FUNDAMENTAL PETROLEUM TRENDS

ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Friday, March 18, 2011

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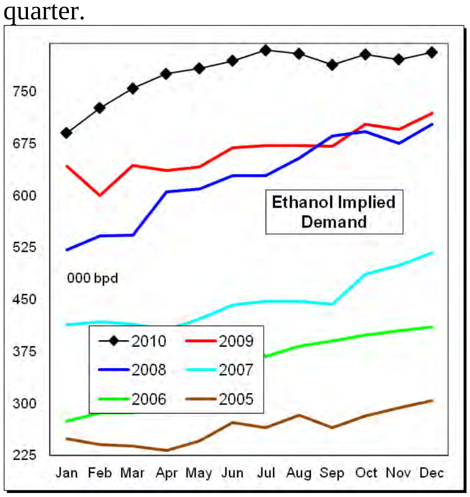
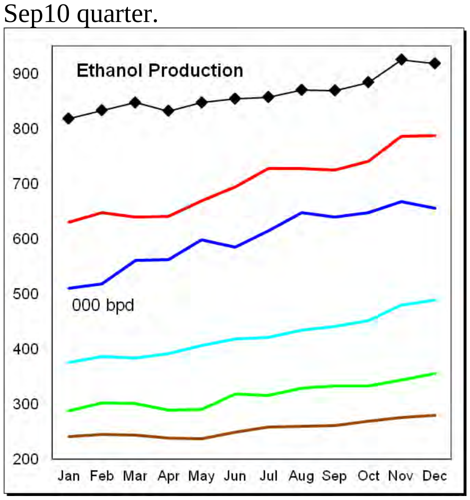
Summary: Ethanol demand was 803,000 bpd in the Oct10 - Dec10 quarter, up +2,000 bpd compared to the Jul10 - Sep10 period. Wholesale gasoline demand decreased -301,000 bpd in the same quarter over quarter period. These trends show blend rates were higher in the latest quarter.



Year-over-year demand for ethanol between Oct10 - Dec10 and the same quarter in 2009 increased +97,000 bpd. This represented a +14% increase.

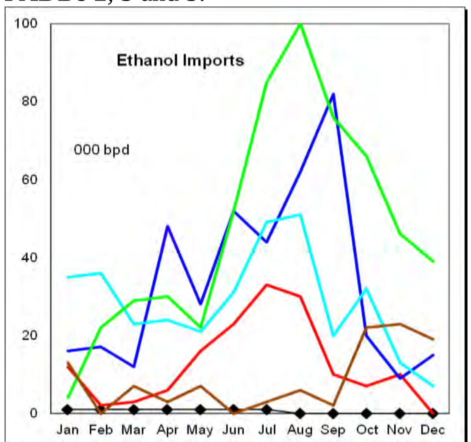
Ethanol production was 909,000 bpd during the Oct10 - Dec10 quarter, up +44,000 bpd compared to the Jul10 - Sep10 quarter.

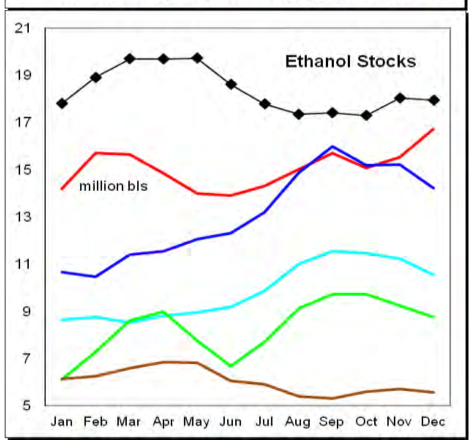


Year-over-year production increased in the Oct10 - Dec10 quarter by +137,000 bpd. This was a +18% increase.

Imports averaged less than 1,000 bpd during the Oct10 - Dec10 quarter, unchanged from the level during the Jul10 - Sep10 quarter.

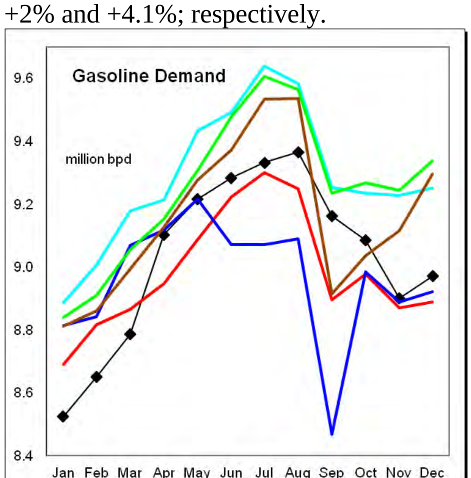
Ethanol stocks decreased -0.1 million barrels at the end of December compared to the end of November. Stocks decreased -0.6 million barrels in PADD 1. Stocks increased nearly +0.2 million barrels in PADDs 2, 3 and 5.





Gasoline Demand Trends: Wholesale gasoline demand increased +74,000 bpd year-over-year in the Oct10 - Dec10 period compared to a year ago, a +0.8% increase.

Gasoline year-on-year demand in January 2011 and February 2011 increased +2% and +4.1%; respectively.



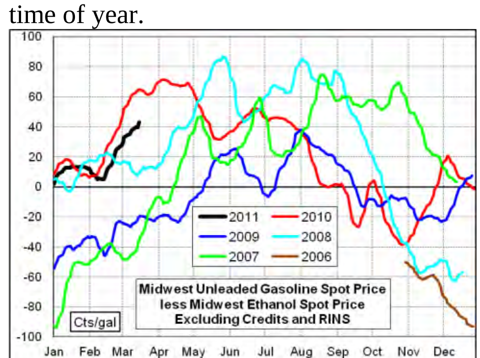
Blending Trends: During the Oct10 - Dec10 quarter, 4.8 million bpd of conventional gasoline was blended with ethanol, equal to 82% of conventional grade output. This was an increase of +0.7 million bpd over the same period in 2009. The volume of gasoline not blended with ethanol was 1.2 million bpd in Dec 2010, 19% of total production.

Ethanol Blend Economics: Midwest ethanol prices increased from a low of \$2.05/gal in early December to a high of \$2.60/gal in late February, with the current price near \$2.40/gal.

Midwest spot gasoline prices trended higher from a low of \$2.05/gal in early December to a high of \$2.95/gal in late February, with the current price near \$2.85/gal.

The Midwest spot gasoline - ethanol price spread has trended sharply higher since mid February, to the current high in mid March of \$0.45/gal. The current spread in favor of gasoline was at the upper end of the historic range.

Including tax and RINS credits of approximately \$0.50/gal, blending economics are unusually favorable for this time of year.



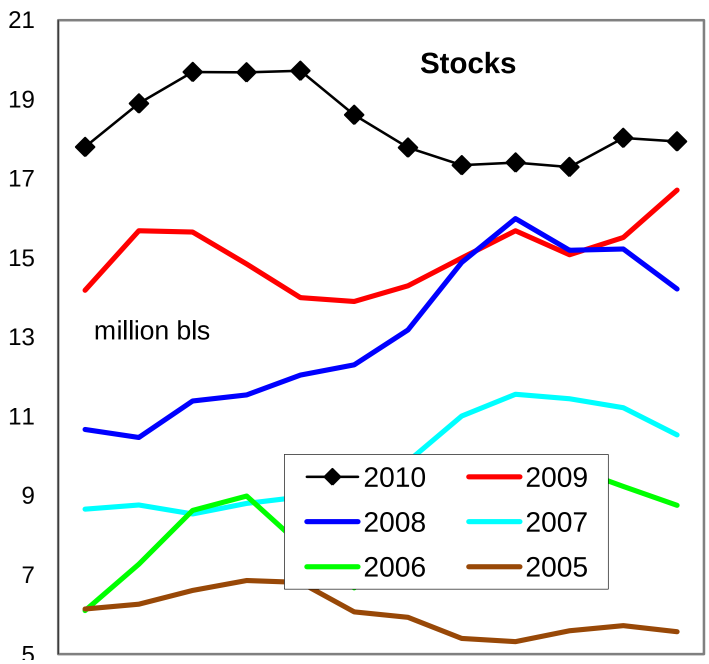
Emerging Trends: Ethanol stocks increased +2 million barrels between the end of December 2010 and 11Mar11, as reported in EIA weekly updates. This level exceeds the highest level set in May 2010.

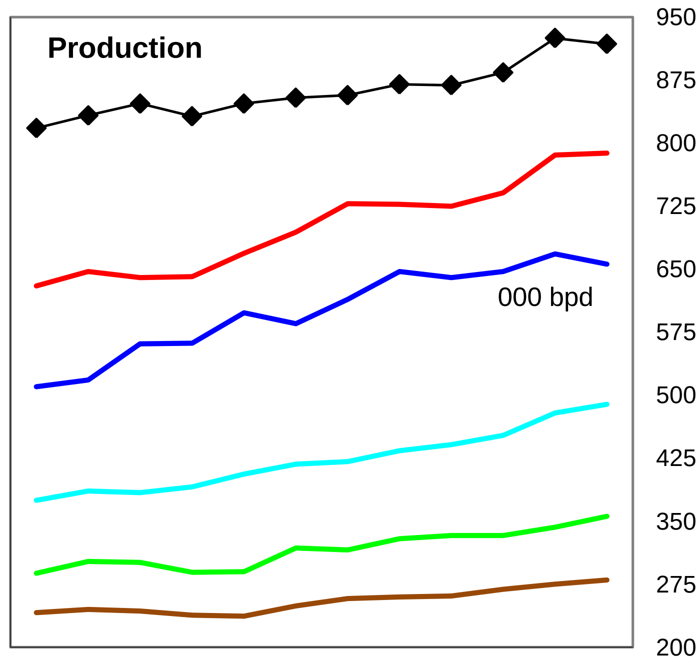
The recent spike in global energy prices, driven largely by political unrest in North Africa and the Middle East, lifted Midwest gasoline prices to near record highs. Concurrently, the seasonal build in ethanol supplies during the seasonal low in gasoline demand has caused blend economics to trend sharply higher.

