ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Monday, September 13, 2010

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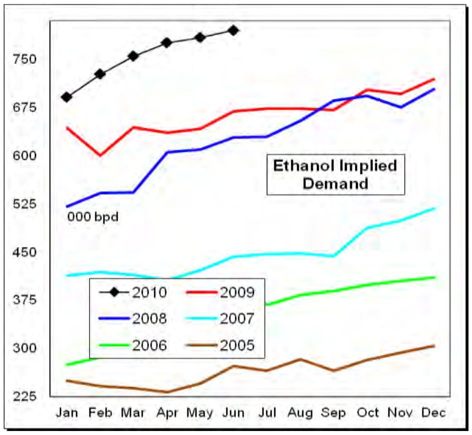
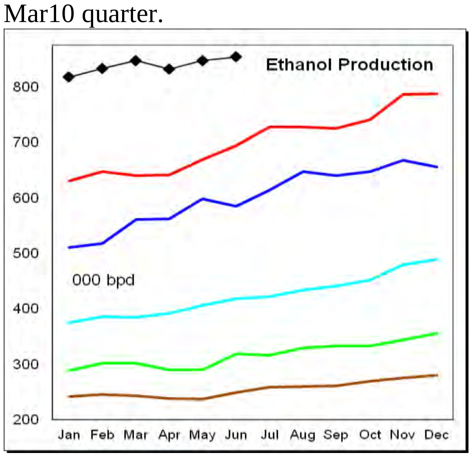
Summary: Ethanol demand was 785,000 bpd in the Apr10 - Jun10, up +61,000 bpd compared to the Jan10 - Mar10 period. Wholesale gasoline demand increased +115,000 bpd in the same quarter over quarter period. These trends point to a continued increase in the blend rate.



Year-over-year demand for ethanol between Apr10 - Jun10 and the same quarter in 2009 increased +136,000 bpd. This represented a +21% increase.

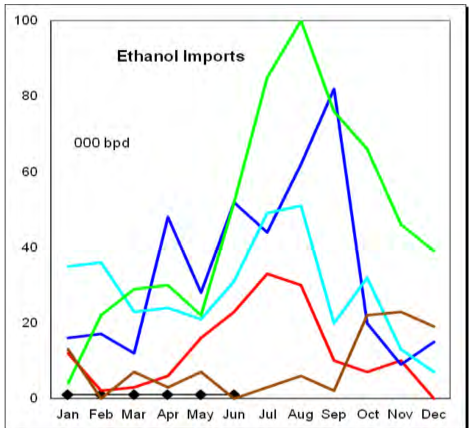
Ethanol production was 844,000 bpd during the Apr10 - Jun10 quarter, up +11,000 bpd compared to the Jan10 - Mar10 quarter.

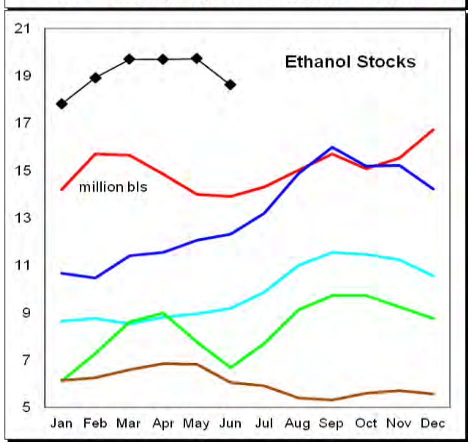


Year-over-year production increased in the Apr10 - Jun10 quarter by +176,000 bpd. This was a +26% increase.

Imports averaged 1,000 bpd during the Apr10 - Jun10 quarter, unchanged from the 1,000 bpd during the Jan10 - Mar10 quarter.

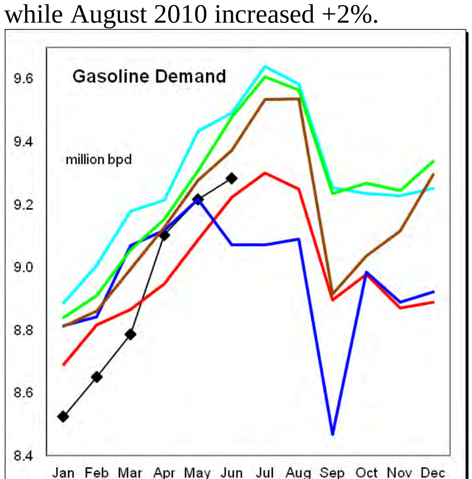
Ethanol stocks decreased -1.1 million barrels at the end of June compared to the end of May. Stocks decreased -0.9 million barrels in PADD 02 and -0.2 million barrels in PADD 3. Other regions were nearly unchanged.





Gasoline Demand Trends: Wholesale gasoline demand increased +115,000 bpd year-over-year in the Apr10 - Jun10 period compared to a year ago, a +1.3% increase.

Gasoline demand in July 2010 increased +2.3% compared to a year ago while August 2010 increased +2%.



Blending Trends: During the Apr10 - Jun10 quarter, 4.8 million bpd of conventional gasoline was blended with ethanol, equal to 80% 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 June 2010, 22% of total production.

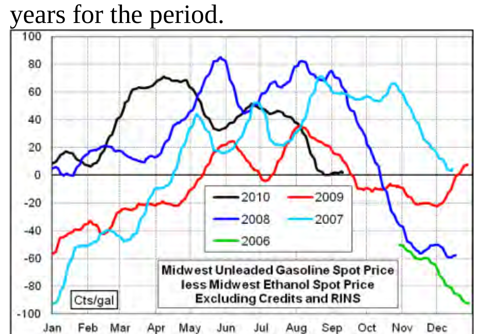
Ethanol Blend Economics: Midwest ethanol prices traded sideways within a 10 ct/gal range between mid March and late July. Since early August prices have trended sharply higher, rising from $1.60 to $2.10/gal.

Midwest spot gasoline prices peaked at $2.35/gal in late April, then fell to a low of $1.85/gal in late May. During the summer quarter of June through August prices traded between $1.95 and $2.15/gal.

The Midwest spot gasoline - ethanol price spread, peaked in mid June at +$0.50/gal in favor of gasoline, then fell to break even by end of August.

The current break even spread is the lowest level of the last four years for this time of year.

Including tax and RINS credits of approximately $0.50/gal, blending economics very low compared to prior years for the period.



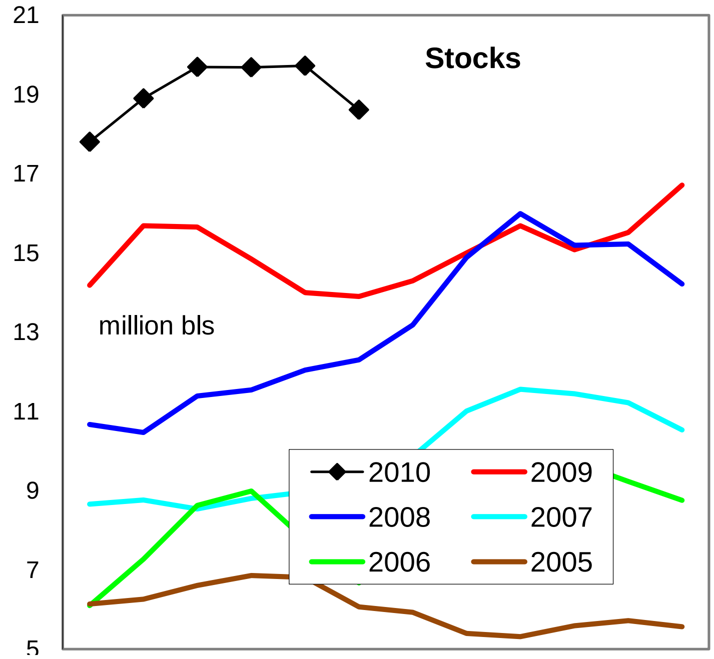
Emerging Trends: The upturn in ethanol prices during the last 45-days was due in part to a -2.2 million barrel stock draw since early July to early September. This was the largest seasonal draw of the last five years.

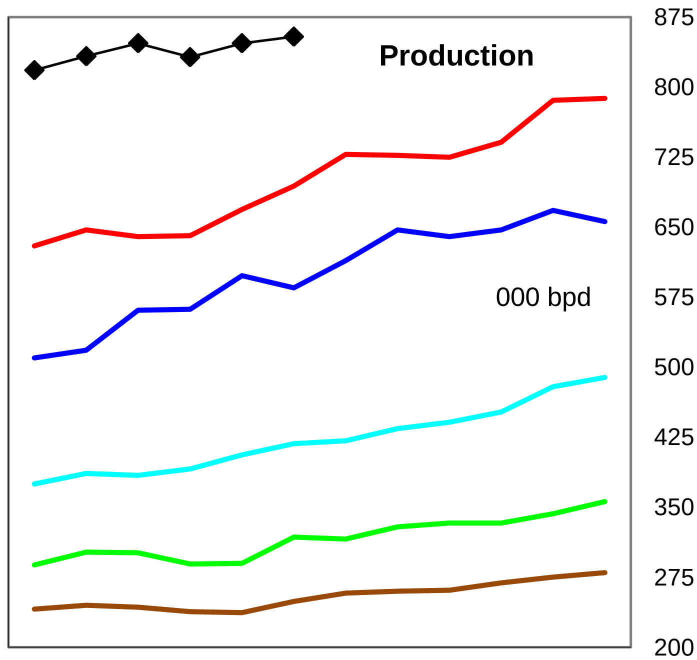
Concurrently, gasoline stocks did not experience a normal summer draw, with stock levels increasing +7 million barrels between early July and the 1st week of September. Stock levels are now at record highs in all regional markets except PADD 02.

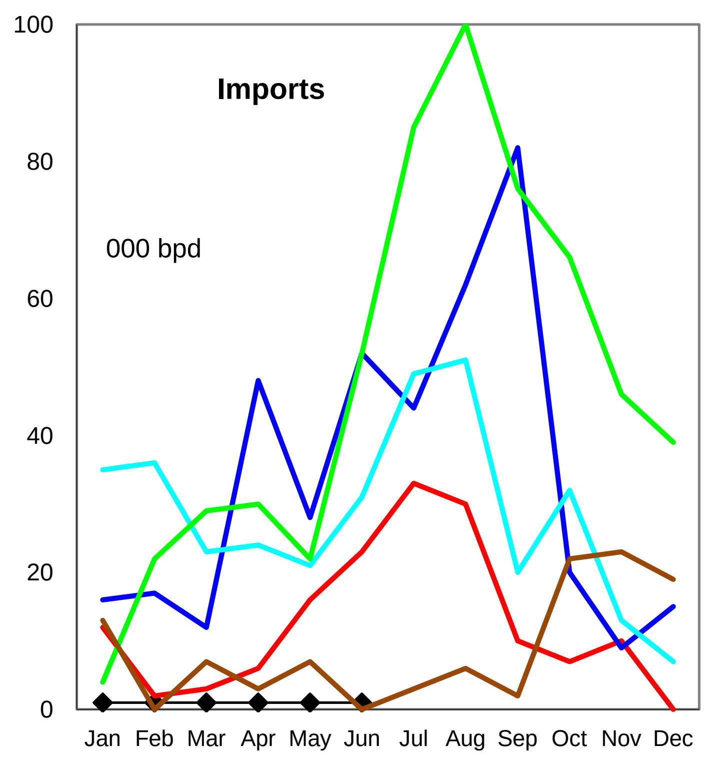
Shut down of a major crude oil pipeline into the upper mid west has the risk of limiting gasoline supplies over the next several weeks. In the absence of severe limits, very high gasoline carryout stocks from the summer driving season and low ethanol stocks should constrain blend economics during the 4th quarter.

