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## **Public policy changes key to small-scale biodiesel production**

New report offers lessons learned from private and public ventures

**Billings, Mont.** – A new report released today identified policy changes needed to boost farm and community-scale biodiesel production.

*Homegrown Prosperity from the Bottom Up* examines the experiences of farmers, local entrepreneurs, and governmental bodies in starting biodiesel production facilities. The report presents six case studies covering biodiesel's economic potential, legal and systemic issues, sustainability, available technical assistance and financial resources.

“Farm and community-scale biodiesel production would spark economic growth for rural communities, provide fuel to power vehicles and machinery, and provide a nutritious feed supplement for livestock,” said Helen Waller with the Western Organization of Resource Councils (WORC), publisher of the report. “This report provides lessons learned and information for policy-makers and interested producers about biodiesel production on the farm and at the community level.”

The report provided four policy recommendations.

Small biodiesel producers need consistent public policies and appropriate incentives for farmers and community-scale projects. Tax credits and other subsidies now flow mainly to blenders, fuels producers, and oilseed crushers.

Research and agricultural extension funding should support small and community-scale production by finding use for the glycerin byproduct, devising accessible and affordable fuel tests, and partnering with rural economic development agencies to support entrepreneurs and small cooperatives interested in making biodiesel.

Public policy incentives should reward biodiesel production that produces high-protein feed supplement for livestock, encourages crop rotation, promotes conservation and stewardship, revitalizes rural economies, and promotes energy self-reliance.

Renewable fuels standards adopted by states and municipalities are important steps to establishing biodiesel production capacity for growers, oilseed crushers, and processors. Standards adopted by the state of Oregon and city of Portland were instrumental in developing biodiesel in the state. Between 2006 and 2008, private industry invested \$300 million in biodiesel and ethanol production. Renewable fuels standards are a legally adopted blending ratio for alternative fuels, such as biodiesel.

“For small and community-scale biodiesel to be an economic stimulus, we need good public policies,” Waller said. “We urge federal and state officials to help spur rural economies by adopting these policies and firmly establishing small and community-scale biodiesel production. Policies should be made friendlier so small and community-scale producers can make biodiesel in a sustainable manner.”

Waller said the Montana legislature is considering two biodiesel bills. House Bill 416 would exempt production of biodiesel from used vegetable oil feedstock from the special fuel tax.

The second bill, House Bill 415, would encourage farmers and ranchers to produce their own sustainable fuel and become more energy self-reliant. “This bill would remove legal and financial obstacles that discourage biodiesel processing by small producers,” Waller said. “I urge Montana residents to contact their representatives and tell them to vote for H.B. 415 and 416.”

The report found reasons for optimism for a locally-owned and operated biodiesel sector and outlined factors likely to cause uncertainty for producers and prospective producers.

“Biodiesel producers face volatile commodity prices, shifts in regulations, standards, and incentives, and fluctuating access to investment capital,” said Wilbur Wood, who conducted the study with Elizabeth Hughes Wood for WORC.

Wood said prospective producers and investors can reduce risks by gradually building their operations and avoiding large initial outlays of money for facilities and technology.

Localizing acquisition of feedstocks and delivery of products to markets can minimize transportation costs, Wood added. “This also creates jobs and keeps money flowing around in local communities.”

Concerns about the agricultural economy prompted Brett Earl and Logan Fisher to set up Earl Fisher Biofuels in Chester, Montana, one of the subjects of a case study in the report. “We believe biodiesel can be a community based, decentralized energy production model,” said Earl.

Building a biodiesel production facility creates a self-sustaining industry by developing a market for local oilseed crops and converting those crops into fuels for local consumption, Earl said.

The Earl Fisher plant has the capacity to for 275,000 gallons and employed up to five employed during the summer of 2008. “In our community of 900 people, this is significant economic development,” Earl said.

Economic development was also the driving force to create the Costilla County Biodiesel Project in Mesita, Colorado, according to Ben Doon, co-manager of the facility. The county-owned facility has purchased about 200 tons of locally grown oilseeds. The county’s fleet of vehicles uses the biodiesel, and the oilseed meal is sold locally. The facility is also featured in the report.

“The facility has created five jobs in an area desperate for new employment opportunities,” Doon said.

The four other biodiesel production projects included in the case studies are:

Oregon private-public venture – Madison Farms, Echo, Oregon; Sequential-Pacific Biodiesel, LLC, Salem, Oregon; Portland Water Bureau, Portland, Oregon

Midwest Biodiesel Producers, LLC, Alexandria, South Dakota

Inland Empire Oilseeds, Odessa, Washington

Japanese-Canadian ‘closed carbon loop’ projects – Shimane, Japan, and Everpure Biodiesel Cooperative, Hillsburgh, Ontario

The report is available on WORC’s website, [www.worc.org](http://www.worc.org).

WORC is a network of conservation and family agriculture organizations in Colorado, Idaho, Montana, North Dakota, Oregon, South Dakota, and Wyoming.

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