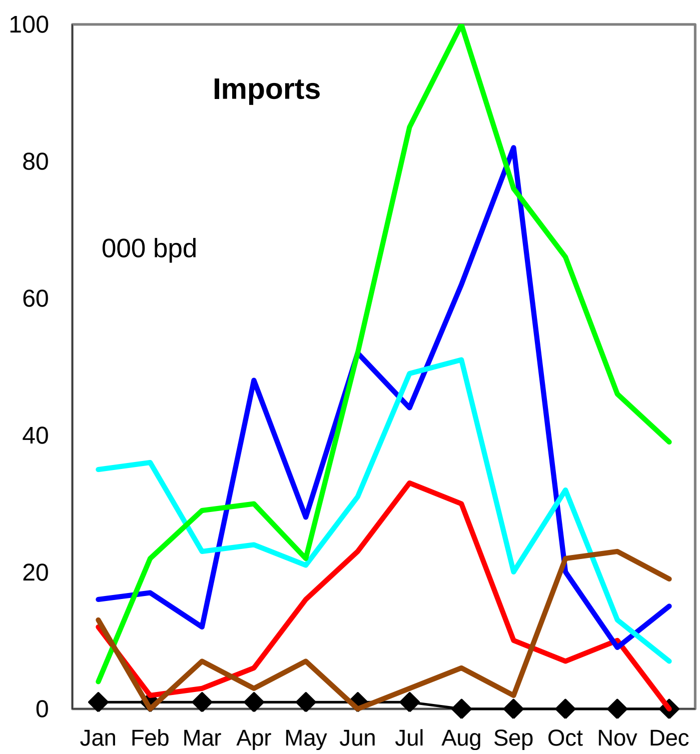
A seasonal rise in gasoline demand should support prices during the 2nd quarter, while high carry in ethanol stocks should limit price strength for ethanol; leading to continued favorable blend economics.

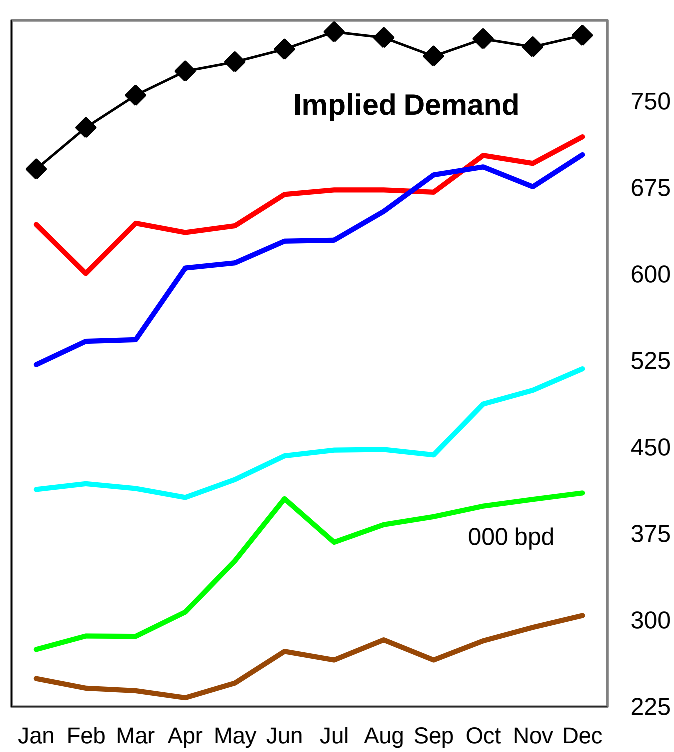
United States Ethanol Supply-Demand Balance

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Dec10	Nov10	Oct10	Sep10	Aug10	Jul10	1-Month	3-Mth Avg	6-Mth Avg
Production	918	925	884	869	870	857	130	137	138
Imports	0	0	0	0	0	1	0	-6	-15
EIA Adjustment	-115	-103	-84	-77	-79	-74	-84	-41	-29
Demand	807	797	804	789	805	810	88	97	113
Ending Stocks	17,940	18,029	17,295	17,408	17,340	17,784	1,229	1,985	2,251
Change in stocks	-89	734	-113	68	-444	-826			
Wholesale Gasoline Demand	8,972	8,901	9,086	9,163	9,366	9,332	84	74	106
Conv Ethanol Gasoline Blend	5,002	4,925	4,987	4,911	4,995	5,057	675	708	822
Ethanol % of Total Gasoline	9.88	9.83	9.71	9.42	9.40	9.50	1.08	1.21	1.36



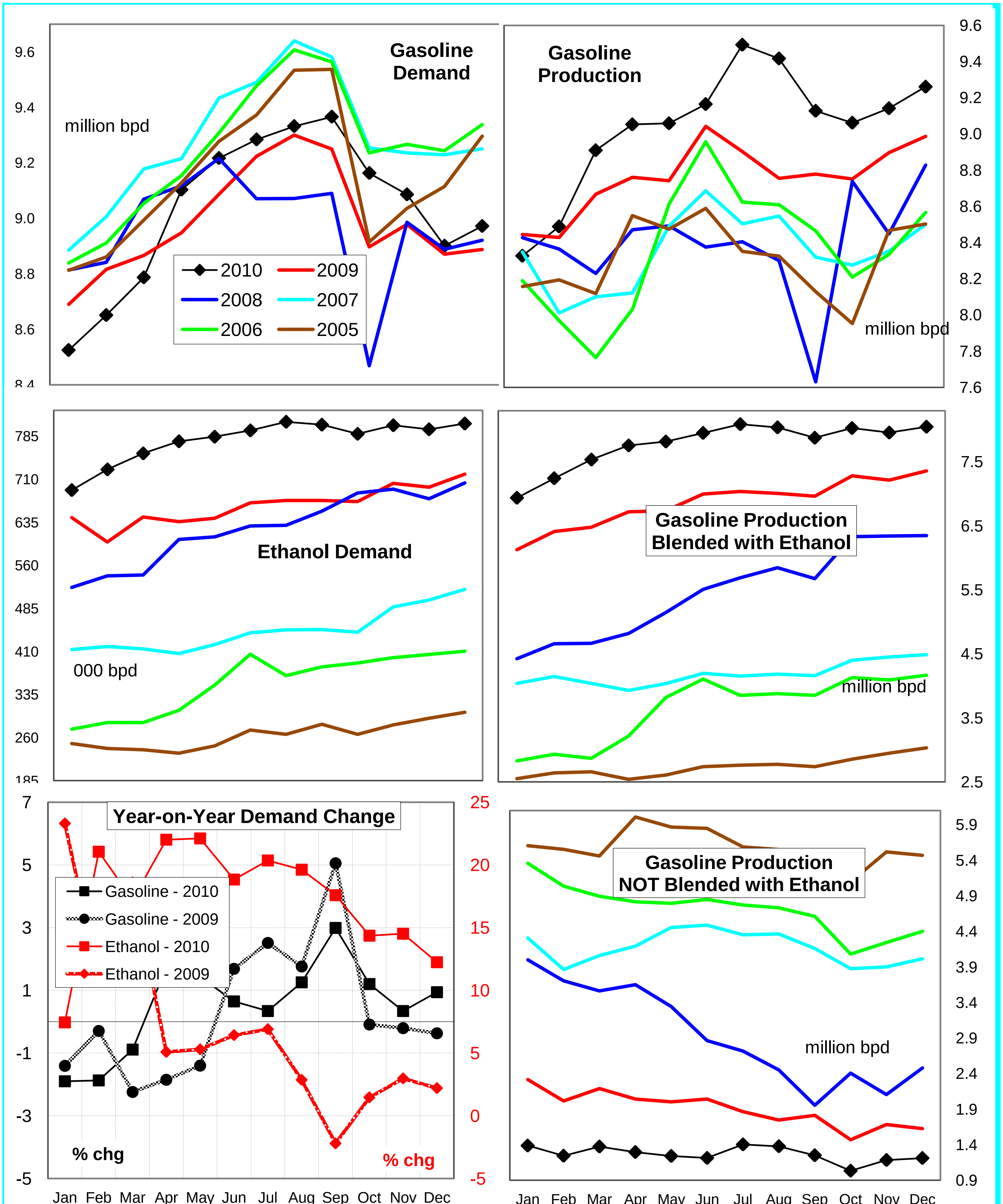






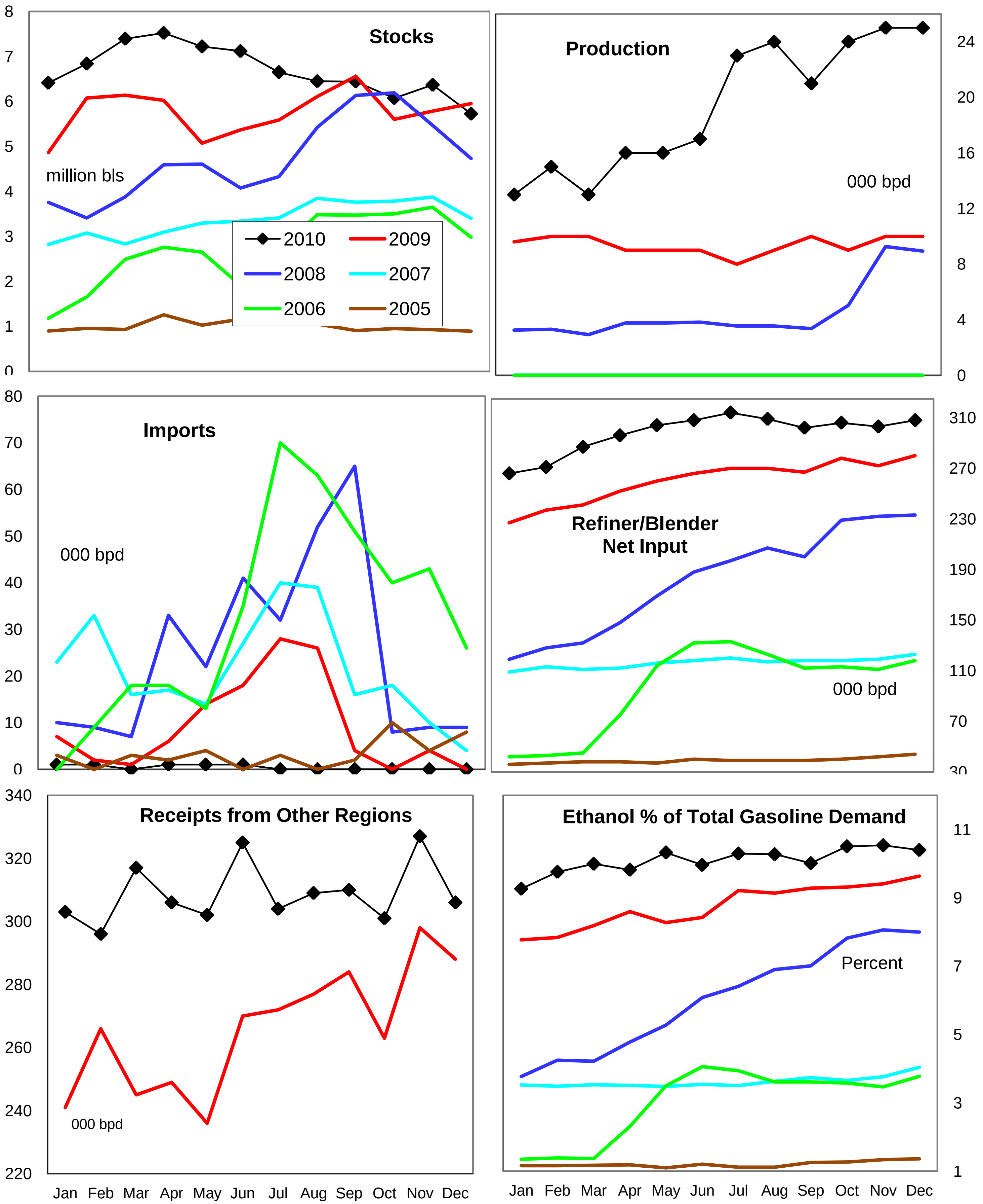
	Stocks	Production	Imports	Demand
Variance to prior year				
000 bpd (000 bls stocks)	**1,229**	**130**	0	**88**
% change	**7.4**	**16.5**	#DIV/0!	**12.2**

