

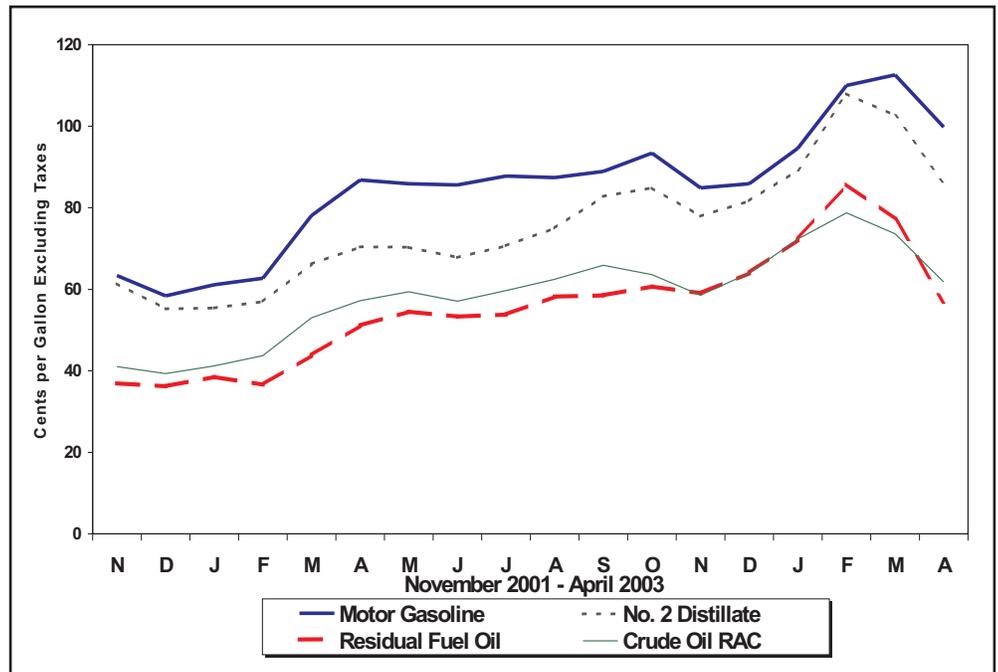
Highlights

While international crude oil prices were appreciably lower in April, various conditions and events contributed to price volatility for key streams at various points during the month. These issues include the progression of the war in Iraq, a special meeting of the Organization of Petroleum Exporting Countries (OPEC), and rising crude oil production and exports from Venezuela and Nigeria. From the beginning of the month through the capture of Baghdad by U.S. troops on April 9, oil prices were in decline, continuing the overall decrease in prices that began with the start of the war in mid-March. Fears that a military action would adversely affect crude oil supply from the region had led to a “war premium” on prices since late-summer 2002. Market observers and participants saw the premium as consisting of costs above the actual fundamental market value of crude oil. After the war started, the premium dissipated as supplies from the Middle East would evidently not encounter any significant disruptions or delays. Despite more clarity in oil markets regarding the situation in Iraq, prices began to rise on speculation that OPEC members would vote for a reduction in production levels during the group’s April 24 consultative meeting in Vienna, Austria. However, instead of cutting production quotas, the group voted to raise the official rates 900,000 barrels per day to 25.4 million barrels per day, effective June 1, 2003. OPEC presented the change as a reduction in actual production (based on the elevated pre-war production rates for February and March). Prices fell in reaction to the decision, due at least in part to the anticipated increase in availability of product in the second quarter of the year, a time that typically sees a drop in demand for crude oil. Additional downward pressure on prices throughout the month

came from the ongoing restoration of Venezuelan crude oil production and export to pre-strike levels. A cessation of the civil unrest that hampered Nigerian oil production last month and early this month also had a bearish effect on prices in April.

