FUNDAMENTAL PETROLEUM TRENDS

ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Tuesday, October 12, 2010

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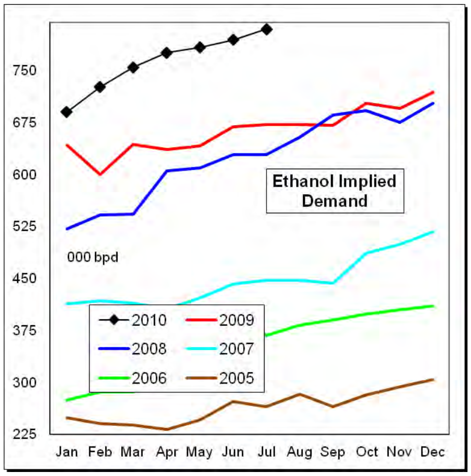
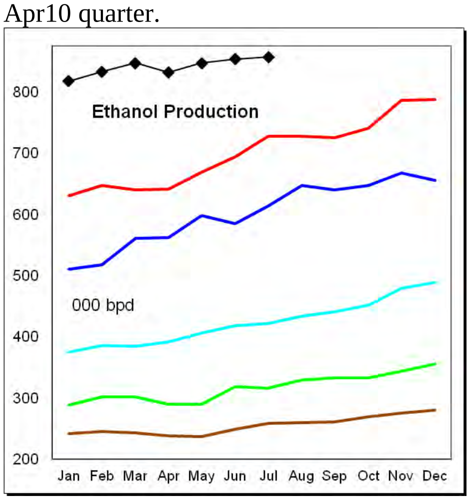
Summary: Ethanol demand was 796,000 bpd in the May10 - Jul10 quarter, up +43,000 bpd compared to the Feb10 - Apr10 period. Wholesale gasoline demand increased +431,000 bpd in the same quarter over quarter period. These trends point to an unchanged quarter on quarter blend rate.



Year-over-year demand for ethanol between May10 - Jul10 and the same quarter in 2009 increased +135,000 bpd. This represented a +20% increase.

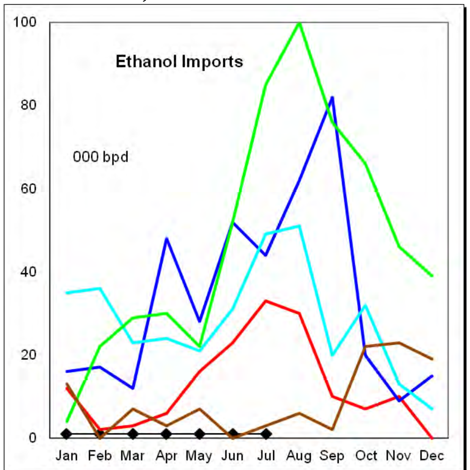
Ethanol production was 853,000 bpd during the May10 - Jul10 quarter, up +16,000 bpd compared to the Feb10 - Apr10 quarter.

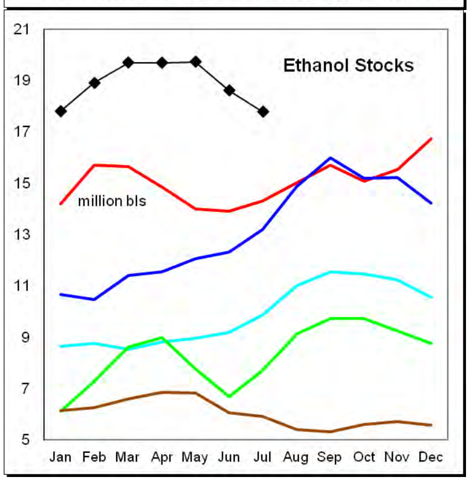


Year-over-year production increased in the May10 - Jul10 quarter by +156,000 bpd. This was a +19% increase.

Imports averaged less than 1,000 bpd during the May10 - Jul10 quarter, unchanged from the 1,000 bpd during the Feb10 - Apr10 quarter.

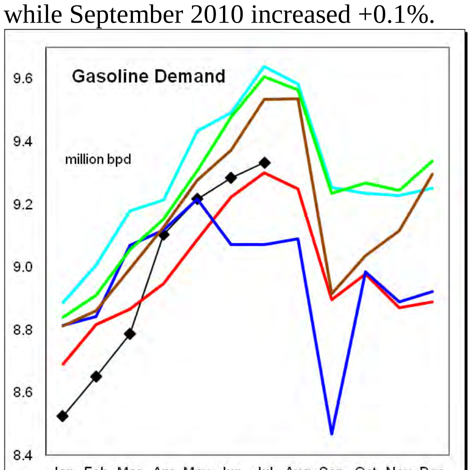
Ethanol stocks decreased -0.8 million barrels at the end of July compared to the end of June. Stocks decreased -0.5 million barrels in PADD 01 and -0.3 million barrels in PADD 2. Other regions changed less than 200,000 barrels.





Gasoline Demand Trends: Wholesale gasoline demand increased +74,000 bpd year-over-year in the May10 - Jul10 period compared to a year ago, a +0.8% increase.

Gasoline demand in August 2010 increased +1.9% compared to a year ago while September 2010 increased +0.1%.



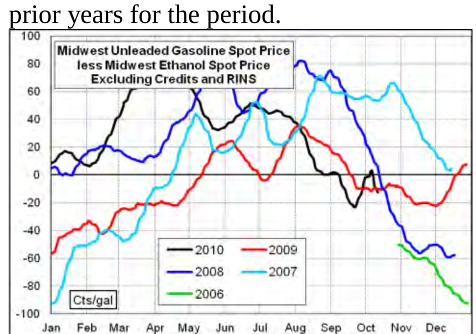
Blending Trends: During the May 10 - Jul10 quarter, 4.9 million bpd of conventional gasoline was blended with ethanol, equal to 80% of conventional grade output. This was an increase of +1 million bpd over the same period in 2009. The volume of gasoline not blended with ethanol was 1.3 million bpd in Jul 2010, 21% of total production.

Ethanol Blend Economics: Midwest ethanol prices traded in a 10 ct/gal range between mid March and late July. Prices then increased from $1.60/gal to $2.40/gal by mid September, before pulling back to $2.05/gal. In early October prices ahve again jumped to over $2.30/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. Since early June prices have traded in a broad range between $1.90/gal to $2.20/gal.

The Midwest spot gasoline - ethanol price spread, peaked in mid June at +$0.50/gal in favor of gasoline, and has then trended lower to a low of -$0.22/gal in favor of ethanol by mid September. The spread climbed back to breakeven, and has dropped to -$0.11/gal in mid October.

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



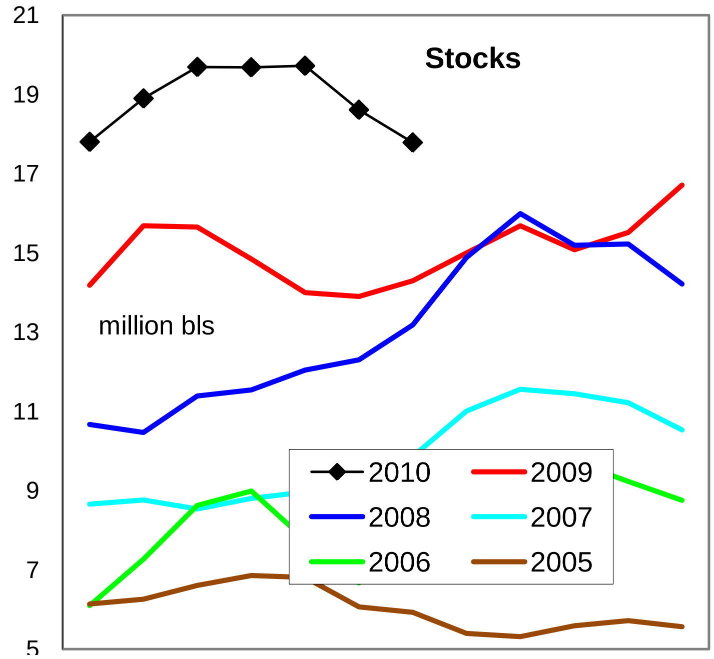
Emerging Trends: Strength in corn input prices and a -3 million barrel drawdown in ethanol stocks during the last 60-days has supported the surge in ethanol prices.

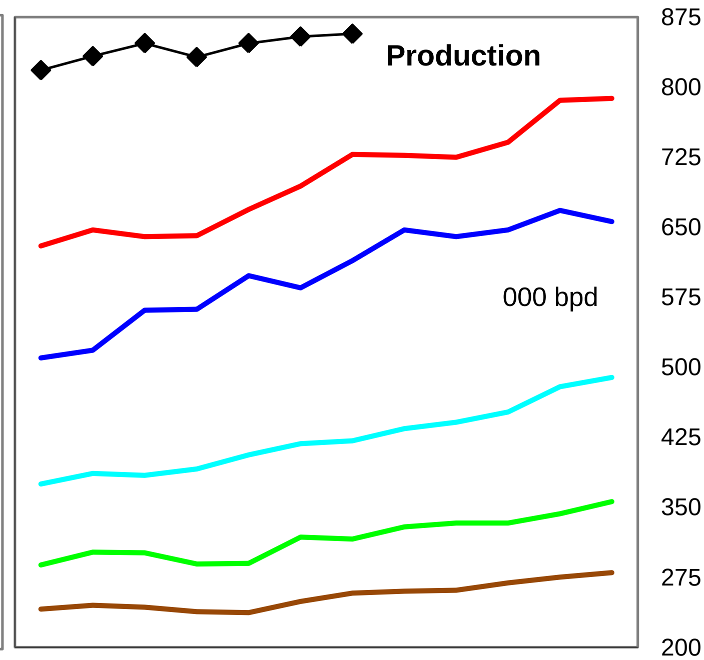
Gasoline stocks did draw significantly during the last two weeks of September from record high levels as refiners began fall maintenance and imports fell to record lows. The result was a rebound in gasoline prices and temporary improvement in blend economics.

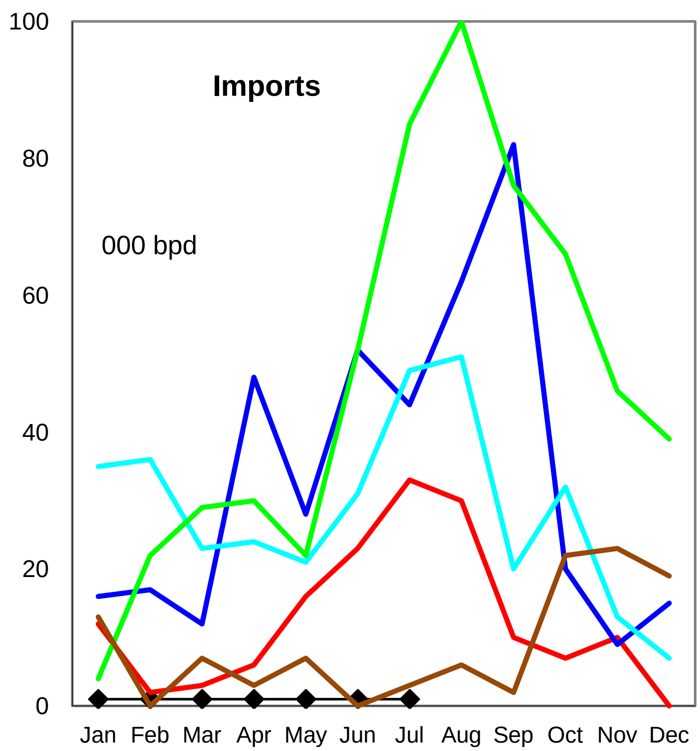
Expect the seasonal decline in blend economics to again occur this winter quarter on increased gasoline supplies as refiners return from fall maintenance; and a tightening of corn supplies.

