FUNDAMENTAL PETROLEUM TRENDS

ETHANOL SUPPLY-DEMAND TRENDS

A Fundamental Petroleum Trends Monthly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Sunday, November 14, 2010

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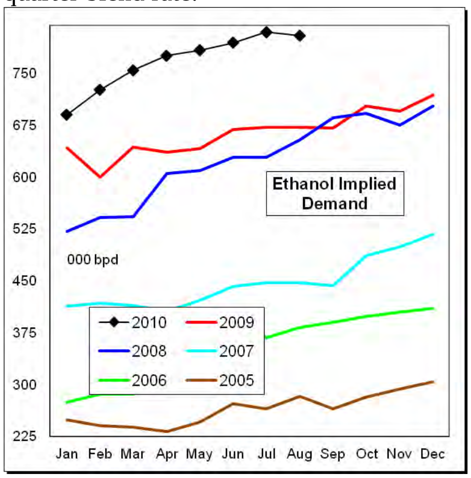
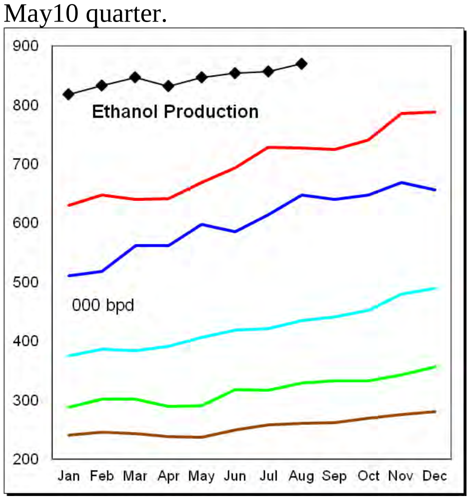
Summary: Ethanol demand was 803,000 bpd in the Jun10 - Aug10 quarter, up +31,000 bpd compared to the Mar10 - May10 period. Wholesale gasoline demand increased +291,000 bpd in the same quarter over quarter period. These trends point to an unchanged quarter on quarter blend rate.



Year-over-year demand for ethanol between Jun10 - Aug10 and the same quarter in 2009 increased +132,000 bpd. This represented a +20% increase.

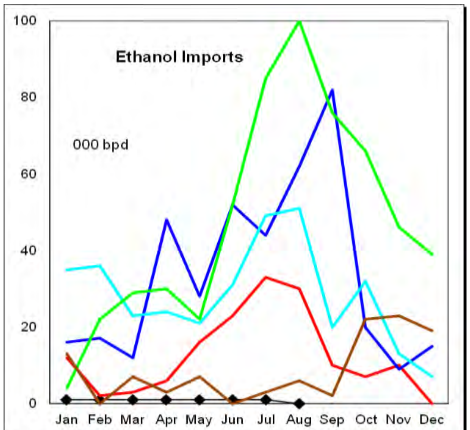
Ethanol production was 860,000 bpd during the Jun10 - Aug10 quarter, up +18,000 bpd compared to the Mar10 - May10 quarter.

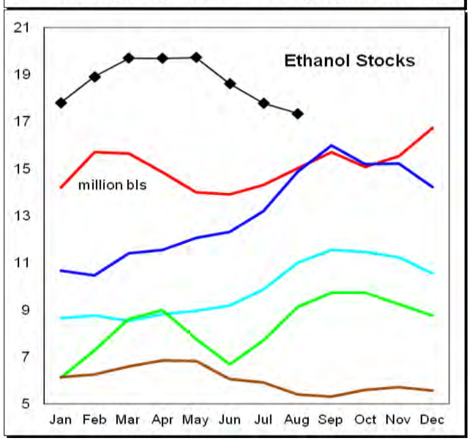


Year-over-year production increased in the Jun10 - Aug10 quarter by +144,000 bpd. This was a +20% increase.

Imports averaged less than 1,000 bpd during the Jun10 - Aug10 quarter, unchanged from the 1,000 bpd during the Mar10 - May10 quarter.

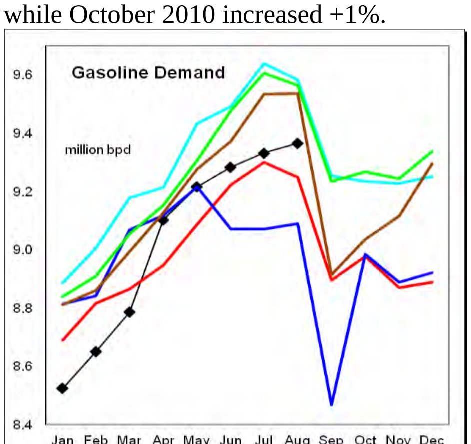
Ethanol stocks decreased -0.4 million barrels at the end of August compared to the end of July. Stocks decreased -0.5 million barrels in PADD 02 and -0.2 million barrels in PADD 1. Other regions witnessed small increases.





Gasoline Demand Trends: Wholesale gasoline demand increased +69,000 bpd year-over-year in the Jun10 - Aug10 period compared to a year ago, a +0.7% increase.

Gasoline demand in September 2010 increased +1.7% compared to a year ago while October 2010 increased +1%.



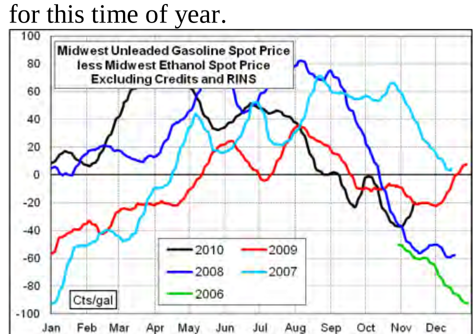
Blending Trends: During the Jun 10 - Aug10 quarter, 5.0 million bpd of conventional gasoline was blended with ethanol, equal to 80% of conventional grade output. This was an increase of +1 million bpd over the same period in 2009. The volume of gasoline not blended with ethanol was 1.3 million bpd in Aug 2010, 21% of total production.

Ethanol Blend Economics: Midwest ethanol prices made a summer low of $1.50/gal at the end of June, then trended sharply higher, reaching a peak of $2.36/gal in mid September. Prices pulled back to $2.00/gal in late September, then surged again to $2.50/gal in early November.

Midwest spot gasoline prices traded between $1.95/gal and $2.20/gal during the period June to mid November.

The Midwest spot gasoline - ethanol price spread, made lows in mid September and early November of -$0.25/gal and -$0.35/gal; respectively. The mid November spread was -$0.20/gal.

Including tax and RINS credits of approximately $0.50/gal, blending economics are near the 4-year mid range for this time of year.



Emerging Trends: Ethanol stocks have declined from 19.7 million barrels at the start of the summer driving season to 17.3 million barrels at the end of August, and 16 million barrels in early November. This -3.7 million barrel stock draw compares to a stock build of +1 to +3 million barrels during this period for each of the last four years.

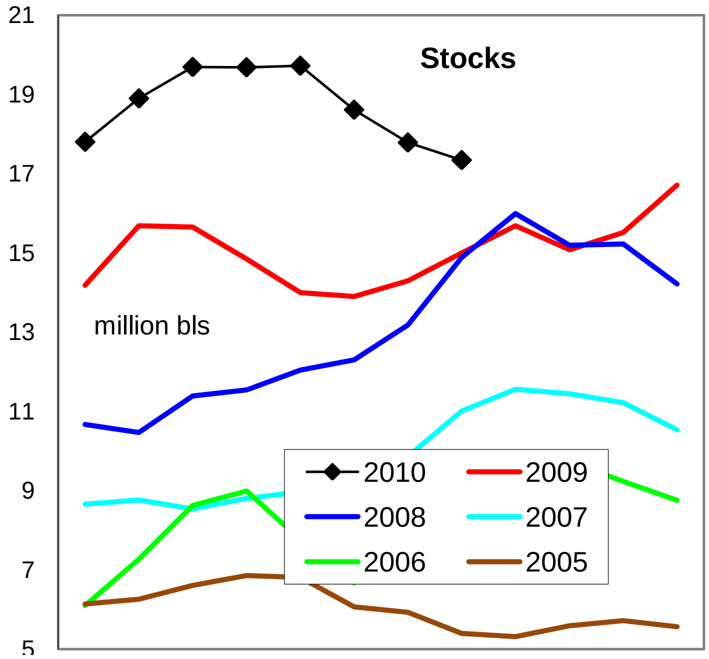
The counter seasonal stock draw and strength in corn prices underlie the +$0.90/gal surge in ethanol prices over the last quarter.

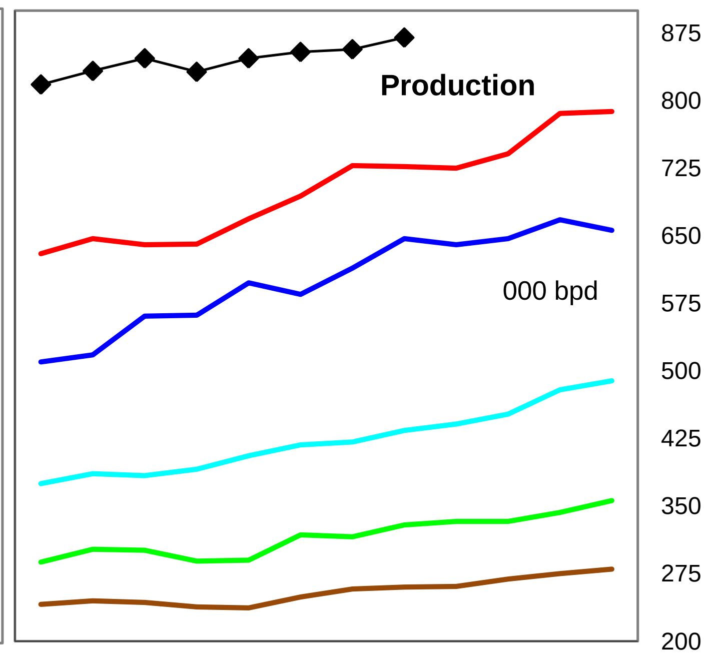
Extended refinery maintenance in the Midwest and East Coast led to recent strength in gasoline prices; and the modest improvement in the ethanol/gasoline spread.

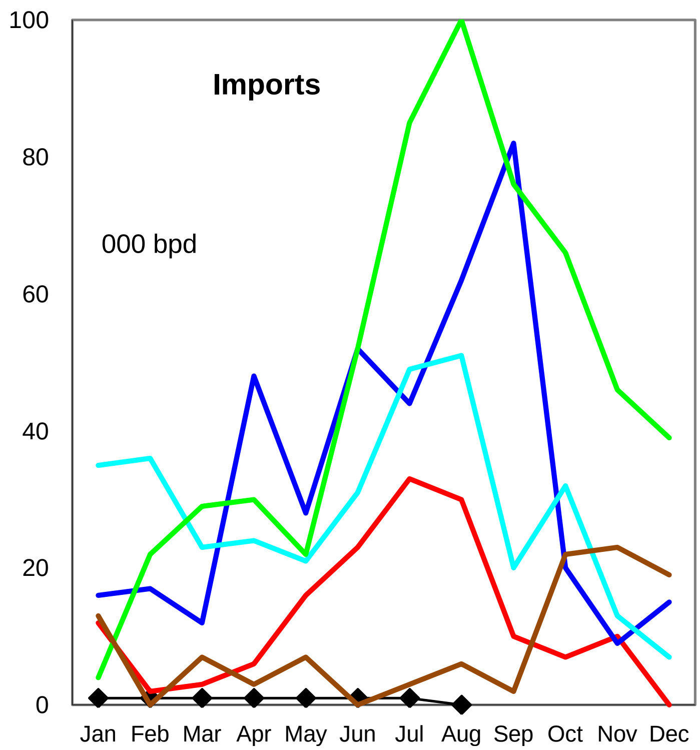
Expect blend economics to remain seasonally weak for the next quarter on improved gasoline supply and lower demand.

