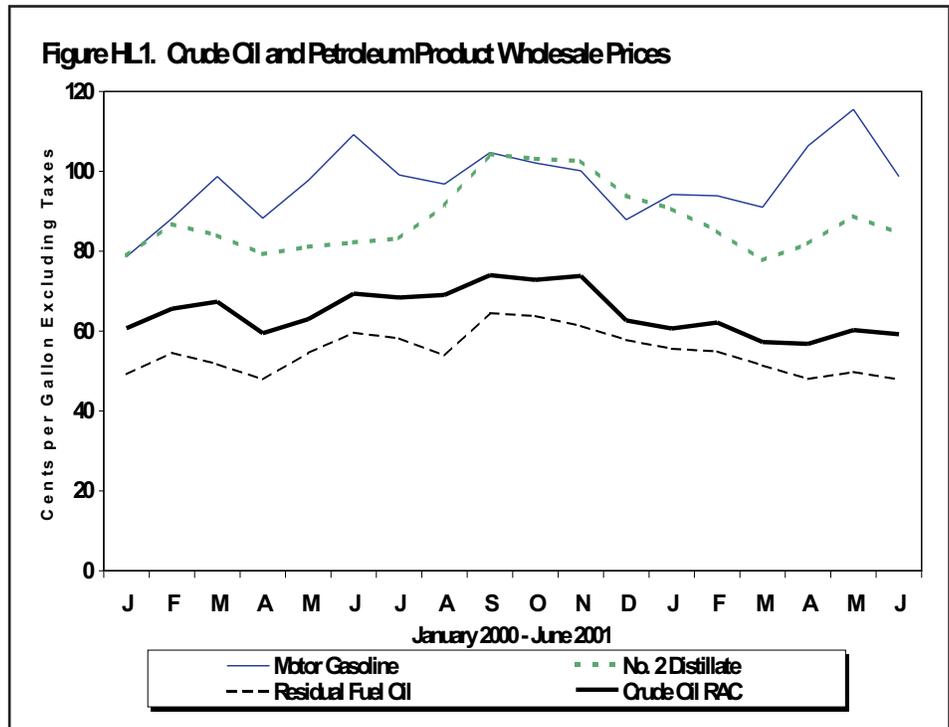


# Highlights

World crude oil prices declined in June, yielding to pressure from solid stock levels and shrinking refining margins in Atlantic basin markets. In particular, crude oil prices took their cue from falling gasoline prices in the United States. As gasoline stocks in the U.S. rose, prices fell, leading to an erosion of refining margins. Crude oil prices did experience mild increases during the initial half of the month when Iraq suspended exports in protest over proposed revisions to the terms of the "oil-for-food" program administered by the United Nations. Markets also waited for news from the Organization of Petroleum Exporting Countries (OPEC) meeting held in Vienna, Austria regarding the group's review of its wellhead production quotas. On June 5, the group announced it would maintain current production levels, deferring the decision on whether to adjust the rates for the loss of Iraqi crude oil in world markets until the beginning of July. Exports from Iraq account for approximately 5 percent of crude oil in world markets.

In the United States, crude oil and finished product prices decreased in June. Crude oil prices lost ground especially during the latter part of the month despite a number of issues that occurred earlier in June. As previously mentioned, the suspension of Iraqi crude oil exports and the decision by OPEC to maintain existing production quotas caused a relatively short-lived rise. Additionally, while Tropical Storm Allison hindered off-loadings of crude oil at the Louisiana Off-shore Oil Port during the first week of June, the inclement weather had a negligible effect on crude oil prices. In spite of disruptions to refinery operations caused by the storm, gasoline prices underwent the appreciable declines due to growing supplies of

the product, particularly in the Gulf Coast and North-east regions of the country. Notably, data indicate that gasoline demand during June was only fractionally higher than in May. Due to recent strong production and import rates for the product, monthly supply data for June show total U.S. gasoline stocks are more than 2 percent higher than in June 2000, and nearly 5 percent higher than last month's level. Distillate prices proved more robust than crude oil and gasoline prices during June, losing less ground than prices for the other major products. Weekly stock reports, particularly at the start of the month, showed stocks remaining at the low end of average for this time of year and acted as the primary factor for the more substantive prices. By the latter part of June, some refiners were curtailing gasoline production and expanding distillate production. While distillate stocks increased, the product's refining margin remained larger than that for gasoline.



