FUNDAMENTAL PETROLEUM TRENDS

ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, July 19, 2011

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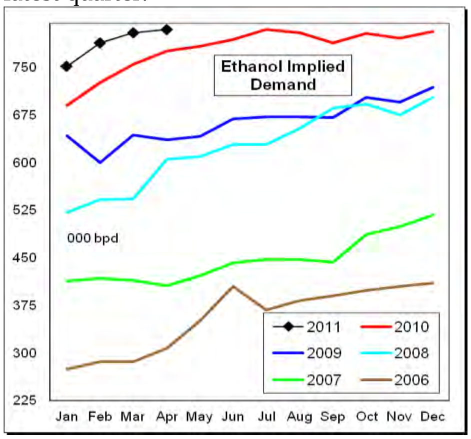
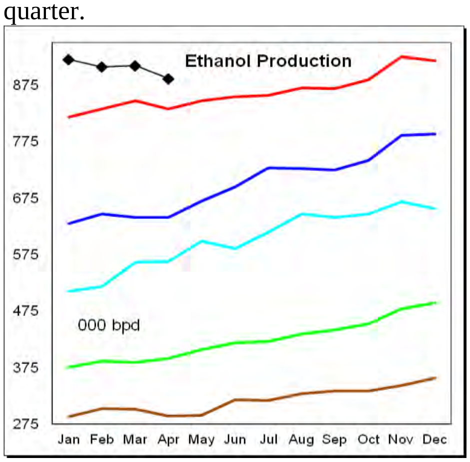
Summary: Ethanol demand was 801,000 bpd in the Feb11 - Apr11 quarter, down -16,000 bpd compared to the Nov10 - Jan11 period. Wholesale gasoline demand decreased -42,000 bpd in the same quarter on quarter period. These trends show blend rates were nearly unchanged in the latest quarter.



Year-over-year demand for ethanol between Feb11 - Apr11 and the same quarter in 2010 increased +48,000 bpd. This represented a +6.4% increase.

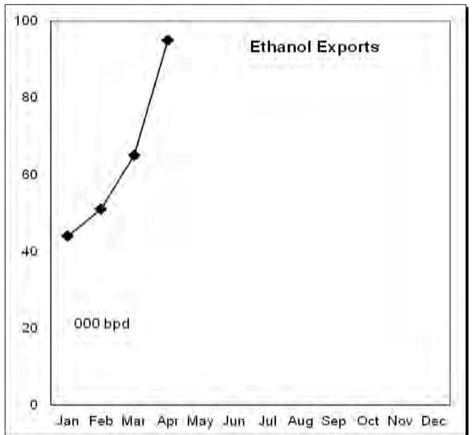
Ethanol production was 901,000 bpd during the Feb11 - Apr11 quarter, down -20,000 bpd compared to the Nov10 - Jan11 quarter.

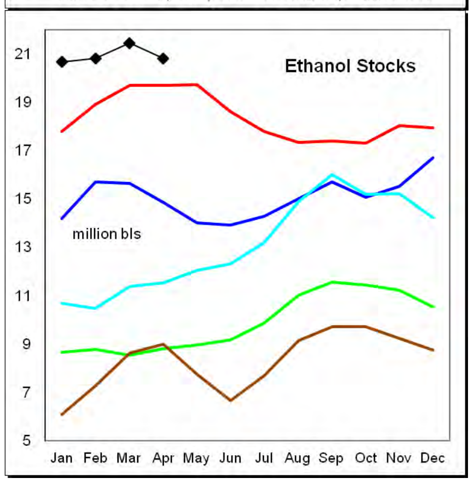


Year-over-year production increased in the Feb11 - Apr11 quarter by +64,000 bpd. This was a +7.6% increase.

Ethanol exports averaged 70,000 bpd in the Feb11 - Apr11, the latest period for which the EIA has reported export volume. Exports were equal to 7.8% of domestic use.

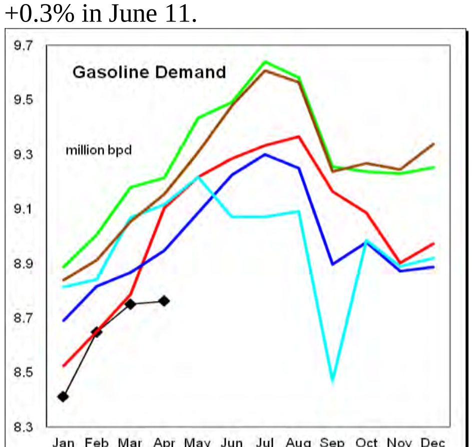
Ethanol stocks decreased -0.6 million barrels at the end of April, compared to the end of March. Stocks decreased -0.5 million barrels in PADD 01. Stocks also decreased slightly in all other regions, except the West Coast which increased +0.1 million barrels.





Gasoline Demand Trends: Wholesale gasoline demand decreased -127,000 bpd year-over-year in the Feb11 - Apr11 period compared to a year ago, a -1.4% decrease.

Gasoline year-on-year demand in May 2011 decreased -1.5%, while increasing +0.3% in June 11.



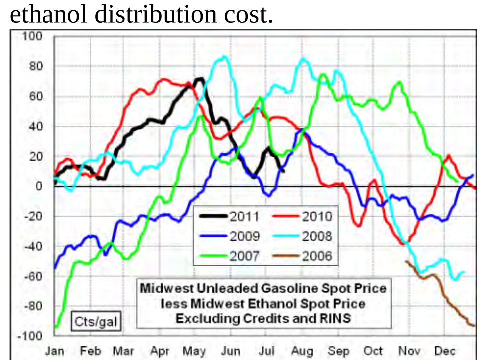
Blending Trends: During the Feb11 - Apr11 quarter, 5 million bpd of conventional gasoline was blended with ethanol, equal to 86% of conventional grade output. This was an increase of +0.5 million bpd over the same period in 2010. The volume of gasoline not blended with ethanol was 0.8 million bpd in Mar 2011, 14% of total production.

Ethanol Blend Economics: Midwest ethanol prices trended higher between April and mid July, up from $2.60/gal to $2.90/gal.

Midwest spot gasoline prices trended lower during the same April to mid July period, falling from $3.35/gal to $2.90/gal.

The Midwest spot gasoline - ethanol price spread has declined from a high of +70 cpg in early May to near breakeven in late June. The current spread of +10 cpg is at the low end of the 5-year range for this time of year.

Including tax and RINS credits of approximately $0.50/gal, blending economics are modestly favorable for this time of year, in markets with relatively low ethanol distribution cost.

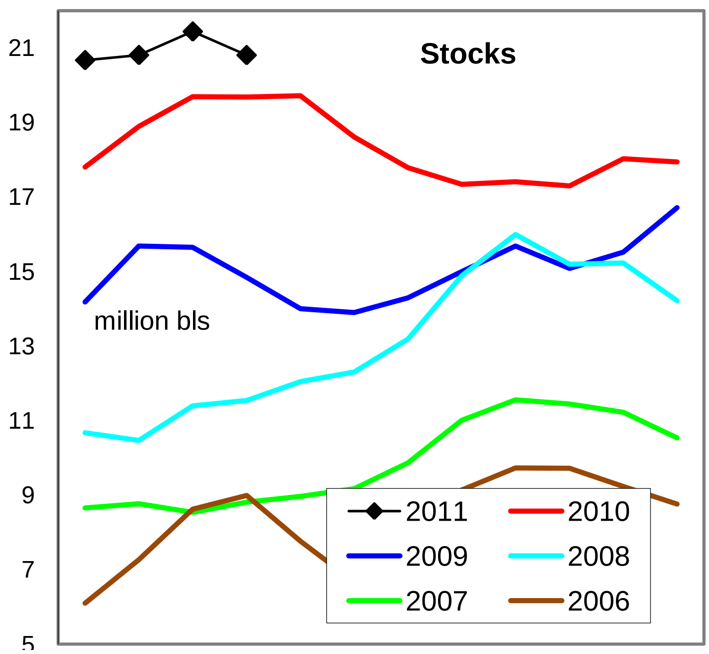


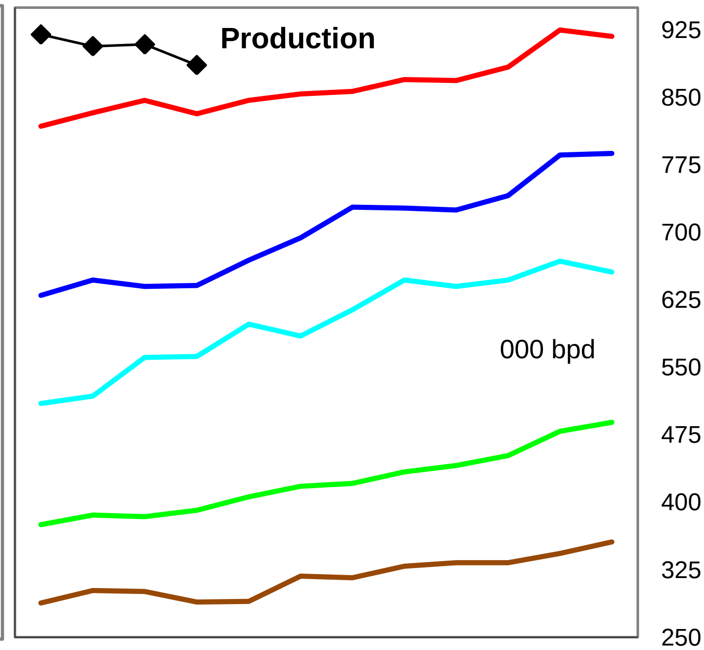
Emerging Trends: Exports of ethanol have increased sharply during the last 6-months, driven by strength in Atlantic Basin gasoline demand. The lack of year - on - year growth in gasoline demand has dampened wholesale gasoline prices, depressing the gasoline/ethanol price spread for this time of year.

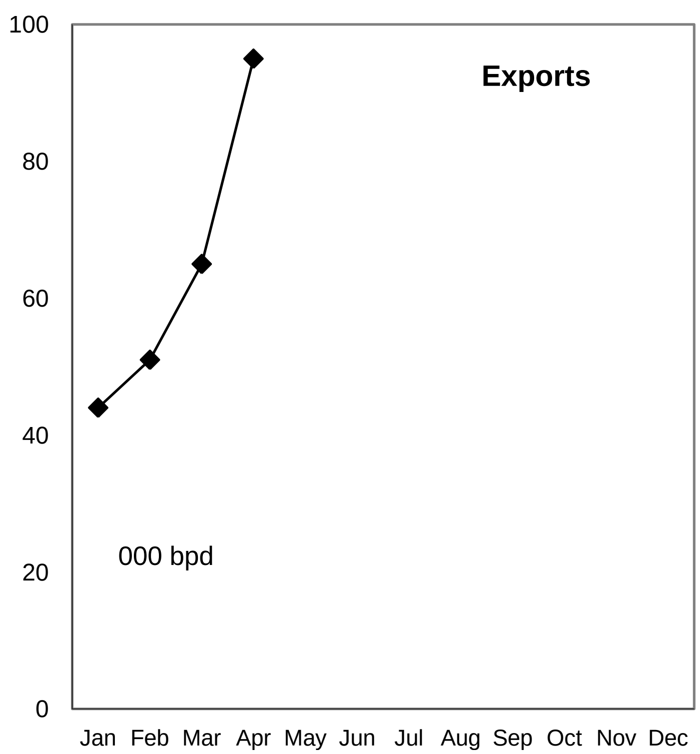
Even with a lack of imports into the East Coast that has tightening supply in that region, there remains a risk of over supply in the gasoline market by end of the summer quarter; particularly, if gulf production is not disrupted by hurricanes. Gasoline markets are extremely over supplied on the West Coast due to above average production and very weak demand. Over supply conditions for gasoline would pressure ethanol blend economics even lower.