In addition to many of the same factors affecting world crude oil prices, stock levels played a central role in petroleum products price trends in the United States during April. While crude oil prices in the U.S. were affected by the progression of the war in Iraq and by Venezuelan oil production and export rates, continuing low stock levels also heavily influenced them. Further, refinery inputs of crude oil in April as facilities returned from turnarounds, muted stock builds. Of the world’s benchmark crude oil streams, the spot market price for West Texas Intermediate (WTI) at Cushing, Oklahoma was one of the most unsettled. The price responded to speculation and news surrounding the

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					
	April 2003		March 2003		April 2002		April 2003		March 2003		April 2002	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	120.0	62.0	130.0	61.0	100.4	64.4	99.8	301.5	112.6	289.1	86.8	315.7
Conventional	112.8	36.7	123.8	35.5	97.3	38.1	93.1	202.3	106.5	189.1	83.3	212.0
Regular	109.9	28.8	121.1	28.1	94.2	29.2	91.6	170.5	105.1	159.7	81.6	176.4
Midgrade	119.3	4.4	130.2	4.3	103.8	4.9	97.8	10.9	110.9	10.7	88.4	11.6
Premium	128.3	3.5	138.4	3.2	112.0	3.9	102.8	20.9	115.5	18.7	93.2	24.0
Oxygenated	114.8	2.1	130.8	2.2	102.4	1.9	105.4	7.1	120.5	8.8	90.8	7.3
Regular	112.9	1.7	128.8	1.8	100.1	1.5	105.0	5.6	119.8	7.0	89.8	5.7
Midgrade	117.5	0.2	134.2	0.3	108.5	0.2	102.0	1.0	117.0	1.1	91.0	1.0
Premium	131.5	0.1	148.1	0.1	117.4	0.1	116.7	0.5	133.9	0.6	101.8	0.5
Reformulated	131.8	23.2	139.5	23.3	105.1	24.5	114.2	92.1	124.5	91.3	94.3	96.4
Regular	128.7	17.3	136.5	17.5	101.4	17.6	111.1	71.5	122.1	71.3	91.3	72.9
Midgrade	136.7	2.8	145.0	2.8	111.7	3.5	123.5	6.1	132.2	6.0	102.7	7.8
Premium	144.8	3.1	151.8	2.9	117.6	3.4	125.3	14.6	133.1	13.9	104.0	15.7
Aviation Gasoline	W	W	W	W	133.4	0.1	129.4	0.4	135.8	0.5	116.5	0.8
Kerosene-Type Jet Fuel	82.4	42.4	104.4	44.0	70.0	50.0	82.8	10.7	101.7	14.7	69.5	12.1
Propane (Consumer Grade)	52.6	1.9	67.3	2.1	41.7	3.1	53.9	30.4	69.1	32.3	41.7	28.2
Kerosene	127.8	0.1	138.7	0.3	NA	0.1	87.1	1.4	110.3	2.4	69.9	1.5
No. 1 Distillate	96.0	0.2	112.5	0.3	82.8	0.2	99.0	0.3	120.8	1.0	80.0	0.4
No. 2 Distillate	93.5	19.9	111.4	20.1	74.9	24.4	86.2	124.8	102.6	129.9	70.4	122.9
No. 2 Fuel Oil	89.0	3.1	110.0	3.8	72.0	2.8	82.7	22.8	104.5	29.2	68.3	20.5
No. 2 Diesel Fuel	94.4	16.8	111.7	16.3	75.3	21.6	86.9	102.0	102.1	100.8	70.9	102.4
Low Sulfur	98.3	11.4	116.2	10.9	77.6	14.7	87.4	91.4	103.0	88.1	71.3	88.9
High Sulfur	85.9	5.4	102.8	5.5	70.1	6.9	83.0	10.6	96.0	12.7	68.0	13.4
No. 4 Fuel^a	77.4	0.3	105.1	0.4	66.1	0.3	71.9	0.1	85.1	0.1	66.6	0.1
Residual Fuel Oil	64.4	10.3	81.3	12.2	55.8	10.0	57.0	6.8	77.2	9.8	51.1	10.9
Sulfur Content not > 1 %	78.1	2.8	97.4	4.4	59.1	2.1	60.1	3.6	88.1	5.7	53.2	6.6
Sulfur Content > 1 %	59.3	7.5	72.3	7.9	55.0	7.9	53.4	3.1	62.5	4.2	47.8	4.3

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^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."

OPEC decision regarding production quotas by rising steeply prior to the group's meeting. However, a few days before the meeting took place, weekly stocks reports showed a significant build in crude oil inventories, which began an equally steep drop in the price's level. Shipments of crude oil, particularly from Middle Eastern sources, were arriving at U.S. ports in large numbers, bolstering stocks and dampening prices. Prices for finished products were also less turbulent in April. Gasoline prices in most regional markets were influenced by rising supply levels and production rates in conjunction with sluggish demand. In West Coast spot markets, gasoline prices continued to retreat from the very high levels seen last month as crude oil prices declined, refining facilities came back online from both planned and unplanned maintenance, and gasoline inventories rose. Distillate prices remained vigorous es-

pecially in Northeastern markets where unseasonably cool temperatures continued to support heating oil demand. Notably, distillate stocks overall remained well below year-ago levels.

