DELTA & PINE LAND CO
Form 10-Q
July 16, 2001

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 May 31, 2001 or

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _____ to _____

Commission File Number: 000-21788

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

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

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

Registrant's telephone number, including area code:
(662) 742-4500

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

YES (x) NO ( )

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock, $0.10 Par Value - 38,538,994 shares outstanding as of May 31, 2001.

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
Item 1. Consolidated Financial Statements

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

	May 31, 2000
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 61,845
Receivables, net	260,376
Inventories	47,276
Prepaid expenses	1,666
Deferred income taxes	13,070
Total current assets	384,233
PROPERTY, PLANT and EQUIPMENT, net	64,001
EXCESS OF COST OVER NET ASSETS OF	

BUSINESS ACQUIRED, net	4,559
INTANGIBLES, net	4,296
OTHER ASSETS	2,961
	$ 460,050
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Notes payable	$ 1,001
Accounts payable	15,370
Accrued expenses	213,054
Income taxes payable	51,067
Total current liabilities	280,492
LONG-TERM DEBT, less current maturities	189
DEFERRED INCOME TAXES	5,774
MINORITY INTEREST IN SUBSIDIARIES	8,620
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;	
38,919,467; 38,945,725 and 39,106,960 shares issued; 38,351,501; 38,377,759 and 38,538,994 shares outstanding	3,891
Capital in excess of par value	44,609
Retained earnings	129,415
Accumulated other comprehensive loss	(3,171)
Treasury stock at cost, 567,966; 567,966 and 567,966 shares	(9,876)
Total stockholders' equity	164,975
	$ 460,050

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

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED

(in thousands, except per share amounts)
(Unaudited)

	May 31, 2000
NET SALES AND LICENSING FEES	$ 177,365
COST OF SALES	112,175
GROSS PROFIT	65,190
OPERATING EXPENSES:	
Research and development	4,435
Selling	4,022
General and administrative	3,700
	12,157
Special charges and unusual income item	(820)
OPERATING INCOME	52,213
INTEREST EXPENSE, net	(77)
OTHER EXPENSE, net	(489)
MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES	(141)
INCOME BEFORE INCOME TAXES	51,506
INCOME TAX PROVISION	16,618
NET INCOME	34,888
DIVIDENDS ON PREFERRED STOCK	(32)
NET INCOME APPLICABLE TO COMMON SHARES	$ 34,856
BASIC NET INCOME PER SHARE	$ 0.91
NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS	38,319
DILUTED NET INCOME PER SHARE	$ 0.88
NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS	39,845
DIVIDENDS PER COMMON SHARE	$ 0.03

The accompanying notes are an integral part of these statements.

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

	May 31, 2000
NET SALES AND LICENSING FEES	$ 286,116
COST OF SALES	189,585
GROSS PROFIT	96,531
OPERATING EXPENSES:	
Research and development	13,816
Selling	10,855
General and administrative	9,769
	34,440
Special charges and unusual income item	73,407
OPERATING INCOME	135,498
INTEREST (EXPENSE) INCOME net	(265)
OTHER EXPENSE, net	(411)
MINORITY INTEREST IN LOSS (EARNINGS) OF SUBSIDIARIES	18
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	134,840
INCOME TAX PROVISION	47,868
NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	86,972
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR STARTUP COSTS, NET	(2,965)
NET INCOME	84,007
DIVIDENDS ON PREFERRED STOCK	(96)
NET INCOME APPLICABLE TO COMMON SHARES	$ 83,911
BASIC NET INCOME PER SHARE	$ 2.25
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(0.08)

NET INCOME	$ 2.17
NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS	38,541
DILUTED NET INCOME PER SHARE	$ 2.16
CUMULATIVE EFFECT OF ACCOUNTING CHANGE	(0.07)
NET INCOME	$ 2.09
NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS	40,157
DIVIDENDS PER COMMON SHARE	$ 0.09

The accompanying notes are an integral part of these statements.

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

	May 31, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$ 84,007
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation and amortization	4,551
Gain on sale of equipment	-
Minority interest in net (loss) income of subsidiaries	(18)
Noncash changes in other comprehensive income	-
Changes in current assets and liabilities:	
Receivables	(112,450)
Inventories	451
Prepaid expenses	(193)
Accounts payable	(4,620)
Accrued expenses	69,993
Deferred income taxes	(204)
Income taxes payable	42,985
Intangibles and other assets	1,134
Net cash provided by (used in) operating activities	85,636

CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(3,287)
Sale of investment property	-
Net cash used in investing activities	(3,287)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments of short-term debt	(3,156)
Payments of long-term debt	(65,028)
Dividends paid	(3,562)
Proceeds from long-term debt	48,217
Proceeds from short-term debt	338
Minority interest portion of investment in subsidiaries	250
Minority interest in dividends paid by subsidiaries	(241)
Payments to acquire treasury stock	(7,703)
Proceeds from exercise of stock options	3,455
Net cash used in financing activities	(27,430)
EFFECTS OF FOREIGN CURRENCY TRANSLATION LOSSES	(626)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,293
CASH AND CASH EQUIVALENTS, as of August 31	7,552
CASH AND CASH EQUIVALENTS, as of May 31	$ 61,845
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the nine months for:	
Interest, net of capitalized interest	$ 1,100
Income taxes	$ 1,000
Noncash financing activities:	
Tax benefit of stock option exercises	$ 1,600

The accompanying notes are an integral part of these statements.

DELTA AND PINE LAND COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands, except percentages and share amounts)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the consolidated financial statements have been

included. Due to the seasonal nature of Delta and Pine Land Company and subsidiaries' (the "Company") business, the results of operations for the three and nine month periods ended May 31, 2000 and May 31, 2001 or for any quarterly period, are not necessarily indicative of the results to be expected for the full year. For further information reference should be made to the consolidated financial statements and footnotes thereto included in the Company's Annual Report to Stockholders on Form 10-K for the fiscal year ended August 31, 2000.

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

2. COMPREHENSIVE INCOME/LOSS

Total comprehensive income for the three and nine months ended May 31, 2000 and May 31, 2001, was (in thousands):

	Three Months Ended		Nin
	May 31, 2000	May 31, 2001	May 31 2000
Net income	$ 34,888	$ 22,928	$84
Other comprehensive income (loss):			
Foreign currency translation gains/(losses)	779	(528)	(
Unrealized gain/(losses) on hedging instruments	-	346	
Income tax (expense) benefit related to other comprehensive income	(252)	67	
Other comprehensive income (loss), net of tax	527	(115)	(
Total comprehensive income	$35,415	$ 22,813	$83

3. SEGMENT DISCLOSURES

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

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

ended August 31, 2000 with significant changes described in Note 1 to the financial statements.

