has not appealed this dismissal nor indicated that it will now seek to arbitrate its claims. D&PL believes this claim has now been resolved without material effect on D&PL's combined financial condition and without interference with the distribution of SureGrow brand cottonseed in Greece.

In 1989, a corporation owned by the son of the Company's former Guatemalan distributor filed suit asserting that the Company 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 5,300,000 Guatemalan quetzales (approximately \$675,000 at current exchange rates) and an injunction preventing the Company 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. Management believes that the resolution of the matter will not have a material impact on the Company's consolidated financial statements. The Company continues to offer seed for sale in Guatemala.

10. EARNINGS PER SHARE

Dilutive common share equivalents consist of both the Company's series M Convertible Non-Voting Preferred shares and the outstanding options to purchase the Company's common stock that have been issued under the 1993 Stock Option Plan and the 1995 Long-Term Incentive Plan. Approximately 805,000 and 1,222,000 outstanding stock options were not included in the computation of diluted earnings per share for the three and six months ended February 28, 2001 and 2002, respectively, because the effect of their exercise was not dilutive based on the average market price of the Company's common stock for each respective

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reporting period. These options expire at various dates from 2006 to 2011.

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

| | For the Three Months Ended | | For the |
|---|-----------------------------------|----------------------|---------------|
| | (in thousands, except per share a | | |
| | February 28, 2001 | February 28, 2002 | Februa 200 |
| Income: | | | |
| Net income | \$ 23,886 | \$ 17,774 | \$ |
| Less: Preferred stock dividends | (43) | (53) | |
| Basic EPS: | | | |
| Net income | 23,843 | 17,721 | |
| Effect of Dilutive Securities: | | | |
| Convertible Preferred Stock Dividends | 43 | 53 | |
| Diluted EPS: | | | |
| Net income available to common stockholders plus assumed conversions | \$ 23,886 | \$ 17,774 | \$ |
| Shares: | | | |
| Basic EPS Shares | 38,425 | 38,454 | |
| Effect of Dilutive Securities: | | | |
| Options to purchase stock | 609 | 470 | |
| Convertible preferred stock | 1,067 | 1,067 | |
| Diluted EPS Shares | 40,101 | 39,991 | |
| Per Share Amounts: | | | |
| Basic | \$ 0.62 | \$ 0.46 | \$ |
| Diluted | \$ 0.59 | \$ 0.44 | \$ |

PART I.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

Overview

Due to the seasonal nature of its business, D&PL typically incurs losses in its first and fourth fiscal quarters since the majority of the Company's domestic sales are made in its second and third quarters. Sales in the first and fourth quarters are generally limited to those made to export markets and those made by the Company's non-U.S. joint ventures and subsidiaries located primarily in the Southern hemisphere.

Revenues from domestic seed sales are recognized when seed is shipped. Revenues from Bollgard and Roundup Ready licensing fees are recognized when the seed is shipped. The licensing fees charged to farmers are based on pre-established planting rates for eight geographic regions and considers the estimated number of seed contained in each bag which may vary by variety, location grown, and other factors. International export revenues are recognized upon the later of

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seed shipment or confirmation of letters of credit. Generally, international export sales are not subject to return. All other international revenues from the sale of planting seed, less estimated reserves for returns, are recognized upon shipment of seed.

Domestically, the Company promotes its cotton and soybean seed directly to farmers and sells its seed through distributors and dealers. All of the Company's domestic seed products (including those that contain the Bollgard and Roundup Ready technologies) are subject to return or credit, 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 the Company's third and fourth quarters. The Company provides for estimated returns as sales occur. To the extent actual returns differ from estimates, adjustments to the Company's operating results are recorded when such differences become known, typically in the Company's fourth quarter. All significant returns occur or are accounted for by fiscal year end.

Results

Net income of \$17.8 million for this quarter was less than the record net income of \$23.9 million reported in the comparable prior year quarter, due primarily to an expected shift in shipments from the second quarter into the third quarter. Customers have been slow to order and purchase seed this year because they are waiting on finalization of the pending farm legislation now before the U.S. Congress. Such legislation will impact farm subsidy payments and potentially impact planted acreage. The effect of this decrease in revenue was partially offset by a reduction in operating expenses of approximately \$1.6 million and higher gross margins earned. Additionally, net income was unfavorably affected by increased foreign exchange losses and legal fees associated with the Monsanto litigation which are included in other expense.

D&PL previously provided earnings guidance for fiscal year ending August 31, 2002. That guidance assumed that planted acreage and market share would remain consistent with 2001 and that the Company would continue to successfully implement its international expansion plans. The USDA and the National Cotton Council have both announced that they expect planted cotton acreage to decline by approximately 1.0 million acres or 6% to 7%. This anticipated decrease is due in part to commodity prices and farmer uncertainty surrounding the pending federal farm legislation now before Congress. Once the legislation is finalized, or as more data become available or developed, D&PL will provide revised earnings guidance as it considers necessary. For additional risks and uncertainties that may affect the operations, performance, development and results of D&PL's business, see "Risks and Uncertainties" in Part II, Item 5.

