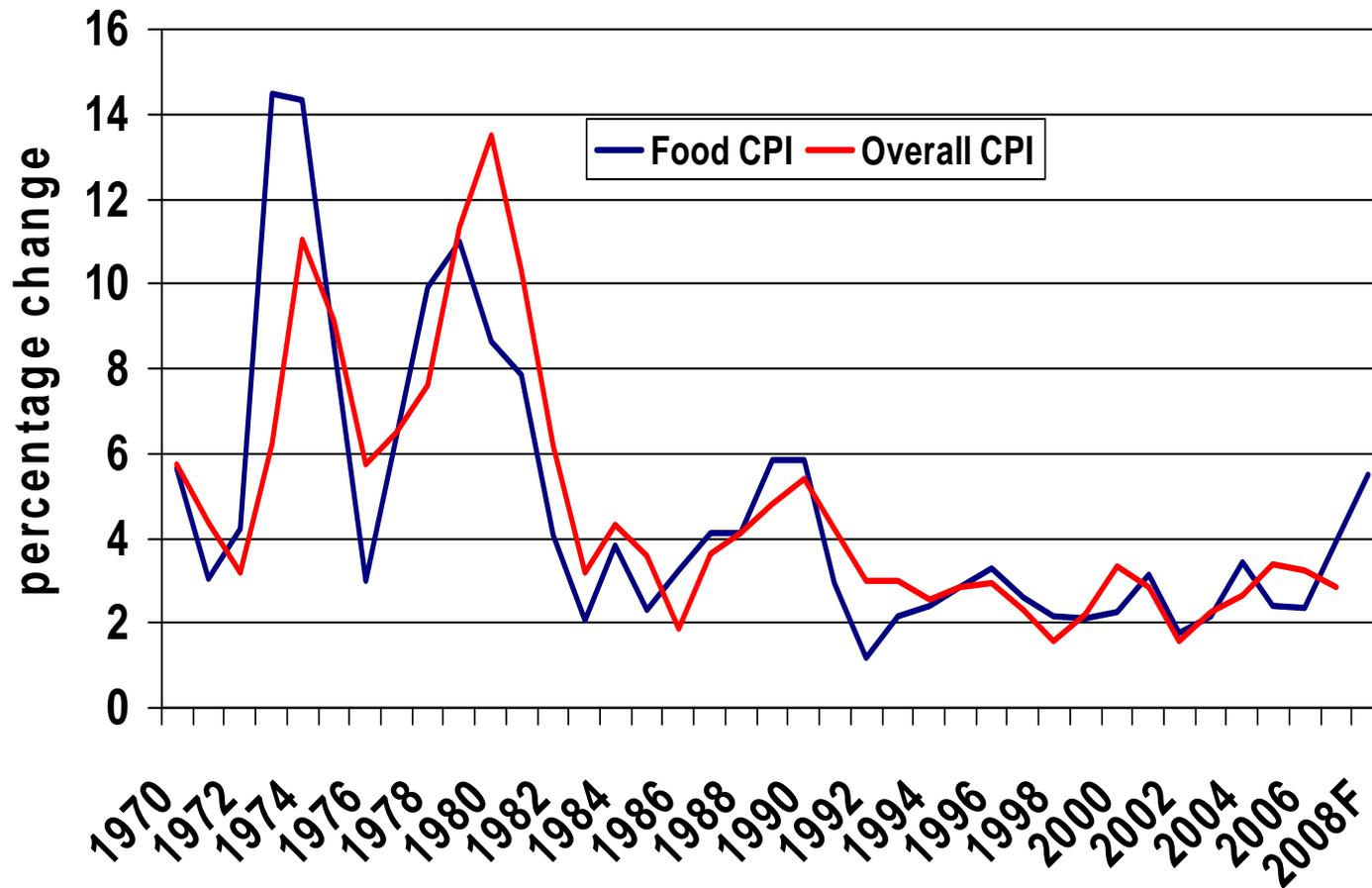


Food Price Inflation

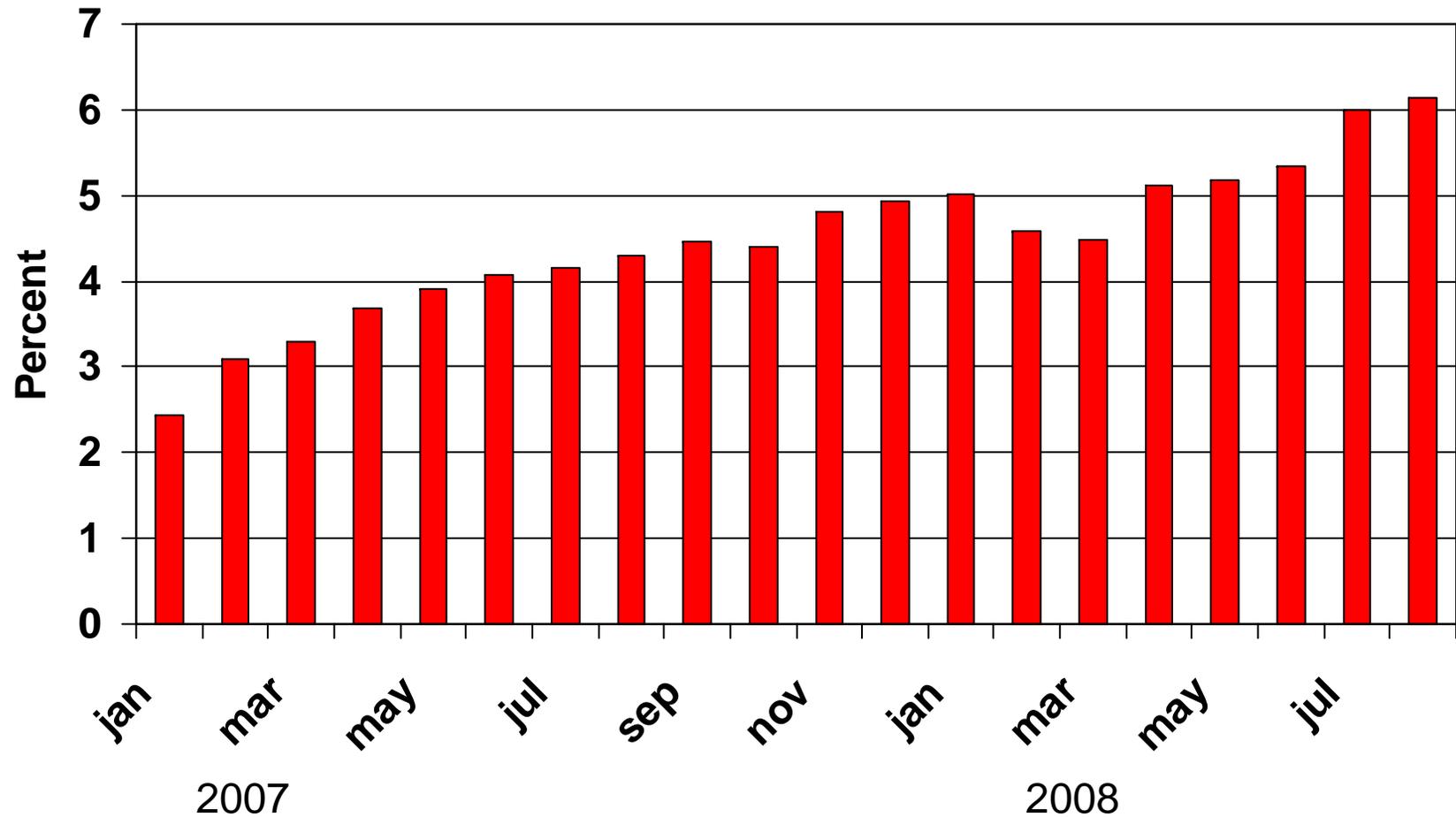
Joseph W. Glauber
Chief Economist, USDA
Federal Reserve Bank of Chicago
2 October 2008

Consumer Prices: Historical Perspective 1970 to 2008



Source: U.S. Department of Agriculture. 2008 is a forecast.

