

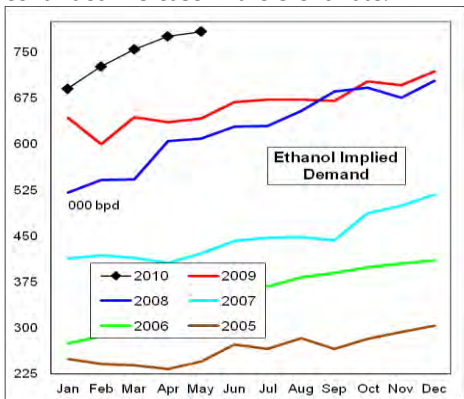
ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Monday, August 09, 2010

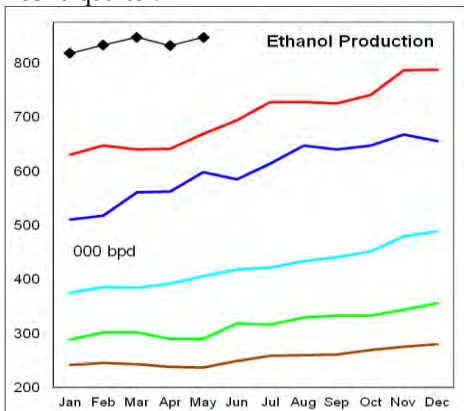


Summary: Ethanol demand was 772,000 bpd in the Mar10 - May10, up +60,000 bpd compared to the Dec09 - Feb10 period. Wholesale gasoline demand increased +348,000 bpd in the same quarter over quarter period. These trends point to a continued increase in the blend rate.



Year-over-year demand for ethanol between Mar10 - May10 and the same quarter in 2009 increased +131,000 bpd. This represented a +20% increase.

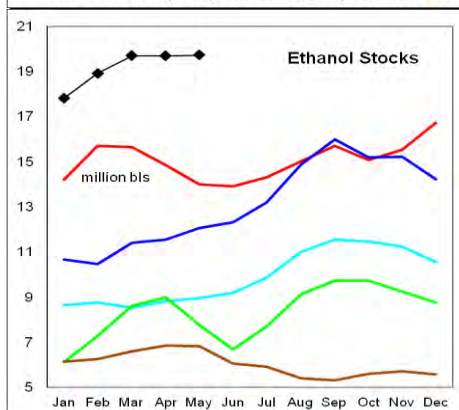
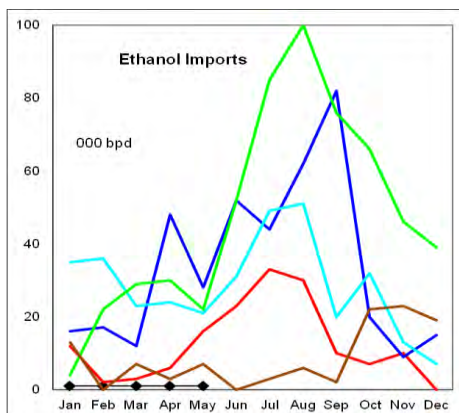
Ethanol production was 842,000 bpd during the Mar10 - May10 quarter, up +29,000 bpd compared to the Dec9 - Feb10 quarter.



Year-over-year production increased in the Mar10 - May10 quarter by +192,000 bpd. This was a +30% increase.

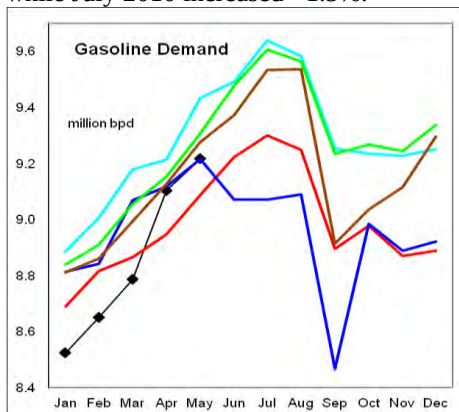
Imports averaged 1,000 bpd during the Mar10 - May10 quarter, unchanged from the 1,000 bpd during the Dec09 - Feb10 quarter.

Ethanol stocks were nearly unchanged at the end of May compared to the end of March. Stocks increased +0.3 and +0.1 million barrels in PADDs 2 and 3, respectively. Stocks decreased -0.3 million barrels in PADD1. Other regions were nearly unchanged.



Gasoline Demand Trends: Wholesale gasoline demand increased +348,000 bpd year-over-year in the Mar10 - May10 period compared to a year ago, a +4% increase.

Gasoline demand in June 2010 increased +1.4% compared to a year ago while July 2010 increased +1.5%.



Blending Trends: During the Mar10 - May10 quarter, 4.6 million bpd of conventional gasoline was blended with ethanol, equal to 78% of conventional grade output. This was an increase of +1 million bpd over the same period in 2009. The volume of gasoline not blended with ethanol was 1.3 million bpd in May 2010, 22% of total production.

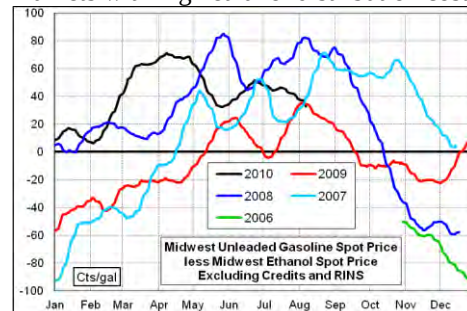
Ethanol Blend Economics: Midwest ethanol prices traded within a 10 ct/gal range during nearly all of the period March 2010 through mid July 2010. During the 2nd half of July 2010 and 1st week of August, prices have increased +20 cts/gal to the current level of \$1.80/gal.

Midwest spot convent

The Midwest spot gasoline - ethanol price spread, then pulled back to +33 cts/gal. The spread again increased to +50 cts/gal in late June, then trended lower to +32 cts/gal at the end of the 1st week of August 2010.

The current spread of just over +30 cts/gal is comparable to the spread that occurred in two of the last three years for this time of year.

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



Emerging Trends: Ethanol blended in May10 was 789,000 bpd, June10 4-wk average was 782,000 bpd and July10 4-wk average was 788,000 bpd. This measure of wholesale demand has been flat for the latest quarter.

Gasoline demand was 9.2 million bpd in May, and 9.4 million bpd in June and July.

