



ADM Seeks Global Options With Biodiesel Markets

By LAUREN ETTER

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With much attention focused on the race to ramp up production of ethanol in the U.S., [Archer-Daniels-Midland](#) Co. is pushing into a different and growing alternative-fuel market abroad: soy-and-palm-based biodiesel in Brazil and Indonesia.

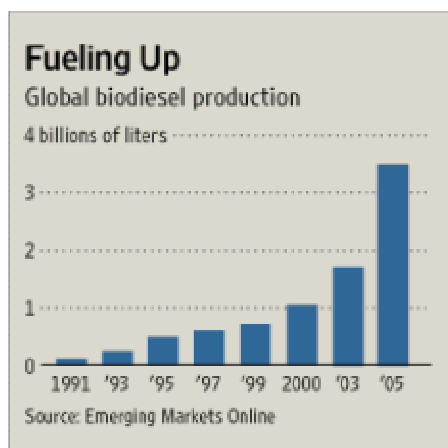
The nation's largest ethanol producer is planning to open a biodiesel plant in Indonesia with Asian agribusiness giant [Wilmar International](#) Ltd. this year and a wholly owned biodiesel plant in Brazil before July. The Brazil biodiesel plant, based in the emerging soybean hub of Rondonopolis, is expected to be the nation's largest. World-wide, the company projects a fourfold rise in biodiesel production over the next five years.

STOCK WATCH

Will the emphasis on alternative fuels such as ethanol spur [Archer Daniels Midland's stock](#)? Bulls and bears debate.

Biodiesel -- a renewable fuel made from plants like soybeans, canola and palm -- works with diesel engines. Ethanol, by contrast, works with motors that burn gasoline. ADM declined to disclose spending figures but expects its biodiesel generating capacity to rise from the current 470 million gallons, compared with 1.1 billion gallons of capacity to produce ethanol.

Internationally, biodiesel has big potential. Diesel fuel makes up about 40% of all fuel consumed by the world's cars and trucks. In Europe, where ADM has been a leader in biodiesel production for a decade, it is much higher -- 60%. About 2% of all diesel cars in Europe now run on biodiesel.



By contrast, biodiesel in the U.S. plays second fiddle to ethanol. In the U.S., 24% of all fuel used in road vehicles is diesel, according to the International Energy Agency. Less than one-half of 1% of all diesel vehicles run on biodiesel, according to William Thurmond, founder of Emerging Markets Online, which researches energy use.

Biodiesel consumption is expected to grow in emerging markets since many places grow crops suitable to biodiesel production, like jatropha in India, palm trees in Indonesia and soybeans in Brazil. Also, these countries already have, or are working toward, targets for biodiesel consumption.

In 2005, Brazil established a requirement that 2% of diesel's make-up must be biodiesel. That figure is supposed to rise to 5% in 2013 and 20% by 2020.

For ADM, the Rondonopolis plant was timed to open "ahead of the anticipated rise in demand due to the [biodiesel] mandate," said Jessie McKinney, a spokeswoman for ADM.

Also sweetening ADM's business operations in Brazil is the country's unique tax-incentive structure. Producers get 27 U.S. cents for every gallon of biodiesel produced using certain raw materials produced on small family farms. ADM is seeking to contract with these small family farmers to be able to cash in on that incentive. It is also pouring money into Brazilian infrastructure, such as roads, river barges and storage elevators.

Brazil is the world's second-largest soybean producer, behind the U.S. Rondonopolis, in the state of Mato Grosso do Sul, is emerging as the new frontier for soybean growth and as the hub of Brazil's biodiesel industry.

For the past three years, Brazilian soybean growers have struggled against bad weather, debt and a weak Brazilian currency. This year, though, farmers' fortunes are expected to rebound as soybean prices reach new highs.