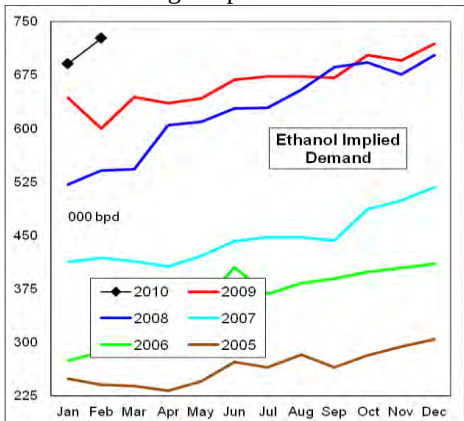


ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

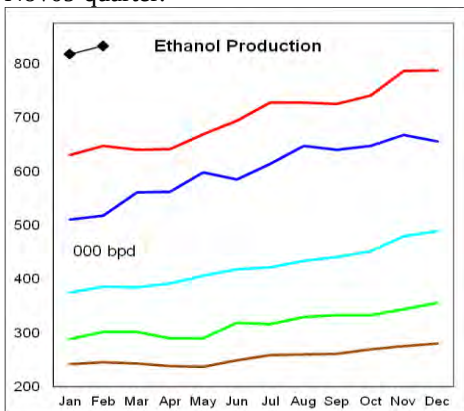
 Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Sunday, May 16, 2010


Summary: Ethanol demand was 712,000 bpd in the Dec09 - Jan10 quarter, up +22,000 bpd compared to the Sep09 - Nov09 period. Wholesale gasoline demand decreased -227,000 bpd in the same quarter over quarter period. The share of gasoline blended and blend rate increased during the period.



Year-over-year demand for ethanol between Dec08 - Feb09 and Dec09 - Feb10 increased +63,000 bpd. This represented a +9.7% increase.

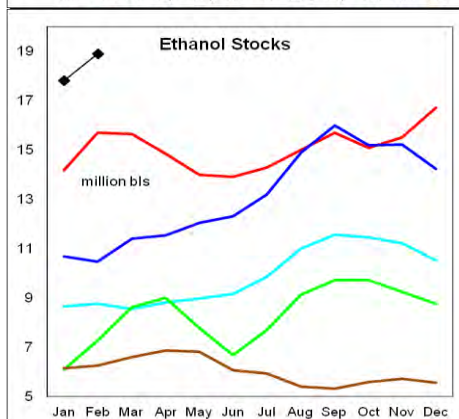
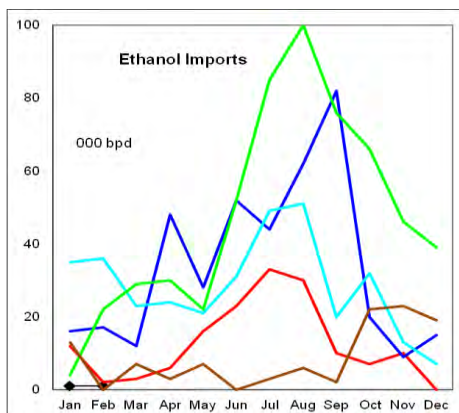
Ethanol production was 813,000 bpd during the Dec09 - Feb10 quarter, up +62,000 bpd compared to the Sep09 - Nov09 quarter.



Year-over-year production increased in the Dec09 - Feb10 quarter by +169,000 bpd. This was a +26% increase.

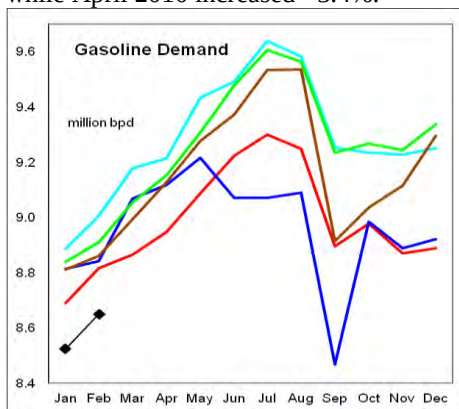
Imports averaged 1,000 bpd during the Dec09 - Feb10 quarter, down from 9,000 bpd during the Sep09 - Nov09 quarter.

Ethanol stocks increased +1.1 million barrels in February, a +39,000 bpd build during the month. Stocks increased +0.7 million barrels in PADD 2; +0.4 million barrels in PADD 1. Other regions were nearly unchanged.



Gasoline Demand Trends: Wholesale gasoline demand decreased -121,000 bpd year-over-year in the Dec09 - Feb10 period compared to a year ago, a -1.4% decrease.

Gasoline demand in March 2010 increased +1.7% compared to a year ago while April 2010 increased +3.4%.

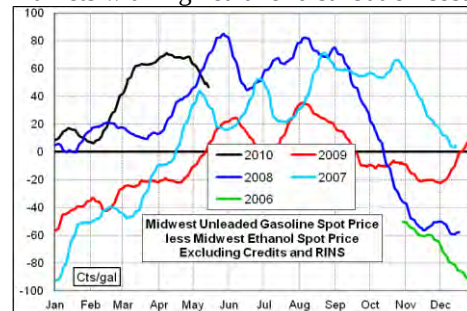


Blending Trends: During the Dec09 - Feb10 quarter, 4.2 million bpd of conventional gasoline was blended with ethanol, equal to 75% of conventional grade output. This was an increase of +0.9 million bpd over the same period in 2009. The volume of gasoline not blended with ethanol was 1.2 million bpd in February, 2010, 15% of total production.

Ethanol Blend Economics: Midwest ethanol prices trended lower throughout the first quarter of 2010 as a result of exceptionally over supplied conditions; with stocks building at a rate of +35,000 to +39,000 bpd. Ethanol prices traded within a 10 ct/gal range during the last 45 days as rising seasonal gasoline demand provided support to ethanol prices. Midwest gasoline prices trended higher since early February, then pulled back sharply in the 1st half of May.

The Midwest spot gasoline - ethanol price spread peaked in early April at +70cts/gal, then traded sideways before falling sharply in the 1st half of May. The current +45 cts/gal spread remains at the upper end of the historic range.

Including tax and RINS credits of approximately \$0.50/gal, blending economics remain very favorable even in markets with high ethanol distribution cost.



Emerging Trends:

