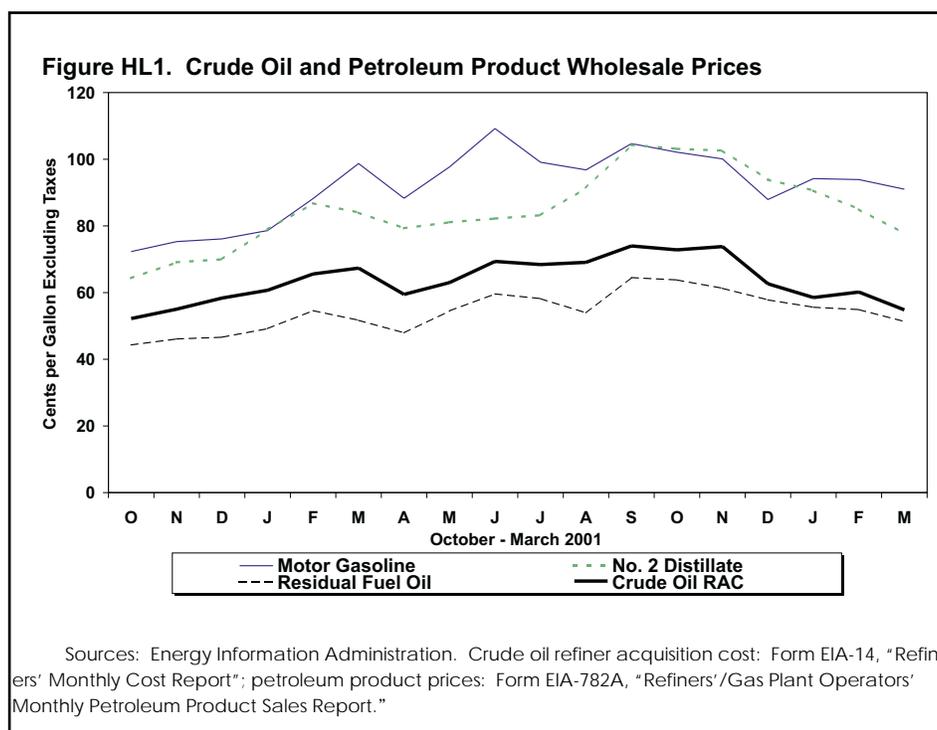


# Highlights

International crude oil prices decreased in March. Reduced demand played a principal role behind the decline. Ongoing refinery maintenance in the United States and Europe, along with runs cuts due to poor margins at some European locations were major factors behind the downturn in demand for crude oil. Additionally, the lower rate of refinery utilization allowed increased availability of crude oil in physical markets, further dampening prices. Slowing economies, particularly the U.S. economy, also affected prices due to concern about how oil demand would fair in less robust economic conditions. Although the Organization of Petroleum Exporting Countries (OPEC) announced its decision to cut wellhead production by 1 million barrels per day effective April 1, the announcement had only a moderate and short-lived impact on prices. During the latter half of the month, mounting concerns about the adequacy of gasoline supplies in the United States for the coming driving season lent support to crude oil prices, particularly in Atlantic Basin markets.

mies also affected prices. In addition to the general reassessment of the supply and demand balance, the new forecasts helped offset the impact of OPEC's announced production cut on prices. Finished product prices followed the same general trend during March. Besides supply concerns, continuing pipeline and refinery maintenance in combination with the switch from manufacturing heating fuels to producing gasoline for the coming driving season affected prices across regional markets. Despite subsiding interest in heating fuels, No. 2 distillate prices became more animated toward the end of March due to upcoming spring agricultural demand and demand for power generation purposes this summer. Gasoline prices responded to growing concern about supply levels, particularly in the second half of the month. Supply data show gasoline stocks have remained at below-average levels since autumn of last year and continued to fall throughout March. At the U.S. level, monthly average data show gasoline stocks fell more than 7 percent from

Prices for crude oil and finished products in the United States followed a mixed path during March, largely declining during the first half of the month, then rising firmly during the latter half. Crude oil prices experienced a relatively short-lived increase during the second week of March due to uncertainty surrounding the size of the expected production cut by OPEC. In addition, weekly supply reports showed a very large stockdraw that left crude oil supplies at near 25-year lows. However, the decrease was attributed to heavy fog on the Gulf Coast which delayed offloading product from ships. Shortly after that, stocks registered significant growth and prices fell. Revised forecasts for world crude oil demand showing lower rates due to slowing econo-