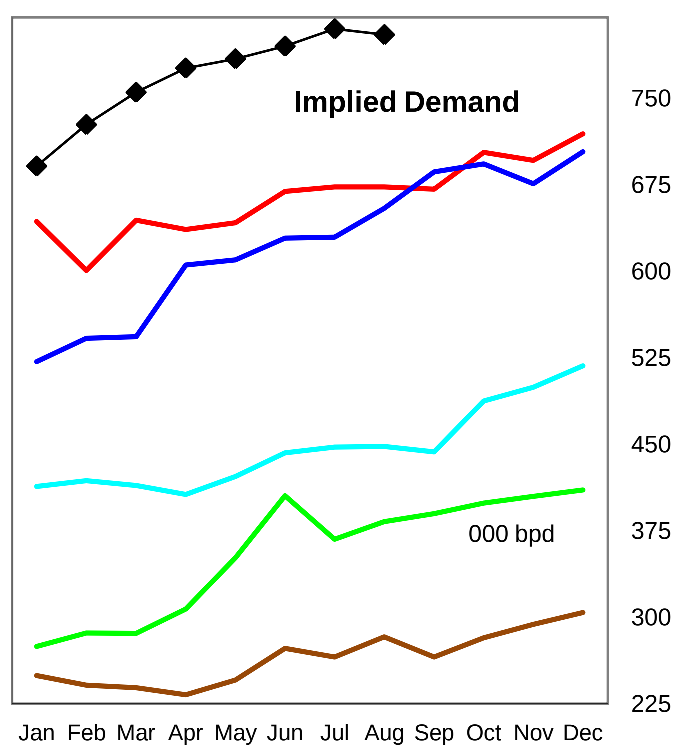
United States Ethanol Supply-Demand Balance

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Aug10	Jul10	Jun10	May10	Apr10	Mar10	1-Month	3-Mth Avg	6-Mth Avg
Production	870	857	854	847	832	847	143	144	168
Imports	0	1	1	1	1	1	-30	-28	-18
EIA Adjustment	-79	-74	-98	-63	-58	-68	-17	-21	-18
Demand	805	810	795	784	776	755	132	132	131
Ending Stocks	17,340	17,784	18,610	19,721	19,682	19,691	2,339	3,512	4,189
Change in stocks	-444	-826	-1,111	39	-9	794			
Wholesale Gasoline Demand	9,366	9,332	9,284	9,217	9,103	8,787	116	69	69
Conv Ethanol Gasoline Blend	4,995	5,057	4,939	4,786	4,660	4,475	941	964	992
Ethanol % of Total Gasoline	9.40	9.50	9.37	9.30	9.32	9.40	1.56	1.60	1.62









Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**2,339**	**143**	**-30**	**132**
% change	**15.6**	**19.7**	**-100.0**	**19.6**

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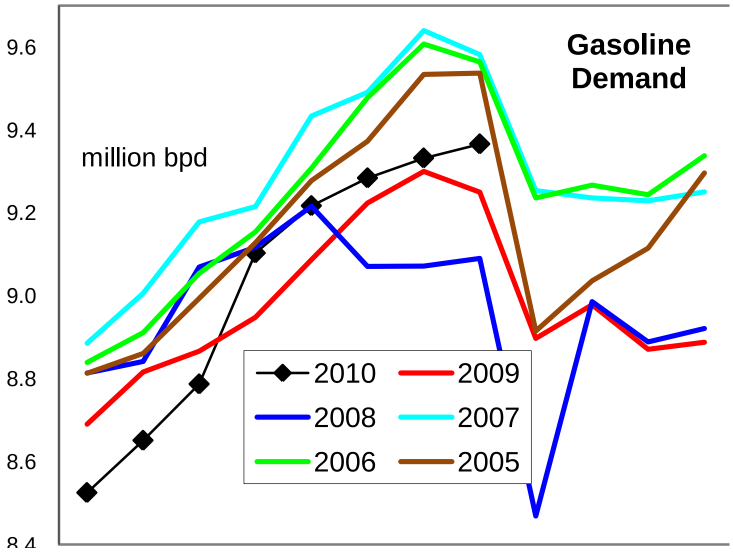
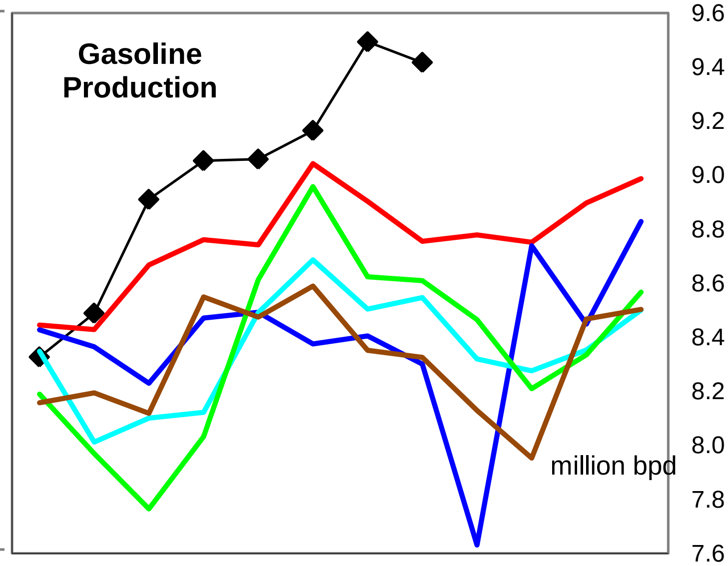
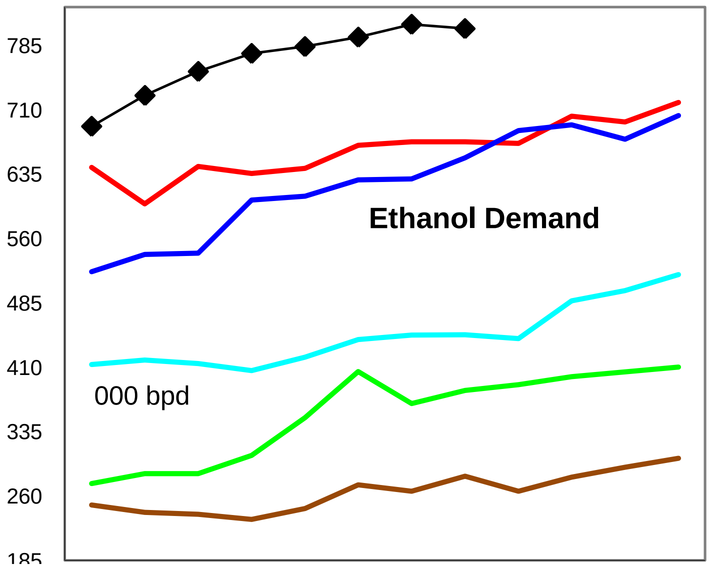
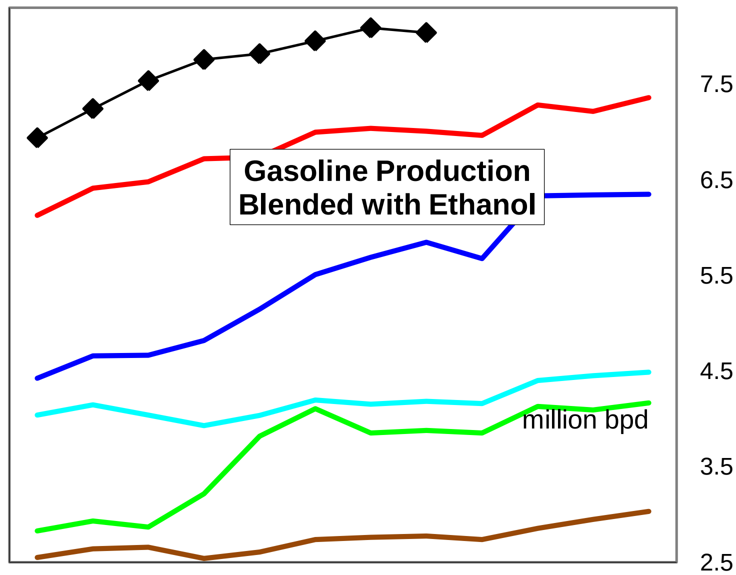
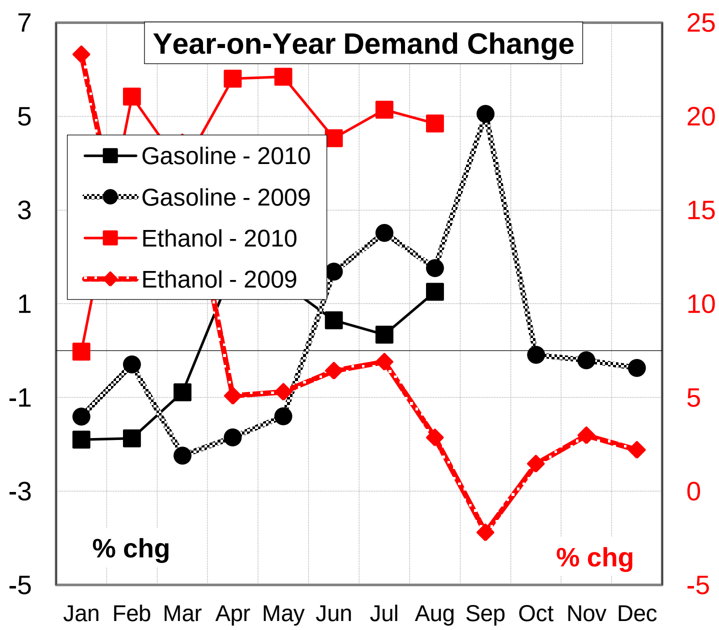
U. S. Gasoline/Ethanol Demand and Blending

