

Budget Impact Projections Highlights & Raw Materials Data

October 2011

For more information,
call 888 | 7-NOVATE
or visit novationco.com

Novation®

Table of Contents

Introduction	3
Overall Projected Price Changes	4
Raw Material Movement.....	5
Economic Indicators	6
Exchange Rates	10
Raw Material Trends.....	11
Food and Nutrition	18

Introduction

This report provides health care organizations with valid price-related data for the supply-related budgeting process by using a number of resources, including Novation contract information, Novation portfolio executives, supplier, raw material resources, the U.S. Producer Price Index and the U.S. Consumer Price Index. Health care organization can use these projections to assist in the supply-related budgeting process and in more effectively managing supply costs.

OVERALL PROJECTED PRICE CHANGES

This table provides a summary of expected product category price changes. The breakdown presents overall national price change projections by category and an overall Novation contract price projection.

ECONOMIC INDICATORS

This section includes data from the U.S. Producer Price Index and U.S. Consumer Price Index, which measure the average change over time in the prices of goods and services. The CPI measures price change from the purchaser's perspective, while the PPI measures price change from the seller's perspective. The CPI and PPI data have been incorporated into the Budget Impact Projections report to provide additional resources to member health care organizations for budgeting purposes.

KEY ELEMENTS INFLUENCING PRICES

These sections include detailed graphs, tables and commentary providing market factors affecting raw materials and resources that have an effect on supply chain costs. Commodities covered include energy, metals, resins, latex, paper and cotton. These sections also include trends on the overall food market and detailed information on wheat, corn, fruits, vegetables, meats and dairy products.

Note that the Novation market price projections are forecasts, not predictions. Forecasts are point-in-time estimates of price changes and are subject to changes in market conditions.

Please Note: *This document is compiled based on information gathered from many primary and secondary sources, which Novation believes to be accurate to the best of its knowledge at the time of publication. It is intended as general information only and is provided as an accommodation to members. Use of this data is at your sole risk. This information is presented "AS IS" and without any warranty or guarantee, expressed or implied, as to completeness or accuracy, or otherwise. Given the many factors that determine pricing, the estimates are subject to error and may require revision. No representation of warranty, express or implied, of the fitness for any specific purpose of this information whatsoever is made.*

Overall Projected Price Changes

From August 2010 to April 2011, commodity prices escalated at remarkable rates. However, in May 2011 many commodities remained flat or began declining, and the trend has continued through October amid European and U.S. government debt concerns and declining global demand.

We expect overall national market prices for supplies to increase 3.2 percent in 2012. Overall, pricing through Novation contracts is expected to increase 0.5 percent during the next 18-month time period. This month's overall projection for Novation contracts remains the same as the September projection. The Novation contract price projection is lower than the market price projection due to a number of contracts anticipating lower prices, and a large percentage of Novation's portfolio offering firm prices.

PRODUCT CATEGORY	NATIONAL MARKET PRICE PROJECTION	PRODUCT CATEGORY	NATIONAL MARKET PRICE PROJECTION
Business products	3.8%	Imaging	3.9%
Capital equipment	3.1%	Laboratory	3.9%
Cardiovascular	0.9%	Medical supplies	3.2%
Facilities	6.8%	Orthopedics	5.2%
Food and nutrition	6.8%	Surgical supplies	3.2%
Overall National Projected Price Change			3.2%
Overall Novation Contract Price Projection			0.5%

NOVATION NATIONAL ECONOMIC IMPACT SURVEY

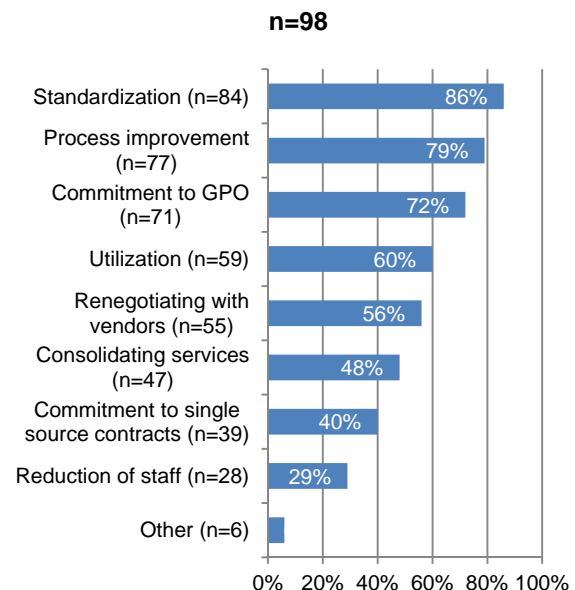
Novation, the industry's leading health care supply contracting company, recently announced the release of its National Economic Impact Survey, a nationwide survey of materials management executives from VHA Inc. and University HealthSystem Consortium (UHC) member hospitals. The results confirm that hospitals continue to be concerned about their financial health due to the current economic environment and increasing industry demands.

To view the entire report, visit www.novationco.com/pressroom/industry_info.

Respondents indicate that the top concerns their facilities face in today's economic climate are (1) reimbursement cuts, (2) effect of health care reform and (3) reduced operating margins:

In light of financial demands, respondents are reducing costs in specific areas: 86 percent are focusing on standardization, 79 percent on process improvement, 60 percent on utilization and 72 percent on reducing costs through GPO commitments

Concerns that member facilities face in the current economic environment	Ranking
Reimbursement cuts	1
Impact of health care reform	2
Reduced operating margins	3
Declining overall patient volumes	4
Increased bad debt and charity care	5
Ability to attract quality physicians	6
Access to capital funding	7
Fewer elective procedures	8
Raw material price increases	9
Increased competition and accountability	10
Value-based purchasing	11



Raw Material Movement

- Upside uncertainty to the crude oil price outlook remains as a result of ongoing unrest in oil-producing regions and general declining production levels.
- The EIA forecasts that the annual average regular-grade gasoline retail price will average \$3.52 per gallon in 2011, and \$3.43 per gallon in 2012.

Energy



- Cotton prices began falling in late October as larger cotton arrivals have put strong pressure on prices.
- Demand growth in emerging markets may offset some of the weakness in developed economies, but may not be enough to fully alleviate the downward pressure on prices.

Cotton



- Soft demand across steel producing regions is putting downward pressure on prices.
- Weak prices are expected to continue through 2011 and early 2012 as news that China's third quarter GDP rose at its slowest pace since 2009.

Metals



- Rubber and latex prices declined substantially in September and October based on European debt and global economic concerns.
- The supply deficit of rubber in 2011 is expected to become a surplus in 2012 that will help prevent price increases next year.

Rubber

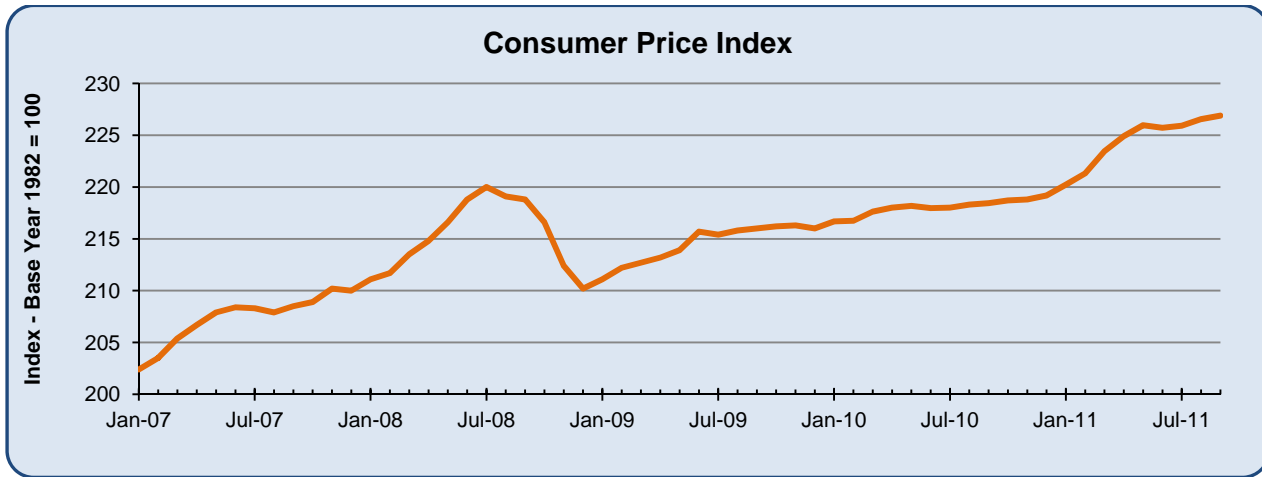


- Paper companies are reducing production capacity as demand for paper continues declining. According to the American Forest & Paper Association, total printing-writing paper shipments decreased 8 percent in September compared with September 2010.