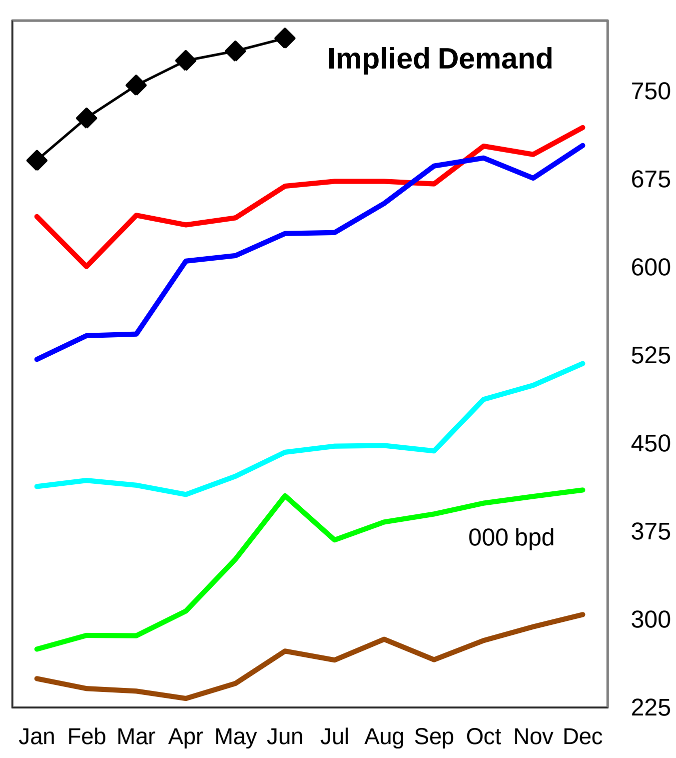
United States Ethanol Supply-Demand Balance

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Jun10	May10	Apr10	Mar10	Feb10	Jan10	1-Month	3-Mth Avg	6-Mth Avg
Production	854	847	832	847	833	818	160	176	185
Imports	1	1	1	1	1	1	-22	-14	-9
EIA Adjustment	-98	-63	-58	-68	-68	-94	-46	-20	-33
Demand	795	784	776	755	727	691	126	136	116
Ending Stocks	18,610	19,721	19,682	19,691	18,897	17,800	4,707	5,089	4,355
Change in stocks	-1,111	39	-9	794	1,097	1,089			
Wholesale Gasoline Demand	9,284	9,217	9,103	8,787	8,651	8,525	60	115	-11
Conv Ethanol Gasoline Blend	4,939	4,786	4,660	4,475	4,306	4,056	966	1,000	970
Ethanol % of Total Gasoline	9.37	9.30	9.32	9.40	9.17	8.82	1.55	1.64	1.53









Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**4,707**	**160**	**-22**	**126**
% change	**33.9**	**23.1**	**-95.7**	**18.8**

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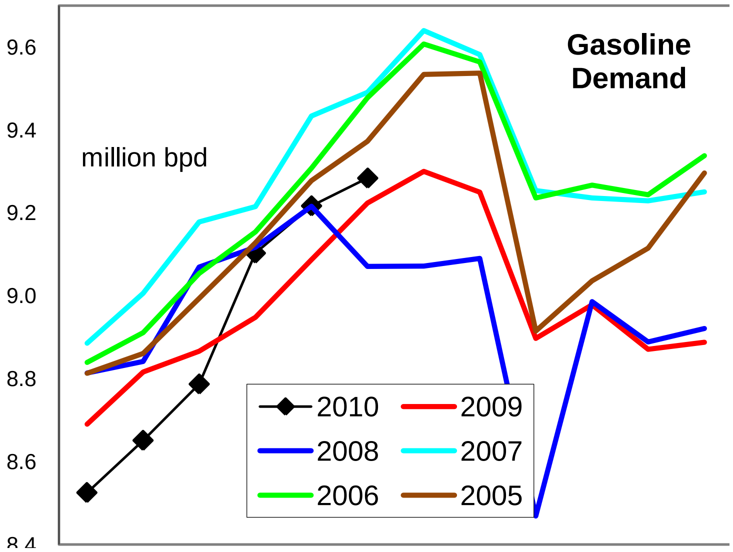
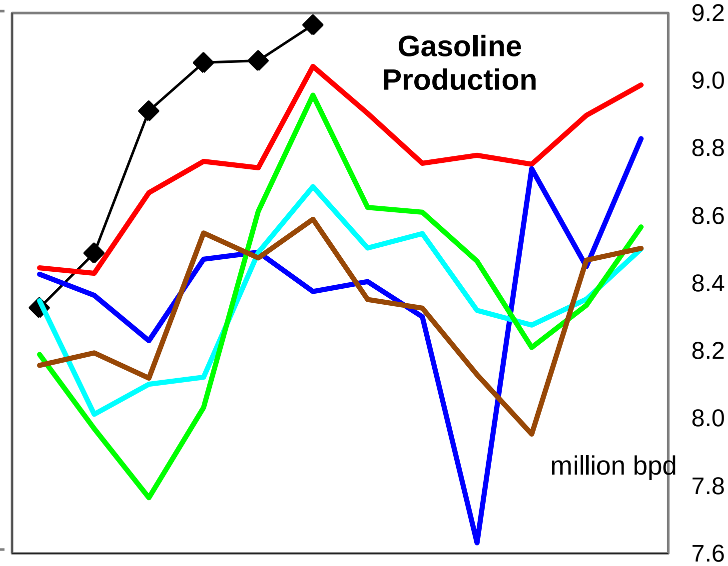
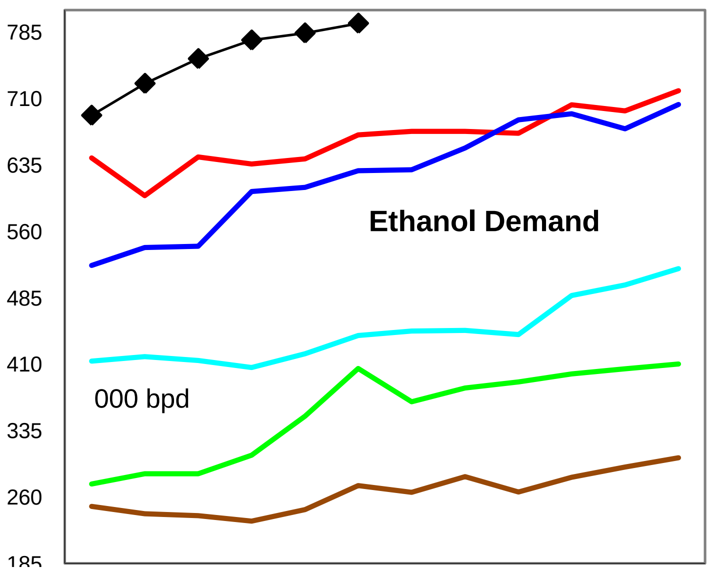
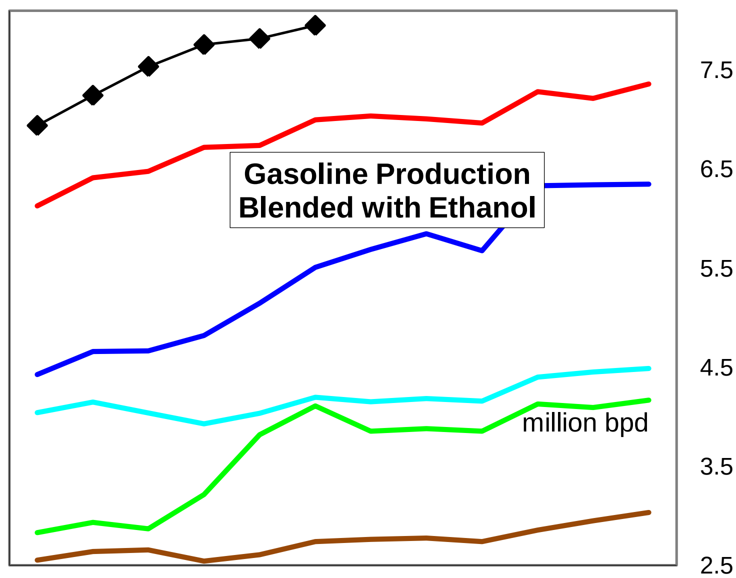
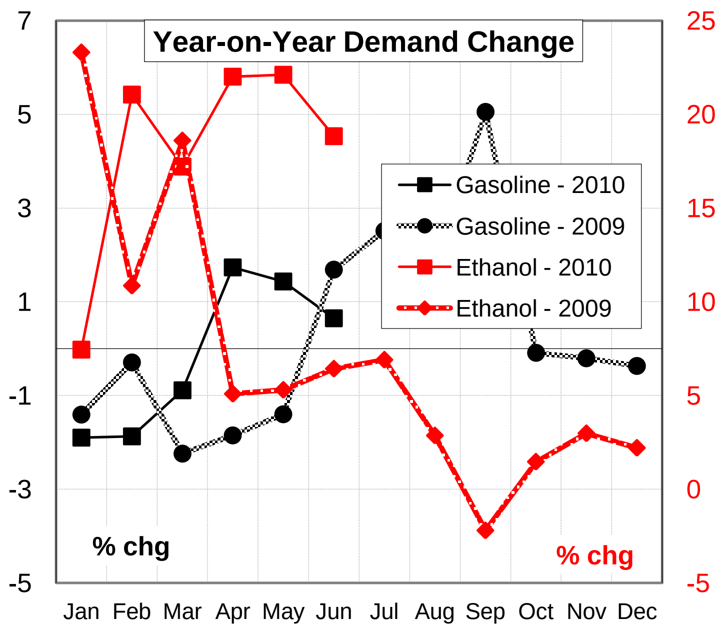
U. S. Gasoline/Ethanol Demand and Blending

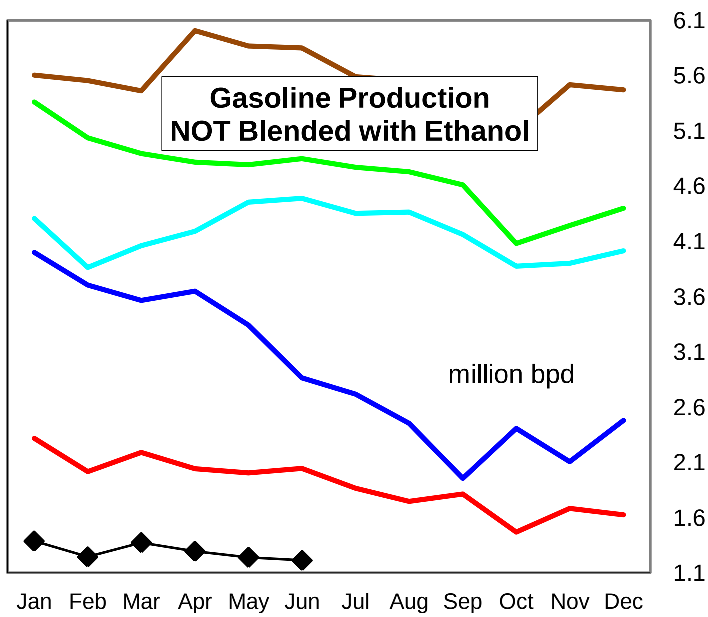












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	60	126	954	-831
% change	0.7	18.8	13.6	-40.7