U. S. Gasoline/Ethanol Demand and Blending



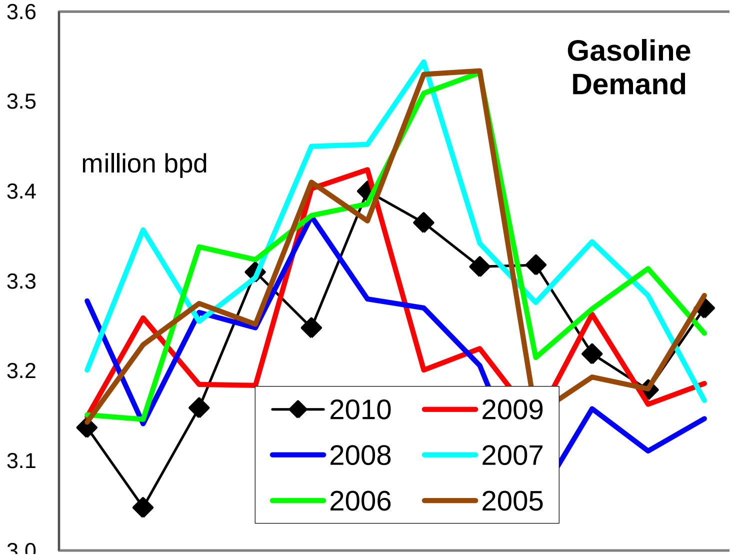
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	84	88	688	-414
% change	0.9	12.2	9.3	-25.5

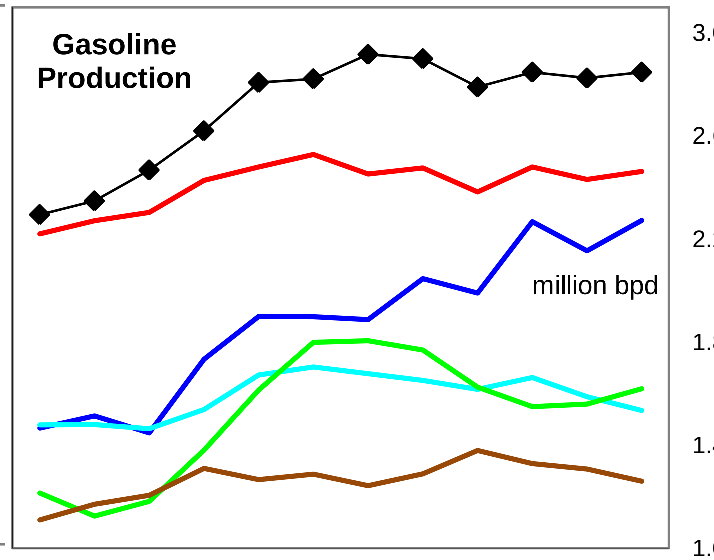
PADD 1 Ethanol Supply-Demand Balance

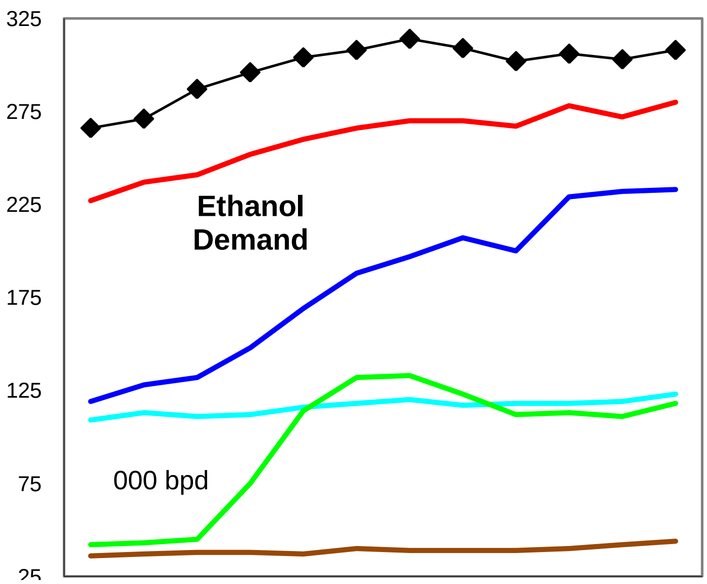


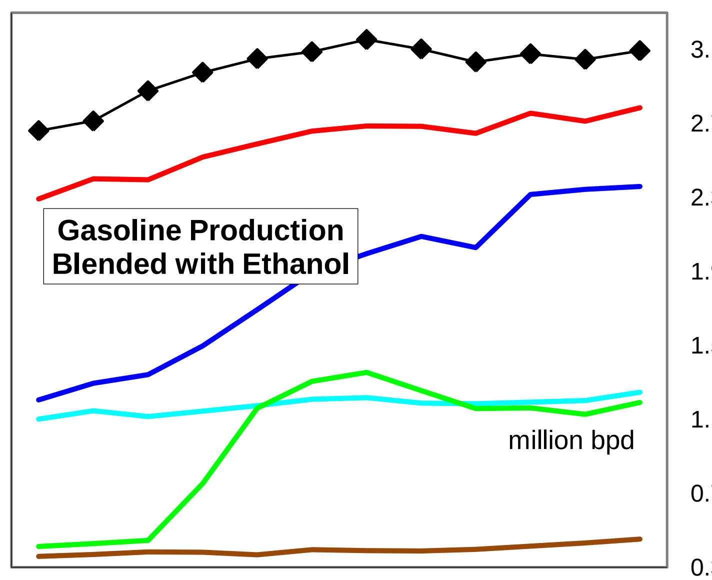
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	-226	15	0	28
% change	-3.8	150.0	#DIV/0!	10.0

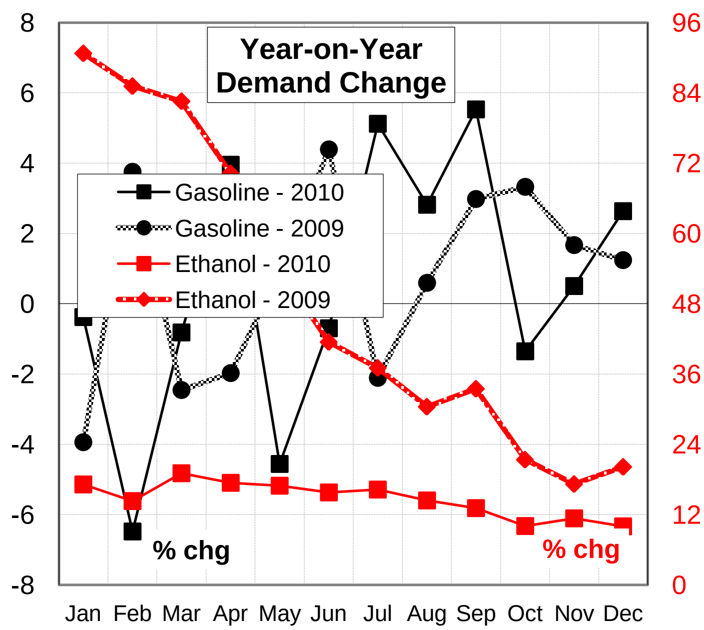
PADD 01 Gasoline/Ethanol Demand and Blending

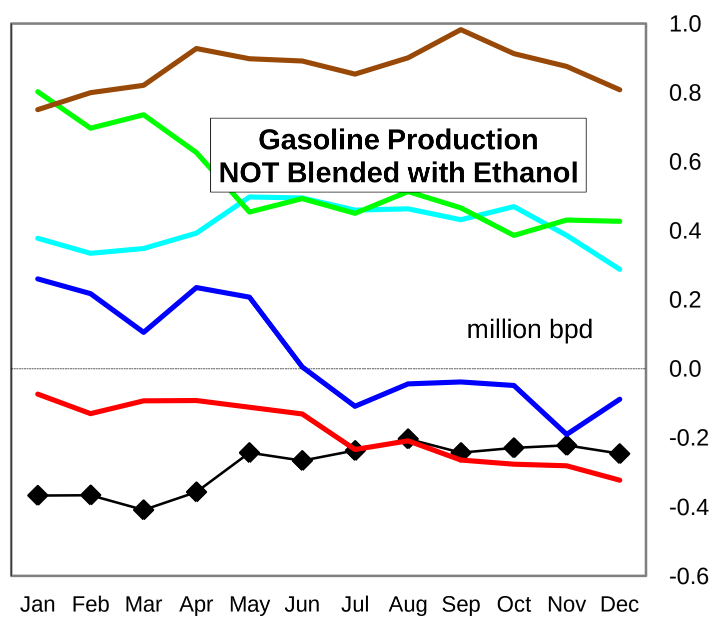












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	84	28	309	77
% change	2.6	10.0	11.1	-23.8

