DELTA & PINE LAND CO
Form 10-Q
July 10, 2006

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, 2006 or

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

Commission File Number: 000-21788

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

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

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

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

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES (x) NO ( )

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One)
Large Accelerated Filer ( ) Accelerated Filer (x) Non-Accelerated Filer ( )

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ( ) NO (x)

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, 35,888,054 shares outstanding as of June 30, 2006.

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, 2006

ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 141,018	$
Receivables, net	315,254	
Inventories	32,784	
Prepaid expenses	816	
Deferred income taxes	10,792	
Total current assets	500,664	
PROPERTY, PLANT AND EQUIPMENT, NET	59,778	
EXCESS OF COST OVER NET ASSETS OF BUSINESSES ACQUIRED	4,183	
INTANGIBLES, NET	8,170	
OTHER ASSETS	1,268	
DEFERRED INCOME TAXES	10,574	
TOTAL ASSETS	$ 584,637	$
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Notes payable and current maturities of long-term debt	$ 8,064	$
Accounts payable	9,194	
Accrued expenses	329,114	
Income taxes payable	31,168	
Total current liabilities	377,540	
LONG-TERM DEBT	3,578	
MINORITY INTEREST IN SUBSIDIARIES	5,271	
COMMITMENTS AND CONTINGENCIES (Note 10)		
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; 501,989, 456,989, and 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; 41,521,498, 40,928,929 and 40,857,834 shares issued; 35,970,798, 36,099,823 and 36,138,728 shares outstanding	4,152	
Capital in excess of par value	97,041	
Retained earnings	236,055	
Accumulated other comprehensive loss	(4,520)	
Treasury stock, at cost; 5,550,700, 4,829,106 and 4,719,106 shares	(134,587)	
TOTAL STOCKHOLDERS' EQUITY	198,248	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 584,637	$

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

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

	May 31, 2006
NET SALES AND LICENSING FEES	$ 286,61
COST OF SALES	184,69
GROSS PROFIT	101,92
OPERATING EXPENSES:	
Research and development	6,63
Selling	3,79
General and administrative	9,16
In-process research and development and related transactional costs	7,04
Total operating expenses	26,62
OPERATING INCOME	75,29
INTEREST (EXPENSE) INCOME, NET	(34
OTHER EXPENSE, NET	(1,33
EQUITY IN NET LOSS OF AFFILIATE	(82
MINORITY INTEREST IN LOSS OF SUBSIDIARIES	30
INCOME BEFORE INCOME TAXES	73,10
INCOME TAX EXPENSE	25,42
NET INCOME	47,67
DIVIDENDS ON PREFERRED STOCK	(16
NET INCOME APPLICABLE TO COMMON SHARES	$ 47,51
BASIC EARNINGS PER SHARE	$ 1.3
NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS	35,73
DILUTED EARNINGS PER SHARE	$ 1.2
NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS	37,12
DIVIDENDS PER COMMON SHARE	$ 0.1

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

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

	May 31, 2006
NET SALES AND LICENSING FEES	$ 411,42
COST OF SALES	265,50
GROSS PROFIT	145,91
OPERATING EXPENSES:	
Research and development	18,41
Selling	11,11
General and administrative	22,61
In-process research and development and related transactional costs	7,04
Total operating expenses	59,18
OPERATING INCOME	86,73
INTEREST INCOME, NET	86
OTHER EXPENSE, NET	(3,27
EQUITY IN NET LOSS OF AFFILIATE	(2,41
MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES	(39
INCOME BEFORE INCOME TAXES	81,51
INCOME TAX EXPENSE	28,61
NET INCOME	52,90
DIVIDENDS ON PREFERRED STOCK	(48
NET INCOME APPLICABLE TO COMMON SHARES	$ 52,42
BASIC EARNINGS PER SHARE	$ 1.4
NUMBER OF SHARES USED IN BASIC EARNINGS PER SHARE CALCULATIONS	35,83
DILUTED EARNINGS PER SHARE	$ 1.4

NUMBER OF SHARES USED IN DILUTED EARNINGS PER SHARE CALCULATIONS		37,09
DIVIDENDS PER COMMON SHARE	$	0.4

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

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

	May 31, 2006	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 52,902	$
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,027	
Loss (gain) on sale of assets	54	
In-process research and development and related charges	7,042	
Excess tax benefits from stock-based compensation arrangements	(1,285)	
Equity in net loss of affiliate	2,415	
Foreign exchange loss (gain)	374	
Accretion of debt discount	340	
Minority interest in earnings of subsidiaries	394	
Stock-based compensation expense	2,493	
Change in deferred income taxes	(4,301)	
Changes in assets and liabilities:		
Receivables	(86,467)	
Inventories	(5,978)	
Prepaid expenses	1,020	
Intangibles and other assets	50	
Accounts payable	(9,424)	
Accrued expenses	107,056	
Income taxes payable	19,644	
Net cash provided by operating activities	93,356	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,246)	
Sale of investments and property	72	
Acquisition of business and in-process research and development and related charges	(9,662)	
Investment in affiliate	(2,325)	
Net cash used in investing activities	(18,161)	

CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of short-term debt	(51,049)	
Dividends paid	(16,589)	
Proceeds from short-term debt	45,000	
Minority interest in dividends paid by subsidiary	-	
Payments to acquire treasury stock	(17,333)	
Proceeds from exercise of stock options	11,572	
Excess tax benefits from stock-based compensation arrangements	1,285	
Net cash used in financing activities	(27,114)	
EFFECTS OF FOREIGN CURRENCY EXCHANGE RATES	(138)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,943	
CASH AND CASH EQUIVALENTS, August 31	93,075	
CASH AND CASH EQUIVALENTS, May 31	$ 141,018	$
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the nine months for:		
Interest, net of capitalized interest	$ 238	$
Income taxes paid	$ 12,381	$
Noncash financing activities:		
Tax benefit of equity awards	$ 2,067	$

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

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

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for the fair presentation of the consolidated financial statements have been included. The business of Delta and Pine Land Company and its subsidiaries ("D&PL"; or the "Company") is seasonal in nature; thus, the results of operations for the three and nine month periods ended May 31, 2006 and 2005, are not necessarily indicative of the results to be expected for the full year. D&PL's investment in its 50%-owned affiliate DeltaMax Cotton, LLC ("DeltaMax") is accounted for using the equity method. For further information, reference should be made to the consolidated financial statements and footnotes thereto included in D&PL's Annual Report to Stockholders on Form 10-K for the year ended August 31, 2005.

New Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of SFAS No. 133 and SFAS No. 140." Among other changes, SFAS No. 155 further defines what constitutes a derivative as defined by SFAS No. 133, and addresses certain measurement issues regarding hybrid financial instruments. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the fiscal year that begins after September 15, 2006. The Company does not expect the adoption of this statement to have a material impact on D&PL's consolidated financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and SFAS No. 3". Among other changes, SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented based on the new accounting principle, unless it is impracticable to do so. SFAS No. 154 provides that (1) a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of this statement to have a material impact on D&PL's consolidated financial statements.

2. COMPREHENSIVE INCOME

Total comprehensive income for the three and nine months ended May 31, 2006 and 2005, was (in thousands):

	Three Months Ended		
	May 31, 2006	May 31, 2005	M
Net income	$ 47,678	$ 36,284	$
Other comprehensive (loss) income:			
Foreign currency translation (losses) gains	(995)	314	
Net realized and unrealized (losses) gains on hedging instruments	(85)	367	
Income tax benefit related to other comprehensive income	376	(182)	
Other comprehensive (loss) income, net of tax	(704)	499	
Total comprehensive income	$ 46,974	$ 36,783	$

3. SEGMENT DISCLOSURES

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

D&PL's chief operating decision maker utilizes revenue information in assessing performance and making overall operating decisions and resource allocations. Profit and loss information is reported by segment to the chief operating decision maker and D&PL's Board of Directors. The accounting policies of the segments are substantially the same as those described in the summary of significant accounting policies in D&PL's Annual Report to Stockholders on Form 10-K filed for the year ended August 31, 2005.