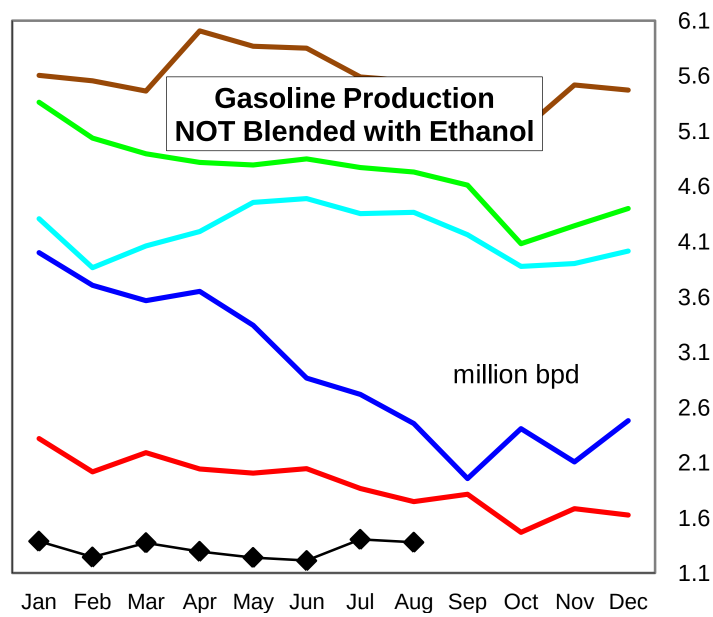






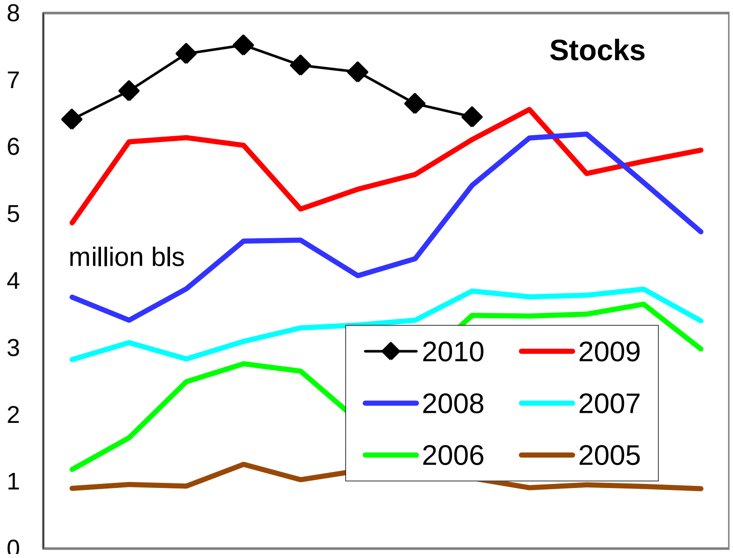


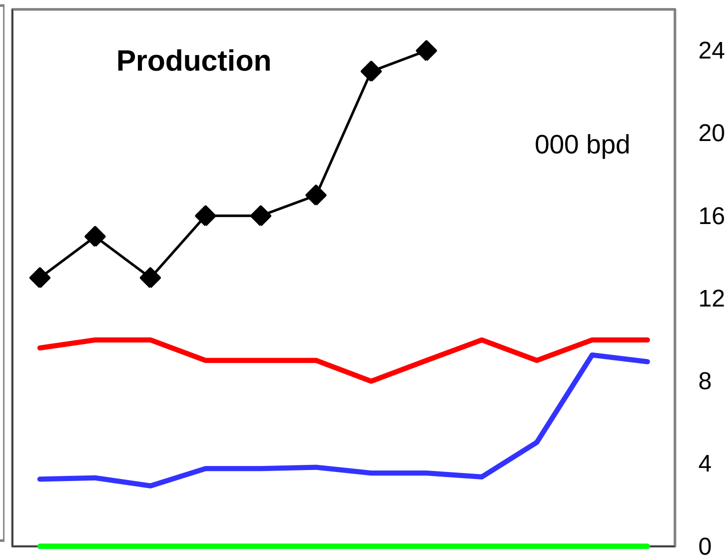


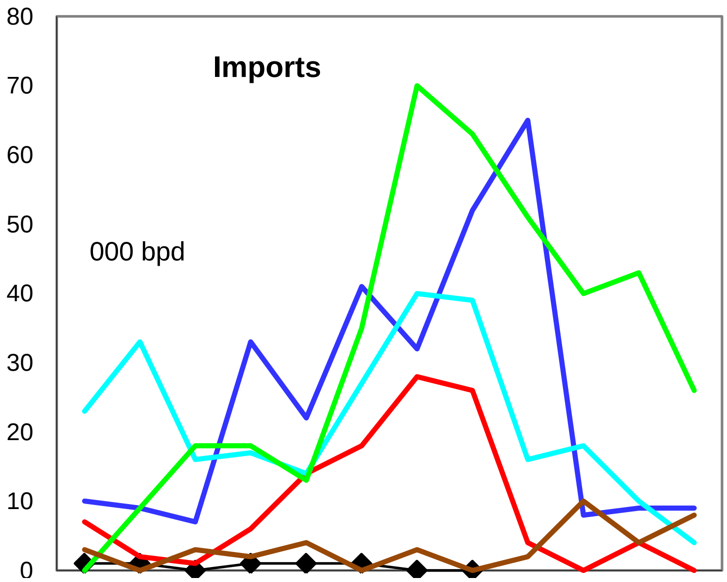


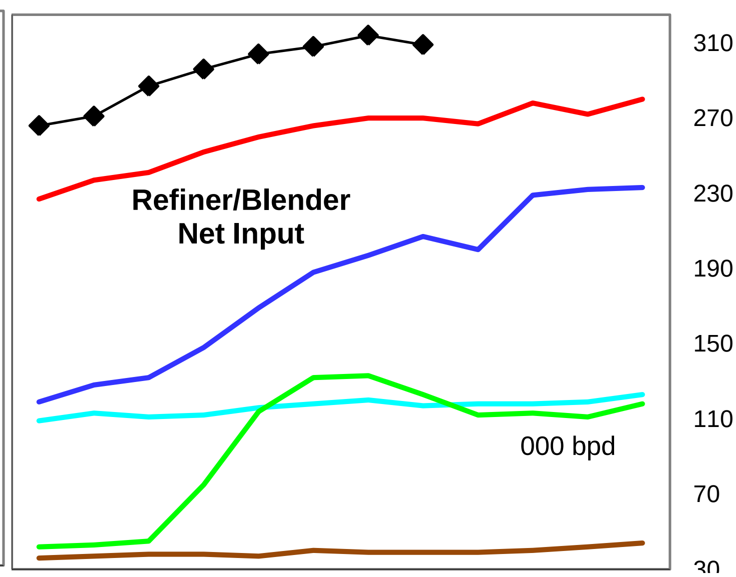
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	116	132	1,032	-370
% change	1.3	19.6	14.7	-21.2

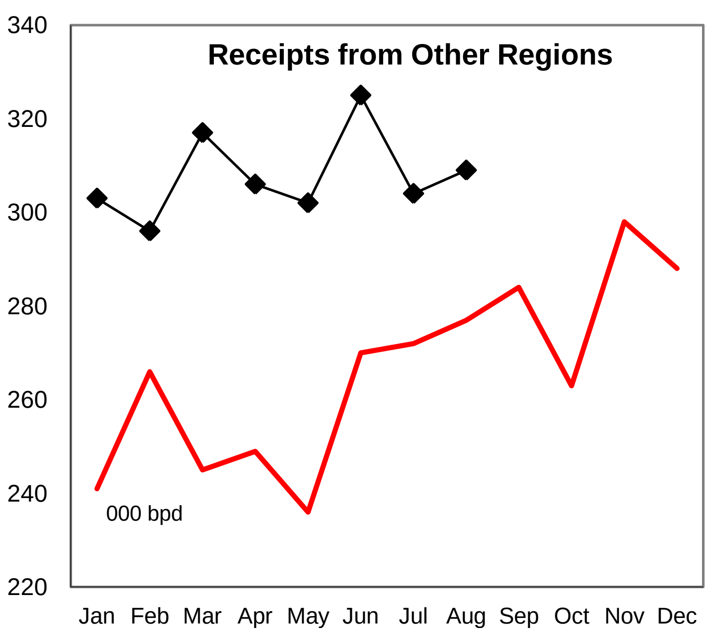
PADD 1 Ethanol Supply-Demand Balance

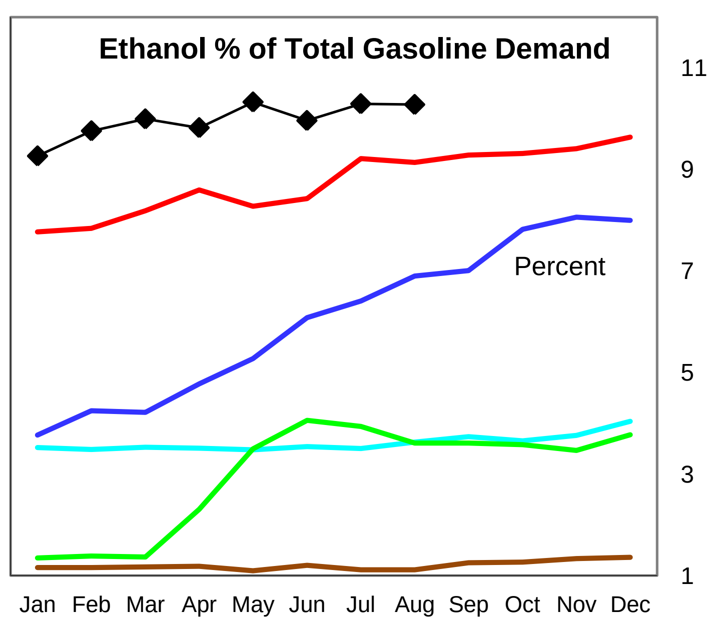






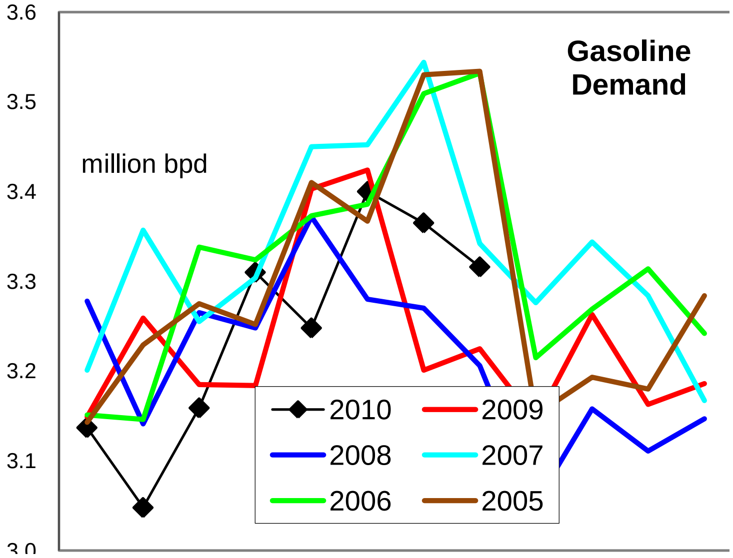


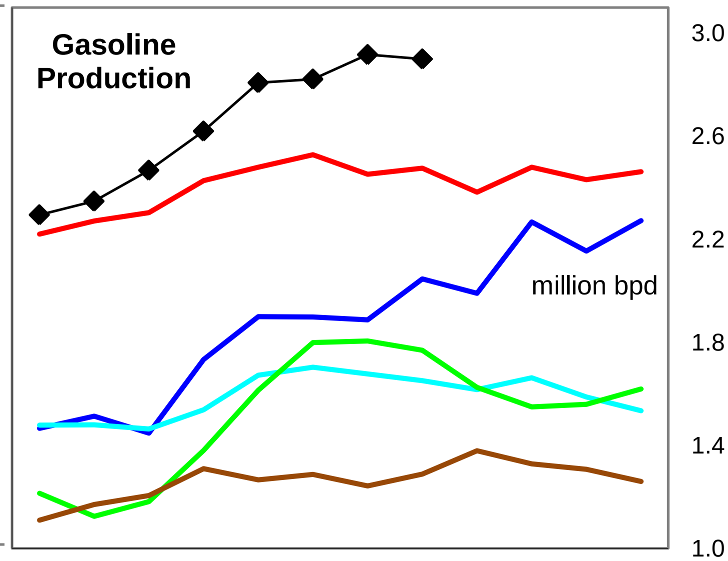


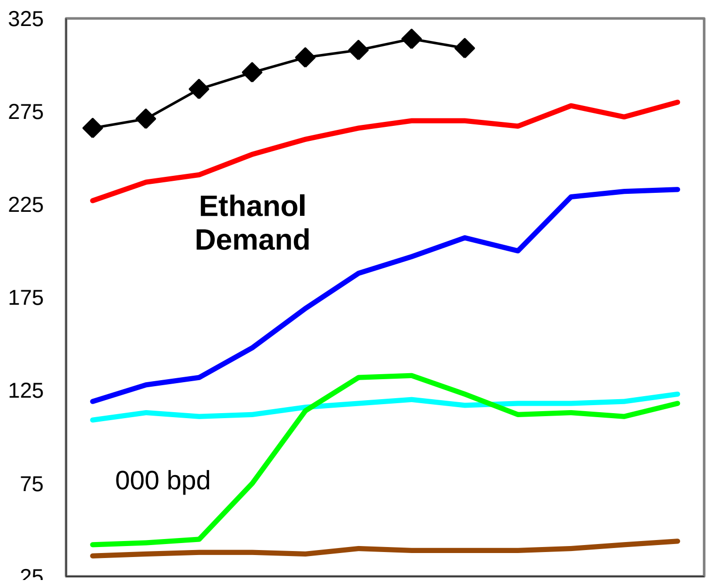


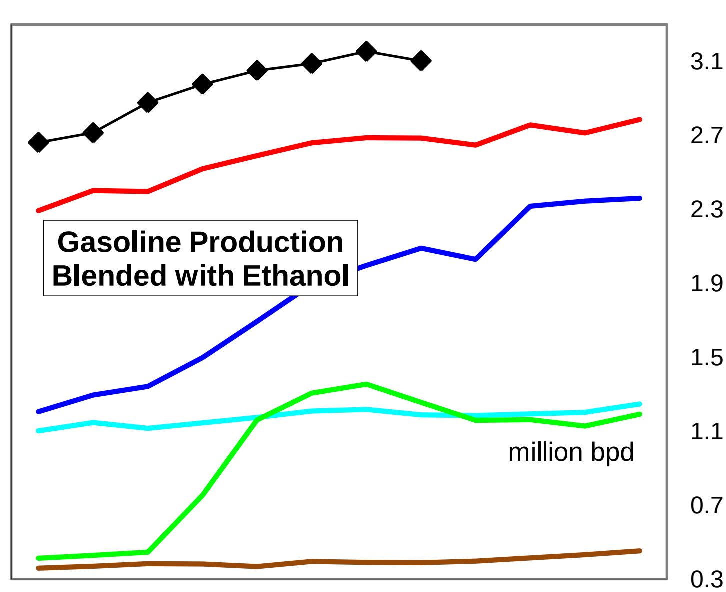
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**336**	**15**	**-26**	**39**
% change	**5.5**	**166.7**	**-100.0**	**14.4**