Results of Operations

The following sets forth selected operating data of the Company (in thousands):

| | For the Three Months Ended | | For the Six |
|------------------------------|----------------------------|--------------|--------------|
| | ----- | | ----- |
| | February 28, | February 28, | February 28, |
| | 2001 | 2002 | 2001 |
| | ----- | ----- | ----- |
| Operating results - | | | |
| Net sales and licensing fees | \$150,154 | \$111,867 | \$159,848 |
| Gross profit | 51,782 | 40,122 | 54,078 |
| Operating expenses | 12,369 | 10,848 | 23,594 |
| Operating income | 39,413 | 29,274 | 30,484 |

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| | | | |
|--|--------|--------|--------|
| Income before income taxes | 37,274 | 27,588 | 29,696 |
| Net income applicable to common shares | 23,843 | 17,721 | 18,886 |

The following sets forth selected balance sheet data of the Company as of the following periods (in thousands):

| | February 28, 2001 | August 31, 2001 | February 28, 2002 |
|------------------------------------|----------------------|--------------------|----------------------|
| | ----- | ----- | ----- |
| Balance sheet summary- | | | |
| Current assets | \$ 296,486 | \$ 337,737 | \$ 276,536 |
| Current liabilities | 178,563 | 208,041 | 138,602 |
| Working capital | 117,923 | 129,696 | 137,934 |
| Property, plant and equipment, net | 65,316 | 62,839 | 60,436 |
| Total assets | 372,937 | 411,521 | 347,697 |
| Outstanding borrowings | 5,528 | 4,465 | 1,720 |
| Stockholders' equity | 177,962 | 188,408 | 195,681 |

Three months ended February 28, 2002, compared to three months ended February 28, 2001:

Net sales and licensing fees decreased approximately \$38.3 million to \$111.9 million from \$150.2 million. This decrease reflects the decline in 2002 orders and shipments compared to the strength of last year's record second quarter when shipments were accelerated into the second quarter as customers purchased seed earlier in the cycle. Revenues for the second quarter of 2002 decreased as a result of an expected shift in shipments from the second quarter into the third quarter because customers have been slow to purchase seed. Management believes that farmers are waiting on finalization of the pending farm legislation now before the U.S. Congress, which will impact farm subsidy payments and potentially impact planted acreage.

Quarterly operating expenses decreased from \$12.4 million to \$10.8 million due, in part, to savings resulting from the Company's August 2001 corporate realignment and, in part, to lower contract research and advertising expenses.

Other expense increased approximately \$0.9 million in the second fiscal quarter of 2002 compared to same quarter of the prior year and is primarily attributable to additional legal fees related to the Monsanto litigation and foreign exchange losses in Argentina.

Six months ended February 28, 2002, compared to six months ended February 28, 2001:

Net sales and licensing fees decreased approximately \$39.7 million to \$120.1 million from \$159.8 million. This decrease is primarily the result of an expected shift in shipments from the second quarter into the third quarter as noted above.

Operating expenses decreased from \$23.6 million through the second quarter of 2001 to \$20.7 million for the same period in 2002. This increase is primarily attributable to, in part, savings resulting from the Company's August 2001 corporate realignment and, in part, to reduced contract research, advertising, and insurance expenses.

The Company reported net interest income of \$1.2 million in the six months ended February 28, 2002 compared to \$2.5 million for the same period of the prior year due to lower interest rates earned on cash investments.

The Company reported net other expense of approximately \$3.2 million for the six months ended February 28, 2002 compared to net other expense of approximately \$2.3 million for the same period of the prior year and is primarily attributable to additional legal fees related to the Monsanto litigation and foreign exchange

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losses.

Liquidity and Capital Resources

The seasonal nature of the Company's business significantly impacts cash flow and working capital requirements. The Company has maintained credit facilities, and used early payments by customers and cash from operations to fund working capital needs. For more than 18 years D&PL has borrowed on a short-term basis to meet seasonal working capital needs. However, cash generated from operations in 2000 and 2001 along with a merger termination fee has been used to meet working capital needs. The Company is currently evaluating potential uses of its cash for purposes other than for working capital needs. One potential such use is the acquisition or funding of alternative technologies that could be used to enhance the Company's product portfolio and ultimately the Company's long-term earnings potential. Another potential use is the repurchase in the open market of the Company's shares pursuant to its previously announced share repurchase program. For the six months ended February 28, 2002, the Company repurchased shares. Once the evaluation of certain transactions that are currently being considered is brought to conclusion (perhaps resulting in such acquisitions), the Company may reconsider other potential uses of the remaining cash, up to and including repurchasing shares more aggressively depending on market considerations and other factors.

In the United States, D&PL purchases seed from contract growers in its first and second fiscal quarters. Seed conditioning, treating and packaging commence late in the first fiscal quarter and continue through the third fiscal quarter. Seasonal cash needs normally begin to increase in the first fiscal quarter and cash needs peak in the third fiscal quarter. Cash is generated and loan repayments normally begin in the middle of the third fiscal quarter and are typically completed by the first fiscal quarter of the following year. D&PL also offers customers financial incentives to make early payments. To the extent D&PL attracts early payments from customers, bank borrowings are reduced.

In the United States, the Company records revenue for licensing fees on Bollgard and Roundup Ready seed sales upon shipment, usually in the Company's second and third quarters. The Company has contracted the billing and collection activities for Bollgard and Roundup Ready licensing fees to Monsanto. In September, the licensing fees are due at which time D&PL receives payment from Monsanto. D&PL then pays Monsanto its royalty for the Bollgard and Roundup Ready licensing fees. As a result of the timing of these events, licensing fees receivable and royalties payable peak at fiscal year end.