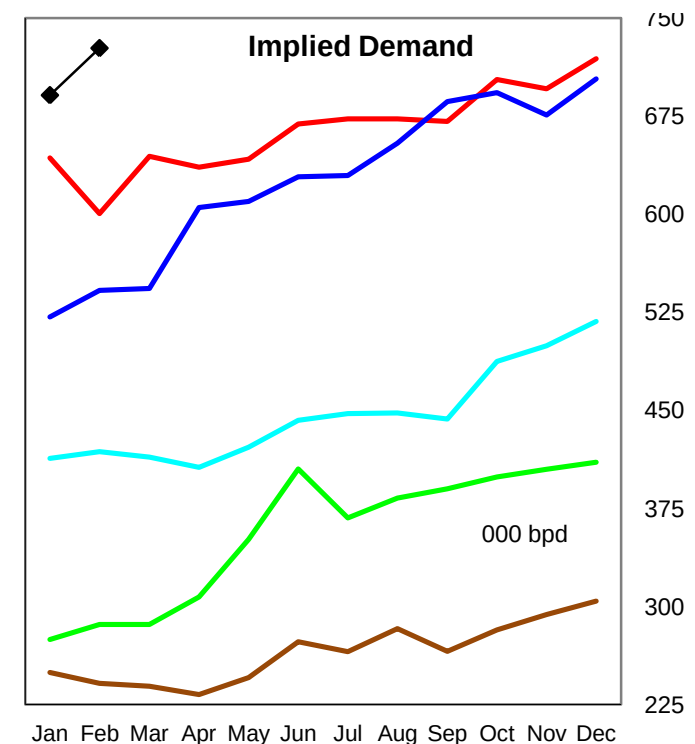
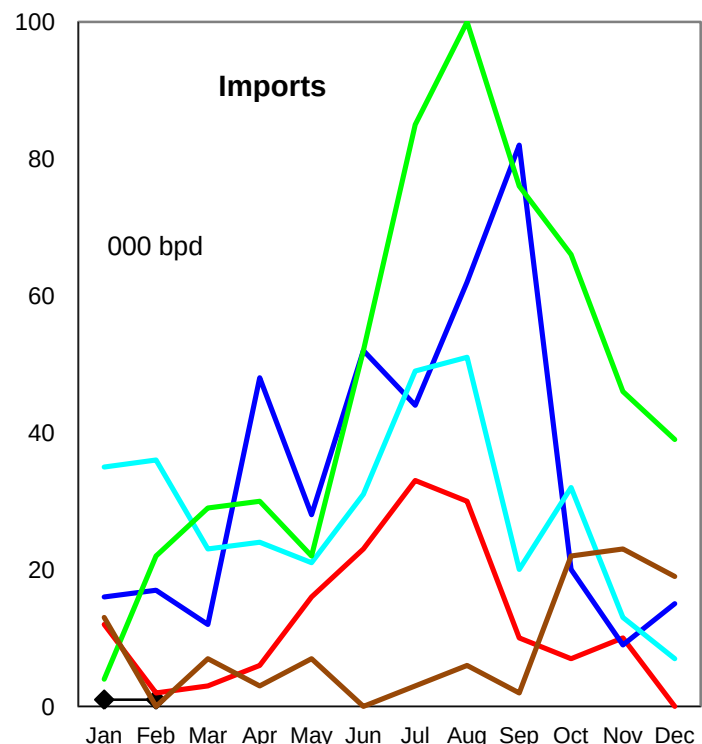
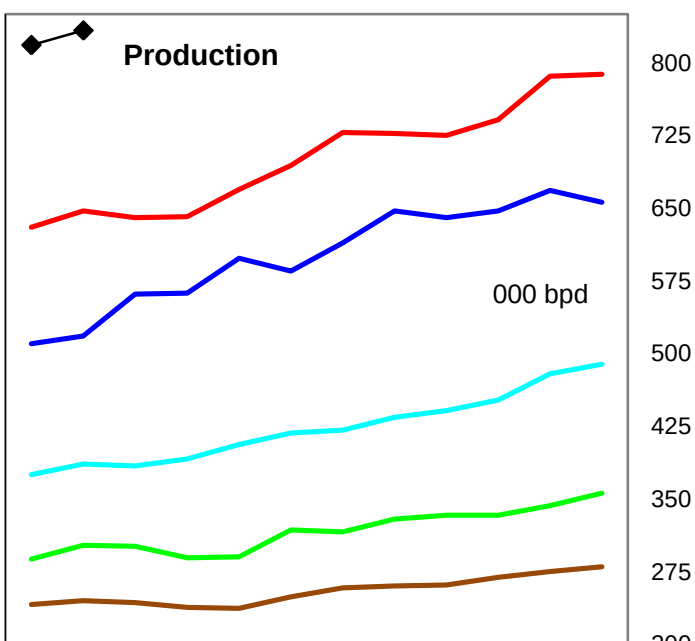
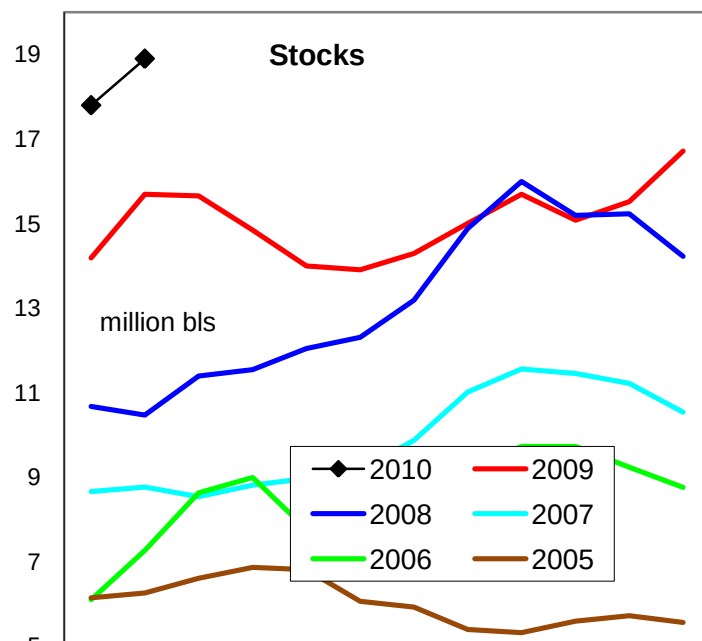
Ethanol production increased +186,000 bpd between Feb09 and Feb10. Stocks increased +3.2 million barrels (+20%) in the same period. Gasoline demand declined -166,000 bpd in Feb10 compared to Feb09.

Gasoline demand was particularly weak during the Dec09 - Feb10 quarter; but has begun to show meaningful year-on-year increases during March10 and April10 with demand higher by +1.7% and +3.4%; respectively. Conventional gasoline *not* blended with ethanol fell to a record low of 1.2 million bpd in February, and has likely declined further as blending infrastructure continues to be added by terminal operators. These trends are contributing to increased ethanol demand for blending; providing recent support to ethanol prices even with the recent drop in gasoline prices.

The ethanol market should remain well supplied during the peak summer driving period with favorable blend economics.

United States Ethanol Supply-Demand Balance

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Feb10	Jan10	Dec09	Nov09	Oct09	Sep09	1-Month	3-Mth Avg	6-Mth Avg
Production	833	818	788	786	741	725	186	169	134
Imports	1	1	0	10	7	10	-1	-9	-19
EIA Adjustment	-68	-94	-31	-85	-64	-42	-75	-44	-54
Demand	727	691	719	696	703	671	126	63	34
Ending Stocks	18,897	17,800	16,711	15,518	15,080	15,688	3,209	3,105	1,531
Change in stocks	1,097	1,089	1,193	438	-608	687			
Wholesale Gasoline Demand	8,651	8,525	8,888	8,871	8,978	8,897	-165	-121	7
Conv Ethanol Gasoline Blend	4,306	4,056	4,327	4,221	4,243	4,028	895	944	978
Ethanol % of Total Gasoline	9.17	8.82	8.80	8.51	8.50	8.16	1.86	0.98	0.45