Food price increase over previous 20 months



Consumer Price Index for Food

Item	Relative Importance	2007	2008 Forecast	2009 Forecast
Consumer Price Indexes		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
Meat, poultry, fish	12.2	3.8	3.0 to 4.0	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	13.0 to 14.0	3.0 to 4.0
Fruits and vegetables	8.4	3.8	6.0 to 7.0	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

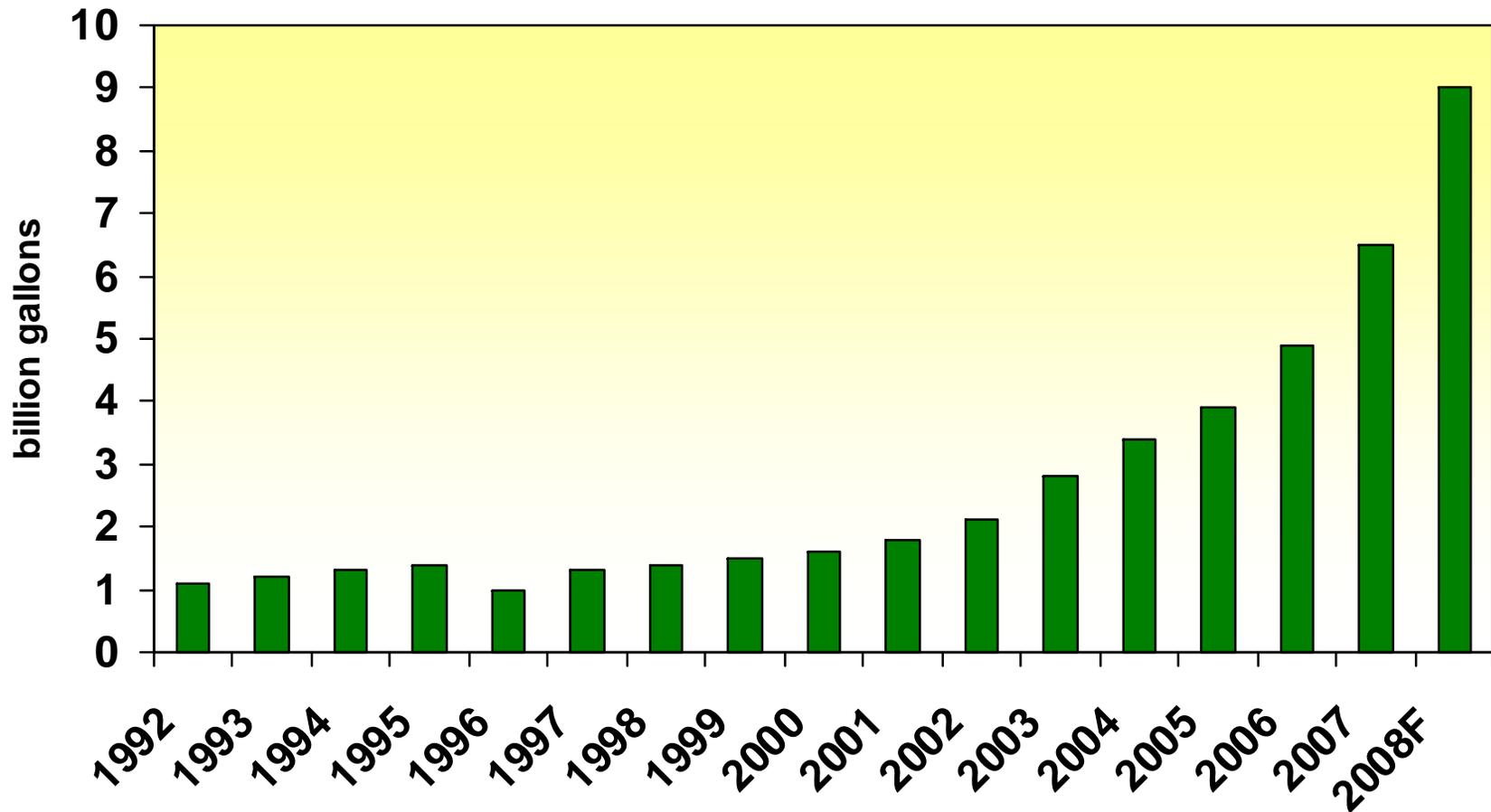
Source: U.S. Department of Agriculture

Factors

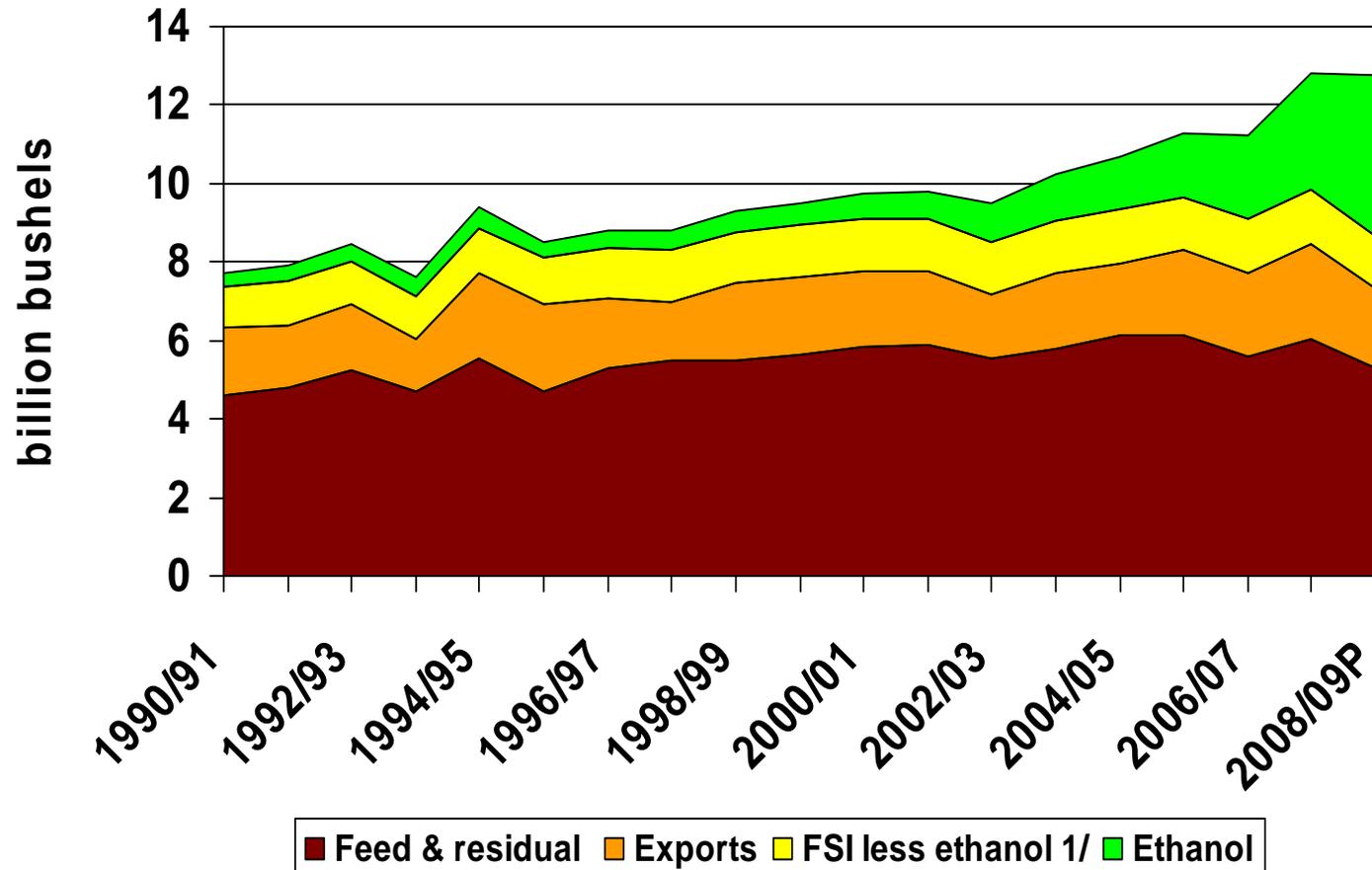
- Energy prices
- Macroeconomic factors (GDP, exchange rates)
- Weather
- Trade restrictions
- Biofuel policies
- Speculative activity