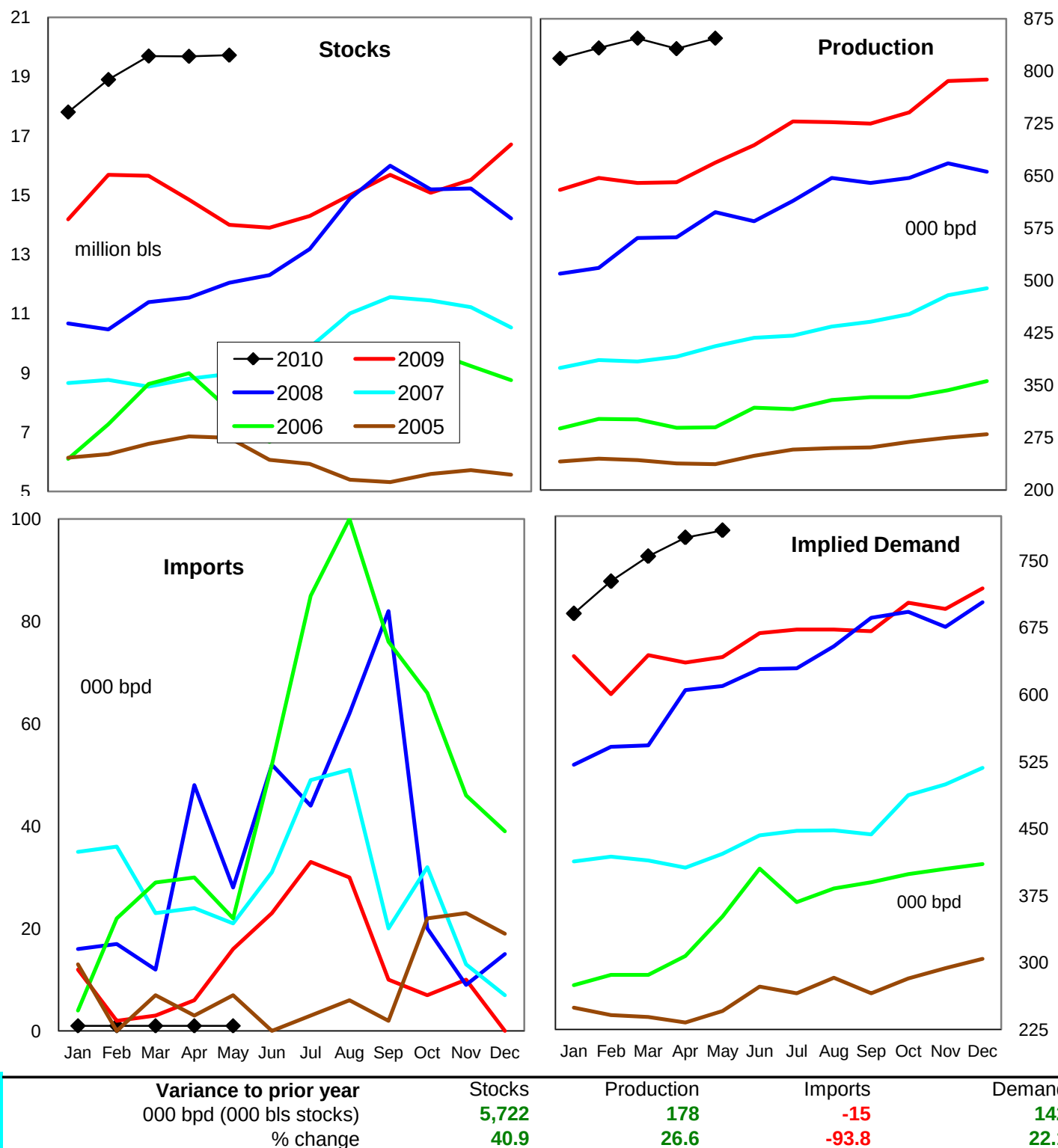
These trends indicate ethanol blending has stabilized this summer, even declining slightly relative to total gasoline demand during the last 60-days.

Ethanol stocks were 19.7 million barrels at the end of May 2010; and 19.5 million barrels in the latest EIA weekly report for July 30th.

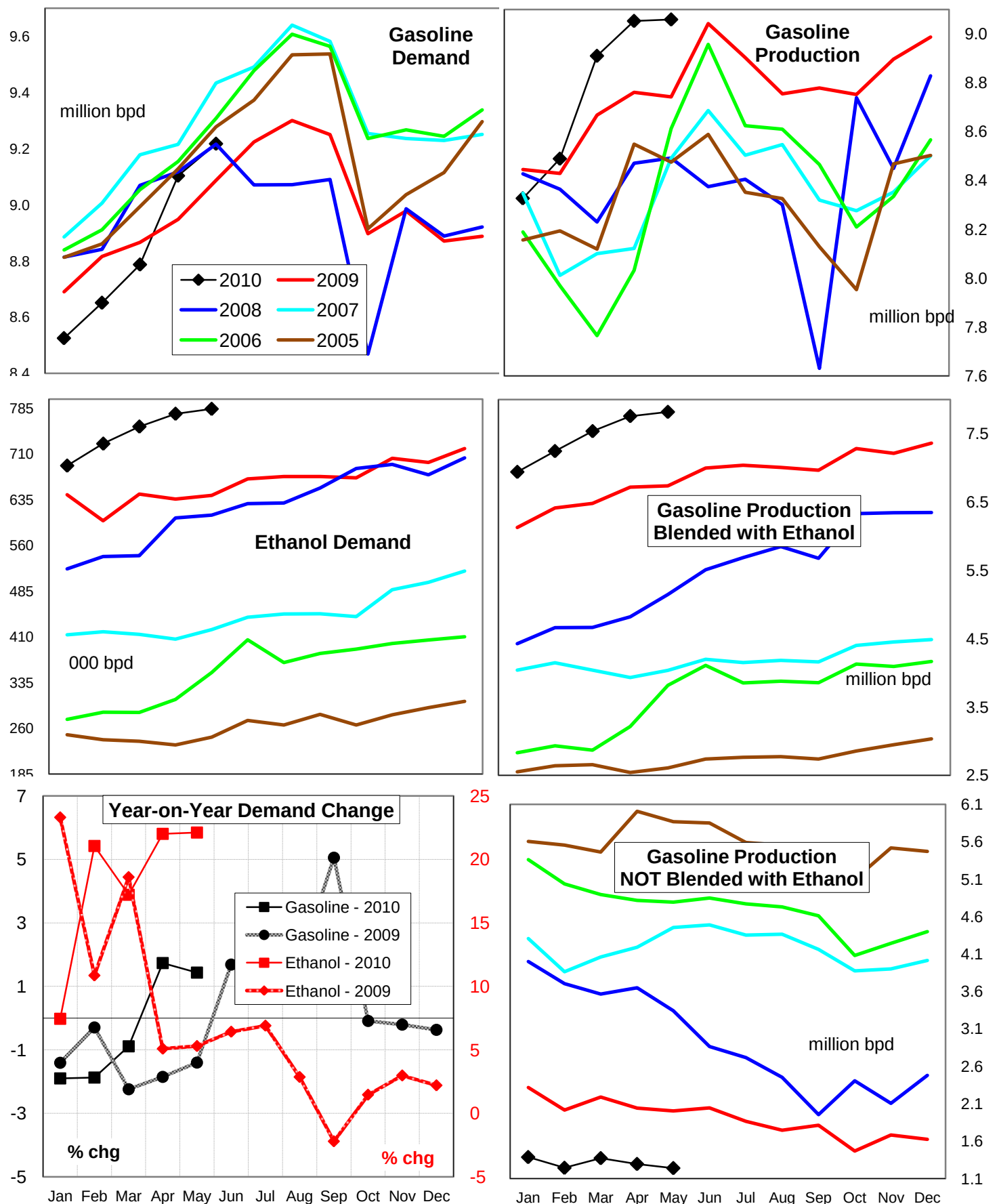
A recent spike in corn exports to China could tighten U.S. ethanol supplies and lead to higher prices if exports continue to increase. For the balance of this summer driving season ethanol blend economics should remain favorable, although less than spring levels.