Information about the Company's segments for the three and nine months ended May 31, 2000 and May 31, 2001 is as follows (in thousands):

	Three Months Ended		Nine Months
	May 31, 2000	May 31, 2001	May 31, 2000
Net sales			
Domestic	$ 169,157	$ 129,365	$ 259,082
International	8,208	9,966	27,034
	$ 177,365	$ 139,331	$ 286,116
Operating income			
Domestic	$ 51,287	$ 34,754	$ 129,907
International	926	2,155	5,591
	$ 52,213	$ 36,909	$ 135,498

Material Changes in Assets:

Inventories increased approximately $4,190 to $39,468 at May 31, 2001 from $35,278 at August 31, 2000. This increase reflects increased bulk and bag inventory levels of cotton seed deemed necessary to fulfill anticipated sales due to early season acreage estimates that ranged as high as 17.0 million cotton acres.

4. RECENT ACCOUNTING PRONOUNCEMENTS

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. D&PL adopted SFAS 133 effective September 1, 2000. The adoption of this statement did not have a material impact on D&PL's results of operations, financial position or cash flows.

Effective September 1, 1999, the Company adopted the reporting requirements of SOP 98-5 which resulted in a write-off, net of tax, of approximately $2,965 ($0.08 per share). To apply the new method retroactively, an adjustment of $2,965 (after income tax benefits of $1,817) is included in income for the first

fiscal quarter of 2000.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB 101"). SAB 101 provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. In June 2000, the SEC issued an amendment to SAB 101 which allows registrants to wait until the fourth quarter of their first fiscal year beginning after December 15, 1999 to implement SAB 101. Therefore, D&PL must adopt the requirements of SAB 101 effective no later than June 1, 2001. Management does not believe that the adoption of SAB 101 will not have a material impact on the Company's annual financial statements.

5. INVENTORIES

Inventories consisted of the following (in thousands):

	May 31, 2000	August 31, 2000	May 20
Finished goods	$ 39,104	$ 28,649	$
Raw materials	17,786	11,327	
Growing crops	766	1,744	
Supplies and other	637	1,165	
	58,293	42,885	
Less reserves	(11,017)	(7,607)	
	$ 47,276	$ 35,278	$

Substantially all finished goods and raw material inventory is valued at the lower of average cost or market. Growing crops are recorded at cost. See footnote 7 for description of hedging activities.

6. PROPERTY, PLANT AND EQUIPMENT

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

	May 31, 2000	August 31, 2000
Land and improvements	$ 4,091	$ 4,046
Buildings and improvements	37,365	37,759
Machinery and equipment	46,589	46,239
Germplasm	7,500	7,500
Breeder and foundation seed	2,000	2,000

Construction in progress	2,489	4,444
	100,034	101,988
Less accumulated depreciation	(36,033)	(36,944)
	$ 64,001	$ 65,044

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses various financial instruments that are considered derivatives to mitigate its risk to variability in cash flows related to soybean purchases and to effectively fix the cost of a significant portion of its soybean raw material inventory. The terms of the hedging derivatives used by the Company are negotiated to approximate the terms of the forecasted transaction; therefore, the Company expects the instruments used in hedging transactions to be highly effective in offsetting changes in cash flows of the hedged items. Realized and unrealized hedging gains and losses are recorded as a component of other comprehensive income and are reclassified into earnings in the period in which the forecasted transaction effects earnings (i.e. is sold or disposed) and generally occurs during the Company's second and third fiscal quarters. The Company does not speculate in derivatives.

The Company's hedging strategy is to offset the gains or losses on derivative instruments gains or losses on the underlying purchased commodity. The Company uses futures contracts, options and spreads to hedge its exposure to the variability in the price of its purchased soybeans. Quantities hedged that do not exceed the forecasted transactions are accounted for as cash flow hedges. However, to the extent that the quantities hedged exceed the forecasted transactions, the Company accounts for these derivative instruments as fair value hedges. The Company does not enter into any derivative instruments that extend into the future for more than one fiscal year. For the three and nine months ended May 31, 2001, the Company recorded no gains or losses in earnings as a result of hedge ineffectiveness or discontinuance of cash flow hedges.

During the three months ended May 31, 2001, $366 of expense that previously had been deferred to other comprehensive income was reclassified from equity to earnings. The Company recorded an additional loss on hedging instruments of $297 in the third quarter ended May 31, 2001. These charges are reflected as a component of cost of sales. The Company will not record additional gains or losses in its fourth fiscal quarter related to hedging activities as all remaining open contracts relate to forecasted transactions for the next fiscal year. If the value of the underlying commodity does not change from the quarter ended May 31, 2001, the unrealized loss reflected as a component of accumulated other comprehensive loss would be reclassified into earnings within the next fiscal year. The actual amount that will be reclassified in earnings may vary from this amount as a result of changes in market conditions.

8. CONTINGENCIES

The Company is named as a defendant in various lawsuits that allege, among other things, that certain of the Company's products (including Monsanto's technology) did not perform as the farmer had anticipated or expected. In many of these suits, Monsanto and, in some cases, the distributor/dealer who sold the seed were also named. In all cases where the seed sold contained either or both of Monsanto's Bollgard and Roundup Ready gene technologies, D&PL tendered the

defense of these cases to Monsanto and requested indemnity. Pursuant to the terms of the February 6, 1996 Bollgard Gene License and Seed Services Agreement (the "Bollgard Agreement") and the February 6, 1996 Roundup Ready Gene License and Seed Services Agreement (the "Roundup Ready Agreement") (both as amended December 8, 1999) D&PL has a right to be contractually indemnified by Monsanto against all claims arising out of the failure of Monsanto's gene technology. Some of the product liability lawsuits contain varietal claims which are aimed solely at the Company. D&PL does not have a right to indemnification from Monsanto, however, for any claims involving varietal characteristics separate from or in addition to the failure of the Monsanto gene technology. The Company believes that the resolution of these matters will not have a material impact on its consolidated financial statements. The Company intends to vigorously defend itself in these matters.
See Part II, Item I for a discussion of each case.