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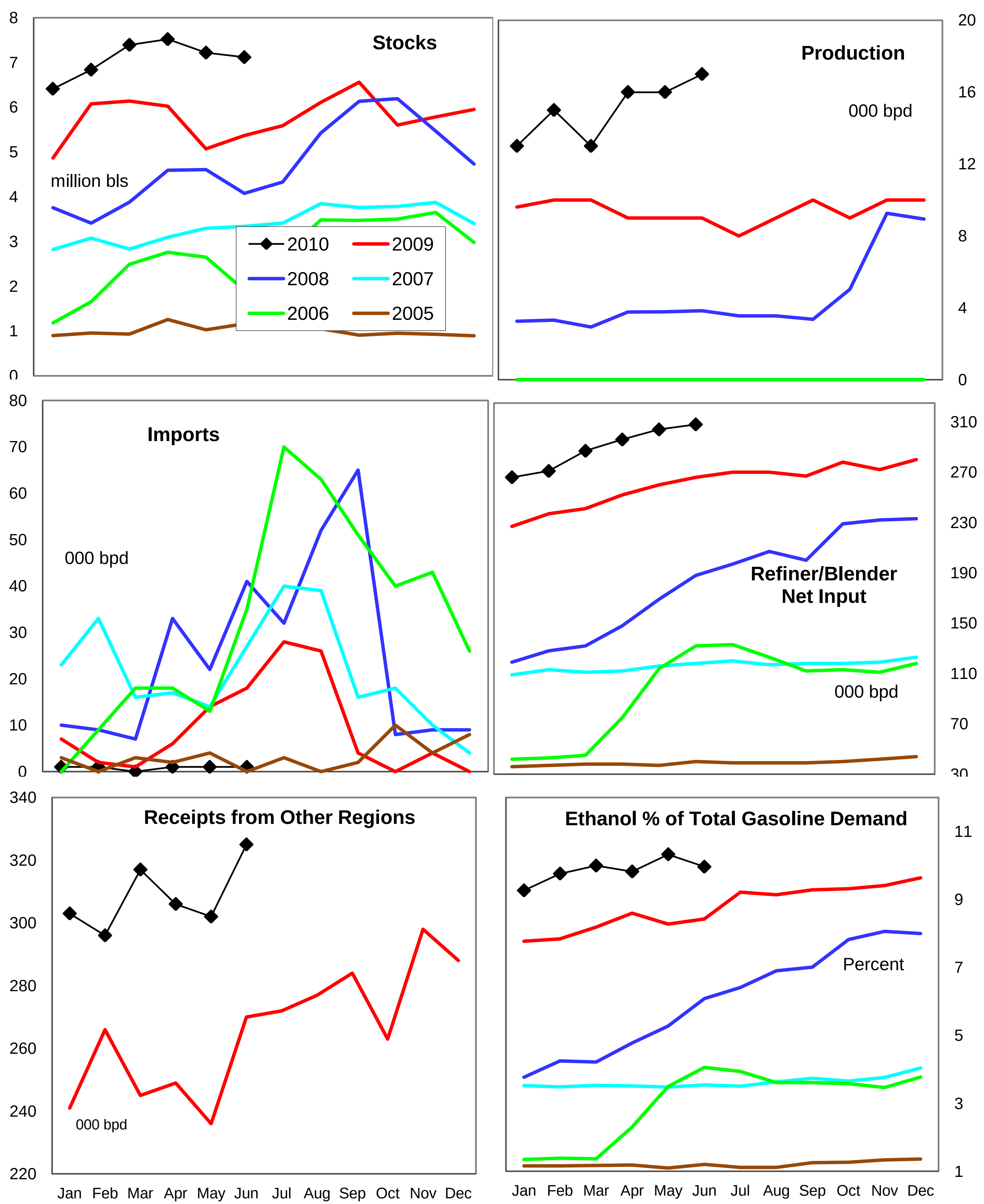
PADD 1 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	1,751	8	-17	42
% change	32.6	88.9	-94.4	15.8

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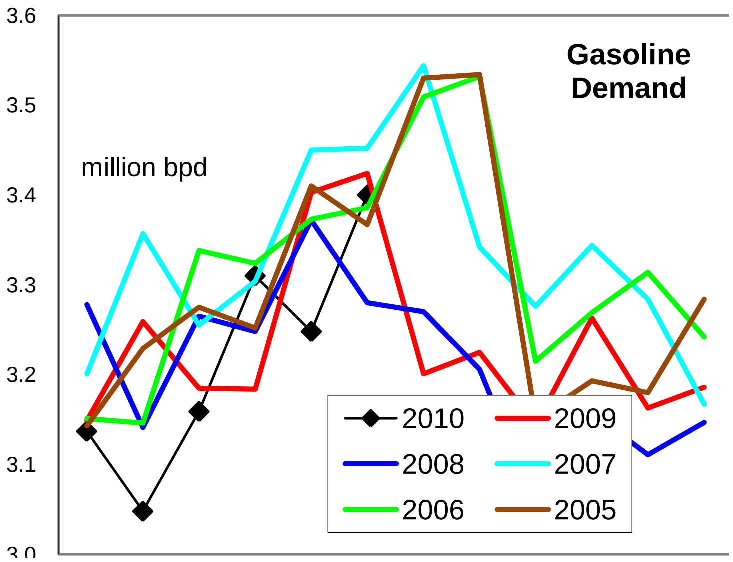
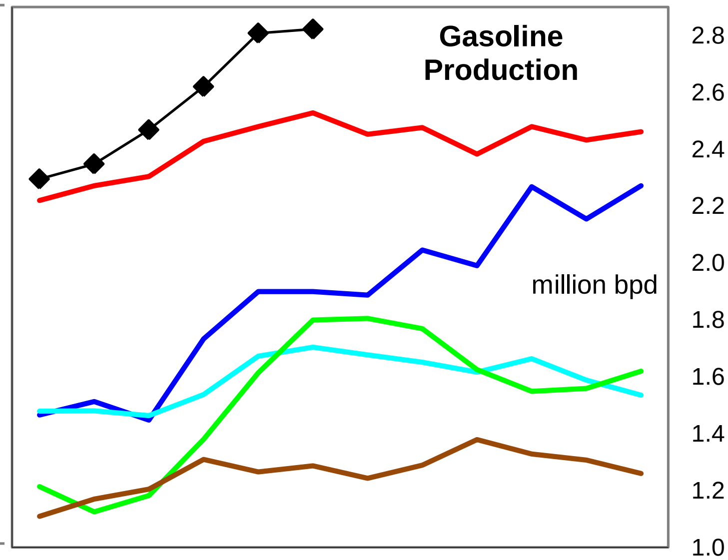
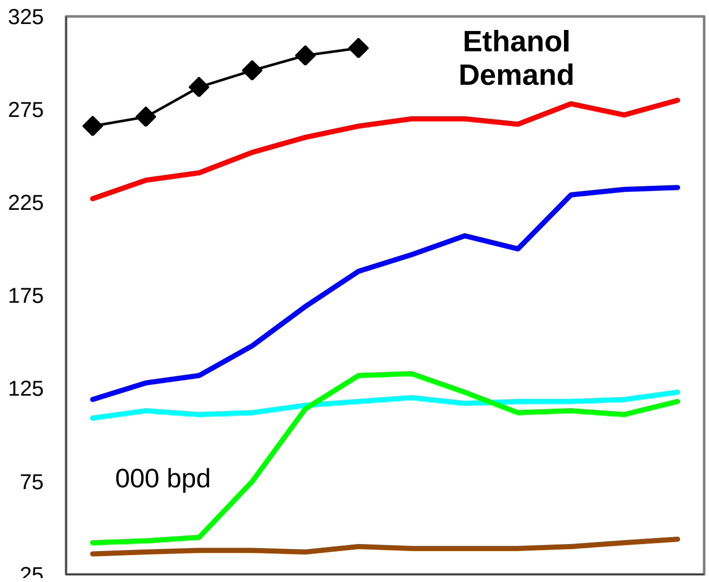
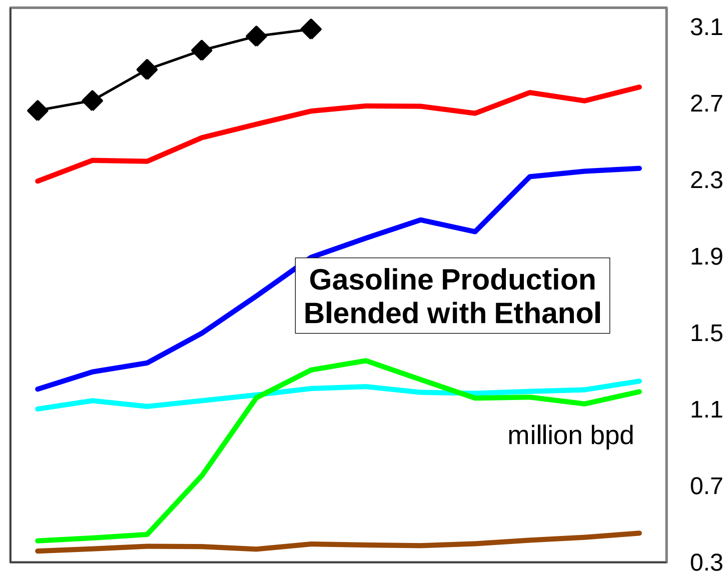
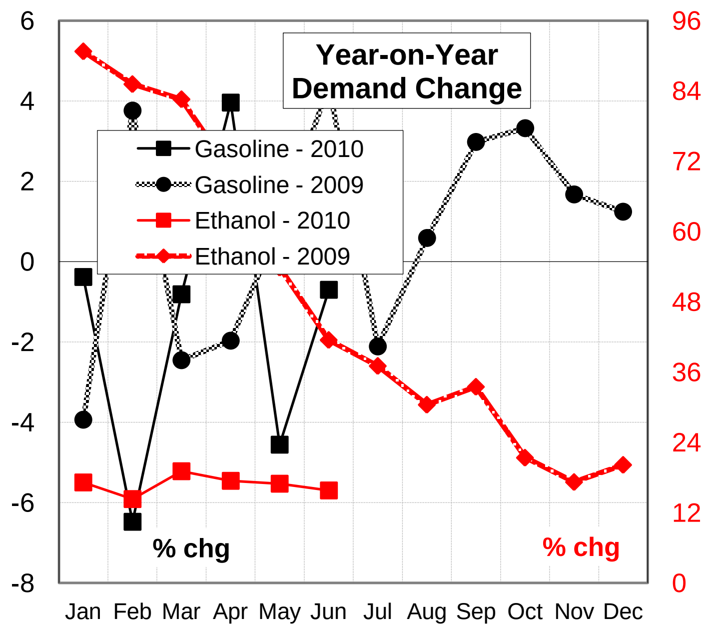
PADD 01 Gasoline/Ethanol Demand and Blending

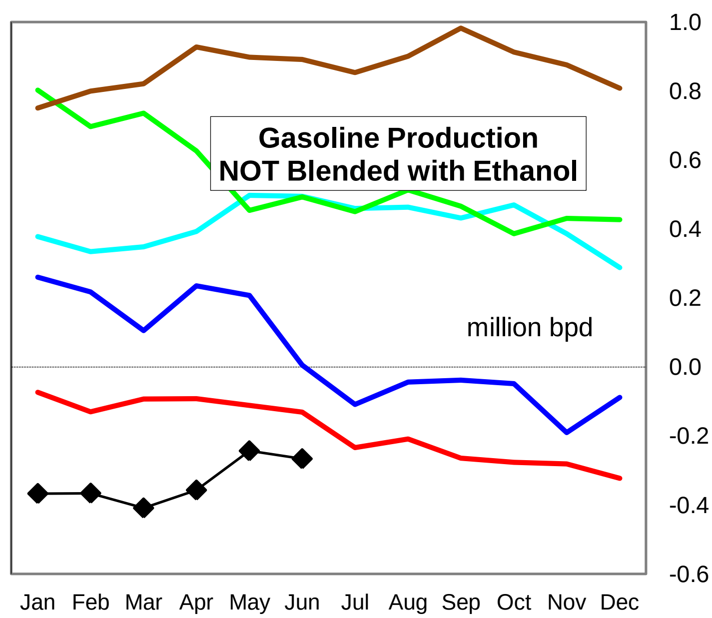












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-24	42	429	-135
% change	-0.7	15.8	16.1	103.1

