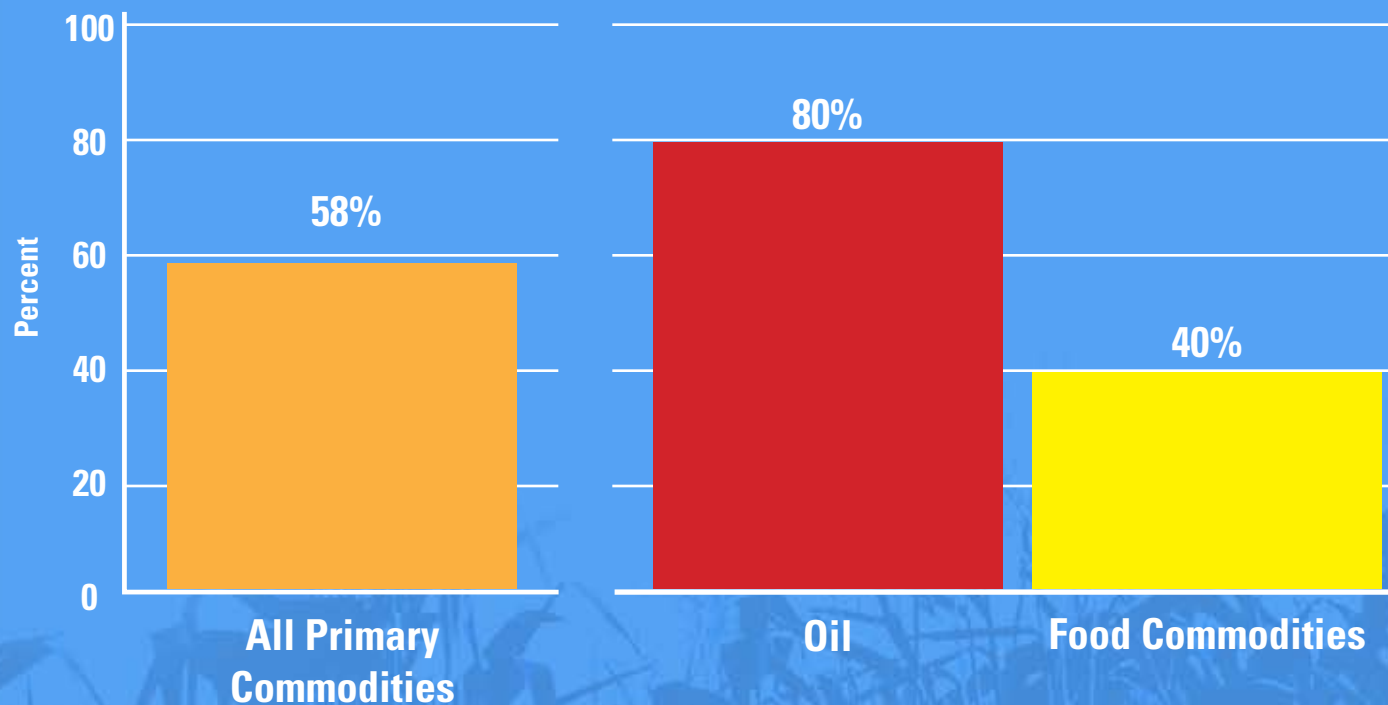


Globally: Prices Have Increased

July 2007 – July 2008