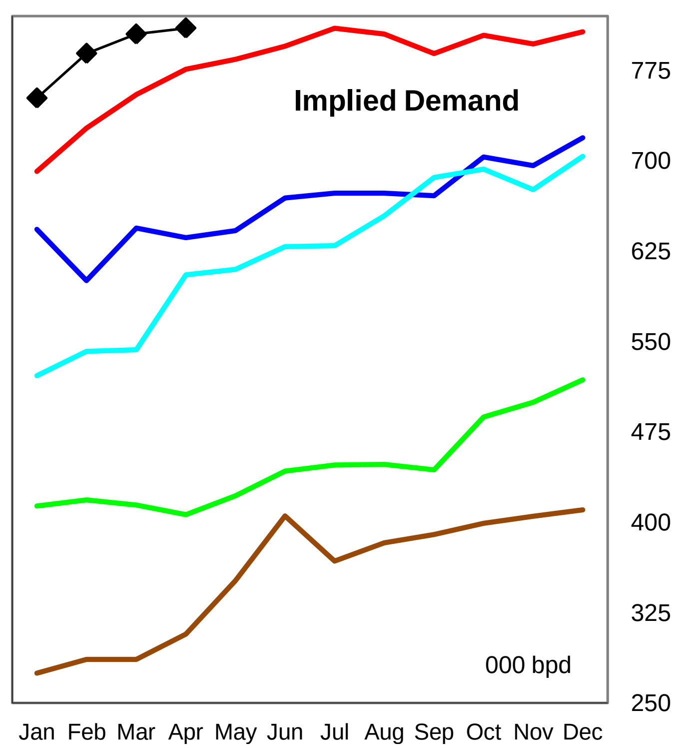
United States Ethanol Supply-Demand Balance

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Apr11	Mar11	Feb11	Jan11	Dec10	Nov10	1-Month	3-Mth Avg	6-Mth Avg
Production	886	909	907	920	918	925	54	63	94
Exports	95	65	51	44	0	0	95	70	43
EIA Adjustment	-2	-20	-62	-36	-115	-103	56	37	11
Demand	810	805	789	752	807	797	34	49	66
Ending Stocks	20,807	21,440	20,809	20,672	17,940	18,029	1,125	1,595	1,900
Change in stocks	-633	631	137	2,732	-89	734			
Wholesale Gasoline Demand	8,762	8,750	8,648	8,412	8,972	8,901	-341	-127	-63
Conv Ethanol Gasoline Blend	5,083	5,005	4,880	4,636	5,002	4,925	423	509	581
Ethanol % of Total Gasoline	10.19	10.13	10.04	9.82	9.88	9.83	0.87	0.82	0.98









	Stocks	Production	Exports	Demand
Variance to prior year	Stocks	Production	Exports	Demand
000 bpd (000 bls stocks)	**1,125**	**54**	**95**	**34**
% change	**5.7**	**6.5**	#DIV/0!	**4.4**

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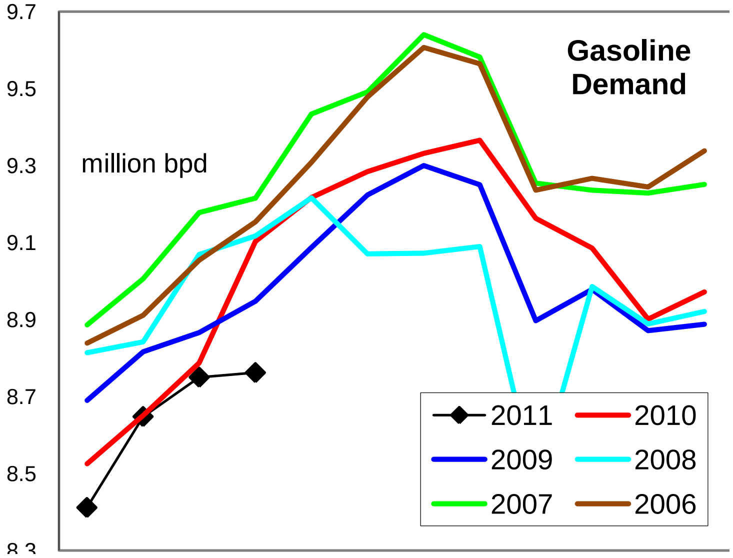
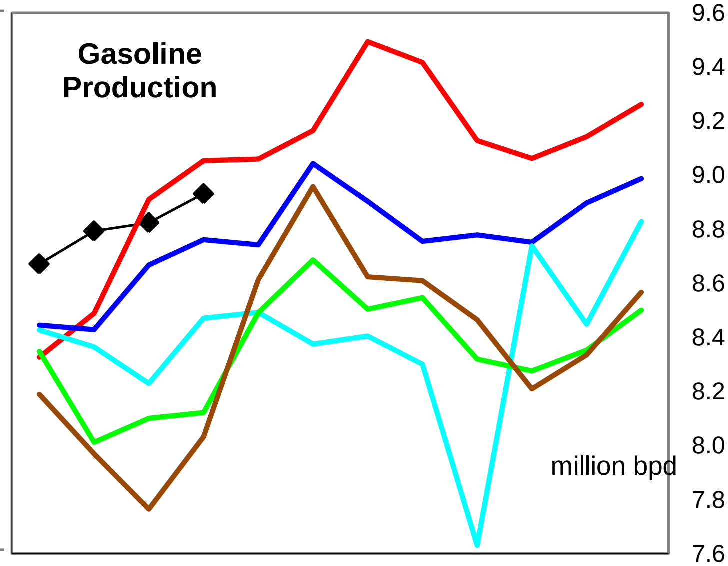
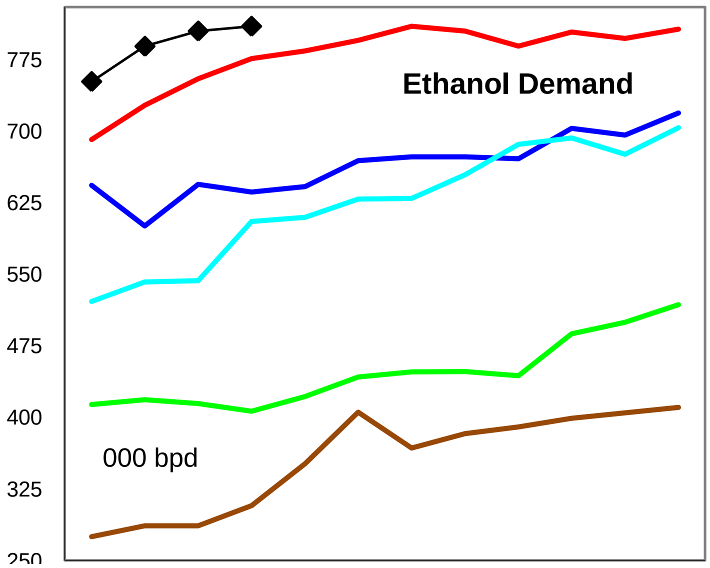
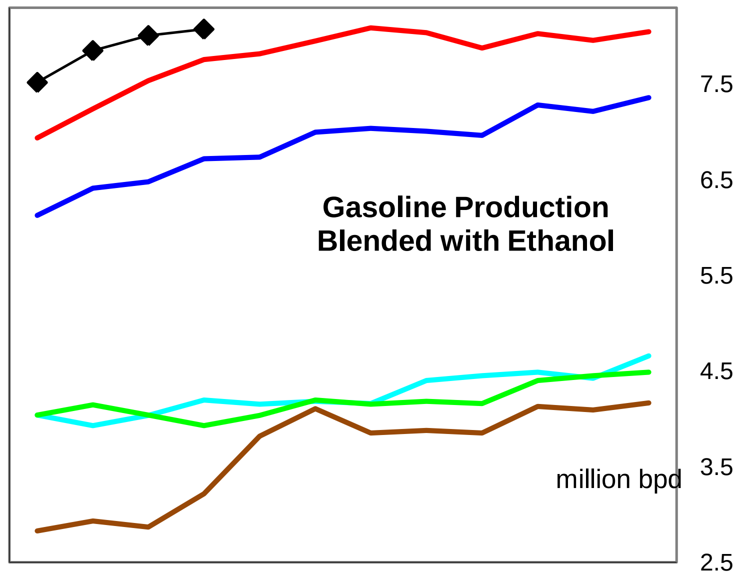
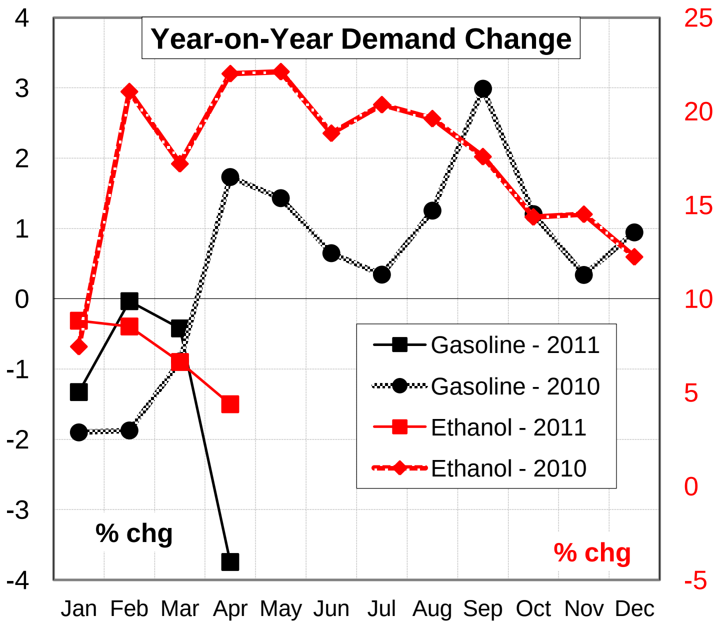
U. S. Gasoline/Ethanol Demand and Blending

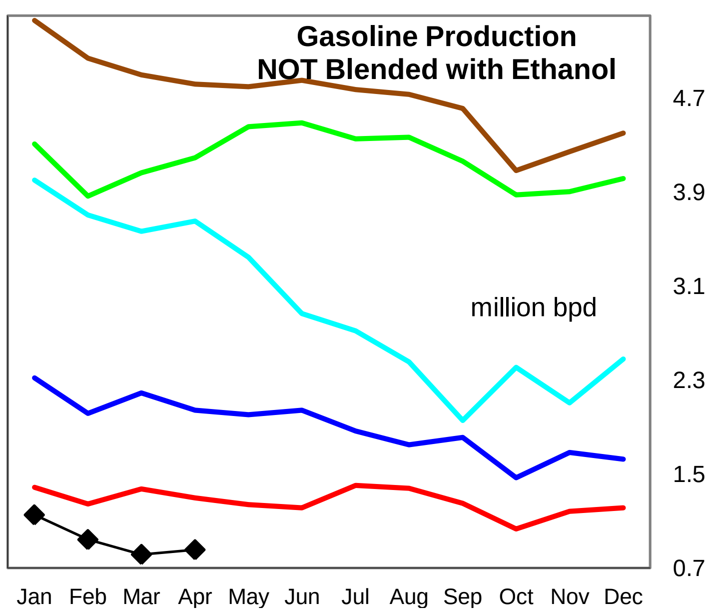












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-341	34	318	-440
% change	-3.7	4.4	4.1	-34.0

