OPIS Ethanol & Biodiesel Information Service

Pricing, News and Analysis for Buying and Supplying Ethanol-Blended Fuel and Biodiesel

February 27, 2012 • Volume 9, Issue 9

In Each Issue ...

Ethanol Futures *(cts/gal contract price)*

	March 12	April 12	May 12	June 12
CBOT	221.00	223.90	226.80	228.80

Settlement Thursday, February 23, 2012 Source: Chicago Board of Trade

Ethanol & Gasoline Component Spot Market Prices

U.S. RINs *(prices in U.S. $/RIN)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
U.S. Ethanol RINs						
Current Yr	0.0230-0.0235	Holiday	0.0220-0.0230	0.0225-0.0240	0.0225-0.0240	0.02306
Previous Yr	0.0019-0.0025	Holiday	0.0010-0.0015	0.0010-0.0015	0.0010-0.0020	0.00155
U.S. Cellulosic RINs						
Current Yr	0.7700-0.7900	Holiday	0.7700-0.7900	0.7700-0.7900	0.7700-0.7900	0.78000
Previous Yr	1.1200-1.1400	Holiday	1.1200-1.1400	1.1200-1.1400	1.1200-1.1400	1.13000
U.S. Biodiesel RINs						
Current Yr	1.4200-1.4600	Holiday	1.4200-1.4400	1.4000-1.4400	1.4000-1.4400	1.42750
Previous Yr	1.3500-1.3900	Holiday	1.3600-1.3800	1.3900-1.4100	1.3900-1.4100	1.38500
U.S. Advanced Biofuel RINs						
Current Yr	0.6700-0.7200	Holiday	0.6850-0.7200	0.6700-0.7200	0.6700-0.7200	0.69688

Chicago *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.1750-2.1850	Holiday	2.1600-2.1700	2.1850-2.2000	2.1850-2.2100	2.18375
B100 SME	4.5600-4.6600	Holiday	4.6900-4.7900	4.6900-4.7350	4.7125-4.7575	4.69938
RBOB Unl	2.4806-2.6106	Holiday	2.6602-2.8152	2.8327-2.9277	2.9386-2.9636	2.77865
RBOB Pre	2.6456-2.7756	Holiday	2.8252-2.9802	2.9977-3.0927	3.1986-3.2236	2.96740
Unleaded	2.4806-2.6106	Holiday	2.6602-2.8152	2.8327-2.9277	2.9486-2.9736	2.78115
CBOB Unl	2.4356-2.5656	Holiday	2.6552-2.8102	2.8277-2.9227	2.9436-2.9686	2.76615
ULSD	2.8289-2.8589	Holiday	2.8843-2.9043	2.8524-2.8724	2.8449-2.9449	2.87388

Chicago Rule 11 *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Current Yr	2.1750-2.2200	Holiday	2.1700-2.1750	2.1900-2.2100	2.1900-2.2100	2.19250

Ethanol Market Overview: Industry get-away keeps market cool

Ethanol markets firmed up from their lowest levels of the week before, but it was on very slender trading across the country in a holiday-shortened week that had many ethanol players abandoning their desks for an annual industry conference in Orlando.

By late in the week, Chicago spot ethanol for February and into March traded up to $2.21/gal, up 3-4cts from week-ago trading ahead of the long Presidents Day holiday weekend. Later word had the Chicago market straddling either side of $2.20/gal late February, with any-March volume fetching $2.20-$2.21/gal.

A healthy indication was that even when corn prices pressed lower at times over the week, ethanol held up and was even talked higher.

Some prompt FOB railcar trading in the Midwest moving out of Nebraska over the last week bounced between $2.03-$2.08/gal at different times during the week, but lately bended to the higher side of range. Still, as with other markets, confirmed physical activity was near nil all week.

Meantime, Midwest rack ethanol prices were mixed over the week. Iowa racks at $2.26/gal on average going into the weekend edged up less than a quarter cent week-to-week, while those in Illinois, at $2.456/gal on average, turned down 1.46cts over the same period.

More ethanol plants trimmed production over the last week but it has yet to put a dent in the overhang of ethanol available in the United States. Since the start of the year ethanol

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New York *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.2400-2.2500	Holiday	2.2300-2.2400	2.2400-2.2500	2.2400-2.2500	2.24250
Ethanol Fwd	2.24000-2.2500	Holiday	2.2400-2.2500	2.2500-2.2650	2.2500-2.2650	2.25125
RBOB Unl	2.9771-2.9871	Holiday	3.0277-3.0352	3.0527-3.0727	3.0886-3.0986	3.04246
RBOB Pre	3.1606-3.1706	Holiday	3.2102-3.2202	3.2277-3.2377	3.2536-3.2636	3.21803
CBOB Unl	2.9706-2.9806	Holiday	3.0227-3.0302	3.0502-3.0677	3.0836-3.0936	3.03740
CBOB Pre	3.1581-3.1681	Holiday	3.2102-3.2202	3.2277-3.2377	3.2536-3.2636	3.21740
Unleaded	3.0156-3.0256	Holiday	3.0752-3.0852	3.0952-3.1052	3.1236-3.1336	3.08240
ULSD	3.2164-3.2264	Holiday	3.2743-3.2843	3.3049-3.3149	3.3249-3.3349	3.28513

For more spot market pricing locations see page 2

Ethanol & Gasoline Component Spot Market Prices (cont.)

Gulf Coast *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.2750-2.2850	Holiday	2.2150-2.2500	2.2200-2.2500	2.2100-2.2600	2.24563
B100 SME	4.7100-4.8100	Holiday	4.7500-4.8500	4.7100-4.8000	4.7325-4.8225	4.77313
RBOB Unl	2.9756-2.9856	Holiday	3.0252-3.0352	3.0455-3.0605	3.0680-3.0780	3.03420
RBOB Pre	3.1756-3.1856	Holiday	3.2152-3.2477	3.2980-3.3130	3.3205-3.3305	3.26076
CBOB Unl	2.9206-2.9306	Holiday	2.9752-3.0077	3.0280-3.0455	3.0505-3.0730	3.00389
Unleaded	2.9856-2.9956	Holiday	3.0252-3.0577	3.0930-3.1105	3.1280-3.1380	3.06670
ULSD	3.1839-3.1889	Holiday	3.2318-3.2433	3.2654-3.2689	3.2824-3.2884	3.24413

Los Angeles *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.3000-2.3200	Holiday	2.2800-2.3000	2.2800-2.3100	2.2800-2.3100	2.29750
CARBOB - R	3.3206-3.3306	Holiday	3.5985-3.6735	3.5730-3.5830	3.5930-3.7080	3.54753
CARBOB - P	3.4406-3.4506	Holiday	3.7485-3.8235	3.6830-3.6930	3.6630-3.7780	3.66003
ULSD	3.1722-3.1822	Holiday	3.2548-3.2648	3.2950-3.3050	3.3750-3.3850	3.27925

Nebraska - fob Railcar *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.0500-2.0700	Holiday	2.0300-2.0500	2.0500-2.0700	2.0400-2.0800	2.05500

Tampa *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.2900-2.3100	Holiday	2.2800-2.3100	2.3000-2.3200	2.2900-2.3300	2.30375

Dallas *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.2100-2.2300	Holiday	2.2000-2.2300	2.2100-2.2400	2.2100-2.2400	2.22125

San Francisco *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.3000-2.3200	Holiday	2.2800-2.3000	2.2800-2.3100	2.2800-2.3100	2.29750

Pacific Northwest *(prices in U.S. $/gal.)*

	Friday 02/17	Monday 02/20	Tuesday 02/21	Wednesday 02/22	Thursday 02/23	Wkly. Avg.
Ethanol	2.2500-2.2600	Holiday	2.2200-2.2500	2.2400-2.2700	2.2300-2.2800	2.25000

Methodology and Definitions

OPIS derives ethanol, gasoline and biodiesel prices from many means, including surveying buyers and sellers via phone/e-mail, and receiving postings electronically from producers and purchasers. While OPIS makes best efforts to insure the accuracy and timeliness of its prices, it in no way guarantees either the accuracy or timeliness of any of the data included herein. Definitions are as follows:

Ethanol Spot Price (Bulk Barge/Rail): These are large quantity pure ethanol deals transacted or being discussed in certain FOB markets.

Brazil Ethanol: Undenatured anhydrous ethanol cargoes, FOB Brazil terminals for export, typically 50,000 bbl or more available 5-30 days from the date of publication. The assessment generally reflects price at the Santos export terminal, though others may be used for assessment purposes.

Block Term Contract Values: These are the three-to-six month contract deals between large buyers and sellers of pure ethanol. Some are done as fixed, and those deals are reported in the "Fixed" column. Other deals are done based on a differential to certain gasoline benchmarks (usually conventional spot unleaded). Those formulae are tracked and reported by market each week in the "Formula"column and calculated (based on the closing Thursday price of the gasoline benchmark) to arrive at a "Formula Calculated" price. All deals ("Fixed" and "Formula") are reported from a weighted average survey.

Bulk Truck Spot Prices (Rack): These are the prices for truck quantities of pure ethanol at storage points in the given market. These prices are not posted – they are offered to buyers given supply and demand dynamics at prices discovered and published by OPIS.

Splash Blend Rack Prices: These are the average of the Thursday closing price that producers and resellers are posting at various rack locations. Typically prices are for small quantities that marketers pull to blend into gasoline to create and deliver ethanol-blended gasoline to accounts.

