

ASA Pursues Favorable Implementation of Biodiesel Tax Incentive

The American Soybean Association (ASA) and the National Biodiesel Board (NBB) have been working with the Internal Revenue Service (IRS) Excise Tax Enforcement team and the Treasury Department regarding the implementation phases of the Volumetric Ethanol Excise Tax Credit (VEETC), which contains the ASA-supported biodiesel tax incentive.

"It is critical for ASA to be involved in meetings with the IRS and Treasury to assure regulations are properly written and implemented," said ASA President Neal Bredehoeft, a soybean farmer from Alma, Mo.

In mid-December, the IRS released a notice containing general guidelines for fuel tax-related provisions affected by the Foreign Sales Corporation/ Extraterritorial Income Tax legislation that includes VEETC and

the biodiesel tax incentive. ASA was concerned that the guidance related to biodiesel tax provisions did not address substantive issues that ASA submitted to the Treasury Department. ASA followed up with Treasury on these issues.

In a previous ASA and NBB meeting with the IRS, a myriad of issues within the biodiesel industry were identified, such as the treatment of home heating oil and kerosene. Of particular interest to the IRS was registration of biodiesel producers, brokers and blenders, and the nature of the reporting needed so that it could track biodiesel from the producers to the brokers or other middlemen and on to the biodiesel blenders.

In addition, ASA, NBB and industry partner Ag Processing Inc. (AGP), will be lobbying for an extension to the biodiesel tax incentive beyond its expiration date

of December 31, 2006.

"Every tax law needs to be renewed from time to time, so we will have to start working on an extension immediately," said John Campbell, Vice President, Government Relations & Industrial Products, AGP. "For many investors, two years is simply not going to be long enough. Fortunately, there is a substantial amount of unused and idle capacity that can be brought on line immediately. We will see a big jump in biodiesel production starting in January that will not require new construction."

The tax incentive is expected to increase biodiesel demand from an estimated 30 million gallons in fiscal year 2004 to at least 124 million gallons in 10 years. For every 100 million gallons of soy-based biodiesel demand, the price of a bushel of soybeans is expected to increase by 10 cents.

ASA Helps Secure \$1 Million For Rust Research

In 2004, a year when Congress chose to fund virtually no new research programs, ASA members are proud that their association helped secure more than \$1 million in new funding for soybean rust research.

In the Omnibus Appropriations bill (H.R. 4818, the Consolidated Appropriations Act of 2005, signed by President Bush), House Members from Iowa included \$800,000 for soybean rust research conducted jointly by researchers at Iowa State University and the Agricultural Research Service in Beltsville, Md. The funding will be used to research and develop commercial soybean varieties capable of resisting damage from Asian soybean rust.

Additionally, members of the Illinois Congressional delegation successfully preserved \$208,000 in new funding for the University of Illinois to address soybean research issues, including soybean rust.

But because of the potentially serious long-term impact of the soybean rust disease on the U.S. soybean crops, ASA believes even more needs to be done.

"The soybean industry also needs to build

support with Congress and the Administration to obtain a far greater commitment to soybean rust research appropriations for the development of rust-resistant and rust-tolerant soybean varieties," said ASA President Neal Bredehoeft. "ASA is taking the lead in these efforts and is counting on the strong support of its grassroots membership to help get the job done. If you are not already a member of the ASA, please join now and help us achieve this goal."

An ASA membership application is available online at www.SoyGrowers.com, under "Membership." Or call the ASA Membership Department at 800/688-7692, for more information.

ASA is also continuing its work to educate and inform growers about soybean rust. A series of five Soybean Rust Seminars, scheduled by ASA in January and February, is part of the Association's continued commitment to help producers.

For more information about soybean rust, ASA's efforts on this issue, and the education seminars, visit www.SoyGrowers.com/rust.

Keeping U.S. Soybeans Competitive

The United States, Brazil and Argentina produce 85 percent of the world's supply of soybeans, and are responsible for more than 90 percent of the world's soybean trade. Soybean and soybean products contribute the largest value of any U.S. agricultural commodity export with annual sales of more than \$7 billion.

The U.S. has the resources to continue to be one of the largest producers and exporters of soybeans for many decades to come. One of the most critical factors for maintaining the competitiveness and profitability of U.S. soybean exports will be the investments required to improve locks and dams on the Upper Mississippi and Illinois River system.

ASA PHOTO BY BOB CALLANAN



Near the city of Itacoatiara in northern Brazil, a barge-load of Mato Grosso soybeans and a bulk commodity ship approach the Hermosa terminal on the Amazon River.

Competition and Challenges

The United States has been the world's leading exporter of corn, soybeans and wheat for the past 40 years. Since 1990, Argentina and Brazil have sharply increased agricultural output and have gained global market share for several major commodities, particularly soybeans. Some would say that these gains have come at the expense of the United States, but in the case of soybeans, that simply is not true.

U.S. soybean exports have never been better. Exports were lower in 2003 due to a reduced crop size, but in the previous 10 marketing years, the volume of U.S. soybean exports grew steadily from 589 million bushels (16.03 million metric tons) in 1993, to 1.1 billion bushels (29.2 million metric tons) in 2002.

In fact, record U.S. exports, combined with strong domestic utilization, have depleted soybean-ending stocks to historically low levels in each of the last three years. Simply stated, the United States has been able to sell all the soybeans it produces.

In the past, the internal marketing and transportation costs for soybeans destined for export averaged two to three times higher in Brazil and Argentina than in the United States. In Brazil, infrastructure development will remain critical to the pace at which land resources are brought into productive use.

Market Shifts to Asia

Up until 2002, the European Union was historically the largest single export market for U.S. soybeans. Now, seven of the top 10 customers for U.S. soybean exports are located in East Asia. These customers include China,

which is now the largest export customer for U.S. soybeans, and Japan, Taiwan, Indonesia, Korea, The Philippines and Thailand. Several billion people live in this part of the world and represent tremendous growth potential for future U.S. soybean and product exports.

A Southern hemisphere and Atlantic coast orientation, coupled with high port charges, has also contributed to higher marketing and transportation costs for

South American soybeans destined for major international markets in these East Asian markets.

With a few exceptions, U.S. soybean shipments to Asia and a large portion of shipments to Mexico, now the fourth largest U.S. soybean export customer, are all served through the Port of South Louisiana, from barges brought down the Mississippi River.

The gap between shipping rates from the United States and Brazil to Europe and Asia has remained relatively constant over the last 15 years, which has helped U.S. soybeans remain competitive. However, this advantage will soon be lost if infrastructure improvements are not made in the Upper Mississippi and Illinois River system.

Streaming Video Available

ASA conducted a Congressional Trade Study Mission in Brazil to evaluate the situation and potential of Brazil's soybean production. To learn more about the competitiveness of U.S. soybeans, access a series of Windows Media presentations totaling 35 minutes at www.soygrowers.com/step/brazil/. This is a presentation of the ASA-Bayer CropScience Soybean Trade Expansion Program.