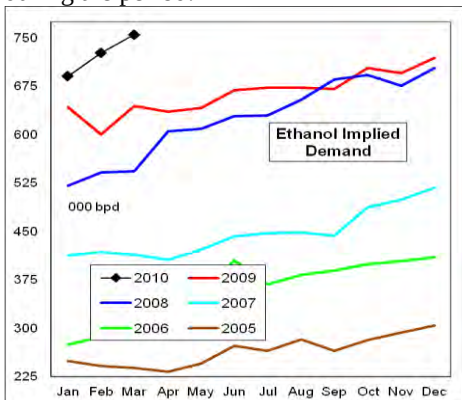


ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

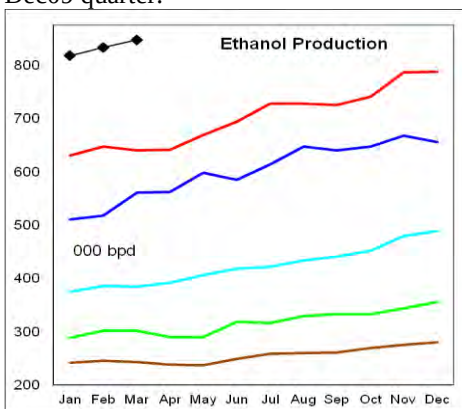
 Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Friday, June 18, 2010


Summary: Ethanol demand was 724,000 bpd in the Jan10 - Mar10 quarter, up +18,000 bpd compared to the Oct09 - Dec09 period. Wholesale gasoline demand decreased -258,000 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 Jan10 - Mar10 and the same quarter in 2009 increased +95,000 bpd. This represented a +13.5% increase.

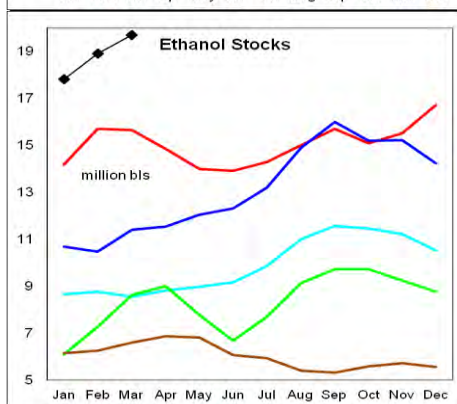
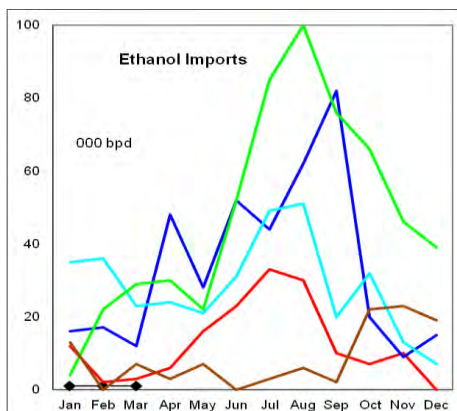
Ethanol production was 833,000 bpd during the Jan10 - Mar10 quarter, up +61,000 bpd compared to the Oct09 - Dec09 quarter.



Year-over-year production increased in the Jan10 - Mar10 quarter by +194,000 bpd. This was a +25% increase.

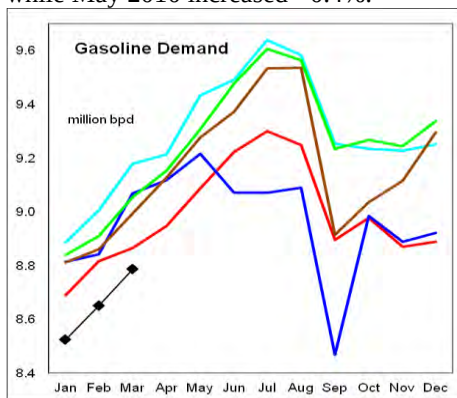
Imports averaged 1,000 bpd during the Jan10 - Mar10 quarter, down from 6,000 bpd during the Oct09 - Dec09 quarter.

Ethanol stocks increased +0.8 million barrels in March, a +26,000 bpd build during the month. Stocks increased +0.6 million barrels in PADD 1; +0.5 million barrels in PADD 3 and decreased -0.4 million barrels in PADD 2. Other regions were nearly unchanged.



Gasoline Demand Trends: Wholesale gasoline demand decreased -136,000 bpd year-over-year in the Jan10 - Mar10 period compared to a year ago, a -1.5% decrease.

Gasoline demand in April 2010 increased +3.5% compared to a year ago while May 2010 increased +0.4%.



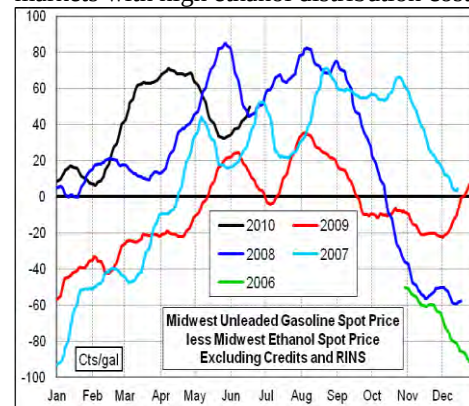
Blending Trends: During the Jan10 - Mar10 quarter, 4.3 million bpd of conventional gasoline was blended with ethanol, equal to 76% of conventional grade output. This was an increase of +0.9 million bpd over the same period in 2009. The volume of gasoline not blended with ethanol was 1.4 million bpd in March, 2010, 23% 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 +33,000 bpd. Ethanol prices reached a low of \$1.50/gal in early April and have recently traded at \$1.61/gal.

The Midwest spot gasoline - ethanol price spread increased from a low of +7 cts/gal in early February to a peak of +71 cts/gal in mid April. The spread then fell to +33 cts/gal in late May, and recently traded at +49 cts/gal. The current spread of nearly +50/cts gal is within the upper 25% of the range during the last four years.

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: The Energy Information Administration began estimating weekly ethanol demand on 04Jun10; with the first 2-wks of the month averaging 756,000 bpd. This is nearly unchanged from the March 2010 demand of 755,000 bpd, indicating that growth in ethanol blending has slowed considerable during the 1st half of 2010.

Gasoline demand has been very lackluster in 2010; down -1.5% in the 1st quarter compared to a year ago; and nearly unchanged for the 2nd quarter to-date.

