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**BASF and Monsanto Announce R&D and
Commercialization Collaboration Agreement in Plant
Biotechnology**

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- Agreement aimed at developing higher-yielding crops that are more tolerant to adverse environmental conditions such as drought
- Potential \$1.5 billion/€1.2 billion devoted to joint pipeline over life of the collaboration
- First products to be commercialized in the first half of the next decade

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Speech by Hugh Grant, Chairman, President and CEO,
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Speech by Dr. Jürgen Hambrecht,
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Speech by Peter Oakley, Member of the Board of Executive
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Speech by Dr. Robb Fraley, Chief Technology Officer,
Monsanto

The spoken word applies!

[Introduction by Scarlett Foster, Investor Relations, Monsanto]

Thank you and good morning to everyone in North America and good afternoon to those joining us from Europe. On behalf of the joint team from BASF and Monsanto, I'd like to welcome you to our conference call today and thank you for joining us on short notice.

As you know, today Monsanto and BASF announced a new research-and-development collaboration that focuses on discovering and developing biotech traits that improve yield and minimize the effects of environmental stress, like drought, in four key crops.

I'm joined this morning by representatives from both companies. From BASF, we have Dr. Jürgen Hambrecht, chairman of the board of executive directors and Peter Oakley, member of the board of executive directors. And, from Monsanto, we have Hugh Grant, chairman, president and CEO, and Dr. Robert Fraley, chief technology officer. Also joining for the Q&A session from Monsanto is Terry Crews, CFO.

Before we begin, I'd like to remind you that we're web casting this call. You can access it at Monsanto's web site at monsanto.com and at BASF's website at basf.com. For those of you who would like to go to the websites, the slides for this call are available in both places. The page numbers are on the bottom of each slide.

I'd also like to remind members of the media listening to today's call that we will have a separate Q&A session with both management teams for you to ask questions. That session will begin following the conclusion of this investor conference call and investor questions. The media phone lines will automatically be connected to that session, so please stay on the line.

On behalf of both companies, I need to remind you that this call will include statements concerning future events and financial results. If you turn to Slide 2, we include each company's respective disclaimer. Because these statements are based on assumptions and factors that involve risk and uncertainty, actual performance and results may vary in a material way from those expressed or implied in any forward-looking statements. A description of the factors that may cause such a variance is included in today's press release and in each company's most recent annual report to the SEC.

If you turn to Slide 3, you'll see the agenda for this call. Because our time is short today, we will reserve the bulk of the conference call for a review by each of the company's senior executives and then open the line for your questions.

I'd like to start with Slide 4, for a brief overview of this collaboration.

This agreement creates a new joint Monsanto-BASF R&D pipeline that will exclusively focus on the emerging opportunity for delivering higher-yielding and increasingly stress-tolerant crops.

The collaboration initially targets four crop areas – including soybeans, corn, cotton and canola – and extends from discovery through commercialization.

In discovery, each company will continue to maintain separate discovery programs to provide leads for a new, jointly managed pipeline.

From there, lead candidates are moved through the development and regulatory process, which is funded at equal 50-50 levels for each company.

Products that emerge from development are commercialized by Monsanto, accessing Monsanto's established distribution and licensing network. Value from commercialization is shared at 60 percent for Monsanto and 40 percent for BASF for all products in the joint pipeline.

By combining the capabilities of both companies, there is an opportunity to bring new, innovative products to farmers globally, at a faster pace than either company could have accomplished on its own, with a greater certainty of commercial success, and with a higher level of value added.

With that, let me introduce Monsanto's CEO, Hugh Grant, who will begin a more detailed review of the collaboration's structure and opportunity by our joint team.

[Speech by Hugh Grant, Chairman, President and CEO, Monsanto]

Good morning, and likewise let me thank you for joining us on short notice.