Variance to prior year
000 bpd (000 bbls stocks)
% change

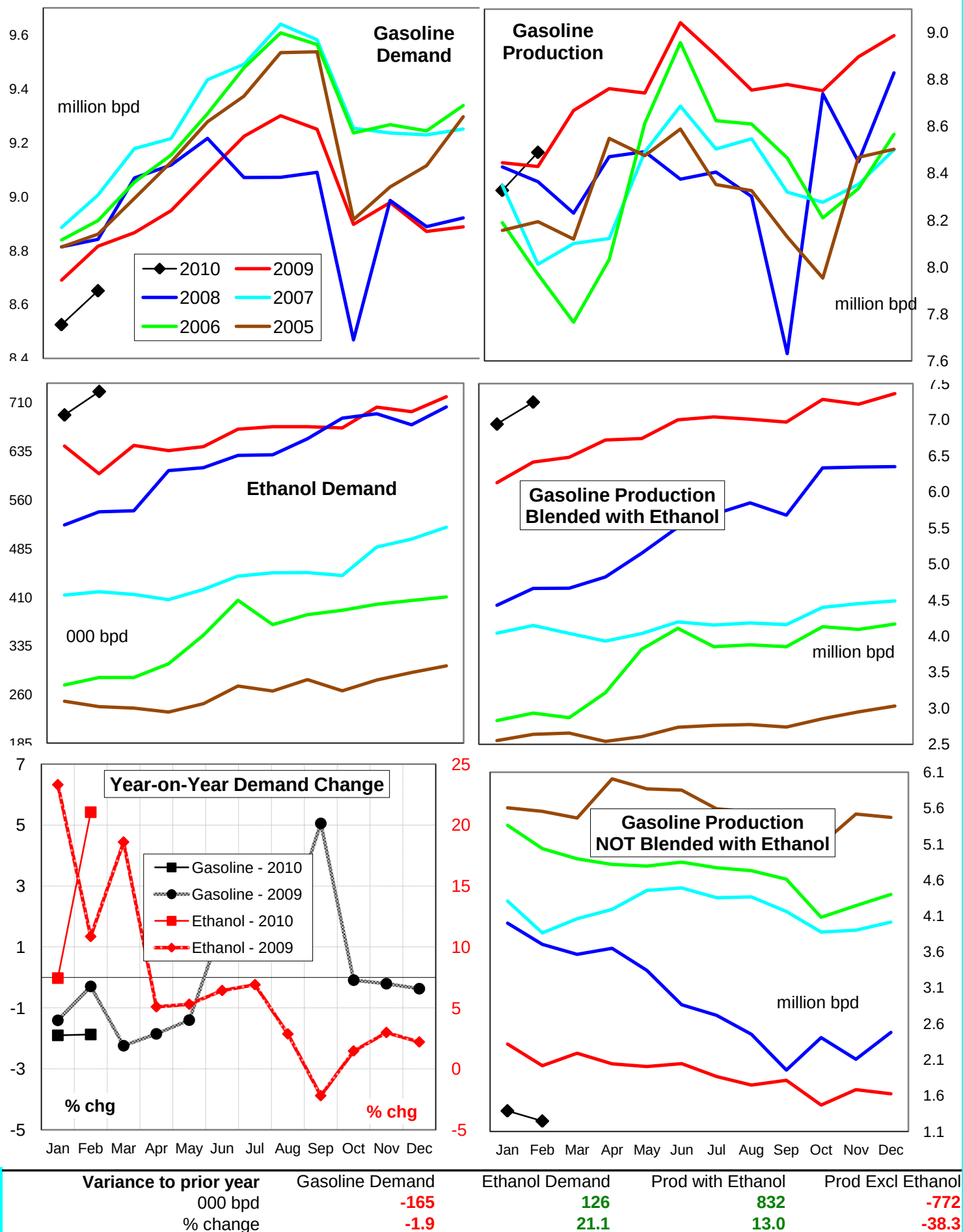
Stocks
3,209
20.5

Production
186
28.7

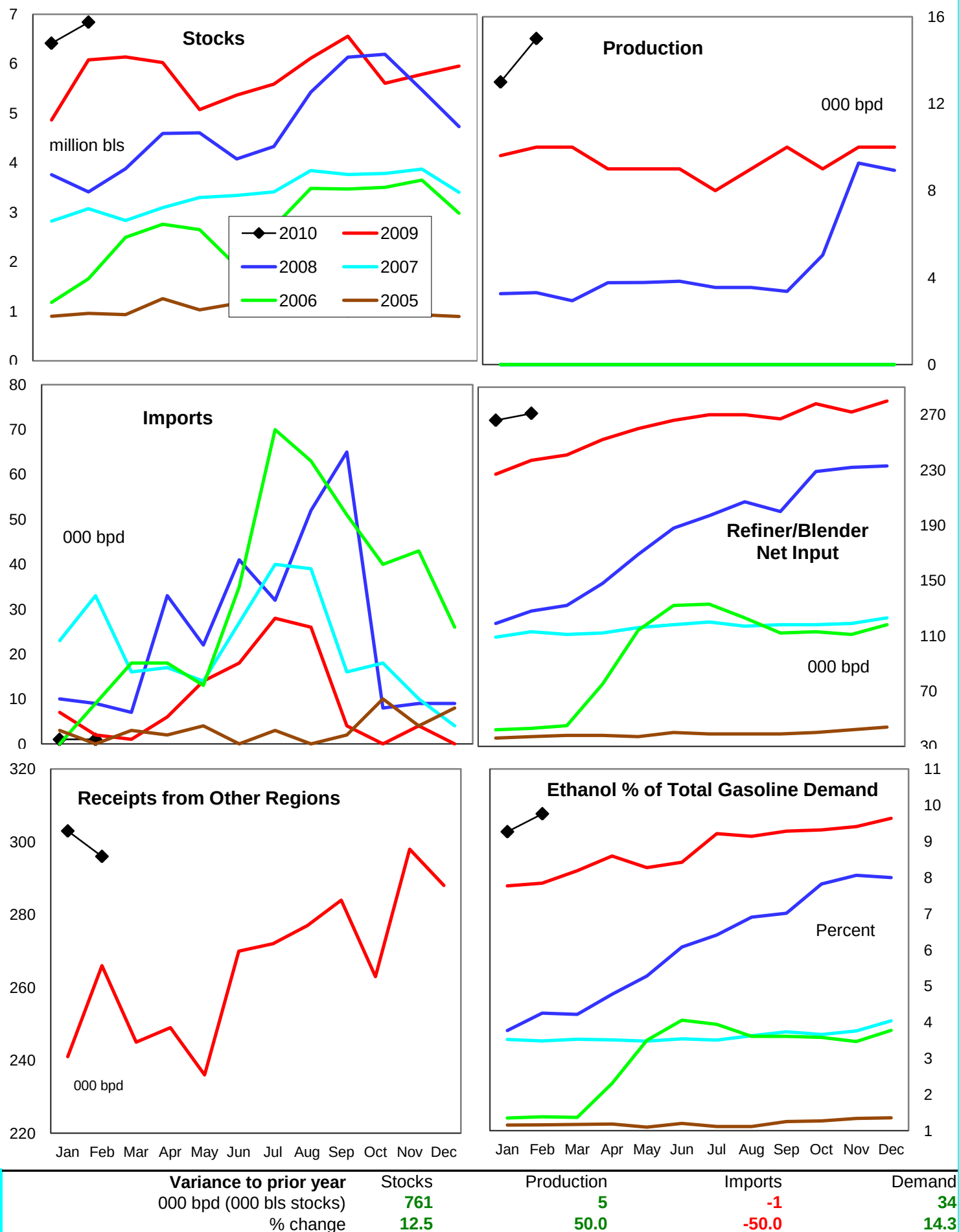
Imports
-1
-50.0

Demand
126
21.1

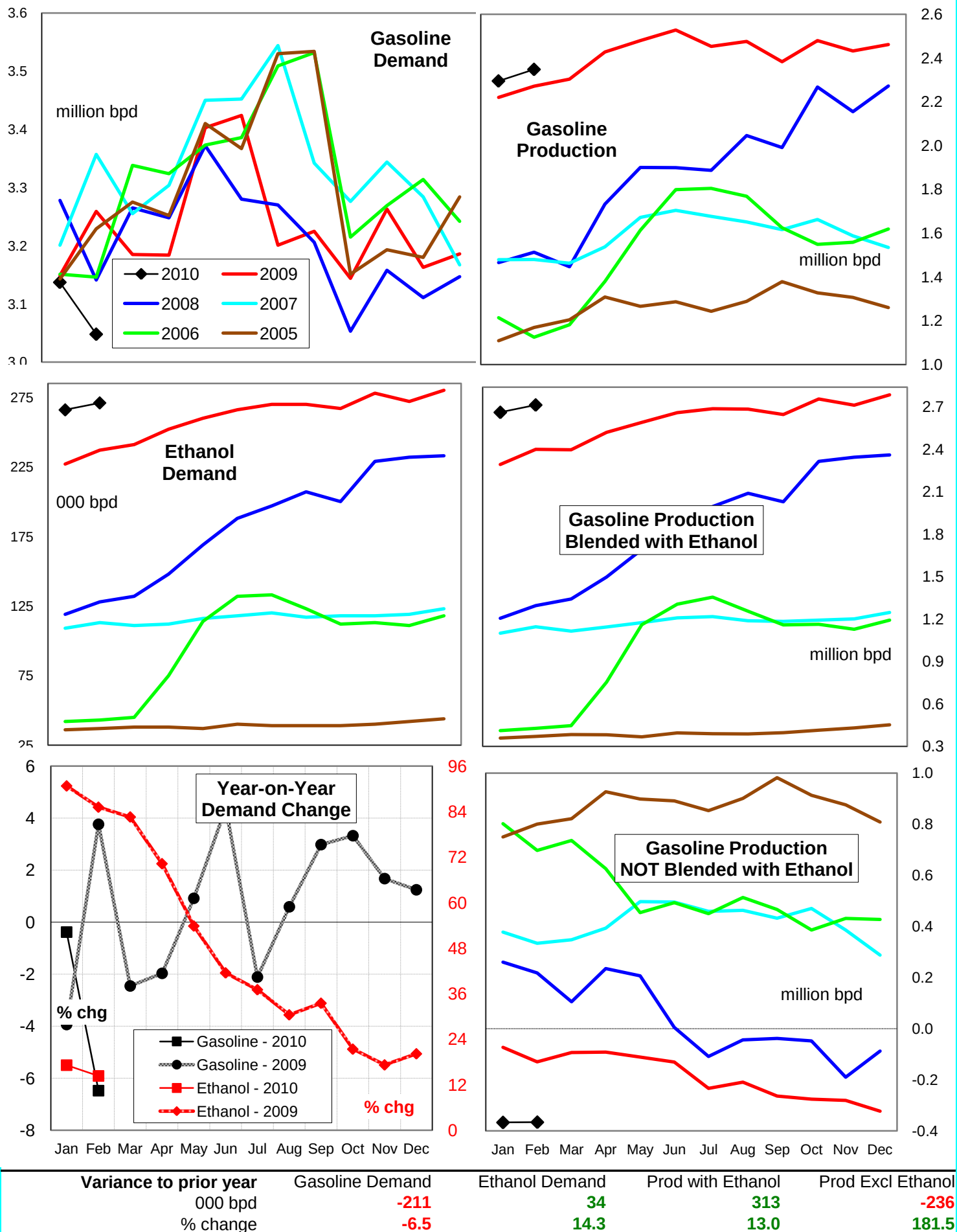
U. S. Gasoline/Ethanol Demand and Blending



