

## Biopal

2009-11-12

The production of esters will commence in December in Biopal Sp. z o.o. which had been constructed since April 2008. The first deliveries are under way with rapeseed oil and oilseed cake already in initial production.

Andrzej Voigt, board member of Biopal Sp. z o.o. and board president of AV Inwestor SA the investment firm, one of the two major company shareholders, talked about this investment with Polish Market's Jerzy Bojanowicz.

What convinced AV Inwestor SA to go in for this investment?

The company which has been active since 2000 is today a private investment bank and fund offering capital and, above all, comprehensive solutions in financing and managing investment projects.

We have been implementing our own investments since 2007 with our own capital resources in cooperation with Polish and foreign strategic and institutional investors. Under our customers' contracts we implemented credit lines for a total amount of PLN 440 mln from our own resources between 2004 and 2008. We invest in various interesting ventures in many areas, mainly of the Greenfield type. When Biopal, in 2007, presented the concept to construct a methyl esters factory we decided to give our support to the investment. Our decision, obviously, was preceded by research concerning the future of the biofuels market since at that time the national policy concerning biofuels was unstable. Nonetheless we accepted that even if it were to produce only rapeseed oil, glycerine and fodder, the venture was a profit-making business. Biofuel production had also won the unambiguous support of the European Union which bode well for the future. And we have been proved right since the Polish government this year passed decrees consistent with European Commission regulations.

We found an institutional investor – the Finanziara Italiana group of Milan which took over 51% of the stock and consolidated the company very firmly. AV Inwestor holds 22% of the shares, the remaining being in the hands of the local commune and private persons. The support of several persons well versed in producing bio-diesel fuel also proved very helpful. One of these is Adam Sitarz, board member of the Polish Chamber of Biofuels which has been active for many years in

propagating that carrier of energy, such seed planters as Wojciech Mróz cultivating many thousands of hectares with such seed as rapeseed, and also cattle and pig breeders – natural customers for the fodder produced by Bio-Pal.

So one might claim the problem of raw material supply is resolved. We require an annual quantity of 54,000 – 56,000 tons of rapeseed we get from planters cultivating within a radius of 50 km from Borek Wielkopolski where our factory operates. This year the supply of almost 3 millions tons of rapeseed is expected, the largest in almost 20 years. The effect will be in the form of 300,000 tons more than required by an oil processing plant (e.g. Zakłady Tłuszczowe Kruszwica SA which purchases 1 mln tons of rapeseed annually) and the oil presses producing to satisfy the needs of Lotos and Orlen filling stations which is bound to reduce prices, the more so that Ukrainian planters have doubled production. On the other hand, rapeseed supply is not tantamount to the possibility of its processing. That is why we are already accepting initial payments from the owners of estrification systems who have no raw material..

What production levels do you expect?

The factory which cost PLN 54 mln to construct is situated on a plot of around 2 hectares which allows it to be enlarged. The expected production capacity is 21,000 tons of methyl esters which we obtain by adding to pure rapeseed oil methanol (10%), 34,000 tons of rapeseed fodder and 5,400 tons of glycerine.

Will there be a demand for fodder?

Oilcake is produced according to a well-proved, state-of-the-art Alfa Laval method. Oilcake has the same nutrition value as soybean meal and costs PLN 580 per ton while the beanmeal costs PLN 1,800 per ton. This technology also allows our product to be stored for 6 months, compared with the previous 6 weeks. One must also bear in mind that no waste is produced during the process which enhances the financial attraction of the investment since no cost is required to store it. In a word, the factory is the most modern of its kind in Europe. The production process is fully automated and computer controlled. This factory can be managed from home and employs a personnel of 27, one in two are security staff.