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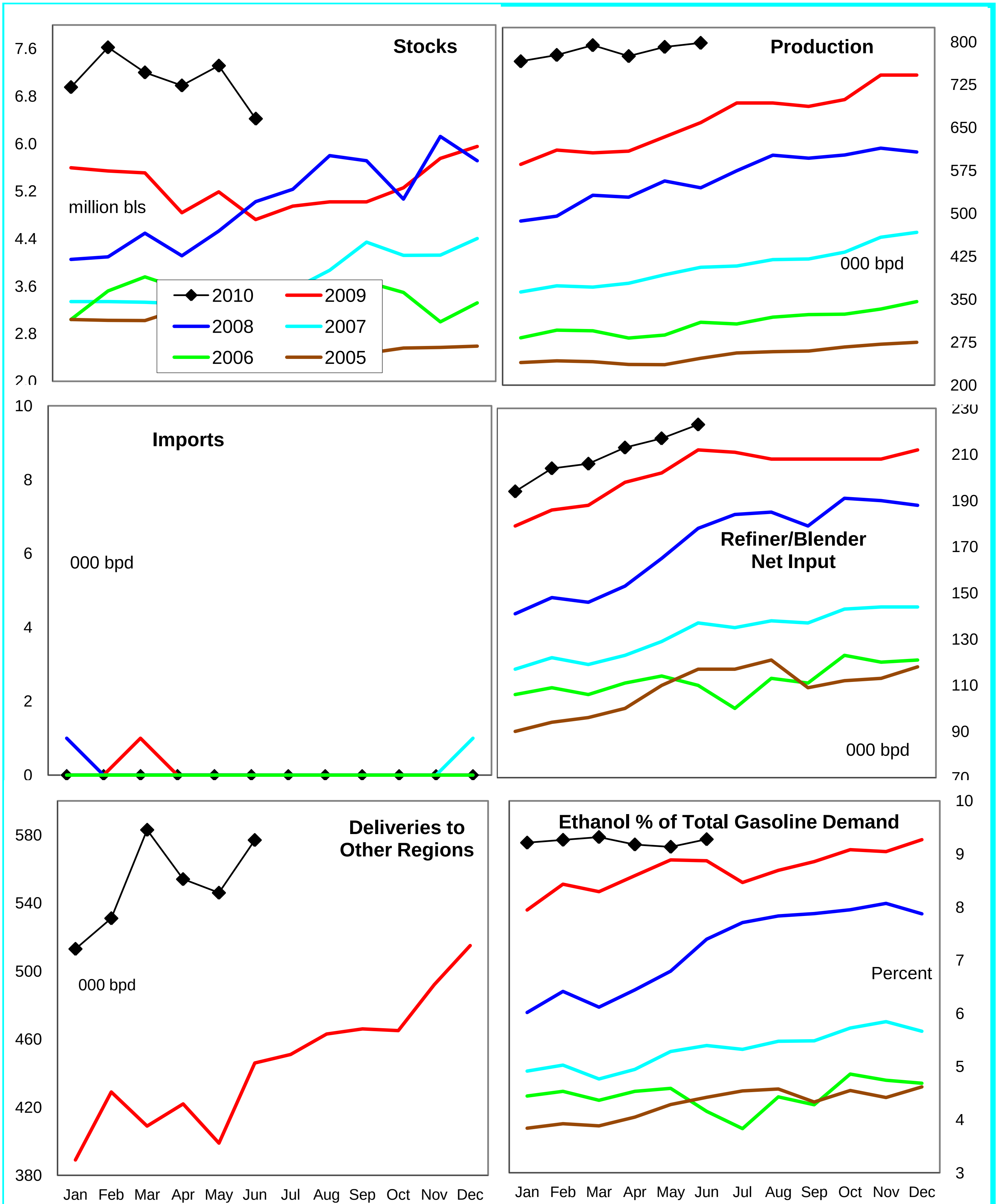
PADD 2 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	1,698	139	0	11
% change	36.0	21.1	#DIV/0!	5.2

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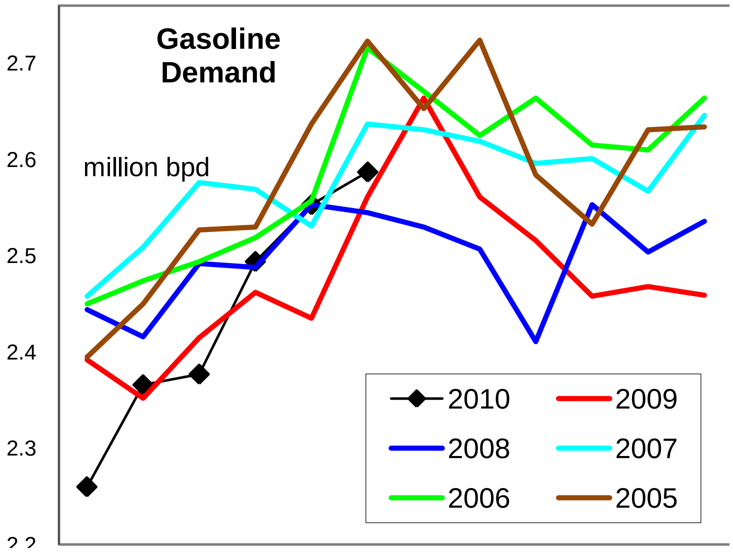
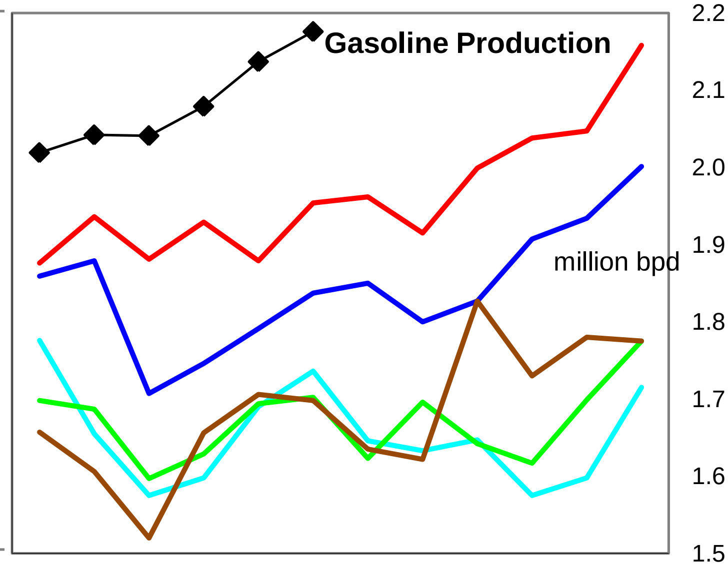
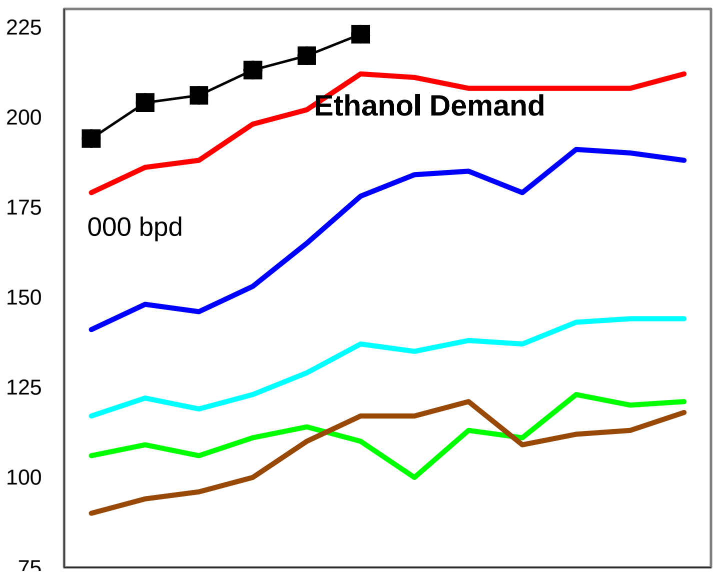
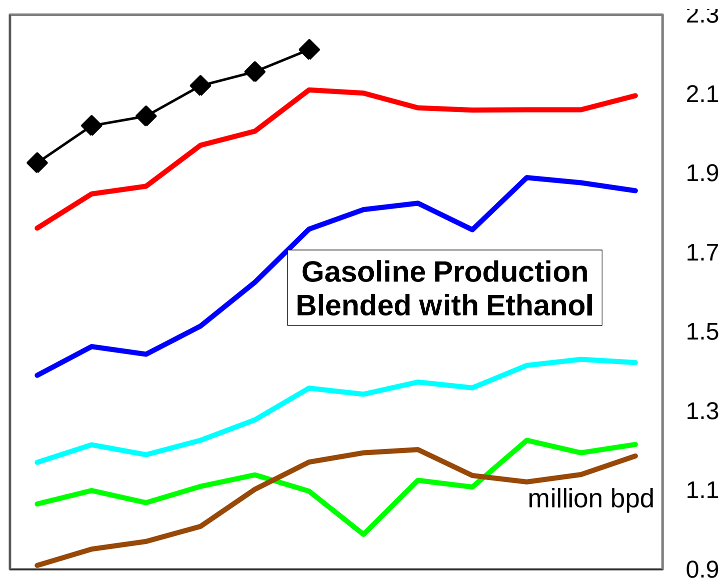
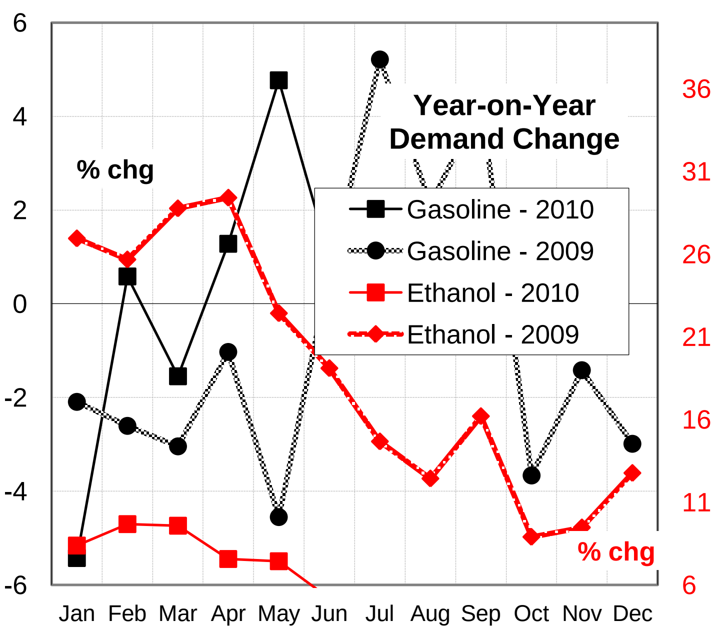
PADD 02 Gasoline/Ethanol Demand and Blending