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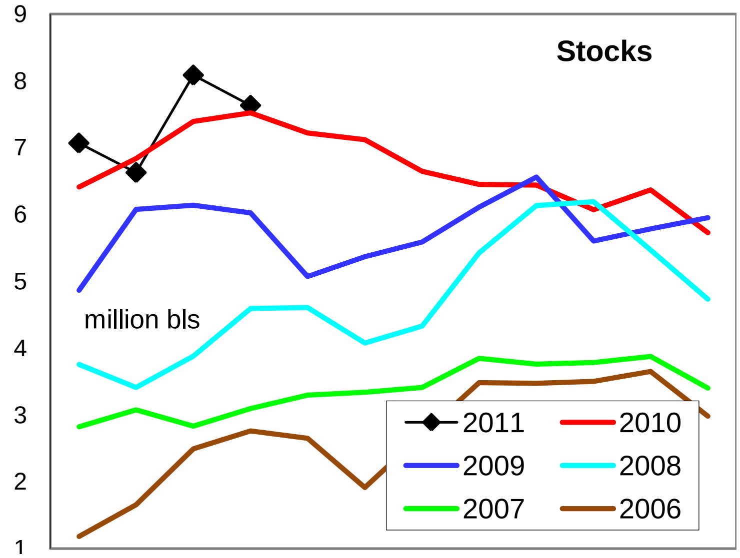
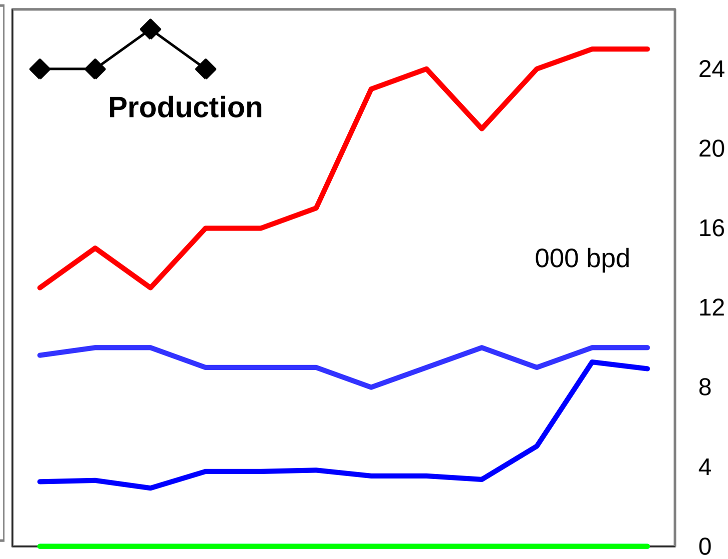
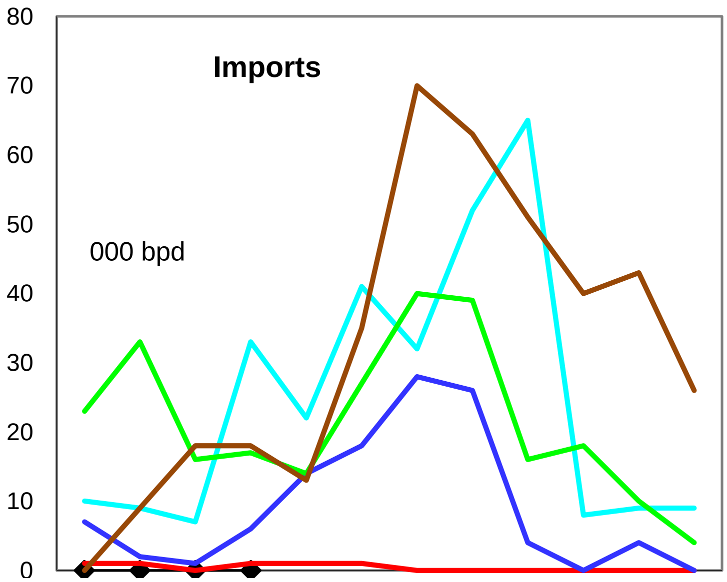
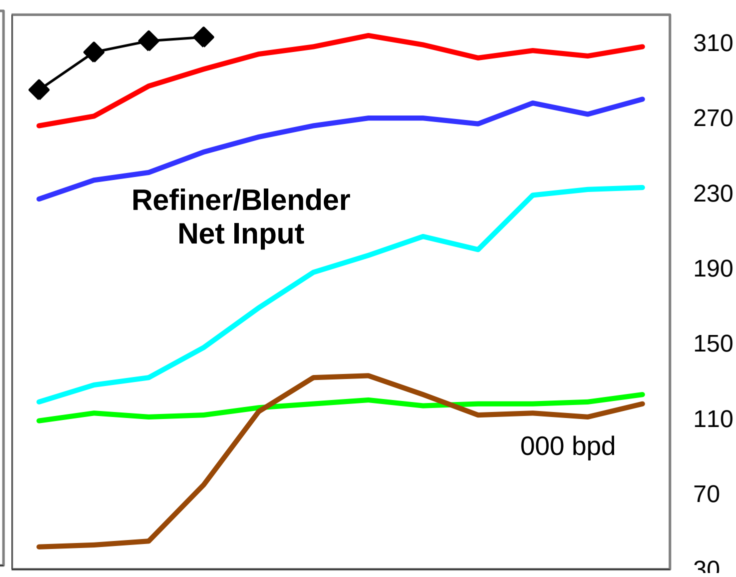
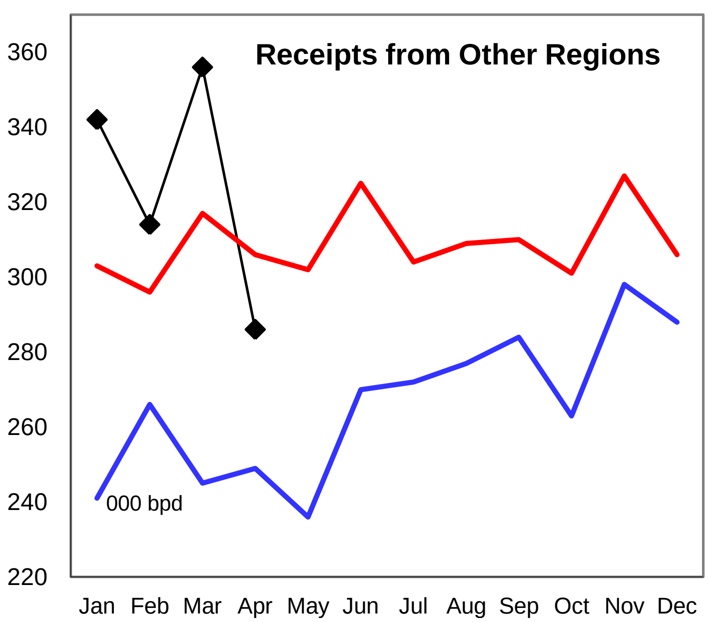
PADD 1 Ethanol Supply-Demand Balance

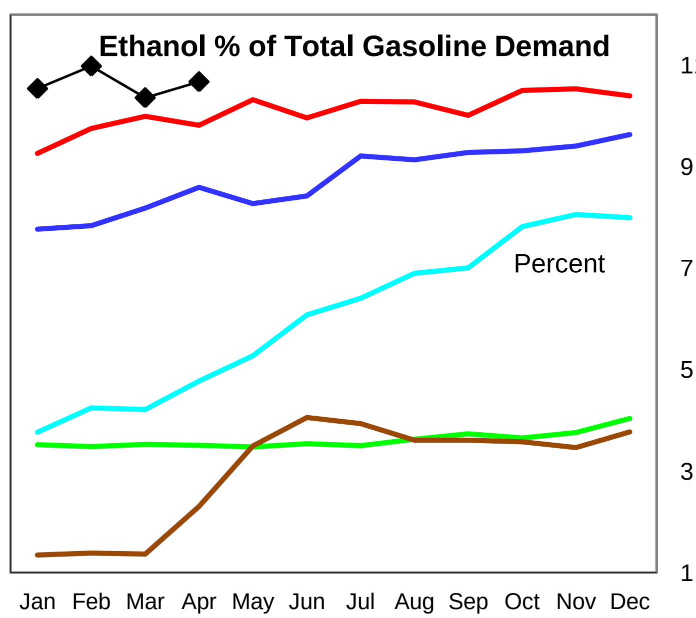












Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	112	8	-1	17
% change	1.5	50.0	-100.0	5.7

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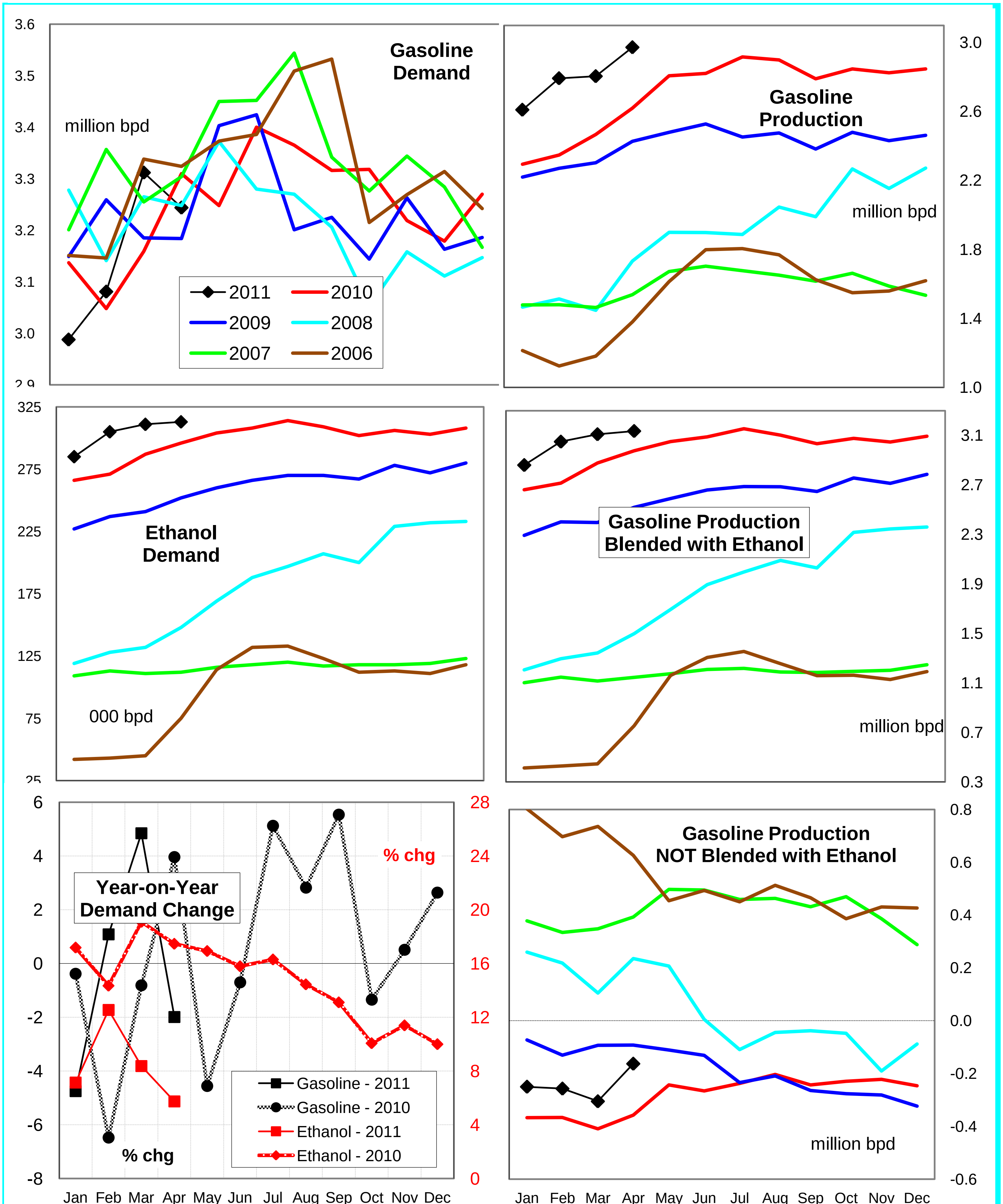
PADD 01 Gasoline/Ethanol Demand and Blending



Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-66	17	159	194
% change	-2.0	5.7	5.3	-54.3