Information about D&PL's segments for the three and nine month periods ended May 31, 2006 and 2005, is as follows (in thousands):

	Three Months Ended		
	May 31, 2006	May 31, 2005	Ma 2
Net sales and licensing fees (by segment)			
Domestic	$ 276,055	$ 194,042	$
International	10,563	9,278	
	$ 286,618	$ 203,320	$
Net sales and licensing fees			
Cottonseed	$ 272,002	$ 188,386	$
Soybean seed	14,432	14,390	
Other	184	544	
	$ 286,618	$ 203,320	$
Operating income			
Domestic	$ 73,525	$ 55,770	$
International	1,768	2,173	
	$ 75,293	$ 57,943	$

4. STOCK-BASED COMPENSATION PLANS

Share-Based Payments. Effective September 1, 2005, the Company adopted SFAS No. 123R utilizing the modified prospective approach. Under the modified prospective approach, SFAS No. 123R applies to new awards and to awards that were outstanding on September 1, 2005 and are subsequently modified or cancelled. Additionally, compensation cost for the portion of awards for which the requisite service had not been rendered as of September 1, 2005, will be recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes previously under SFAS No. 123, "Accounting for Stock-Based Compensation." Prior periods were not restated to reflect the impact of adopting SFAS No. 123R. The Company elected to use the alternative (shortcut) method to determine the amount of excess tax benefits that would have been recognized in additional paid-in capital had the Company previously adopted SFAS No. 123 for recognition purposes.

Prior to the adoption of SFAS No. 123R, the Company accounted for employee stock options and other equity-based compensation awards using the intrinsic value method of accounting prescribed by APB Opinion 25, "Accounting for Stock Issued to Employees." No compensation expense was previously recognized related to the Company's stock options because the number of shares was fixed at the grant date and each option's exercise price was set at or above the stock's fair market value on the date the option was granted. Under SFAS No. 123R, the Company charged to income $852,000 of compensation expense for stock options, Restricted Stock and Restricted Stock Units in the third quarter of 2006 and $2.50 million for the nine-month period ended May 31, 2006.

The 1995 Long-Term Incentive Plan, as amended and restated in March 2000, (the "LTIP") allows for the awarding of stock options to officers, key employees and directors. Under the LTIP, options to purchase 5,120,000 shares (after effect of stock splits) of common stock of D&PL were available for grant. Shares subject to options and awards which expire unexercised are available for new option grants and awards under the LTIP. The Compensation Committee of the Board of Directors administers the Plan and has sole discretion regarding the exercisability of the option grants.

The 2005 Omnibus Stock Plan ("2005 Stock Plan"), approved by the shareholders in January 2005, provides for the grant of (a) incentive stock options as defined in the Internal Revenue Code of 1986, as amended, (b) non-qualified stock options, (c) restricted stock, and (d) restricted stock units to D&PL's employees, independent contractors and members of the Board of Directors for the purpose of encouraging share ownership of D&PL. Up to 4,500,000 shares are available for grants of awards under the Plan. The maximum number of shares which may be issued for awards of restricted stock and restricted stock units is 2,100,000 shares and the maximum for options is 2,400,000. The Compensation Committee of the Board of Directors administers the Plan and has sole discretion regarding the exercisability of the option grants. Any lapsed awards shall again be available under this plan.

Options. The Company determines the fair value of stock option awards using the Black-Scholes option-pricing model. Expected volatilities are based on the historical volatility of the Company's common stock. The Company uses historical data to estimate share option exercise and employee departure behavior used in the Black-Scholes option-pricing model. The expected term of share options granted is derived from the output of the option pricing model and represents the period of time that share options granted are expected to be outstanding. The risk-free rate is based on yields of U.S. Treasury securities with similar terms as the expected life of the options. The following weighted-average assumptions were used to value D&PL's stock option awards in the third quarter of 2006: 6 year expected life; expected volatility of 24.3%; risk free rate of 4.79% and annual dividends of $0.60 per share during the expected term of the options. The weighted-average fair value of options awarded in the third quarter of 2006 was $7.07.

The Company recognized gross compensation cost associated with all of its outstanding stock option awards of $425,000, prior to a tax benefit of $149,000, in the third quarter of 2006, versus $0 in the prior year period. At May 31, 2006, there was approximately $2.2 million of unrecognized compensation cost related to stock option awards, net of an anticipated tax benefit of $781,000, which is expected to be recognized over the remaining employees' service periods over a weighted-average period of two years.

All outstanding options have a contractual term of 7 to 10 years. All stock option awards made prior to May 18, 2005 became exercisable ratably over a five-year service period. Stock option awards made on May 18, 2005 become exercisable 45 days after issuance. Stock option awards made subsequent to May 18, 2005 become exercisable ratably over a five-year service period. Under both the LTIP and the 2005 Stock Plan, all outstanding stock options become exercisable immediately upon a change in control of the Company. There were approximately 2.3 million stock options available for grant at May 31, 2006.

The following table represents stock option activity for the quarter ended May 31, 2006:

	Number of Shares	Price Range		Intrinsi[c] Value
Outstanding at February 28, 2006	3,709,040	$ 15.61	$47.31	
Granted	33,325	22.51	29.75	
Exercised	(490,049)	15.61	27.56	
Lapsed or canceled	(1,000)	17.85	17.85	
Outstanding at May 31, 2006	3,251,316	$ 16.91	$47.31	$ 16,639,
Exercisable at May 31, 2006	2,891,879	$ 16.91	$47.31	$ 14,418,

The following table summarizes certain information about outstanding and exercisable stock options at May 31, 2006:

	Options Outstanding			Options Ex
Exercise Price Range	Number	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number
$16.91 - $19.99	1,429,399	4.3	$ 19.03	1,274,372
$20.00 - $29.99	1,552,576	4.8	$ 26.18	1,348,166
$30.00 - $39.99	267,341	5.3	$ 31.51	267,341
$40.00 - $47.31	2,000	2.2	$ 47.31	2,000
	3,251,316	4.7	$ 23.29	2,891,879

Restricted Stock and Restricted Stock Units. In the third quarter of 2006, 3,668 shares of Restricted Stock or Restricted Stock Units were granted to employees (3,530 shares of Restricted Stock) or directors (138 Restricted Stock Units for dividends on previously issued Restricted Stock Units), with total compensation cost of approximately $101,000 determined based on the market price of the Company's common stock at the time of award and considering dividend restrictions and expected forfeitures. Compensation cost will be recognized as expense ratably over the three-year vesting period.

For the three months ended May 31, 2006, the Company recognized gross compensation cost associated with all of its Restricted Stock and Restricted Stock Units awards of approximately $427,000, prior to a tax benefit of $149,000, versus $67,000, prior to a tax benefit of $24,000, in the prior year period. At May 31, 2006, there was $2.7 million of unrecognized compensation cost related to shares of Restricted Stock and Restricted Stock Units which is expected to be recognized, net of an anticipated tax benefit of $959,000, over a weighted-average period of two years.

There were approximately 1.9 million shares available for grants of Restricted Stock and Restricted Stock Units at May 31, 2006. The following represents Restricted Stock and Restricted Stock Units activity for the quarter ended May

31, 2006:

	Restricted Stock		Restric
	Number of Shares	Weighted Avg. Grant Date Fair Value	Number of Shares
Non-vested at February 28, 2006	150,221	$25.06	24,40
Granted	3,530	28.48	13
Vested	(55,938)	25.22	(9,81
Forfeited	(2,241)	25.22	
Non-vested at May 31, 2006	95,572	$25.35	14,73

The following table illustrates for the three and nine month periods ended May 31, 2005 the effect on operating results and per share information had the Company accounted for share-based compensation in accordance with SFAS No. 123R (in thousands):

	Three Months Ended	Nine Mo
	May 31, 2005	M
Net Income:		
As reported	$ 36,284	$
Add: Total stock-based compensation expense included in reported net income, net of related tax effects	43	
Less: Total stock-based compensation expense determined under the fair value based method for all awards, net of related tax effects	(1,357)	
Pro forma	$ 34,970	$
Basic earnings per share:		
As reported	$ 0.94	$
Pro forma	$ 0.91	$
Diluted earnings per share:		
As reported	$ 0.91	$
Pro forma	$ 0.88	$

5. INVENTORIES

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

	May 31, 2006	August 31, 2005
Finished goods	$ 28,137	$ 19,713
Raw materials	18,616	13,156
Growing crops	959	818
Supplies	876	1,101
	48,588	34,788
Less reserves	(15,804)	(8,163)
	$ 32,784	$ 26,625

Finished goods and raw material inventory are valued at the lower of average cost or market. Growing crops are recorded at cost. Elements of cost in inventories include raw materials, direct production costs, manufacturing overhead and immaterial general and administrative expenses. Inventory reserves relate to estimated damaged, obsolete and excess inventory. The provision recorded for damaged, obsolete and excess inventory for the quarters ended May 31, 2006 and 2005 was approximately $7.7 million and $5.9 million, respectively. The provision recorded for damaged, obsolete and excess inventory for the nine-month periods ended May 31, 2006 and 2005 was approximately $11.1 million and $9.8 million, respectively. See Note 9 for a description of hedging activities related to inventory.

