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DELTA & PINE LAND CO  
Form 10-Q  
April 14, 2003

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, 2003 or
- ( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from\_\_\_\_\_/to\_\_\_\_\_

Commission File Number: 000-21788

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

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

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

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

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

YES (x) NO ( )

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

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 - 38,022,289 shares outstanding as of March 31, 2003.

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## INDEX

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	
Consolidated Balance Sheets - February 28, 2002, August 31, 2002, and February 28, 2003	3
Consolidated Statements of Operations - Three Months Ended February 28, 2002 and February 28, 2003	4
Consolidated Statement of Operations - Six Months Ended February 28, 2002 and February 28, 2003	5
Consolidated Statements of Cash Flows - Six Months Ended February 28, 2002 and February 28, 2003	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3. Quantitative and Qualitative Disclosures About Market Risk	17
Item 4. Controls and Procedures	18
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	18
Item 2. Changes in Securities and Use of Proceeds	21
Item 3. Defaults Upon Senior Securities	21
Item 4. Submission of Matters to a Vote of Security Holders	21
Item 5. Business	21
Item 6. Exhibits and Reports on Form 8-K	28
Signatures	29
Certifications	30

### 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, 2002	
		-----	-----
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$	57,613	\$

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Receivables, net	141,038	
Inventories	67,991	
Prepaid expenses	1,438	
Deferred income taxes	8,456	
	-----	
Total current assets	276,536	
PROPERTY, PLANT and EQUIPMENT, net	60,436	
EXCESS OF COST OVER NET ASSETS OF BUSINESS ACQUIRED, net	4,184	
INTANGIBLES, net	4,225	
INVESTMENT IN AFFILIATE	-	
OTHER ASSETS	2,316	
	-----	
	\$ 347,697	\$
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 96	\$
Accounts payable	18,565	
Accrued expenses	108,862	
Income taxes payable	11,079	
	-----	
Total current liabilities	138,602	
	-----	
LONG-TERM DEBT, less current maturities	1,624	
	-----	
DEFERRED INCOME TAXES	4,732	
	-----	
MINORITY INTEREST IN SUBSIDIARIES	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	
Common stock, par value \$0.10 per share; 100,000,000 shares authorized;		
39,252,099, 39,311,571 and 39,391,105 issued;		
38,476,333, 38,204,405 and 38,030,939 shares outstanding	3,925	
Capital in excess of par value	50,776	
Retained earnings	159,265	
Accumulated other comprehensive loss	(4,660)	
Treasury stock at cost, 775,766, 1,107,166 and 1,360,166 shares	(13,732)	
	-----	
Total stockholders' equity	195,681	
	-----	
	\$ 347,697	\$
	=====	=====

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

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

	February 28, 2002
NET SALES AND LICENSING FEES	\$ 111,86
COST OF SALES	71,74
GROSS PROFIT	40,12
OPERATING EXPENSES:	
Research and development	4,56
Selling	2,93
General and administrative	3,35
SPECIAL CHARGES	10,84
OPERATING INCOME	29,27
INTEREST INCOME, net	47
OTHER EXPENSE, net	(3,12)
EQUITY IN NET LOSS OF AFFILIATE	
MINORITY INTEREST IN LOSS/ (EARNINGS) OF SUBSIDIARIES	93
INCOME BEFORE INCOME TAXES	27,55
INCOME TAX PROVISION	9,78
NET INCOME	17,77
DIVIDENDS ON PREFERRED STOCK	(5)
NET INCOME APPLICABLE TO COMMON SHARES	\$ 17,72
BASIC EARNINGS PER SHARE	\$ 0.4
NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS	38,45
DILUTED EARNINGS PER SHARE	\$ 0.4
NUMBER OF SHARES USED IN DILUTED EARNINGS	

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## PER SHARE CALCULATIONS

	39,99
	=====
DIVIDENDS PER COMMON SHARE	\$ 0.0
	=====

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

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

	February 28, 2002
NET SALES AND LICENSING FEES	\$ 120,12
COST OF SALES	77,19
	-----
GROSS PROFIT	42,92
	-----
OPERATING EXPENSES:	
Research and development	8,64
Selling	5,46
General and administrative	6,62
	-----
	20,73
SPECIAL CHARGES	
	-----
OPERATING INCOME	22,19
	-----
INTEREST INCOME, net	1,15
OTHER EXPENSE, net	(3,21)
EQUITY IN NET LOSS OF AFFILIATE	
MINORITY INTEREST IN LOSS/ (EARNINGS) OF SUBSIDIARIES	47
	-----
INCOME BEFORE INCOME TAXES	20,60
INCOME TAX PROVISION	7,31
	-----
NET INCOME	13,28
	-----
DIVIDENDS ON PREFERRED STOCK	(10)
	-----
NET INCOME APPLICABLE TO COMMON SHARES	\$ 13,18
	=====

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BASIC EARNINGS PER SHARE	\$ 0.3 =====
NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS	38,42 =====
DILUTED EARNINGS PER SHARE	\$ 0.3 =====
NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS	39,87 =====
DIVIDENDS PER COMMON SHARE	\$ 0.1 =====

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

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

	February 28, 2002 -----
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	\$ 13,289
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	3,364
Loss/(gain) on sale of property and equipment	23
Equity in net loss of affiliate	-
Minority interest in net (loss)/income of subsidiaries	(472)
Change in deferred income taxes	244
Changes in current assets and liabilities:	
Receivables	35,139
Inventories	(31,552)
Prepaid expenses	700
Intangibles and other assets	(115)
Accounts payable	3,286
Accrued expenses	(66,223)
Income taxes payable	(4,547)
	-----
Net cash used in operating activities	(46,864) -----
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(3,435)
Sale of investments and property	22
Investment in affiliate	-
	-----

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Net cash used in investing activities	(3,413)
<hr style="border-top: 1px dashed black;"/>	
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments of short-term debt	(2,951)
Payments of long-term debt	(103)
Dividends paid	(3,947)
Proceeds from long-term debt	620
Proceeds from short-term debt	1,263
Payments to acquire treasury stock	(3,856)
Proceeds from exercise of stock options	1,962
<hr style="border-top: 1px dashed black;"/>	
Net cash used in financing activities	(7,012)
<hr style="border-top: 1px dashed black;"/>	
EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES ON CASH	899
NET DECREASE IN CASH AND CASH EQUIVALENTS	(56,390)
CASH AND CASH EQUIVALENTS, as of August 31	114,003
<hr style="border-top: 1px dashed black;"/>	
CASH AND CASH EQUIVALENTS, as of February 28	\$ 57,613
<hr style="border-top: 3px double black;"/>	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the six months for:	
Interest, net of capitalized interest	\$ 100
Income taxes	\$ 13,000
Noncash financing activities:	
Tax benefit of stock option exercises	\$ 400

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

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

#### 1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the consolidated financial statements have been included. The business of Delta and Pine Land Company and its subsidiaries ("D&PL") is seasonal in nature; thus, the results of operations for the three and six month periods ended February 28, 2002 and February 28, 2003 or for any quarterly period, are not necessarily indicative of the results to be expected for the full year. D&PL's investment in 50%-owned affiliate DeltaMax Cotton, LLC is accounted for using the equity method. For further information, reference should be made to the consolidated financial statements and footnotes thereto included in D&PL's Annual Report to Stockholders on Form 10-K for the fiscal year ended August 31, 2002.

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### Special Charges

During the six months ended February 28, 2003, D&PL closed its facility in Centre, Alabama and reduced the number of employees at its joint venture in Hebei Province, People's Republic of China. D&PL recorded a \$0.5 million charge for severance related to this closing and staff reduction. This charge is included in "SPECIAL CHARGES" in the accompanying Consolidated Statements of Income.

