

Highlights

International crude oil prices increased considerably during March. The major cause of change from the overall downward trend in prices seen during the past year sprang from the latest production cut agreement among members of the Organization of Petroleum Exporting Countries (OPEC). The core of the formal agreement arising from the group's late March meeting in Vienna, Austria was developed two weeks earlier by a group of producer/exporter nations in The Hague, Netherlands. This arrangement, since dubbed the Hague Pact, included pledges from such OPEC members as Saudi Arabia, Iran, Venezuela, and Algeria along with non-OPEC nations as Mexico and Oman. The ratified version of the OPEC agreement was met with promises for production cuts from non-OPEC exporters Mexico, Norway, Oman, and Russia in the amounts of 125,000 barrels per day, 100,000 barrels per day, 63,000 barrels per day, and 100,000 barrels per day, respectively, in addition to the 1.7 million barrels-per-day reduction from OPEC. The revised production quotas become effective April 1, 1999 and will remain in place for one year. Iraq was not included in the accord. In addition to the new production cut agreement, crude oil prices were bolstered by other market-related events throughout the month. Prices climbed at the start of March in reaction to U.S. bombing raids that damaged Iraqi oil export facilities. More specifically, speculation as to how long repairs would take fueled market price movements. (EIA estimates crude exports from Iraq averaged about 3.8 percent of total world supply during the first two months of 1999.) Changes in fundamental market factors which have pressured prices lower in recent months also played a part in rising crude oil prices. Preliminary informa-

tion indicates non-OPEC crude oil production fell during March, and declines in finished product stocks and increasing demand in various markets in Europe and North America also helped sustain growing crude oil prices. A period of more seasonal temperatures in the Northern Hemisphere and problems at various U.S. refining facilities also lent support to international crude oil prices.

In the United States, crude oil and finished product prices surged during March. While the OPEC production cut agreement underpinned crude oil prices here and abroad, a spate of refinery problems in California caused finished product prices to skyrocket in that State's markets. More specifically, the Los Angeles spot market price for reformulated gasoline more than doubled during March, climbing nearly 53.0 cents per gallon and closing the month at \$1.02 per gallon. The price

