



## Economic Contributions

### Biodiesel's Contributions to the U.S. Economy

Biodiesel significantly contributes to the U.S. economy in multiple ways, according to economic analysis completed in September 2006 by John M. Urbanchuk of LECG.

#### Aggregate Economic Benefit:

- **America's biodiesel industry will add \$24 billion to the U.S. economy between 2005 and 2015**, assuming biodiesel growth reaches 650 million gallons of annual production by 2015.
- **Biodiesel production will create a projected 39,102 new jobs in all sectors of the economy.**
- Additional tax revenues from biodiesel production will more than pay for the federal tax incentives provided to the industry. **It will keep \$13.6 billion in America that would otherwise be spent on foreign oil.** This total impact of biodiesel on the economy includes the temporary impacts of construction, the permanent impacts of annual production and the direct value of biodiesel and co-products (glycerin).

**Economic Contribution of Biodiesel by Industry  
2006-2015**

Industry	Spending (Mil 2005\$)	GDP (Mil 2005\$)	Impact Earnings (Mil 2005\$)	Employment (Jobs)
Construction	\$807	\$1,519	\$849	11,720
Annual Operations				
Feedstocks	\$6,413	\$13,539	\$4,557	23,715
Industrial chemicals	\$589	\$1,085	\$418	1,624
Electric, natural gas, water	\$276	\$448	\$181	685
Maintenance and repair	\$57	\$84	\$54	282
Business Services	\$47	\$97	\$42	210
Earnings paid to households	\$259	\$332	\$168	866
Subtotal	\$8,448	\$17,104	\$6,268	39,102
Plus Value of biodiesel output				
Biodiesel		\$6,738		
Co-products (glycerin)		\$159		
Total		\$24,001	\$6,268	39,102

**Benefits to the U.S. Treasury:** The additional tax revenues generated by a profitable U.S. biodiesel industry will be significantly larger than the value of the federal tax incentives provided to the industry. Assuming that the biodiesel tax

credit of one dollar per gallon for agri-biodiesel and 50 cents per gallon for biodiesel from other sources is extended past 2008, this program would cost a total of \$3.5 billion by 2015. **The industry will generate \$8.3 billion of new revenue for the Federal Treasury for a positive net balance of \$4.8 billion.**

**Oil Dollars Stay in America:** The biodiesel industry will play a significant role in improving America's energy security. Expansion of the biodiesel industry as estimated will displace 242 million barrels of crude oil between 2006 and 2015. Since the U.S. is a net importer of oil, this means that less oil will need to be imported. As a consequence, **\$13.6 billion (2005 dollars) will remain in the American economy instead of being sent abroad to finance oil imports.**

**Permanent Impacts:** The ongoing annual operation of biodiesel plants offers the most significant impact from biodiesel production on the U.S. economy. **The biodiesel industry will add \$15.6 billion (2005 dollars) to America's Gross Domestic Product (GDP) as it spends \$7.6 billion (2005 dollars) on goods and services between 2006 and 2015.**

**Construction Investments:** **Biodiesel producers will invest nearly \$810 million (2005 dollars) by 2015 to build new biodiesel plants and expand existing facilities.** This spending will increase gross output by \$2.8 billion (2005 dollars) to gross output, **adding \$1.5 billion to America's Gross Domestic Product (GDP).** Biodiesel construction will create as many as 11,700 jobs in all sectors of the economy.

**Benefits to Farm Prices:** The additional demand for soybean oil used to produce biodiesel will increase demand for soybeans, raise soybean prices and revenue for soybean growers, and keep land in soybean production. Analysis published by the U.S. Department of Agriculture indicates that every 50 million gallons of biodiesel raises soybean prices one percent. Consequently, the 498 million gallons of biodiesel that will be produced between 2006 and 2015 will increase farm level soybean prices nearly 10 percent by 2015. Using the USDA 2006 Long-Term Baseline forecast for soybean prices as a starting point, **soybean farmers can expect increased biodiesel demand to increase average soybean prices \$0.58 per bushel by 2015.**

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