In October 1996, Mycogen Plant Science, Inc. and Agrigenetics, Inc. (collectively "Mycogen") filed a lawsuit in U.S. District Court in Delaware naming D&PL, Monsanto and DeKalb Genetics as defendants alleging that two of Mycogen's patents have been infringed by the defendants by making, selling, and licensing seed that contains the Bollgard gene. The suit, which went to trial in January 1998, sought injunctions against alleged infringement, compensatory damages, treble damages and attorney's fees and court costs. A jury found in favor of D&PL and Monsanto on issues of infringement holding Mycogen's patents invalid. Mycogen subsequently re-filed a motion for a new trial and for a judgment in favor of Mycogen as a matter of law. The trial court has ruled in these motions holding for Mycogen on certain issues but sustaining the jury verdict in favor of D&PL and Monsanto. Mycogen then appealed. On March 14, 2001, the U.S. Court of Appeals for the Federal Circuit affirmed the District Court's judgment for D&PL and Monsanto. Mycogen did not file a petition for certiorari in the United States Supreme Court and the time for such a petition has now expired. The judgment in this litigation in favor of D&PL and Monsanto is now final. Pursuant to the terms of the Bollgard Agreement, Monsanto was required to defend D&PL against patent infringement claims and to indemnify D&PL against damages, if any, had been awarded.

In December 1999, 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. 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 the Company's former Guatemalan distributor sued in 1989 asserting that the Company violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,300,000 Guatemalan quetzales (approximately $681,000 at current exchange rates) and an injunction preventing the Company from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. Management believes that the resolution of the matter will not have a material impact on the Company's consolidated financial statements. The Company continues to offer seed for sale in Guatemala.

In November 1999, Bios Agrosystems S.A. ("Bios"), a former distributor of SureGrow brand cottonseed in Greece, brought suit in the U.S. District Court in Delaware against D&PL International Technology, D&PL's subsidiary, to enjoin the

termination of its distributorship which was to become effective at the end of November 1999. The suit demanded a declaratory judgment that the termination is not effective and compensatory and punitive damages for wrongful termination. Bios also filed a request for arbitration and a parallel suit seeking injunctive relief in a Greek court. In January 2000, the U. S. District Court denied the request for an injunction to prevent termination of Bios' distributorship and subsequently enjoined Bios from proceeding with parallel litigation in the Greek courts. Bios filed an interlocutory appeal to the District Court's Order on injunctive relief to the United States Court of Appeals for the Third Circuit. In March 2001, Bios dismissed its interlocutory appeal. The case remains pending in District Court. Bios has not indicated whether or not it will continue to seek to arbitrate its claims. D&PL believes this litigation will be resolved without material effect on D&PL's consolidated financial condition and without interference with the distribution of SureGrow brand cottonseed in Greece.

On July 18, 1996, the United States Department of Justice, Antitrust Division ("USDOJ"), served a Civil Investigative Demand (the "1996 CID") on D&PL seeking information and documents in connection with its investigation of the acquisition by D&PL of the stock of Arizona Processing, Inc., Ellis Brothers Seed, Inc. and Mississippi Seed, Inc. (which own the outstanding common stock of Sure Grow Seed, Inc.). The CID states that the USDOJ is investigating whether these transactions may have violated the provisions of Section 7 of the Clayton Act, 15 USC ss.18. D&PL has responded to the CID, employees were examined in 1997 by the USDOJ, and D&PL is committed to full cooperation with the USDOJ. D&PL believes that it has demonstrated to the USDOJ that this acquisition did not constitute a violation of the Clayton Act or any other anti-trust law.

On August 9, 1999, D&PL and Monsanto received Civil Investigative Demands (the "1999 CID") from the USDOJ, seeking to determine whether there had been any inappropriate exchanges of information between Monsanto and D&PL or if any acquisitions are likely to have substantially lessened competition in the sale or development of cottonseed or cottonseed genetic traits. In September 1999, D&PL complied with the USDOJ's request for information and documents in the 1999 CID. The USDOJ has taken no further action directed toward D&PL in connection with the 1999 CID.

D&PL expects that both the 1996 CID and the 1999 CID will be closed, with respect to D&PL, with no material effect to the Company's consolidated financial condition or results of operations.

9. EARNINGS PER SHARE

Dilutive common share equivalents consist of both the Company's series M Convertible Non-Voting Preferred shares and the outstanding options to purchase the Company's common stock that have been issued under the 1993 Stock Option Plan and the 1995 Long-Term Incentive Plan. Approximately 1,532,000 and 809,000 outstanding stock options were not included in the computation of diluted earnings per share for the three months ended May 31, 2000 and 2001, respectively, and approximately 1,484,000 and 809,000 outstanding stock options were not included in the computation of diluted earnings per share for the nine months ended May 31, 2000 and 2001, respectively, because the effect of their exercise was not dilutive based on the average market price of the Company's common stock for each respective reporting period. These options expire at various dates from 2006 to 2011.

For the Three Months Ended		For
May 31, 2000	May 31, 2001	May 3 200

Basic Earnings per Share -			
Net income per share before cumulative effect of accounting change	$ 0.91	$ 0.59	
Cumulative effect of accounting change	-	-	
Net income	$ 0.91	$ 0.59	
Number of shares used in per share calculations	38,319	38,963	
Diluted Earnings per Share -			
Net income per share before cumulative effect of accounting change	$ 0.88	$ 0.56	
Cumulative effect of accounting change	-	-	
Net income	$ 0.88	$ 0.56	
Number of shares used in per share calculations	39,845	40,667	
Dividends per common share	$ 0.03	$ 0.04	

The table below reconciles the basic and diluted per share computations for income before the cumulative effect of a change in accounting principle:

	(in thousands, except per sha		
	For the Three Months Ended		For the
	May 31, 2000	May 31, 2001	May 3 20
Income:			
Net income before cumulative effect of accounting change	$ 34,888	$ 22,928	$ 86,
Less: Preferred stock dividends	(32)	(43)	
Basic EPS:			
Net income before cumulative effect of accounting change	34,856	22,885	86,
Effect of dilutive securities:			
Convertible preferred stock dividends	32	43	
Diluted EPS:			
Net income before cumulative effect of accounting change available to common stockholders plus assumed conversions	$ 34,888	$ 22,928	$ 86
Shares:			
Basic EPS Shares	38,319	38,963	38
Effect of Dilutive Securities:			

Options to purchase stock	459	637	
Convertible preferred stock	1,067	1,067	1
Diluted EPS Shares	39,845	40,667	40
Per Share Amounts:			
Basic	$ 0.91	$ 0.59	$
Diluted	$ 0.88	$ 0.56	$

(1) Net income includes $81 million before related expense and taxes received from Monsanto as part of the merger termination.

PART I.

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

Overview

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

Revenues from domestic seed sales are generally recognized when seed is shipped. Revenues from Bollgard and Roundup Ready licensing fees are calculated based on the number of acres expected to be planted with such seed and are recognized when the seed is shipped. The licensing fees charged to farmers is based on pre-established planting rates for eight regions and the estimated number of seed contained in each bag which may vary by variety, location grown, and other factors. Revenue is recognized based on the established technology fee per unit shipped to each geographic region net of expected crop destruct and replant estimates. International export revenues are recognized upon the later of when seed is shipped or the date letters of credit are confirmed. Generally, international export sales are not subject to return. All other international revenues from the sale of planting seed, less estimated reserves for returns, are recognized when the seed is shipped.