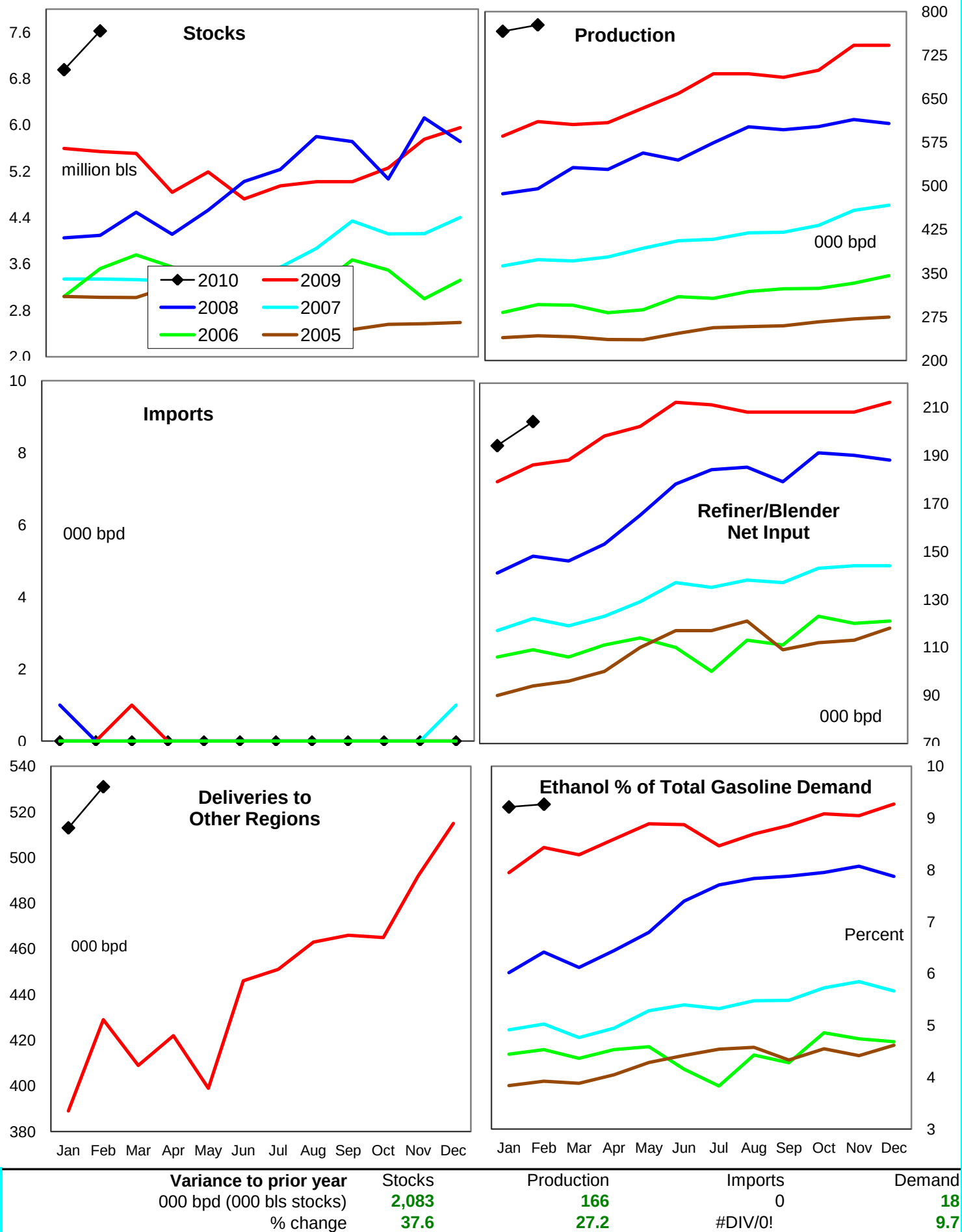
PADD 1 Ethanol Supply-Demand Balance



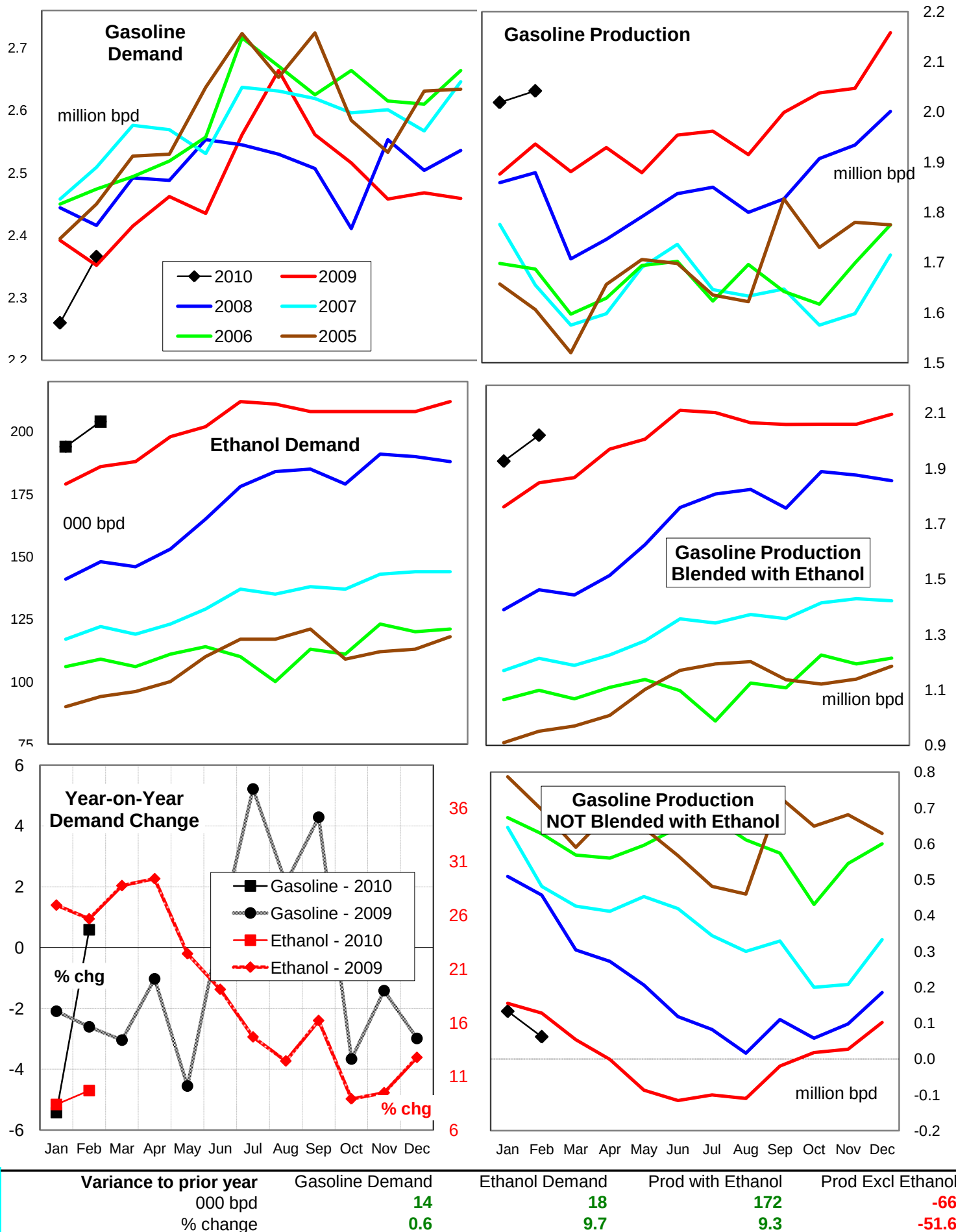
PADD 01 Gasoline/Ethanol Demand and Blending



