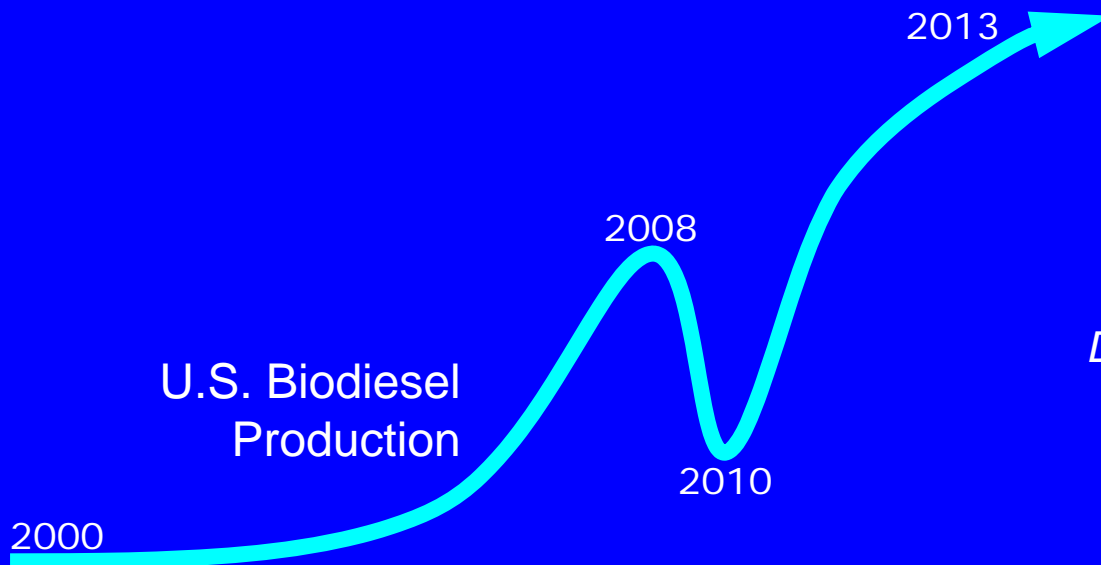


The U.S. Biodiesel Policy and Its Impact on Global Oilseeds Market

7th Indonesian Palm Oil Conference and 2012 Price Outlook Sustainable Palm Oil: Driver of Change

Bali, Indonesia
December 2, 2011



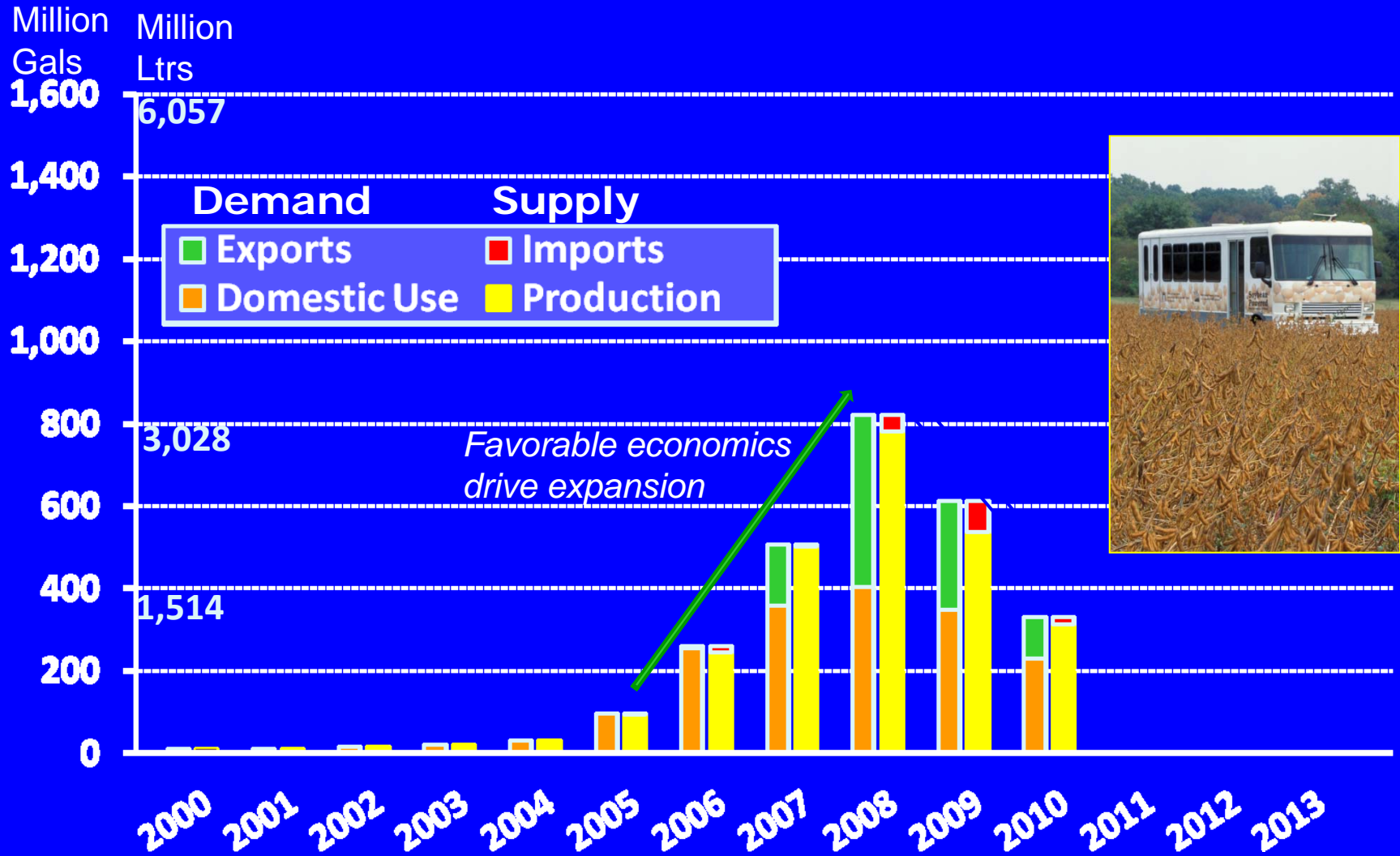
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The Emerging U.S. Biodiesel Market

