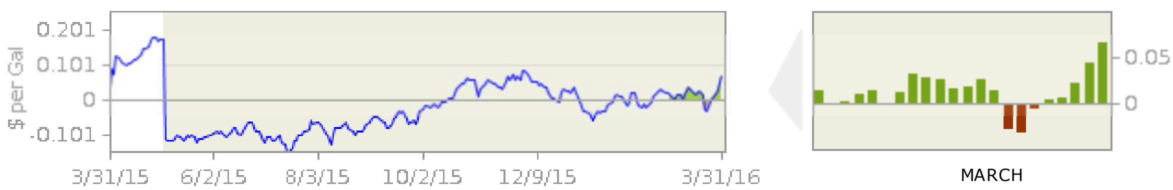
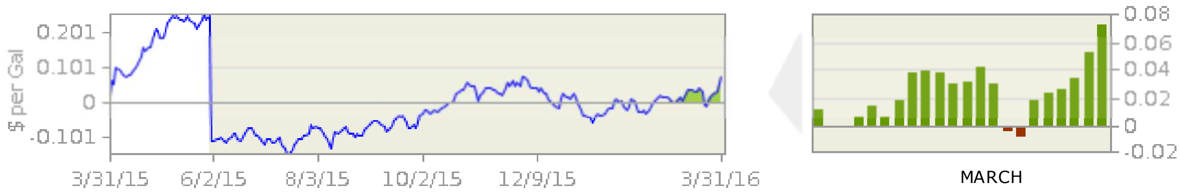
Ethanol Margin Watch: March

Margins improved over the second half of March as corn costs plummeted while ethanol prices held relatively steady since the middle of the month. Forward margins are now positive through the summer with spot April margins back above the 80th percentile of the previous five years, offering ethanol plants better opportunities to secure profitability. The main market feature over the past two weeks was the big USDA Prospective Plantings and Quarterly Stocks reports that were considered rather bearish for corn in particular. Based on a survey of producers, corn plantings this season are preliminarily estimated at 93.601 million acres which would be up 5.6 million from last year and 3.55 million above the average trade guess. The figure was also 2.1 million acres above the top end of the range of forecasts. March 1 corn stocks meanwhile at 7.808 billion bushels were within trade expectations, although this stockpile would represent a record supply of corn for the midpoint of the marketing year. Ethanol prices have held support despite the slump in corn prices as the industry braces for seasonal maintenance shutdowns over the next 4-6 weeks that may begin to draw down stocks. Ethanol production for the week ending March 25 averaged 992,000 barrels per day. This was down 0.30% from the previous week but 4.20% above last year. Total ethanol production for the week was 6.944 million barrels. Ethanol stocks for the week ending March 25 totaled 23.022 million barrels which was up 2.23% from the week before and 12.05% above last year. Given the recent improvement in margins, our clients are setting targets and preparing to initiate new coverage into summer marketing periods with flexible strategies to hopefully benefit from a continued strengthening of forward margins.

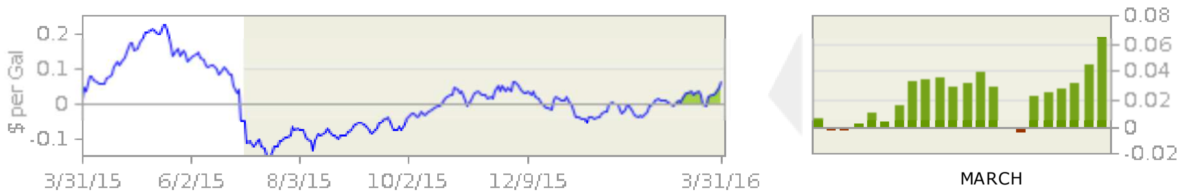
Apr '16 2015 2016 Apr 2016: HIGH **$0.18** LOW **($0.15)** LAST **$0.08** 5YR PERCENTILE **80.21%**