In April 1998, the Company entered into a syndicated credit facility with three lenders which provided for aggregate borrowings of \$110 million. This agreement provided a base commitment of \$55 million and a seasonal commitment of \$55 million. The base commitment was a long-term loan that could be borrowed upon at any time and was due April 1, 2001. The seasonal commitment was a working capital loan that could be drawn upon from September 1 through June 30 of each fiscal year. Each commitment offered variable and fixed interest rate options and required the Company to pay facility or commitment fees and to comply with certain financial covenants. This agreement expired on April 1, 2001. D&PL and the lenders are currently negotiating a replacement facility that will provide for aggregate borrowings of \$100 million plus a \$25 million overline and will contain terms and conditions similar to the 1998 facility.

The financial covenants under the loan agreements required the Company to: (a) maintain a ratio of total liabilities to tangible net worth at August 31, of less than or equal to 2.25 to 1 (4.0 to 1.0 at the other quarter ends) (b) maintain a fixed charge coverage ratio at the end of each quarter greater than or equal to 2.0 to 1.0 and (c) maintain at all times tangible net worth of not less than the sum of (i) \$40 million plus (ii) 50% of net income (but not losses) determined on the last day of each fiscal year. At February 28, 2002,

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the Company was in compliance with the covenants of the now expired credit facility.

Capital expenditures for the six months ended February 28, 2002 were \$3.4 million (\$4.0 million for the six months ended February 28, 2001). The Company anticipates that capital expenditures will approximate \$10.0 million in 2002. Capital expenditures will be funded by cash from operations, borrowings as necessary, or investments from joint venture partners.

The Board of Directors reviews the Company's dividend policy quarterly. In the second quarter of 2002, the Board authorized a quarterly dividend to \$0.05 per share paid on March 14, 2002, to shareholders of record on February 28, 2002. In the second quarter of 2000, the Board of Directors approved a Stock Repurchase Plan pursuant to which the Company may repurchase its outstanding common stock. The shares repurchased will be available for use under the Company's stock option plans, an expected conversion of outstanding convertible Preferred Stock and for other corporate purposes. During the quarter ended February 28, 2002, no shares were purchased by D&PL, however, during the first quarter of 2002, 207,800 shares were repurchased by D&PL. Subsequent to the second quarter end, the Company purchased 169,900 shares for \$3.0 million bringing the total shares purchased in fiscal 2002 to 377,700 shares at an aggregate amount of \$6.9 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company has 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 the Company manages specific risk exposures, see Notes 1 and 12 to the Company's consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended August 31, 2001. Also see Note 8 of the Notes to consolidated financial statements in Item 1 for further details about the Company's exposure to market risk.

The fair value of derivative commodity instruments outstanding as of February 28, 2002 was \$20,000. A 10% adverse change in the underlying commodity prices upon which these contracts are based would not result in a material impact on earnings.

The Company's 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. The Company conducts non-U.S. operations primarily through subsidiaries and joint ventures in Argentina, Australia, Brazil, China, and South Africa and others. At February 28, 2002, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which the Company's transactions are denominated would not cause a material impact on earnings.

The Company utilizes fixed and variable-rate debt to maintain liquidity and fund its business operations, with the terms and amounts based on business requirements, market conditions and other factors. At February 28, 2002, a 100 basis point change to interest rates (with all other variables held constant) on the portion of the Company's debt with variable interest rates would not result in a material change to the Company's interest expense or cash flow.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Product Claims

The Company was named as a defendant, along with a local seed distributor in a lawsuit filed in the Superior Court of the County of Colquit, Georgia on October 5, 2001. This lawsuit was removed to the United States District Court for the Middle District of Georgia. The lawsuit alleges that certain cottonseed varieties sold by D&PL suffered from a disease or malady known as bronze wilt. Although this lawsuit involves a cotton variety which contains the Roundup Ready(R) gene, no claim against Monsanto was alleged, nor is there an allegation that Monsanto technology caused or contributed to Plaintiff's claims. Thus, it does not presently appear that Monsanto is contractually obligated to defend or indemnify the Company in this case. The Company is presently investigating this claim to determine the causes of the alleged problems.

The Company was named in three lawsuits filed in the State of Mississippi. One lawsuit was filed in the Circuit Court of Lowndes County, Mississippi on July 11, 2001. That suit alleges that certain cottonseed sold by D&PL did not germinate properly or at the rate stated on the label causing the farmer to incur losses during the 1998 growing season. The second suit was filed in the Circuit Court of Webster County on August 10, 2001. That suit alleges that the seed purchased by plaintiff failed to perform as represented and seeks damages for crop losses incurred during the 1999 growing season. The third lawsuit was filed in the Circuit Court of Holmes County on March 14, 2002. That suit brought on behalf of fifty-one individual Plaintiffs alleges that certain cotton seed sold by D&PL was improperly mixed or blended and failed to perform as advertised. The Company is presently investigating all of these claims to determine the cause or causes of the alleged problems. None of the Mississippi lawsuits allege that the Monsanto gene technology failed, and accordingly, it does not appear that D&PL has a claim for indemnity or defense under the Roundup Ready(R) Gene Licensing and Seed Services Agreement (the "Roundup Ready Agreement").