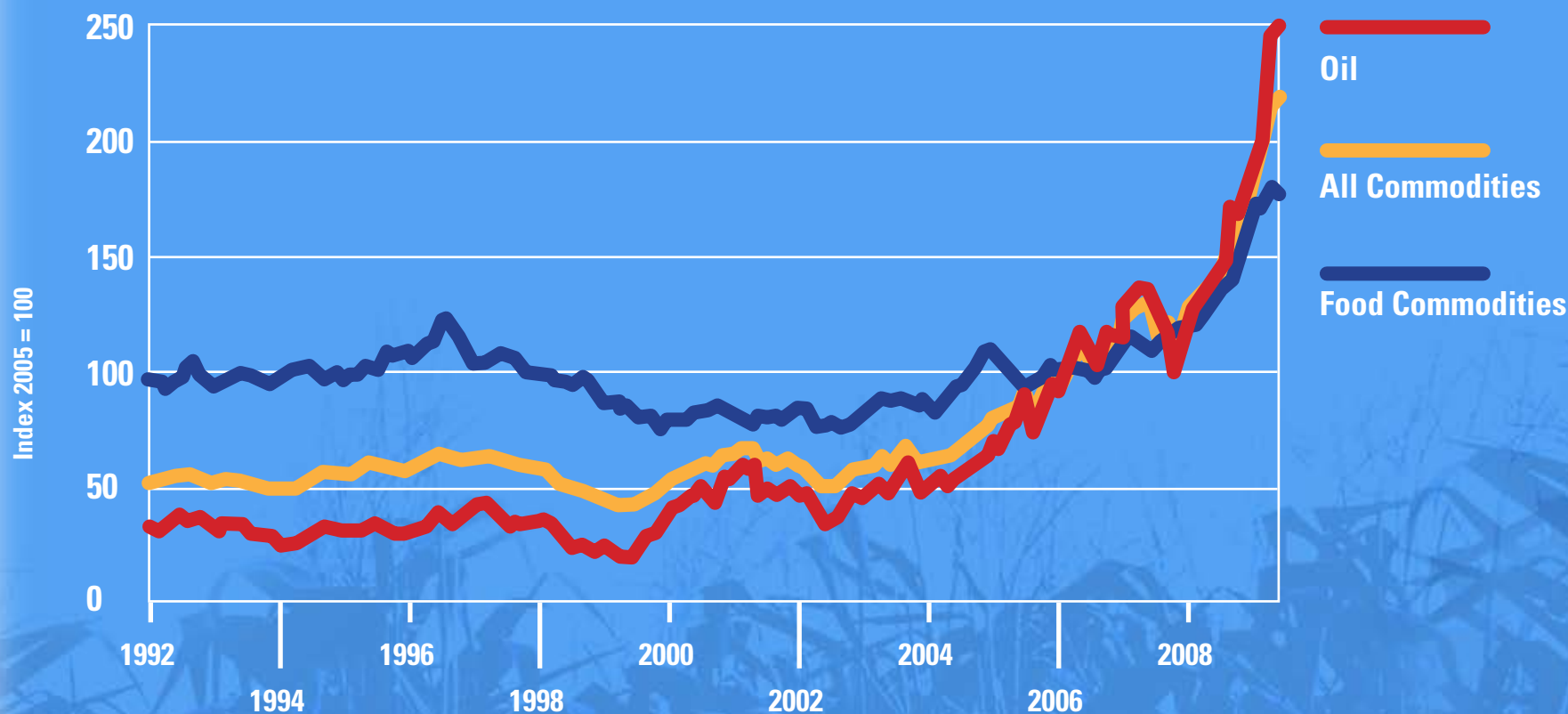
■ ***Globally, commodity prices have risen over the past 12 months – not just food prices.***