6. PROPERTY, PLANT AND EQUIPMENT

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

	May 31, 2006	August 31, 2005
Land and improvements	$ 6,432	$ 6,263
Buildings and improvements	44,980	43,018
Machinery and equipment	66,726	63,142
Germplasm	7,500	7,500
Breeder and foundation seed	2,000	2,000
Construction in progress	1,089	2,564
	128,727	124,487
Less accumulated depreciation	(68,949)	(64,329)
	$ 59,778	$ 60,158

Depreciation expense during the quarters ended May 31, 2006 and 2005 was approximately $2.4 million and $2.1 million, respectively. Depreciation expense during the nine-month periods ended May 31, 2006 and 2005 was approximately $6.6 million and $6.2 million, respectively.

7. INTANGIBLES

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

	May 31, 2006		August 31, 2005	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Trademarks	$ 3,182	$ (1,017)	$ 3,182	$ (958)
Commercialization agreements	400	(142)	400	(121)
Licenses	3,229	(275)	1,100	(192)
Patents	2,029	(136)	1,640	(116)
Other	2,112	(1,212)	2,096	(1,071)
	$ 10,952	$ (2,782)	$ 8,418	$ (2,458)

Amortization expense for identifiable intangible assets during the quarters ended May 31, 2006 and 2005 was approximately $110,000 and $100,000, respectively. Amortization expense for identifiable intangible assets during the nine-month periods ended May 31, 2006 and 2005 was approximately $377,000 and $300,000, respectively. Identifiable intangible asset amortization expense is estimated to be $100,000 for the remainder of 2006, $320,000 in fiscal year 2007 and $400,000 in each of the fiscal years from 2008 to 2011.

On December 29, 2005, D&PL acquired Vikki's Agrotech Pvt. Ltd., an Indian cottonseed company, for cash of approximately $2.6 million. The results of Vikki's operations have been included in D&PL's consolidated statements of operations from the date of acquisition. The initial allocation of the purchase price resulted in no goodwill and approximately $2.3 million allocated to licenses. Pro forma results of operations for the nine-month period ended May 31, 2006, if the acquisition had occurred at the beginning of the period, would not have been materially different than reported results for the nine-month period.

On May 22, 2006, D&PL announced the acquisition of Syngenta's global cotton seed assets, comprised of operations and assets in India, Brazil, Europe, and certain cotton germplasm in the United States. The primary assets include conventional and transgenic germplasm containing Syngenta's VipCot(TM) insect-resistant cotton genes. D&PL acquired a license to VipCot in 2004 and expects to commercialize varieties containing these traits in 2008 or 2009, subject to receiving regulatory approvals. As a result of this transaction, D&PL incurred a pre-tax charge of $7.0 million, or $0.12 per diluted share, related to the write-off of in-process research and development (IPR&D) acquired in the transaction and related transaction costs during the third quarter.

8. INVESTMENT IN AFFILIATE

D&PL owns a 50% interest in DeltaMax Cotton, LLC, a limited liability company jointly owned with Verdia, Inc. Verdia was acquired by DuPont on July 2, 2004. Established in May 2002, the DeltaMax joint venture was formed to create, develop and commercialize herbicide tolerant and insect resistant traits for the cottonseed market. D&PL has licensed from DeltaMax the developed traits for commercialization in both the U.S. and other cotton-producing countries in the world. For the quarters ended May 31, 2006 and 2005, D&PL's equity in the net loss of DeltaMax was approximately $821,000 and $781,000, respectively. For the nine-month periods ended May 31, 2006 and 2005, D&PL's equity in the net loss of DeltaMax was approximately $2.4 million and $2.2 million respectively.

9. DERIVATIVE FINANCIAL INSTRUMENTS

Accumulated other comprehensive loss includes the following related to the Company's soybean hedging program for the nine-month periods ended May 31, 2006 and 2005 (in thousands):

	2006
Deferred net gain (loss), as of August 31	$ 224
Net gains (losses) on hedging instruments arising during the nine months	4
Reclassification adjustment of (gains) losses on hedging instruments to earnings	(173)
Net change in accumulated other comprehensive loss	(169)
Deferred net gain on derivative instruments included in accumulated other comprehensive loss at May 31	$ 55

The deferred net gain of $55,000 included in accumulated other comprehensive loss at May 31, 2006 is a net unrealized gain. The deferred net unrealized gain will be recognized in earnings within the next twelve to eighteen months; however, the actual amount that will be charged to earnings may vary as a result of changes in market conditions.

For the nine-month periods ended May 31, 2006 and 2005, D&PL recorded no gains or losses in earnings as a result of hedge ineffectiveness or discontinuance of cash flow hedges related to soybeans.

10. COMMITMENTS AND CONTINGENCIES

Product Liability Claims

D&PL is named as a defendant in various lawsuits that allege, among other things, that certain of D&PL's products (including those containing Monsanto's technology) did not perform as the farmer had anticipated or expected. In some of these cases, Monsanto and/or the dealer or distributor who sold the seed are also named as defendants. In all cases where the seed sold contained either or both of Monsanto's Bollgard and/or Roundup Ready gene technologies, and where the farmer alleged a failure of one or more of those technologies, D&PL has tendered the defense of the case to Monsanto and requested indemnity. Pursuant to the terms of the February 2, 1996 Bollgard Gene License and Seed Services Agreement (the "Bollgard Agreement") and the February 2, 1996 Roundup Ready Gene License and Seed Services Agreement (the "Roundup Ready Agreement") (both as amended December 1999, January 2000 and March 2003 and the Roundup Ready Agreement as additionally amended July 1996), D&PL has a right to be contractually indemnified by Monsanto against all claims arising out of the failure of Monsanto's gene technology. Pharmacia remains liable for Monsanto's performance under these indemnity agreements. Some of the product liability lawsuits contain seed performance claims which are aimed solely at D&PL. D&PL does not have a right to indemnification from Monsanto for any claims involving seed performance separate from or in addition to the failure of the Monsanto technology. D&PL believes that the resolution of these matters will not have a material impact on its consolidated financial statements. D&PL intends to vigorously defend itself in these matters.

Other Legal Matters

On December 9, 2003, Bayer BioScience N.V. and Bayer CropScience GmbH (collectively "Bayer") filed a suit in the Federal Court of Australia alleging that the importing, exporting, selling and other alleged uses by Deltapine Australia Pty Ltd., D&PL's wholly-owned Australian subsidiary ("Deltapine Australia"), of Bollgard II(R) cottonseed infringes Bayer's Australian patent that claims an alleged invention entitled "Prevention of Bt Resistance Development." The suit seeks an injunction, damages and other relief against Deltapine Australia. Deltapine Australia disputes the validity, infringement and enforceability of Bayer's patent. On April 16, 2004, Deltapine Australia responded to the suit, denying infringement and asserting affirmative defenses and cross claims. The suit is in pretrial proceedings. Due to the status of this matter, management is presently unable to determine the impact, if any, of this matter on the consolidated financial statements.

In July 2003, D&PL received a notice from Monsanto asserting that disputes exist among Monsanto, D&PL and D&M Partners, a partnership of D&PL (90%) and Monsanto (10%), pertaining to matters under the Bollgard and Roundup Ready Licenses for the United States and matters under license agreements for Argentina and the Republic of South Africa. In August 2003, D&PL and D&M Partners responded to Monsanto's positions on each issue and notified Monsanto of additional disputes, each concerning Monsanto's compliance with its obligations under the Bollgard and Roundup Ready Licenses for the United States. In accordance with the dispute resolution provisions of the subject agreements, the issues raised in Monsanto, D&PL and D&M Partners' notices were submitted to a panel of senior executives (the "Executive Panel"). Monsanto subsequently withdrew from the Executive Panel the issue involving the license agreements for the Republic of South Africa and submitted to the Executive Panel one additional issue of interpretation of the Bollgard and Roundup Ready Licenses for the United States. Issues arising from operations in Argentina and issues involving technology fees and interest have been settled and are no longer in dispute. On May 20, 2004, Monsanto submitted to arbitration before the American Arbitration Association ("AAA") two unresolved issues: whether D&M Partners has paid Monsanto all royalties due and whether D&PL has made unauthorized transfers of materials containing Monsanto technology. In this arbitration proceeding, Monsanto seeks an adjudication of its alleged right to terminate the Bollgard and Roundup Ready Licenses, to dissolve D&M Partners, to obtain an accounting and to receive monetary damages and a return or destruction of materials containing Monsanto technologies. D&PL denies the claims asserted by Monsanto in the arbitration filing and has filed appropriate responses to Monsanto's claims and filed three counterclaims based on the issues submitted by D&PL to the Executive Panel. The parties have completed discovery and have filed motions for summary disposition on specific issues. The Arbitration Panel has set an August 2006 final hearing date.

