



## *Leading The Way In Energy and Agronomy*

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### **Today's Market News**

Overnight trade saw crude oil break below the \$92 level before rebounding as we approached the NYMEX open. Products followed a similar path after posting new multi-month lows. The API reported another significant weekly build in crude stocks. Follow-through from the DOE this morning would likely keep markets in the red.

### **Market Outlook**

Yesterday saw crude oil post its lowest settlement price of the year. The market is following through on that this morning, with a low trade of \$91.81, breaking the recent low placed in December and marking a new 6 ½ month low. This morning's financial reports have not provided much support to this point.

Also pressuring commodities is the US dollar which continues to skyrocket as the issues in Greece and the broader EU have put significant weakness into the euro. Yesterday saw the largest daily move and trading range in a month and a half for the dollar. The market has, however, fallen off of overnight highs back to near unchanged today.

The trade is expecting to see another crude inventory build on today's DOE report in keeping with the recent trend. The API showed a build of over 6.5 million barrels. While supply and demand seem to be getting trumped by financial concerns lately, the inventory report should be able to at least either limit or extend losses today.

### **Market Fundamentals**

**Economic Reports:** Housing starts for April were up 2.6% but failed to meet expectations for a 4.7% increase. Building permits were down 7.0%. March starts were revised up from a drop of 5.8% to a drop of only 2.6%. Reports later this morning are expected to show industrial production for April up 0.6% and capacity utilization at 79.0%.

**API/DOE:** Yesterday's API report showed another sharp build in crude stocks, up 6.571 million barrels. Draws were shown in both products; 1.57 million in distillate and a 2.637 million in gas. Estimates for today's DOE report call for a crude build of 1.736 million bbl, a distillate draw of 623,000 and a gasoline draw of 491,000.

**Greece:** The troubled country continues to struggle as talks have broken down that aimed to form a coalition government. New elections could take place as early as June 10 according to Bloomberg. This election is likely to include a vote on whether Greece remains in the EU. Stability in the Eurozone remains sketchy at best.

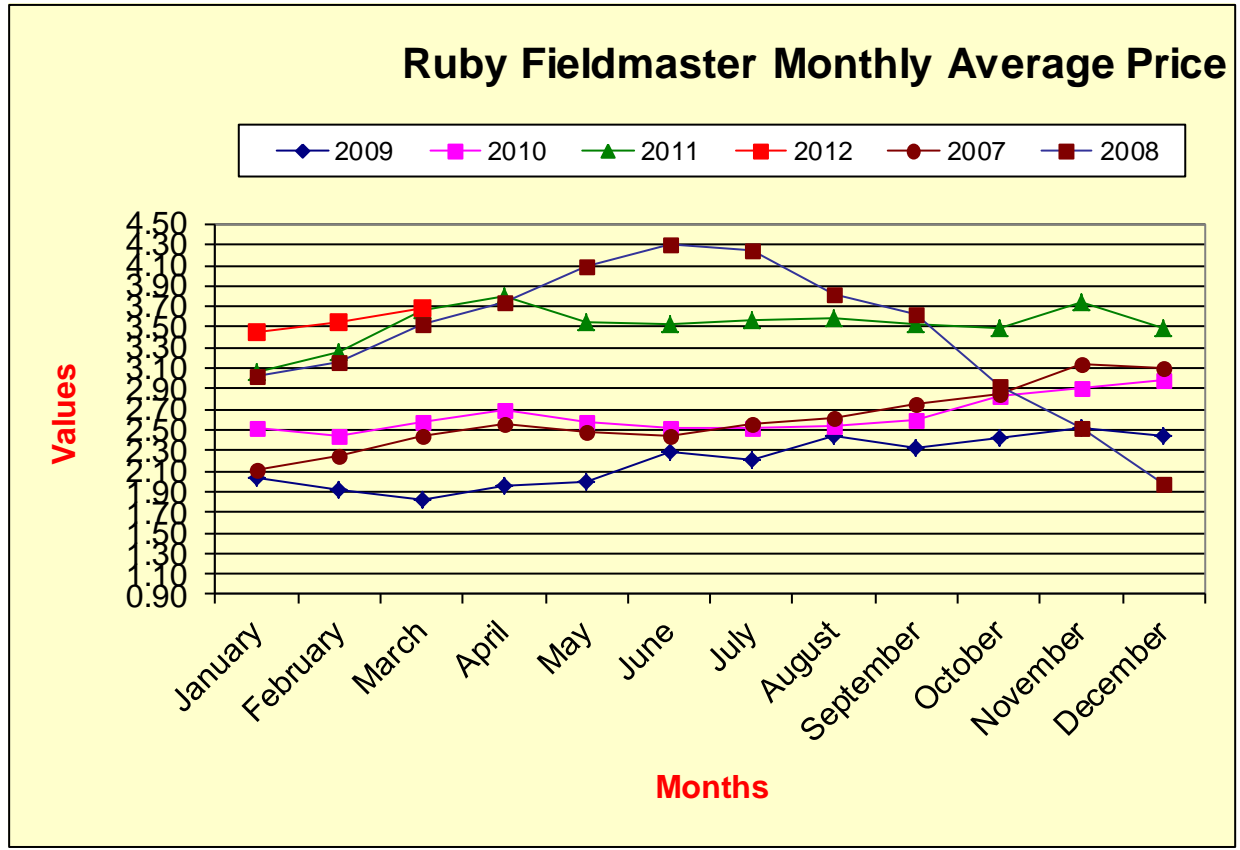
**Seaway Pipeline:** The north to south flow of the pipeline is expected to begin tomorrow. With a line capacity of 150,000 barrels/day, it's expected to be a while before it has a significant impact on wide Brent/WTI price spreads.