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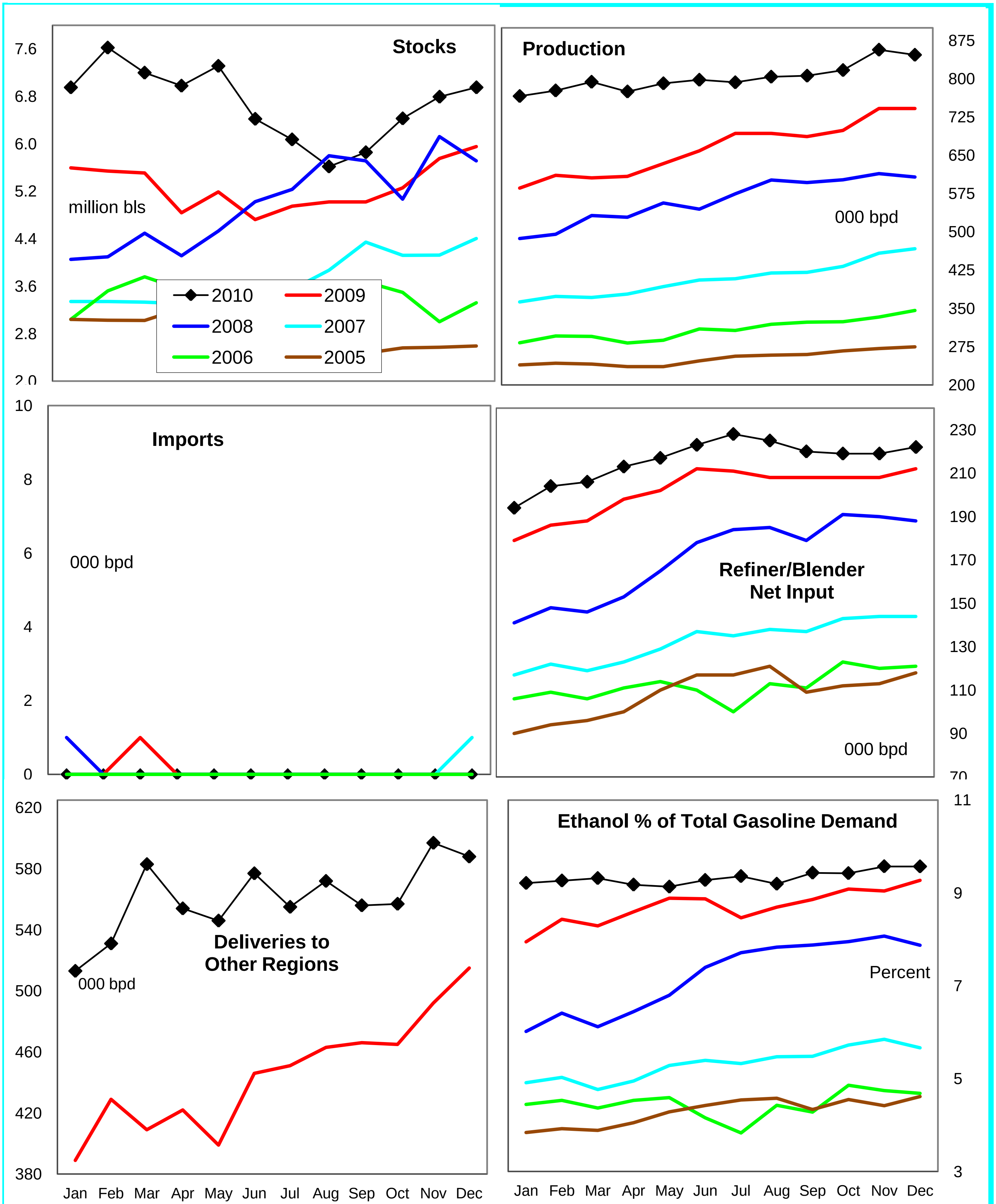
PADD 2 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	999	105	0	10
% change	16.8	14.2	#DIV/0!	4.7

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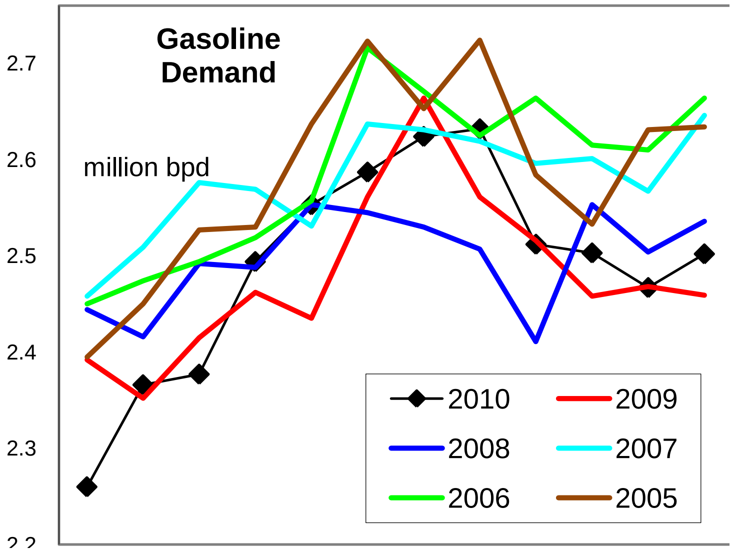
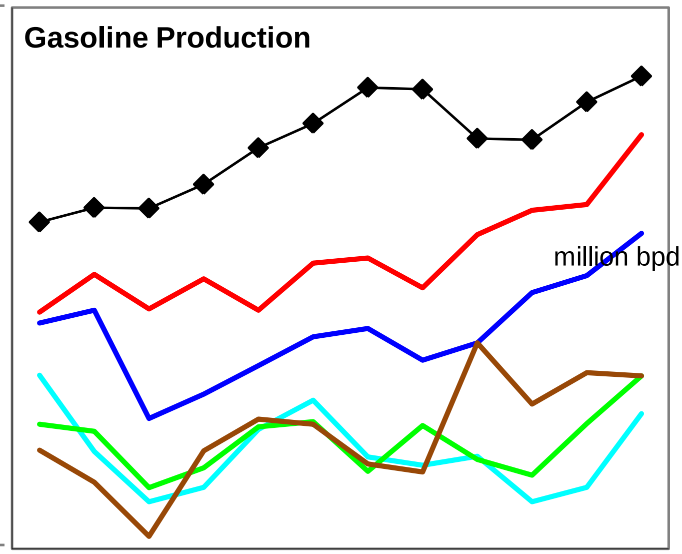
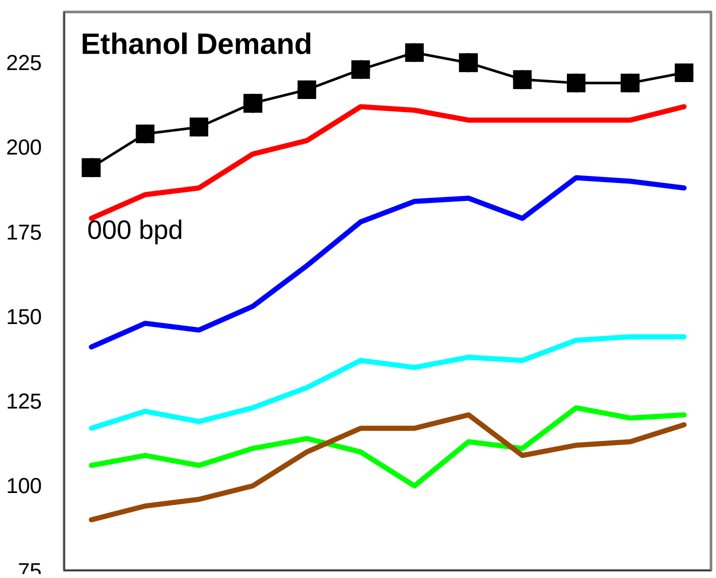
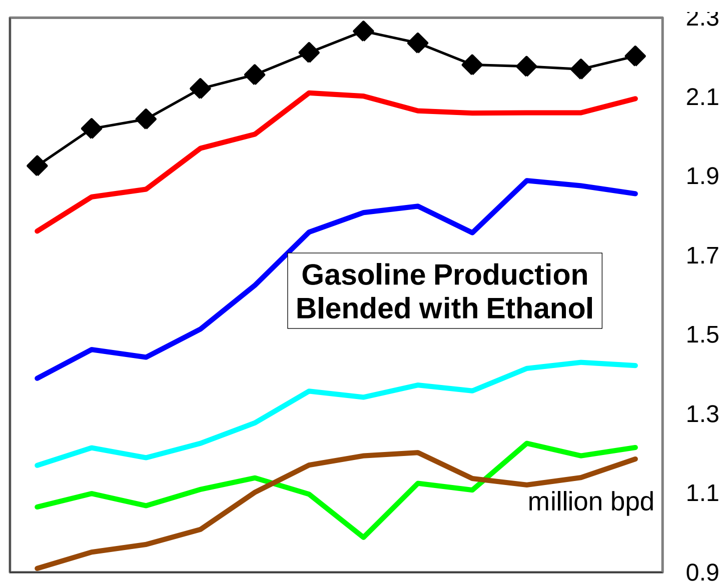
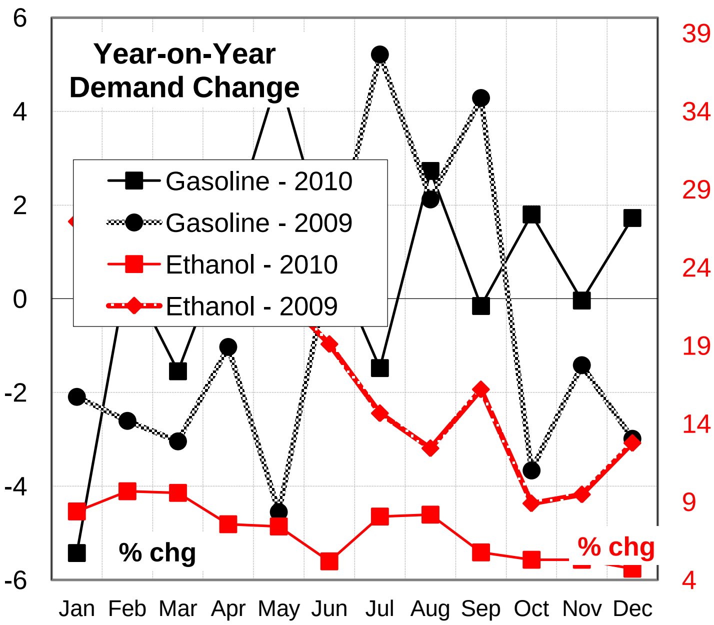
PADD 02 Gasoline/Ethanol Demand and Blending