Splash Blend Producer Prices: These are the average of the Thursday closing price that producers (not resellers) are posting at various rack locations. Typically prices are for small quantities that marketers pull to blend into gasoline to create and deliver ethanol-blended gasoline to accounts.

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output as reported by DOE dropped nearly 4.6%, but that has not yet culled the nation's supply levels. Though ethanol supply only edged up about 0.22% in the last week, it was an increase of 48,000 bbl on top of what was already the fattest ethanol supply level ever recorded by DOE, to reach 21.54 million bbl.

Thus, DOE had the nation's ethanol stockpiles reaching record levels for the third week in a row and running 11.32% ahead of the stock level it reported for the same week last year.

The small net build in ethanol stocks, however, came with a mixed regional showing. For example, the East Coast added 29,000 bbl over the week, up 0.36% to 8.054 million bbl. That had supply in the East 16.32% higher than a year ago. In stark contrast, Midwest stockpiles drained 147,000 bbl on the week, off 2.15% at 6.691 million bbl, down nearly 12.22% when compared to the same week last year.

The Midwest draw was somewhat offset by a big Gulf Coast build that amounted to a 3.4% on the week, adding 132,000 bbl to storage that reached 4.018 million bbl. The week's added stocks also built Gulf Coast ethanol supply up to a 62% year-on-year advantage.

Domestic U.S. ethanol plants pared production nearly 1% over the last week, taking it down 9,000 b/d to average 919,000 b/d, according DOE data for the week of Feb. 17. Following the previous week's uptick in output, the latest week showed production falling back to the lowest rate since mid-November.

The year-on-year comparison still had ethanol producers making 3.5% more material than they did at the same time in 2011.

However, along with at least some rebound from the demand depths for gasoline, DOE also revealed another rise in conventional gasoline blended with ethanol. At 5.188 million b/d for the week, conventional blending with ethanol climbed nearly 3.1% over the previous week to put blending at the highest rate since latter December. Compared to the same week in 2011, conventional gasoline blending with ethanol ran 4.6% higher.

Ethanol Buying Prices in Key Markets

City, State	Ethanol Spot Price (Bulk Barge/Rail)	Block Term Q2-Q3 Contract Values: Fixed	Formula	Formula (calculated)	Bulk Truck Spot Prices (Rack)	Splash Blend Rack Prices	Splash Blend Producer Prices
Albany, NY	218.00	261.50			223.00	N/A	N/A
Houston, TX	223.50	265.50	NYMEX RBOB Unl -34.5	276.86	227.50	N/A	N/A
New Haven, CT	227.75	269.25	NYMEX RBOB Unl -31.5	279.86	N/A	N/A	N/A
New York, NY	224.50	265.75	NYMEX RBOB Unl -35	276.36	228.50	N/A	N/A
Chicago, IL	219.75	254.50	NYMEX RBOB Unl -45	266.36	220.00	N/A	N/A
Louisville, KY	216.00	N/A	N/A	N/A	220.50	N/A	N/A
Minneapolis, MN	214.50	N/A	N/A	N/A	217.00	229.06	228.5
St. Louis, MO	219.00	253.50	NYMEX RBOB Unl -44	267.36	221.00	251	N/A
Los Angeles, CA (90.1)	229.50	267.50	NYMEX RBOB Unl -30	281.36	233.50	400	N/A
Phoenix, AZ	227.25	265.00	NYMEX RBOB Unl -32.5	278.86	N/A	N/A	N/A
San Francisco, CA (90.1)	229.50	267.50	NYMEX RBOB Unl -30	281.36	233.50	N/A	N/A
Pacific Northwest	225.50	N/A	N/A	N/A	N/A	300	N/A

Note: For extensive Splash Blend Producer and Reseller Prices by supplier, please see separate price supplement or call 888-301-2645.

Ethanol Truck & Splash Prices in Key Markets

City, State	Bulk Truck Spot Prices (Rack)	Splash Blend Rack Prices	Splash Blend Producer Rack Prices
Cleveland, OH	221.00	236.15	N/A
Decatur, IL	215.00	247.25	N/A
Des Moines, IA	211.50	222.99	222.22
Doniphan, NE	210.00	224.63	221.31
Fargo, ND	209.00	225.44	225.58
Indianapolis, IN	220.50	246.5	N/A
Kansas City, KS	218.50	227.08	228.96
Madison, WI	221.00	239.1	245
Omaha, NE	212.00	223.47	225.88
Peoria/Pekin, IL	214.00	248.82	N/A
Sioux City, IA	211.00	222.37	222
Sioux Falls, SD	211.00	218.85	219.34
Topeka, KS	218.00	231.55	230.73
Wichita, KS	218.00	232.86	231.55
Denver, CO	222.00	238.5	N/A

Biodiesel maker reveals surging income, output

In its first earnings report since going public earlier this year, Renewable Energy Group (REG) recorded big increases in output and earnings for its latest quarter as well as over the full year 2011.

The Ames, Iowa-based biodiesel maker reported full-year 2011 total revenues of just over $824 million, surging almost 281% over the previous year. At the same time, REG's adjusted earnings before taxes, depreciation and amortization amounted to $107.301 million, up from little more than $8 million the previous year.

In addition, operating income jumped from a loss of $8 million the year before, to $93 million on the plus side in 2011.

Basic and diluted earnings per share ran $3.14 for 2011, versus a loss of $4.28 per share for 2010, the company said.

"Throughout 2011, REG demonstrated its capabilities by growing revenues substantially and acquiring and restarting a large biorefinery," said REG President and CEO Daniel J. Oh. "REG efficiently operated six commercial-scale biorefineries this year. By growing and highly utilizing our capacity, we were able to satisfy surging demand and more than triple our revenues compared to 2010."

The quarterly numbers for REG were also stellar. Adjusted EBITDA at $29.52 million for fourth quarter 2011 shot up nearly 435% from the $5.521 million recorded in the 2010 quarter. Revenue for the quarter topping $266.78 million grew almost 284% against the year-ago quarter.

The company pointed out higher per-gallon pricing for biodiesel and an expansion in gallons sold both year-over-year and quarter-to-quarter.

For all of 2011, REG sold 149.827 million gal of biodiesel, up almost 121% from the 67.872 million gal it moved during 2010. For the latest fourth-quarter alone, REG reported selling 47.512 biodiesel gal, up nearly 126% versus the year-ago quarter.

REG biodiesel prices over the full-year 2011 averaged $5.23/gal, which represented a 58% climb from the $3.31/gal averaged in 2010. For the fourth-quarter 2011, those biodiesel prices retreated a bit, to average $5.20/gal – up 41.3% from what they averaged in the year-ago quarter but down 9.1% from the $5.72/gal average rung up in the 2011 third quarter.

The company also pointed to its 2011 purchase and restart of the idled 30-million-gal/yr plant in Albert Lea, Minn., and the benefits of having a full year of output from two production lines at the 60-million-gal/yr Seneca, Ill., plant that started up the year before, in August 2010.

Plans are to retrofit the Albert Lea facility to expand its ability to run on lower-cost feedstock and bolster its operating margins, said REG.

"Biodiesel demand is growing due to the implementation of Renewable Fuel Standard-2," explained Oh. "Going into 2012, we believe we are well-positioned as the leading producer of biodiesel from low-cost feedstocks in the U.S."

REG-owned or operated biodiesel output capacity tops 210 million gal/yr. The company is also a key crude glycerin producer, a by-product of biodiesel production. In January, REG launched an IPO that raised some $64 million, some of which it recently used to purchase the leased Seneca plant. REG trades on the NASDAQ Global Market under the symbol "REGI."

Crude volumes moving by rail in U.S. doubled in 2011

Up to 90% of the fuel ethanol produced in the U.S. is said to travel by train or truck or some combination of the two, and that "avenue" may be getting a little more crowded by the growing movement of crude oil via rail in the U.S.

Though still dwarfed by the volume and scale of oil moving by pipeline, rail is a mode of transportation that producers and refiners have turned to in ever greater numbers.

Natural gas and oil boom areas such as North Dakota have seen petroleum production push transportation infrastructure to the limit, often outpacing it. Storage bottlenecks in Alberta, Cushing, and parts of the Gulf Coast have given rise to a number of pipeline projects (involving both new and existing lines) near term and longer term but many aren't waiting for those solutions. Demand for rail cars as well as for barges and trucks has been very strong and is expected to go on rising as long as oil output exceeds capacity to transport it.

According to the Association of American Railroads (AAR), the volume of crude oil railed in 2011 doubled in just a year's time.

The industry group doesn't regularly segregate its data on petroleum, but did so in its latest monthly report.

AAR's best estimate is that crude oil accounts for about 14% of its petroleum and petroleum products category, up from 2% in 2005, 3% in 2009 and 7% in 2010. Carloads of crude oil in the U.S. (including those traveling on the U.S. subsidiaries of Canadian railroads) totaled about 65,000 in 2011. At 30,000 gallons, or 714 barrels, per carload, that's approximately 127,151 barrels of crude oil per day that moved by rail last year.

The petroleum products that AAR groups together with crude oil in its data include liquefied petroleum gases, asphalt, fuel oil and lubricating oils. Some 75% of the increase in carloads that AAR saw in the category in 2011 appears to be due to a rise in carloads of crude oil.

