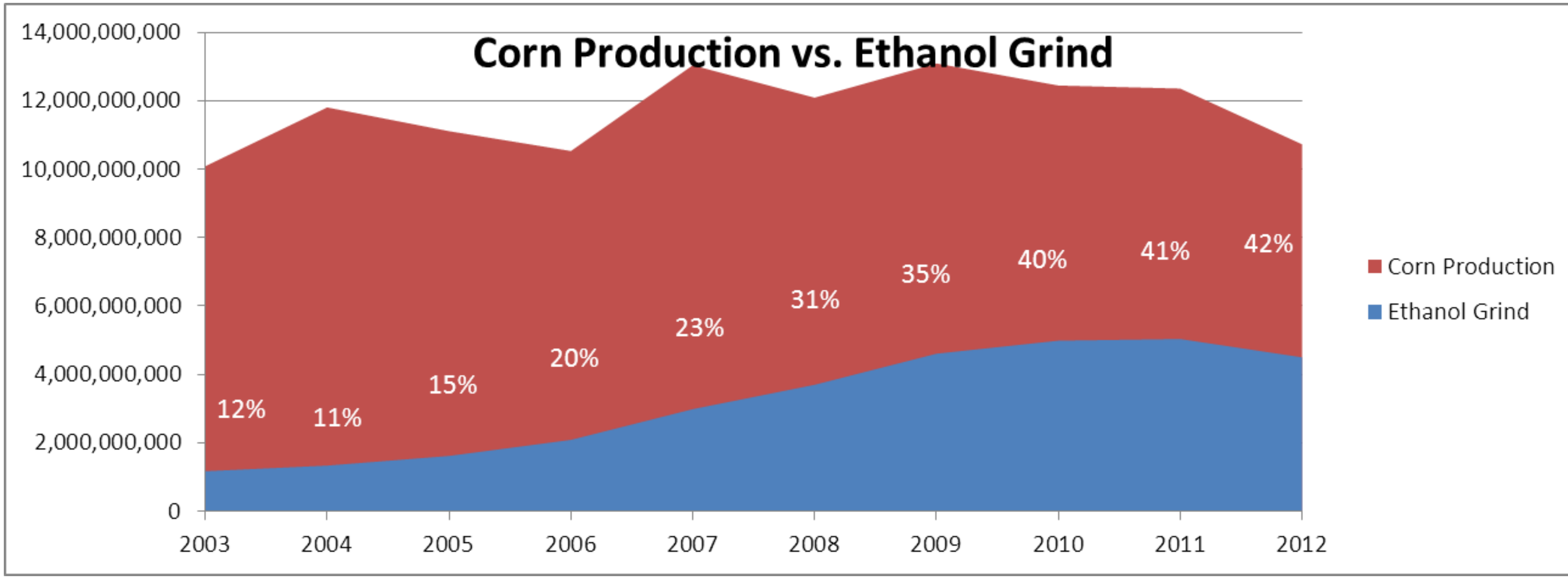
Surface Transportation Board -

Rail Energy Transportation Advisory Committee Meeting

Biofuels Review

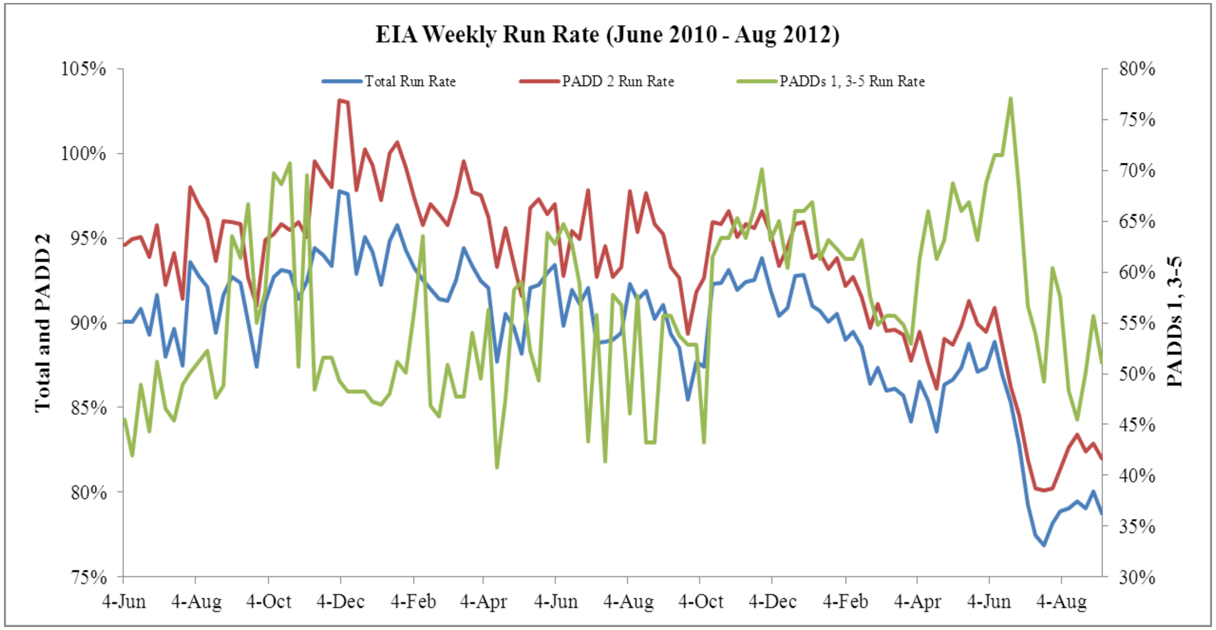
September 20, 2012

Corn Production



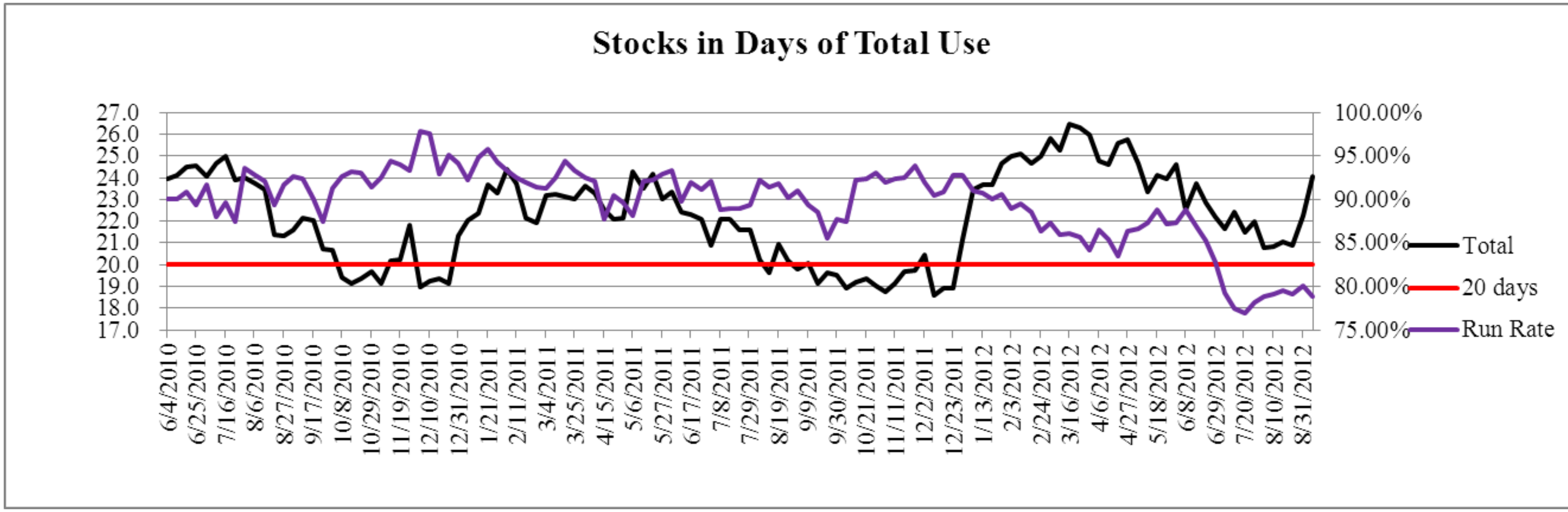
- USDA projects a 10.7B bu corn crop for 12/13, down ~1.25B from 11/12
- USDA projects a 500 million bu drop in corn grind for ethanol
  - 4.5B bushel grind in 12/13 vs. roughly 5B in 11/12
    - Implies slightly lower run rates for balance of crop year
- Grind as a % of corn production continues to increase, however
  - 42% for 12/13 vs. 41% in 11/12