- ❑ Background on U.S. biodiesel industry (production, overall capacity, capacity utilization)
- ❑ Role of trade to US industry (imports, exports, US tariffs) and trade developments (CVDs, etc)
- ❑ Biodiesel policy support today (mandates, blenders credit, role of sustainability)
- ❑ Anticipated changes in the near future (elimination of blenders credit)
- ❑ Discussion of feedstock used in the U.S. for biodiesel (reduced role of soyoil)

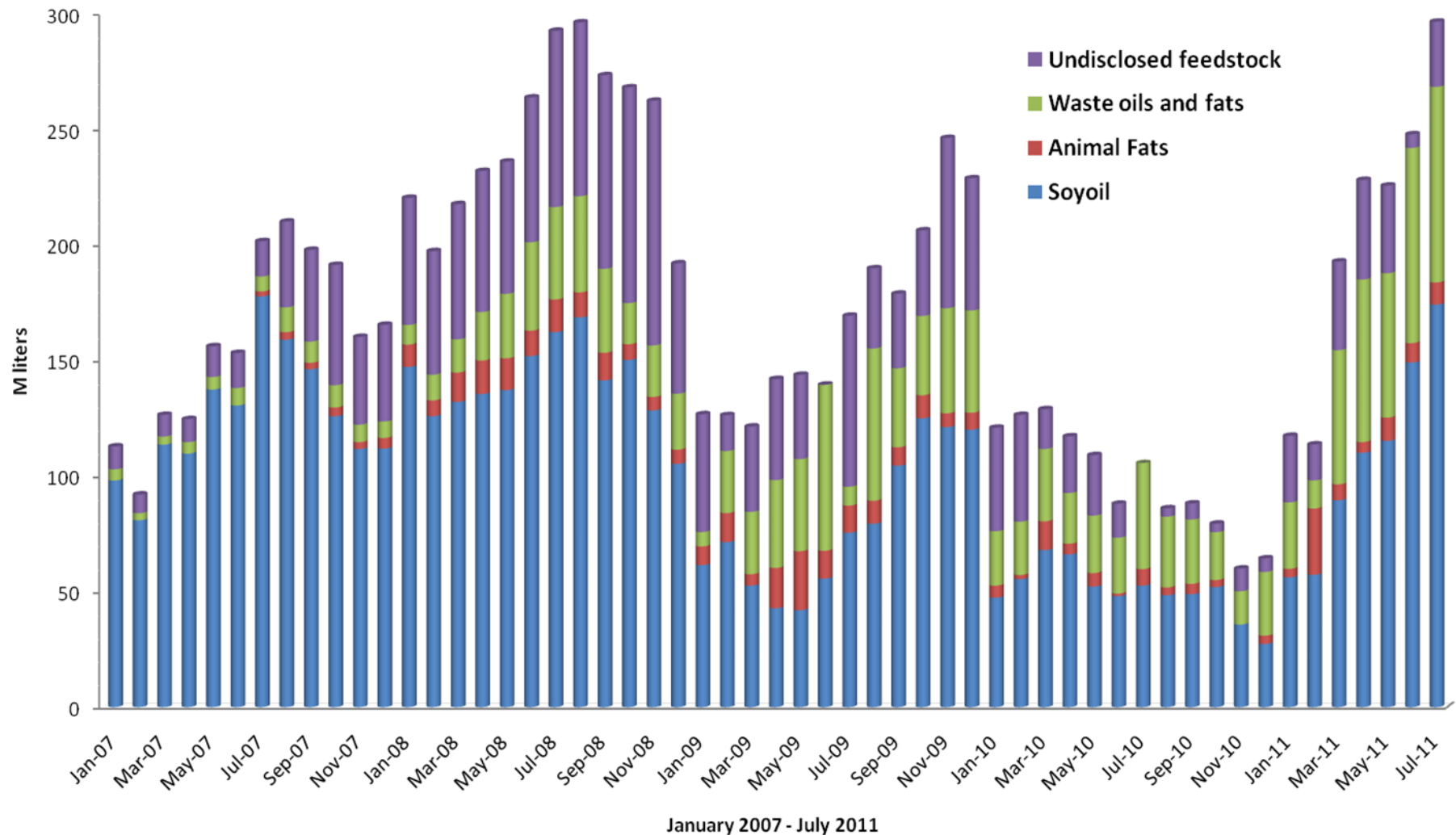
U.S. Biodiesel Production Expands During 2005-08