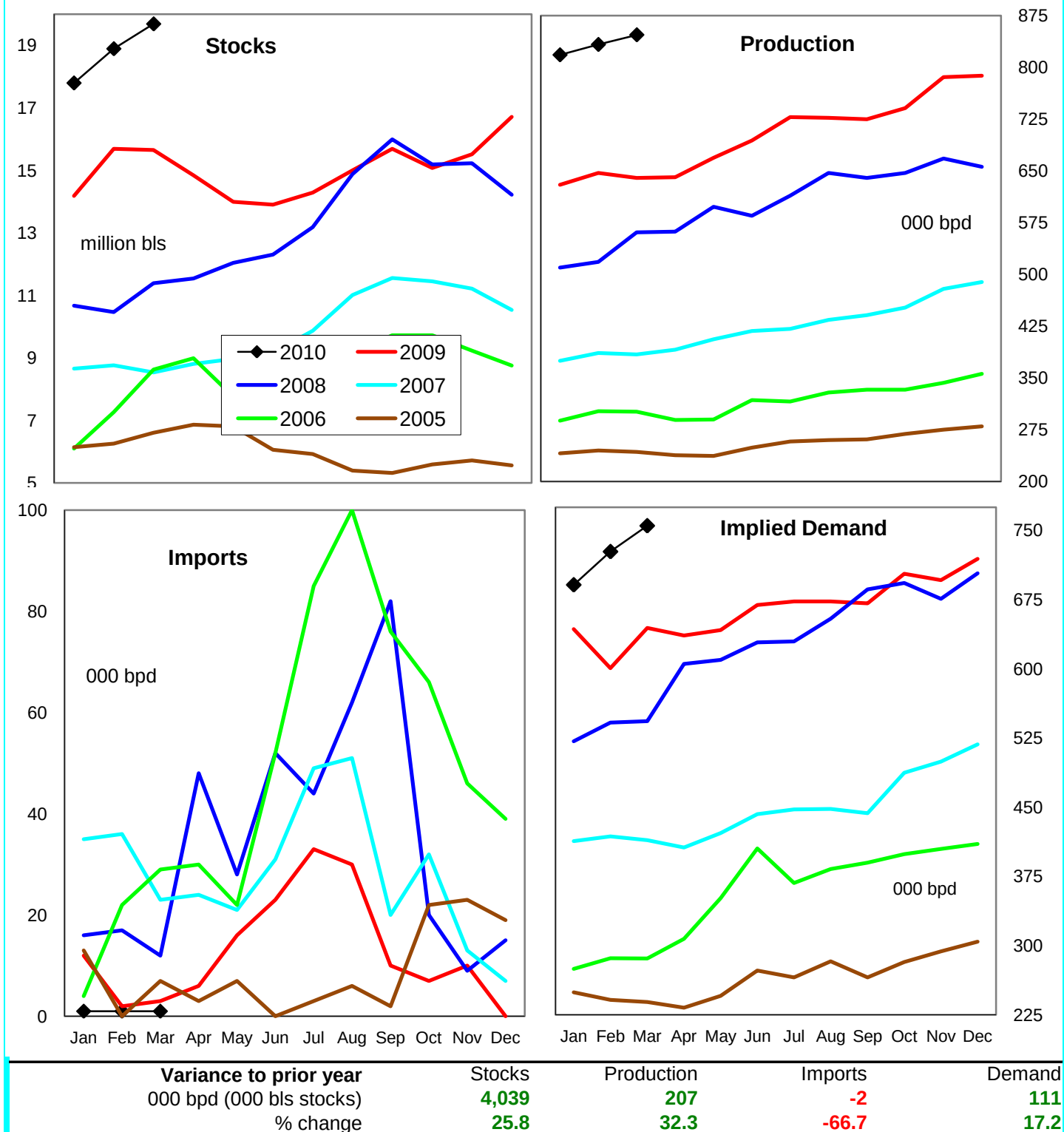
During March 2010 1.4 million bpd of conventional gasoline was not blended with ethanol. The latest EIA weekly data for the week ending 11Jun10 shows 1.5 million bpd was not blended with ethanol.

Ethanol stocks were 19.6 million barrels at the end of March 2010; and 18.6 million barrels in the latest EIA weekly report.

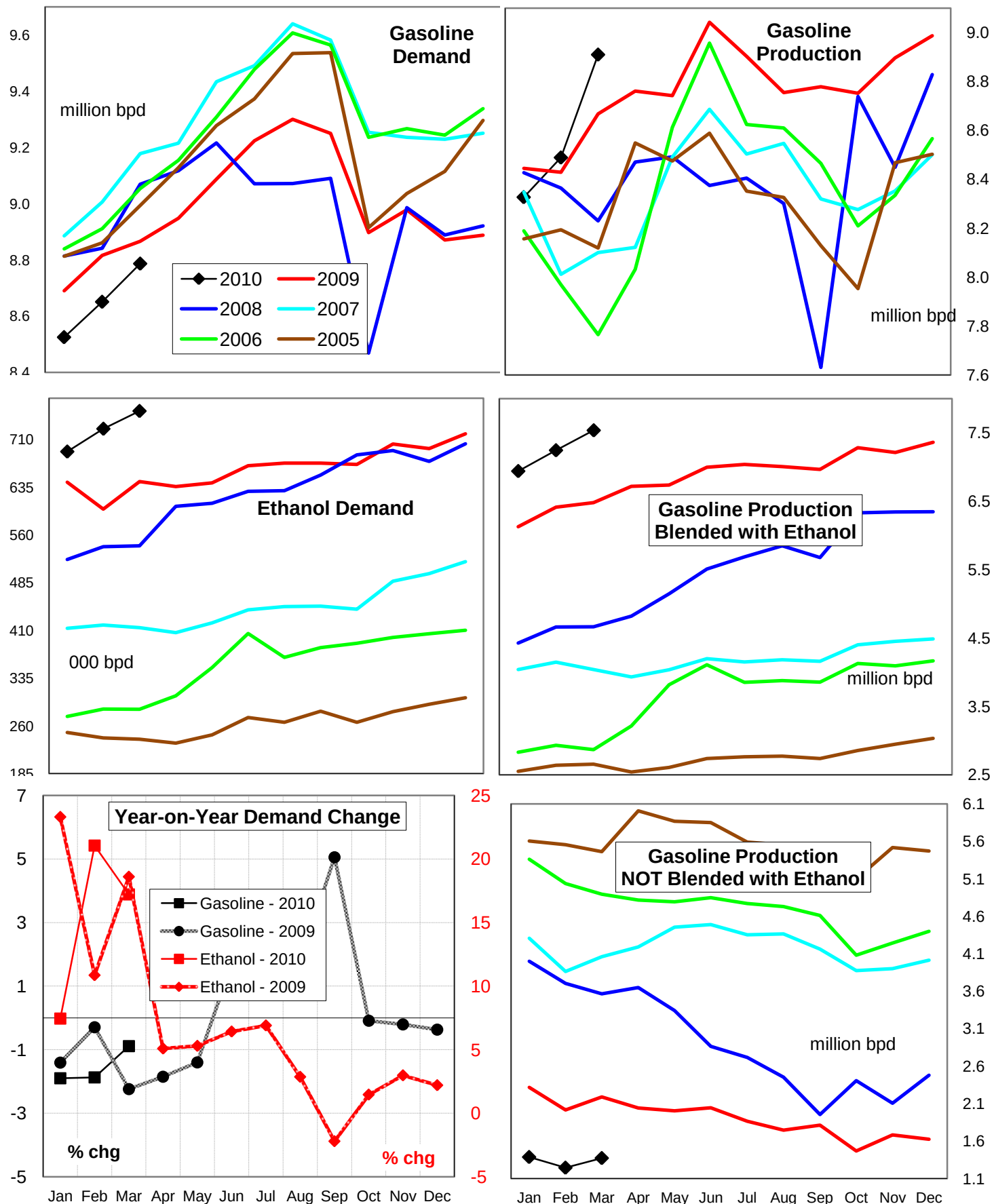
Ethanol supplies should be very ample during the peak summer driving period, so that favorable blend economics continue.

