ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, June 07, 2011

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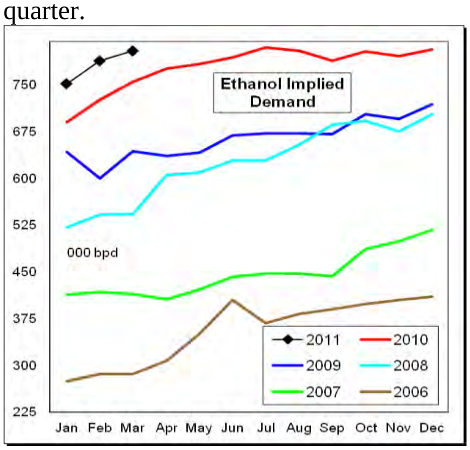
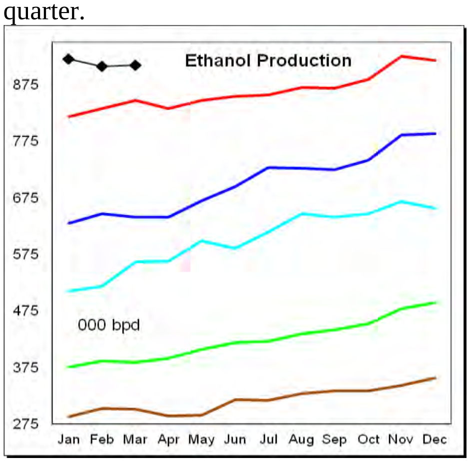
Summary: Ethanol demand was 782,000 bpd in the Jan11 - Mar11 quarter, down -21,000 bpd compared to the Oct10 - Dec10 period. Wholesale gasoline demand decreased -383,000 bpd in the same quarter on quarter period. These trends show blend rates were higher in the latest quarter.



Year-over-year demand for ethanol between Jan11 - Mar11 and the same quarter in 2010 increased +58,000 bpd. This represented a +8% increase.

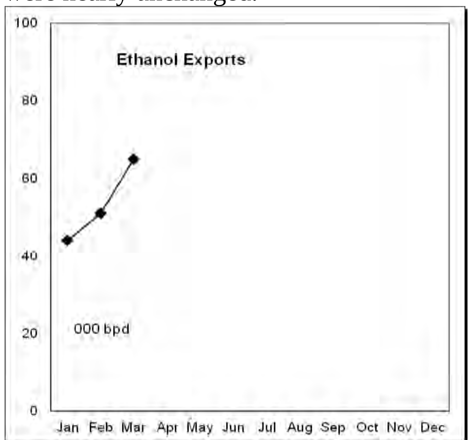
Ethanol production was 912,000 bpd during the Jan11 - Mar11 quarter, up +3,000 bpd compared to the Oct11 - Dec11 quarter.

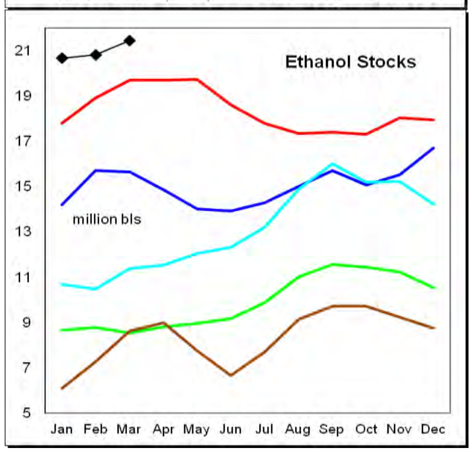


Year-over-year production increased in the Jan11 - Mar11 quarter by +79,000 bpd. This was a +9.5% increase.

Ethanol exports averaged 53,000 bpd in the Jan11 - Mar11, the latest period for which the EIA has reported export volume. Exports were equal to 6.8% of domestic use.

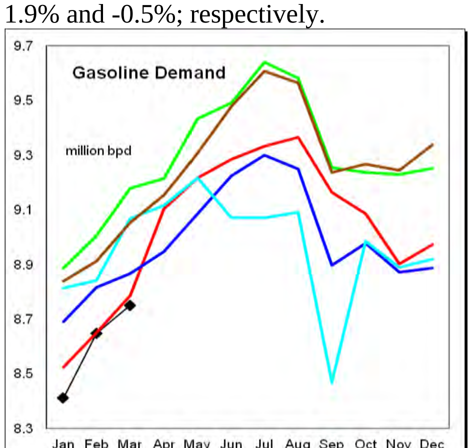
Ethanol stocks increased +631,000 barrels at the end of March, compared to the end of February. March ending stocks were 21.4 million barrels, a new all time high. Stocks increased +1.5 million barrels in PADD 1. Stocks fell -0.8 million barrels in PADD 2. Other regions were nearly unchanged.





Gasoline Demand Trends: Wholesale gasoline demand decreased -51,000 bpd year-over-year in the Jan11 - Mar11 period compared to a year ago, a -0.6% decrease.

Gasoline year-on-year demand in April 2011 and May 2011 decreased -1.9% and -0.5%; respectively.



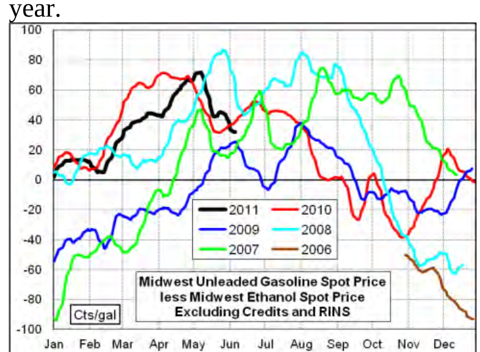
Blending Trends: During the Jan11 - Mar11 quarter, 4.8 million bpd of conventional gasoline was blended with ethanol, equal to 83% of conventional grade output. This was an increase of +0.6 million bpd over the same period in 2010. The volume of gasoline not blended with ethanol was 0.8 million bpd in Mar 2011, 14% of total production.

Ethanol Blend Economics: Midwest ethanol prices traded within a range of \$2.30/gal to a high of \$2.70/gal between March and June, 2011.

Midwest spot gasoline prices trended higher from a low of \$2.70/gal in mid March to a high of \$3.50/gal in mid May, fell to a low of \$2.90/gal in early June 2011

The Midwest spot gasoline - ethanol price spread has declined from a high of +70 cpg in early May to the current low of +32 cpg in early June 2011. The current spread at +32 cpg in favor of gasoline matches the historic mid range for this time of year.

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



Emerging Trends: Weekly ethanol stocks peaked at 20.8 million barrels in the 3rd week of May, a new record high level. Gasoline stocks in markets East of the Rockies fell to a season low during the last week of April and have since increased to the historic mid range on record high production and above average imports. The surge in gasoline supply since early May has lead to the decline in blend stock economics.

There is a significant risk the gasoline markets will become over supplied on lackluster demand, high production and imports during the peak summer driving season. Over supply conditions for gasoline would pressure ethanol blend economics lower.

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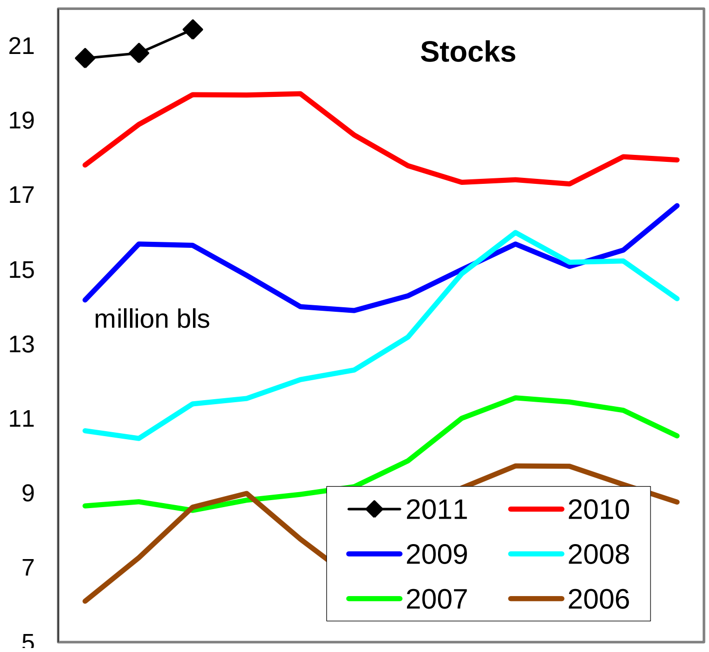
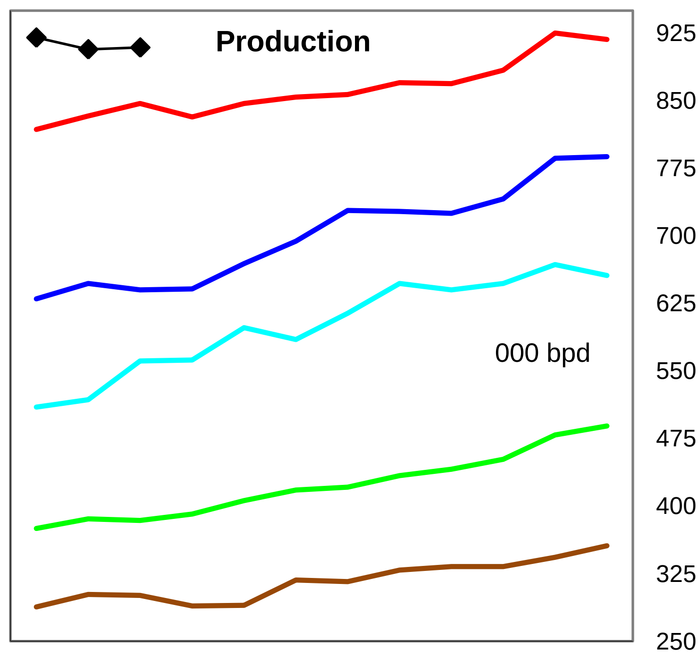
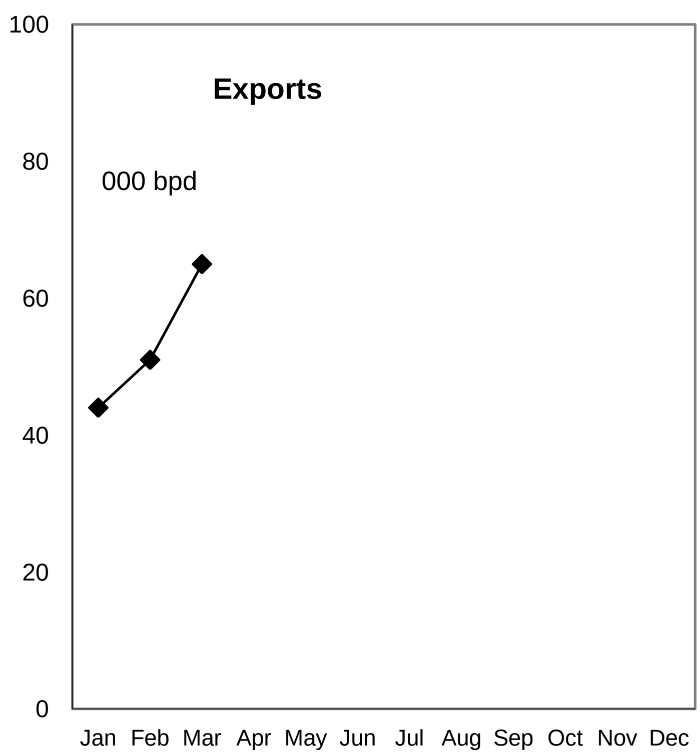
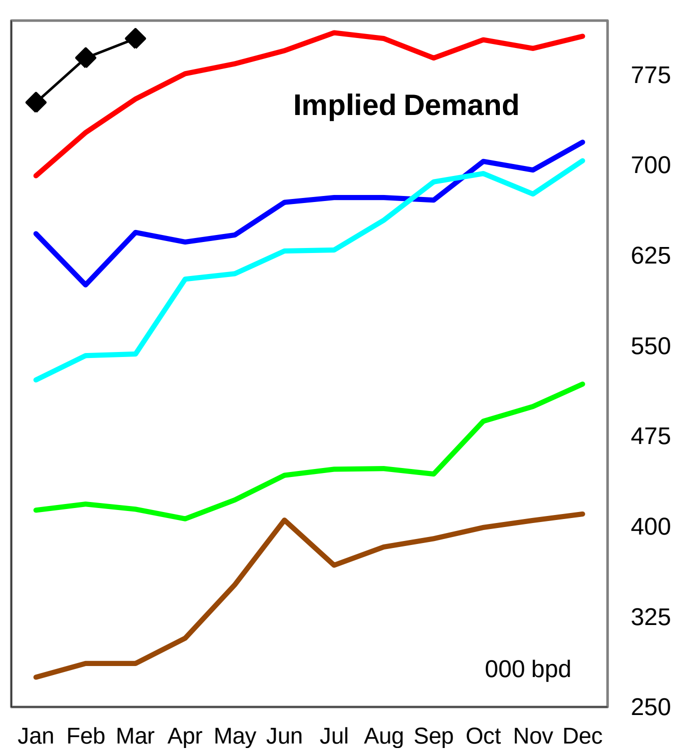
United States Ethanol Supply-Demand Balance