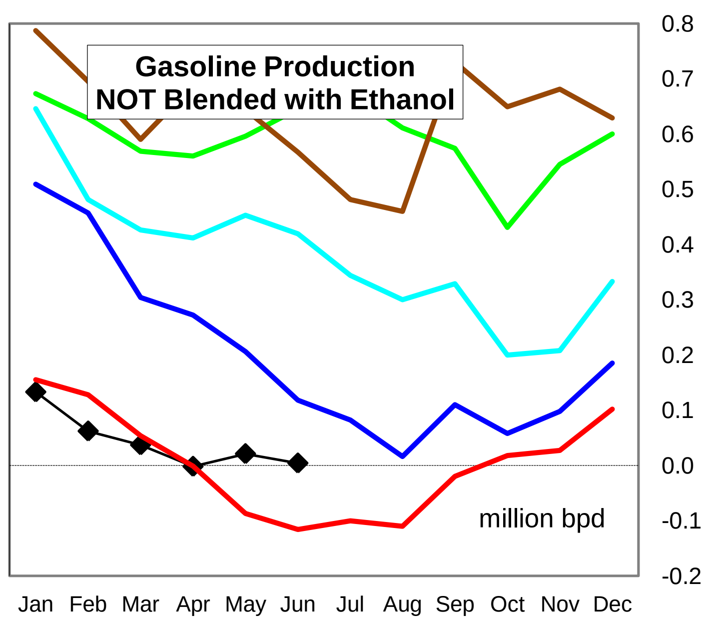












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	26	11	102	120
% change	1.0	5.2	4.8	-103.4

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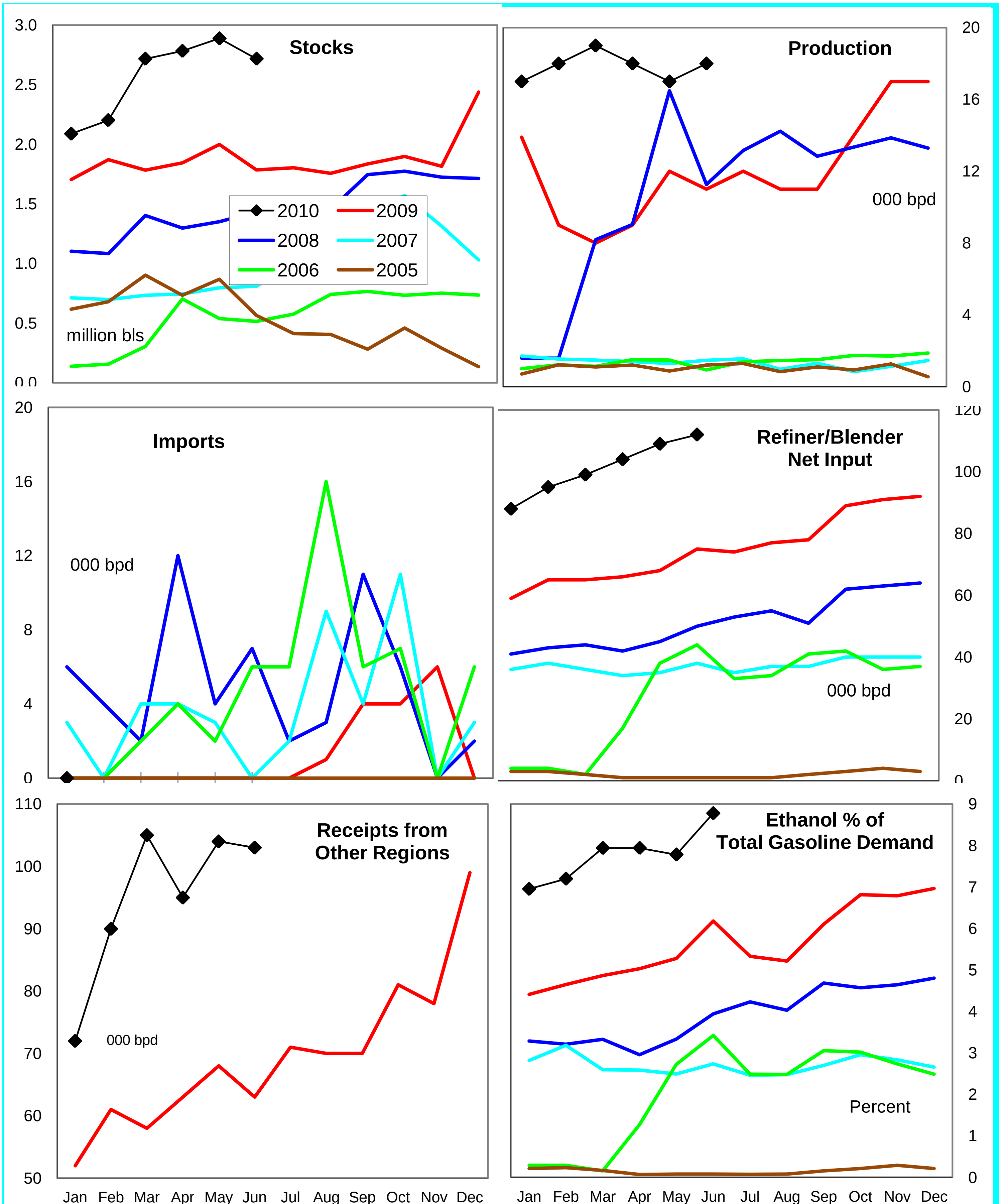
PADD 3 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	931	7	0	37
% change	52.1	63.6	#DIV/0!	49.3

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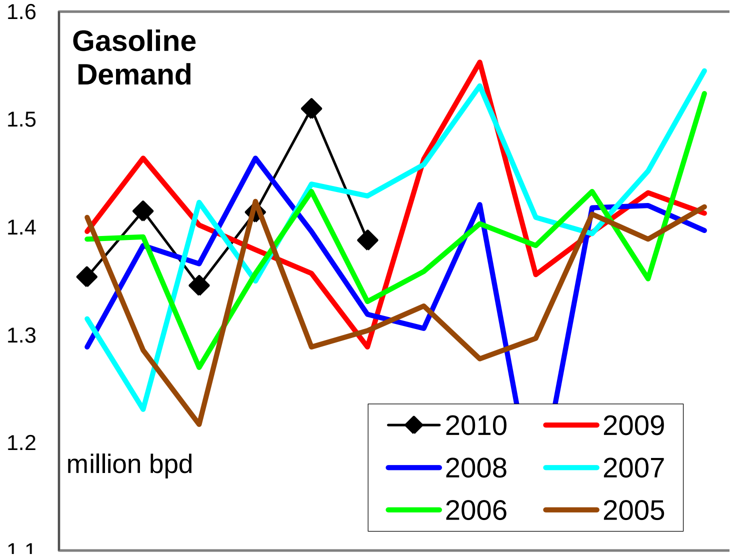
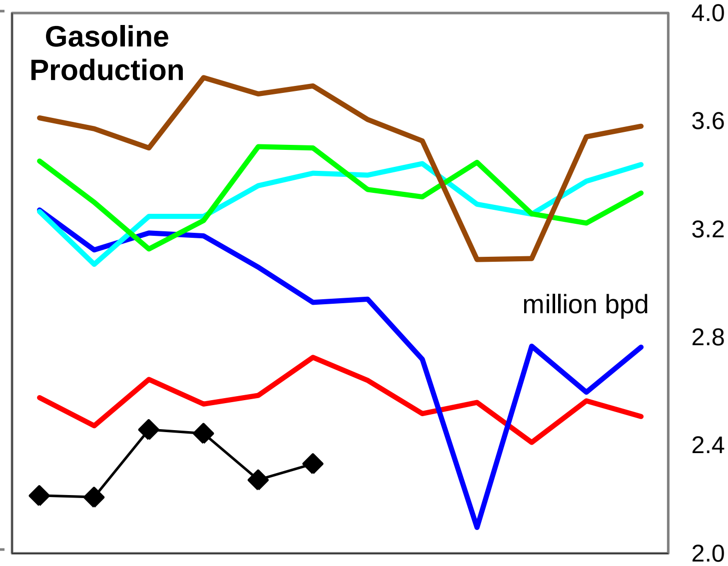
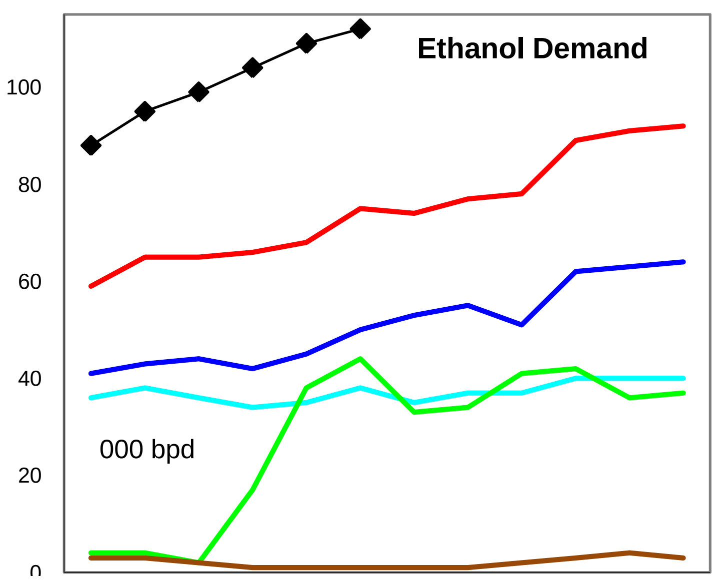
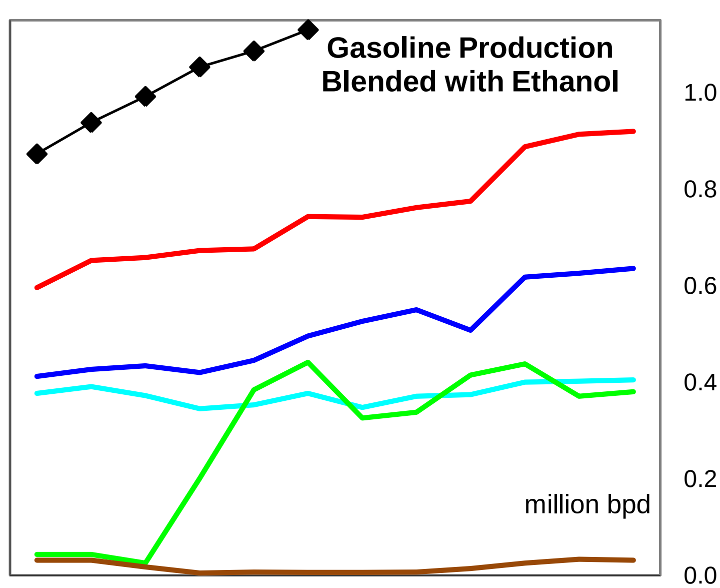
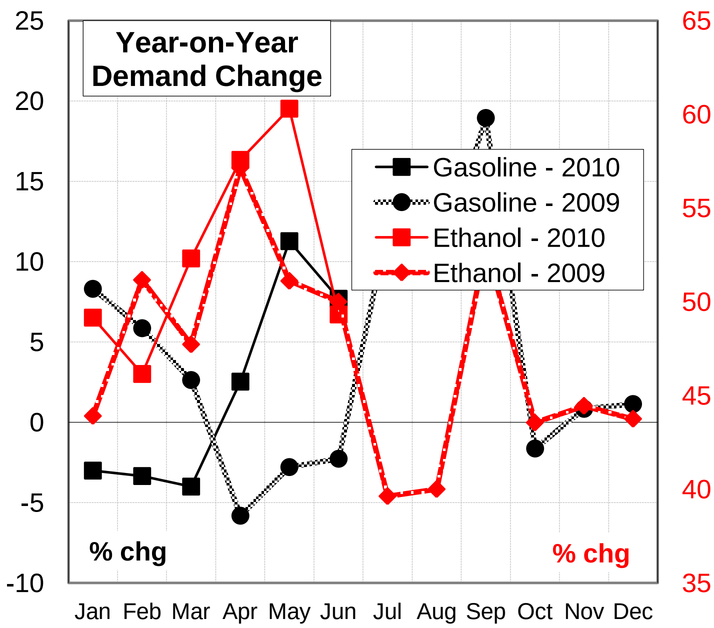
PADD 03 Gasoline/Ethanol Demand and Blending