In January 2012, carloads of petroleum and petroleum products increased by 6,148, or 22.3%, compared to January 2011. Among all the commodity categories AAR tracks – including corn – oil saw the second-highest year-on-year gain after metallic ores. The top three categories in terms of carload volumes – grain, coal and chemicals – all saw year-on-year declines in January, with grain volumes off 15.4%, according to AAR.

Still, U.S. rail carload volumes overall eked out a 0.1% increase in January, "equivalent to about a dozen good-sized trains over the course of the month," AAR said.

E15 coming, but hurdles still in place

Orlando – With EPA's approval last week of health effects testing data for blends of 15% ethanol (E15), the ethanol industry moved one step closer to allowing the fuel blend to get to the street. However, the process is far from over, panelists recently explained at the Renewable Fuels Association (RFA) annual ethanol industry conference.

In 2011, the agency finalized its waivers allowing for 2001 and newer vehicles to run on higher ethanol blends up to E15, and also released a new label that must appear on gasoline pumps that dispense the fuel blend. However, the fuel is not yet been registered with EPA, and therefore cannot be legally sold.

Over the last week, EPA approved Tier 1 and Tier 2 health effects testing data for E15, which had been submitted by RFA and Growth Energy. "With RFA/GrE's [Growth Energy's] permission, E15 fuel/fuel additive manufacturers may rely on RFA/GrE submissions for completing the Tier 1 and Tier 2 portions of their applications," EPA explained last week. "To submit a complete application, each E15 fuel manufacturer must also submit specified information about its company.

"EPA will act on complete applications as they are received. An E15 fuel manufacturer may introduce E15 into commerce only after EPA has approved its registration application and the fuel manufacturer meets the misfueling mitigation conditions," the agency noted.

"As of today, there are 10 E15 registrations [submitted by ethanol producers] sitting on EPA's desk, waiting for their processing," Kristy Moore, vice president of Technical Services for RFA, told the conference.

But how quickly can retailers start selling E15, asked panel moderator Chuck Woodside, CEO of KAAPA Ethanol. According to Moore, "it is going to be a complication rollout," with state regulation approval and education efforts left to complete. She noted that EPA's approval of 2001 and later model year vehicles to use E15 represents about 65% of vehicles on the road today.

Scott Zaremba, owner of Zarco 66 Inc. branded under Phillips 66, has eight fueling locations in four counties in Kansas, he told attendees. He is in the process of rolling out blender pumps at all of his locations, with a goal of having them installed by the end of this year. Zaremba currently offers E15 for flexible fuel vehicles at three locations, but said he is "moving forward as quickly as possible" to offer E15 for all 2001 and later model year vehicles.

Meanwhile, Grady Chronister, owner of Chronister Oil Co., operates 12 locations in central Illinois, all unbranded, he told attendees. He sells approximately 40 million gal/yr of gasoline at his stations, with "ethanol being a big component of our mix," he said, in the form of E10 and E85. "E15 is something I want to offer, but I've got two things to consider," he said at the conference. First, is the fuel blend legal, with signage at the station, and second, will consumers want to buy the fuel.

As Chronister and Zaremba both explained, while higher ethanol blends are nothing new to owners of flexible fuel vehicles, which can use blends up to 85%, they only encompass a small percentage of vehicles on U.S. roads. But the E15 market for 2001 and later vehicles will comprise approximately 65% of the fleet, they reiterated.

Zaremba noted that he could sell E15 for approximately 5-10cts/gal below the price for E10. "There is a huge opportunity for us," he said.

Both Chronister and Zaremba said education – not concerns about misfueling – is the major hurdle for the industry.

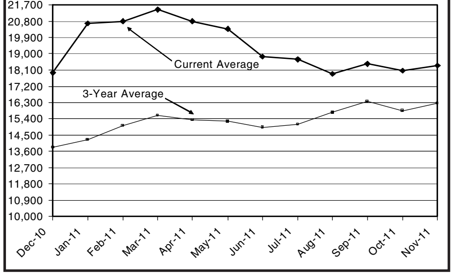
However, during the question and answer portion of the panel, one woman urged the industry to redouble its education efforts through a public relations campaign, suggesting the industry needed a celebrity endorsement just as Willie Nelson did for biodiesel. "Handing out pamphlets ain't going to cover it," she said. "Get on TV and persuade Americans" to use the fuel, she added.

Key Supply & Demand Statistics

Source: EIA. All statistics shown in thousands of bbl.

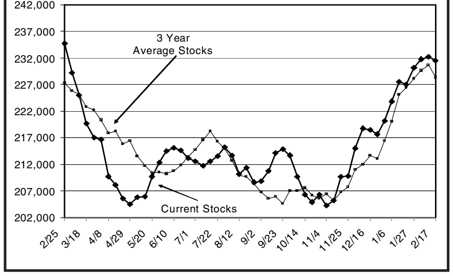
Ethanol Supply

Ethanol	Current	Prev Mo	3-Yr Avg
PADD 1 Inventories	6,099	6,010	7,206
PADD 2 Inventories	6,491	6,733	6,788
PADD 3 Inventories	3,157	2,837	2,594
PADD 4 Inventories	293	241	210
PADD 5 Inventories	2,303	2,251	2,131
Total Inventories	**18,343**	**18,072**	**18,928**



Gasoline Supply

Gasoline	Current	Last Week	3-Yr Avg
PADD 1 Inventories	64,100	61,900	61,833
PADD 2 Inventories	56,400	57,200	55,300
PADD 3 Inventories	73,000	74,000	73,400
PADD 4 Inventories	7,200	7,400	6,667
PADD 5 Inventories	30,800	31,600	31,067
Total Inventories	**231,500**	**232,100**	**228,267**



Ethanol Production

Ethanol	Current	Prev Mo	3-Yr Avg
PADD 1	552	516	505
PADD 2	26,001	25,844	23,113
PADD 3	795	783	475
PADD 4	447	440	390
PADD 5	540	509	284
Total Production	**28,335**	**28,092**	**24,767**

Gasoline Production

Gasoline	Current	Last Week	3-Yr Avg
PADD 1	2,729	2,768	2,527
PADD 2	2,189	2,183	2,213
PADD 3	1,899	1,896	2,684
PADD 4	303	309	316
PADD 5	1,516	1,513	1,514
Total Production	**8,636**	**8,669**	**9,254**

Stock Market Movers:
Codexis head steps down

In its second major executive change this year, Codexis heads into March as President and CEO of Codexis Alan Shaw resigned this month "to pursue other interests." Shaw will continue to serve as a special advisor to the board of directors.

The company has appointed Peter Strumph who has been with Codexis since 2010, as its interim CEO. While shares of biotech company Codexis "will undoubtedly see some pressure ... we actually think that a change at the top can provide just the catalyst (pun intended) that Codexis needs to reassess its market positioning and clarify its strategy – long a weak spot for the company, in our view," analysts at Raymond James explained in a recent client note.

A new enzyme developed by Denmark-based Novozymes reportedly cuts costs and performs better than any other advanced biofuel technology yet developed.

Novozymes recently claimed its Cellic CTec3 enzyme advances the cause of advanced biofuel commercialization and narrows the production cost gap with biodiesel and ethanol.

Other enzyme producer, Solazyme saw profits fall in the last quarter of 2011. Even so, it is emboldened by faster-than-expected progress in a brand-new Defense Department contract, the company reported. Although last year saw a $1 million increase in gross profits from 2010 to $39 million, fourth-quarter revenue was $14.9 million, down from $23.2 million for the same three months of the prior year, Solazyme said this week.

Finally, in its first earnings report since going public earlier this year, Renewable Energy Group (REG) recorded big increases in output and earnings for its latest quarter as well as over the full year 2011.

REG reported full-year 2011 total revenues of just over $824 million, surging almost 281% over the previous year. At the same time, REG's adjusted earnings before taxes, depreciation and amortization amounted to $107.301 million, up from little more than $8 million the previous year.

In addition, operating income jumped from a loss of $8 million the year before, to $93 million on the plus side in 2011.

Weekly Biofuels Stock Performance

Company		Symbol	2/23/11	2/16/11	change	% change
Amyris	↓	AMRS	5.74	6.22	-$0.48	-8.36%
Andersons	↑	ANDE	45.93	41.96	$3.97	8.64%
Archer Daniels Midland	↑	ADM	31.75	31.23	$0.52	1.64%
Aventine Renewable Energy	↓	AVRW	3.10	3.20	-$0.10	-3.23%
Biofuel Energy	↑	BIOF	0.66	0.62	$0.04	6.06%
Bluefire Ethanol Fuels	↑	BFRE.OB	0.560	0.410	$0.15	26.79%
Bunge	↑	BG	67.83	66.27	$1.56	2.30%
Cosan	↑	CZZ	13.96	13.35	$0.61	4.37%
Codexis	↓	CDXS	3.98	4.65	-$0.6700	-16.83%
Green Earth Technologies	↓	GETG.OB	0.170	0.200	-$0.030	-17.65%
Green Plains Renewable Energy	↑	GPRE	11.43	10.83	$0.60	5.25%
GreenHunter Energy	↑	GRH	2.880	1.560	$1.32	45.83%
GreenShift	↓	GERS	0.1000	0.110	-$0.0100	-10.00%
Gushan Environmental Energy	↓	GU	1.240	1.260	-$0.020	-1.61%
Novozymes	↑	NVZMY.PK	30.62	29.45	$1.17	3.82%
OriginOil	↓	OOIL.OB	1.520	1.580	-$0.06	-3.95%
Pacific Ethanol	↑	PEIX	1.110	1.070	$0.040	3.60%
Renewable Energy Group	↑	REGI	9.77	9.580	$0.19	1.94%
KiOR	↓	KIOR	10.44	12.32	-$1.880	-18.01%
Solazyme	↑	SZYM	12.86	12.18	$0.680	5.29%
SunOpta	↑	STKL	5.27	5.24	$0.03	0.57%
Texcom Resources	↔	TEXC.PK	0.190	0.190	$0.00	0.00%
Valero Energy	↑	VLO	25.80	25.35	$0.45	1.74%
Verenium	↑	VRNM	2.57	2.52	$0.05	1.95%
DJIA	↑	DJI	12984.69	12904.08	$80.61	0.62%

Inside Washington:
Biodiesel lobbyists push for larger mandate; E15 progresses

While both houses of Congress in recess this past week, biofuel lobbying groups took the opportunity to try to influence lawmakers and regulators to shape future renewable fuels policy.