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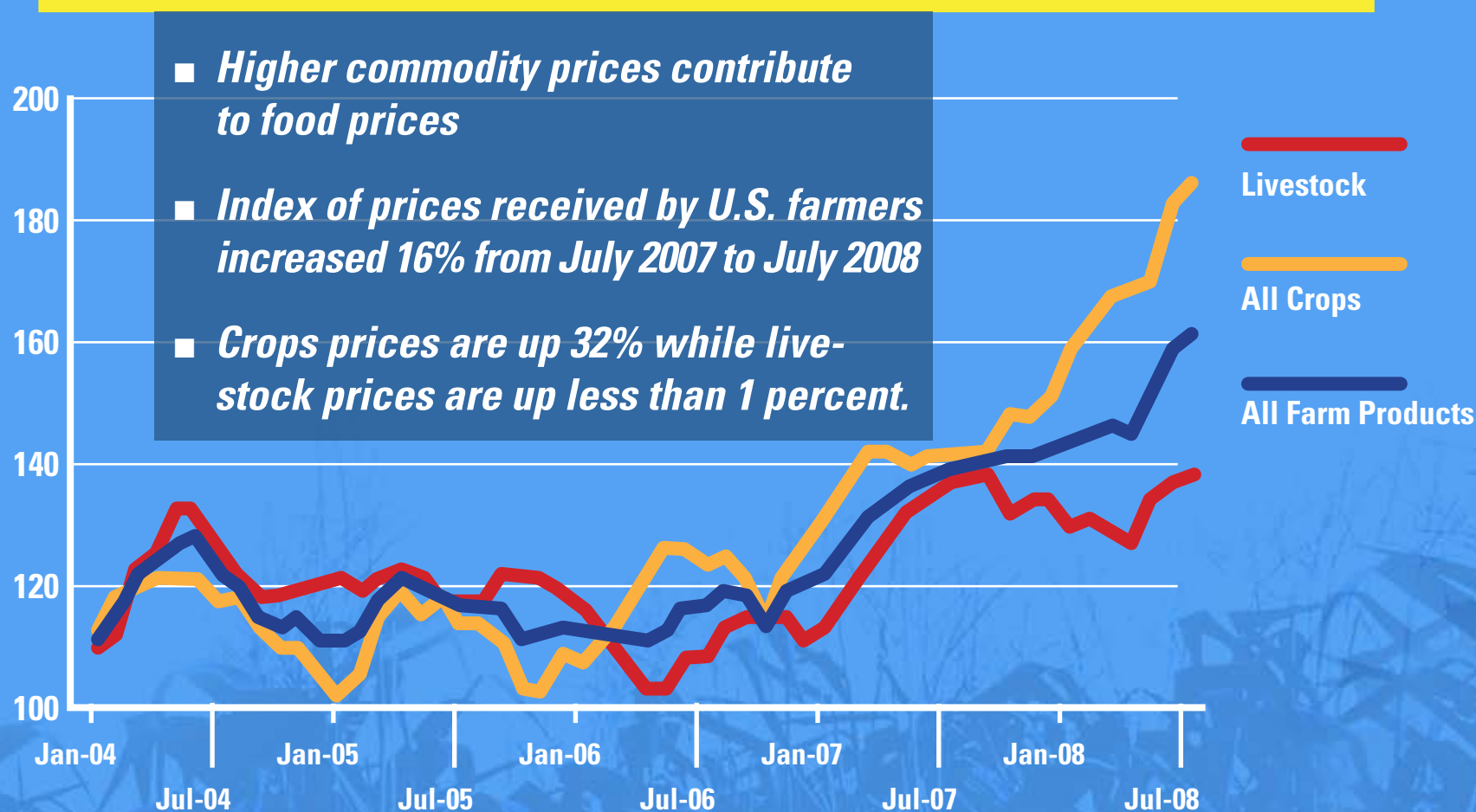
Global Prices: Historical Perspective 1992 to 2008

Food Prices have increased by less than the average of all commodities.



