Biofuel Plants Can't Compete With Diesel Prices

MEMPHIS, Tenn. (AP) — Less than three years ago, two West Tennessee biodiesel plants opened with the potential to produce millions of gallons of biodiesel fuel annually, but today the plants are idle.

Milagro Biofuels and Memphis BioFuels opened in Memphis when the renewable fuels industry seemed to have a limitless future, and Memphis appeared poised to become a pivotal hub.

Now it is uncertain when or if they'll resume production.

The Commercial Appeal reports Memphis BioFuels laid off 30 employees this month and Milagro laid off all but a few workers.

The local shutdowns are part of a national collapse that's ravaged the biodiesel market after years of exponential growth. At least a third of all biodiesel plants across the nation have ceased operation, and production this year is expected to be no more than half last year's total of 700 million gallons.

The production of biofuels is shaped by the vagaries of the commodities market, oil prices, federal energy policy and trade decisions made by foreign governments.

Biodiesel typically is blended in 20-80 mix with regular diesel. Although biodiesel consistently has cost more than regular diesel, the difference generally has been small enough that many motorists have been willing to use it because of the fuel's benefits to the environment, national security and engine maintenance.

"The feedstock price is so high and the price of diesel is so low, they can't really make any money. There's no market," said Tim Schnippert, executive director of the West Tennessee Clean Cities Coalition, a federally supported group that promotes alternative fuels.

The biodiesel industry has proved a boon to farmers and others, Mulloy said.

"A lot of people are making money off this industry, but it's not the producers," she said.

In early March, the European Union imposed a stiff tariff on U.S. biodiesel, claiming the $1-per-gallon tax credit offered to blenders represents a subsidy that violates trade agreements.

By shutting down production, both Memphis biodiesel plants are in violation of the

payment-in-lieu-of-tax freezes approved for them by the Memphis and Shelby County Industrial Development Board. The PILOTs, as they are known, are contingent on companies maintaining certain employment and pay levels. It's unclear when the local governments might review the tax freezes.

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