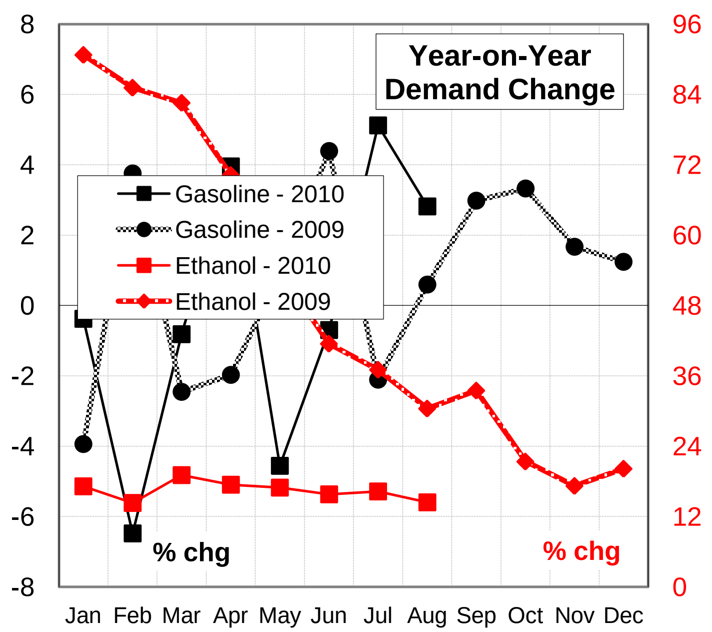
PADD 01 Gasoline/Ethanol Demand and Blending

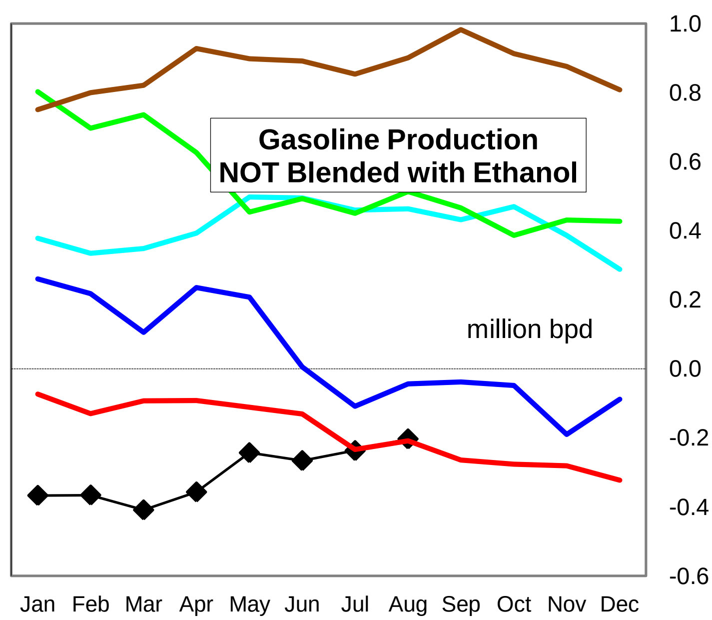












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	91	39	418	6
% change	2.8	14.4	15.6	-2.9

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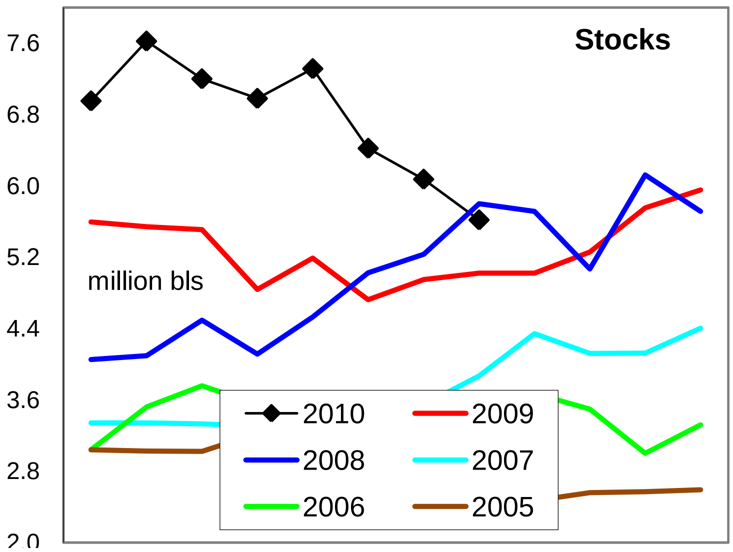
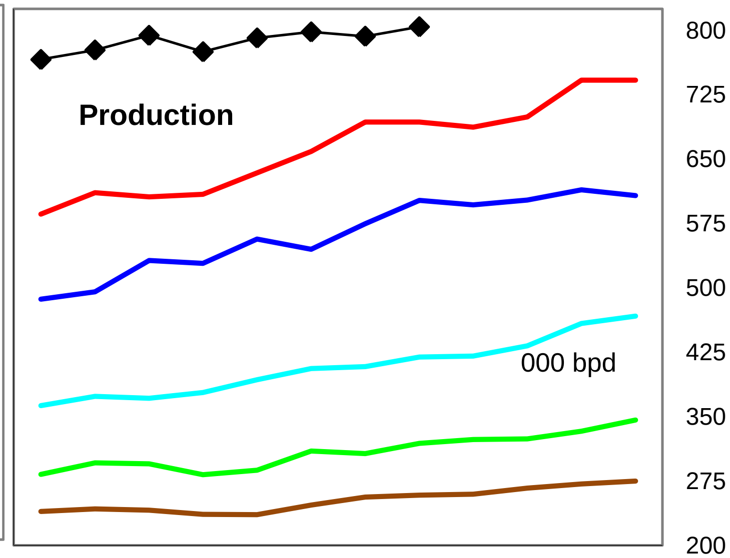
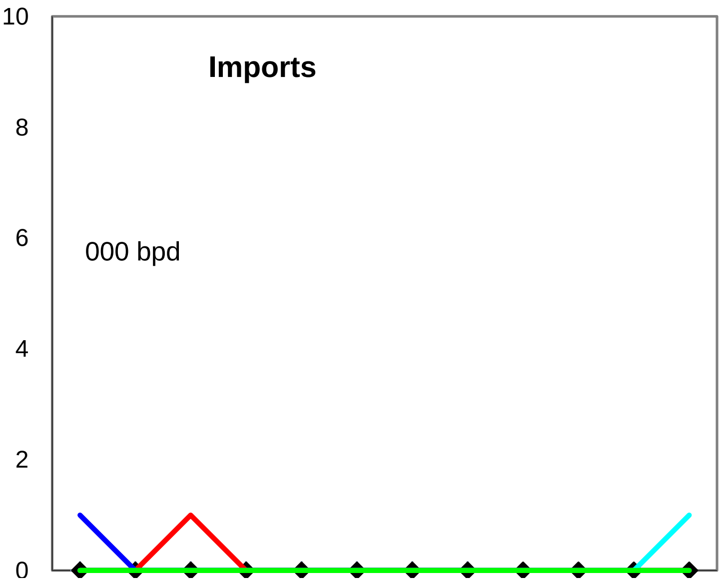
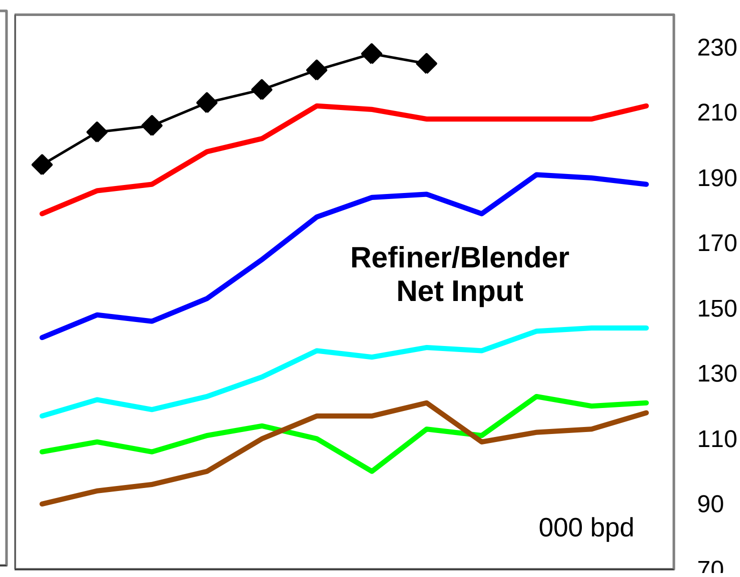
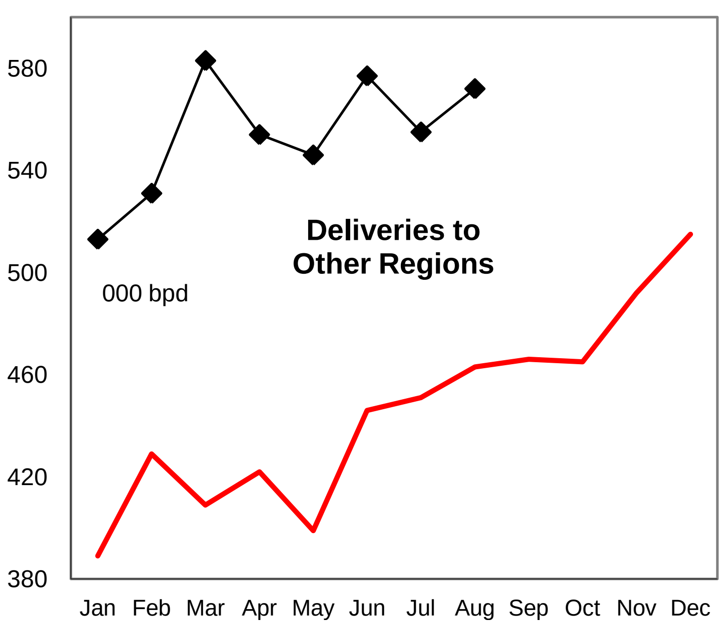
PADD 2 Ethanol Supply-Demand Balance

