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Ethanol Market Overview: Pressure on prices resumes

The week brought more pressure on ethanol spot markets, with supply still apparently flush, blending kept in check by slack gasoline demand and slippage in corn markets that made it hard for sellers to hold out.

Chicago spot ethanol trading for the next week moved down to \$2.25/gal by some accounts, taking about a nickel off the higher trades done a week ago. Contango was generally less severe lately, but still remained a part of bulk markets as a sign of plenty of prompt supply. Any-April at Argo was talked a penny or two stronger than prompt volumes.

On paper, April and second-quarter CBOT swaps traded \$2.295/gal late in the week, while May swaps ran a penny stronger with June about a penny stronger than May. It was not until July that forward prices started to return to a bit of normal backwardation.

The perceptions of bulky ethanol supply contributed to weaker pricing in the near term, and the latest weekly U.S. Energy Department data certainly supported plentiful supply notions.

DOE reported that for the week ending March 16, the nation's ethanol stocks swelled 3.04% from the week before, up 670,000 barrels, to 22.713 million bbl, for a new all-time record. That rather large build over the week followed a very slight supply dip for the previous week, one that at the time halted a five-week string of record-breaking stock builds and brought on thoughts that perhaps producer discipline might start to reign in stockpiles.

Ethanol stocks in the latest week ran 13.3% higher than they did at the same time last year.

Continued on page 3

Ethanol Futures (cts/gal contract price)

	April 12	May 12	June 12	July 12
CBOT	228.30	229.00	230.00	230.50
Settlement Thursday, March 22, 2012 Source: Chicago Board of Trade				

Ethanol & Gasoline Component Spot Market Prices

U.S. RINS (prices in U.S. \$/RIN)

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
U.S. Ethanol RINS						
Current Yr	0.0233-0.0237	0.0230-0.0240	0.0230-0.0240	0.0230-0.0235	0.0225-0.0235	0.02335
Previous Yr	0.0010-0.0020	0.0010-0.0020	0.0010-0.0020	0.0010-0.0015	0.0010-0.0020	0.00145
U.S. Cellulosic RINS						
Current Yr	0.7700-0.7900	0.7700-0.7900	0.7700-0.7900	0.7700-0.7900	0.7700-0.7900	0.78000
Previous Yr	1.1200-1.1400	1.1200-1.1400	1.1200-1.1400	1.1200-1.1400	1.1200-1.1400	1.13000
U.S. Biodiesel RINS						
Current Yr	1.4400-1.4600	1.4250-1.4500	1.4275-1.4500	1.4250-1.4700	1.4300-1.4700	1.44475
Previous Yr	1.2200-1.2600	1.2800-1.4000	1.2800-1.3750	1.2350-1.3350	1.2000-1.3300	1.29150
U.S. Advanced Biofuel RINS						
Current Yr	0.7000-0.7400	0.7000-0.7600	0.7100-0.7300	0.7200-0.7500	0.7200-0.7600	0.72900

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.3150-2.3350	2.3050-2.3150	2.2750-2.2850	2.2600-2.2750	2.2500-2.2650	2.28800
B100 SME	4.7800-4.8300	4.7300-4.8300	4.6900-4.7900	4.6700-4.7700	4.6300-4.7300	4.74500
RBOB Unl	3.5169-3.5669	3.6178-3.6478	3.7131-3.7231	3.6871-3.7071	3.6346-3.6446	3.64590
RBOB Pre	3.6969-3.7469	3.7978-3.8278	4.0131-4.0231	3.9871-4.0071	3.9346-3.9446	3.89790
Unleaded	3.2869-3.2969	3.3028-3.3128	3.2931-3.3031	3.2871-3.3071	3.2296-3.2496	3.28690
CBOB Unl	3.2819-3.2919	3.3028-3.3128	3.2931-3.3031	3.2871-3.3071	3.2296-3.2496	3.28590
ULSD	3.1769-3.1819	3.0813-3.0913	3.0767-3.0867	3.0712-3.0812	3.0537-3.0637	3.09646

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Current Yr	2.2950-2.3150	2.3000-2.3100	2.2800-2.2850	2.2650-2.2800	2.2500-2.2600	2.28400

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.3700-2.3800	2.3750-2.3850	2.3350-2.3800	2.3350-2.3450	2.3300-2.3400	2.35950
Ethanol Fwd	2.4000-2.4150	2.4000-2.4200	2.3750-2.3900	2.3600-2.3700	2.3500-2.3600	2.38400
RBOB Unl	3.1619-3.1719	3.1778-3.1878	3.1831-3.1931	3.1771-3.1871	3.1196-3.1496	3.17090
RBOB Pre	3.3419-3.3519	3.3878-3.3978	3.3931-3.3981	3.3871-3.3971	3.3896-3.3996	3.38440
CBOB Unl	3.1569-3.1669	3.1803-3.1903	3.1806-3.1906	3.1756-3.1856	3.1146-3.1511	3.16925
CBOB Pre	3.3344-3.3444	3.3828-3.3928	3.3881-3.3981	3.3821-3.3921	3.3796-3.3896	3.37840
Unleaded	3.1669-3.1769	3.2128-3.2228	3.2181-3.2281	3.2121-3.2221	3.1646-3.1746	3.19990
ULSD	3.3519-3.3619	3.3363-3.3413	3.3067-3.3167	3.2837-3.2937	3.2512-3.2612	3.31046

For more spot market pricing locations see page **2**

Ethanol & Gasoline Component Spot Market Prices (cont.)

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.3300-2.3800	2.3200-2.3600	2.2900-2.3400	2.2800-2.3000	2.2700-2.2900	2.31600
B100 SME	4.9800-5.0300	4.9300-5.0300	4.8900-4.9900	4.8700-4.9700	4.8300-4.9300	4.94500
RBOB Unl	3.3519-3.3619	3.3753-3.4153	3.3781-3.3881	3.3946-3.3996	3.3996-3.4146	3.38790
RBOB Pre	3.6294-3.6434	3.6253-3.6603	3.6281-3.6381	3.6271-3.6371	3.6296-3.6371	3.63555
CBOB Unl	3.1419-3.1559	3.1678-3.1953	3.1781-3.1906	3.1841-3.1941	3.1746-3.1831	3.17655
Unleaded	3.1844-3.1984	3.2028-3.2278	3.2081-3.2181	3.2121-3.2221	3.1971-3.2046	3.20755
ULSD	3.3294-3.3319	3.3113-3.3213	3.2842-3.2867	3.2527-3.2637	3.2212-3.2312	3.28336

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.4600-2.4900	2.4400-2.4600	2.4200-2.4500	2.4200-2.4400	2.4000-2.4700	2.44500

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.3600-2.3900	2.3400-2.3700	2.3250-2.3600	2.3000-2.3500	2.2900-2.3600	2.34450

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.4400-2.4700	2.4200-2.4500	2.4000-2.4100	2.3900-2.4100	2.4000-2.4350	2.42250
CARBOB - R	3.3469-3.4069	3.3528-3.4178	3.2731-3.3831	3.2071-3.2571	3.2646-3.2746	3.31840
CARBOB - P	3.3869-3.4469	3.3928-3.4578	3.3331-3.4431	3.2671-3.3171	3.3246-3.3346	3.37040
ULSD	3.3719-3.3869	3.3859-3.4009	3.3499-3.3599	3.3110-3.3210	3.2778-3.2878	3.34530

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.4400-2.4700	2.4200-2.4500	2.4000-2.4100	2.3900-2.4100	2.4000-2.4350	2.42250

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.4000-2.4500	2.3800-2.4100	2.3700-2.3900	2.3500-2.3850	2.3300-2.4100	2.38750

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

	Friday 03/16	Monday 03/19	Tuesday 03/20	Wednesday 03/21	Thursday 03/22	Wkly. Avg.
Ethanol	2.2100-2.2500	2.1900-2.2100	2.1700-2.2000	2.1600-2.1850	2.1400-2.2100	2.19250

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: Udenatured 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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Meantime, U.S. ethanol plants as a whole held production largely unchanged from week-to-week, running near the five-month low that producers averaged the previous week. DOE had ethanol plant output averaging 893,000 b/d for the week, up just 1,000 b/d, or 0.11%, from the week before, to essentially keep output down some 7.3% since hitting the record production rates that closed out 2011. That put ethanol production behind by 2.2% compared to the same week last year.

At the latest four-week average, running 897,000 b/d by DOE's estimation, ethanol plants would still produce more than 13.751 billion gal over the course of a year. That was down 0.77 versus the week-ago average.

Ethanol economics remained very good for blending. By midweek, Chicago for example, spot ethanol available in-tank over the next week at around \$2.26/gal was a good \$1.037/gal or so cheaper than either spot unleaded or CBOB in the Windy City.

However, no matter how profitable, the demand for ethanol in gasoline is limited by lower gasoline demand this season. There is also concern that the effective "blend

wall" for ethanol may already be at hand. Some analysts noted the pervasiveness of ethanol blending and the fact that expectations for a 15 billion gal/yr market saturation point – given a 150 billion gal/yr gasoline market – may have been overstated given the fuel demand attrition since the recession.

In current circumstances, some see the wall as closer to 13.4 billion-13.5 billion gal, well below recent four-week production rates currently estimated by DOE. "That is one reason the industry is pushing so hard for E15," commented one industry source. "To break that wall."

U.S. corn-based ethanol demand could be 11% less than the 15 billion gal envisioned by 2015 under RFS, according to estimations by Iowa State University Economist Bob Wisner.