Paper

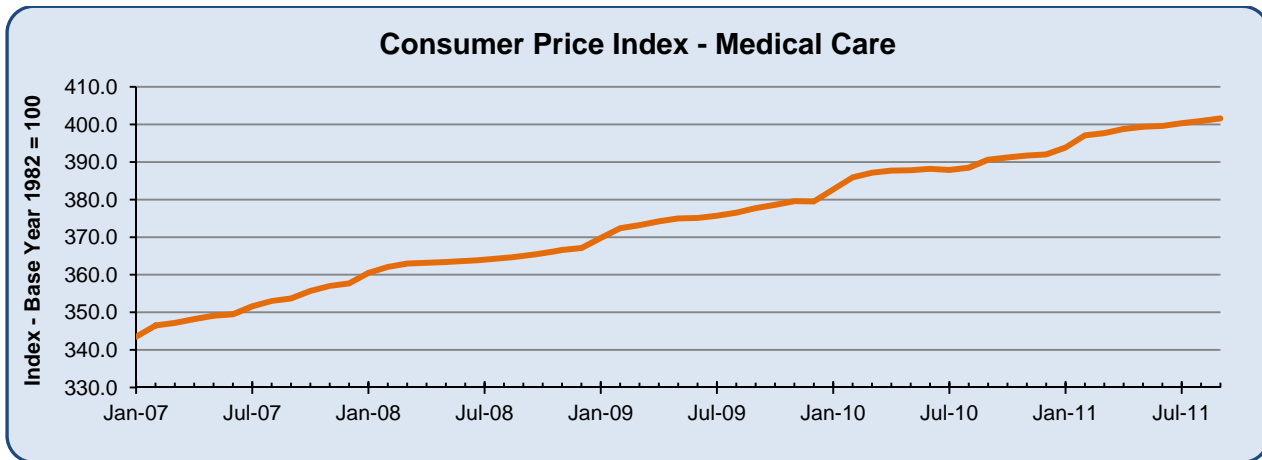


Economic Indicators



Source: Bureau of Labor Statistics' CPI, www.bls.gov/cpi/home.htm

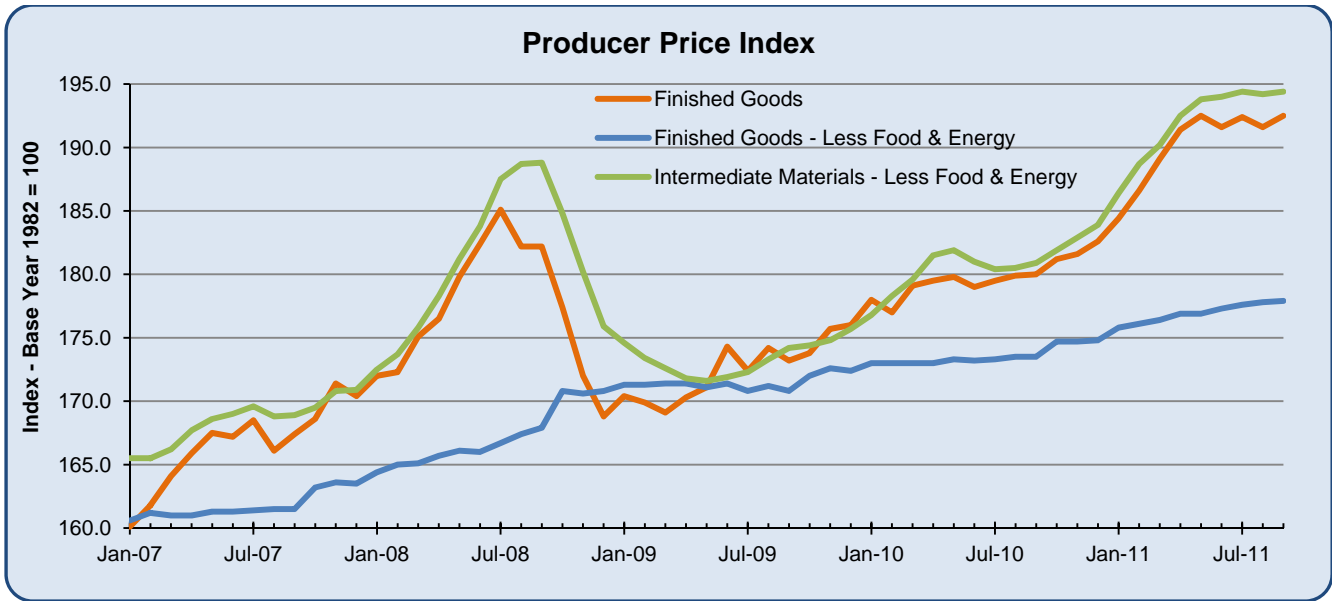
MONTH	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
CPI-U	226.89	0.2%	0.5%	3.9%	3.7%



Source: Bureau of Labor Statistics' CPI, www.bls.gov/cpi/home.htm

MONTH	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
CPI-M	401.6	0.2%	0.5%	2.8%	10%

The Consumer Price Index-Urban (CPI-U) rose 0.2 percent in September. The primary individual indices leading to this increase are gasoline, electricity, natural gas and food. The CPI-U has increased 3.9 percent during the past 12 months and 3.7 percent during the past three years. The CPI-U is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The CPI-M increased 0.5 percent during the past three months and 2.8 percent during the past 12 months. The CPI-M represents medical care that includes prescription drugs and medical supplies at retail, physicians' services, eyeglasses and eye care, and hospital services.



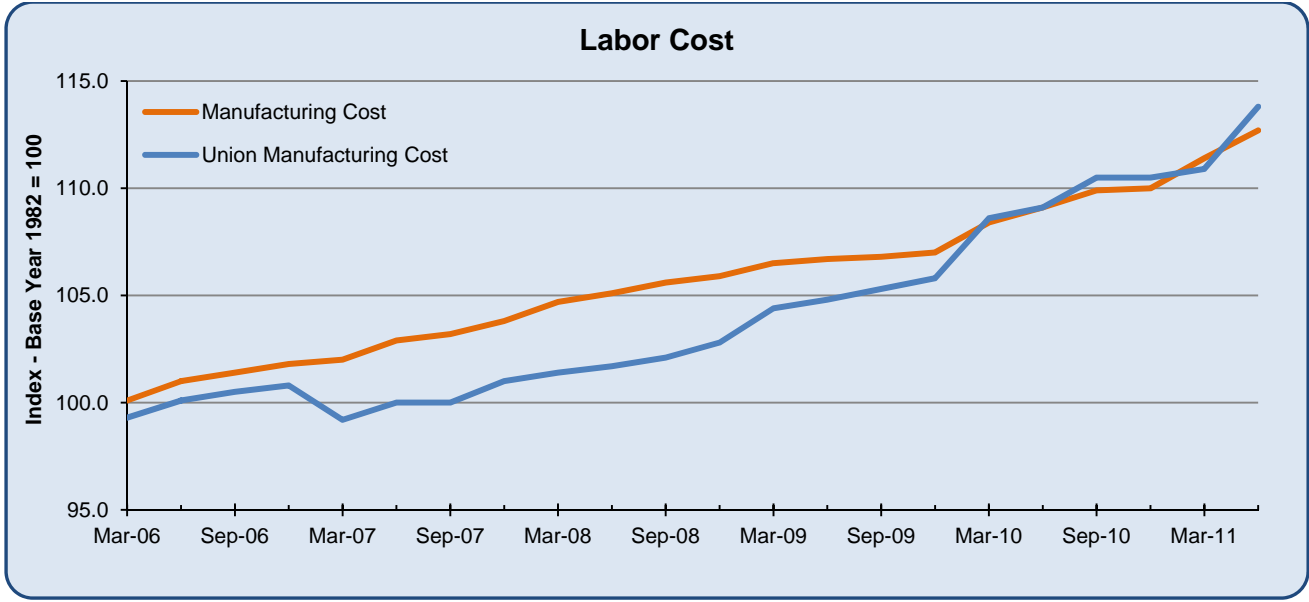
Source: Bureau of Labor Statistics, PPI, www.bls.gov/ppi/

MONTH	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
PPI – Finished Goods – SOP3000	192.5	0.5%	0.5%	6.9%	5.7%
PPI – Finished Goods, less food and energy - SOP3500	177.9	0.1%	0.3%	2.5%	6%
PPI – Intermediate Materials, less food and energy – SOP2900	194.4	0.1%	0.2%	7.5%	3%

The Producer Price Index (PPI) for finished goods tracks the average change in prices over time from the perspective of the seller of domestically produced and consumed commodities. In September 2011, the PPI for finished goods increased 0.5 percent, not seasonally adjusted, primarily based on gasoline and food. In the past 12-month period, the index for finished goods has increased 6.9 percent.

