

ETHANOL OUTLOOK REPORT

 FOR THE WEEK OF:
 OCTOBER 26, 2009

The ethanol market this week will focus on:

- corn prices as time is running short to get the corn crop in the bin and as demand is running strong,
- gasoline prices, which edged to a new 1-year high last week and provided underlying support for ethanol prices, and
- this Friday's monthly ethanol report for August, which could show another new record high in U.S. ethanol production.

November CBOT Ethanol futures prices last week rallied sharply for the fifth consecutive week, closing up 13.7 cents (+7.4%) at \$1.985 per gallon and posting a new 13-month high. Bullish factors included (1) the 6.9% rally in corn prices and the 3.3% rally in gasoline prices, (2) continued strong demand for ethanol based on favorable blender economics, and (3) short-covering and new technical buying with the new 13-month high.

The EIA this Friday will release the monthly ethanol figures for August. Last month's report showed that U.S. ethanol production in July rose sharply by 8.4% m/m to a new record high of 948 million gallons. Even if ethanol production rose further in August, however, the ethanol market is not likely to take that as a major bearish factor since the strength in ethanol prices in the past month clearly shows that ethanol demand is very strong. That means that inventories are likely to remain relatively tight. In fact, last month's report showed that the ethanol inventory/production ratio in July fell to 63.3%, the lowest it has been at any time in the past 5 years.

International land use change (ILUC) became a topic in the popular press last week after an article in *Science Magazine* by well-known biofuel-skeptic Tim Searchinger renewed his complaint that Kyoto greenhouse gas calculations do not make any provision for claims that

biofuel production causes deforestation (see news digest links on p. 2). The ethanol industry fired back that ILUC is overplayed, is based on shaky science, and is simply being used by skeptics to torpedo biofuel support policies.

Ethanol/Gasoline – Nov gasoline futures prices last week extended the 4-week rally to post a new 1-year high and close higher by 6.45 cents (+3.3%) at \$2.0438 per gallon. Bullish factors last week included (1) continued technical strength, (2) the slightly lower close of -0.2% in the dollar index, and (3) general expectations for stronger demand with the global economic recovery. Ethanol prices last week rallied by more than gasoline prices, causing the spread of November ethanol prices minus gasoline prices to rise by 7.3 cents to -5.9 cents per gallon.

Ethanol/Corn – Dec corn futures prices last week extended the 5-week rally to a total of \$1 per bushel, posting a new 4-month high and closing the week up 25.75 cents (+6.9%) at \$3.9775 per bushel. Corn prices have rallied sharply in the past month due to strong demand and the wet weather, which has slowed the harvest and reduced yields for the late-developing crop. As of October 18, only 17% of the U.S. corn crop had been harvested, far behind the 5-year average of 46%. However, the forecast is better for the next two weeks and corn prices therefore slipped last Friday. Ethanol prices rose by more than corn prices last week, thus allowing the Dec ethanol-corn crush margin to rise by 4.8 cents to 51.3 cents per gallon, which was just below the recent 1½-year high of 52.8 cents.

Ethanol Calendar

- Oct 26: Weekly USDA Crop Progress
- Oct 28: Weekly DOE Gasoline Inventories
- Oct 30: EIA Monthly Ethanol Report
- Nov 10: USDA WASDE Crop Supply-Demand

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Ethanol Closes	Last Friday Close	Weekly Change
Ethanol Futures		
CBOT Ethanol Futures (X09)	\$1.985	+\$0.137
CBOT Ethanol Forward (X09)	\$1.9340	+\$0.1400
NYMEX NY Physical Ethanol (X09)	\$2.0700	+\$0.1400
NYMEX Chicago (Platts) Swap Futures (X09)	\$1.9900	+\$0.1500
NYMEX NY (Platts) Swap Futures (X09)	\$2.1500	+\$0.2200
Cash & Basis (vs CBOT Futures)		
Chicago Cash	\$2.1050	+\$0.1650
Chicago Basis	\$0.1200	+\$0.0280
NY Harbor Cash	\$2.2450	+\$0.1400
NY Harbor Basis	\$0.2600	+\$0.0030
Gulf Coast Cash	\$2.1650	+\$0.0900
Gulf Coast Basis	\$0.1800	-\$0.0470
Los Angeles Cash	\$2.2050	+\$0.1500
Los Angeles Basis	\$0.2200	+\$0.0130
Spreads (cents per gallon)		
Ethanol-Gasoline (X09)	-5.9¢	+7.3¢
Ethanol-Corn Margin (Z09)	51.3¢	+4.8¢

Top Weekly Ethanol News

Advanced biofuels will stoke global warming: study

Oct 22 - Reuters - A new generation of biofuels, meant to be a low-carbon alternative, will on average emit more carbon dioxide than burning gasoline over the next few decades, a study published in Science found on Thursday....

Searchinger, et al Science paper say treaty rules for bioenergy emissions encourage deforestation; industry reaction swift, strong

Oct 23 - Biofuels Digest - Controversy over land use change erupted again in the biofuels industry with the publication of a new article in science by Timothy Searchinger, Daniel Kammen and 11 others, which said that “an important but fixable error in legal accounting rules for bioenergy” relating to land use change could “undermine efforts to reduce greenhouse gases by encouraging deforestation....”

Science article on GHG accounting misses the mark on biofuels

Oct 22 - Renewable Fuels Association - Biofuels produced from biomass feedstocks (i.e. plant matter) are, by definition, carbon neutral because carbon dioxide tailpipe emissions from the combustion of biofuels are readily absorbed by growing plants. As such, the tailpipe emissions resulting from the use of a gallon of ethanol produced from corn grown on U.S. farmland are negated by the growing of the corn itself....

Growth Energy reacts to Science Magazine paper

Oct 22 - Growth Energy - ... “In truth, there’s no new science in this report. It’s a policy proposal, trying to get a new standard that would limit the ability of developing countries to provide food and fuel – and would keep our own nation addicted to imported oil. It would penalize U.S. farmers for the decisions of foreign competitors, over which we have no control, and threatens the sovereignty of American agriculture....”

“Usual critics” line up against energy independence, Renewable Fuels

Oct 22 - Growth Energy - Growth Energy, America’s leading ethanol organization, dismissed the most recent attack on its efforts to increase the use of domestic, renewable fuels as an “attempt to divert attention” from ethanol’s value as a cost-effective, domestic transportation fuel that creates U.S. jobs, cuts greenhouse gases and reinforces our economic and national security....

Tallying the real environmental cost of biofuels

Oct 23 - Time - The promise of biofuels like ethanol is that they will someday help the world grow its way out of its addiction to oil....

Biofuels require comprehensive strategy - UNEP Report

Oct 22 - UN - A far more sophisticated approach needs to be taken when developing biofuels as an environmentally-friendly energy option a new report concludes. Governments should fit biofuels into an overall energy, climate, land-use, water and agricultural strategy if their deployment is to benefit society, the economy and the environment as a whole....

U.N. panel report confirms potential for significant GHG reductions from biofuels

Oct 19 - Global RFA - The Global Renewable Fuels Alliance (GRFA) today responded to a report on biofuels produced by the United Nation’s International Panel for Sustainable Resource Management....

Big Oil looks to biofuels

Oct 19 - WSJ - The biofuels industry, hit hard by the global credit crunch, is getting a shot in the arm from a new source—the oil majors. Among the oil companies, BP PLC and Royal Dutch Shell PLC have been the most active investors in the sector. But it’s even beginning to attract more-conservative companies like Exxon Mobil Corp., whose chief executive, Rex Tillerson, once famously dismissed corn-based ethanol as “moonshine.” Exxon announced in July it was investing \$600 million in an algae-to-fuel start-up, Synthetic Genomics Inc....

WSJ names algae one of “5 Technologies that Could Change Everything”

Oct 20 - Biofuels Digest - In New York, the Wall Street Journal identified algae-based biofuels as one of “Five Technologies That Could Change Everything” that will be the major breakthroughs that “could radically change the world energy picture....”

Algae may be secret weapon in climate change war

Oct 22 - AFP - Driven by fluctuations in oil prices, and seduced by the prospect of easing climate change, experts are ramping up efforts to squeeze fuel out of a promising new organism: pond scum....

TOP ETHANOL NEWS CONTINUES ON NEXT PAGE ➔

Top Weekly Ethanol News (continued)

Scaling up is hard to do

Oct 23 - Technology Review - Transportation has a voracious appetite for energy. In 2008, the world consumed 1.3 trillion gallons of oil, most of it converted into gasoline and diesel and used to power vehicles. If biofuels or batteries are to satisfy a significant fraction of that appetite, production of these alternative power sources must be boosted significantly....

Fossil fuels' hidden cost is in billions, study says

Oct 20 - NY Times (free registration required) - Burning coal and oil adds up to about \$120 billion a year for the United States in health costs, including those tied to thousands of premature deaths from air pollution, researchers say....

GE calls for trade deal in environmental goods

Oct 22 - Reuters - A deal freeing up trade in environmental goods and services is urgently needed to help global efforts to tackle climate change, General Electric Co (GE.N) said on Thursday.... Similar barriers are faced by Brazil, the world's biggest exporter of ethanol, said a senior Brazilian diplomat....

BP chief sees decades of fossil fuel use

Oct 21 - NY Times Green Inc Blog - ... Mr. Hayward said his industry was focused on finding and bringing new oil and gas supplies onto the market in order to meet energy demand that is expected to rise 45 percent over the next 20 years. But he also called for more efficient engine technologies and for more use of next-generation biofuels, which could become almost 10 percent of global transport fuel by 2030. The potential of biofuels "was more significant than electric cars," he said....