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Mar11	Feb11	Jan11	Dec10	Nov10	Oct10	1-Month	3-Mth Avg	6-Mth Avg
Production	909	907	920	918	925	884	62	79	108
Exports	65	51	44	0	0	0	65	53	27
EIA Adjustment	-20	-62	-36	-115	-103	-84	48	37	-2
Demand	805	789	752	807	797	804	50	58	77
Ending Stocks	21,440	20,809	20,672	17,940	18,029	17,295	1,749	2,178	2,081
Change in stocks	631	137	2,732	-89	734	-113			
Wholesale Gasoline Demand	8,750	8,648	8,412	8,972	8,901	9,086	-37	-51	12
Conv Ethanol Gasoline Blend	5,005	4,880	4,636	5,002	4,925	4,987	530	561	635
Ethanol % of Total Gasoline	10.13	10.04	9.82	9.88	9.83	9.71	0.73	0.86	1.03









Variance to prior year	Stocks	Production	Exports	Demand
000 bpd (000 bls stocks)	**1,749**	**62**	**65**	**50**
% change	**8.9**	**7.3**	#DIV/0!	**6.6**

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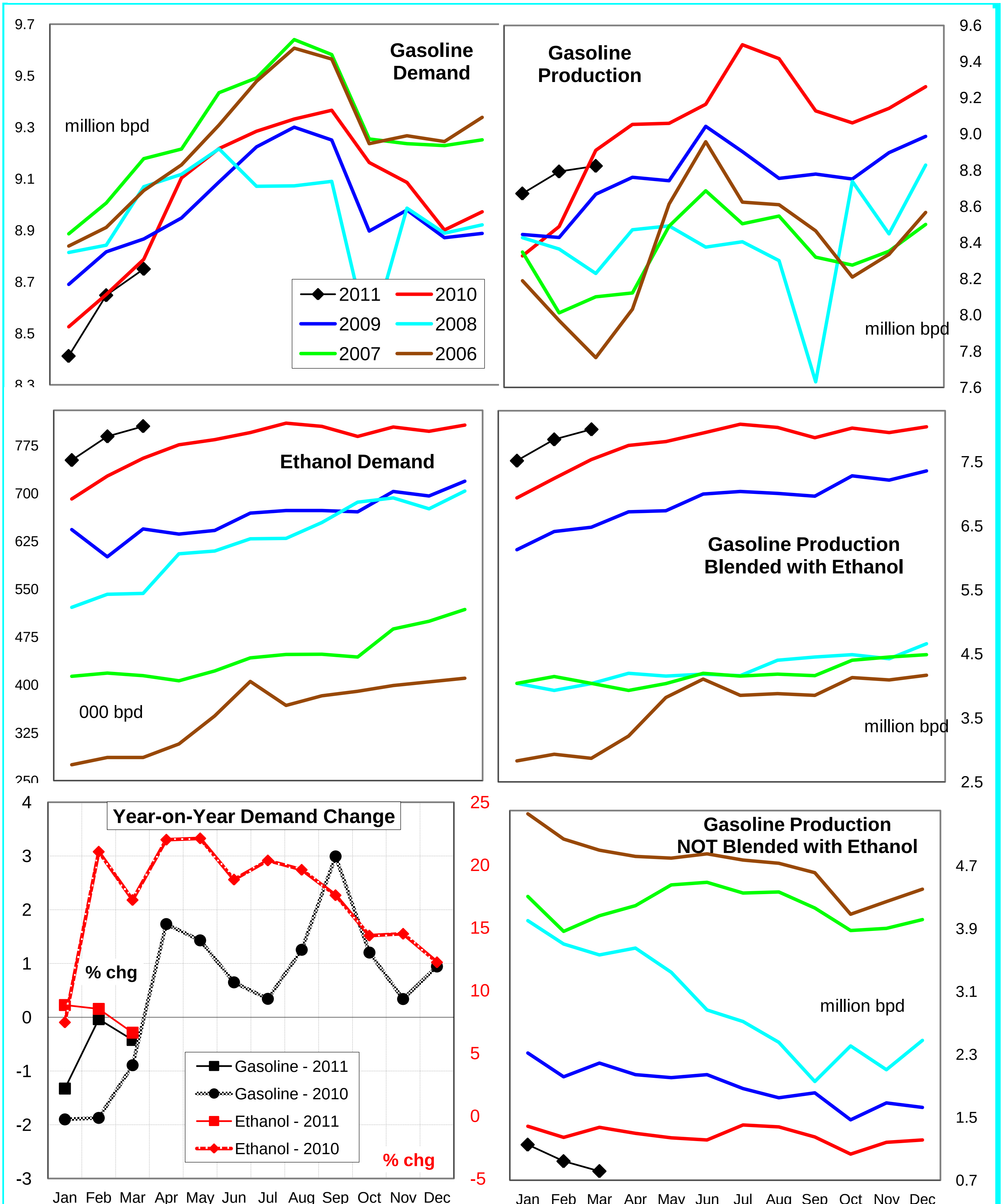
U. S. Gasoline/Ethanol Demand and Blending



Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-37	50	472	-558
% change	-0.4	6.6	6.3	-40.6

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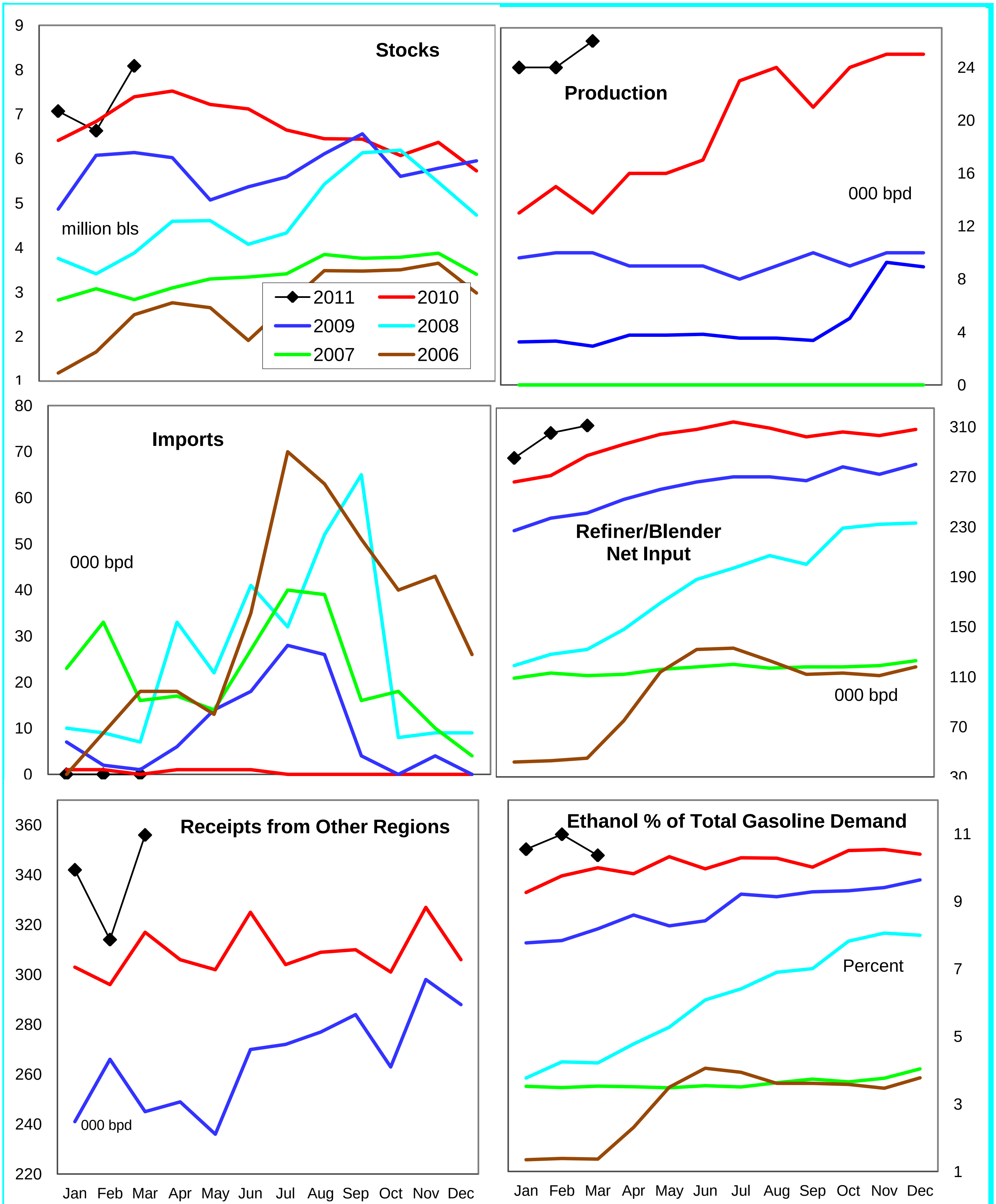
PADD 1 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	690	13	0	24
% change	9.3	100.0	#DIV/0!	8.4