**Gasoline Demand:** The weekly MasterCard report showed gasoline demand jumping 4.5% versus the prior week amid falling retail pump prices. Demand was down 3.6% versus the same week last year. Year-to-date demand is down 5.4% improving 0.1% with this week's improvement.

**OUTLOOK:** The inventory report was mostly bullish especially compared to the API numbers on crude oil. Cushing continues to see stocks climb substantially prior to the Seaway reversal tomorrow. The fact that we are going to be sending 150,000 bpd from Cushing to the Gulf is not going to have a huge impact if we keep putting over a million barrels per week into Cushing like we have been doing since the end of January. We are now at an all-time high inventory level of 45.127 million barrels in Cushing. Demand for gasoline has been improving over the past week as indicated by today's report as well as the MasterCard SpendingPulse report yesterday. Whether this is a short term blip or a change in trend is still in question, but the fact that prices at the pump are generally moving lower should improve demand moving into the summer driving season.

<b>INVENTORY</b>						
<b>5/16/2012</b>		<b>5/9/2012</b>			<b>CHANGE</b>	
DOE	API	DOE	API	DOE	API	
<b>Crude Oil</b>	381,644	384,740	379,516	378,169	2,128	6,571
<b>Total</b>	204,311	205,274	207,108	207,911	-2,797	-2,637
<b>Motor Gas</b>						
<b>Distillate</b>	119,802	120,280	120,771	121,850	-969	-1,570
<b>IMPLIED DEMANDS</b>		<b>5/16/2012</b>	<b>5/9/2012</b>	<b>CHANGE</b>		
DOE		DOE		DOE		
<b>Crude Oil</b>		14,726	14,581	145		
<b>Total Motor Gas</b>		9,382	9,276	106		
<b>Distillate</b>		4,716	4,901	-185		
<b>IMPORTS</b>		<b>5/16/2012</b>	<b>5/9/2012</b>	<b>CHANGE</b>		
DOE		DOE		DOE		
<b>Crude Oil</b>		8,881	8,967	-86		
<b>Total Motor Gas</b>		675	607	68		
<b>Distillate</b>						

Chart below shows the history of monthly average price since 2006 – current. As you can see the prices have averaged higher over the four years and also it shows some of the volatility in 2006. I will post this chart from time to time so you can see how the market reacts to different data.

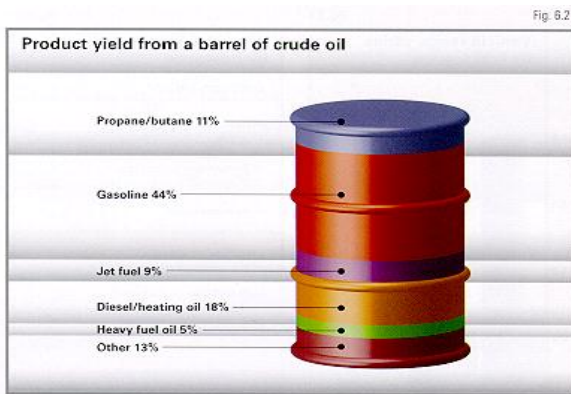


Tim's Thought

If we all worked on the assumption that what is accepted as true were really true,  
there would be little hope of advance.  
**Orville Wright**



**How do we have an impact?**



Gasoline is one of many products produced from crude oil. A single refinery may produce more than 10 gasoline blends to meet specific regional quality requirements.

**2004 Ford Excursion**

- Fuel Tank Capacity = 44 gal
- 1 barrel Crude Oil = 42 gal
- Avg amount of gas out of 1 barrel crude oil = 18 gals
- One stop at a gas station (44 gallons) =

*2.4 barrels of crude oil*

**Tractor**

- Fuel Tank Capacity = 100 gal
- 1 barrel Crude Oil = 42 gal
- Avg amount of diesel from 1 barrel crude oil = 7.5 gal diesel
- One fill (100 gals) =

*13.3 barrels of crude oil*

**Save More Money at High Fuel Prices with Ruby Fieldmaster**



Ruby Fieldmaster Field Tests Show **4.5%** more power/efficiency than conventional #2 Diesel

Fuel Price	Estimated CPG Savings	Cost over # 2	Net CPG Savings	Savings per 1,000 gal
\$2.25	<b>\$0.1013</b>	\$0.03	\$0.0713	\$71.25
\$2.50	<b>\$0.1125</b>	\$0.03	\$0.0825	\$82.50
\$2.75	<b>\$0.1238</b>	\$0.03	\$0.0938	\$93.75
\$3.00	<b>\$0.1350</b>	\$0.03	\$0.1050	\$105.00

**Upgrade Your Current Fuel Tank**

Tank Size	Tank Only	Tank Plus Pump, Gauge, Fill Cap, Filter & Extra Fittings
<b>1000 Gallon</b>	\$1,292.50	\$2,247.00
<b>2000 Gallon</b>	\$2,218.00	\$3,209.50

**Payment Plans**

Tank Only	Down Payment	Annual Payment for 3 years
<b>1000 Gallon</b>	366.36	\$365.00
<b>2000 Gallon</b>	\$628.72	\$628.00
Tank, Pump, Gauge, Filter & Extras	Down Payment	Annual Payment for 3 years
<b>1000 Gallon</b>	\$637.57	\$636.00
<b>2000 Gallon</b>	\$911.96	\$908.00



The information contained in this letter is the best information we have at hand on the subjects discussed, and is taken from sources we believe to be reliable, but is not guaranteed by us as to the accuracy or completeness and is sent to you for informational purposes only. Any prices indicated are subject to change with market conditions.

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