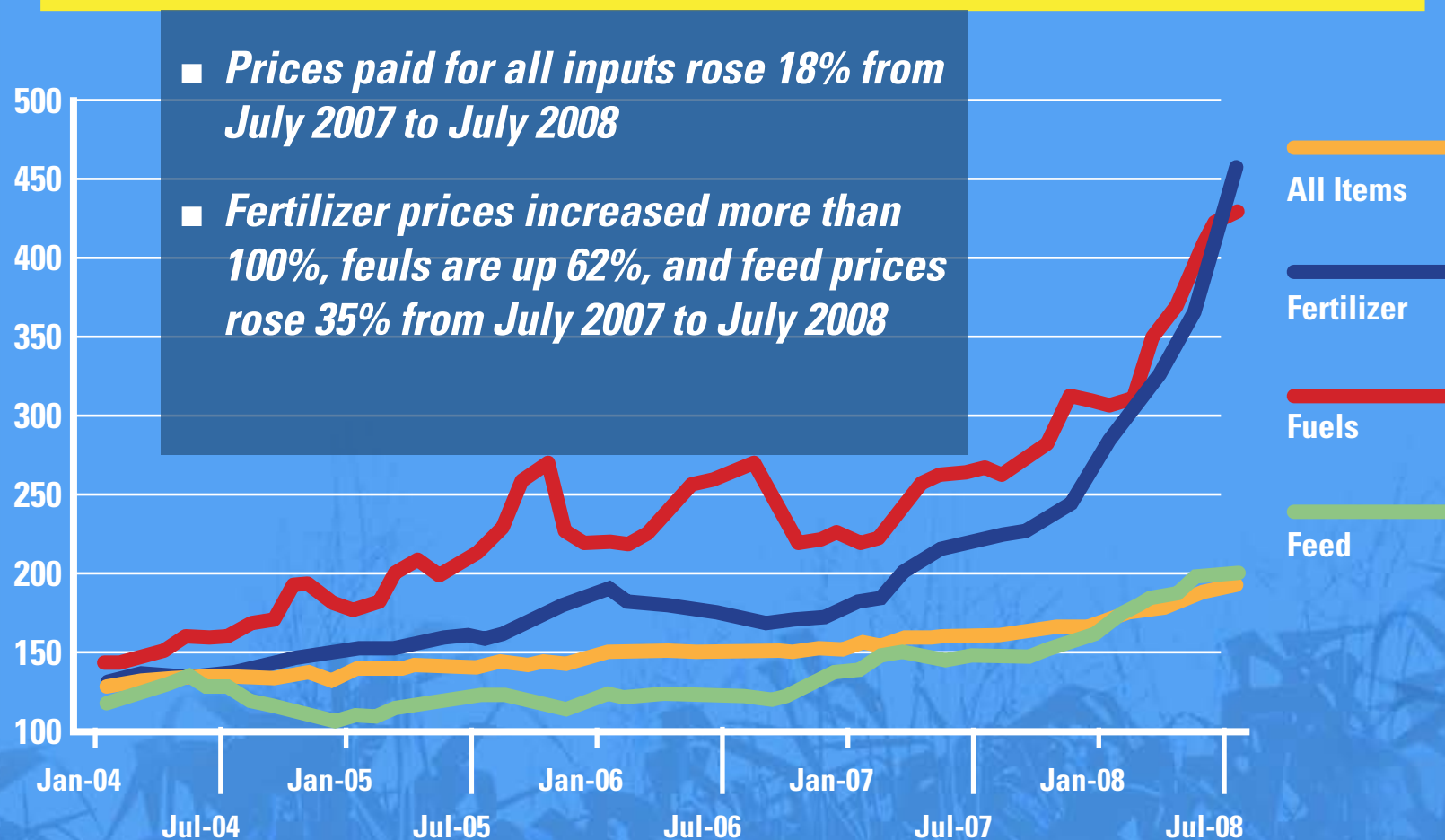
Domestic Commodity Prices

■ The prices received by U.S. farmers were also higher during the past 12 months.



Prices Farmers Pay Are Also Up

■ The prices paid by U.S. farmers are also up, especially for fuels and fertilizers.