Conventional gasoline blending with ethanol eased over the week, dropping 0.6% at 5.109 million b/d. Such blending still ran 3.17% higher year-on-year. At the same time, reformulated gasoline blended with ethanol retreated 2% on the week and at 2.959 million b/d fell back 3.1% below the same time last year.

Ethanol Buying Prices in Key Markets

City, State	Ethanol Spot Price (Bulk Barge/Rail)	-----Block Term Q2-Q3 Contract Values-----			Bulk Truck Spot Prices (Rack)	Splash Blend Rack Prices	Splash Blend Producer Prices
		Fixed	Formula	Formula (calculated)			
Albany, NY	230.00	261.50			233.50	251.21	N/A
Houston, TX	228.00	265.50	NYMEX RBOB Unl -34.5	299.46	233.00	N/A	N/A
New Haven, CT	237.00	269.25	NYMEX RBOB Unl -31.5	302.46	N/A	N/A	N/A
New York, NY	233.50	265.75	NYMEX RBOB Unl -35	298.96	238.50	N/A	N/A
Chicago, IL	225.75	254.50	NYMEX RBOB Unl -45	288.96	228.00	N/A	N/A
Louisville, KY	226.00	N/A	N/A	N/A	229.50	N/A	N/A
Minneapolis, MN	221.00	N/A	N/A	N/A	226.00	237.64	234.67
St. Louis, MO	226.00	253.50	NYMEX RBOB Unl -44	289.96	230.00	252.5	N/A
Los Angeles, CA (90.1)	241.75	267.50	NYMEX RBOB Unl -30	303.96	246.00	400	N/A
Phoenix, AZ	241.50	265.00	NYMEX RBOB Unl -32.5	301.46	N/A	N/A	N/A
San Francisco, CA (90.1)	241.75	267.50	NYMEX RBOB Unl -30	303.96	246.00	N/A	N/A
Pacific Northwest	237.00	N/A	N/A	N/A	N/A	308	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	229.00	247.15	N/A
Decatur, IL	224.00	254.75	N/A
Des Moines, IA	221.50	233.66	231.13
Doniphan, NE	217.50	235.77	230.67
Fargo, ND	217.00	233.05	230.58
Indianapolis, IN	228.00	271.67	305
Kansas City, KS	227.00	240.3	239.77
Madison, WI	225.00	246.25	250
Omaha, NE	220.50	234.33	235.33
Peoria/Pekin, IL	223.00	259.82	N/A
Sioux City, IA	220.00	232.86	232.08
Sioux Falls, SD	221.00	229.84	228.95
Topeka, KS	227.00	239.21	235.53
Wichita, KS	228.50	243.99	240.56
Denver, CO	228.50	250.83	N/A

Early 2012 biodiesel output retreats

The big rise in biodiesel production heading into the latter part of 2011 appears to have slowed going into the early months of 2012, though output came in well ahead of the same months last year.

Biodiesel production over February 2012 ran 77.49 million gal, up 22.1% from the 63.49 million gal over January, according to recently released EPA figures. However, production over both those months revealed a large slide – down about 53.4% versus February – from the 166.23 million bbl the agency reported for December 2011.

January and February biodiesel production together over the first two months 2012 – coming to less than 141 million gal – did not even reach what was produced during December alone.

However, compared to the same time last year, U.S. biodiesel production gains could still be called impressive. In a year-on-year comparison, January production gained 71.6% versus January 2011. The February output shot up 82.8% when compared to the same month last year.

“These are solid numbers that show the biodiesel industry is well on pace to meet the 1 billion gallon RFS requirement this year, but they also reflect some of the missed opportunities for growth and jobs that we’ve seen with the loss of the tax credit and the continued uncertainty about next year’s RFS volume,” said Anne Steckel, National Biodiesel Board’s (NBB) vice president of federal affairs.

“With the tax credit and clear RFS growth in place, we think these numbers would be even better,” added Steckel.

November biodiesel production as reported by EPA reached 111.67 million gal, so there appears to be a good deal of possible upside for biodiesel output going forward.

The EPA data is for biomass-based diesel, almost entirely comprised of conventional biodiesel, with a small fraction of the gallons from renewable diesel.

Data doubts: How much stock to put in government numbers?

Doubt about the reliability of DOE’s ethanol statistics have cropped up ever since the agency began publishing weekly data in June of 2010, and questions recently came to the fore again following a Wall Street Journal piece critical of the statistics.

“I would agree [with the Wall Street Journal],” said ProExporter analyst Bill Hudson, “that it is not accurate enough to gauge much of anything.”

Hudson pointed out some examples from the weekly report that raises questions. For example, over the last dozen weeks, weekly motor gasoline output vacillated between 122.5 billion to 132.5 billion gallons on an annual basis.

The same reports had refinery inputs of gasoline with ethanol running from 11.5 billion to 12.7 billion gal.

“And yet, the share of all mogas receiving ethanol is steadier ... this week at the majestic figure of 98.56% and an inclusion

rate of 9.97%,” observed Hudson. The upshot, he said, is that he does not think analysts can use the weekly DOE data and be confident of the findings.

However, there was no question from most observers that ethanol stocks across the country continued to run heavy, and that DOE more or less reflected what was seen in the market. In the last week, DOE supply figures showed every region of the country with more ethanol on hand, with the exception of a tiny draw in the Rockies where ethanol storage and stocks run very thin in any event.

Gasoline demand estimates also stir controversy

It is undisputed that U.S. motorists are battered by the pinch of high gasoline prices in 2012, but the methods, and in some cases motives, of entities that attempt to measure motor fuel demand numbers are currently under siege.

DOE’s Energy Information Administration is catching plenty of flak, particularly from oil analysts and economists who believe DOE is overstating demand attrition from last year.

Indeed, the figures appear striking: year-to-date gasoline demand numbers for the first eleven weeks of 2012 are down 7.087% from the same period in 2011. Projecting that loss through the entire year results in a 2012 average gasoline demand number at just 8.117 million b/d. That would be 1.17 million b/d below the generally recognized peak year of 2007, when nationwide gasoline demand flirted with 9.3 million b/d.

Few chain marketers, and even fewer oil analysts, believe that there is 7% demand destruction. Even DOE notes that year-on-year comparisons of weekly numbers are skewed. The agency’s final word on demand arrives via much more accurate monthly estimates delivered about 60 days after the fact. The weekly numbers one year ago essentially overstated real demand, because EIA underestimated the gasoline export number. Monthly numbers were eventually adjusted lower, but DOE still shows the less accurate year ago in weekly statistical bulletins issued each Wednesday.

Several banks have critiqued the EIA flaws, although independent trade analysts observe that there is an offsetting skew among investment researchers – namely, that they tend to grab statistics that promote a bullish view the majority of the time.

MasterCard Advisors data tends to back up the assertion that notwithstanding weekly/monthly accuracy issues, this year’s demand attrition can’t be summarily dismissed. MasterCard’s SpendingPulse gasoline report includes a four-week moving average demand number, and that figure has posted 52 consecutive year-over-year declines. MasterCard says that its report goes beyond card receipts to reflect total gasoline demand in the country, and year to date, it shows a 5.6% deterioration in demand. The MasterCard numbers include actual pump sales, and thus reflect the ethanol portion of motor fuel. If the rate of destruction is projected through the en-

tire year, the final 2012 fuel drop would be on the order of 497,000 b/d.

The MasterCard SpendingPulse reports have established more traction with gasoline traders in the last year or so, but critics still suggest flaws.

Companies like Costco that don't take the card, are generally acknowledged to be gaining market shares from retail merchants who take MasterCard and Visa, for example. Thus, the SpendingPulse report may not account for the volume surge as consumers aggregate their shopping at retail outlets that don't emphasize credit cards.

Investment bank Morgan Stanley saw fit last week to perform an exhaustive study, taking into consideration all of the measurements and data sets for gasoline, vehicle counts, and driving. While the bank referred to a "lost decade of gasoline demand," authors of the report put current 2012 gas demand destruction at just 140,000 b/d, when adjusted for export anomalies. Morgan Stanley suggests that 2012 will see demand of about 8.583 million b/d, a drop of only 155,000 b/d from last year. It suggests flat numbers between 2013-2015, with gasoline demand falling within close proximity of 8.6 million b/d each of those years.

The investment house even has a model that explains some 495,000 b/d of the 548,000 b/d of gasoline demand destruction recorded from 2007 through 2011. About 147,000 b/d of that total can be attributed to lower utilization; 247,000 b/d is tied to a smaller fleet; and 104,000 b/d from fuel efficiency gains.

Many oil traders dismiss such specificity as a quest to be precise in an oil price data world that lacks precision. But they will patiently reserve judgment on the staying power of the ongoing consumption slump until June.

Using DOE monthly records for last year, indicates gasoline demand in 2011 advanced from 8.53 million b/d in the first two months of the year to 8.773 million b/d in April and May, an increase of 243,000 b/d. That increase took place despite

price increases of over 50cts/gal. In 2010, the same calendar periods yielded an advance of 585,000 b/d while 2010 delivered a 327,000 b/d increase.

So, beginning next month, it may be "getting late early" as Yogi Berra might say. Recent history suggests that gasoline demand should surge despite higher prices, particularly in an economy that appears to be growing, albeit slowly. Any lack of surge might suggest that something more secular is afoot.

Porter Airlines to conduct biofuel-powered flight in Canada

Porter Airlines, which focuses on short-haul flights, plans to conduct its first biofuel-powered commercial flight in Canada in April, the company announced on Thursday.

