

GOVERNMENT MEDIA MONITORING UNIT

DATE: JULY 31ST, 2007

TIME: 12:24PM

STATION: ABC REGIONAL RADIO – COUNTRY HOUR (HAMMOND)

SUBJECT: BASTIAENS – BIOFUEL PRODUCTION

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UNCHECKED

NATACHA HAMMOND

A top executive of the world's largest grain trader, Cargill, says we need to be disciplined and cautious as we move to greater biofuel production.

Speaking last night at a function in Sydney, Guillaume Bastiaens, vice-chairman of Cargill, told 150 agribusiness leaders that it would be wrong to think that grain-based fuel is the answer to a shortage of petroleum. He says the extra demand for corn and wheat in the fuel sector is pushing prices up, but he expects the market to re-balance when the excitement dies down.

Mr Bastiaens told Michael Congdon that biofuels will represent an important five per cent of the market.

GUILLAUME BASTIAENS

I've used the word 'discipline'. It's the right way to go. My concern was more the speed we are going – that we do it in a responsible way. But I do believe in the biofuels.

REPORTER

You were saying that it's a small proportion but an important proportion?

GUILLAUME BASTIAENS

Yes, and I think throughout the world of greenhouse gases and consequences of fossil fuel, there is not one big silver bullet. All of it will help to improve and I think biofuels are (inaudible) there, there is no one big solution.

REPORTER

Because the potential is that if too much attention is given to biofuels then we risk things like food supply and those sorts of things.

GUILLAUME BASTIAENS

I wouldn't say that. I think what you do see is that per region – and that could be the United States or it could be Western Europe, could be even Australia or Brazil – is taking a very responsible policy on how to handle it. So I don't think it's the world that's going to go and escalate into biofuel, I think it's done very well between industry and government, how to do it responsible.

REPORTER

Do you think that the growth we've seen will have to sort of taper off?

GUILLAUME BASTIAENS

I think that's going to be established and then after that I think it is going to taper off because we cannot stay on the speed we are going over the last two, three years and going in the next two years. The amount will be sizeable, but the speed of growing will be somewhat tapered off, yes.

REPORTER

Looking at the chart though, its going to be a much lower proportion in terms of a renewable fuel. Other things are going to have take up the slack.

GUILLAUME BASTIAENS

Right, but you have to take everything in proportion. So when you talk about windmills or you talk about solar energy, everything is small but it makes a big dent in what we are doing today.

So, some people think biofuel while replace fossil fuel, it will not happen and I hope we all agree on that after my presentation. The same thing goes for windmills, it's not going to replace energy, the power side, or will the solar side. So it all will move and the consumers will see the importance of looking for alternative solutions in this field.

REPORTER

So are we looking at what sort of percentage, maybe a five per cent?

GUILLAUME BASTIAENS

If we do tomorrow every thing we have in mind for 2012, maybe is three, four per cent, yes.

But it's never the 25-30 per cent some other people believe.

REPORTER

So do you think that it will still remain a major fillip in terms of grain pricing? Because a lot of grain markets and analysts are saying that it is going to remain a major issue in pushing the grain price up.

GUILLAUME BASTIAENS

I think the market will balance this out. I think it would be wrong if regulations are mandates would push this out of proportion. I think the market will balance its prices out.

REPORTER

But in the US, we're seeing a big push on from the US Government. We're seeing Congress, we're seeing the United States President really pushing this. I don't know whether this is at the beck and call of the agriculture lobby or not. What are your views in regards to that? That's out of proportion?

GUILLAUME BASTIAENS

I think the Congress is in to approve bigger mandates, but I think they use a lot of common sense too. They know what we are feasible, possible to add into the gasoline stream. So I don't think they will go out of proportion on that, I don't believe that at all.

REPORTER

Do you think the market will then re-balance from where it is now? Because we're at nearly record highs, or we have been in the grain market – for wheat, for example.

GUILLAUME BASTIAENS

Well I'm a strong believer in marketing balance. Market balance will dictate between fuel and food and feed – it will balance itself out.

NATACHA HAMMOND

Guillaume Bastiaens, the vice-chairman of Cargill.

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