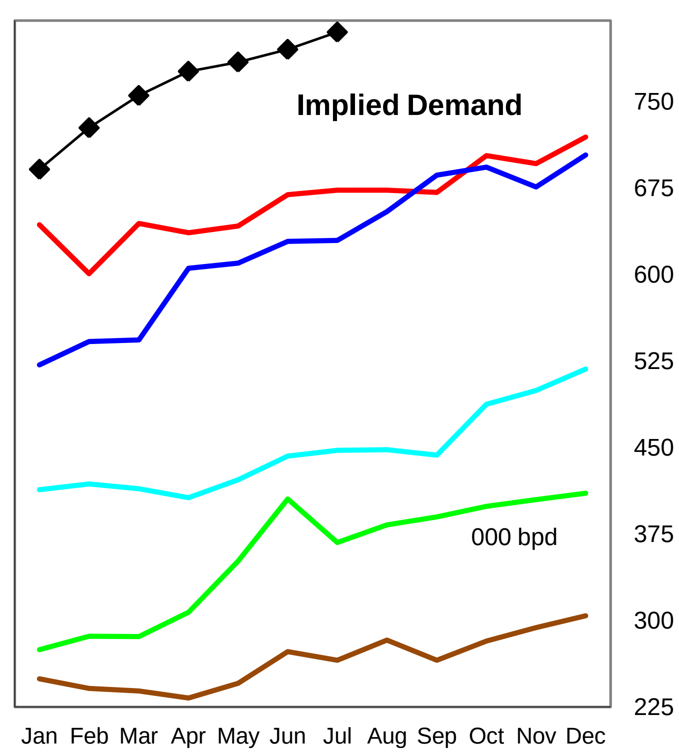
United States Ethanol Supply-Demand Balance

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Jul10	Jun10	May10	Apr10	Mar10	Feb10	1-Month	3-Mth Avg	6-Mth Avg
Production	857	854	847	832	847	833	129	156	175
Imports	1	1	1	1	1	1	-32	-23	-13
EIA Adjustment	-74	-98	-63	-58	-68	-68	1	-12	-28
Demand	810	795	784	776	755	727	137	135	130
Ending Stocks	17,784	18,610	19,721	19,682	19,691	18,897	3,490	4,640	4,334
Change in stocks	-826	-1,111	39	-9	794	1,097			
Wholesale Gasoline Demand	9,332	9,284	9,217	9,103	8,787	8,651	32	74	22
Conv Ethanol Gasoline Blend	5,057	4,939	4,786	4,660	4,475	4,306	986	996	985
Ethanol % of Total Gasoline	9.50	9.37	9.30	9.32	9.40	9.17	1.70	1.65	1.67









Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	3,490	129	-32	137
% change	24.4	17.7	-97.0	20.4

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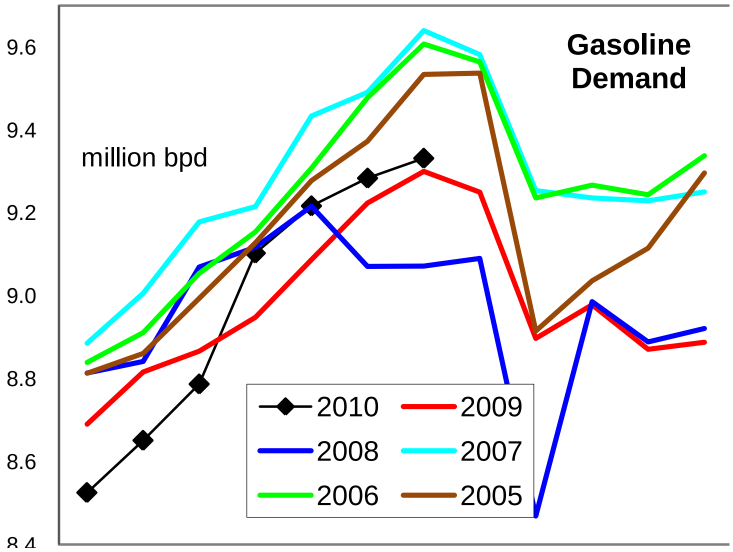
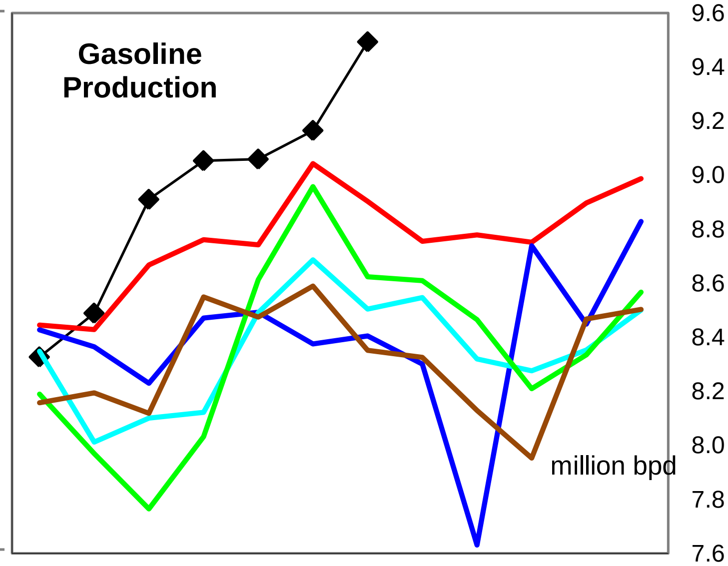
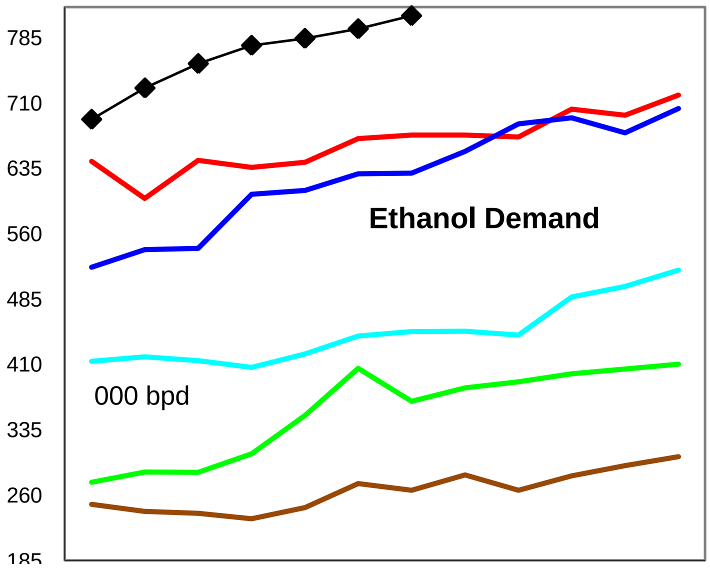
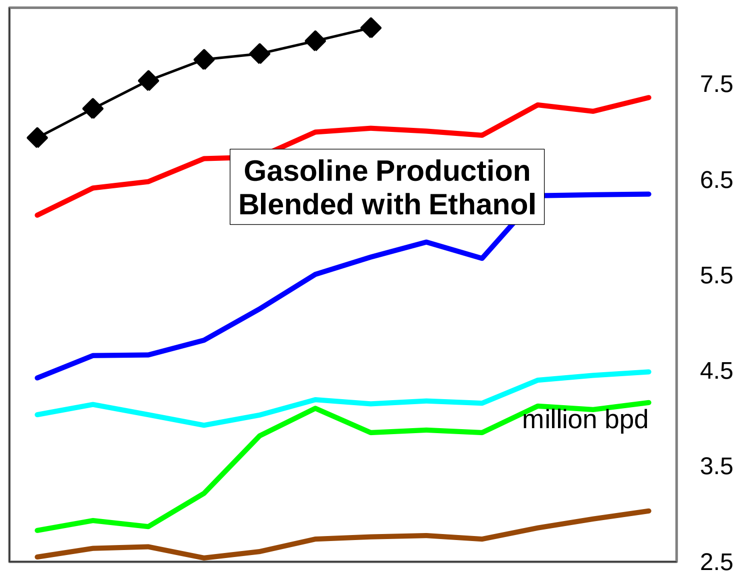
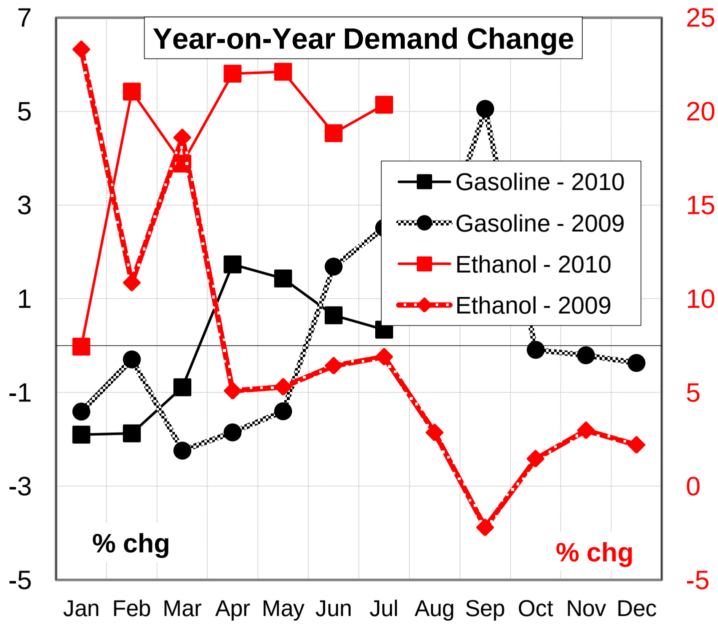
U. S. Gasoline/Ethanol Demand and Blending