United States Ethanol Supply-Demand Balance

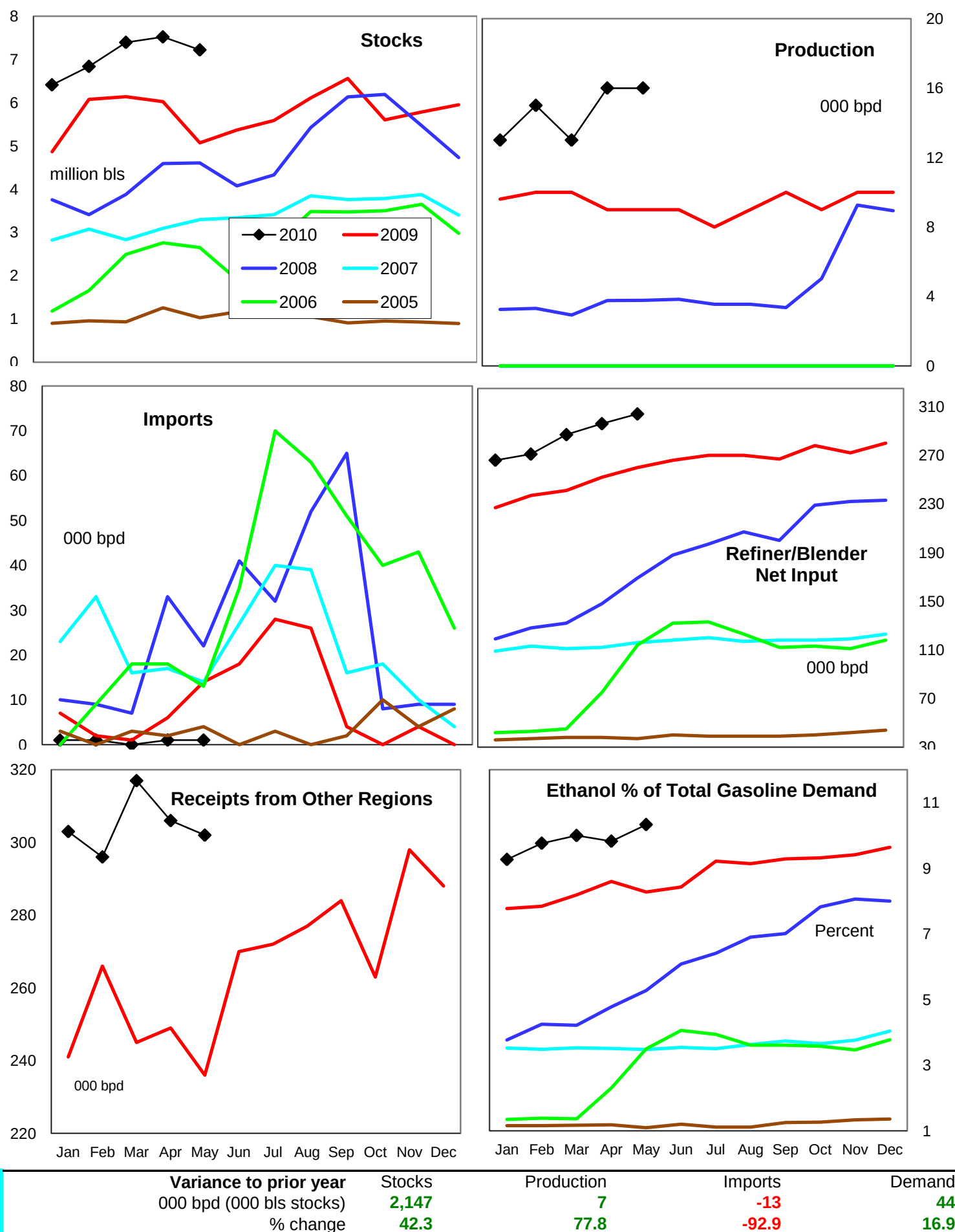
Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	May10	Apr10	Mar10	Feb10	Jan10	Dec09	1-Month	3-Mth Avg	6-Mth Avg
Production	847	832	847	833	818	788	178	192	180
Imports	1	1	1	1	1	0	-15	-7	-8
EIA Adjustment	-63	-58	-68	-68	-94	-31	8	-16	-30
Demand	784	776	755	727	691	719	142	131	97
Ending Stocks	19,721	19,682	19,691	18,897	17,800	16,711	5,722	4,866	3,986
Change in stocks	39	-9	794	1,097	1,089	1,193			
Wholesale Gasoline Demand	9,217	9,103	8,787	8,651	8,525	8,888	130	69	-26
Conv Ethanol Gasoline Blend	4,786	4,660	4,475	4,306	4,056	4,327	1,037	1,020	982
Ethanol % of Total Gasoline	9.30	9.32	9.40	9.17	8.82	8.80	1.69	1.64	1.31



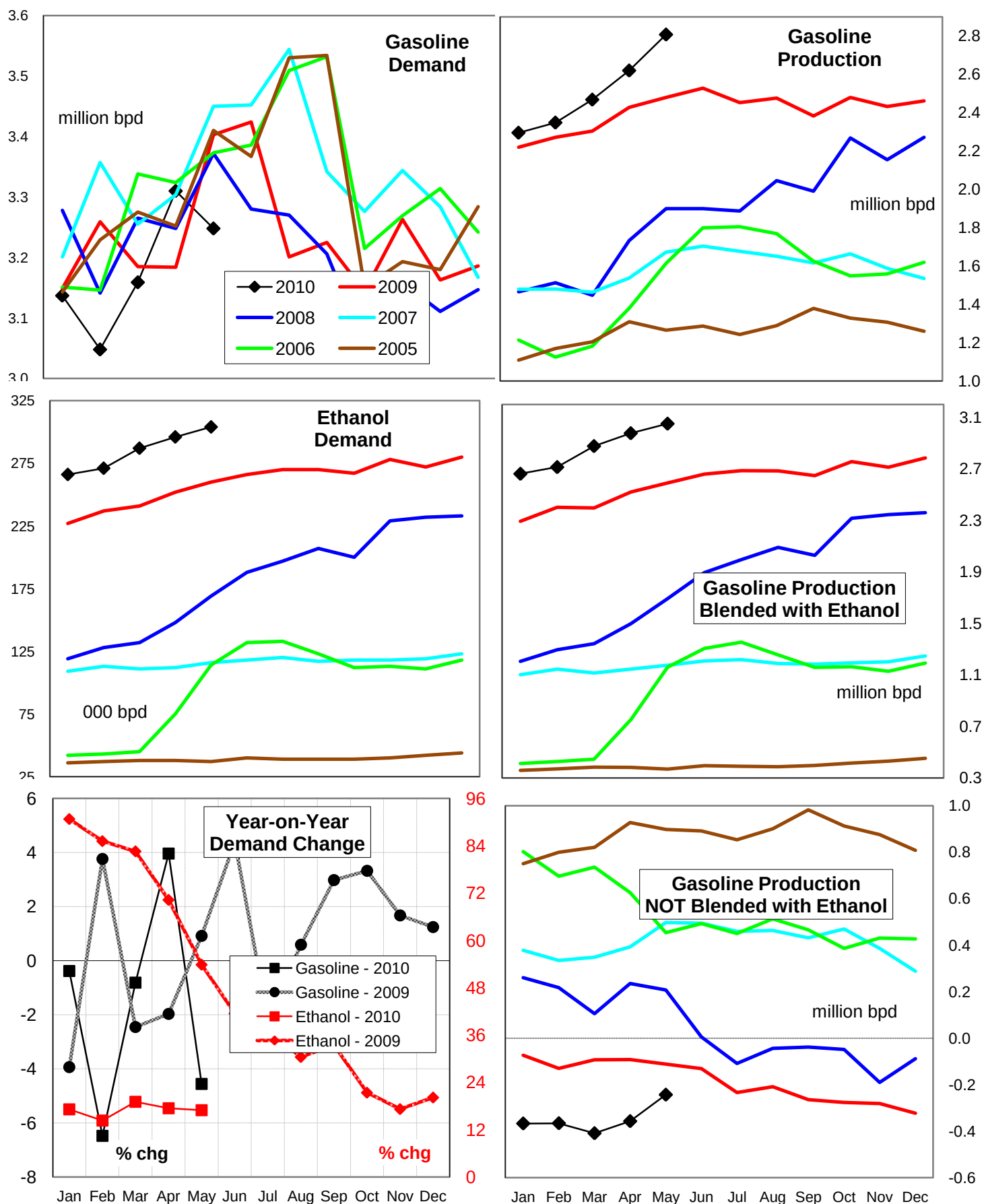
U. S. Gasoline/Ethanol Demand and Blending