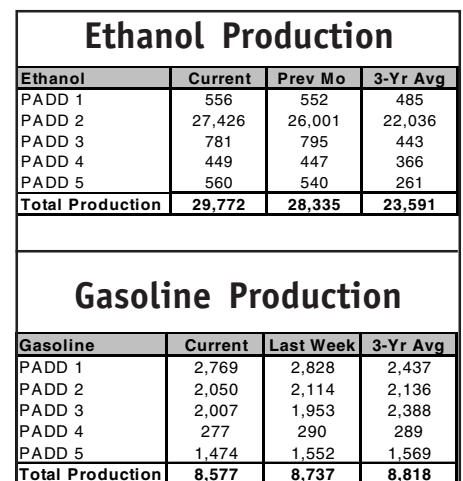
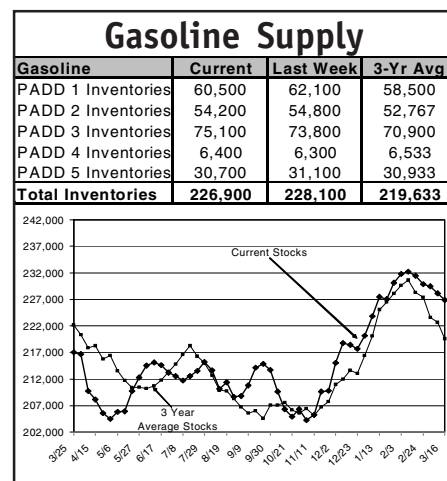
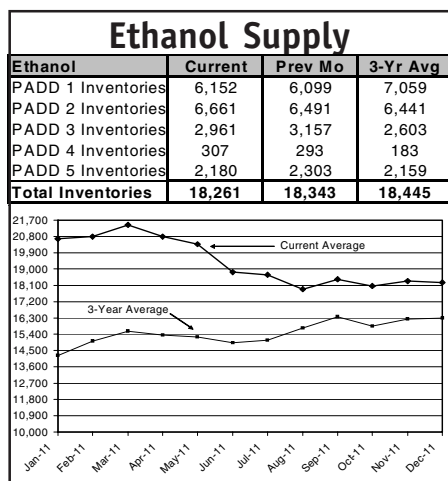
In mid-April, the company plans to use one of its Bombardier Q400 turbo prop planes that will be powered by a 50/50 blend of biofuel with Jet A1 fuel, it explained. The biofuel portion of the fuel will come from camelina sativa (49%) and Brassica carinata (1%), the company noted. It is unclear who will be providing the biofuel, with the company noting that "[f]urther details regarding Porter's biofuel-powered revenue flight will be released in the coming weeks."

Last month, Porter Airlines tested the fuel blend on a Bombardier Q400 turboprop test aircraft. "The two-hour preparatory flight was flawless and the bio-derived fuel performed as expected," said Mike Arcamone, president, Bombardier Commercial Aircraft. "During the flight, the Q400 aircraft successfully undertook several maneuvers including engine-out climbs, rapid engine accelerations and cruising to verify the performance of the aircraft while using the bio-derived fuel," he added.

"We are timing our biofuel-powered flight close to Earth Day [April 22] to emphasize the contribution that biofuels are expected to make in helping the aviation industry meet its targeted reduction in emissions," said Porter Airlines President and CEO Robert Deluce.

Key Supply & Demand Statistics

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



Stock Market Movers: Aventine seeks new brass; VW looks at emission reductions

Aventine Renewable Energy is on the lookout for a new executive responsible for commodity risk management, according to a March 20 filing with the Securities and Exchange Commission.

Ben Borgen, who had been with Aventine since May 2010, resigned on March 19 from his position as senior vice president for Aventine's Commodity Risk Management division.

According to an official at Aventine, the company is "conducting a search for his replacement." Aventine CEO John Castle will be filling the role in the interim, the official noted.

Meanwhile, Volkswagen of America is teaming with advanced biofuel producers Amyris and Solazyme to evaluate emissions reductions and demonstrate the performance of the automaker's vehicles fueled with renewable diesel from the two companies.

Under the respective, one-year agreements, Volkswagen will each provide Amyris and Solazyme with two diesel vehicles – the 2012 Passat TDI and the 2012 Jetta TDI.

"The 12-month evaluation period will equip Volkswagen

engineers with valuable data that will aid in the ongoing enhancement of TDI Clean Diesel technology and help the brand to develop more efficient, cleaner burning diesel powertrains for future products," the automaker explained.

In another trial, Porter Airlines plans to conduct its first biofuel-powered commercial flight in Canada in April, the company reported last week. By mid-April, the company plans to use one of its Bombardier Q400 turbo prop planes that will be powered by a 50/50 blend of biofuel with Jet A1 fuel, it explained. The biofuel portion of the fuel will come from camelina sativa (49%) and Brassica carinata (1%), the company noted. It is unclear who will be providing the biofuel, with the company noting that "[f]urther details regarding Porter's biofuel-powered revenue flight will be released in the coming weeks."

Lastly, Vega Biofuels recently announced the completion of an interim funding package that will reportedly help fund the design and engineering associated with its South Georgia bio-coal manufacturing plant. Once complete, the plant in Cordele, Georgia will manufacture bio-coal from timber waste. The bio-coal will be made using a partial carbonization process called "torrefaction."

Weekly Biofuels Stock Performance

Company		Symbol	3/22/11	3/15/11	change	% change
Amyris	↑	AMRS	5.28	5.25	\$0.03	0.57%
Andersons	↑	ANDE	48.17	47.87	\$0.30	0.62%
Archer Daniels Midland	↓	ADM	31.74	31.82	-\$0.08	-0.25%
Aventine Renewable Energy	↓	AVRW	3.25	4.00	-\$0.75	-23.08%
Biofuel Energy	↓	BIOF	0.64	0.65	-\$0.01	-1.56%
Bluefire Ethanol Fuels	↔	BFRE.OB	0.380	0.380	\$0.00	0.00%
Bunge	↓	BG	67.05	67.93	-\$0.88	-1.31%
Cosan	↓	CZZ	14.74	14.92	-\$0.18	-1.22%
Codexis	↓	CDXS	3.72	3.93	-\$0.2100	-5.65%
Green Earth Technologies	↑	GETG.OB	0.200	0.160	\$0.040	20.00%
Green Plains Renewable Energy	↑	GPRE	10.74	10.69	\$0.05	0.47%
GreenHunter Energy	↑	GRH	2.610	2.550	\$0.06	2.30%
GreenShift	↑	GERS	0.1200	0.0600	\$0.0600	50.00%
Gushan Environmental Energy	↑	GU	1.540	1.430	\$0.110	7.14%
Novozymes	↑	NVZMY.PK	28.73	27.78	\$0.95	3.31%
OriginOil	↓	OOIL.OB	1.650	1.710	-\$0.06	-3.64%
Pacific Ethanol	↓	PEIX	1.080	1.140	-\$0.060	-5.56%
Renewable Energy Group	↓	REGI	10.14	10.50	-\$0.36	-3.55%
KIOR	↑	KIOR	10.76	9.21	\$1.550	14.41%
Solazyme	↓	SZYM	14.95	15.85	-\$0.900	-6.02%
SunOpta	↓	STKL	5.23	5.31	-\$0.08	-1.53%
Texcom Resources	↓	TEXC.PK	0.250	0.300	-\$0.05	-20.00%
Valero Energy	↓	VLO	26.44	28.02	-\$1.58	-5.98%
Verenium	↑	VRNM	3.06	2.90	\$0.16	5.23%
DJIA	↓	DJI	13046.14	13252.76	-\$206.62	-1.58%

Inside Washington:

Senate Dems retry to repeal oil tax incentives, extend alt fuel tax breaks

Sen. Bob Menendez (D-N.J.) and nine fellow Senate Democrats introduced legislation on Monday that would eliminate approximately \$2 billion worth of oil and gas tax incentives and instead extend a slew of clean energy-related tax breaks.

Specifically, S. 2204 would extend the credit for alternative fuel vehicle refueling property by one year, through Dec. 31, 2012, the \$1.01/gal cellulosic biofuel tax credit through Jan. 1, 2014 (the credit is set to expire at the end of this year), the \$1/gal biodiesel and renewable diesel tax incentive through Dec. 31, 2012 (the incentive expired at the end of last year) and would extend the cellulosic biofuel tax credit to include algae as a feedstock, among other provisions.

The bill has been fast-tracked by Senate Majority Leader Reid and may be brought to the floor for a vote this week.

However, sources don't expect the bill to be able to reach the 60-vote threshold needed for passage. A similar effort sponsored by Sen. Debbie Stabenow (D-Mich.) as an amendment to the transportation bill was defeated earlier this month by 49-49.

"We appreciate that the Menendez bill shines the light on fossil fuel subsidies that distort the energy investment marketplace to the benefit of incumbent industries," said Brooke Coleman, executive director of the Advanced Ethanol Council. "Unfortunately, Congress is still missing the opportunity to have a substantive conversation about how to truly level the playing field for emerging clean energy industries over the long haul," he added.

The American Petroleum Institute (API), which has previously said that repealing oil and gas tax breaks would translate into a tax increase to the U.S. consumer, reiterated its disagreement with this effort. "Pitting one energy source against another is a false choice that ignores the fact that we will need all forms of energy going forward," said API President and CEO Jack Gerard.