This is an unprecedented collaboration, especially within the "seeds and traits" side of the agricultural industry. It is an opportunity that rewrites standard practice on how to discover new products, how to commercialize those products and how to create more value faster with greater certainty for our farmer customers.

Let me begin by explaining why we believe this collaboration is so compelling, on Slide 5. Fundamentally, this collaboration creates additive value for Monsanto in three key ways.

First, this collaboration strengthens Monsanto's position in the seeds-and-traits arena, and most notably, it creates a strong platform to target the significant opportunity ahead in the area of yield and stress.

In the seeds-and-traits industry, our success has attracted an emerging class of carbon-copy technology providers. However, BASF has technology that has the potential to be truly transformational and not just replicate the work that's already been done. Through its work in metabolic profiling, BASF has a discovery platform that is innovative and – at the same time – complementary to Monsanto's capabilities.

Pairing the capabilities of these two platforms for yield and stress, then, creates a vehicle that we believe can bring greater innovation at a faster pace with higher probabilities of success than either company could have achieved working independently. In an increasingly dynamic market, this joint work creates a strong research platform for yield that will make our development work more efficient as we take advantage of the tools each company brings to the collaboration.

Importantly, that greater probability of success is immediately tangible. Because of the cost-sharing elements, the greater variety of new trait leads and the potential to commercialize a larger number of new products, the risk-adjusted NPV of the yield and stress pipeline is approximately double what it would have been if Monsanto pursued these opportunities alone. That NPV has been constructed with a conservative approach to key factors like launch years and penetration rates, such that we have real confidence in our ability to deliver on the collaboration commitments.

Second, this collaboration strengthens Monsanto because it reinforces our drive to innovate and taps into new sources of product leads.

The success Monsanto has achieved to date can be correlated directly to our emphasis on innovation and our early investment in transformational technologies. At the same time, we have been open to innovation – regardless of the source.

The opportunity with BASF is the ultimate in a collaborative approach, representing a significant infusion of ideas and technology that would not have been possible had we not looked outside the walls of Monsanto.

As a result, this partnership changes the mentality of product discovery and development in seeds and traits. We've graduated from the model that says there's just one type of product with one source for each discrete category. Instead, we're designing a steady stream of upgrades in what emerge as product families made up of successive generations of enhanced biotech traits.

By intentionally designing products as a series of successive generations, we're setting up a model where upgrades are going to be delivered to the market at a record pace.

Third, this collaboration is additive to Monsanto because it strengthens an already- promising path to continued growth.

We are certain that there is a commercial opportunity in yield and stress. We also know that our ability to tap that opportunity will help define whether Monsanto's head start in the first decade of seeds and traits translates to success in the next decade.

In working with BASF, we have both re-asserted our platform and created significant new value. In addition to doubling the NPV of our yield-and-stress pipeline, one of the most valuable attributes of this collaboration is that it immediately adds the potential for six or more new yield and stress products to our portfolio. To put that in context,

the addition of six new products would be equivalent in number to adding all the traits in our current commercial Roundup Ready portfolio across the four crops included in this collaboration.

I have no doubt that the name of the game in this industry is evolving to be about “yield.” We believe strongly that the best way to improve the likelihood of commercial success is to broaden the pipeline platform. And, the capabilities Monsanto and BASF have officially brought together today create a pipeline that has set its target on being the first – and the best – to deliver next-generation yield targets.

So, with that, let me turn the remainder of the time over to my colleagues on this joint endeavor to help further define the opportunity before us. I’d like to turn the time over to Jürgen.

[Speech by Dr. Jürgen Hambrecht, Chairman of the Board of Executive Directors, BASF Aktiengesellschaft]

Thank you, Hugh.

Ladies and Gentlemen, let me briefly explain BASF’s position in plant biotechnology before I discuss with you, why we believe this collaboration is so compelling for BASF.

BASF has a proven track record in research for over 140 years. Research and innovation is and will remain key for our future success. Our credo is to innovate for growth. To better exploit the potential of new technologies, we have formed five growth clusters in highly promising areas as you see on Slide 6: energy management, nanotechnology, raw material change, white biotechnology and plant biotechnology.