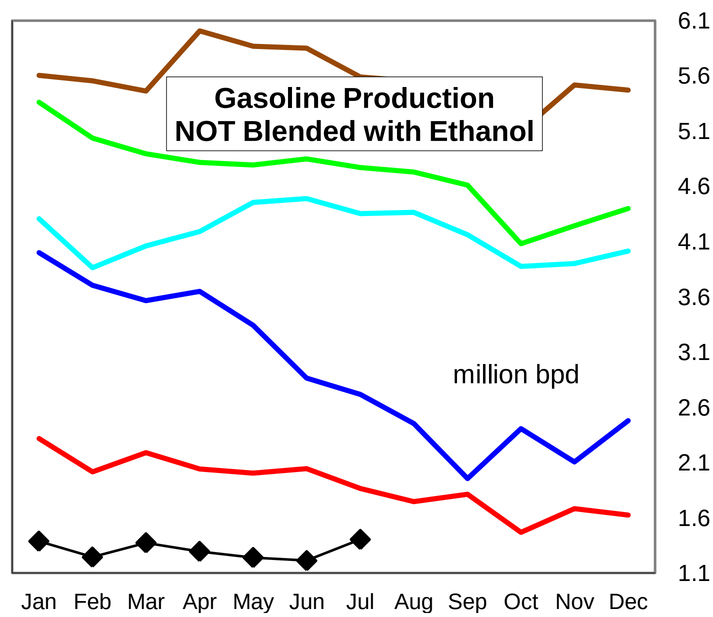






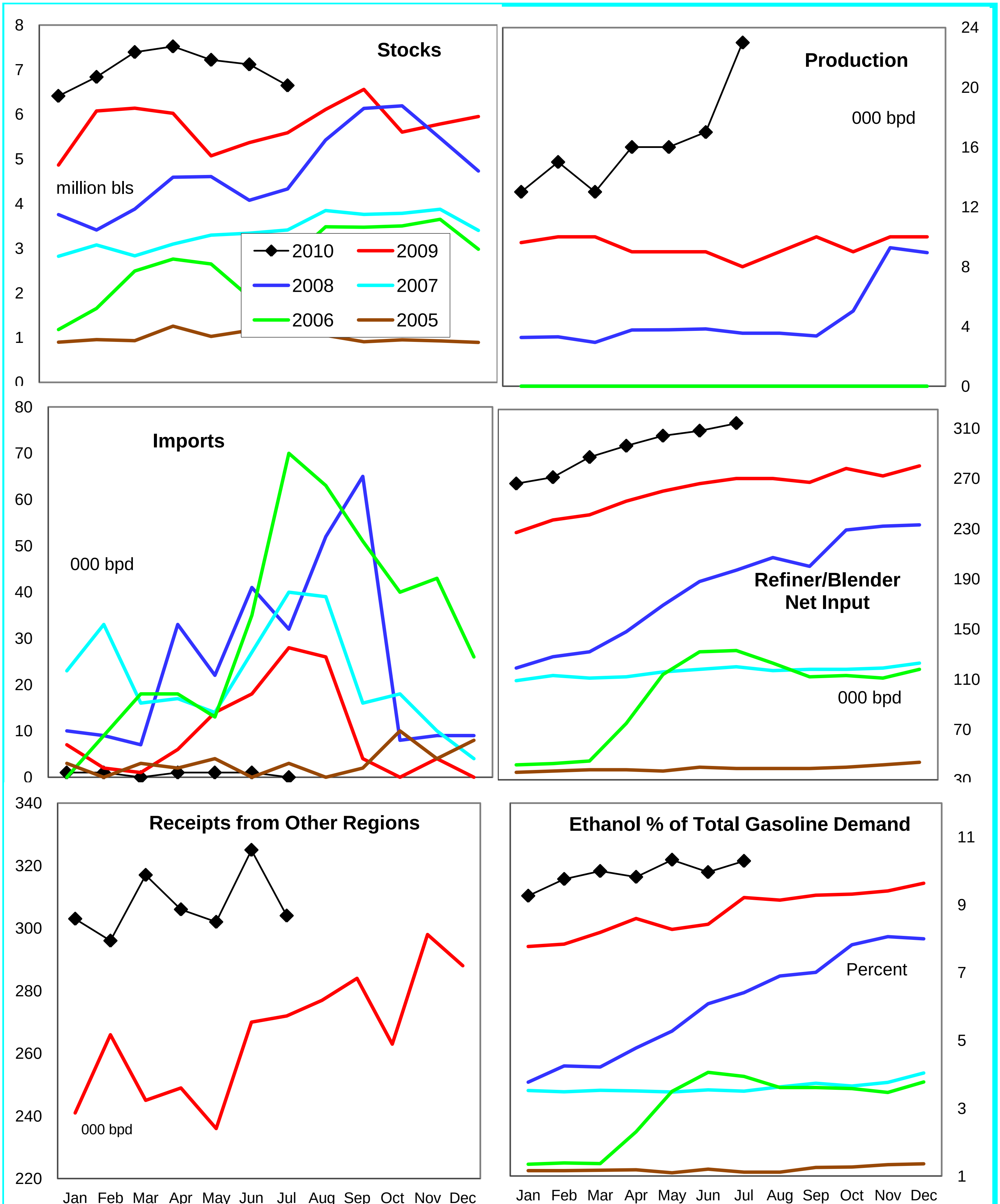






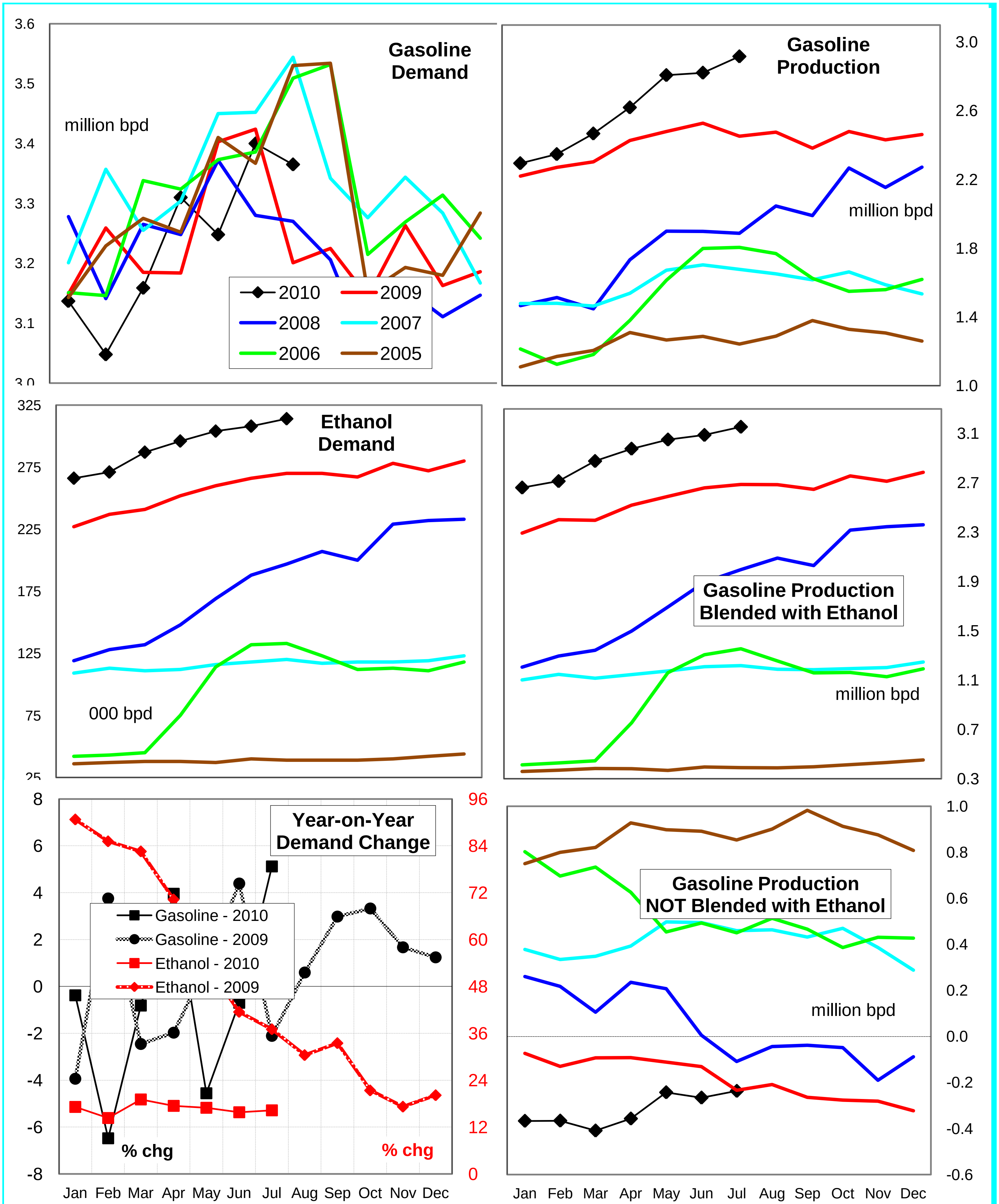
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	**32**	**137**	**1,052**	**-462**
% change	**0.3**	**20.4**	**14.9**	**-24.8**

PADD 1 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	1,059	15	-28	44
% change	18.9	187.5	-100.0	16.3

PADD 01 Gasoline/Ethanol Demand and Blending



Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	164	44	467	-3
% change	5.1	16.3	17.4	1.3

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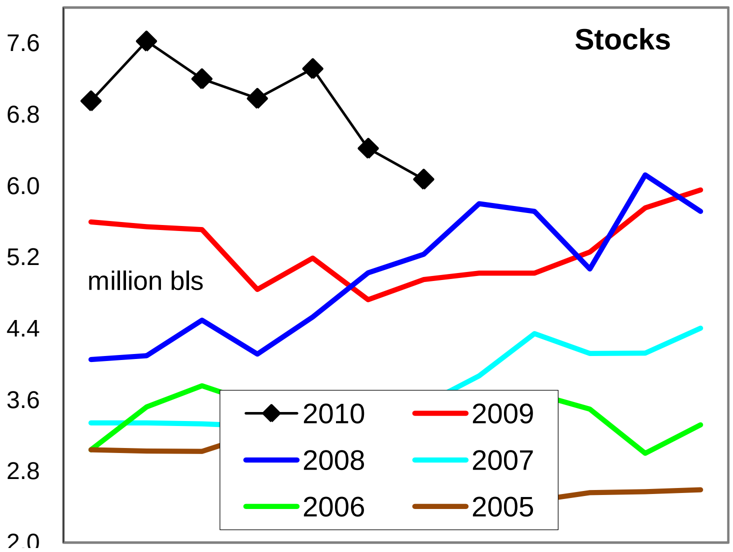
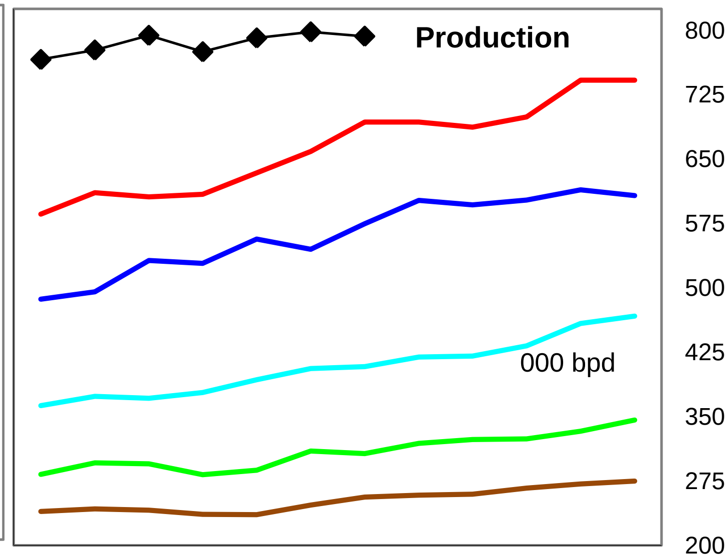
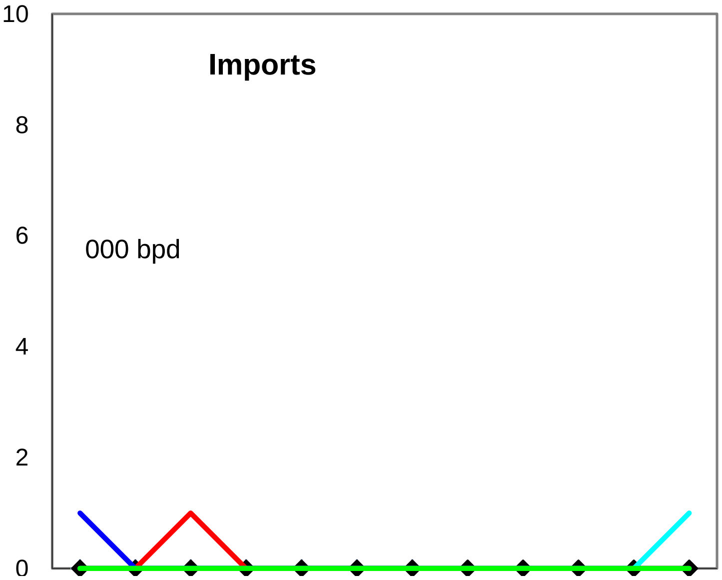
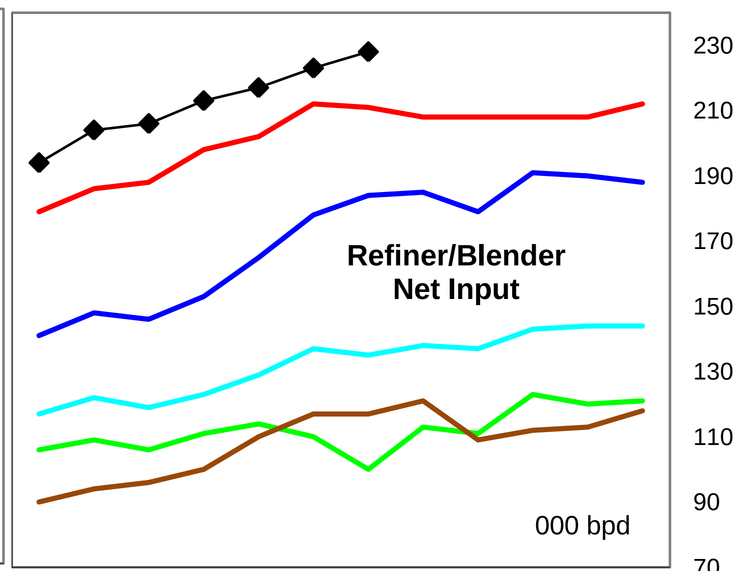
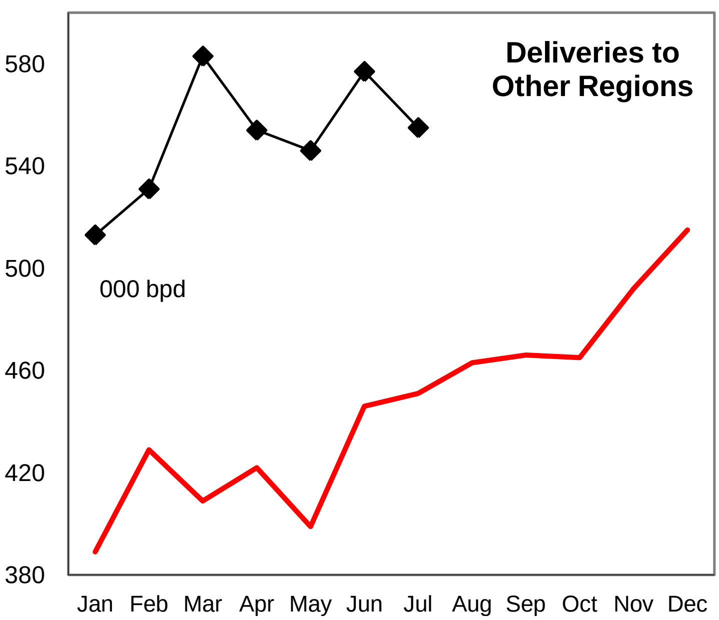
PADD 2 Ethanol Supply-Demand Balance

