

Building A Biodiesel Plant

Editor's Note: Next in a series from Iowa farmer Tyler Bruch whose family farms 10,500 acres in Bahia, Brazil.

Four years ago when I came to Brazil, ethanol and biodiesel plants were beginning to pop up quite randomly in the U.S. Today it seems like every 100 miles or so in the Midwest you can find one or the other. The push for alternative energy/green fuel has become one of the largest commodity movers in our time.

Brazil has one of the friendliest environments in the world for green fuel. Last year Brazilian President Lula signed into law a requirement for all diesel fuel sold by 2008 to be a 2% biodiesel blend, with that mandate moving to 5% by 2013. Last month the government moved the 5% mandate up to 2010. With these mandates in place Brazil will need to increase its biodiesel production from 240 million liters that it's producing now to 2.5 billion liters by 2010 – just to meet the domestic mandate.

None of this takes into account the hundreds of millions of liters that are projected for export in the next few years. Brazil is the only country that can help the U.S. meet President Bush's objectives to take renewable fuels from 7 billion gallons a year to 35 billion by 2017. This is because the country has over 250 million acres of land with agricultural potential (without touching the Amazon rainforest). While much of this will be ethanol, the market for biodiesel will not lag behind.

With all of the economic factors supporting biodiesel in Brazil, it was kind of an easy decision to

build our own plant.

I began rolling around the idea of creating a biodiesel company in May 2006. After contacting my friend from Rio de Janeiro and explaining my idea, he agreed. He was in fact thinking of the same project. We then incorporated a few other partners and created Global Ag Bio Diesel. We spent the next seven months creating a business plan and working out logistical problems.

We hired KPMG (one of the top tax, audit and advisory firms in the world) to do a feasibility study and run the numbers for us. Their report projects a ROI of over 45% per year. With the report in hand we were able to secure Letters of Intent for long-term agreements and strategic partners. We've locked in contracts with our builders, and are finalizing all of our environmental and legal permits. We should be breaking ground on the facility by June, and should be producing our first biodiesel by April 2008.

Our biodiesel facility will be unique when compared to other

plants. We'll even have our own crushing facility to secure our oil source. That way we aren't dependent on sourcing oil from one of the big multinational crushers.

The crush margins are more than twice as profitable in Brazil as in the U.S., thus creating a much higher rate of return. The crushing operation also acts as a natural hedge if the price of diesel and input commodities moves in different directions.

The 28 million gallon/year plant will be located in the heart of Luis Eduardo Magalhaes, in the state of Bahia, and will be the only biodiesel plant in a 350-mile radius.

We chose this area because it puts us in the heart of one of the largest agribusiness producing regions of Brazil, with over 3 million acres under production. Our farmers will also benefit from having a new option for selling their crops and investing in a new (for the region) and potentially lucrative crop: sunflowers (which are planted after soybeans are harvested).

We're opening an equity drive to U.S. investors for a portion of the equity we are raising, approximately 12% of the total project investment. Other investors include European private equity funds. As we now speak, building capacity for biodiesel plants in Brazil is tied up for the next 24 months, and the delivery dates plant manufacturers are quoting is extending further into the future as each month goes by. Lucky for us we have our builders already locked up and can start building in the coming months. As a result, our expectation is to have the U.S. equity drive completed before the beginning of the U.S. planting season. ■



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