Past UWP professor shares findings on biofuel economic impact

Oct 16 - Wisconsin Ag Connection - John Simonson, professor emeritus at the University of Wisconsin-Platteville, has conducted research on the impact of biofuels and found that biofuels' impact is sizable but the recession is devastating.... When its indirect impact is included, ethanol production accounted for over \$2 billion and nearly 1,700 jobs in Wisconsin's economy in 2008....

Former VeraSun plants continue to come online

Oct 22 - Ethanol Producer Magazine - Gears are set to finally begin turning at the Guardian Energy LLC ethanol plant in Janesville, Minn., nearly two years after its projected start-up date....

German ethanol production soars 61% in first half of 2009; biodiesel slumps

Oct 21 - Biofuels Digest - In Germany, ethanol consumption increased 61% in the first half of 2009, to 126 million gallons, according to the German Office of Economics and Export Control. Ethanol production jumped 50 percent to 73 million gallons, though E85 only accounted for 3.5 percent of sales....

EU biodiesel production may double in next 9 years, say OECD and FAO

Oct 20 - Biofuels Digest - In Germany, the OECD and FAO have projected that EU biodiesel production may double to 4.86 billion gallons per year by 2018. The organizations also projected that biodiesel's share of the European market could increase to 9.1 percent by that time, with global biodiesel consumption reaching 11.5 billion gallons, with a rise in feedstock prices of 30 percent and a 17 percent increase in biodiesel prices....

Biofuel producer Ensus considers new European plant, CEO says

Oct 16 - Bloomberg - Ensus Ltd., the owner of Britain's largest bio-ethanol refinery, is examining possible sites to build another refinery in Europe....

Al Gore again praises benefits of Brazilian sugarcane ethanol

Oct 19 - UNICA - For the second time this year, Al Gore praised the Brazilian sugarcane industry for having the highest ethanol productivity in the world and being a critical element in mitigating against global warming....

Brazil sugar-ethanol sector emerging from crisis

Oct 21 - Reuters - Brazil's sugar and ethanol sector, which took on huge debts in recent years to expand, was hammered by the credit crunch that ensued from the global financial crisis and drove many heavily leveraged mills into rivals' hands....

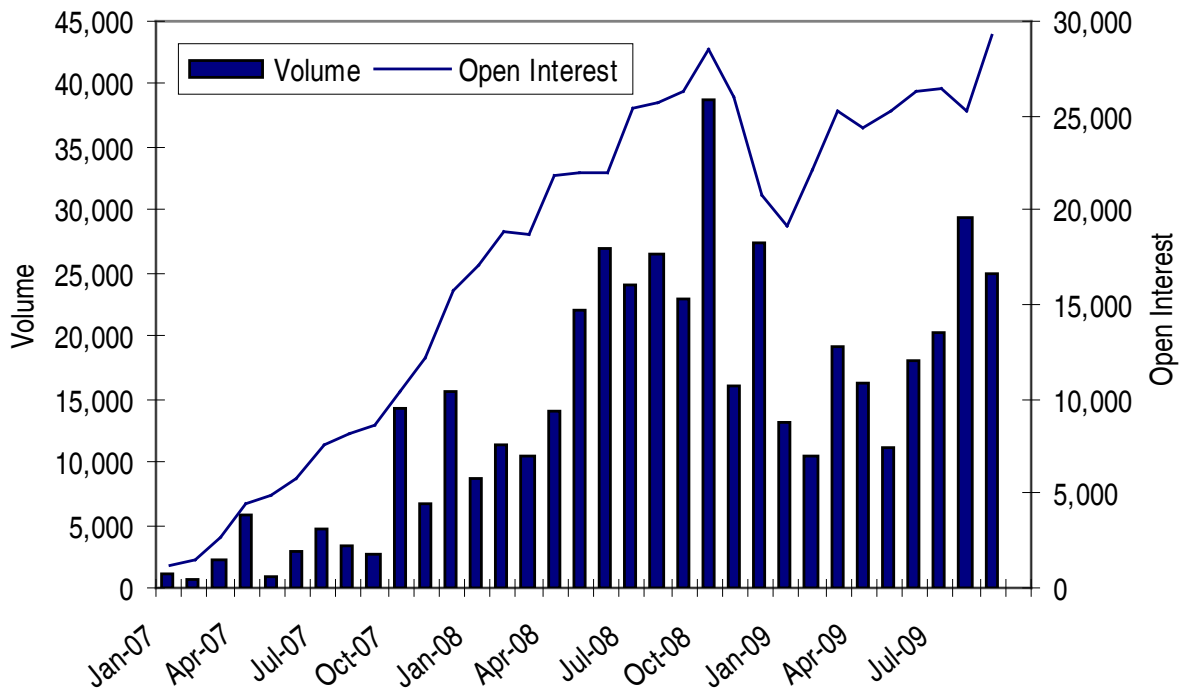
Brazil drivers ditch biofuel over high sugar costs

Oct 21 - Reuters - Some Brazilian motorists who fuel their cars solely on cane-based ethanol are switching back to gasoline as high sugar prices now make the biofuel more costly in some states....

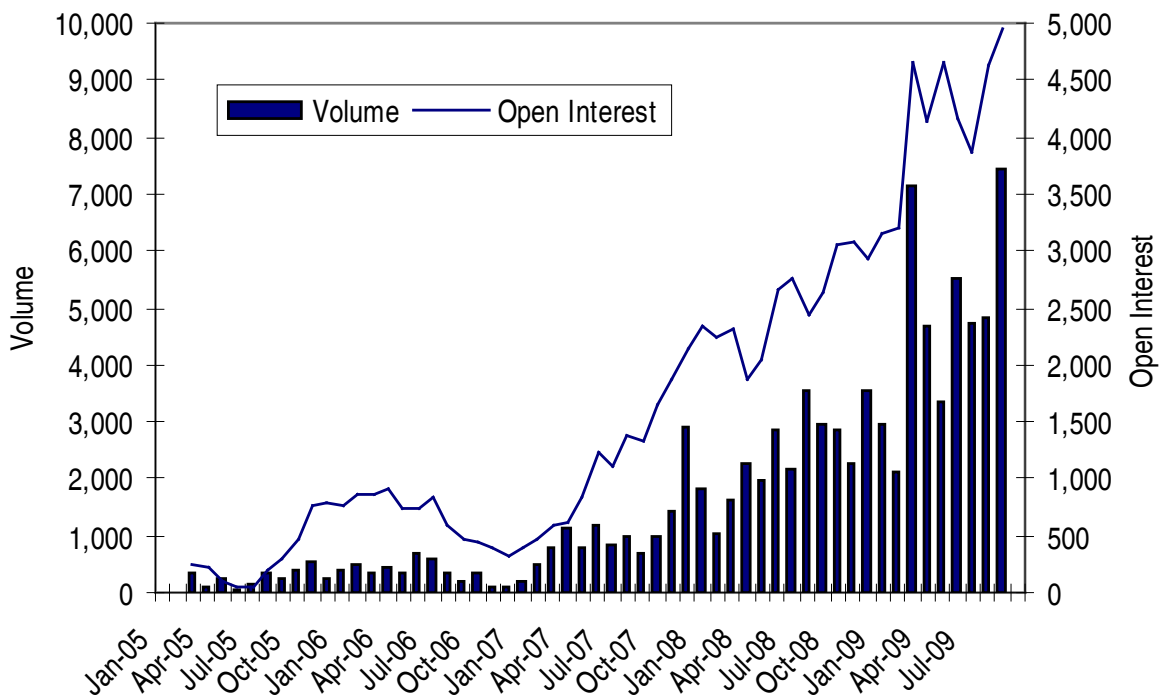
Brasil Ecodiesel jumps after boost in biofuel levels

Oct 23 - Bloomberg - Brasil Ecodiesel Industria e Comercio de Biocombustiveis e Oleos Vegetais SA, Brazil's biggest biodiesel maker, rose to the highest price in more than a year after the government raised the amount of biofuels that must be added to diesel....

CBOT Ethanol Forward Month Swaps - Monthly Volume & Open Interest



CBOT Ethanol Futures - Monthly Volume & Open Interest



CBOT Ethanol and Forward Month Swap Futures - Closing Prices

Closes for: Friday October 23

CBOT Ethanol Futures

Symbol	Last	Change	High	Low	Daily Volume	Open Interest
ZEX09	1.985	-0.003	2.019	1.980	58	336
ZEZ09	1.934	+0.014	1.960	1.922	61	744
ZEF10	1.895	-0.004	1.910	1.890	2	1045
ZEG10	1.879	+0.010	1.879	1.879	6	343
ZEH10	1.879	+0.006	1.879	1.879	42	286
ZEJ10	1.870	+0.005	1.870	1.865	50	362
ZEK10	1.870	+0.005	1.870	1.870	0	232
ZEM10	1.870	+0.005	1.870	1.870	0	263
ZEN10	1.870	+0.005	1.870	1.870	3	302
ZEQ10	1.870	+0.009	1.870	1.870	8	265
ZEU10	1.864	+0.005	1.880	1.864	7	242
ZEV10	1.876	+0.018	1.880	1.867	7	232
ZEX10	1.870	+0.014	1.885	1.869	7	244
ZEZ10	1.867	+0.016	1.885	1.867	3	272
ZEF11	1.869	+0.024	1.890	1.869	3	214
Daily Volume and Open Interest					257	5,382