EPA using streamlined approach to resolve 2010, 2011 invalid RINs

In a guidance posted on its website earlier this month, EPA announced it is implementing a streamlined approach to resolving alleged violations of invalid 2010 and 2011 biomass-based diesel renewable identification number (RINs).

In the past few months, the founder and CEO of Maryland-based Clean Green Fuel was charged in federal court with a scheme in which he allegedly sold \$9 million in biodiesel-related RIN credits purportedly produced by his company, while the owner of Texas-based Absolute Fuels allegedly sold RINs from biodiesel that was never produced by his 50-million gal/yr plant. In November, EPA issued

Notice of Violations (NOV) to 24 companies who used the allegedly fraudulent RINs from Clean Green Fuel and recently, EPA issued an NOV to the owner of Absolute Fuels.

"The purpose of this approach is to notify obligated parties and renewable fuel exporters (parties) who used invalid RINs how to properly correct violations arising out of the use of those RINs and to provide a fair and efficient mechanism for the prompt resolution of a party's liability for those violations," EPA explained in a three-page guidance dated March 14.

"This streamlined approach will apply to parties if 1) at the time they used the RINs, they had not yet learned that the RINs were invalid, and 2) they have implemented the remedial actions set forth below," EPA continued.

Specifically, EPA's streamlined settlement approach will use Administrative Settlement Agreements (ASAs) with obligated parties covering violations from the use of invalid RINs to show compliance with an RVO (renewable volume obligations) – use violations – and parties that were not able to acquire sufficient RINs to meet their RVOs as a result of their use of invalid RINs – shortfall violations.

As EPA outlined, the elements of its streamlined approach for resolving violations are:

Remedial Actions: A party must resubmit reports to remove the invalid RINs within 30 days of the date they learned that they used invalid RINs for compliance. For shortfall violations, a party must retire enough RINs to make up for the shortfall violations within 120 days of the date they learned they used invalid RINs;

Civil penalties: "The ASA will require that the party pay a penalty of \$0.10 for each use violation, and \$0.20 for each shortfall violation that resulted from the use of invalid RINs. The total penalty arising from invalid RINs generated by any one renewable fuel producer or importer will be capped at \$250,000 for any use violation and \$250,000 for any shortfall violation," EPA said. Additionally, under this framework, the maximum penalties that any party will have to pay for all of its invalid 2010 and 2011 RINs will be capped at \$350,000, with the same cap for shortfall violations; and

RIN Integrity Report: "As a condition to resolving RIN use and shortfall violations under this streamlined approach, parties will be required to submit a RIN Integrity Report within one year of the date that the obligated party learned that it used invalid RINs."

"The timing for development of ASAs for the final resolution of any additional violations will be determined in the sole discretion of the EPA, but is likely to be in early 2013 (to reduce the transaction burdens on parties and the EPA)," EPA explained. "The EPA will be available to meet with parties that used invalid RINs prior to the final resolution of any additional violations. Failure to replace invalid RINs will not only remove a party from the ambit of this limited enforcement policy, it may prompt enforcement action," EPA added.

National Renewable Fuels Averages

Ethanol Spot 226.188	Ethanol Rack w/out RIN 250.562	Ethanol Rack w/RIN 252.191	Ethanol Blended Rack Gasoline (5.7%) --:--	Ethanol Blended Rack Gasoline (10%) 325.096	E85 Racks 275.460	E85 Retail (w/tax) 337.082
Biodiesel B100 Rack w/out RIN 550.734	Biodiesel B100 Rack w/RIN 539.101	Biodiesel B20 w/ULSD 351.254	Biodiesel B20 w/LSD 344.700	Biodiesel B5 w/ULSD 343.255	Biodiesel B5 w/LSD --:--	Biodiesel B2 w/ULSD 339.303
						Biodiesel B2 w/LSD 341.827

Key Renewable Fuels Regional Averages

NORTHEAST	Ethanol Spot 233.500	Ethanol Rack w/out RIN 251.210	Ethanol Rack w/RIN --:--	Ethanol Blended Rack Gasoline (5.7%) --:--	Ethanol Blended Rack Gasoline (10%) 322.286	E85 Racks 277.458	E85 Retail (w/tax) 339.680
	B100 w/out RIN 502.500	B100 w/RIN 530.167	B20 w/ULSD 349.177	B20 w/LSD --:--	B5 w/ULSD 344.483	B5 w/LSD --:--	B2 w/ULSD 340.461
SOUTHEAST	Ethanol Spot 233.500	Ethanol Rack w/out RIN 248.000	Ethanol Rack w/RIN 257.110	Ethanol Blended Rack Gasoline (5.7%) --:--	Ethanol Blended Rack Gasoline (10%) 323.317	E85 Racks 297.722	E85 Retail (w/tax) 356.177
	B100 w/out RIN 550.000	B100 w/RIN 525.000	B20 w/ULSD 349.207	B20 w/LSD --:--	B5 w/ULSD 344.015	B5 w/LSD --:--	B2 w/ULSD 347.920
GULF COAST	Ethanol Spot 228.000	Ethanol Rack w/out RIN 262.910	Ethanol Rack w/RIN 248.925	Ethanol Blended Rack Gasoline (5.7%) --:--	Ethanol Blended Rack Gasoline (10%) 326.706	E85 Racks 267.353	E85 Retail (w/tax) 334.006
	B100 w/out RIN 548.000	B100 w/RIN 530.300	B20 w/ULSD 331.037	B20 w/LSD --:--	B5 w/ULSD 335.268	B5 w/LSD --:--	B2 w/ULSD 331.553
MIDWEST	Ethanol Spot 221.625	Ethanol Rack w/out RIN 244.664	Ethanol Rack w/RIN 240.755	Ethanol Blended Rack Gasoline (5.7%) --:--	Ethanol Blended Rack Gasoline (10%) 327.072	E85 Racks 269.800	E85 Retail (w/tax) 326.615
	B100 w/out RIN 584.162	B100 w/RIN 518.528	B20 w/ULSD 346.476	B20 w/LSD 344.700	B5 w/ULSD 337.795	B5 w/LSD --:--	B2 w/ULSD 334.727
ROCKIES	Ethanol Spot 228.000	Ethanol Rack w/out RIN 254.854	Ethanol Rack w/RIN 250.750	Ethanol Blended Rack Gasoline (5.7%) --:--	Ethanol Blended Rack Gasoline (10%) 314.151	E85 Racks 259.800	E85 Retail (w/tax) 333.933
	B100 w/out RIN 607.000	B100 w/RIN --:--	B20 w/ULSD 356.988	B20 w/LSD --:--	B5 w/ULSD 350.856	B5 w/LSD --:--	B2 w/ULSD 337.625
WEST	Ethanol Spot --:--	Ethanol Rack w/out RIN 265.700	Ethanol Rack w/RIN 400.000	Ethanol Blended Rack Gasoline (5.7%) --:--	Ethanol Blended Rack Gasoline (10%) 333.086	E85 Racks 327.375	E85 Retail (w/tax) 344.968
	B100 w/out RIN 509.824	B100 w/RIN 561.386	B20 w/ULSD 370.735	B20 w/LSD --:--	B5 w/ULSD 358.323	B5 w/LSD --:--	B2 w/ULSD 346.775

News of the Week:

Monday, March 19

Agency: EPA reviewing 18 E15 registration requests

U.S. EPA is currently reviewing 18 registration submissions requesting the approval of E15 blends at gasoline stations, the agency confirmed to OPIS on Friday.

No further information was provided, but EPA officials previously explained to OPIS that the agency would “rule on the submissions after a thorough review.” The agency has estimated two to four weeks to process a registration request.

South Dakota touts interest for ethanol blender pump grants

South Dakota Gov. Dennis Daugaard (R) announced last week that applications have been received for this year’s entire first round of ethanol blender pump-related grants.

As a press release from the Governor’s Office of Economic Development explained, so far \$755,000 of the available \$950,000 in grant money has been awarded to South Dakota gasoline retailers. The agency began accepting grant applications on Jan. 9, with the majority of the funds awarded on a first-come, first-served basis.

USDA holding ‘match making day’ for biofuel feedstocks, plants

USDA is holding a “match making day” later this month to promote connections between agricultural producers of energy feedstocks with biorefiners seeking to produce biofuels, the agency announced this morning.

The March 30 event will be held at USDA headquarters, with representatives from the U.S. Department of Navy, DOE and the Federal Aviation Administration also slated to attend. The event is free, but requires registration.

RFA: E15 registration approval expected in near future

The Renewable Fuels Association (RFA) expects that in the very near future, EPA will give formal approval to some companies that filed registration submissions requesting approval of E15 blends at gasoline stations, RFA President Bob Dinneen told reporters this morning on a conference call.

An announcement should be coming any day, Dinneen said, in response to a question posed by OPIS.

Enerkem prices shares for upcoming IPO

Canadian cellulosic biofuel company Enerkem expects to sell 7.25 million shares priced at \$17-\$19/share in its initial public offering (IPO), the company announced in a Securities and Exchange Commission filing earlier today.

Enerkem initially filed its IPO on Feb. 3.

Oregon, AeroVironment plan for electric highway

The Oregon Department of Transportation and electric vehicle (EV) charging station manufacturer AeroVironment recently announced a partnership to install EV “fast” chargers (full charge in under 30 minutes) all along the “West Coast Electric Highway,” eventually allowing EV drivers to travel from San Diego to Vancouver, B.C.

“With the price of gas increasing, Oregon wants to provide more transportation alternatives,” said Oregon Department of Energy Director Bob Repine. “It’s important that Oregonians have clean transportation options.”