### 2. COMPREHENSIVE INCOME

Total comprehensive income for the three and six months ended February 28, 2002 and February 28, 2003, was (in thousands):

	Three Months Ended		Febru 20
	February 28, 2002	February 28, 2003	
Net income	\$ 17,774	\$ 16,132	\$
Other comprehensive income (loss):			
Foreign currency translation gains/(losses)	200	214	
Net unrealized losses on hedging instruments	(20)	(142)	
Income tax (expense) benefit related to other comprehensive income	(64)	(26)	
Other comprehensive income (loss), net of tax	116	46	
Total comprehensive income	\$ 17,890	\$ 16,178	\$

### 3. SEGMENT DISCLOSURES

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

D&PL's chief operating decision maker utilizes revenue information in assessing performance and making overall operating decisions and resource allocations. Profit and loss information is reported by segment to the chief operating decision maker and D&PL's Board of Directors. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in D&PL's Form 10-K filed for the year ended August 31, 2002.

Information about D&PL's segments for the three and six month periods ended



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February 28, 2002 and February 28, 2003 is as follows (in thousands):

	Three Months Ended		Six Months
	February 28, 2002	February 28, 2003	February 28, 2002
Net sales and licensing fees			
Domestic	\$ 94,896	\$ 92,714	\$ 95,019
International	16,971	14,823	25,101
	\$ 111,867	\$ 107,537	\$ 120,120
Operating income			
Domestic	\$ 22,818	\$ 27,044	\$ 14,241
International	6,456	3,339	7,949
	\$ 29,274	\$ 30,383	\$ 22,190

#### 4. SIGNIFICANT CHANGES IN ASSETS AND LIABILITIES FROM AUGUST 31, 2002

Accounts receivable decreased approximately \$17,724,000 to \$128,152,000 at February 28, 2003 from \$145,876,000 at August 31, 2002. This decrease is primarily related to the collection of 2002 technology sublicense fees in September 2002. The corresponding royalty payments made by the Company for the Bollgard and Roundup Ready licensing fees is reflected in the decrease of accrued expenses from August 31, 2002 to February 28, 2003.

Inventories increased approximately \$14,893,000 to \$54,914,000 at February 28, 2003 from \$40,021,000 at August 31, 2002. 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 in inventories at February 28, 2003 from August 31, 2002 is primarily related to those events and is consistent with the Company's historical experience.

Accounts payable decreased approximately \$8,661,000 to \$7,786,000 at February 28, 2003 from \$16,447,000 at August 31, 2002. This decrease is primarily attributable to payments made on accounts payable related to customer returns offset by lower raw material purchases.

#### 5. RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARDS

Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure -- an Amendment of FASB Statement No. 123," amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123. SFAS No. 148 disclosure requirements are effective for annual reports for fiscal years ending after December 15, 2002 and for reports for interim periods beginning after December 15, 2002. Therefore, D&PL must adopt the disclosure requirements of this statement in its interim report for the quarter ending May 31, 2003 and management anticipates that the adoption of the other requirements will have no impact on D&PL's consolidated financial position or results of operations.

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SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," addresses financial accounting and reporting for costs associated with exit or disposal activities. This statement is effective for exit or disposal activities that are initiated after December 31, 2002. Therefore, D&PL adopted this statement January 1, 2003. The adoption of this statement did not have a material impact on D&PL's consolidated financial position or results of operations.

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," addresses 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. Therefore, D&PL adopted this statement September 1, 2002. The adoption of this statement did not have a material impact on D&PL's 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 adopted this statement September 1, 2002. The adoption of this statement did not have a material impact on D&PL's consolidated financial position or results of operations.

### 6. INVENTORIES

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

	February 28, 2002	August 31, 2002	
	-----	-----	-----
Finished goods	\$ 45,633	\$ 26,263	\$
Raw materials	29,431	20,961	
Growing crops	129	878	
Supplies and other	1,369	1,141	
	-----	-----	-----
	76,562	49,243	
Less reserves	(8,571)	(9,222)	
	-----	-----	-----
	\$ 67,991	\$ 40,021	\$
	=====	=====	=====

Finished goods and raw material inventory is valued at the lower of average cost or market. Growing crops are recorded at cost. Inventory reserves relate to estimated excess and obsolete inventory. See Note 10 for description of hedging activities.

### 7. PROPERTY, PLANT AND EQUIPMENT

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

	February 28, 2002	August 31, 2002	
	-----	-----	-----

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Land and improvements	\$	4,742	\$	5,038	\$
Buildings and improvements		37,719		37,117	
Machinery and equipment		49,575		52,565	
Germplasm		7,500		7,500	
Breeder and foundation seed		2,000		2,000	
Construction in progress		1,268		4,478	
		-----		-----	
		102,804		108,698	
Less accumulated depreciation		(42,368)		(45,297)	
		-----		-----	
	\$	60,436	\$	63,401	\$
		=====		=====	

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

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

	February 28, 2002		August 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	\$ 3,182	\$ (682)	\$ 3,182	\$ (721)
Commercialization agreements	400	(23)	400	(37)
Licenses	-	-	-	-
Patents	295	(69)	295	(74)
Other	1,646	(524)	1,492	(505)
	-----	-----	-----	-----
	\$ 5,523	\$ (1,298)	\$ 5,369	\$ (1,337)
	=====	=====	=====	=====

Amortization expense for identifiable intangible assets during the three- and six-month periods ended February 28, 2003 was approximately \$50,000 and \$100,000, respectively. Identifiable intangible asset amortization expense is estimated to be \$100,000 for the remainder of 2003 and \$250,000 in each of the fiscal years from 2004 through 2008.

During the second quarter of 2002, "EXCESS OF COST OVER NET ASSETS OF BUSINESS ACQUIRED" ("goodwill") attributable to the domestic segment was tested for impairment by comparing its implied fair value to its carrying value. Based on management's initial impairment test, management determined that none of the goodwill recorded was impaired.

9. INVESTMENT IN AFFILIATE

D&PL owns a 50% interest in DeltaMax Cotton, LLC ("DeltaMax"), a limited liability company jointly owned with Verdia, Inc. (formerly known as MaxyAg, Inc.), a wholly-owned subsidiary of Maxygen, Inc. Established on May 22, 2002, the DeltaMax joint venture was formed to create, develop and commercialize herbicide tolerant and insect resistant traits for the cotton seed market. D&PL has licensed from DeltaMax the developed traits for commercialization in both the U.S. and other cotton-producing countries in the world. For the quarter and six months ended February 28, 2003, D&PL's equity in the net loss of DeltaMax was \$481,000 and \$941,000, respectively.

10. DERIVATIVE FINANCIAL INSTRUMENTS

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Other comprehensive loss includes the following related to the Company's soybean hedging program for the six months ended February 28, 2003 (in thousands):

Deferred net gain at August 31, 2002	\$	304
		-----
Net losses on hedging instruments arising during the six months		(171)
Reclassification adjustment of gains on hedging instruments to earnings		147
		-----
Net change in accumulated other comprehensive loss		(24)
		-----
Deferred net gain on derivative instruments included in accumulated other comprehensive loss at February 28, 2003	\$	280
		=====

The net gain of \$280,000 included in accumulated other comprehensive loss at February 28, 2003 consists of net realized gains of \$268,000 and net unrealized gains of \$12,000. The realized gains of \$268,000 will be reclassified into earnings in the third quarter of 2003. The unrealized gains of \$12,000 will be recognized in earnings within the next twelve months; however, the actual amount that will be charged to earnings may vary as a result of changes in market conditions.

For the six-month periods ended February 28, 2002 and 2003, D&PL recorded no gains or losses in earnings as a result of hedge ineffectiveness or discontinuance of cash flow hedges related to soybeans.

### 11. ACQUISITION OF D&M INTERNATIONAL, LLC

On May 28, 2002, D&PL acquired the 50% interest in D&M International, LLC it did not own from Pharmacia for cash of approximately \$4.8 million. D&PL and

1  
Monsanto formed D&M International, LLC in 1995 to introduce cotton planting seed in international markets combining D&PL's acid delinting technology and elite germplasm and Monsanto's Bollgard(R) and Roundup Ready(R) gene technologies. In April 2002, Pharmacia activated a cross purchase provision in the operating agreement for D&M International, LLC and D&PL notified Pharmacia that it elected to have D&M International, LLC redeem Pharmacia's 50% interest in the company. As a result of the redemption of Pharmacia's interest, D&PL now owns all of D&M International, LLC.

