

Monsanto Earnings Beat Estimates as Weedkiller Prices Rise (1)
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(Updates with segment results in eighth paragraph.)

By Jack Kaskey

June 26 (Bloomberg) -- Monsanto Co., the world's largest seed company, reported fiscal third-quarter profit that topped analysts' estimates as higher prices for its Roundup weedkiller helped make up for lower corn and soybean earnings. Net income dropped to \$909 million, or \$1.68 a share, in the three months through May, from \$937 million, or \$1.74, a year earlier, St. Louis-based Monsanto said today in a statement. Per-share profit excluding a legacy tax matter was \$1.66, exceeding the \$1.59 average of 15 estimates compiled by Bloomberg.

Monsanto last month boosted its full-year earnings forecast for the third time in 2013 on expectations of record corn-seed volumes and higher prices for glyphosate herbicide, which the company markets under the Roundup brand. Gross profit in the unit that makes Roundup herbicide gained 31 percent while profit in the larger seed unit declined 10 percent.

"The strength in glyphosate has helped gloss over what appears to be a somewhat tepid third-quarter performance from the seeds segment," Chris Shaw, a New York-based analyst at Monness Crespi Hardt & Co. who recommends buying Monsanto shares, said in a June 24 note.

Retail glyphosate prices have gained about 42 percent from a year ago, Shaw said.

Monsanto fell 0.2 percent to \$101.24 at 9:34 a.m. in New York. The shares have gained 6.9 percent this year.

Revenue Increases

Sales rose 0.7 percent to \$4.25 billion, missing the \$4.43 billion average of 16 estimates. Gains were limited by a reduction in planted cotton, Monsanto said, and a patent dispute in Brazil that eroded soybean revenue. In addition, higher seed-production costs related to last year's drought in the U.S. trimmed earnings, the company said.

Gross profit in the agricultural productivity unit, which makes Roundup, rose to \$447 million from \$342 million on higher sales, Monsanto said. Gross profit from the seed unit fell to \$1.82 billion from \$2.02 billion amid declines in corn, soybeans, cotton and vegetables.

Agricultural productivity earnings were 11 cents more than estimated while seed earnings were 24 cents less than estimated,

Laurence Alexander, a New York-based analyst at Jefferies LLC who recommends holding the shares, said in a note today. A lower-than-expected tax rate added 14 cents to earnings, he said.

Forecast Unchanged

The company reiterated its May forecast for full-year earnings of \$4.50 to \$4.55 a share, excluding some items, trailing the \$4.58 average estimate of 23 analysts. Monsanto said it continues to anticipate that earnings in the fiscal year that begins Sept. 1 will increase by a percentage in the “mid-teens.”

This year’s U.S. corn harvest will increase 30 percent to a record 14 billion bushels and cover the most acres since 1936 as yields recover from the drought, the Department of Agriculture said June 12. The government will update planted acreage estimates on June 28.

Excluded from this year’s forecast is an estimated 20 cents to 25 cents a share of earnings from soybean sales in Brazil, which are the subject of a legal challenge. The company suspended royalty collections for Roundup Ready soybeans late last year because of a legal dispute over patent expiration.

Latin America

Chairman and Chief Executive Officer Hugh Grant is counting on demand outside the core U.S. market, particularly Latin America and Eastern Europe, to drive earnings growth in the coming years.

China this month approved imports of Intacta soybeans, the first beans engineered to control insects, creating a 100 million-acre sales opportunity for beans grown in Latin America, Monsanto President Brett Begemann said today on a conference call. The company said it is targeting 3 million acres of Intacta soybean sales in Brazil’s next growing season.

South America may account for half of the company’s revenue growth next year, Michael E. Cox, a New York-based analyst at Piper Jaffray & Co. who recommends buying the shares, said in a June 24 note.

Monsanto’s seed-testing procedures have come under scrutiny after the USDA said May 29 that experimental white wheat engineered to tolerate Roundup was discovered in an Oregon field eight years after field tests ended. Japan, Korea and Taiwan have suspended imports of U.S. white wheat.

(Monsanto started a conference call at 9:30 a.m. New York time. Dial +1-877-407-3980 or visit its website at

<http://www.monsanto.com/investors.>)

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