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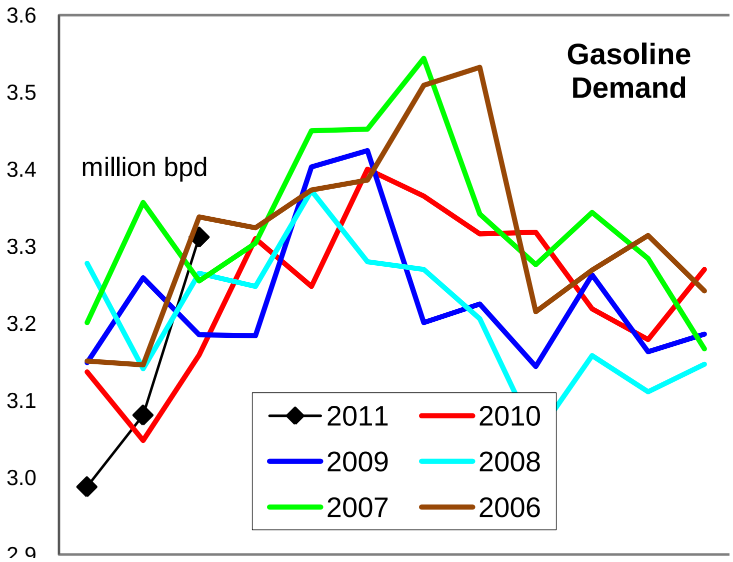
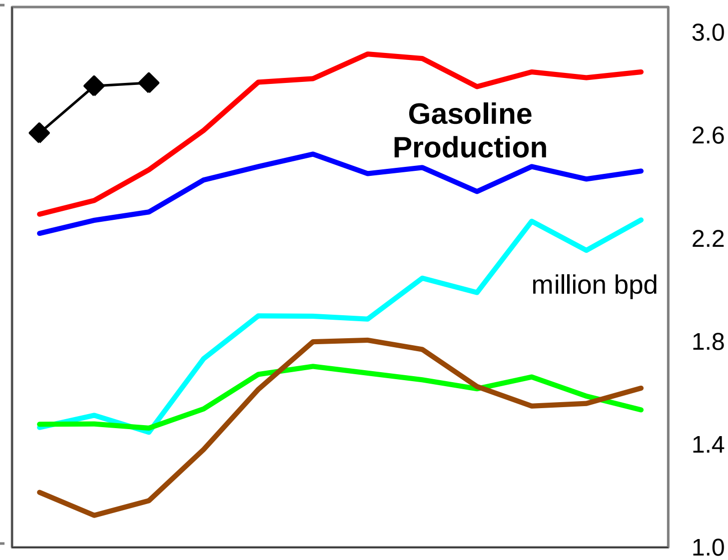
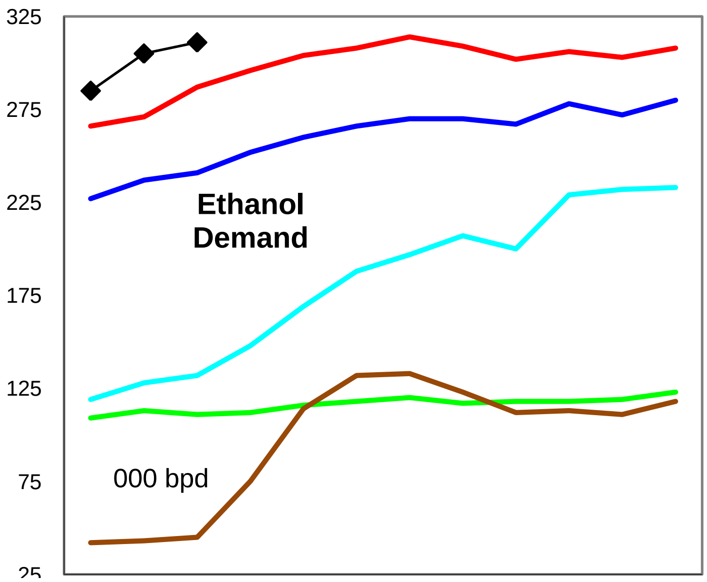
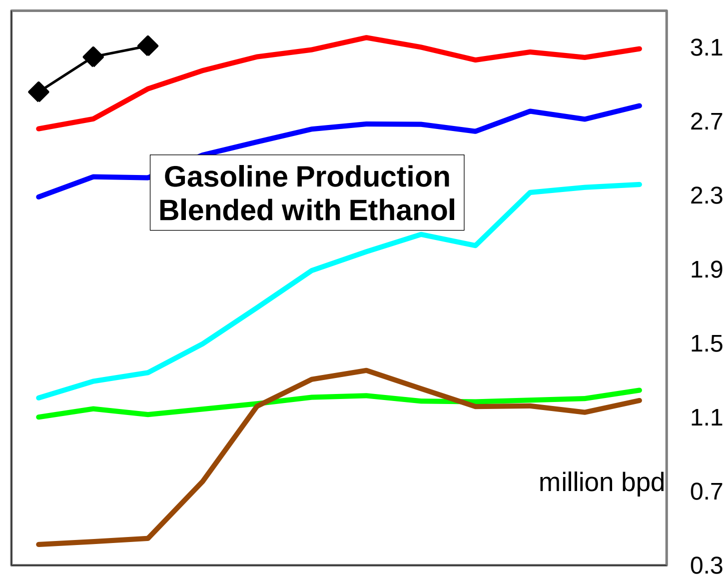
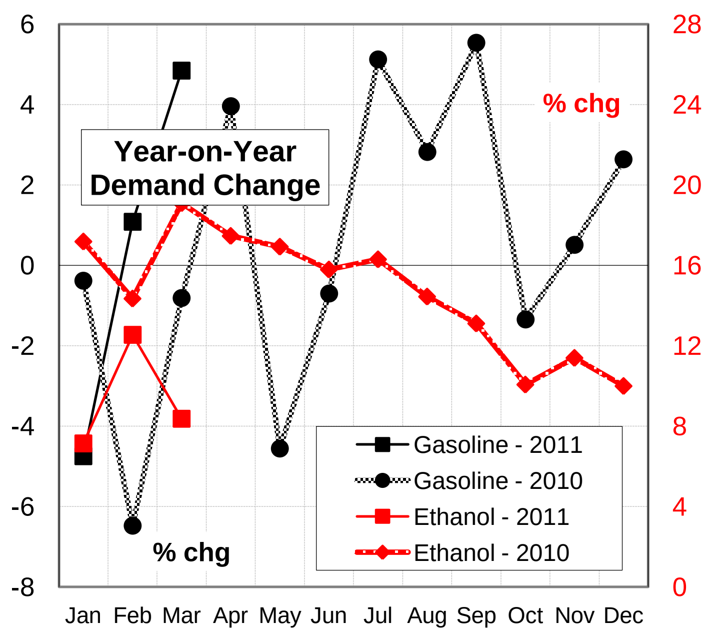
PADD 01 Gasoline/Ethanol Demand and Blending

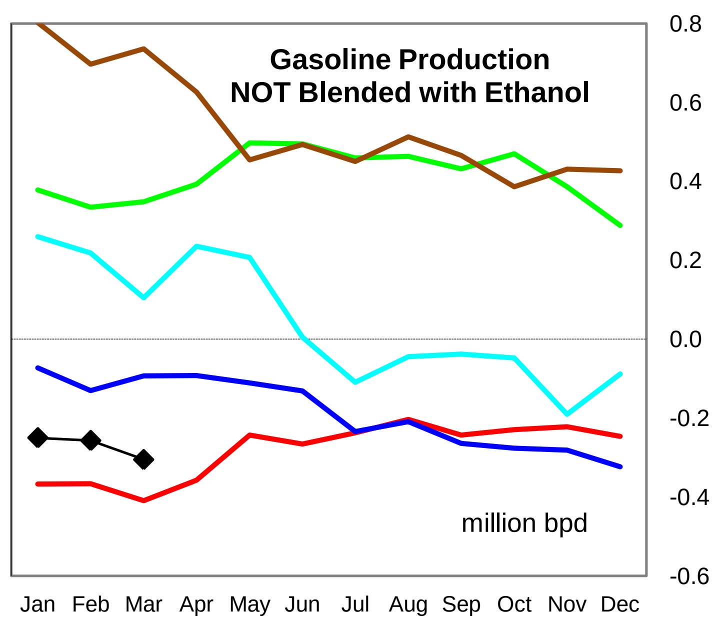












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	153	24	233	104
% change	4.8	8.4	8.1	-25.4