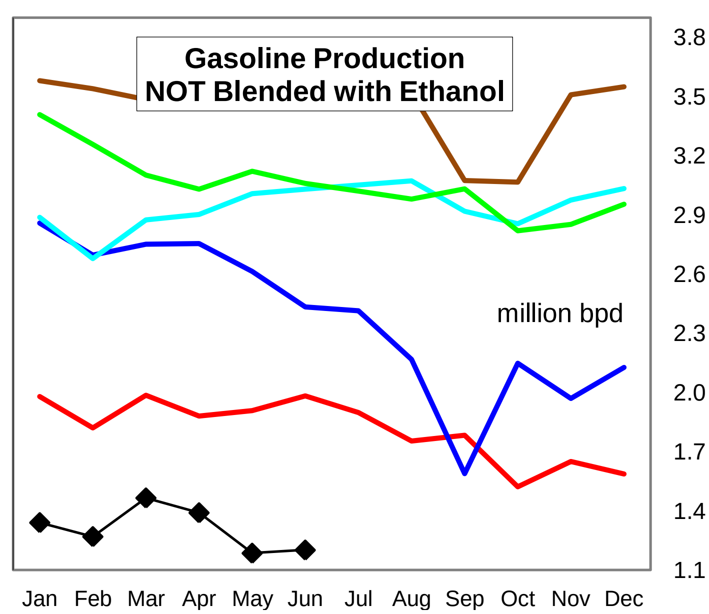






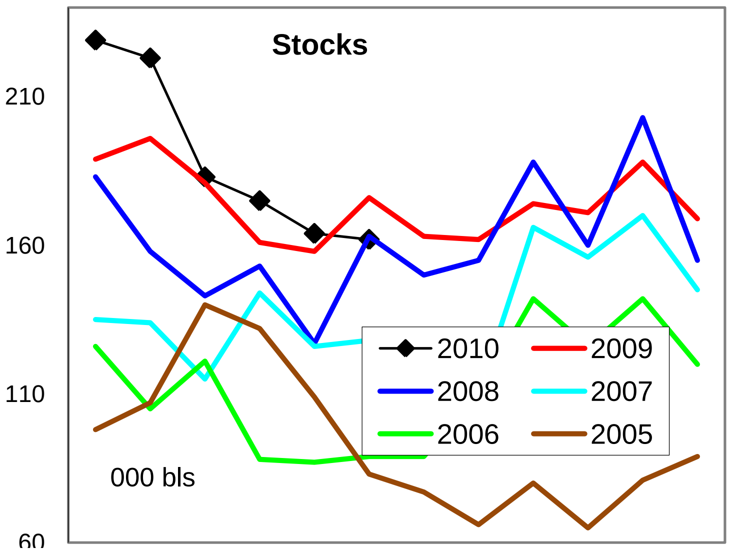


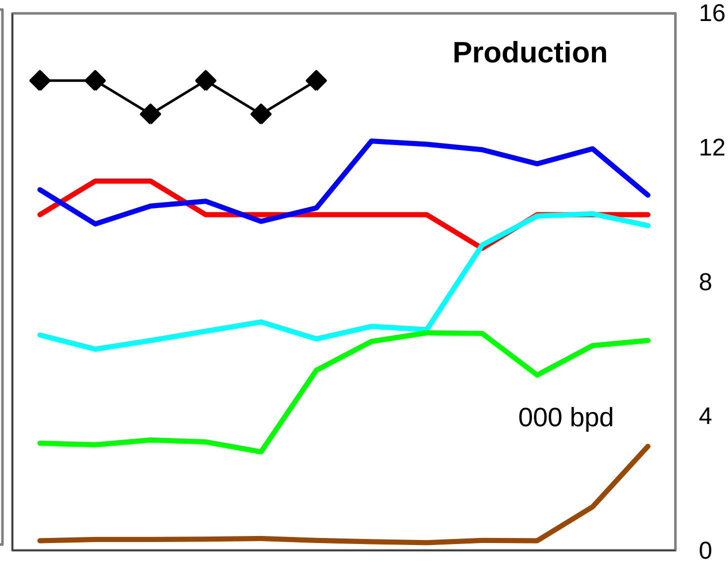


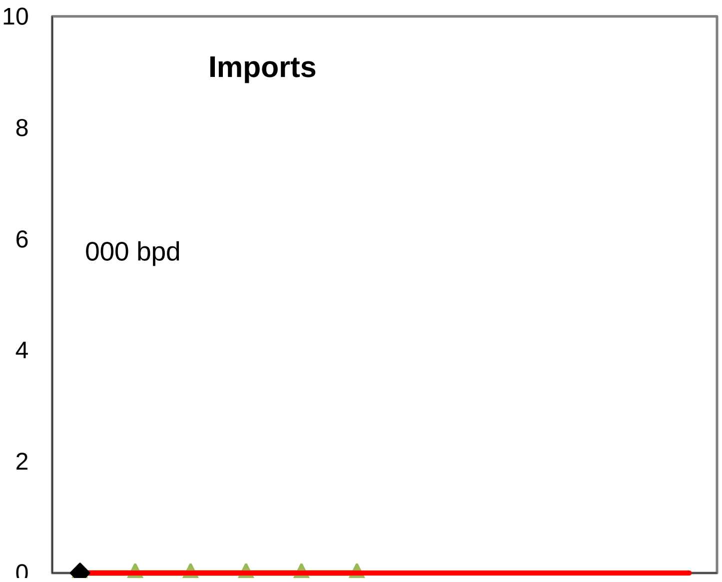


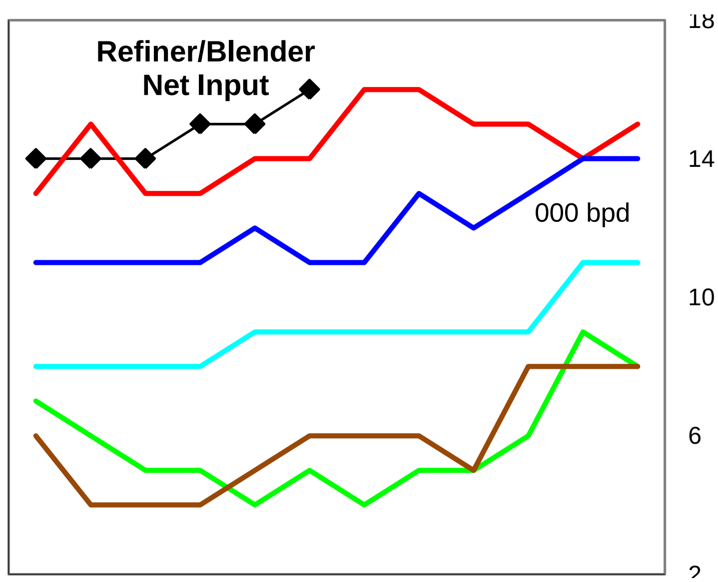
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	53	37	387	-781
% change	5.5	49.3	52.1	-39.4

