Surface Transportation Board

Rail Energy Transportation Advisory Committee Meeting

Biofuels Update

Oct 2, 2014
U.S. Corn Production

- Record production expected – 14.4 Byn Bushels
- Record yields/acre 171.7 BPA
- Concern over storage space to handle crop
- Futures prices are approaching 5 year lows
## U.S. Corn Situation

<table>
<thead>
<tr>
<th>US Corn Supply &amp; Demand</th>
<th>12/13</th>
<th>13/14</th>
<th>14/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planted (mln acres)</td>
<td>97.2</td>
<td>95.4</td>
<td>91.6</td>
</tr>
<tr>
<td>Harvested</td>
<td>87.4</td>
<td>87.7</td>
<td>83.8</td>
</tr>
<tr>
<td>Yield (Bu/Acre)</td>
<td>123.4</td>
<td>158.8</td>
<td>171.7</td>
</tr>
<tr>
<td>Carry-In (mln Bu)</td>
<td>989</td>
<td>821</td>
<td>1181</td>
</tr>
<tr>
<td>Production</td>
<td>10780</td>
<td>13925</td>
<td>14395</td>
</tr>
<tr>
<td>Imports</td>
<td>160</td>
<td>35</td>
<td>30</td>
</tr>
<tr>
<td>Total Supply</td>
<td>11929</td>
<td>14781</td>
<td>15607</td>
</tr>
<tr>
<td>Food/Industrial</td>
<td>6039</td>
<td>6500</td>
<td>6530</td>
</tr>
<tr>
<td>Ethanol</td>
<td>4641</td>
<td>5125</td>
<td>5125</td>
</tr>
<tr>
<td>Feed / Residual</td>
<td>4339</td>
<td>5175</td>
<td>5325</td>
</tr>
<tr>
<td>Exports</td>
<td>730</td>
<td>1925</td>
<td>1750</td>
</tr>
<tr>
<td>Total Use</td>
<td>11108</td>
<td>13600</td>
<td>13605</td>
</tr>
</tbody>
</table>
• Carryout stocks expected to grow to 2 Byn bushels
• Beginning stocks this year were 1.2 Byn bushels
Ethanol Production and Margin

• Production has moved towards the RFS mandate thanks to strong margins
• Cheap corn, strong gas and export demand, and stable natural gas should keep margins positive through the winter
• Regional prices will vary given potential logistical issues
Ethanol Stocks

- Stocks rebounding thanks to improved margins, the railroads will dictate run rates for 14-15
- Stocks should grow as gas demand declines heading into winter
Ethanol Exports vs. Imports

- Exports will play a bigger role given expected increase in production, worldwide mandate increases and favorable economics
- US is the cheapest source of ethanol globally and should remain so through the winter
US Biodiesel Demand

- EPA originally targeted 1.28 Byn gallons for 2014
- New EPA target could be set at 1.5 Byn gallons
- Industry is producing at a rate of 1.7 Byn gallons today
- Blenders credit could be reinstituted by end of year
Biofuels Rail Transportation

• Ethanol
  – Transit times running close to normal heading into harvest. Some challenges in the east
  – Logistics predicted to be a challenge this fall
  – Major concern on movements over Chicago
  – Run rates are going to be predicated on rail service

• Tank Cars & PHMSA
  – All eyes on PHMSA’s rule making on tank car standards
  – Over 98% of the fleet hauling ethanol is DOT 111’s