PADD 1 Ethanol Supply-Demand Balance



PADD 01 Gasoline/Ethanol Demand and Blending



Variance to prior year

000 bpd

% change

Gasoline Demand

-155**-4.6**

Ethanol Demand

44**16.9**

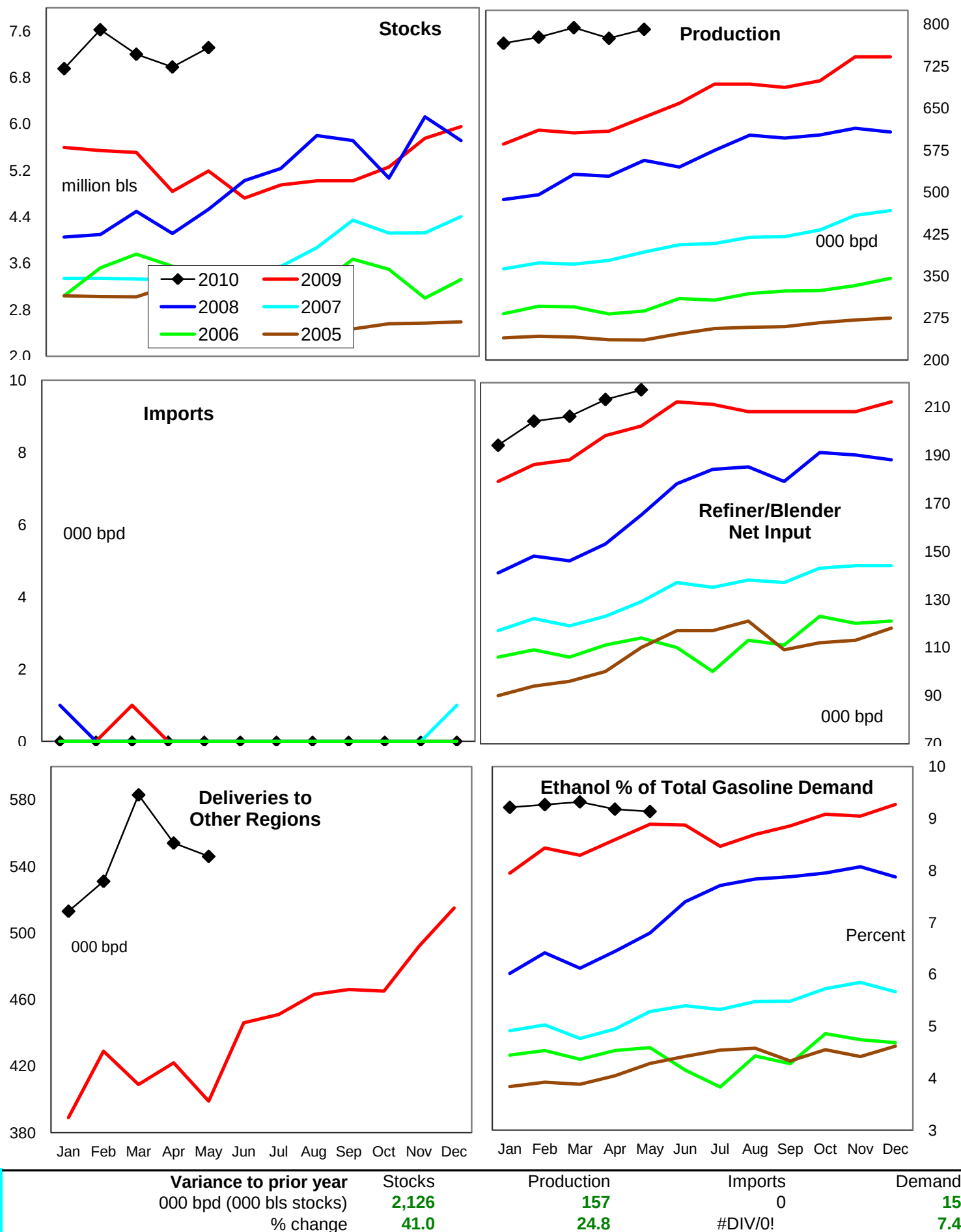
Prod with Ethanol

460**17.8**

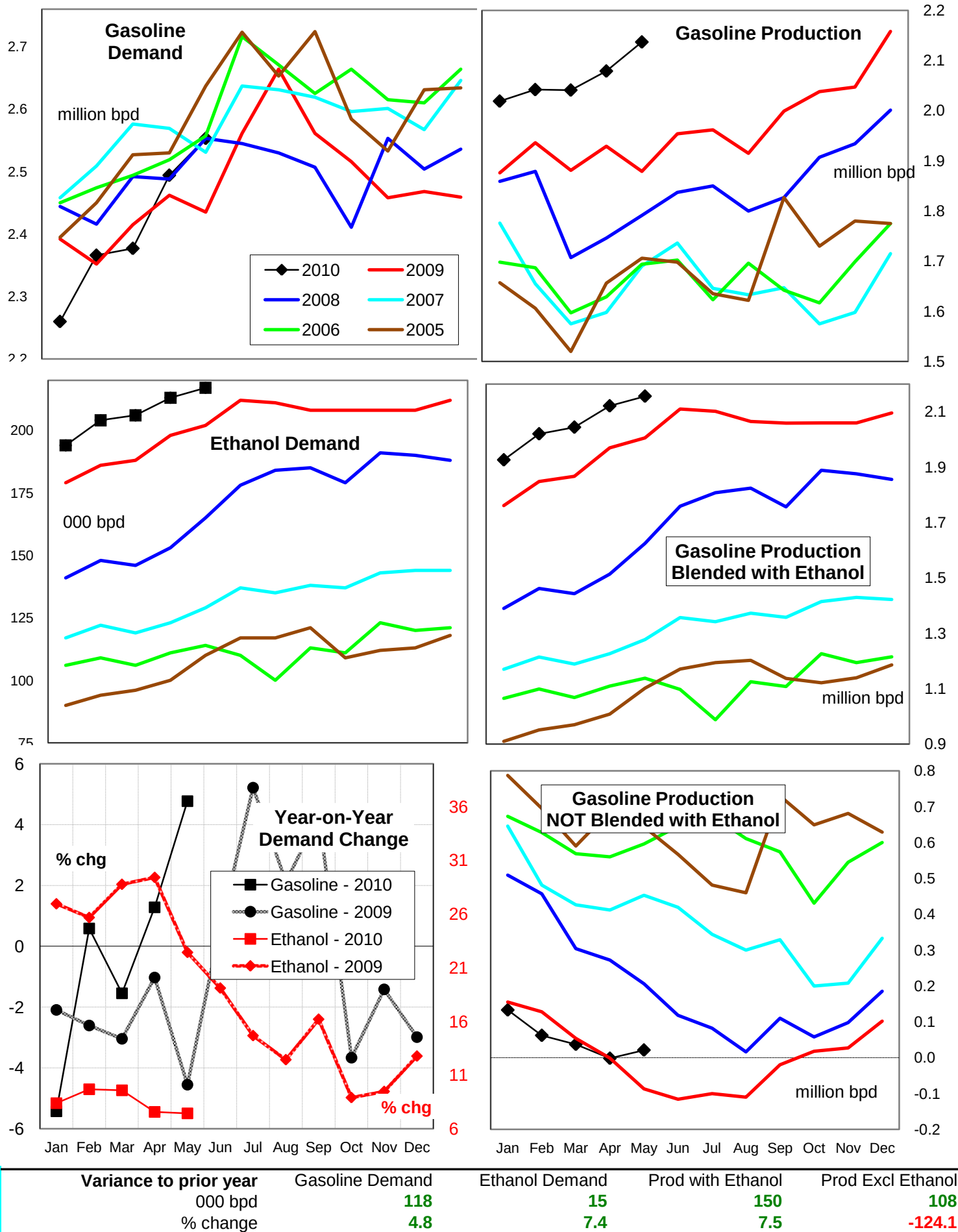
Prod Excl Ethanol

-132**118.9**

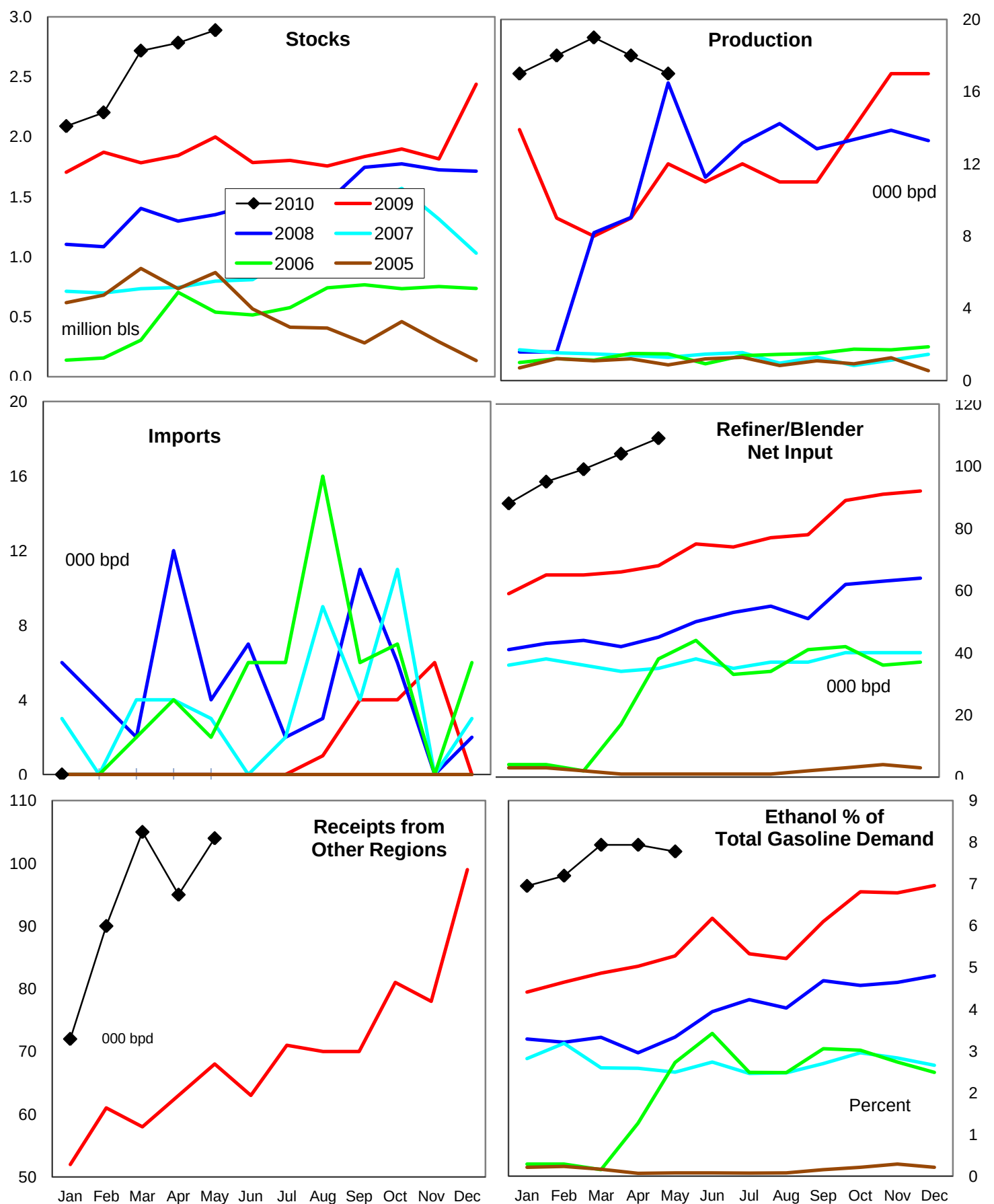