Surge in capital investment, tax credit and exports were key drivers



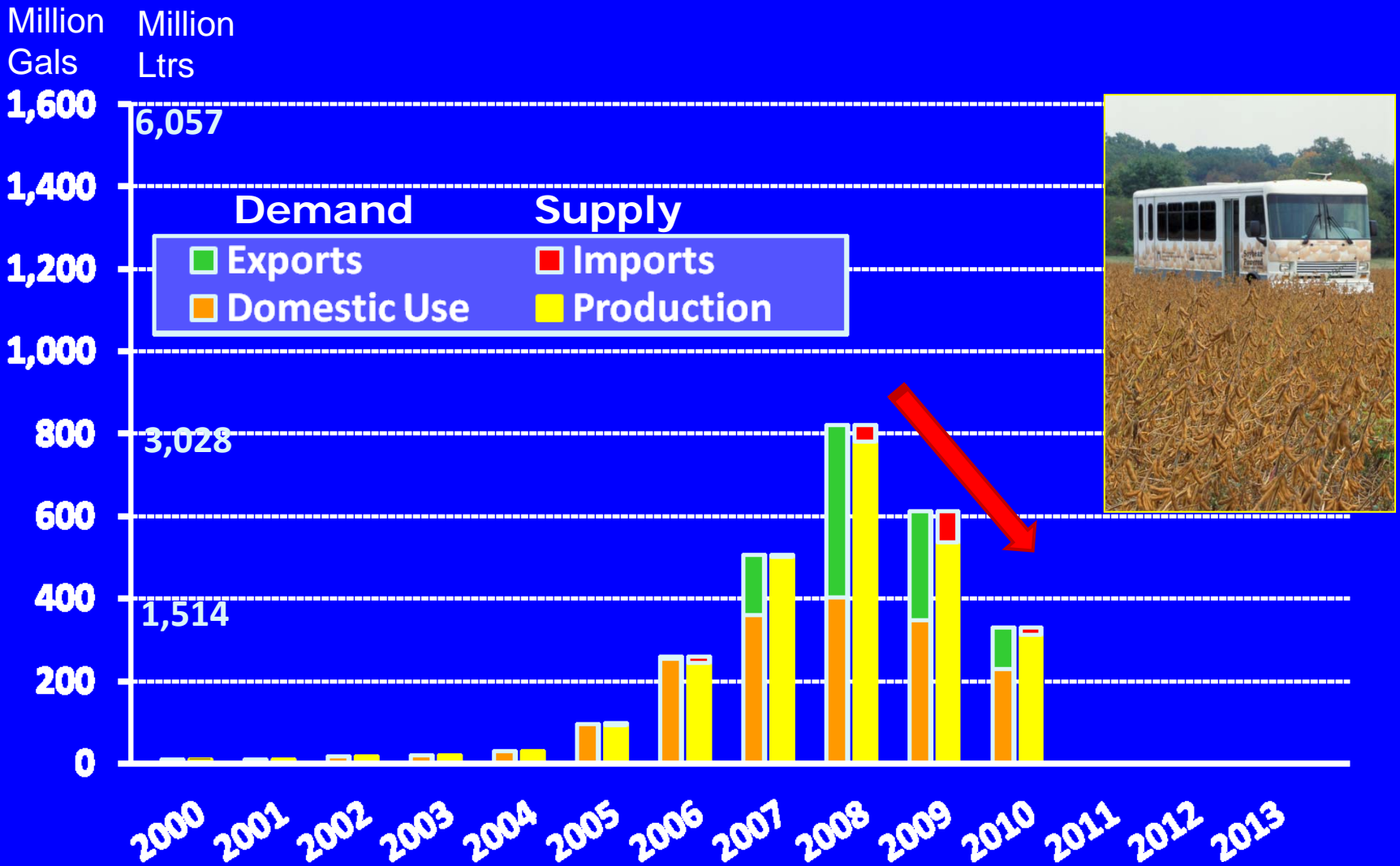
Increased Diversification of Feedstock in U.S.

Multi-feedstock systems help control costs and boost margins



During 2009-10, U.S. Production Contracts

Negative economics, shrinking exports, no federal biodiesel mandate before July 2010 were key drivers



U.S. Biodiesel Exports Have Contracted

Exports had been key driver for industry expansion in 2007-08 -- collapsed in 2009

