



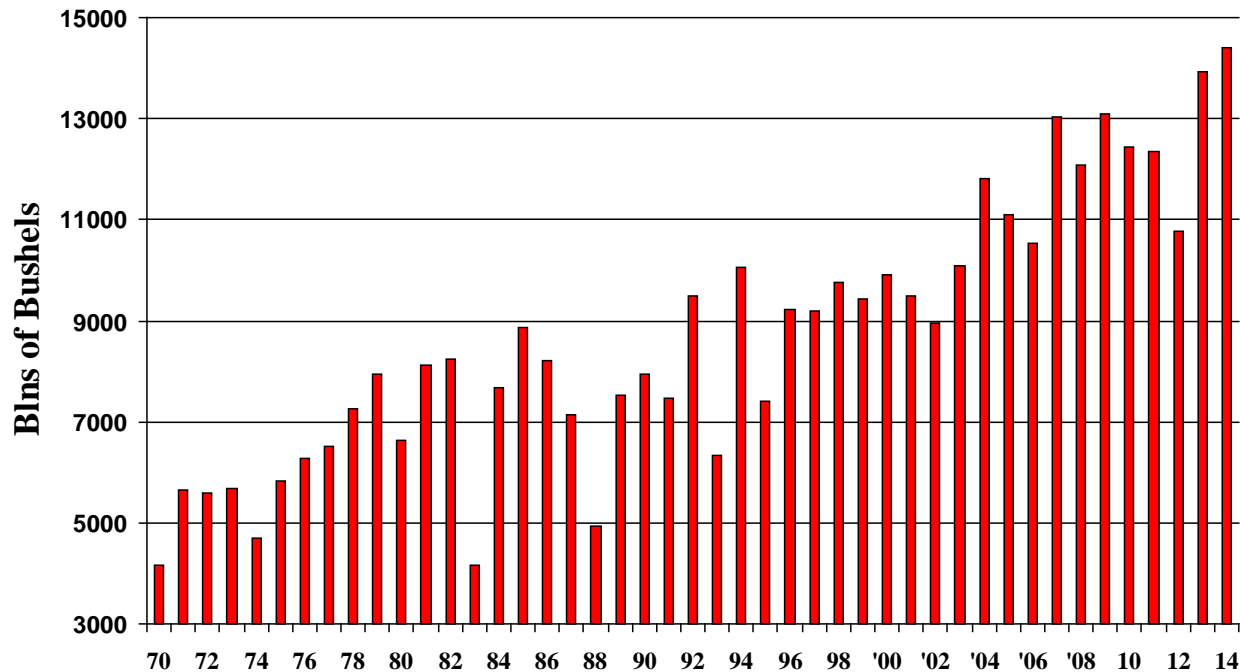
Surface Transportation Board

Rail Energy Transportation Advisory Committee Meeting

Biofuels Update

Oct 2, 2014

U.S. Corn Production

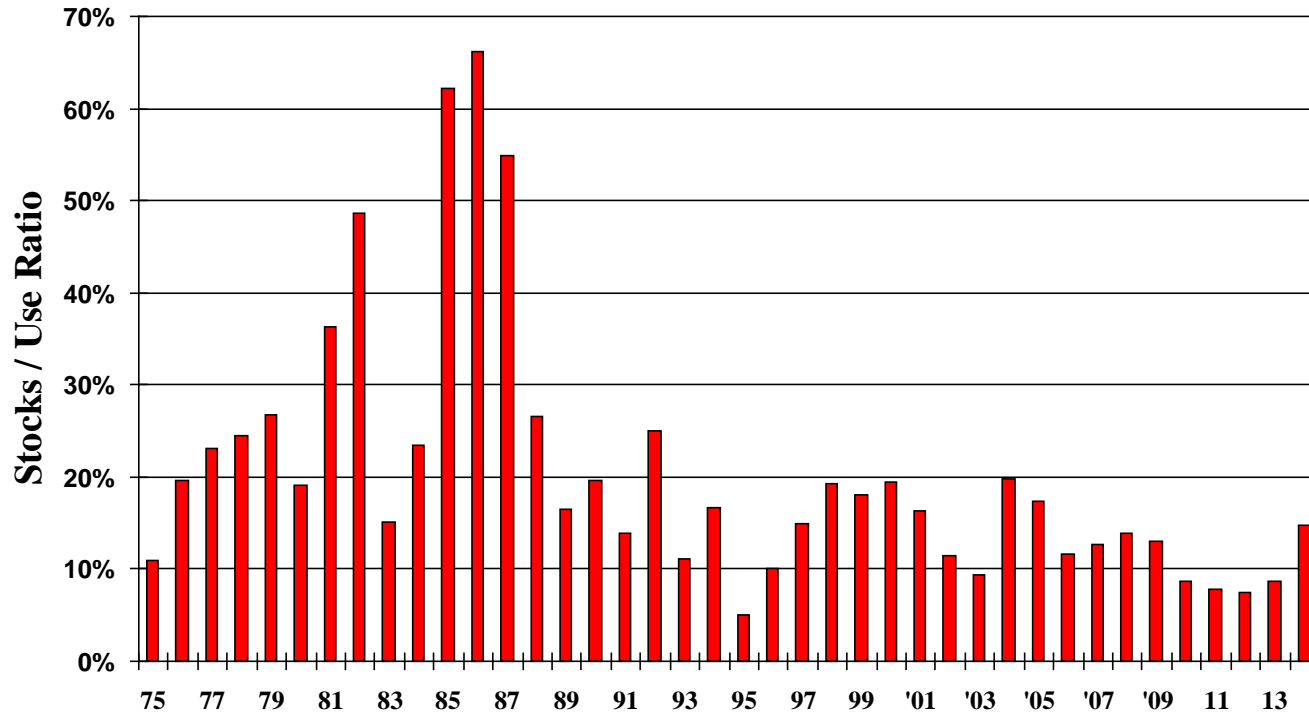


- Record production expected – 14.4 Byn Bushels
- Record yields/acre 171.7 BPA
- Concern over storage space to handle crop
- Futures prices are approaching 5 year lows

U.S. Corn Situation

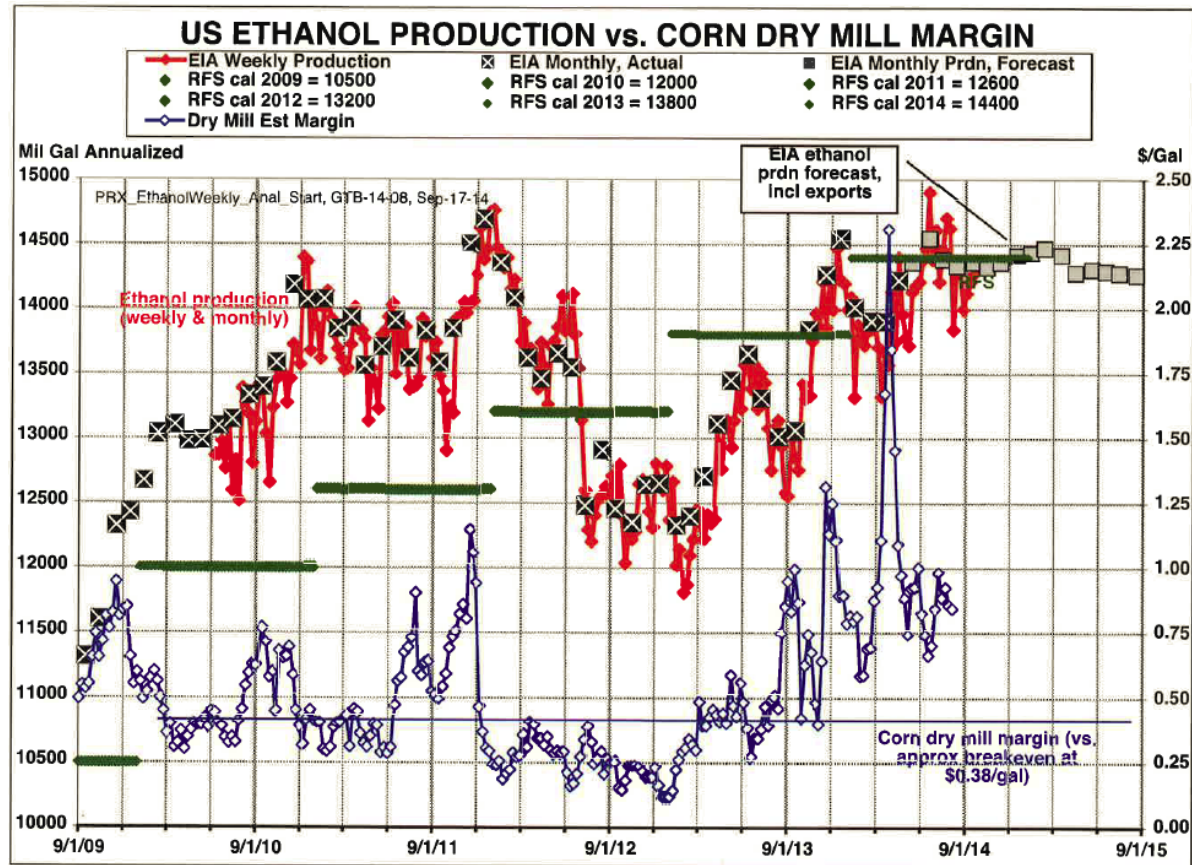
<u>US Corn Supply & Demand</u>				
		<u>12/13</u>	<u>13/14</u>	<u>14/15</u>
Planted (mln acres)	-	97.2	95.4	91.6
Harvested		87.4	87.7	83.8
Yield (Bu/Acre)		123.4	158.8	171.7
Carry-In (mln Bu)		989	821	1181
Production		10780	13925	14395
Imports		<u>160</u>	<u>35</u>	<u>30</u>
Total Supply		11929	14781	15607
Food/Industrial		6039	6500	6530
Ethanol		4641	5125	5125
Feed / Residual		4339	5175	5325
Exports		<u>730</u>	<u>1925</u>	<u>1750</u>
Total Use		11108	13600	13605

