NATIONAL BIODIESEL BOARD

SETTING THE RECORD STRAIGHT:

WHAT DO THE PRICE OF OIL, GLOBAL FOOD DEMAND AND THE WEAK DOLLAR HAVE IN COMMON?

They are the Cause of Rising Food Prices

The combination of rising energy costs, increased global food demand, and the weak dollar are the main causes of rising food prices. It is important to note that U.S. biodiesel production is **not** a significant factor. In fact, in 2007, only 12% of U.S. soybean production and 4% of global soybean production was used by the U.S. biodiesel industry to produce fuel. And from the soybeans used to produce biodiesel, 81% of the soybean's yield is protein that enters the market for either human consumption or animal feed. Technological advances are certain to increase soybean yields from existing acreage in the future. In addition, other sources of biodiesel feedstock – such as restaurant grease, animal fat, corn oil derived from ethanol production, camelina, and algae – are currently being developed and utilized.

Primary Causes of Increased Food/Commodity Prices:

Rising Energy Costs:
Increases in energy prices are well-documented. For example, the U.S. Energy Information Administration (EIA) noted that as of April 18, 2008, the spot price for a barrel of crude oil has increased by 53% over the past year. Rising energy costs increase agricultural production input costs and increase the cost of transporting commodities to market. These costs get passed on to consumers in the form of increased food prices.

Absent biofuels production, this situation will only get worse. In fact, Merrill Lynch commodity strategist Francisco Blanch says that oil and gasoline prices would be about 15% higher if biofuel producers were not increasing their output.

Global Food Demand:
The U.S. Department of Agriculture (USDA) recently noted *"Unrelenting growth in foreign demand for food, especially in the fast growing markets of Asia, Latin America, the Middle East, and Africa, is a major contributing factor. Rising incomes in these markets have led to a rapid expansion in their middle class and improve their diets which is boosting their demand for U.S. agricultural commodities and putting upward pressure on prices."*

Weak Dollar, Equities Markets and Speculation:
Year to date, as of April 18, 2008, the value of the U.S. dollar has declined 7.6% compared to the Euro, 4.2% compared to the Chinese yuan, and 7% compared to the Japanese yen. This is in addition to significant drops in the dollar's value in 2007. As the value of the dollar falls, the purchasing power of foreign buyers and currencies increases, placing upward price pressure on U.S. commodities. The USDA Foreign Agriculture Service's estimate that the U.S. will export a record $101 billion in agriculture commodities in FY 2008 is evidence of this trend.

In addition, volatility in equities markets, the mortgage crisis and the weak dollar have all made commodities more attractive to investors. This has in turn increased both demand and speculation in commodity markets.