In the area of raw material change we are focusing on identifying cost-effective processes to use for the utilization of alternative raw materials such as natural gas or renewable resources. These activities have a synergistic overlap with white and green biotechnology: Consider, for example, how alternative raw materials can be used in fermentation-based processes or how plant-based materials could be optimized either for direct use or again as feedstock in fermentations.

We will invest a total of about €850 million in these five growth clusters between 2006 and 2008. Starting in 2015 BASF expects to generate annual sales from innovations of €2 billion to €4 billion arising from research and development in these growth clusters.

BASF's most important growth cluster is plant biotechnology. Our research focuses on three areas: healthier nutrition for humans and animals, renewable raw materials for specialty products, and, most importantly in terms of today's announcement, more efficient agriculture.

All of BASF's plant biotechnology activities are incorporated in BASF Plant Science, which was founded in 1998. With more than 700 employees today, the company operates an international research and technology platform with eight sites in five countries in Europe and North America. BASF has a strong early stage plant biotechnology pipeline.

Now let's take a look at how we can best generate additional value using the findings from this excellent research platform. Naturally, a collaboration with a partner enjoying an excellent market position in plant biotech will be most promising for successful product launches. This brings me to Slide 7 and BASF's key motivations for this collaboration.

BASF operates a strong and innovative early discovery platform that combines a novel metabolic profiling approach and an automated phenotypic screening under high-throughput conditions.

During the last couple of years, BASF was focusing on developing and implementing this powerful early discovery platform. Today, we are able to run this platform at high speed. In order to gain significant market access for our discoveries we have been seeking a strong partner with a clear vision and strategy to commercialize and market novel discoveries to farmers. A further key motivation for us to enter into a collaboration has been the potential to create new market opportunities by accelerating the market launch for our innovative discoveries. We firmly believe that a collaboration approach creates greater certainty of commercial success.

So, why did we decide to work with Monsanto?

Monsanto clearly stands out when one looks at the world map of Ag-biotechnology. In line with our corporate strategy of cooperating only with very dynamic partners, we chose Monsanto as the most successful provider of agricultural products and solutions targeting the needs of modern agriculture.

Seed and traits drive Monsanto's growth. During the last decade Monsanto delivered an impressive demonstration of its transformation from an agricultural company coming from the traditional chemical side of the business into one powered by a growing global seed and traits business. Monsanto established an outstanding position in first generation traits and drove the market adoption of biotech solutions. In addition, the company has a very broad and valuable conventional seed business which provides an effective market channel for its traits.

Monsanto operates state-of-the art germplasm network. Today, Monsanto has a diverse international collection of corn germplasm, spanning six continents, three temperature zones and 36 acquired breeding programs. Access to high quality germplasm is important to developing market-leading breeding and biotechnology platforms, since the library of available genes provides the building blocks for genetic variation and high value seeds.

Pairing the capabilities of both partners, that is BASF's unique discovery program for novel trait genes with Monsanto's innovative and international germplasm network, creates a whole new world of opportunities for bringing new traits to the market.

Monsanto has impressive pipeline capabilities. Key to Monsanto's potential to help bring new and better products to farmers faster are its well established development pipeline, its experience with the regulatory process and its commercial channels. This infrastructure will make it possible to process a greater volume of lead genes than BASF would have been able to handle on its own. As a result, successive upgrades for traits will emerge sooner and create a steady stream of traits. Thus, combining Monsanto's pipeline capabilities with BASF's special gene-finding technology will increase the probability of commercial success.

Monsanto is committed to the Ag industry. The company's focus is on bringing solutions to farmers. Monsanto's objective is to deliver crops that offer farmers higher yield and greater value, and lead to healthier food options for consumers – a perfect strategic fit with our own research focus!

