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Jatropha shines as non-food oil for biodiesel

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By Nao Nakanishi

HONG KONG (Reuters) - Jatropha, a toxic wild plant that is gaining importance as a biodiesel crop, will make money at crude oil prices a third below their current level, according to U.K.-based D1 Oils Plc (DOO.L: [Quote](#), [Profile](#), [Research](#)).

The company, a pioneer in the use of jatropha for biodiesel, has teamed up with oil giant BP Plc (BP.L: [Quote](#), [Profile](#), [Research](#)) to plant the world's first selected seeds of jatropha, which promises to raise its non-edible oil yield by nearly 60 percent when the trees mature in 5-6 years.

D1 says its latest estimate showed it would make money on jatropha if crude oil CLc1 is at \$60-\$65 a barrel -- well below the current level of about \$95.

"We expect it to be profitable at \$100 a barrel," Elliott Mannis, chief executive officer of D1, said in an interview via telephone from London ahead of the Reuters Global Agriculture and Biofuel Summit.

The figure of a \$60-65 a barrel of oil breakeven is substantially higher than estimates made by Goldman Sachs early last year for a breakeven for jatropha of around \$40 a barrel of oil.

Jatropha, which originated in Central America, can grow on barren, marginal land and does not need much water. It has gained popularity in countries like China that would like to fuel cars with biodiesel without threatening the country's food supply.

D1-BP Fuel Crops is planting 50,000 hectares with seedlings from the selected seeds in southern Africa, India and Southeast Asia this year after research on a wide range of wild species collected from around the world.

"We started planting our first elite seeds in the last part of 2007," Mannis said. "We expect the first significant harvest to be in the second half of 2008."

Still, D1 says the plant is at the beginning of history as a commercial crop. Its yields show large swings. There are toxins within the nuts, seeds and leaves. It also requires lots of labor for harvesting fruits that ripen at different times.

However, D1 is confident the first selected seeds will yield about 2.7 tons of oil per hectare, up from 1.7 tons for wild seeds. It is less than half the 5-6 tons per hectare of oil palm yet a lot higher than half a ton for soy or 1.5 tons

from rapeseed.

D1 is investing about \$12 million for planting the tropical plant overseas after spending another several million for plant science. It hopes to further enhance jatropha's yields and oil quality through breeding, though it takes time.

Mannis said the 2008 crop size was not yet clear. The company was also still deciding if it would build a plant to process the jatropha oil into biodiesel or sell it to processors.

In a sign of rising confidence in jatropha, German car maker Daimler AG (DAIGn.DE: [Quote](#), [Profile](#), [Research](#)) said last week it had teamed up with Bayer CropScience (BAYG.DE: [Quote](#), [Profile](#), [Research](#)) and Archer Daniels Midland (ADM.N: [Quote](#), [Profile](#), [Research](#)) to develop jatropha for biodiesel. ID:nL09321397

"It's a good sign for the industry. Other significant companies are starting to come in to work with jatropha," Mannis said.

The entry comes at a time when surging prices for palm oil, soyoil and rapeseed oil are forcing investors to give up or wind down biodiesel projects initiated in the past few years.

D1-BP Fuel plans to plant a further one million hectares of jatropha in the next four years in new countries like Brazil, Mozambique and Australia.

It has planted or has an off-take agreement of the oilseed from 200,290 hectares around the world, including China and Indonesia.

D1 says jatropha may also assist some economies in adapting their agriculture as many developing countries are to face drier weather and water shortages because of global warming.

(For summit blog: [here](#))

(For more on the Reuters Global Agriculture and Biofuel Summit, see ID:nSP132831

(Reporting by Nao Nakanishi; Editing by Michael Urquhart)

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