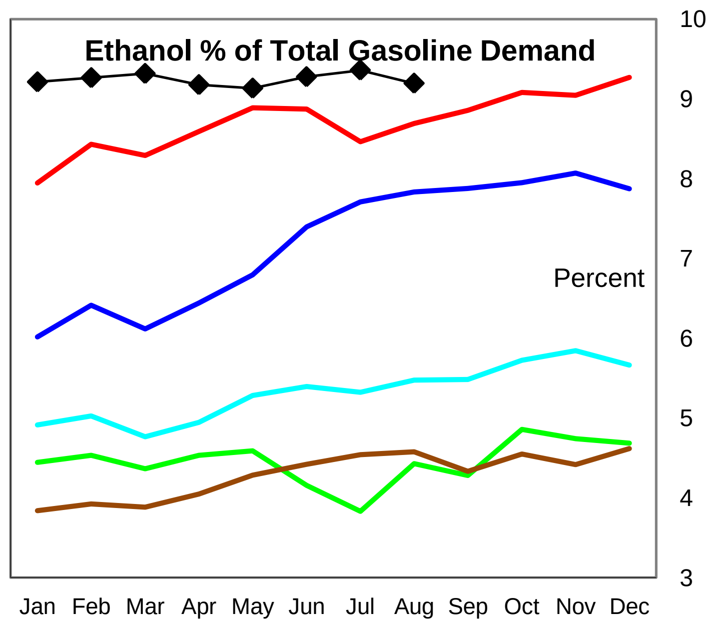






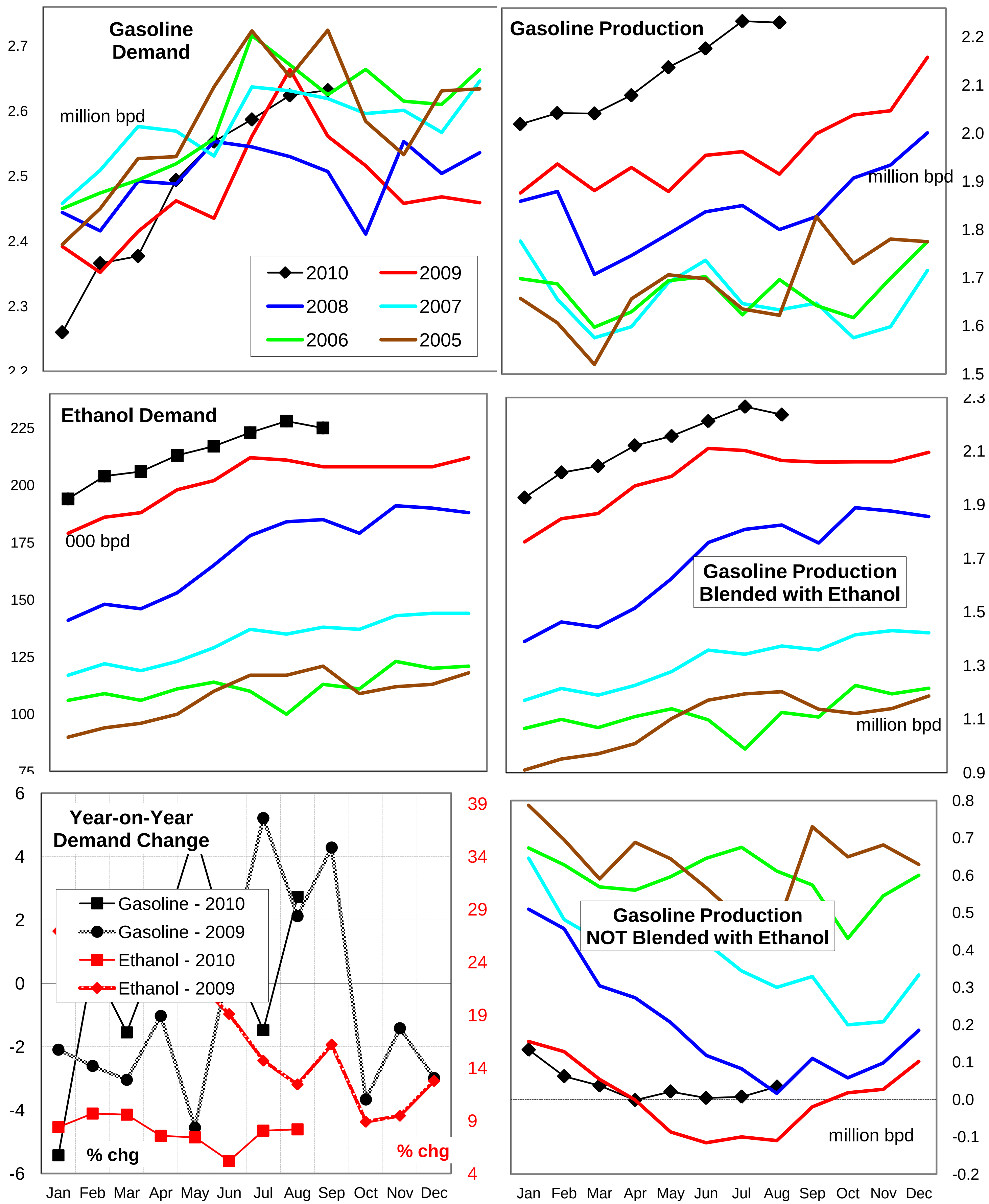






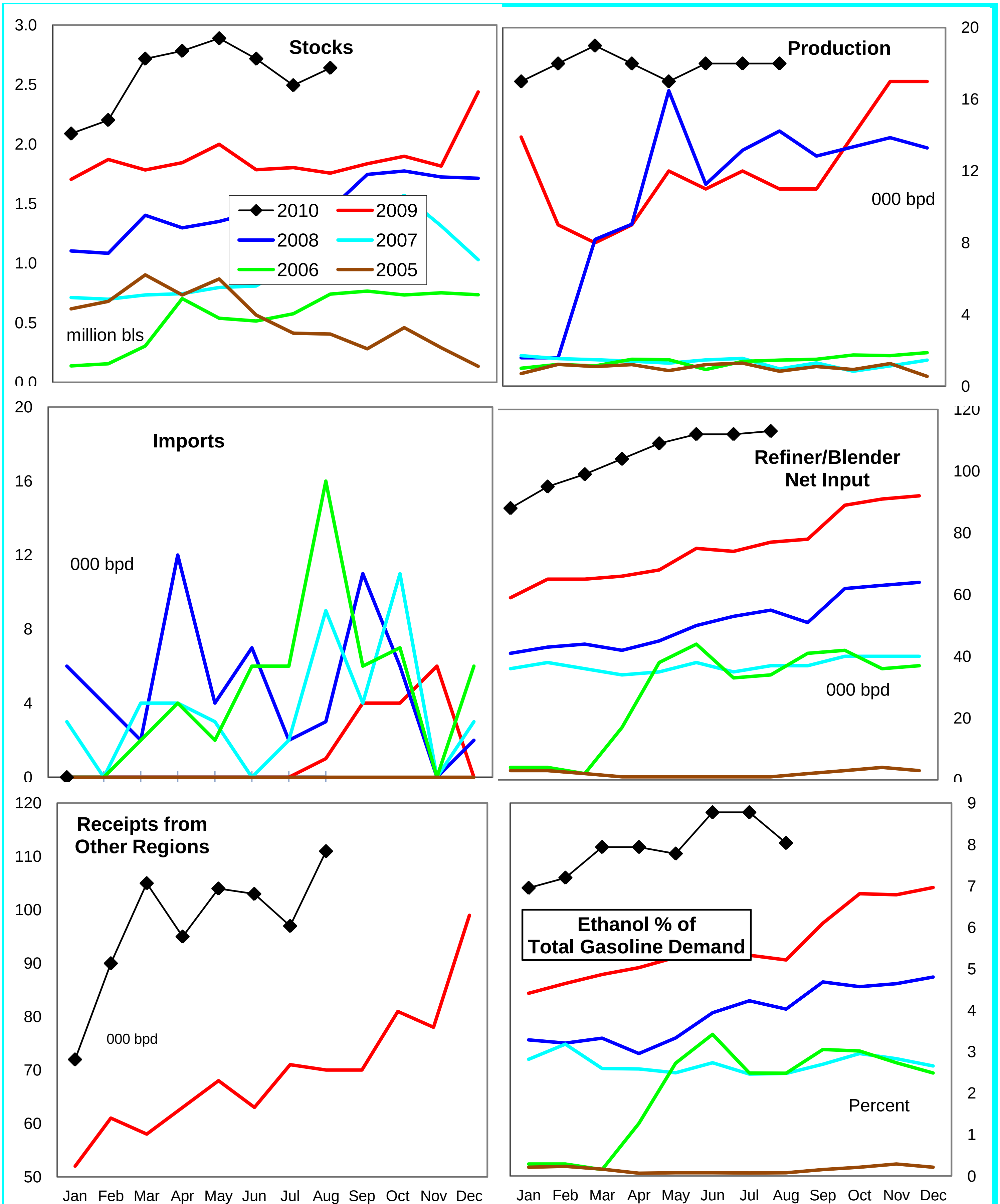
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	**594**	**111**	0	**17**
% change	**11.8**	**16.0**	#DIV/0!	**8.2**

PADD 02 Gasoline/Ethanol Demand and Blending



Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	71	17	171	144
% change	2.7	8.2	8.3	-130.9

PADD 3 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	884	7	-1	36
% change	50.3	63.6	-100.0	46.8