The National Biodiesel Board (NBB) and some of its members came to Washington, D.C., to push for the 2013 EPA-proposed increase in the biodiesel mandate to 1.28 billion gallons.

The NBB members represented a handful of states, including Iowa, North Carolina, Pennsylvania, Missouri, Rhode Island, Illinois, Kansas, South Dakota and Minnesota, NBB spokesman Ben Evans confirmed, although he did not indicate which companies they represented or which specific agencies or congressional members they would visit. A visit to the White House was also on the agenda.

"The focus of this visit is raising awareness about how important it is to our industry that the administration follow through with the EPA's proposed 2013 volume increase for biomass-based diesel in the RFS," Evans said.

In June 2011, EPA proposed to raise the biomass-based diesel requirement from 1 billion gal in 2012 to 1.28 billion gal for 2013. In late December 2011, when EPA finalized the 2012 RFS2 carve-outs, the agency said it was "continuing to evaluate the many comments on the NPRM [notice of proposed rulemaking] from stakeholders, and are not finalizing an applicable volume for 2013 BBD at this time." The agency said it would issue the 2013 standard "as expeditiously as possible."

"Our members will be visiting with agency officials and members of Congress to show them how the RFS has impacted their businesses and boosted their local economies," Evans continued. "In most cases, these are small businesses who have hired additional employees over the last year in part as a result of the RFS and the success it has had in stimulating biodiesel production. We want to get the message through to the administration that we need to continue that growth and momentum," he added.

The NBB members will also urge congressional members to extend the $1/gal biodiesel tax incentive that expired at the end of 2011. "We know there will be only a handful of opportunities for passing significant legislation this year, so we'll be emphasizing the urgency of that issue on the Hill," Evans said. "Clearly given what happened in our industry last year, those two policies – the tax incentive and the RFS – worked as intended to stimulate record production of biodiesel," he added.

Meanwhile, in comments submitted before the Senate Agriculture Committee last week, the American Soybean Association (ASA) urged for support of several biodiesel-based initiatives as part of the next farm bill.

The 2008 Farm Bill included an energy title, with several biofuel components, and biofuel supporters are hopeful those provisions will be included in the next iteration of the bill.

Groups rally to support cellulosic fuel

At the same time as NBB's Washington visit, the Biotechnology Industry Organization (BIO) and Union for Concerned Scientists (UCS) joined the Advanced Ethanol Council (AEC) in support of cellulosic biofuel. The groups called for EPA to deny the joint petition from refiners requesting that the agency retroactively waive the 2011 cellulosic biofuel Renewable Volume Obligation under the renewable fuels standard (RFS2).

In January, the National Petrochemical & Refiners Association (NPRA, now known as the American Fuel & Petrochemical Manufacturers), the American Petroleum Institute and the Western States Petroleum Association jointly filed a petition with EPA, requesting the agency waive the entire 2011 cellulosic biofuel volume requirement of 6 million gal under RFS2 because it appears no cellulosic biofuel was produced last year.

Refiners view the cellulosic biofuel volume requirement as a tax, since if no cellulosic biofuel volumes are available, obligated parties are required to purchase credits of the fuel.

As OPIS reported in January, assuming, as expected, that no commercial-scale volumes of cellulosic biofuel was produced in 2011, obligated parties under RFS2 could spend approximately $6.78 million on credits to comply with the requirement, since waiver credits are valued at the greater of 25cts or $3 minus the nationwide average wholesale price of gasoline. For the 2011 compliance year, EPA priced the credits at $1.13/gal.

EPA must act on the petition within 90 days, although the petroleum groups requested that EPA make a more expeditious decision.

"The technology for cellulosic biofuels is ready, but commercialization has been slowed by the economic downturn and the accompanying lack of financing," wrote BIO President and CEO Jim Greenwood, in a Feb. 15 letter to EPA Administrator Jackson. "Stability of policy, therefore, is crucial for the industry's pathway to commercialization," he said.

E15 moves forward

Also last week, ethanol producers gathered in Orlando for the Renewable Fuels Association (RFA) annual meeting had reason to cheer as 15% blends of ethanol (E15) cleared a significant regulatory hurdle.

EPA announced its approval of health effects testing data for the fuel blend at mid-week. The Tier 1 and Tier 2 health effects testing data had been jointly submitted by RFA and Growth Energy.

In 2011, the agency finalized its waivers allowing for 2001 and newer vehicles to run on higher blends of ethanol up to E15, and also released a new label that must appear on gasoline pumps that dispense the fuel blend. However, the fuel has not yet been registered with EPA, and therefore cannot be legally sold.

National Renewable Fuels Averages

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
218.438	240.289	244.984	--.--	300.771	261.157	324.257

Biodiesel B100 Rack w/out RIN	Biodiesel B100 Rack w/RIN	Biodiesel B20 w/ULSD	Biodiesel B20 w/LSD	Biodiesel B5 w/ULSD	Biodiesel B5 w/LSD	Biodelsel B2 w/ULSD	Biodiesel B2 w/LSD
541.720	528.036	346.369	340.500	337.328	--.--	333.414	329.387

Key Renewable Fuels Regional Averages

NORTHEAST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
224.500	--.--	--.--	--.--	310.971	266.975	329.587

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
490.500	521.167	352.315	--.--	346.004	--.--	342.657	--.--

SOUTHEAST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
224.500	237.000	248.888	--.--	306.632	283.862	347.707

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
532.500	525.000	346.880	--.--	340.336	--.--	340.485	--.--

GULF COAST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
223.500	252.028	240.750	--.--	304.175	255.881	313.638

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
530.000	506.855	328.933	--.--	333.323	--.--	333.900	--.--

MIDWEST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
212.875	234.301	233.772	--.--	297.979	254.341	305.807

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
577.896	505.475	337.750	340.500	329.296	--.--	324.348	329.387

ROCKIES

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
223.500	246.458	243.000	--.--	269.791	238.790	305.332

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
600.000	--.--	333.254	--.--	322.858	--.--	307.620	--.--

WEST

Ethanol Spot	Ethanol Rack w/out RIN	Ethanol Rack w/RIN	Ethanol Blended Rack Gasoline (5.7%)	Ethanol Blended Rack Gasoline (10%)	E85 Racks	E85 Retail (w/tax)
--.--	253.900	400.000	--.--	324.121	328.040	358.577

B100 w/out RIN	B100 w/RIN	B20 w/ULSD	B20 w/LSD	B5 w/ULSD	B5 w/LSD	B2 w/ULSD	B2 w/LSD
515.079	559.286	369.469	--.--	352.051	--.--	345.427	--.--

News of the Week:

Friday, February 17

Groups join calls for EPA to deny refiners' petition to waive cellulosic RFS

The Biotechnology Industry Organization and Union for Concerned Scientists are joining calls for EPA to deny the joint petition from refiners requesting that the agency retroactively waive the 2011 cellulosic biofuel Renewable Volume Obligation under the renewable fuels standard.

The Advanced Ethanol Council made a similar request on Thursday.

Magellan adding ethanol storage, distribution to Texas terminal

Magellan Midstream Partners announced this morning it is adding ethanol storage and distribution services at its Mt. Pleasant, Texas, facility.

The $2 million project, to be operational in early March, includes the conversion of a 17,000 barrel tank and a new sequential blending system, the company announced. The terminal will receive ethanol via truck.

Primus debuts its renewable, high-octane, low-RVP gasoline

New Jersey-based Primus Green Energy, which plans to build a drop-in fuel plant in Pennsylvania, announced Thursday it has produced its first sample of renewable drop-in gasoline.

The sample was produced "through a proprietary combination of biomass conversion technologies that transforms herbaceous and woody biomass, in conjunction with natural gas, into high-octane gasoline," the company explained.

Primus Green Energy operates a pilot plant in New Jersey, where the sample of its renewable drop-in gasoline was produced. The company is planning to break ground next year on a commercial plant in eastern Pennsylvania to produce 4.8 million gal/yr of gasoline from wood pellets and non-food, herbaceous crops.

EPA approves E15 health effects testing data

EPA has moved one step closer to allowing up to 15% ethanol blends (E15) in gasoline, with the agency announcing this afternoon its approval of health effects testing data for the fuel blend. The Tier 1 and Tier 2 health effects testing data had been jointly submitted by the Renewable Fuels Association (RFA) and Growth Energy.

In 2011, the agency finalized its waivers allowing for 2001 and newer vehicles to run on higher blends of ethanol up to E15, and also released a new label that must appear on gasoline pumps that dispense the fuel blend. However, the fuel has not yet been registered with EPA, and therefore cannot be legally sold.