All of the Company's domestic seed products (including Bollgard and Roundup Ready technologies) are subject to return or credit, which vary from year to year. The annual level of returns and, ultimately, net sales are influenced by various factors, principally commodity prices and weather conditions occurring in the spring planting season during the Company's third and fourth quarters. The Company provides for estimated returns as sales occur. To the extent actual returns differ from estimates, adjustments to the Company's operating results are recorded when such differences become known, typically in the Company's fourth quarter. All significant returns occur or are accounted for by fiscal year end.

Net income for the quarter ended May 31, 2001 of $22.9 million was less than the net income of $34.9 million reported in the comparable prior year quarter. Net income in 2001 was favorably affected by 1) a price increase in the domestic cotton programs 2) increased sales by the Company's ex-U.S. subsidiaries and

joint ventures and 3) an increase in interest income and adversely effected by reserves recorded for replant /crop loss for cotton and soybean inventory disposal that was necessitated by lower than expected sales of soybeans.

Results of Operations

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

	For the Three Months Ended		For the Nine M
	May 31, 2000	May 31, 2001	May 31, 2000
Operating results -			
Net sales and licensing fees	$ 177,365	$ 139,331	$286,116
Gross profit	65,190	48,596	96,531
Operating expenses:			
Research and development	4,435	5,081	13,816
Selling	4,022	3,082	10,855
General and administrative	3,700	3,524	9,769
Special charges and unusual income item	(820)	-	73,407
Operating income	52,213	36,909	135,498
Income before income taxes and cumulative effect of accounting change	51,506	36,271	134,840
Net income applicable to common shares	34,856	22,885	83,911

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

	May 31, 2000	August 31, 2000	M
Balance sheet summary-			
Current assets	$ 384,233	$ 313,701	$
Current liabilities	280,492	215,315	
Working capital	103,741	98,386	

Property, plant and equipment, net	64,001	65,044
Total assets	460,050	390,134
Outstanding borrowings	1,190	4,482
Stockholders' equity	164,975	159,628

Three months ended May 31, 2000, compared to three months ended May 31, 2001:

Net sales and licensing fees decreased approximately $38.1 million to $139.3 million from $177.4 million. This decrease is primarily the result of adverse weather during spring planting that significantly reduced planted cotton acreage below early season estimates by industry experts which caused a shift of cottonseed sales into the second quarter and out of the third quarter.

Nine months ended May 31, 2000, compared to nine months ended May 31, 2001:

Net sales and licensing fees increased approximately $13.1 million to $299.2 million from $286.1 million. This increase is primarily the result of a continued market penetration of the Company's stacked gene products in the domestic segment and a cotton seed price increase. Additionally, the International segment experienced increased export sales to Greece, increased sales at the Company's Australian subsidiary, and continued market penetration by the Company's joint ventures in China.

The Company reported net interest income of $2.5 million compared to net interest expense of $0.3 million for the same period of the prior year due to higher levels of available funds.

The Company reported other expense of approximately $2.5 million for the nine months ended May 31, 2001 compared to other expense of approximately $0.4 million for the same period of the prior year which is primarily attributable to additional contingency reserves and related costs and foreign exchange losses.

On May 8, 1998, the Company entered into a merger agreement with Monsanto Company ("Monsanto"), pursuant to which the Company would be merged with and into Monsanto. 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. On December 30, 1999, the Company filed suit (the "December 30 suit") in the First Judicial District of Bolivar County, Mississippi, seeking, among other things, the payment of the $81 million termination fee due pursuant to the merger agreement, compensatory damages of $1 billion and punitive damages in an amount to be proved at trial for Monsanto's breach of contract. On January 2, 2000, the Company and Monsanto reached an agreement whereby the Company would withdraw the December 30 suit, and Monsanto would immediately pay the $81 million. The parties agreed to negotiate in good faith over the following two weeks and Monsanto agreed to make members of its senior management available to conduct such negotiations. It was also agreed that if no consensual resolution was reached, the lawsuit brought by the Company would be re-filed. On January 3, 2000, Monsanto paid to the Company a termination fee of $81 million as required by the merger agreement. On January 18, 2000, the Company re-filed a suit restating essentially all of the allegations contained in the December 30 suit.

Liquidity and Capital Resources

The seasonal nature of the Company's business significantly impacts cash flow and working capital requirements. The Company maintains credit facilities, uses early payments by customers and uses cash from operations to fund working

capital needs. For more than 18 years D&PL has borrowed on a short-term basis to meet seasonal working capital needs.

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

The Company records receivables for licensing fees on Bollgard and Roundup Ready seed sales as the seed is shipped, usually in the Company's second and third quarters. The Company has contracted the billing and collection activities for Bollgard and Roundup Ready licensing fees to Monsanto. In September, the technology fees are due at which time D&PL receives payment from Monsanto. D&PL then pays Monsanto its related royalty.

Until April 2001, the Company maintained a syndicated credit facility with its primary lender and two other financial institutions 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 may be borrowed upon at any time and was due April 1, 2001. The seasonal commitment was a working capital loan that may be drawn upon from September 1 through June 30 of each fiscal year and expired April 1, 2001. In addition, the lead lender approved a $25.0 million credit line that can be activated by the Company as needed. Each commitment offered variable and fixed interest rate options and requires the Company to pay facility or commitment fees and to comply with certain financial covenants.

The financial covenants under the loan agreements required the Company to: (a) maintain a ratio of total liabilities to tangible net worth at August 31, of less than or equal to 2.25 to 1 (4.0 to 1.0 at the Company's other quarter ends) (b) maintain a fixed charge ratio at the end of each quarter greater than or equal to 2.0 to 1.0 and (c) maintain at all times tangible net worth of not less than the sum of (i) $40 million plus (ii) 50% of net income (but not losses) determined on the last day of each fiscal quarter, commencing with August 31, 1998. At May 31, 2001, the Company was in compliance with these covenants.

The lead lender and the Company have executed a commitment letter to renew the existing facility with terms and conditions substantially similar to the newly expired facility. The lead lender has also provided a bridge facility for $30 million which the Company will utilize until the syndicated facility is finalized, which is expected to occur by September 1, 2001. Management believes that the bridge facility, along with cash on hand and cash generated from operations, will be sufficient to meets its working capital needs until the renewed facility is executed.

