

Bioenergy value chain construction methodology.

*USDA Global Conference on
Agricultural Biofuels:
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UNIVERSITY OF MINNESOTA



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Argentine Context

- Oil & Fuel Business:
 - From 1940: state control:
 - Subsidized vs. taxed fuels
 - 1990's: Privatization of YPF, etc. No state control. Exports
 - CNG remains subsidized. Free market for the rest. 4U\$S/Gallon
 - 2001: 300% devaluation. Inflation & price control
 - 2007: 2.4 U\$S/Gallon. Imports
- Gasohol fails (1970's) and CNG succeeds (1990's)
- 2007: New Biofuels Law & provincial and city investment promotion acts.
- MAIZAR presents Argentine Ethanol Goals
- Argentina is facing an energy crisis?

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Understanding Argentina

- 1880-1930: economic growth thru ag exports: beef, wheat, corn, flax.
- 1940's:
 - nationalistic feeling
 - all utilities confiscated
 - urban vs. rural development struggle.
 - Low wages=> cheap food and energy
 - Cheap food=> price controls

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Understanding Argentina

- 1950- today¿? Pendular economy:
 - fiscal deficit vs. inflation control
 - Promote exports vs. tax exports
 - High exchange rate vs. low exchange rate
 - Promote investments vs. stop investments
 - High wages vs. low wages.
 - Cheap food vs. international market prices.
 - Promote agriculture vs. export taxes

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Fuel business in Argentina

- Since 1940 strong public intervention:
 - Subsidized fuels:
 - LPG
 - CNG
 - Kerosene
 - Diesel
 - Alconafta (Gasohol) in Northern provinces 1960-1987
 - Taxed fuels:
 - Gasoline
 - Jet fuel
 - Diesel oil
 - Fuel oil

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Fuel business in Argentina

- 1990: Privatization and liberation
 - YPF fires 45.000 employees. (90% of total)
 - GNC: the only subsidized fuel left.
 - No state control.
 - Strong competition amongst players
 - Large up and down stream investments.
 - Fuel taxes go up:
 - Gasoline price in 2000: 4U\$S/gallon.

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Argentine Biofuels Law 26.093

February 2007

- Domestic market regulation
- Exports receive no benefits
- 5% biofuels in gasoline and diesel after 2010.
- Tax deductions apply only to companies that hold **farmer or government ownership** majority
- Fuels Tax (ITC) exemption
- Investments can be deducted from Profit Tax.
- Domestic price to be set by Government Authority depending on profit.
- Market quotas set by the Government Authority

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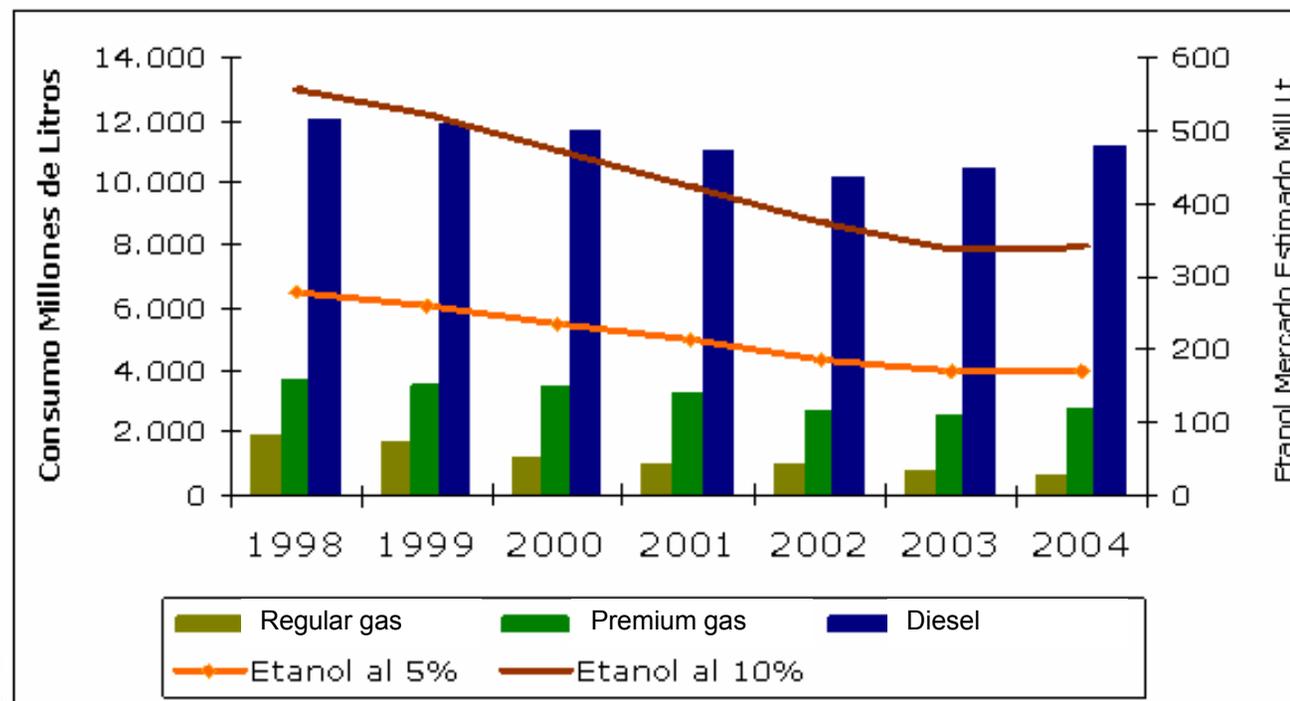