May '16 2015 2016 May 2016: HIGH **$0.25** LOW **($0.15)** LAST **$0.07** 5YR PERCENTILE **73.40%**



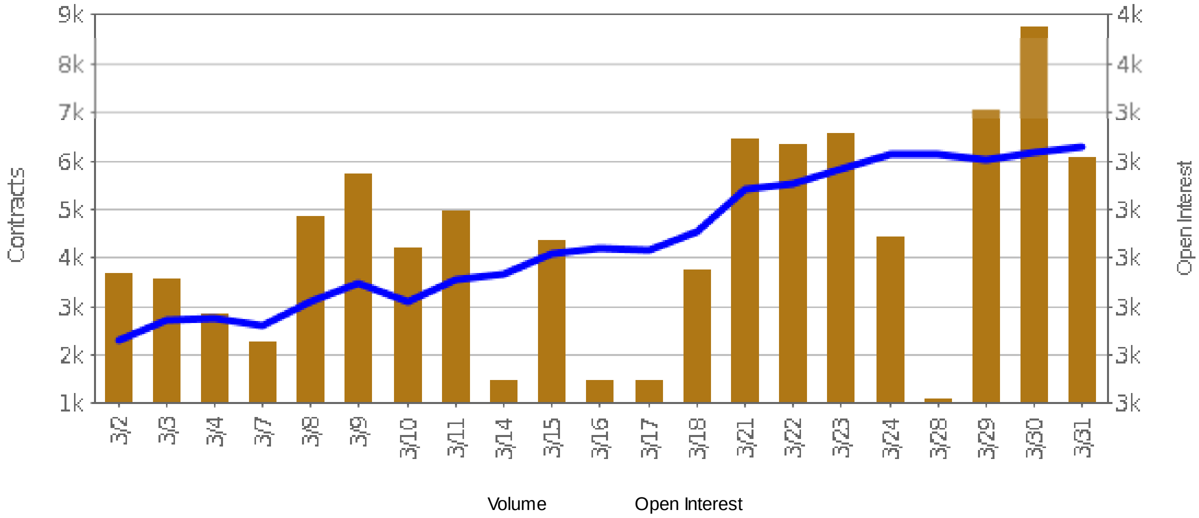
Jun '16 2015 2016 Jun 2016: HIGH **$0.23** LOW **($0.15)** LAST **$0.06** 5YR PERCENTILE **67.09%**



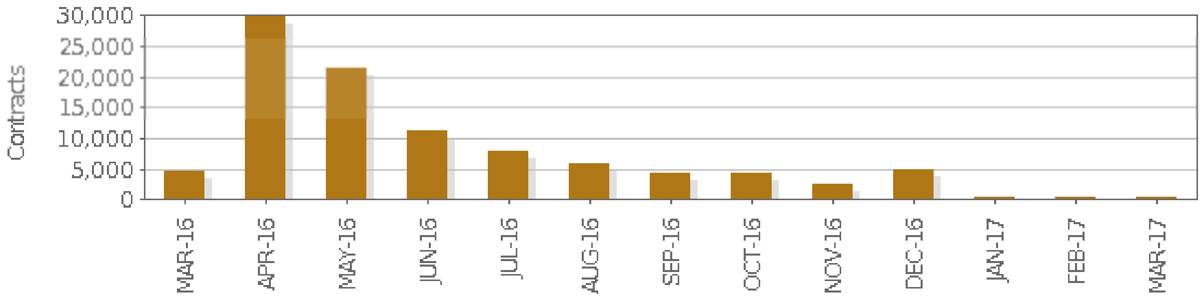
Jul '16 2015 2016 Jul 2016: HIGH **$0.18** LOW **($0.07)** LAST **$0.06** 5YR PERCENTILE **37.47%**

The Ethanol Margin calculation assumes that for a typical ethanol plant 0.36 bu of corn and 35.71 dec of natural gas are required to produce 1 gallon of ethanol. Additional assumed costs include $0.37/gal. Ethanol basis is $-0.10/gal, Corn basis is $-0.20/bu and natural gas basis is $0.30/dec. Non-ethanol revenue from distillers and corn oil sales is $0.29/gal.

Chicago Platts Ethanol Trading Volume per Day in March



Chicago Platts Ethanol Trading Volume per Futures Contract in March



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