Finished goods, less food and energy, rose only 0.1 percent in September, which has remained flat or increased 15 consecutive months. During the past 12-month period, finished goods, less food and energy, increased 2.5 percent.

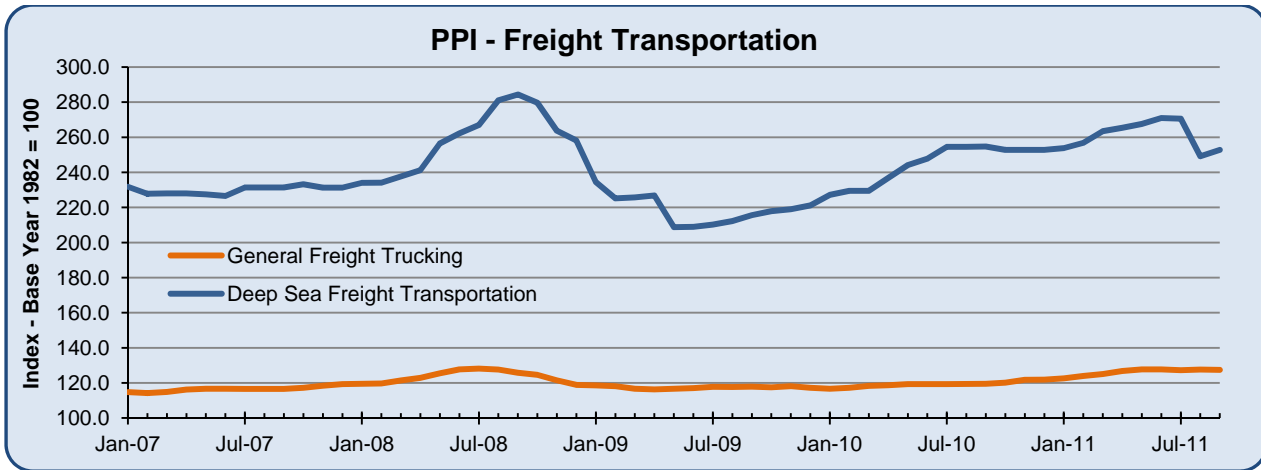
Intermediate materials, less food and energy, increased 0.1 percent in September after declining in August. About two-thirds of this advance can be traced to prices for intermediate energy goods. The indices for intermediate goods, less foods and energy, and for intermediate foods and feeds also contributed to the increase. The intermediate index usually indicates a future change in the finished goods indices. The intermediate goods index is a barometer of price movement for a manufacturer's cost of materials and costs of products purchased from other crude goods manufacturers. Economic reasoning suggests that rising production costs will eventually lead to rising final goods prices. Accordingly, many analysts study the intermediate goods index in an effort to anticipate future movements in the finished goods index.



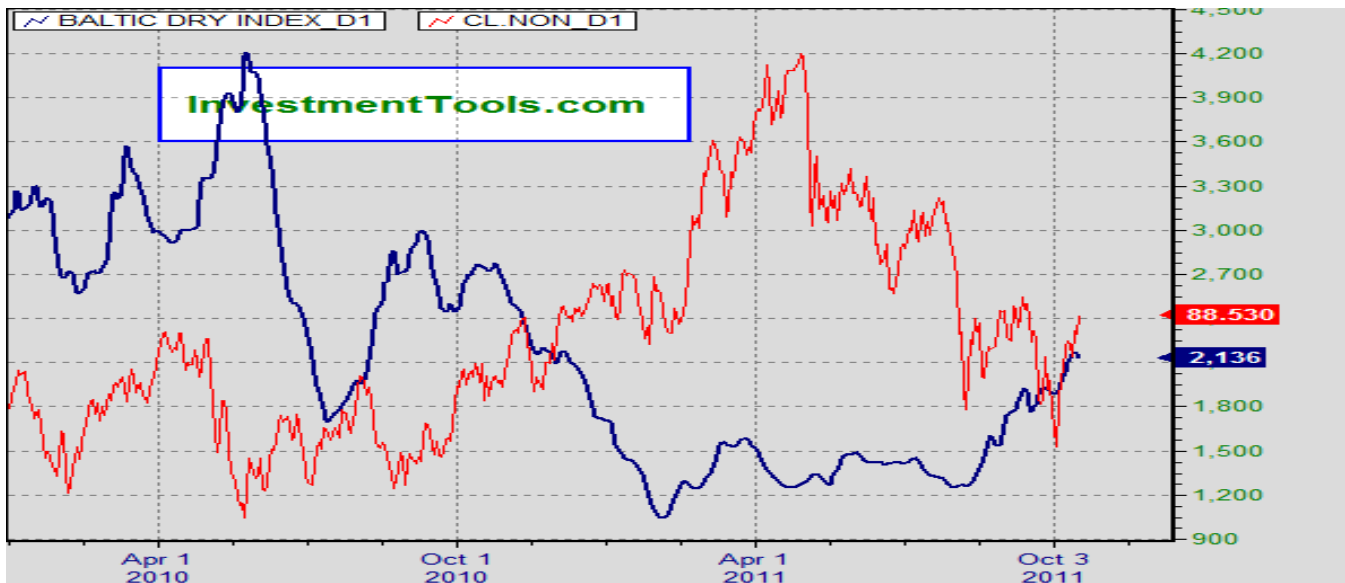
Source: Bureau of Labor Statistics, Employment Cost Index, www.bls.gov/ncs/ect/

MONTH	JUNE 2011	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
Manufacturing labor cost	112.7	1.2%	3.3%	7.2%
Union manufacturing labor cost	113.8	2.6%	4.3%	11.9%

Manufacturing represents the total compensation for all manufacturing in private industry. Union manufacturing identifies the total compensation of union labor. During the past three months, labor cost for manufacturing increased 1.2 percent, while it increased 3.3 percent during the past 12-month period. During the past three years, compensation for manufacturing has increased 7.2 percent. Labor cost for union manufacturing increased 2.6 percent during the past three months and 11.9 percent during the past three years. The cost of employment has increased significantly during the first six months of 2011.



Source: Bureau of Labor Statistics, PPI, www.bls.gov/ppi/



Source: Baltic Exchange Dry Index (BDI) - market standard for measuring the cost of moving raw materials by sea in container ships

NOTE: CL.NON (red line) = Crude Oil

MONTH	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
General freight trucking	127.4	-0.2%	-0.2%	6.6%	1.3%
Deep sea freight transportation	252.8	1.4%	-6.7%	-0.7%	-11.1%

The Baltic Exchange's main sea freight index tracks rates to ship dry commodities. The overall index started rising in late August and has skyrocketed into October based on higher commodity demand and rising fuel prices. Emerging market demand has increased, but is struggling to make up for the continuing weak demand in Europe and the United States. There are three major surcharges that now accompany deep sea freight:

- an emergency revenue charge, a relatively new charge to make up for lost revenue during the 2008 and 2009 recession
- a bunker charge (fuel surcharge), a freight fuel premium that fluctuates monthly or quarterly with oil prices
- a peak season surcharge, which is added to cargo moving from Asia during the peak season, currently from June 1 to Oct. 31

Together these surcharges, which continue to escalate, have significantly increased the cost of deep sea freight.