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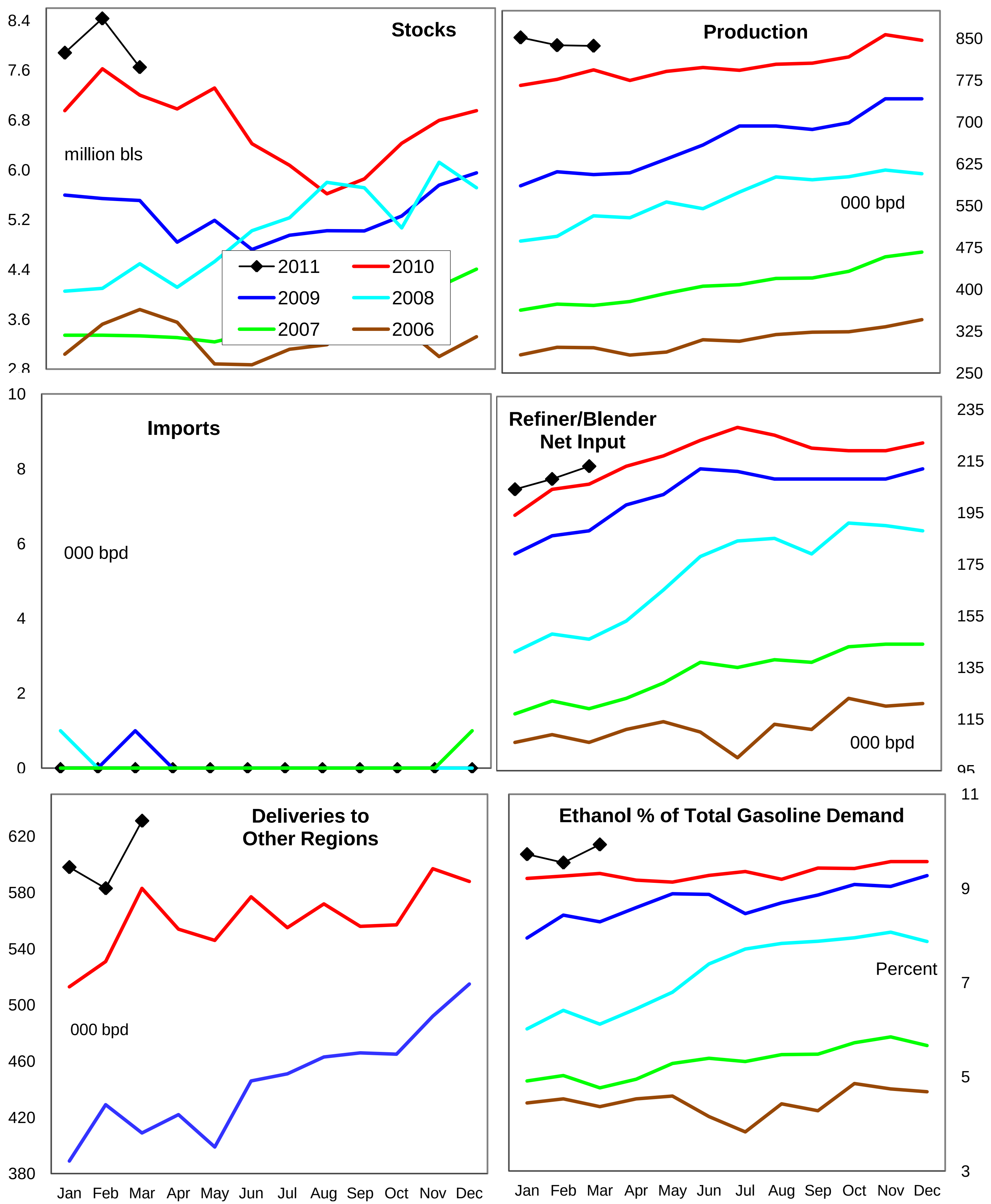
PADD 2 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**450**	**43**	0	**7**
% change	**6.2**	**5.4**	#DIV/0!	**3.4**

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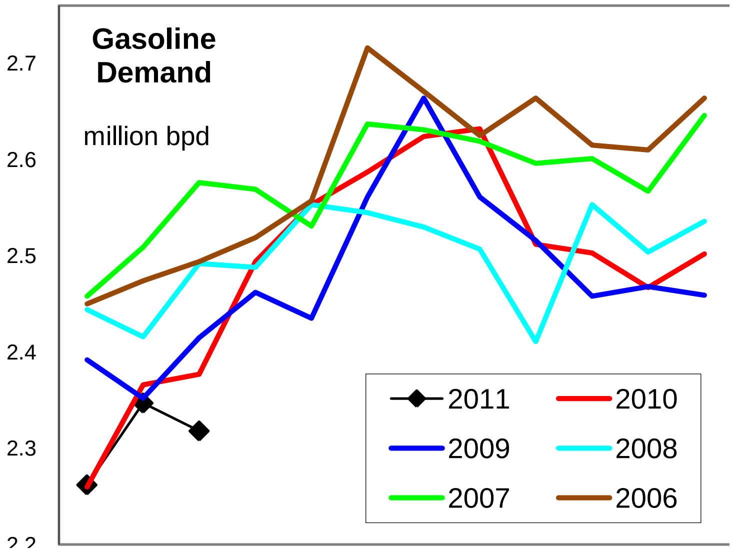
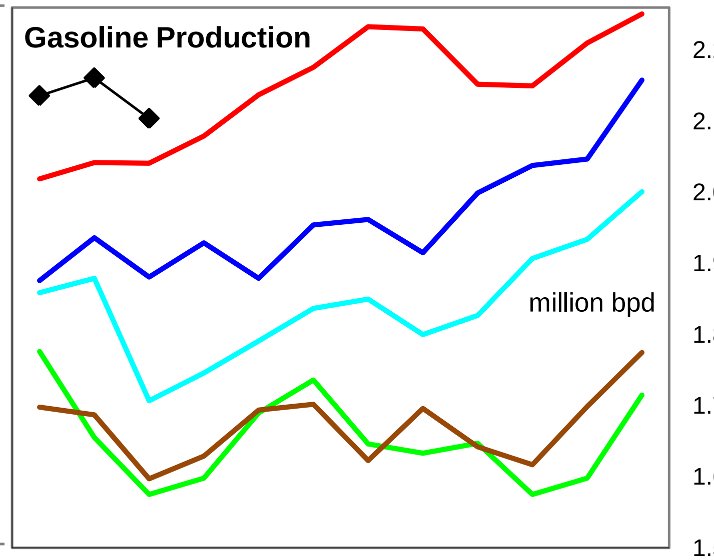
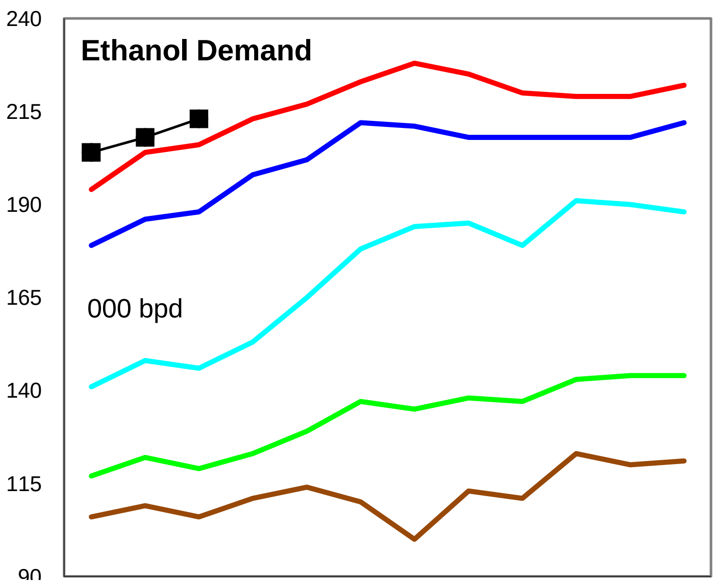
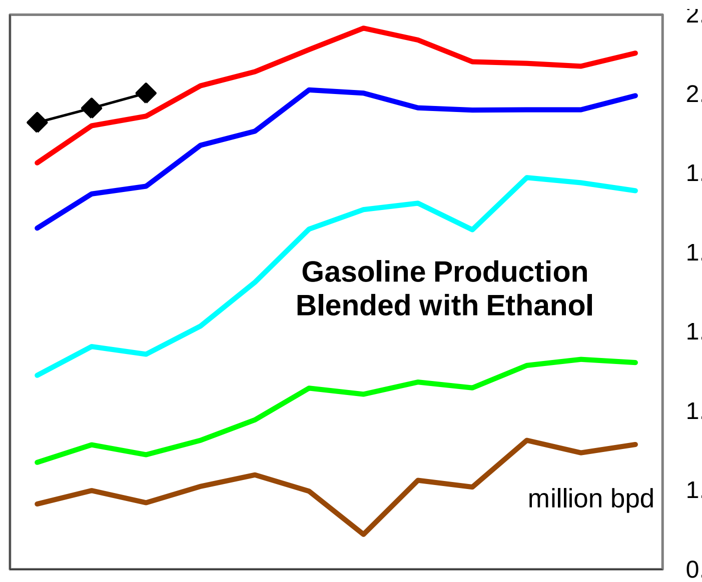
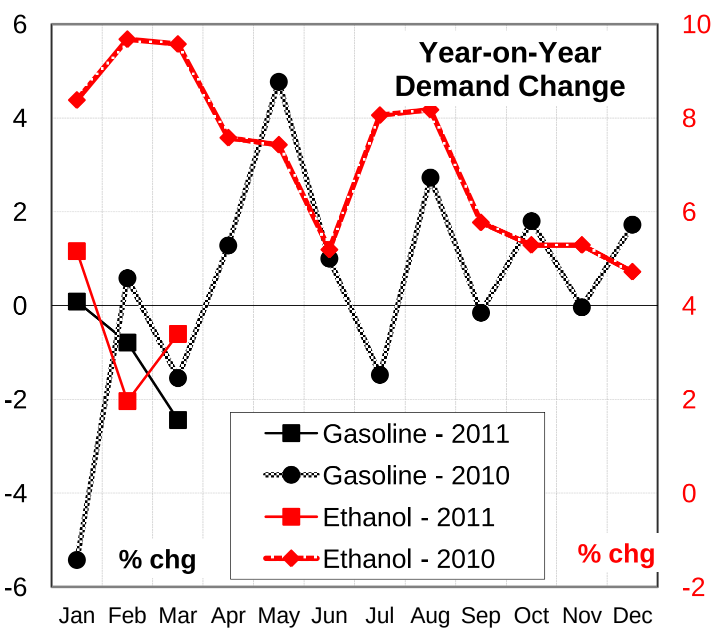
PADD 02 Gasoline/Ethanol Demand and Blending