U.S. Corn Stocks



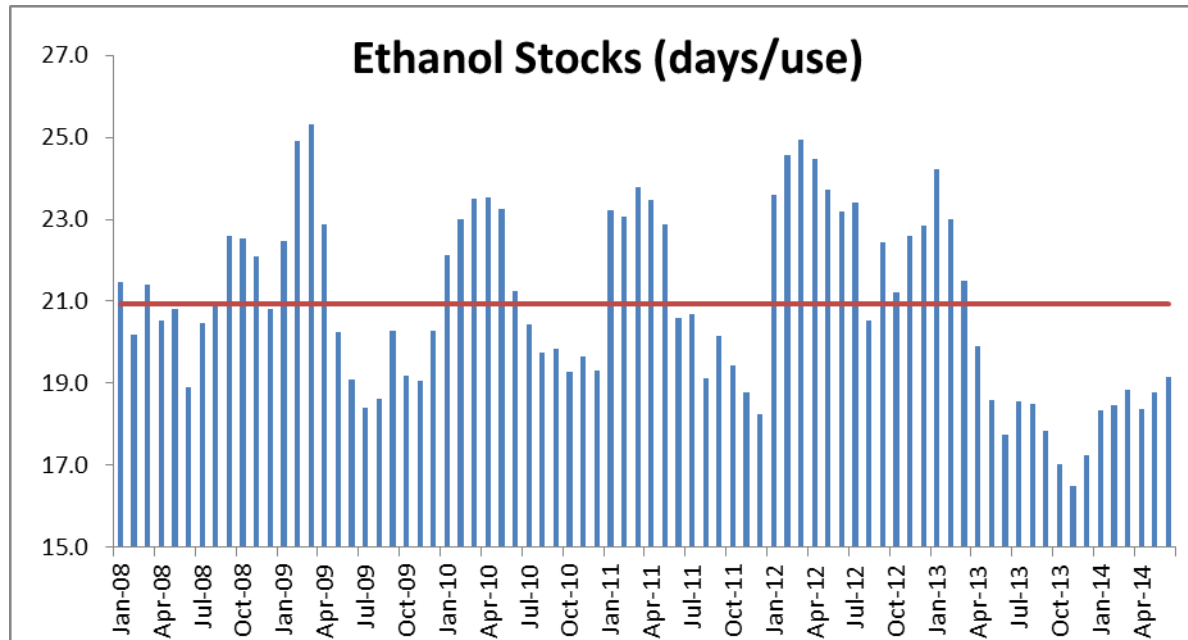
- Carryout stocks expected to grow to 2 Byn bushels
- Beginning stocks this year were 1.2 Byn bushels