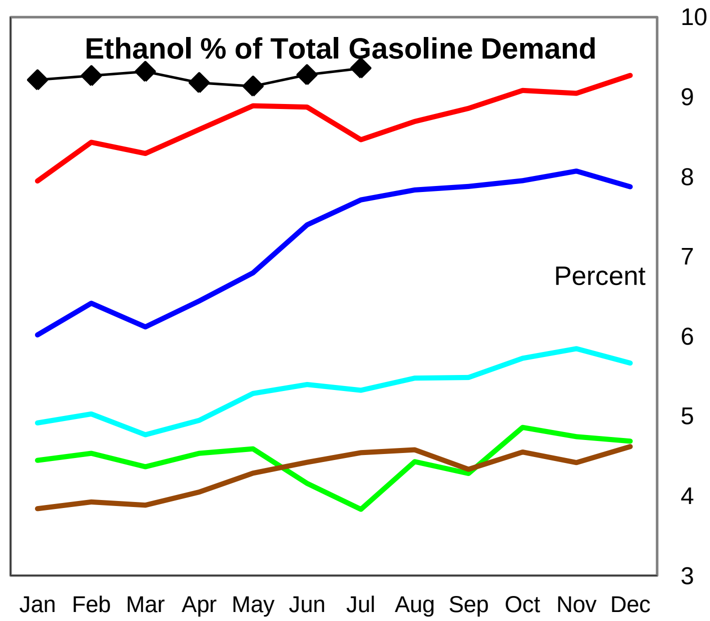






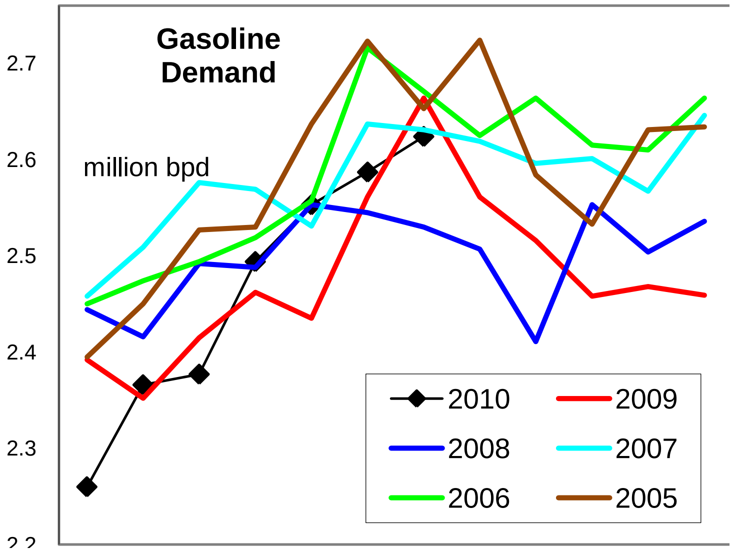


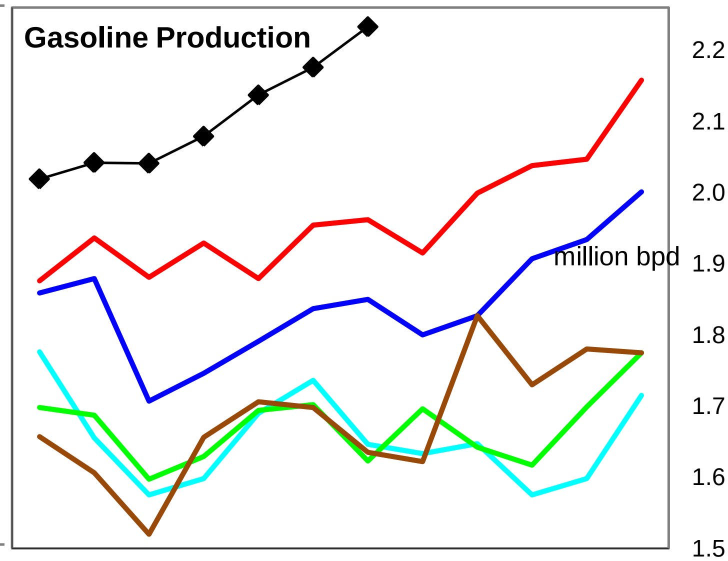


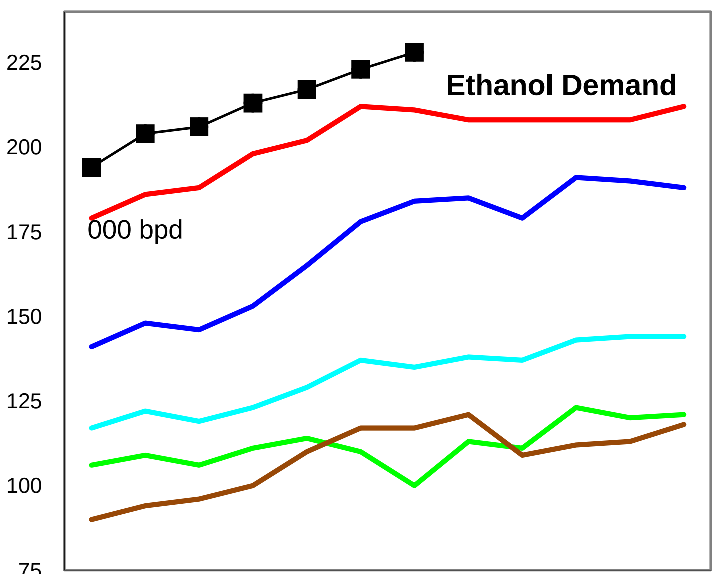


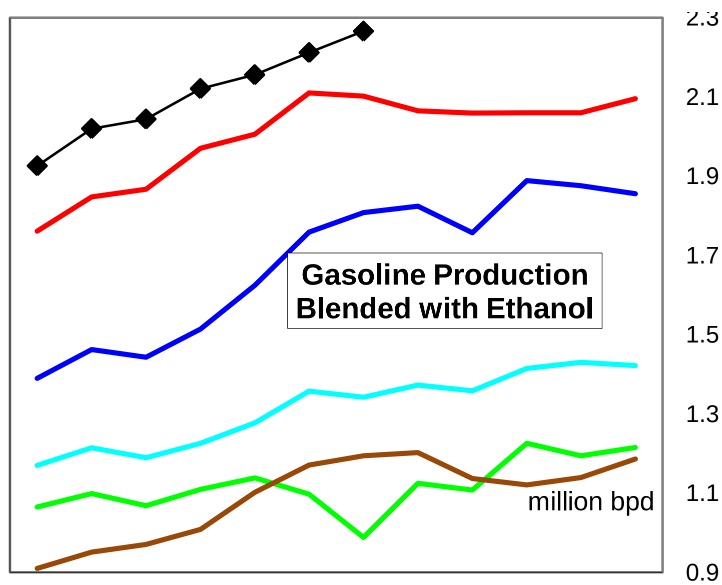
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	1,124	100	0	17
% change	22.7	14.4	#DIV/0!	8.1

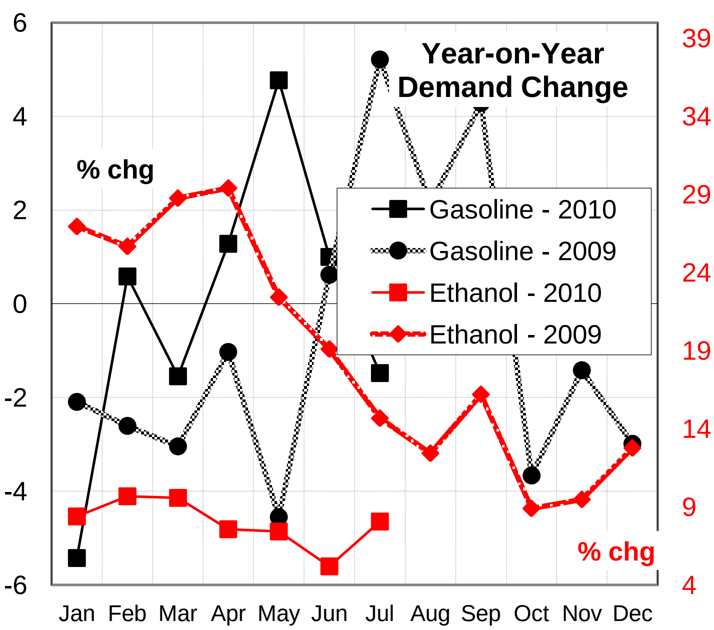
PADD 02 Gasoline/Ethanol Demand and Blending

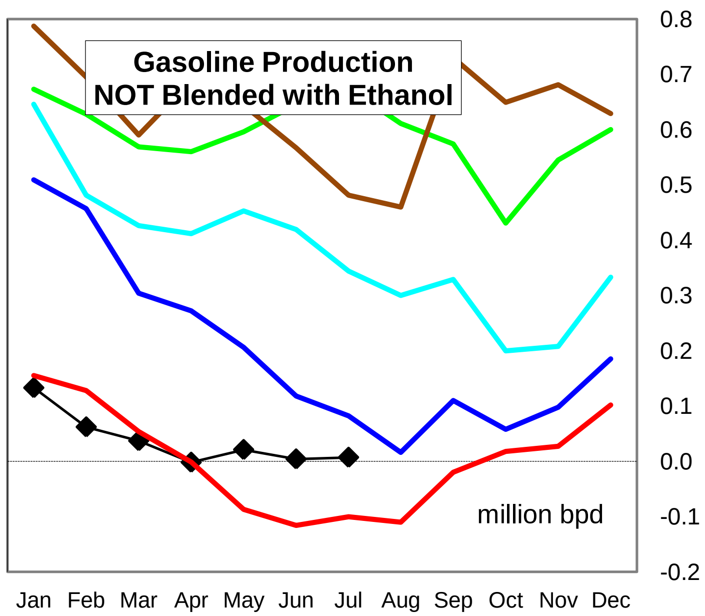












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-40	17	164	107
% change	-1.5	8.1	7.8	-107.0

