

Biofuels 2006: Production, Supply & Reality

According to the landmark report Biofuels 2006: Production, Supply and Reality, produced by Soyatech LLC and Highquest Partners, U.S. biofuels production is projected to grow to over 16 billion gallons per year by 2015. Ethanol will account for 14.2 billion gallons of this total, increasing from 4.5 billion gallons in 2006. This amount of ethanol will equal just under 10 percent of projected total gasoline consumption. At a projected 2.15 billion gallons per year by 2015, biodiesel will equal approximately 4 percent of total estimated diesel consumption.

The report states that production at these levels will impact not only use of agricultural resources, but is also likely to alter the dynamics of international trade in certain commodities. For example, corn used for ethanol fuel production will come out of stocks now allocated to exports and animal feeds. Since the U.S. supplies more than 60 percent of the international trade in corn, reallocation of this source to fuel will likely translate into higher prices for corn globally.

At the same time, the increase in biodiesel production is expected to have a significant impact on importation of oils. The U.S. is currently a net importer of vegetable oil at approximately 4.8 billion pounds per year. The report projects that these imports will reach 20.5 billion pounds in 2015, an increase of more than three hundred percent and a figure that represents more than 13 percent of world trade in vegetable oils.

Other key findings include:

- The biofuels capacity build out in the U.S. will occur rapidly as refiners race to secure feedstocks and bring production facilities on line.
- Ethanol will increase as a percentage of gasoline consumption throughout the project period, reaching 9.4 percent in 2015. This is important because E10, a mixture of 90 percent gasoline and 10 percent ethanol, can be distributed through regular gasoline pumps and used in regular gasoline-fueled vehicles. The study's ethanol projections are not dependent on widespread adoption of E85-capable Flex-Fuel Vehicles.
- Although biofuel feedstocks are renewable, there is a limit as to how much can be produced in a growing season, and therefore how much feedstock can be used for biofuel production without causing a disruption in food production.
- In addition to the direct effect of taking corn away from the food processing equation in favor of producing ethanol, which will directly impact the production and cost of foods that contain corn-based ingredients, there is a secondary effect in that corn is a major source of animal feed. Diverting corn toward ethanol production will potentially drive up the cost of meat and dairy products as well and could result in lower livestock production.
- Large scale biofuel production in the U.S. will present a significant logistical challenge as already strained trucking and rail infrastructures will be the primary mode of transportation for biofuels and feedstocks.
- Although significant, the projected ramp-up of biofuels will not make the U.S. energy independent. Liberation of the global economy from dependence on Middle Eastern oil will require technologies other than fuels based on food and feed inputs. Cellulosic ethanol, made from agricultural wastes and low maintenance crops such as switchgrass, may be part of a larger scale solution if technological challenges in its production can be met.

Biofuels 2006: Production, Supply and Reality also provides an analysis of the profit potential for biofuels vis à vis the projected price of oil in the future, the impact on profit from the potential rise in feedstock prices, and the status and impact of new energy efficiency and renewable energy legislation and regulation. The study also includes a Biofuels Primer and analysis of biofuels production and usage in other parts of the world.

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About Soyatech

Soyatech is a publishing, market research, and consulting firm founded in 1985, specialized in delivering value-added information to the soybean, food, and feed industries. The company publishes the annual Soya and Oilseed Bluebook, the industry's leading source of information on companies and products, an electronically distributed daily newsletter covering the soyfoods, agribusiness and industrial biotech and biofuels areas, and SOYATECH.COM, the award winning business-to-business Internet site for the industry.

Company President Peter Golbitz is a world-renowned expert on the soybean and oilseed industry and has published numerous articles, books and studies on the industry and market.

About HighQuest Partners

HighQuest Partners is a management consulting firm that helps multinational industrial corporations understand, enter and succeed in new global markets. HighQuest Partners has three primary service offerings designed to service a wide spectrum of client goals and objectives including: Strategy & Operations, Research Services and Corporate Finance.



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