Overall, Monsanto is a very successful company in the industry delivering traits broadly to commercial markets. In short, Monsanto has

outstanding capabilities in the Ag-biotechnology industry and is our preferred partner.

With this, I will hand over to Peter who will explain BASF's promising discovery platform, its contribution to the joint pipeline and the structure of the overall deal in more detail.

[Speech by Peter Oakley, Member of the Board of Executive Directors of BASF Aktiengesellschaft]

Thanks, Jürgen.

As Hugh pointed out to you, we have discovery capability with the potential to transform. Why is BASF's discovery platform so special?

Let me please take a step back in time. In 1998 we were a newcomer to this field and it was clear to us that we had to find a new way to approach plant biotechnology, since we did not have the seed and developmental resources of our competitors, and it was unlikely that we could gain competitive advantage there. Secondly, we focused our resources and efforts on yield, stress, nutrition and plants as factories for high value specialty products.

Working together with some of the top European biotechnology experts, we developed a plan to harness several core BASF competencies like analytics, robotics and complex laboratory information systems and apply them to a new, very interesting technology called metabolic profiling or metabolomics. This is outlined on Slide 8. What this allows us to do is to measure the changes that occur when a plant has or does not have a specific gene. It helps us to ascertain gene functionality as well as to identify specific networks,

interactions and important pathways. Our subsidiary Metanomics today sets the industry standard for metabolic profiling.

The data we generate is collected in a very large data warehouse since we measure well over 1,000 important chemicals that plants produce, and we make these profiles over the plant's lifespan in order to recognize when the genes are active. We do this on a 24-hours-per-day, 6-days-per-week basis. Today we have over 1.5 million profiles and over 35,000 genes in our databases. You can picture it as Google dedicated to genetics. This gives us an intimate look at functionality and allows us to sort genes into interesting groups and prioritize them for further R&D work. It is also very important for timely Intellectual Property generation.

The next step is putting the most promising genes into a live crop and measuring the results, which is today the assignment of CropDesign. Here we have a high throughput digital screening system where we test genes in about 100,000 plants per year on a 24/7 basis, looking at around 20 agricultural performance parameters, which are also fed into our databases.

Our tailor-made bioinformatics platform integrates and correlates the data for gene expression, metabolite composition and agricultural performance in a unique manner. As our proprietary library is constantly growing, our knowledge base grows, which greatly increases efficiency and efficacy. For a summary see [Slide 9](#).

By using these tools we expect to achieve our targets of finding unique and valuable genes for traits more reliably and much more quickly than the current industry standard. The net result is high quality validated lead genes which can then go into the field and starting today into Monsanto's screening and development system. We bring both an attractive early stage pipeline with quite a number of interesting

candidates as well as an attractive portfolio on complimentary intellectual property.

Our focus will be on yield and stress tolerance traits. Yield and stress tolerance traits represent for both companies the single most promising opportunity in Agriculture over the next decade as you see on slide 10. Rising incomes in Asia are driving meat consumption higher and higher and you need 4 to 6 pounds of grain to produce a pound of meat. The world population is continuing to grow leading to increased demand for all processed foods. Rising energy prices, the need to reduce external energy dependency as well as the CO₂ debate have resulted in high growth for crops as biofuels. We know that arable land is a scarce resource globally and agriculture today already consumes 75 percent of the world's fresh water supply. We also know that many of our traditional tools for increasing the productivity of land, like fertilizers, mechanization, crop protection and traditional plant breeding remain important to maintain today's productivity levels, but they cannot supply the productivity improvements needed, to meet this growing world demand.

It is evident that a focused and major R&D effort to drive yield and stress tolerance is necessary to deliver practical solutions to farmers to address these opportunities. Consequently, the key target is the delivery of crops to farmers that show a substantially increased yield performance or constant yield performance under environmental stress conditions.

