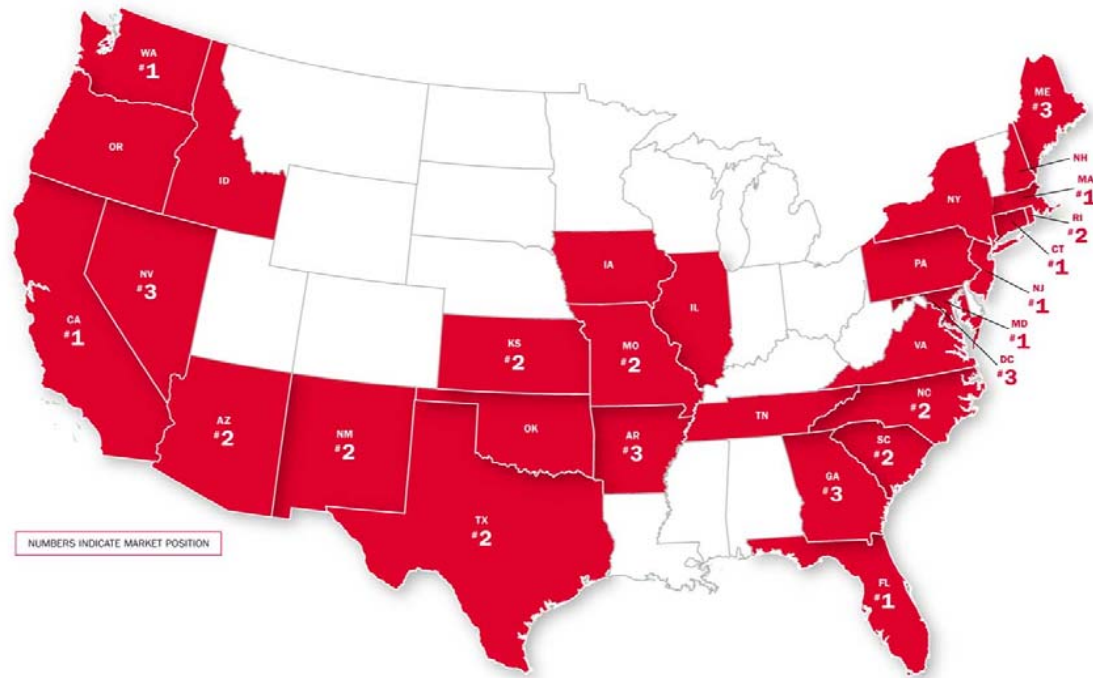


Driving Economic Forces
California Agricultural Symposium
MARCH 23, 2005

Corny Gallagher
Agribusiness Executive



Unrivaled National Reach and Global Presence



RANK FOR AMERICA 2008

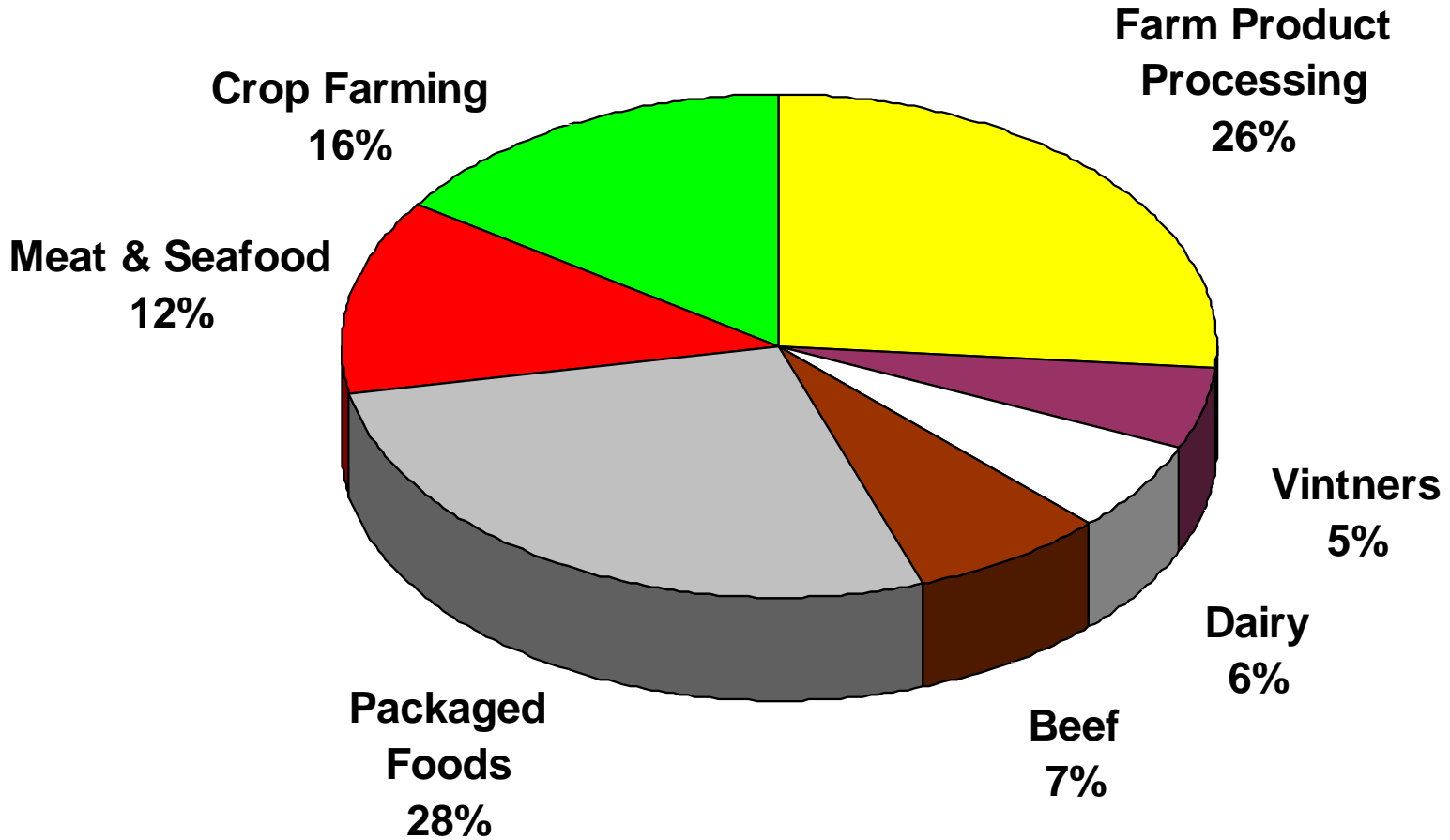


Bank of America is one of the largest providers of financial services to agribusiness and food processing industries throughout the United States.

- ◆ **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 Commitments
December 31, 2004**