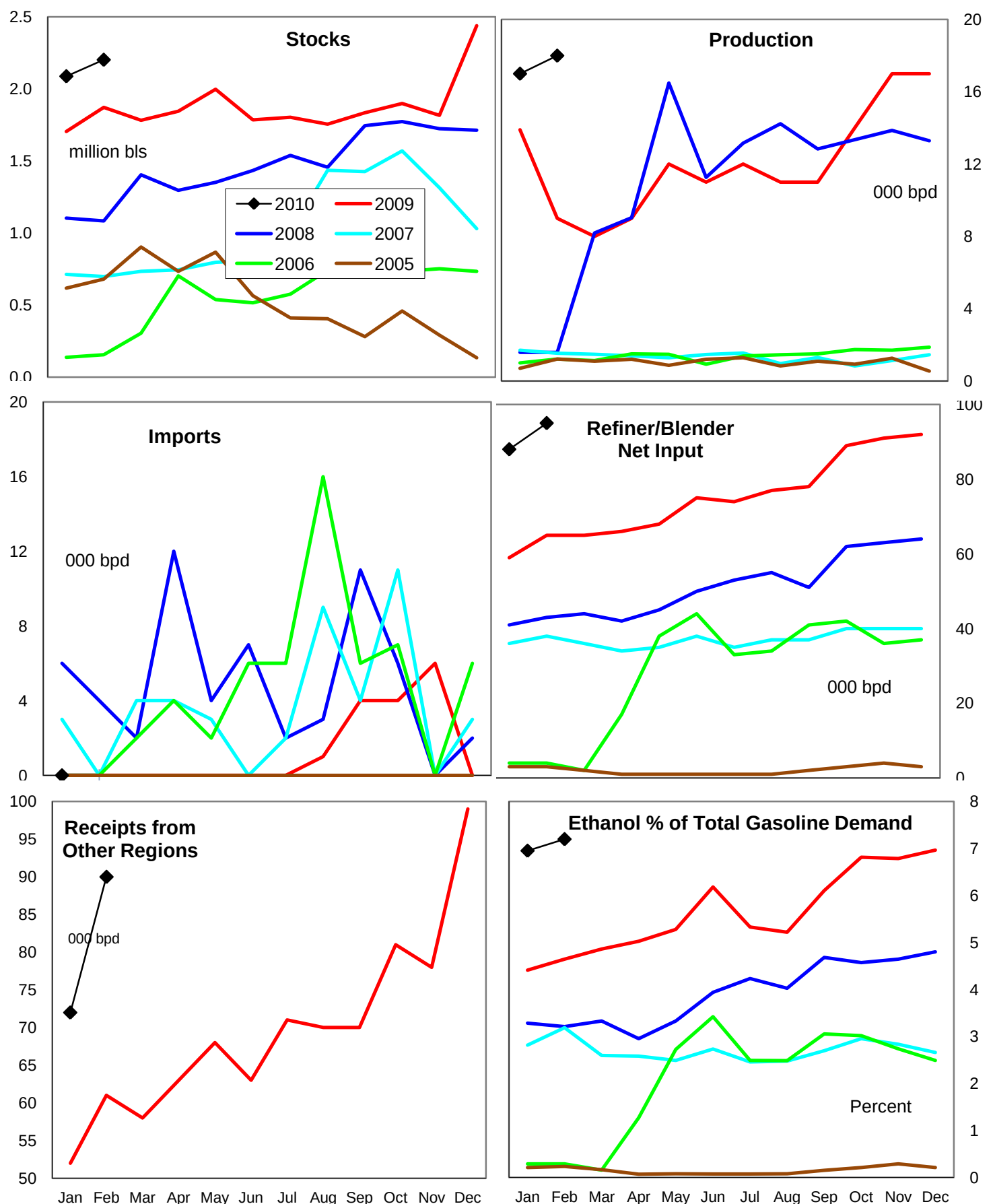
PADD 2 Ethanol Supply-Demand Balance



PADD 02 Gasoline/Ethanol Demand and Blending



PADD 3 Ethanol Supply-Demand Balance



Variance to prior year
000 bpd (000 bbls stocks)
% change

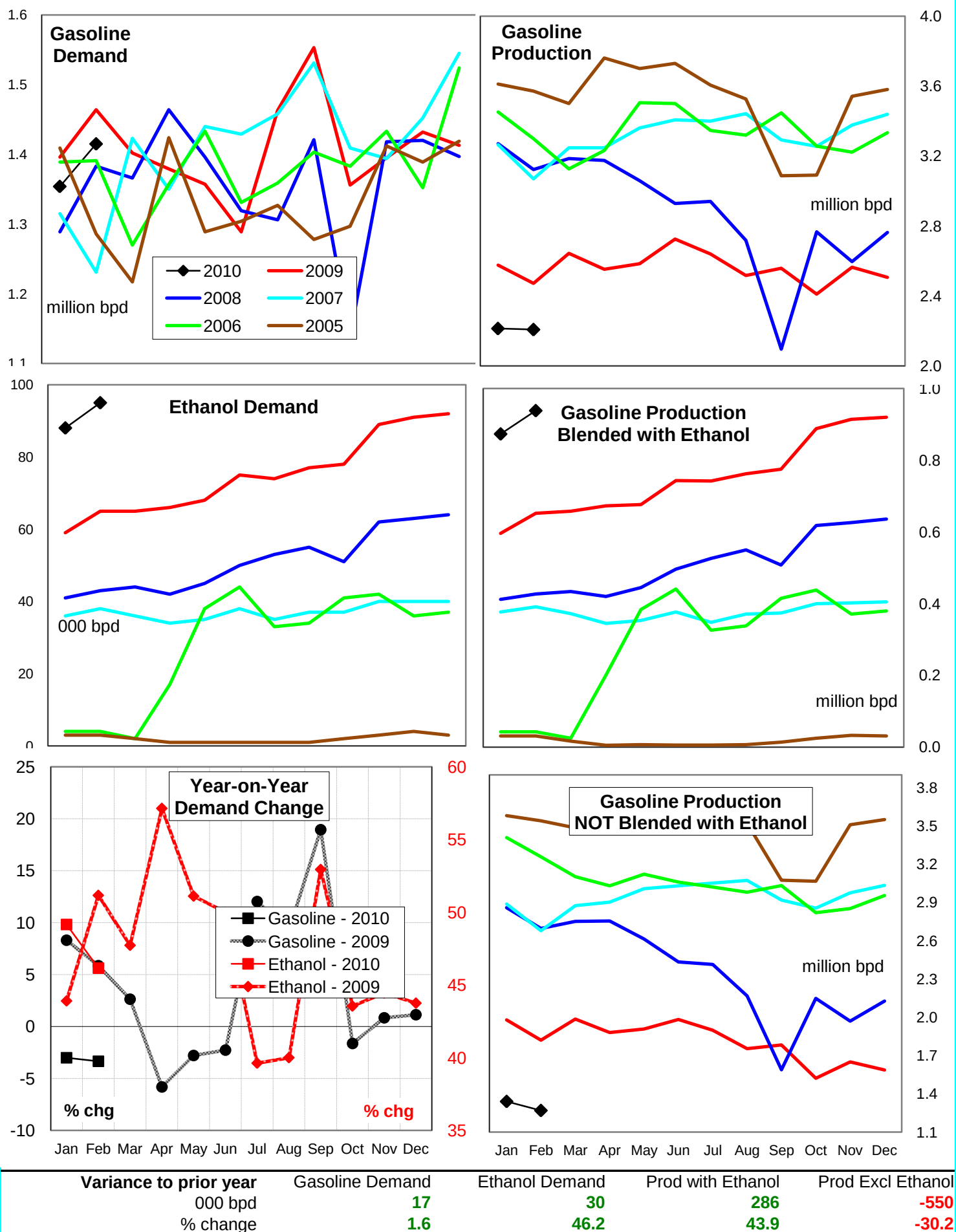
Stocks
330
17.6

Production
9
100.0

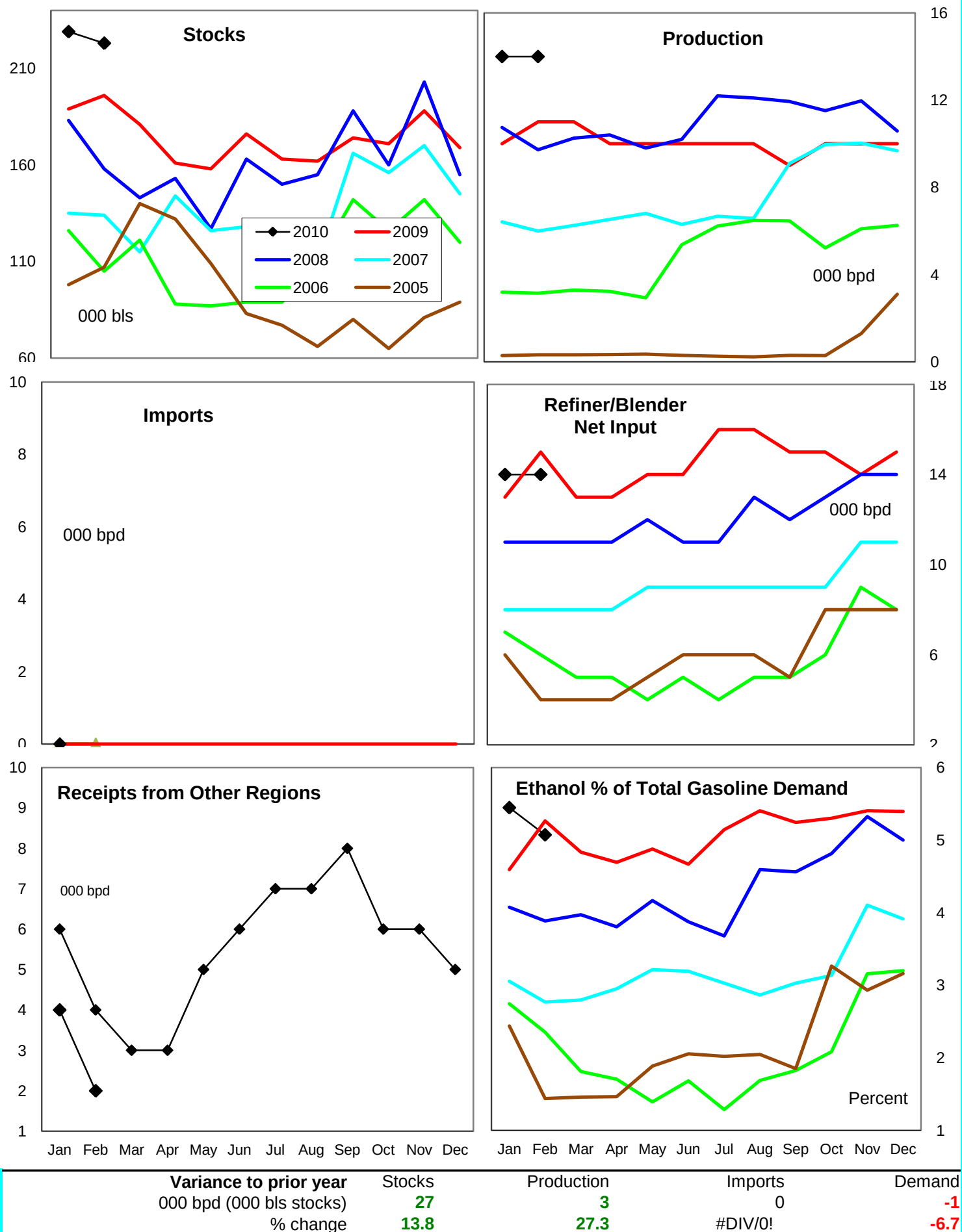
Imports
0
#DIV/0!