United States Ethanol Supply-Demand Balance

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Mar10	Feb10	Jan10	Dec09	Nov09	Oct09	1-Month	3-Mth Avg	6-Mth Avg
Production	847	833	818	788	786	741	207	194	154
Imports	1	1	1	0	10	7	-2	-5	-7
EIA Adjustment	-68	-68	-94	-31	-85	-64	-35	-45	-53
Demand	755	727	691	719	696	703	111	95	55
Ending Stocks	19,691	18,897	17,800	16,711	15,518	15,080	4,039	3,621	2,256
Change in stocks	794	1,097	1,089	1,193	438	-608			
Wholesale Gasoline Demand	8,787	8,651	8,525	8,888	8,871	8,978	-79	-136	-78
Conv Ethanol Gasoline Blend	3,339	4,279	4,475	4,306	4,056	4,327	-410	411	678
Ethanol % of Total Gasoline	9.40	9.17	8.82	8.80	8.51	8.50	1.57	1.42	0.82



U. S. Gasoline/Ethanol Demand and Blending



Variance to prior year

000 bpd

% change

Gasoline Demand

-79

-0.9

Ethanol Demand

111

17.2

Prod with Ethanol

1,057

16.3

Prod Excl Ethanol

-815

-37.2

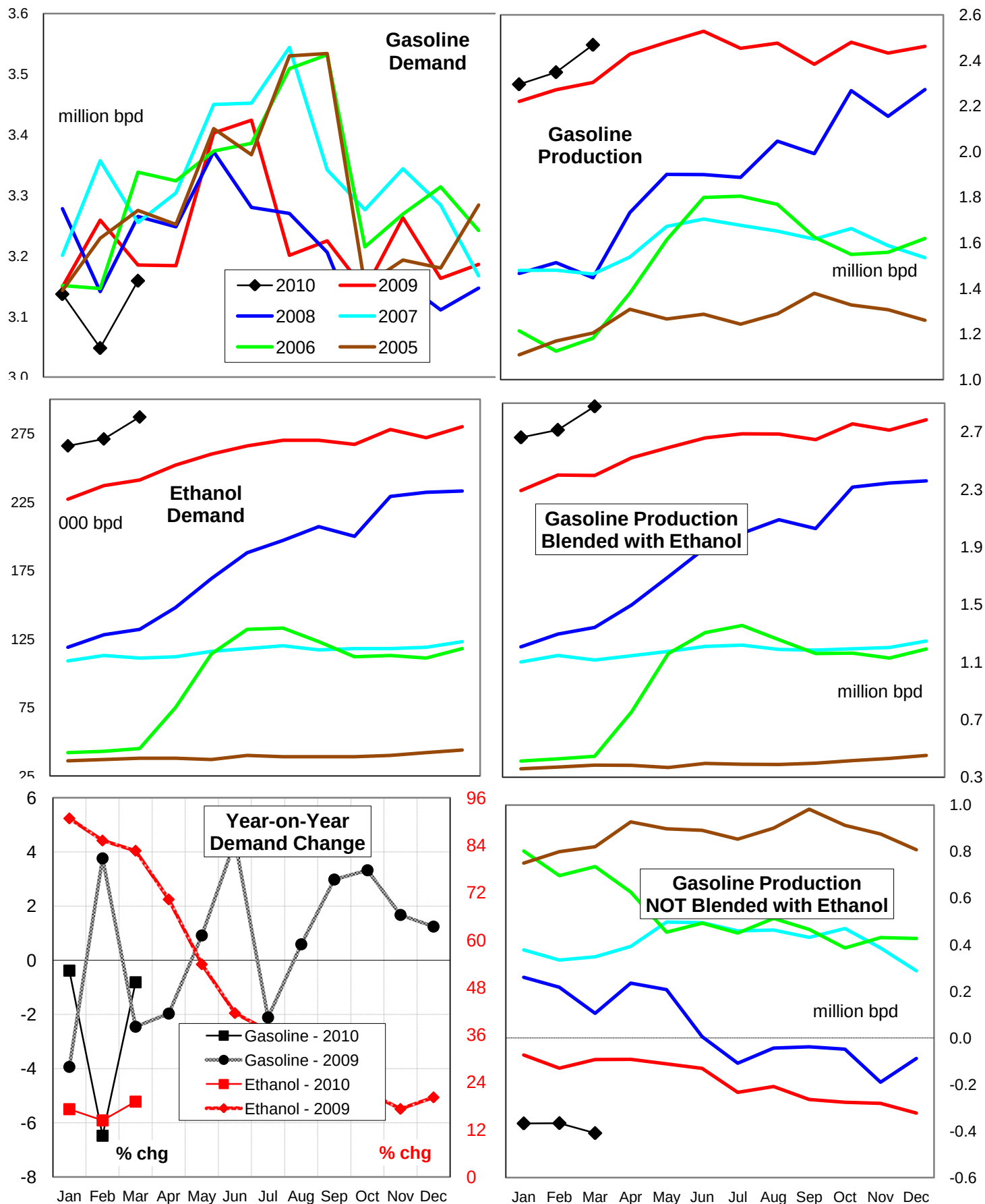
The figure consists of six line charts arranged in a 3x2 grid, comparing 2010 data (black diamonds) with 2005-2009 data (colored lines). The x-axis for all charts represents months from January to December.

- Stocks:** Y-axis in million bbls (0-8). 2010 shows a steady increase from ~6.4 to ~7.4 million bbls. 2009 peaks in September at ~6.5 million bbls. 2008 peaks in November at ~6.2 million bbls. 2007 peaks in September at ~3.8 million bbls. 2006 peaks in July at ~2.8 million bbls. 2005 remains relatively flat around 1 million bbls.
- Production:** Y-axis in 000 bpd (0-16). 2010 shows a slight increase from ~12.5 to ~13.5 000 bpd. 2009 peaks in November at ~12.5 000 bpd. 2008 peaks in November at ~12.5 000 bpd. 2007 peaks in September at ~8.5 000 bpd. 2006 peaks in July at ~8.5 000 bpd. 2005 remains relatively flat around 1 000 bpd.
- Imports:** Y-axis in 000 bpd (0-80). 2010 shows a sharp increase from ~1 to ~65 000 bpd. 2009 peaks in September at ~28 000 bpd. 2008 peaks in November at ~65 000 bpd. 2007 peaks in September at ~40 000 bpd. 2006 peaks in July at ~70 000 bpd. 2005 remains relatively flat around 5 000 bpd.
- Refiner/Blender Net Input:** Y-axis in 000 bpd (30-270). 2010 shows a steady increase from ~110 to ~125 000 bpd. 2009 peaks in November at ~270 000 bpd. 2008 peaks in November at ~230 000 bpd. 2007 peaks in September at ~110 000 bpd. 2006 peaks in July at ~110 000 bpd. 2005 remains relatively flat around 30 000 bpd.
- Receipts from Other Regions:** Y-axis in 000 bpd (220-320). 2010 shows a sharp increase from ~295 to ~315 000 bpd. 2009 peaks in November at ~298 000 bpd. 2008 peaks in November at ~298 000 bpd. 2007 peaks in September at ~245 000 bpd. 2006 peaks in July at ~245 000 bpd. 2005 remains relatively flat around 220 000 bpd.
- Ethanol % of Total Gasoline Demand:** Y-axis in Percent (1-11). 2010 shows a steady increase from ~3.5 to ~4.5 percent. 2009 peaks in November at ~9.5 percent. 2008 peaks in November at ~8.5 percent. 2007 peaks in September at ~3.5 percent. 2006 peaks in July at ~3.5 percent. 2005 remains relatively flat around 1 percent.