Ethanol Production

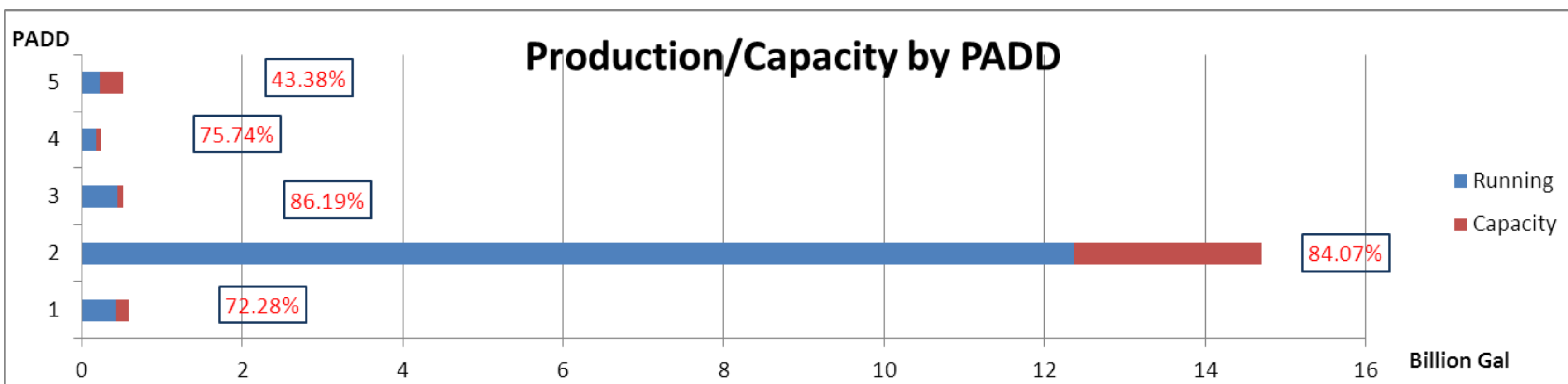


- Production cut significantly via negative margins and lack of corn availability
  - ~80% run rate vs peak of 94.9% in Nov 2011
    - Implies 4.650B 12/13 grind vs 5B corn grind in 11/12
- Run rates expected to remain at 80% for balance of 12/13 campaign (with slight downside risk)
  - Forward margin curve negative