Consumer Price Index for Food

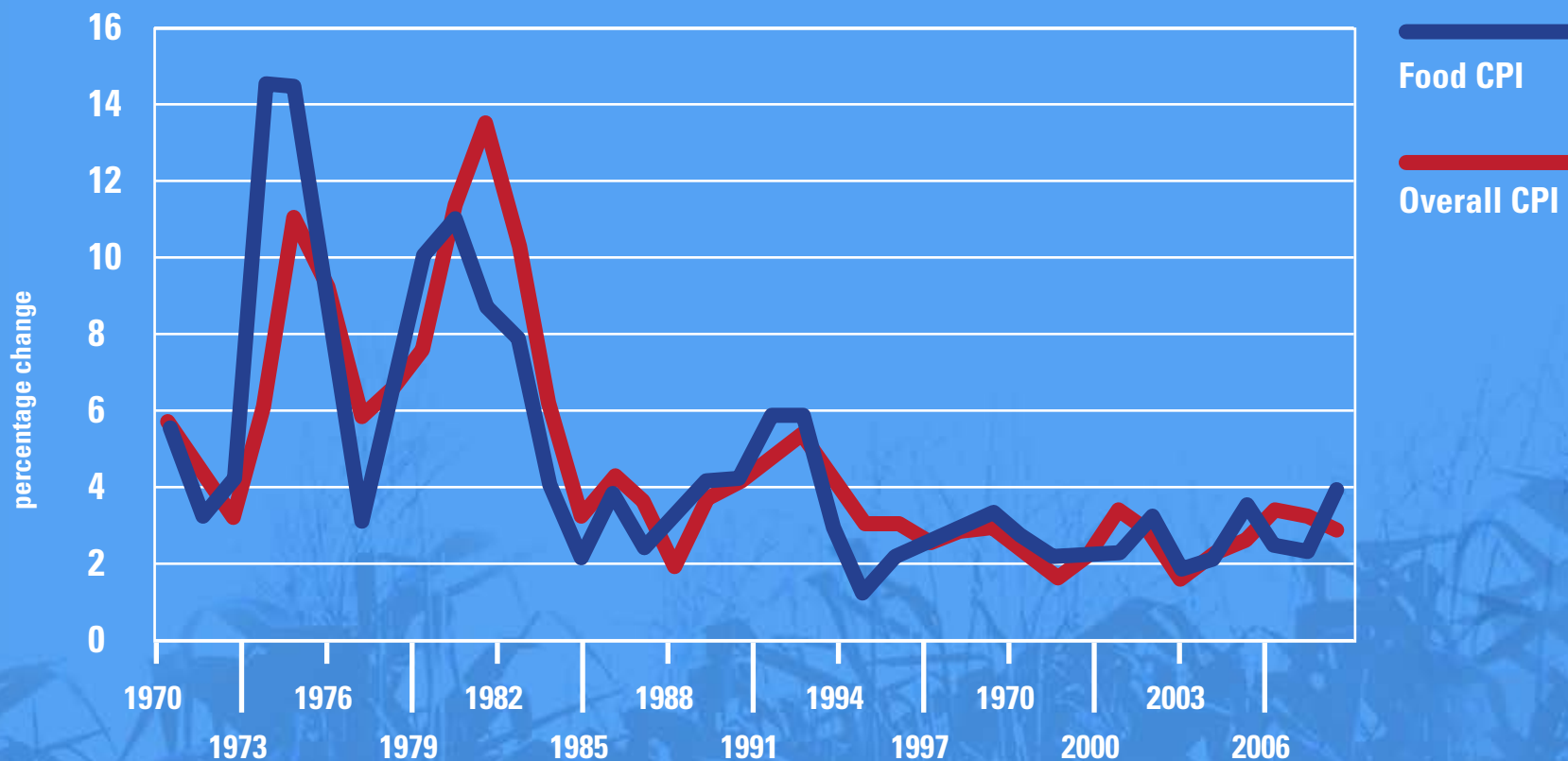
■ *Retail food prices are forecast to increase 5 to 6 percent in 2008 and 4 to 5 percent in 2009.*