Variance to prior year

Metric	2010 Variance
Stocks (000 bbls)	1,255
Production (000 bpd)	3
Imports (000 bpd)	-1
Demand (000 bpd)	4
% change	20.4
	30.0
	-100.0
	19.0

PADD 01 Gasoline/Ethanol Demand and Blending



Variance to prior year

000 bpd

% change

Gasoline Demand

-26

-0.8

Ethanol Demand

46

19.1

Prod with Ethanol

480

20.0

Prod Excl Ethanol

-316

339.8

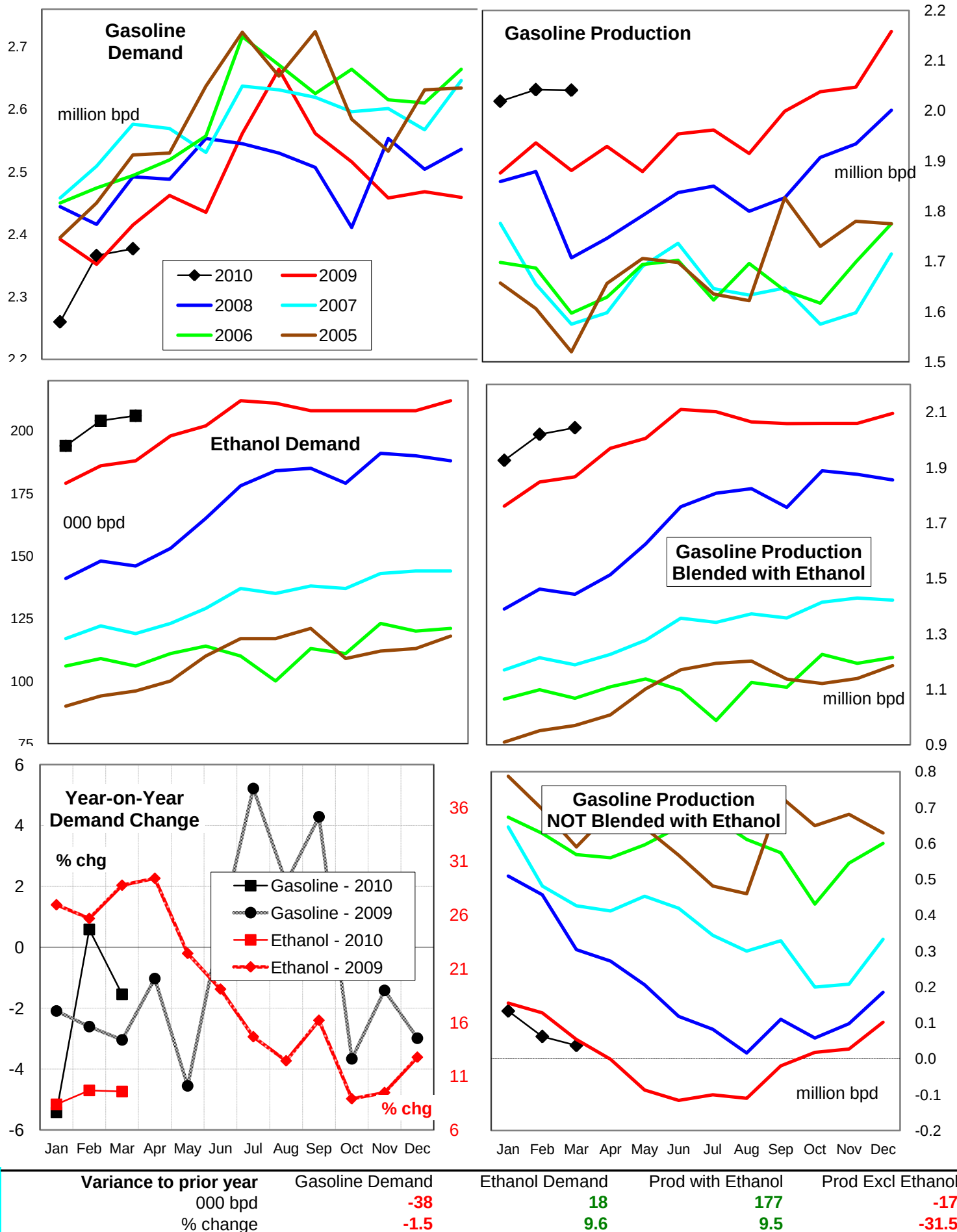
The figure consists of six line charts arranged in a 3x2 grid, showing various oil market metrics from January to December. Each chart includes data for the years 2005 through 2010. The metrics are:

- Stocks (million bbls):** Shows a general upward trend, with 2010 reaching the highest point at approximately 7.6 million bbls.
- Production (000 bpd):** Shows a steady increase, with 2010 reaching approximately 725,000 bpd.
- Imports (000 bpd):** Shows a significant increase, with 2010 reaching approximately 1,690,000 bpd.
- Refiner/Blender Net Input (000 bpd):** Shows a steady increase, with 2010 reaching approximately 188,000 bpd.
- Deliveries to Other Regions (000 bpd):** Shows a significant increase, with 2010 reaching approximately 580,000 bpd.
- Ethanol % of Total Gasoline Demand (Percent):** Shows a steady increase, with 2010 reaching approximately 31.0%.

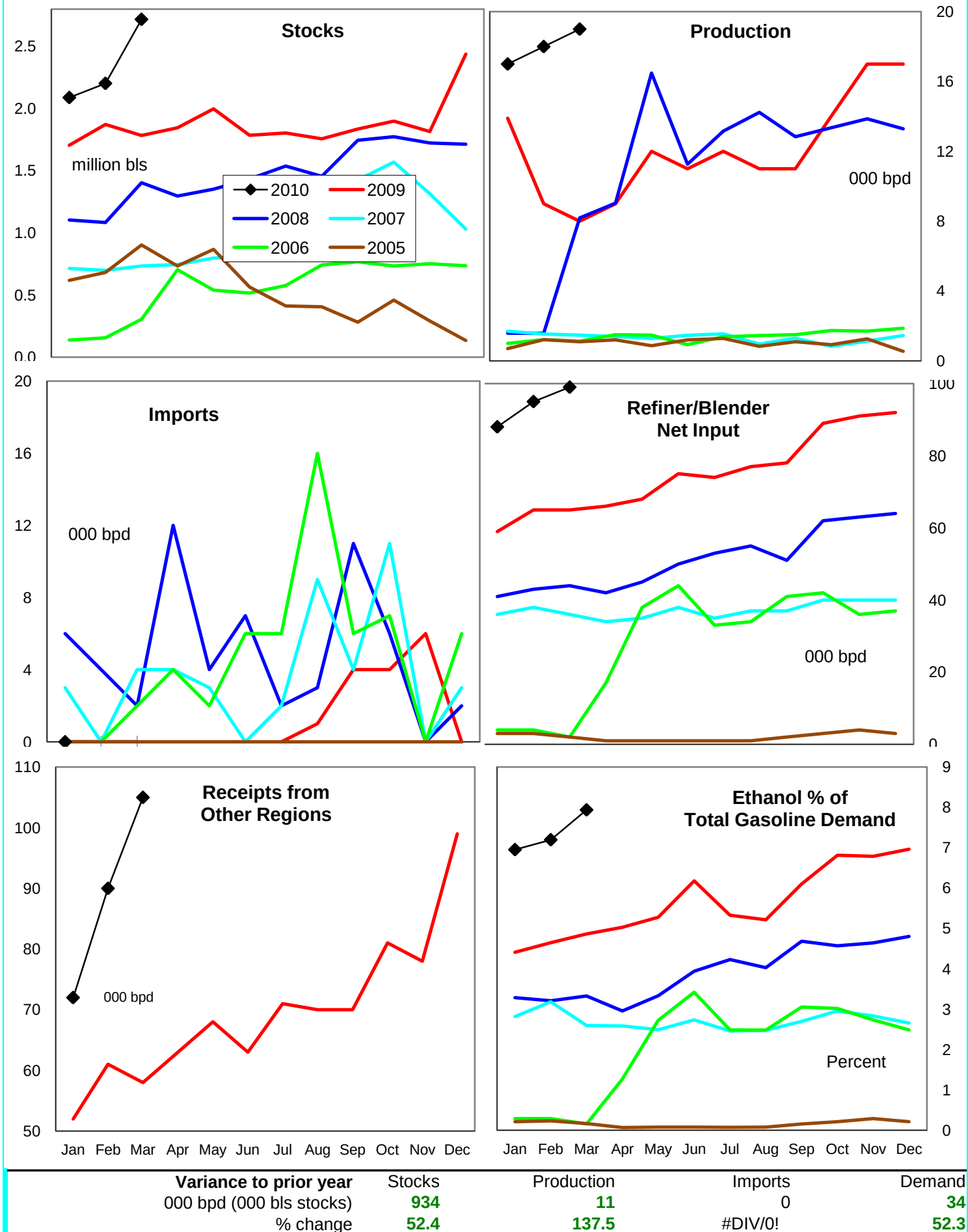
Summary table at the bottom:

Metric	Variance to prior year	Current Value
Stocks (000 bpd)	1,690	30.7
Production (000 bpd)	188	31.0
Imports (000 bpd)	0	#DIV/0!
Demand (Percent)	1	9

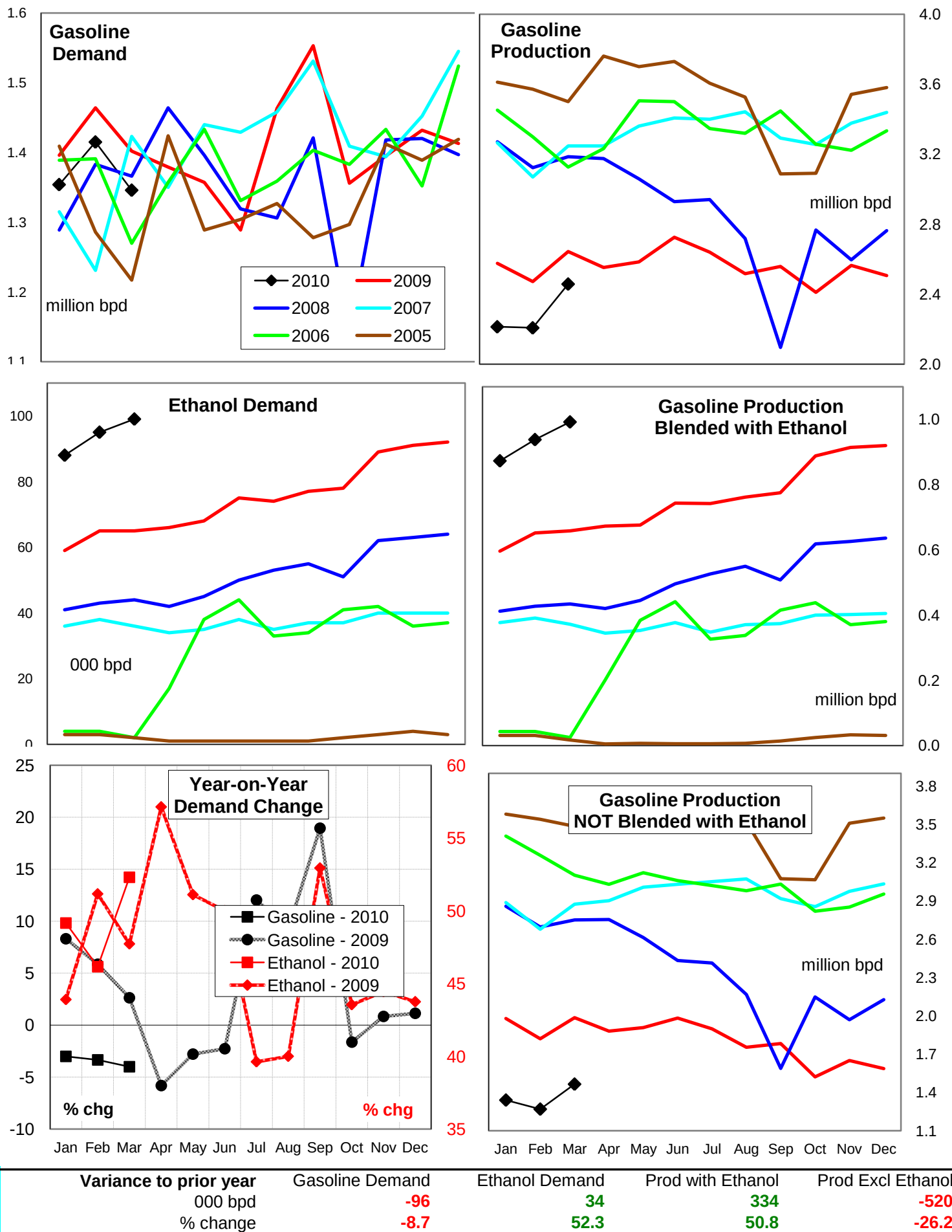
PADD 02 Gasoline/Ethanol Demand and Blending