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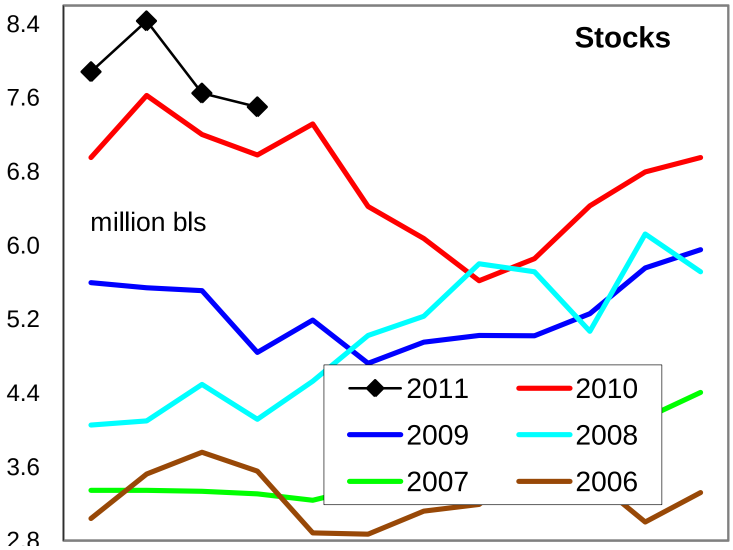
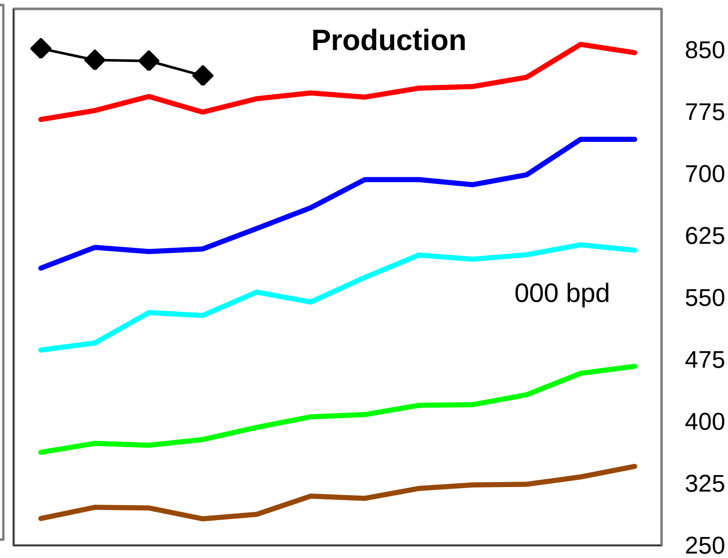
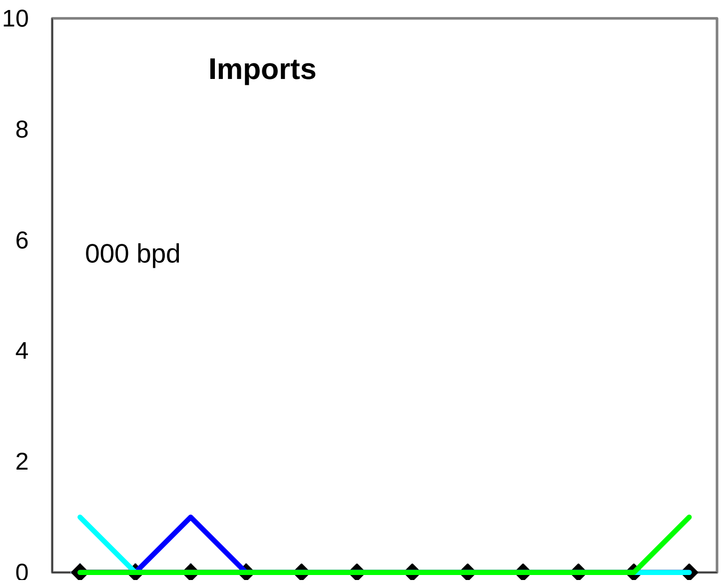
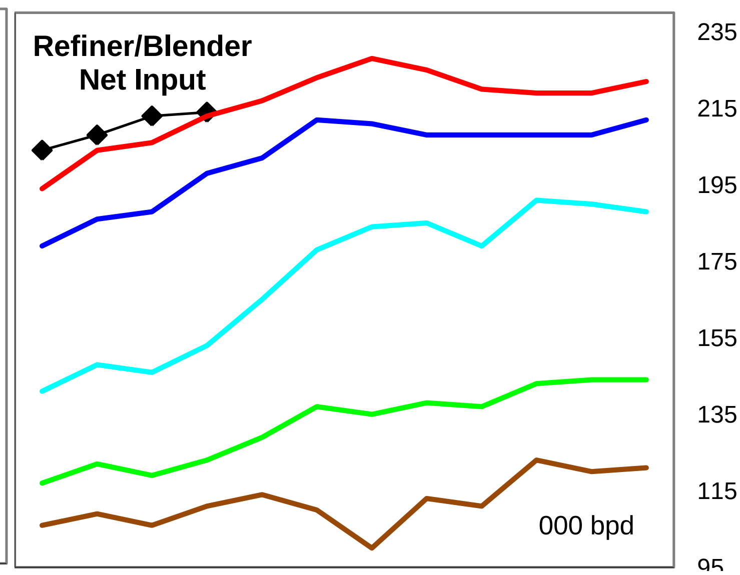
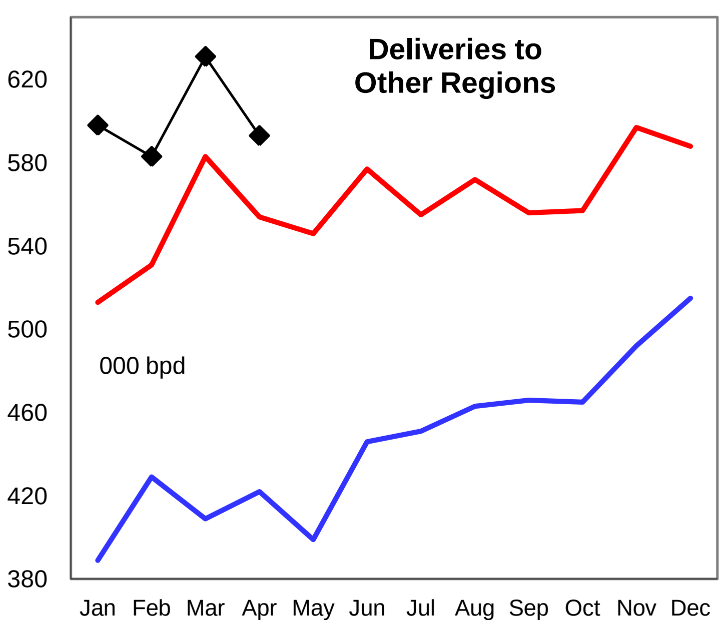
PADD 2 Ethanol Supply-Demand Balance

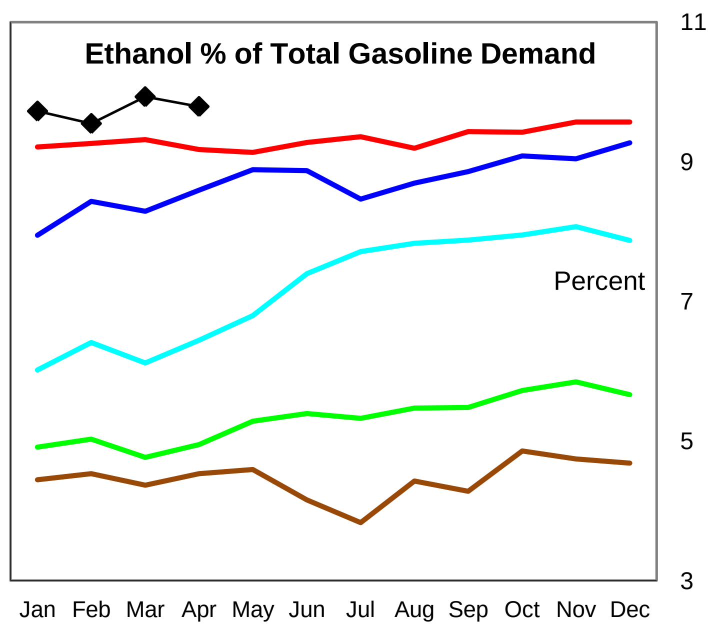












Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**521**	**44**	0	**1**
% change	**7.5**	**5.7**	#DIV/0!	**0.5**

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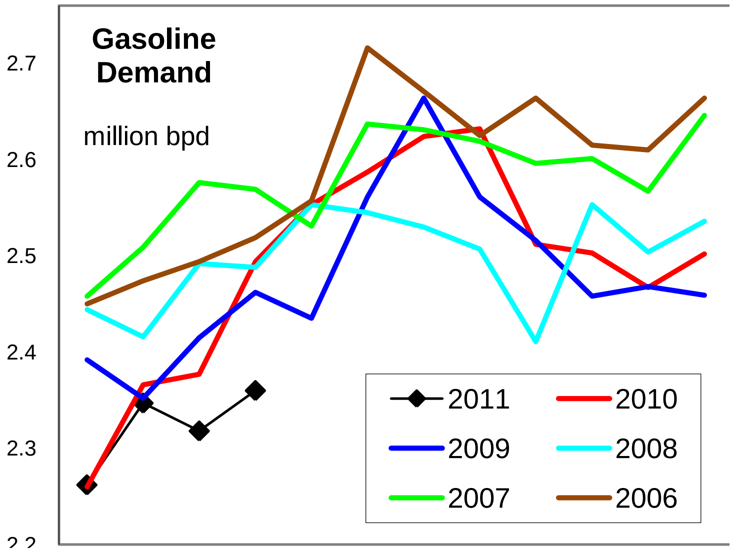
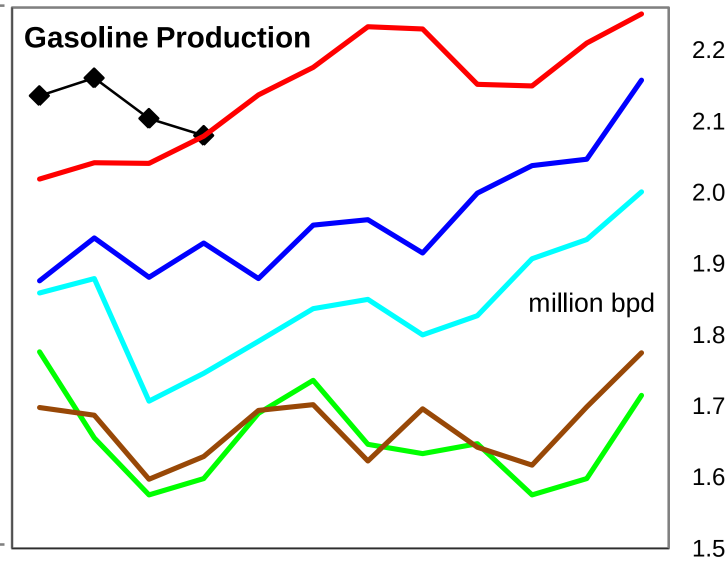
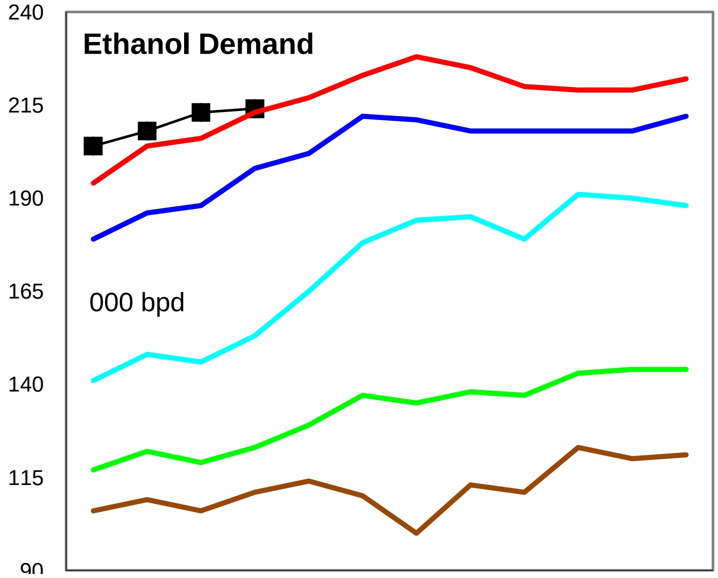
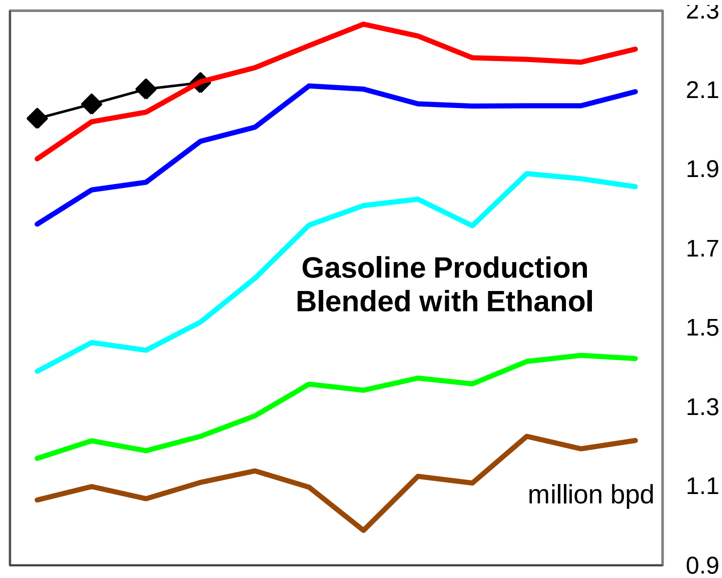
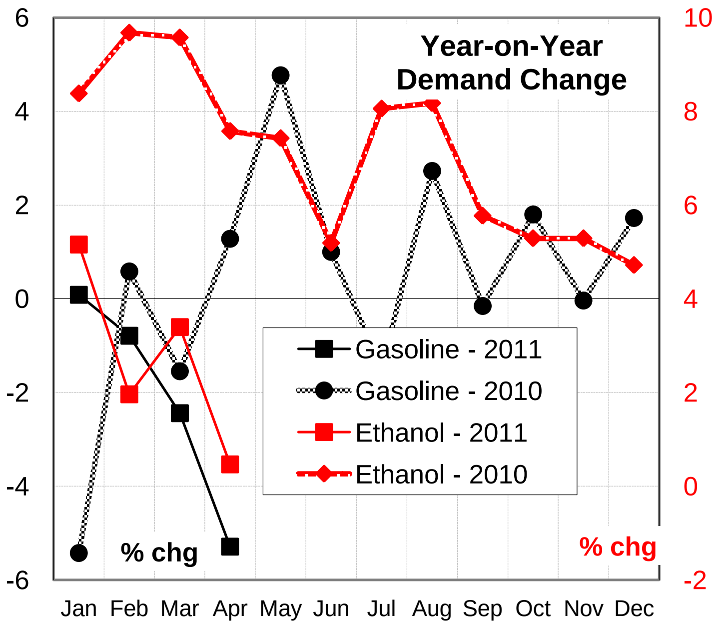
PADD 02 Gasoline/Ethanol Demand and Blending

