dgFuelDemand

Rebound of gasoline demand could start

road to recovery for ethanol industry

BY DANIEL GRANT

FarmWeek

The ethanol industry accomplished something the first week of May it hadn’t done since the beginning of the COVID-19 pandemic.

It increased production of the corn-based fuel for the first time in nine weeks to 598,000 barrels per day, Todd Hubbs, University of Illinois ag economist, noted.

And that trend could continue in a slow but positive direction, as demand for oil and gasoline inch higher as economies around the world begin to reopen following recent shutdowns amid the pandemic.

After a decline of nearly 50% from mid-March levels in early April, gasoline demand increased to 6.6 million barrels per day this month, an increase of more than 30% since the start of April.

“As many areas begin to open, an expectation of higher gasoline demand should be in place,” Hubbs said. “But it will still be below pre-pandemic levels near 9.5 million barrels per day.”

U.S. crude oil prices rebounded by $3.75 last week to $24.14 per barrel, although still down $37.52 compared to last year. The national average gasoline price nudged slightly higher to $1.85 per gallon last week, down $1 from a year ago, the U.S. Energy Information Administration (EIA) reported.

EIA estimates prices affected by the pandemic this year could average $29.34 per barrel for oil, $1.86 per gallon for regular gasoline and $2.35 for diesel before recovering to averages of $41.12 for oil, $2.16 for gas and $2.51 for diesel next year.

The boost in fuel use and prices should help the ethanol industry. But it looks to be a long road to recovery.

“While (the recent uptick in ethanol production appears) promising, production at that level (598,000 barrels per day) sits well below the million-plus barrels a day totals seen before the lockdown,” Hubbs said. “Idled plants and reduced production look to place corn use recovery well below pre-pandemic levels for the remainder of the year.”

EIA projects the U.S. will return to being a net importer of crude and petroleum products by the third quarter. The global liquid fuels inventory could grow 3.9 million barrels per day this year after declining by about 200,000 barrels per day in 2019.

“Firmer demand growth as the global economy begins to recover and slower supply growth will contribute to global oil inventory draws beginning in the fourth quarter of 2020,” EIA noted. END