On June 7, 2001, the Company was named in a lawsuit filed in the Circuit Court of the County of Crockett, Tennessee. This case was subsequently removed to the United States District Court for the Western District of Tennessee, Eastern Division. This lawsuit alleges that a specific cotton variety did not perform as promised and that the plaintiff farmers suffered lower than expected yields as a result of the allegedly defective variety. Although this lawsuit involves a cotton variety which contains the Roundup Ready(R) gene, no claim against Monsanto was alleged, nor is there an allegation that the Monsanto technology caused or contributed to plaintiffs' problems, thus, it does not appear that Monsanto is contractually obligated to defend or indemnify the Company in this case. The Company is presently investigating this claim to determine the cause or causes of the alleged problem.

On February 5, 2001, D&PL and Monsanto and a local seed distributor were named in a lawsuit filed in the Sixth Judicial Court, Parish of East Carroll, Louisiana. This lawsuit alleges that certain cottonseed varieties sold by D&PL which contained Monsanto's licensed gene technology suffered from a disease or malady known as bronze wilt. The Company and Monsanto are presently investigating this claim to determine the cause or causes of the alleged problem. The lawsuit does not allege that the Monsanto gene technology failed and, accordingly, it does not appear that D&PL has a claim for indemnity or defense under the Roundup Ready Agreement as the claim alleges defective varietal characteristics only.

The Company and Monsanto were named as defendants in a lawsuit filed in the

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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(R) gene did not perform as the farmer had anticipated. The Company and Monsanto are investigating the claims to determine the cause or causes of the alleged problem. Pursuant to the terms of 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 the Company 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.

The Company and Monsanto are named as defendants, along with local seed or technology distributors in twenty-three lawsuits filed in Alabama. Four were filed in Autauga County, three on March 23, 2000 and one on March 27, 2000; three were filed in Barbour County, two on October 19, 2000, and one on November 7, 2000; three were filed in Chilton County on March 22, 2000; one was filed in Dallas County on March 22, 2000; one was filed in Elmore County on March 22, 2000; two were filed in Lowndes County, one on March 14 and one on March 22, 2000; and one was filed in Wilcox County on March 22, 2000; six were filed in Limestone County, one on April 25, 2001, one on May 17, 2001, and four on September 14, 2001; and two were filed in Lauderdale County, one on April 6, 2001 and one on April 20, 2001. In each case the plaintiff alleges, among other things, that certain cottonseed acquired from D&PL, which contained either the Roundup Ready(R) gene, the Bollgard(R) gene or both of such genes, did not perform as the farmers had anticipated or as allegedly represented to them. These lawsuits also include varietal claims aimed solely at the Company. Eleven of these lawsuits were earlier filed as seed arbitration claims with the Alabama Department of Agriculture, all of which were dismissed by that entity for lack of jurisdiction. The Company and Monsanto have investigated the claims, and are continuing to investigate the claims, to determine the cause or causes of the alleged problem. Pursuant to the terms of the Roundup Ready(R) Agreement between D&PL and Monsanto and the Bollgard(R) Gene License and Seed Services Agreement ("the Bollgard Agreement") between D&PL and Monsanto, D&PL has a right to be contractually indemnified against all claims arising out of the failure of Monsanto's gene technology. D&PL will not have a right to indemnification, however, from Monsanto for any claim involving varietal characteristics separate from or in addition to the failure of the Monsanto technology and such claims are contained in each of these lawsuits.

The Company and Monsanto and various retail seed suppliers were named in three pending lawsuits in the State of South Carolina. One lawsuit was filed November 15, 1999, in the Beaufort Division of the United States District Court, District of South Carolina; both of the other cases were filed on November 15, 1999, in the Court of Common Pleas of Hampton County, South Carolina. The two state court lawsuits were removed to the United States District Court for the District of South Carolina but were subsequently remanded back to the state court in which they were filed. In each of these cases the plaintiff alleges, among other things, that certain seed acquired from D&PL which contained the Roundup Ready(R) gene and/or the Bollgard(R) gene did not perform as the farmer had anticipated. These lawsuits also include varietal claims aimed solely at the Company. Of these cases, one filed in Hampton County and the other filed in the United States District Court seek class action treatment for all purchasers of certain D&PL varieties which contain the Monsanto technology. The Company and Monsanto are continuing to investigate the claims to determine the cause or causes of the alleged problem. Pursuant to the terms of the Roundup Ready Agreement and the Bollgard(R) Agreement between D&PL and Monsanto, D&PL has a right to be contractually indemnified against all claims arising out of the failure of Monsanto's gene technology. D&PL will not have a right to indemnification, however, from Monsanto for any claim involving varietal

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characteristics separate from or in addition to the failure of the Monsanto technology and such claims are contained in each of these lawsuits.

The Company and Monsanto are named as defendants in three pending lawsuits filed in the State of Texas. One lawsuit was filed in Lamb County, Texas on April 5, 1999; one lawsuit was filed in Lamb County, Texas on April 14, 1999; and one lawsuit was filed in Hockley County, Texas, on April 21, 1999. These lawsuits were removed to the United States District Court, Lubbock Division, but subsequently were remanded back to the state court where they were filed. In each case the plaintiff alleges, among other things, that certain cottonseed acquired from the Company did not perform as the farmers had anticipated or as allegedly represented to them. This litigation is identical to seed arbitration claims previously filed in the State of Texas, which were concluded in the Company's favor. The Company and Monsanto have investigated the claims to determine the cause or causes of the alleged problems and they appear to be caused entirely by environmental factors.