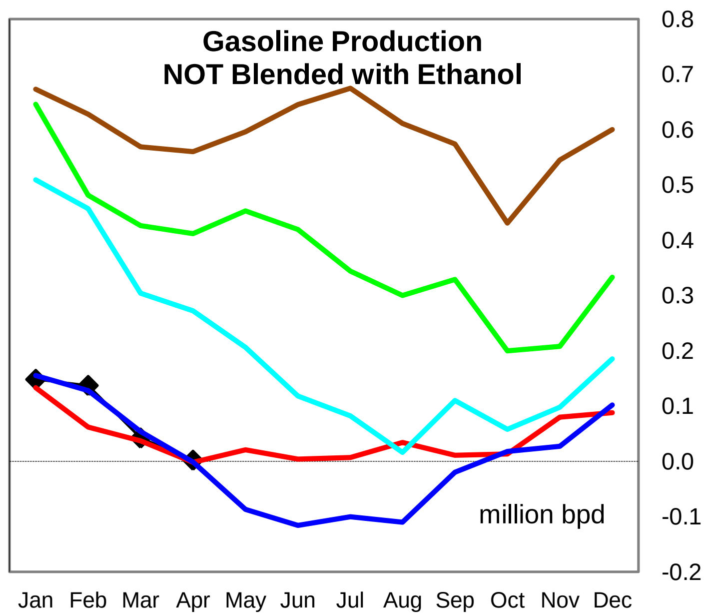






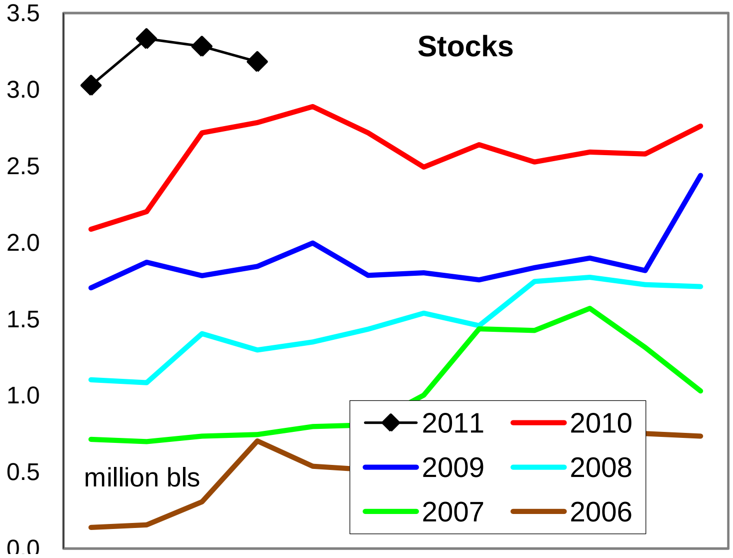


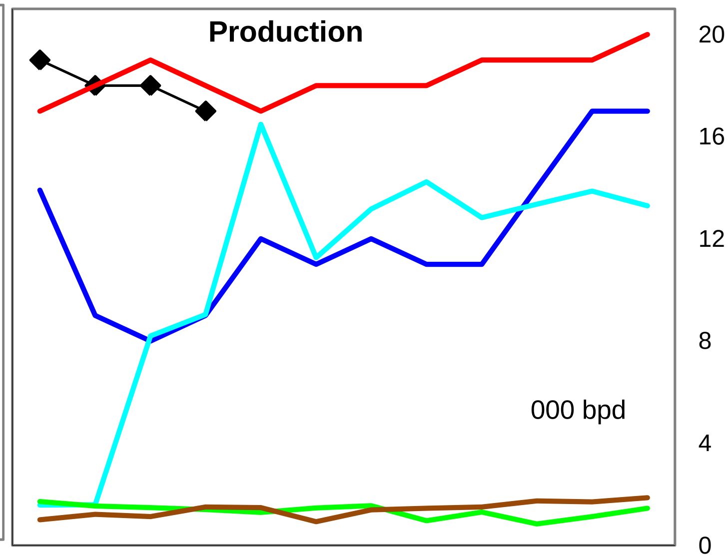


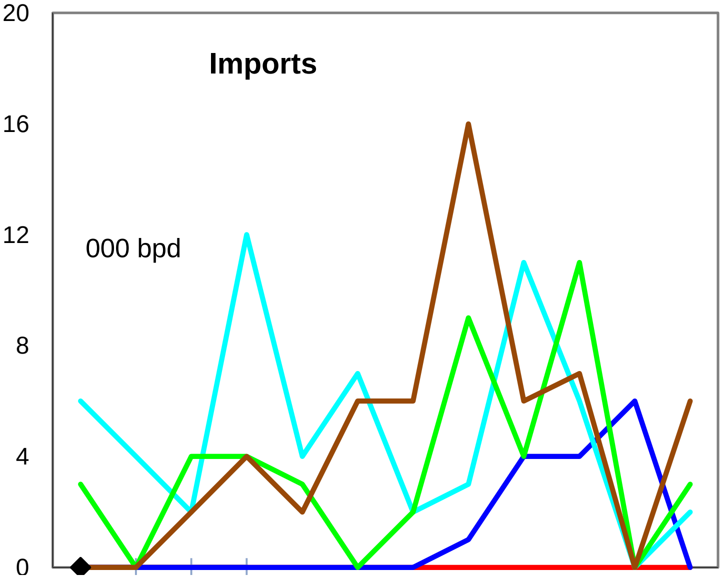


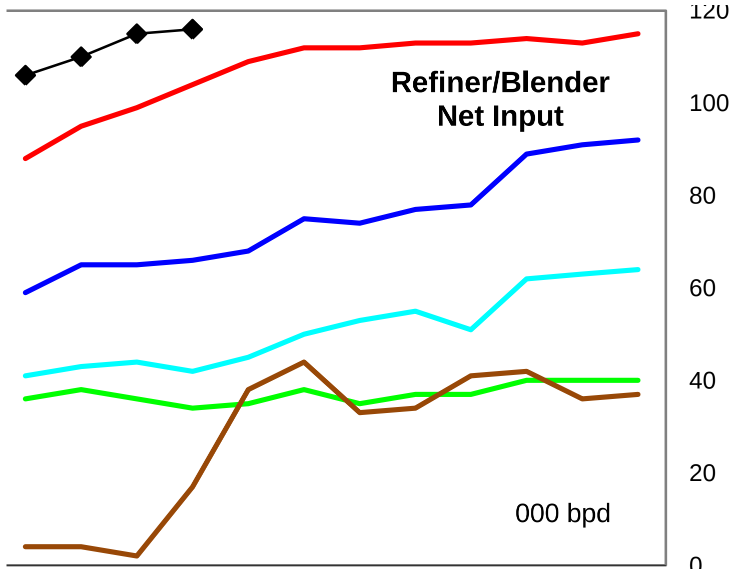
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-134	1	-3	4
% change	-5.3	0.5	-0.1	-200.0

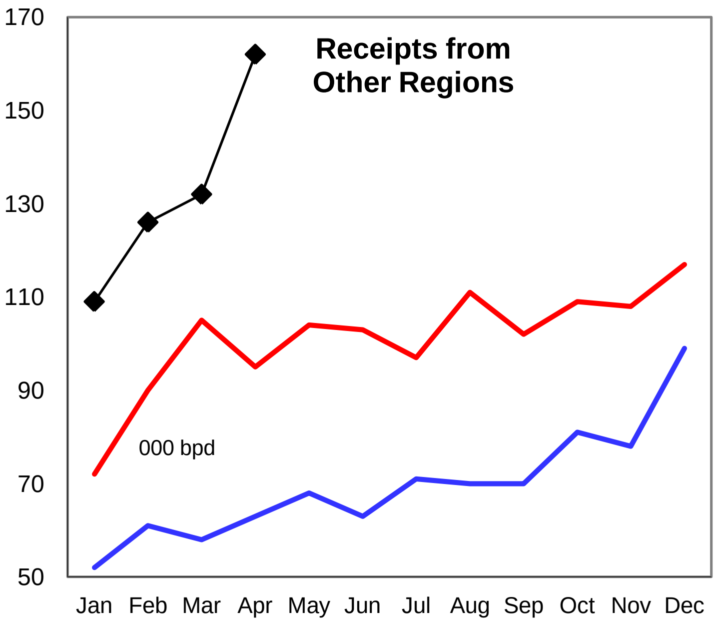
PADD 3 Ethanol Supply-Demand Balance

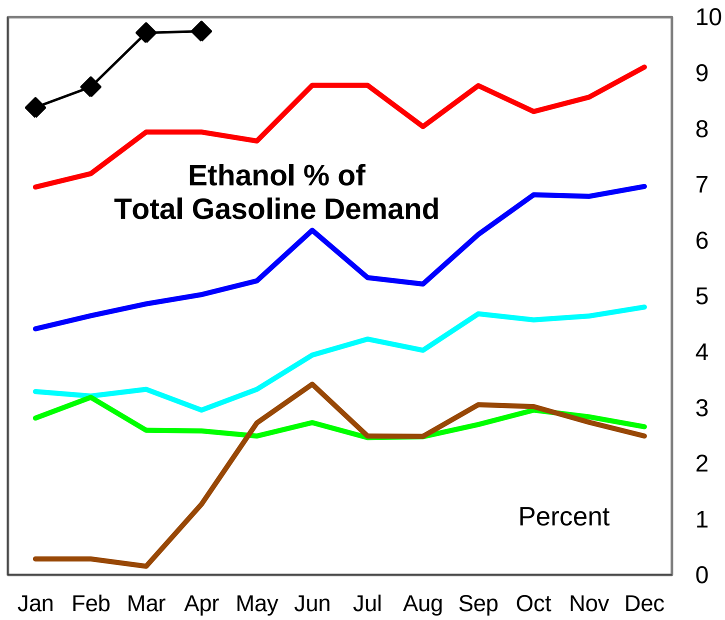












Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	399	-1	0	12
% change	14.3	-5.6	#DIV/0!	11.5