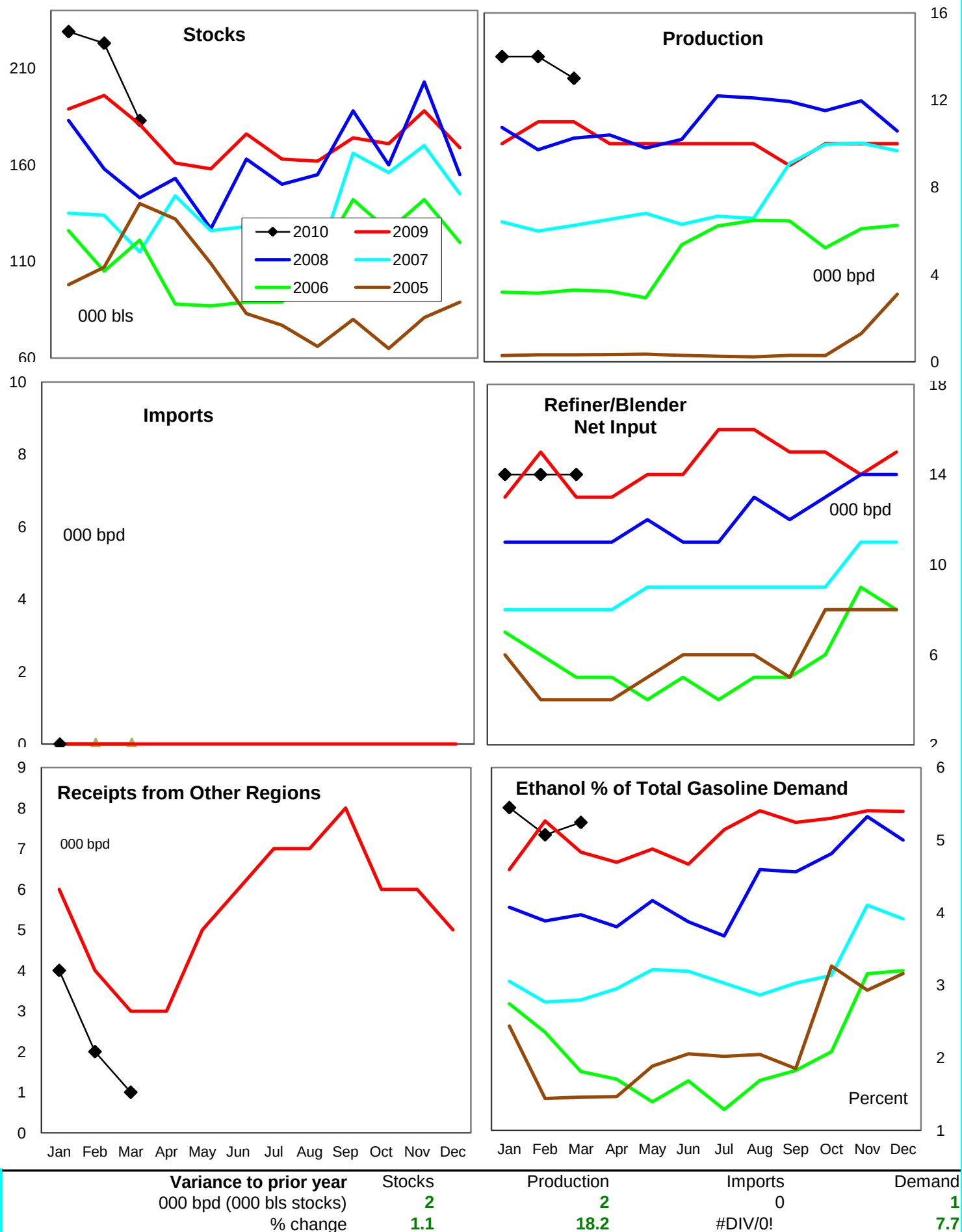
PADD 3 Ethanol Supply-Demand Balance



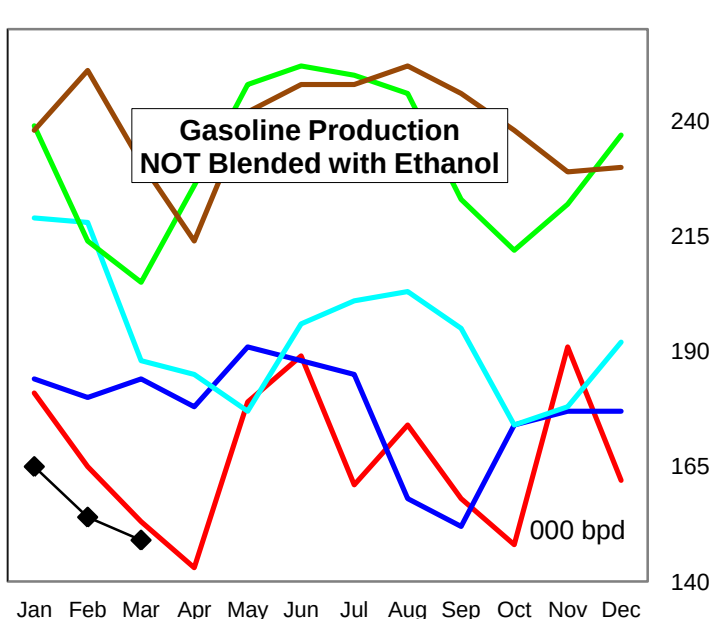
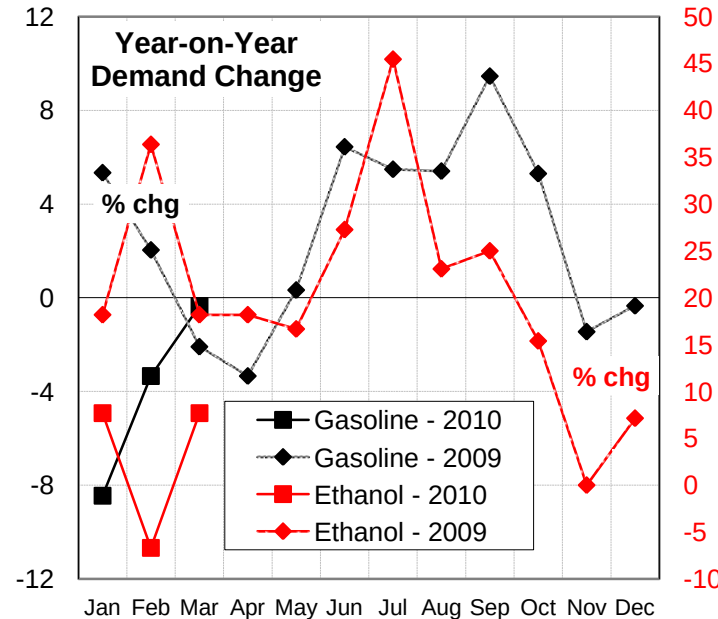
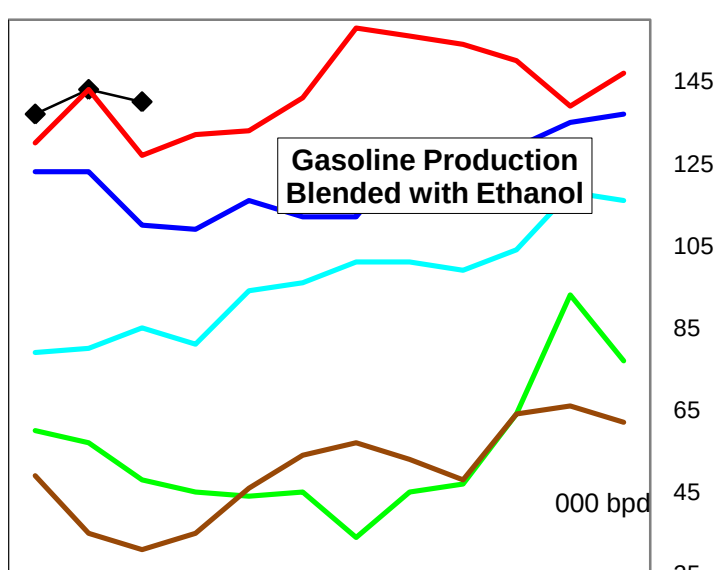