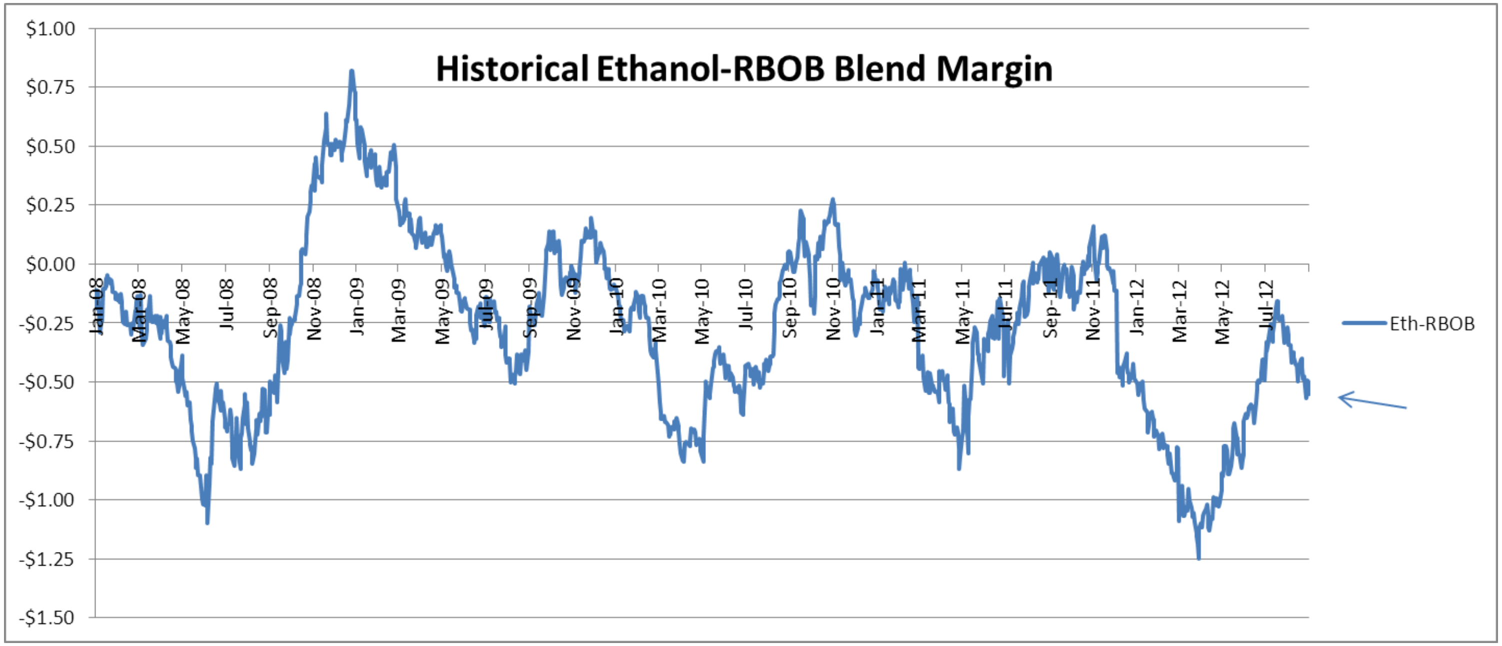
Ethanol Stocks – Prod by PADD



- Ethanol stocks (black) remain ample despite reduced run rates (purple)
  - Above 20 day threshold (red)

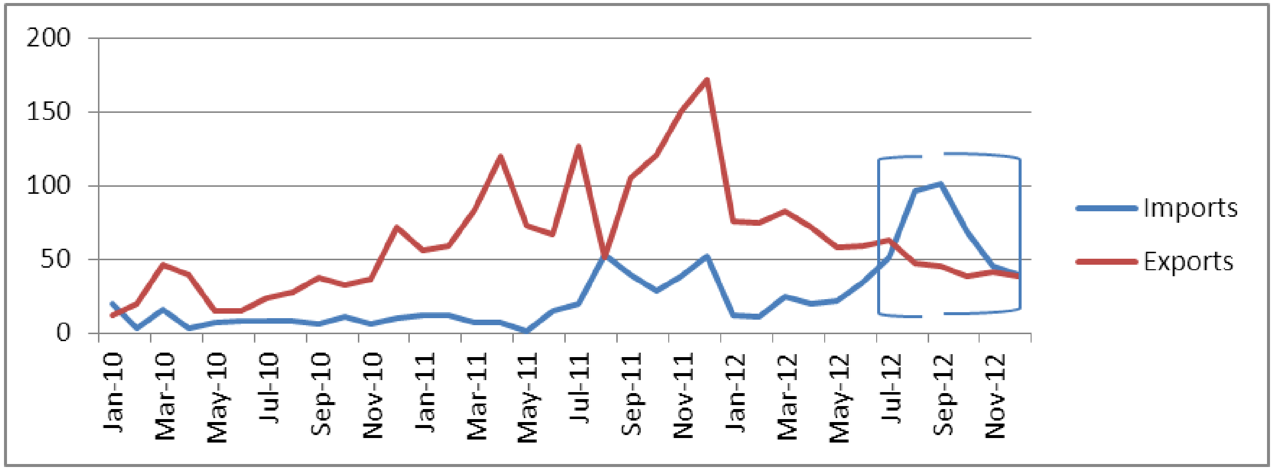


Ethanol Blending and RINs



- Refiner blend margins are currently over 60 cents
- Ethanol is cheapest, most accessible oxygenate
    - Roughly 70% of fuel market uses a gasoline blendstock that requires ethanol blending
    - Alternative octane substitutes have failed
- RINs – designed for flexibility
    - ~2.5B excess RINs carried over from 2011 (roughly 900 mil bu)
    - On pace to produce 13.4B RINs in 2012 vs 13.2B mandate

Import/Export



- Dynamic shift from net exporter to net importer
- Brazilian ethanol required to meet advanced biofuel mandate (D5 RINs)
    - Imports keeping ethanol stocks weighted through end of 2012 Potential outlet for further corn rationing

Consequently, a waiver of corn ethanol mandate will have little to no effect on ethanol production/consumption