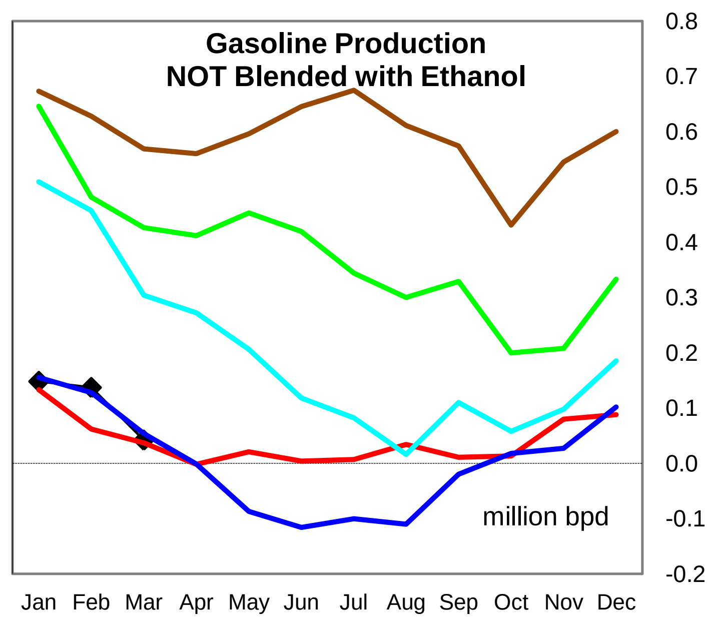






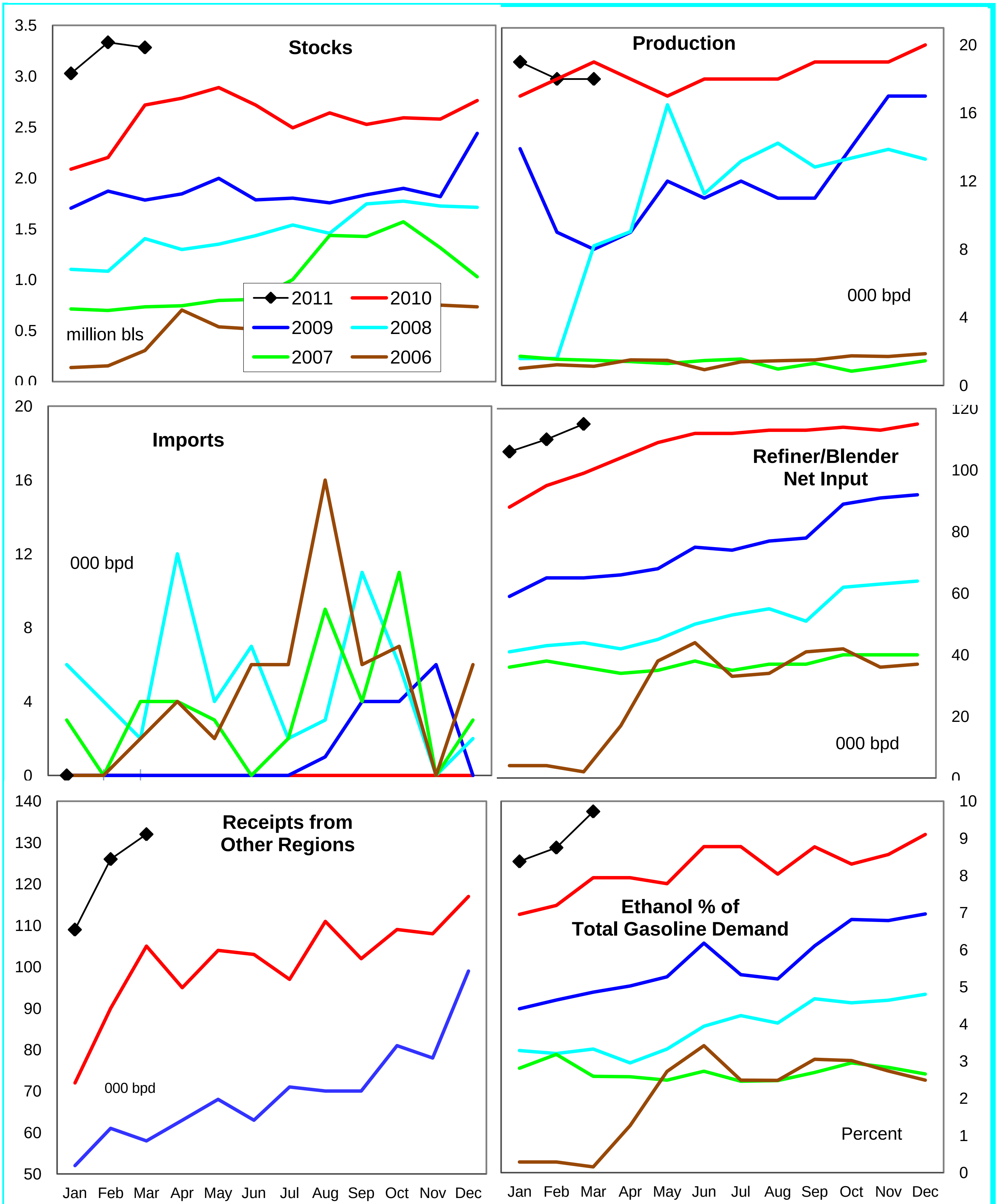






Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-59	7	58	5
% change	-2.4	3.4	2.8	13.5

PADD 3 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	565	-1	0	16
% change	20.8	-5.3	#DIV/0!	16.2

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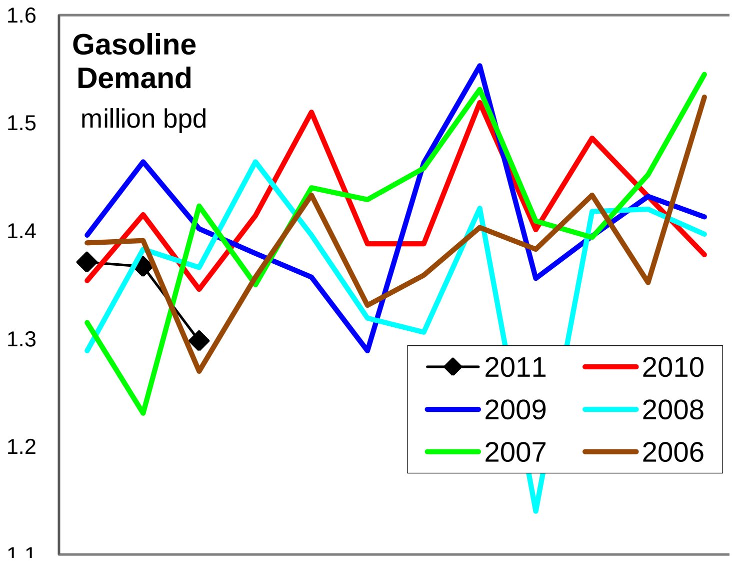
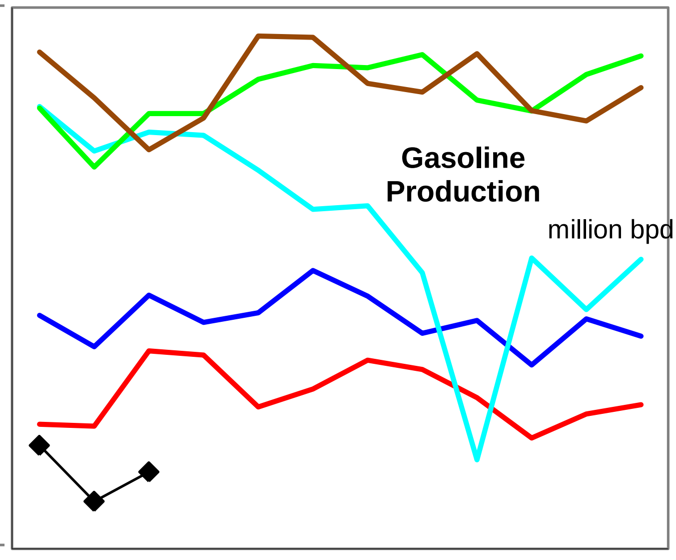
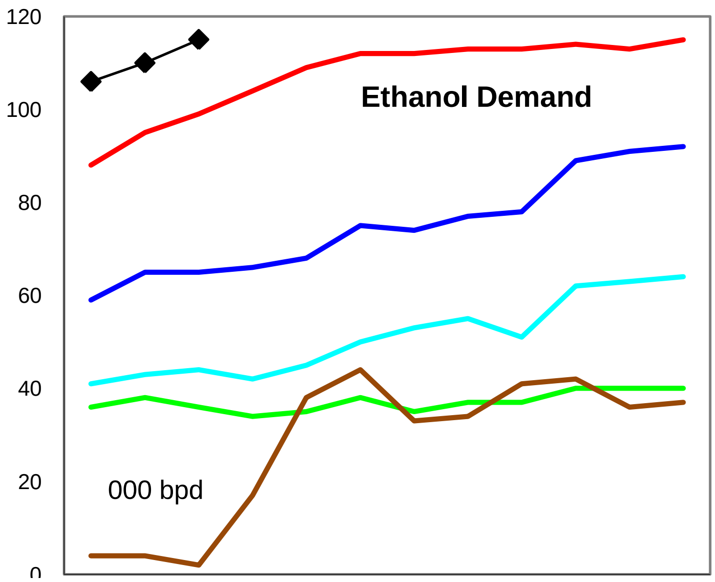
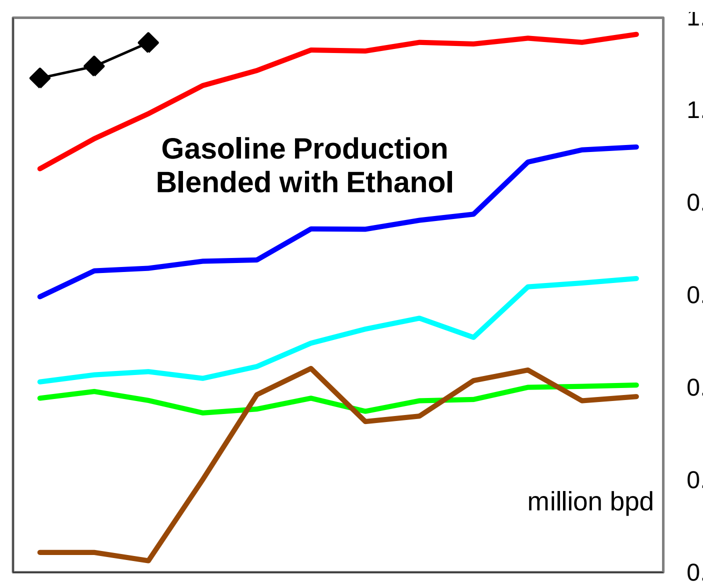
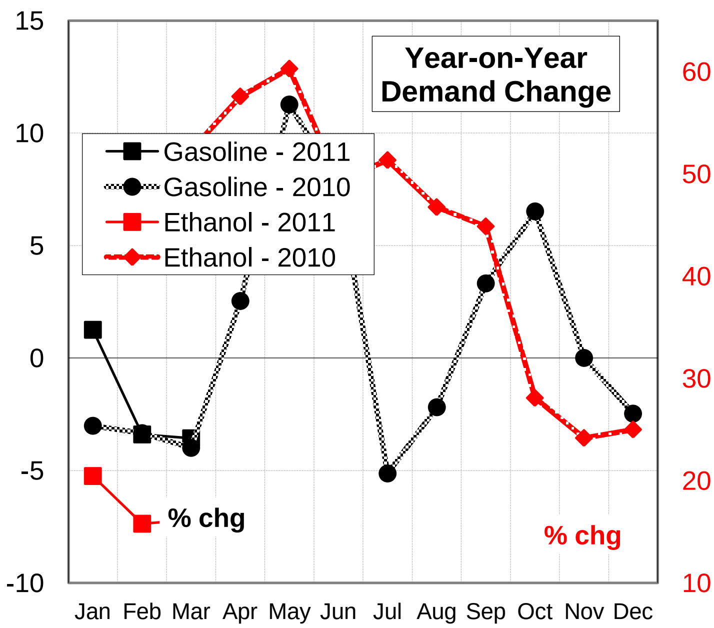
PADD 03 Gasoline/Ethanol Demand and Blending

