

Biofuel Markets – December 2009

Monthly Market Update



Ethanol Markets

Overview

2009 ended in a state of flux for biofuels markets. Debates over the California Low Carbon Fuel Standard, indirect land use policy, amendments to the RFS, and the EPA's postponement of a ruling on mid-level blends kept reporters and analysts busy, but have yet to lead to any conclusions on the forward view for ethanol in America. We hope to get word from the EPA on E-15 by mid-summer, and have some conclusions on cellulosic ethanol policy (especially with respect to RFS-2 implementation) sometime soon. But issues like LCFS and land-use changes will prove much thornier for some time to come. Planning for the massive annual industry gathering in February (once again in Orlando, though at not nearly as nice a venue as the 2008 RFA) is already underway, and we look forward to hearing what industry leaders have to say.

CBOT Forward Swaps

Average daily volume for CBOT swaps in December was 785 lots, including some days with near-record volume in excess of 3,500 contracts. Open interest ended the year at 41,896 on Dec. 31st, lower than the intra-month high but still very respectable given the relatively prompt level of most interest.

Front month January swaps, riding on end-November momentum, began the month offered at the \$2.00 level, but one week later were trading solidly around \$1.90. By mid-month January swaps were either side of \$1.81, though a late-month holiday season rally brought it back to \$1.87 at \$1.90 going into the end of the month.

Benchmark First quarter swaps mirrored the January trade, starting the month trading \$1.96, hitting a low of \$1.80 mid-month, and trading \$1.90 on New Year's Eve. There was little interest, however, in Cal' 10 markets with most attention by producers, traders, and blenders alike in the first half of 2010.

Physical Ethanol

New York Harbor ethanol started the month on a high note and only went down from there. Spot prompt material on an FOB basis began at \$2.28, and January material ten cents below that. Once it became apparent there was no squeeze, combined with normal year-end inventory depletion for tax purposes, sellers outnumbered buyers and prices trailed downward. Spot material ended the month right at \$2.00, despite a few trips to the \$1.97-98 range just prior to Christmas.

Cash ethanol in the Chicago market was a consistent ten cents below NYH, beginning at \$2.18, trading down to \$1.89 on December 23rd, and gaining a few cents to close out the month in the \$1.94 – 1.95 region. Blending racks in Des Moines moved from \$2.22 down to \$2.00 over the course of the month, and material "FOB the plant" in Iowa ranged from \$2.05 to \$1.80 by month end. Absent any disruptions and with weak demand, Gulf Coast material also drifted downward from \$2.35 to \$2.00 flat over the duration of the month.

CBOT Forward SWAPS		
▼ TERM	▼ BID	▼ OFFER
Jan '10	\$1.90	\$1.91
Q1 '10	\$1.88	\$1.89
Q2 '10	\$1.86	\$1.88
Q3 '10	\$1.86	\$1.87
Cal'10	\$1.86	\$1.88

ETHANOL – NY PHYSICAL		
Jan'10	\$2.01	\$2.04
Feb'10	\$1.99	\$2.01
Q1'10	\$1.99	\$2.01

ETHANOL – CHICAGO PHYSICAL		
Jan'10	\$2.00	\$2.04
Feb'10	\$1.98	\$2.01

Evolution Markets Inc. and its suppliers believe the information or data contained herein was obtained from reliable sources. Nevertheless, Evolution Markets Inc. does not guarantee the accuracy and/or the completeness of the information or data included herein, to you or to any other person or entity, and Evolution Markets Inc. shall have no liability for any errors or omissions with respect to such information or data. Evolution Markets Inc. makes no express or implied warranties to you, or to any other person or entity, and expressly disclaims all warranties or merchantability or fitness for a particular purpose or use, with respect to the information or data included herein. Without limiting any of the foregoing, in no event shall Evolution Markets Inc. have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages. Prices and or bids/offers reflect (i) data from completed transactions, (ii) data from pending transactions, (iii) firm bids to buy and/or firm offers to sell, (iv) prices purchasers have expressed a willingness to pay, but for which we have not received, or are not aware of, a firm bid to buy or prices sellers have expressed a willingness to accept, but for which we have not received, or are not aware of, a firm offer to sell and/or (v) our judgment of the price(s) at which transactions could be concluded based on any combination of the above information. © Copyright 1999-2009, Evolution Markets Inc.



EVOLUTION
MARKETS