The acquisition of the 50% interest in D&M International, LLC has been accounted for as a purchase, and the results of operations and all of its earnings (losses) have been included from the date of acquisition. A preliminary allocation of the purchase price resulted in no goodwill. To complete the allocation of the purchase price, the fair values of the international joint ventures that comprise the primary assets of D&M International, LLC will have to be determined. Pro forma results of operations for the quarter and six months ended February 28, 2002 had the acquisition occurred at the beginning of the period would not have been materially different than reported results for the period.

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1. On March 31, 2000, Monsanto Company consummated a merger with Pharmacia & Upjohn Inc. and changed its name to Pharmacia Corporation. On February 9, 2000, Monsanto Company formed a new subsidiary corporation, Monsanto Ag Company,

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which, on March 31, 2000, changed its name to Monsanto Company. On August 31, 2002, Pharmacia distributed to its shareholders its remaining interest in the new Monsanto Company.

In this document, with respect to events occurring on or before March 31, 2000, the term "Monsanto" refers to the entity then designated Monsanto Company and renamed Pharmacia Corporation (NYSE: PHA) on that date. With respect to events occurring after March 31, 2000, this entity is referred to as "Pharmacia", and the entity formed as Monsanto Ag Company and renamed Monsanto Company (NYSE: MON) on that date is referred to as "Monsanto".

### 12. CONTINGENCIES

#### Product Liability Litigation

D&PL is named as a defendant in various lawsuits that allege, among other things, that certain of D&PL's products (including those containing Monsanto's technology) did not perform as the farmer had anticipated or expected. In some of these cases, Monsanto and/or the dealer or distributor who sold the seed are also named as defendants. In all cases where the seed sold contained either or both of Monsanto's Bollgard and/or Roundup Ready gene technologies, and where the farmer alleged a failure of one or more of those technologies, D&PL has tendered the defense of the case to Monsanto and requested indemnity. Pursuant to the terms of the February 2, 1996 Bollgard Gene License and Seed Services Agreement (the "Bollgard Agreement") and the February 2, 1996 Roundup Ready Gene License and Seed Services Agreement (the "Roundup Ready Agreement") (both as amended December 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. Pharmacia remains liable for Monsanto's performance under these indemnity agreements. Some of the product liability lawsuits contain varietal claims which are aimed solely at D&PL. D&PL does not have a right to indemnification from Monsanto for any claims involving varietal characteristics separate from or in addition to the failure of the Monsanto technology. D&PL believes that the resolution of these matters will not have a material impact on the consolidated financial statements. D&PL intends to vigorously defend itself in these matters. See Part II, Item 1 for additional discussion of each case.

#### Other Litigation

In July 2002, Syngenta Biotechnology, Inc. ("SBI") brought suit in the U.S. District Court in Delaware alleging that D&PL's making, using, selling and offering to sell cotton planting seed containing Monsanto's Bt genes, being sold under the trade name Bollgard, infringes U.S. Patent 6,051,757 entitled "Regeneration Of Plants Containing Genetically Engineered T-DNA". The suit seeks a preliminary and permanent injunction against D&PL and Monsanto against further acts of alleged infringement, contributory infringement and inducement of infringement of SBI's patent and recovery of damages for an unspecified amount including treble damages on account of the defendants' alleged willful infringement. D&PL has demanded that Pharmacia and Monsanto each agree to defend D&PL in this suit and to indemnify D&PL against damages, if any, which may be awarded. Monsanto has assumed the defense of D&PL and has filed an answer generally denying infringement and other claims made in the litigation. D&PL is assisting Monsanto to the extent reasonably necessary for the conduct of the litigation. This suit is still in the initial pretrial phase. D&PL management has not determined the effect this litigation will have on D&PL.

In May 2002, Pharmacia Corporation filed a suit in state court in Missouri against D&PL International Technology Corp. ("DITC"), D&PL's subsidiary, seeking a declaratory judgment that it was entitled to invoke the cross purchase provision in the Operating Agreement for D&M International, LLC, a limited

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liability company jointly owned by Pharmacia and DITC. In the alternative, Pharmacia sought a declaratory judgment that DITC was deemed to have consented to Pharmacia's transfer of the Operating Agreement to Monsanto and its issuance and transfer of shares of Monsanto's stock. DITC moved to dismiss on June 6, 2002, because the case was moot and did not present a justiciable controversy, in that DITC had already invoked its rights under the cross purchase provision and had caused Pharmacia's interest in D&M International, LLC to be redeemed. Instead of answering DITC's motion, on or about June 13, 2002, Pharmacia filed an amended petition, dropping all of its prior claims, and seeking a declaratory judgment that DITC has no contractual rights to enjoin Pharmacia from selling its shares of Monsanto or to seek damages for Pharmacia's prior initial public offering of Monsanto's shares to the public. DITC moved to dismiss the suit, since it had never threatened to enjoin the spin-off, and, in the alternative, moved for a more definite statement. On October 12, 2002, the Court denied DITC's motion to dismiss but granted DITC's motion for a more definite statement. Pharmacia filed a Second Amended Petition on October 30, 2002, and DITC filed a motion to dismiss the Second Amended Petition on November 19, 2002. On January 14, 2003 the Court denied DITC's motion to dismiss, and the case is now in discovery.

The litigation originally filed against D&PL, D&M International LLC, and Monsanto on May 15, 2000, in the United States District Court for the Northern District of Alabama was dismissed on February 28, 2003.

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.

A corporation owned by the son of D&PL's former Guatemalan distributor sued in 1989 asserting that D&PL violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,292,459 Guatemalan quetzales (approximately \$684,000 at March 31, 2003, exchange rates) and an injunction preventing D&PL from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. D&PL continues to make seed available for sale in Guatemala.

### 13. EARNINGS PER SHARE

Dilutive common share equivalents consist of both D&PL's Series M Convertible Non-Voting Preferred shares and the outstanding options to purchase D&PL's common stock that have been issued under the 1993 Stock Option Plan and the 1995 Long-Term Incentive Plan. Approximately 1,220,000 and 1,130,000 outstanding stock options were not included in the computation of diluted earnings per share for the three months ended February 28, 2002 and 2003, respectively, and approximately 1,220,000 and 2,223,000 outstanding stock options were not included in the computation of diluted earnings per share for the six months ended February 28, 2002 and 2003, respectively, because the exercise price exceeded the average market price of D&PL's common stock for each respective reporting date. These excluded options expire at various dates from 2006 to 2013.

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

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(in thousands, except per share amounts)	For the Three Months Ended		For t Februar 200
	February 28, 2002	February 28, 2003	
Income:			
Net income	\$ 17,774	\$ 16,132	\$
Less: Preferred stock dividends	(53)	(64)	
Net income for basic EPS	17,721	16,068	
Effect of Dilutive Securities:			
Convertible Preferred Stock Dividends	53	64	
Net income available to common stockholders plus assumed conversions - for diluted EPS	\$ 17,774	\$ 16,132	\$
Shares:			
Basic EPS Shares	38,454	38,124	
Effect of Dilutive Securities:			
Options to purchase stock	470	365	
Convertible preferred stock	1,067	1,067	
Diluted EPS Shares	39,991	39,556	
Per Share Amounts:			
Basic	\$ 0.46	\$ 0.42	\$
Diluted	\$ 0.44	\$ 0.41	\$

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

Overview/Outlook

During the second quarter, we began shipping cotton and soybean seed units to customers in the U.S. market. Sales of cottonseed products were lower than prior years due to an expected shift of shipments from the second quarter to the third quarter as a result of a new inventory management strategy. This inventory strategy should more closely relate shipments to distributors with farmer orders. In future years, we also anticipate this inventory strategy, which results in the creation of fewer higher-cost finished goods, may result in overall lower product cost and better cash flow from a reduction in working capital needs.

Second quarter results benefited from the introduction of new and higher priced products as well as strong soybean seed sales. However, production costs were higher than expected primarily due to higher raw material and freight costs associated with sourcing products from the western part of the U.S. Generally, a higher percentage of products are produced in the Mid-South, but inclement weather destroyed most of the 2002 Mid-South cottonseed production.

