



February, 2009

Cheap gas and diesel

Ah, memories. Just forty years back, the guy used to come out and check your oil while he put gas in your car. Hey—you could even collect glassware, just by asking the guy to fill ‘er up. And best of all, in 1969, gasoline averaged just \$.35 per gallon. Things seemed cheaper then, but that price is misleading. If you adjust for forty years of inflation, that 1969 gas would cost \$1.33 in today’s dollars.

And it could be that the dizzying drop we’ve seen in consumer fuel prices in the last few months is misleading as well. No argument—it’s great to be able to fill up the tank without feeling like you’ve just personally bailed out Goldman Sachs. But like many other pleasures that provide a rush, it may be short-lived. If we consumers go back to our old ways—not worrying about the import and use of fuel from sometimes-undependable foreign countries, we may cost ourselves more, in the long run.

If we find it now less urgent to wean ourselves from petroleum’s foreign entanglements; and in our drive to move to ethanol and biodiesel, we risk losing all the momentum we have gained towards adopting biofuels, and in becoming more self-sufficient in our demand for motor fuels.

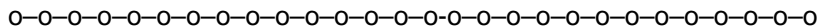
Nobody thinks outlandish fuel prices are a good thing. But let’s make sure our recent suffering at the pump wasn’t for nothing. Let’s consolidate the gains this country has been making in terms of energy security, and keep pushing for biofuels.

Remember all the talk about increasing miles-per-gallon, building electric cars and developing solar energy that we heard during the 1970s fuel crisis in this country? But then fuel prices came back down and the electric cars got shelved in favor of SUVs and Hummers, all burning a lot petroleum imported from the Middle East. Philosopher George Santayana famously said “those who cannot remember the past are doomed to repeat it.” Let’s hope that this time, we do remember the lessons learned over the past two years, and we keep the focus on the development of our biofuels industry.



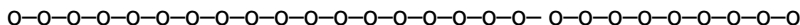
Pump Prices – Here & There January 30, 2009		
	US	Brazil
B3	- NA -	\$3.48/ gal.
B11	\$2.29/ gal	- NA -
100% Alcohol	- NA -	\$2.77 / gal.
E85	\$1.69 / gal	- NA -
Gasoline	\$1.68 / gal	\$4.24.* /gal.

*contains 25% alcohol



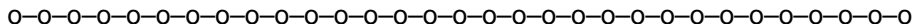
Filling your flex fuel car

Next time you're filling your flex-fuel car in Brazil, make sure to check the National Petroleum Agency's comparative fuel price data. A January agency report showed that, for flex-fuel car owners, the standard gasoline blend (25% ethanol) was cheaper than 100% ethanol in the states of Roraima, Para, Amapa and Piau states, where ethanol costs were 75 to 80 percent of the standard gasoline price. A liter of ethanol reportedly cost R\$1.89 in the capital city of Piau state, for example, while the standard 75-25 gasoline-ethanol blend cost R\$2.59 on average. Given the lower energy efficiency of ethanol, the agency said flex-fuel car owners in those states were better off not raising the gasoline-ethanol blend in their tanks. Even so, higher ethanol blends for flex fuel cars made sense, the agency said, in 15 of Brazil's 26 states. Although gasoline prices are government controlled and vary little across the entire country, ethanol prices increase as you move away from Sao Paulo state, mostly due to transportation costs for the ethanol.



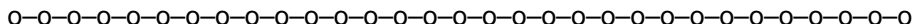
The diesel bill

Brazil's Ministry of Mines and Energy announced late last month that the country's diesel imports had fallen by nearly US\$1 billion, due to the nationwide three percent biodiesel blend that went into effect for the second half 2008. The minimum biodiesel blend for first six months of last year was two percent. The higher minimum blend, says the ministry's Renewable Fuels Department, meant Brazil was able to skip on the import of 291 million gallons of diesel. Even so, says *Zero Hora* newspaper, the South American giant imported a billion gallons of the stuff in 2008, at a cost of \$4.9 billion—which, at contemporary fuel prices—was still a tad higher than Brazil's \$2.5 billion diesel fuel bill in 2007.



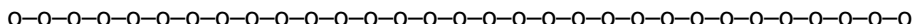
For the environmentally-minded philatologist

The Brazilian Post Office last month issued a stamp to commemorate that country's leadership in ethanol production and use. The Post Office announcement of the stamp averred that "while in the (rest of the) world renewable energy use is no greater than 13 percent, in Brazil's energy mix that proportion is 46 percent." Brazil's Proalcool program, which enforced ethanol blends into all gasoline used nationwide, has replaced 1.2 billion barrels of petroleum in its 39 years of existence, says the Post Office, which would be about five years' supply of gasoline for the entire country. The Post Office also says that 800 million metric tons of CO2 would have been emitted if not for ethanol use since the 1970s. More than ten million of the stamps were printed, and will be in circulation through 2012.



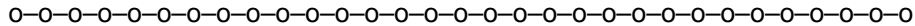
New Petrobras Biodiesel Plants Impress

They gave 110 percent in their rookie year. Petrobras biodiesel plants that started up in 2008 beat their biodiesel production targets by ten percent. The state oil company's plants in the states of Bahia and Ceara together delivered 2.3 million gallons of biodiesel to the market. Inauguration of the two plants marked Petrobras' entrance into the biodiesel market. A third plant, in Minas Gerais state, was slated to open last month. Together, the three plants will reach an annual production capacity of 45 million gallons. The three plants added to Brazil's total of 46 biodiesel production sites, with production capacity of 791 million gallons yearly.