**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 2001		February 2001		March 2000		March 2001		February 2001		March 2000	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	103.8	63.2	106.6	62.2	113.1	61.3	91.0	297.8	93.9	289.3	98.7	296.8
<b>Conventional</b> .....	98.6	36.8	102.8	35.1	109.7	36.7	85.8	195.3	90.0	186.7	95.1	194.6
Regular .....	95.3	27.7	99.6	26.5	106.5	27.7	84.0	158.2	88.4	151.3	93.5	159.2
Midgrade .....	105.3	5.0	109.1	4.8	116.5	5.2	90.0	12.6	94.4	12.4	99.6	13.2
Premium .....	113.3	4.1	117.2	3.8	123.6	3.8	95.0	24.4	98.7	22.9	103.8	22.2
<b>Oxygenated</b> .....	106.7	2.6	113.2	3.9	116.0	2.4	97.4	8.5	100.7	11.3	105.0	7.7
Regular .....	104.5	2.2	110.2	3.0	113.8	2.0	96.0	6.6	99.3	8.9	103.9	6.2
Midgrade .....	112.6	0.3	119.0	0.6	123.1	0.2	97.8	1.1	102.5	1.3	104.7	1.0
Premium .....	122.4	0.2	130.3	0.3	132.8	0.2	109.0	0.7	110.6	1.0	117.2	0.6
<b>Reformulated</b> .....	111.5	23.7	111.3	23.2	118.3	22.2	101.4	94.0	100.8	91.3	105.8	94.5
Regular .....	107.4	16.8	106.9	16.4	114.8	16.2	98.9	69.8	98.1	67.9	103.1	69.1
Midgrade .....	117.8	3.5	117.2	3.5	124.4	3.3	105.5	8.1	104.9	8.1	111.1	9.0
Premium .....	125.2	3.4	127.1	3.3	131.2	2.8	109.9	16.1	110.5	15.4	114.4	16.4
<b>Aviation Gasoline</b> .....	124.5	0.2	130.3	0.1	133.8	0.1	129.2	0.5	131.9	0.4	130.6	0.6
<b>Kerosene-Type Jet Fuel</b> .....	81.1	51.9	86.9	50.0	85.0	47.7	80.2	13.5	86.8	13.2	83.6	17.3
<b>Propane (Consumer Grade)</b> .....	57.5	4.1	67.0	2.8	64.8	3.2	60.1	36.2	66.9	39.8	52.8	31.9
<b>Kerosene</b> .....	112.8	0.2	122.1	0.3	107.9	0.1	83.6	2.2	93.4	2.9	83.7	2.0
<b>No. 1 Distillate</b> .....	89.7	0.4	97.2	0.5	95.7	0.3	90.2	1.1	97.8	2.9	94.8	0.7
<b>No. 2 Distillate</b> .....	84.5	27.9	92.3	27.2	89.9	25.3	77.7	131.6	85.0	130.1	84.0	124.7
No. 2 Fuel Oil .....	86.6	3.5	94.3	3.6	86.0	2.6	76.3	28.5	82.5	33.9	79.6	25.3
No. 2 Diesel Fuel .....	84.2	24.4	92.0	23.6	90.4	22.7	78.1	103.1	85.8	96.2	85.2	99.4
Low Sulfur .....	85.9	17.0	93.8	16.0	92.8	15.9	78.5	88.2	86.4	82.2	85.7	87.0
High Sulfur .....	80.3	7.4	88.1	7.6	84.8	6.7	75.4	14.9	82.6	14.0	81.5	12.4
<b>No. 4 Fuel<sup>a</sup></b> .....	73.1	0.5	81.2	0.6	70.1	0.3	71.2	0.2	78.0	0.2	71.8	0.2
<b>Residual Fuel Oil</b> .....	57.6	15.9	59.8	18.3	57.8	11.1	51.3	11.0	54.9	11.4	51.7	11.1
Sulfur Content not > 1 % .....	66.1	5.5	68.4	6.4	66.5	2.0	57.2	4.0	61.9	4.9	53.2	5.2
Sulfur Content > 1 % .....	53.1	10.4	55.2	11.9	55.9	9.1	47.8	6.9	49.5	6.5	50.4	5.9

<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."

last year at this time. Notably, March 2000 stocks were approximately 6 percent lower than March 1999 levels.

Additional 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 for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma declined during March despite OPEC's decision to reduce the group's overall production quota by 1 million barrels per day beginning in April. Opening at \$27.35 per barrel, the price rose to its high of \$28.95 per barrel on March 7 fol-

lowing the release of weekly supply reports that showed an unexpected stockdraw. During the following weeks, as stocks rose significantly and various economic issues garnered market attention, the price declined and reached its low of \$25.99 per barrel on March 20. Closing at \$26.37 per barrel, the price was nearly \$1.00 below its opening level.

- March monthly average crude oil prices declined from February levels in all categories of sales. The average domestic crude oil first purchase price fell \$2.25 (8.9 percent), to \$23.02 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil saw the largest decrease, falling \$2.60 (11.3 percent), to \$20.50 per barrel. The average landed cost of foreign crude oil declined \$1.67 (6.9 percent), to \$22.69 per barrel.

- The average refiner acquisition cost for domestic crude oil fell \$1.91 (6.9 percent), to \$25.76 per barrel. The average cost of imported crude oil to U.S. refiners declined \$1.94 (7.8 percent), to \$23.03 per barrel. The composite refiner acquisition cost for crude oil fell \$1.98 (7.6 percent), to \$24.11 per barrel.