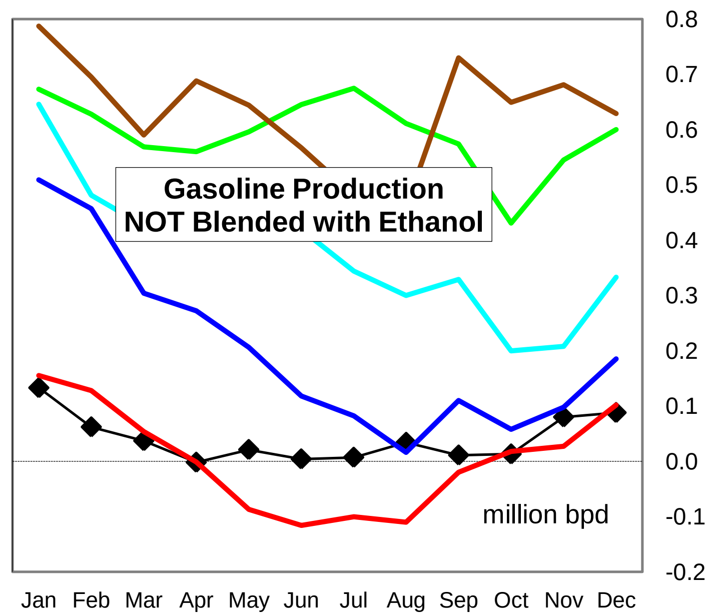






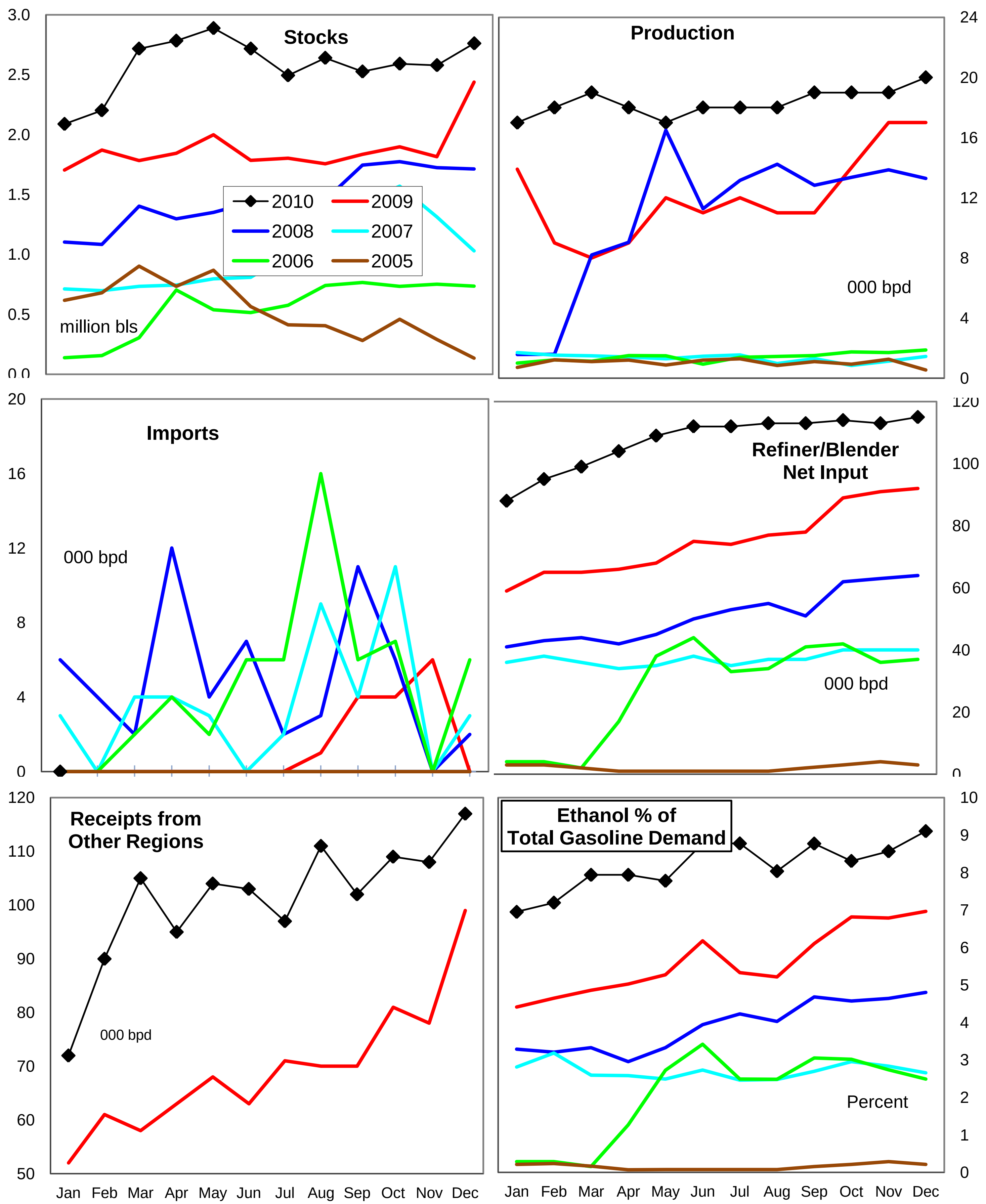






Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	43	10	107	-14
% change	1.7	4.7	5.1	-13.7

PADD 3 Ethanol Supply-Demand Balance



	Stocks	Production	Imports	Demand
Variance to prior year				
000 bpd (000 bls stocks)	322	3	0	23
% change	13.2	17.6	#DIV/0!	25.0

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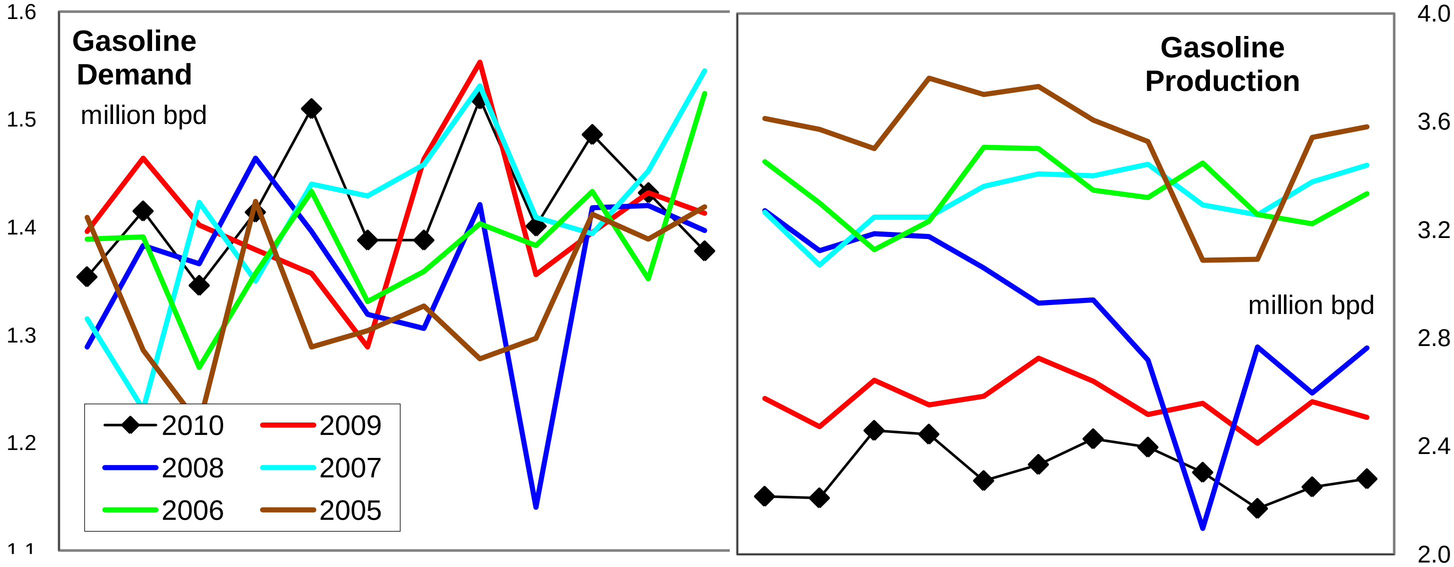
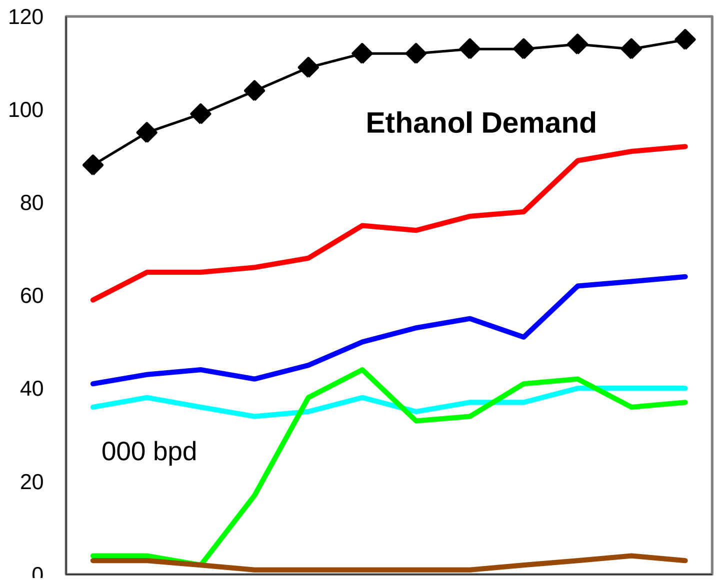
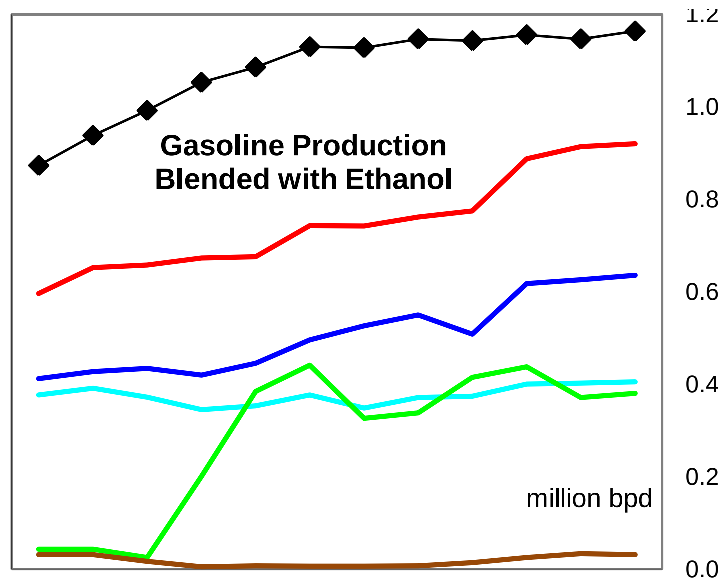
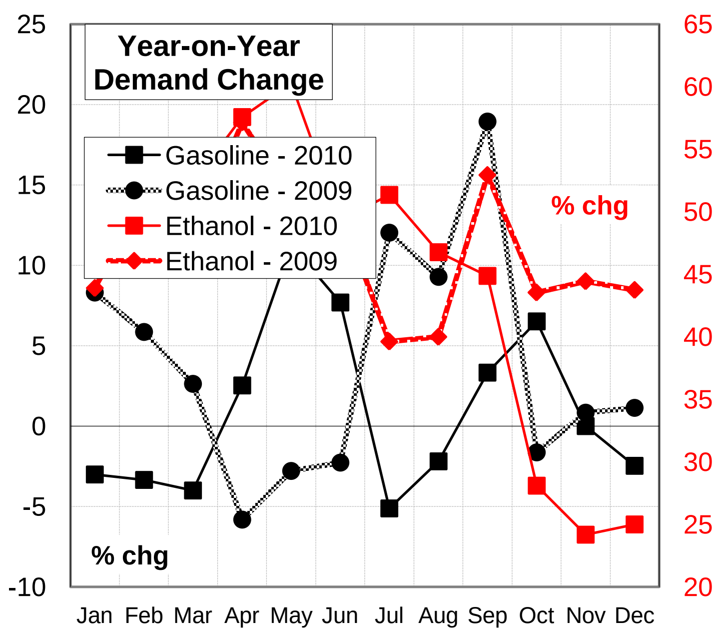
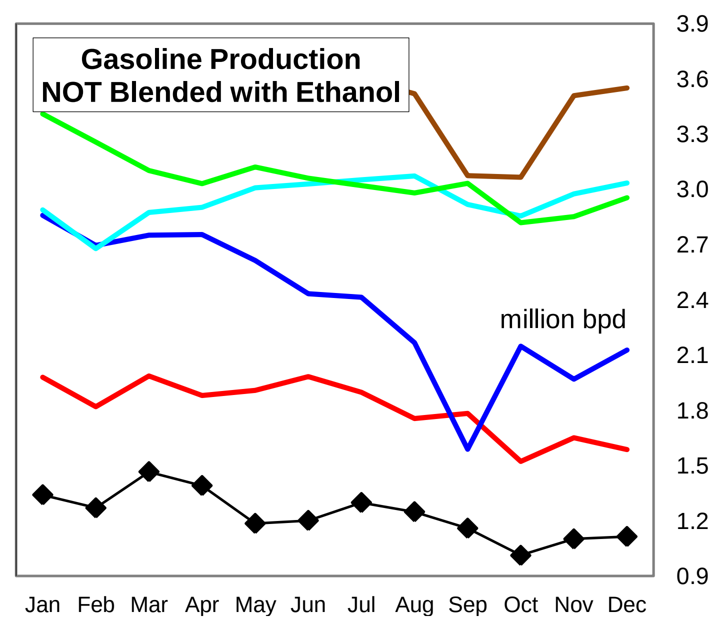
PADD 03 Gasoline/Ethanol Demand and Blending