Item	Relative Importance	2007	2008 Forecast	2009 Forecast
<i>Consumer Price Indexes (CPI)</i>		Percentage Change		
All food	100.0	4.0	5.0 to 6.0	4.0 to 5.0
Food away from home	44.6	3.6	3.5 to 4.5	4.0 to 5.0
Food at home	55.4	4.2	5.5 to 6.5	4.0 to 5.0
Meats, poultry, and fish	12.2	3.8	2.5 to 3.5	5.0 to 6.0
Eggs	0.9	29.2	13.5 to 14.5	2.5 to 3.5
Dairy products	6.4	7.4	8.0 to 9.0	4.0 to 5.0
Fats and oils	1.5	2.9	13 to 14	3.0 to 4.0
Fruits and vegetables	8.4	3.8	5.0 to 6.0	3.5 to 4.5
Sugar and sweets	2.0	3.1	4.5 to 5.5	3.0 to 4.0
Cereals and bakery products	7.4	4.4	9.0 to 10.0	3.5 to 4.5
Nonalcoholic beverages	6.7	4.1	3.5 to 4.5	3.0 to 4.0
Other foods	9.9	1.8	4.0 to 5.0	3.0 to 4.0

This table shows the percentage change in the consumer price index for various categories of food including food consumed away from home and food consumed at home. The table shows estimates for 2007 and a forecast for 2008

Consumer Prices: Historical Perspective *1970 to 2007*

Recent increases are large in relation to recent time periods, but not close to the changes in the 1970's.



Factors Influencing Food Prices

Global Economic Growth

- ***Demand for food increases as developing countries grow and people improve their diets.***
- ***Real foreign economic growth is expected to be between 2.8% and 3.1% in 2008. Down modestly from 2007.***

Factors Influencing Food Prices

Weather

- ***Multi-year drought in Australia reduced wheat and milk production.***
- ***Drought and dry weather in Canada, Ukraine, European Union, and the United States have adversely affected grain production.***
- ***Flooding in the Midwest impacts may be less than first thought.***
- ***Growing conditions have improved in the U.S. and in other parts of the world.***
- ***Nearly ideal growing season weather across much of the Corn Belt since late June has supported crop development and increased yield prospects.***

Factors Influencing Food Prices

Export Restrictions

- ***Exporting countries have placed added taxes or restrictions on exports of grains, rice, oilseeds, and other products.***
- ***However, government sales of some commodities, such as Vietnam's sale of rice to the Philippines, have helped dispel the notion of short supplies.***

Food Marketing and Transportation Costs

- ***Higher energy prices also increase food processing, marketing and retailing costs.***

