

Georgia BioEnergy Conference

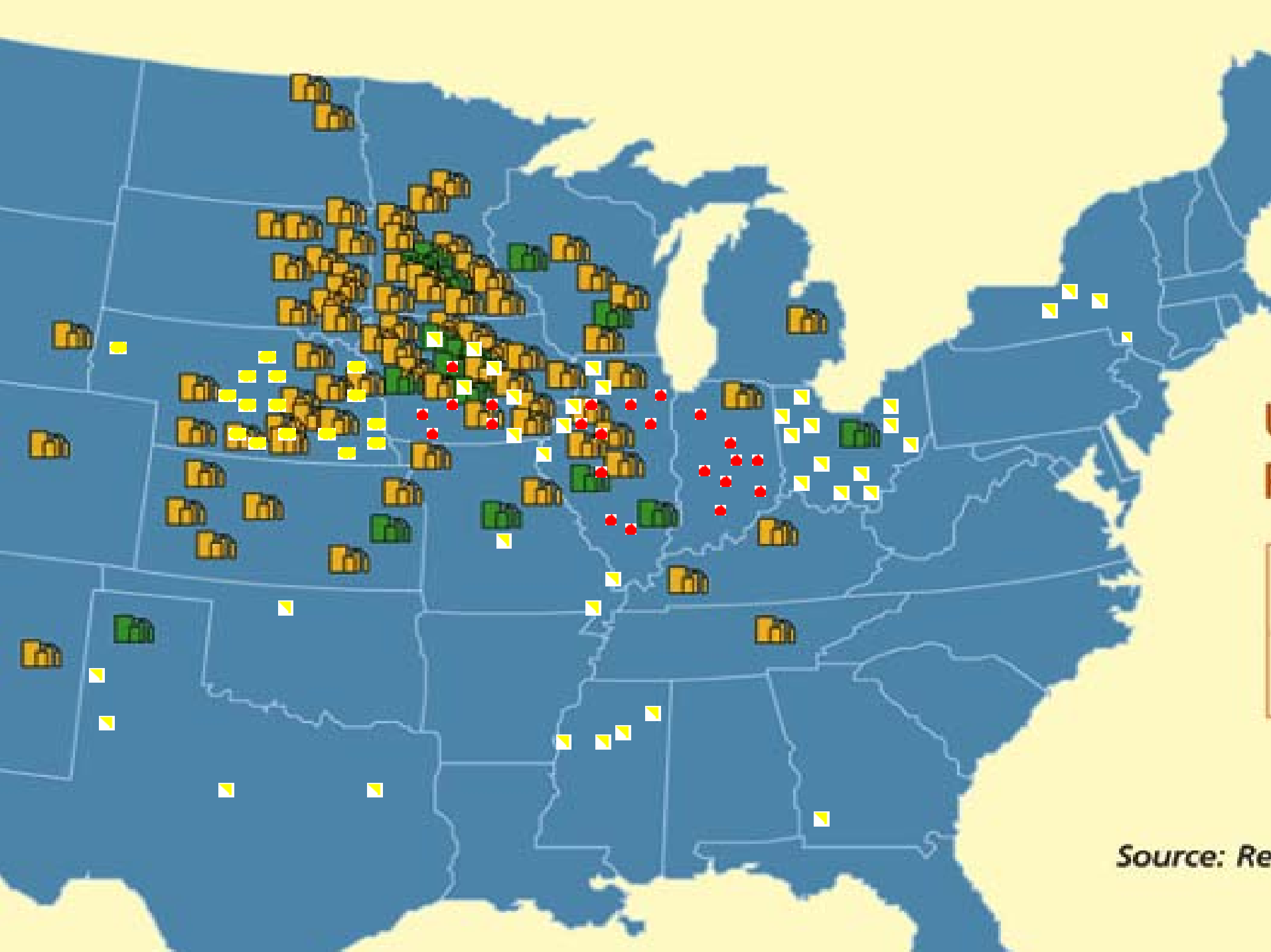
ETHANOL: Markets & Marketing

August 3rd, 2006



➤ DOT Ethanol

➤ DOT Corn



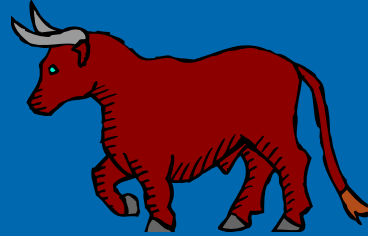
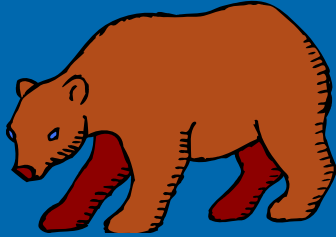
Source: Re

- DOT Ethanol
- DOT Corn
- DOT COM type bubble looming?
- REVENUE!
- ETHANOL IS ELASTIC!

Point of View

- US Gasoline Demand
 - 140,000,000,000 gallons annually
 - 1.4% demand growth?
- World refined products position
 - Net short of refined fuel molecules
 - \$50 + crude forever?
- Ethanol's position as a US/World Fuel
 - RFS....7.5 billion gallons
 - Theoretical limit....14 billion gallons?

Energy Prices



- Geopolitical
- Technicals
- Fundamentals

Geopolitical

- IRAN
- Nigeria
- PDVSA
- Iraq

Technicals

- Funds were favoring other commodities in 2006? They are long and putting on a lot more length in crude and gasoline.
- Forward months are no longer backwardated!
- A NEW PARADIGM!???

New Paradigm

CRUDE PRICE

JAN 25, 2003

\$23/bbl

JAN 25, 2005

\$40/bbl

JAN 25, 2006

\$62/bbl

Fundamentals

- Crude (12.9%), distillate (15.0%) and gasoline (3.7%) stocks are all currently above their respective five year average
- DOE projects crude to come down to \$48/bbl by 2011. Peaking in 2006/2007 at \$60/bbl.
- Peak Oil? Twilight In The Desert
- OPEC production increase by 1.6%, Non-OPEC even slower.
- Global demand remains strong: 1.8% in '06 (1.5% in '05, 3.8% in '04)

Fundamentals (cont.)

- 86% refinery utilization after Katrina
- 94% last week