Other Litigation

On May 15, 2000, several farmers and a seller of farm supplies filed suit in the United States District Court for the Northern District of Alabama, against Monsanto, the Company, and D&M International, LLC (a joint venture of Monsanto and the Company) under federal antitrust laws and requested class certification. Plaintiffs claim that defendants have: (1) unlawfully attempted to monopolize the U.S. cotton seed and herbicide market in violation of ss. 2 of the Sherman Act; (2) monopolized the U.S. cotton seed and herbicide market in violation of ss. 2 of the Sherman Act; (3) conspired to unreasonably restrain trade in the U.S. cotton seed and herbicide market in violation of ss. 1 of the Sherman Act; and (4) engaged in unlawful tying of cotton seed and herbicide in violation of ss. 3 of the Clayton Act. Plaintiffs demand unspecified antitrust damages, including treble and compensatory damages, plus costs of litigation, including attorneys' fees. In July 2000, the Company answered the complaint and in October 2000, moved for dismissal of the action on the ground that plaintiffs had failed to allege any conduct or action by the Company that violates the federal antitrust laws. Discovery has not commenced. On December 6, 2001, the United States District Judge, acting on the recommendation of the Magistrate Judge, granted Monsanto's and DPL's motions to dismiss the complaint without prejudice. The plaintiffs were granted 30 days from the District Court's Order to file an Amended Complaint. On January 7, 2002, plaintiffs filed an Amended Complaint against Monsanto and the Company; however, plaintiffs did not assert in their Amended Complaint any claims against D&M International, LLC.

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

In November 1999, Bios Agrosystems S.A. ("Bios"), a former distributor of SureGrow brand cottonseed in Greece, brought suit in the U.S. District Court in Delaware against D&PL International Technology, D&PL's subsidiary, to enjoin the termination of its distributorship which was to become effective at the end of November 1999. The suit demanded a declaratory judgment that the termination is not effective and compensatory and punitive damages for wrongful termination. Bios also filed a request for arbitration and a parallel suit seeking injunctive

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relief in a Greek court. In January 2000, the U.S. District Court denied the request for an injunction to prevent termination of Bios' distributorship and subsequently enjoined Bios from proceeding with parallel litigation in the Greek courts. Bios appealed to the United States Court of Appeals for the Third Circuit. In March 2001, Bios gave notice that it was dismissing its appeal. On March 14, 2002, the case was finally dismissed by the U.S. District Court for failure to prosecute. Bios has not appealed this dismissal nor indicated that it will now seek to arbitrate its claims.

In 1989, a corporation owned by the son of the Company's former Guatemalan distributor filed suit asserting that the Company 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 5,300,000 Guatemalan quetzales (approximately \$675,000 at current exchange rates) and an injunction preventing the Company 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. The Company continues to offer seed for sale in Guatemala.

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 the Company under the May 8, 1998, Merger Agreement. On December 30, 1999, the Company 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, the Company and Monsanto reached an agreement whereby the Company would withdraw the December 30 Suit, and Monsanto would immediately pay the \$81 million. On January 3, 2000, Monsanto paid to the Company a termination fee of \$81 million as required by the merger agreement. On January 18, 2000, the Company filed a suit (the "January 18 Suit") reinstating essentially all of the allegations contained in the December 30 Suit. The January 18 Suit by the Company against Monsanto seeks in excess of \$1 billion in compensatory and \$1 billion in punitive damages for breach of contract under the merger agreement between the parties. The Company alleges that Monsanto failed to make its best efforts, commercially reasonable efforts, and/or reasonable best efforts to obtain antitrust approval from the U.S. Department of Justice, as required under the terms of the merger agreement. The Company 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 over the appropriate forum to hear the case. A Delaware Court of Chancery ruling rejected Monsanto's attempt to maintain the action in Delaware and returned the parties to the Circuit Court for the First Judicial District of Bolivar County, Mississippi. Monsanto filed a motion for summary judgment on the breach of contract claims alleging that the Company suffered no cognizable damages as a result of the failed merger. On December 18, 2000, the Company 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 the Company 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, the Company named both Pharmacia Corp. (the newly formed corporation and existing defendant) and Monsanto Company (a newly spun-off majority-owned subsidiary) as defendants in the amended complaint. The Company filed two motions to compel additional discovery from Monsanto. Monsanto filed a motion for summary judgment and a motion to dismiss the added claim of tortious interference contained in the amended complaint. Monsanto alleged that it was entitled to 1) dismissal of

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the action on the grounds that the Company'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 the Company has not suffered any injury as a result of Monsanto's actions. On November 15, 2001, the Circuit Court denied Monsanto's motion for summary judgment on the breach of contract claims, holding that the case presents issues for trial by jury. The Court also denied Monsanto's motion to dismiss or for summary judgment on D&PL's claim for tortious interference with business relationships. The Court also granted substantially all of the discovery sought by D&PL in its motion to compel. The parties are in discovery.