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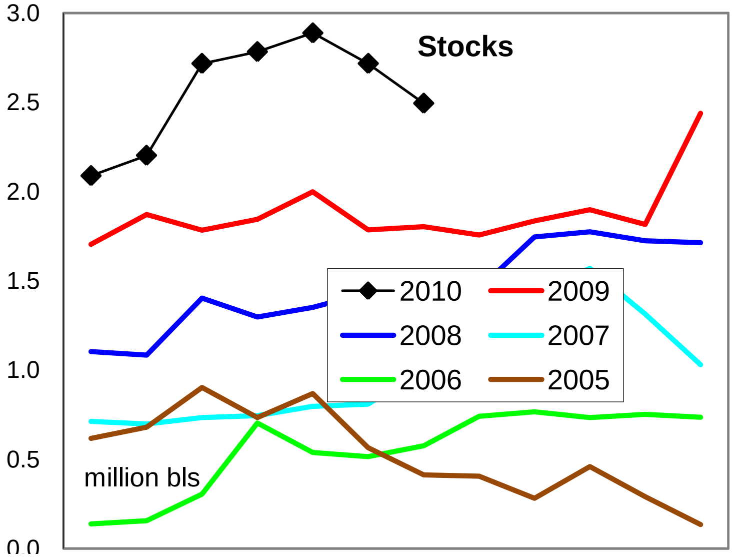
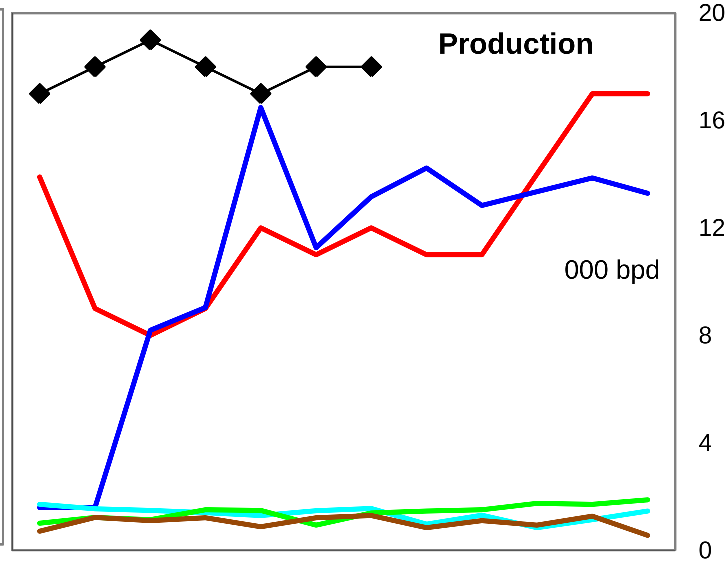
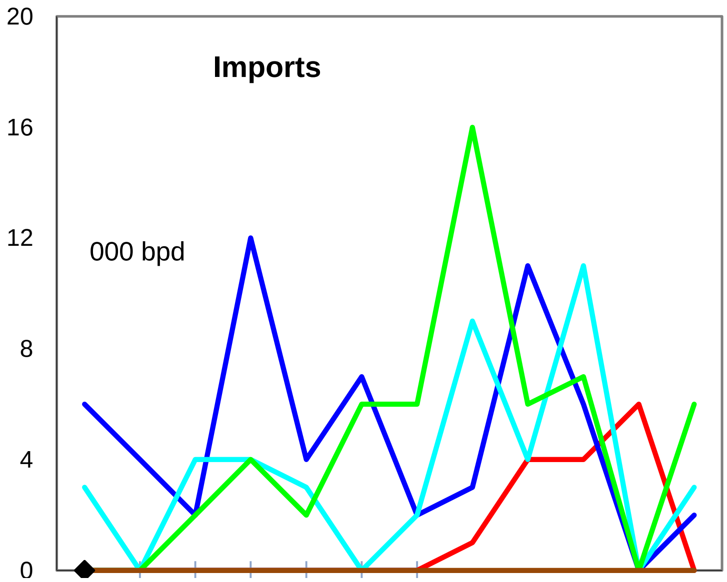
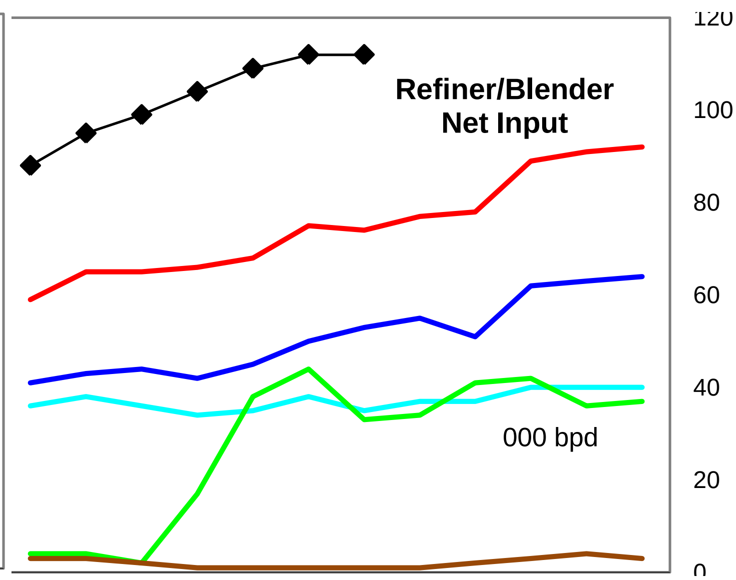
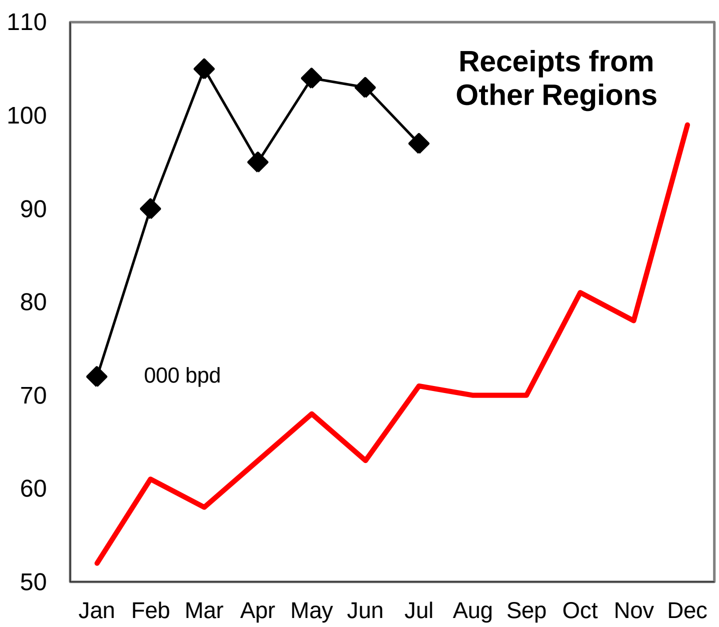
PADD 3 Ethanol Supply-Demand Balance