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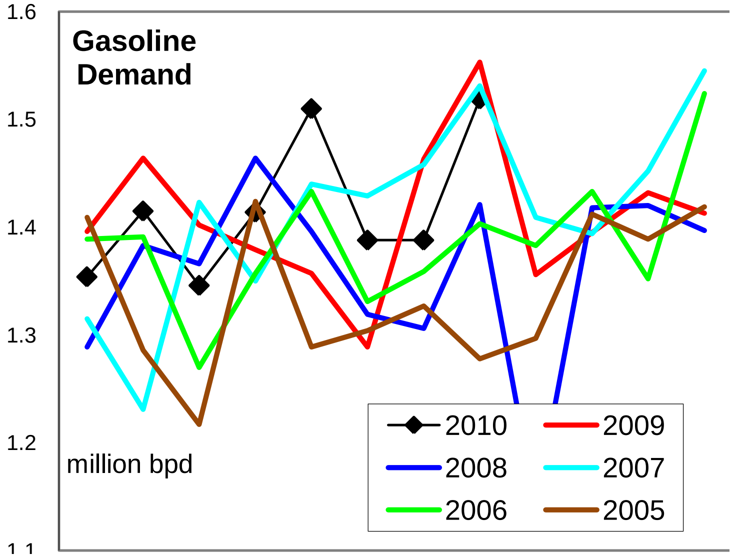
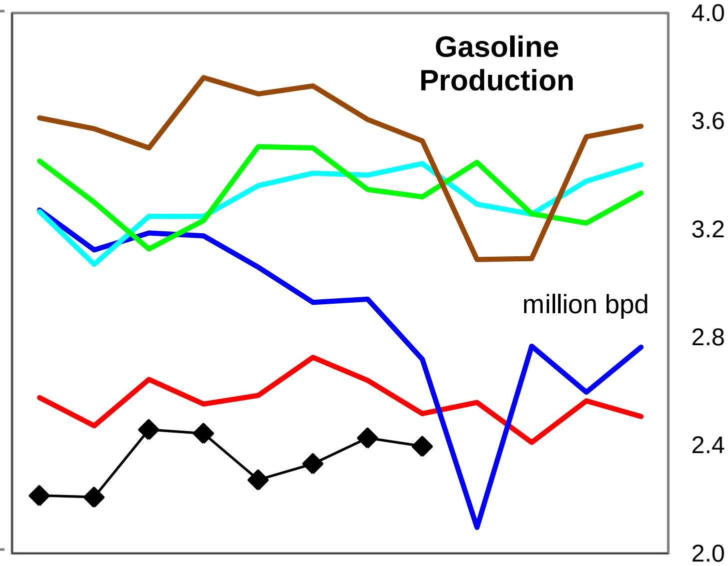
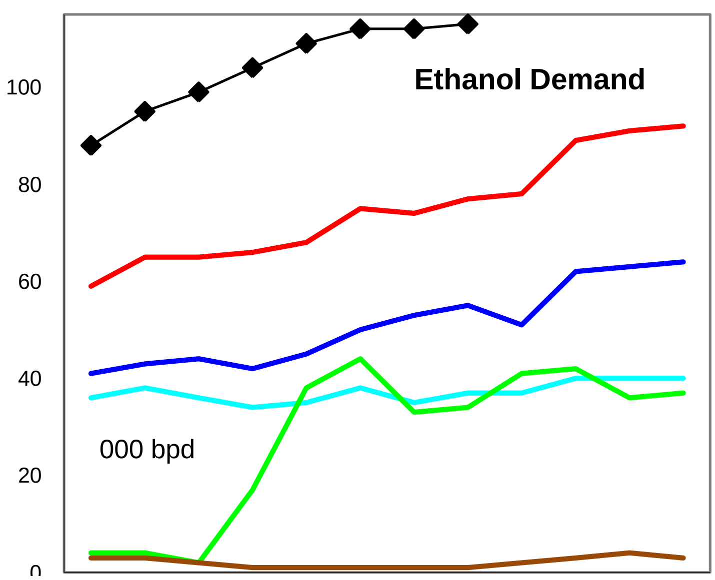
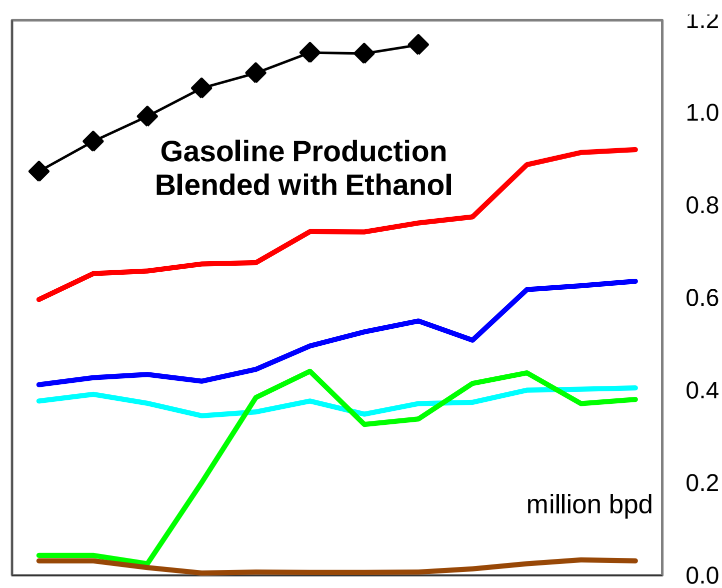
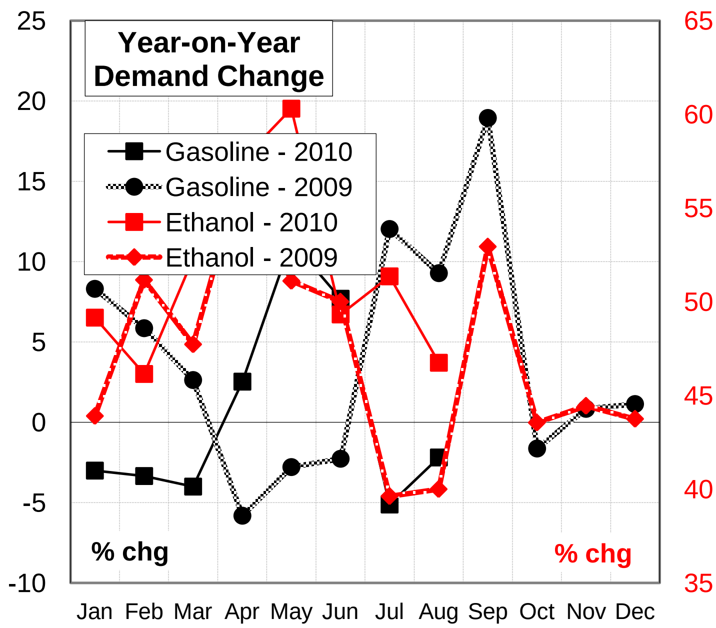
PADD 03 Gasoline/Ethanol Demand and Blending

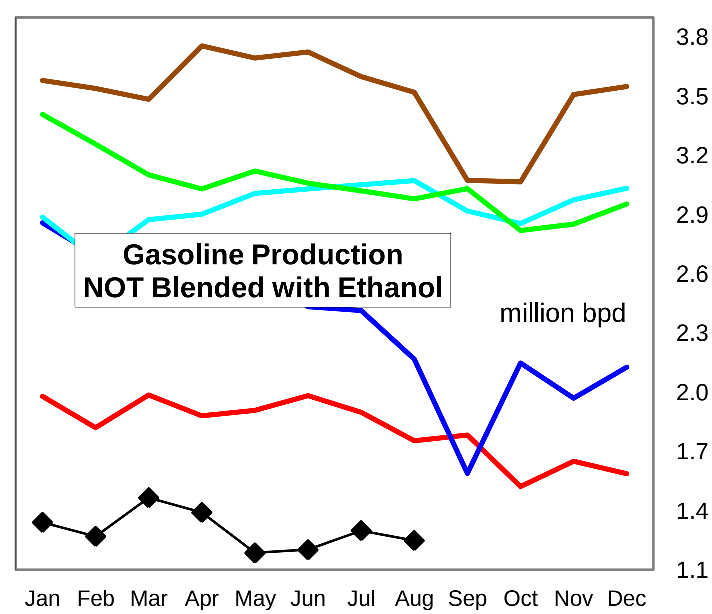












Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-25	36	385	-506
% change	-2.2	46.8	50.5	-28.8

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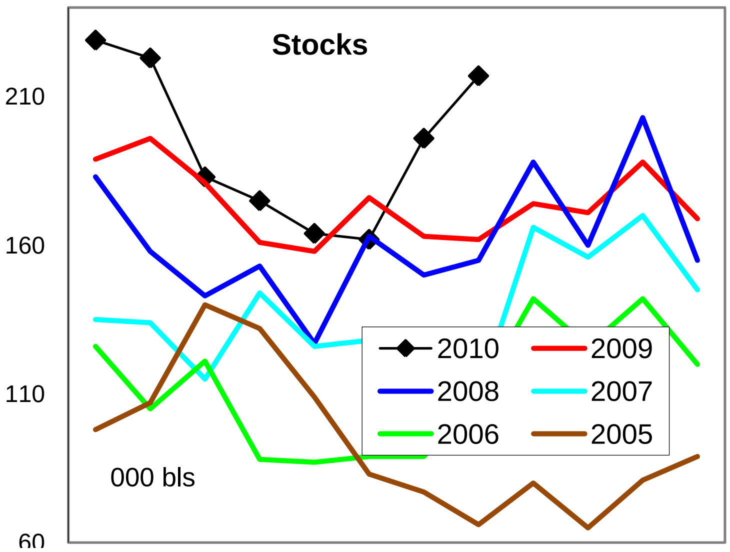
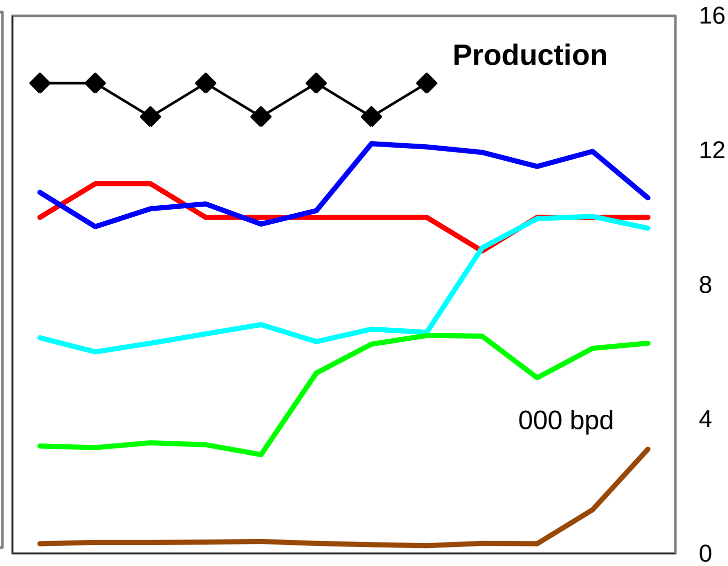
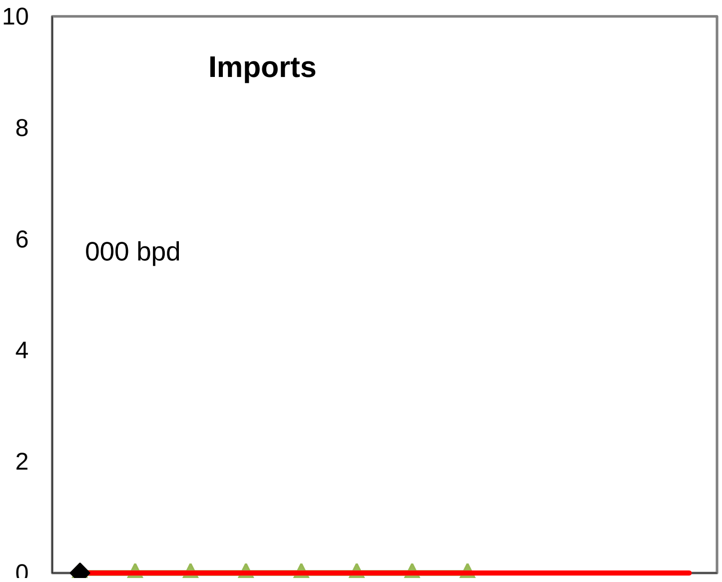
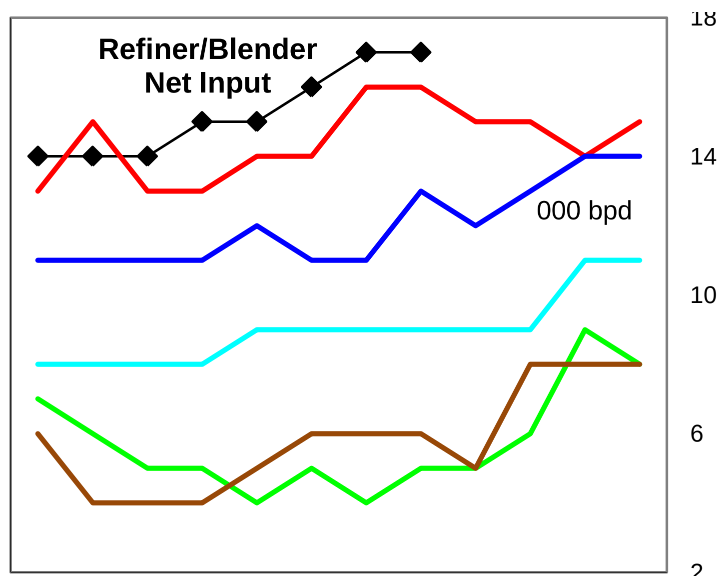
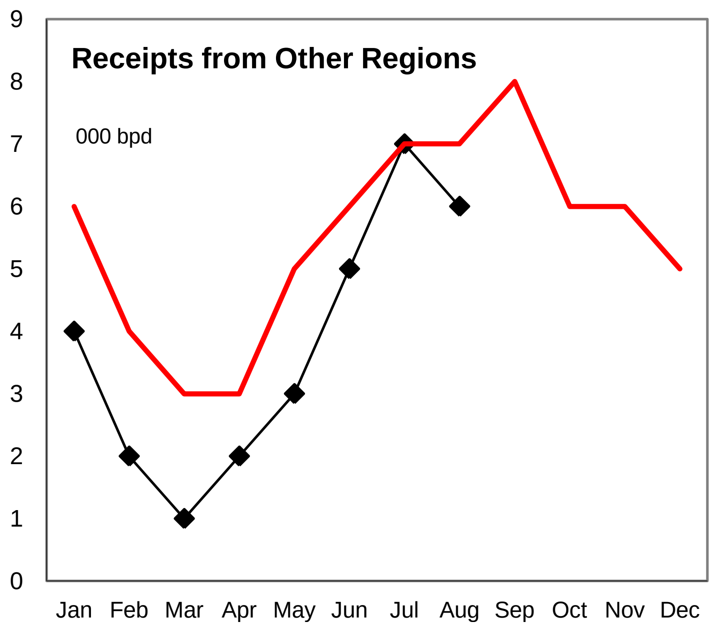
PADD 4 Ethanol Supply-Demand Balance

