Driving Economic Forces
California Agricultural Symposium
MARCH 23, 2005

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Agribusiness Executive
Unrivaled National Reach and Global Presence
Bank of America is one of the largest providers of financial services to agribusiness and food processing industries throughout the United States.

- More than $14.7 billion in commitments to the industry sector.
- Clients value our industry knowledge and expertise as well as our ability to provide a complete range of financial products and services.
Bank of America
Agribusiness Committments
December 31, 2004

- Crop Farming: 16%
- Meat & Seafood: 12%
- Farm Product Processing: 26%
- Packaged Foods: 28%
- Dairy: 6%
- Vintners: 5%
- Beef: 7%
California Ag Issues

- Air and water regulations.
- Ag Markets and Trade.
- USDA Crop income baseline forecasts.
- US Farm Bill revisions.
- Land Value pressures and trends.
- Food Nutrition shifts.
- Increased California Population.
- Infrastructure issues in truck and rail.
- Immigration reform and availability of labor force.
- Political shift from increased urban and minority population.

Gov. payments
Direct government payments

$ billion

11--Value of Farm Real Estate (Jan. 1) and Value per $ Net Cash Farm Income (red line)
Value of horticultural trade

$ billion


Imports

Exports

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US ($billions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>1178</td>
<td>1231</td>
</tr>
<tr>
<td>Non RE</td>
<td>275</td>
<td>278</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1453</td>
<td>1509</td>
</tr>
<tr>
<td><strong>RE Debt</strong></td>
<td>114</td>
<td>119</td>
</tr>
<tr>
<td>Non RE Debt</td>
<td>92</td>
<td>93</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td>206</td>
<td>212</td>
</tr>
</tbody>
</table>
# FARM INCOME

<table>
<thead>
<tr>
<th>US ($billions)</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crops</td>
<td>113</td>
<td>109</td>
</tr>
<tr>
<td>Livestock</td>
<td>122</td>
<td>121</td>
</tr>
<tr>
<td><strong>Cash Receipts</strong></td>
<td><strong>235</strong></td>
<td><strong>232</strong></td>
</tr>
<tr>
<td>Cash Expenses</td>
<td>188</td>
<td>194</td>
</tr>
<tr>
<td>Gov’t. Payments</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>74</strong></td>
<td><strong>65</strong></td>
</tr>
</tbody>
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2005
TOP PRIORITY CHANGE
PHENOMENA

- Trust in traditional institutions continues to erode.
- Infrastructure shows stress fractures.
- Consumers take over the tiller as channel captain.
- Genetics takes the guesswork out of food, health and well being.
INFRASTRUCTURE SHOWS STRESS FRACTURES.

- Knowledge, science and speed of commerce have outpaced the brains and brawn of most companies and government agencies to deal with large-scale problems if they occur.
INFRASTRUCTURE STRESS

- Need to shore up vulnerabilities.
- Make safety and security a competitive advantage.
- Facilitate rapid detection and traceability system.
- Develop emergency and crisis response plans
- Strengthen infrastructure.
INFRASTRUCTURE STRESS ISSUES

- Invasive species continue to threaten crops.
- New contaminants in food.
- Acute water infrastructure problems.
- Bio-terrorism puts new pressure on systems.
- Tracking and traceability need immediate emphasis.
- Rebuild agriculture research in these areas.
CONSUMER CHOICE OPTIONS FOR ACTION

- Understand key retail players strategies, help them differentiate market offerings.
- Understand what it takes to be successful with foodservice chains.
GENETICS TAKES THE GUESS WORK OUT OF FOOD, HEALTH AND WELL BEING.

- Higher healthcare costs, a huge wave of genetic science and changing consumer preferences are redefining nutrition and pharmaceuticals, heralding a revolution in the way consumers view and choose food.
FOOD FOR HEALTH
OPTIONS FOR ACTION

- Have clearly focused health strategies.
- Move to personalized nutrition to seize competitive advantage.
- Invest in research to identify the protective benefits of your product line.
- Seek partnerships for an obesity strategy.
- Play a role in optimal health and disease prevention to address healthcare costs.
- Become a credible broker of consistent health and product information.
China Good and Bad News

- The good news …
- Domestic demand is LARGE and is GROWING (in many dimensions)
- 1.3 billion consumers … and growing!
- The bad news …
- Exports of food products from China to US and our trading partners is up.
When labor is a large part of a crop China has a huge cost advantage … these are some of the crops that have grown the fastest.

When land and capital costs are more similar … China is investing aggressively in technology and capital-intensive / logistic intensive research and infrastructure.
China Conclusions

- CA is due for tough competition for many specialty crops
- Extent of competition will depend on:
  -- rate of improvement of quality and marketing (but this is improving fast!)
  -- growth of China’s domestic demand
  -- how US and other competitors or collaborators perform
FOOD SYSTEM OPPORTUNITIES

- Globalization and consolidation provides opportunity for full service coalitions.
- Health benefits of ag products and parts.
- Changing demographics = New products.
- Food Service Chefs looking for menu ideas.
- Health Consciousness driving product choices to local and fresh.
- Environmental improvement. It’s not waste it is potential new revenue.