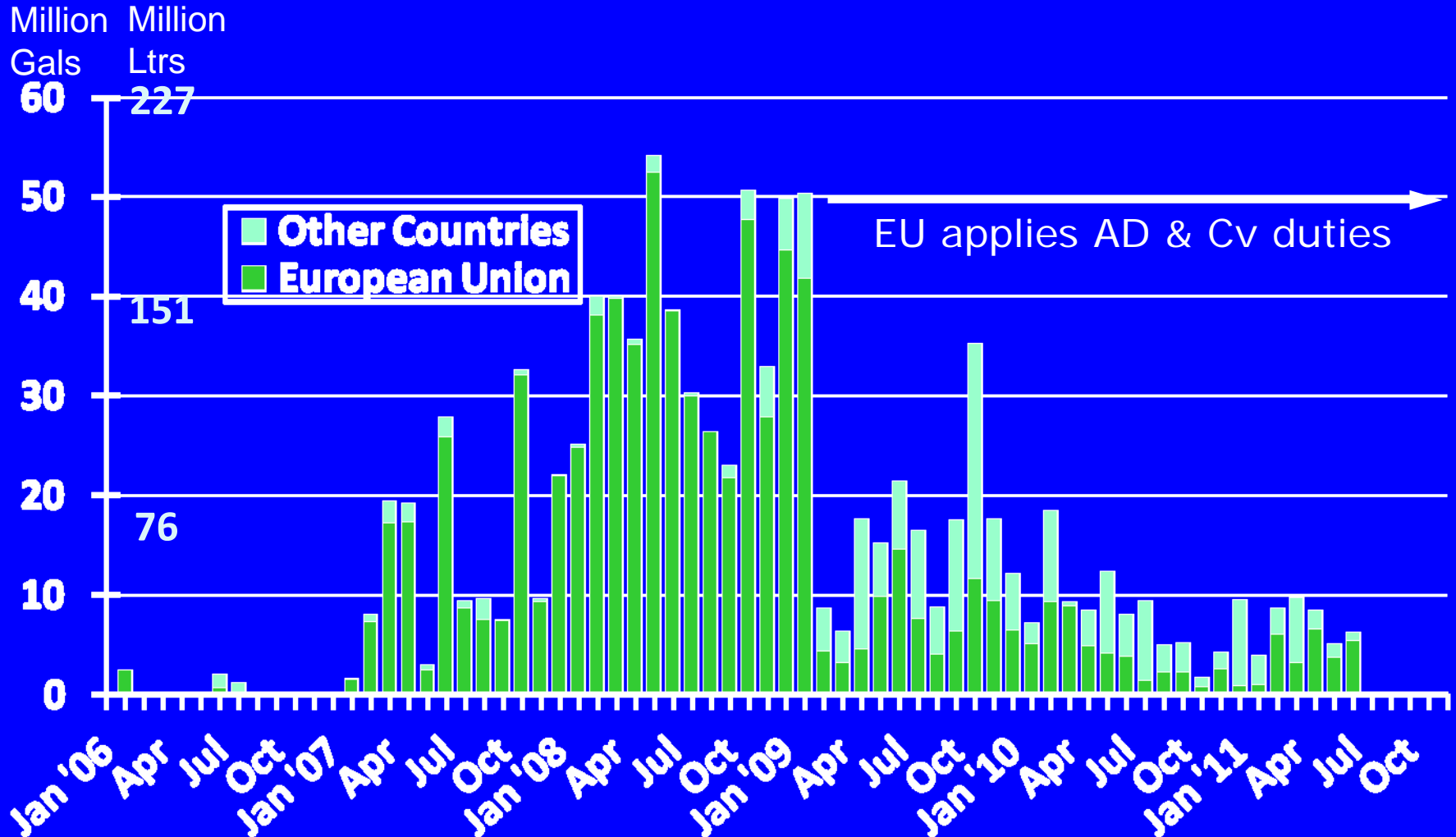
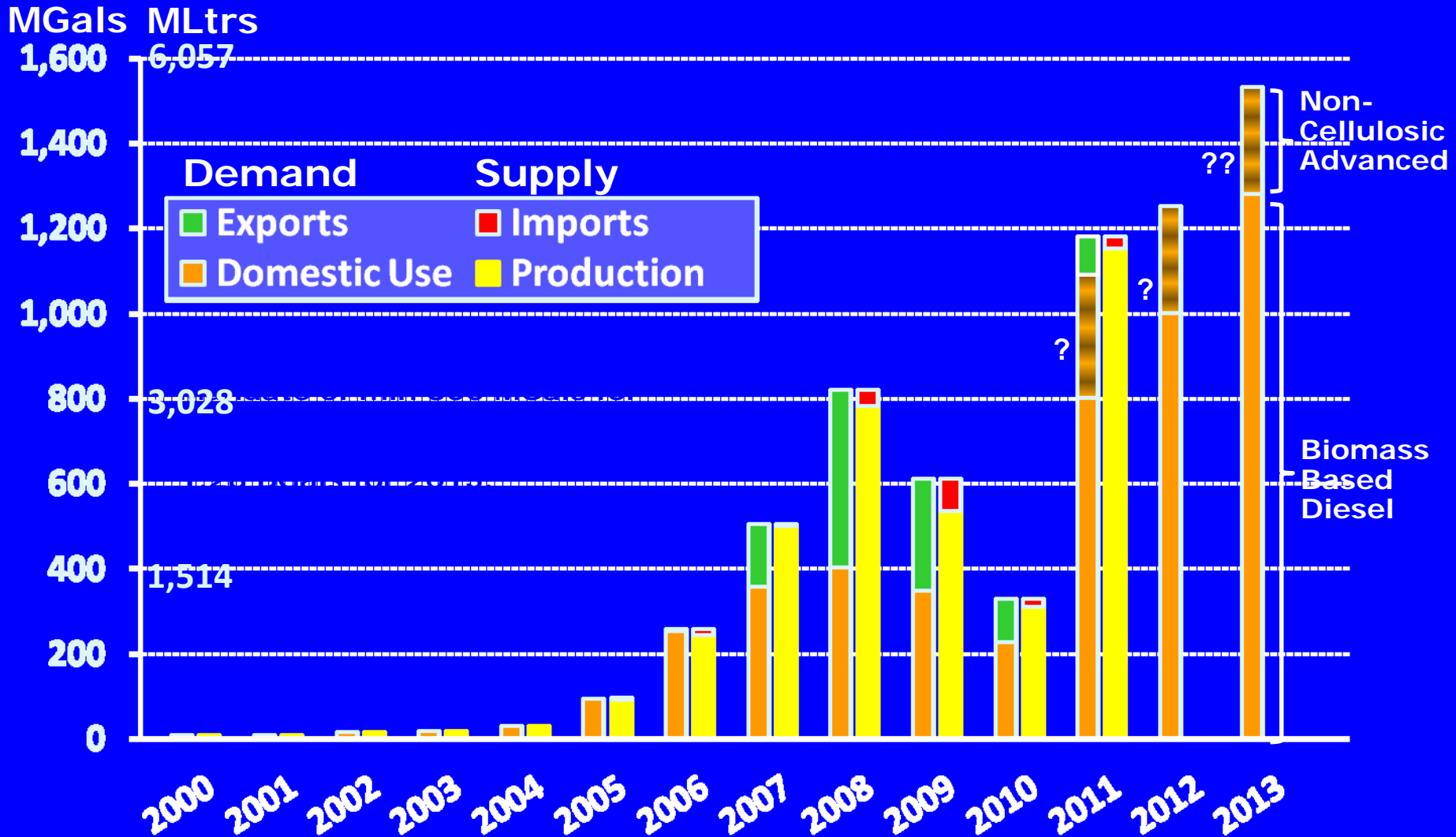


Chart tracks only US-origin biodiesel and excludes re-exports which were significant in 2007 and 2008. FAS estimates based on US Census data using HTS 3824904000 (2006-10) and HTS 3824904030 (Jan 2011).