EPA probes Navistar for potential CAA violations

The U.S. EPA quietly began investigating Navistar Inc. late last month for compliance issues with the Clean Air Act. Each violation carries a fine of up to $37,000.

A letter to Navistar from the EPA, dated Jan. 30, was first published by industry blog Commercial Motor.

According to the letter, EPA's analysis of the data submitted by Navistar in response to the EPA's Nov. 3, 2010 information request, Navistar completed assembly of over 7,600 HDDEs (Subject Engines) after Dec. 31, 2009, yet is claiming those engines to be MY2009.

This is not the first run-in between EPA and the truck company. In a March 2009 lawsuit, Navistar claimed the agency failed to follow proper rulemaking procedure in establishing compliance guidelines that the truck company argued allowed competing SCR technology systems to evade emissions standards when out of DEF.

Monday, February 20

Codexis CEO Alan Shaw resigns

Biotech company Codexis announced late Friday that President and CEO Alan Shaw, who had been with the company since its inception, has resigned "to pursue other interests."

The resignation is effective immediately and the company has appointed Peter Strumph as Codexis' interim CEO.

"We are grateful to Alan for his many years of service in leading Codexis from its inception and are pleased that he has agreed to serve as a special advisor to the Board," said Thomas Baruch, chairman of the board for Codexis Inc.

American Soybean Assoc. pushes for biodiesel-based programs in farm bill

In comments submitted before the Senate Agriculture Committee last week, the American Soybean Association (ASA) urged for support of several biodiesel-based initiatives as part of the next farm bill.

The 2008 Farm Bill included an energy title, with several biofuel components, and biofuel supporters are hopeful those provisions will be included in the next iteration of the bill.

"There are several Energy Title programs in which soybean producers have a strong interest, including the Biobased Market Program (Section 9002), the Biodiesel Fuel Education Program (Section 9006), and the Bioenergy Program for Advanced Biofuels (Section 9005)," ASA wrote in its comments.

Tuesday, February 21

Analysts: Codexis CEO departure is opportunity for company

While shares of biotech company Codexis "will undoubtedly see some pressure" on the news, announced late Friday, that President and CEO Alan Shaw had resigned, "we actually think that a change at the top can provide just the catalyst (pun intended) that Codexis needs to reassess its market positioning and clarify its strategy – long a weak spot for the company, in our view," analysts at Raymond James explained in a client note issued this morning.

RPMG to market ethanol for White Energy Holding

Renewable Products Marketing Group (RPMG) has been tapped to market the ethanol for White Energy Holding Co., RPMG announced on Monday.

White Energy operates ethanol plants in Hereford and Plainview, Texas, as well as Russell, Kan., with a total combined production capacity of 284 million gal/yr.

"RPMG is pleased to add White Energy's production to its existing marketing base, bringing our total marketed production close to 1.5 billion gallons," said RPMG CEO Doug Punke. The marketing agreement with White Energy begins on April 1.

RFA study touts economic benefit to ethanol production

The production of an estimated 13.9 billion gal of ethanol in 2011 directly employed 90,200 Americans and an additional 311,400 Americans found work in industries indirectly affiliated with ethanol production, the Renewable Fuels Association (RFA) touted in a just-released study.

"The ethanol industry continues to make a significant contribution to the economy in terms of job creation, generation of tax revenue and displacement of imported crude oil," according to the study, commissioned by RFA and conducted by CARDNO Entrix. "The importance of the ethanol industry to agriculture is particular notable. Continued growth and expansion of the ethanol industry into new technologies and feedstocks will enhance the industry's position as the original creator of green jobs and will enable America to break its dependence on fossil fuels," the study noted.

New chairs at helm of National Biodiesel Accreditation Commission

Two officials from Inspectorate America Corp. and Renewable Energy Group were recently elected to help lead the National Biodiesel Accreditation Commission (NBAC), the National Biodiesel Board announced on Monday.

Specifically, Scott Fenwick, biofuels technical business manager for Inspectorate America will be chairman and Dave Slade, director of technical services for REG, will be vice chairman.

Spokesman: ADM expects slightly larger layoff total

The anticipated overall layoffs at Archer Daniels Midland (ADM) will be slightly larger than expected, a company spokesman confirmed to OPIS today.

In January, ADM announced that it was eliminating approximately 1,000 positions, representing 3% of its total workforce worldwide, in an effort to "streamline its organizational structure."

As ADM spokesman David Weintraub confirmed to OPIS on Tuesday, the company now expects to eliminate more than 1,200 positions globally. The initial layoff total of approximately 1,000 positions didn't include ADM's recently announced closures of its Walhalla, N.D., ethanol plant and the ending of a bioplastics joint venture in Iowa, he explained.

Murex, Pine Lake Corn Processors ink ethanol marketing pact

Murex will soon be the new ethanol marketer for Iowa-based Pine Lake Corn Processors (PCLP), the companies said today.

The agreement is to take effect on April 19 of this year.

PLCP operates a 30-million gal/yr ethanol plant in Steamboat Rock, Iowa, and is located on the Iowa River Railroad (IARR). PLCP – along with partners Railroad Material Salvage Inc., Prairie Land Cooperative and United Suppliers Inc. – in 2006 launched IARR, a short line operating 41 track miles between Ackley and Marshalltown.

Thursday, February 23

RFA: RFS2, support for cellulosic biofuel needed for ethanol's growth

Orlando – The U.S. ethanol industry has provided numerous benefits to the economy, environment and toward energy security, and while its long-time tax incentive is no longer in place, the industry continues to need public policy support if its contributions are to remain, Renewable Fuels Association President Bob Dinneen told attendees here this morning at the start of his group's annual conference.

"[M]ore than 30 years after the emergence of the U.S. ethanol industry, we have always innovated, we have always led and our best days are still ahead of us," Dinneen told the approximately 1,200 attendees.

Solazyme tests marine renewable diesel, reports quarterly revenue drop

South San Francisco-based Solazyme saw profits fall in the last quarter of 2011 yet is emboldened by faster-than-expected progress in a brand-new Defense Department contract. Also, a new renewable diesel substitute has been tested in oceanic environments.

Although last year saw a $1 million increase in gross profits from 2010 to $39 million, fourth-quarter revenue was $14.9 million, down from $23.2 million for the same three months of the prior year, Solazyme said this week.

The renewable crude company chalked up the drop to a $15 million license payment from chemical and nutritional firm Roquette in 4Q FY'10, three times the size of a license payment received in the last three months of 2011.

Advanced ethanol industry needs to overcome credibility, policy obstacles

Orlando – The advanced biofuels industry needs to overcome both its credibility gap and policy uncertainties before widespread commercial production will be seen, panelists explained here this morning during the Renewable Fuels Association's (RFA) annual conference.

"There is an elephant in the room," Bill Brady, president and CEO of cellulosic biofuels developer, as well as chairman of the Advanced Ethanol Council (AEC), admitted to attendees. "In 2006/2007, there were a lot of promises made and a lot of hype created around [second generation biofuel] plants being built around that time. It didn't happen and I think it didn't happen for a lot of different reasons," he said. "There is a credibility gap in the industry. But I think what we are seeing now is a number of companies who have attracted meaningful partners ... and [are] putting together some serious, well-funded plans," he said.

Advanced bio firm: New enzyme nears parity with ethanol costs

A new enzyme developed by Denmark-based Novozyme reportedly cuts costs and performs better than any other advanced biofuel technology yet developed.

Novozymes claims its Cellic CTec3 enzyme advances the cause of advanced biofuel commercialization and narrows the production cost gap with biodiesel and ethanol.

Advanced biofuel makers have struggled to achieve commercial scale production despite a U.S. blending mandate that's been in place since 2007.

Each of the past three years, the U.S. EPA has severely reduced its blending target for cellulosic biofuel to reflect the paucity of commercial availability.

In Key Commodity Markets:

In finished markets...

Media headlines started to take notice of the winter rally in gasoline prices, mostly owing to the swift rise in pump postings. The latter half of the week featured a three-day gasoline futures rally that took paper prices up more than a dime from last week, pointing to still higher prices ahead.

The apprehension over street prices, besides the media-driven black eye it may give to the petroleum industry, is that it could dull already historically dismal demand so far this year as drivers pare back mileage amid the sharply higher costs. The nationwide average for retail gasoline prices recently topped $3.60/gal, the earliest point on record.

At last word, the nationwide average price at the pump stood more than 40cts/gal higher than it did a year ago, and climbed nearly 12cts week-on-week, to $3.647/gal, according to AAA, in conjunction with OPIS and Wright Express. The average price tacked on more than 3cts on Thursday alone, putting pump prices up more than 25cts in the past month and more than 35cts in the last two months.

It is the earliest time of year on record that retail gas prices breached $3.60/gal. When pump prices hit their record peak in 2008, the $3.60 mark was not topped until May.

One of the more notable figures to come out of DOE's weekly supply report was sizable increase in gasoline demand for the week ending Feb. 17. It was the second weekly increase in a row, with gasoline demand implied from DOE figures jumping 461,000 b/d from the previous week, to the highest level thus far in 2012, at 8.628 million b/d.

Some market watchers were unimpressed with DOE data, attributing the weekly lift in gasoline demand to the President's Day holiday plus advanced buying by marketers ahead of obvious oncoming price increases. ...Others noted that even with the week-to-week advances, demand figures remained low for this time of year. During the same week last year, gasoline offtake ran nearly half a million bbl higher and, on a four-week rolling average, current figures still ran 6.1% behind the same four weeks in 2011.