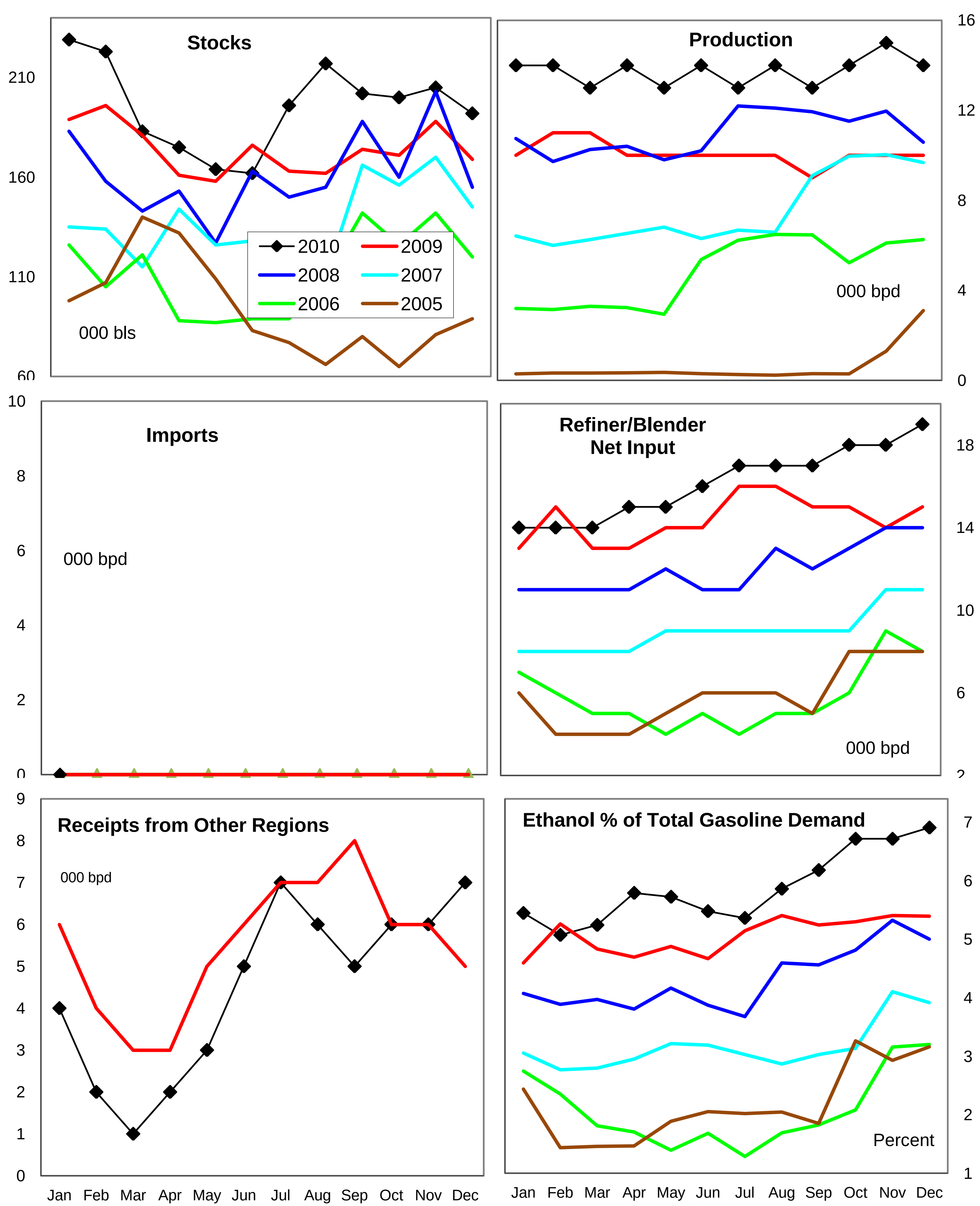






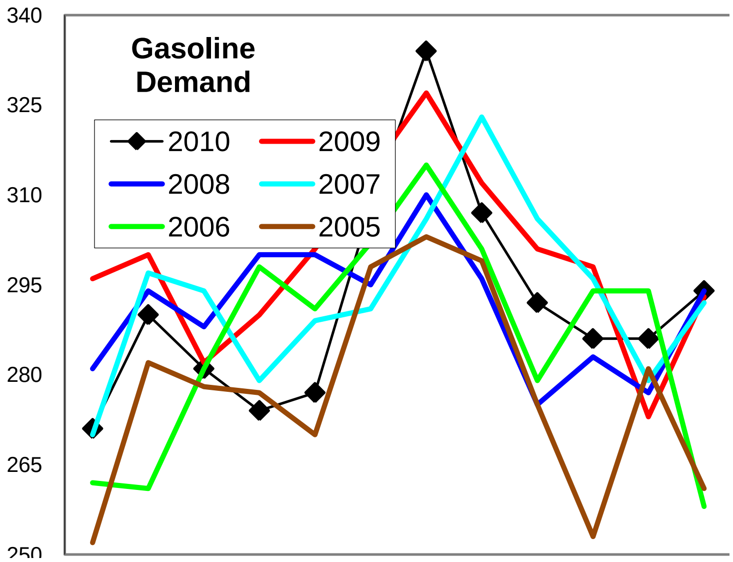
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	67	23	244	-472
% change	6.5	25.0	26.5	-29.7

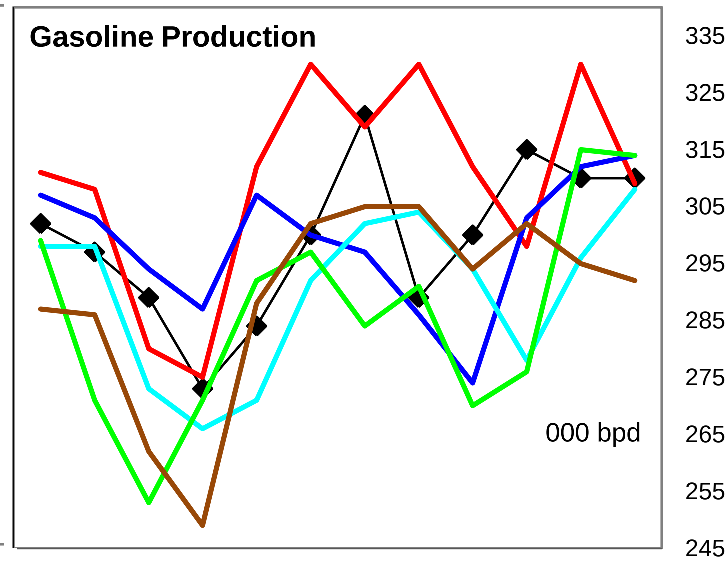
PADD 4 Ethanol Supply-Demand Balance

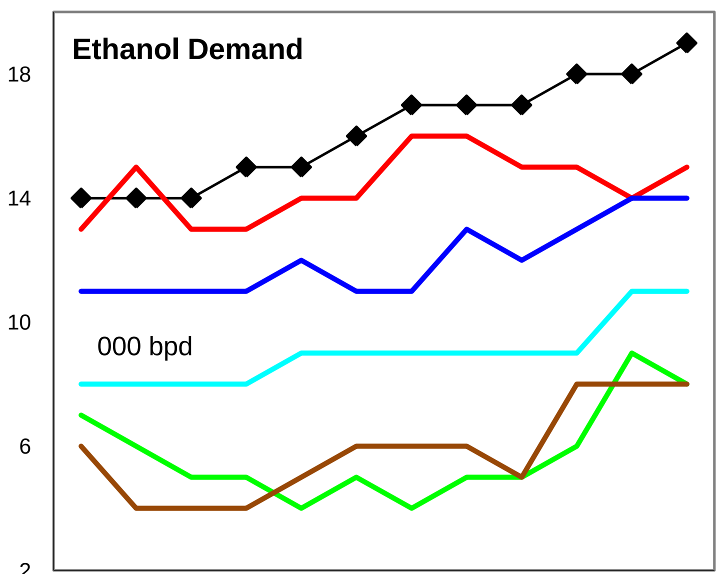


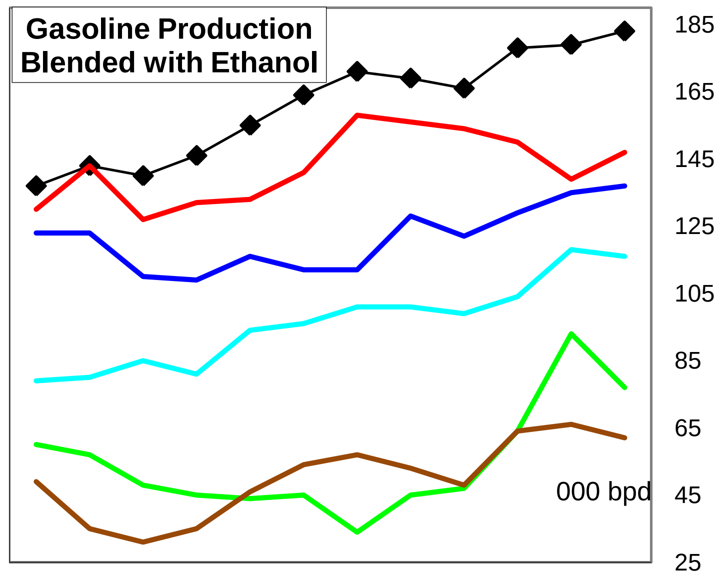
	Stocks	Production	Imports	Demand
Variance to prior year				
000 bpd (000 bls stocks)	23	4	0	4
% change	13.6	40.0	#DIV/0!	26.7