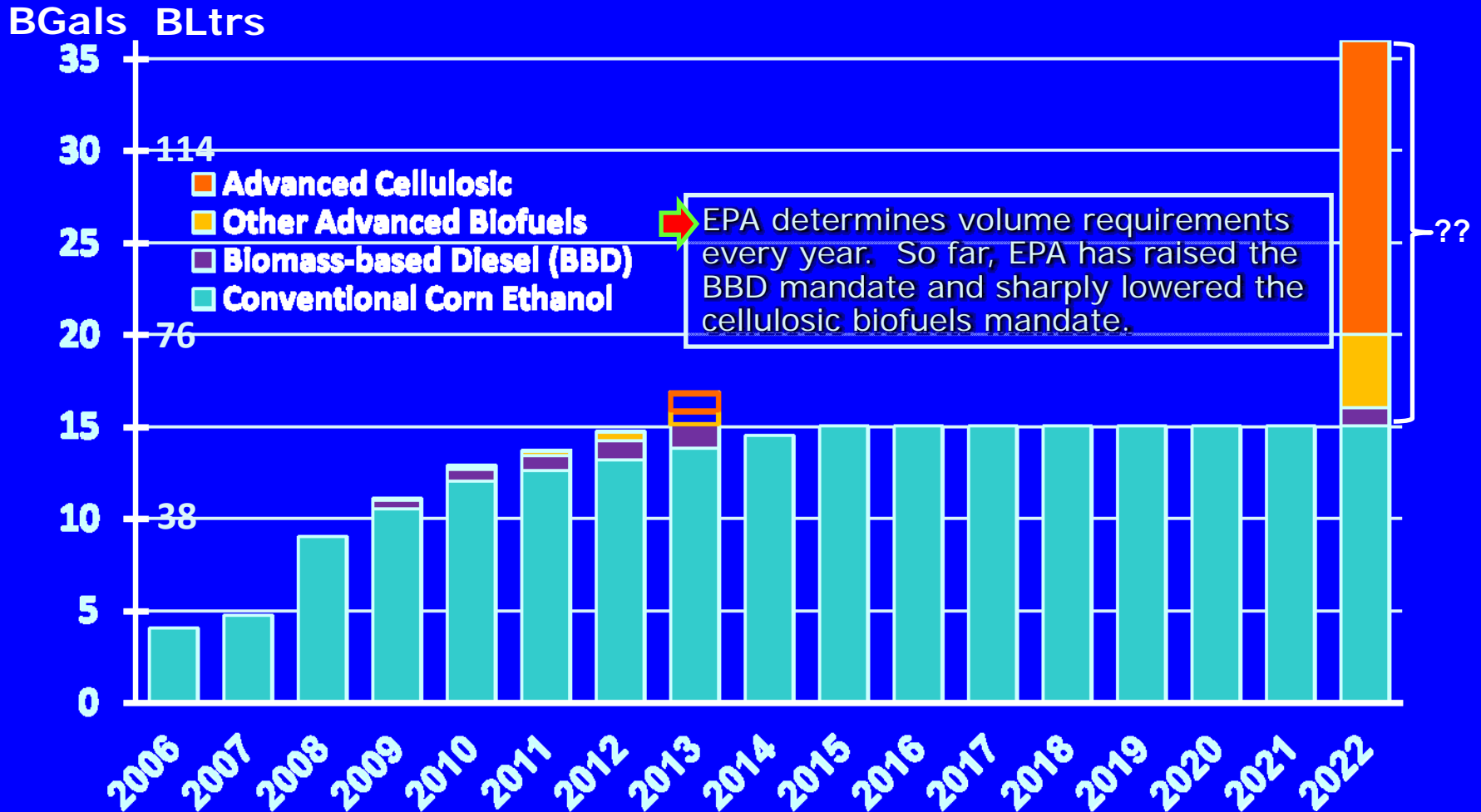
Near Future for US Biodiesel Looks Bullish

RFS2 National Mandates Now Drive Growth



The Renewable Fuel Standards (RFS2)

Biodiesel supported by minimum 1 Bgal biomass-based biodiesel mandate and qualifies under the “other advanced biofuel” mandate



Domestic Feedstock Supply

What can be said about supplies and possible limits?

- ❑ The US has the most diversified feedstock biodiesel industry in the world. Soyoil was 56% of feedstock use in 2008 when biodiesel production reached a record 2.95 BLtrs. Now we are looking at 4.35 BLtrs of biodiesel in 2011, and further increases by 2013.
- ❑ Animal fats: some increase – max limit ~ 1/3 of total supply
- ❑ Canola Oil: some increase – limited due to human consumption
- ❑ Recycled Cooking Oils: increasing, but difficult to estimate
- ❑ Corn Oil Co-product – increasing, possibly 2.27 BLtrs by 2022
- ❑ Soyoil – some increase, but price pressure will create limits

Could Corn Oil From U.S. Ethanol Be A New Low-Cost Feedstock For Biodiesel Production?

1 MT =

416 liters
ethanol

304 kg
DDGs

7 gallons
crude corn oil

\$264/MT



For Biodiesel

Regulations Affecting Demand for All Biodiesel Feedstock

- ❑ EPA must approve feedstock pathways. Several already approved. Pending pathways for biodiesel: camelina and palm oil
- ❑ Prohibition on land conversion (ESIA 2007).
- ❑ Record keeping and reporting requirements.
- ❑ State mandates and tax incentives: 9 states have mandates, 4 have implemented mandates, 2 exclude palm oil (Minnesota, Oregon)
- ❑ Fuel standards (ASTM D 6751 and D 7467) do not restrict feedstock type. No barrier for palm oil.