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

Item 3. Defaults Upon Senior Securities
Not applicable

Item 4. Submission of Matters to a Vote of Security Holders
Not applicable

Item 5. Business

Domestic

Delta & Pine Land Company ("D&PL"), a Delaware corporation, and subsidiaries are 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. D&PL also breeds, produces, conditions and distributes soybean planting seed in the United States.

Since 1915, D&PL has 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. The Company has used its 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, D&PL added soybean seed to its product line. In 1996, D&PL commenced commercial sales in the United States of cotton planting seed containing Bollgard(R) gene technology licensed from Monsanto Company ("Monsanto") which expresses a protein toxic to certain lepidopteran cotton pests. In 1997, D&PL commenced sales in the U.S. cotton planting seed that contains a gene that provides tolerance to glyphosate-based herbicides ("Roundup Ready(R) Cotton"). In 1997, D&PL 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, D&PL commenced sales of cottonseed of varieties containing both the Bollgard and Roundup Ready genes.

International

During the 1980's, as a component of its long-term growth strategy, the Company began to market its products, primarily cottonseed, internationally. Over a period of years, the Company has strengthened and expanded its international staff in order to support its expanding international business, primarily through joint ventures. 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. Management believes that D&PL has an attractive opportunity to penetrate foreign markets because of its widely adaptable, superior cotton varieties, technological know-how in producing and conditioning high-quality seed and its brand name recognition. Furthermore, in many countries the Bollgard gene technology and Roundup Ready gene technology licensed from Monsanto is effective and could bring value to farmers.

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D&PL sells its products in foreign countries through (i) export sales, (ii) direct in-country operations through either joint ventures or wholly owned subsidiaries and to a lesser degree (iii) distributors or licensees. The method varies and evolves, depending upon the Company's 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. Prior to 1999, a majority of the Company's international sales resulted from exports from the U.S. of the Company's products rather than direct in-country operations. In 2001 and year to date 2002, the majority of international sales came from in-country operations.

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

Joint Ventures

D&M International, LLC, is a venture formed in March, 1995 through which D&PL (the managing member) and Monsanto plan to introduce, in combination, cotton planting seed in international markets combining D&PL's acid delinting technology and elite germplasm and Monsanto's Bollgard and Roundup Ready gene technologies.

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

In December 1997, D&M International, LLC, formed a joint venture with Ciagro S.R.L. ("Ciagro"), a distributor of agricultural inputs in the Argentine cotton region, for the production and sale of genetically improved cottonseed. CDM Mandiyu S.R.L., is owned 60% by D&M International, LLC, and 40% by Ciagro. CDM Mandiyu S.R.L. has been licensed to sell D&PL cotton varieties containing Monsanto's Bollgard gene technology. Sales of such varieties commenced in 1999. Future plans include the production and sale of Roundup Ready cottonseed varieties, which received government approval in 2001.

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. Under the terms of the joint venture agreement, the newly formed entity will produce, condition and sell acid delinted D&PL varieties of cottonseed which contain Monsanto's Bollgard gene. Commercial sales of D&PL cotton varieties containing the Bollgard gene technology began in 2000.

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 new company, MDM Maeda Deltapine Monsanto Algodao Ltda. ("MDM"), produces, conditions and sells acid-delinted D&PL varieties of cotton planting seed. In 2000, the Company began selling D&PL conventional cotton varieties and first year sales accounted for more than 20% of cotton acreage planted in Brazil. MDM will introduce transgenic cottonseed varieties containing both Bollgard and Roundup Ready gene technologies in the Brazilian

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market as soon as government approvals are obtained. MDM is 51% owned by D&M International LLC and 49% by Brazilian entities.

In October 2001, the Company announced that it had recently 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 1.2 million acres which is almost 1.5 times the size of the combined Hebei and Anhui markets.

Subsidiaries

The Company's operations in Groblersdal, South Africa and Catamarca, Argentina process foundation seed grown in these countries. The use of Southern Hemisphere winter nurseries and seed production programs such as these can accelerate the introduction of new varieties because D&PL can raise at least two crops per year by taking advantage of the Southern Hemisphere growing season. The Company maintains a winter nursery in Canas, Costa Rica and has completed construction of 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.

Deltapine Australia Pty. Ltd., a wholly owned Australian subsidiary of D&PL, conducts breeding, production, conditioning and marketing of cotton planting seed in Australia. Certain varieties developed in Australia are well adapted to other Southern Hemisphere cotton producing countries and Australian developed varieties are exported to these areas. The Company sells seed of both conventional and transgenic varieties in Australia. The Company, through its Australian operations, is identifying smaller potential export markets for the Company's products throughout Southeast Asia. The adaptability of the Company's germplasm must be evaluated in the target markets before such sales can be made.

Employees

As of March 29, 2002, the Company employed a total of 533 full time employees worldwide excluding an estimated 149 employees of joint ventures. Due to the nature of the business, the Company utilizes seasonal employees in its delinting plants and its research and foundation seed programs. The maximum number of seasonal employees approximates 300 and typically occurs in October and November of each year. The Company considers its employee relations to be good.

