

**June 2008****Biofuels Not Linked  
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Updated News Coverage.**This newsletter is created and  
distributed by the Pennsylvania  
Biodiesel Producers Group.**Biodiesel will have Long-Term Benefits – Not linked to Rising Food Costs**

One negative assumption about biofuels and biodiesel is that increased production of renewable fuel has caused food prices to soar. This assumption was proven false by the **U.S. Department of Agriculture (USDA)** this May.

The USDA released economic analysis data that measures the impact of numerous potential factors that could have caused food prices to increase over the last several years. The USDA found that high energy prices, increasing global demand, drought, and other factors were the driving causes. Production and usage of biofuels was **not** a cause of higher food costs.

**Ed Shafer, U.S. Secretary of Agriculture**, stated that with oil prices breaking through multiple economic ceilings, it is even more critical that the nation push to increase production of renewable energy sources such as biodiesel. "Developing diversity in our [country's] portfolio of fuels is, if anything, an even more urgent matter than it has been in the past," said Schafer. "It is one that remains central to our energy security and our national security. The policy choice we have made on biofuels will deliver long-term benefits," he added.

With the incorrect assumption linking biofuels to increased food costs behind us, biofuels should take center stage when long-term energy strategies and policies are discussed at the state and national levels. An increase in biofuel production and use across national boundaries has the capability to increase global agricultural productivity. Pennsylvania should take advantage of its excellent agricultural resources, reinforce its involvement in national renewable energy efforts, and invest in its own biodiesel production industry.

(Resource: National Biodiesel Board Press Release – May 19, 2008, [www.biodiesel.org](http://www.biodiesel.org))

**Point of View: Ben Wootton, President of Keystone BioFuels, Inc**

Biodiesel producer and founding member of the PABPG, Ben Wootton, gives his point of view on the current status of the biodiesel industry in Pennsylvania.

**Q: Do consumers prefer to purchase and use biodiesel fuel over regular petroleum?**

A: Yes, consumers prefer biodiesel, but it all comes down to price. We Americans want freedom of speech, the right to vote, and cheap fuel! Even with all the benefits biodiesel brings to Pennsylvania, if it costs more than petroleum, consumers won't buy it.



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**Q: Is the biodiesel industry a competitive market?**

A: Pennsylvania biodiesel is not competitive with biodiesel made in other states because of state subsidies. For example, one competing state provides a subsidy of \$1.50 per gallon. If it costs 50 cents per gallon to ship product to Pennsylvania, that state's producers gain a \$1.00 per gallon price advantage over Pennsylvania producers. Even with the strong demand for biodiesel in Pennsylvania, in-state producers cannot make our prices low enough to entice distributors.

**Q: Why should Pennsylvania support biodiesel?**

A: Our nation and Commonwealth are in need of additional sources and methods for fuel, and biodiesel is a renewable, environmentally-friendly, alternative fuel. Pennsylvania agricultural industry has excess feedstock available and we should capitalize on this beneficial asset to get the full value of our resources instead of shipping our raw materials and renewable sources to other states that are investing in their biodiesel production.

**Keystone BioFuels, Inc.**

Shiremanstown, PA 17011

Production Capacity: **Over 1.5 million gallons per month**

Type of Renewable Sources used in Biodiesel Production:

**Mult-Feedstock including Soybean Oil, Waste/Yellow Grease, and other renewable materials.**

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**Legislative Update:**

In December, the Senate passed legislation by a 41-8 bi-partisan vote that would dedicate \$5 million per year out of the Alternative Fuel Incentive Grant Program (AFIG) to biodiesel producers through a 75 cent per gallon incentive. By utilizing the already existing AFIG program, which is currently carrying a surplus balance, we can help achieve energy independence without impacting current new tax revenues or creating new ones.

A bi-partisan coalition of members have co-sponsored similar pieces of legislation in the House. Just recently, **Special Session House Bill 64** was introduced by Rep. Dave Kessler (D-Berks). The PABPG and Pennsylvania Farm Bureau worked very closely with Rep. Kessler to incorporate many elements of the various incentive bills into this one piece of legislation. **Special Session House Bill 64 includes a non-quarterly pro-rata, 75 cents per gallon incentive** that will benefit Pennsylvania biodiesel producers.

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**Ask the PABPG: *Why will the Biodiesel Production Incentive Work?***

Current consumption of biodiesel in Pennsylvania is estimated to be between 8 and 10 million gallons per year, approximately 90% coming from outside the Commonwealth. As the surplus supply from outside states decreases and the overall consumption of biodiesel increases, Pennsylvania producers are ready to handle the demands of the future. However, the current market is unbalanced since Pennsylvania producers are forced to mark high per gallon prices because there is not a comparable incentive plan for our Commonwealth to gain a competitive edge.

A production incentive that is **75 cents per gallon, non-quarterly pro-rata, and capped at \$1.5 million per producer per year** would greatly benefit Pennsylvania's biodiesel industry. This incentive plan would pay out over 11 of the 12 months per year based on a \$5 million dollar pool. This will keep the current biodiesel industry alive until the market stabilizes in about 3 years.

*Please Support our Commonwealth's Biodiesel Production Industry. For more information please visit [www.PABPG.org](http://www.PABPG.org).*