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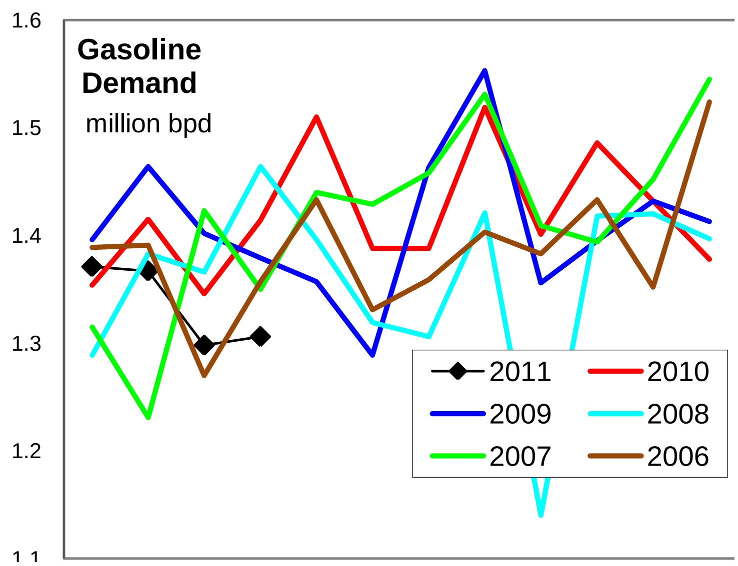
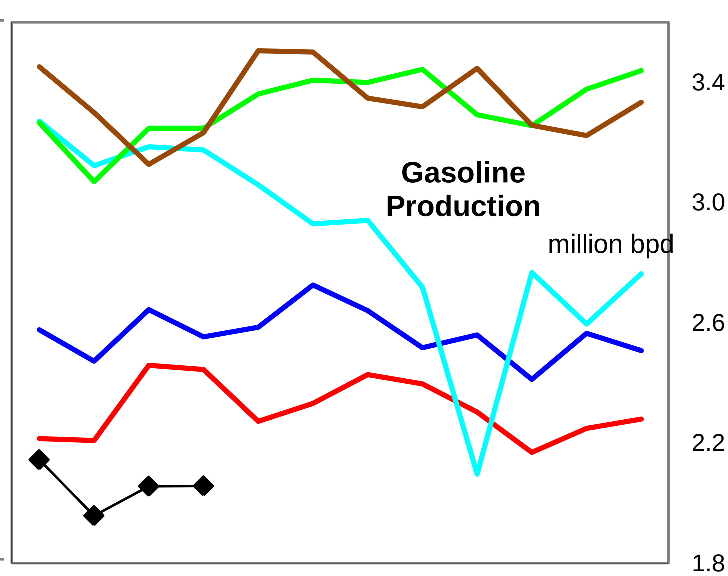
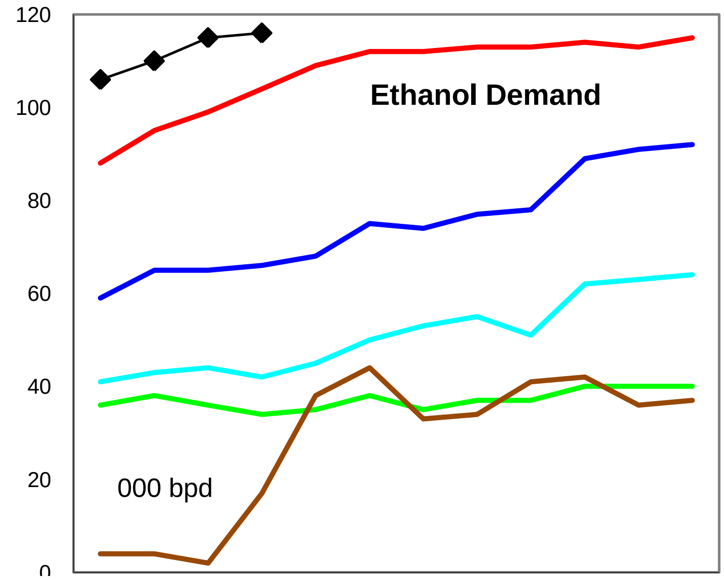
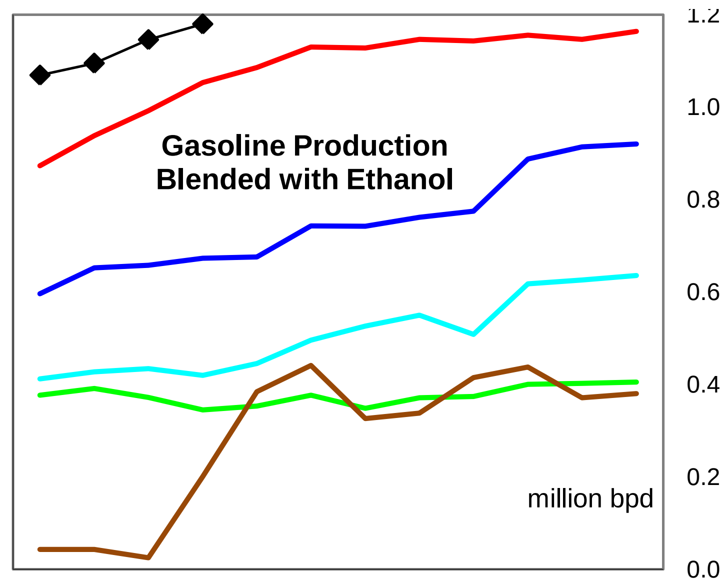
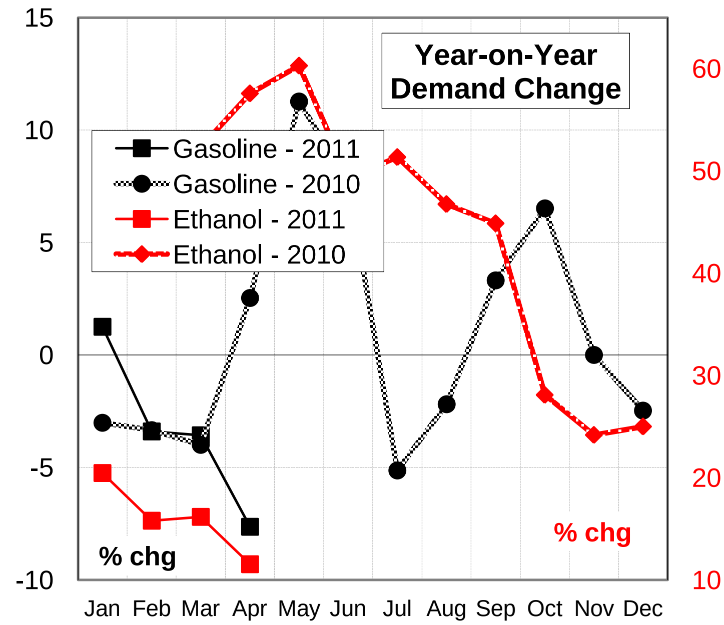
PADD 03 Gasoline/Ethanol Demand and Blending

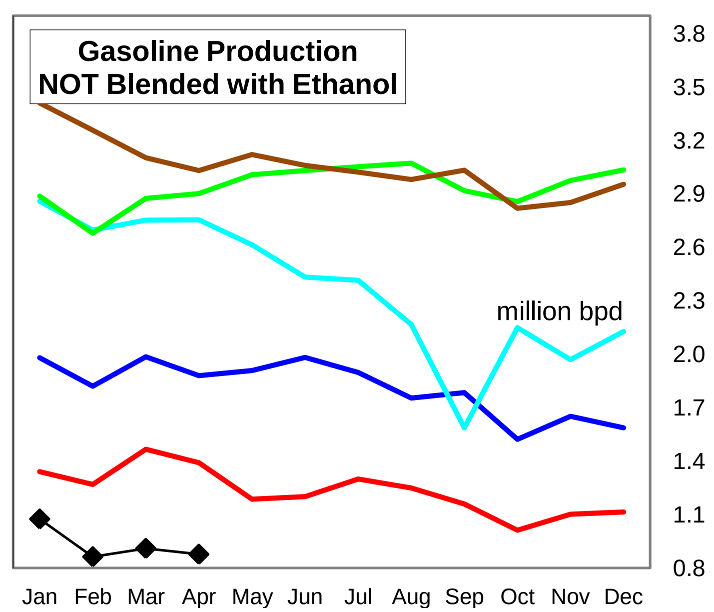












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-71	12	127	-514
% change	-7.0	11.5	12.1	-37.0

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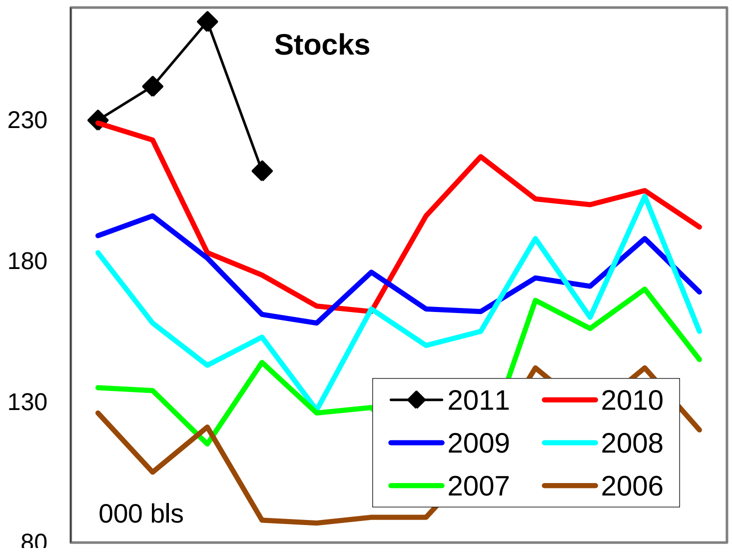
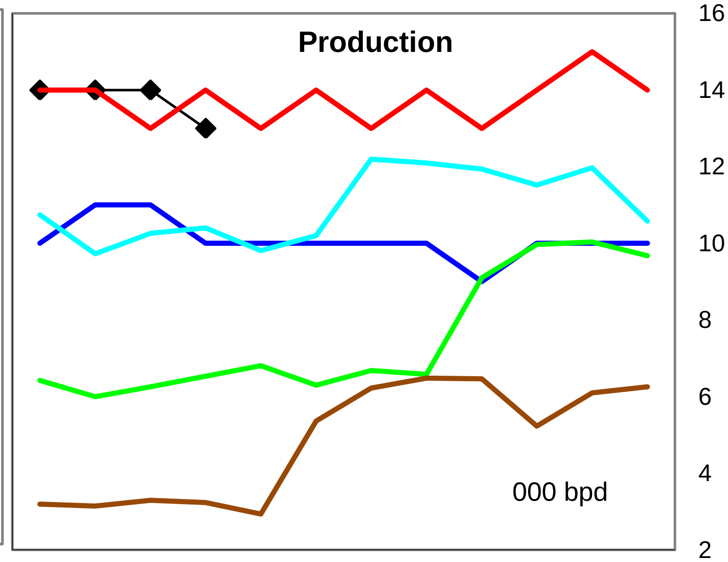
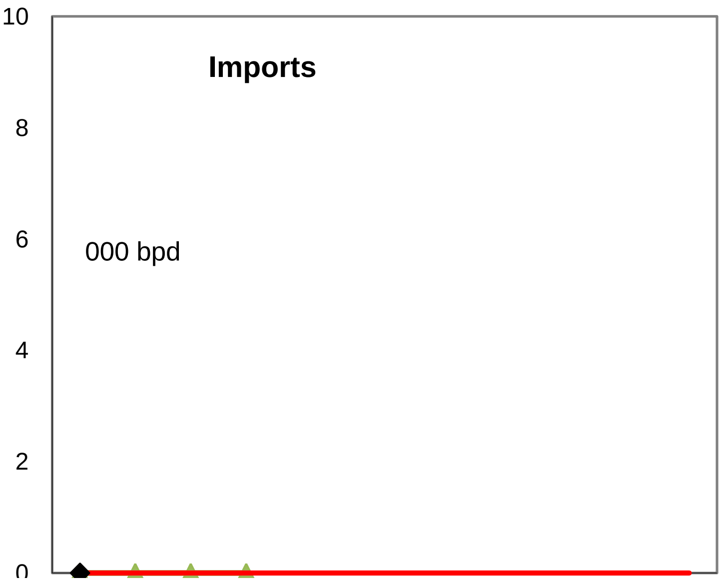
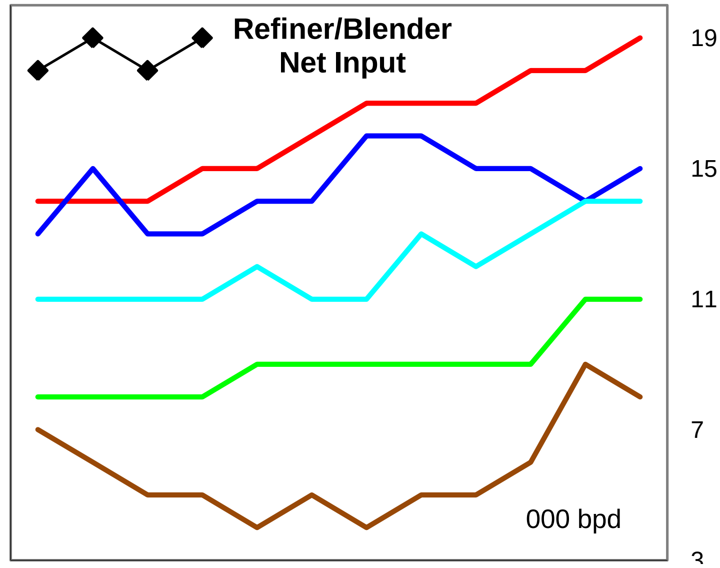
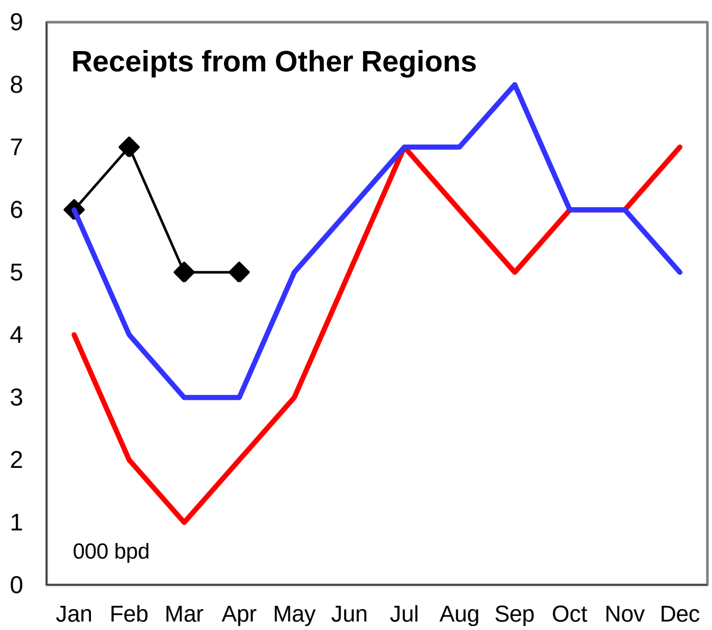
PADD 4 Ethanol Supply-Demand Balance