Exchange Rates

Base currency is U.S. dollar:

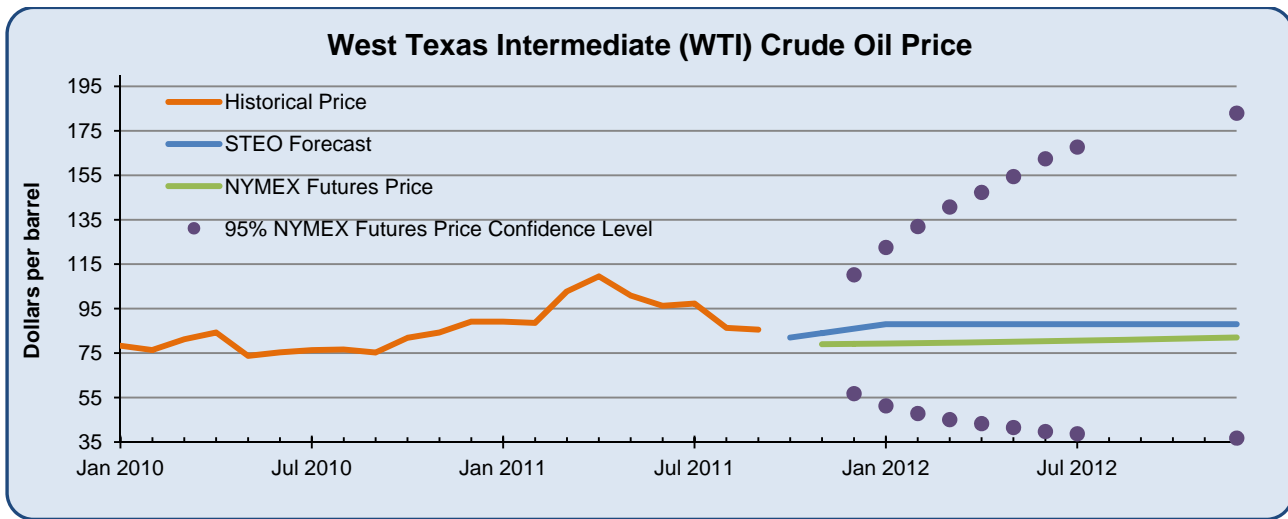
	CNY – CHINA YUAN RENMINBI	EUR – EURO	GOLD OUNCES	INR – INDIA RUPEES	JPY – JAPAN YEN	RUR – RUSSIAN RUBLES	GBP – UK POUNDS
Dec. 2007	0.1369	1.4600	833.2071	0.0254	0.0090	0.0407	1.9856
Dec. 2008	0.1465	1.3920	867.1343	0.0206	0.0110	0.0327	1.4615
Dec. 2009	0.1464	1.4103	1111.9221	0.0218	0.0110	0.0336	1.6288
March 2010	0.1465	1.3521	1114.9119	0.0222	0.0107	0.0340	1.5176
June 2010	0.1468	1.2301	1236.7521	0.0217	0.0110	0.0324	1.4847
Sept. 2010	0.1470	1.2895	1246.9450	0.0215	0.0119	0.0327	1.5446
Dec. 2010	0.1502	1.3237	1386.6600	0.0222	0.0120	0.0323	1.5764
Jan. 2011	0.1518	1.3461	1349.5673	0.0219	0.0120	0.0333	1.5890
Feb. 2011	0.1516	1.3534	1357.7702	0.0219	0.0120	0.0341	1.6067
March 2011	0.1524	1.4073	1420.3196	0.0224	0.0121	0.0352	1.5973
April 2011	0.1540	1.4817	1543.7600	0.0226	0.0123	0.0366	1.6687
May 2011	0.1540	1.4372	1536.1882	0.0222	0.0123	0.0357	1.6440
June 2011	0.1546	1.4163	1521.6623	0.0223	0.0124	0.0354	1.5981
July 2011	0.1552	1.4476	1614.5604	0.0226	0.0128	0.0362	1.6337
Aug. 2011	0.1564	1.4386	1852.3000	0.0219	0.0130	0.0342	1.6467
Sept. 2011	0.1565	1.3551	1778.6442	0.0205	0.0130	0.0316	1.5464
Oct. 2011	0.1569	1.3866	1642.4439	0.0201	0.0131	0.0322	1.5950

Source: www.xe.com

When the value of the U.S. dollar declines, importing oil and raw materials into the United States costs more. In turn, this increases the cost to produce most goods. In September the dollar generally gained strength against most currencies except for the Chinese yuan and the Japanese yen. October has brought lots of volatility for the dollar; it has lost strength against most currencies. Future trends will be determined in large part by the U.S. government's reaction to the weakening economy and the European financial crisis.

Raw Material Trends

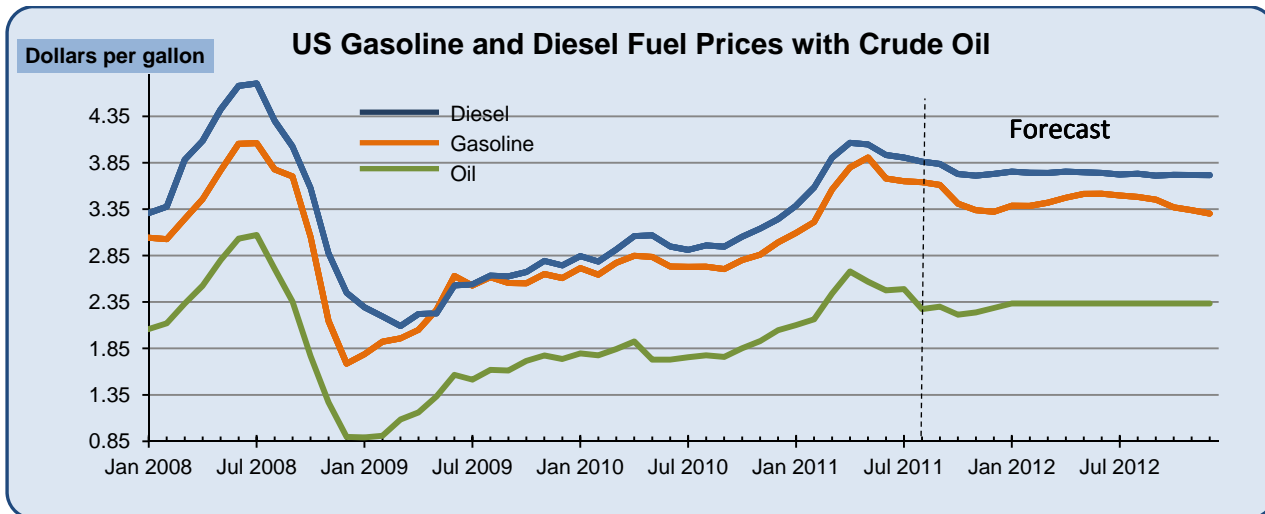
CRUDE OIL



Source: U.S. Energy Information Administration, www.eia.gov

The oil market continues to fluctuate as prices face upward pressure due to supply uncertainty and downward pressure because of lowering expectations of economic growth. Upside uncertainty to the crude oil price outlook remains as a result of ongoing unrest in oil-producing regions. The Energy Information Administration (EIA) expects that world crude oil consumption will continue growing from its record-high level of 87.1 million barrels per day (bbl/d) in 2010 and reach 88.4 million bbl/d in 2011 and 89.8 million bbl/d in 2012.

GASOLINE AND DIESEL

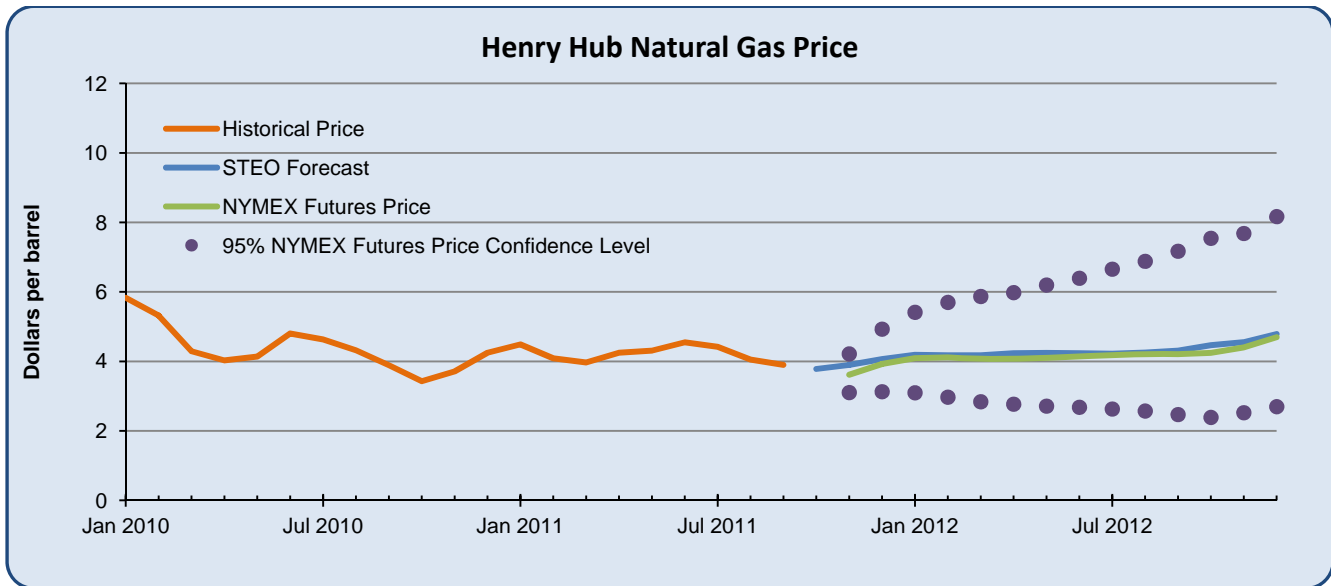


Source: U.S. Energy Information Administration, www.eia.gov

The EIA forecasts that the annual average regular-grade gasoline retail price, which averaged \$2.78 per gallon in 2010, will increase to an average of \$3.52 per gallon in 2011, and average \$3.43 per gallon in 2012. Total motor gasoline stocks at the end of September 2011 were an estimated 214 million barrels, down five million barrels from 2010 but six million barrels above the previous five-year average for that month. Motor gasoline inventories are projected to average about three million barrels higher than their previous five-year averages at the end of 2012.