Capital expenditures for the third quarter of 2001 were $1.5 million ($5.2 million for the nine months ended May 31, 2001). The Company anticipates that domestic capital expenditures will approximate $8.0 million in 2001. Capital expenditures in 2001 for international ventures are expected to range from $2.0 million to $3.0 million depending on the timing and outcome of such projects. Capital expenditures will be funded by cash from operations, borrowings or investments from joint venture partners, as necessary.

The Board of Directors reviews the Company's dividend policy quarterly. In the third quarter of 2001, The Board of Directors authorized a quarterly dividend of $0.04 per share paid June 11, 2001 to the shareholders of record on May 31, 2001.

In the second quarter of 2000, the Board of Directors approved a Stock Repurchase Plan pursuant to which the Company repurchase its outstanding common stock. The shares repurchased will be used for stock issuances pursuant to the Company's stock option plans, the expected conversion of the outstanding convertible Preferred Stock and for other corporate purposes. During the quarter ended May 31, 2001, no shares were repurchased by D&PL.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

The Company and Monsanto were also named as defendants in two additional lawsuits filed in the State of Texas. One lawsuit was filed in the 106th Judicial District Court of Gaines County, Texas, on April 27, 2000, and the other was filed in the 106th Judicial District Court of Dawson County, Texas, on April 20, 1999, although D&PL was not served with process until May 23, 2001. In both cases the plaintiffs allege, among other things, that certain cottonseed acquired from D&PL that contained the Roundup Ready(R) gene did not perform as the farmers had anticipated. The Company and Monsanto are investigating the claims to determine the cause or causes of the alleged problem. Pursuant to the terms of the Roundup Ready(R) Agreement between D&PL and Monsanto, D&PL has tendered the defense of this claim to Monsanto and requested indemnity. Pursuant to the Roundup Ready(R) Agreement, Monsanto is contractually obligated to defend and indemnify the Company against all claims arising out of the failure of the Roundup(R) glyphosate tolerance gene. D&PL will not have a right of indemnification from Monsanto, however, for any claim involving defective varietal characteristics separate from or in addition to the herbicide tolerance gene and such claims are contained in this litigation.

The Company and Monsanto are named as defendants, along with local seed or technology distributors in twenty lawsuits filed in Alabama. Four were filed in Autauga County, three on March 23, 2000 and one on March 27, 2000; three were filed in Barbour County, two on October 19, 2000, and one on November 7, 2000; three were filed in Chilton County on March 22, 2000; one was filed in Dallas County on March 22, 2000; one was filed in Elmore County on March 22, 2000; one was filed in Escambia County on April 5, 2000; two were filed in Lowndes County, one on March 14 and one on March 22, 2000; one was filed in Wilcox County on March 22, 2000; two were filed in Limestone County, one on April 25, 2001, and one on May 17, 2001; and two were filed in Lauderdale County, one on April 6, 2001 and one on April 20, 2001. These lawsuits, with the exception of the Escambia and Barbour County cases, were removed to the United States District Court for the Middle District of Alabama, but subsequently remanded back to the

state court in which they were filed. In each case the plaintiff alleges, among other things, that certain cottonseed acquired from D&PL, which contained either the Roundup Ready(R) gene, the Bollgard(R) gene or both of such genes, did not perform as the farmers had anticipated or as allegedly represented to them. These lawsuits also include varietal claims aimed solely at the Company. Twelve of these lawsuits were earlier filed as seed arbitration claims with the Alabama Department of Agriculture. Eleven were dismissed for lack of jurisdiction by that entity, the case in Escambia County was heard and the Company was exonerated from liability. The Company and Monsanto have investigated the claims, and are continuing to investigate the claims, to determine the cause or causes of the alleged problem. Pursuant to the terms of the Roundup Ready(R) Agreement between D&PL and Monsanto and the Bollgard(R) Gene Licensing Agreement between D&PL and Monsanto, D&PL has a contractual right to be indemnified against all claims arising out of the failure of Monsanto's gene technology. D&PL will not have a right to indemnification, however, from Monsanto for any claim involving varietal characteristics separate from or in addition to the failure of the Monsanto technology and such claims are contained in each of these lawsuits.

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

On March 7, 2001, the Company and Monsanto and local distributors were named in a lawsuit filed in Bladen County, North Carolina. This case was removed to the United States District Court for the Eastern District of North Carolina. This lawsuit alleges that certain cottonseed varieties containing the Roundup Ready(R) gene did not perform as promised and that the farmer suffered as a result of lack of tolerance of his growing crop to applications of Roundup(R). The Company and Monsanto are investigating this claim to determine the cause or causes of the alleged problem. Pursuant to the terms of the Roundup Ready(R) Agreement between D&PL and Monsanto, D&PL has tendered the defense of this claim to Monsanto and requested indemnity. Pursuant to the Roundup Ready(R) Agreement, Monsanto is contractually obligated to defend and indemnify the Company against all claims arising out of the failure of the Roundup Ready(R) gene. D&PL will not have a right to indemnification from Monsanto, however, for any claim involving defective varietal characteristics separate from or in addition to the failure of the herbicide tolerance gene and such claims are contained in this complaint.

On February 5, 2001, D&PL and Monsanto and a local seed distributor were named in a lawsuit filed in the Sixth Judicial Court, Parish of East Carroll, Louisiana. This lawsuit alleges that certain cottonseed varieties sold by D&PL

which contained Monsanto's licensed gene technology suffered from a disease or malady known as bronze wilt. The Company and Monsanto are presently investigating this claim to determine the cause or causes of the alleged problem. The lawsuit does not allege that the Monsanto gene technology failed and, accordingly, it does not appear that D&PL has a claim for indemnity or defense under the Roundup Ready(R) Gene Agreement as the claim alleges defective varietal characteristics only.

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

In October 1996, Mycogen Plant Science, Inc. and Agrigenetics, Inc. (collectively "Mycogen") filed a lawsuit in United States District Court in Delaware naming D&PL, Monsanto and DeKalb Genetics as defendants alleging that two of Mycogen's patents have been infringed by the defendants by making, selling, and licensing seed that contains the Bollgard gene. The suit, which went to trial in January 1998, sought injunctions against alleged infringement, compensatory damages, treble damages and attorney's fees and court costs. A jury found in favor of D&PL and Monsanto on issues of infringement holding Mycogen's patents invalid. Mycogen subsequently re-filed a motion for a new trial and for a judgment in favor of Mycogen as a matter of law. The trial court has ruled in these motions holding for Mycogen on certain issues but sustaining the jury verdict in favor of D&PL and Monsanto. Mycogen then appealed. On March 14, 2001, the United States Court of Appeals for the Federal Circuit affirmed the District Court's judgment for D&PL and Monsanto. Mycogen did not file a petition for certiorari in the United States Supreme Court and the time for such a petition has now expired. The judgment in this litigation in favor od D&PL and Monsanto is now final. Pursuant to the terms of the Bollgard Agreement, Monsanto was required to defend D&PL against patent infringement claims and to indemnify D&PL against damages, if any, had been awarded.