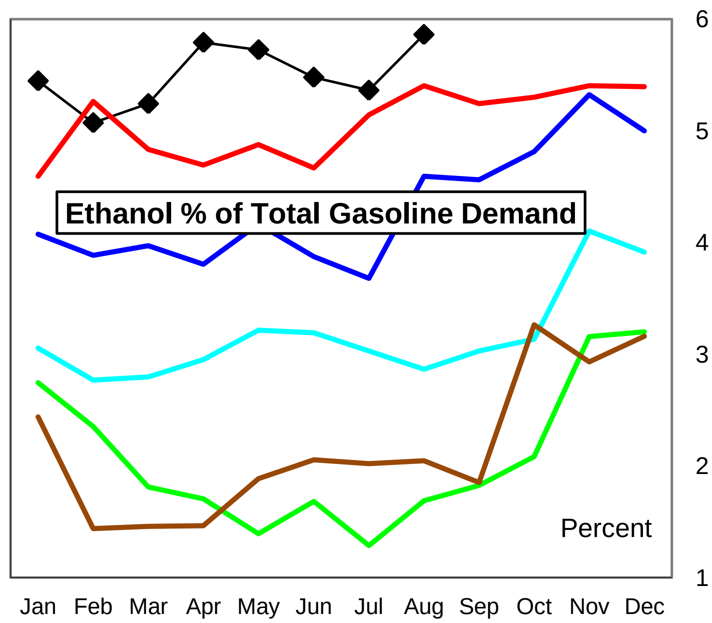






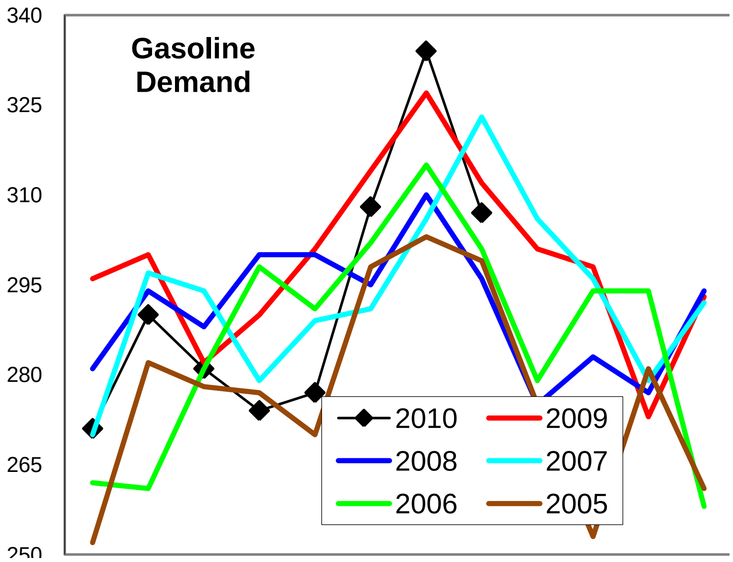


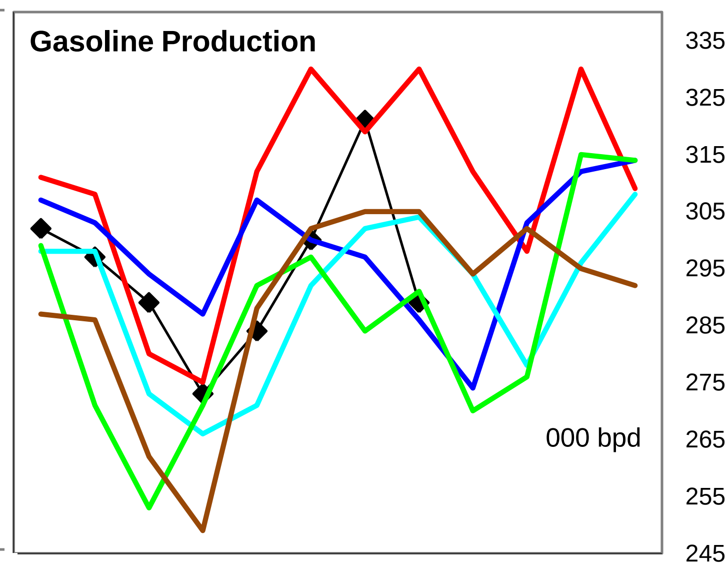


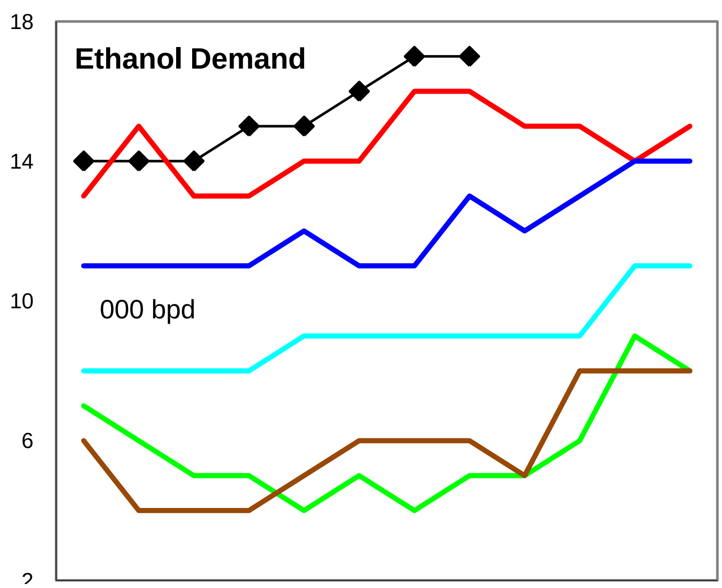


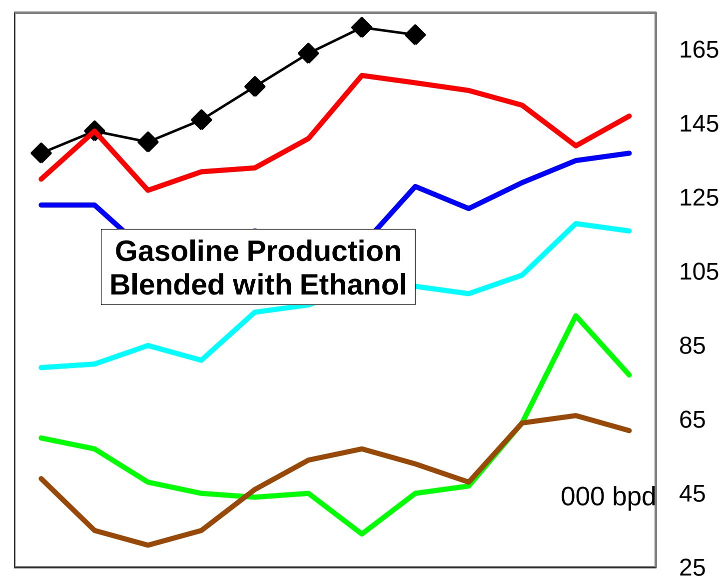
Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	55	4	0	1
% change	34.0	40.0	#DIV/0!	6.3

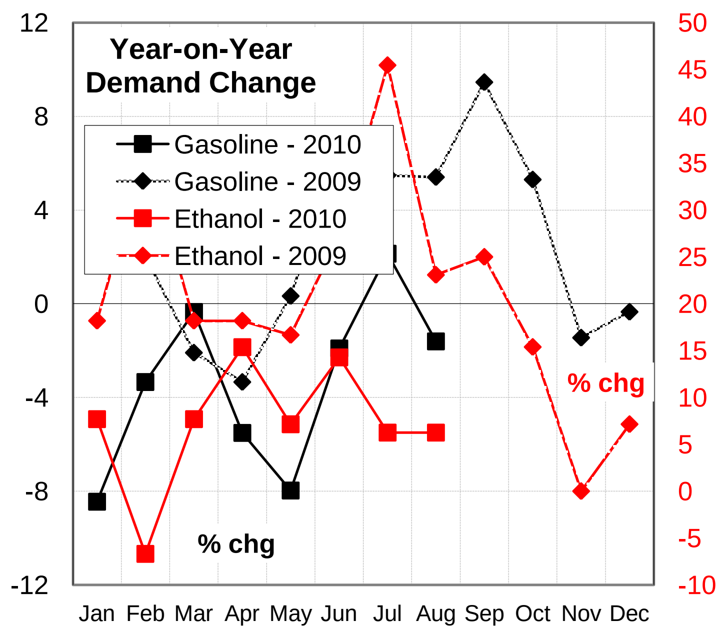
PADD 04 Gasoline/Ethanol Demand and Blending