Paraguay imports

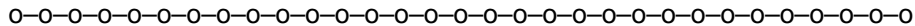
A Paraguayan newspaper reports that government's lifting of import tariffs on flex-fuel cars led to the import of nearly 1600 such vehicles in 2008. Many of them were used cars, but 863 were new. Until the zero-tariff decree took effect last year, imported cars paid taxes often adding up to between 15 and 20 percent of the vehicle's value.



UK: Sir Terry Explains Food Inflation

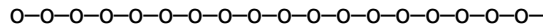
The chief executive of a major British supermarket chain, Tesco, told London listeners last month that the drive to biofuels had gone wrong. According to Farmer's Guardian, Sir Terry Leahy said "A few years ago, governments offered subsidies to encourage farmers to plant biofuels, as a means of cutting carbon emissions. But by turning thousands of acres over to growing biofuels, forests were cleared and less land was available for other crops."

<http://www.farmersguardian.com/story.asp?sectioncode=1&storycode=24097>



2008 numbers

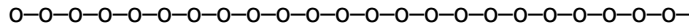
Brazil, already the world's largest biofuels exporter, sold nearly 50 percent more ethanol overseas, with sales totaling 1.3 billion gallons, the EFE news service said last month. The South American giant's biggest customer was the United States, with imports of 555 million gallons.



Wisconsin plant files for bankruptcy

The credit crisis and the fall in commodity prices may be behind the decision by one of Wisconsin's nine ethanol plants to file for bankruptcy late last month. According to the *New Richmond News*, Renew Energy Board Chairman Paul Olsen said lower revenues and a bank's decision to not renew a loan to the company were behind the filing. The paper's website reports Olsen said at least three more ethanol plants in the state may shut down operations at the end of April.

http://www.newrichmond-news.com/articles/index.cfm?id=19068§ion=Wisconsin%20News&property_id=18

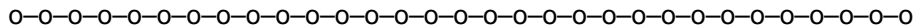


It's a green world after all...

California's Disneyland Resort announced last month that the park would begin using recycled cooking oil to power its Disneyland Railroad steam trains and Mark Twain riverboat. "We have been recycling our used kitchen grease for years," said Frank Dela Vara, the Disneyland Resort environmental affairs director, "but this innovation takes recycling to another level." Park officials hope to save about 200,000 gallons of petroleum-based diesel annually with the move. The park's five trains had already been using soybean oil-based biodiesel since 2007. The new blend, using recycled cooking oil, is planned to be a 99.9 percent blend. Park officials believe soy-based biodiesel has helped them "reduce emissions by 20 percent," and that the new, recycled blend, will keep that emissions profile. A Disneyland announcement also cites several other steps, such as adoption of CNG to help reduce emissions.



<http://news.prnewswire.com/DisplayReleaseContent.aspx?ACCT=104&STORY=/www/story/01-30-2009/0004963472&EDATE=>



Alberto Silva: This contract, in my opinion, doesn't help the small producer because these big plants, when they produce a biodiesel that's competitively priced with today's market, must work with soybeans, whose price has fallen, on the international market, and with sunflower, which can be planted and harvested by machine. The big (companies) can only work with mechanized crops due to the international prices of the feedstock material for biodiesel. The small farmer plants by hand and harvests by hand.

Q: President Lula said, when he announced the (Brazilian biodiesel) program, that biodiesel's advantage is that it is grown by the Brazilian laborer, planted by the Brazilian laborer, harvested by the Brazilian laborer, crushed by the laborer, and turned into fuel by the Brazilian laborer.

Silva: These big plants aren't going to buy castor seeds or red palm seeds that are grown by small planters because they get very low prices. One of these companies bought castor at R\$.65 per kilo from farmers in São Raimundo Nonato, in Piauí state. Some farmers sold, and others didn't take the price and refused to sell. That's why these plants will have to work with mechanized soybean and sunflower farmers.

Q: What's your proposal?

Silva: My proposal is that small landholders, rural laborers resettled in agrarian reform projects, and tenant farmers organize themselves into associations or cooperatives to create biodiesel production plants using castor beans in the semi-arid Northeast, and with red palm oil in the Amazon. We are working to build a prototype in Piauí.

Q: How do you justify such an investment in the creation of a state company to give incentive to small farmers at a time of privatization, when there's so much talk in the agribusiness sector about big companies?

Silva: I already answered that. Brazil produces 3.7 billion gallons (of ethanol) because the military regime created the Proalcool program; Brazil produces so much petroleum, currently, because Getulio (Vargas) created Petrobras. But let's do a quick tabulation: Ecodiesel offered R\$ 0.64 for a kilo of castor seed. The planter got, at the most, one metric ton per hectare. On selling at this price, he picked up R\$650.00 per metric ton. But if he had planted manioc, he would get 20 metric tons per hectare in 15 months. Selling at R\$100 per metric ton, he's got R\$2,000—three times more than the Ecodiesel money. Thus there won't be any castor seed. Who's going to plant castor to sell it at R\$.65 per kilo? Nobody.

The *The BioFuels Report*, is produced by South American Soy, a global production investment and management company, and is sponsored by the Illinois Corn Marketing Board and in part, by the soybean checkoff.