Argentine Ethanol Market in 2010

5% ethanol mix in gasoline

- 185.000 m3 Ethanol per year (49 million gallons per year)
- 80.000 hectares planted for ethanol
- 5 ethanol plants built (40 mill liters or 10 mill galls /year each)
- 800.000 tons of corn produced.

- Biodiesel: 600 mil m3/año



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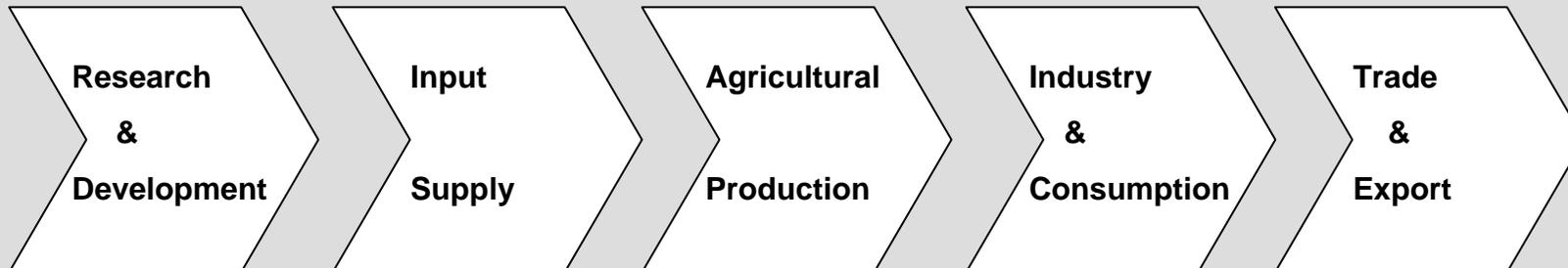
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Ministerio de Economía - Secretaría de Energía - Dirección Nacional de Economía de los Hidrocarburos



Construction of a new chain Structure

G o v e r n m e n t



Institutions

Community/Public Opinion/ Press

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Strategy

- Competitive advantages of each link
- Coordination and cooperation between links= competitive value chain

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Habits & skills for a new culture

- Sense of belonging
 - I belong
 - Equality
- Dedication and commitment
 - Common goals
 - Benchmarking
- Conversations and information
 - Work is built on speech
 - Speaking the same language is no barrier to misunderstandings and un-coordination.

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Habits & skills for a new culture

- Negotiation and consensus
- Trust
 - ↑ coordination & ↑ value
- Continuous improvement
 - Guilt
- Entrepreneurial and innovative initiative
 - Search of opportunities
 - Anticipation

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Conclusion: building the chain

- A competitive bioenergy chain can be built.
- Each link must develop its competitive advantages.
- Plans and goals should include all actors and stakeholders.
- Social and economic development
- Public-private cooperation is critical.



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