

Why are Propane Prices 20% Higher for the 2018/2019 Heating Season?

Propane pricing is historically driven by a few major factors. The primaries being LP supply/demand and the value of crude oil. Let's take a look at how both are affecting propane's current value and our propane futures.

Crude oil pricing is currently bouncing around in that \$65/barrel range, where last year at this time we were looking at \$45/barrel crude oil ... this is an approximate 50% increase in values in 1 years time! There are a number of factors behind the crude oil value builds, but the big 2 are imports and economy.

Importing has become a major concern with quite a bit of political unrest in the middle east, and in addition to that, Venezuela; our 3rd largest exporter of crude oil has virtually gone bankrupt. The country is literally liquidating their land in order to pay off large debts. This leaves the US with concerns of lacking supply .

With unemployment at an all time low, the economy seems to be bouncing back—in a big way! The stronger economy outlook is giving company owners and CEO's more confidence in their financial future. This is giving them all the incentive they need to expand. These large expansions are creating an increased demand for fuel commodities throughout the US.

To sum this up... SUPPLY CONCERNS + INCREASED DEMAND= HIGHER PRICED CRUDE OIL

Propane, just like crude oil, typically bases it's values off of supply and demand. We just finished an extremely long "normal" winter. This normal winter seemed to be quite a shock for some, with temperatures averaging 20% lower than the past few years and increasing propane usage at the same rate. The length of the winter has also become an issue, with a major snowstorm hitting the Midwest in late spring. This storm wreaked major havoc on the farming community. Farmers were forced to put off planting by weeks. This late planting has caused concerns of a larger than normal corn/grain drying season this fall, which could potentially increase demand.

Though the US is continuing to produce enough propane to sustain, we have also become the primary exporter to Asia with steadily increased volumes. Last years average exports to Asia were around 770,000 barrels per day— we are now exporting over 1 million bpd! We are currently sending more than 1/2 of our propane produced overseas (FYI: we only exported 10% in 2009).

As you can see, we have there is increased concern over exports, which have obviously hampered the US supply; in addition to the potential for a larger than normal demand this fall.