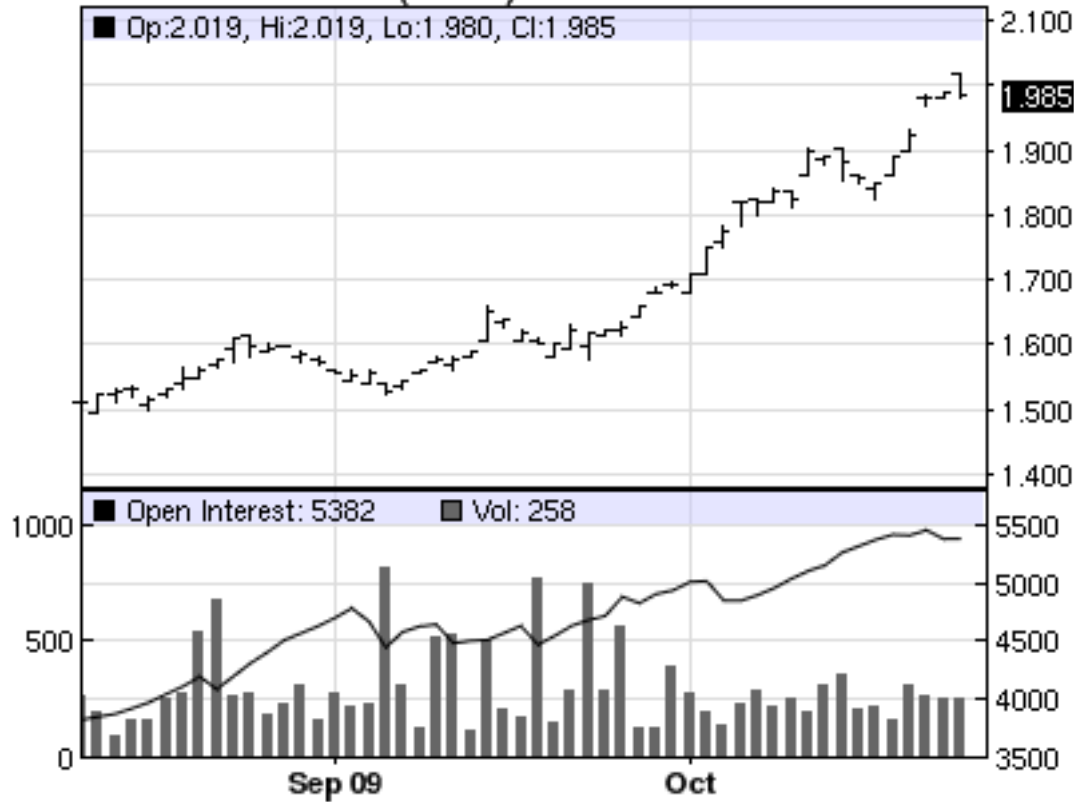
Closes for: Friday October 23

CBOT Ethanol Forward Month Swap

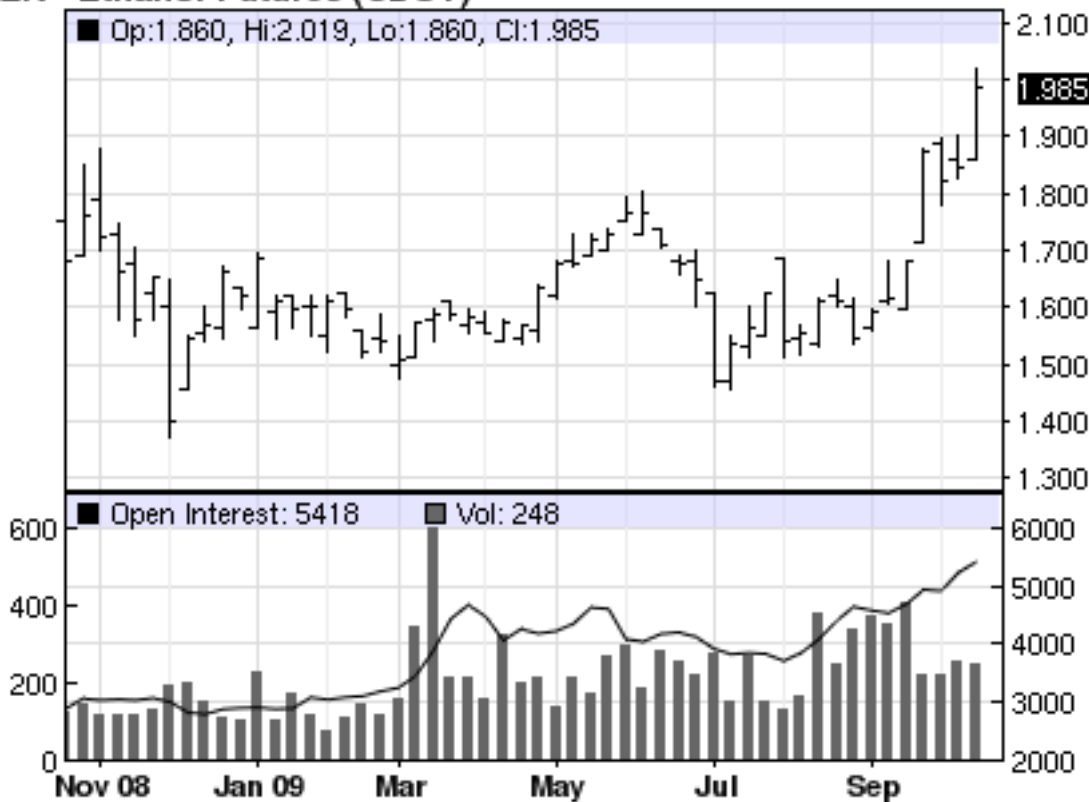
Symbol	Last	Change	High	Low	Daily Volume	Open Interest
FZEV09	1.8630	+0.0076	1.8630	1.8630	0	3962
FZEX09	1.9340	+0.0140	1.9340	1.9340	30	4270
FZYZ09	1.8950	-0.0040	1.8950	1.8950	40	4688
FZEF10	1.8790	+0.0100	1.8790	1.8790	340	3357
FZEG10	1.8790	+0.0060	1.8790	1.8790	340	3143
FZEH10	1.8700	+0.0050	1.8700	1.8700	340	3124
FZEJ10	1.8700	+0.0050	1.8700	1.8700	148	1925
FZEK10	1.8700	+0.0050	1.8700	1.8700	148	1925
FZEM10	1.8700	+0.0050	1.8700	1.8700	148	1925
FZEN10	1.8700	+0.0090	1.8700	1.8700	60	827
FZEQ10	1.8640	+0.0050	1.8640	1.8640	60	827
FZEU10	1.8760	+0.0180	1.8760	1.8760	60	827
FZEV10	1.8700	+0.0140	1.8700	1.8700	30	943
FZEX10	1.8670	+0.0160	1.8670	1.8670	30	943
FZYZ10	1.8690	+0.0240	1.8690	1.8690	30	943
Daily Volume and Open Interest					1,804	33,629

CBOT Ethanol Futures – Daily & Weekly Charts

ZKX09 - Ethanol Futures (CBOT)



ZK - Ethanol Futures (CBOT)

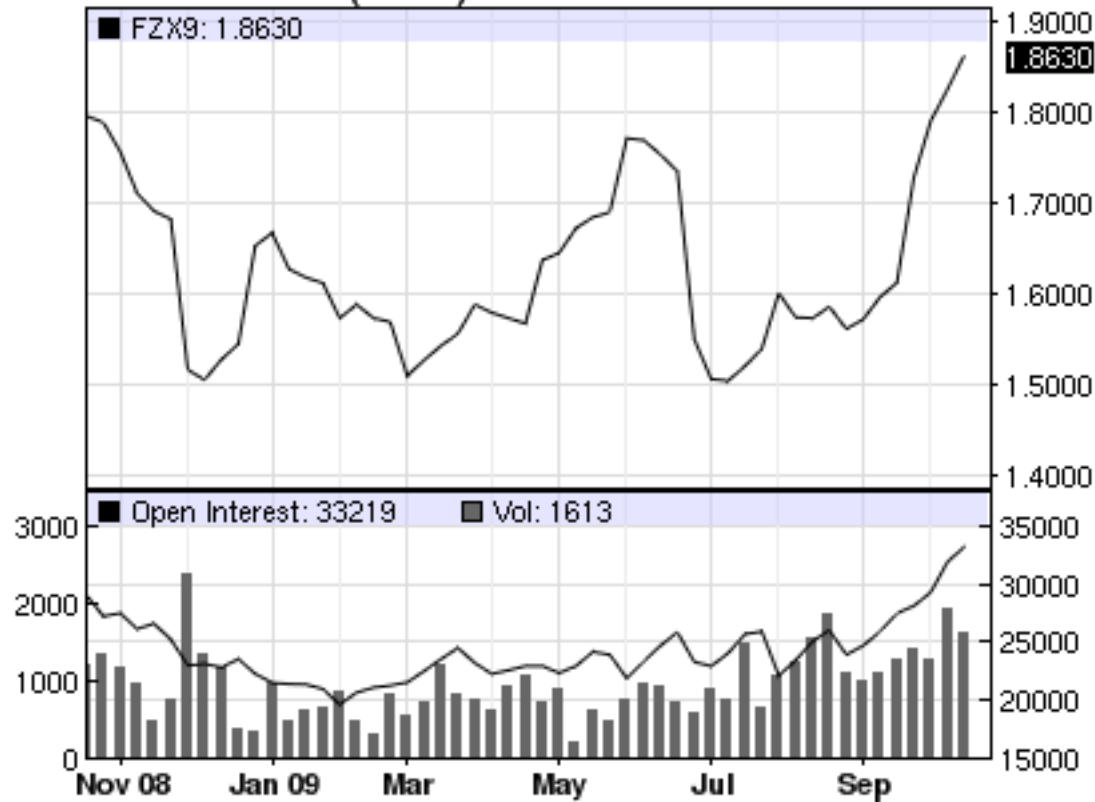


CBOT Forward Ethanol Swaps – Daily & Weekly Charts

FZX09 - Ethanol Forward (CBOT)