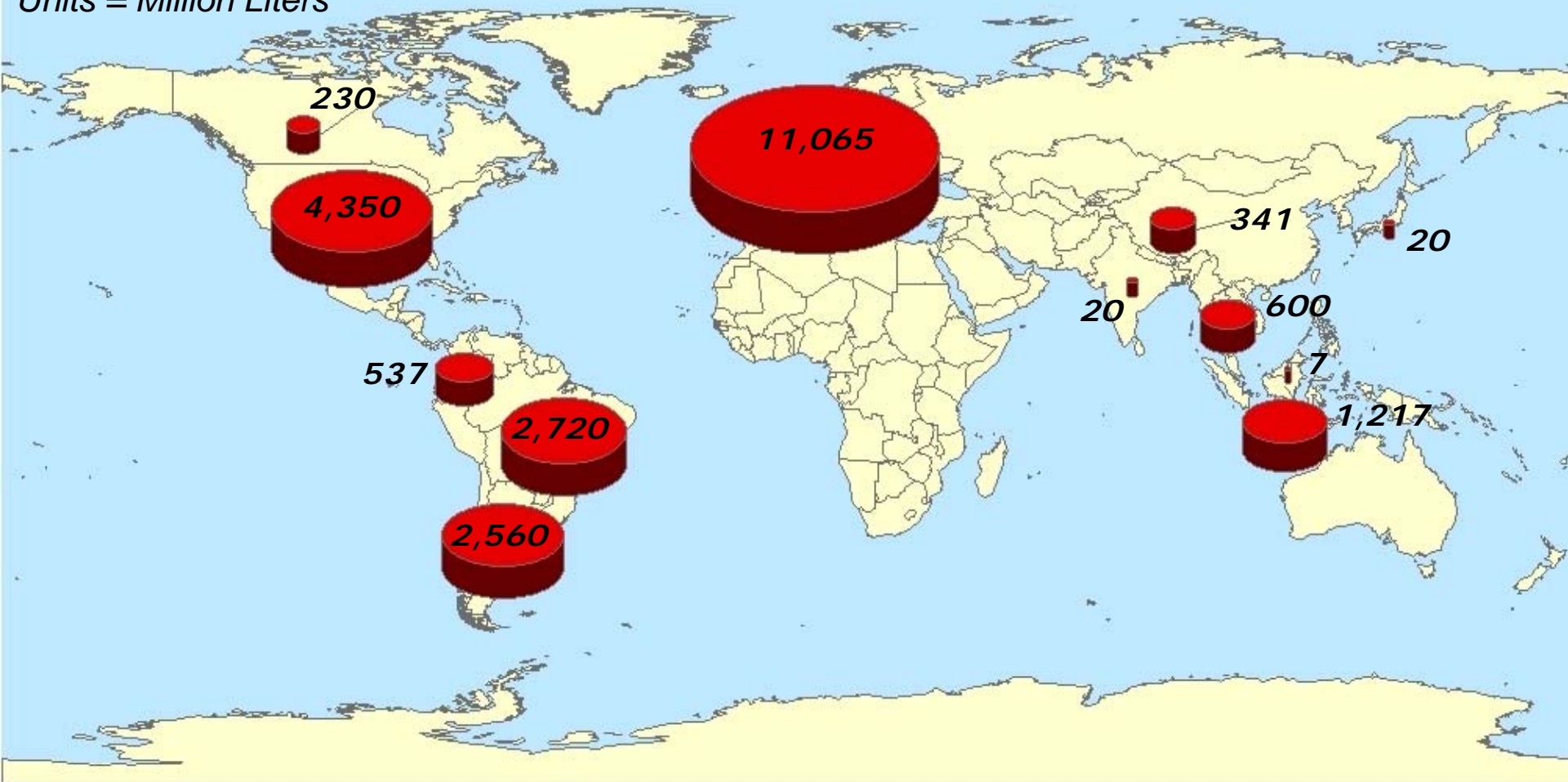


U.S. Biodiesel Industry Compared to Rest of World

Global Biodiesel Production in 2011

Europe accounts for half of global biodiesel production while US, Brazil, and Argentina are key secondary producers