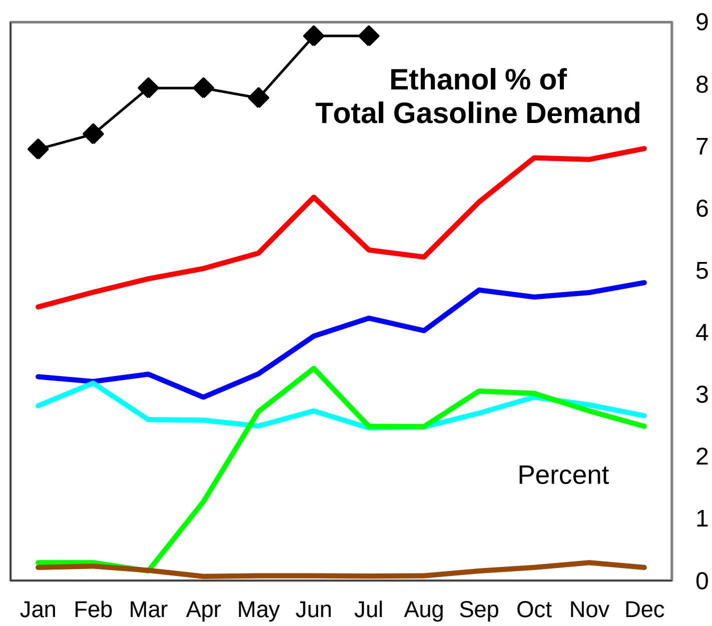






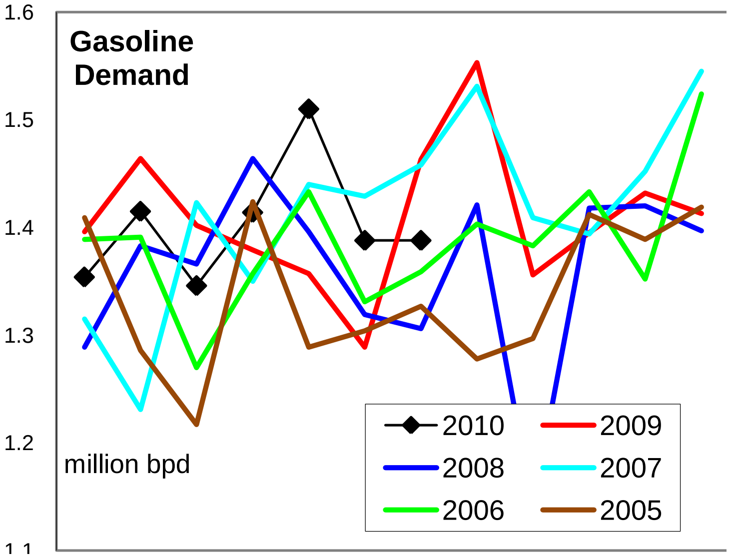


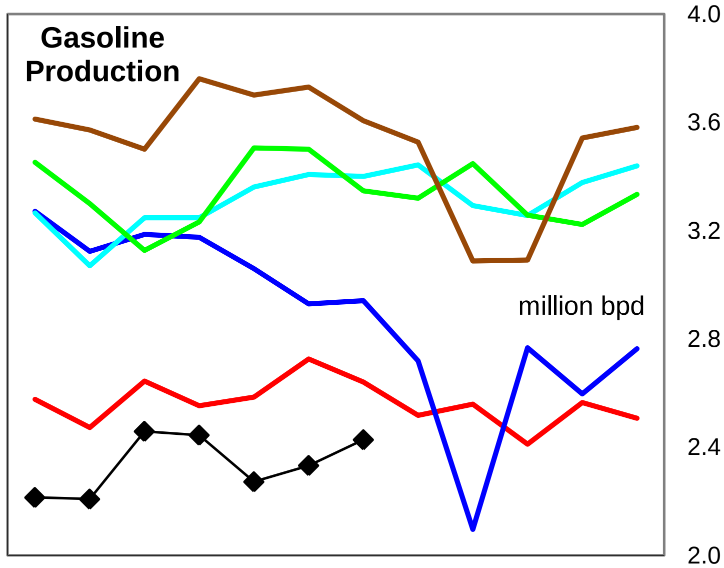


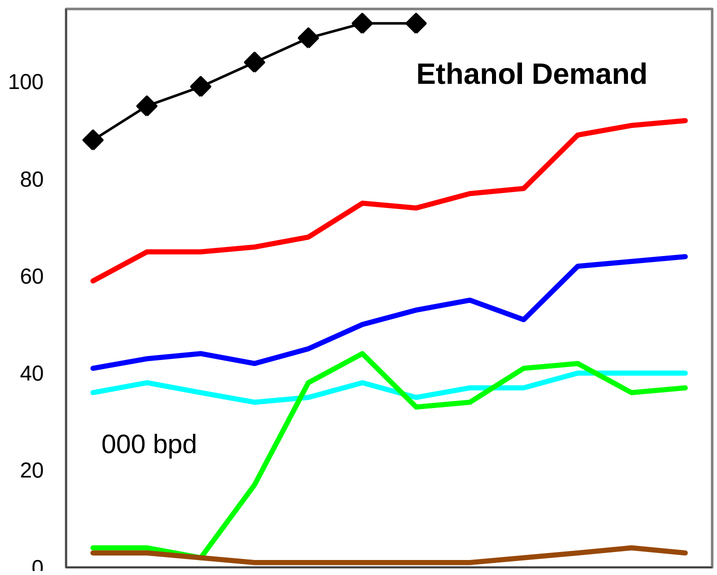


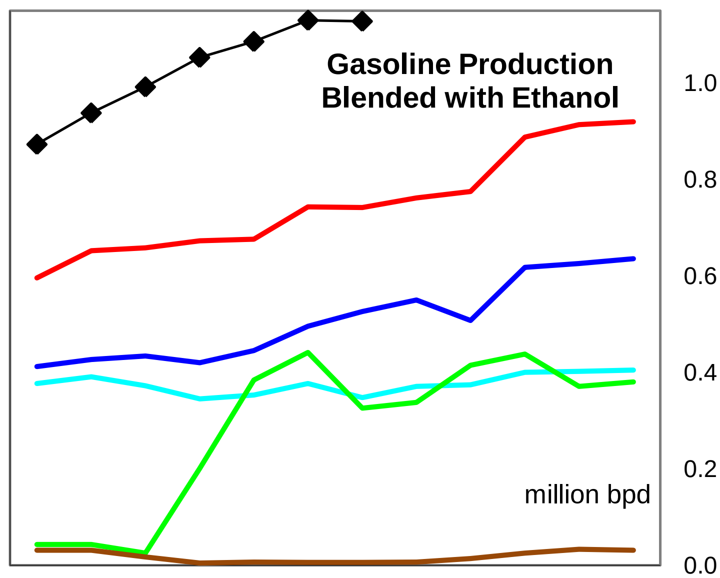
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**691**	**6**	0	**38**
% change	**38.3**	**50.0**	#DIV/0!	**51.4**

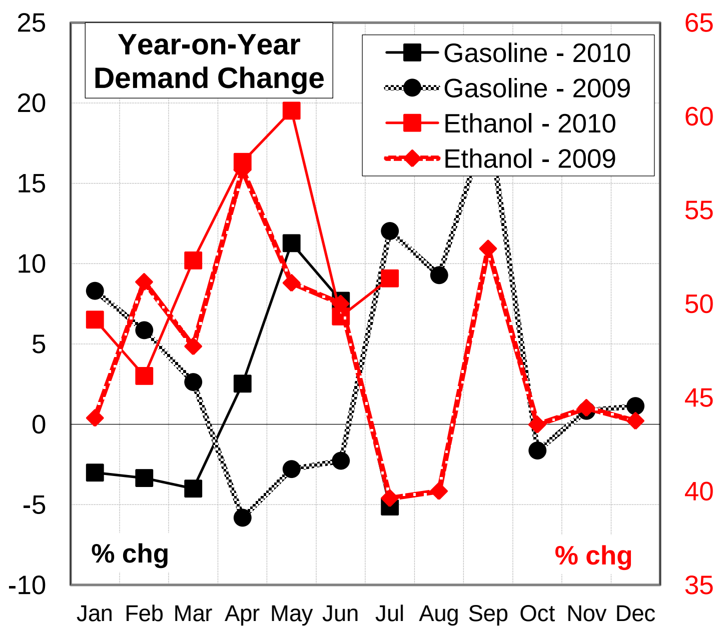
PADD 03 Gasoline/Ethanol Demand and Blending

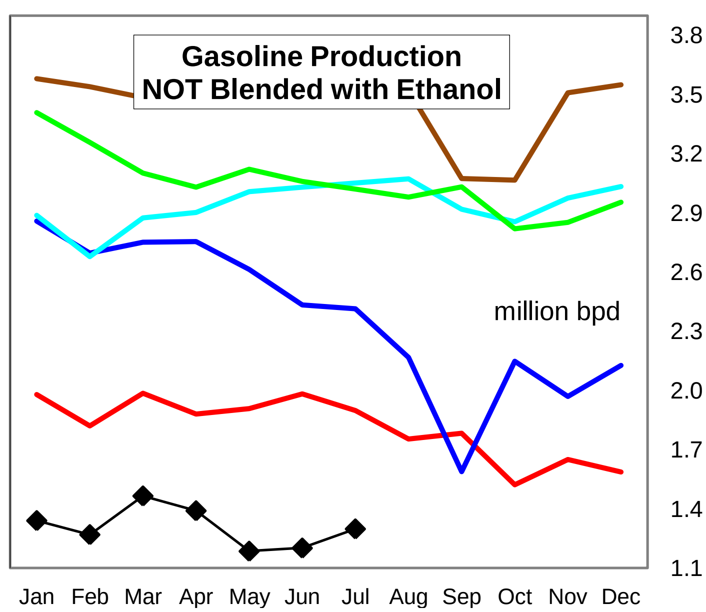






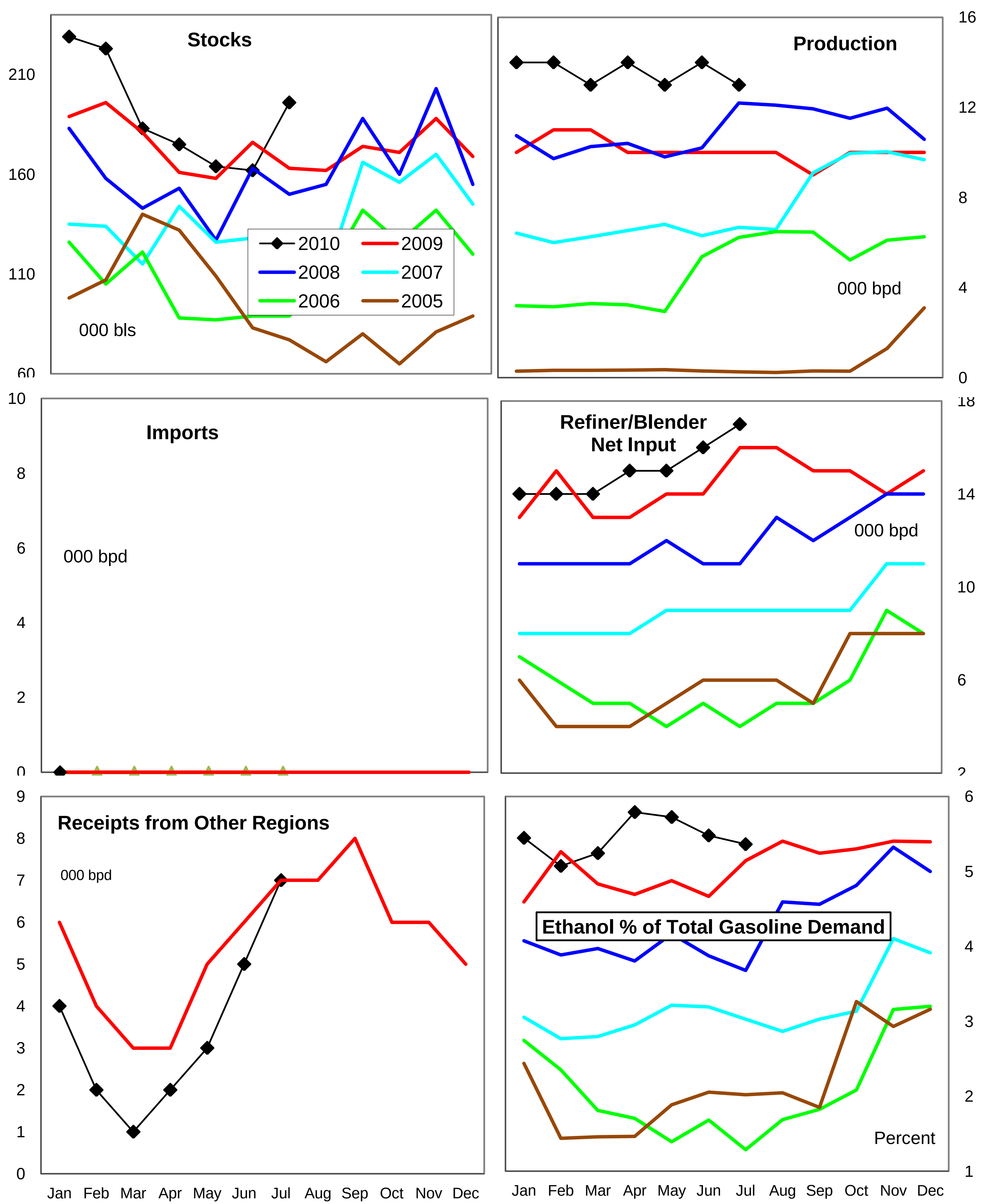






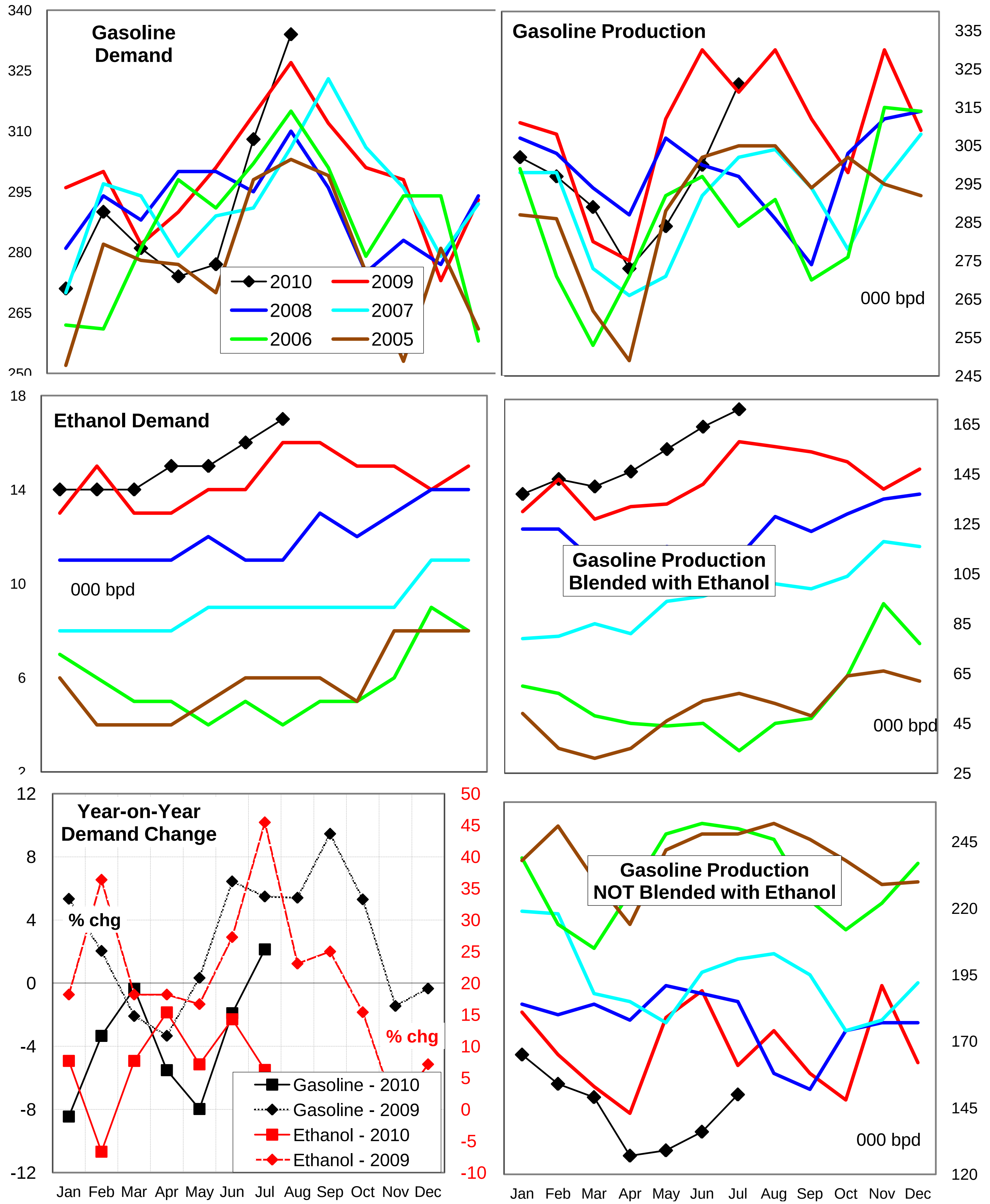
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-12	38	386	-599
% change	-1.2	51.4	52.0	-31.6