The USDA and some industry analysts are projecting a slight increase in 2003 U.S. cotton plantings over 2002 levels. Because a majority of U.S. cotton plantings occur in late April and during the month of May, it is too

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early to accurately predict U.S. cotton plantings since many factors including weather, farmer financing, commodity prices, alternative crop plantings and other factors affect planted acreage.

International sales and operating income are lower than prior year because of a significant reduction in acreage in Australia due to an ongoing drought, poor economic conditions in Argentina, especially in the farm sector, and currency devaluation in Brazil. In addition, sales to Greece were below prior year due to high levels of inventory at our distributor. On a positive note, our international business is benefiting from strong early season sales in China at Hebei Ji Dai Cotton Seed Technology Company and higher sales in Spain. In addition, early indications suggest an increase in cotton plantings in Mexico may occur, which could result in higher export sales.

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We are continuing to pursue the litigation against Pharmacia/Monsanto, which is scheduled for trial in January 2004. Depositions are underway in the case and the discovery process is ongoing.

On January 24, 2003 and March 26, 2003, we announced that our Board of Directors had declared a \$0.06 per share dividend for each of the second and third quarters, respectively, which represented a 20% increase over the first quarter dividend of \$0.05 per share. We also noted that this dividend increase would not negatively impact our ongoing stock repurchase program. The third quarter dividend, payable to shareholders of record on May 30, 2003, will be paid on June 13, 2003.

We continue to develop, test and evaluate elite cotton varieties containing insect resistant traits under our previously announced collaboration agreements with Dow AgroSciences LLC ("Dow") and Syngenta. If appropriate testing indicates that either or both Dow or Syngenta technology combined with our germplasm is competitive and if commercialization agreements are reached, our elite varieties containing Dow's and/or Syngenta's technology could be available for introduction to growers as early as 2004, subject to Dow and/or Syngenta obtaining U.S. government regulatory approval and other factors.

In October 2002, we announced that our joint venture with Verdia, Inc., DeltaMax Cotton LLC, has initiated cotton transformation of a proprietary glyphosate tolerant gene. We expect this product will eventually compete in the glyphosate tolerant cotton seed market, which made up more than 70% of the cotton planted in the U.S. in 2002 according to USDA data. We expect commercialization of this product in 2007 or later.

Pursuant to our previously announced share repurchase program, we repurchased in the open market 273,000 shares of our stock from September 1, 2002 to March 31, 2003.

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

In this document, with respect to events occurring on or before March 31, 2000, the term "Monsanto" refers to the entity then designated Monsanto Company and renamed Pharmacia Corporation (NYSE: PHA) on that date. With respect to events occurring after March 31, 2000, this entity is referred to as "Pharmacia", and the entity formed as Monsanto Ag Company and renamed Monsanto Company (NYSE: MON) on that date is referred to as "Monsanto".



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### Results of Operations

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

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

	For the Three Months Ended		For the February 2002
	February 28, 2002	February 28, 2003	
Operating results -			
Net sales and licensing fees	\$ 111,867	\$ 107,537	\$ 120,1
Gross profit	40,122	42,161	42,9
Operating expenses	10,848	11,778	20,7
Special charges	-	-	
Operating income	29,274	30,383	22,1
Income before income taxes	27,558	24,878	20,6
Net income applicable to common shares	17,721	16,068	13,1

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

	February 28, 2002	August 31, 2002	February 2003
	Balance sheet summary-		
Current assets	\$ 276,536	\$ 308,468	\$ 255
Current liabilities	138,602	174,124	118
Working capital	137,934	134,344	137
Property, plant and equipment, net	60,436	63,401	62
Total assets	347,697	383,142	330
Outstanding borrowings	1,720	2,939	2
Stockholders' equity	195,681	202,207	203

Three months ended February 28, 2003, compared to three months ended February 28, 2002:

For the quarter ended February 28, 2003, we reported net income of \$16.1 million, compared to net income of \$17.8 million reported in the comparable prior year quarter. Net income was lower primarily because of legal expenses related to the Pharmacia/Monsanto litigation. Legal expenses related to the Pharmacia/Monsanto litigation were \$4.1 million for the quarter ended February 28, 2003, compared to \$1.0 million for the prior year quarter. Excluding the effects of these legal expenses, domestic quarterly results improved in the current year, primarily due to an increase in our gross margin percentage.

Net sales and licensing fees decreased approximately \$4.4 million to \$107.5 million from \$111.9 million. Gross profit increased approximately \$2.1 million to \$42.2 million from \$40.1 million. The decrease in net sales and licensing fees is primarily due to an expected shift of sales into the third quarter as a result of a new inventory management strategy whereby inventory shipments to

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distributors are more closely timed to farmer orders. The increase in gross profit is attributable to increased margins on cottonseed sales resulting primarily from the introduction of higher priced products. An increase in cost per unit caused by higher raw materials costs and freight related to sourcing seed production from the western United States somewhat offset the increase in gross margins. International sales and operating income were lower than prior year due to a reduction in export sales to Greece and a delay in shipments to Mexico.

Quarterly operating expenses increased from \$10.8 million to \$11.8 million, primarily due to an increase in general and administrative expenses. This increase was mainly due to increased compensation and benefits costs, as well as increased legal fees related to potential technology agreements.

Other expense (net) increased approximately \$1.2 million in the second fiscal quarter of 2003 compared to the same quarter of the prior year. This increase is primarily attributable to additional legal fees related to the Pharmacia/Monsanto litigation, offset by the absence of foreign exchange losses in Argentina, which were present in the prior year quarter.

Six months ended February 28, 2003, compared to six months ended February 28, 2002:

For the six-month period ended February 28, 2003, we reported net income of \$8.6 million, compared to net income of \$13.2 million reported in the comparable prior year period. Net income was lower primarily because of legal expenses related to the Pharmacia/Monsanto litigation. Legal expenses related to the Pharmacia/Monsanto litigation were \$6.1 million for the six months ended February 28, 2003, compared to \$1.1 million in the comparable prior year period. Excluding the effects of these legal expenses, results were still lower in the current six-month period compared to the year ago period, primarily due to an expected shift of some U.S. cottonseed sales from the second quarter to the third quarter and a reduction in international sales. Overall, net sales and licensing fees were reduced approximately \$7.0 million to \$113.1 million from \$120.1 million in the same period of the prior year. Results for the current six-month period were improved due to a higher gross margin percentage as discussed above. International results were lower in the six-month period ended February 28, 2003 than in the comparable prior year period due to lower sales attributable to the drought in Australia, poor economic conditions in Argentina, reduced export sales to Greece, and a devaluation of the Brazilian Real, which caused lower revenues and profits in Brazil.

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

We reported other expense (net) of approximately \$6.5 million for the six months ended February 28, 2003 compared to net other expense of approximately \$3.2 million for the same period in the prior year. The increase is attributable to additional legal fees related to the Pharmacia/Monsanto litigation, partially offset by the absence of foreign exchange losses in Argentina, which were present in the prior year period.

### Application of Critical Accounting Policies

#### Overview

Management's discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing in Item 8 of our Annual Report on Form 10-K for the fiscal year ended August 31, 2002. The preparation of these

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financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

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

### Revenue Recognition

Revenues from domestic seed sales are recognized when seed is shipped. Revenues from Bollgard(R) and Roundup Ready(R) licensing fees are recognized when the seed is shipped. Domestically, the licensing fees charged to farmers for Bollgard and Roundup Ready cottonseed are based on pre-established planting rates for each of nine geographic regions and consider the estimated number of 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 (or instruments with similar security provisions) are confirmed. Generally, international export sales are not subject to return. Generally, all other international revenues from the sale of planting seed, less estimated reserves for returns, are recognized when the seed is shipped.

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

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

### Provision for Damaged, Obsolete and Excess Inventory

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

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

See Note 6 of the Notes to Consolidated Financial Statements in Item I for further details about inventory reserves.