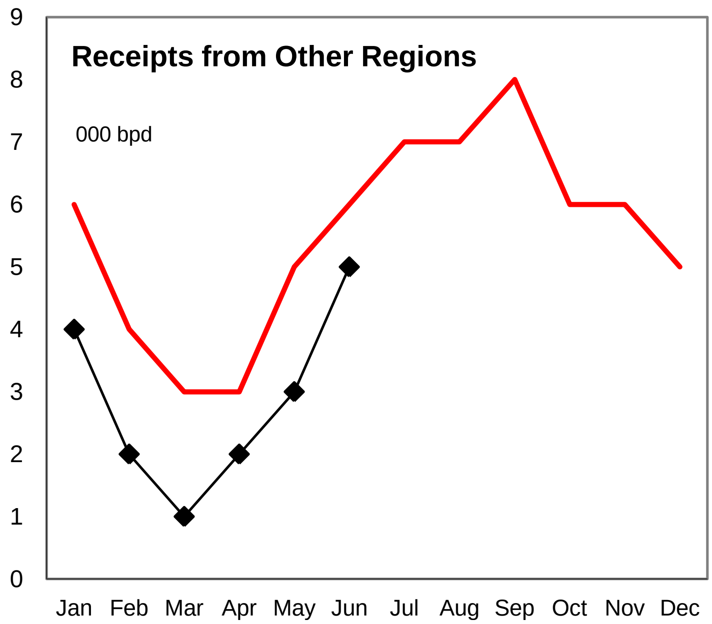
PADD 4 Ethanol Supply-Demand Balance

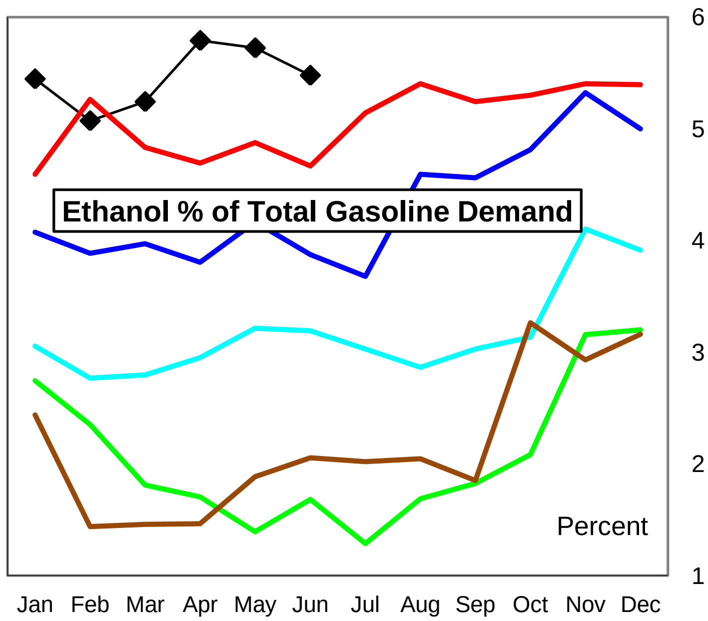






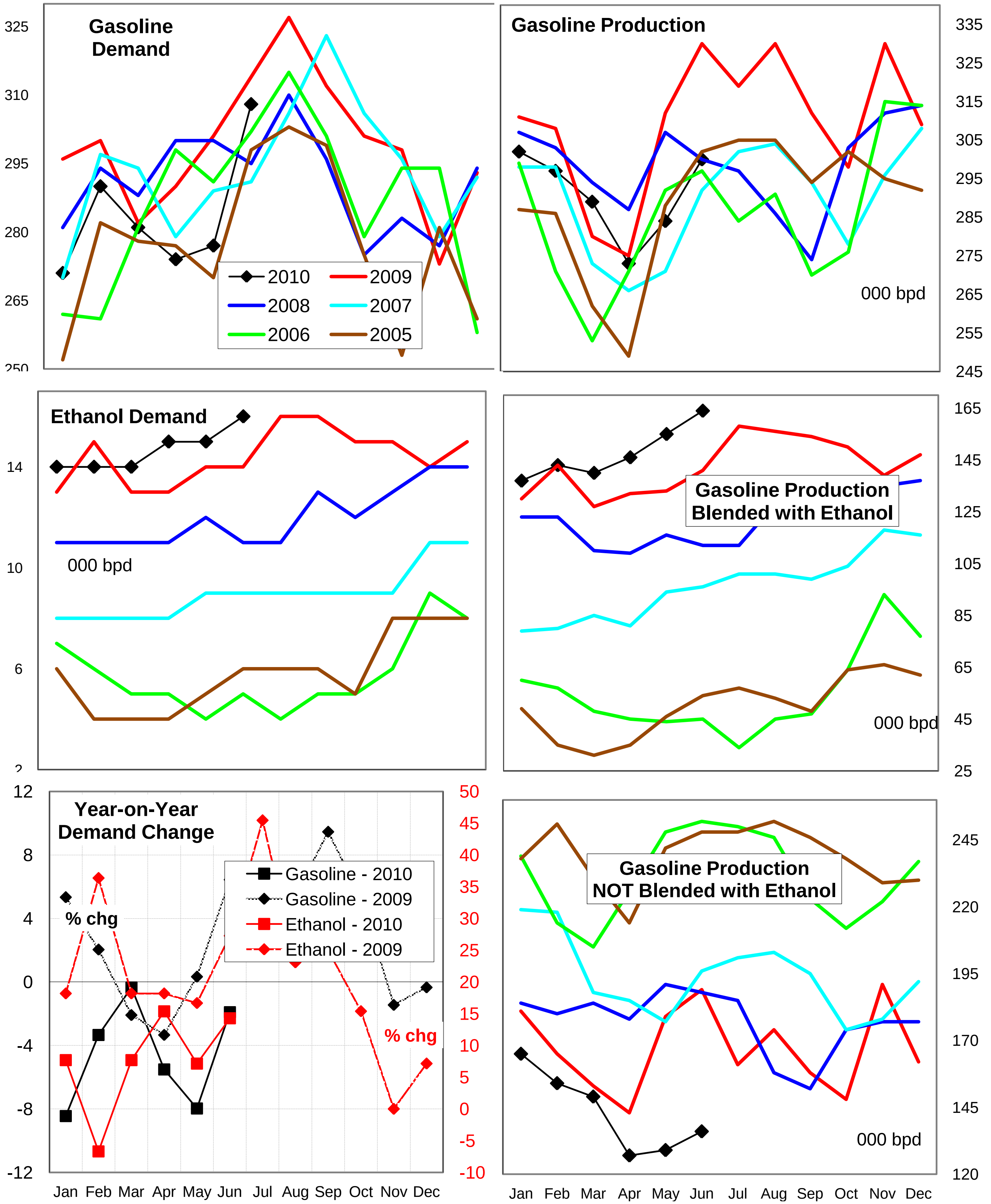






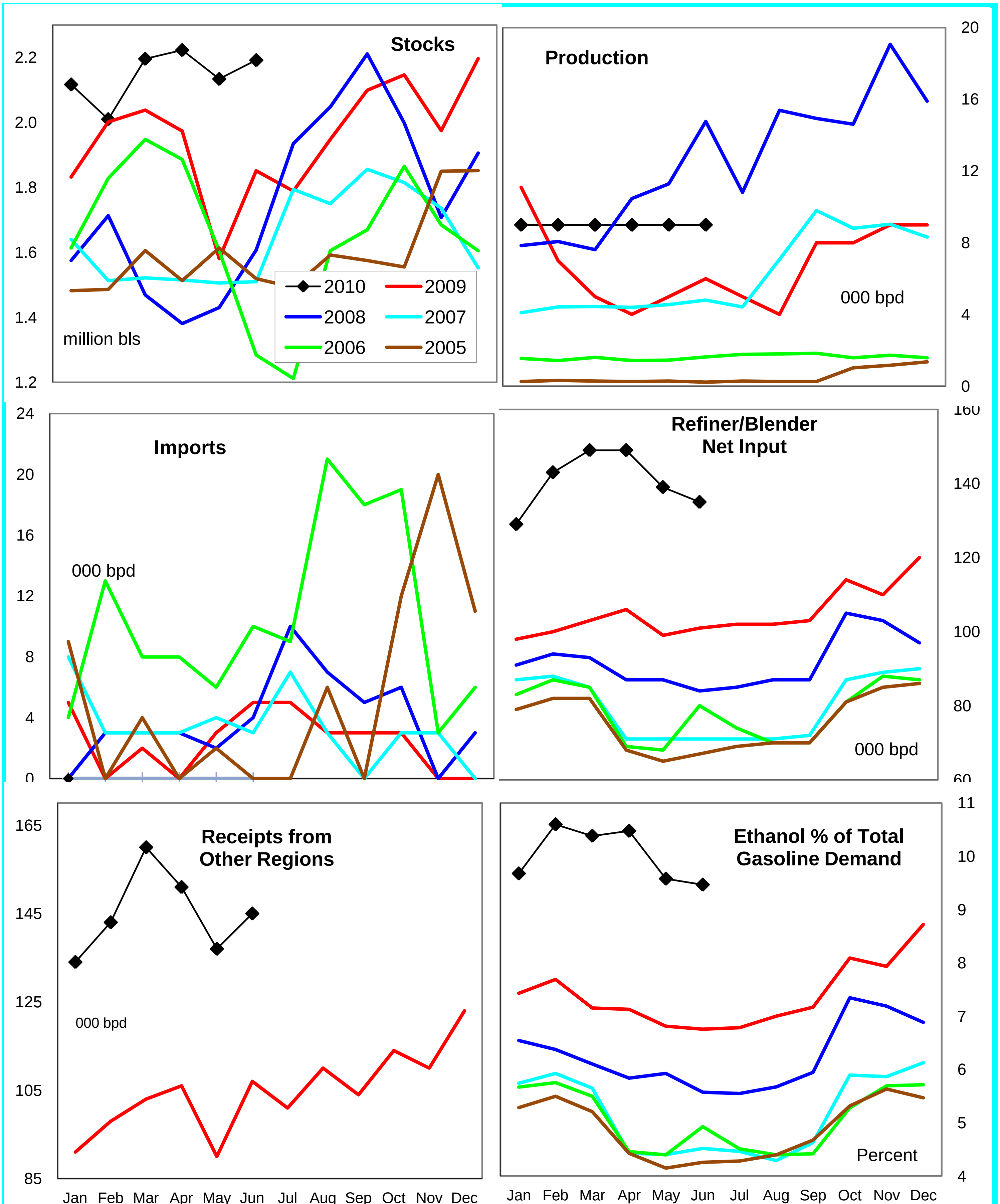
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	-14	4	0	2
% change	-8.0	40.0	#DIV/0!	14.3

PADD 04 Gasoline/Ethanol Demand and Blending



Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-6	2	23	-53
% change	-1.9	14.3	16.3	-28.0

PADD 5 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	341	3	-5	34
% change	18.4	50.0	-100.0	33.7

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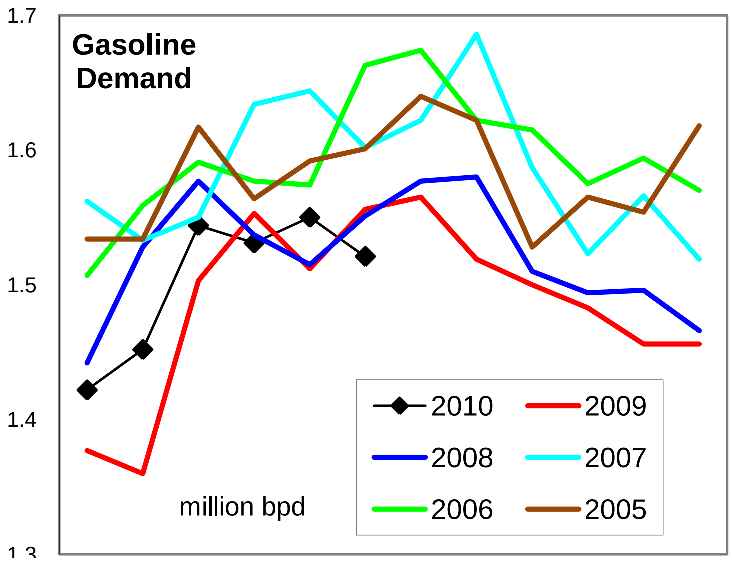
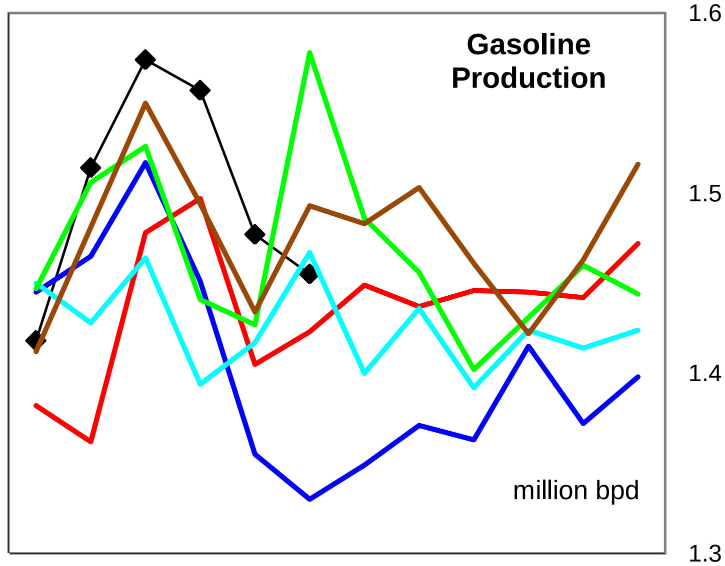
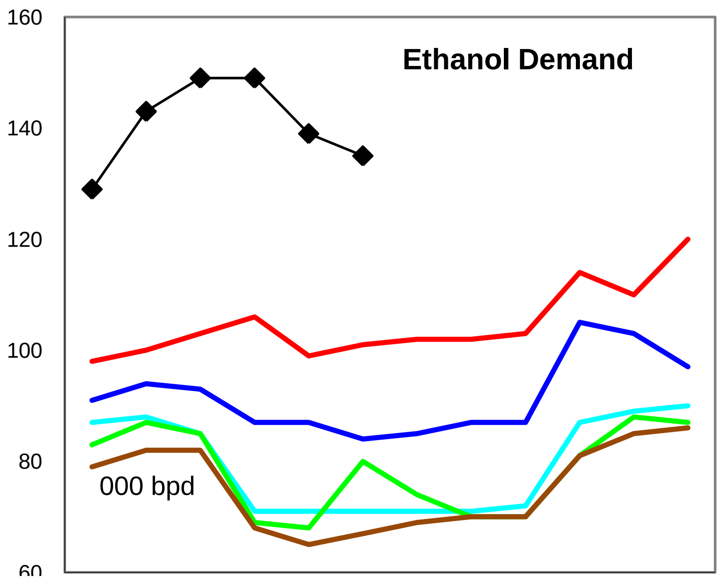
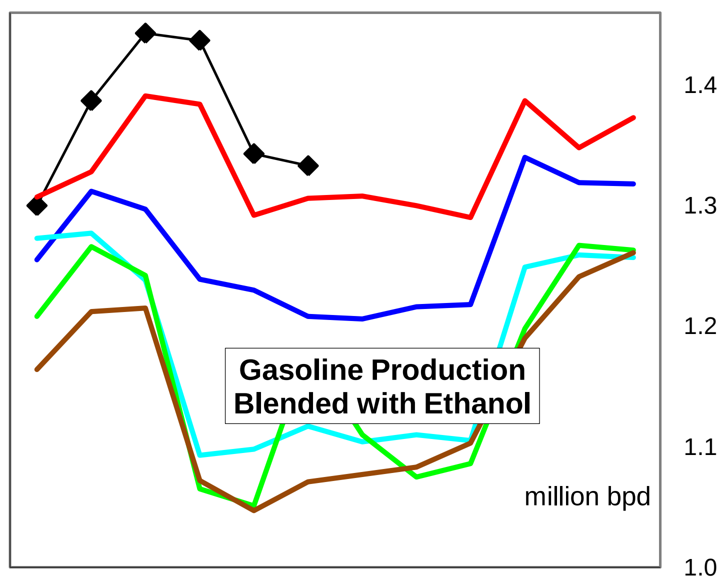
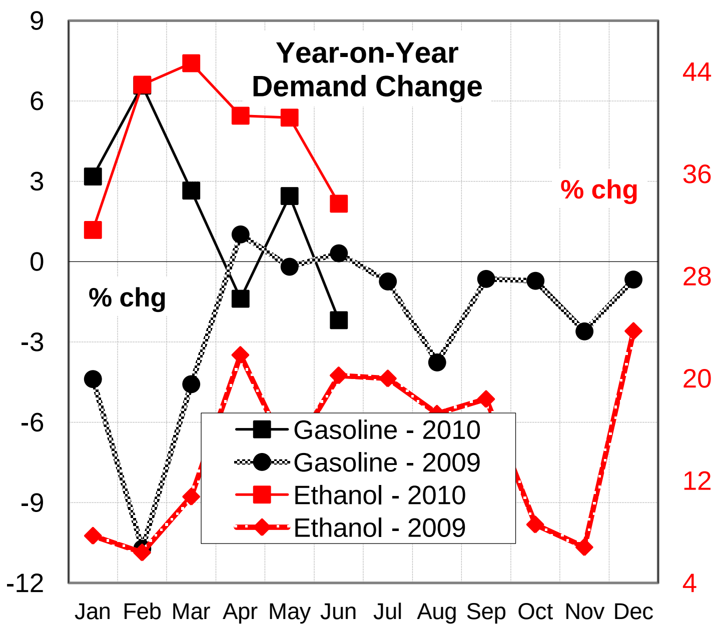
PADD 05 Gasoline/Ethanol Demand and Blending