In December 1999, 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. 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 the Company's former Guatemalan distributor sued in 1989 asserting that the Company violated an agreement with it by granting to another entity an exclusive license in certain areas of Central America and southern Mexico. The suit seeks damages of 5,300,000 Guatemalan quetzales (approximately $681,000 at current exchange rates) and an injunction preventing the Company from distributing seed through any other licensee in that region. The Guatemalan court, where this action is proceeding, has twice declined to approve the injunction sought. Management believes that the resolution of the matter will not have a material impact on the Company's

consolidated financial statements. The Company continues to offer seed for sale in Guatemala.

In November 1999, Bios Agrosystems S.A. ("Bios"), a former distributor of SureGrow brand cottonseed in Greece, brought suit in the U.S. District Court in Delaware against D&PL International Technology, D&PL's subsidiary, to enjoin the termination of its distributorship which was to become effective at the end of November 1999. The suit demanded a declaratory judgment that the termination is not effective and compensatory and punitive damages for wrongful termination. Bios also filed a request for arbitration and a parallel suit seeking injunctive relief in a Greek court. In January 2000, the U. S. District Court denied the request for an injunction to prevent termination of Bios' distributorship and subsequently enjoined Bios from proceeding with parallel litigation in the Greek courts. Bios filed an interlocutory appeal to the District Court's Order on injunctive relief to the United States Court of Appeals for the Third Circuit. In March 2001, Bios dismissed its interlocutory appeal. The case remains pending in District Court. Bios has not indicated whether or not it will continue to seek to arbitrate its claims. D&PL believes this litigation will be resolved without material effect on D&PL's consolidated financial condition and without interference with the distribution of SureGrow brand cottonseed in Greece.

On July 18, 1996, the United States Department of Justice, Antitrust Division ("USDOJ"), served a Civil Investigative Demand (the "1996 CID") on D&PL seeking information and documents in connection with its investigation of the acquisition by D&PL of the stock of Arizona Processing, Inc., Ellis Brothers Seed, Inc. and Mississippi Seed, Inc. (which own the outstanding common stock of Sure Grow Seed, Inc.). The CID states that the USDOJ is investigating whether these transactions may have violated the provisions of Section 7 of the Clayton Act, 15 USC ss.18. D&PL has responded to the CID, employees were examined in 1997 by the USDOJ, and D&PL is committed to full cooperation with the USDOJ. D&PL believes that it has demonstrated to the USDOJ that this acquisition did not constitute a violation of the Clayton Act or any other anti-trust law.

On August 9, 1999, D&PL and Monsanto received Civil Investigative Demands from the USDOJ, seeking to determine whether there had been any inappropriate exchanges of information between Monsanto and D&PL or if any acquisitions are likely to have substantially lessened competition in the sale or development of cottonseed or cottonseed genetic traits. In September 1999, D&PL complied with the USDOJ's request for information and documents in the 1999 CID. The USDOJ has taken no further action directed toward D&PL in connection with the 1999 CID.

D&PL expects that both the 1996 CID and the 1999 CID will be closed, with respect to D&PL, with no material effect to the Company's consolidated financial condition or results of operations.

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 June 20, 2001. The following matters were brought to a vote with the noted results:

Item	For	Against	Abstain
1. Re-elect of Class II Director Joseph M. Murphy	32,238,202	0	41,605
2. Re-elect of Class II Director	32,248,308	0	31,499

Rudi E. Scheidt

Item 5. Business

Domestic

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

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

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

International

The Company markets its products, primarily cottonseed, internationally. Over a period of years, the Company has strengthened and expanded its international staff in order to support its expanding international business, primarily through joint ventures. In foreign countries, cotton acreage is often planted with farmer-saved seed which has not been delinted or treated and is of low overall quality. Management believes that D&PL has an attractive opportunity to penetrate foreign markets because of its widely adaptable, superior cotton varieties, technological know-how in producing and conditioning high-quality seed and brand name recognition. Furthermore, in many countries the Bollgard gene technology and Roundup Ready gene technology licensed from Monsanto is effective and could bring value to farmers.

D&PL sells its products in foreign countries through (i) export sales from the U.S., (ii) direct in-country operations and to a lesser degree (iii) distributors or licensees. The method varies and evolves, depending upon the Company's assessment of the potential size and profitability of the market, governmental policies, currency and credit risks, sophistication of the target country's agricultural economy, and costs (as compared to risks) of commencing physical operations in a particular country. Prior to 1999, a majority of the Company's international sales resulted from exports from the U.S. of the Company's products rather than direct in-country operations. Since 1999, direct in-country operations through joint ventures or subsidiaries (primarily Argentina, Australia, Brazil, China, and South Africa) have comprised over one-half of total international sales (which have represented approximately 10% of consolidated sales). In 2000 and the first three quarters of 2001, the majority of international sales were comprised of sales in China, Australia,

Greece, and South Africa.

Joint Ventures

D&M International, LLC, is a venture through which D&PL (the managing member) and Monsanto plan to introduce, in combination, cotton planting seed in international markets combining D&PL's acid delinting technology and elite germplasm and Monsanto's Bollgard and Roundup Ready gene technologies. In November 1995, D&M International, LLC formed a subsidiary, D&PL China Pte Ltd. ("D&PL China"). In November 1996, D&PL China formed with parties in Hebei Province, one of the major cotton producing regions in the People's Republic of China, Hebei Ji Dai Cottonseed Technology Company Ltd. ("Ji Dai"), a joint venture controlled by D&PL China. In December 1997, Ji Dai completed construction of a cottonseed conditioning and storage facility in Shijiazhuang, Hebei, China, under terms of the joint venture agreement, and seed processing and sales commenced in 1998.

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

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. Under the terms of the joint venture agreement, the newly formed entity will produce, condition and sell acid delinted D&PL varieties of cottonseed which contain Monsanto's Bollgard gene. The joint venture received authority to operate from the Chinese government after the 1999 selling season was completed; therefore, commercial sales of D&PL cotton varieties containing the Bollgard gene technology began in 2000.

In November 1998, D&M International LLC and Maeda Administracao e Participacoes Ltda, an affiliate of Agropem - Agro Pecuria Maeda S.A., formed a joint venture in Minas Gerais, Brazil. The new company, MDM Maeda Deltapine Monsanto Algodao Ltda. ("MDM"), produces, conditions and sells acid-delinted D&PL varieties of cotton planting seed. In 2000, the Company began selling D&PL conventional cotton varieties and first year sales accounted for more than 20% of cotton acreage planted in Brazil. The newly formed company will introduce transgenic cottonseed varieties containing both Bollgard and Roundup Ready gene technologies in the Brazilian market as soon as government approvals are obtained.