### Deferred Income Taxes

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

We are required to evaluate the likelihood of our ability to generate sufficient future taxable income that will enable us to realize the value of our deferred tax assets. If, in our judgment, we determine that we will not realize deferred tax assets, then valuation allowances are recorded. As of February 28, 2003, we had recorded deferred tax assets of approximately \$8.1 million. We estimate that our deferred tax assets will be realized, therefore we have not recorded any valuation allowances as of February 28, 2003.

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

### Liquidity and Capital Resources

In the United States, we purchase seed from contract growers in our first and second fiscal quarters. Seed conditioning, treating and packaging commence late in the first fiscal quarter and continue through the third fiscal quarter. Seasonal cash needs normally begin to increase in the first fiscal quarter and cash needs peak in the third fiscal quarter. Cash is generated and loan repayments, if necessary, normally begin in the middle of the third fiscal quarter and are typically completed by the first fiscal quarter of the following year. In some cases, we offer customers financial incentives to make early payments. To the extent we attract early payments from customers, bank borrowings, if any, are reduced.

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

The seasonal nature of our business significantly impacts cash flow and working capital requirements. Historically, we have maintained credit facilities, and used early payments by customers and cash from operations to fund working capital needs. In the past, we have borrowed on a short-term basis to meet seasonal working capital needs. However, in fiscal 2002 and the first six months of fiscal 2003, we used cash generated from operations and other available cash

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to meet working capital needs. We continue to evaluate potential uses of our cash for purposes other than for working capital needs. One potential such use is the acquisition or funding of alternative technologies (such as DeltaMax Cotton, LLC) that could be used to enhance our product portfolio and ultimately our long-term earnings potential. Another potential use is the repurchase in the open market of our shares pursuant to our previously announced share repurchase program. Once the evaluation of certain transactions that are currently being considered is brought to conclusion, we may consider other potential uses of the remaining cash, including repurchasing shares more aggressively depending on market considerations and other factors.

In April 1998, we entered into a syndicated credit facility with three lenders, which provided for aggregate borrowings of \$110 million. This agreement 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 D&PL 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 negotiating a replacement facility that will provide for aggregate borrowings sufficient to meet working capital needs that will contain terms and conditions similar to the 1998 facility.

Capital expenditures for the six months ended February 28, 2003 were \$2.4 million (\$3.4 million for the six months ended February 28, 2002). We anticipate that capital expenditures will approximate \$6.0 to \$8.0 million in 2003.

In January 2003, the Board increased the quarterly dividend to \$0.06 per share (a 20% increase) effective for the second quarter dividend, which was paid on March 14, 2003, to shareholders of record on February 28, 2003. On March 26, 2003, we announced that our Board of Directors had declared a \$0.06 per share dividend for the third quarter. The third quarter dividend, payable to shareholders of record on May 30, 2003, will be paid on June 13, 2003. The Board of Directors anticipates that quarterly dividends of \$0.06 per share will continue to be paid in the future; however, the Board of Directors reviews this policy quarterly. Aggregate preferred and common dividends should approximate \$9.0 million in 2003.

In February 2000, the Board of Directors authorized a program for the repurchase of up to \$50 million of our common stock. The shares repurchased under this program are to be used to provide for option exercises, conversion of our Series M Convertible Non-Voting Preferred shares and for other general corporate purposes. At August 31, 2002, we had repurchased 992,900 shares at an aggregate purchase price of approximately \$17.7 million under this program. During the year ended August 31, 2002, we purchased 539,200 shares at an aggregate purchase price of \$9.96 million under this plan. Between September 1, 2002 and March 31, 2003, we repurchased 273,000 shares at an aggregate purchase price of \$5.3 million.

Cash provided from operations, cash on hand, early payments from customers and borrowings under a loan agreement, if necessary, should be sufficient to meet the Company's 2003 working capital needs.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure relative to fluctuations in the price of soybean raw material inventory, foreign currency fluctuations and interest rate changes. For more information about market risk and how we manage specific risk exposures, see Notes 1 and 8 to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended August 31, 2002. Also see Note 10 of the Notes to consolidated financial statements in Item 1 for further details about

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our exposure to market risk.

The fair value of derivative commodity instruments outstanding as of February 28, 2003, was \$12,000. A 10% adverse change in the underlying commodity prices upon which these contracts are based would not result in a material impact on future earnings.

Our earnings are also affected by fluctuations in the value of the U.S. dollar compared to foreign currencies as a result of transactions in foreign markets. We conduct non-U.S. operations through subsidiaries and joint ventures in, primarily, Argentina, Australia, Brazil, China, South Africa and Turkey. At February 28, 2003, the result of a uniform 10% strengthening in the value of the dollar relative to the currencies in which our transactions are denominated would not cause a material impact on earnings.

We utilize fixed and variable-rate debt to maintain liquidity and fund our business operations, with the terms and amounts based on business requirements, market conditions and other factors. At February 28, 2003, a 100 basis point change in interest rates (with all other variables held constant) on the portion of our debt with variable interest rates would not result in a material change to our interest expense or cash flow.

For the six months ended February 28, 2003, a 10% adverse change in the interest rate that we earned on our excess cash that we invested would not have resulted in a material change to our interest expense or cash flow.

### Item 4. Controls and Procedures

#### (a) Evaluation of Disclosure Controls and Procedures.

D&PL's chief executive officer and chief financial officer have evaluated the effectiveness of the design and operation of D&PL's disclosure controls and procedures (as defined in Exchange Act Rule 13a-14(c)) as of a date within 90 days of the filing date of this quarterly report. Based on that evaluation, the chief executive officer and chief financial officer have concluded that D&PL's disclosure controls and procedures are effective to ensure that material information relating to D&PL and D&PL's consolidated subsidiaries is made known to such officers by others within these entities, particularly during the period this quarterly report was prepared, in order to allow timely decisions regarding required disclosure.

#### (b) Changes in Internal Controls.

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

#### Product Claims

D&PL and Monsanto are named as defendants in a lawsuit filed in the State of Texas. The lawsuit was filed in Hockley County, Texas, on April 14, 1999. This lawsuit was removed to the United States District Court, Lubbock Division, but subsequently remanded back to the state court. This case was tried to a jury in August of 2002, and an adverse verdict was returned against D&PL and Monsanto.

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There are presently post-trial motions pending and D&PL intends to appeal the jury's decision. In this case the Plaintiff alleges that certain cottonseed acquired from the Paymaster division of D&PL did not perform as the farmer had anticipated and as allegedly represented to him.

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

D&PL was also named as a Defendant in two lawsuits filed in the 110th Judicial District Court of Floyd County, Texas; one suit was filed October 16, 2002, and the other November 21, 2002. In each of these cases the Plaintiffs allege that the seed purchased from D&PL failed to perform as represented and seek compensatory damages for crop losses incurred during the 2002 growing season. Although these lawsuits involve a cotton variety which contain the Roundup Ready gene, no claim against Monsanto was alleged, nor was there any allegation that Monsanto technology caused or contributed to Plaintiffs' claims. Thus, it does not presently appear that Monsanto is contractually obligated to defend and/or indemnify D&PL in the Floyd County cases. D&PL is presently investigating these claims to determine the causes of the alleged problems.

D&PL and Monsanto and various retail seed suppliers were named in six pending lawsuits in the State of South Carolina. One lawsuit was filed November 15, 1999, in the Beaufort Division of the United States District Court, District of South Carolina; two of the other cases were filed on November 15, 1999, in the Court of Common Pleas of Hampton County, South Carolina. The two 1999 state court lawsuits were removed to the United States District Court for the District of South Carolina but were subsequently remanded back to the state court in which they were filed. The remaining three lawsuits were filed July 29, 2002, in the Court of Common Pleas of Hampton County, South Carolina. The 2002 state court filing of one of those cases was removed to United States District Court for the District of South Carolina, Beaufort Division, but has now been remanded back to Hampton County. In each of these cases the plaintiff alleges, among other things, that certain seed acquired from D&PL which contained the Roundup Ready gene and/or the Bollgard(R) gene did not perform as the farmer had anticipated. These lawsuits also include varietal claims aimed solely at D&PL. One of the 1999 cases filed in Hampton County as well as the 1999 case filed in the United States District Court seek class action treatment for all purchasers of certain D&PL varieties which contain the Monsanto technology. D&PL and Monsanto are continuing to investigate the claims to determine the cause or causes of the alleged problem. Pursuant to the terms of the Roundup Ready Agreement and the February 2, 1996 Bollgard Gene License and Seed Service 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.