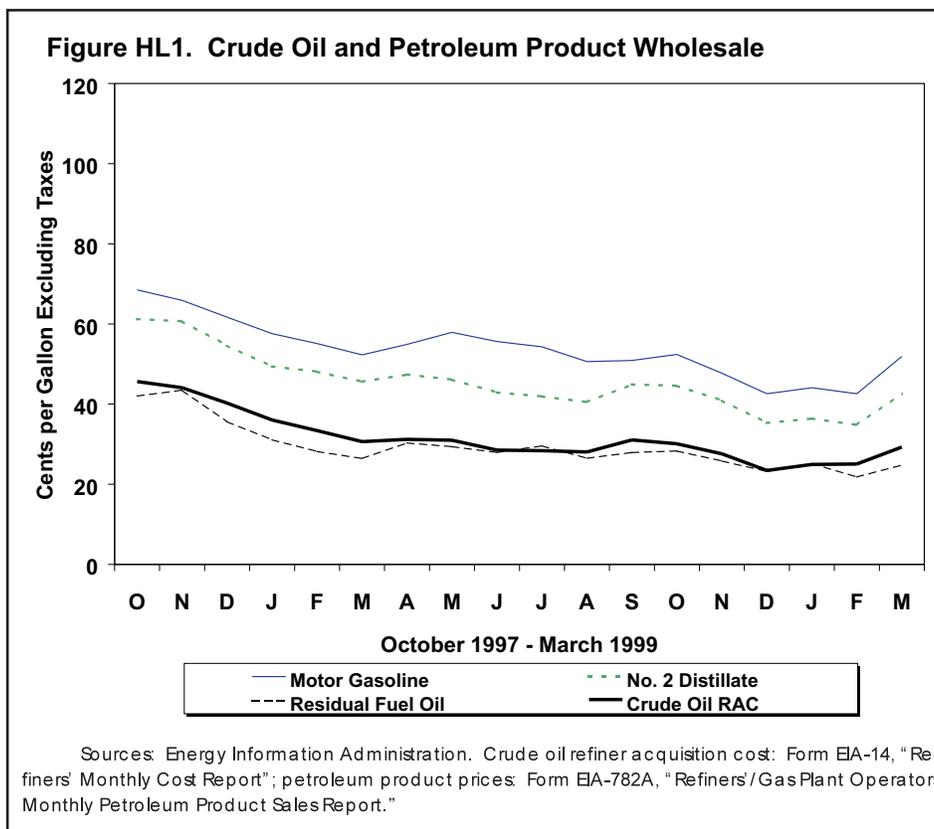


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

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

Products	Sales to End Users						Sales for Resale					
	March 1999		February 1999		March 1998		March 1999		February 1999		March 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	64.8	64.5	56.8	63.6	65.6	64.3	51.9	304.5	42.6	290.3	52.3	291.1
Conventional	60.5	39.3	52.9	38.6	64.3	39.0	48.0	203.2	38.5	188.6	49.8	195.3
Regular	56.4	26.9	48.4	26.1	60.4	27.1	45.8	154.1	36.2	140.6	47.8	149.9
Midgrade	66.1	6.3	58.5	6.2	69.5	6.1	52.0	15.7	42.4	14.9	53.3	15.7
Premium	72.8	6.0	66.0	6.3	77.3	5.8	56.0	33.5	46.5	33.1	57.9	29.8
Oxygenated	71.1	2.9	59.9	3.3	68.4	2.9	60.1	9.2	50.2	11.4	57.7	7.4
Regular	67.8	2.2	56.2	2.5	65.6	2.4	58.1	6.6	47.9	8.3	56.0	5.5
Midgrade	77.2	0.4	66.8	0.5	75.8	0.3	60.7	1.3	51.8	1.3	59.6	1.0
Premium	87.7	0.3	76.8	0.4	84.5	0.2	70.0	1.3	59.7	1.7	66.9	0.8
Reformulated	71.6	22.3	63.3	21.6	67.4	22.4	59.6	92.1	50.1	90.4	57.5	88.4
Regular	67.3	14.6	58.1	14.0	62.5	14.8	56.6	61.8	46.4	59.9	54.1	58.4
Midgrade	76.9	3.8	68.9	3.7	72.7	3.7	63.7	10.1	55.4	10.0	60.8	10.4
Premium	82.8	3.9	76.1	3.9	81.0	3.9	66.6	20.2	58.6	20.5	65.8	19.6
Aviation Gasoline	89.7	0.1	85.0	0.1	98.2	0.1	86.1	0.6	78.9	0.5	90.4	0.6
Kerosene-Type Jet Fuel	39.4	46.8	36.3	46.5	45.3	47.6	39.3	13.2	35.0	14.9	45.7	12.6
Propane (Consumer Grade)	41.4	4.3	39.3	4.5	43.8	4.1	27.0	36.2	26.2	36.7	31.2	33.9
Kerosene	50.4	0.4	46.8	0.6	65.3	0.3	44.0	2.6	38.3	3.1	47.6	2.9
No. 1 Distillate	NA	NA	NA	NA	56.0	0.4	49.1	1.3	44.7	2.5	54.3	1.1
No. 2 Distillate	45.8	25.7	40.3	25.3	51.1	24.9	42.7	129.3	34.8	129.8	45.6	120.5
No. 2 Fuel Oil	46.0	3.7	40.4	3.9	53.9	2.6	39.6	30.9	33.0	38.0	44.9	32.0
No. 2 Diesel Fuel	45.8	22.0	40.3	21.3	50.8	22.3	43.6	98.4	35.5	91.8	45.8	88.5
Low Sulfur	48.0	14.8	42.0	14.1	52.5	14.3	44.2	83.8	35.9	78.0	46.2	73.9
High Sulfur	41.3	7.2	36.9	7.2	47.7	7.9	40.1	14.6	33.2	13.8	43.9	14.5
No. 4 Fuel^a	40.2	0.4	38.6	0.5	46.0	0.4	32.6	0.3	29.7	0.3	37.5	0.3
Residual Fuel Oil	28.0	14.7	25.8	16.2	28.6	15.5	24.8	11.3	21.8	17.6	26.4	12.7
Sulfur Content not > 1 %	31.4	4.1	30.6	4.4	35.6	4.2	27.2	3.2	21.9	5.3	29.4	5.5
Sulfur Content > 1 %	26.7	10.6	24.0	11.9	26.0	11.3	23.9	8.0	21.8	12.3	24.0	7.2