PADD 2 Ethanol Supply-Demand Balance



PADD 02 Gasoline/Ethanol Demand and Blending



PADD 3 Ethanol Supply-Demand Balance



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

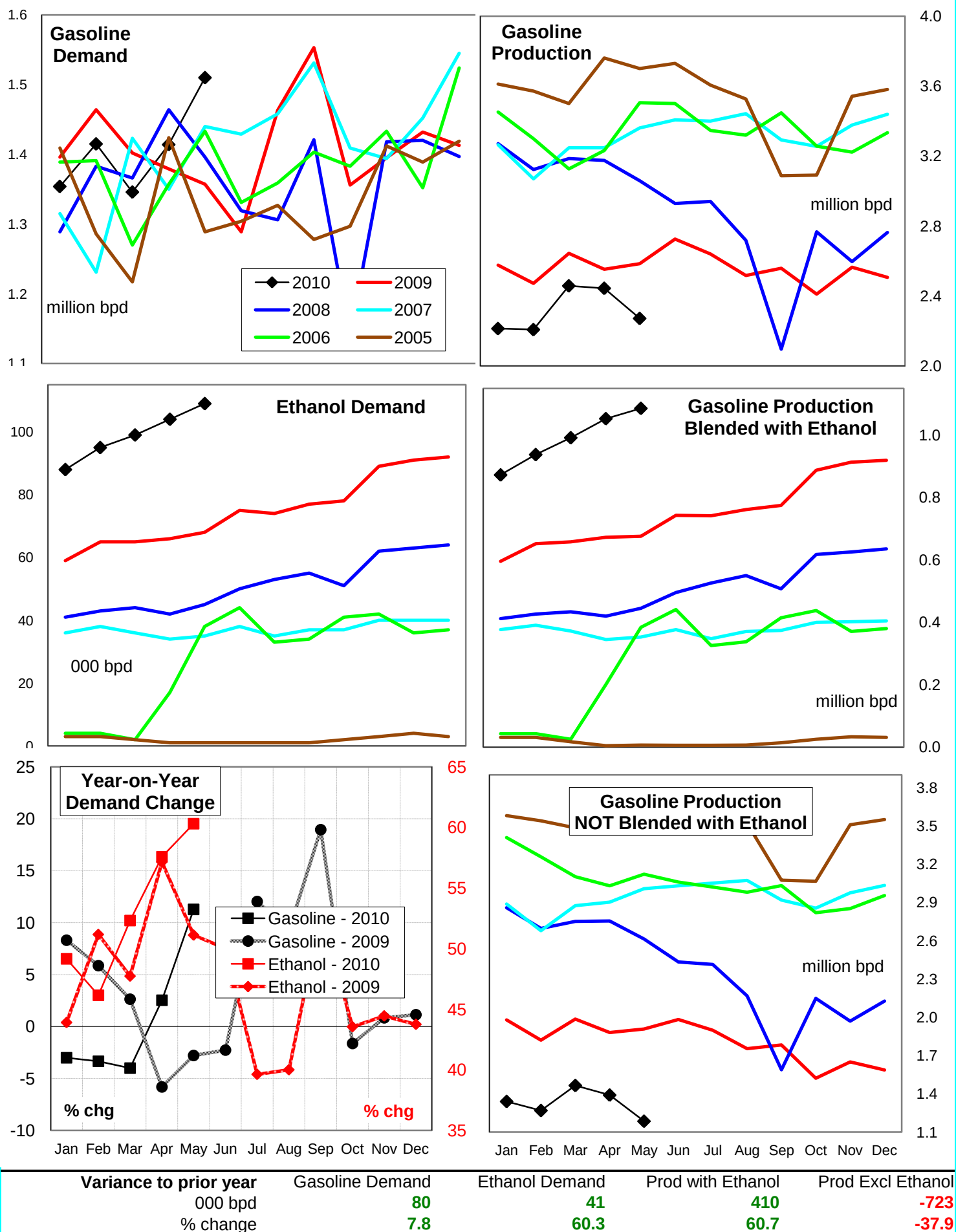
Stocks
890
44.5

Production
5
41.7

Imports
0
#DIV/0!

Demand
41
60.3

PADD 03 Gasoline/Ethanol Demand and Blending



Stocks

000 bbl