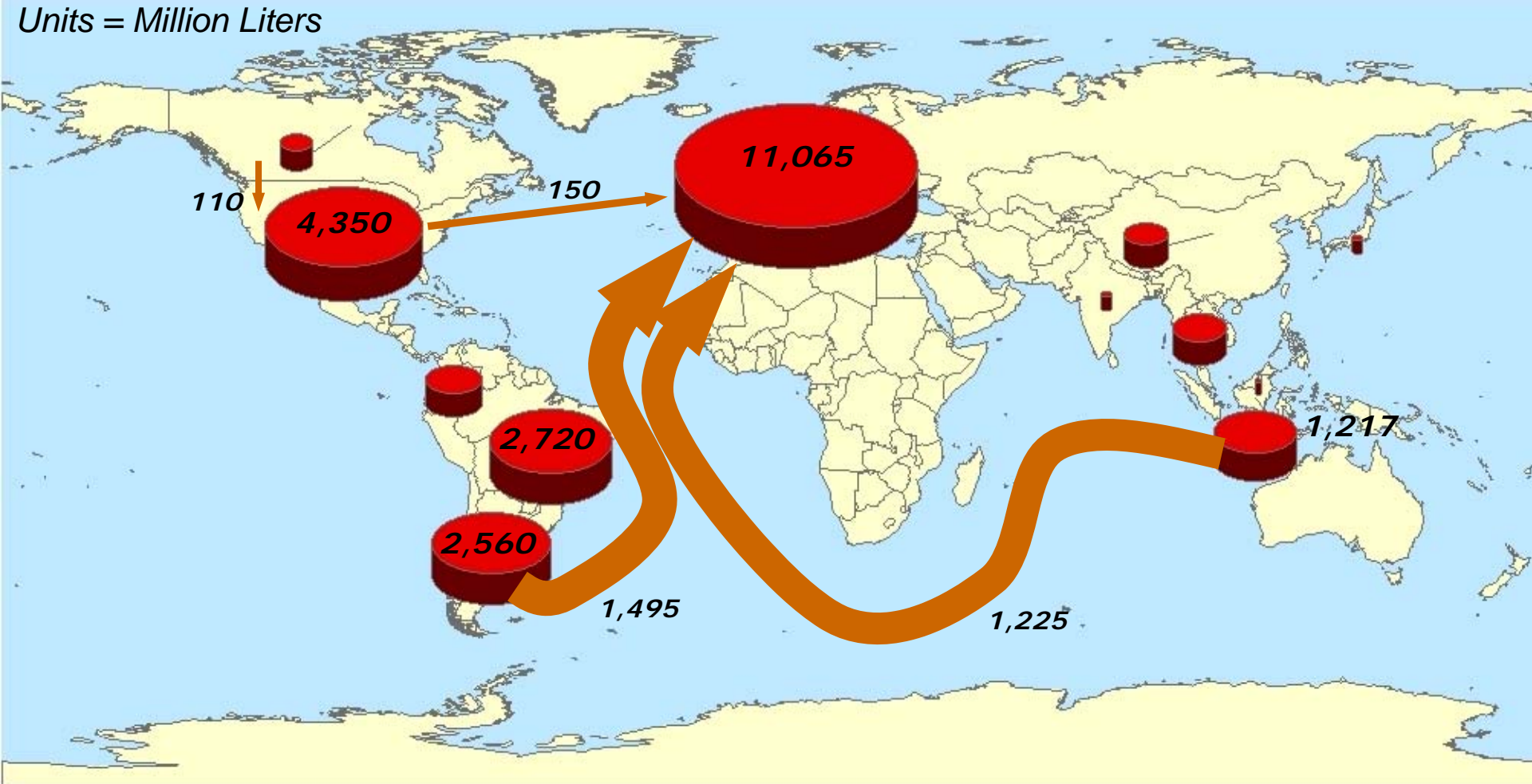
Units = Million Liters



Global Biodiesel Trade in 2011

Most trade flows to Europe

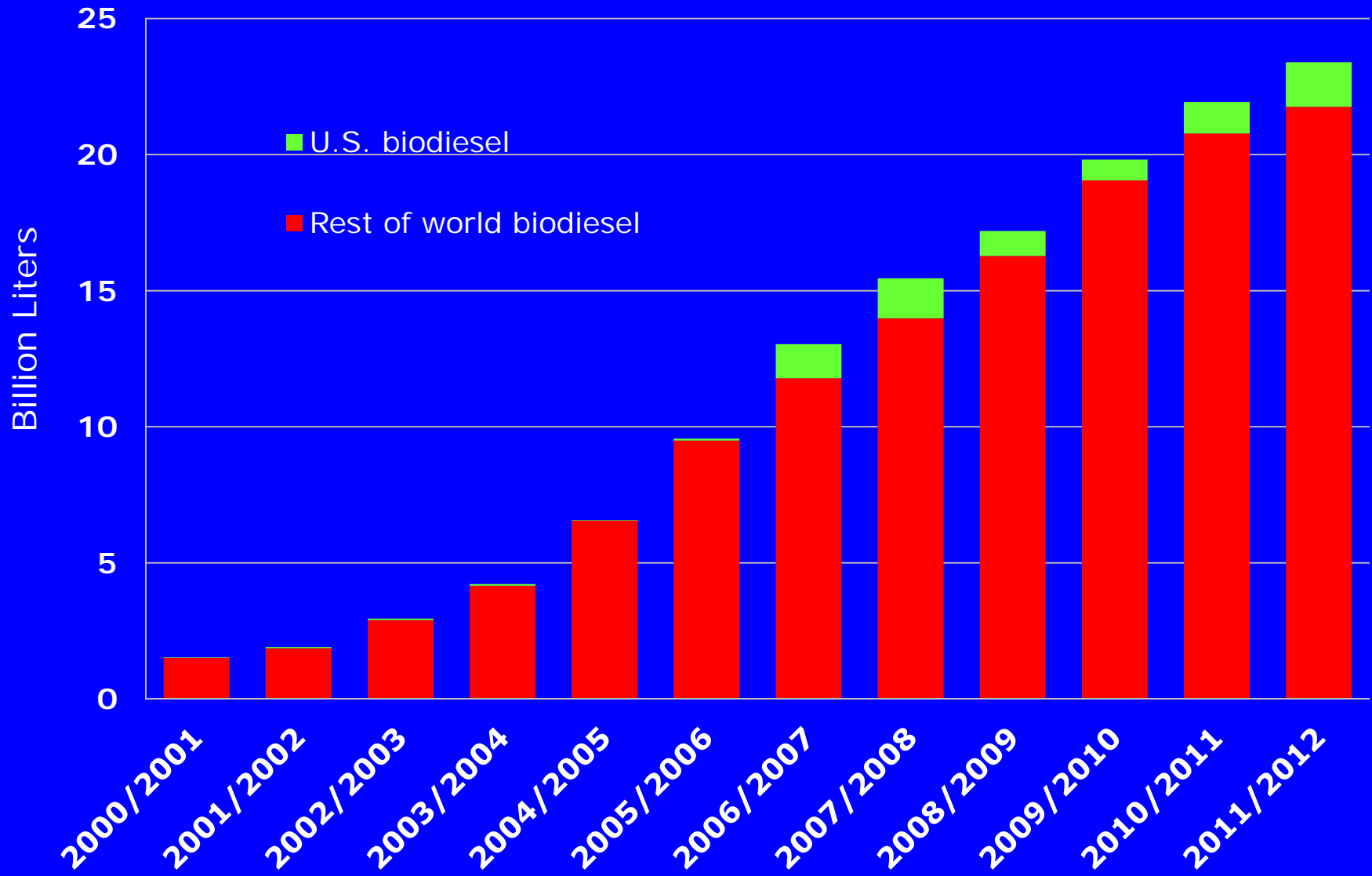
Units = Million Liters



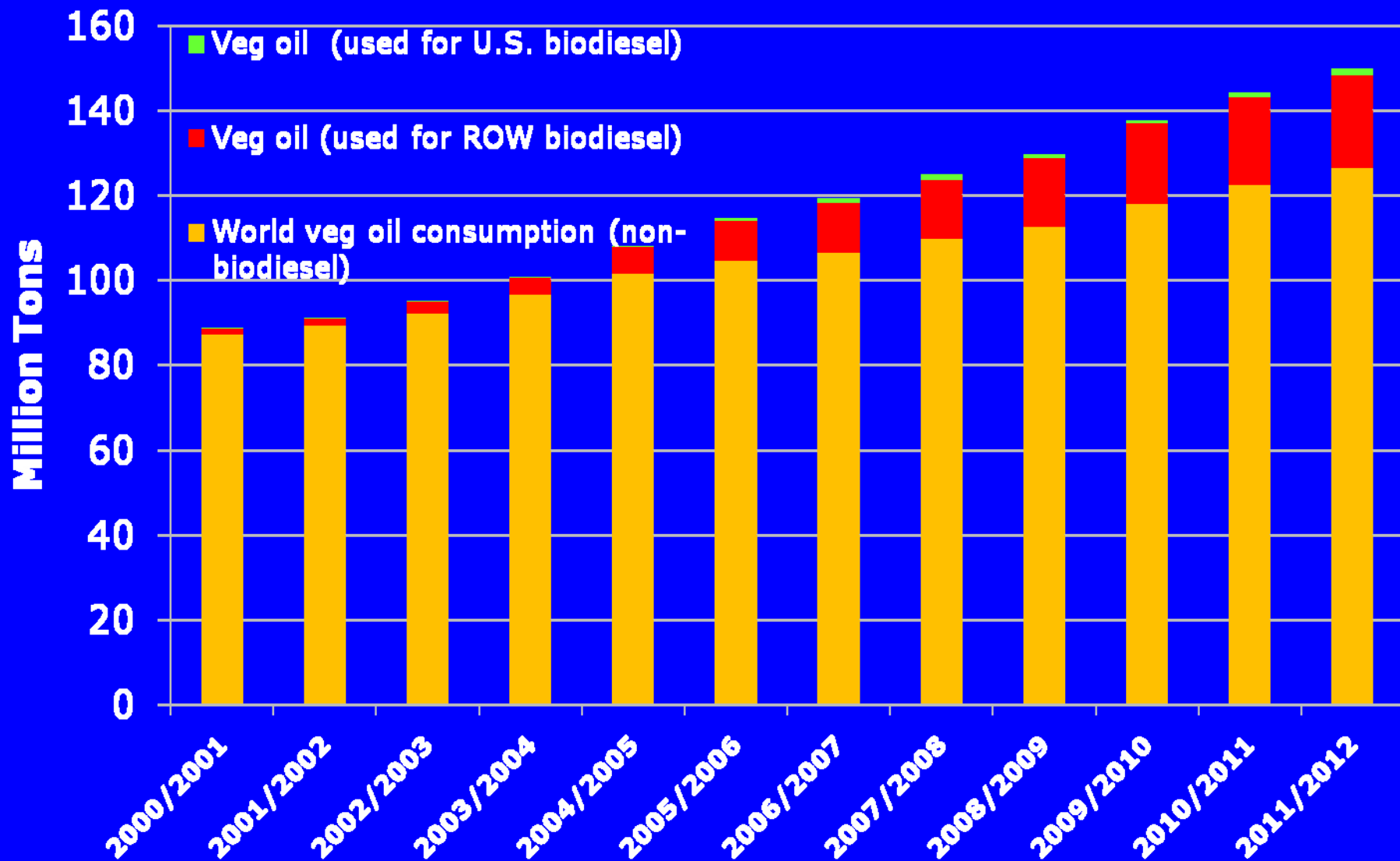


U.S. Biodiesel and Its Impact on the Global Oils and Fats Market

US Share of World Biodiesel Produced from Virgin Vegetable Oil Is Fairly Small



... And U.S. Biodiesel Produced from Virgin Vegetable Oil Is Insignificant to World Demand



Summary Conclusions

- U.S. biodiesel production surges to record high in 2011. More moderate increases expected in 2012-13 & beyond.
- Virgin vegetable oils are not expected to play a large role in longer run U.S. biodiesel expansion – use of other lower-cost waste oils and animal fats should support much of the industry's growth.
- Inedible corn oil, an ethanol co-product, is also a feedstock that will account for significant growth in the years ahead. Usage could reach 2.27 BLtrs by 2022.
- U.S. biodiesel has an insignificant impact on global vegetable oil demand.