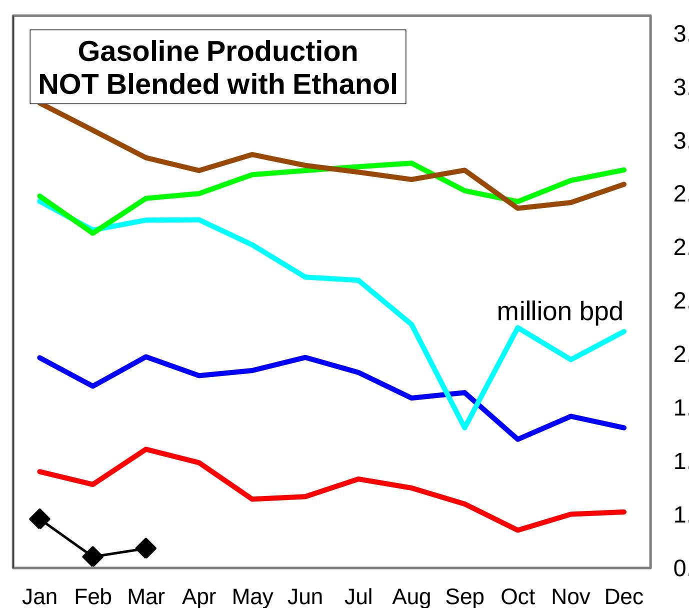






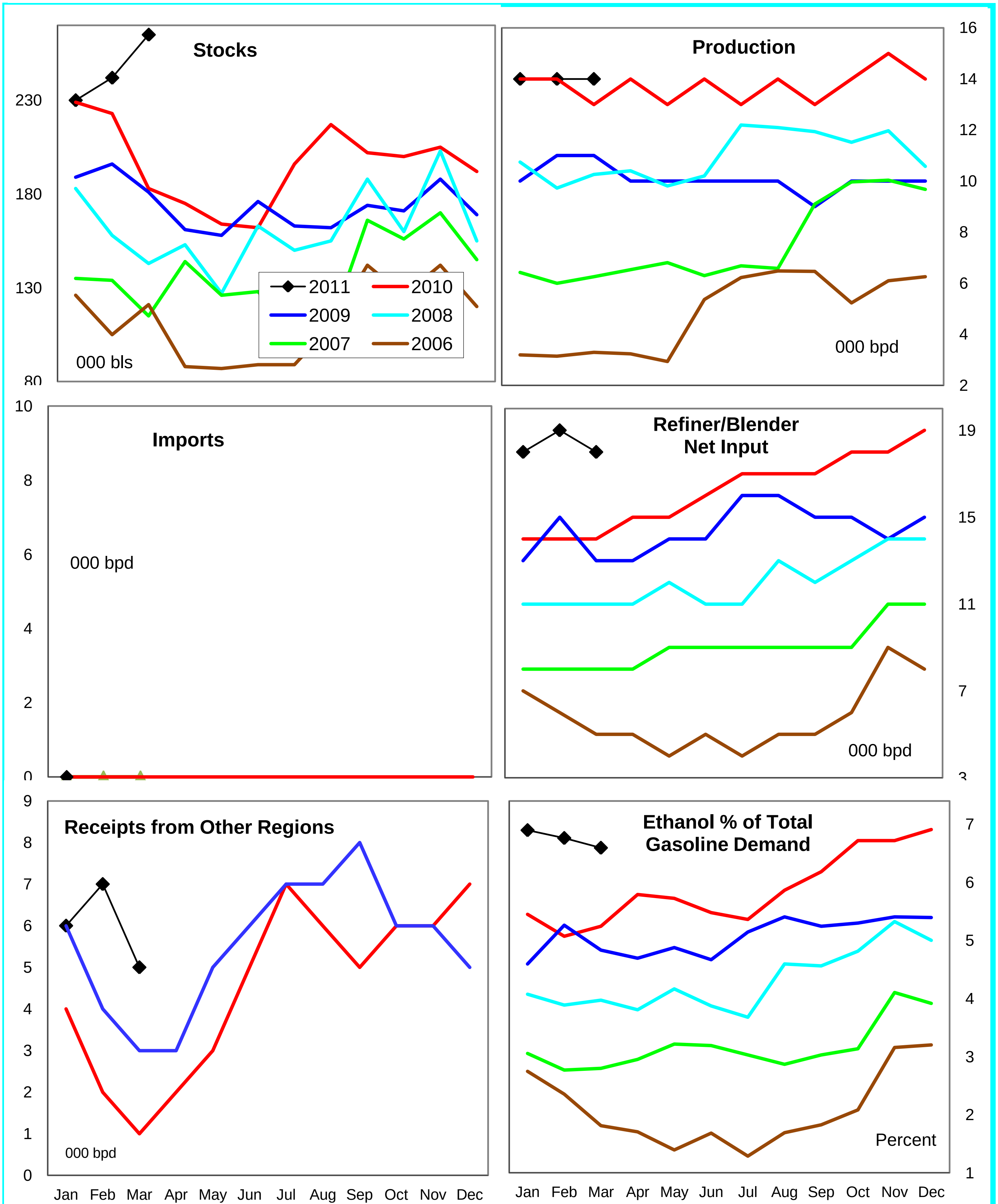






Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-38	16	154	-556
% change	-3.8	16.2	15.5	-37.9

PADD 4 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	82	1	0	4
% change	44.8	7.7	#DIV/0!	28.6

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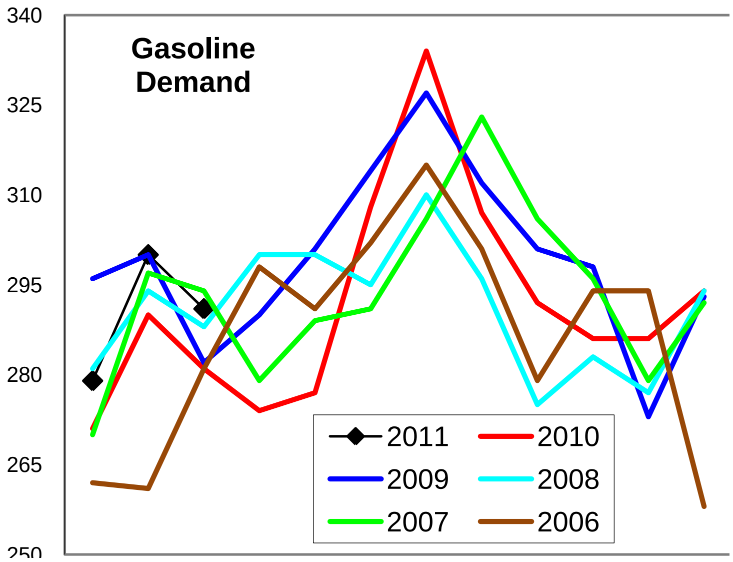
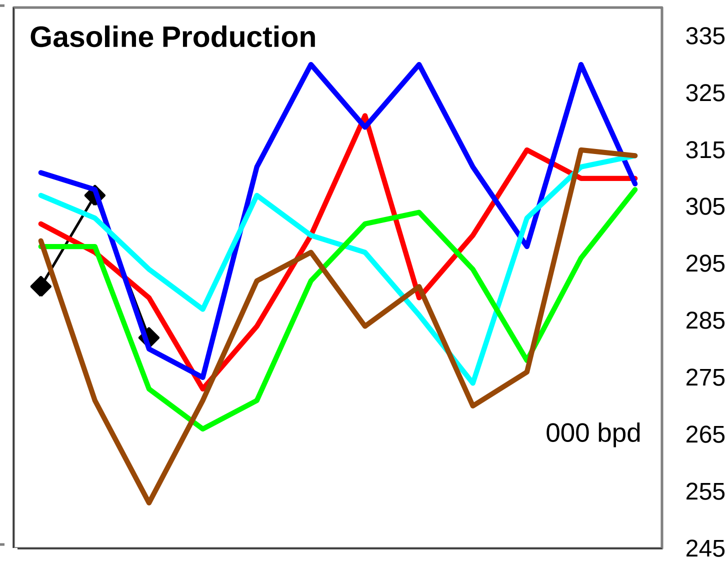
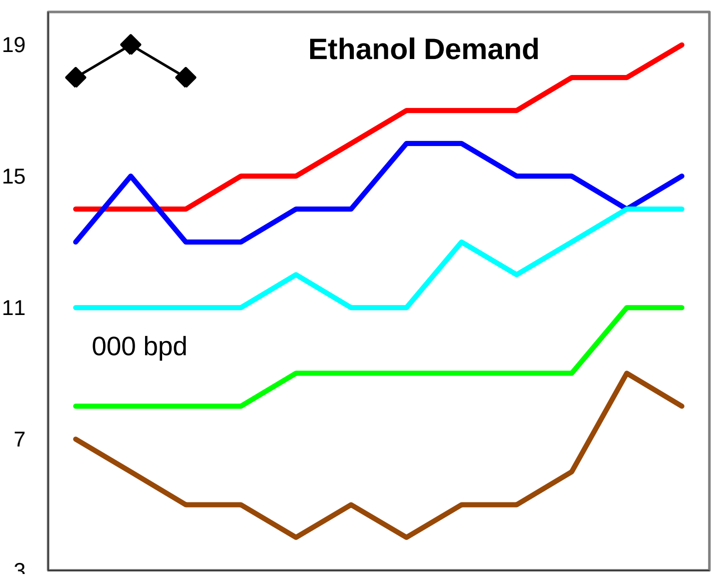
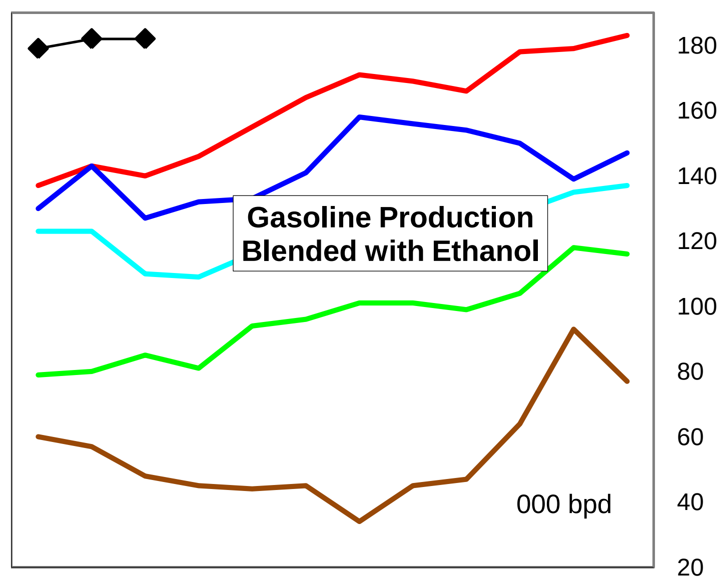
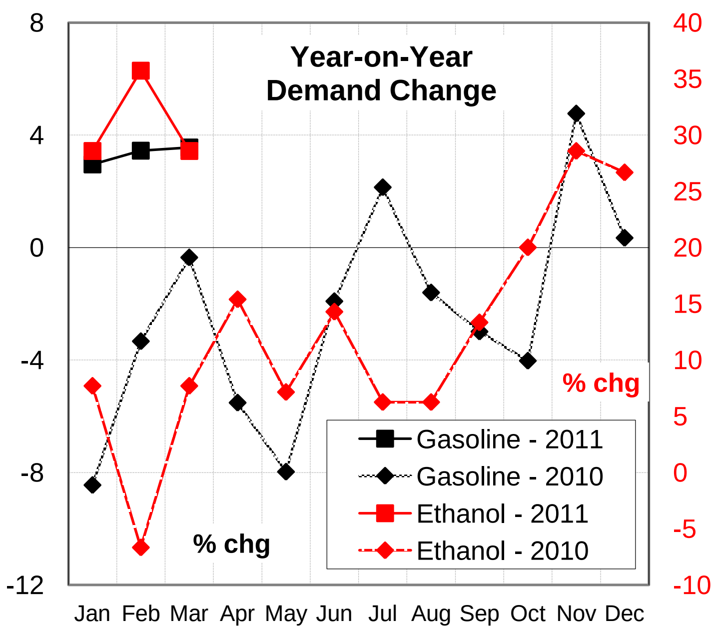
PADD 04 Gasoline/Ethanol Demand and Blending