Tuesday, March 20

Bioenergy Capitol Hill Day being held on Wednesday

An alliance of stakeholders is holding a Bioenergy Capitol Hill Day on Wednesday, aiming to educate Congress on the opportunities and benefits of bioenergy and build support for bioenergy-related solutions, according to a meeting advisory obtained by OPIS.

“Renewables make up nearly 12% of all energy produced in the U.S., such as fuels, electricity and thermal energy from biomass,” explained the meeting invitation.

Cobalt Technologies, Navy to begin testing butanol-based jet fuel

California-based Cobalt Technologies, which is focusing on commercializing biobutanol, announced today that in partnership with the U.S. Navy, the company will begin its first production run to create renewable jet fuel using butanol.

Specifically, the California-based Naval Air Warfare Center Weapons Division announced a contract award to Albemarle Corp., to complete its first biojet fuel production run based on biobutanol provided by Cobalt.

Massachusetts to promote bioheat to dealers on Thursday

The Massachusetts Oilheat Council and the National Biodiesel Board will hold a symposium on Thursday to introduce regional heating oil dealers to the latest and best bioheat or biofuel-blended heating oil marketing approaches.

Fuel dealers and their employees will learn how to use bioheat sales to transform their businesses during the symposium to be held at the historic home of the Boston Red Sox, Fenway Park.

USDA touts energy benefits under REAP initiative

Since President Obama took office three years ago, USDA’s Rural Energy for America Program (REAP) has provided numerous benefits, contributing to U.S. energy independence and helping rural small businesses and farmers become more energy efficient, USDA touted this morning.

REAP, authorized under the 2002 Farm Bill, provides grants, loan guarantees and a combination of grants and loan guarantees to rural small businesses and agricultural producers. Funds may be used to purchase renewable energy systems and to make energy efficiency improvements.

House reps. concerned Navy may be spending too much on alt fuels

Fourteen Republican congressmen are concerned that the U.S. Navy may be purchasing alternative fuels “at drastically greater costs than market prices.”

“We realize and expect that the cheapest energy will not always be the safest energy. However, we object to and cannot endorse an effort to ‘green’ the Navy just for the sake of greening the Navy,” the 12 members of the House Armed Services Committee and two members of the House Appropriations Committee wrote in a March 6 letter to Navy Secretary Ray Mabus, and obtained by OPIS.

Pacific Biodiesel readying plant for opening

The opening of Pacific Biodiesel's newest plant is close enough that the Maui-based company is planning a job fair for this weekend.

The \$13 million Big Island Biodiesel plant in Keaau has a planned startup date of July.

The plant, Hawaii's third biodiesel production facility, is to have a capacity to process 5.5-million gal/year. The company is looking to hire a facility manager, plant operators, shift managers and shipping and receiving agents.

Wednesday, March 21

API launches ad campaign 'to clarify the facts about gasoline prices'

With average retail gasoline prices closing in on nearly \$4/gal, the American Petroleum Institute launched a new ad campaign this week "to clarify the facts about gasoline prices and help bring changes in energy policy that could create jobs and put downward pressure on prices."

The ad campaign and website, www.gaspricesexplained.org, takes viewers through a tour of "Why are gas prices rising," "Where does my money go," "How can I save at the pump" and an "FAQ" section.

North Carolina approves ethanol labeling changes

Changes to rules governing the way ethanol and other oxygenated gasoline blends can be labeled in North Carolina have been approved, the state's Department of Agriculture & Consumer Services said Tuesday.

Consumers could notice new labels at gas stations as early as May.

"More than 90% of the gas stations we inspect carry some form of ethanol-blended gasoline, but until now stations have not been required to label their pumps," said Agriculture Commissioner Steve Troxler.

Growth Energy among sponsors of Bioenergy Capitol Hill Day

Count Growth Energy among the numerous sponsors of today's Bioenergy Capitol Hill Day.

As OPIS reported yesterday, an alliance of stakeholders is holding the event, aiming to educate Congress on the opportunities and benefits of bioenergy and build support for bioenergy-related solutions. The event is closed to the media and the public.

Washington State taking steps toward leadership role in aviation biofuels

Washington State Gov. Christine Gregoire last week signed a bill designed to give the state a leading role in the development and commercialization of aviation biofuels.

The bill notes that the state already is becoming a leader in that area "due to its strong tradition of market innovation, a concentrated demand for sustainable aviation fuels, leading expertise and research capacity, an established aviation manufacturing sector, and the availability of a diverse range of feedstocks for the production of biofuels."

IRFA urges administration to finalize 2013 biomass-based diesel requirement

In a letter to President Obama today, the Iowa Renewable Fuels Association urged the administration to ensure that EPA's proposal to increase the RFS2 biomass-based diesel requirement for 2013 "is finalized as soon as possible."

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."

SG Biofuels hires director of breeding

California-based plant science company SG Biofuels has tapped a former Monsanto official to be its director of breeding, the company announced Tuesday.

SG Biofuels has hired Benito Juarez as director of breeding. He joins the company after 17 years with Seminis and Monsanto. At Monsanto, he was the lead watermelon breeder responsible for the company's world-wide genetic improvement program.

Cummins develops nat gas engine, anticipates strong market for alt fuel

Engine manufacturer Cummins Inc. has begun development of a 15-liter heavy-duty, spark-ignited natural gas engine, as part of its continued effort to invest in natural gas engines. The company expects a strong market for engines powered by an alternative to diesel fuel as natural gas production grows in North America.

Cummins' ISX15 G engine will run on compressed natural gas, liquefied natural gas or biomethane and is expected to be in limited production by 2014, according to the company.

Thursday, March 22

LanzaTech, New Zealand Steel extend agreement

LanzaTech announced this week it is extending its agreement with New Zealand Steel.

The new agreement gives NZ Steel and its Australian parent company Bluescope Steel the opportunity to use LanzaTech's technology commercially.

As the companies explained, they initially established a partnership in 2008, when LanzaTech built its pilot plant to produce ethanol from waste gases at NZ Steel's mill at Glenbrook, in south Auckland.

USDA, DOE offering up to \$35 million for biofuel, bioenergy R&D

USDA and DOE jointly announced today it is offering up to \$35 million over three years to support research and development in advanced biofuels, bioenergy and high-value biobased products.

The projects will be funded through the Biomass Research and Development Initiative – a joint program through USDA and DOE.

"USDA's partnership with the Department of Energy aims to improve our country's energy security and provide sustainable jobs in communities across the country," said USDA Secretary Tom Vilsack. "This funding represents the kind of innovation we need to build American-made, homegrown biofuels and biobased products that will help to break our dependence on foreign oil and move our nation toward a clean energy economy," he added.

In Key Commodity Markets: **In finished markets...**

Spring is usually rally time for gasoline, but this year has so far brought its own patina to seasonal expectations, namely an early startup and some uneven results amid some areas of the country where spring weather started months before it reached the calendar date.

On the NYMEX, RBOB futures contracts melted off its recent highs, dropping 1.75cts Thursday to its lowest settle since the start of the week, at \$3.3396/gal for front-month April, but that was still up a nickel week-to-week. However, Thursday's values also represented a drop of 1.21cts since the first day of March, so it has been an uneven month thus far.

Spot prices as a whole followed the Merc lower by Thursday. Cash gasoline prices over the last week slumped, mostly due to softer futures. Chicago suffered one of the largest slides, with CBOB and unleaded values moving from around \$3.30/gal on Monday to trade south of \$3.24/gal Thursday – still up several cents week-to-week, however.

Also by Thursday, Gulf Coast, Group 3 and New York Harbor gasoline markets all sold off under \$3.20/gal for the first time in over a week. Gulf Coast unleaded at \$3.196/gal showed a 14cts discount versus the Merc, which was 3cts tighter than the week-ago spot differential and had outright prompt prices up 8.11cts, though a good deal of that increase was due to a pipeline cycle switch over the week.

One notable aspect of the gasoline market this year has been unprecedented disparity in prices for different gasoline blends. Exacerbating the price disparity was ongoing plant work along the Great Lakes region as well as in key refining areas of the Gulf Coast.

One example: In January, winter-grade RBOB deals in Chicago plunged 60cts under the Merc benchmark and outright values sagged to a low of around \$2.35/gal. Less than two months hence, summer-grade RBOB deals moved at a 30cts-premium to the Merc, indicating an outright \$3.6396/gal price and putting it some 40cts over spot unleaded or spot CBOB.

Currently, the Chicago gasoline market is rolling through a timeframe where winter grade gasoline must give way to summer grades.

In the Gulf Coast, the Thursday spot price for RBOB that is required in the big Houston, Dallas and as far north as the Washington metro area markets traded over \$3.41/gal – more than 21.3cts over regular unleaded.

Gasoline prices ebbed as crude markets shifted around a fairly tight range in what proved to be a quiet week. Concern over talk that President Obama may release SPR crude to quell election-year complaints about energy prices as well as slower Chinese demand helped take steam out of the market that had front-month Merc crude off \$1.92 Thursday, to \$105.35/bbl. A week ago the front-month price settled \$105.11/bbl.

Meantime, though spot prices and futures settled back

over the last week, gasoline pump continued to climb. The national average for regular, unleaded gasoline at retail was last \$3.889/gal, up 80 points on the day, according to OPIS in association with Wright Express. A month ago, average pump prices had not yet surpassed \$3.60/gal.