Subsidiaries

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

Deltapine Australia Pty. Ltd., a wholly-owned Australian subsidiary of D&PL, conducts breeding, production, conditioning and marketing of cotton planting

seed in Australia. Certain varieties developed in Australia are well adapted to other Southern Hemisphere cotton producing countries and Australian developed varieties are exported to these areas. The Company sells seed of both conventional and transgenic varieties in Australia. The Company, through its Australian operations, is identifying smaller potential export markets for the Company's products throughout Southeast Asia. The adaptability of the Company's germplasm must be evaluated in the target markets before such sales can be made. The recent instability of the economies in some of the countries in this region will make rapid market development more difficult.

Employees

As of May 31, 2001, the Company employed in the United States a total of 533 full time, non-seasonal, employees plus an estimated 86 employees of ex-US joint ventures. Due to the nature of the business, the Company utilizes seasonal employees in its delinting plants and its research and foundation seed programs. The maximum number of seasonal employees approximates 300 and typically occurs in October and November of each year. The Company considers its employee relations to be good.

Acquisitions

In 1996, D&PL acquired Ellis Brothers Seed, Inc., Arizona Processing, Inc. and Mississippi Seed, Inc., which own the outstanding common stock of Sure Grow Seed, Inc., (the "Sure Grow Companies") in exchange for stock valued at approximately $70 million on the day of closing. D&PL exchanged 2.8 million shares of its common stock (after all stock splits) for all outstanding shares of the three companies. The merger was accounted for as a pooling-of-interests. The Company continues to market upland picker cottonseed varieties under the Sure Grow brand. Additionally, the Sure Grow breeding program has full access to Monsanto's Bollgard and Roundup Ready gene technologies.

In 1996, the Company acquired Hartz Cotton, Inc. from Monsanto, which included inventories of cotton planting seed of Hartz upland picker varieties, germplasm, breeding stocks, trademarks, trade names and other assets, for approximately $6.0 million. The consideration consisted primarily of 1,066,667 shares (after all stock splits) of the Company's Series M Convertible Non-Voting Preferred Stock.

In 1994, D&PL acquired the Paymaster and Lankart cotton planting seed business ("Paymaster"), for approximately $14.0 million. Since the 1940's, the Paymaster(R) and Lankart(R) upland stripper cottonseed varieties have been developed for and marketed primarily in the High Plains of Texas and Oklahoma (the "High Plains"). Although the Paymaster varieties are planted on approximately 80% of the estimated 4.0 to 5.0 million cotton acres in the High Plains, only a portion of that seed is actually sold by Paymaster. Farmer-saved seed accounts for a significant portion of the seed needed to plant the acreage in this market area. Prior to 1997, the seed needed to plant the remaining acreage was sold by Paymaster and its 12 sales associates through a certified seed program. Under this program, Paymaster sold parent seed to its contract growers who planted, produced and harvested the progeny of the parent seed, which Paymaster then purchased from the growers. The progeny of the parent seed was then sold by Paymaster to the sales associates who in turn delinted, conditioned, bagged and sold it to others as certified seed. The sales associates paid a royalty to Paymaster on certified seed sales. Beginning in fiscal 1997, the certified seed program was discontinued and the Company, in addition to producing parent seed, commenced delinting, conditioning and bagging finished seed. Unconditioned seed is also supplied by D&PL to two contract processors who delint, condition and bag seed for a fee. This finished seed is sold by Paymaster to distributors and dealers.

The Company acquired, in 1994, from the Supima Association of America ("Supima") certain planting seed inventory, the right to use the Supima(R) trade name and trademark and the right to distribute Pima extra-long staple (fiber-length) cotton varieties. D&PL also entered into a research agreement with a third party to develop Pima varieties that allows D&PL the right of first refusal for any Pima varieties developed under this program. Pima seed is produced, conditioned and sold by D&PL to distributors and dealers.

Biotechnology

Collaborative biotechnology licensing agreements, which were executed with Monsanto in 1992 and subsequently revised in 1993 and amended and restated in 1996 and further amended in December 1999, provide for the commercialization of Monsanto's Bollgard ("Bacillus thuringiensis" or "Bt") gene technology in D&PL's varieties in the United States. The selected Bt is a bacterium found naturally in soil and produces proteins toxic to certain lepidopteran larvae, the principal cotton pests in many cotton growing areas. Monsanto created a transgenic cotton plant by inserting Bt genes into cotton plant tissue. This transgenic plant tissue is lethal to certain lepidopteran larvae that consume it. The gene and related technology were patented or licensed from others by Monsanto and were licensed to D&PL for use under the trade name Bollgard. In D&PL's primary markets, the cost of insecticides is the largest single expenditure for many cotton growers. The insect resistant capabilities of transgenic cotton containing the Bollgard gene may reduce the amount of insecticide required to be applied by cotton growers using planting seed containing the Bollgard gene. In October 1995, Monsanto was notified that the United States Environmental Protection Agency ("EPA") had completed its initial registration of the Bollgard gene technology, thus clearing the way for commercial sales of seed containing the Bollgard gene. In 1996, D&PL sold commercially for the first time two Deltapine varieties, which contained the Bollgard gene, in accordance with the terms of the Bollgard Gene License and Seed Services Agreement (the "Bollgard Agreement") between the Company and Monsanto. This initial EPA registration had been set to expire on January 1, 2001 but has been updated to expire January 1, 2002, 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. The distributor/dealers who coordinate the farmer licensing process receive a service payment not to exceed 20% of the technology sublicensing fee. After the dealers and distributors are compensated, D&M Partners pays Monsanto a royalty equal to 71% of the net sublicense fee (technology sublicensing fees less distributor/dealer payments) and D&PL retains 29% for its services. The license agreement continues until the later of the expiration of all patent rights or October 2008. D&M Partners contracts the billing and collection activities for Bollgard and Roundup Ready licensing fees to Monsanto.

Pursuant to the Bollgard Agreement, Monsanto must defend and indemnify D&PL against claims of patent infringement, including all damages awarded or amounts paid in settlements. Monsanto must also indemnify D&PL against a) costs of inventory and b) lost profits on inventory which becomes unsaleable because of patent infringement claims. Monsanto must defend any claims of failure of performance of a Bollgard gene. Monsanto and D&PL share the cost of any product performance claims in proportion to each party's share of the royalty. Indemnity from Monsanto only covers performance claims involving failure of performance of the Bollgard gene and not claims arising from other causes.