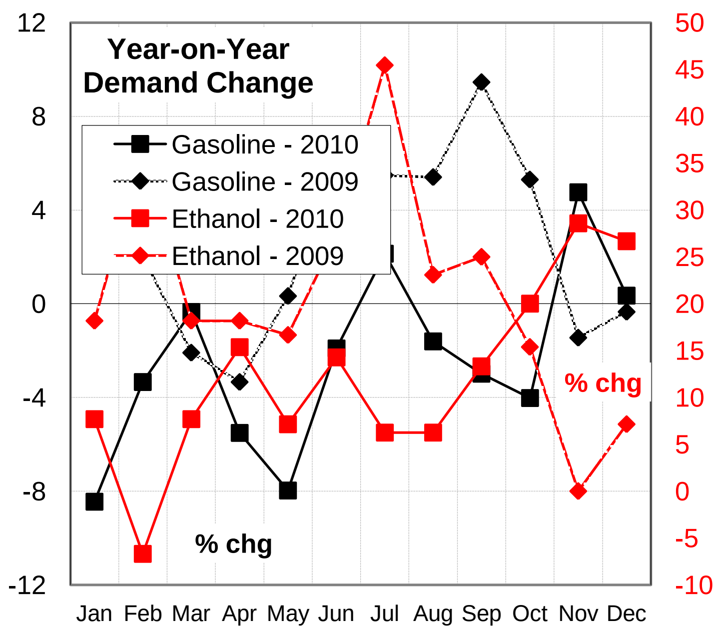
PADD 04 Gasoline/Ethanol Demand and Blending

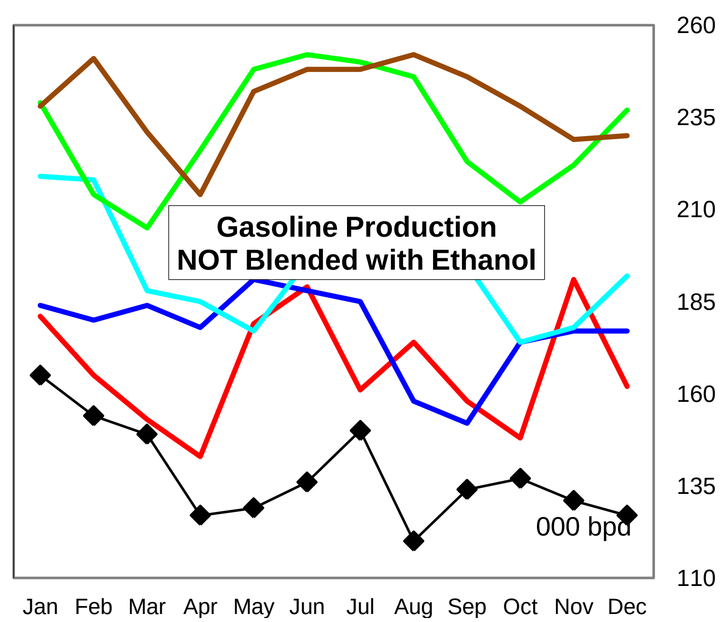






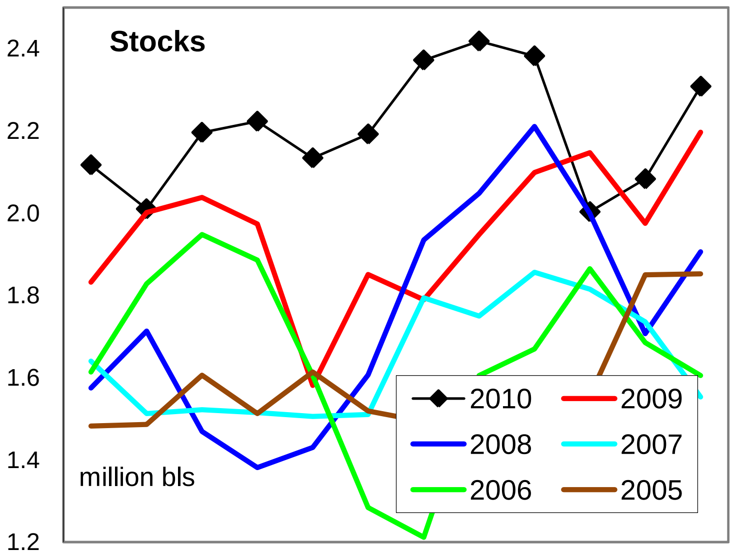


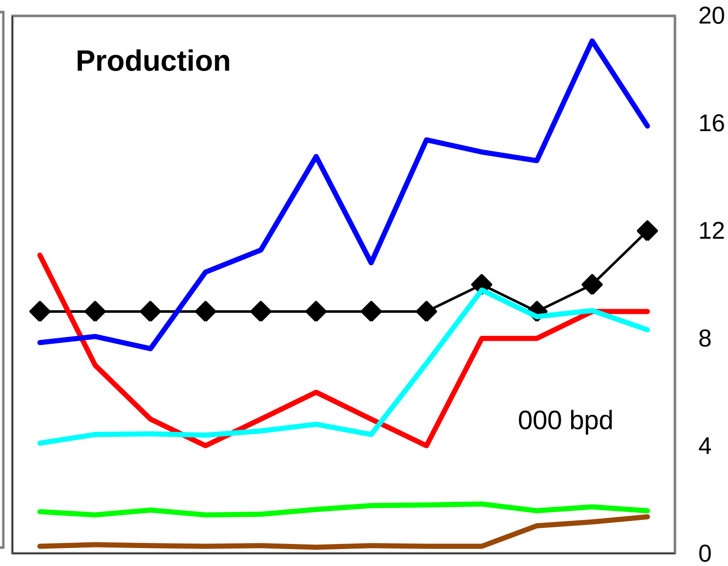


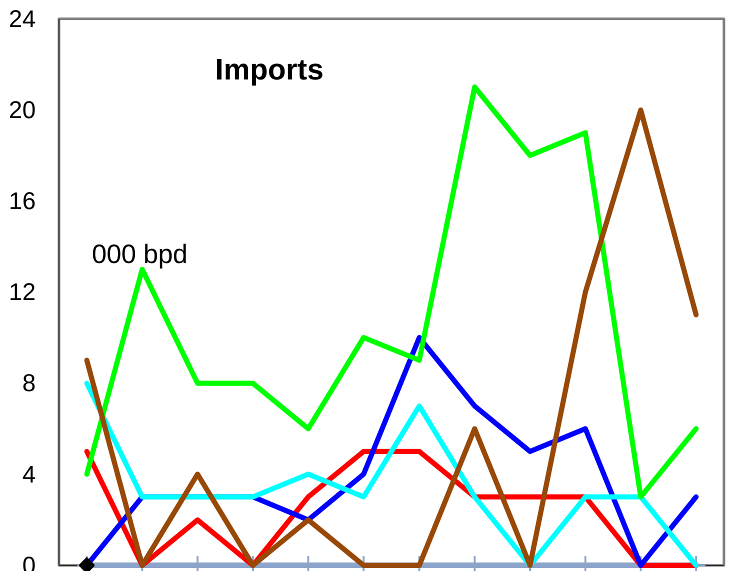


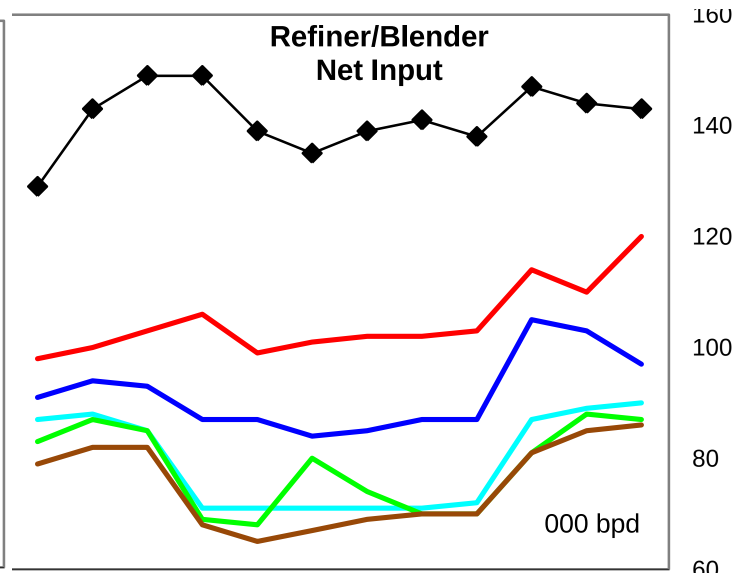
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	1	4	36	-35
% change	0.3	26.7	24.5	-21.6