Additionally, many analysts expect demand numbers to remain lax for now, largely due to the highest street prices ever for this time of year amid cost-conscious consumers and a still-shaky economy.

"We usually trend higher on futures from February to March," said one paper trader. "This year we started a little early and at a much higher starting point – much higher – and it starts hurting demand."

The DOE report also revealed overall gasoline supply drawn 700,000 bbl, to 231.5 million bbl. Inventories of all gasoline varieties trail year-ago supply by nearly 7 million, which is not a huge number but may make some players skittish heading into the RVP transition season. Gasoline output remained relatively flat nationally, at 8.637 million b/d.

Meantime, RBOB futures on the NYMEX settled front-month March at $3.1136/gal, up 2.59cts Thursday and 6.65cts week-to-week. The April contract, which reflects the RVP transition grade, held a 17.44cts premium to the prompt month and climbed 8.44cts over the same week.

Spot gasoline markets also moved higher, but some were battered by a series of violent swings. In the Chicago market, aggressive that selling took spot discounts versus the Merc into the 60cts range dried up this week with the shift to lower RVP fuel. CBOB in the Windy City traded 14.5cts under the Merc by Thursday, for an outright price of $2.9686/gal that was still the cheapest gasoline market in the country.

West Coast gasoline also featured price whiplash. Los Angeles CARBOB shifted sharply higher Thursday as cash premiums exploded to 42cts/gal over the Merc, before cooling to a 36.25cts differential and an outright price at $3.6505/gal. That still had L.A. BOB running more than 68cts over the BOB trading in Chicago, but down from the near dollar differential those two markets ran the previous week.

In natural gas...

Most cash gas markets firmed up through the week even as did paper markets that, however, started to waver in the face of a health weekly storage draw that still left plump supply on hand.

Henry Hub spot gas climbed 8cts Thursday and at $2.68/mmbtu moved 21cts ahead of its week-ago price. Chicago Citygate gas trading prompt at $2.77/mmbtu also gained 8cts on the day, adding 17cts week-to-week. Weaker futures on Thursday, even in the face of mildly supportive inventory moves, were seen as a possible drag on cash prices ahead of the weekend – a weekend that was again forecast to deliver warmer winter weather to large areas of the eastern U.S.

Spot gas just about everywhere remained well south of its year-ago trading price. On Feb. 23, 2011, Henry Hub cash values ran $3.83/mmbtu, $1.15 ahead of the current price. That difference is as indicative as anything else of the role that fat supply and healthy production played in the gas market over the last year.

Supply did ebb somewhat over the last week, DOE said in its weekly report citing BENTEK Energy figures. The agency also noted a widespread decline in demand following a weather-related rise the previous week. "Domestic consumption fell 15.5%, but was 9.7% greater than last year," said the agency adding that "BENTEK data show the use of natural gas for power generation is higher than last year in seven of the eight regions it reports."

The agency also reported U.S. natural gas stockpiles drew 166 bcf lower week-to-week, a bit more than most analysts and market watchers expected and well over the historical average for the week. However, it was not enough to push NYMEX gas futures into the black Thursday as front-month March contracts settled down 2.2cts, at $2.621/mmbtu. Gains through most of the week still left the contract up 5.4cts compared to its week-ago price and well over the $2.425/mmbtu settled low reached by the middle of the previous week.

Market sources pointed out that even with the higher week-to-week draw than many expected, gas supply is still heavily padded for this time of year. Indeed, DOE figures had overall stored gas levels for the week almost 41% ahead of the same week last year and more than 40% over the five-year average. Supply in the nation's producing region topped 44% over that of a year ago, and nearly 53% over the 5-year regional supply average, according to DOE data.

In addition, winter will start to wind down as the nation exits February, with correspondingly less and less chance of cold weather to boost U.S. gas demand, so many expect the draw-down season to end at or near record-high gas supply levels.

WSI did offer a prediction of a cooler-than-normal spring in areas of the Northeast, but most of the nation still appeared to be headed for normal to above-normal weather.

Encana said it curtailed gas production and spending, while Chesapeake said it pulled back output by 1 bcf/day. Industry sources peg overall output cuts due to low prices at around 2 bcf/day, but DOE figures still do not reflect much impact on the supply overhang.

Meantime, the 6-month Merc strip averaged nearly $2.88467/mmbtu by the Thursday settle, up 5.3cts week-to-week. That also had the strip price running almost 20.47cts over Henry Hub cash values, down from a premium of almost 31.2cts a week ago.

In corn...

By Thursday CBOT corn futures were up slightly over the last week of trading, though there was no distinctive pattern in a week that featured a small shift up. March corn futures added 1.25cts Thursday to settle at $6.385/bu gained 3.25cts week-to-week, while May corn also up 1.25cts on the day settled with a 2.75cts advantage a week ago.

It was also notable that while the old crop contracts edged up, new crop values moved into the red Thursday. The December CBOT contract shed 5.75cts Thursday, settling at $5.5875/bu.

Many traders had jockeyed position ahead of the Thursday-Friday USDA forum meeting, with various expectations of higher corn acreage, which ultimately came in at 94 million acres – no change from the earlier USDA forecast but representing the most devoted to corn since before the end of World War II.

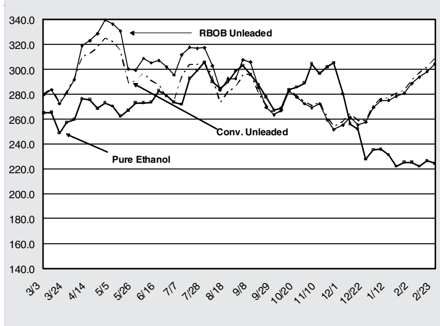
Such a bearish acreage report put more weight on new crop values, as seen in CBOT trading. Earlier in the week, corn price support came from forecasts of wet weather in parts of South America, namely Argentina and Brazil, that could hamper the unfolding corn harvests.

Dollar moves over the week were also influencing U.S. corn markets, especially with stronger corn export demand of late, but by Thursday the greenback trimmed its losses against the euro.

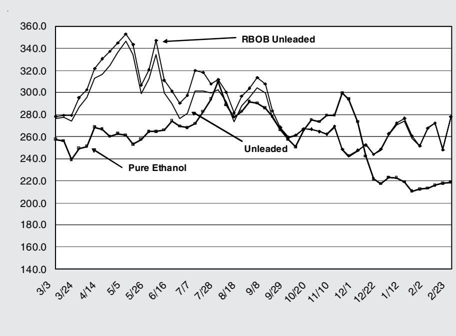
By late in the week, sources reported cash corn basis for ethanol plant purchases holding flat. Kansas City No. 2 truck yellow corn bids climbed to $6.56-$6.60/bu over the last week, up 4-6cts. At the same time, Chicago No. 2 yellow corn bids climbed 3.25-5.25cts, ranging from $6.2450-$6.5150/bu.

Ethanol vs. Spot Unl. and "BOBS" in Key Markets

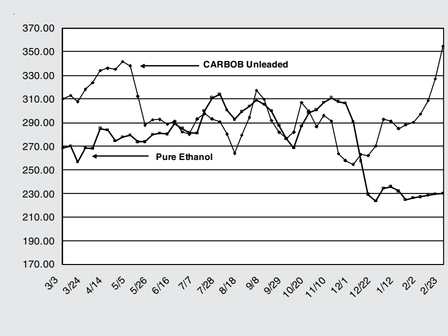
New York



Chicago



Los Angeles



Note: OPIS Refined Spots and Ethanol averages are based on full-day prompt assessments for each market.

In biodiesel...

Pulled up by the overall surge in petroleum prices over the last week, on-road diesel rack prices easily outstripped small gains at the biodiesel rack, tightening the average premium for biodiesel.

On average, B100 racks at $5.349/gal nationwide edged up 2.3cts week-to-week, but on-road diesel gains neared 8.9cts over the same week. With average diesel prices running $3.313/gal, the outright extra cost for B100 averaged $2.036 on the gallon. That was not only down 3.1% from the week ago rack differential, and moved it well within the value that can be offset by EPA's biomass-based diesel renewable identification number credit under RFS regulations.

Vintage 2012 biomass-based diesel RINs traded up to $1.44 by later in the week, indicating a per-gallon value of up to $2.16 for biodiesel.

In dried distillers grains...

While distiller grains value over the last week were mixed, most moves tended to the high side, with some locations taking FOB prices up $15 week-to-week and generally higher bids throughout.

In the Eastern Corn Belt, distiller dried grains were talked $1.93-$205, which showed no change over week-ago range. Minnesota DDGs gained a bit on the lower end, to $190-$195 late in the week.

The Nebraska range for DDG prices closed considerably on the week, with the lows jumping $15 and the high side coming off $5 from last week, putting it at $205-$220. Kansas DDGs at $220-$230 were unchanged week-to-week, while prices in Iowa added $2 to unchanged, at $195-203.

Delivered values for Chicago DDGs gained $1 to $3 from the week-ago range, at $215-$225.

Out west, California DDG values for delivered material dropped $5 from the lower end and a dollar from the high, at $240-$257. Pacific Northwest DDG values at $246-$250 gained a dollar to but shed $3 off the top.

Source: FC Stone, www.fcstone.com, 515-223-3728

In natural gasoline...

A strong market for motor gasoline has been pushing more refiners to use natural gasoline as a blending agent.