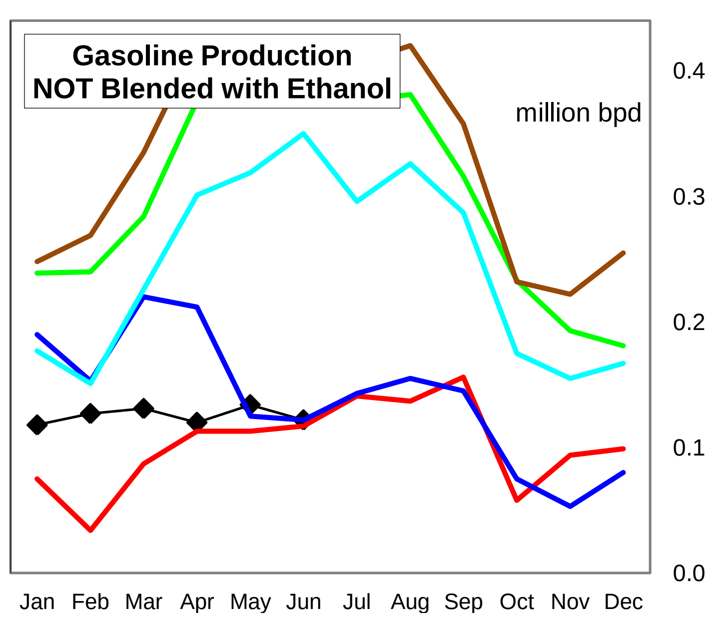












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-35	34	27	5
% change	-2.2	33.7	2.0	4.3

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Ethanol / Gasoline Fundamental Trends

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
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Change in stocks	-1,111	39	-9	794	1,097	1,089			
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Conv Ethanol Gasoline Blend	4,939	4,786	4,660	4,475	4,306	4,056	966	1,000	970
Ethanol % of Total Gasoline	9.37	9.30	9.32	9.40	9.17	8.82	1.55	1.64	1.53
PADD 01									
Production	17	16	16	13	15	13	8	7	6
Imports	1	1	1	0	1	1	-17	-12	-7
Receipts from other regions	325	302	306	317	296	303		NA	
Refiner/Blender Net Input	308	304	296	287	271	266	42	43	42
Ending Stocks	7,118	7,220	7,520	7,394	6,838	6,413	1,751	1,797	1,493
Wholesale Gasoline Demand	3,400	3,248	3,310	3,159	3,048	3,137	-24	-18	-50
Conv Ethanol Gasoline Blend	1,809	1,781	1,738	1,674	1,595	1,502	399	429	419
Ethanol % of Total Gasoline	9.96	10.33	9.82	9.99	9.76	9.27	1.54	1.61	1.67
PADD 02									
Production	798	791	775	794	777	766	139	154	166
Deliveries to other regions	-577	-546	-554	-583	-531	-513		NA	
Refiner/Blender Net Input	223	217	213	206	204	194	11	14	15
Ending Stocks	6,421	7,315	6,981	7,201	7,624	6,953	1,698	1,989	1,849
Wholesale Gasoline Demand	2,627	2,593	2,534	2,417	2,406	2,300	26	59	3
Conv Ethanol Gasoline Blend	1,844	1,795	1,756	1,687	1,662	1,581	116	133	162
Ethanol % of Total Gasoline	9.28	9.13	9.18	9.32	9.26	9.21	0.40	0.41	0.73
PADD 03									
Production	18	17	18	19	18	17	7	7	7
Imports	0	0	0	0	0	0	0	0	0
Receipts from other regions	103	104	95	105	90	72		NA	
Refiner/Blender Net Input	112	109	104	99	95	88	37	39	35
Ending Stocks	2,717	2,888	2,783	2,717	2,202	2,088	931	920	734
Wholesale Gasoline Demand	1,388	1,510	1,414	1,346	1,415	1,354	99	96	23
Conv Ethanol Gasoline Blend	740	678	646	604	558	514	398	382	345
Ethanol % of Total Gasoline	8.78	7.78	7.94	7.94	7.20	6.95	2.60	2.67	2.70
PADD 04									
Production	14	13	14	13	14	14	4	4	3
Receipts from other regions	5	3	2	1	2	4		NA	
Refiner/Blender Net Input	16	15	15	14	14	14	2	2	1
Ending Stocks	162	164	175	183	223	229	-14	2	13
Wholesale Gasoline Demand	308	277	274	281	290	271	-6	-15	-14
Conv Ethanol Gasoline Blend	164	155	146	140	143	137	-178	-151	-131
Ethanol % of Total Gasoline	5.48	5.73	5.79	5.24	5.07	5.45	0.81	0.92	0.64
PADD 05									
Production	9	9	9	9	9	9	3	4	3
Imports	0	0	0	0	0	0	-5	-3	-3
Receipts from other regions	145	137	151	160	143	134		NA	
Refiner/Blender Net Input	135	139	149	149	143	129	34	39	40
Ending Stocks	2,192	2,134	2,223	2,196	2,010	2,117	341	381	266
Wholesale Gasoline Demand	1,561	1,590	1,571	1,584	1,492	1,462	-35	-6	27
Conv Ethanol Gasoline Blend	382	377	375	370	347	322	29	36	30
Ethanol % of Total Gasoline	9.47	9.58	10.48	10.38	10.60	9.68	2.71	2.94	2.87

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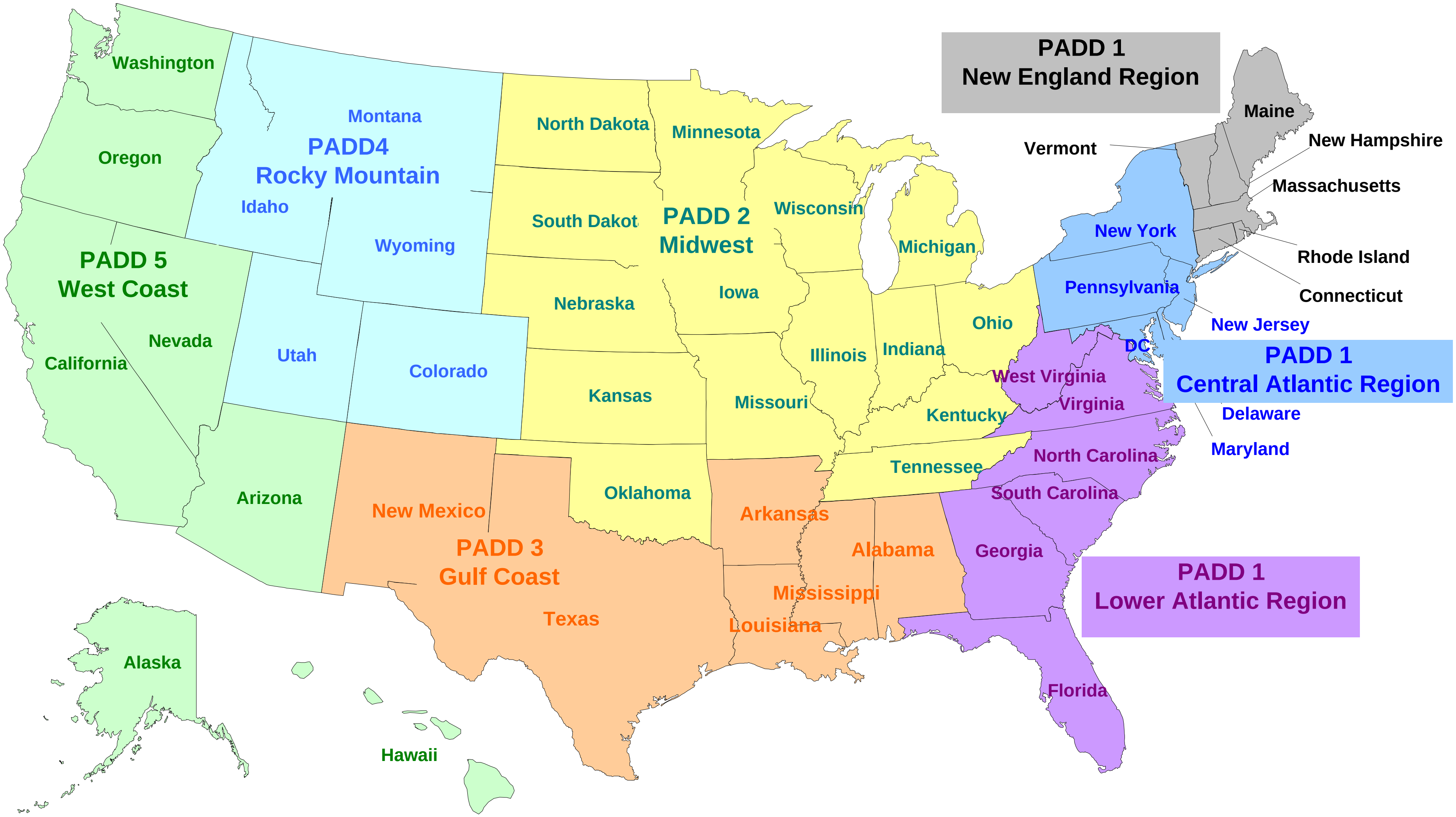

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