- Refinery creep by months end: Conoco Phillips Alliance, Motiva Port Arthur, Astra Pasadena and Murphy Meraux. Marathon at two facilities by the end of summer.
- Heavier Crudes = lower yield
- \$55 to \$70/ barrel through 2010
(facts priceless.....opinions worthless)

Fundamentals (cont.)

- China is the # 3 consumer of high end goods. They will triple the # of cars that are owned!
- India is following this same path of growth and modernization.

2006

- End 2005 at 4.3 billion gallons in production
- 93 ethanol plants
- 22 under construction/expansion
- Planned/engineered/fund raising/building projects >150 projects
- 7.5 billion production by 2008??????

Opportunities

- Rail/logistics
- Supply Infrastructure
- Energy Cost
- Personnel

Opportunities

➤ Freight

- Increased freight
- Increased surcharges
- Less service
- Slower turn times
- Increased car cost

➤ Infrastructure

Market Reach

- Twin Cities
- Chicago
- WI Markets
- IA Markets
- ND Markets
- Denver
- Ontario, Canada
- MI
- OH
- MO
- NE
- Atlanta
- OH Markets
- NY/CT/NJ/PA
- IN Markets
- Pacific Northwest
- Southern CA
- Northern CA
- NV
- AZ Markets
- TX

New/Growing Markets

- Atlanta (250-300 million gallons annually)
- Nashville
- Birmingham
- Charlotte
- Phoenix
- Baton Rouge
- Houston/DFW
- Florida
- Gulf Coast (MS/LA)
- Minnesota doubling with E-20% mandated (250MM to 500MM annually)
- California going from 900MM annually to 1.5B annually with a 10% mandated blend.
- Eastern Seaboard non-attainment areas

➤ QUESTIONS?

THANK YOU!

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