

Brazil Biodiesel - Soy Oil Stocks

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SAO PAULO, Brazil - A plan to mix five percent soy-based biodiesel into all petroleum diesel sold at the pump in Brazil would consume 300,000 tonnes of soy oil annually, the Vegetables Oils Industries Association (Abiove) said.

Brazil, the world's second soy oil producer and exporter after the United States, should produce about 4 million tonnes of soy oil and export 1.5 million in 2001. National stocks stood at 243,000 tonnes by the end of October.

"I hope that the legislation is in place within the next 12 months," said Carlo Lovatelli, Abiove president and president of Bunge Limited's Brazilian arm. "Technically there is no problem with implementation of the programme."

But Lovatelli said it may take longer. The draft bill will have to pass through a review process at several government ministries and the presidential elections next October are likely to slow work on its approval.

Brazil has already constructed plants capable of industrial production of the clean burning soy oil and ethanol-based fuel that has been tested over the past year in the city bus fleet of Curitiba, the capital of the No.2 soy state of Parana in Brazil's south.

A 20 percent mixture of biodiesel in Curitiba's bus fleet has reduced the city's total air pollution by 20 to 25 percent from the same period last year. Lovatelli estimates five percent of the green fuel in the nation's entire diesel could cut pollution by roughly 27 percent in the big cities.

"And the additive would require no engine modification," added Lovatelli.

"Brazil's interests would be best served if we could diversify our energy matrix. We are still an oil importer and 65 percent of the world's oil reserves are in a fairly volatile area in the Middle East," he said on the sidelines of a seminar on Biodiesel in Sao Paulo.

Brazil has a history of green fuel use. After the world oil crunch in the early 1970s, it implemented its Pro-Alcohol Program to relieve the country's reliance on foreign oil. The programme also helps to stabilise sugar prices as the ethanol, referred to locally as alcohol, is distilled from cane.

The country mixes its nationally sold gasoline with 20 to 24 percent ethanol and also has a fleet of automobiles specially designed to run solely on the cane-based fuel. As soy-based biodiesel is not likely to be competitive with petroleum diesel unless oil prices rise above \$35 a barrel, Lovatelli said the success of the programme in Brazil would depend on support from the government including tax breaks and broader support on environmental grounds.

Agribusiness giant Archer Daniels Midland Co. said recently biofuels such as ethanol and biodiesel should become key profit drivers over the next five years and beyond as laws limiting pollutants in the United States and elsewhere in the world grow stricter.