On February 17, 2006, D&PL submitted an issue for resolution under the dispute resolution process under the 1996 Option Agreement and the 2002 Bollgard Gene License. This dispute involves whether Monsanto's implementation of a farmer licensing system for the Bollgard Gene technology in Brazil violates D&PL's and its local affiliate's rights to an exclusive license to develop, produce and sell Bollgard planting seed in Brazil. In response to D&PL's submission of this dispute to the alternative dispute resolution, on February 23, 2006, Monsanto filed a suit for declaratory judgment in the Circuit Court of St. Louis County, Missouri, for the court to determine the issues in dispute. D&PL believes that this suit is barred by the binding alternative dispute resolution provisions in the subject contracts and that the issue of submission to Arbitration has been resolved by the below described decision of the Delaware Court.

On March 1, 2006, D&PL filed a suit against Monsanto in the Chancery Court of New Castle County, Delaware, seeking to enjoin Monsanto's implementation of the new farmer licensing system for Brazil pending the resolution of the issues submitted to the Executive Panel. D&PL's motion for a preliminary injunction was denied; however, the Delaware Court granted D&PL's motion to compel arbitration. On March 27, 2006, D&PL submitted to arbitration before the AAA the dispute on whether Monsanto's implementation of a farmer licensing system is in violation of D&PL's and its affiliate's rights to an exclusive license to develop, produce and sell Bollgard planting seed in Brazil. As part of this arbitration, D&PL is seeking to enjoin Monsanto's implementation of its farmer licensing system and for damages incurred by D&PL and its affiliate. The Arbitration Panel has scheduled a hearing on D&PL's request for a preliminary injunction in July 2006 and a final hearing in November 2006. D&PL is committed to participating in good faith resolution of this dispute through arbitration. MDM Sementes de Algodao Limitada, D&PL's affiliate in Brazil, is proceeding with a planned launch of sales of cotton seed containing Bollgard technology in Brazil in the 2006 sales season.

On March 31, 2005 and May 4, 2006, D&PL submitted the disputes involving D&PL's right to exclusive licenses to Bollgard technology in two Ex-U.S. countries under the 1996 Option Agreement between Monsanto and D&PL for resolution by an Executive Panel.

On February 20, 2006, D&PL submitted two additional issues for dispute resolution before an Executive Panel; one dispute under the most favored license provisions of the U.S. Bollgard License and the other under confidentiality provisions of the U.S. Bollgard and Roundup Ready Licenses. These issues have not been resolved through the Executive Panel.

On June 16, 2006, D&PL submitted to arbitration before the AAA the issues involving D&PL's rights to exclusive rights to Bollgard technology in the two Ex-U.S. countries and D&PL's rights to more favorable license terms under its U.S. Bollgard and Bollgard II licenses.

On February 28, 2006, D&PL filed suit in the Circuit Court of Dunklin County, Missouri, seeking to recover Soybean Seed Services Fees in the amount of approximately $2,200,000 which Monsanto has refused to pay D&PL with respect to soybean seed containing Monsanto's Roundup Ready technology sold by D&PL during the 2005 planting season. The suit also seeks a declaratory judgment that D&PL's royalties under its Roundup Ready Soybean License have been correctly calculated and paid during the years 2002-2005. This case is in pretrial proceedings.

Due to the status of the various matters concerning Monsanto discussed above, management is unable to determine the impact of these matters on the consolidated financial statements.

D&PL vs. Monsanto Company and Pharmacia Corporation

On December 20, 1999, Monsanto withdrew its pre-merger notification filed pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR Act") effectively terminating Monsanto's efforts to gain government approval of the merger of Monsanto with D&PL under the May 8, 1998 Merger Agreement. On December 30, 1999, D&PL filed suit in the First Judicial District of Bolivar County, Mississippi, seeking, among other things, the payment of the $81 million termination fee due pursuant to the Merger Agreement, compensatory damages and punitive damages. On January 2, 2000, D&PL and Monsanto reached an agreement whereby D&PL would withdraw the suit, without prejudice, for the purpose of negotiating a settlement of D&PL's claims, and Monsanto would immediately pay the $81 million. On January 3, 2000, Monsanto paid to D&PL the termination fee of $81 million as required by the Merger Agreement. On January 18, 2000, after unsuccessful negotiations, D&PL re-filed its suit. D&PL seeks in excess of $1 billion in compensatory and $1 billion in punitive damages for breach of the Merger Agreement between the parties.

On September 12, 2003, Monsanto amended its answer to include four counterclaims against D&PL. Monsanto is seeking unspecified damages for its counterclaims, including the $81 million paid by Monsanto to D&PL as a termination fee and related expenses. D&PL answered the counterclaims, denying all liability, and D&PL intends to vigorously defend itself against these counterclaims. On December 21, 2004, Monsanto filed a motion to amend its answer to withdraw two of its four counterclaims.

On February 17, 2005, D&PL filed a motion with the trial court to amend its complaint to add a claim against Monsanto for fraudulently inducing D&PL to extend the deadline to complete the merger with Monsanto. The Mississippi Supreme Court has stayed the proceedings in this case pending the resolution of two interlocutory appeals filed by D&PL. Oral arguments before the Mississippi State Supreme Court are set for August 15, 2006. Due to the status of this matter, management is unable to determine the impact of this matter on the consolidated financial statements.

11. EARNINGS PER SHARE

Dilutive common share equivalents consist of both D&PL's Series M Convertible Non-Voting Preferred shares and the outstanding options to purchase D&PL's common stock and Restricted Stock and Restricted Stock Units that have been issued under the 1995 Long-Term Incentive Plan and the 2005 Omnibus Stock Plan. Approximately 498,000 and 542,000 outstanding stock options were not included in the computation of diluted earnings per share for the three months ended May 31, 2006 and 2005, respectively, and approximately 1,483,000 and 204,000 outstanding stock options were not included in the computation of diluted earnings per share for the nine months ended May 31, 2006 and 2005, respectively, because the exercise price exceeded the average market price of D&PL's common stock for each respective reporting date. These excluded options expire at various dates from 2007 to 2015.

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

(in thousands, except per share amounts)	For the Three Months Ended		
	May 31, 2006	May 31, 2005	
Income:			
Net income	$ 47,678	$ 36,284	$
Less: Preferred stock dividends	(160)	(128)	
Net income for basic EPS	$ 47,518	$ 36,156	$
Effect of Dilutive Securities:			
Convertible preferred stock dividends	160	128	
Net income available to common stockholders plus assumed conversions - for diluted EPS	$ 47,678	$ 36,284	$

Shares:			
Basic EPS shares	35,734	38,416	
Effect of Dilutive Securities:			
Options to purchase stock	317	356	
Restricted Stock and Restricted Stock Units	5	-	
Convertible preferred stock	1,067	1,067	
Diluted EPS shares	37,123	39,839	
Per Share Amounts:			
Basic	$ 1.33	$ 0.94	$
Diluted	$ 1.28	$ 0.91	$

12. EMPLOYEE BENEFIT PLANS

Substantially all full-time employees are covered by a noncontributory defined benefit plan (the "Plan"). Benefits are paid to employees, or their beneficiaries, upon retirement, death or disability based on their final average compensation over the highest consecutive five years. D&PL's funding policy is to make contributions to the Plan that are at least equal to the minimum amounts required to be funded in accordance with the provisions of ERISA.

Effective January 1992, D&PL adopted a Supplemental Executive Retirement Plan (the "SERP"), which will pay supplemental pension benefits to certain employees whose benefits from the Plan were decreased as a result of certain changes made to the Plan. The benefits from the SERP will be paid in addition to any benefits the participants may receive under the Plan and will be paid from Company assets, not Plan assets. For further information about D&PL's employee benefit plans, reference should be made to Note 11 to the consolidated financial statements contained in D&PL's Annual Report on Form 10-K for the year ended August 31, 2005.

The components of net periodic pension expense for D&PL's Plan and SERP follow as of (in thousands):

	Pension Three Months Ended		
	May 31, 2006	May 31, 2005	
Service cost	$ 273	$ 213	$
Interest cost	287	274	
Expected return on assets	(295)	(272)	
Amortization of prior service cost	4	1	
Recognized net actuarial loss (gain)	180	101	
Net periodic pension expense	$ 449	$ 317	$

	Pension Nine Months Ended	

	May 31, 2006	May 31, 2005	
Service cost	$ 819	$ 639	$
Interest cost	862	822	
Expected return on assets	(885)	(816)	
Amortization of prior service cost	11	3	
Recognized net actuarial loss (gain)	540	303	
Net periodic pension expense	$ 1,347	$ 951	$

The amount of the minimum pension liability that is recorded as a component of Accrued Expenses at May 31, 2006 was $7.1 million. As of May 31, 2006, D&PL had not made any contributions to the Plan; however, on June 27, 2006, a $3.7 million contribution was made to the Plan.