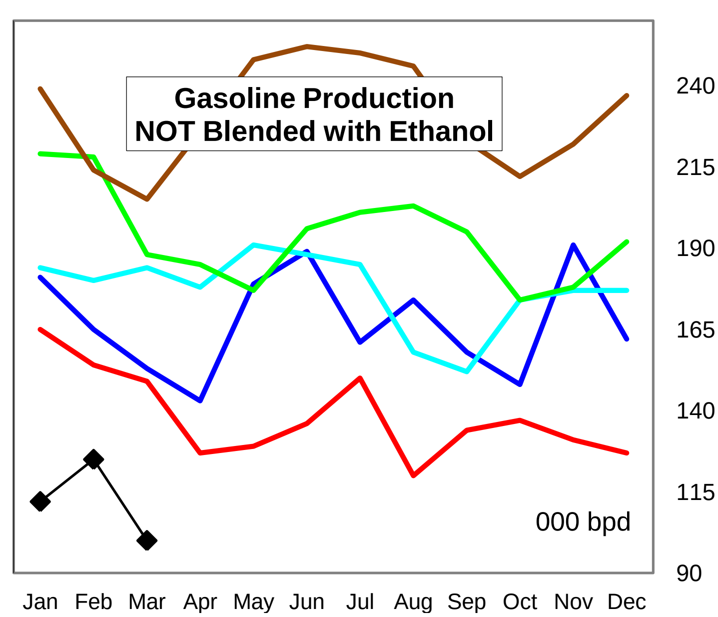












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	10	4	42	-49
% change	3.6	28.6	30.0	-32.9

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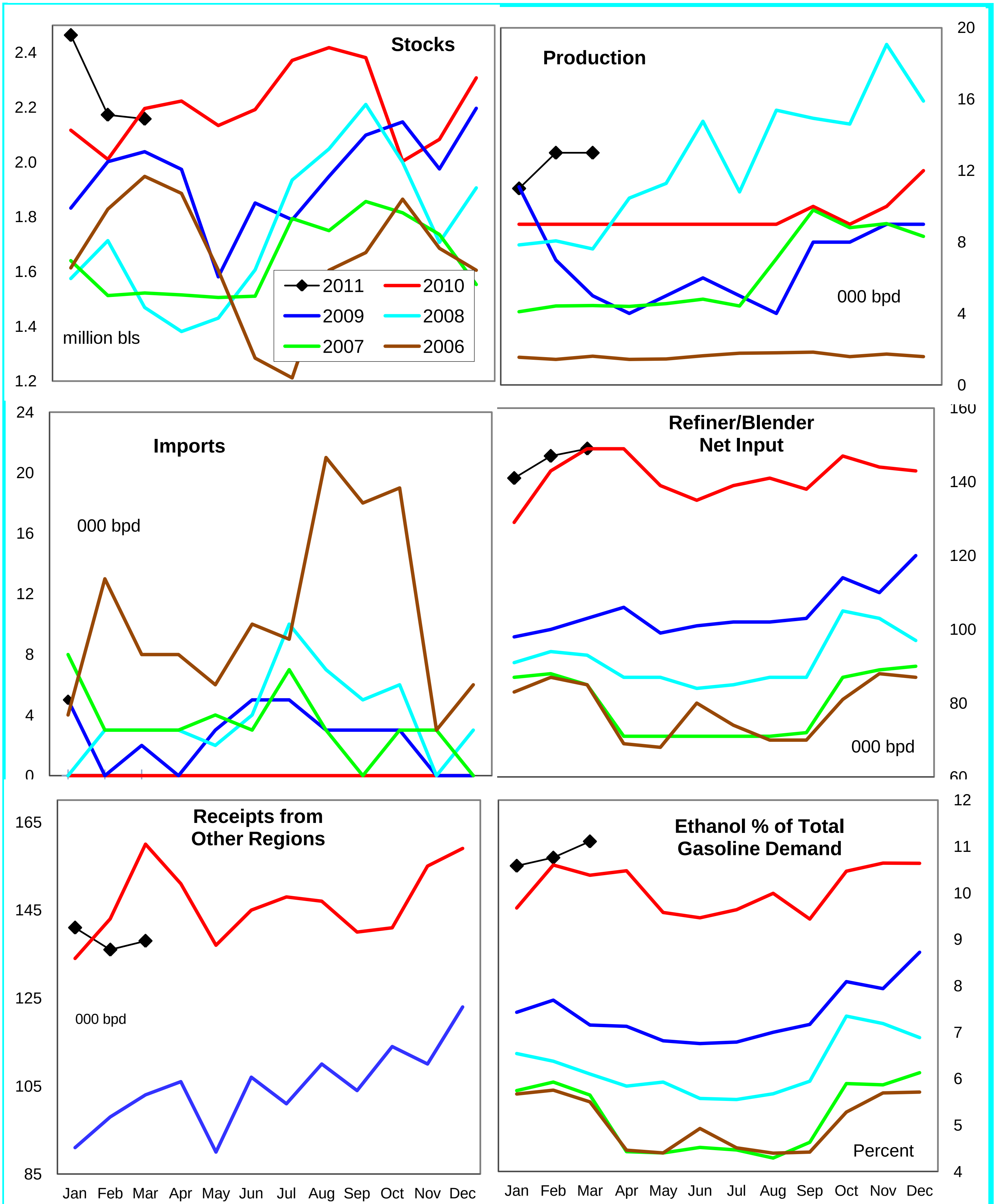
PADD 5 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	-38	4	0	0
% change	-1.7	44.4	#DIV/0!	0.0