FZ - Ethanol Forward (CBOT)



NYMEX Chicago and New York Ethanol (Platts) Swap Futures Prices - Closing Prices

Closes for: Friday October 23

NYMEX Chicago Ethanol (Platts) Swap Futures

Symbol	Last	Change	High	Low	Daily Volume	Open Interest
CUV09	2.0093	-0.0002	2.0093	2.0093	0	817
CUX09	1.9900	+0.0200	1.9900	1.9900	0	435
CUZ09	1.9500	+0.0200	1.9500	1.9500	0	330
CUF10	1.9200	+0.0200	1.9200	1.9200	0	137
CUG10	1.9000	+0.0200	1.9000	1.9000	0	137
CUH10	1.8900	+0.0200	1.8900	1.8900	0	137
CUJ10	1.8700	+0.0200	1.8700	1.8700	0	7
CUK10	1.8700	+0.0200	1.8700	1.8700	0	7
CUM10	1.8700	+0.0200	1.8700	1.8700	0	7
CUN10	1.8700	+0.0200	1.8700	1.8700	0	7
CUQ10	1.8700	+0.0200	1.8700	1.8700	0	6

Closes for: Friday October 23

NYMEX New York Ethanol (Platts) Swap Futures

Symbol	Last	Change	High	Low	Daily Volume	Open Interest
EZV09	2.0878	+0.0115	2.0878	2.0878	0	501
EZX09	2.1500	+0.0200	2.1500	2.1500	0	387
EZZ09	2.0800	+0.0200	2.0800	2.0800	0	308
EZF10	2.0500	+0.0200	2.0500	2.0500	0	72
EZG10	2.0300	+0.0200	2.0300	2.0300	0	34
EZH10	2.0300	+0.0200	2.0300	2.0300	0	20
EZJ10	2.0300	+0.0200	2.0300	2.0300	0	25
EZK10	2.0200	+0.0200	2.0200	2.0200	0	25
EZM10	2.0200	+0.0200	2.0200	2.0200	0	25
Daily Volume and Open Interest					0	1,397

NYMEX Chicago (Platts) Swap Futures Prices - Daily Chart

FLX09 - Ethanol Swaps-Chgo (NYMEX)



NYMEX New York (Platts) Swap Futures Prices - Daily Chart

FHX09 - Ethanol Swaps-NY (NYMEX)



NYMEX Ethanol Physical New York Closing Prices and Chart

Closes for: Friday October 23

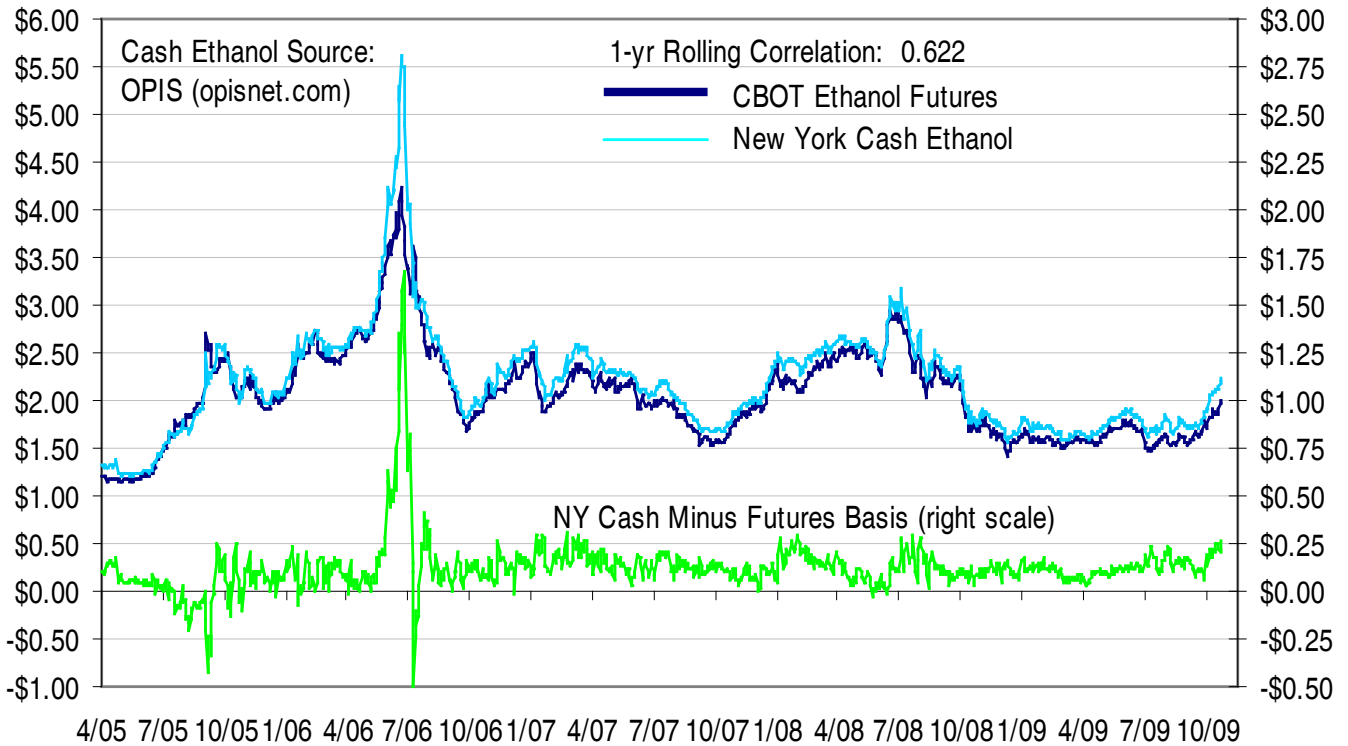
NYMEX Ethanol Physical NY Futures

Symbol	Last	Change	High	Low	Daily Volume	Open Interest
QEZ09	2.0100	unch	2.0100	2.0100	0	0
QEF10	1.9800	unch	1.9800	1.9800	0	0
QEG10	1.9600	unch	1.9600	1.9600	0	0
QEH10	1.9600	unch	1.9600	1.9600	0	0
Daily Volume and Open Interest					0	0

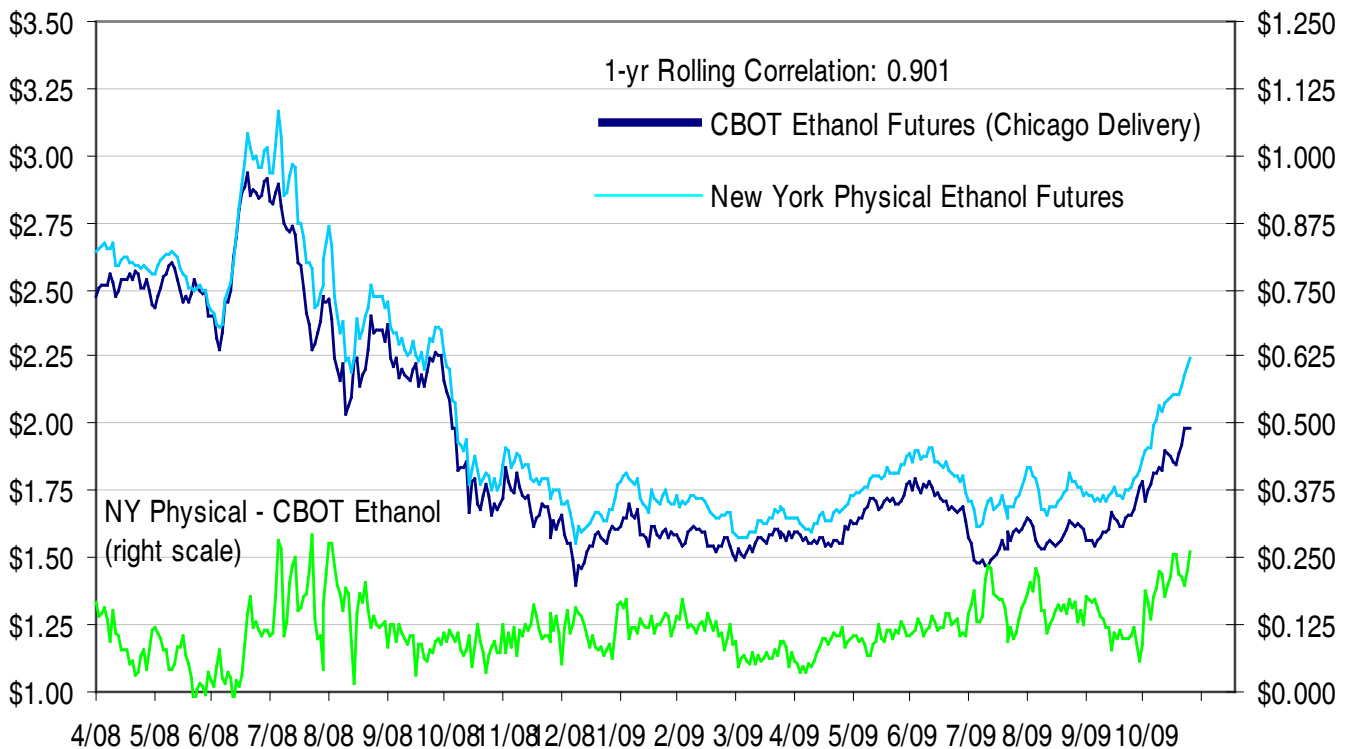
QBX09 - Ethanol Physical-NY (NYMEX)