Biotechnology

Insect Resistance for Cotton

Collaborative biotechnology licensing agreements, which were executed with Monsanto in 1992 and subsequently revised in 1993 and amended and restated in 1996 and further amended in December 1999, provide for the commercialization of Monsanto's Bollgard ("Bacillus thuringiensis" or "Bt") gene technology in D&PL's varieties in the United States. The selected Bt is 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. This 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 D&PL for use under the trade name Bollgard. In D&PL's primary markets, the cost of insecticides is the largest single expenditure for many cotton growers. The insect resistant capabilities of transgenic cotton containing the Bollgard gene may reduce the amount of insecticide required to be applied by cotton growers using planting seed containing the Bollgard gene. In October 1995, the United States Environmental Protection Agency ("EPA") completed its initial registration of the Bollgard gene technology, thus clearing the way for commercial sales of seed containing

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the Bollgard gene. In 1996, D&PL 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") between the Company and Monsanto. 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. 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 distributor/dealer payments) and D&PL retains 29% for its services. The expiration date of the Bollgard Agreement is determined by the last to expire of the patent rights licensed under that agreement. Unless sooner terminated by the Company, as is permitted after October 11, 2008, the expiration date of the Bollgard Agreement based on the last to expire of the patents currently licensed thereunder will be September 28, 2016.

Pursuant to the Bollgard Agreement, Monsanto must defend and indemnify D&PL against claims of patent infringement, including all damages awarded or amounts paid in settlements. Monsanto must also indemnify D&PL 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 royalty. Indemnity from Monsanto only covers performance claims involving failure of performance of the Bollgard gene and not claims arising from other causes.

Herbicide Tolerance for Cotton

In February 1996, the Company and Monsanto 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 December 1999, D&PL has also developed transgenic cotton varieties that are tolerant to Roundup, a glyphosate-based herbicide sold by Monsanto. In 1996, such Roundup Ready plants were approved by the Food and Drug Administration, the USDA, and the EPA. The Roundup Ready Agreement grants a license to D&PL and certain of its affiliates the right in the United States to sell cottonseed of D&PL's varieties that contain Monsanto's Roundup Ready gene. The Roundup Ready gene makes cotton plants tolerant to contact with Roundup herbicide. Similar to the Bollgard Agreement, farmers must execute limited use sublicenses in order to purchase seed containing the Roundup Ready Gene. The distributors/dealers who coordinate the farmer licensing process receive a portion of the technology sublicensing fee. D&PL's portion of the Roundup Ready technology fee varies depending on the technology fee per acre established by Monsanto. In 2000 and 2001, D&M Partners paid Monsanto approximately 70% of the Roundup Ready technology fees and D&PL retained the remaining 30%. The expiration date of the Roundup Ready Agreement is determined by the last to expire of the patent rights licensed under that agreement. Unless sooner terminated by the Company, as is permitted after October 11, 2008, the expiration date of the Roundup Ready Agreement based on the last to expire of the patents currently licensed thereunder will be May 27, 2014.

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Pursuant to the Roundup Ready Agreement, Monsanto must defend and indemnify D&PL against claims of patent infringement, including all damages awarded or amounts paid in settlements. Monsanto will also indemnify D&PL against the cost of inventory that becomes unsaleable because of patent infringement claims, but Monsanto is not required to indemnify D&PL against lost profits on such unsaleable seed. In contrast with the Bollgard Gene License where the cost of gene performance claims will be shared in proportion to the division of sublicense revenue, Monsanto must defend and must bear the full cost of any claims of failure of performance of the Roundup Ready Gene. In both agreements, generally, D&PL is responsible for varietal/seed performance issues, and Monsanto is responsible for failure of the genes.

Herbicide Tolerance for Soybeans

In February 1997, the Company and Monsanto executed the Roundup Ready Soybean License Agreement (the "Roundup Ready Soybean Agreement") which provides for the commercialization of Roundup Ready soybean seed. D&PL and Monsanto renegotiated the terms of sale of Roundup Ready Soybeans for 2001 and future years and executed a new agreement in September 2001.

Since 1987, D&PL has conducted research to develop soybean plants that are tolerant to certain DuPont ALS(R) 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 ALS herbicide-tolerant trait was 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

On July 27, 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. D&PL and the USDA executed on December 18, 2000 a commercialization agreement, providing D&PL exclusive rights to market this technology, subject to certain rights reserved to the USDA.

In March 1998, D&PL was granted United States Patent No. 5,723,765, entitled CONTROL OF PLANT GENE EXPRESSION. This patent is owned jointly by D&PL and the United States of America, as represented by the Secretary of Agriculture. The patent broadly covers 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. The patent has 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. D&PL intends licensing of this technology to be widely available to other seed companies.

The patents were developed from a research program conducted pursuant to a Cooperative Research and Development Agreement between D&PL and the U.S. Department of Agriculture's Agricultural Research Service ("USDA-ARS") in Lubbock, Texas. The technologies resulted from basic research and will require further development, currently underway, in order to be used in commercial seed. The Company estimates that it will be several years before these technologies could be available commercially.

The Company also has exclusive rights to market to third parties a method of

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plant transformation that was developed by the USDA-ARS under a research contract (funded by D&PL). This patent and the marketing rights apply to all plant species on which the method of transformation is effective. 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.

Other

The Company has licensing, research and development, confidentiality and material transfer agreements with providers of technology that the Company is evaluating for potential commercial applications and/or introduction. The Company also contracts with third parties to perform research on the Company's behalf for enabling and other technologies that the Company believes have potential commercial applications in varietal crops around the world.