The EIA expects that on-highway diesel fuel retail prices, which averaged \$2.99 per gallon in 2010, will average \$3.80 per gallon in 2011, and \$3.73 per gallon in 2012.

NATURAL GAS

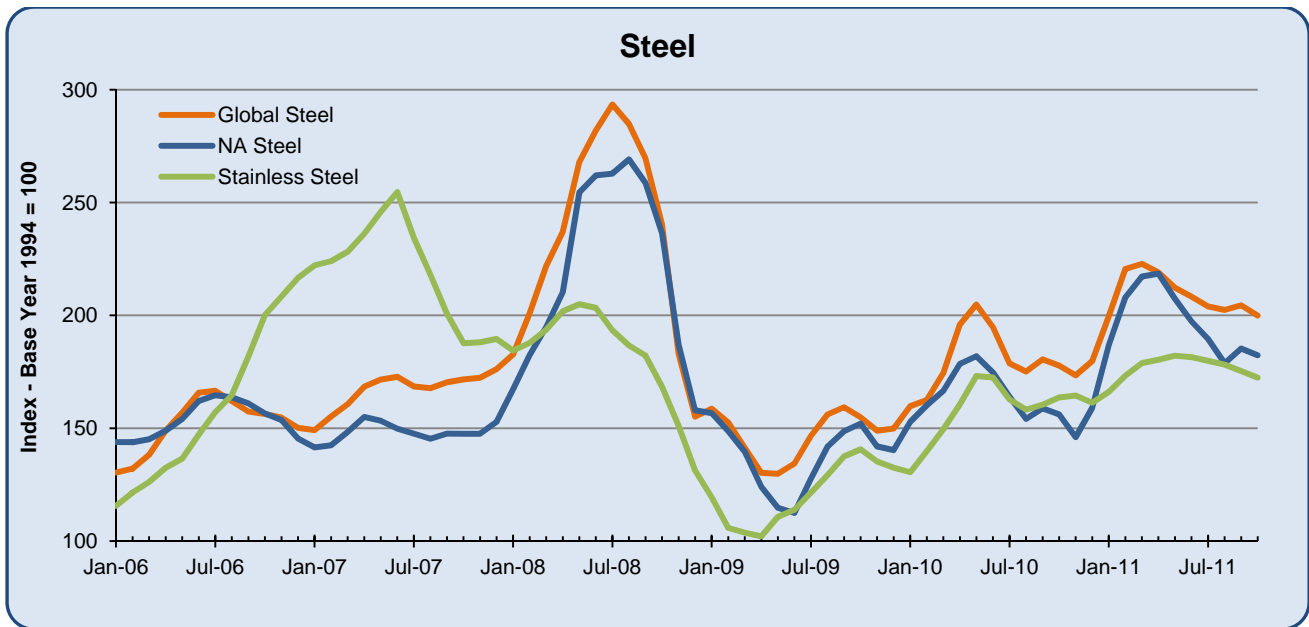


Source: U.S. Energy Information Administration, www.eia.gov

The Henry Hub spot price began declining in June and is projected to fall further in October, before rising above \$4 per MMBtu in December. Although the average 2011 spot natural gas price is lower than the 2010 average, the forecast price for winter 2011-12 is higher than last winter's average. EIA expects the Henry Hub price in 2012 to average \$4.32 per MMBtu. Drilling activity has been resilient despite lower natural gas spot and futures prices. According to Baker Hughes, the September 30 rig count was 923 active drilling rigs targeting natural gas, up from this year's low of 866 on May 20. If drilling continues to increase, production could grow more than expected in 2012.

MONTH	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
Oil	\$85.52	-0.9%	-11.1%	13.7%	-17.9%
Gasoline	\$3.61	-0.8%	-1.9%	33.5%	-2.5%
Diesel	\$3.84	-0.5%	-2.4%	30.3%	-4.6%
Natural gas	\$3.90	-3.7%	-14.3%	0.3%	-49.2%

STEEL

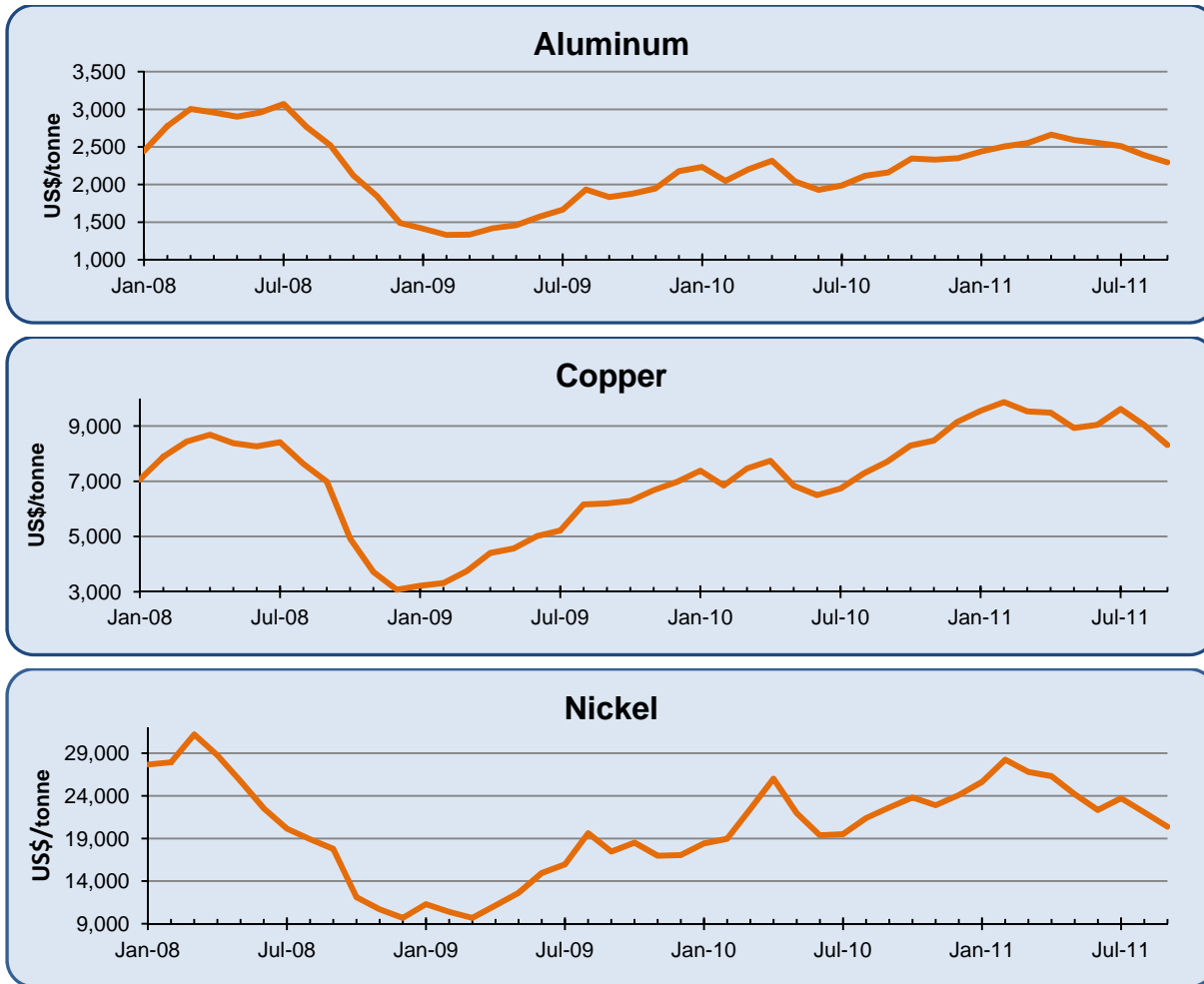


Source: CRU Steel Price Index

MONTH	OCTOBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
Global steel	199.91	-2.2%	-2.0%	12.5%	-16.8%
North American steel	182.37	-1.6%	-3.8%	16.8%	-22.8%
Stainless steel	172.41	-1.6%	-4.1%	5.4%	2.4%

Weak demand across steel producing regions is putting downward pressure on prices. The key issue is whether production will be cut back sufficiently during the fourth quarter to match real demand and enable prices to stabilize. The World Steel Association October 2011 Short Range Outlook for 2011 and 2012 forecasts that steel use will increase by 6.5 percent in 2011, following growth of 15.1 percent in 2010. In 2012, it is forecast that world steel demand will grow further by 5.4 percent. For 2012, growth estimates are based on developing economies continuing to grow and Europe solving its debt crisis without further volatility. Production of steel continues to increase, but rumors of an iron ore, a major component in steel, shortage may slow current rates of production possibly creating insufficient supplies in 2012.