D&PL was named in five lawsuits filed in the State of Mississippi. One lawsuit

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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. Another 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. Two lawsuits were filed in the Circuit Court of Holmes County, Mississippi; one was filed March 14, 2002, and the second on August 19, 2002. Both cases include numerous plaintiffs who allege that certain cotton seed sold by D&PL was improperly mixed or blended and failed to perform as advertised. In the second Holmes County lawsuit, D&PL has filed a Third Party Complaint which seeks a declaration that its insurers are responsible for the cost of defending the action and for full indemnification of D&PL in the event a judgment is rendered against it. Another lawsuit was filed in the Circuit Court of Noxubee County on August 12, 2002, and involves a third-party complaint filed by a local seed distributor who was sued by a local farmer in a complaint which alleges that certain seed sold by the complaining distributor failed to comply with federal and state seed law requirements. D&PL 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 terms of any Gene Licensing Agreement with Monsanto.

D&PL, along with Monsanto, were named in two companion cases filed in the State of Georgia. One was filed in the United States District Court for the Middle District of Georgia, Albany Division, on April 5, 2002; and the other case was filed in the Superior Court of Fulton County, Georgia, on April 29, 2002. The case filed in Fulton County was removed to the United States District Court on May 28, 2002. Both suits allege that seed purchased by Plaintiffs from D&PL, and technology purchased from Monsanto, failed to perform as represented and seek damages for crop losses during the 1998 growing season; the lawsuit further alleges that certain cotton varieties sold by D&PL suffered from a disease or malady known as "bronze wilt." Pursuant to the terms of the Roundup Ready Agreement, D&PL has tendered the defense of these claims to Monsanto and requested indemnity. Pursuant to the terms of the Roundup Ready Agreement, Monsanto is contractually obligated to defend and indemnify D&PL against all claims arising out of the failure of the Roundup glyphosate tolerance gene. D&PL will have no right of indemnification from Monsanto, however, for any claim involving varietal characteristics separate from or in addition to the herbicide tolerance gene and such claims are contained in this litigation.

D&PL was named as a defendant, 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 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 D&PL in this case. D&PL is presently investigating this claim to determine the causes of the alleged problems.

The litigation originally filed against D&PL on June 7, 2001 in the Circuit Court of the County of Crockett, Tennessee, and subsequently removed to the United States District Court for the Western District of Tennessee, Eastern Division, has now been concluded. That case was resolved without a material financial impact on the Company.

Other Litigation



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On December 11, 2002, D&PL filed a suit in the Circuit Court of Holmes County, Mississippi, against Nationwide Agribusiness and other insurance companies seeking a declaration that the allegations of the Holmes County, Mississippi lawsuits referenced under Part II, Item 1 Product Claims above are covered by D&PL's comprehensive general liability and umbrella liability policies. This case was removed by the Defendants to the United States District Court for the Southern District of Mississippi where a Motion to Remand the case to state court is now pending. In this litigation, D&PL seeks a declaration that its insurers are responsible for the cost of defending such actions, and full indemnification of D&PL in the event a judgment is rendered against it based upon the seed mix claim alleged by Plaintiffs. D&PL alleges in this litigation that the allegations of Plaintiffs' Complaint are covered by one or more of D&PL's insurance policies issued by the defendant insurance companies.

On November 20, 2002, D&PL filed suit in the Circuit Court of Washington County, Mississippi, against its fire insurance carrier, Reliance Insurance Company of Illinois. That suit seeks recovery of seed inventory lost, damaged or destroyed during a fire that occurred in November 1999 at D&PL's Hollandale, Mississippi facility.

In July 2002, Syngenta Biotechnology, Inc. ("SBI") brought suit in the U.S. District Court in Delaware alleging that D&PL's making, using, selling and offering to sell cotton planting seed containing Monsanto's Bt genes, being sold under the trade name Bollgard, infringes U.S. Patent 6,051,757 entitled "Regeneration Of Plants Containing Genetically Engineered T-DNA." The suit seeks a preliminary and permanent injunction against D&PL and Monsanto against further acts of alleged infringement, contributory infringement and inducement of infringement of SBI's patent and recovery of damages for unspecified amount including treble damages on account of the defendants' alleged willful infringement. D&PL has demanded that Pharmacia Corporation and Monsanto each agree to defend D&PL in this suit and to indemnify D&PL against damages, if any, which may be awarded. Monsanto has assumed the defense of D&PL and has filed an answer generally denying infringement and other claims made in the litigation. D&PL is assisting Monsanto to the extent reasonably necessary for the conduct of the litigation.

In May 2002, Pharmacia Corporation filed a suit in state court in Missouri against D&PL International Technology Corp. ("DITC"), D&PL's subsidiary, seeking a declaratory judgment that it was entitled to invoke the cross purchase provision in the Operating Agreement for D&M International, LLC, a limited liability company jointly owned by Pharmacia and DITC. In the alternative, Pharmacia sought a declaratory judgment that DITC was deemed to have consented to Pharmacia's transfer of the Operating Agreement to Monsanto and its issuance and transfer of shares of Monsanto's stock. DITC moved to dismiss on June 6, 2002, because the case was moot and did not present a justiciable controversy, in that DITC had already invoked its rights under the cross purchase provision and had caused Pharmacia's interest in D&M International, LLC to be redeemed. Instead of answering DITC's motion, on or about June 13, 2002, Pharmacia filed an amended petition, dropping all of its prior claims, and seeking a declaratory judgment that DITC has no contractual rights to enjoin Pharmacia from selling its shares of Monsanto or to seek damages for Pharmacia's prior initial public offering of Monsanto's shares to the public. DITC moved to dismiss the suit, since it had never threatened to enjoin the spin-off, and, in the alternative, moved for a more definite statement. On October 12, 2002, the Court denied DITC's motion to dismiss but granted DITC's motion for a more definite statement. Pharmacia filed a Second Amended Petition on October 30, 2002, and DITC filed a motion to dismiss the Second Amended Petition on November 19, 2002. On January 14, 2003, the Court denied DITC's motion to dismiss, and the case is now in discovery.

The litigation originally filed against D&PL, D&M International LLC, and Monsanto on May 15, 2000, in the United States District Court for the Northern

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District of Alabama was dismissed on February 28, 2003.

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.

A corporation owned by the son of D&PL's former Guatemalan distributor sued in 1989 asserting that D&PL violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,292,459 Guatemalan quetzales (approximately \$684,000 at March 31, 2003, exchange rates) and an injunction preventing D&PL from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. D&PL continues to make seed available for sale in 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 D&PL under the May 8, 1998, Merger Agreement. On December 30, 1999, D&PL filed suit (the "December 30 Suit") in the First Judicial District of Bolivar County, Mississippi, seeking among other things, the payment of the \$81 million termination fee due pursuant to the merger agreement, compensatory damages and punitive damages. On January 2, 2000, D&PL and Monsanto reached an agreement whereby D&PL would withdraw the December 30 Suit, and Monsanto would immediately pay the \$81 million. On January 3, 2000, Monsanto paid to D&PL a termination fee of \$81 million as required by the merger agreement. On January 18, 2000, D&PL filed a suit (the "January 18 Suit") reinstating essentially all of the allegations contained in the December 30 Suit. The January 18 Suit by D&PL against Monsanto seeks in excess of \$1 billion in compensatory and \$1 billion in punitive damages for breach of contract under the merger agreement between the parties. D&PL alleges that Monsanto failed to make its best efforts, commercially reasonable efforts, and/or reasonable best efforts to obtain antitrust approval from the U.S. Department of Justice, as required under the terms of the merger agreement. D&PL also seeks damages for breach of the January 2, 2000 agreement pursuant to which the parties were to negotiate for two weeks to resolve the dispute over failure of the merger to close.