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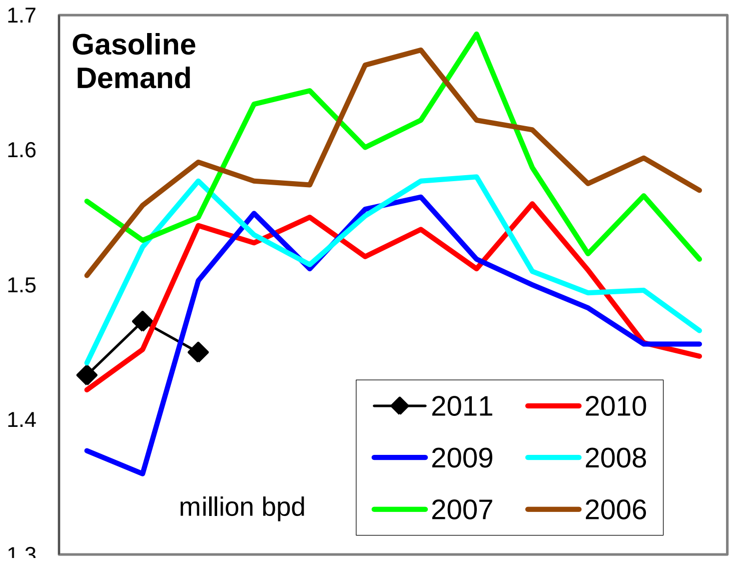
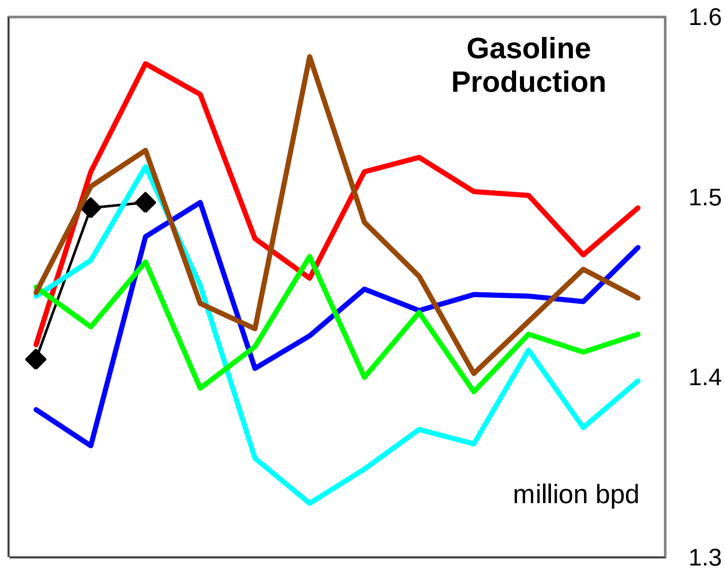
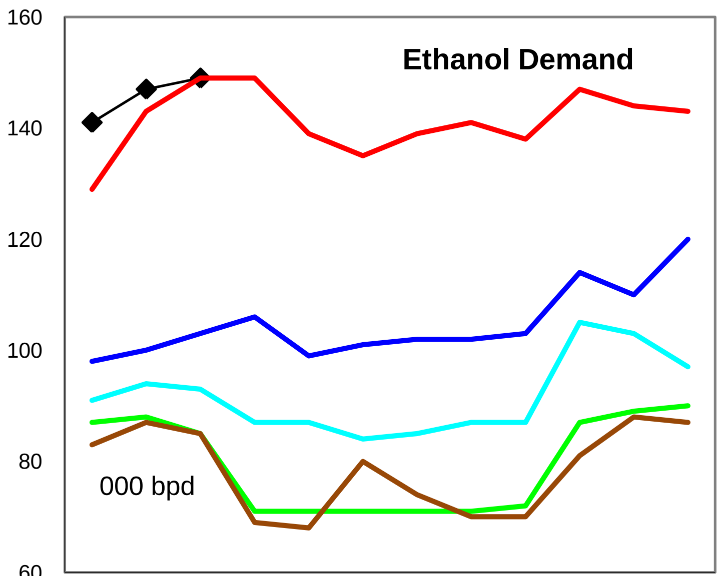
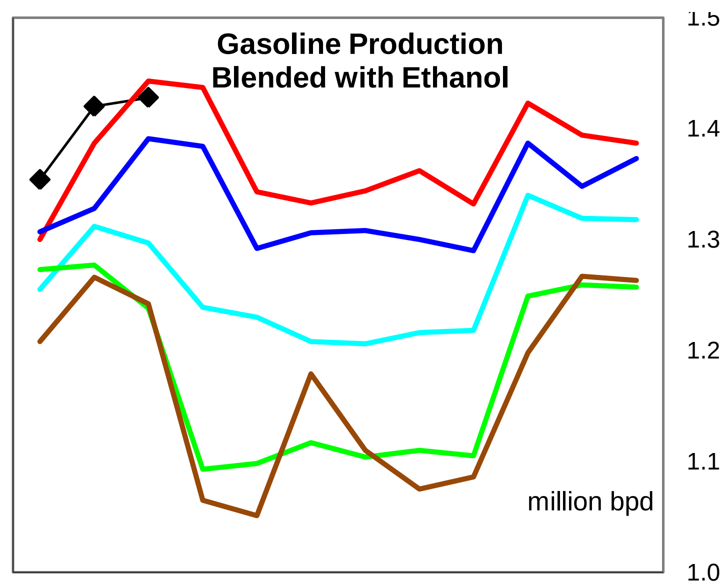
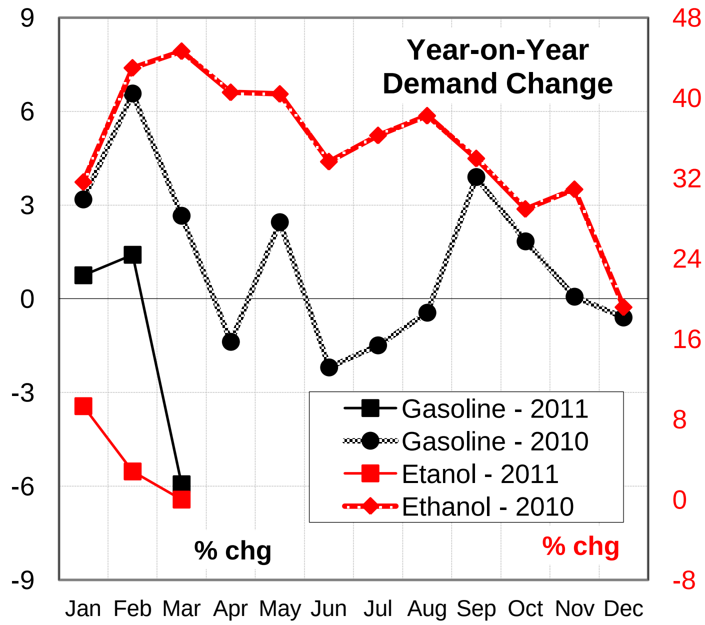
PADD 05 Gasoline/Ethanol Demand and Blending

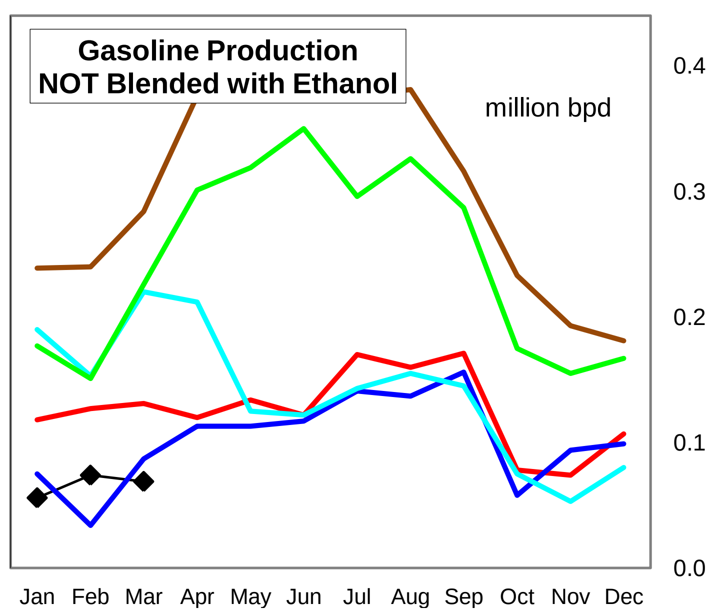












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-94	0	-15	-62
% change	-5.9	0.0	-1.0	-47.3

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Ethanol / Gasoline Fundamental Trends

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Implied Demand	805	789	752	807	797	804	50	58	77
Ending Stocks	21,440	20,809	20,672	17,940	18,029	17,295	1,749	2,178	2,081
Change in stocks	631	137	2,732	-89	734	-113			
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Conv Ethanol Gasoline Blend	5,005	4,880	4,636	5,002	4,925	4,987	530	561	635
Ethanol % of Total Gasoline	10.13	10.04	9.82	9.88	9.83	9.71	0.73	0.86	1.03
PADD 01									
Production	26	24	24	25	25	24	13	11	13
Imports	0	0	0	0	0	0	0	-1	-1
Receipts from other regions	356	314	342	306	327	301	NA		
Refiner/Blender Net Input	311	305	285	308	303	306	24	26	27
Ending Stocks	8,084	6,628	7,068	5,726	6,367	6,072	690	378	327
Wholesale Gasoline Demand	3,312	3,081	2,988	3,270	3,179	3,219	153	12	16
Conv Ethanol Gasoline Blend	1,905	1,863	1,715	1,860	1,833	1,855	231	237	276
Ethanol % of Total Gasoline	10.36	10.99	10.54	10.40	10.54	10.50	0.37	0.96	0.99
PADD 02									
Production	837	838	852	847	857	817	43	63	88
Deliveries to other regions	-631	-583	-598	-588	-597	-557	NA		
Refiner/Blender Net Input	213	208	204	222	219	219	7	7	9
Ending Stocks	7,651	8,434	7,883	6,953	6,795	6,429	450	730	900
Wholesale Gasoline Demand	2,358	2,387	2,302	2,542	2,507	2,543	-59	-25	2
Conv Ethanol Gasoline Blend	1,752	1,719	1,681	1,828	1,803	1,817	65	74	90
Ethanol % of Total Gasoline	9.93	9.55	9.72	9.57	9.57	9.42	0.61	0.47	0.43
PADD 03									
Production	18	18	19	20	19	19	-1	0	2
Imports	0	0	0	0	0	0	0	0	-2
Receipts from other regions	132	126	109	117	108	109	NA		
Refiner/Blender Net Input	115	110	106	115	113	114	16	16	20
Ending Stocks	3,282	3,332	3,027	2,761	2,579	2,591	565	878	735
Wholesale Gasoline Demand	1,298	1,367	1,371	1,378	1,432	1,486	-48	-26	-4
Conv Ethanol Gasoline Blend	769	738	702	766	749	750	165	178	202
Ethanol % of Total Gasoline	9.72	8.75	8.38	9.11	8.57	8.31	1.78	1.59	1.70
PADD 04									
Production	14	14	14	14	15	14	1	0	2
Receipts from other regions	5	7	6	7	6	6	NA		
Refiner/Blender Net Input	18	19	18	19	18	18	4	4	4
Ending Stocks	265	242	230	192	205	200	82	34	29
Wholesale Gasoline Demand	291	300	279	294	286	286	10	9	5
Conv Ethanol Gasoline Blend	182	182	179	183	179	178	-422	-378	-364
Ethanol % of Total Gasoline	6.59	6.76	6.90	6.91	6.72	6.72	1.35	1.50	1.45
PADD 05									
Production	13	13	11	12	10	9	4	3	3
Imports	0	0	0	0	0	0	0	0	-1
Receipts from other regions	138	136	141	159	155	141	NA		
Refiner/Blender Net Input	149	147	141	143	144	147	0	5	18
Ending Stocks	2,158	2,173	2,464	2,308	2,083	2,003	-38	157	91
Wholesale Gasoline Demand	1,490	1,513	1,473	1,487	1,497	1,551	-94	-21	-7
Conv Ethanol Gasoline Blend	398	378	359	365	361	388	28	32	31
Ethanol % of Total Gasoline	11.11	10.76	10.59	10.64	10.64	10.47	0.73	0.60	1.47

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