



NEWS RELEASE

BIOFUEL RESOLVES HEDGING LOSS ISSUES

DENVER, COLORADO – DECEMBER 10, 2008 – BIOFUEL ENERGY CORP. (NASDAQ:BIOF) announced today that it had reached agreements in principle with Cargill and the two holders of its subordinated debt. Despite the significant hedging losses incurred and announced in August, the Company's operating subsidiaries have remained financially sound and continued to meet all their obligations. However, the parent company has been unable to make timely payments to Cargill since August and it failed to make the September 30th interest payment on its subordinated debt. The pending agreements will resolve all issues relating to these parent company liabilities. The Company and Cargill were able to establish a debt repayment plan that with recent payments has reduced the outstanding debt to \$11.4 million. Cargill has agreed to forgo all interest through November 30th, with interest on the current amounts outstanding to accrue at a 5% per annum rate effective December 1st.

Simultaneously, the holders of the Company's \$20.0 million of subordinated debt agreed that upon receipt of an initial \$2.0 million payment, the subordinated debt will accrue interest at a 5% per annum rate until Cargill has been fully repaid and no further payments will be due them until Cargill has received the next \$2.8 million of payments. Previously, the subordinated debt had borne interest at a 15% rate. The interest rate on the subordinated debt had increased to 17% on October 6th when a scheduled interest payment was missed. Finally, Cargill and the subordinated debt holders have agreed that all future payments due them will be contingent on available cash at the parent company, to be defined. The agreements are subject to mutually agreeable documentation, which the Company expects to finalize before year-end.

Simultaneously, the Company announced that its Wood River, Nebraska plant had achieved Substantial Completion. Substantial Completion is the second step in project certification. The Wood River facility has now been running at capacity for two weeks. The Fairmont, Minnesota plant also attempted Substantial Completion last week. Unfortunately, it failed to pass due to continuing issues with its distillers grain dryers. Another attempt at Substantial Completion has begun. The Company currently expects both plants to be running at capacity by year-end.

At close of business on December 8th, the Company's operating subsidiaries had current assets of \$36.3 million and working capital before amounts due the parent company of roughly \$15.7 million. Assuming full capacity operations beginning on January 1st and current spot margins, the Company believes its operating subsidiaries to be adequately capitalized. Based on recent spot margins, the Company expects to operate at cash breakeven in the first quarter prior to debt repayments. The Company's ability to amortize debt or to achieve profitability will depend on improved industry margins.

This release contains certain forward-looking statements within the meaning of the Federal securities laws. Such statements are based on management's current expectations, estimates and projections, which are subject to a wide range of uncertainties and business risks. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of whether, or the times by which, our performance or results may be achieved. Factors that could cause actual results to differ from those anticipated are discussed in our Exchange Act filings and our Annual Report on Form 10-K.

BioFuel Energy currently has two 115 million gallons per year ethanol plants in the Midwestern corn belt. The Company's goal is to become a leading ethanol producer in the United States by acquiring, developing, owning and operating ethanol production facilities.

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