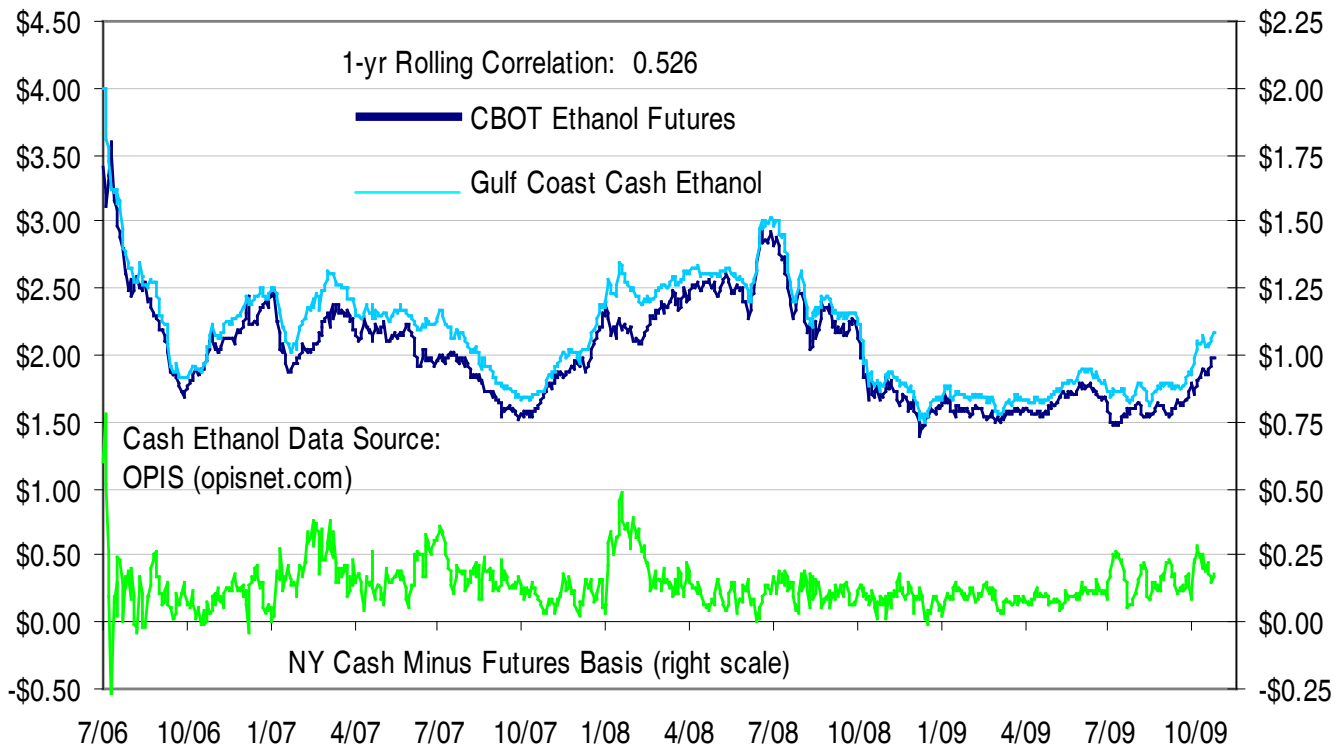
CBOT Ethanol Futures vs New York Cash Ethanol Basis (\$/gallon)



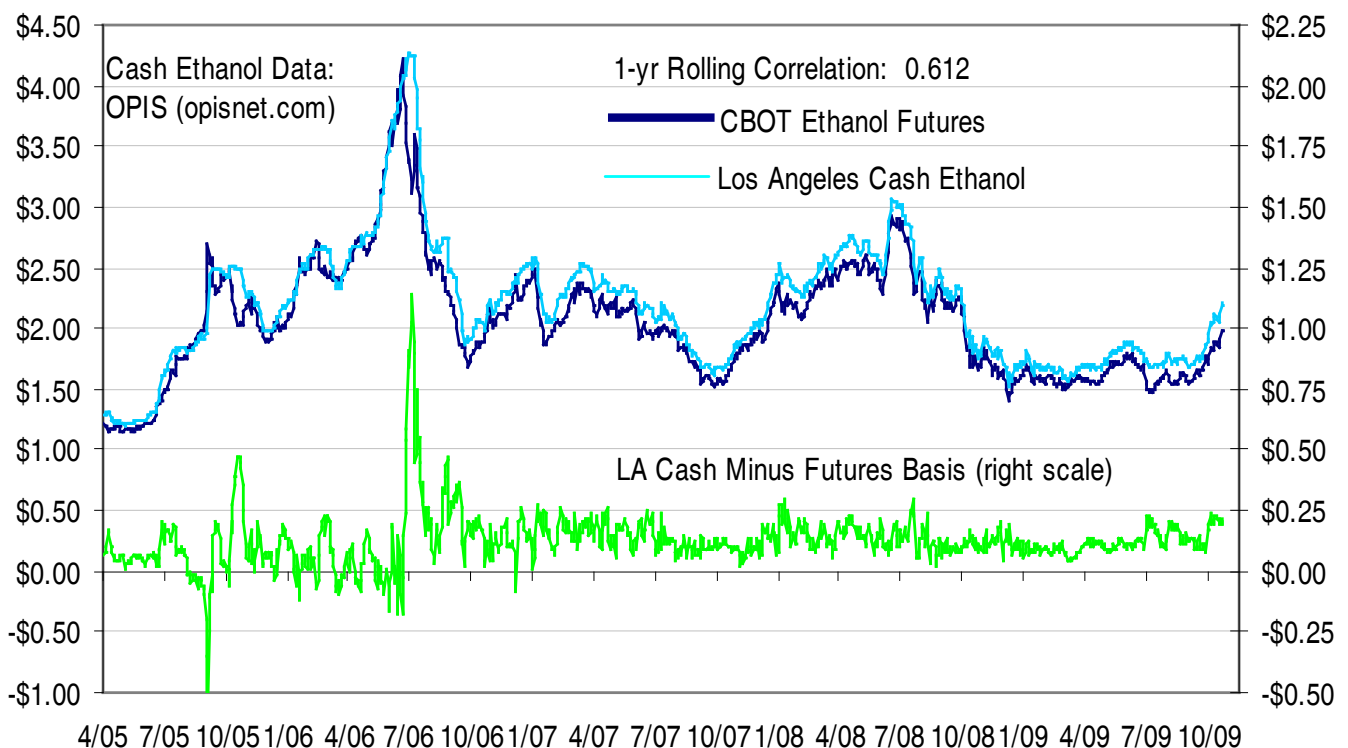
CBOT Ethanol Futures (Chicago) vs NYMEX Ethanol Physical Futures (NY) (\$/gal)



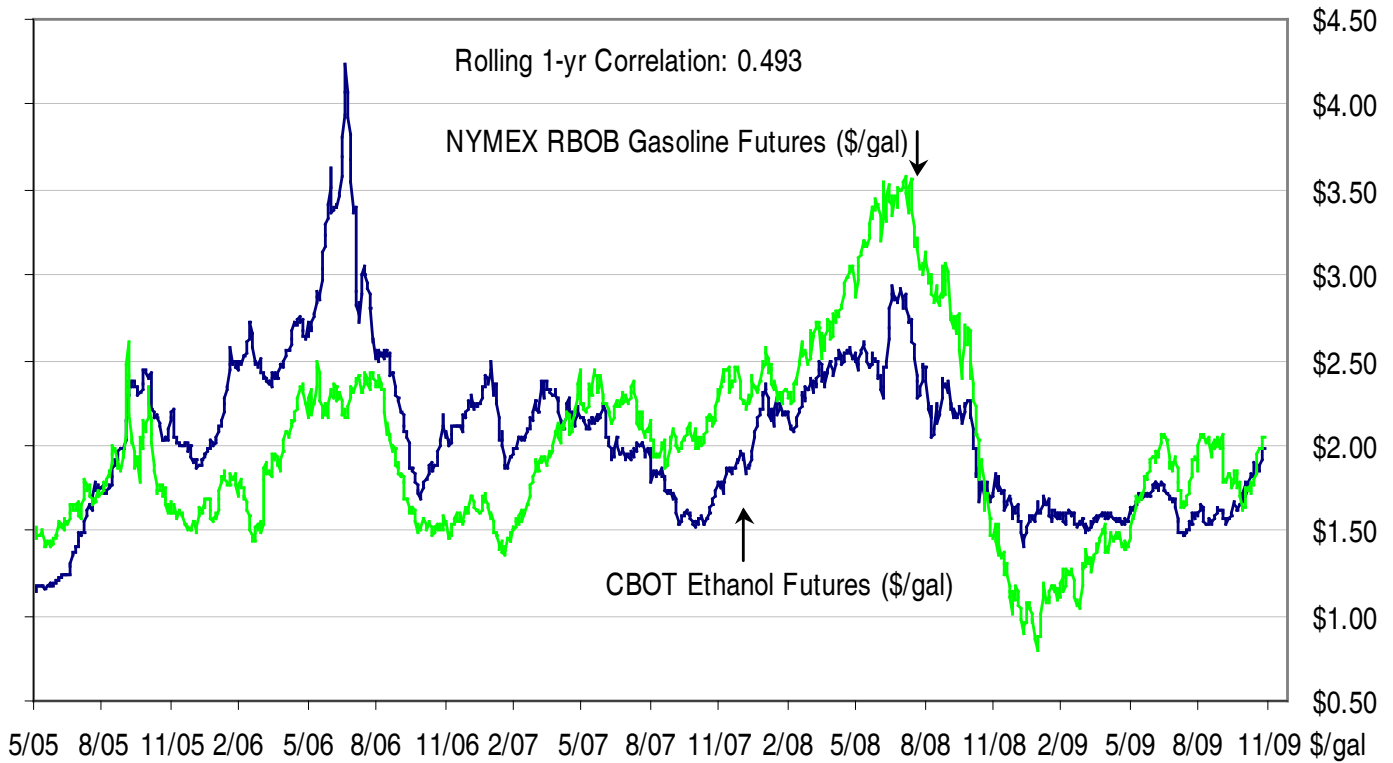
CBOT Ethanol Futures vs Gulf Coast Cash Ethanol Basis (\$/gallon)