2010 2009 2008 2007 2006 2005

Production

000 bpd

Imports

000 bpd

Refiner/Blender Net Input

000 bpd

Receipts from Other Regions

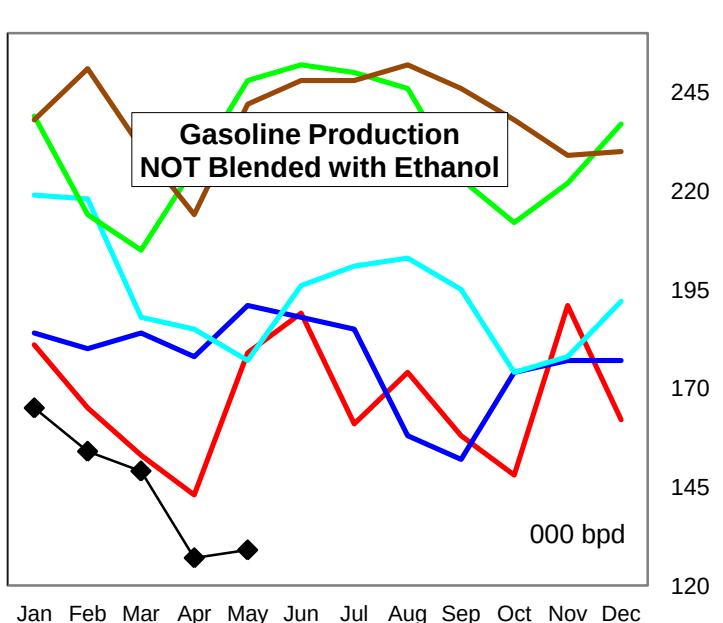
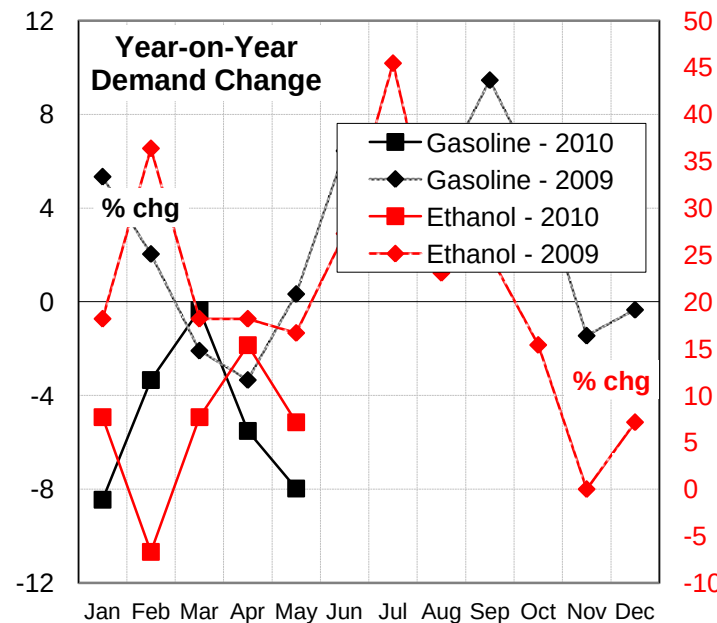
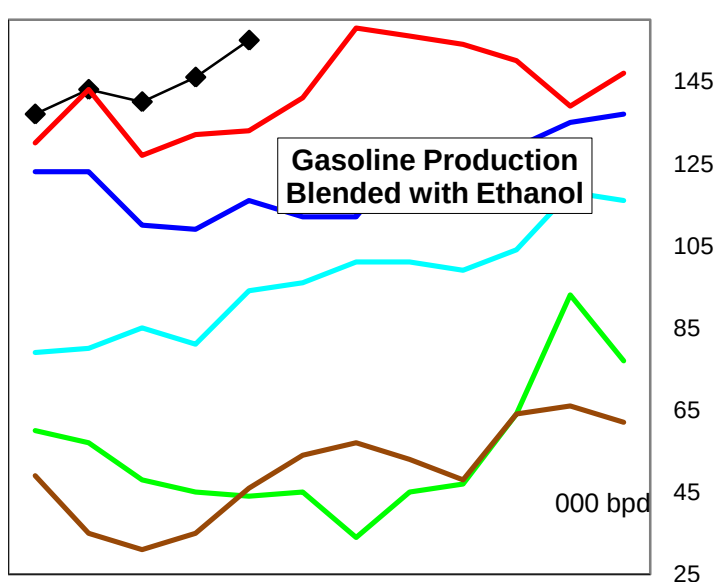
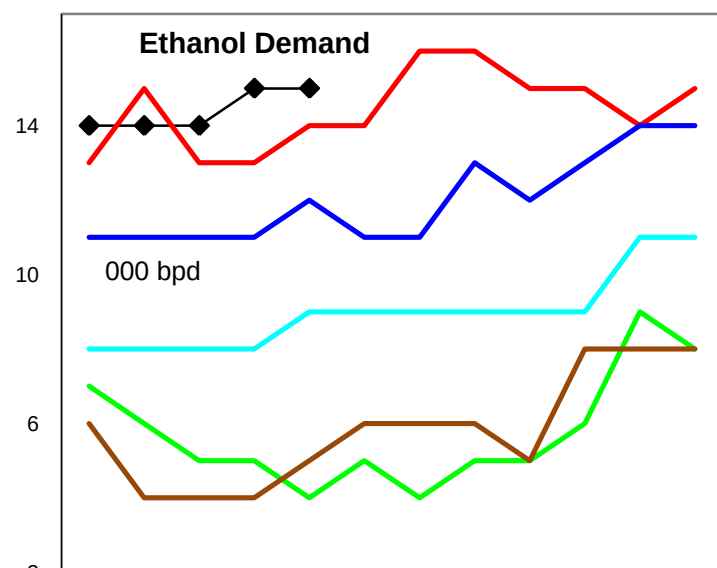
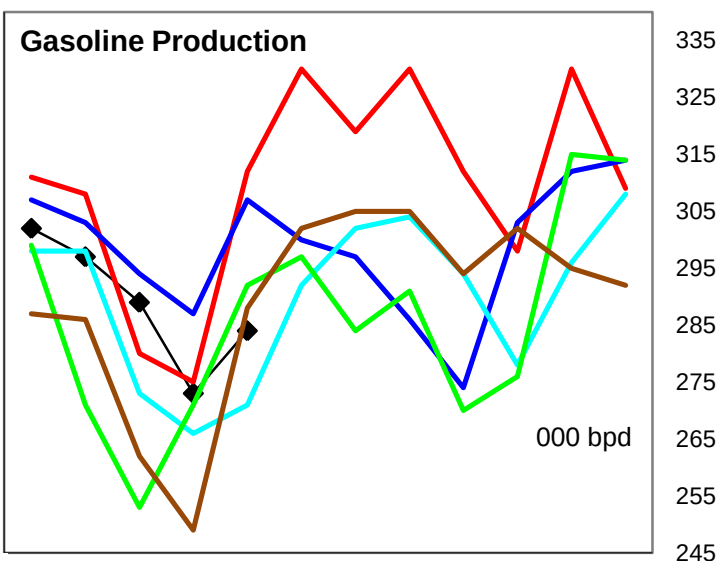
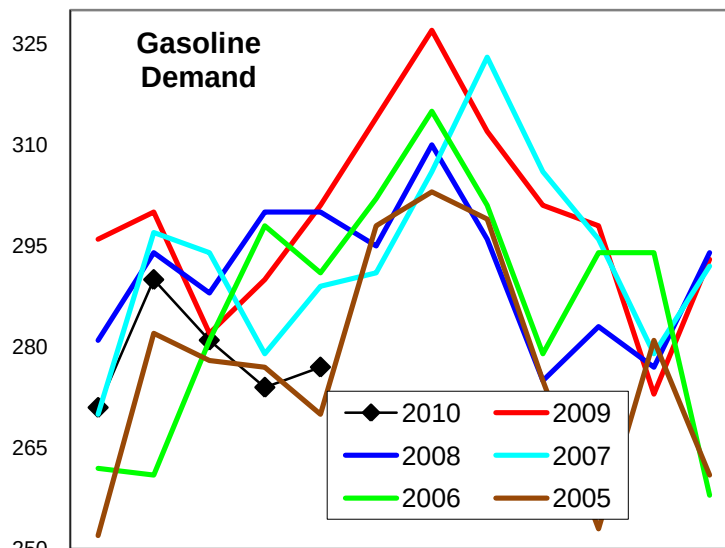
000 bpd