NA = Not available.

^a 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."

for CARB diesel fuel underwent almost the same level of change, rising from 42.3 cents per gallon at the start of the month and closing March at 70.5 cents per gallon. The situation also had a significant effect on all other regional markets' prices. As the monetary incentive to supply this market grew, producers diverted product normally bound for other regions to California. As expected, this development caused prices to rise in other markets, especially at mid-continent. EIA data show stockdraws from February positions in gasoline supplies at the national level with total stocks dropping approximately 6 percent and reformulated gasoline stocks falling 4.6 percent. Further, a comparison of current stock levels and year-ago rates indicate a difference of less than 1 percent, the smallest since September 1997. In Northeastern markets, distillate prices picked up as forecasts for colder temperatures and inclement winter weather materialized. Additional encourage-

ment for rising prices arose from supply data that indicated an overall decline in distillate stocks for the second month in a row.

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

Crude Oil

The daily spot price at Cushing, Oklahoma for West Texas Intermediate (WTI) crude oil rose dramatically during March. The increase occurred chiefly in response to a production cut agreement formulated by a number of oil exporting countries. Opening at \$12.31

per barrel, the price began a steady climb that continued through the end of the month. The closing price of \$16.66 per barrel was the highest level seen in the past 6 months, and marked the high end of a \$4.35-per-barrel monthly range.

- March monthly average crude oil prices show substantial increases from February levels. The average domestic crude oil first purchase price rose \$2.02 (23.5 percent), to \$10.60 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil experienced the largest increase, rising \$2.28 (24.6 percent), to \$11.56 per barrel. The average landed cost of foreign crude oil rose \$1.96 (18.9 percent), to \$12.34 per barrel.
- The monthly average acquisition cost for domestic crude oil climbed \$1.32 (12.0 percent), to \$12.29 per barrel. The average cost of imported crude oil to U.S. refiners rose \$2.09 (20.5 percent), to \$12.31 per barrel. The composite refiner acquisition cost of crude oil increased \$1.78 (16.9 percent), to \$12.30 per barrel.

Petroleum Products

Motor Gasoline

The March daily spot price for unleaded regular gasoline at New York Harbor experienced significant gains as a result of a mixture of factors including refinery outages in California, rising crude oil prices, and reports indicating stock decreases. The price opened the month at 33.6 cents per gallon and continued on an upward path for the rest of March. As the refinery problems in California intensified late in the month, the price rose 4.3 cents per gallon during the final days of March. Closing at 53.1 cents per gallon, the price was a remarkable 19.5 cents higher than where it began the month.

- Reflecting the trend seen in other market sectors, March monthly average gasoline prices show considerable increases in all categories of sales. The average price for retail sales of motor gasoline by refiners rose 8.0 cents, to 64.8 cents per gallon, while the average wholesale price climbed 9.3 cents to 51.9 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets increased 7.3 cents to 63.2 cents per gallon. The aver-

age wholesale price rose 9.2 cents to 52.1 cents per gallon. The average dealer tank wagon (DTW) price increased 7.8 cents to 58.9 cents per gallon while the average rack price jumped 10.4 cents to 49.8 cents per gallon. The average price for bulk sales rose 7.8 cents per gallon. The range between reformulated and conventional gasoline prices was 7.8 cents at retail and 9.1 cents at wholesale. The difference between conventional and oxygenated gasoline prices was 9.3 cents at retail and 10.9 cents at wholesale.

