

ASA Biodiesel Victory Adds Value to Soy

The American Soybean Association (ASA) is celebrating Congressional passage of the first ever biodiesel tax incentive, which is one of ASA's biggest legislative achievements. The measure will have a direct impact on increasing the demand for soybean oil and the price of soybeans.

"I've never been more proud of the ASA than I am right now," said ASA President Neal Bredehoeft. "We worked and fought and never gave up. We accomplished our goal, and now there will be laws on the books encouraging folks across the country to use biodiesel."

Congress passed the biodiesel tax incentive as part of H.R. 4520, legislation concerning the Foreign Sales Corporation/Extraterritorial Income Tax (FSC/ETI), also known as the American JOBS Creation Act of 2004. The House passed the legislation on October 7, by a vote of 280 to 141. The Senate passed the bill on October 11, by a vote 69 to 17. The legislation was sent to the President to be signed into law.

Bredehoeft pointed out that ASA and its members have been working hard on this legislative issue for several years.

"The grassroots support of ASA members was a key factor in this victory," Bredehoeft said. "When votes were needed on this and other biodiesel matters, it was our members that stepped up and delivered, as they always do. This win is theirs."

The biodiesel tax incentive, which is structured as a federal excise tax credit, amounts to a penny per percentage point of biodiesel blended with petroleum diesel. It will lower the cost of biodiesel to consumers in taxable and tax exempt markets. With the tax

incentive, the price of B20 (20 percent biodiesel, 80 petroleum diesel) would drop about 20-cents, which means at current prices, the cost of B20 would drop from about \$1.72 a gallon to about \$1.52.

The biodiesel tax incentive will also build demand for soybean oil and increase the price of soybeans. For every 100 million gallons of biodiesel demand, the price of a bushel of soybeans is expected to increase by 10 cents. It takes 1 million bushels of soybeans to produce 1.5 million gallons of biodiesel.

In 2000, annual U.S. biodiesel consumption was 2 million gallons. Due to ASA's ongoing efforts to promote renewable fuel usage, soy-based biodiesel consumption for 2004 will be about 30 million gallons. During the next 10 years, the U.S. Department of Agriculture has estimated that biodiesel demand will grow to 124 million gallons a year, which would require the oil crushed from about 82.6 million bushels of soybeans.

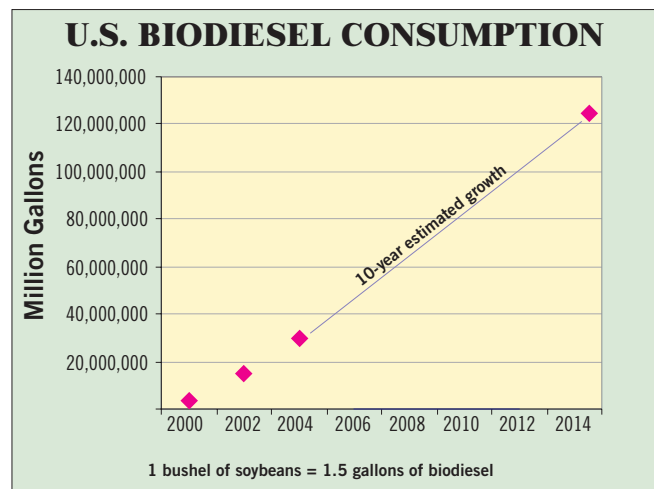
Based on the U.S. Department of Agriculture baseline estimates for future soybean production, over a five year time period the biodiesel tax provisions could add almost \$1 billion directly to the bottom line of U.S. farm income. In addition, the provisions will significantly benefit the U.S. economy and could increase U.S. gross output by almost \$7 billion, while

reducing our dependence on foreign oil.

There are 20 active biodiesel plants nationwide, with more than 20 proposed plants in various stages of planning. Current production capacity is estimated to be about 150 million gallons per year. But with 20 new biodiesel projects in development, industry capacity could double over the next 12 to 18 months.

In achieving the biodiesel tax incentive victory in Congress, Bredehoeft acknowledged the critical support of biodiesel champions like Senator Chuck Grassley (R-IA), Senator Blanche Lincoln (D-AR) and Congressman Kenny Hulshof (R-MO).