## Petroleum Products

### *Motor Gasoline*

The daily spot price for regular gasoline at New York Harbor followed a varied path during March as concern increased about whether there would be sufficient supplies to meet demand during the coming driving season. After opening at 75.6 cents per gallon, the price rose during the first week of the month on rumors of refinery problems and data showing stock declines in weekly supply reports. Changing directions as stocks rose, the price shifted to a downward course during the middle of the month. The price reached its low of 74.8 cents per gallon on March 15. Supported by a variety of fundamental factors during the final half of the month, the price rose to its high of 82.9 cents per gallon on March 23. Closing at 80.0 cents per gallon, the price was 4.4 cents higher than where it began March.

- National average gasoline prices declined in March. The average price for retail sales of motor gasoline by refiners fell 2.8 cents to \$1.038 per gallon. The average wholesale price decreased 2.9 cents to 91.0 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets dropped 3.6 cents to \$1.026 per gallon. The average wholesale price fell 3.0 cents to 91.3 cents per gallon. The average dealer tank wagon (DTW) price declined 1.4 cents to 99.5 cents per gallon, while the average rack price fell 3.6 cents to 88.2 cents per gallon. The average price for bulk sales decreased 2.7 cents to 85.5 cents per gallon. Reformulated gasoline prices exceeded conventional gasoline prices by 10.6 cents at retail and 13.6 cents at wholesale. Oxygenated gasoline prices were 11.9 cents higher than conventional gasoline prices at retail and 10.5 cents at wholesale.
- Total refiner sales of gasoline rose 9.5 million gallons per day in March (2.7 percent), to an average of 361.0 million gallons per day. Retail sales increased 1.0 million gallons per day (1.6 percent), while whole-

sales climbed 8.5 million gallons per day (2.9 percent). Rack sales accounted for 65.4 percent of wholesales, while DTW and bulk sales made up 23.2 percent and 11.3 percent, respectively. Reformulated gasoline (RFG) made up 32.6 percent of total motor gasoline sales, while oxygenated gasoline accounted for 3.1 percent.

### *No. 2 Distillate*

With stockpiles of distillate products within the normal season range, the daily spot price for No. 2 heating oil at New York Harbor drifted quietly downward during the first three weeks of March. Opening at 73.2 cents per gallon the price registered little change at the start of the month despite predictions of a major snow storm to strike the East Coast. As the threat of the storm passed, the price eased until it reached the low of 68.8 cents per gallon on March 19. It rose appreciably shortly after that as the market focused on spring agricultural demand and summer power generation needs. After reaching the high of 79.8 cents per gallon March 27, the price closed the month at 75.0 cents per gallon.

- Continuing the trend seen in February data, No. 2 distillate prices fell in all categories during March. The national average residential price for No. 2 distillate decreased 5.1 cents to \$1.291 per gallon. The average wholesale price dropped 7.0 cents to 78.4 cents per gallon. The average price for No. 2 diesel fuel fell 8.0 cents at company-operated retail outlets, while the average wholesale price decreased 7.7 cents. The difference between low- and high-sulfur diesel fuel prices was 1.8 cents at retail and 3.0 cents at wholesale.
- Total sales of No. 2 distillate increased 2.2 million gallons (1.4 percent), to 159.5 million gallons per day in March. Sales of No. 2 fuel oil declined 5.5 million gallons per day (14.7 percent), while sales of No. 2 diesel fuel rose 7.7 million gallons per day (6.4 percent). Low-sulfur diesel fuel represented 82.5 percent of all refiner diesel fuel sales, and 66.0 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

Residual fuel oil prices decreased in March. Refiner prices for low-sulfur residual fuel dropped 2.3 cents to 66.1 cents per gallon at retail, and 4.7 cents to 57.2 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail fell 2.1 cents to 53.1 cents per gallon, while the wholesale price decreased

1.7 cents to 47.8 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price declined 3.7 cents to 65.2 cents per gallon at retail, and 2.4 cents to 59.8 cents per gallon at wholesale. Prices for high-sulfur residual fuel oil dropped 1.8 cents to 53.8 cents per gallon at retail, and 2.3 cents to 48.1 cents per gallon at wholesale.

- Total sales of residual fuel oil sales by refiners fell 2.8 million gallons per day (9.4 percent), to 26.9 million gallons per day in March. Low-sulfur residual fuel sales decreased 1.8 million gallons per day (15.9 percent), while high-sulfur residual fuel oil sales declined 1.1 million gallons per day (6.0 percent).

### ***Other Products***

- Prices for products in this section decreased in March. Refiner propane prices decreased 9.5 cents per gallon at retail and 6.8 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price dropped 9.9 cents per gallon. The average retail and wholesale prices for propane fell 13.9 cents and 8.1 cents, respectively. Prices for kerosene, kerosene-type jet fuel, aviation gasoline, No. 1 distillate, and No. 4 distillate fell at both levels.
- Refiner sales of kerosene-type jet fuel and aviation gasoline increased at both retail and wholesale during March, while sales of kerosene, No. 1 distillate, and No. 4 distillate declined at both levels. Propane sales increased at retail but fell at wholesale.