Demand
30
46.2

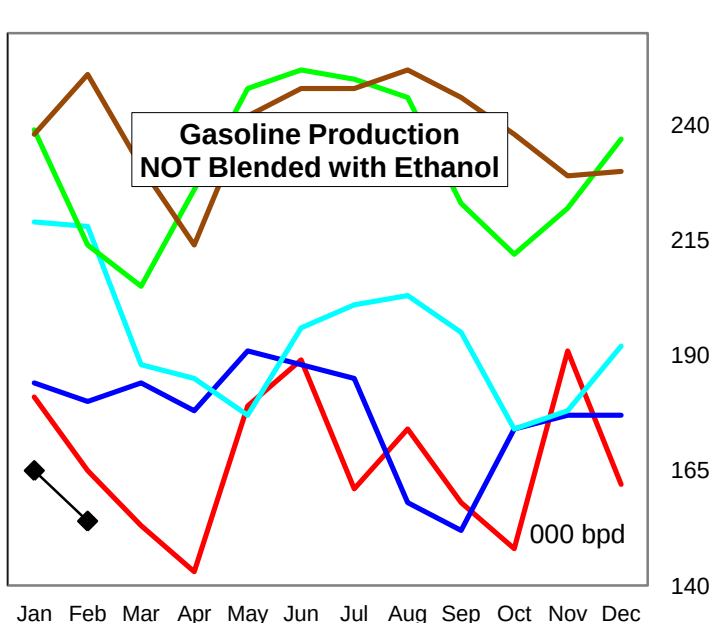
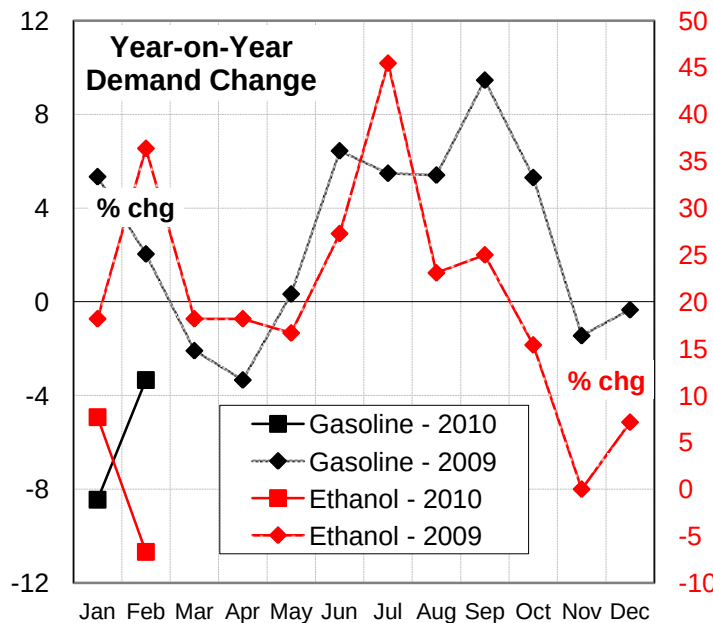
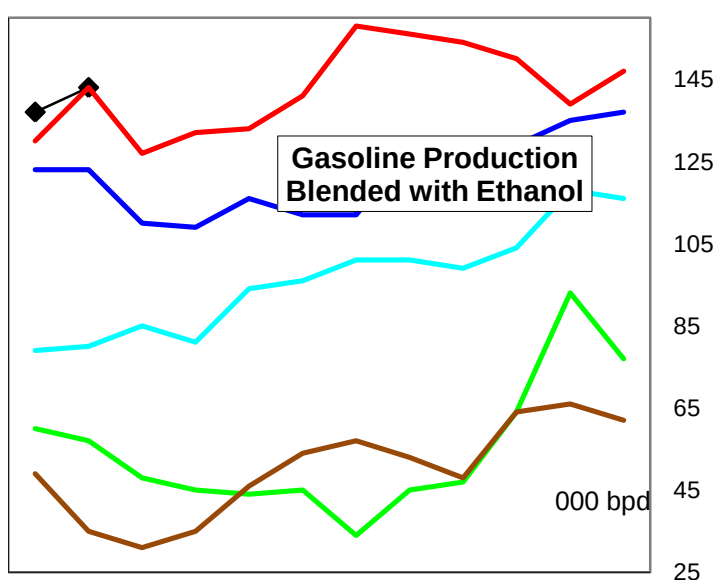
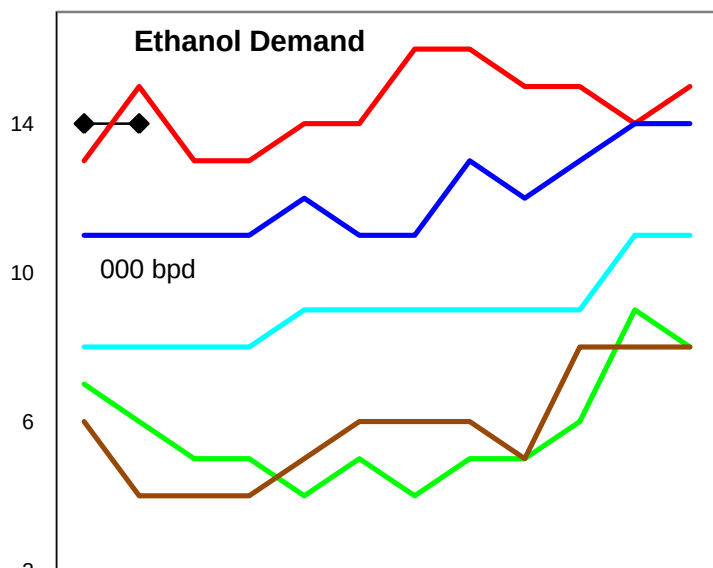
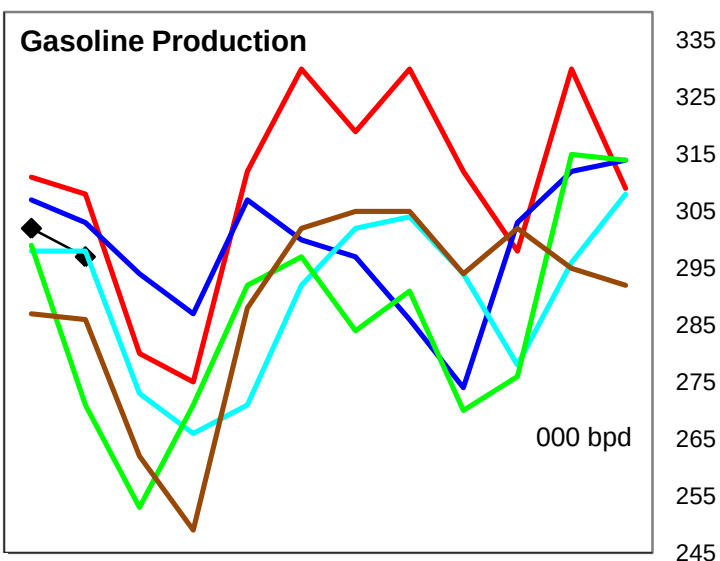
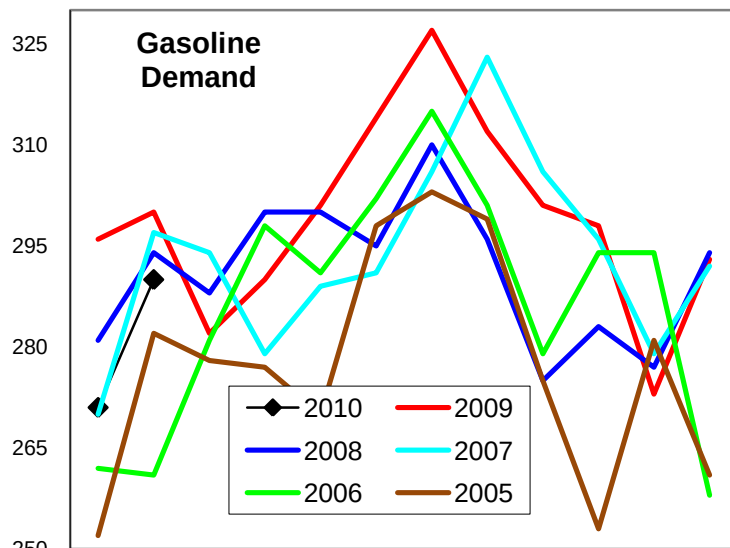
PADD 03 Gasoline/Ethanol Demand and Blending



