NEWS RELEASE

**U.S. Ethanol Producers Looking at Thin Profit Margins for 2015-16;
Production and Exports to Remain Strong**

New CoBank Report Describes Changing Dynamics in the Ethanol Marketplace

DENVER (October 1, 2015) – Following 18 months of record earnings, the U.S. ethanol industry has rebalanced in 2015. As energy prices collapsed in late 2014, so did ethanol prices and plant margins. However, ethanol's supply and demand has remained well balanced, and producers have maintained positive earnings, according to a new report from CoBank titled, "Ethanol Industry Rebalances." Looking ahead through 2016, the report says plant operators will face dueling positive and negative shifts in the market that are likely to result in lean, yet positive margins.

"With corn prices expected to remain relatively static, it will be the prices of distillers grains and ethanol that determine the direction of earnings," explained Dan Kowalski, the report's author, and director of CoBank's Knowledge Exchange Division. "Ethanol profitability will largely hinge on two key factors: the volatility of energy prices and the industry's ability to maintain strong export sales," said Kowalski. The report also points to the importance of sustained discipline in growing production capacity and output.

The industry will see little growth in domestic sales as a result of improving fuel efficiency in the nation's vehicles and changes to the EPA's renewable fuels blending mandate. The EPA's proposed alteration to the Renewable Fuels Standard (RFS) is expected to be approved later this year, and will set a floor beneath the current 10 percent blending level. However, the new policy will not incentivize retailers to sell higher ethanol-blended fuels.

"Somewhat counterbalancing the domestic picture is the potential for increased export sales," said Kowalski. "Brazil has increased its domestic ethanol blending rate to 27 percent, which has impeded its ability to supply product to foreign markets, and U.S. producers will continue to benefit as their share of world trade increases."

The report cautions foreign markets also pose a risk to ethanol producers. China, which currently imports 60 percent of U.S. distillers grains, is expected to change its grain policies to discourage the import of corn-alternative feed grains. These changes could significantly impact producers' bottom lines.

The report was produced by CoBank's Knowledge Exchange Division, which is a knowledge-sharing practice that provides strategic insights regarding the key industries served by CoBank. Knowledge Exchange draws upon the internal expertise of CoBank, deep knowledge within the Farm Credit System and boots-on-the-ground intelligence from customers and other stakeholders to enhance the collective understanding of emerging business opportunities and risks.

A full copy of the report is available to the media upon request.

About CoBank

CoBank is a $107 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 75,000 farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture and the nation's rural economy.
Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit the bank's web site at www.cobank.com.

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