- Despite the sharp rise in prices, sales of finished motor gasoline by refiners grew in March. Total sales increased 15.1 million gallons per day (4.3 percent), to an average of 369.0 million gallons per day. Retail sales rose 900,000 gallons per day (1.4 percent), while wholesales increased 14.2 million gallons per day (4.9 percent). Rack sales constituted 62.7 percent of total wholesales, while DTW and bulk sales accounted for 24.0 percent and 13.3 percent, respectively. Reformulated gasoline (RFG) made up 31.0 percent of total motor gasoline sales, while oxygenated gasoline accounted for 3.3 percent of sales.

No. 2 Distillate

In an about-face from February's trend, the daily spot price for No. 2 heating oil at New York Harbor rose significantly during March. The price opened the month at 32.3 cents per gallon and continued to rise throughout March, driven by increases in other product prices and colder winter weather in the Northeast. The price reached its high of 44.5 cents per gallon on March 30. Closing the month at 44.2 cents per gallon, the price was 11.9 cents higher than where it started the month.

- Like gasoline prices, March No. 2 distillate prices rose in all categories of sales. The national average residential price increased 1.0 cent to 80.8 cents per gallon. The average wholesale price jumped 7.3 cents to 43.3 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 4.6 cents, while the average wholesale price grew 7.9 cents. The variation between low- and high-sulfur diesel fuel prices was 1.1 cents at retail and 3.3 cents at wholesale.
- Refiner sales of No. 2 distillate were mixed in March. Overall sales of No. 2 distillate remained even with February's rate of 155.0 million gallons per day. Sales of No. 2 fuel fell 7.3 million gallons per day (17.4 percent), while No. 2 diesel fuel sales rose 7.3 million gallons per day (6.5 percent). Low-sulfur diesel fuel sales accounted for 81.9 percent of all re-

finer diesel fuel sales, and 63.6 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Following the general trend, residual fuel oil prices rose in all categories of sales during March. Refiner prices for low-sulfur residual fuel increased 0.8 cent to 31.4 cents per gallon at retail, and 5.3 cents to 27.2 cents per gallon at wholesale. High-sulfur residual fuel prices climbed 2.7 cents to 26.7 cents per gallon at retail, and 2.1 cents to 23.9 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 32.8 cents per gallon at retail, and 4.6 cents to 27.0 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 2.6 cents to 27.0 cents per gallon at retail, and 2.4 cents to 24.1 cents per gallon at wholesale.
- Residual fuel oil sales by refiners declined in March. Total sales decreased 7.8 million gallons per day (23.1 percent), to 26.0 million gallons per day. Low-sulfur residual fuel sales fell 2.4 million gallons per day (24.7 percent), while high-sulfur residual

fuel sales dropped 5.6 million gallons per day (23.1 percent).

Other Products

- Prices for other surveyed products increased in March. Refiner propane prices rose 2.1 cents per gallon at retail, and 0.8 cent per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 0.4 cent per gallon. The average retail price for propane also rose 0.4 cent, while the average wholesale price increased 0.5 cent per gallon. Prices for the remaining products, kerosene-type jet fuel, aviation gasoline, kerosene, and Nos. 1 and 4 distillates, rose at both levels.
- March sales of products included in this section were mixed. Refiner sales of propane and kerosene declined at retail and wholesale, while aviation gasoline sales rose at both levels. Kerosene-type jet fuel sales increased at retail but fell at wholesale. Sales of No. 4 distillate declined at retail and rose at wholesale, while sales of No. 1 distillate declined at wholesale.