PADD 4 Ethanol Supply-Demand Balance



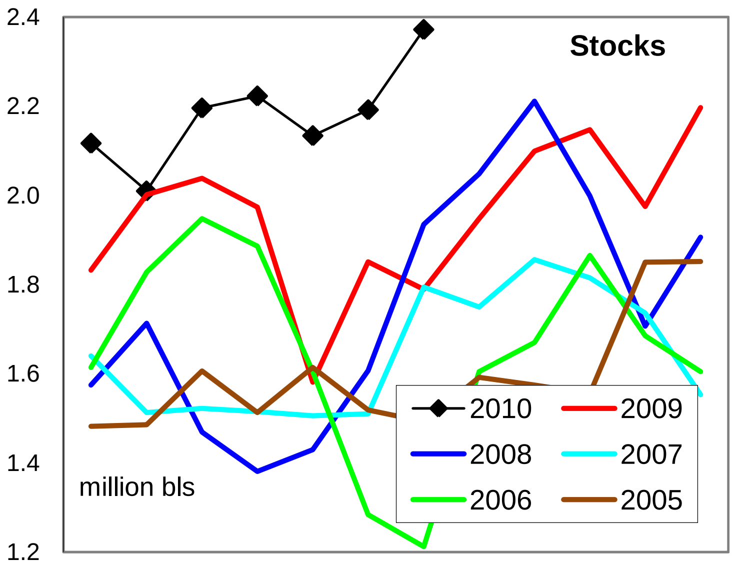
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	33	3	0	1
% change	20.2	30.0	#DIV/0!	6.3

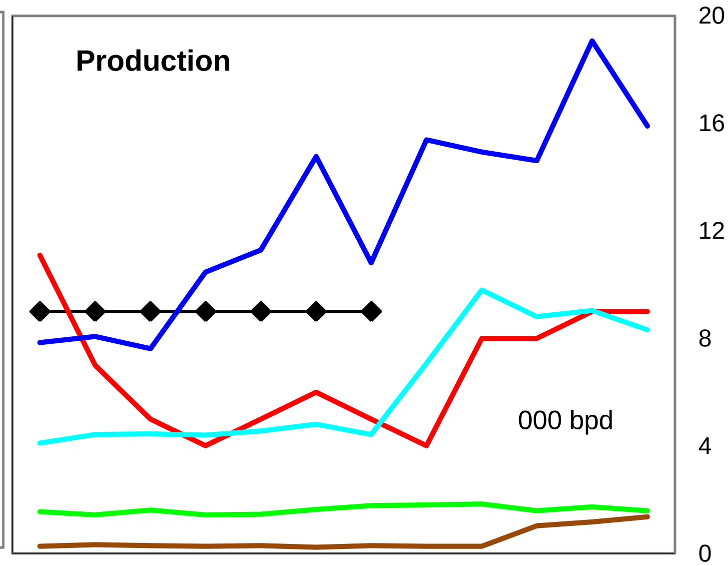
PADD 04 Gasoline/Ethanol Demand and Blending

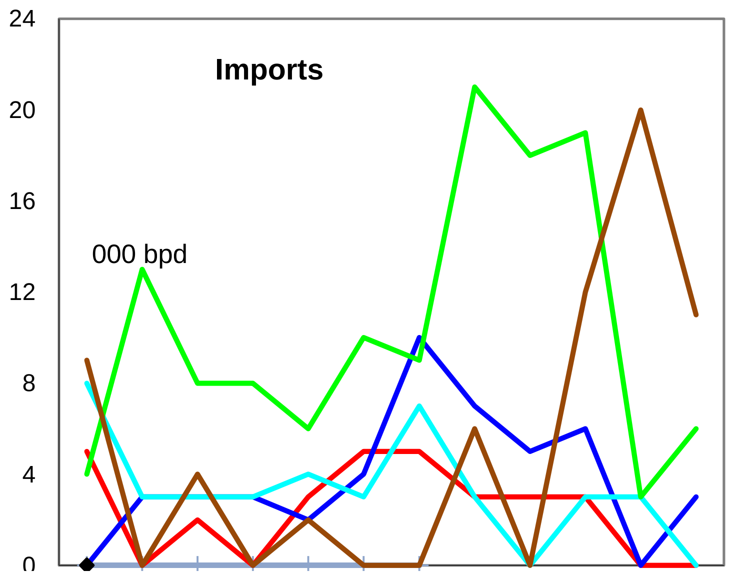


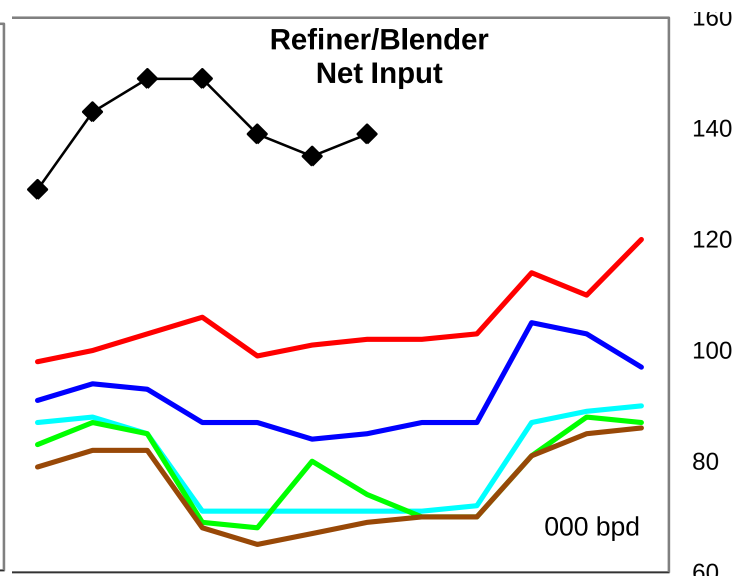
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	7	1	13	-11
% change	2.1	6.3	8.2	-6.8