"As anyone who has followed this issue knows, none of this would have been possible without the steadfast support of biodiesel champions like Senators Grassley and Lincoln, Congressman Hulshof and others," Bredehoeft said. "They insisted that our biodiesel legislation be included in the final JOBS bill and after tough negotiations, it was. We are indeed grateful to have friends like this fighting for our interests in Congress."



Monsanto To Expand Brazil Royalty Collection

A system that requires Brazilian soybean growers to pay for Roundup Ready® technology is entering its second year with expanded coverage into additional key soybean-growing areas. The American Soybean Association (ASA) believes this is a very positive development that represents progress toward addressing the Association's concerns about the piracy of intellectual property and the unfair competitive advantage it creates.

ASA Chairman Ron Heck, a soybean producer from Perry, Iowa, said, "For years, many Brazilian farmers have grown soybeans from illegal Roundup Ready seedstock. In doing so, these farmers have enjoyed the benefits of the technology while avoiding paying royalties for the Roundup Ready technology. ASA has argued that this has given Brazil an unfair and ill-gotten competitive advantage over U.S. growers in the global marketplace. ASA strongly encouraged and supported Monsanto in developing a royalty collection system that would begin to address U.S. soybean grower concerns."

Last season, Monsanto Company, developer of Roundup Ready Soybeans, was able to introduce the system as a way to collect a royalty for the use of its technology, which had been planted on an estimated 20 percent of Brazilian soybean acres. The program, which requires soybean producers to pay a fee on the delivery of their harvested grain, was initiated in 2004 in two of Brazil's largest soybean-producing states, and is expected to expand to four more states this year.

Jerry Glover, Vice President of External Affairs for Monsanto, said most grain handlers, especially those with export operations in Brazil, understand the need to protect intellectual property and are cooperating with Monsanto to collect royalties. Others, who were initially reluctant to collect royalties from their customers, saw that actions to enforce international patents would be costly.

Grain handlers in Brazil realized that they could be held responsible for the royalties and have to absorb demurrage costs with no way to collect from growers who planted and benefited from the seeds. Because of trade issues with China and China's biotechnology regulations, the Brazilian government issued a Provisional Measure that allowed the harvest to be used domestically and exported, even though there is no approval to sell the seeds in Brazil.

The Provisional Measure was seen as an official acknowledgment that Monsanto's intellectual property was being used in Brazil and provided a legal framework

for Monsanto to jointly develop a point-of-delivery system with grain handlers.

The Brazil experience likely will benefit U.S. growers in the future, because Monsanto, which says it is committed to introducing value-added traits such as low linolenic soybeans, is likewise committed not to take new technologies to regions where its intellectual property cannot be protected, Glover says.

ASA's Heck said, "Growers need to understand that intellectual property protection is necessary for a company to introduce new technologies. This was a tough problem for Monsanto because the circumstances in Brazil are always evolving. ASA encouraged them to solve it, and they are working hard to resolve the issue."

Here's How The System Worked Last Season

In Rio Grande do Sul and Santa Catarina states, where an estimated 80 percent of the soybeans harvested were Roundup Ready, growers were asked by the elevator operator to declare whether or not the beans they were delivering were Roundup Ready. If the grower said yes, he was assessed a fee of 20 Reais or about \$7 U.S. per metric ton.

If the grower said no, the soybeans had to be tested on site using a lateral flow strip test, which detects the presence of the Roundup Ready gene. If the test found the Roundup Ready trait, the grower had to pay a higher fee of 25 Reais or \$8.50 US per metric ton plus the cost of the strip test.

Last year, Monsanto offered a rebate of 10 Reais or about \$3.50 per metric ton to growers that declared to help defray testing costs and as an incentive for growers to participate. This season, for the 2005 Brazilian harvest, the fee will again be 20 Reais, but without the rebate offer, and the program is expanding into the states of Bahia, Maranhao, Tocantins and Piaui. The geography anticipated to be covered with the 2005 system accounts for about 25 percent of total soybean production in Brazil.

Given the lack of planting authorization in Brazil, this system presents the opportunity to begin to protect intellectual property in Brazil so that U.S. growers aren't disadvantaged by seed piracy.