Spot prices for natural gasoline at Enterprise Products' Mont Belvieu storage site ended the week slightly higher, reaching $2.44/gal as of Feb. 24, compared to $2.38/gal a week earlier.

Natural gasoline prices have not been able to keep up with the recent gains in crude oil as spot natural gasoline prices have fallen to about 96% of the value of crude oil. But the growing spread between motor gasoline and natural gasoline prices have made the latter a more attractive blending stock for some refiners.

The spread between spot Mt. Belvieu natural gasoline and the NYMEX Reformulated Blendstock for Oxygenate Blending as reached a year-to-date high of 65cts/gal. At those levels, refiners can stretch their gasoline pool by adding high Reid vapor pressure blending agents like natural gasoline.

"The spread right is good for refiners," says one broker. "Naphtha does not look as attractive due to the differential between RBOB and natural gasoline."

Some of that demand also shows up in the premium buyers are willing to pay for low-sulfur natural gasoline, which is better suited to using in most gasoline specifications. Low-sulfur natural gasoline at the Targa storage facility is fetching close to 9cts/gal over regular natural gasoline available at Enterprise storage.

In ultra-low-sulfur diesel...

Spot ultra-low-sulfur diesel markets mostly followed other petroleum markets higher over the last week as supply thinned, though demand again looked shaky.

Overall distillate supply eased 200,000 bbl in the last week, according to DOE data, with most of the draw coming out of the Gulf Coast. Nationwide ULSD stocks shed 228,000 bbl and at 104.14 million bbl on hand ran 6.5% under year-ago supply. Gulf Coast ULSD stocks dropped 1.365 million bbl week-to-week, at 31.95 million. That big Gulf draw was partially countered by a 1.095 million bbl build in the East Coast, where ULSD stocks topped 24.6 million bbl.

ULSD supply in both the East Coast and Gulf Coast ran behind year-ago levels, but the Gulf deficit expanded to almost 23.6%.

Refinery output of diesel dropped about 100,000 b/d over the last week.

While production dipped there was a dramatic decline in overall diesel deliveries, lately almost mirroring the big downturn in gasoline. Diesel demand in the latest week at 3.324 million b/d, off 487,000 b/d from the week before, was certainly due in part to warm weather squelching heating demand. But diesel demand over the last four weeks was off 5.9% against the same time last year, and some of that also seems to be a pull back on-road needs.

In the Gulf Coast, ULSD spot values at a 1.25cts discount to the Merc indicated outright prices at $3.2824/gal, almost 15.2cts over unleaded gasoline in the market and up more than 8cts week-to-week. In Chicago, spot ULSD trading a steep 35cts discount versus the Merc by Thursday actually expanded its week-ago differential and at $2.9686/gal moved 7.89cts higher week-to-week.

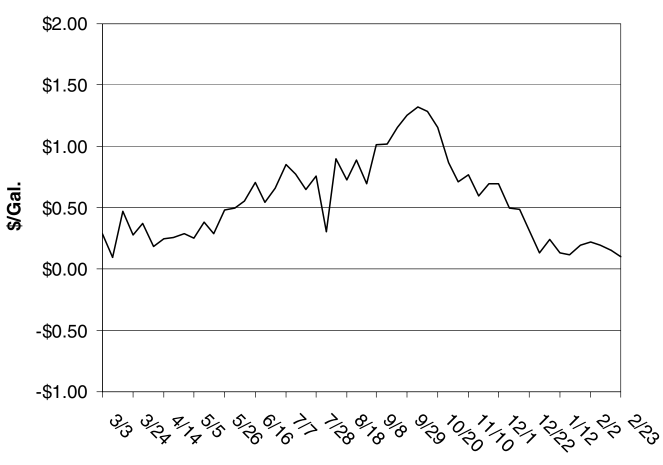
National Renewable Fuel Feedstock/Co-Product Price Index

Feedstock/Co-product	Location/Source	Spot Price	Previous	4-Wk Avg.
Palm Olein	US Gulf Coast	$0.5463/lb	$0.5413	$0.5372
Soybean Oil - Crude De-gummed	Central Illinois	$0.5456/lb	$0.5402	$0.5366
Soybean Oil - Crude De-gummed	Central Illinois - USDA	$0.5342/lb	$0.5230	$0.5222
Soybean Oil - RBD*	Central Illinois - USDA	$0.6006/lb	$0.5802	$0.5816
Canola Oil	West Coast	$0.6181/lb	$0.6027	$0.5997
Canola Oil	Midwest	$0.5981/lb	$0.5827	$0.5797
Corn Oil - Crude	Midwest	$0.5250/lb	$0.5200	$0.5175
Beef Tallow	Chicago	$0.4650/lb	$0.4600	$0.4500
Choice White Grease	Chicago	$0.4600/lb	$0.4350	$0.4350
Poultry Fat (Low FFA)**	Southeastern US	$0.4700/lb	$0.4500	$0.4550
Yellow Grease	Illinois	$0.4000/lb	$0.3850	$0.3838
Methanol	US Gulf Coast	$1.130/gal	$1.131	$1.136
Soy Meal (Hi-Pro)***	Illinois Truck	$329.30/ton	$330.10	$325.78
Corn	Central Illinois	$6.3100/bu	$6.3350	$6.3663
Soybeans	Central Illinois	$12.5450/bu	$12.3800	$12.2225
Crude Glycerin (80%)	FOB Midwest	$0.0650/lb	$0.0675	$0.0681
DDG-S (Dried Distillers Grains W/ Solubles)	Eastern Cornbelt - USDA	$195.7500/ton	$195.0000	$194.4375
WDG (Wet Distillers Grains)	Eastern Cornbelt - USDA	$72.0000/ton	$70.0000	$70.5000
Corn	Kansas City - USDA	$6.5800/bu	$6.5350	$6.5675
ULSD	OPIS National Average	$3.305/gal	$3.193	$3.179
Low Sulfur Diesel	OPIS National Average	$3.354/gal	$3.228	$3.197
RBOB	OPIS National Average	$3.076/gal	$2.948	$2.956
Ethanol	OPIS National Average	$2.233/gal	$2.238	$2.230
Unleaded RFG	OPIS National Average	$3.150/gal	$2.992	$2.985
Natural Gasoline	Mt. Belvieu Non-TET	$2.436/gal	$2.388	$2.386
Natural Gasoline	Conway In-well	$2.368/gal	$2.285	$2.312
Ethanol RINs (Current Year)	OPIS National Average	$0.0233/gal	$0.0219	$0.0203
Ethanol RINs (Previous Year)	OPIS National Average	$0.0015/gal	$0.0022	$0.0021
Celllosic RINs (Current Year)	OPIS National Average	$0.7800/gal	$0.7800	$0.7800
Celllosic RINs (Previous Year)	OPIS National Average	$1.1300/gal	$1.1300	$1.1300
Biodiesel RINs (Current Year)	OPIS National Average	$1.4200/gal	$1.4400	$1.4200
Biodiesel RINs (Previous Year)	OPIS National Average	$1.4000/gal	$1.3650	$1.3450
Advanced Biofuel RINs (Current Year)	OPIS National Average	$0.6950/gal	$0.7200	$0.7000

*refined, bleached, deodorized **free fatty acids ***high protein

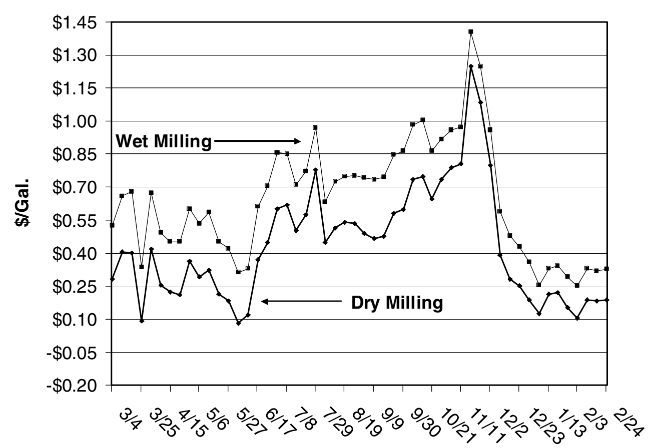
Data provided, in part, by World Energy, www.worldenergy.net; Jim Jordan & Associates, www.jordan-associates.com

Biodiesel Plant Profitability
Gross margins for Midwestern Plants



*Biodiesel production margin calculated from cash feedstock costs and sales values for soy methyl ester biodiesel plants and are estimates of industry trends under current market conditions. Profits for any given biodiesel plant could be higher or lower.

Ethanol Plant Profitability
Gross margins for Midwestern Plants



*Dry Milling margin calculated from cash feedstock and product sales values for wet and dry-mill plants and are an estimate of the industry trend under current market conditions. Profits for any given ethanol plant could be higher or lower.