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					
	June 2001		May 2001		June 2000		June 2001		May 2001		June 2000	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	120.5	65.8	130.1	63.2	121.3	63.6	98.7	314.6	115.5	304.8	109.2	324.2
<b>Conventional</b> .....	112.6	38.8	124.4	37.6	120.4	37.8	91.5	209.7	110.0	204.4	107.1	220.1
Regular .....	109.4	30.0	121.8	29.2	118.1	29.0	90.0	174.0	108.6	169.2	105.8	180.8
Midgrade .....	120.0	5.0	130.5	4.8	125.5	5.1	95.7	12.5	114.2	12.1	110.9	13.4
Premium .....	127.8	3.8	137.5	3.6	131.5	3.8	100.7	23.3	117.9	23.1	114.1	25.9
<b>Oxygenated</b> .....	120.8	1.9	136.3	1.7	128.6	1.9	104.7	7.2	123.7	7.0	116.1	7.2
Regular .....	118.2	1.6	133.9	1.5	126.4	1.6	103.7	5.8	122.2	5.6	114.7	5.8
Midgrade .....	130.9	0.2	146.2	0.2	136.7	0.2	104.3	0.9	128.3	0.9	119.9	1.0
Premium .....	139.5	0.1	154.1	0.1	145.9	0.1	117.8	0.5	132.9	0.4	124.6	0.5
<b>Reformulated</b> .....	132.9	25.0	138.5	23.9	122.2	23.9	113.7	97.7	126.9	93.3	113.5	96.9
Regular .....	129.0	18.3	134.9	17.5	118.7	17.1	110.2	75.3	124.1	71.6	111.1	70.7
Midgrade .....	139.8	3.5	144.9	3.4	127.8	3.6	124.0	7.6	133.5	7.7	117.7	8.9
Premium .....	147.5	3.2	152.1	3.0	135.0	3.2	126.3	14.8	137.8	14.1	121.4	17.3
<b>Aviation Gasoline</b> .....	145.1	0.1	146.5	0.2	140.8	0.2	136.7	0.7	147.8	0.7	142.1	0.7
<b>Kerosene-Type Jet Fuel</b> .....	83.6	53.3	84.0	53.6	80.2	53.6	82.6	12.1	83.5	13.0	79.9	15.2
<b>Propane (Consumer Grade)</b> .....	50.4	3.2	54.3	3.1	54.4	2.2	48.7	27.1	56.2	24.3	53.8	29.7
<b>Kerosene</b> .....	93.8	0.1	94.1	0.1	88.4	0.1	83.3	1.0	86.6	1.1	80.4	1.6
<b>No. 1 Distillate</b> .....	94.1	0.2	98.3	0.2	91.1	0.2	97.2	0.2	105.3	0.2	90.2	0.3
<b>No. 2 Distillate</b> .....	90.0	26.3	92.7	26.3	86.2	25.8	84.5	118.0	88.8	117.2	82.2	121.6
No. 2 Fuel Oil .....	84.8	2.5	90.1	2.8	84.5	2.7	79.3	15.6	82.7	17.4	80.3	16.3
No. 2 Diesel Fuel .....	90.6	23.8	93.0	23.5	86.4	23.1	85.3	102.4	89.8	99.7	82.5	105.2
Low Sulfur .....	92.6	16.9	95.2	16.7	88.4	16.0	86.0	89.4	90.7	86.6	83.0	90.8
High Sulfur .....	85.7	6.9	87.4	6.8	81.9	7.1	80.6	13.0	84.1	13.2	79.3	14.5
<b>No. 4 Fuel<sup>a</sup></b> .....	62.8	0.2	66.8	0.3	66.3	0.2	60.2	0.1	64.6	0.1	74.9	0.1
<b>Residual Fuel Oil</b> .....	52.3	15.1	53.7	18.4	62.7	12.7	47.9	10.2	49.8	10.7	59.6	11.9
Sulfur Content not > 1 % .....	62.2	3.8	63.4	4.9	70.2	3.5	53.3	5.1	58.2	4.3	65.8	5.5
Sulfur Content > 1 % .....	49.0	11.3	50.1	13.5	59.7	9.1	42.4	5.1	44.2	6.4	54.3	6.4

<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."

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

## Crude Oil

At Cushing, Oklahoma, the daily spot price for West Texas Intermediate (WTI) crude oil declined during June. Opening at \$28.39 per barrel, the price registered a moderate increase in response to the suspension of Iraqi crude oil exports and the decision by OPEC to maintain production quotas at their current level. Refinery problems and inclement weather in the Gulf of

Mexico led the price to its high of \$29.13 per barrel on June 12. The price fell throughout the remainder of the month, and reached its low of \$25.67 per barrel on June 27 following the release of weekly stocks reports that showed rising inventories. The price closed the month at \$26.37 per barrel, \$2.02 lower than where it started June.

- June monthly average prices for crude oil experienced small declines in all categories of sales. The average domestic crude oil first purchase price fell 69 cents (2.9 percent), to \$23.37 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil dropped 27 cents (1.2 percent), to \$22.58 per barrel. The average landed cost of foreign crude oil declined 56 cents (2.3 percent), to \$23.68 per barrel.

- The average refiner acquisition cost for domestic crude oil decreased 13 cents (0.5 percent), to \$26.24 per barrel. The average cost of imported crude oil to U.S. refiners fell 68 cents (2.8 percent), to \$23.95 per barrel. The composite refiner acquisition cost for crude oil slipped 43 cents (1.7 percent), to \$24.88 per barrel.