PADD 4 Ethanol Supply-Demand Balance



PADD 04 Gasoline/Ethanol Demand and Blending



Variance to prior year

000 bpd

% change

Gasoline Demand

-10

-3.3

Ethanol Demand

-1

-6.7

Prod with Ethanol

0

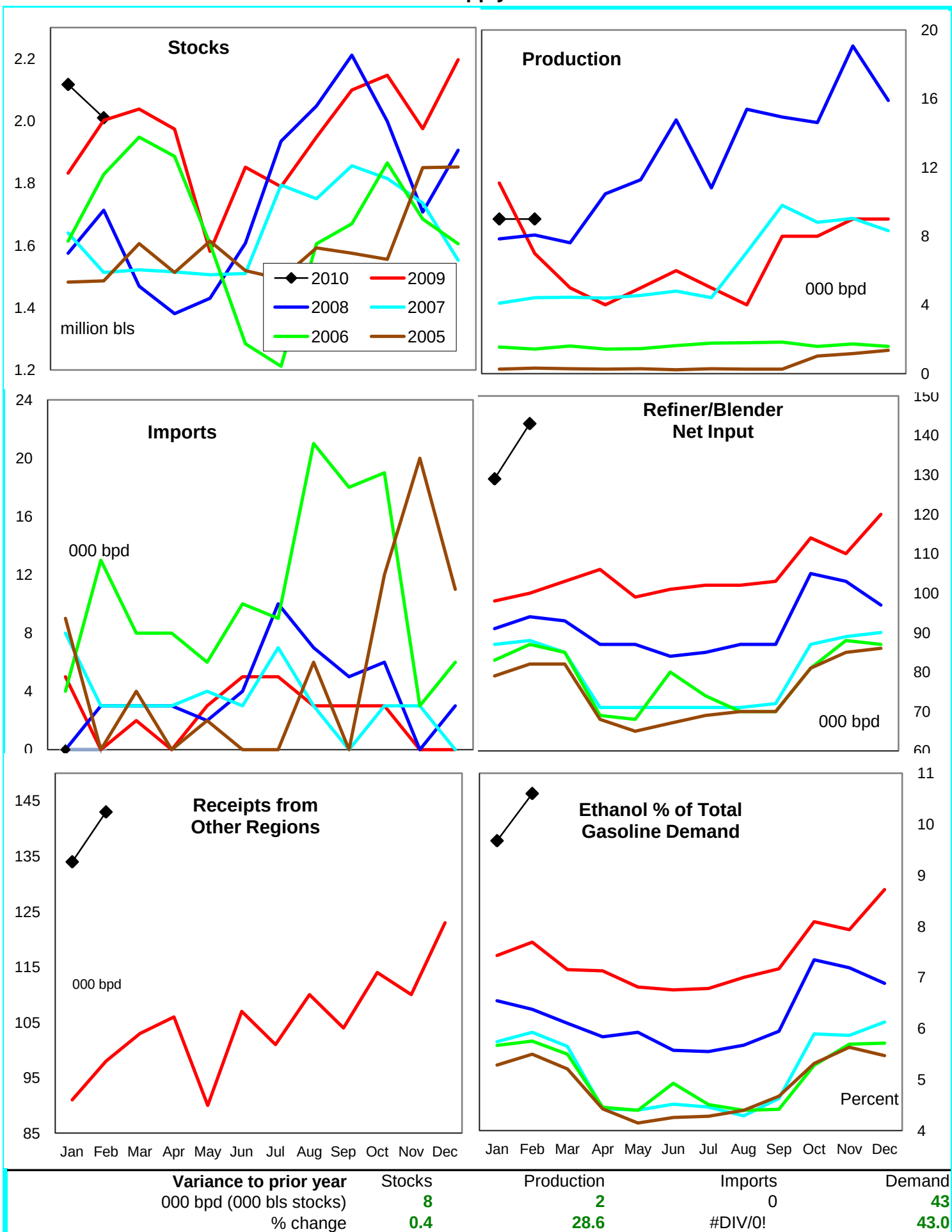
0.0

Prod Excl Ethanol

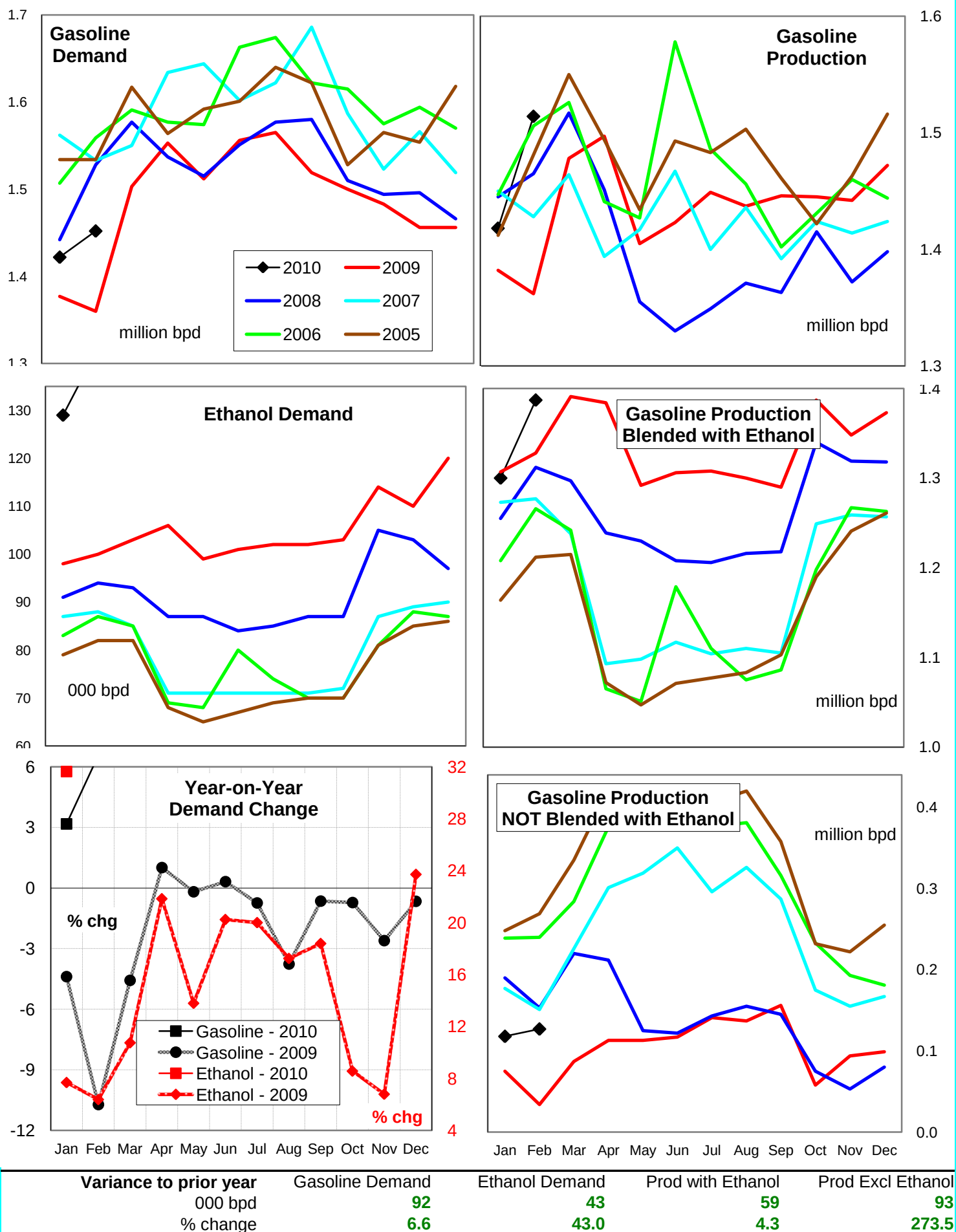
-11

-6.7

PADD 5 Ethanol Supply-Demand Balance



PADD 05 Gasoline/Ethanol Demand and Blending



Ethanol / Gasoline Fundamental Trends

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Feb10	Jan10	Dec09	Nov09	Oct09	Sep09	1-Month	3-Mth Avg	6-Mth Avg
U. S. Total									
Production	833	818	788	786	741	725	186	169	134
Imports	1	1	0	10	7	10	-1	-9	-19
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Implied Demand	727	691	719	696	703	671	126	63	34
Ending Stocks	18,897	17,800	16,711	15,518	15,080	15,688	3,209	3,105	1,531
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Ethanol % of Total Gasoline	9.17	8.82	8.80	8.51	8.50	8.16	1.86	0.98	0.45
PADD 01									
Production	15	13	10	10	9	10	5	3	3
Imports	1	1	0	4	0	4	-1	-5	-15
Receipts from other regions	296	303	288	298	263	284	NA		
Refiner/Blender Net Input	271	266	280	272	278	267	34	40	46
Ending Stocks	6,838	6,413	5,952	5,784	5,605	6,558	761	1,177	614
Wholesale Gasoline Demand	3,048	3,137	3,186	3,163	3,263	3,144	-211	-61	11
Conv Ethanol Gasoline Blend	1,595	1,502	1,564	1,506	1,537	1,447	385	398	435
Ethanol % of Total Gasoline	9.76	9.27	9.64	9.41	9.31	9.28	1.92	1.68	1.69
PADD 02									
Production	777	766	742	742	699	687	166	160	133
Deliveries to other regions	-531	-513	-515	-492	-465	-466	NA		
Refiner/Blender Net Input	204	194	212	208	208	208	18	19	20