At last look, ten states had statewide retail averages topping \$4.00/gal. Other than Hawaii, Alaska and typically costly California, there was also Illinois, Washington, Connecticut, New York, Oregon and Indiana with street prices at or above \$4 threshold. Michigan, Wisconsin, Nevada and Ohio are less than a nickel away.

A very mild winter for most of the nation since the start of the year and what has appeared to be an early spring may have saved the nation from deeper gasoline demand destruction, but the latest weekly DOE figures still appeared to show consumers minimizing their trips to gasoline pumps. While the week-to-week drop in gasoline demand reported over the week was small, to a feeble 8.379 million b/d – or nearly 351.92 million b/d – it was some 694,000 b/d behind what was reported over mid-March 2011. Total petroleum demand at 17.674 million b/d reflected slide of 897,000 b/d week-to-week and 1.636 million b/d down from the same week last year.

Gasoline stockpiles did draw 1.2 million bbl lower on the week, but at 226.9 million bbl on hand nationwide, stocks ran 7.2 million bbl ahead of year-ago storage. RBOB inventory, however, held steady on the week as some noted the overall stock draw was consistent with what would be expected from a typical purge of winter gasoline.

In natural gas...

Gas markets found some footing over the week but a government report that showed the first supply build of the year squelched an upward momentum and took prices lower into the latter part of the week.

In cash markets, Henry Hub gas dropped 2cts on the day and at \$2.19/gal still held a 9cts advantage compared to its week-ago price. Chicago Citygate gas at \$2.18/mmbtu also dropped 2cts on the day, leaving it 9cts higher on a week-to-week basis. Prices that hit a low at the end of the previous week – with the Hub down to \$2.01/mmbtu – got a boost from nuclear plant hiccups, gaining some early week momentum. A lack of follow through on futures that settled with bigger losses by Thursday indicated more downward pressure coming to spots.

The stronger spot prices through the early part of the week came without much help from weather, which remained unseasonably warm heading into the first days of spring to put a damper on demand. “According to estimates from BENTEK Energy LLC, domestic natural gas consumption fell by 9.5% from last week,” noted DOE in a weekly report. The agency also noted that the power sector was able to post a 3.6% gain in demand due to nuclear power plant outages that reached a record level.

DOE also pointed out that weather in “isolated locations” generated enough warmth to drum up some early cooling loads.

Average total gas supply edged up 0.1% week-to-week, helped along by a “modest” increase in natural gas output, up 0.8% on the week to 63.8 bcf. That put output up 6.5% compared to the same time last year, said DOE.

On paper, gas values did not get as much of boost as physical markets early last week. By Thursday, front-month April gas on the NYMEX settled down 9.1cts for the session, at \$2.269/mmbtu – taking the contract down a penny week-to-week.

The late-week Merc selling was largely due to an unfavorable inventory report from DOE. The earliest build in weekly gas stocks in a half-decade was not completely unexpected, but at 11 bcf it came in more than many market watchers anticipated. The build put U.S. gas inventory as estimated by DOE about 47.5% higher than it was at the same time last year and 54% ahead of the five-year supply average.

A year ago, DOE reported a 20 bcf draw in stocks. That underscored the light nature of winter draws and the quick return of seasonal builds even before the official advent of spring. April is generally thought of as a “transition” month for gas, caught in the “shoulder season” between winter’s high demand and summer’s more modest needs that rise with the temperatures, but things might move along more quickly this year.

Forecasts from the National Oceanic Atmospheric Administration point to above-normal temperatures into early next month in most of the U.S., which has some market watchers expecting gas prices to again threaten sub-\$2.00 levels.

However, some were heartened that the market did not drop lower than it did following the DOE inventory report. They maintain that while there is little chance of a turnaround before the possibility of a blazing summer or some drastic cut in supply, prices seem to have found their low range for now.

Looking forward, the six-month Merc strip average actually dropped nearly 4.367cts week-to-week by Thursday, running nearly \$2.50167/mmbtu on average. That gave the strip price a premium approaching 31.17cts over Henry Hub spot gas values, well down from the 48.53cts premium the strip could boast a week ago.

In corn...

Corn markets moved lower most of the week, with some double-digit downturns showing up at times. CBOT corn for May regained 2.5cts Thursday to settle at \$6.445/bu, which was 24.5cts lower than the contract settled a week ago. July corn, settling the CBOT at \$6.4275/bu, added 1.5cts on the day but still lost 24.25 week-to-week.

By Thursday, speculation of Chinese buying and word that Argentina’s government snipped that nation’s estimated corn output for the current season overcame the weight of good crop weather in the U.S. Corn Belt that many saw helping planting and perhaps aiding yield. But not by much and their remained some divergence in the “old crop” versus the “new crop” values.

Late in the week, while old crop contracts nosed up a couple pennies or so, the new crop was trading off for its 2012 contracts, but up a bit on those for next year’s. The good early weather in the Corn Belt is not only encouraging wider planting, but some indicate it may have forecasters adjusting yields to the upside.

Some wet weather of late, however, was seen hampering field work, according to sources. Late word also had rainy weather hampering delivery in some key areas.

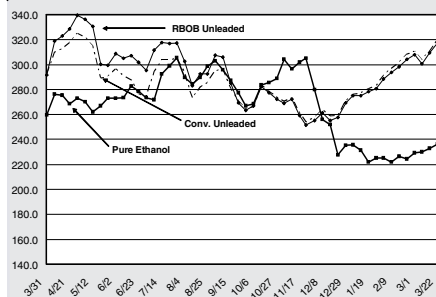
In a twist last week, pressure on corn prices was also came from ethanol markets, which were struggling with apparently bloated supply. Some noted the build in ethanol stocks – to record levels reported by DOE – would put a damper on corn demand from the industry as it minimized output and perhaps fatten corn supply.

One market source noted that when the U.S. adopted its renewable fuel standard requirements on the petroleum industry, it was envisioned that some 150 billion gal of fuel would be used each year, and about 10% of that could mean 15 billion gal of ethanol used in fuel. Post-recession, many now see the 10% blend accounting for no more than 13.5 billion gal annually, equaling less corn demand.

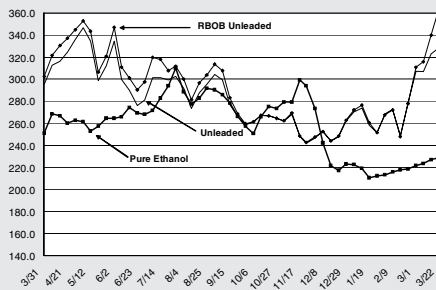
Meantime, cash basis levels through midweek were said

Ethanol vs. Spot Unl. and “BOBS” in Key Markets

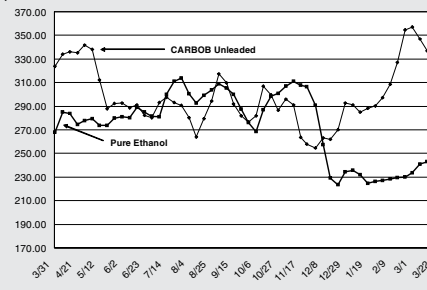
New York



Chicago



Los Angeles



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

to be under some downward pressure at processors and ethanol plants. Cash bids for Kansas City No. 2 truck yellow corn slid 24-27cts from the week before, to \$6.60-\$6.62/bu. At the same time, Chicago No. 2 yellow corn bids ranging from \$6.245-\$6.615/bu lost 24.5cts on the week.

In biodiesel...

Biodiesel values slipped lower in most bulk cash through most of the week, but rack prices still held virtually unchanged by Thursday.

Gulf Coast soy-based B100 offers moved up around the \$5.00/gal threshold early in the week, but ultimately dropped off that lofty number with material said to be available down to \$4.88/gal – off some 12cts for the week.

However, nationwide rack prices for biodiesel averaging \$5.45/gal held right where that average ran a week ago. At the same time, on-road diesel rack prices gained some ground before pulling back on Thursday, to average \$3.38/gal, making the week-to-week gain less than 2cts.

On average, B100 rack prices held a 2.07cts premium to petroleum diesel, but EPA's RIN credit values for vintage 2012 last trading \$1.45 would impart an additional \$2.175/gal in credit value to biodiesel.

In dried distillers grains...

In the wake of some erosion in corn prices over the last week, market sources said distiller dried grains values held within a fairly narrow range from the previous week, vacillating between slight gains and losses.

FOB plant prices for Iowa DDG values ran \$203-\$210, which was up several dollars week-to-week on both the low and the high end of the range. Wet grains rated \$65.25-\$74 on the week. Eastern Corn Belt DDGs at \$201-\$211 were off from a couple dollars on the week to as much as \$14 down on the high side of the scale. Minnesota DDGs ran \$198-205, up \$3-\$5, while Nebraska DDGs at \$205-\$225 were down \$5 to up \$6 on the week. Again, DDG values appeared uneven, as market sources said.

Kansas was no different, with DDGs a bit pricier than elsewhere but up \$15 to down \$1 over the week, at \$240-\$245.

Out west, delivered DDG values to California ran \$255-\$263, while those to the Pacific Northwest hit \$250-\$265.

Ethanol production over the week indicated plants, according to the ethanol industry's Renewable Fuels Association, made some 100,506 metric tons of animal feed, about 90,667 tons of which were distiller grains.

In natural gasoline...

Natural gasoline experienced tepid overall demand over the last week with gasoline blending demand set to decrease as refiners switch to making lower pressure summer gasoline.

Spot prices for natural gasoline at Enterprise Mt. Belvieu storage

ended the week largely flat around \$2.45/gal, compared to \$2.47/gal earlier in the week. Spot prices had fallen as low as \$2.39/gal when WTI crude dipped to around \$104/bbl.