Ethanol Production and Margin



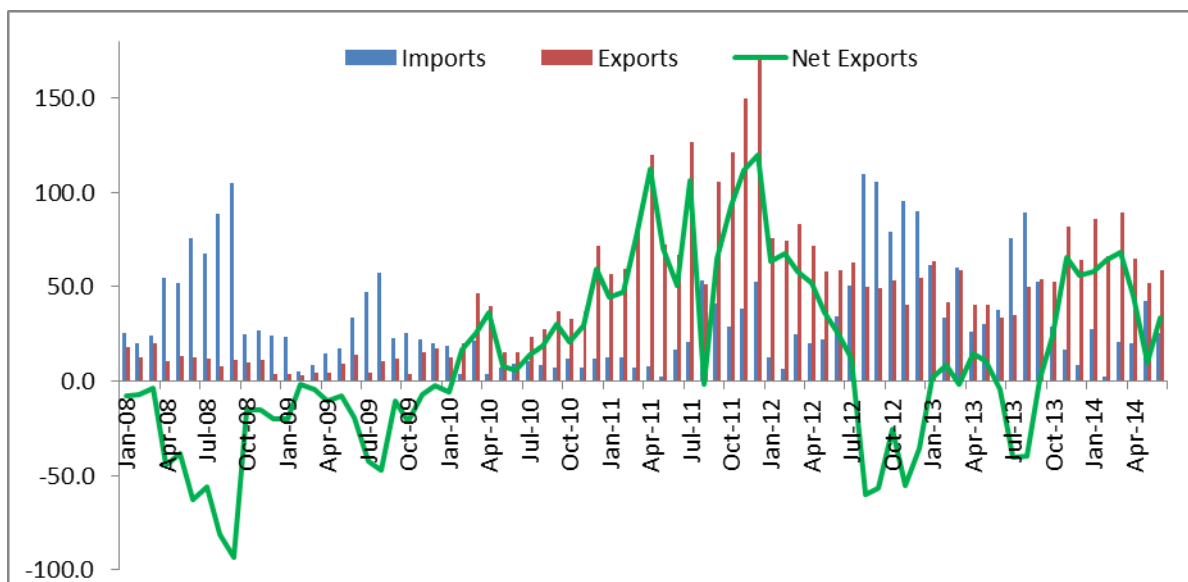
- Production has moved towards the RFS mandate thanks to strong margins
- Cheap corn, strong gas and export demand, and stable natural gas should keep margins positive through the winter
- Regional prices will vary given potential logistical issues

Ethanol Stocks



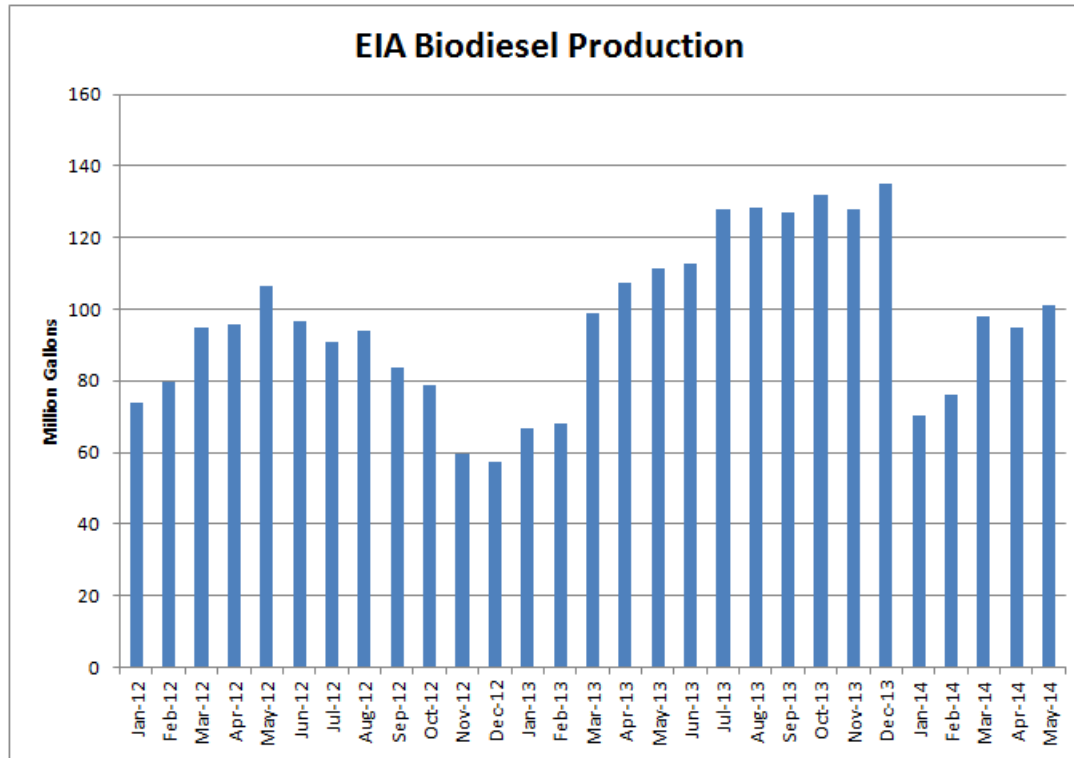
- Stocks rebounding thanks to improved margins, the railroads will dictate run rates for 14-15
- Stocks should grow as gas demand declines heading into winter

Ethanol Exports vs. Imports



- Exports will play a bigger role given expected increase in production, world wide 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 reinstated 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