## Petroleum Products

### *Motor Gasoline*

At New York Harbor, the daily spot price for unleaded gasoline fell during June. Opening at its highest point, 82.9 cents per gallon, the price declined steadily during the coming weeks as robust production and import rates alleviated concerns about the adequacy of supplies during the high-demand summer driving season. By the final week of the month, stocks were appreciably above year-ago levels and the price reached its low of 62.6 cents per gallon on June 27. Closing the month at 66.4 cents per gallon, the price was 16.6 cents lower than June's opening level.

- Coming after the dramatic increases seen during the previous two months, national average gasoline prices fell significantly during June. The average price for retail sales of motor gasoline by refiners dropped 9.6 cents to \$1.205 per gallon. The average wholesale price plummeted 16.8 cents to 98.7 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets fell 10.8 cents to \$1.185 per gallon. The average wholesale price declined 17.0 cents to 98.3 cents per gallon. The average dealer tank wagon (DTW) price decreased 11.0 cents to \$1.134 per gallon, while the average rack price sank 20.4 cents to 93.0 cents per gallon. The average price for bulk sales decreased 14.5 cents to 87.4 cents per gallon. Reformulated gasoline (RFG) prices outstripped conventional gasoline prices by 18.9 cents at retail and 19.5 cents at wholesale. Oxygenated gasoline prices were 7.6 cents higher than conventional gasoline prices at retail and 13.4 cents at wholesale.
- Total refiner sales of gasoline increased 12.4 million gallons per day in June (3.4 percent), to an average of 380.4 million gallons per day. Retail sales rose 2.6 million gallons per day (4.1 percent), while wholesales climbed 9.8 million gallons per day (3.2 per-

cent). Rack sales made up 66.1 percent of wholesales, while DTW and bulk sales represented 21.3 percent and 12.6 percent, respectively. Reformulated gasoline accounted for 32.3 percent of total motor gasoline sales, while oxygenated gasoline was 2.4 percent.

### *No. 2 Distillate*

The June daily spot price for No. 2 heating oil at New York Harbor experienced far less decline than gasoline prices as market attention began to turn to the outlook for supplies during the 2001-02 heating season. The price opened the month at 77.7 cents per gallon and underwent an increase during the second week of June when stock reports showed inventories barely within average seasonal levels. It reached its high of 83.1 cents per gallon on June 14. The price eased as reports regarding growing distillate production emerged. The low for the month, 69.6 cents per gallon, was struck on June 27 following the release of weekly reports showing a rise in inventories. The price closed June at 71.3 cents per gallon, about 6.5 cents lower than where it began the month.

- No. 2 distillate prices fell across the board in June. The national average residential price for No. 2 distillate declined 4.5 cents to \$1.204 per gallon. The average wholesale price dropped 3.9 cents to 84.7 cents per gallon. The average price for No. 2 diesel fuel decreased 3.5 cents at company-operated retail outlets, while the average wholesale price declined 4.5 cents. The difference between low- and high-sulfur diesel fuel prices was 4.1 cents at retail and 4.8 cents at wholesale.
- Total sales of No. 2 distillate rose 900,000 gallons (0.6 percent), to 144.3 million gallons per day in June. Sales of No. 2 fuel oil dropped 2.1 million gallons per day (10.4 percent), while sales of No. 2 diesel fuel increased 3.0 million gallons per day (2.4 percent). Low-sulfur diesel fuel defined 84.2 percent of all refiner diesel fuel sales, and 73.7 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

- Residual fuel oil prices declined in June. Refiner prices for low-sulfur residual fuel fell 1.2 cents to 62.2 cents per gallon at retail, and 4.9 cents to 53.3 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail decreased 1.1 cents to 49.0 cents per gallon, while the wholesale price

dropped 1.8 cents to 42.4 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price fell 1.8 cents to 60.7 cents per gallon at retail. The wholesale price declined 4.4 cents to 53.9 cents per gallon. Prices for high-sulfur residual fuel oil decreased 1.1 cents to 50.3 cents per gallon at retail, and 1.0 cent to 44.0 cents per gallon at wholesale.

- Total sales of residual fuel oil by refiners fell 3.8 million gallons per day (13.1 percent), to 25.3 million gallons per day in June. Low-sulfur residual fuel sales declined 300,000 gallons per day (3.3 percent), while high-sulfur residual fuel oil sales dropped 3.5 million gallons per day (17.6 percent).

### *Other Products*

- All prices for products highlighted in this section declined in June. Refiner propane prices decreased 3.9 cents per gallon at retail and 7.5 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price fell 8.2 cents per gallon. The average retail and wholesale prices for propane dropped 6.8 cents and 6.9 cents, respectively. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, No. 1 distillate and No. 4 distillate decreased at both levels.
- Refiner sales of propane increased at both retail and wholesale during June. Sales of kerosene-type jet fuel, kerosene, No. 1 distillate, and No. 4 distillate decreased at both levels. Sales of aviation gasoline fell at retail but increased at wholesale.