Domestic Ethanol Industry

tremendous growth in the last 3 years



U.S. Corn Use, 1990 - 2008



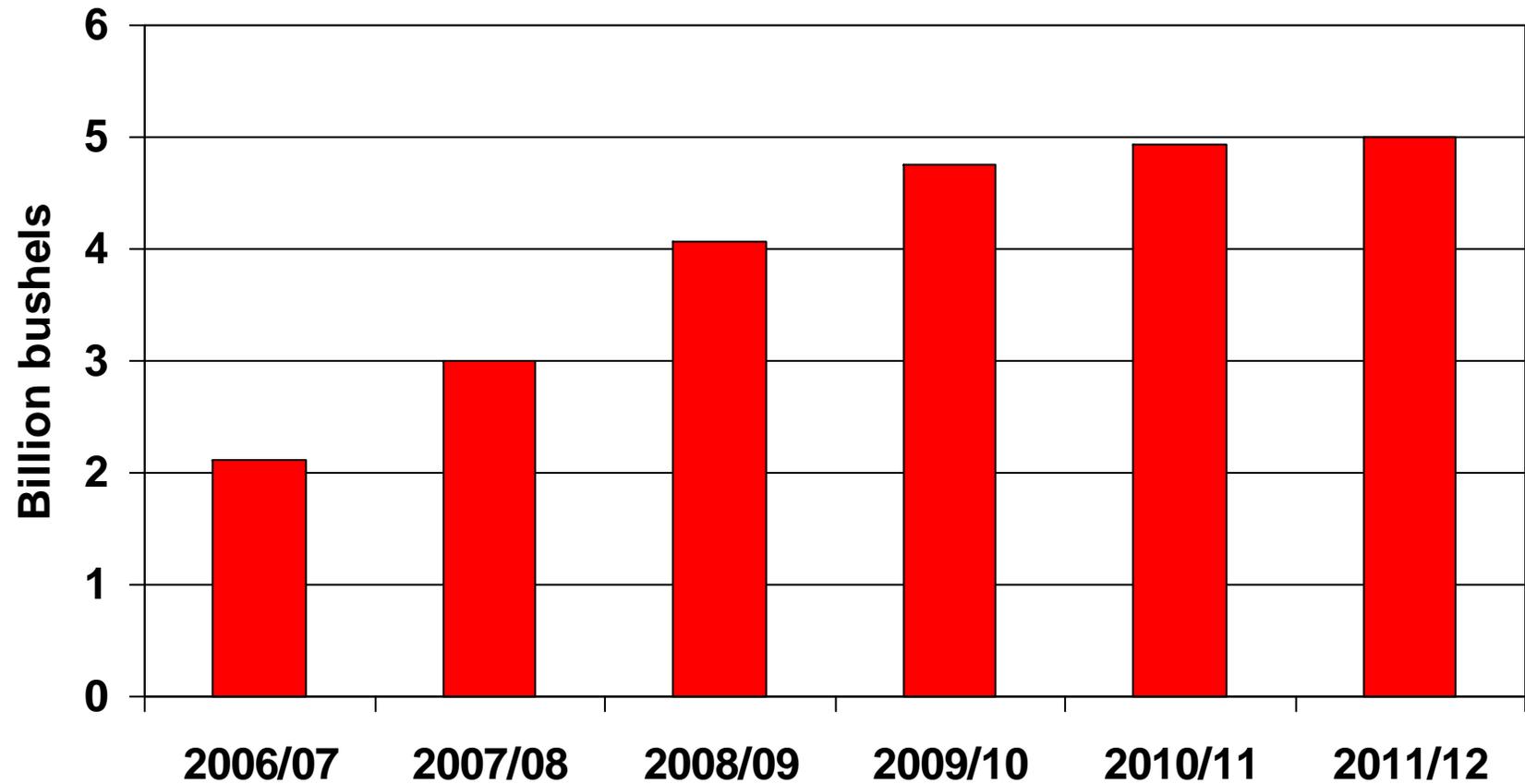
1/ Food, seed, and industrial less ethanol.

P/ 2008/09 is a projection.

Impacts of Biofuels

- Impacts on corn and soybeans large
 - Corn: +30%
 - Soybeans: +40%
- Impacts on food prices vary:
 - Direct: HFCS, vegetable oil
 - Indirect: processed foods, livestock, dairy and poultry
- Food CPI:
 - ~10% of increase over past year due to increased biofuel production

Corn Use for Ethanol



Conclusions

- Food price inflation likely to remain high (at least relative to last 10 years) over the next few years
- Depend greatly on energy prices and corn/soybean supply
- Long run, yield growth will result in stock rebuilding => moderate prices
- Tight and volatile markets in near term