Gasoline blending has been underpinning much of the market in recent months, according to market sources. Demand has been particularly strong for low-sulfur natural gasoline, which better meets the needs of gasoline blending.

Spot natural gasoline at the Targa storage facility, which has a desulfurization unit, has been fetching a premium of 8cts/gal over Enterprise barrels. The average premium so far this year has been about 6.75cts/gal.

Still, refiners are somewhat limited in how far they can stretch the gasoline pool using pentanes due to the extremely high Reid vapor pressure of natural gasoline. Moreover, the upcoming switch to lower pressure summer gasoline blends means even less need for pentanes.

One bright spot in the market is the push by some states to get temporary waivers on gasoline-RVP limits from the Environmental Protection Agency. Pennsylvania wants to EPA to grant the state a temporary waiver to allow it to use higher RVP gasoline due to tight supply in the state after the closure of two refineries.

In ultra-low-sulfur diesel...

The CME Group now says it will change the specifications of its existing NYMEX heating oil futures contract to reflect ultra-low-sulfur diesel starting from May 1, 2013, onward.

The change means the group dropped its original plan to force market players to switch from the current heating oil contract to a mostly ignored ULSD contract, Dan Brusstar, CME director of energy research told OPIS.

Brusstar said the new plan will aid market players in the transition to ULSD from heating oil, and keep all heating oil trading liquidity embedded in one contract rather than split between two contracts, he said.

The switch for heating oil to a 15ppm sulfur content from 2,000ppm in the months prior to the deadline at end-April 2013 will be similar to the annual gasoline specifications switch to a lower RVP requirement for the more expensive summer grade during the same month.

"Companies or traders will adjust heating oil prices according to the specs change. Heating oil and ULSD will start to be priced similarly," Brusstar said when asked about potential issues with the specs switch.

The price spread between ULSD and heating oil has been very volatile recently due to a growing global appetite for distillates. The U.S. has been a regular exporter of ULSD to Europe and South America.

New York Harbor spot low-sulfur price premium is at about a dime per gallon, up sharply from a penny premium in February. "We have no immediate plans to delist the current ULSD contract. We are considering and finalizing the details," said Brusstar.

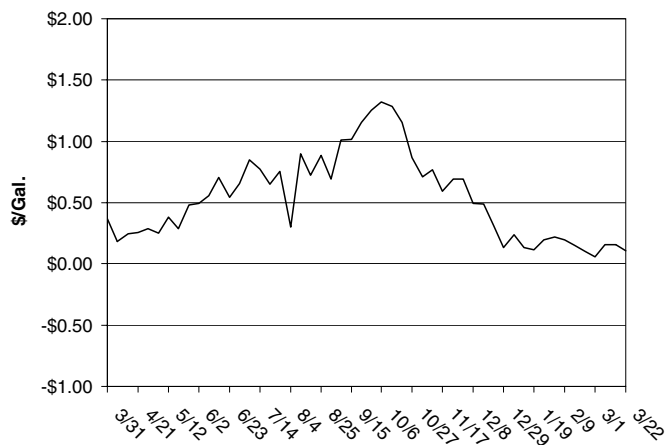
National Renewable Fuel Feedstock/Co-Product Price Index

Feedstock/Co-product	Location/Source	Spot Price	Previous	4-Wk Avg.
Palm Olein	US Gulf Coast	\$0.5625/lb	\$0.5638	\$0.5594
Soybean Oil - Crude De-gummed	Central Illinois	\$0.5533/lb	\$0.5587	\$0.5557
Soybean Oil - Crude De-gummed	Central Illinois - USDA	\$0.5308/lb	\$0.5448	\$0.4328
Soybean Oil - RBD*	Central Illinois - USDA	\$0.5933/lb	\$0.5987	\$0.6007
Canola Oil	West Coast	\$0.6283/lb	\$0.6337	\$0.6263
Canola Oil	Midwest	\$0.6083/lb	\$0.6137	\$0.6076
Corn Oil - Crude	Midwest	\$0.5300/lb	\$0.5350	\$0.5300
Beef Tallow	Chicago	\$0.4900/lb	\$0.4900	\$0.4831
Choice White Grease	Chicago	\$0.4900/lb	\$0.4600	\$0.4675
Poultry Fat (Low FFA)**	Southeastern US	\$0.4900/lb	\$0.4800	\$0.4775
Yellow Grease	Illinois	\$0.4300/lb	\$0.4300	\$0.4200
Methanol	US Gulf Coast	\$1.131/gal	\$1.140	\$1.139
Soy Meal (Hi-Pro)***	Illinois Truck	\$362.60/ton	\$364.10	\$359.28
Corn	Central Illinois	\$6.4450/bu	\$6.6150	\$6.5438
Soybeans	Central Illinois	\$13.2800/bu	\$13.2650	\$13.1450
Crude Glycerin (80%)	FOB Midwest	\$0.0700/lb	\$0.0700	\$0.0694
DDG-S (Dried Distillers Grains W/ Solubles)	Eastern Cornbelt - USDA	\$206.0000/ton	\$206.7500	\$204.0000
WDG (Wet Distillers Grains)	Eastern Cornbelt - USDA	\$75.5000/ton	\$74.0000	\$74.1250
Corn	Kansas City - USDA	\$6.6100/bu	\$6.8650	\$6.6850
ULSD	OPIs National Average	\$3.254/gal	\$3.292	\$3.303
Low Sulfur Diesel	OPIs National Average	\$3.277/gal	\$3.311	\$3.330
RBOB	OPIs National Average	\$3.250/gal	\$3.160	\$3.169
Ethanol	OPIs National Average	\$2.311/gal	\$2.346	\$2.309
Unleaded RFG	OPIs National Average	\$3.201/gal	\$3.128	\$3.167
Natural Gasoline	Mt. Belvieu Non-TET	\$2.398/gal	\$2.425	\$2.454
Natural Gasoline	Conway In-well	\$2.369/gal	\$2.425	\$2.427
Ethanol RINs (Current Year)	OPIs National Average	\$0.0230/gal	\$0.0228	\$0.0233
Ethanol RINs (Previous Year)	OPIs National Average	\$0.0015/gal	\$0.0013	\$0.0016
Cellulosic RINs (Current Year)	OPIs National Average	\$0.7800/gal	\$0.7800	\$0.7800
Cellulosic RINs (Previous Year)	OPIs National Average	\$1.1300/gal	\$1.1300	\$1.1300
Biodiesel RINs (Current Year)	OPIs National Average	\$1.4500/gal	\$1.4425	\$1.4281
Biodiesel RINs (Previous Year)	OPIs National Average	\$1.2650/gal	\$1.2600	\$1.2963
Advanced Biofuel RINs (Current Year)	OPIs National Average	\$0.7400/gal	\$0.7350	\$0.7450

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

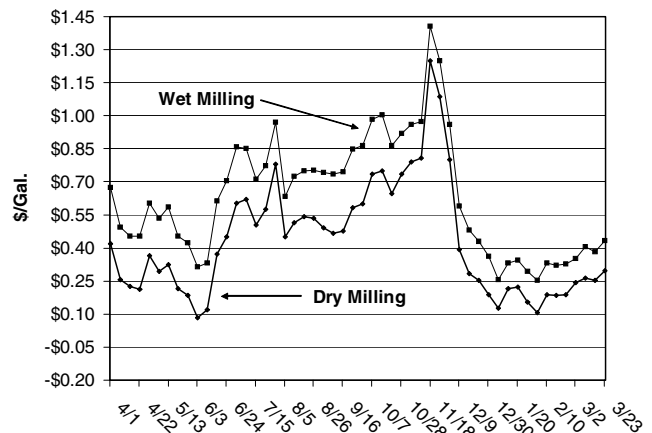
Data provided, in part, by World Energy, www.worldenergy.net; Jim Jordan & Associates, www.jordan-associates.com

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	\$4.35	\$3.93	\$2.69	2.56/1.94

Prices in U.S. \$/gal., 3/22/12 Data provided, in part, by Starsupply Renewables, www.starsupply.ch and SCB & Associates, www.starcb.com

European markets

Boeing, Airbus and Embraer signed a memorandum of understanding to work together on the development of affordable, drop-in aviation biofuels, the three companies announced last week.

Boeing Commercial Airplanes President and CEO Jim Albaugh, Airbus President and CEO Tom Enders and Embraer Commercial Aviation President Paulo Cesar Silva signed the agreement at the Air Transport Action Group (ATAG) Aviation and Environment Summit in Geneva.

“There are times to compete and there are times to cooperate,” said Boeing’s Albaugh. “Two of the biggest threats to our industry are the price of oil and the impact of commercial air travel on our environment. By working with Airbus and Embraer on sustainable biofuels, we can accelerate their availability and reduce our industry’s impacts on the planet we share,” he added.

According to Boeing spokesman Terrance Scott, specific details of the MOU have yet to be determined. “The specific

projects we’ll work on will be determined going forward by our respective teams,” he explained to OPIS. “The CTOs from each company will guide their respective teams and actual costs/contributions will be determined once the specific projects have been identified. We’re just getting going on identifying the opportunities, but the good news is we’re doing it in partnership,” he added.

The MOU is effective immediately, through January of 2016, Scott noted.

According to the joint press release, all three companies are affiliate members of the Sustainable Aviation Fuel Users Group, which includes 23 airlines responsible for approximately 25% of annual aviation fuel use. All three companies have supported numerous biofuel flights since global fuel standards bodies granted their approval for commercial use last year.