In February 1996, the Company and Monsanto executed the Roundup Ready Gene License and Seed Services Agreement (the "Roundup Ready Agreement") which provides for the commercialization of Roundup Ready cottonseed. Pursuant to the collaborative biotechnology licensing agreements executed in 1996 and amended in December 1999, D&PL has also developed transgenic cotton varieties that are tolerant to Roundup, a glyphosate-based herbicide sold by Monsanto. In 1996, such Roundup Ready plants were approved by the Food and Drug Administration, the USDA, and the EPA. The Roundup Ready Agreement grants a license to D&PL and certain of its affiliates the right in the United States to sell cottonseed of D&PL's varieties that contain Monsanto's Roundup Ready gene. The Roundup Ready gene makes cotton plants tolerant to contact with Roundup herbicide. Similar to the Bollgard Agreement, farmers must execute limited use sublicenses in order to purchase seed containing the Roundup Ready Gene. The distributors/dealers who coordinate the farmer licensing process receive a portion of the technology sublicensing fee. D&PL's portion of the Roundup Ready technology fee varies depending on the technology fee per acre established by Monsanto. In 1999 and 2000, D&M Partners paid Monsanto approximately 70% of the Roundup Ready technology fees and D&PL retained the remaining 30%.

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

In 2000, the Company had for sale 107 varieties as cotton planting seed for either commercial or experimental purposes. Of those varieties, 16 contain the Bollgard gene technology, 20 contain the Roundup Ready gene technology, 21 contain both gene technologies, and 50 are conventional varieties.

In 2001, the Company had for sale 95 varieties as cotton planting seed for either commercial or experimental purposes. Of those varieties, 11 contain the Bollgard gene technology, 22 contain the Roundup Ready gene technology, 18 contain both gene technologies, and 44 are conventional varieties.

In February 1997, the Company and Monsanto executed the Roundup Ready Soybean License Agreement (the "Roundup Ready Soybean Agreement") which provides for the commercialization of Roundup Ready soybean seed and has provisions similar to the Roundup Ready Agreement for cottonseed. D&PL and Monsanto are currently renegotiating terms of the sale of Roundup Ready(R) Soybeans for 2001 and future years.

On July 27, 1999, United States Patent No. 5,929,300 was issued to the United States of America as represented by the Secretary of Agriculture (USDA) entitled POLLEN BASED TRANSFORMATION SYSTEM USING SOLID MEDIA. D&PL has an option to obtain a license for pollen transformation, subject to certain rights reserved to the USDA. D&PL and the USDA have executed a commercialization agreement. The patent covers transformation of plants.

In March 1998, D&PL was granted United States Patent No. 5,723,765, entitled CONTROL OF PLANT GENE EXPRESSION as well as two subsequently issued patents. These patents are owned jointly by D&PL and the United States of America, as represented by the Secretary of Agriculture. The patents broadly cover plants and seed, both transgenic and conventional, of all species 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 practice non-economic since unauthorized saved seed will not germinate, and would be useless for planting. The patent has the prospect of opening significant worldwide seed markets to the sale of transgenic technology in varietal crops in which crop seed currently is saved and used in subsequent seasons as planting seed. D&PL has stated it intends that licensing of this technology will be made widely available to other seed companies.

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

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

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

Commercial Seed

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

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

In connection with its seed operations, the Company farms approximately 2,600 acres in the U.S., primarily for research purposes and for production of cotton and soybean foundation seed. The Company has annual agreements with various growers to produce seed for cotton and soybeans. The growers plant parent seed purchased from the Company and follow quality assurance procedures required for seed production. If the grower adheres to established Company quality assurance standards throughout the growing season and if the seed meets Company standards

upon harvest, the Company may be obligated to purchase specified minimum quantities of seed, usually in its first and second fiscal quarters, at prices equal to the commodity market price of the seed plus a grower premium. The Company then conditions the seed for sale.

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

Revenues from domestic seed sales are generally recognized when seed is shipped. Revenues from Bollgard and Roundup Ready licensing fees are recognized based on the number of acres expected to be planted with such seed when the seed is shipped. The licensing fee charged to farmers is based on pre-established planting rates for eight geographic regions and the estimated number of seed contained in each bag which may vary by variety, location grown, and other factors. Revenue is recognized based on the established technology fee per unit shipped to each geographic region. International export revenues are recognized upon the later of when seed is shipped or the date letters of credit are confirmed. Generally, international export sales are not subject to return. All other international revenues from the sale of planting seed, less estimated reserves for returns, are recognized when the seed is shipped.

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

Euro Currency Conversion

On January 1, 1999, the euro became the common legal currency of 11 of the 15 member countries of the European Union. On that date, the participating countries fixed conversion rates between their sovereign currencies ("legacy currencies") and the euro. On January 4, 1999, the euro began trading on currency exchanges and became available for non-cash transactions. The legacy currencies will remain legal tender through December 31, 2001. Beginning January 2, 2002, euro-denominated bills and coins will be introduced, and by July 1, 2002, legacy currencies will no longer be legal tender. To date, D&PL has not been affected by the euro currency conversion.

Risks and Uncertainties

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

forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include those noted elsewhere in this Item and filing and the following:

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

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

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

The recent publicity related to genetically modified organisms ("GMOs") or products made from plants that contain GMOs may have an effect on the Company's sales in the future. In 2000, approximately 89% of the Company's cottonseed that was sold in the United States contained either the Bollgard, Roundup Ready, or both gene technologies and 80% of the Company's soybean seed sales contained the Roundup Ready gene technology. Based on the Company's shipments and return estimates at May 31, 2001, approximately 91% of the Company's cottonseed that was sold in the United States in 2001 contained either the Bollgard, Roundup Ready, or both gene technologies and 87% of the Company's soybean seed sales contained the Roundup Ready gene technology. Although many farmers have rapidly adopted these technologies, the alleged concern over finished products that contain GMOs could impact demand for crops (and ultimately seed) raised from seed containing such traits.

Due to the varying levels of agricultural and social development of the international markets in which the Company operates and because of factors within the particular international markets targeted by the Company, international profitability and growth may be less stable and predictable than domestic profitability and growth.

Overall profitability will depend on the factors noted above as well as weather conditions, government policies in all countries where the Company

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

The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include those noted elsewhere in this Item and in "Risks and Uncertainties" in Item 7 of the Company's Form 10K filed for the year ending August 31, 2000.

Item 6. Exhibits and Reports on Form 8-K

Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended May 31, 2001.

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: July 16, 2001

/s/ F. Murray Robinson

F. Murray Robinson, Vice Chairman and Chief Executive Officer

Date: July 16, 2001

/s/ W. Thomas Jagodinski

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