Commercial Seed

In 2002, the Company had available for sale 89 varieties as cotton planting seed for either commercial or experimental purposes. Of those varieties, 18 contained the Bollgard gene technology, 24 contained the Roundup Ready gene technology, 22 contained both gene technologies, and 25 were conventional varieties.

Seed of all commercial plant species is either varietal or hybrid. D&PL's 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 D&PL's primary domestic markets purchase seed from commercial sources each season because cottonseed requires delinting prior to seed treatment with chemicals and in order to be sown by modern planting equipment. Delinting and conditioning may be done either by a seed company on its proprietary seed or by independent delinters for farmers. Modern cotton farmers in upland picker areas generally recognize the greater assurance of genetic purity, quality and convenience that professionally grown and conditioned seed offers compared to seed they might save. Additionally, U.S. patent laws make unlawful any unauthorized planting of seed containing patented technology saved from prior crops.

The Company farms approximately 2,500 acres in the U.S., primarily for research purposes and for production of cotton and soybean foundation seed. The Company has annual agreements with various growers to produce seed for cotton and soybeans. The growers plant parent seed purchased from the Company and follow quality assurance procedures required for seed production. If the grower adheres to established Company quality assurance standards throughout the growing season and if the seed meets Company standards upon harvest, the Company may be obligated to purchase specified minimum quantities of seed, usually in its first and second fiscal quarters, at prices equal to the commodity market price of the seed plus a grower premium. The Company then conditions the seed for sale.

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

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Revenues from domestic seed sales are recognized when seed is shipped. Revenues from Bollgard and Roundup Ready licensing fees are recognized when the seed is shipped. The licensing fees charged to farmers are based on pre-established planting rates for eight geographic regions and considers the estimated number of seed contained in each bag which may vary by variety, location grown, and other factors.

International export revenues are recognized upon the later of when seed is shipped or the date letters of credit are confirmed. Generally, international export sales are not subject to return. All other international revenues from the sale of planting seed, less estimated reserves for returns, are recognized when the seed is shipped.

Domestically, the Company promotes its cotton and soybean seed directly to farmers and sells its seed through distributors and dealers. All of the Company's domestic seed products (including Bollgard and Roundup Ready technologies) are subject to return or credit, 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 the Company's third and fourth quarters. The Company provides for estimated returns as sales occur. To the extent actual returns differ from estimates, adjustments to the Company's operating results are recorded when such differences become known, typically in the Company's fourth quarter. All significant returns occur or are accounted for by fiscal year end.

Euro Currency Conversion

On January 1, 1999, the euro became the common legal currency of 11 of the 15 member countries of the European Union.. To date, D&PL has not been affected by the euro currency conversion, nor does it expect to be adversely affected by these changes due to the nature of the Company's activities there. For the foreseeable future, the Company does not expect a material amount of its transactions to be denominated in the euro.

Risks and Uncertainties

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

Demand for D&PL's seed will be affected by government programs and policies and, most importantly, by weather. Demand for seed is also influenced by commodity prices and the demand for a crop's end-uses such as textiles, animal feed, 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 D&PL products face competition from a number of seed companies, diversified chemical companies, agricultural biotechnology companies, governmental agencies and

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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. The Company's seed products and technologies contained therein may encounter substantial competition from technological advances by others or products from new market entrants. Many of the Company's competitors are, or are affiliated with, large diversified companies that have substantially greater resources than the Company.

The production, distribution or sale of crop seed in or to foreign markets may be subject to special risks, including fluctuations in foreign currency, exchange rate controls, expropriation, nationalization and other agricultural, economic, tax and regulatory policies of foreign governments. Particular policies which may affect the domestic and international operations of D&PL include the use of and the acceptance of products that were produced from plants that were 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 the Company's international operations.

The publicity related to genetically modified organisms ("GMOs") or products made from plants that contain GMOs may have an effect on the Company's sales in the future. In 2001, approximately 90% of the Company's cottonseed that was sold contained either the Bollgard, Roundup Ready, or both gene technologies and 86% of the Company's soybean seed sales contained the Roundup Ready gene technology. Although many farmers have rapidly adopted these technologies, the alleged concern 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 the Company operates and because of factors within the particular international markets targeted by the Company, 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, may serve to further complicate the Company's ability to execute its long range ex-U.S. business plans because those plans include future expansion into Uzbekistan (2003) and Pakistan (2004).

Overall profitability will depend on the factors noted above as well as weather conditions, government policies in all countries where the Company sells products and operates, worldwide commodity prices, the Company's ability to successfully open new international markets, the Company's ability to successfully continue the development of the High Plains market, the technology partners' ability to obtain timely government approval (and maintain such approval) for existing and for additional biotechnology products on which they and the Company are working and the Company's ability to produce sufficient commercial quantities of high quality planting seed of these products. Any delay in or inability to successfully complete these projects may affect future profitability.

The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include those noted elsewhere in this Item and in "Risks and Uncertainties" in Item 7 of the Company's Form 10K filed for the year ending August 31, 2001.

Item 6. Exhibits and Reports on Form 8-K

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Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended February 28, 2002.

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 15, 2002 /s/ F. Murray Roginson

F. Murray Robinson, President, Vice Chairman and
Chief Executive Officer

Date: April 15, 2002 /s/ W. Thomas Jagodinski

W. Thomas Jagodinski,
Senior Vice President - Finance and Treasurer