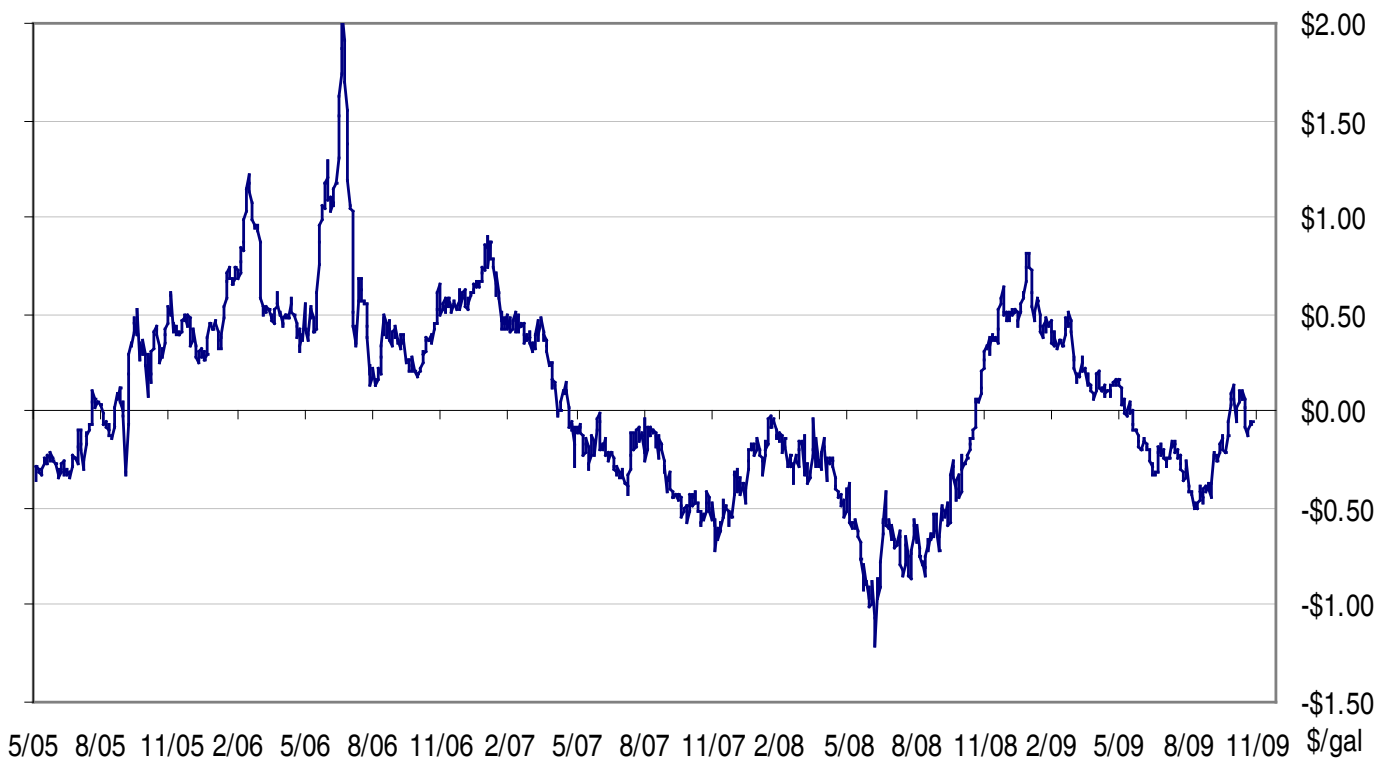
CBOT Ethanol Futures vs Los Angeles Cash Ethanol Basis (\$/gallon)



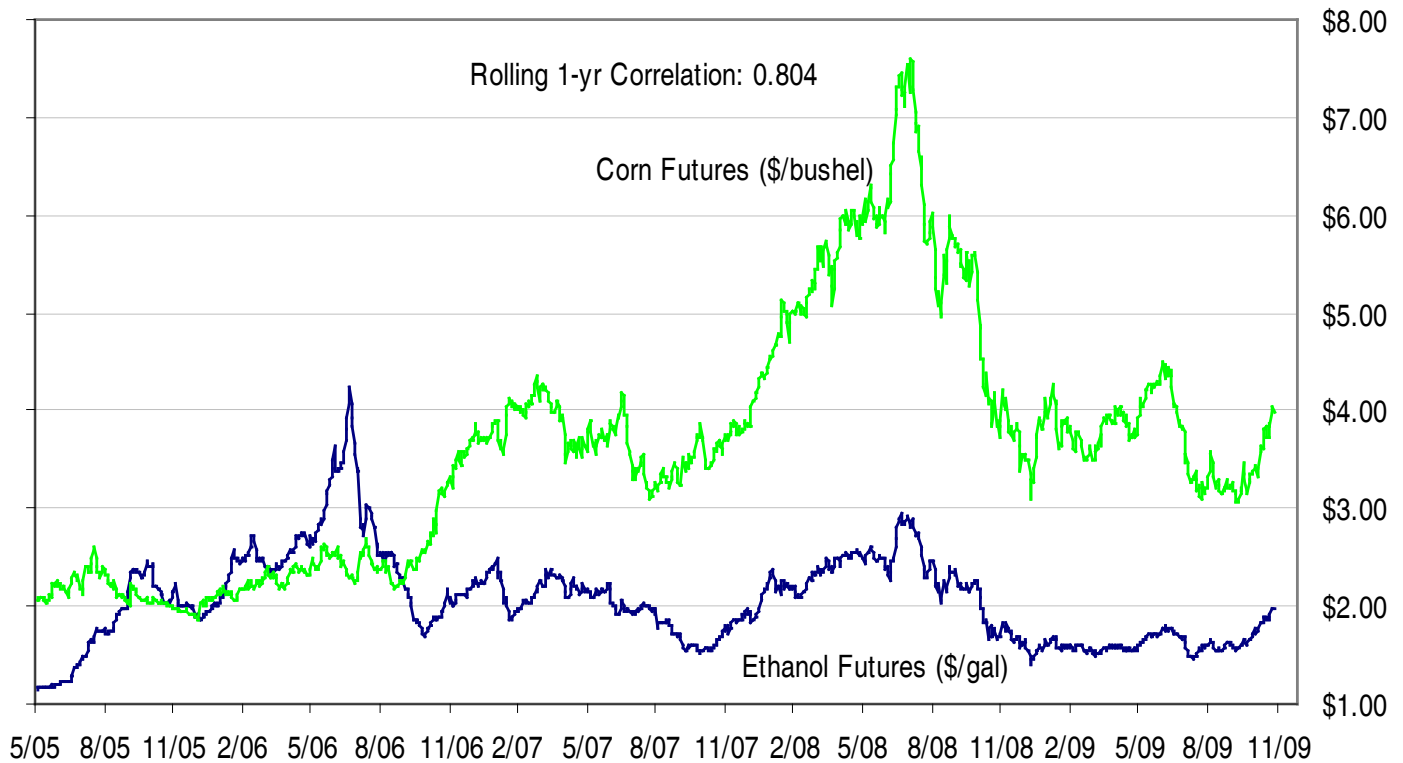
CBOT Ethanol Nearest-Futures versus NYMEX RBOB Gasoline Nearest-Futures



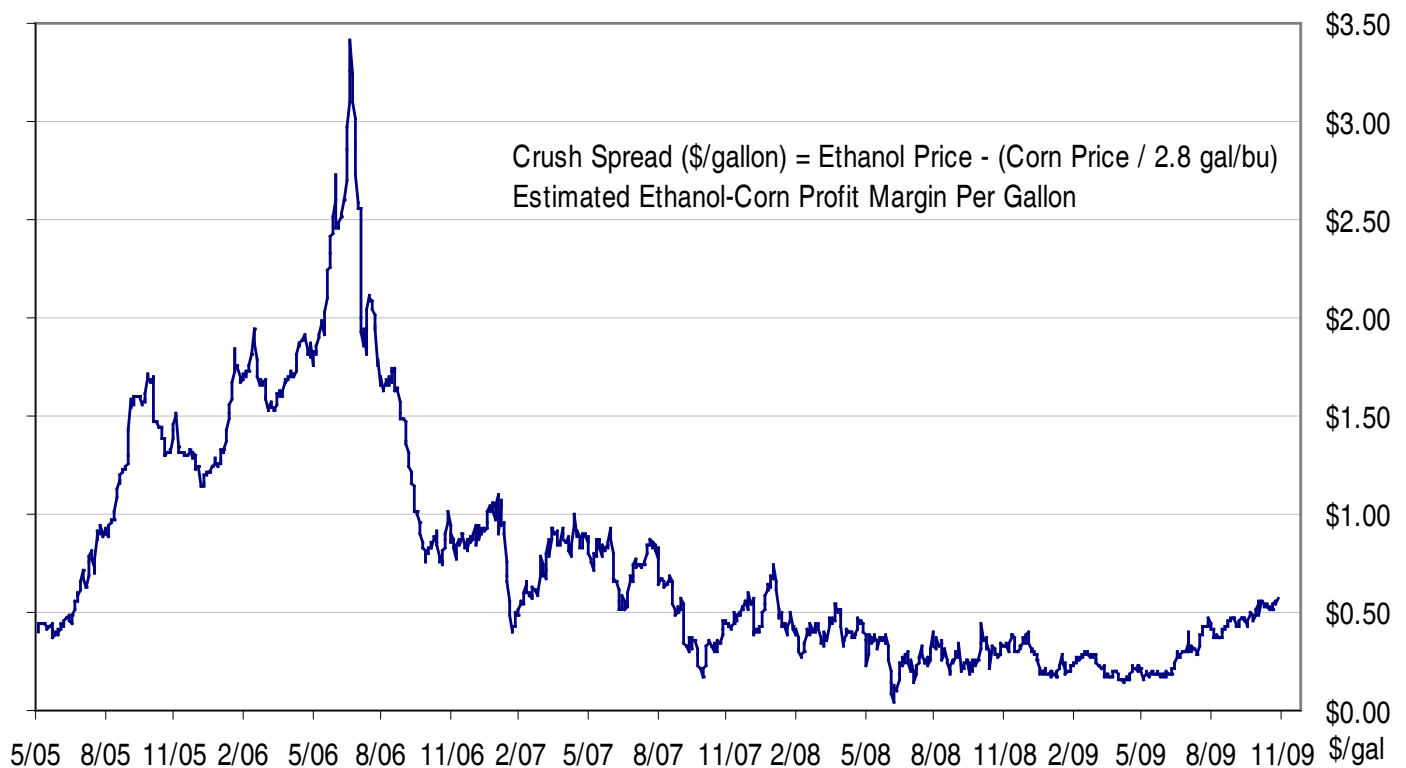
Spread: CBOT Ethanol Futures - NYMEX RBOB Gasoline Futures (\$/gallon)



