

2012-02-02 12:38:46 EST

***BLENDING ECONOMICS BOUNTIFUL AS ETHANOL, GASOLINE MARKETS DIVERGE FURTHER

Gasoline blending economics continue to improve in the United States after a full month into a year that has seen copious amounts of blending in an era of historically sluggish gasoline demand.

Blenders have been delighted to find margins generally unchanged following the expiration of the government's ethanol blending tax credit at the end of 2011. The 4.50cts/gal saved in years past by creating finished E10 gasoline is not missed right now, and very enticing blending economics seen this winter could stick around for a while.

Gasoline prices have already sustained relatively high levels, especially considering soured domestic demand figures that harken back to levels from a decade or more ago. While retail margins have been squeezed amid the 2012 price rise, and while refining margins have ebbed and flowed dramatically in a month's time, gasoline blending remains one of the best profiting sectors of the domestic supply chain.

For now, the New York area continues to see the greatest blending margins because pure ethanol has been caged in a \$2.20-\$2.30/gal bracket for three weeks. Since 2012 began, New York ethanol has crumbled from \$2.40/gal to \$2.20- \$2.25/gal while bulk RBOB prices, for example, moved from near \$2.75/gal to upwards of \$2.90/gal in the same time frame.

A finished barrel of E10 sourced by the New York Harbor market currently costs about \$2.82/gal, while bulk conventional unleaded is near \$2.88/gal and RBOB around \$2.85/gal.

This diverging direction of ethanol and gasoline blendstock prices carries the same tune in each section of the country.

In a broad view: discretionary blending is up, ethanol stockpiles are bountiful, gasoline supplies are generally ample, and end-user consumption rates are relatively pitiful. Still, retail gasoline price averages for the entire country are closing in on \$3.50/gal once again. They currently stand about 17.5cts/gal above month-ago prices, after climbing more than 5%, and almost 35cts/gal above averages one year ago.

Some areas are already seeing \$4/gal-plus retail gasoline levels in the middle of low-demand season.

All retail figures are provided to AAA by OPIS in cooperation with Wright Express.

--Randy Lusby, rlusby@opisnet.com