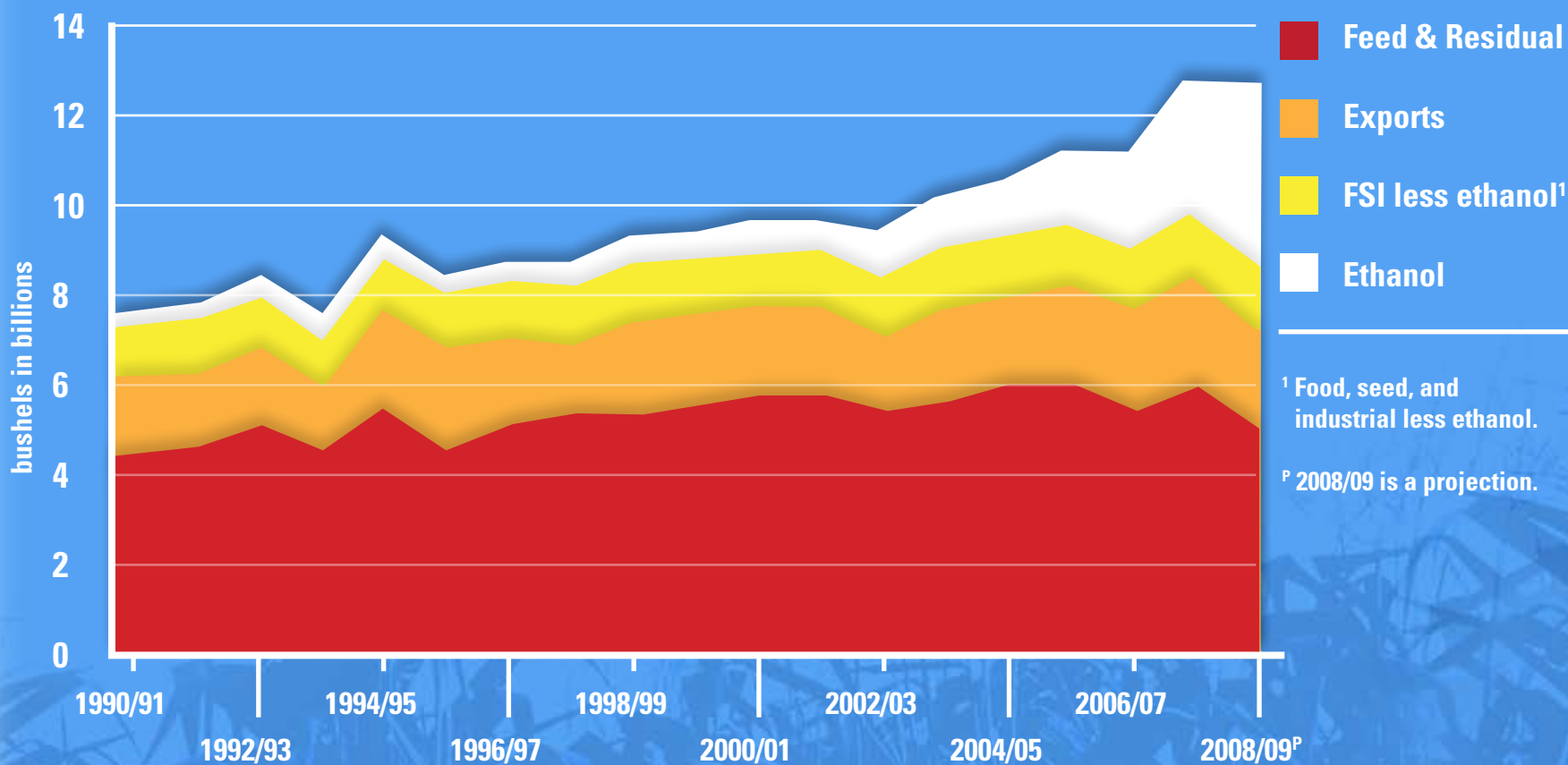
Factors Influencing Food Prices

Biofuels

- ***The amount of corn converted into ethanol and soybean oil converted into biodiesel in the United States nearly doubled from 2005/06 to 2007/08.***
- ***The U.S. Department of Energy predicts that U.S. ethanol production will reach 9 billion gallons in 2008 and 9.9 billion gallons in 2009.***
- ***Over 30% of U.S. corn production will go toward ethanol in 2008/09.***

■ *The United States is able to produce enough corn to meet feed, export, food, and growing ethanol demand.*