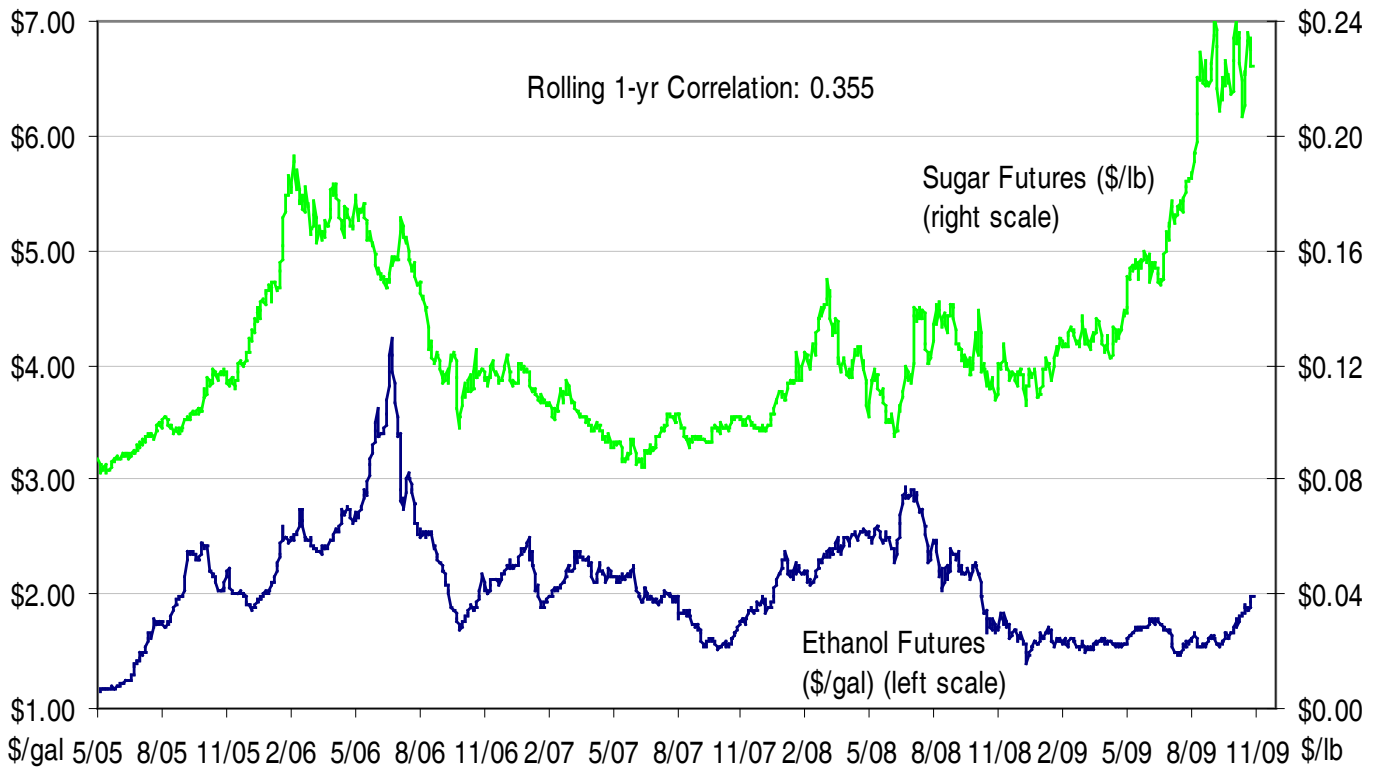
CBOT Ethanol Nearest-Futures versus CBOT Corn Nearest-Futures



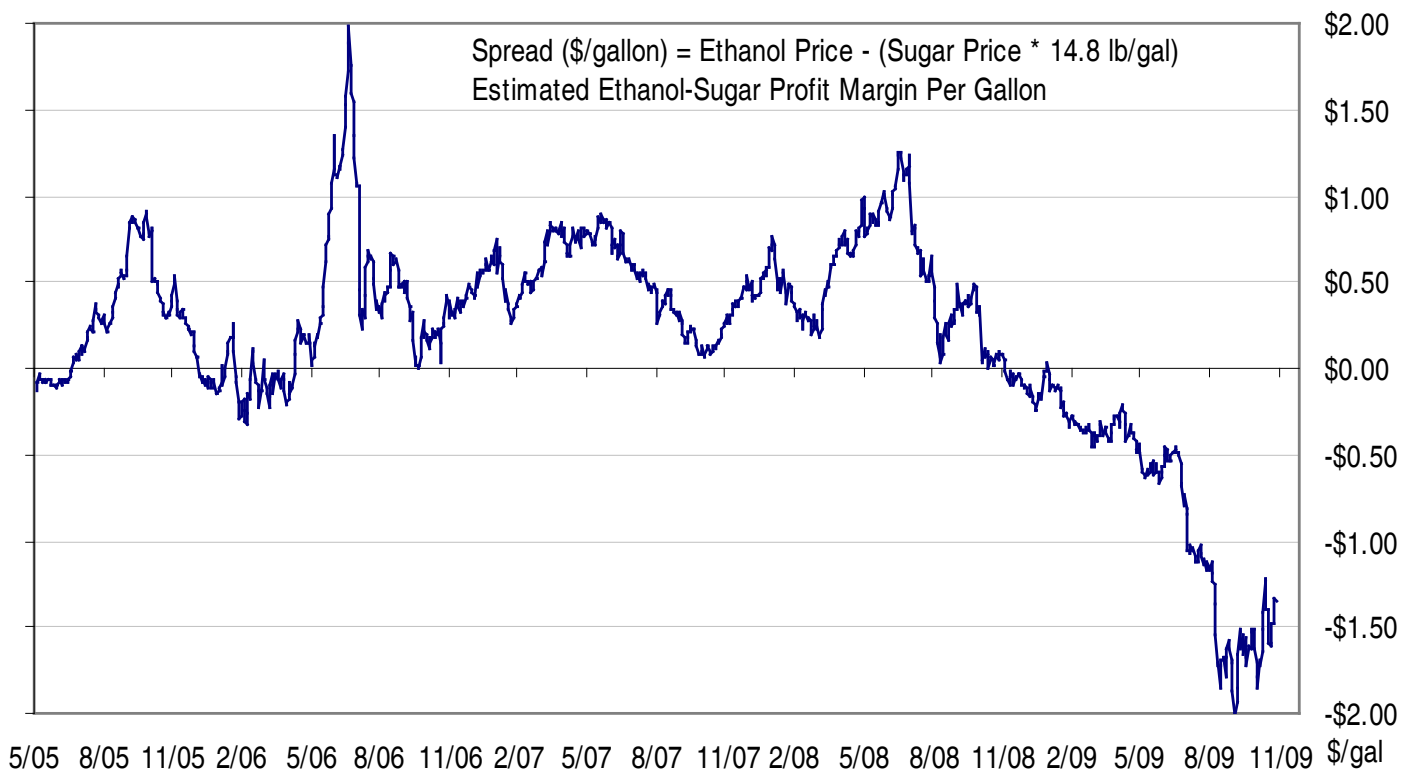
Spread: CBOT Ethanol-Corn Crush Margin (\$/gallon)