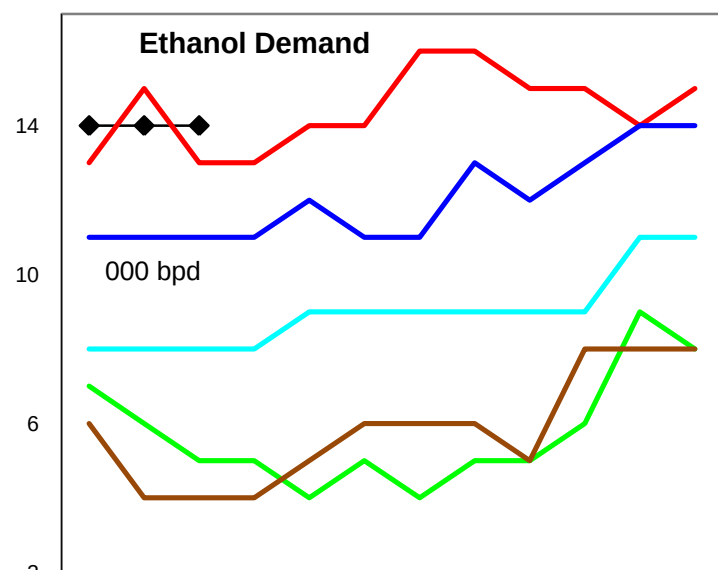
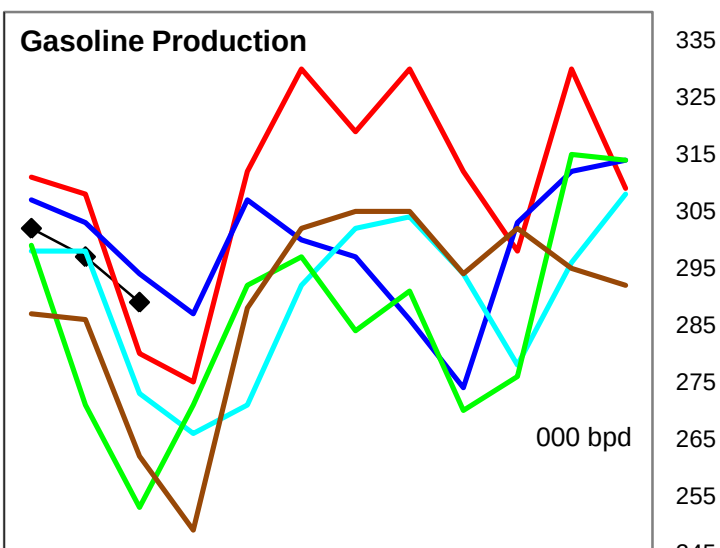
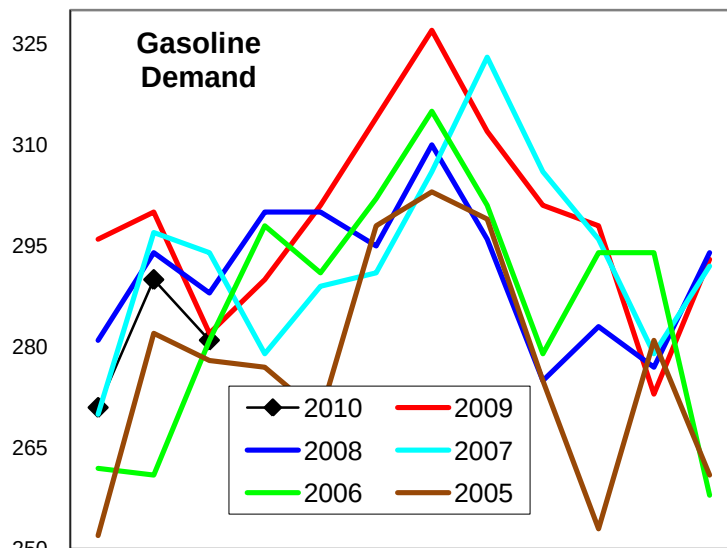
PADD 03 Gasoline/Ethanol Demand and Blending