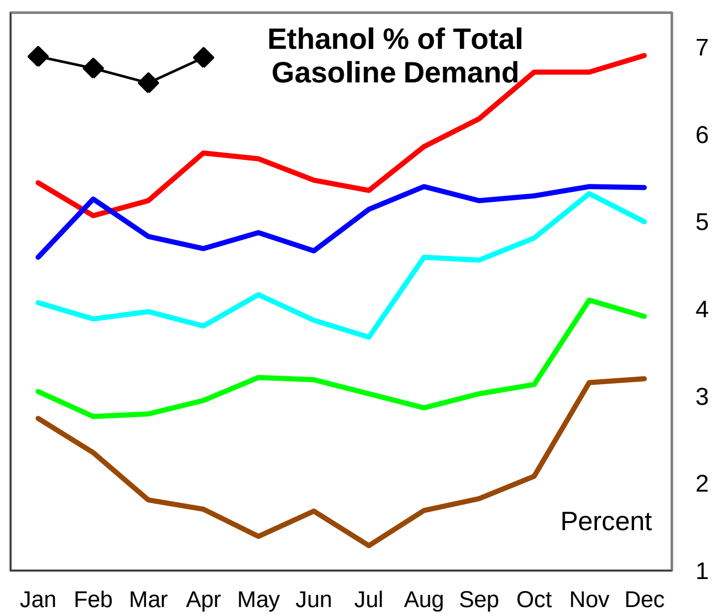












Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	37	-1	0	4
% change	21.1	-7.1	#DIV/0!	26.7

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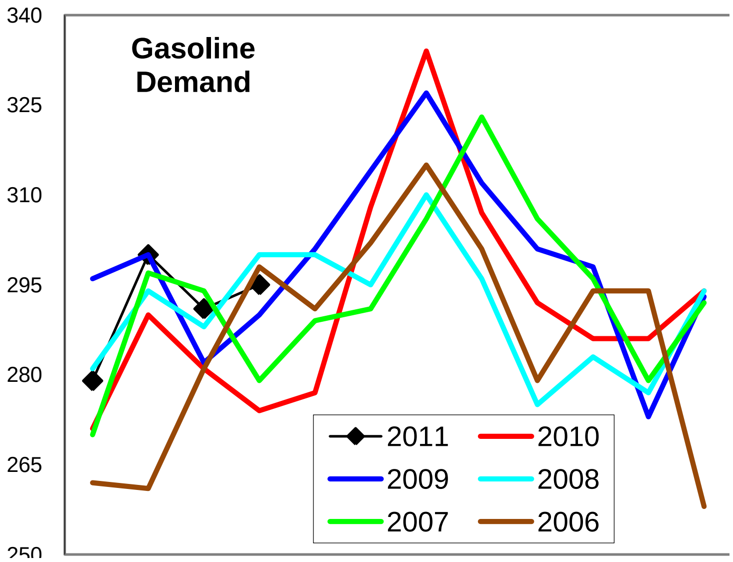
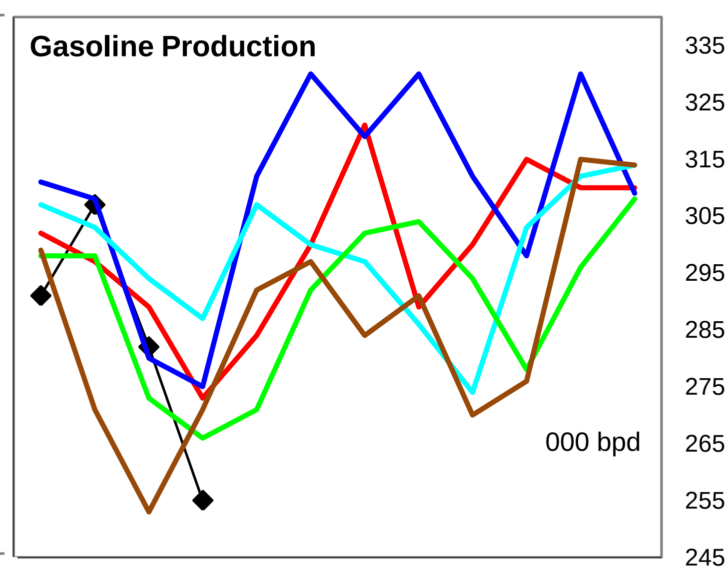
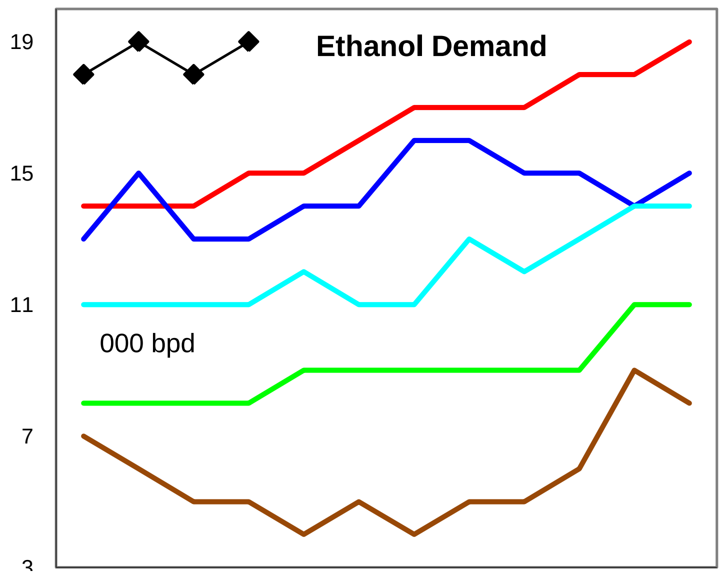
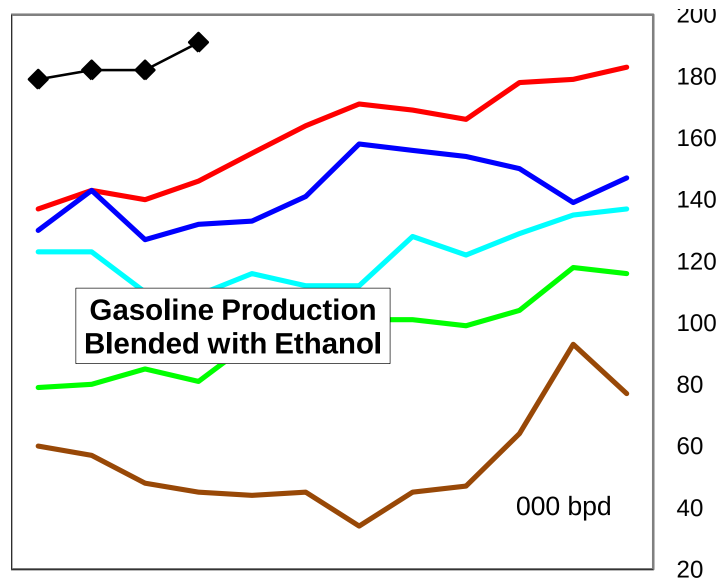
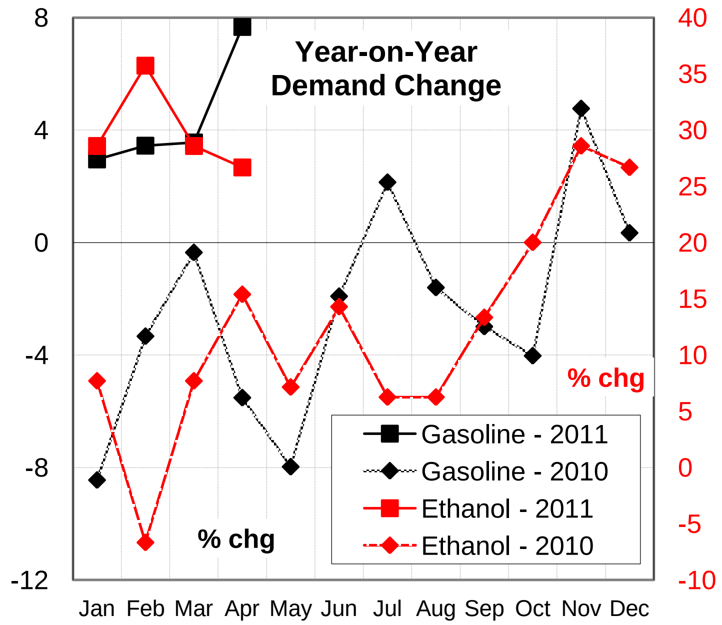
PADD 04 Gasoline/Ethanol Demand and Blending

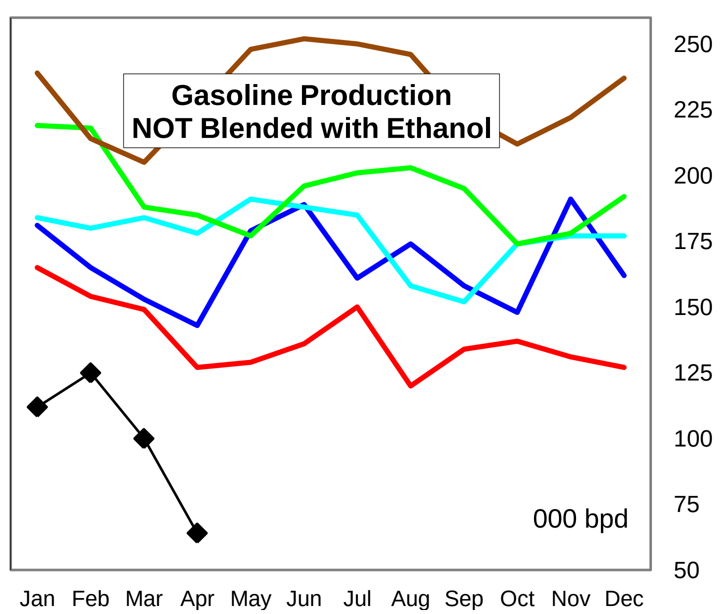












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	21	4	45	-63
% change	7.7	26.7	30.8	-49.6