As of May 31, 2006, no contributions have been made to the SERP. D&PL presently does not anticipate contributing any amounts to the SERP in 2006.

13. CREDIT FACILITY

On April 15, 2005, D&PL and certain of its subsidiaries entered into an unsecured $75 million credit agreement (the "Credit Agreement") with Bank of America, N.A. (the "Bank"). The Credit Agreement provides for unsecured revolving loans up to a maximum aggregate amount outstanding of $75 million, plus Letters of Credit which were outstanding prior to the execution of the Credit Agreement in the amount of approximately $2 million. Of the total commitment, $50 million represents a seasonal commitment available from October to July of each year. The Credit Agreement was originally set to expire on July 31, 2006. However, on December 5, 2005, pursuant to the Company's request as provided for in the Credit Agreement, the Company and the Bank agreed to extend the Credit Agreement until July 31, 2007, at which time all outstanding amounts under the Credit Agreement will be due and payable, subject to the Company's right to request an additional one-year extension and the Bank's acceptance of that request.

In general, borrowings under the Credit Agreement bear interest at a rate calculated according to a Eurodollar rate, plus .55%. The Eurodollar rate is generally the 30-day, 60-day or 90-day LIBOR rate. The Company is required to pay an annual fee of 0.125% of the daily-unused portion of the Credit Agreement. The primary financial covenant requires the Company's funded indebtedness under the Credit Agreement to not exceed 50% of certain current and long-term assets, defined in the Credit Agreement and determined as of the last day of each quarter.

During the quarter ended May 31, 2006, the Company borrowed approximately $45 million, which was fully repaid by May 31, 2006. As of May 31, 2006, there were zero borrowings outstanding under the Credit Agreement, except for the existing Letters of Credit discussed above.

14. SUBSEQUENT EVENTS

Effective June 30, 2006, D&PL acquired several licenses from DuPont (NYSE: DD) subsidiary Pioneer Hi-Bred International, Inc., including its OptimumTM GATTM herbicide tolerance technology for cotton globally and soybeans in the U.S., enabling the Company to enhance its product portfolio. Additionally, the Company has acquired licenses for other products developed by DuPont's biotechnology research program and certain enabling technologies for use in cotton, soybeans and other crops.

The OptimumTM GATTM trait developed by DuPont will provide farmers with expanded weed control options and is expected to help optimize yield. This herbicide tolerance technology makes plants tolerant to both glyphosate and ALS herbicides, including sulfonylureas. Previously, DuPont announced plans to commercialize OptimumTM GATTM in Pioneer(R) brand corn and soybeans and also secured significant global outlicense agreements. D&PL and DuPont, through its subsidiary Pioneer Hi-Bred International, Inc., are partners in a joint venture, DeltaMax Cotton LLC, which was initially formed to develop and commercialize glyphosate tolerance technology in cotton. The Company also announced that it has reached an agreement to license select soybean lines suitable for planting in the Southern soybean market through the involvement of GreenLeaf Genetics LLC.

D&PL paid DuPont $20.5 million pursuant to the transaction and expects to account for this transaction in the fourth quarter as an IPR&D write-off. Technology fee sharing for the OptimumTM GATTM technology for cotton is essentially consistent with the existing terms in the DeltaMax Collaboration agreement.

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

OVERVIEW/OUTLOOK

Our revenues for the third quarter of 2006 represent the highest of any single quarter in the Company's history. Net income for the quarter is second only to the second quarter of 2000, the quarter in which we received an $81 million termination payment from Monsanto related to a failed merger. These record results are driven by an increase in planted acreage and an increase in market share in the key markets east of Texas, resulting in an increase in domestic cottonseed units sold over the prior year. Additionally, our revenues were positively impacted by higher technology fees per unit and a sales mix change to more premium-priced, stacked-trait units. Seed treatment revenues were positively impacted by the introduction of the AVICTA(TM) Complete Pak from Syngenta and increased sales of Gaucho(TM) from Bayer and other premium seed treatments. The increase in domestic units sold in the third quarter was partially driven by a shift in sales from the second quarter, as our customers finalized their planting decisions on treatment options. However, domestic units sold in the year-to-date nine month period also exceeded those of the same period in the prior year, and we anticipate that full year results will show an overall increase in unit sales over 2005.

On June 30, 2006, the USDA released its planted acreage report, which reflected 15.3 million acres of overall cotton plantings in the U.S., a 7% increase, or 1.1 million acres, over the 2005 crop year. This report indicated an increase over the USDA's March 31, 2006 Prospective Plantings report which had estimated the U.S. cotton acres to be 14.6 million. The June 30th report reflected an increase in the higher value Mid-South and Southeast regions of 580,000 acres over 2005 and an increase of 245,000 over the March 31, 2006 Prospective Plantings report. The report indicated that the Southwest region (TX, OK, NM) increased 500,000 acres over 2005 plantings which represented an increase of 400,000 acres over the March intentions. Western plantings of extra-long staple Pima cottons are expected to be up over 2005 by 66,000 acres and up 2,000 acres over the March 2006 report.

Our view of the impact on our business of the 2006 acreage changes compared to 2005 is that along with the increase in acreage in the Mid-South and Southeast regions of the U.S., D&PL also increased market share three to five percentage points in those regions. Much of the increase in acreage in the Southwest region occurred on dryland acreage. These acres were planted with lower cost "brown bag" seed. Due to the ongoing drought in that area this acreage will likely not produce harvestable yields.

Internationally, units shipped during the current-year quarter were higher than for the same period in the prior year due to a shift in shipments from the second quarter. For the year-to-date period, revenues from our international segment are down from the same prior-year period due to lower shipments in certain of our international markets. Sales were down in the following countries for the following reasons: Australia (due to lower volumes); Brazil (due to a reduction in planted cotton acreage caused by weak commodity prices and the strengthening of the Brazilian currency); China (as a result of new product registration difficulties with Chinese regulatory agencies); Greece (due to a large carryover inventory of seed from the prior year by our distributor); and Mexico (due to issues surrounding the revision of laws governing the planting of transgenic crops in Mexico that delayed our ability to import certain transgenic varieties).

On May 22, 2006, we announced that we had acquired Syngenta's global cotton seed assets, comprised of operations and assets in India, Brazil, Europe, and certain cotton germplasm in the United States. The primary assets acquired consist of conventional and transgenic germplasm containing Syngenta's VipCot(TM) insect-resistant cotton genes. We acquired a license to VipCot in 2004 and expect to commercialize varieties containing these traits in 2008 or 2009, subject to receiving regulatory approvals. As a result of this transaction, we incurred a pre-tax charge of $7.0 million, or $0.12 per diluted share, related to the IPR&D charge and related transaction costs during the third-quarter. For more information, see the section titled "Acquired In-Process Research and Development" later in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

On June 30, 2006, D&PL acquired several licenses from DuPont (NYSE: DD) subsidiary Pioneer Hi-Bred International, Inc., including its OptimumTM GATTM herbicide tolerance technology for cotton globally and soybeans in the U.S., enabling the Company to enhance its product portfolio. Additionally, the Company has acquired licenses for other products developed by DuPont's biotechnology research program and certain enabling technologies for use in cotton, soybeans and other crops.

The OptimumTM GATTM trait developed by DuPont will provide farmers with expanded weed control options and is expected to help optimize yield. This herbicide tolerance technology makes plants tolerant to both glyphosate and ALS herbicides, including sulfonylureas. Previously, DuPont announced plans to commercialize OptimumTM GATTM in Pioneer(R) brand corn and soybeans and also secured significant global outlicense agreements. D&PL and DuPont, through its subsidiary Pioneer Hi-Bred International, Inc., are partners in a joint venture, DeltaMax Cotton LLC, which was initially formed to develop and commercialize glyphosate tolerance technology in cotton. The Company also announced that it has reached an agreement to license select soybean lines suitable for planting in the Southern soybean market through the involvement of GreenLeaf Genetics LLC.

D&PL paid DuPont $20.5 million for the licenses to these technologies from available cash and expects to account for this transaction in the fourth quarter as an IPR&D write-off. Technology fee sharing for the OptimumTM GATTM technology for cotton is essentially consistent with the existing terms in the DeltaMax Collaboration agreement.