The parties litigated for several months over the appropriate forum to hear the case. A Delaware Court of Chancery ruling rejected Monsanto's attempt to maintain the action in Delaware and returned the parties to the Circuit Court for the First Judicial District of Bolivar County, Mississippi. Monsanto filed a motion for summary judgment on the breach of contract claims alleging that D&PL suffered no cognizable damages as a result of the failed merger. On December 18, 2000, D&PL amended its complaint to include a claim for tortious interference with prospective business relations on the grounds that Monsanto's unreasonable delay prevented the consummation of the merger and kept D&PL from being in a position to enter into transactions and relationships with others in the industry. In light of the merger of Monsanto into Pharmacia & Upjohn, Inc., after the filing of the original complaint, D&PL named both Pharmacia Corp. (the renamed existing defendant) and Monsanto Company (a newly spun-off subsidiary)

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as defendants in the amended complaint. D&PL filed two motions to compel additional discovery from Monsanto. Pharmacia and Monsanto filed a motion for summary judgment and a motion to dismiss the added claim of tortious interference contained in the amended complaint. Pharmacia and Monsanto alleged that they were entitled to 1) dismissal of the action on the grounds that D&PL's amended complaint did not satisfy any of the elements of a tortious interference claim and, thus, did not state a viable claim; and 2) summary judgment because D&PL has not suffered any injury as a result of Monsanto's actions. On November 15, 2001, the Circuit Court denied the defendants' motion for summary judgment on the breach of contract claims, holding that the case presents issues for trial by jury. The Court also denied defendants' motion to dismiss or for summary judgment on D&PL's claim for tortious interference with business relationships. The Court also granted substantially all of the discovery sought by D&PL in its motion to compel. The parties are in discovery and the taking of depositions has commenced. The judge in the case has ruled that all discovery, depositions, and pre-trial motions must be completed by September 2003 with a trial date set for January 2004.

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

Item 3. Defaults Upon Senior Securities  
Not applicable

Item 4. Submission of Matters to a Vote of Security Holders  
The Annual Meeting of the Shareholders of Delta and Pine Land Company was held on January 22, 2003. The following matters were brought to a vote with the noted results:

Item	For	Against	Abstain
1. Re-elect Class I Director Nam-Hai Chua	32,871,178	0	1,731,696
2. Elect Class I Director W. Thomas Jagodinski	27,915,313	0	6,687,561
2. Re-elect Class I Director Stanley P. Roth	32,863,247	0	1,739,627
3. Ratify appointment of KPMG LLP as the independent public accountants for the fiscal year ending August 31, 2003 (subject to Audit Committee discretion)	34,575,834	19,004	8,036

Item 5. Business

Domestic

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

Since 1915, we have bred, produced and/or marketed upland picker varieties of cotton planting seed for cotton varieties that are grown primarily east of Texas and in Arizona. We have used our extensive classical plant breeding programs to

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develop a gene pool necessary for producing cotton varieties with improved agronomic traits important to farmers (such as crop yield) and to textile manufacturers (such as enhanced fiber characteristics).

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

### International

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

We sell our products in foreign countries through (i) export sales to distributors, (ii) direct in-country operations through either joint ventures or wholly-owned subsidiaries and to a lesser degree (iii) licensees. The method varies and evolves, depending on our assessment of the potential size and profitability of the market, governmental policies, currency and credit risks, sophistication of the target country's agricultural economy, and costs (as compared to risks) of commencing physical operations in a particular country. In 2002, the majority of international sales came from direct in-country operations (primarily Argentina, Australia, Brazil, China, South Africa and Turkey).

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

### Joint Ventures

In March 1995, D&PL and Monsanto formed D&M International, LLC to introduce cotton planting seed in international markets combining our acid delinting technology and elite germplasm (cottonseed varieties) with Monsanto's Bollgard and Roundup Ready gene technologies.

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

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

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

In November 1998, D&M International, LLC and Maeda Administracao e Participacoes Ltda, an affiliate of Agropem - Agro Pecuria Maeda S.A., formed a joint venture in Minas Gerais, Brazil. The joint venture, MDM Maeda Deltapine Monsanto Algodao Ltda. ("MDM"), produces, conditions and sells our acid-delinted varieties of cotton planting seed. In 2000, we began selling our conventional cotton varieties. MDM will introduce transgenic cottonseed varieties containing both Bollgard and Roundup Ready gene technologies in the Brazilian market as soon as government approvals are obtained, which Monsanto has announced may not occur until 2005. MDM is 51% owned by D&M International, LLC and 49% owned by Maeda Administracao e Participacoes Ltda.

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

In May 2002, we acquired from Pharmacia the 50% interest in D&M International, LLC that we did not own. Pharmacia activated a cross purchase provision in the operating agreement for D&M International, LLC, and we elected to have D&M International, LLC redeem Pharmacia's 50% interest in D&M International, LLC. As a result of the redemption of Pharmacia's interest, we now own all of D&M International, LLC.

In May 2002, we established DeltaMax Cotton, LLC, a limited liability company jointly owned with Verdia, Inc. ("Verdia"; formerly known as MaxyAg, Inc.), a wholly-owned subsidiary of Maxygen, Inc. DeltaMax Cotton, LLC was formed to create, develop and commercialize value-enhancing traits for the cottonseed market that will complement and/or compete with traits available today. Commercialization of new traits developed by this venture is not expected until

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after 2007. DeltaMax Cotton, LLC will contract research and development activities to Verdia, third parties and D&PL when appropriate, and license its products to D&PL and potentially to others. D&PL and Verdia each own 50% of DeltaMax Cotton, LLC.

### Subsidiaries

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

Deltapine Australia Pty. Ltd., our wholly-owned Australian subsidiary, breeds, produces, conditions and markets cotton planting seed in Australia. Certain varieties developed in Australia are well adapted to other major cotton producing countries and Australian-developed varieties are exported to those areas. We sell seed of both conventional and transgenic varieties in Australia. Through our Australian operations, we are identifying smaller potential export markets throughout Southeast Asia for our products. The adaptability of our germplasm must be evaluated in the target markets before such sales can be made.

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

### Employees

As of March 31, 2003, we employed a total of 528 full time employees worldwide excluding approximately 107 employees of joint ventures. Due to the nature of the business, we utilize seasonal employees in our delinting plants and our research and foundation seed programs. The maximum number of seasonal employees approximates 175 and typically occurs in October and November of each year. We consider our employee relations to be good.

### Biotechnology

#### Insect Resistance for Cotton

Collaborative biotechnology licensing agreements, which were executed with Monsanto in 1992 and subsequently revised in 1993, 1996, 1999, and March 2003, provide for the commercialization of Monsanto's Bollgard ("Bacillus thuringiensis" or "Bt") gene technology in our varieties in the United States. The selected Bt gene is from a bacterium found naturally in soil and produces proteins toxic to certain lepidopteran larvae, the principal cotton pests in many cotton growing areas. Monsanto created a transgenic cotton plant by inserting Bt genes into cotton plant tissue. The resulting transgenic plant tissue is lethal to certain lepidopteran larvae that consume it. The gene and related technology were patented or licensed from others by Monsanto and were licensed to us for use under the trade name Bollgard. In our primary markets, the cost of insecticides is a major expenditure for many cotton growers. The insect resistant capabilities of transgenic cotton containing the Bollgard gene may reduce the amount of insecticide required to be applied by cotton growers using planting seed containing the Bollgard gene. In October 1995, the United

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States Environmental Protection Agency ("EPA") completed its initial registration of the Bollgard gene technology, thus clearing the way for commercial sales of seed containing the Bollgard gene. In 1996, we sold commercially for the first time two Deltapine varieties, which contained the Bollgard gene, in accordance with the terms of the Bollgard Gene License and Seed Services Agreement (the "Bollgard Agreement") between D&PL 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 we retain the remainder of 29% for our services. The expiration date of the Bollgard Agreement is determined by the last to expire of the patent rights licensed under that agreement. On that basis (unless we terminate sooner, as is permitted after October 11, 2008), the expiration date of the Bollgard Agreement will be September 28, 2016.