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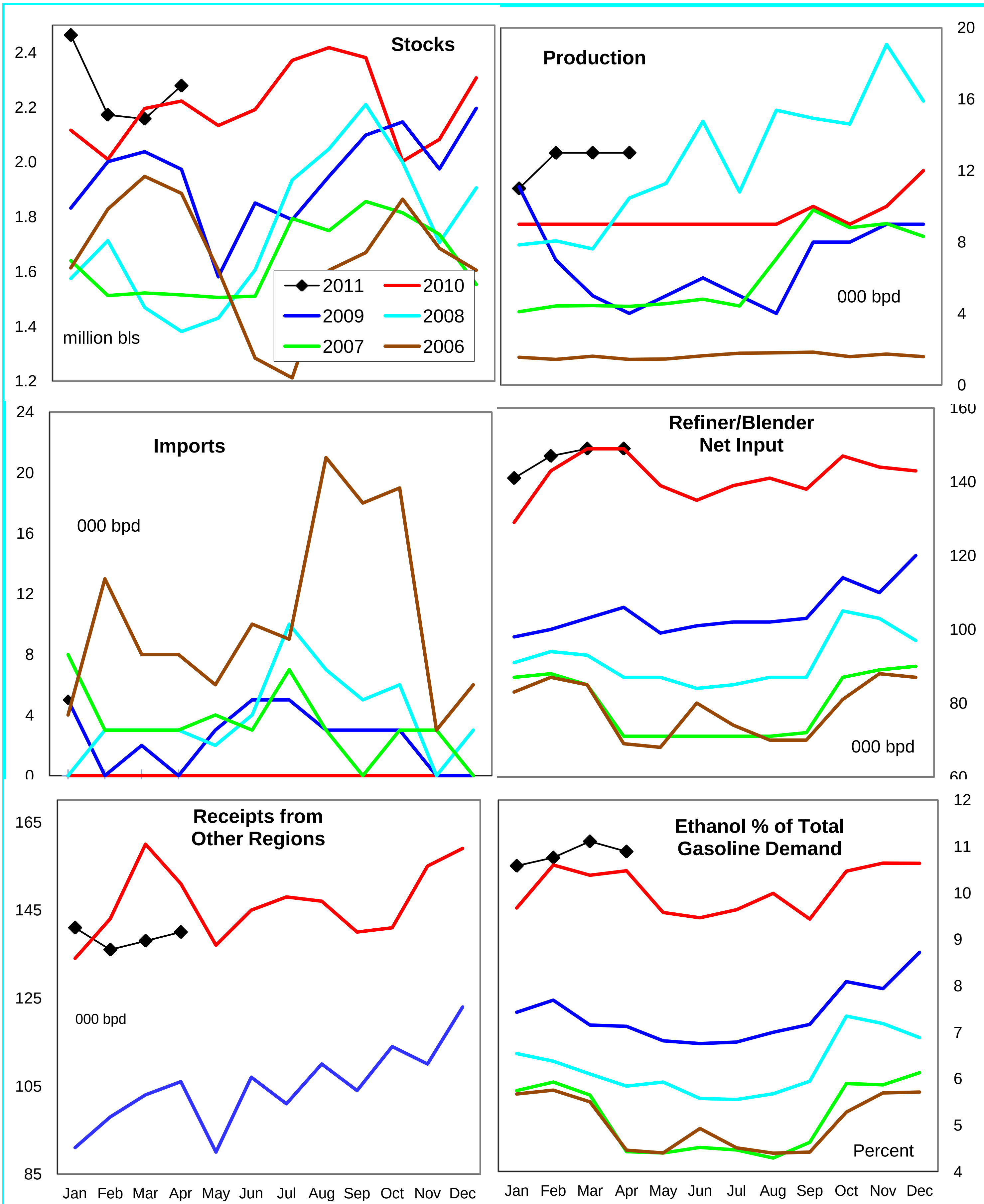
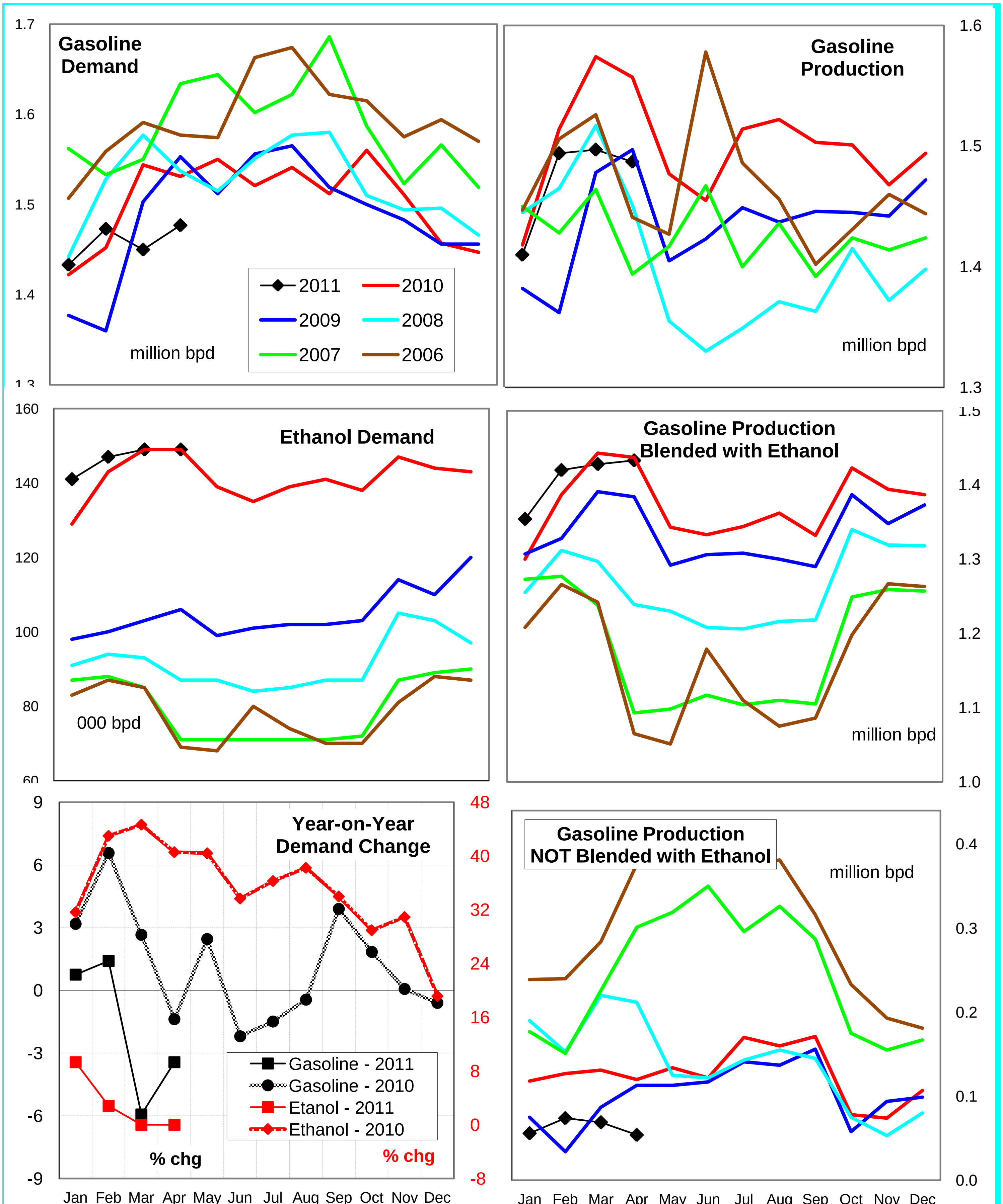
PADD 5 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**56**	**4**	0	0
% change	**2.5**	**44.4**	#DIV/0!	0.0

PADD 05 Gasoline/Ethanol Demand and Blending



Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-54	0	-4	-66
% change	-3.4	0.0	-0.3	-55.0

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Ethanol / Gasoline Fundamental Trends

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Apr11	Mar11	Feb11	Jan11	Dec10	Nov10	1-Month	3-Mth Avg	6-Mth Avg
U. S. Total									
Production	886	909	907	920	918	925	54	63	94
Exports	95	65	51	44	0	0	95	70	43
EIA Adjustment	-2	-20	-62	-36	-115	-103	56	37	11
Implied Demand	810	805	789	752	807	797	34	49	66
Ending Stocks	20,807	21,440	20,809	20,672	17,940	18,029	1,125	1,595	1,900
Change in stocks	-633	631	137	2,732	-89	734			
Wholesale Gasoline Demand	8,762	8,750	8,648	8,412	8,972	8,901	-341	-127	-63
Conv Ethanol Gasoline Blend	5,083	5,005	4,880	4,636	5,002	4,925	423	509	581
Ethanol % of Total Gasoline	10.19	10.13	10.04	9.82	9.88	9.83	0.87	0.82	0.98
PADD 01									
Production	24	26	24	24	25	25	8	10	12
Imports	0	0	0	0	0	0	-1	-1	-1
Receipts from other regions	286	356	314	342	306	327		NA	
Refiner/Blender Net Input	313	311	305	285	308	303	17	25	26
Ending Stocks	7,632	8,084	6,628	7,068	5,726	6,367	112	197	267
Wholesale Gasoline Demand	3,244	3,312	3,081	2,988	3,270	3,179	-66	40	12
Conv Ethanol Gasoline Blend	1,935	1,905	1,863	1,715	1,860	1,833	197	232	255
Ethanol % of Total Gasoline	10.68	10.36	10.99	10.54	10.40	10.54	0.86	0.82	0.94
PADD 02									
Production	819	837	838	852	847	857	44	49	76
Deliveries to other regions	-593	-631	-583	-598	-588	-597		NA	
Refiner/Blender Net Input	214	213	208	204	222	219	1	4	7
Ending Stocks	7,502	7,651	8,434	7,883	6,953	6,795	521	594	792
Wholesale Gasoline Demand	2,400	2,358	2,387	2,302	2,542	2,507	-134	-71	-28
Conv Ethanol Gasoline Blend	1,775	1,752	1,719	1,681	1,828	1,803	19	47	73
Ethanol % of Total Gasoline	9.79	9.93	9.55	9.72	9.57	9.57	0.61	0.50	0.47
PADD 03									
Production	17	18	18	19	20	19	-1	-1	1
Imports	0	0	0	0	0	0	0	0	-1
Receipts from other regions	162	132	126	109	117	108		NA	
Refiner/Blender Net Input	116	115	110	106	115	113	12	14	18
Ending Stocks	3,182	3,282	3,332	3,027	2,761	2,579	399	698	686
Wholesale Gasoline Demand	1,306	1,298	1,367	1,371	1,378	1,432	-108	-68	-37
Conv Ethanol Gasoline Blend	776	769	738	702	766	749	130	158	183
Ethanol % of Total Gasoline	9.75	9.72	8.75	8.38	9.11	8.57	1.81	1.71	1.75
PADD 04									
Production	13	14	14	14	14	15	-1	0	2
Receipts from other regions	5	5	7	6	7	6		NA	
Refiner/Blender Net Input	19	18	19	18	19	18	4	4	4
Ending Stocks	212	265	242	230	192	205	37	46	30
Wholesale Gasoline Demand	295	291	300	279	294	286	21	14	11
Conv Ethanol Gasoline Blend	191	182	182	179	183	179	-455	-418	-384
Ethanol % of Total Gasoline	6.88	6.59	6.76	6.90	6.91	6.72	1.09	1.38	1.40
PADD 05									
Production	13	13	13	11	12	10	4	4	3
Imports	0	0	0	0	0	0	0	0	0
Receipts from other regions	140	138	136	141	159	155		NA	
Refiner/Blender Net Input	149	149	147	141	143	144	0	1	12
Ending Stocks	2,279	2,158	2,173	2,464	2,308	2,083	56	60	125
Wholesale Gasoline Demand	1,517	1,490	1,513	1,473	1,487	1,497	-54	-42	-21
Conv Ethanol Gasoline Blend	405	398	378	359	365	361	30	30	29
Ethanol % of Total Gasoline	10.89	11.11	10.76	10.59	10.64	10.64	0.41	0.43	1.14

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