U.S. Corn Use, 1990 - 2008



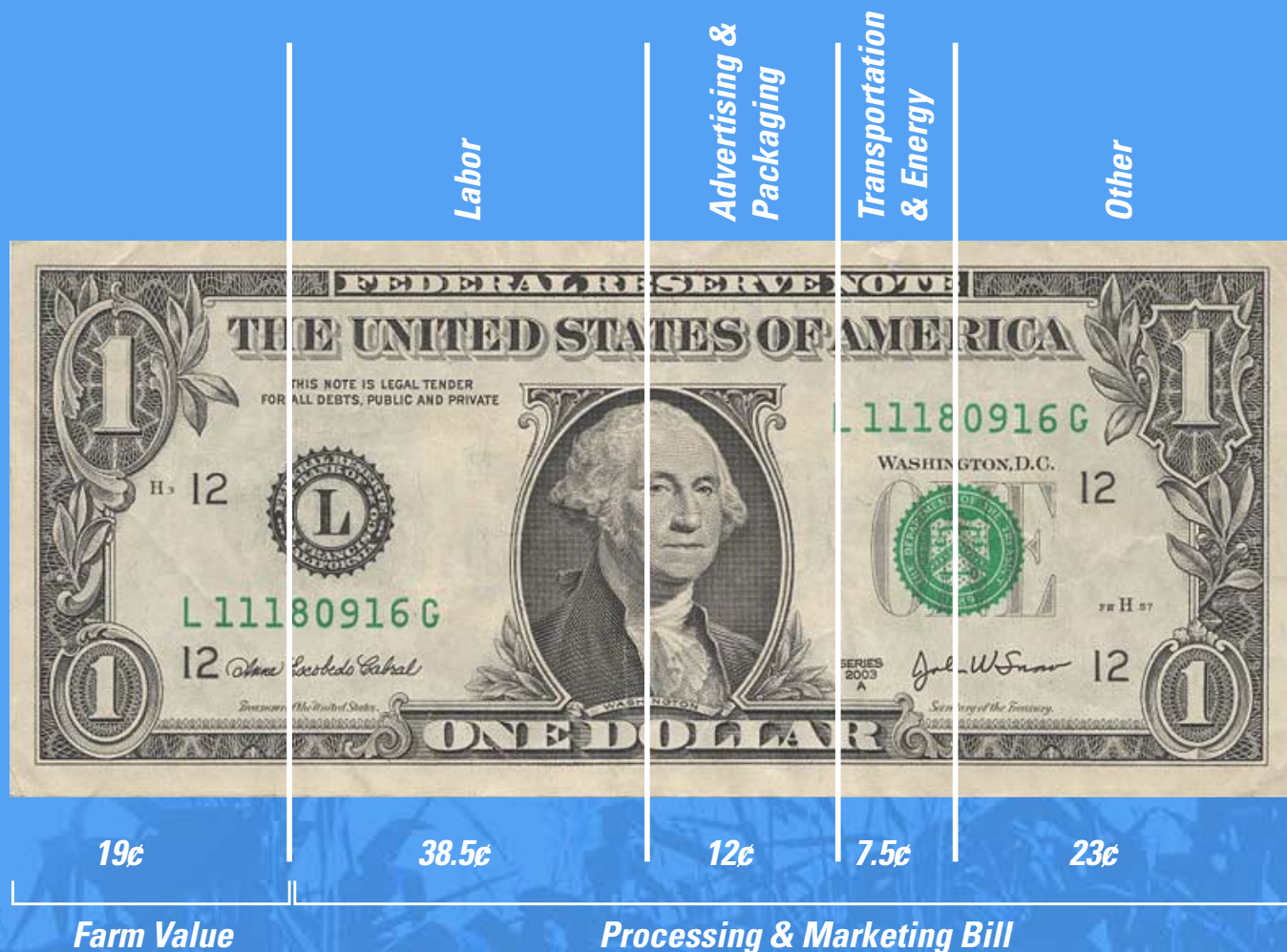


United States Department of Agriculture

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Breakdown of Consumer Food Dollar

Food dollar is impacted more by marketing costs, including transportation costs.



Effects of Higher Corn Prices on Food Prices

■ *Because commodity prices make up a small fraction of the prices paid by consumers, the effects of higher corn prices on retail prices is limited.*

- *If fully passed onto consumers, a \$1 per bushel increase in the price of corn would increase the CPI for food by less than 1 percentage point.*
- *Higher commodity prices do play a role. Still, if you paid \$100 per week in groceries in 2007, this year you'll pay about \$105.*

Biofuels Have Had a Moderate Effect on Corn and Soybean Prices, but a Small Impact on Food Prices

- ***Increased levels of biofuel production over the past 2 years account for about 30% of the increase in corn prices and 40% of the increase in soybean prices.***
- ***Without the recent increases in U.S. biofuels production, the CPI for food would have been only about 0.3 to 0.7 percentage points lower.***

Ethanol Production Also Lowered Gas Prices

■ ***Ethanol is saving you money each time you fill up at the pump.***

- ***The U.S. Department of Energy estimates that gas prices would be between 20 and 35 cents per gallon higher without ethanol.***
- ***For a typical household, that means saving about \$150 to \$300 per year.***
- ***For the U.S., this saves \$28 to \$49 billion in expenditures on gasoline.***