2006 Earnings Guidance

On July 6, 2006, we announced that our earnings guidance that had been previously announced for the 2006 fiscal year will be impacted by the IPR&D

charge taken during the third quarter of $.12 per diluted share related to the Syngenta transaction and the anticipated IPR&D charge of $0.34 to $0.36 per share related to the DuPont/Pioneer transaction, which was effective June 30, 2006, offset partially by lower than previously expected expenses from the lawsuit against Pharmacia and Monsanto. The previous guidance of $1.15 to $1.25 per diluted share, after expected charges of $0.10 per diluted share related to our lawsuit against Pharmacia and Monsanto, has been revised to $.70 to $.83 per diluted share, after charges of $0.46 to $0.48 per diluted share related to IPR&D charges and $0.06 to $0.08 per diluted share related to our lawsuit against Pharmacia and Monsanto.

While our core business earnings guidance is unchanged, achieving those results is still dependent on certain factors being met during the fourth quarter of our year, primarily the absence of unexpected domestic seed returns or a weather event that would increase our exposure to claims from crop loss programs for seed and technology fees.

RESULTS OF OPERATIONS

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

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

	For the Three Months Ended		
	May 31, 2006	May 31, 2005	
Operating results-			
Net sales and licensing fees	$ 286,618	$ 203,320	$
Gross profit	101,922	73,573	
Operating expenses	26,629	15,630	
Operating income	75,293	57,943	
Income before income taxes	73,102	57,041	
Net income applicable to common shares	47,518	36,156	

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

	May 31, 2006	August 31, 2005
Balance sheet summary-		
Current assets	$ 500,664	$ 356,679
Current liabilities	377,540	263,013
Working capital	123,124	93,666
Property, plant and equipment, net	59,778	60,158
Total assets	584,637	439,184
Outstanding borrowings	11,642	17,349
Stockholders' equity	198,248	164,023

Three months ended May 31, 2006, compared to three months ended May 31, 2005:

For the quarter ended May 31, 2006, we reported net income of $47.7 million, compared to net income of $36.3 million in the comparable prior-year quarter. This increase was primarily due to an increase in domestic sales in the current year quarter versus the prior year, offset by an increase in operating expenses, which included an IPR&D pre-tax charge of $7.0 million (see discussion in "Acquired In-Process Research and Development" below).

Net sales and licensing fees increased approximately $83.3 million to $286.6 million and gross profit increased approximately $28.3 million to $101.9 million. Domestic revenues increased over the prior year due to increased cotton acreage and increased market share in our key markets east of Texas which resulted in an increase in units sold. In addition, higher technology fees per unit, a shift in our sales mix to more premium-priced, stacked-trait products, and treatment revenues, partially offset by an increase in incentive payments made to our distributor customers, contributed to this increase. Historically, we have earned a fee on sales of third-party cottonseed treatments, which was recorded as a component of Net Sales and Licensing Fees. However, beginning in 2006, we are invoicing our customers for those treatments (which is recorded as revenue), and remitting a portion of that revenue to the manufacturer of the seed treatments (which is recorded as cost of goods sold). The gross profit margin percentage that we earn on those seed treatments is lower than what we have traditionally earned on cottonseed sales, which has slightly depressed our overall gross margin stated as a percentage of revenues. International revenues were slightly higher than the prior-year quarter due to a shift of sales into the third quarter in Mexico and Spain, and higher unit sales in Turkey.

Operating expenses increased approximately $11.0 million to $26.6 million in the third quarter of 2006. This increase primarily related to the IPR&D charge discussed above, increased spending on research and development activities, and higher General and Administrative expenses. General and Administrative expenses were higher due to an approximate $1.7 million increase in professional fees primarily related to various arbitration proceedings with Monsanto (other than the Pharmacia/Monsanto suit), and an increase of approximately $800,000 related to compensation costs (e.g. equity-based compensation, pension, etc.).

We reported net other expense of approximately $1.3 million for the quarter ended May 31, 2006, compared to $0.9 million for the same period in the prior year. The increase is attributable to legal fees related to the Pharmacia/Monsanto litigation. In the three months ended May 31, 2006, we incurred $1.0 million, or $0.02 per diluted share, related to the Pharmacia/Monsanto litigation expenses, compared to $0.7 million, or $0.01 per diluted share, in the three months ended May 31, 2005.

Nine months ended May 31, 2006, compared to nine months ended May 31, 2005:

For the nine-month period ended May 31, 2006, we reported net income of $52.9 million, compared to net income of $51.1 million reported in the comparable prior year period. This increase was primarily due to an increase in domestic revenues, offset by a reduction in international net sales and licensing fees, and an increase in operating expenses, including the previously referenced $7.0 million IPR&D charge related to the Syngenta transaction.

Net sales and licensing fees increased approximately $70.8 million to $411.4 million and gross profit increased approximately $18.6 million to $145.9 million. As the majority of our domestic sales occur in the third quarter, the reasons for the increase in domestic revenues are the same as discussed in the three-month discussion above. International revenues were lower primarily in South America, Australia, and Mexico. Sales in South America were lower primarily due to a reduction in the cotton acreage in Brazil and the decrease in sales in Australia relates to lower volumes. Sales to Mexico were lower due to issues surrounding the revision of laws governing the planting of transgenic crops in Mexico that delayed our ability to import certain transgenic varieties.

Operating expenses increased approximately $17.5 million to $59.2 million in the nine months ended May 31, 2006. This increase is primarily related to the $7.0 million IPR&D pre-tax charge, increased spending on research and development activities, and higher General and Administrative expenses. General and Administrative expenses were impacted by an approximate $4.5 million increase in professional services fees related to arbitration (other than the Pharmacia/Monsanto suit), and an increase of approximately $1.8 million related to compensation costs (e.g., equity-based compensation, pension, etc.).

We reported net other expense of approximately $3.3 million for the nine-month period ended May 31, 2006, compared to $3.3 million for the same period in the prior year. The amount reported relates to lower legal fees related to the Pharmacia/Monsanto litigation, offset by a decrease in other income due to a gain that was recognized from the sale of property in the prior-year period. In the nine months ended May 31, 2006, we incurred $2.9 million, or $.05 per diluted share, related to Pharmacia/Monsanto litigation expenses, compared to $3.8 million, or $0.06 per diluted share, in the nine months ended May 31, 2005.

OFF-BALANCE SHEET ARRANGEMENTS

We do not currently utilize off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

As of May 31, 2006, we owed approximately $2.3 million for a portion of our raw materials that had been received from the 2005 production season. This amount represents the amount due on seed production delivered that had not yet been paid. It does not include other amounts that may become due from contingencies contained in seed production contracts. The amount owed of $2.3 million is included in Current Liabilities in our Consolidated Balance Sheet at May 31, 2006.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. We maintain a thorough process to review the application of our accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare our financial statements. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information.

Information regarding our "Critical Accounting Policies and Estimates" can be found in our Annual Report to Stockholders on Form 10-K for the year ended August 31, 2005. The four critical accounting policies that we believe are either the most judgmental, or involve the selection or application of alternative accounting policies, and are material to our financial statements are those relating to revenue recognition, including accounting for various incentive programs (crop loss and replant programs), provision for damaged, obsolete and excess inventory, deferred income taxes and contingent liabilities. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors and with our independent registered public accounting firm.

ACQUIRED IN-PROCESS RESEARCH AND DEVELOPMENT

The previously discussed acquisition of Syngenta's global cotton seed assets resulted in capitalizing and immediately expensing $7.0 million related to acquired in-process research and development that has no alternative future use. The primary assets acquired consist of conventional and transgenic germplasm containing Syngenta's VipCot insect-resistant cotton genes. Certain regulatory approvals are required before any of the germplasm acquired can be commercialized. As this transaction occurred at the end of the quarter, we are still finalizing estimates of costs to complete these projects and will provide those estimates in our Annual Report on Form 10-K for the year ended August 31, 2006. There is no assurance that these technologies will result in commercially viable products or that regulatory approval will be obtained for the products.

LIQUIDITY AND CAPITAL RESOURCES

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

In the U.S., we record revenue and accounts receivable for technology licensing fees on transgenic seed sales upon shipment, usually in our second and third quarters. Receivables from seed sales generally become due in May and June. The licensing fees are due in September, at which time we receive payment. We then pay Monsanto its royalty for the Bollgard and Roundup Ready licensing fees, which is recorded as a component of cost of sales. As a result of the timing of these events, licensing fees receivable and royalties payable peak at our year end, August 31.

The seasonal nature of our business significantly impacts cash flow and working capital requirements. Historically, we have maintained credit facilities, and used cash generated from operations and other available cash to meet working capital needs. We continue to evaluate potential uses of our cash for purposes other than for working capital needs. Potential uses of our cash in the future may be the acquisition of, or funding of, alternative technologies (such as, or in addition to, DeltaMax and Syngenta) that could be used to enhance our product portfolio and ultimately our long-term earnings potential and/or an investment in new markets outside the U.S. Another potential use is the repurchase of our shares pursuant to our recently announced $50 million share repurchase program. We are currently considering other potential uses of our cash, including increasing the dividend rate or repurchasing additional shares depending on market considerations and other factors. As a part of this analysis, we continue to evaluate the Company's liquidity needs and its capital structure.