European, Brazilian and CBI Markets:

	RME	FAME	Ethanol T1	Ethanol T2 $/euro
Rotterdam	$4.55	$4.28	$2.57	2.54/1.91

Prices in U.S. $/gal., 2/23/12 Data provided, in part, by Starsupply Renewables, www.starsupply.ch and SCB & Associates, www.starcb.com

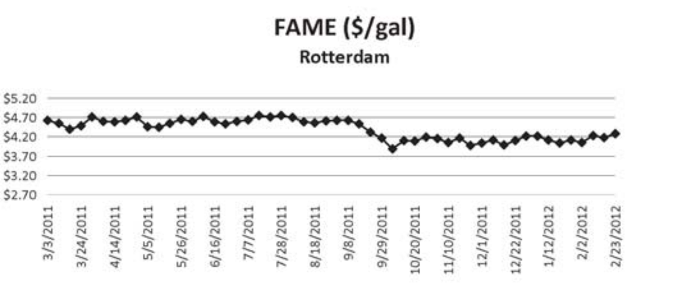
European markets

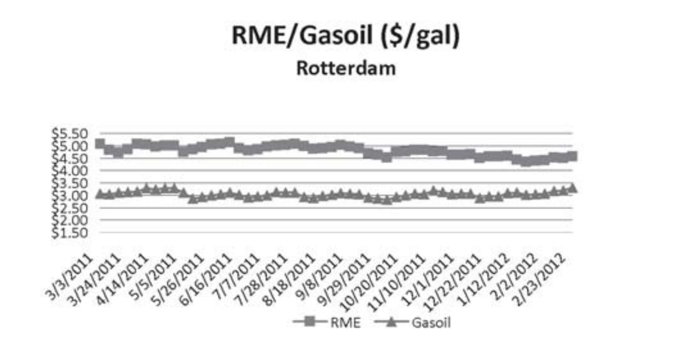
Delegates from 26 countries opposed to new European Union regulations and fees on commercial aviation are huddling in Moscow in hopes of trying to develop a response to the European Union policy.

On Jan. 1, the EU's carbon reduction program was expanded to include commercial aviation. The regulations affected all flights within the European Union zone as well as all flights originating from or terminating in Europe from outside the continent.

The U.S., China and Russia, along with other nations, contend that the EU's regulations are an infringement of sovereignty. In late 2011, the European Court of Justice ruled that the EU regulations and accompanying fees were legal.

Over time, the amount of free carbon allowances and total permits allowed will be reduced, in order to reduce carbon output. Many carriers have already boosted fares to cover the marginal cost of complying with the carbon regulations.





The compliance costs have been fairly minimal at present because carbon permit prices are low. As of the settlement of trading Tuesday, December 2012 carbon permit futures ended at 9.20 euros.

Privately, there are signs that the protesting nations are starting to acknowledge the EU plan and will have to comply. For instance, Russian officials are said to have acknowledged as much to European leaders.

The EU pushed forward with its carbon reduction plan for aviation when the International Civil Aviation Organization developed what has been considered to be a gentle plan to reduce emissions over a much longer time. Aviation is thought to contribute 3% of total greenhouse gas emissions. Aviation is also thought to account for 13% of global transportation sector emissions.

Meanwhile, the Center for American Progress issued a report this week suggesting that the inclusion of aviation in the EU carbon reduction plan could increase airline profits in the near term. The study says that "air carriers are likely to be overcompensated by aspects of the policy designed to reduce costs."

The study predicts that EU airlines will profit more than non-EU carriers because EU airlines have more flights covered by the new policy.

Further, the study predicts that airlines using hub-and-spoke flight scheduling systems will "receive a larger increase in profits than low-cost airlines that operate mostly within the European Union because network airlines have more operations covered by the policy and because the demand for network airline flights is less-responsive to changes in price."

In other news, UK's largest coal-fired power producer Drax has scrapped biomass plans, shifting its focus to co-firing technology. According to SCB Renewables, Drax's discussions with the UK government over biomass subsidies intensified after the owner of the UK's largest coal-fired power station said it had altered plans to build a dedicated biomass plant and would instead invest £700m in co-firing biomass-coal technology, pending the outcome of an upcoming subsidy review.

Finally, in market activity, RME fob ARA was bid and offered in the $1,340 - $1,370/metric ton range at presstime, according to SCB Renewables. SME was $1,300 - $1,330 while PME was $1,150-$1,180, and FAME 0 was $1,260-$1,290/mt, said the trade group.

Brazilian and CBI markets

Anhydrous Ethanol 2.925-2.9425 Hydrous Ethanol 2.80-2.84
(FOB Santos, 2/23/12, prices in U.S. $/gal.)

Demand for ethanol on the part of Brazilian fuel distributors heated up prior to Carnaval festivities that got underway in earnest on the weekend of Feb. 18-19, the University of São Paulo's CEPEA/ESALQ economic research center reported last week.

For the week of Feb. 13-17, CEPEA/ESALQ pegged ex-mill anhydrous at 1.2104 reals/liter ($2.6650/gal) and ex-mill hydrous at R$1.581/liter ($2.55/gal), representing increases of 4.7% and 7%, respectively, from the prior week.

According to CEPEA, the greatest price increases took place at the start of the Feb. 13-17 period as distributors prepared for Carnaval-related demand.

With just two months until the start of the 2012/13 sugarcane harvest season in Brazil's South Central region, mills in São Paulo state are outlining their plans for the season and defining their production mix. CEPEA/ESALQ says that a good number of mills are expected to kick off the 2012/13 season in mid-April, while some are not expected to commence operations until the beginning of May.

Meanwhile, Brazil's efficient and sustainable production of sugarcane ethanol has piqued the interest of Honduras, which is looking for ways to diversify its energy matrix.

Honduran Secretary of Foreign Affairs Arturo Corrales was in São Paulo earlier this month to discuss the issue with Brazilian sugarcane industry group UNICA.

Honduras has seven mills that currently produce only sugar, but the country would like to look into ethanol production. Corrales noted that domestic ethanol production could be an alternative to gasoline imports. Honduras has no refineries and so imports all of the gasoline that it uses.

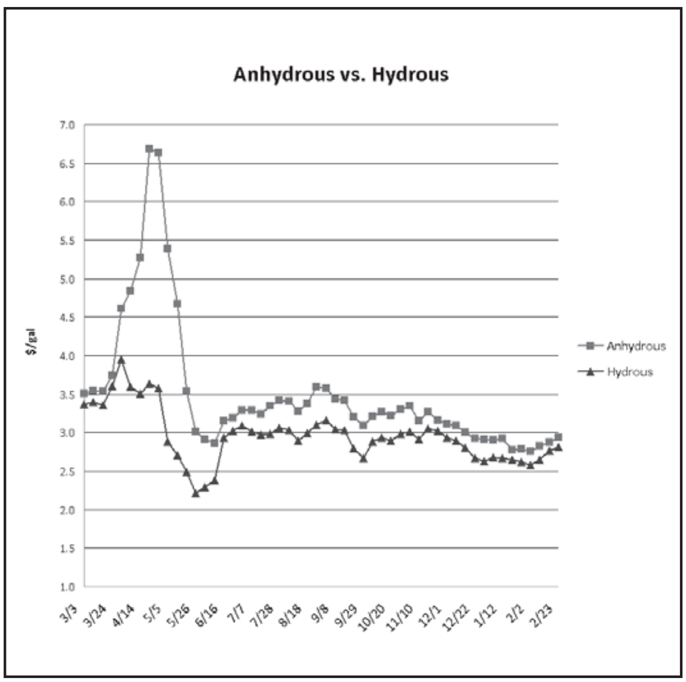
In 2007, the Honduran government passed a law regarding the production and consumption of biofuels which, even though it does not mandate ethanol blending in gasoline, proposes incentives for reducing production costs.

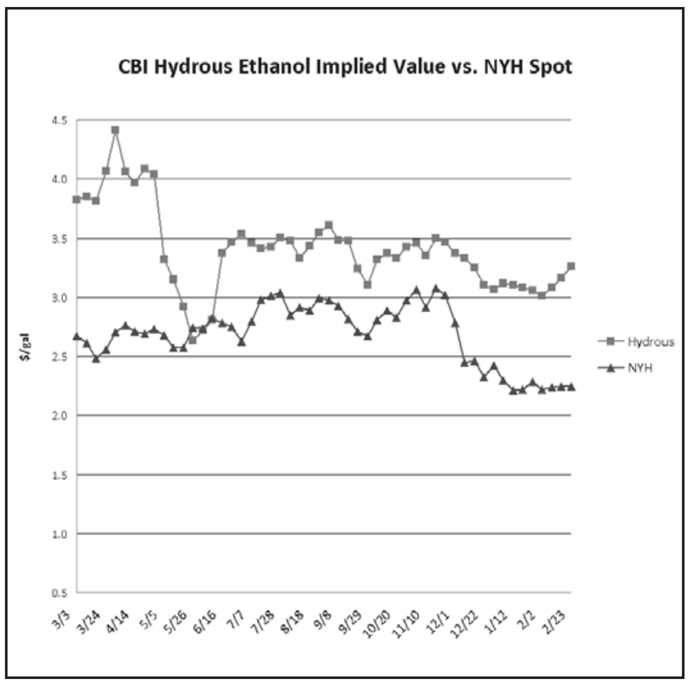
In 2009, with investments from the Inter-American Development Bank, the Getúlio Vargas Foundation initiated a study regarding the viability of ethanol production in Honduras. The study is still underway and has the objective of identifying public policies that would allow Honduras to abandon gasoline imports.

The sustainability and competitiveness of products derived from sugarcane also represent an opportunity for Brazil and Finland to strengthen their ties, especially in the area of renewable energy sources, UNICA said recently.

"Encounter Brazil-Finland: Opportunities for Cooperation in the Bioeconomy" was an event held earlier this month in São Paulo and attended by Finnish Prime Minister Jyrki Katainen.

According to rules for member states of the European Union, Finland is to undertake initiatives to reduce greenhouse gas emissions in the transport sector and at the same time reduce dependence on fossil fuels.





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