

# Highlights



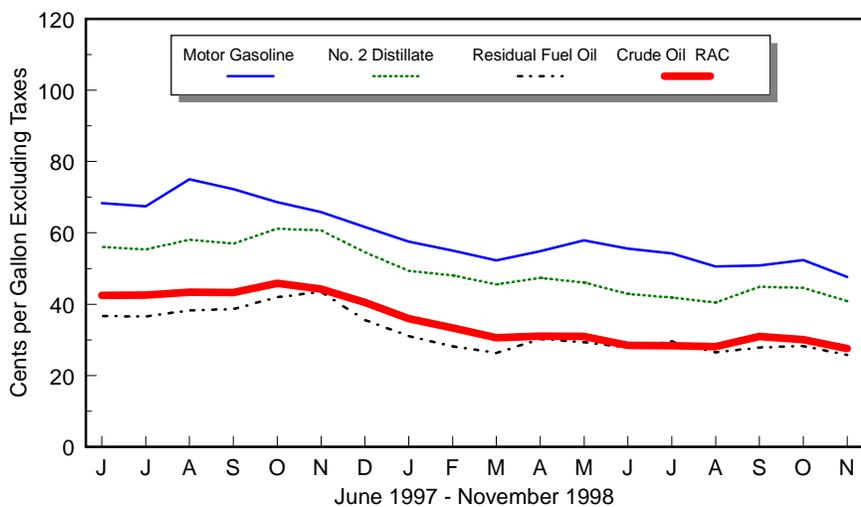
# Highlights

Under pressure from continuing growth in stockpiles of crude oil and finished products, already slumping international crude oil prices dropped even further in November. The month began with friction between United Nations and Iraq rising again over the weapons inspection program. However, the dispute had a very limited effect on crude oil prices since the ongoing global supply surplus has so thoroughly dominated the market's climate during recent months. After the threat of military intervention dissolved by the middle of the month, crude oil prices renewed their decline. Further provocation for price deterioration during the later part of the month arose from growing market opinion that no additional substantive actions to address the global oil glut would be taken by members of the Organization of Petroleum Exporting Countries (OPEC) during their quarterly meeting in Vienna, Austria. Market sentiment also indicated that current price levels will not significantly change until stockpiles of crude oil and other finished products in regional markets are substantially reduced. By the end of the month, these and other factors led prices for benchmark streams to their lowest levels in more than a decade.

In the United States, crude oil and finished product prices plummeted during November, primarily in response to rising stockpiles and the perception that OPEC was unable to implement new measures to alleviate pressure on crude oil prices. Prospects for a significant change in fundamental market conditions were considered by market players as unlikely anytime in the near future. This view had a profound effect on product prices on the futures markets where crude

oil prices for January delivery sank to 12-year lows during daily trading on November 30. Spot market prices for crude oil and heating oil suffered similarly, reaching 12-year lows on November 25. Industry data illuminate some of the factors that contributed to the significant decline in prices. Product production rose (at varying rates) during November as refining facilities came back online from both scheduled and storm-related maintenance, with total refinery inputs rising 3.6 percent after falling for the previous three months. Using finished gasoline as a specific example of market-wide circumstances, stocks rose 4.7 percent from October's level, and were 4.0 percent higher than the November 1997 level. While the rate of gasoline production increased only marginally in November, demand fell 3.2 percent from October's level. These trends were reflected in prices at various points downstream. The spot market price at New York Harbor for conventional unleaded regular gasoline averaged 37.2 cents per gallon during November 1998, while the average