The structure of our collaboration as it is depicted in slide 11 creates a unified focus on yield and stress tolerance extending from discovery to commercialization. Our collaboration is initially focused on four crops: corn, soybeans, cotton and canola – or oilseed rape, as we call it in Europe. It is jointly funded – up to 1.5 billion U.S. dollars will be

invested - and shared equally over the life of the collaboration. For the discovery phase, each company maintains its independent discovery programs and nominates gene candidates to a collaboration team. These genes are illustrated with brown and orange-coloured dots in the discovery pipelines of Monsanto and BASF. Both companies contribute all their current know-how and findings for yield and stress tolerance traits to the pipeline. Together, we have a significantly larger pool of lead genes.

Based on pre-defined quality criteria the best candidates will be jointly selected and taken forward into the development phase.

Development will harness Monsanto's existing development and regulatory infrastructure independent from the origin of a gene candidate. Products will then be commercialized by Monsanto across its three commercial channels Holden's, American Seeds and Dekalb/Asgrow ensuring that farmers can access the seed and trait technologies in the brands they prefer to plant. Value will be shared 60 percent to Monsanto and 40 percent to BASF.

Robb will now talk about the expected benefits in greater detail.

[Speech by Dr. Robb Fraley, Chief Technology Officer, Monsanto]

Thank you, Peter.

With that background on the structure of the overall collaboration, let me take the last few minutes and break down how we see the functional aspects of the collaboration taking shape and – more importantly – creating new value for shareholders and customers.

Perhaps the best way to begin to understand the functional collaboration is to take one step back and look at the context for what

we hope to achieve with a yield and stress focus. If you turn to Slide 12, you'll see a timeline that traces the evolution of the seeds and traits industry, and – specifically – the role of biotech traits.

The industry has relatively recently celebrated the first decade of commercial-scale biotech traits. This was a decade of tremendous innovation and the establishment of biotechnology as a permanent tool for farmers. But, it was really characterized by singular solutions to singular problems, brought to the market one company one product at a time.

The second decade of biotech application promises even greater innovation. It will be a decade where there will be a series of solutions that tackle more complex problems – and those problems will be solved through collaborations rather than just by one company at a time.

So, if the first decade was about two genes that controlled weeds and bugs, the second decade is going to be about hundreds of genes that ultimately drive large increases in yield.

I don't have to remind you: yield is key to grow our profitability, yield is key to meeting increasing demands for feed and biofuels. Yield is the holy grail of agricultural research, in part because it has historically been one of the most complex characteristics to dissect scientifically. Today, we have the tools to tackle the yield opportunity – and this collaboration is a giant step toward taking those research tools and making them into commercial products more rapidly.

If you turn to Slide 13, you'll see the composition of our joint yield and stress pipeline. Importantly, in the race to deliver increasing yield to farmers, our collaboration has a head start. Based on the work that we've had in motion at Monsanto, we've taken many of the first-

generation yield traits out of our existing pipeline and made them the first development candidates in this collaboration.

You can see that there are already eight projects in either Phase I or II of development. These projects now become the pace cars for the joint pipeline, representing the lead products – and the first in what we believe will blossom into a series of traits in each product family.

Potentially, the first-generation products listed are the beginning of multiple generations of successive upgrades in a particular family.

In addition to the eight projects already in the pipeline, we believe the combined discovery capability of Monsanto and BASF could add many additional new products to this pipeline over the lifetime of the collaboration. We have conservatively modeled six new products and Hugh told you that adding six products is the equivalent of our entire Roundup Ready franchise. It's also roughly equivalent to the number of traits that we've launched for insect control – so it is clearly a significant opportunity.

Certainly one of the most important benefits of this collaboration is that it increases the probability of success of these products. In addition, it reduces the risk of technical failure, resulting in a significant upside in the risk-adjusted NPV for the overall pipeline.