Stainless steel prices have now declined five straight months as buyers are holding off purchasing due to falling nickel prices. Stainless steel prices should see further declines during the next couple of months as production levels outpace demand.



Source: London Metal Exchange

MONTH	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
Aluminum	\$2,295.93	-4%	-10.1%	6.2%	-9.1%
Copper	\$8,313.82	-8%	-8.1%	7.9%	19%
Nickel	\$20,384.55	-7.7%	-8.8%	-10%	14.6%

ALUMINUM

Aluminum prices declined 4 percent in September and have now dropped for five consecutive months. Current October prices are now at a 13-month low amid market fear, signs of contraction in China and weak demand from Europe and Japan. Prices will remain flat or continue declining until global economies start to improve. Supply levels have started dropping from production decreases, which may put upward pressure on price levels.

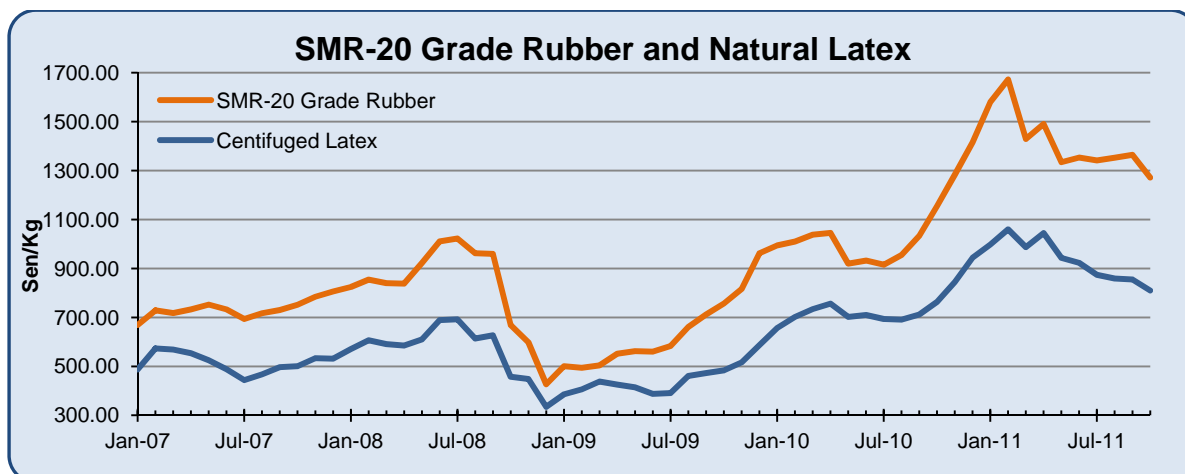
COPPER

Copper prices deteriorated 8 percent in September, with the decrease rooted in the ongoing European debt crisis. Weak prices are expected to continue through 2011 and early 2012 as news that China's third quarter GDP rose at its slowest pace since 2009. Lower demand is expected, but supply levels may decline as several strikes may shut down several mines.

NICKEL

Nickel prices continued declining in September amid weak demand. The market is expected to be in surplus in 2012, putting prices under pressure for further declines. Slow economic growth and slumping demand should prevent any production cuts from reducing supply levels.

RUBBER AND LATEX

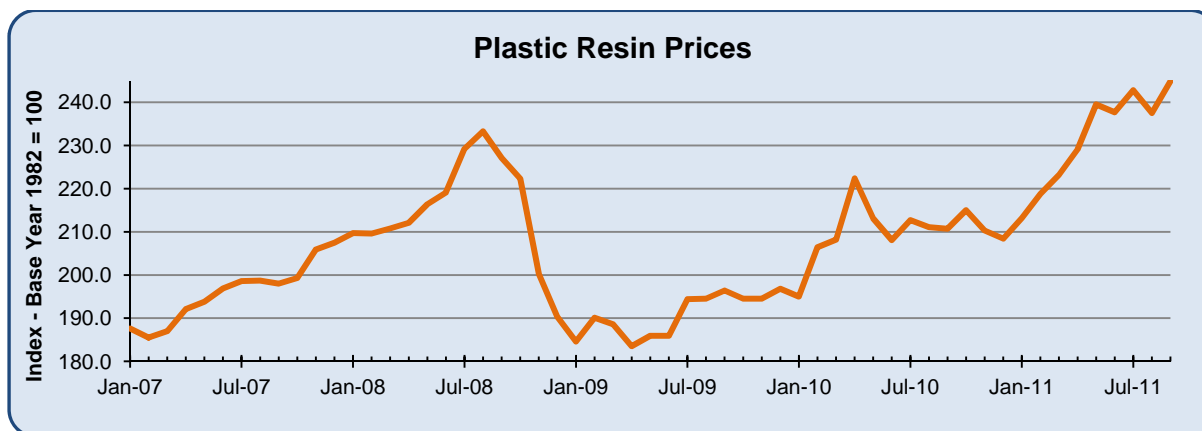


Source: Malaysian Rubber Board - www3.lgm.gov.my/mre/MonthlyPrices.aspx

RAW MATERIAL	OCTOBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
SMR-20 grade rubber	1,271.76	-6.8%	-5.2%	10.1%	90.3%
Centrifuged latex	809.68	-5.3%	-7.4%	6.0%	76.9%

Rubber and latex prices declined substantially in September and October. European debt and a precautionary U.S. outlook have caused the recent decline in prices. Prices during the next year will depend heavily on the global economic situation. There is concern about persistent low rubber supplies in Thailand and Indonesia that may prevent prices from continuing their fall in the short-term. Global synthetic rubber demand is forecast to grow by 4.4 percent in 2011 and by another 7.9 percent in 2012. Natural rubber demand is expected to increase 2.6 percent this year, and another 5.5 percent in 2012. Global natural rubber production is forecast to rise by 4.8 percent this year, and in 2012 the output is expected to expand at a higher rate of 7.8 percent as the consequence of new production available from trees planted in the mid-2000s. Consequently, the deficit of rubber in 2011 is expected to become a surplus in 2012 that will help prevent price increases next year.

PLASTIC RESIN

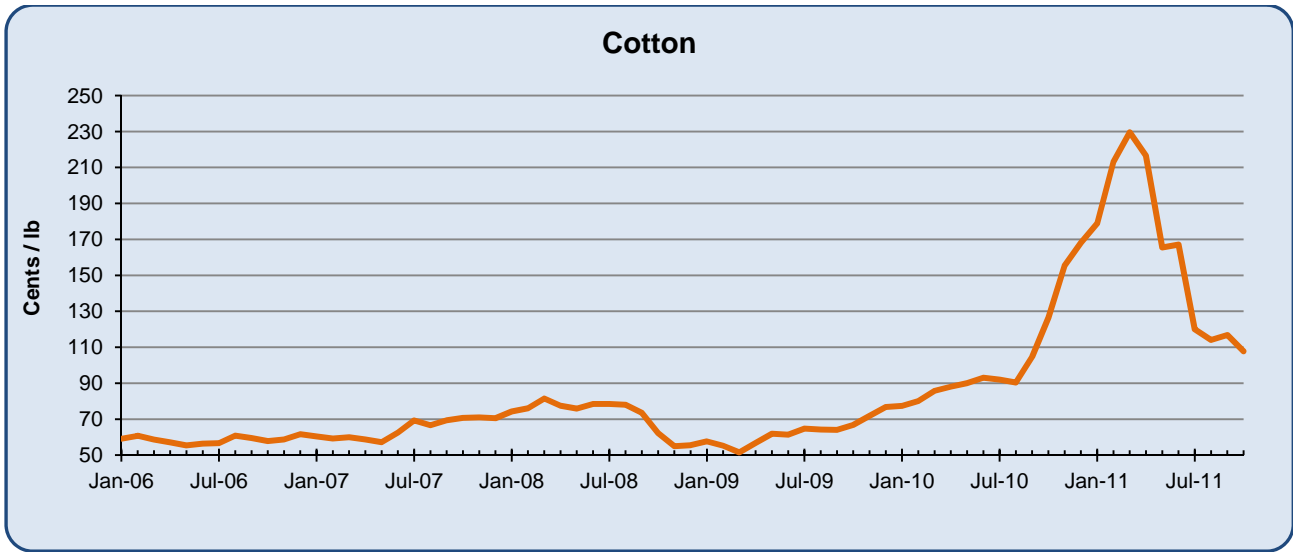


Source: Bureau of Labor Statistics, PPI, www.bls.gov/ppi/

INDEX	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
Plastic resin index	244.9	3.1%	3%	16.2%	7.8%

The resin market climbed dramatically through most of 2011 until August when fears of a second U.S. recession and the European debt crisis damaged demand for resins. Demand remains soft in October as buyers are holding out for lower prices. Analysts expect prices to continue falling through 2011 and early 2012.