**Figure HL1. Crude Oil and Petroleum Product Wholesale Prices**



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

**Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products**

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	November 1998		October 1998		November 1997		November 1998		October 1998		November 1997	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	64.0	63.7	66.4	65.1	81.6	62.3	47.7	290.7	52.4	298.7	65.9	286.4
<b>Conventional</b> .....	61.1	38.8	64.1	40.5	77.2	36.1	43.6	190.9	49.5	198.5	61.3	188.7
Regular .....	56.8	26.6	60.0	27.9	73.4	25.5	41.3	143.8	47.2	150.2	59.3	145.1
Midgrade .....	66.7	6.3	69.4	6.6	82.8	5.7	47.8	15.2	53.6	16.1	65.4	15.4
Premium .....	74.3	5.9	77.3	6.0	90.4	5.0	51.6	31.9	58.1	32.1	69.3	28.3
<b>Oxygenated</b> .....	67.2	3.0	72.5	2.1	91.1	4.3	54.9	11.2	58.2	9.3	76.0	10.7
Regular .....	63.7	2.2	69.4	1.6	87.5	3.2	52.6	8.1	56.1	6.7	74.2	8.2
Midgrade .....	72.9	0.4	78.4	0.3	97.8	0.7	56.0	1.4	59.7	1.2	78.6	1.3
Premium .....	82.9	0.3	87.3	0.2	107.0	0.4	64.7	1.7	67.3	1.3	85.7	1.2
<b>Reformulated</b> .....	68.7	21.9	70.0	22.5	87.2	21.8	55.7	88.6	58.1	90.9	74.5	87.0
Regular .....	63.6	14.2	64.9	14.6	82.8	14.6	51.9	58.0	54.4	59.7	71.0	57.4
Midgrade .....	74.3	3.8	75.3	3.9	92.5	3.7	60.7	10.3	62.5	10.5	79.4	10.7
Premium .....	82.1	3.9	83.4	4.0	99.8	3.5	64.3	20.3	66.7	20.7	82.3	18.9
<b>Aviation Gasoline</b> .....	93.2	0.1	95.1	0.2	113.0	0.1	84.7	0.5	90.7	0.7	102.0	0.5
<b>Kerosene-Type Jet Fuel</b> .....	44.0	47.3	46.9	50.6	61.2	48.9	43.0	15.0	45.8	13.3	61.3	13.9
<b>Propane (Consumer Grade)</b> .....	42.3	2.7	40.7	2.7	52.2	3.8	27.7	34.2	27.6	37.7	39.6	35.8
<b>Kerosene</b> .....	44.2	0.7	50.6	0.3	77.9	0.3	44.3	2.5	46.2	2.0	62.6	4.0
<b>No. 1 Distillate</b> .....	56.2	0.5	57.9	0.4	70.1	0.4	49.4	2.6	53.7	1.4	71.0	3.1
<b>No. 2 Distillate</b> .....	47.1	23.4	49.7	25.4	65.0	23.7	40.9	118.2	44.6	123.0	60.7	113.6
No. 2 Fuel Oil .....	46.7	3.3	47.8	3.4	64.2	3.1	38.9	24.6	41.2	25.8	58.4	27.7
No. 2 Diesel Fuel .....	47.2	20.1	50.0	22.0	65.2	20.5	41.4	93.6	45.5	97.2	61.5	85.9
Low Sulfur .....	48.8	13.8	51.4	15.2	66.7	13.5	41.8	79.5	45.8	83.9	61.9	72.4
High Sulfur .....	43.6	6.3	46.9	6.8	62.3	7.0	39.3	14.0	43.4	13.3	59.2	13.5
<b>No. 4 Fuel<sup>a</sup></b> .....	43.3	0.3	43.1	0.2	58.2	0.4	36.8	0.2	35.3	0.1	57.3	0.1
<b>Residual Fuel Oil</b> .....	29.5	15.1	29.7	14.0	45.7	14.4	25.8	14.2	28.3	17.2	43.5	11.8
Sulfur Content not > 1 % .....	33.8	4.6	33.6	4.0	51.2	3.6	27.3	4.9	31.0	5.4	46.5	4.6
Sulfur Content > 1 % .....	27.5	10.5	28.1	10.0	43.8	10.8	25.0	9.2	27.0	11.8	41.6	7.2

<sup>a</sup> Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

price one year ago was 55.7 cents per gallon. At the retail level, the average outlet price for conventional regular gasoline at the U.S. level was 74.5 cents per gallon last year and 56.8 cents per gallon for November 1998. Price trends for the other major finished products show similar patterns.

More November market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

## Crude Oil

Brimming stocks of crude oil and solid wellhead production rates continued to pull the daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma down during November. After opening at \$14.48 per barrel, the price dropped gradually until the second week of the month when the threat of military action against Iraq lent support to the price. After that situation dissipated, the price plunged until reaching a 12-year low of \$10.86 per barrel on November 25. After the Thanksgiving holiday weekend, the price regained some ground and closed the month at \$11.37 per barrel, more than \$3.00 lower than where it began November.

- November monthly average crude oil prices show considerable decreases from October rates. The average domestic crude oil first purchase price underwent the largest decline, dropping \$1.73 (15.3 percent), to \$9.59 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil decreased \$1.59 (14.5 percent), to \$9.35 per barrel. The average landed cost of foreign crude oil fell \$1.49 (12.3 percent), to \$10.58 per barrel.
- The monthly average refiner acquisition costs for domestic crude oil declined 93 cents (6.9 percent), to \$12.49 per barrel. The average cost of imported crude oil to U.S. refiners decreased \$1.14 (9.4 percent), to \$10.98 per barrel. The composite refiner acquisition cost of crude oil dropped \$1.06 (8.4 percent), to \$11.58 per barrel.

## Petroleum Products

### *Motor Gasoline*

The daily spot price for unleaded regular gasoline at New York Harbor fell at a feverish pitch during November, as demand fell and reports continued to indicate increases in already brimming stockpiles throughout the month. Opening at 43.5 cents per gallon, the price plummeted over the course of November, with a couple of short-lived stays in response to tensions in the Persian Gulf and market technical factors. Closing the month at its lowest point, 30.3 cents per gallon, the price was 13.2 cents lower than where it started November.