On April 15, 2005, we entered into an unsecured $75 million credit agreement (the "Credit Agreement") with Bank of America, N.A. (the "Bank"). The Credit Agreement provides for unsecured revolving loans up to a maximum aggregate amount outstanding of $75 million, plus Letters of Credit which were outstanding prior to the execution of the Credit Agreement in the amount of approximately $2 million. Of the total commitment, $50 million represents a seasonal commitment available from October to July of each year. The Credit Agreement was originally set to expire on July 31, 2006. However, on December 5, 2005, pursuant to the Company's request as provided for in the Credit Agreement, the Company and the Bank extended the Credit Agreement to July 31, 2007, at which time all outstanding amounts under the Credit Agreement will be due and payable, subject to the Company's right to request an additional one-year extension and the Bank's acceptance of that request.

In general, borrowings under the Credit Agreement bear interest at a rate calculated according to a Eurodollar rate, plus 0.55%. The Eurodollar rate is generally the 30-day, 60-day or 90-day LIBOR rate. We are also required to pay unused fees of 0.125% annually calculated on the daily-unused portion of the Credit Agreement. The primary financial covenant requires the Company's funded indebtedness under the Credit Agreement to not exceed 50% of certain current and long-term assets, defined in the Credit Agreement and determined as of the last day of each quarter.

During the quarter ended May 31, 2006, the Company borrowed approximately $45 million, which was fully repaid by May 31, 2006. As of May 31, 2006, there were no amounts outstanding under the Credit Agreement, other than the existing Letters of Credit as discussed above. All borrowings under the Credit Agreement have been repaid as of May 31, 2006.

Capital expenditures were $6.2 million and $5.1 million in the nine months ended May 31, 2006 and 2005, respectively. We anticipate that capital expenditures will approximate $7.0 million to $10.0 million in 2006.

For the nine months ended May 31, 2006, aggregate dividends of $16.6 million have been paid on common and preferred shares. The Board of Directors anticipates that quarterly dividends of $0.15 per share will continue to be paid in the future; however, the Board of Directors reviews this policy quarterly. Based on a quarterly dividend of $0.15 per share in 2006, aggregate preferred and common stock dividends should approximate $22.0 million in 2006.

Cash Used for Share Repurchases

From September 1, 2005 through June 30, 2006, we repurchased 808,494 shares at an aggregate purchase price of approximately $19.7 million under the June 30, 2005, share repurchase program. We expect to repurchase shares under this plan over time and through a variety of methods, which generally will include open market purchases. The timing and amount of repurchases under this program will depend on market conditions, legal restrictions and other factors.

The following table presents the number of shares purchased monthly for the three-month period ended May 31, 2006:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of S Purchased as Par Publicly Announced
March (March 1, 2006 to March 31, 2006)	8,400	$ 27.20	
April (April 1, 2006 to April 30, 2006)	5,000	$ 29.02	
May (May 1, 2006 to May 31, 2006)	67,194	$ 27.93	
Total	80,594		

Cash provided from operations, cash on hand, early payments from customers and borrowings under the credit facility should be sufficient to meet our 2006 working capital needs.

Availability of Information on Our Website

Additional information (including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) and 15(d) of the Exchange Act, and statements of beneficial ownership) is available free of charge at our website at www.deltaandpine.com under Media & News, as soon as reasonably practicable after we electronically file such material with or furnish such material to the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have exposure relative to fluctuations in the price of soybean raw material inventory, foreign currency fluctuations and interest rate changes. For more information about market risk and how we manage specific risk exposures, see Notes 1 and 15 to our consolidated financial statements contained in our Annual Report on Form 10-K for the year ended August 31, 2005. Also see Note 9 of the Notes to Consolidated Financial Statements in Item 1 of this Quarterly Report on Form 10-Q for further details about our exposure to market risk.

The fair value of derivative commodity instruments outstanding as of May 31, 2006, was $57,000. A 10% adverse change in the underlying commodity prices upon which these contracts are based would result in a $374,000 loss in future earnings (not including the gain on the underlying commodities).

Our earnings are also affected by fluctuations in the value of the U.S. dollar compared to foreign currencies as a result of transactions in foreign markets. We conduct non-U.S. operations through subsidiaries and joint ventures in, primarily, Argentina, Australia, Brazil, China, South Africa and Turkey. At May 31, 2006, the result of a uniform 10% change in the value of the dollar relative to the currencies in which our transactions are denominated would not cause a material impact on net earnings.

For the three months ended May 31, 2006, a 10% adverse change in the interest rate that we earned on our cash that we invested would not have resulted in a material change to our net interest income or cash flow.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

D&PL's chief executive officer and chief financial officer have evaluated the effectiveness of the design and operation of D&PL's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of May 31, 2006. Based on that evaluation, the chief executive officer and chief financial officer have concluded that D&PL's disclosure controls and procedures are effective to ensure that material information relating to D&PL and D&PL's consolidated subsidiaries is made known to such officers by others within these entities in order to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls.

There have not been any changes in D&PL's internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, D&PL's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

A complete discussion of all known pending litigation in which D&PL is named as a defendant and a description of other legal matters can be found in Part I, Item 3, of D&PL's Annual Report on Form 10-K for the year ended August 31, 2005. The following discussion only relates to changes in the status of items reported in that Annual Report on Form 10-K, or new items that have come to the Company's attention since that time.

Regarding the interlocutory appeal before the Mississippi Supreme Court in the March 14, 2002, Holmes County, Mississippi lawsuit, oral arguments were presented to the Mississippi Supreme Court on February 16, 2006. On April 20, 2006, the Supreme Court denied D&PL's Interlocutory Appeal and returned these cases to the trial court for further proceedings. It is anticipated that the trial court will sever the individual claims of the involved growers in that litigation.

Regarding the December 2002 suit filed by D&PL against Nationwide Agribusiness and other insurance companies in the Circuit Court of Holmes County, Mississippi, Motions for Summary Judgment filed separately by Nationwide and D&PL were orally argued on March 15, 2006 and March 20, 2006. On March 21, 2006, the Court entered a minute docket entry taking the case under advisement. On March 31, 2006, the District Judge entered an Order Denying D&PL's Summary Judgment Motion and Granting Nationwide's Summary Judgment Motion. On April 26, 2006, D&PL filed a Notice of Appeal of the District Court's decision to the United States District Court of Appeals for the 5th Circuit.

On February 17, 2006, D&PL submitted an issue for resolution under the dispute resolution process under the 1996 Option Agreement and the 2002 Bollgard Gene License. This dispute involves whether Monsanto's implementation of a farmer licensing system for the Bollgard Gene technology in Brazil violates D&PL's and its local affiliate's rights to an exclusive license to develop, produce and sell Bollgard planting seed in Brazil. In response to D&PL's submission of this dispute to the alternative dispute resolution process, on February 23, 2006, Monsanto filed a suit for declaratory judgment in the Circuit Court of St. Louis County, Missouri, for the court to determine the issues in dispute. D&PL believes that this suit is barred by the binding alternative dispute resolution provisions in the subject contracts and that the issue of submission to arbitration has been resolved by the below described decision of the Delaware Court.

On March 1, 2006, D&PL filed a suit against Monsanto in the Chancery Court of New Castle County, Delaware, seeking to enjoin Monsanto's implementation of the new farmer licensing system pending the resolution of the issues submitted to the Executive Panel. D&PL's motion for a preliminary injunction was denied; however, the Delaware Court granted D&PL's motion to compel arbitration. On March 27, 2006, D&PL submitted to arbitration before the American Arbitration Association ("AAA") the dispute on whether Monsanto's implementation of a farmer licensing system is in violation of D&PL's and its affiliate's rights to an exclusive license to develop, produce and sell Bollgard planting seed in Brazil. As part of this arbitration, D&PL is seeking to enjoin Monsanto's implementation of its farmer licensing system and for damages incurred by D&PL and its affiliate. The Arbitration Panel has scheduled a hearing on D&PL's request for a preliminary injunction in July 2006 and a final hearing in November 2006. D&PL is committed to participating in good faith resolution of this dispute through arbitration. MDM Sementes de Algodao Limitada, D&PL's affiliate in Brazil is proceeding with a planned launch of sales of cotton seed containing Bollgard technology in Brazil in the 2006 sales season.