If you look only at the first eight projects already in phases I and II, we believe that the cost sharing and additional confidence in commercial success translates to a roughly 40 percent increase in risk-adjusted NPV over what Monsanto could have achieved alone. For the whole collaboration, the risk-adjusted NPV is roughly double what would have been possible with Monsanto working alone.

If we return to the diagram that Peter introduced on Slide 14, I'd like to go one step deeper and share with you how we believe the pipeline we

now have in place and the capabilities we have to back it translate into direct advantages to this joint approach.

As Hugh said at the outset of this call, the largest single advantage of this joint effort is that it significantly increases the probability of success for our yield and stress traits. But, if you break down the functionality by phase, you can see the practical benefits along the way.

In the development phase, we're pairing two independently run discovery programs. That creates the obvious benefit of expanding the overall pool of candidates for development. But, as a scientist, what excites me is not only the larger number of total candidates, but the source of those candidates. Because Monsanto and BASF arrive at yield and stress discovery from very different routes, we are actually unlocking many more sources of genes than either of our companies could have achieved working alone.

At a very practical level, this will help us improve the technical probability of success. Notably, we believe that the increased rate of discovery and our enhanced ability to hit higher yield targets in earlier candidates could help us expedite early phase research and enhance the overall pipeline NPV. Practically, today discovery and early development takes between 24 and 36 months each. Especially for the discovery phase, we believe that we should consistently be at the early end of the development timeline because of the greater pool of project candidates.

In the joint development phase, we've taken a huge step toward narrowing the gap between pure research and legitimate commercial preparation. Ultimately, the greater volume of quality, screened leads coming from the discovery engine – combined with the cost-sharing aspects – reduce the risk of expensive development-phase failures.

And, more importantly, each lead trait will be backed with a series of successive upgrades that begin to form product families. With each upgrade, we're creating a step change in new value that creates the opportunity for sustainable new value for farmers and the potential for new pricing opportunities with every generation.

Ultimately, based on the breakthroughs possible in biotech yield traits, the potential for stacking traits, and the complementary tools of advanced seed breeding, we believe that by the end of the next decade we should have families of products that achieve yield increases of greater than 20 percent.

Finally, in the commercialization phase, we plan to make sure that the increased probability of commercial success translates to true commercial opportunity. Our commercial models tap into Monsanto's existing triple-channel approach and our broad-licensing experience. Through this collaboration, we will be able to put even greater funding behind this infrastructure, specifically boosting resources for many of our pre-launch activities. That's new value not just for our brands, but for our 200-plus licensees as well.

If you turn to Slide 15, the benefits of the commercial model and the overall collaboration really come together when you look at the opportunity for the ultimate customer – the farmer.

The bottom line is that this collaboration was formed to create more fundamental innovation for the farm community than we've seen since the introduction of biotechnology. For me it comes down to a couple of key opportunities:

Just as two genes for weeds and bugs transformed farming in the last decade, we have in our hands now the capabilities to create transformational new tools that help farmers meet the new market

needs created by biofuels, expanding food and feed demand, and growing international markets.

The pace of innovation will be faster than we've ever seen before. From the accelerated pace of early discovery work to the successive series of products available to farmers, the standards of innovation have changed today.

And, finally, through this collaboration, we are going to be able to deliver more new products in rapid succession to more farmers than we have with any previous biotech solution to date.

We are clearly not doing research for research's sake. This is a collaboration that is oriented, first, around the most significant market needs and, second, around applying innovation in new ways to take advantage of that opportunity.

I want to echo the enthusiasm of my colleagues at Monsanto and BASF: This is a terrific opportunity, and it's something that we all look forward to seeing blossom in the years ahead.

With that let me conclude our review of the collaboration and turn the call back over to Scarlett to begin the Q&A period.

[Questions and Answers: Scarlett Foster, Investor Relations, Monsanto]

On behalf of the joint team, we'd now like to open the call to your questions, and ask that you please hold your questions to one per person so that we can take questions from as many people as possible. You're always welcome to rejoin the queue for a follow-up question.