COTTON

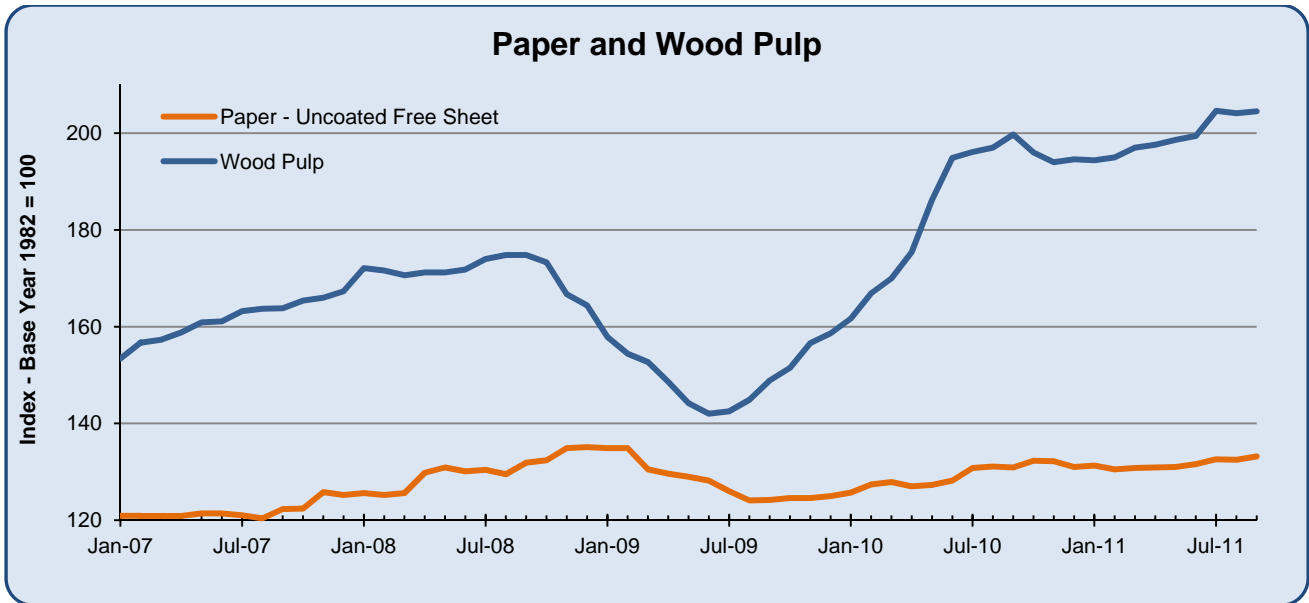


Source: National Cotton Council and Cotton Inc.

INDEX	OCTOBER 2011 (SPOT PRICE OCT. 25)	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
Cotton	107.75	-7.7%	-10.2%	-14.8%	73.0%

Cotton prices began falling again in late October as larger cotton arrivals have put some strong pressure on prices. The latest U.S. Department of Agriculture report indicated a 2.9 million bale increase to world ending stocks in 2011-2012. General weakness in demand posed by difficult macroeconomic conditions in the United States, Europe and Japan is another factor that should prevent prices from developing a strong upward trend. Demand growth in emerging markets may offset some of the weakness in developed economies, but may not be enough to fully alleviate the downward pressure on prices.

PAPER AND WOOD PULP

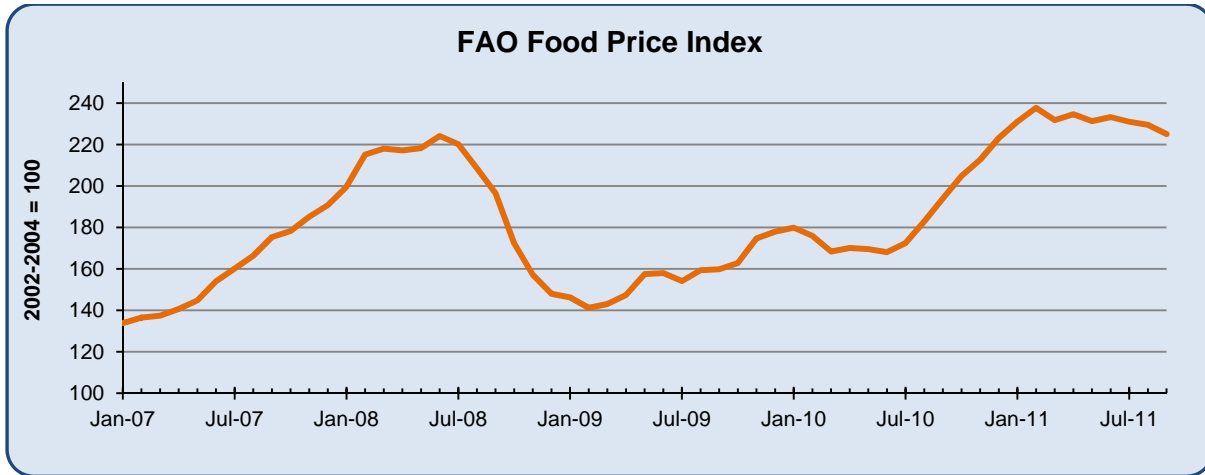


Source: Bureau of Labor Statistics, PPI www.bls.gov/ppi/

RAW MATERIAL	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE	3-YEAR % CHANGE
Paper – uncoated freesheet	133.2	0.5%	1.2%	1.8%	1%
Wood pulp	204.5	0.2%	2.6%	2.4%	17%

Paper companies are reducing production capacity as demand for paper continues declining. According to the American Forest & Paper Association, total printing-writing paper shipments decreased 8 percent in September compared with September 2010. U.S. purchases (shipments + imports – exports) of printing-writing papers decreased 7 percent in September. Total printing-writing paper inventory levels decreased 2 percent compared with August 2011. Manufacturers hope the reduced production will lead to lower supply levels that will help maintain current prices. In the long-term, expect paper and pulp prices to decline even though uncoated freesheet pricing increased 0.5 percent in September and is up 1.2 percent during the past three months.

Food and Nutrition



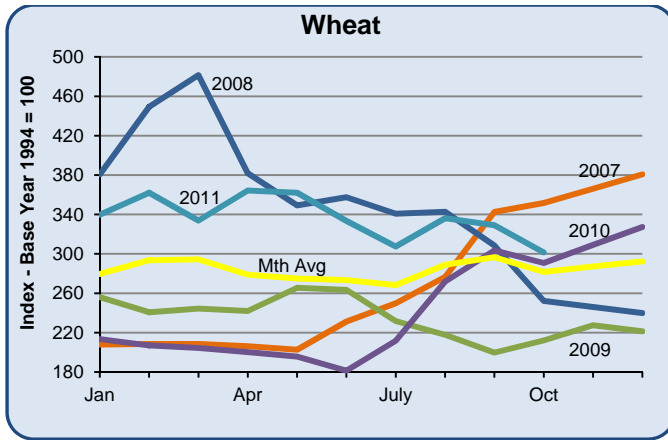
Source: FAO

The Food and Agriculture Organization of the United Nation (FAO) Food Price Index is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of five commodity group price indices (representing 55 quotations), weighted with the average export shares of each of the groups for 2002-2004. The five commodity groups are cereals, sugar, oils and fats, meat and dairy.