PADD 4 Ethanol Supply-Demand Balance



PADD 04 Gasoline/Ethanol Demand and Blending



Variance to prior year

000 bpd

% change

Gasoline Demand

-1

-0.4

Ethanol Demand

1

7.7

Prod with Ethanol

13

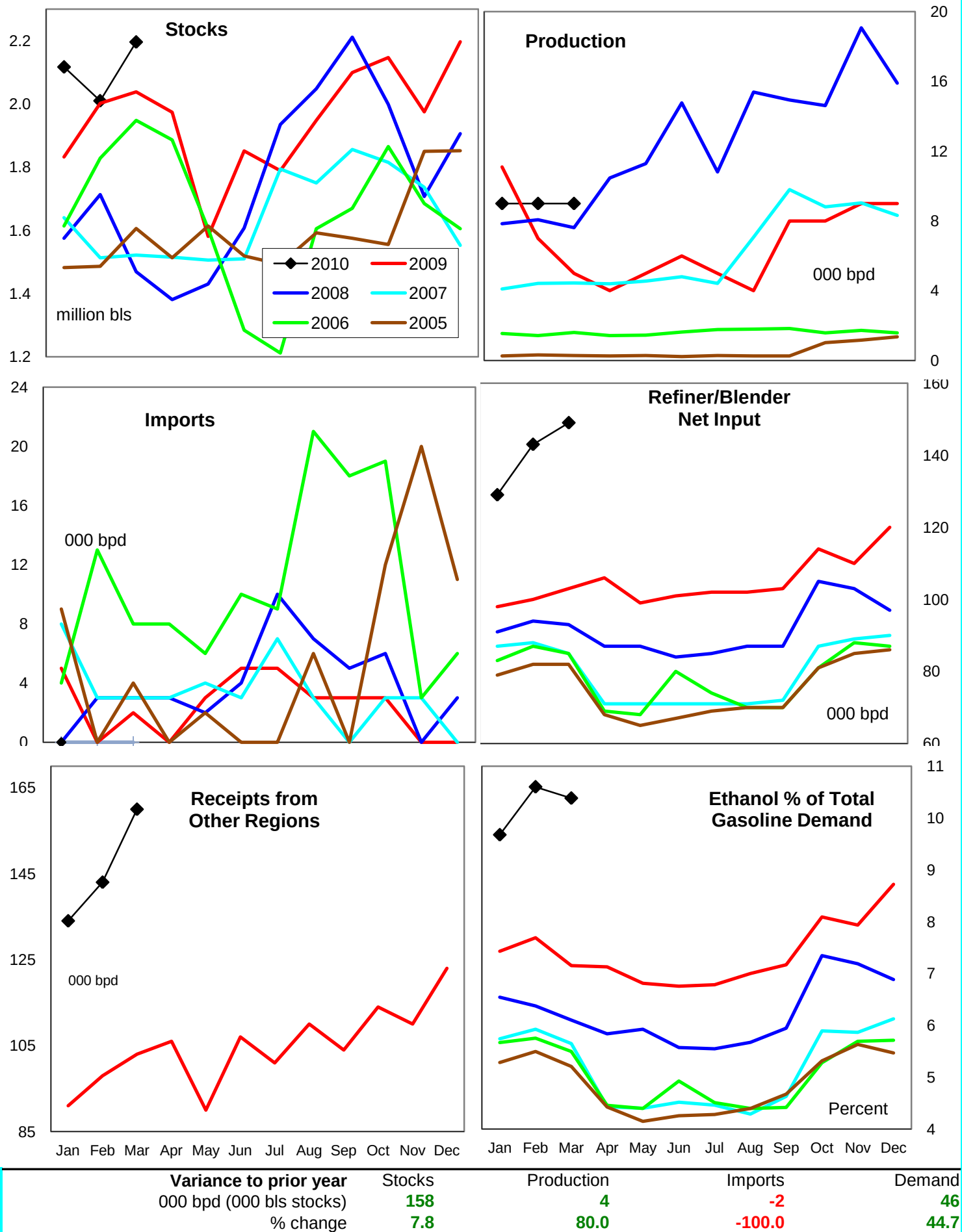
10.2

Prod Excl Ethanol

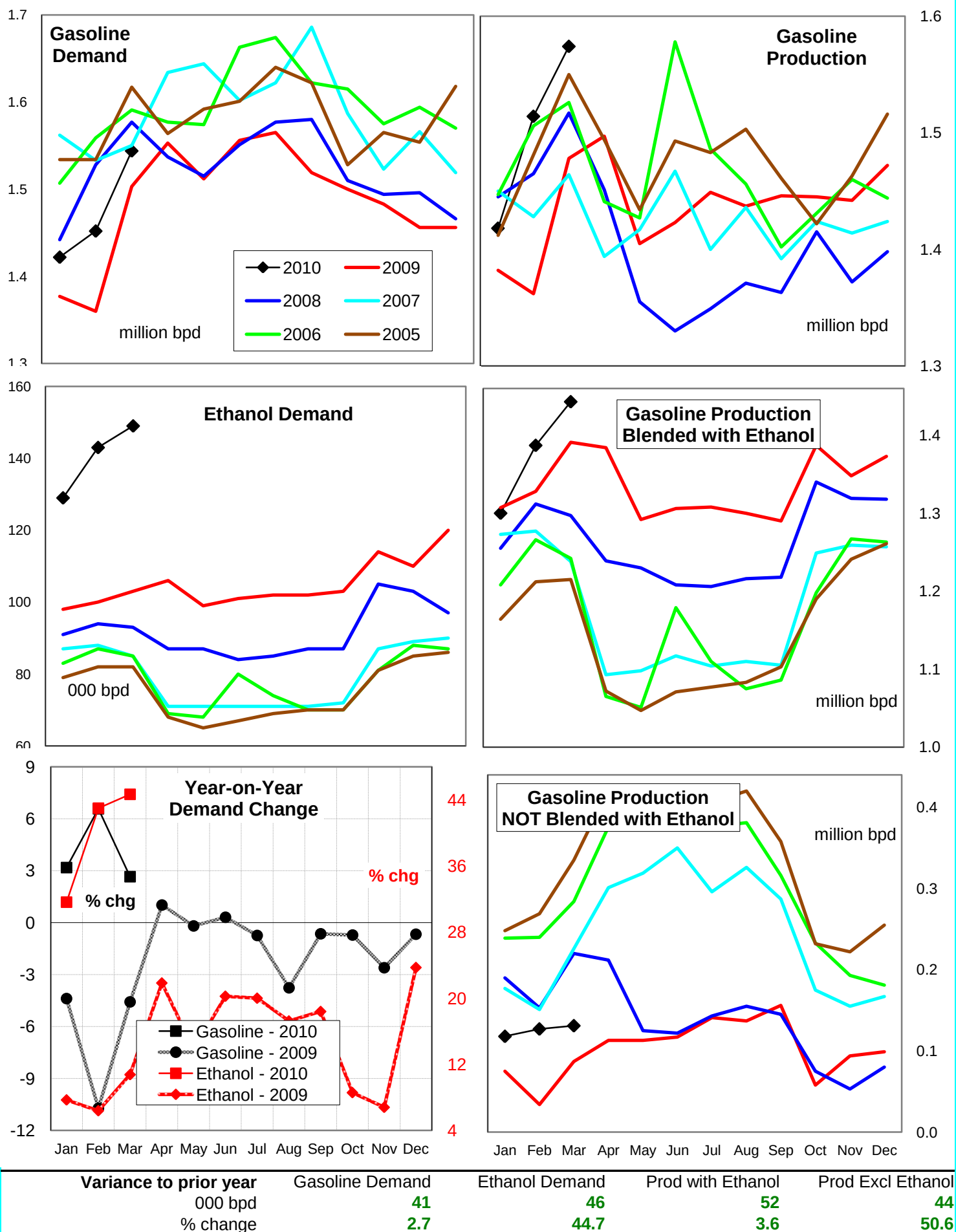
-4

-2.6

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		
	Mar10	Feb10	Jan10	Dec09	Nov09	Oct09	1-Month	3-Mth Avg	6-Mth Avg
U. S. Total									
Production	847	833	818	788	786	741	207	194	154
Imports	1	1	1	0	10	7	-2	-5	-7
EIA Adjustment	-68	-68	-94	-31	-85	-64	-35	-45	-53
Implied Demand	755	727	691	719	696	703	111	95	55
Ending Stocks	19,691	18,897	17,800	16,711	15,518	15,080	4,039	3,621	2,256
Change in stocks	794	1,097	1,089	1,193	438	-608			
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Conv Ethanol Gasoline Blend	3,339	4,279	4,475	4,306	4,056	4,327	-410	411	678
Ethanol % of Total Gasoline	9.40	9.17	8.82	8.80	8.51	8.50	1.57	1.42	0.82
PADD 01									
Production	13	15	13	10	10	9	3	4	3
Imports	0	1	1	0	4	0	-1	-3	-5
Receipts from other regions	317	296	303	288	298	263	NA		
Refiner/Blender Net Input	287	271	266	280	272	278	46	40	43
Ending Stocks	7,394	6,838	6,413	5,952	5,784	5,605	1,255	1,188	752
Wholesale Gasoline Demand	3,159	3,048	3,137	3,186	3,163	3,263	-26	-83	-9
Conv Ethanol Gasoline Blend	1,674	1,595	1,502	1,564	1,506	1,537	457	409	412
Ethanol % of Total Gasoline	9.99	9.76	9.27	9.64	9.41	9.31	1.81	1.74	1.62
PADD 02									
Production	794	777	766	742	742	699	188	178	149
Deliveries to other regions	-583	-531	-513	-515	-492	-465	NA		
Refiner/Blender Net Input	206	204	194	212	208	208	18	17	18
Ending Stocks	7,201	7,624	6,953	5,954	5,755	5,258	1,690	1,710	865
Wholesale Gasoline Demand	2,417	2,406	2,300	2,499	2,508	2,498	-38	-52	-61
Conv Ethanol Gasoline Blend	1,687	1,662	1,581	1,724	1,708	1,701	182	191	199
Ethanol % of Total Gasoline	9.32	9.26	9.21	9.27	9.04	9.08	1.02	1.04	1.10
PADD 03									
Production	19	18	17	17	17	14	11	8	5
Imports	0	0	0	0	6	4	0	0	0
Receipts from other regions	105	90	72	99	78	81	NA		
Refiner/Blender Net Input	99	95	88	92	91	89	34	31	29
Ending Stocks	2,717	2,202	2,088	2,439	1,816	1,899	934	549	432
Wholesale Gasoline Demand	1,346	1,415	1,354	1,413	1,432	1,395	-56	-49	-24
Conv Ethanol Gasoline Blend	604	558	514	546	534	509	335	309	300
Ethanol % of Total Gasoline	7.94	7.20	6.95	6.96	6.79	6.81	3.08	2.72	2.45
PADD 04									
Production	13	14	14	10	10	10	2	3	1
Receipts from other regions	1	2	4	5	6	6	NA		
Refiner/Blender Net Input	14	14	14	15	14	15	1	0	1
Ending Stocks	183	223	229	169	188	171	2	23	13
Wholesale Gasoline Demand	281	290	271	293	273	298	-1	-12	-4
Conv Ethanol Gasoline Blend	140	143	137	147	139	150	-129	-110	-102
Ethanol % of Total Gasoline	5.24	5.07	5.45	5.40	5.41	5.30	0.41	0.36	0.34
PADD 05									
Production	9	9	9	9	9	8	4	1	-3
Imports	0	0	0	0	0	3	-2	-2	-2
Receipts from other regions	160	143	134	123	110	114	NA		
Refiner/Blender Net Input	149	143	129	120	110	114	46	40	27
Ending Stocks	2,196	2,010	2,117	2,197	1,975	2,147	158	150	193
Wholesale Gasoline Demand	1,584	1,492	1,462	1,496	1,496	1,523	41	59	20
Conv Ethanol Gasoline Blend	370	347	322	346	334	346	40	24	29
Ethanol % of Total Gasoline	10.38	10.60	9.68	8.72	7.94	8.09	3.23	2.80	1.95

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