Pursuant to the Bollgard Agreement, Monsanto must defend and indemnify us against claims of patent infringement, including all damages awarded or amounts paid in settlements. Monsanto must also indemnify us against a) costs of inventory and b) lost profits on inventory which becomes unsaleable because of patent infringement claims. Monsanto must defend any claims of failure of 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. The indemnity from Monsanto only covers performance claims involving failure of performance of the Bollgard gene and not claims arising from other causes. Pharmacia remains liable for Monsanto's performance under these defense and indemnity agreements.

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

In May 2002, we signed a product development agreement with Syngenta Seed AG ("Syngenta") whereby Syngenta will pay us for development work, including introgression, testing and evaluation, of Syngenta's insect resistance technology in our elite cotton germplasm. If appropriate testing indicates that Syngenta technology combined with our germplasm is competitive and if a commercialization agreement is reached, our elite varieties containing Syngenta's technology could potentially be available for introduction to growers as early as 2004, subject to Syngenta obtaining U.S. government regulatory approval and other factors.

In January 2003, we announced a collaboration agreement with Dow AgroSciences LLC ("DAS") under which we will develop, test and evaluate elite cotton varieties containing DAS insect resistance traits. When appropriate testing indicates that DAS technology combined with our germplasm is competitive and

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when a commercialization agreement is reached, our elite varieties containing DAS technology may be available for introduction to growers in 2004. DAS has previously announced it expects to introduce its insect resistance traits in the U.S. market in 2004, pending regulatory approval.

### Herbicide Tolerance for Cotton

In February 1996, D&PL 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 July 1996, December 1999, and March 2003, we have also developed transgenic cotton varieties that are tolerant to Roundup(R), a glyphosate-based herbicide sold by Monsanto. In 1996, such Roundup Ready plants were approved by the Food and Drug Administration, the USDA, and the EPA. The Roundup Ready Agreement grants a license to D&PL and certain of our affiliates the right in the United States to sell cottonseed of our varieties that contain Monsanto's Roundup Ready gene. The Roundup Ready gene makes cotton plants tolerant to contact with Roundup herbicide applications made during a finite early season growth period. Similar to the Bollgard Agreement, farmers must execute limited use sublicenses in order to purchase seed containing the Roundup Ready gene. The distributors/dealers who coordinate the farmer licensing process receive a portion of the technology sublicensing fee. Our portion of the Roundup Ready technology fee varies depending on the technology fee per acre established by Monsanto. In 2001 and 2002, D&M Partners paid Monsanto approximately 70% of the Roundup Ready technology fees and we 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. On that basis (unless we terminate sooner, as is permitted after October 11, 2008), the expiration date of the Roundup Ready Agreement will be May 27, 2014.

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

### Herbicide Tolerance for Soybeans

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



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Monsanto; Monsanto may terminate the agreement only for cause. Unless terminated sooner, the Roundup Ready Soybean Agreement will expire December 31, 2012.

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

### Transformation, Enabling and Other Technologies

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

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

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

### Other

We have licensing, research and development, confidentiality and material transfer agreements with providers of technology that we are evaluating for potential commercial applications and/or introduction. We also contract with

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third parties to perform research on our behalf for enabling and other technologies that we believe have potential commercial applications in varietal crops around the world.

### Commercial Seed

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

	2001	2002
	-----	-----
Cotton		
Conventional	24	24
Bollgard	6	6
Roundup Ready	16	16
Bollgard/Roundup Ready	16	16
	-----	-----
	62	62
	=====	=====
Soybeans		
Conventional	2	2
Roundup Ready	10	10
STS	2	2
	-----	-----
	14	14
	=====	=====

In addition to the above, in 2002, we had 59 experimental cotton varieties and 11 experimental soybean varieties in late stage development prior to commercialization. In 2001, we had 52 experimental cotton varieties and 11 experimental soybean varieties in late stage development prior to commercialization.

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

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

We farm approximately 2,000 acres in the U.S., primarily for research purposes and for production of cotton and soybean foundation seed. We have annual agreements with various growers to produce seed for cotton and soybeans. The growers plant parent seed purchased from us and follow quality assurance procedures required for seed production. If the grower adheres to our established quality assurance standards throughout the growing season and if the seed meets our standards upon harvest, we may be obligated to purchase specified

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minimum quantities of seed, usually in our first and second fiscal quarters, at prices equal to the commodity market price of the seed plus a grower premium. We then condition the seed for sale.

The majority of our sales are made from 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 our earnings between quarters. Thus, seed production, distribution and sales are seasonal and interim results will not necessarily be indicative of our results for a fiscal year.

Revenues from domestic seed sales are recognized when seed is shipped. Revenues from Bollgard and Roundup Ready licensing fees are recognized when the seed is shipped. Domestically, the licensing fees charged to farmers for Bollgard and Roundup Ready cottonseed are based on pre-established planting rates for nine geographic regions and consider the estimated number of 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 (or instruments with similar security provisions) are confirmed. Generally, international export sales are not subject to return. Generally, all other international revenues from the sale of planting seed, less estimated reserves for returns, are recognized when the seed is shipped.

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

### Availability of Information on Our Website

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

### RISKS AND UNCERTAINTIES

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

Demand for our seed will be affected by government programs and policies and by weather. Demand for seed is also influenced by commodity prices and the demand for a crop's end-uses such as textiles, animal feed, cottonseed

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oil, food and raw materials for industrial use. These factors, along with weather, influence the cost and availability of seed for subsequent seasons. Weather impacts crop yields, commodity prices and the planting decisions that farmers make regarding both original planting commitments and, when necessary, replanting levels.

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

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

The publicity related to genetically modified organisms ("GMOs") or products made from plants that contain GMOs may have an effect on our sales in the future. In 2002, approximately 93% of our cottonseed that was sold in the United States contained either or both of Monsanto's Bollgard and Roundup Ready gene technologies, and 89% of our soybean seed sales contained the Roundup Ready gene technology. Although many farmers have rapidly adopted these technologies, the concern of some customers and governmental entities over finished products that contain GMOs could impact demand for crops (and ultimately seed) raised from seed containing such traits.

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

Overall profitability will depend on the factors noted above as well as weather conditions, government policies in all countries where we sell products and operate, worldwide commodity prices, our ability to successfully open new international markets, our ability to 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 D&PL are working, our technology partners' ability to successfully

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defend challenges to proprietary technologies licensed to us and our ability to produce sufficient commercial quantities of high quality planting seed of these products. Any delay in or inability to successfully complete these projects may affect future profitability.

The risks and uncertainties that may affect the operations, performance, development and results of D&PL's business include those noted elsewhere in this Item and in "Risks and Uncertainties" in Item 7 of D&PL's Form 10-K filed for the year ended August 31, 2002.

Item 6. Exhibits and Reports on Form 8-K

Exhibits.

99.01 Certification of Chief Executive Officer of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350

99.02 Certification of Chief Financial Officer of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350

Reports on Form 8-K.

On March 26, 2003, D&PL filed a report on Form 8-K dated March 26, 2003 under Items 5 and 7 announcing a press release of Delta and Pine Land Company dated March 26, 2003, reporting Delta and Pine Land Company's results of operations and financial condition for the quarter and six months ended February 28, 2003.

### SIGNATURES

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

#### DELTA AND PINE LAND COMPANY

Date: April 14, 2003 /s/ W. THOMAS JAGODINSKI  
-----  
W. Thomas Jagodinski  
President, Chief Executive Officer and Director

Date: April 14, 2003 /s/ R. D. GREENE  
-----  
R. D. Greene  
Vice President - Finance, Treasurer and Assistant  
Secretary

Certification of Chief Executive Officer

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Pursuant to Section 302 of the  
Sarbanes-Oxley Act of 2002

I, W. Thomas Jagodinski, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Delta and Pine Land Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Date: April 14, 2003

/s/ W. THOMAS JAGODINSKI

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W. Thomas Jagodinski  
President, Chief Executive Officer and Director

Certification of Chief Financial Officer  
Pursuant to Section 302 of the  
Sarbanes-Oxley Act of 2002

I, R. D. Greene, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Delta and Pine Land Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report; and
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report.
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely

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affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2003

/s/ R. D. GREENE

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R. D. Greene

Vice President-Finance, Treasurer and Assistant Secretary