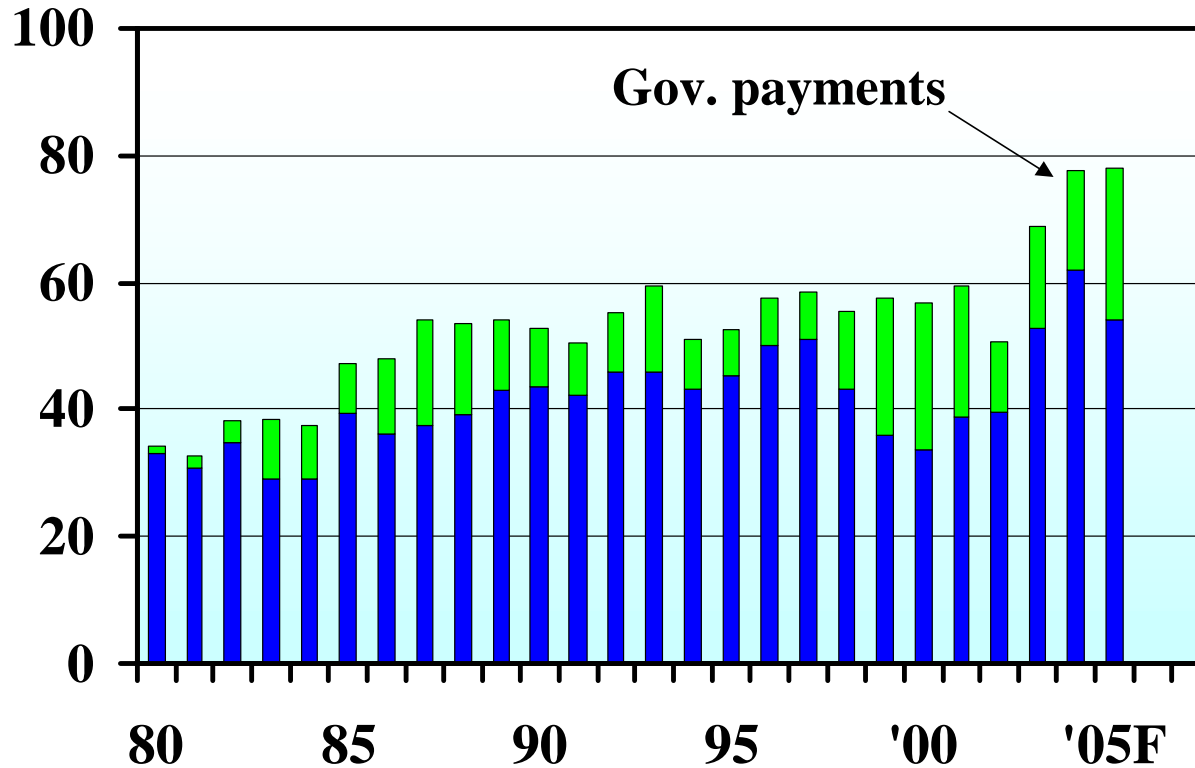
California Ag Issues

- ◆ 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.

10--U.S. Net Cash Farm Income ...