- November monthly average gasoline prices show significant depreciation from October values. The average price for motor gasoline retail sales by refiners dropped 2.4 cents to 64.0 cents per gallon, while the average wholesale price tumbled 4.7 cents to 47.7 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets fell 2.6 cents to 62.6 cents per gallon. The average wholesale price fell 4.7 cents to 47.8 cents per gallon. The average dealer tank wagon (DTW) price decreased 2.8 cents to 56.6 cents per gallon while the average rack price plunged 5.9 cents to 44.2 cents per gallon. The average bulk sales price dropped 4.2 cents to 40.1

cents per gallon. The difference between reformulated and conventional gasoline prices was 6.3 cents at retail, and at wholesale, 9.7 cents. The margin between conventional and oxygenated gasoline prices was 6.3 cents at retail and 10.1 cents at wholesale.

- With the exception of oxygenated gasoline, sales of finished motor gasoline by refiners declined solidly during November. Total sales fell 9.4 million gallons per day (2.6 percent), to an average of 354.4 million gallons per day. Retail sales dropped 1.4 million gallons per day (2.2 percent), while wholesales decreased 8.0 million gallons per day (2.7 percent). Rack sales made up 63.0 percent of total wholesales, while DTW and bulk sales accounted for 24.6 percent and 12.4 percent, respectively. Reformulated gasoline (RFG) constituted 31.2 percent of total motor gasoline sales, while oxygenated gasoline explained 4.0 percent of sales.

### *No. 2 Distillate*

While experiencing a significant decline during November, the daily spot price for No. 2 heating oil at New York Harbor acted in a somewhat less volatile manner than the price for unleaded regular gasoline. After opening at 39.5 cents per gallon, the price lost some ground before undergoing a short-lived increase due to heightened tensions in the Middle East. After those tensions eased, the price began to ebb again as reports continued to indicate rising stock levels. The price closed the November at its low point, 32.3 cents per gallon, slightly more than 7 cents below its opening point. @BULLET = November monthly average prices for No. 2 distillates show a slightly more moderate range of changes than gasoline. The national average residential price is the only category to register an increase, rising 1.2 cents to 79.8 cents per gallon. The average wholesale price dropped 3.6 cents to 41.6 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 2.2 cents, while the average wholesale price declined 4.0 cents. The margins between low- and high-sulfur diesel fuel prices were 1.4 cents at retail and 1.9 cents at wholesale.

- Refiner sales of No. 2 distillate decreased for the most part during November. Total sales declined 6.8 million gallons per day (4.6 percent), to 141.6 million gallons per day. Sales of No. 2 fuel oil dropped 1.3 million gallons per day (4.5 percent), while sales of No. 2 diesel fuel decreased 5.5 million gallons per day (4.6 percent). Low-sulfur die-

sel fuel sales formed 82.1 percent of all refiner diesel fuel sales, and 65.9 percent of all refiner No. 2 distillate sales.

### ***Residual Fuel Oil***

- Average residual fuel oil price trends were mixed in November. Refiner prices for low-sulfur residual fuel inched up 0.2 cent to 33.8 cents per gallon at retail, but fell 3.7 cents to 27.3 cents per gallon at wholesale. Refiner high-sulfur residual fuel prices declined 0.6 cent to 27.5 cents per gallon at retail, and 2.0 cents to 25.0 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price rose 1.0 cent to 34.4 cents per gallon at retail, but declined 3.3 cents to 28.1 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil decreased 0.6 cent to 28.1 cents per gallon at retail, and 1.8 cents to 25.3 cents per gallon at wholesale.
- November refiner residual fuel oil sales were also mixed. Total sales fell 1.9 million gallons per day (6.1 percent), to 29.3 million gallons per day. Low-sulfur residual fuel sales rose 100,000 gallons per

day (1.1 percent), while high-sulfur residual fuel sales decreased 2.1 million gallons per day (9.6 percent).

### ***Other Products***

- Price trends were varied for products included in this section. Refiner propane prices increased 1.6 cents per gallon at retail, and 0.1 cent at wholesale. Including data from the sample of propane marketers, the average residential propane price rose 1.4 cents per gallon. The average retail price for propane increased 3.6 cents, while the average wholesale price barely changed, rising 0.2 cent per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate decreased at both levels, while No. 4 distillate prices rose at both retail and wholesale.
- November sales of products under this heading were quite varied. Refiner sales of propane were flat at retail and fell at wholesale. Kerosene-type jet fuel sales declined at retail but rose at wholesale. Sales of kerosene, No. 1 and No. 4 distillates increased at wholesale and retail, while aviation gasoline fell at both levels.