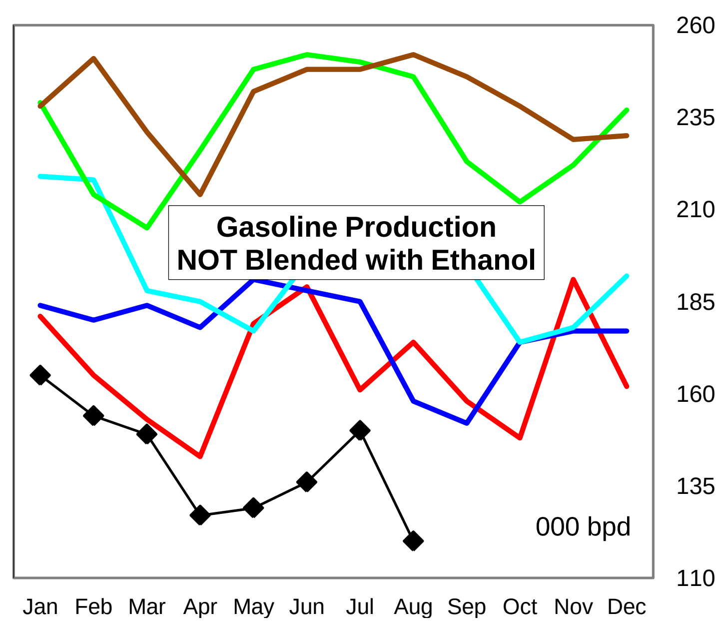






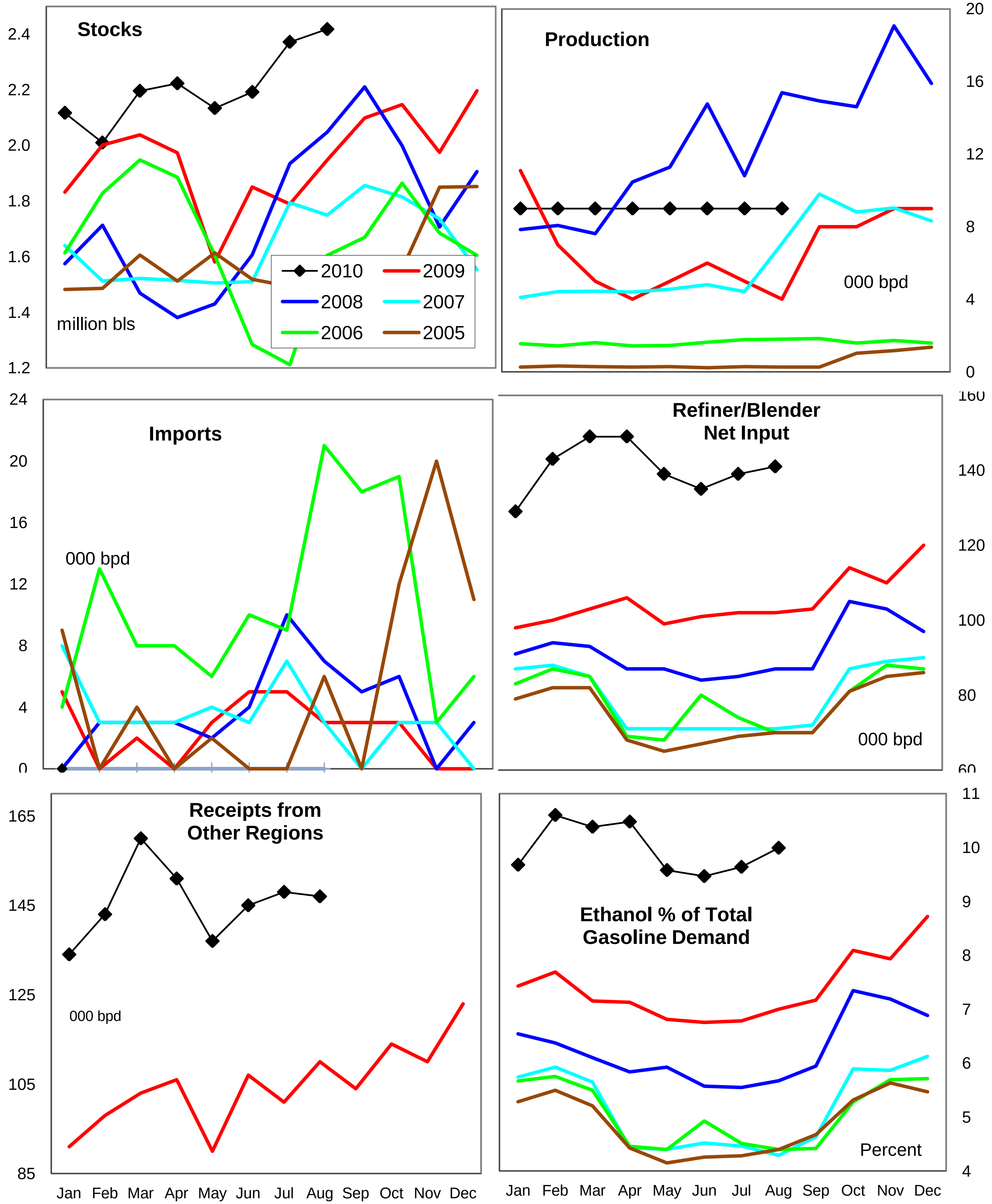






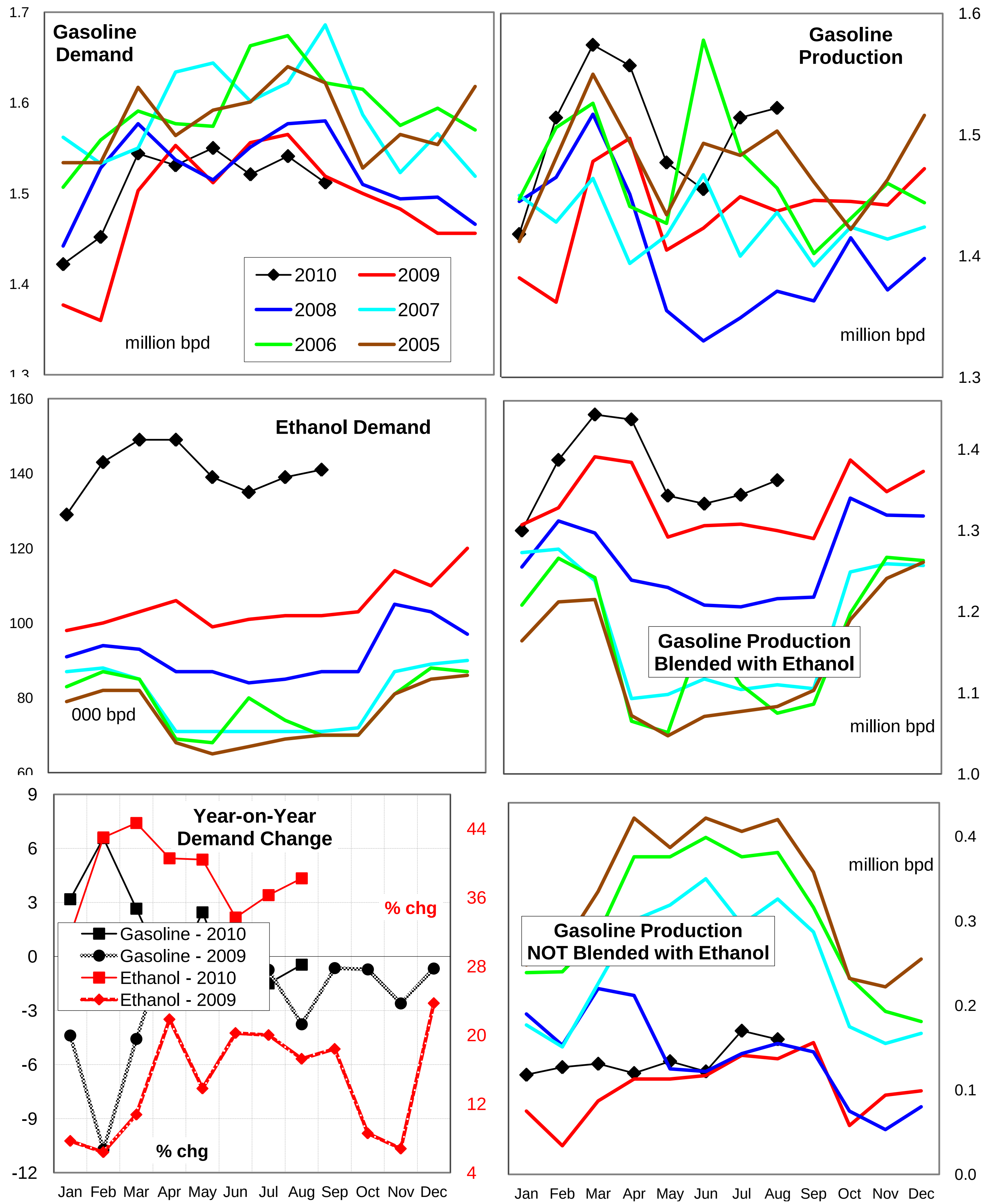
Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-5	1	13	-54
% change	-1.6	6.3	8.3	-31.0

PADD 5 Ethanol Supply-Demand Balance



Variance to prior year	Stocks	Production	Imports	Demand
000 bpd (000 bls stocks)	470	5	-3	39
% change	24.1	125.0	-100.0	38.2

PADD 05 Gasoline/Ethanol Demand and Blending



Variance to prior year	Gasoline Demand	Ethanol Demand	Prod with Ethanol	Prod Excl Ethanol
000 bpd	-7	39	62	23
% change	-0.4	38.2	4.6	16.8

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Ethanol / Gasoline Fundamental Trends

Item	Monthly Ethanol Supply-Demand Balance						Change From Prior Year		
	Aug10	Jul10	Jun10	May10	Apr10	Mar10	1-Month	3-Mth Avg	6-Mth Avg
U. S. Total									
Production	870	857	854	847	832	847	143	144	168
Imports	0	1	1	1	1	1	-30	-28	-18
EIA Adjustment	-79	-74	-98	-63	-58	-68	-17	-21	-18
Implied Demand	805	810	795	784	776	755	132	132	131
Ending Stocks	17,340	17,784	18,610	19,721	19,682	19,691	2,339	3,512	4,189
Change in stocks	-444	-826	-1,111	39	-9	794			
Wholesale Gasoline Demand	9,366	9,332	9,284	9,217	9,103	8,787	116	69	69
Conv Ethanol Gasoline Blend	4,995	5,057	4,939	4,786	4,660	4,475	941	964	992
Ethanol % of Total Gasoline	9.40	9.50	9.37	9.30	9.32	9.40	1.56	1.60	1.62
PADD 01									
Production	24	23	17	16	16	13	15	13	9
Imports	0	0	1	1	1	0	-26	-24	-15
Receipts from other regions	309	304	325	302	306	317		NA	
Refiner/Blender Net Input	309	314	308	304	296	287	39	42	43
Ending Stocks	6,448	6,648	7,118	7,220	7,520	7,394	336	1,049	1,340
Wholesale Gasoline Demand	3,316	3,365	3,400	3,248	3,310	3,159	91	77	29
Conv Ethanol Gasoline Blend	1,844	1,866	1,809	1,781	1,738	1,674	378	393	421
Ethanol % of Total Gasoline	10.28	10.29	9.96	10.33	9.82	9.99	1.14	1.25	1.47
PADD 02									
Production	804	793	798	791	775	794	111	117	144
Deliveries to other regions	-572	-555	-577	-546	-554	-583		NA	
Refiner/Blender Net Input	225	228	223	217	213	206	17	15	16
Ending Stocks	5,617	6,074	6,421	7,315	6,981	7,201	594	1,139	1,562
Wholesale Gasoline Demand	2,672	2,664	2,627	2,593	2,534	2,417	71	19	28
Conv Ethanol Gasoline Blend	1,861	1,891	1,844	1,795	1,756	1,687	154	142	149
Ethanol % of Total Gasoline	9.19	9.36	9.28	9.13	9.18	9.32	0.50	0.60	0.61
PADD 03									
Production	18	18	18	17	18	19	7	7	8
Imports	0	0	0	0	0	0	-1	0	0
Receipts from other regions	111	97	103	104	95	105		NA	
Refiner/Blender Net Input	113	112	112	109	104	99	36	37	37
Ending Stocks	2,640	2,494	2,717	2,888	2,783	2,717	884	835	878
Wholesale Gasoline Demand	1,519	1,388	1,388	1,510	1,414	1,346	-34	-3	20
Conv Ethanol Gasoline Blend	726	729	740	678	646	604	357	377	369
Ethanol % of Total Gasoline	8.04	8.78	8.78	7.78	7.94	7.94	2.82	2.96	2.89
PADD 04									
Production	14	13	14	13	14	13	4	4	3
Receipts from other regions	6	7	5	3	2	1		NA	
Refiner/Blender Net Input	17	17	16	15	15	14	1	1	1
Ending Stocks	217	196	162	164	175	183	55	25	16
Wholesale Gasoline Demand	307	334	308	277	274	281	-5	-1	-8
Conv Ethanol Gasoline Blend	169	171	164	155	146	140	-200	-187	-161
Ethanol % of Total Gasoline	5.86	5.36	5.48	5.73	5.79	5.24	0.46	0.50	0.64
PADD 05									
Production	9	9	9	9	9	9	5	4	4
Imports	0	0	0	0	0	0	-3	-4	-3
Receipts from other regions	147	148	145	137	151	160		NA	
Refiner/Blender Net Input	141	139	135	139	149	149	39	37	40
Ending Stocks	2,418	2,372	2,192	2,134	2,223	2,196	470	465	392
Wholesale Gasoline Demand	1,552	1,581	1,561	1,590	1,571	1,584	-7	-22	-2
Conv Ethanol Gasoline Blend	394	399	382	377	375	370	38	35	37
Ethanol % of Total Gasoline	9.99	9.64	9.47	9.58	10.48	10.38	2.99	2.85	2.98

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