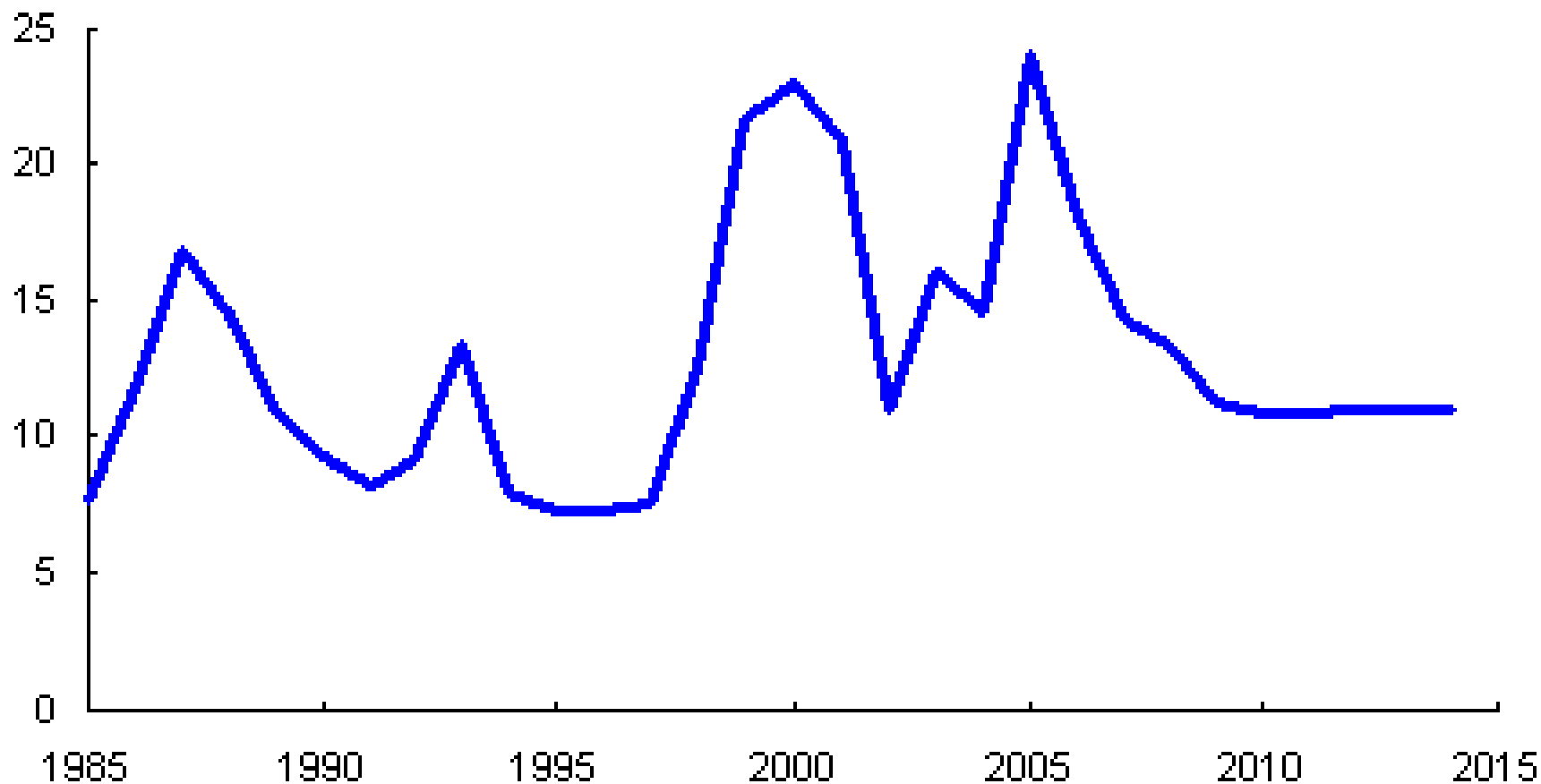
Records in 2003, 2004 & 2005F

Bil. \$



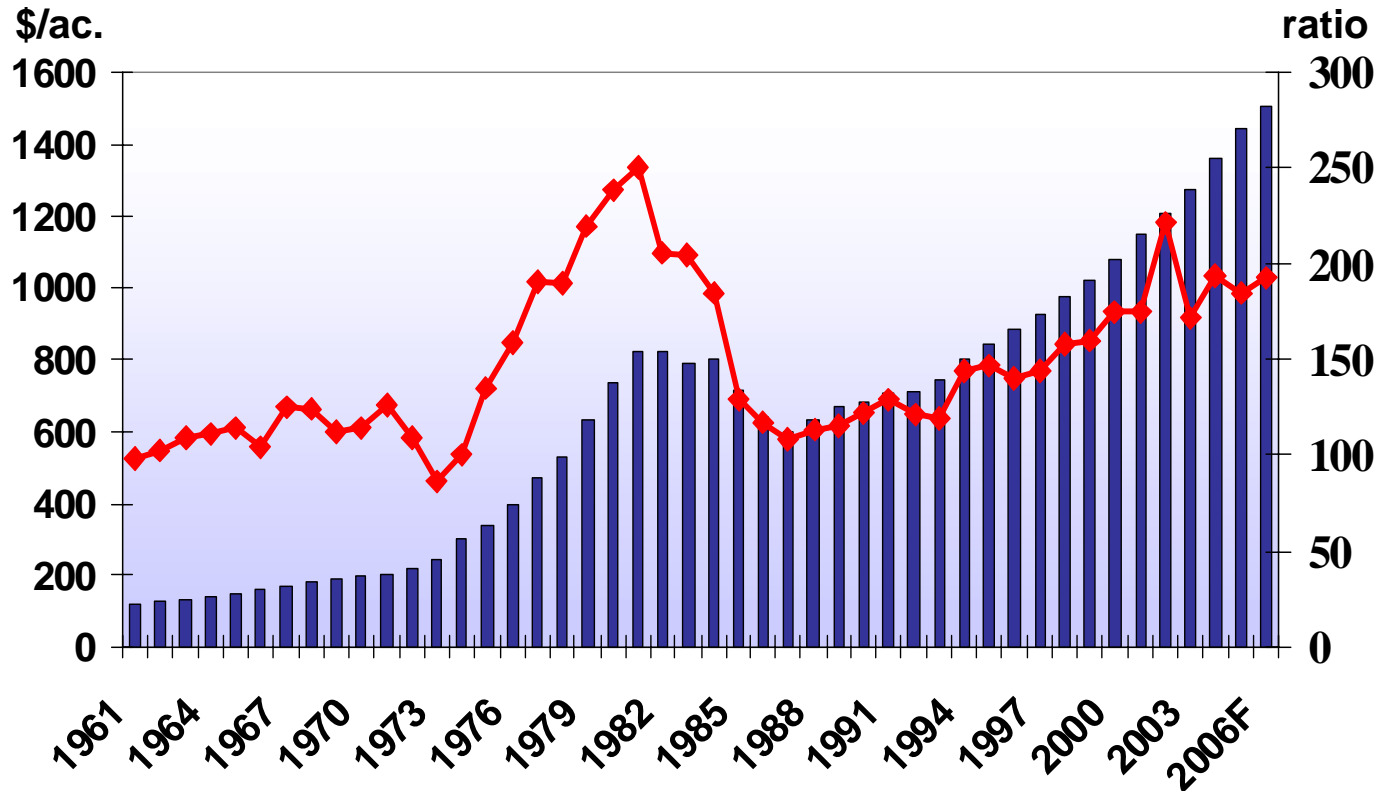
Direct government payments

\$ billion



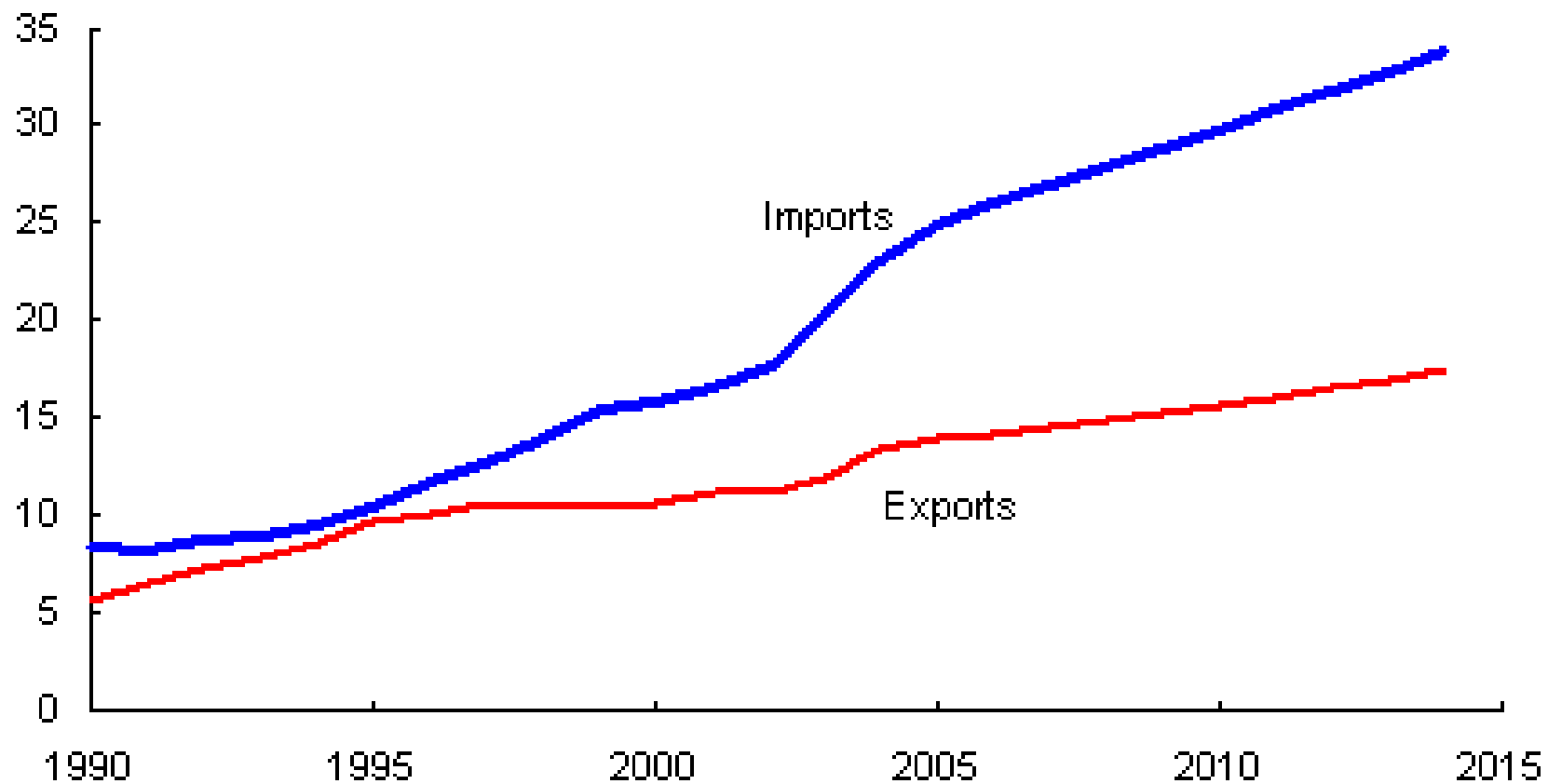
Source: *USDA Agricultural Baseline Projections to 2014*, February 2005.
Economic Research Service, USDA.

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



Value of horticultural trade

\$ billion



Source: *USDA Agricultural Baseline Projections to 2014*, February 2005.
Economic Research Service, USDA.

FARM ASSETS / DEBT

US (\$billions)	2004	2005
Real Estate	1178	1231
Non RE	275	278
Total Assets	1453	1509
RE Debt	114	119
Non RE Debt	92	93
Total Debt	206	212

FARM INCOME

US (\$billions)	2004	2005
Crops	113	109
Livestock	122	121
Cash Receipts	235	232
Cash Expenses	188	194
Gov't. Payments	15	20
Net Income	74	65

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.

China Summary --

- ◆ 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 ispotential new revenue.

Bank of America



Higher Standards