Ending Stocks	7,624	6,953	5,954	5,755	5,258	5,022	2,083	1,227	468
Wholesale Gasoline Demand	2,406	2,300	2,499	2,508	2,498	2,556	14	-65	-37
Conv Ethanol Gasoline Blend	1,662	1,581	1,724	1,708	1,701	1,693	189	211	219
Ethanol % of Total Gasoline	9.26	9.21	9.27	9.04	9.08	8.86	0.83	1.17	1.10
PADD 03									
Production	18	17	17	17	14	11	9	5	3
Imports	0	0	0	6	4	4	0	-1	-1
Receipts from other regions	90	72	99	78	81	70	NA		
Refiner/Blender Net Input	95	88	92	91	89	78	30	29	28
Ending Stocks	2,202	2,088	2,439	1,816	1,899	1,835	330	480	291
Wholesale Gasoline Demand	1,415	1,354	1,413	1,432	1,395	1,356	-49	-25	22
Conv Ethanol Gasoline Blend	558	514	546	534	509	390	299	299	278
Ethanol % of Total Gasoline	7.20	6.95	6.96	6.79	6.81	6.10	2.55	2.42	2.18
PADD 04									
Production	14	14	10	10	10	9	3	2	0
Receipts from other regions	2	4	5	6	6	8	NA		
Refiner/Blender Net Input	14	14	15	14	15	15	-1	0	1
Ending Stocks	223	229	169	188	171	174	27	27	11
Wholesale Gasoline Demand	290	271	293	273	298	301	-10	-12	0
Conv Ethanol Gasoline Blend	143	137	147	139	150	154	-116	-98	-85
Ethanol % of Total Gasoline	5.07	5.45	5.40	5.41	5.30	5.24	-0.19	0.35	0.38
PADD 05									
Production	9	9	9	9	8	8	2	-2	-5
Imports	0	0	0	0	3	3	0	-3	-2
Receipts from other regions	143	134	123	110	114	104	NA		
Refiner/Blender Net Input	143	129	120	110	114	103	43	32	22
Ending Stocks	2,010	2,117	2,197	1,975	2,147	2,099	8	195	148
Wholesale Gasoline Demand	1,492	1,462	1,496	1,496	1,523	1,540	92	42	11
Conv Ethanol Gasoline Blend	347	322	346	334	346	343	21	31	34
Ethanol % of Total Gasoline	10.60	9.68	8.72	7.94	8.09	7.17	2.91	2.33	1.62

U. S. Petroleum Administrative for Defense Districts (PADDs)