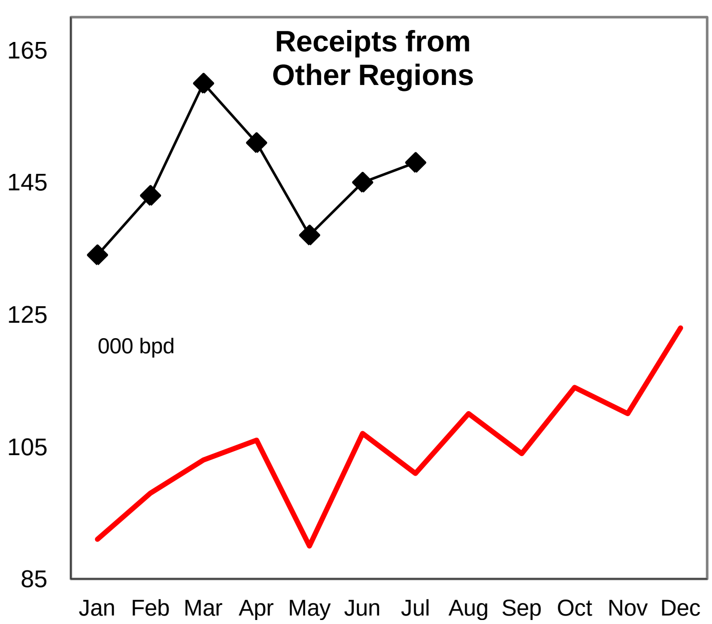
PADD 5 Ethanol Supply-Demand Balance

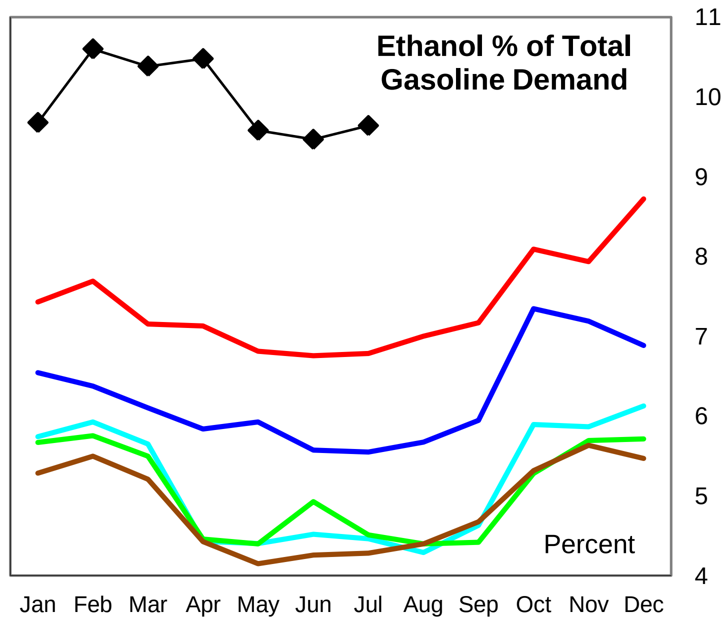






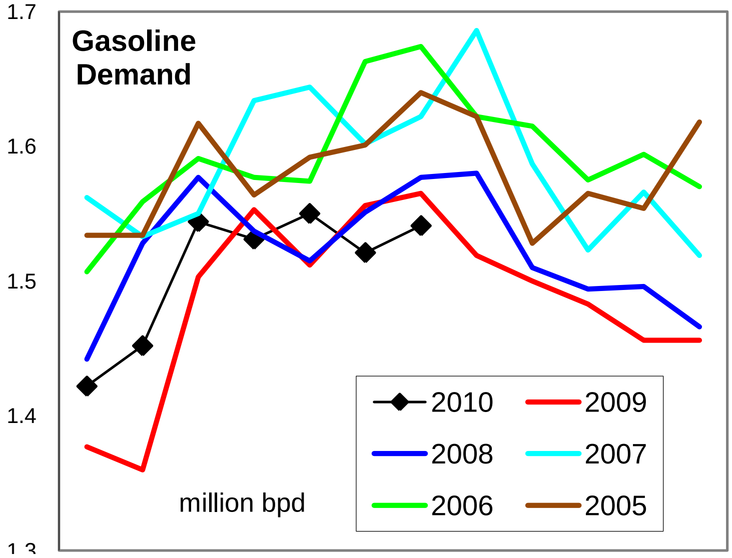


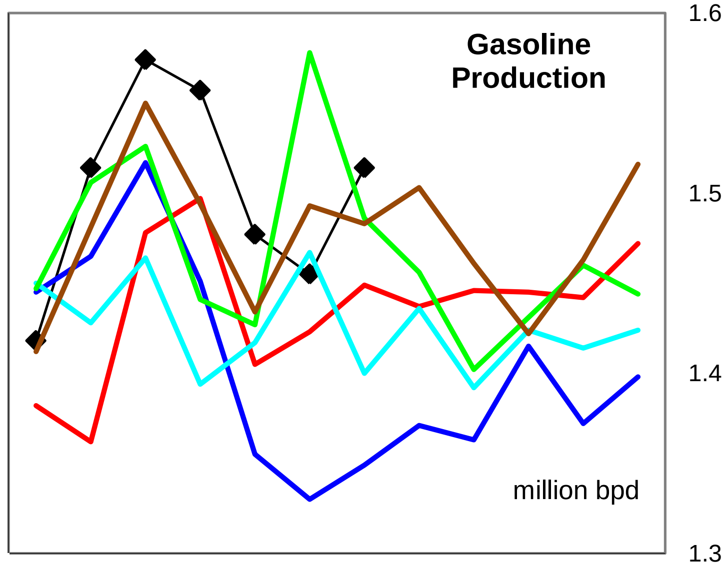


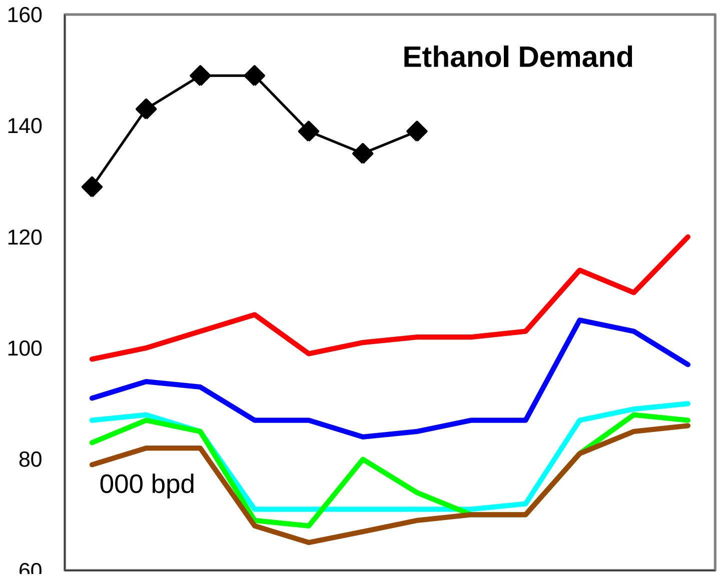


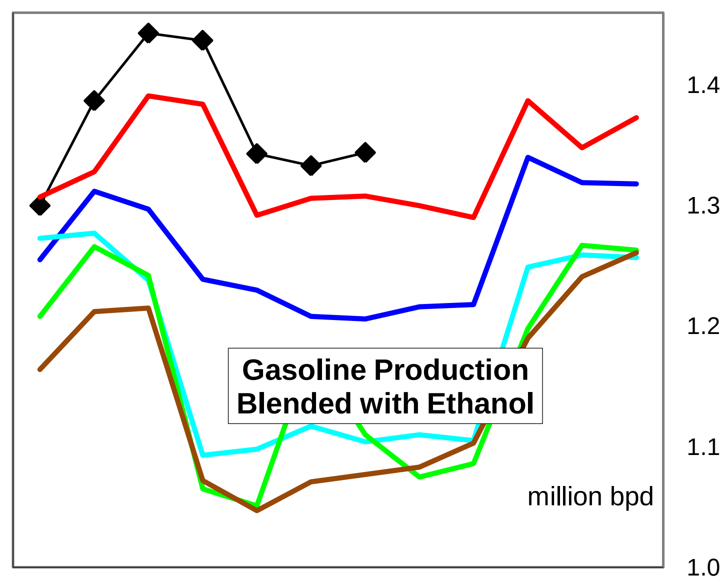
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	583	4	-5	37
% change	32.6	80.0	-100.0	36.3

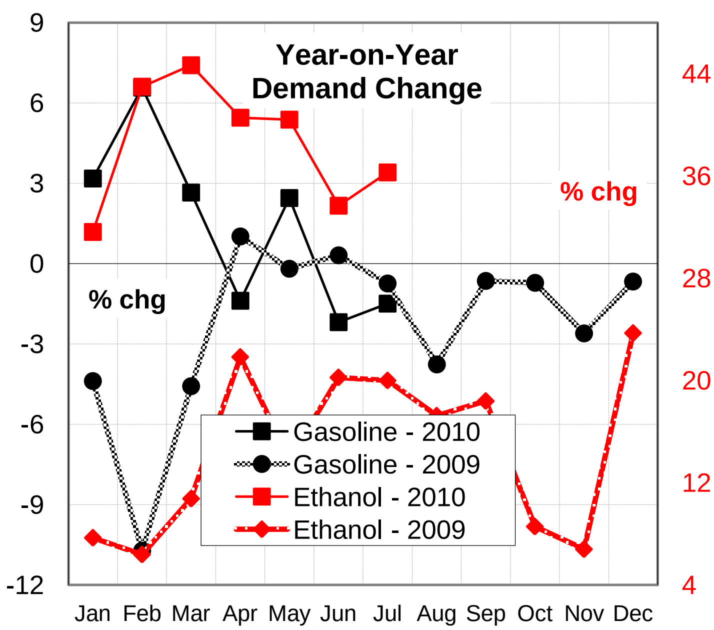
PADD 05 Gasoline/Ethanol Demand and Blending

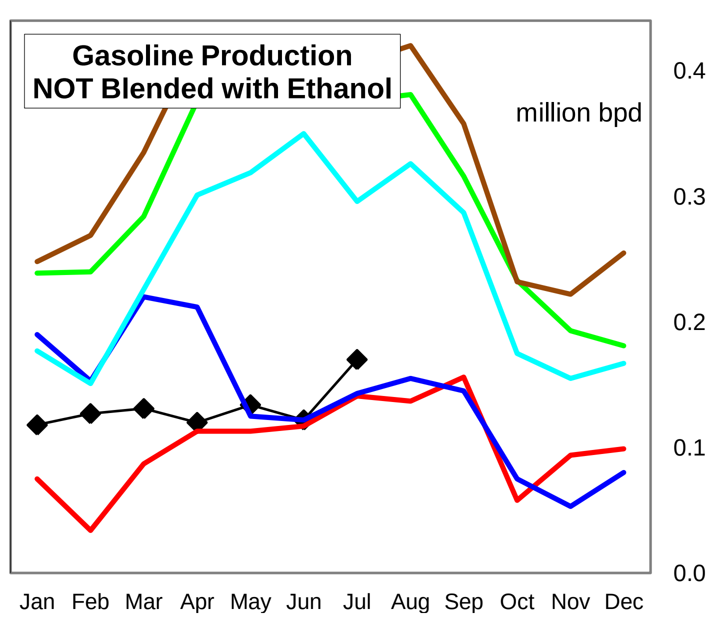












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-24	37	36	29
% change	-1.5	36.3	2.7	20.6

Ethanol / Gasoline Fundamental Trends

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Jul10	Jun10	May10	Apr10	Mar10	Feb10	1-Month	3-Mth Avg	6-Mth Avg
U. S. Total									
Production	857	854	847	832	847	833	129	156	175
Imports	1	1	1	1	1	1	-32	-23	-13
EIA Adjustment	-74	-98	-63	-58	-68	-68	1	-12	-28
Implied Demand	810	795	784	776	755	727	137	135	130
Ending Stocks	17,784	18,610	19,721	19,682	19,691	18,897	3,490	4,640	4,334
Change in stocks	-826	-1,111	39	-9	794	1,097			
Wholesale Gasoline Demand	9,332	9,284	9,217	9,103	8,787	8,651	32	74	22
Conv Ethanol Gasoline Blend	5,057	4,939	4,786	4,660	4,475	4,306	986	996	985
Ethanol % of Total Gasoline	9.50	9.37	9.30	9.32	9.40	9.17	1.70	1.65	1.67
PADD 01									
Production	23	17	16	16	13	15	15	10	8
Imports	0	1	1	1	0	1	-28	-19	-11
Receipts from other regions	304	325	302	306	317	296		NA	
Refiner/Blender Net Input	314	308	304	296	287	271	44	43	42
Ending Stocks	6,648	7,118	7,220	7,520	7,394	6,838	1,059	1,652	1,411
Wholesale Gasoline Demand	3,365	3,400	3,248	3,310	3,159	3,048	164	-5	-21
Conv Ethanol Gasoline Blend	1,866	1,809	1,781	1,738	1,674	1,595	402	416	422
Ethanol % of Total Gasoline	10.29	9.96	10.33	9.82	9.99	9.76	1.08	1.56	1.60
PADD 02									
Production	793	798	791	775	794	777	100	132	153
Deliveries to other regions	-555	-577	-546	-554	-583	-531		NA	
Refiner/Blender Net Input	228	223	217	213	206	204	17	14	16
Ending Stocks	6,074	6,421	7,315	6,981	7,201	7,624	1,124	1,649	1,811
Wholesale Gasoline Demand	2,664	2,627	2,593	2,534	2,417	2,406	-40	35	19
Conv Ethanol Gasoline Blend	1,891	1,844	1,795	1,756	1,687	1,662	156	138	155
Ethanol % of Total Gasoline	9.36	9.28	9.13	9.18	9.32	9.26	0.90	0.51	0.66
PADD 03									
Production	18	18	17	18	19	18	6	6	8
Imports	0	0	0	0	0	0	0	0	0
Receipts from other regions	97	103	104	95	105	90		NA	
Refiner/Blender Net Input	112	112	109	104	99	95	38	39	36
Ending Stocks	2,494	2,717	2,888	2,783	2,717	2,202	691	837	786
Wholesale Gasoline Demand	1,388	1,388	1,510	1,414	1,346	1,415	-75	59	18
Conv Ethanol Gasoline Blend	729	740	678	646	604	558	376	388	359
Ethanol % of Total Gasoline	8.78	8.78	7.78	7.94	7.94	7.20	3.45	2.85	2.85
PADD 04									
Production	13	14	13	14	13	14	3	3	3
Receipts from other regions	7	5	3	2	1	2		NA	
Refiner/Blender Net Input	17	16	15	15	14	14	1	1	1
Ending Stocks	196	162	164	175	183	223	33	8	11
Wholesale Gasoline Demand	334	308	277	274	281	290	7	-8	-8
Conv Ethanol Gasoline Blend	171	164	155	146	140	143	-182	-165	-147
Ethanol % of Total Gasoline	5.36	5.48	5.73	5.79	5.24	5.07	0.22	0.63	0.53
PADD 05									
Production	9	9	9	9	9	9	4	4	4
Imports	0	0	0	0	0	0	-5	-4	-3
Receipts from other regions	148	145	137	151	160	143		NA	
Refiner/Blender Net Input	139	135	139	149	149	143	37	37	41
Ending Stocks	2,372	2,192	2,134	2,223	2,196	2,010	583	492	315
Wholesale Gasoline Demand	1,581	1,561	1,590	1,571	1,584	1,492	-24	-7	15
Conv Ethanol Gasoline Blend	399	382	377	375	370	347	38	35	35
Ethanol % of Total Gasoline	9.64	9.47	9.58	10.48	10.38	10.60	2.85	2.78	2.97

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