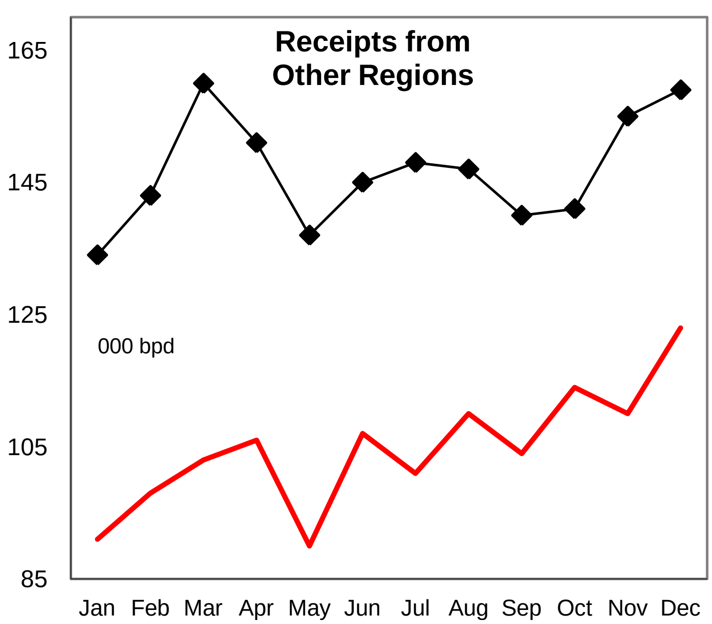
PADD 5 Ethanol Supply-Demand Balance

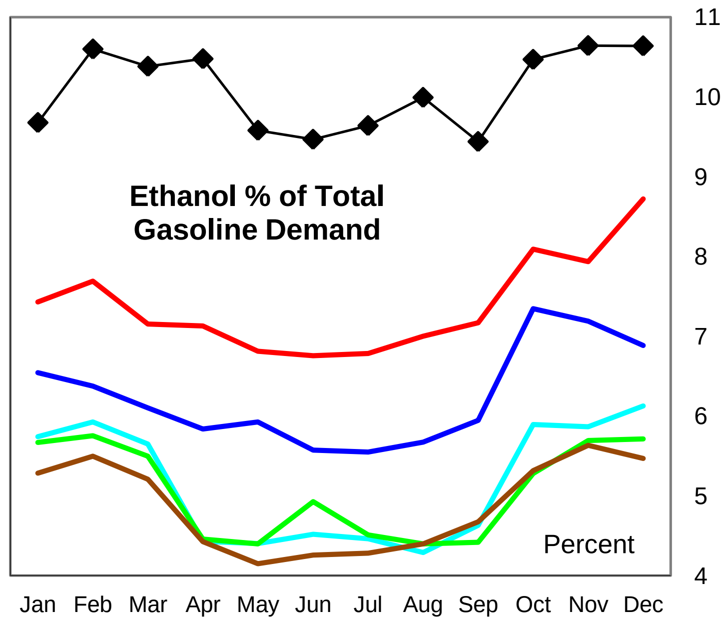












Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**111**	**3**	0	**23**
% change	**5.1**	**33.3**	#DIV/0!	**19.2**

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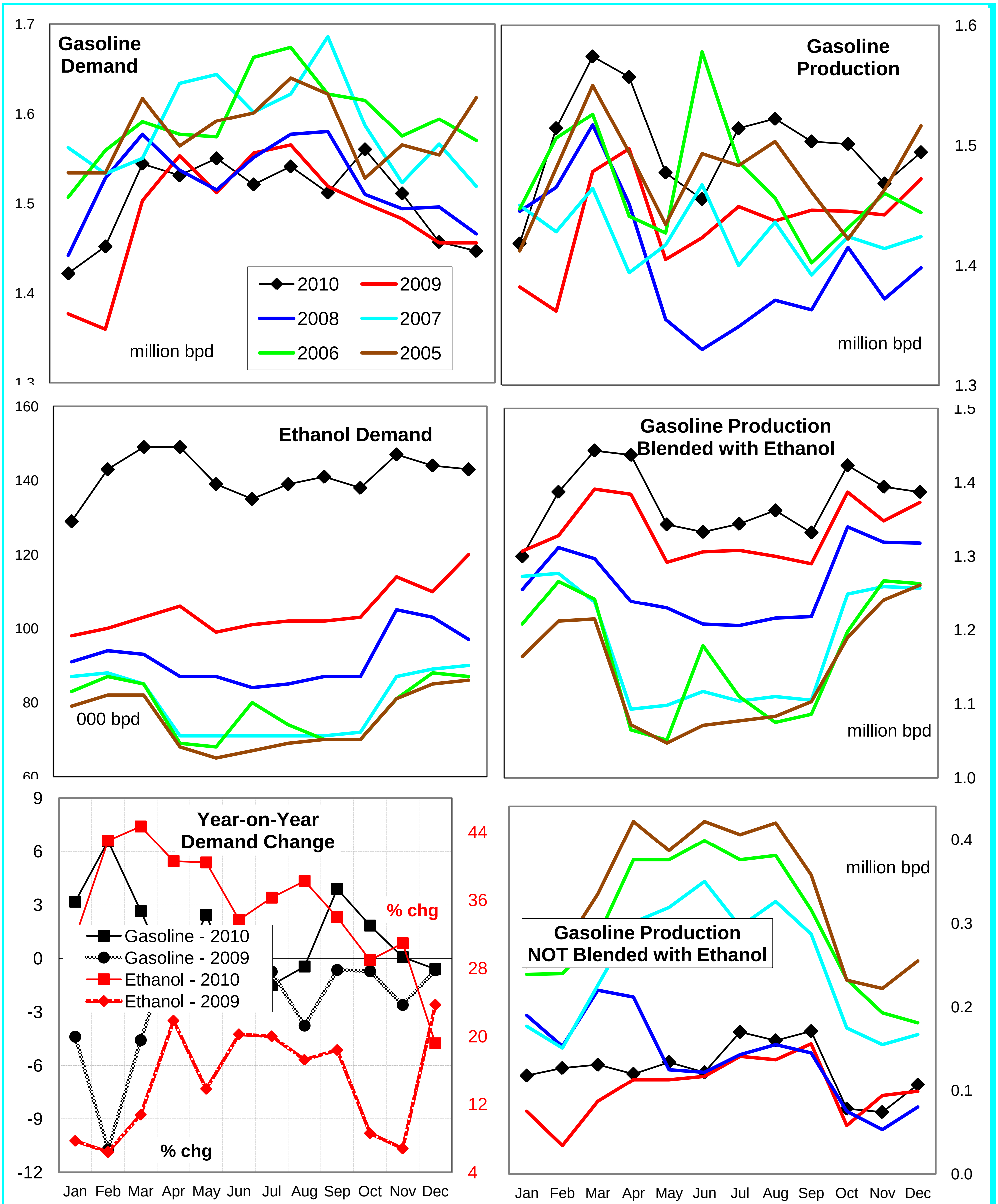
PADD 05 Gasoline/Ethanol Demand and Blending



Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-9	23	14	8
% change	-0.6	19.2	1.0	8.1

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Ethanol / Gasoline Fundamental Trends

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Dec10	Nov10	Oct10	Sep10	Aug10	Jul10	1-Month	3-Mth Avg	6-Mth Avg
U. S. Total									
Production	918	925	884	869	870	857	130	137	138
Imports	0	0	0	0	0	1	0	-6	-15
EIA Adjustment	-115	-103	-84	-77	-79	-74	-84	-41	-29
Implied Demand	807	797	804	789	805	810	88	97	113
Ending Stocks	17,940	18,029	17,295	17,408	17,340	17,784	1,229	1,985	2,251
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Conv Ethanol Gasoline Blend	5,002	4,925	4,987	4,911	4,995	5,057	675	708	822
Ethanol % of Total Gasoline	9.88	9.83	9.71	9.42	9.40	9.50	1.08	1.21	1.36
PADD 01									
Production	25	25	24	21	24	23	15	15	14
Imports	0	0	0	0	0	0	0	-1	-10
Receipts from other regions	306	327	301	310	309	304	NA		
Refiner/Blender Net Input	308	303	306	302	309	314	28	29	34
Ending Stocks	5,726	6,367	6,072	6,441	6,448	6,648	-226	275	350
Wholesale Gasoline Demand	3,270	3,179	3,219	3,318	3,316	3,365	84	19	81
Conv Ethanol Gasoline Blend	1,860	1,833	1,855	1,802	1,844	1,866	296	314	346
Ethanol % of Total Gasoline	10.40	10.54	10.50	10.01	10.28	10.29	0.76	1.03	1.01
PADD 02									
Production	847	857	817	806	804	793	105	113	111
Deliveries to other regions	-588	-597	-557	-556	-572	-555	NA		
Refiner/Blender Net Input	222	219	219	220	225	228	10	11	13
Ending Stocks	6,953	6,795	6,429	5,857	5,617	6,074	999	1,070	961
Wholesale Gasoline Demand	2,542	2,507	2,543	2,552	2,672	2,664	43	29	19
Conv Ethanol Gasoline Blend	1,828	1,803	1,817	1,819	1,861	1,891	104	105	125
Ethanol % of Total Gasoline	9.57	9.57	9.42	9.43	9.19	9.36	0.30	0.39	0.52
PADD 03									
Production	20	19	19	19	18	18	3	3	5
Imports	0	0	0	0	0	0	0	-3	-3
Receipts from other regions	117	108	109	102	111	97	NA		
Refiner/Blender Net Input	115	113	114	113	113	112	23	23	30
Ending Stocks	2,761	2,579	2,591	2,526	2,640	2,494	322	592	674
Wholesale Gasoline Demand	1,378	1,432	1,486	1,401	1,519	1,388	-35	19	-1
Conv Ethanol Gasoline Blend	766	749	750	740	726	729	220	225	293
Ethanol % of Total Gasoline	9.11	8.57	8.31	8.77	8.04	8.78	2.14	1.81	2.39
PADD 04									
Production	14	15	14	13	14	13	4	4	4
Receipts from other regions	7	6	6	5	6	7	NA		
Refiner/Blender Net Input	19	18	18	17	17	17	4	4	3
Ending Stocks	192	205	200	202	217	196	23	23	31
Wholesale Gasoline Demand	294	286	286	292	307	334	1	1	-1
Conv Ethanol Gasoline Blend	183	179	178	166	169	171	-363	-350	-276
Ethanol % of Total Gasoline	6.91	6.72	6.72	6.18	5.86	5.36	1.51	1.41	0.98
PADD 05									
Production	12	10	9	10	9	9	3	2	3
Imports	0	0	0	0	0	0	0	-1	-2
Receipts from other regions	159	155	141	140	147	148	NA		
Refiner/Blender Net Input	143	144	147	138	141	139	23	30	34
Ending Stocks	2,308	2,083	2,003	2,382	2,418	2,372	111	25	235
Wholesale Gasoline Demand	1,487	1,497	1,551	1,600	1,552	1,581	-9	7	8
Conv Ethanol Gasoline Blend	365	361	388	384	394	399	19	29	34
Ethanol % of Total Gasoline	10.64	10.64	10.47	9.44	9.99	9.64	1.92	2.33	2.52

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