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## Talking Point

### Think Big—Our Future Customers Already Do

by Jess Hewitt

With growth rates of 300 percent over the past year there's no doubt that 2006 will be long remembered as a pivotal year in the evolution of the biodiesel industry. Total production is expected to top 250 MMgy, and the acceleration of biodiesel production is staggering. Even with these record-breaking numbers, biodiesel demand outstripped production.

The federal blenders' excise tax credit is the driver behind the increased demand and price of biodiesel. Biodiesel prices are now easily topping the price paid for diesel by almost the full dollar credit. Biodiesel achieved even higher prices in states offering additional economic incentives such as Indiana, Illinois and Texas.

Just when you thought it couldn't get any better, according to *Biodiesel Magazine*, 38 plants are now under construction and eight existing plants are expanding. These projects represent an additional 1.05 billion gallons of biodiesel annually. This future capacity represents a six-fold increase in annual production coming on line within the next several years.

Where's it all going to go? If we take a look at our brethren in the petroleum industry, we might get a glimpse of the future. With diesel outages in major markets and diesel commanding its premium price, petroleum distributors are becoming more reliant on biodiesel to fulfill their ever-expanding commitments. Biodiesel is helping to create a more green petroleum industry.

While our traditional high-volume end users, such as private and government fleets, will remain vital partners in our growth, the retail diesel market demand far exceeds that of our traditional biodiesel customers and offers us the opportunity to move the volumes necessary to support our forecasted growth. The petroleum distributors and new biodiesel marketers can serve many more customers efficiently while likely becoming major partners in getting the projected biodiesel production to market by doing what they do best: efficiently matching supply with demand.

These new distributors and marketing companies are a natural and logical next step in the evolution of our industry and will serve a vital role in the future, creating more liquidity in the market by ensuring future customers for our ever-increasing production. The net result will be markets that are more predictable and efficient, minimizing risk and maximizing margins for all.

Here's the clincher: How do we move an additional 1.05 billion gallons per annum into the distribution chain? It's time to start thinking big. The petroleum distributors will require a more streamlined distribution system to accommodate the new complexities of the burgeoning biodiesel market. The linchpin in this evolution lies in our ability to create the infrastructure to feed this hungry market and reduce the bottlenecks in the distribution chain.

Rather than 10,000-gallon tankage, we need to begin to think in terms of 100,000-gallon tankage or even larger volumes. This increased storage capacity will soften the impact of inefficiencies due to production outages and transportation delays. Additionally, since petroleum distributors operate on a 24/7 basis, continuous around-the-clock access to biodiesel will become vital. And, heated tanks, where appropriate, will insure year-round access to supplies of biodiesel.

As 2006 comes to a close and we face the certainty of another record-breaking year, it is clear that significant investments will be required to build out the necessary distribution infrastructure to link the ever-increasing production to market demands. Now that's thinking big.

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