On March 31, 2005 and May 4, 2006, D&PL submitted disputes involving D&PL's right to exclusive licenses to Bollgard Technology in two Ex-U.S. countries under the 1996 Option Agreement between Monsanto and D&PL for resolution by an Executive Panel.

On February 20, 2006, D&PL submitted two additional issues for dispute resolution before an Executive Panel; one dispute under the most favored license provisions of the U.S. Bollgard License and the other under confidentiality provisions of the U.S. Bollgard and Roundup Ready Licenses. These issues have not been resolved through the Executive Panel.

On June 16, 2006 D&PL submitted to arbitration before the AAA the issues involving D&PL's rights to exclusive rights to Bollgard technology in the two Ex-U.S. countries and D&PL's rights to more favorable license terms under its U.S. Bollgard and Bollgard II Licenses.

On February 28, 2006, D&PL filed suit in the Circuit Court of Dunklin County, Missouri, seeking to recover Soybean Seed Services Fees in the amount of approximately $2,200,000 which Monsanto Company has wrongly refused to pay D&PL with respect to soybean seed containing Monsanto's Roundup Ready technology sold by D&PL during the 2005 planting season. The suit also seeks a declaratory judgment that D&PL's payments of Royalties under its Roundup Ready Soybean License have been correctly calculated and paid during the years 2002-2005. This case is in pre-trial proceedings.

Item 1A. Risk Factors

Various statements included herein constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and are indicated by words or phrases such as "anticipate," "estimate," "expect," "project," "believe," "is or remains optimistic," "currently envisions" and similar words or phrases and involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements include statements relating to such matters as anticipated financial performance (including when earnings estimates are discussed), existing products, technical developments, new products, new technologies, research and development activities, and similar matters. These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties, many of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of, among others, changes in the competitive marketplace, including the introduction of new products or pricing changes by our competitors, changes in the economy and other similar events. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, we cannot assure you that the forward-looking information contained herein will in fact transpire. The risks and uncertainties that may affect the operations, performance, development and results of our business include those noted elsewhere herein and the following:

Demand for and supply of planting seed

Demand for our seed will be affected by government programs and policies and by weather in all countries where we sell products and operate. Demand for seed is also influenced by commodity prices, the cost of other crop inputs, and the demand for a crop's end-uses such as textiles, animal feed, cottonseed oil, food and raw materials for industrial use. Weather impacts crop yields, commodity prices and the planting decisions that farmers make regarding both original planting commitments and, when necessary, replanting levels. These factors all also influence the cost and availability of seed for subsequent seasons.

Competition

The planting seed market is highly competitive, and our products face competition from a number of seed companies, diversified crop protection product companies, agricultural biotechnology companies, governmental agencies and academic and scientific institutions. In addition, several of our distributors/customers have also entered the cotton planting seed business. These competitors will launch in 2006 varieties containing the Bollgard II and Roundup Ready Flex technologies at the same time we expect to launch those technologies in our varieties. A number of crop protection product 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, Bollgard II and Roundup Ready gene technologies of Monsanto, our principal licensor of such technology. Our seed products and technologies contained therein may encounter substantial competition from technological advances by others or products from new market entrants. Many of our competitors are, or are affiliated with, large diversified companies that have substantially greater resources than we have.

Litigation and other legal matters

We currently are engaged in a dispute resolution and arbitration process with Monsanto, the principal licensor of our cotton technology and competitor of ours in the cotton planting seed business. In the arbitration, Monsanto is seeking a determination by the arbitrators of its right to terminate certain agreements between our companies, including the Bollgard and Roundup Ready licenses. In addition, we are currently engaged in litigation with Monsanto concerning the failed merger of the companies. In addition, we have brought two other disputes with Monsanto before an arbitration panel. The result of this litigation/arbitration (and the process of litigating) may materially affect the results of our business. (See Part I, Item 3, of D&PL's Annual Report on Form 10-K for the year ended August 31, 2005.)

New technologies

There is no assurance that new technologies such as the DeltaMax, DuPont and Syngenta technologies will result in commercially viable products or that such technologies will be developed in the time frame or for the amounts estimated to complete development. Also, there is no assurance that regulatory approval will be obtained for the products.

Governmental policies

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 and shipping disruptions. Particular policies which may affect our domestic and international operations include the use of and the acceptance of products that were produced from plants that have been genetically modified, the testing, quarantine and other restrictions relating to the import and export of plants and seed products, and the availability (or lack thereof) of proprietary protection for plant products. The absence or lack of enforcement of intellectual property laws may lead to counterfeit and farmer-saved seed which negatively impacts our sales. In addition, United States government policies, particularly those affecting foreign trade and investment, may impact our international operations.

Regulatory matters

The publicity related to genetically modified organisms ("GMOs") or products made from plants that contain GMOs may have an effect on our sales in the future. In 2005, approximately 95% of our cottonseed that was sold in the United States contained either or both of Monsanto's Bollgard, Bollgard II and Roundup Ready gene technologies, and 96% of our soybean seed sales contained the Roundup Ready gene technology. Although many farmers have rapidly adopted these technologies, the concern of some customers and governmental entities over finished products that contain GMOs could impact demand for crops (and ultimately seed) raised from seed containing such traits. In addition, regulatory approvals for Monsanto's Bollgard and Bollgard II technologies expire in 2006. On July 7, 2006, Monsanto announced that the United States Environment Protection Agency had extended the registration of the Bollgard technology through the 2009 growing season. An announcement regarding the registration of the Bollgard II technology is expected later in 2006. However, there is no assurance that such registration will be extended, or what the terms and conditions of any re-registration will be. Monsanto is responsible for obtaining and maintaining regulatory approvals for the technologies we license from them.

International operating risks

Due to the varying levels of agricultural and social development of the international markets in which we operate and because of factors within the particular international markets we target, international profitability and growth may be less stable and predictable than domestic profitability and growth. Furthermore, actions taken by the U.S. government, including that taken by the U.S. military, the war in Iraq, and conflicts between major cotton producing nations, may serve to further complicate our ability to execute our long range ex-U.S. business plans because those plans include future expansion into Uzbekistan, Pakistan and India. World health concerns about infectious diseases also affect the conduct of our international business.

Subsidies and trade agreements

Our farmer customers in many markets, including the U.S., benefit from government subsidy programs. The Farm Security and Rural Investment Act of 2002 expires on January 1, 2007 (although the bill includes the 2007 cotton planting season), and future U.S. farm subsidy programs are uncertain. Various other countries, including Brazil, have challenged, and may continue to challenge, the appropriateness of U.S. farm subsidies through the World Trade Organization ("WTO") or other forums. In particular, the WTO has ruled in Brazil's favor in its challenge that certain U.S. subsidies violate the provisions of the WTO. It is not clear if, when, or to what extent, U.S. subsidies will be modified as a result of this ruling. However, in the event changes to subsidies are made, they may negatively impact U.S. farmers which could result in a decline in planted cotton acreage. Also, in WTO discussions in Hong Kong in late December 2005, U.S. negotiators committed to reduce cotton export subsidies (the "Step 2" program) in 2007, and to reduce overall agricultural export subsidies by 2013. U.S. farm programs, including government subsidies, and WTO rulings impacting such programs may materially affect the results of our business. In addition, the U.S. Congress, in an attempt to reduce the U.S. government's budget deficit, may also revise the farm subsidy program and/or its agricultural policy.

Other

Overall profitability will depend on the factors noted above, as well as worldwide commodity prices, our ability to successfully open new international markets, the technology partners' ability to obtain timely government approval (and maintain such approval) for existing and for additional biotechnology products on which they and D&PL are working, the terms of such government approvals, our technology partners' ability to successfully defend challenges to proprietary technologies licensed to us and our ability to produce sufficient commercial quantities of high quality planting seed of these products. Any delay in or inability to successfully complete these projects may affect future profitability. In addition, earnings forecasts do not consider the impact of potential transactions, their related accounting and other factors, that may be under consideration by the Company, but have not yet been completed or their effect determined at the date of a particular filing.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The disclosure required under this Part II, Item 2 of this Quarterly Report on Form 10-Q is contained in Part I, Item 2 hereof under the heading "Cash Used for Share Repurchases" and is incorporated herein by reference.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits.

Exhibits.

31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934.

31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) Under the Securities Exchange Act of 1934.

32.00 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) Under the Securities Exchange Act of 1934 and Section 1350 of Chapter 63 of Title 18 of the United States Code.

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 10, 2006 /s/ W. Thomas Jagodinski

W. Thomas Jagodinski
President, Chief Executive Officer and Director
(Principal Executive Officer)

Date: July 10, 2006

/s/ Kenneth M. Avery

Kenneth M. Avery
Vice President - Finance, Treasurer and
Assistant Secretary
(Principal Financial and Accounting Officer)