Ethanol % of Total Gasoline Demand

Percent

Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bbl stocks)	6	3	0	1
% change	3.8	30.0	#DIV/0!	7.1

PADD 04 Gasoline/Ethanol Demand and Blending



Variance to prior year

000 bpd

% change

Gasoline Demand

-24

-8.0

Ethanol Demand

1

7.1

Prod with Ethanol

22

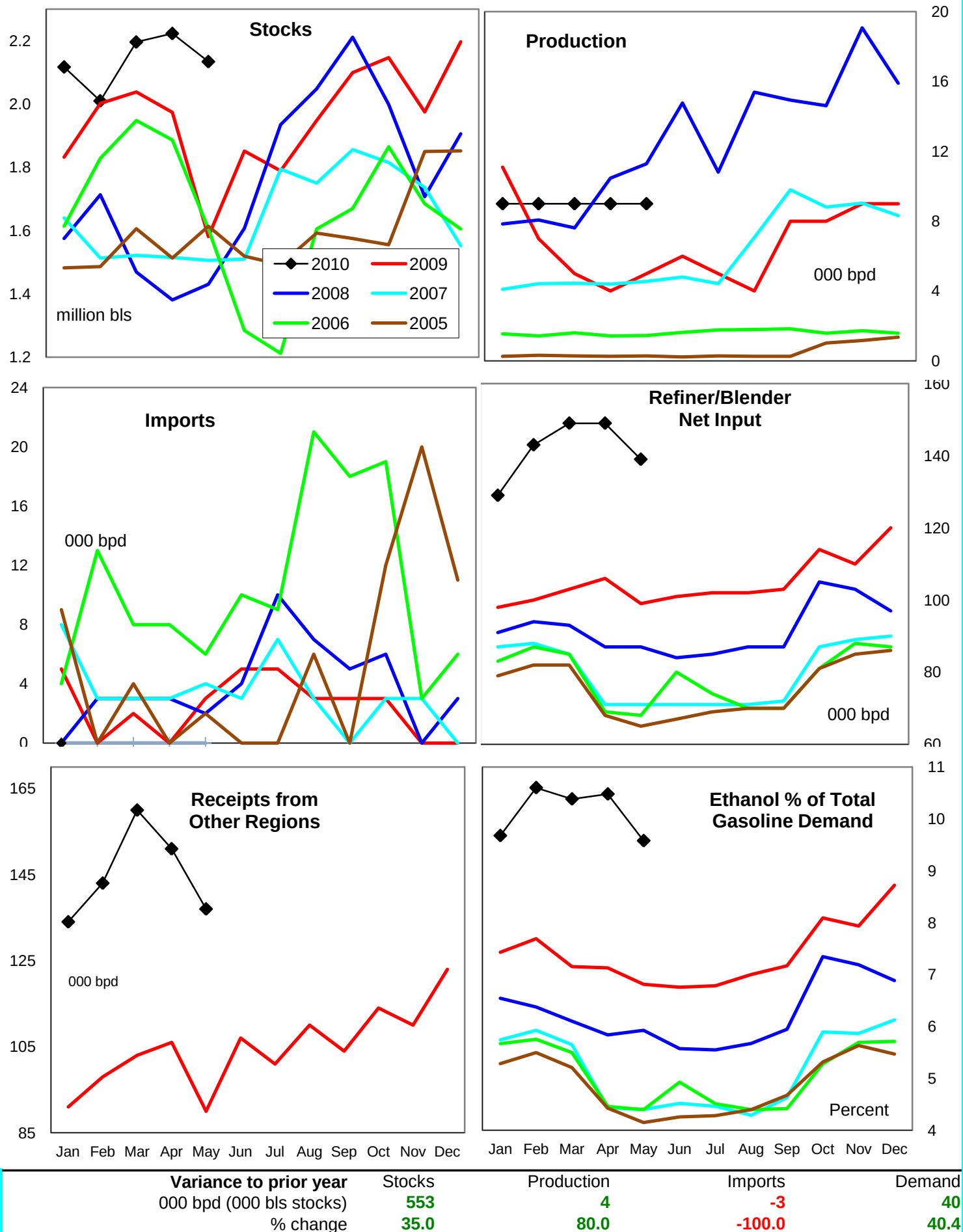
16.5

Prod Excl Ethanol

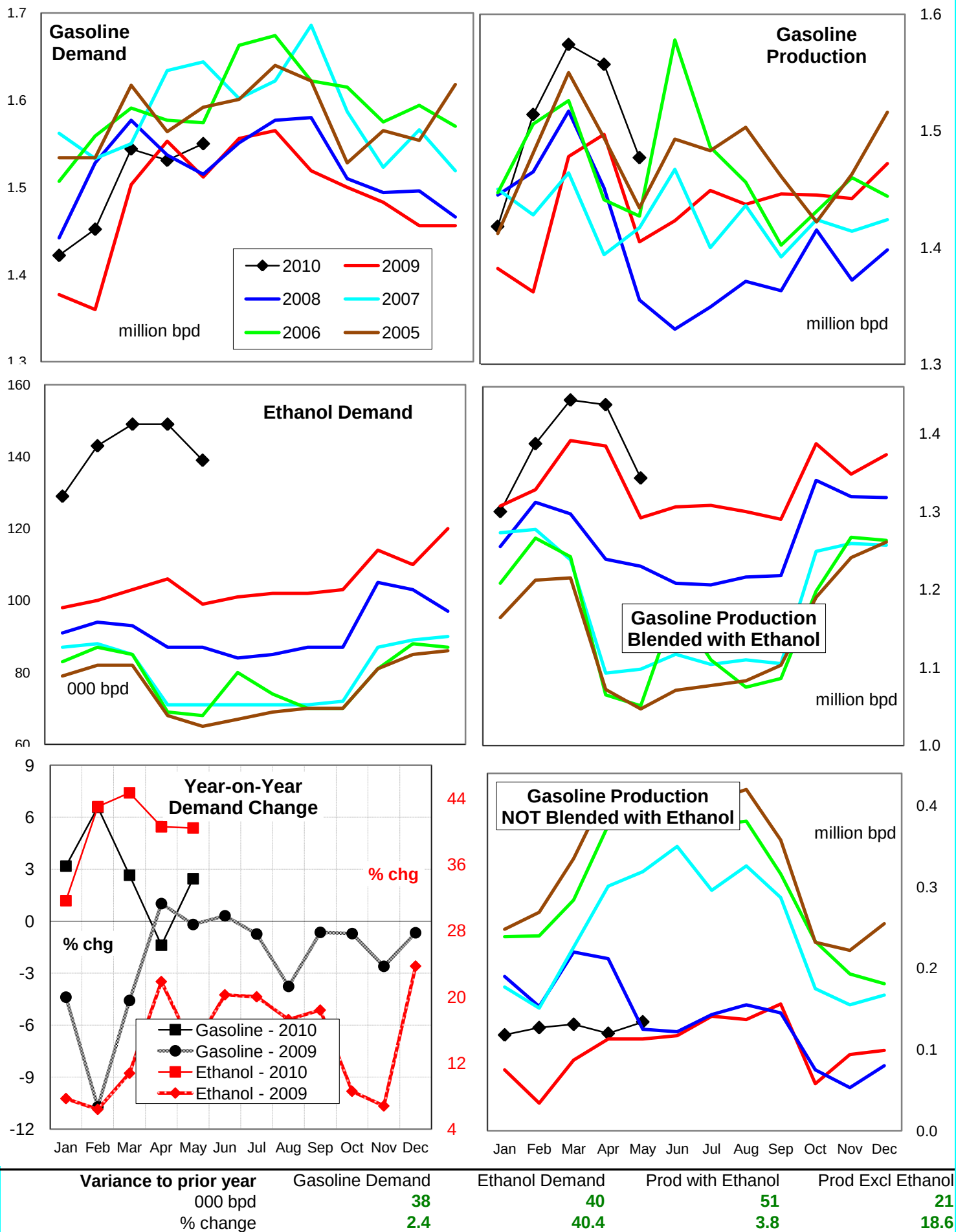
-50

-27.9

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		
	May10	Apr10	Mar10	Feb10	Jan10	Dec09	1-Month	3-Mth Avg	6-Mth Avg
U. S. Total									
Production	847	832	847	833	818	788	178	192	180
Imports	1	1	1	1	1	0	-15	-7	-8
EIA Adjustment	-63	-58	-68	-68	-94	-31	8	-16	-30
Implied Demand	784	776	755	727	691	719	142	131	97
Ending Stocks	19,721	19,682	19,691	18,897	17,800	16,711	5,722	4,866	3,986
Change in stocks	39	-9	794	1,097	1,089	1,193			
Wholesale Gasoline Demand	9,217	9,103	8,787	8,651	8,525	8,888	130	69	-26
Conv Ethanol Gasoline Blend	4,786	4,660	4,475	4,306	4,056	4,327	1,037	1,020	982
Ethanol % of Total Gasoline	9.30	9.32	9.40	9.17	8.82	8.80	1.69	1.64	1.31
PADD 01									
Production	16	16	13	15	13	10	7	6	4
Imports	1	1	0	1	1	0	-13	-6	-6
Receipts from other regions	302	306	317	296	303	288	NA		
Refiner/Blender Net Input	304	296	287	271	266	280	44	45	42
Ending Stocks	7,220	7,520	7,394	6,838	6,413	5,952	2,147	1,632	1,405
Wholesale Gasoline Demand	3,248	3,310	3,159	3,048	3,137	3,186	-155	-18	-40
Conv Ethanol Gasoline Blend	1,781	1,738	1,674	1,595	1,502	1,564	446	449	423
Ethanol % of Total Gasoline	10.33	9.82	9.99	9.76	9.27	9.64	2.05	1.70	1.69
PADD 02									
Production	791	775	794	777	766	742	157	170	165
Deliveries to other regions	-546	-554	-583	-531	-513	-515	NA		