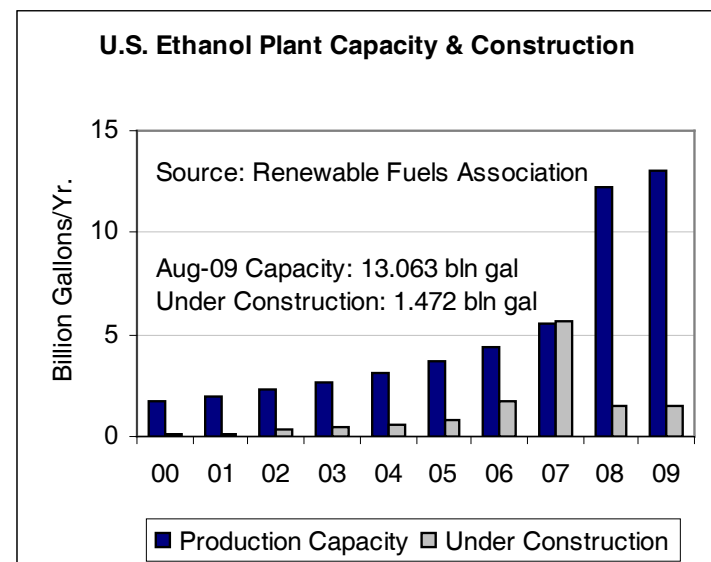
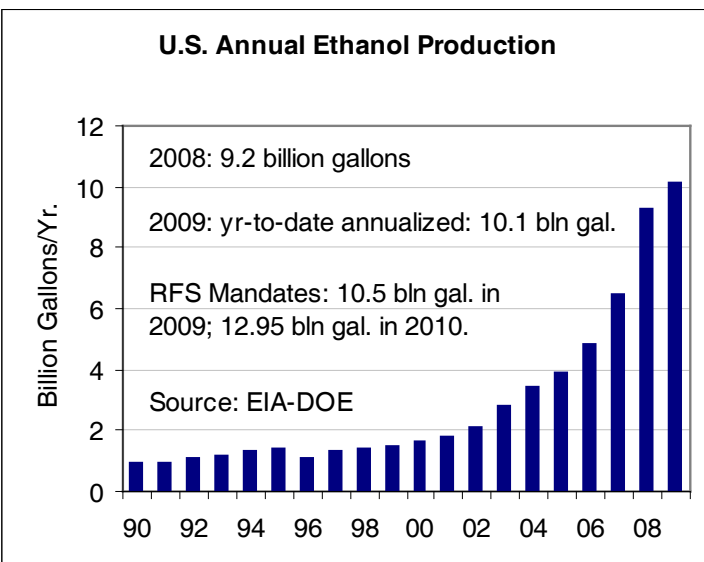
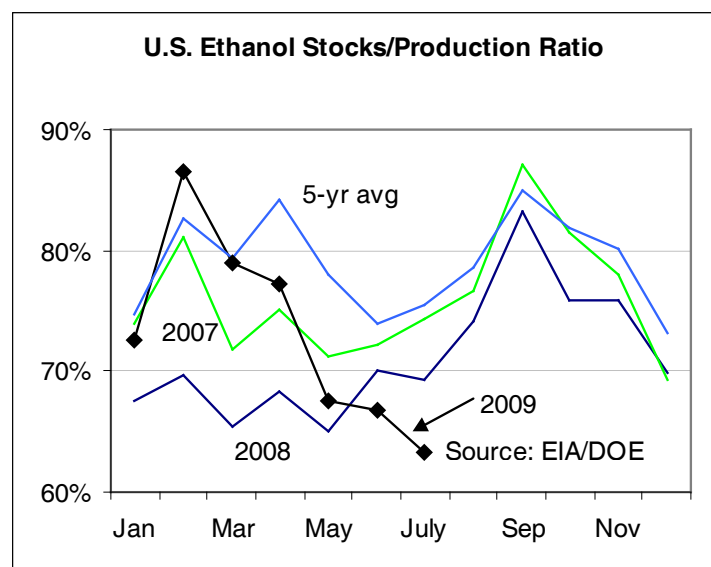
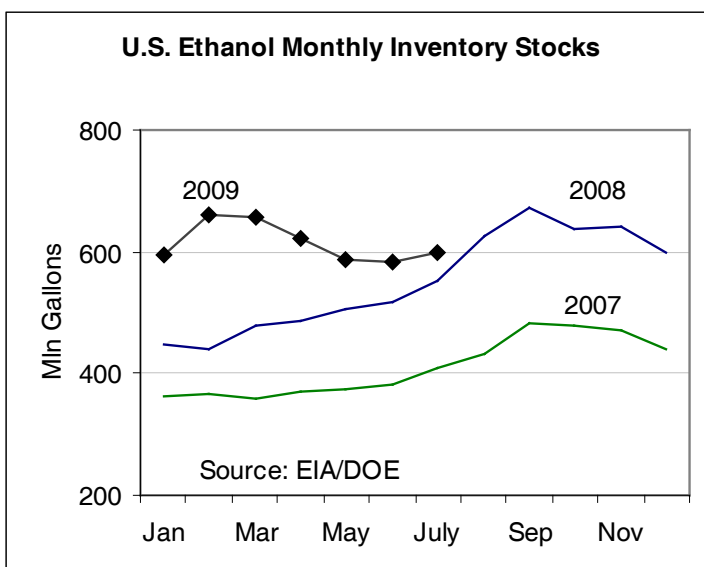
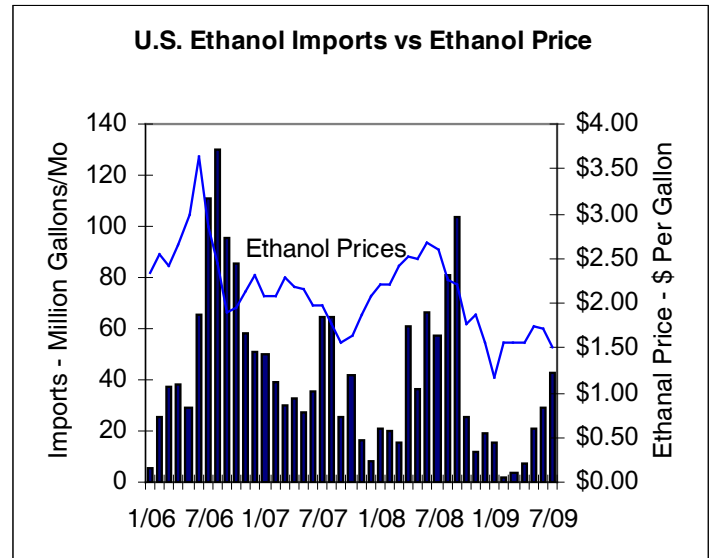
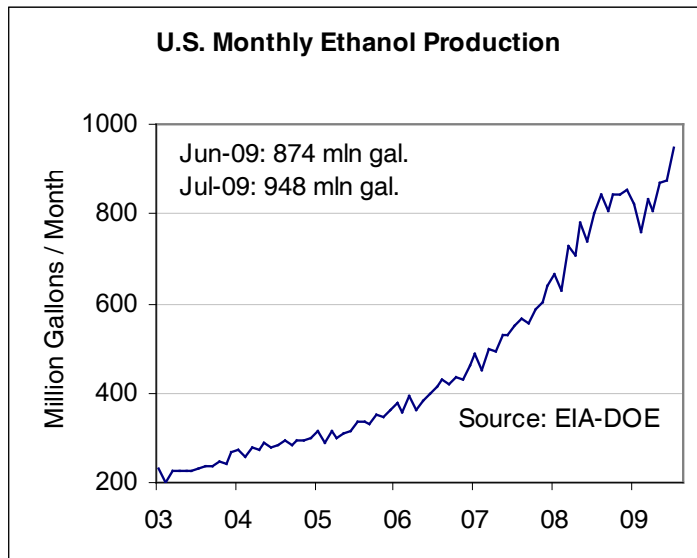
CBOT Ethanol Futures versus World Raw Sugar (#11) Futures



Spread: CBOT Ethanol Futures minus World Raw Sugar (#11) Futures (\$/gallon)



U.S. Ethanol Industry Data



CME Group Ethanol Contracts

Contract	Exchange Symbol	Clearing Symbol	Barchart Symbol	Bloomberg Symbol	Contract Size	Venue	Delivery
CBOT Ethanol Futures (Chicago delivery)	ZE	EH	ZK	DL	29,000 gallons	CME Globex	Physical delivery with seller paying negotiated freight delivery to buyer, or Chicago default delivery.
CBOT Ethanol Forward Month Swap	FZE	71	FZ	FZE	14,500 gallons	CME ClearPort	Cash-settled to the average of the settlement prices for the Ethanol futures contract that follows the Ethanol calendar Swap contract for each business day in the Ethanol Calendar Swap contract month.
CBOT Ethanol Forward Month Swap Options	COS/POS	71	-	-	1 Forward mth swap contract	CME ClearPort	Options are cash-settled on the last clearing day and cannot be exercised at any time
NYMEX Ethanol Physical Futures (NY)	QE	QE	QB	QEE	42,000 gallons	CME Globex	Physical delivery New York Harbor
NYMEX Chicago Ethanol (Platts) Swap Futures	CU	CU	FL	CUA	42,000 gallons	CME ClearPort	Financial settlement, based on the arithmetic average of the high and low quotations from Platts for Chicago Ethanol (Terminal) for each business day during the contract month.
NYMEX New York Ethanol (Platts) Swap Futures	EZ	EZ	FH	TTA	42,000 gallons	CME ClearPort	Financial settlement, based on the arithmetic average of the high and low quotations from Platts for New York Ethanol NYH (Barge) or each business day during the contract month.
NYMEX Ethanol (Platts) T1 FOB Rotterdam Ex Duty Swap Futures	2M	2M	-	BME	100 cu meters	CME ClearPort	Financial settlement, based on the arithmetic average of the mid-point of the high and low quotations from Platts European Marketscan for Ethanol under the "Ethanol fob Rotterdam ex duty" assessment for each business day that it is determined during the contract month.
NYMEX Ethanol (Platts) T2 FOB Rotterdam Including Duty Swap Futures	Z1	Z1	-	ZAE	100 cu meters	CME ClearPort	Financial settlement, based on the arithmetic average of the mid-point of the high and low quotations from Platts European Marketscan for Ethanol under the "Ethanol fob Rotterdam including duty" assessment for each business day that it is determined during the contract month.

Note: All CME ethanol contracts are quoted in terms of US Dollars per gallon and have contracts for each consecutive month.

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