The FAO Food Price Index has mostly declined through 2011, but is still up 16 percent during the past 12-month period after prices escalated the past six months of 2010. Concerns are rising for 2012 and 2013 production levels with warnings of another La Niña weather pattern returning. The most recent 2010-2011 event was termed by the World Meteorological Organization as the second-most extreme since records began in 1876. La Niña is characterized by unusually cold ocean temperatures in the Equatorial Pacific that causes dry conditions in planting areas of the Western Hemisphere and flooding in Asia. A repeat of drought and flooding in planting areas would hinder crop production next year, further increasing prices. For 2012, food price inflation is expected to abate from 2011 levels but is projected to be slightly above the historical average for the past two decades. The all-food CPI is projected to increase 2.5 percent to 3.5 percent compared with 2011 levels.

Source: <http://www.agrimoney.com/news/dryness-risk-to-brazil-soy-as-la-nina-fears-grow--3649.html>

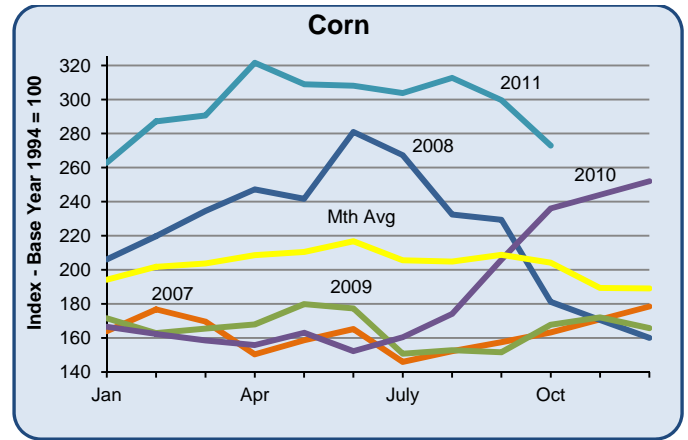
	SEPTEMBER 2011	1-MONTH % CHANGE	3-MONTH % CHANGE	12-MONTH % CHANGE
FAO Food Price Index	225.0	-2%	-3.5%	16%
Wheat	301.5	-8.4%	-2.0%	3.7%
Corn	274.8	-8.3%	-9.5%	16.4%
Fruits	118.6	3.1%	0.7%	13.2%
Vegetables	184.6	10.0%	-1.9%	12.2%
Meat	175.2	-0.5%	-1.6%	14.2%
Dairy	218.2	-1.1%	-5.8%	10%



Source: [FAO.org](http://www.fao.org)

Wheat began declining in August and has continued through October when Russian wheat surged onto the global market after the country ended a year-long export ban in July. Prices in 2012 are expected to move higher as supply levels are expected to be tight again.

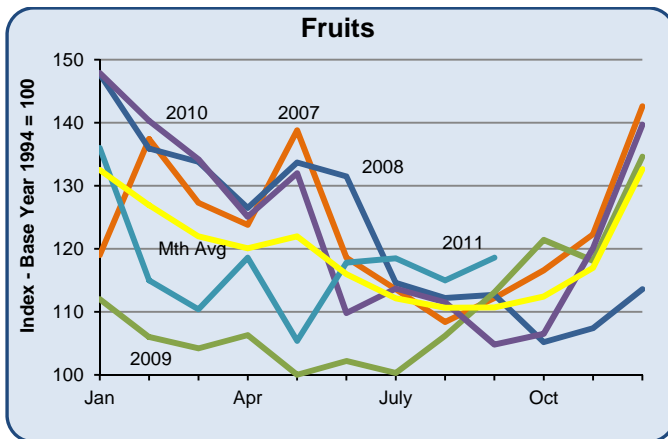
Source: <http://www.commodityonline.com/futures-trading/commodity-trends/Wheat-likely-to-decline-on-selling-pressure-9058.html>



Source: [FAO.org](http://www.fao.org)

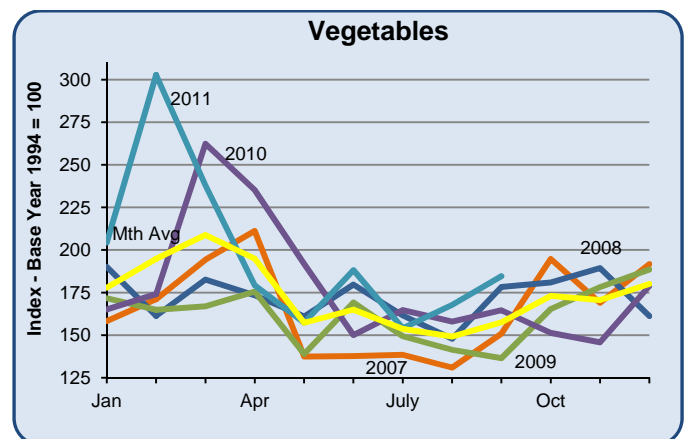
Even though corn prices are declining the past several months, they still remain at historically high levels. Prices are expected to remain at high levels through the first half of 2012 based on low stock levels, biofuel demand, the prospect of another La Niña threatening farmers with further weather setbacks, and the likelihood of emerging markets continuing to grow, even if Western economies falter.

Source: <http://www.ft.com/intl/cms/s/0/d1ad660c-f329-11e0-8383-00144feab49a.html#axzz1btNB7JwP>



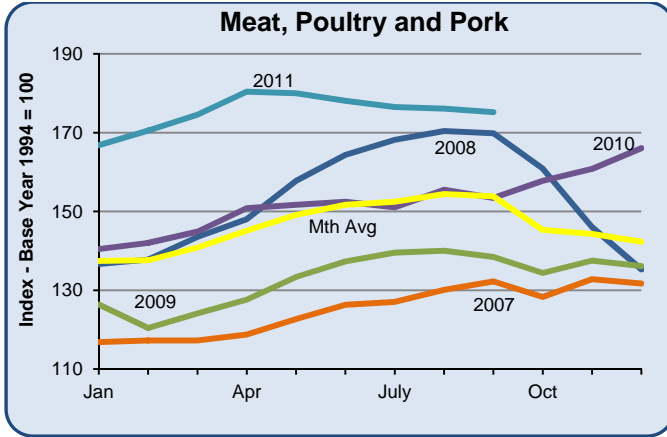
Source: *Bureau of Labor Statistics, PPI*
www.bls.gov/ppi/

Fruit prices rose 3.1 percent in September, after dropping 3 percent in August. 2011 prices have been erratic, but historical trends indicate continued increases through the fourth quarter. Fruit prices have declined from high levels in late 2010 and early 2011 based on solid supply levels.



Source: *Bureau of Labor Statistics, PPI*
www.bls.gov/ppi/

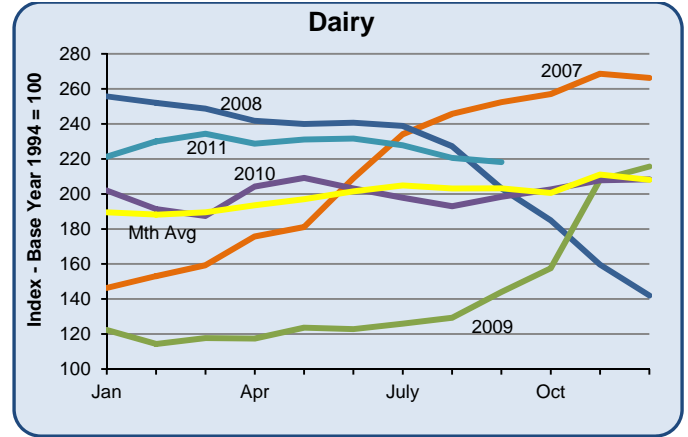
Vegetable prices are hovering near normal levels based on solid supply levels. Higher energy, fertilizer and seed cost will continue to put pressure on vegetable prices. However, supply levels should help prices remain near current levels through 2011, unless weather-related issues hurt supplies.



Source: FAO.org

Meat prices averaged 175 points in September, marginally down from the previous month, mostly because of a 3 percent drop in pig meat prices. Poultry prices also fell but marginally, while prices of bovine and ovine meat trended slightly upwards, amid tight supplies. Despite their recent weakness, all meat prices remain above the levels prevailing in 2010, with the index up 14 percent from September 2010, mostly a reflection of rising costs and low inventories.

Source: www.fao.org



Source: FAO.org

Dairy prices averaged 218 points in September, slightly down from 221 points in August but still 10 percent higher than in September 2010. Among the various products, butter prices suffered the sharpest drop, losing 3 percent, followed by casein and cheese, which retreated by about 1 percent each. Prices of whole milk powder were virtually unchanged. The prices of all dairy products remain, on average, 10 percent higher than the corresponding period in the past year. Future prices are expected to continue declining as global demand has fallen.

Source: www.fao.org