Refiner/Blender Net Input	217	213	206	204	194	212	15	16	18
Ending Stocks	7,315	6,981	7,201	7,624	6,953	5,954	2,126	1,986	1,606
Wholesale Gasoline Demand	2,593	2,534	2,417	2,406	2,300	2,499	118	37	-14
Conv Ethanol Gasoline Blend	1,795	1,756	1,687	1,662	1,581	1,724	143	155	183
Ethanol % of Total Gasoline	9.13	9.18	9.32	9.26	9.21	9.27	0.25	0.62	0.89
PADD 03									
Production	17	18	19	18	17	17	5	8	7
Imports	0	0	0	0	0	0	0	0	0
Receipts from other regions	104	95	105	90	72	99	NA		
Refiner/Blender Net Input	109	104	99	95	88	92	41	38	33
Ending Stocks	2,888	2,783	2,717	2,202	2,088	2,439	890	921	700
Wholesale Gasoline Demand	1,510	1,414	1,346	1,415	1,354	1,413	153	44	10
Conv Ethanol Gasoline Blend	678	646	604	558	514	546	389	361	330
Ethanol % of Total Gasoline	7.78	7.94	7.94	7.20	6.95	6.96	2.50	2.83	2.62
PADD 04									
Production	13	14	13	14	14	10	3	3	3
Receipts from other regions	3	2	1	2	4	5	NA		
Refiner/Blender Net Input	15	15	14	14	14	15	1	1	1
Ending Stocks	164	175	183	223	229	169	6	7	17
Wholesale Gasoline Demand	277	274	281	290	271	293	-24	-14	-13
Conv Ethanol Gasoline Blend	155	146	140	143	137	147	-134	-135	-116
Ethanol % of Total Gasoline	5.73	5.79	5.24	5.07	5.45	5.40	0.85	0.79	0.57
PADD 05									
Production	9	9	9	9	9	9	4	4	1
Imports	0	0	0	0	0	0	-3	-2	-2
Receipts from other regions	137	151	160	143	134	123	NA		
Refiner/Blender Net Input	139	149	149	143	129	120	40	43	38
Ending Stocks	2,134	2,223	2,196	2,010	2,117	2,197	553	320	257
Wholesale Gasoline Demand	1,590	1,571	1,584	1,492	1,462	1,496	38	19	31
Conv Ethanol Gasoline Blend	377	375	370	347	322	346	37	40	35
Ethanol % of Total Gasoline	9.58	10.48	10.38	10.60	9.68	8.72	2.77	3.12	2.72

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