Meanwhile, ePURE, the European Renewable Ethanol Association, said it welcomes a customs regulation recently published by the European Commission that it says will “harmonize the classification of ethanol/petrol blends that are imported into Europe.”

Beginning April 3, all imported ethanol/petrol blends that contain 70% ethanol blended with 30% petrol must be classified by EU customs authorities as denatured ethanol.

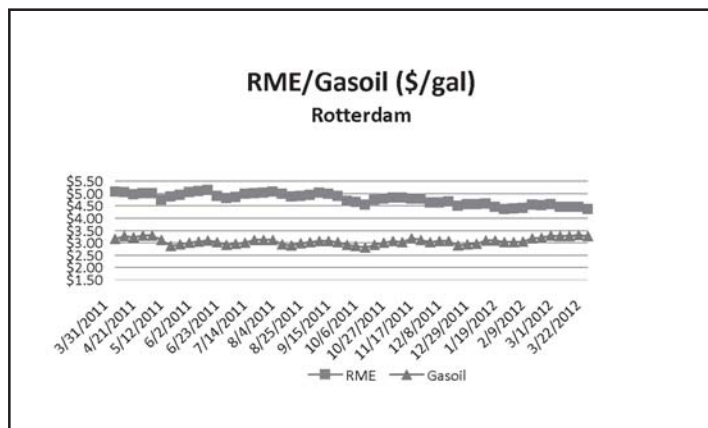
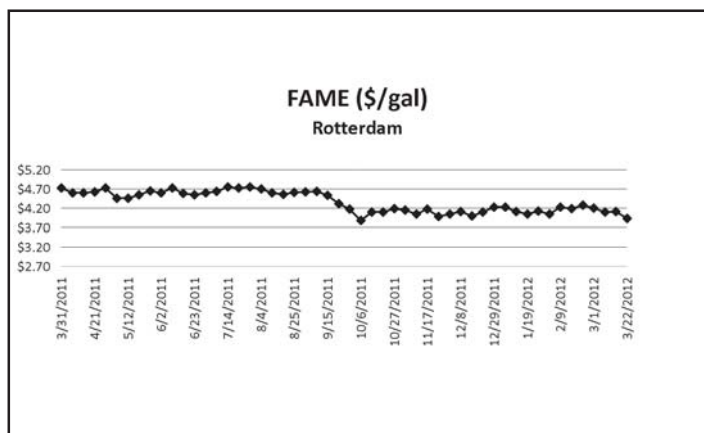
ePURE said it believes the move “finally closes a classification loophole which has had extremely damaging consequences for the European ethanol industry.”

The new classification rules mean that ethanol blended with less than 30% petrol can no longer be classified as a chemical product, ePURE said, and can no longer be eligible for a much lower import duty of 6.5%.

ePURE Secretary General Rob Vierhout added, “For too long, ethanol has been entering the EU market under the wrong custom classification and this has had an extremely damaging effect on our industry. Market actors have been deliberately shipping wrongly classified ethanol into Europe in order to avoid duty payments.”

Since the end of 2009, ethanol imports to Europe from the U.S. have increased significantly, ePURE said, from 13 million liters in 2009 to more than 1.1 billion liters in 2011.

Finally, in market activity, RME fob ARA was bid and offered in the \$1,290 - \$1,320/metric ton range at presstime, according to SCB Renewables. SME was \$1,180 - \$1,210 while PME was \$1,160-\$1,190, and FAME 0 was \$1,160-\$1,190/mt, said the trade group.



Brazilian and CBI markets

Anhydrous Ethanol 2.8575-2.9325 Hydrous Ethanol 2.7450-2.7825
(FOB Santos, 3/22/12, prices in U.S. \$/gal.)

Brazil's year-on-year anhydrous and hydrous ethanol inventories got cushier during second-half February, figures from Brazil's Ministry of Agriculture show.

Brazil-wide anhydrous inventories at end-February stood at 2.140 billion liters, representing a 7.7% drop from 2.317 billion liters at mid-February.

At end-February, anhydrous inventories were up by 71.7% versus end-February 2011. At mid-February, the year-on-year inventory gain was just 51.1%. So the Brazilian government's decision to reduce the anhydrous blend rate in gasoline from 25% to 20% effective Oct. 1, 2011, appears to be having an impact.

Brazil-wide hydrous inventories at end-February were pegged at 1.950 billion liters, representing a 13.1% drop from 2.244 billion liters at mid-February.

At end-February, hydrous inventories were up by 34.9% from 1.445 billion liters at end-February 2011. At mid-February, the year-on-year inventory gain was just 13.4%.

According to statistics from Brazil's National Oil, Gas and Biofuels Agency (ANP), distributors' sales of hydrous ethanol (sold neat at the pump) totaled 718.3 million liters in January.

If that demand level were to hold, the end-February hydrous inventories would represent about two and a half months of supply, or enough to last through mid-May. Brazil's 2012/13 sugarcane harvest season will be well underway by then, augmenting domestic ethanol supply.

The January 2012 hydrous sales were the lowest level seen since April 2011. ANP statistics show that hydrous ethanol has not achieved price parity with gasoline at the pump since June 2011 (Brazil-wide average).

Since it has lower fuel efficiency, hydrous ethanol is deemed at price parity when it is at 70% the price of gasoline. ANP showed hydrous ethanol averaging 72.6% the price of gasoline in February.

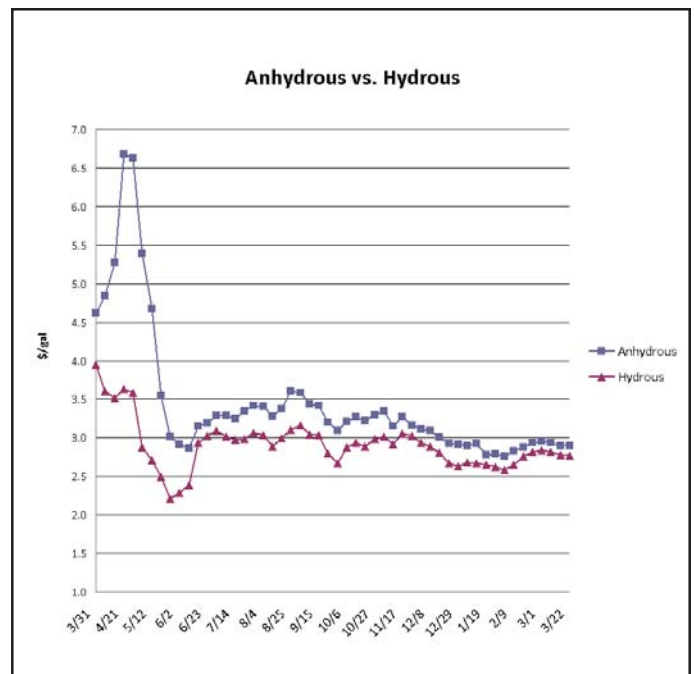
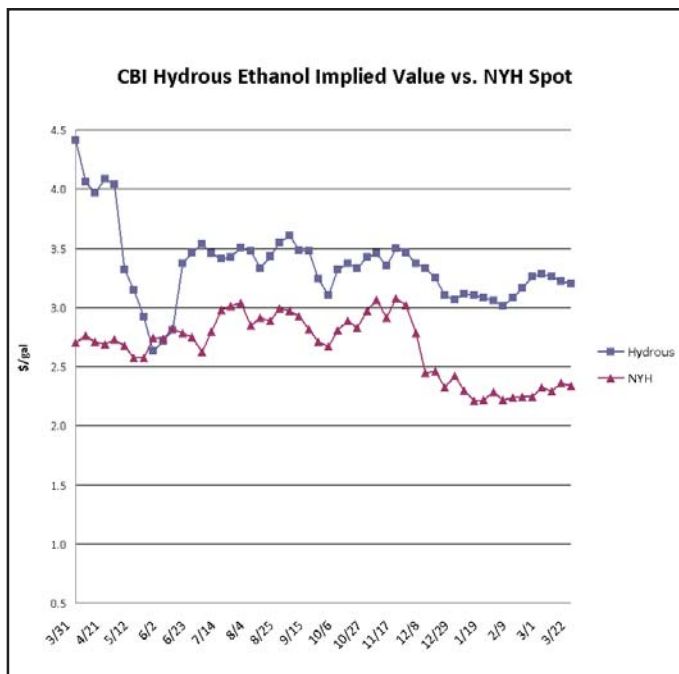
Meanwhile, ANP showed distributors selling 3.091 billion liters of gasoline in January. With the 20% anhydrous blend rate, that would represent about 618.1 million liters of implied anhydrous demand.

If that demand level were to hold, the end-February anhydrous inventories would represent nearly three and a half months of supply, or enough to last through mid-June. This doesn't take into account Brazil's anhydrous imports from the United States.

The Brazilian real's value versus the dollar weakened slightly last week, averaging 1.82135 reals to the dollar (through Thursday) versus an average of R\$1.80828 the prior week.

Meanwhile, hydrous ethanol basis Brazil's Paulinia trading hub went from R\$1,251.50/cubic meter on Friday, March 16, to R\$1,254.50/m³ on Thursday, March 22, representing a modest increase of 0.2%.

Anhydrous ethanol fob the Brazilian port of Santos was pegged Thursday at around \$765.00/m³ (\$2.8950/gal), which translated to 56cts/gal above the New York spot price and 61.50cts/gal above the U.S. Gulf Coast spot price.



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