A look at month-to-month and year-ago spot market prices at New York Harbor helps to illustrate petroleum market activity and trends in April. The average price for regular gasoline was 79.9 cents per gallon in April 2003, down from 95.5 cents per gallon in March. Last year at this time, the average price was 74.4 cents per gallon. For No. 2 heating oil, the March 2003 price was 98.8 cents per gallon, while the April 2003 average price was 79.6 cents per gallon. The April 2002 average price was 66.7 cents per gallon. At Cushing, Oklahoma, the monthly average prices for WTI crude oil were \$33.51 per barrel in March 2003, and \$28.17 per barrel this month.

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

Crude Oil

The West Texas Intermediate (WTI) crude oil daily spot price at Cushing, Oklahoma was unsettled during April. The price opened the month at \$31.14 per barrel but dropped back to the high \$20-per-barrel-range for most of the first part of the month. Rising on speculation that OPEC would cut production levels, the price reached the month's high of \$30.76 per barrel on April 21. The price declined rapidly after that due to a combination of factors including rising supply levels and exports from OPEC sources arriving at U.S. ports. The price hit its low of \$25.25 per barrel on April 25. Closing April at \$26.09 per barrel, the price was \$5.05 lower than the month's opening level.

- Monthly average crude oil prices fell in all sales categories for the second month in a row during April. The average domestic crude oil first purchase price decreased \$4.63 (15.4 percent), to \$25.46 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil declined \$4.02 (15.3 percent), to \$22.23 per barrel. The average landed cost of foreign crude oil fell \$4.12 (14.2 percent), to \$24.92 per barrel.
- The average refiner acquisition cost for domestic crude oil dropped \$4.14 (12.7 percent), to \$28.54 per barrel. The average cost of imported crude oil to U.S. refiners saw the largest decrease, falling \$4.94 (16.9 percent), to \$24.37 per barrel. The composite refiner acquisition cost for crude oil fell \$4.73 (15.4 percent), to \$25.95 per barrel.

Petroleum Products

Motor Gasoline

As seen in price trends for other petroleum products, the daily spot price for regular gasoline at New York Harbor was less volatile in April than in recent months. Throughout the month, the price for gasoline was influenced by robust imports and rising stocks along with comparatively slow demand for this time of year.

The price declined during the first 10 days of April, after opening at 90.9 cents per gallon, its highest level for the month. Supported by other product prices in the complex and talk

appreciably of some refinery outages, the price rose moderately through mid-month. Falling again due to reports of rising inventories, the price closed the month at its lowest point, 72.3 cents per gallon, more than 18 cents lower than where it began the month.

- April monthly average gasoline prices show significant decreases in all categories. The average price for retail sales of motor gasoline by refiners fell 10.0 cents to \$1.200 per gallon. The average wholesale price declined 12.8 cents to 99.8 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets dropped 10.8 cents to \$1.159 per gallon. The average wholesale price fell 13.1 cents to 98.8 cents per gallon. The average dealer tank wagon (DTW) price decreased 11.0 cents to \$1.085 per gallon, while the average rack price fell 14.2 cents to 94.6 cents per gallon. The average price for bulk sales dropped 13.2 cents to 86.8 cents per gallon. Reformulated gasoline (RFG) prices were 16.3 cents higher than conventional gasoline prices at retail, and 17.2 cents more at wholesale. Oxygenated gasoline prices were 1.7 cents more than conventional gasoline prices at retail, and 9.8 cents higher at wholesale.
- Motor gasoline sales by refiners rose in April. Total sales increased 13.4 million gallons per day, to an average of 363.5 million gallons per day. Retail sales rose 1.0 million gallons per day (1.6 percent), while wholesales climbed 12.4 million gallons per day (4.3 percent). Rack sales accounted for 66.7 percent of wholesales, while DTW and bulk sales explained 20.1 percent and 13.2 percent, respectively. Reformulated gasoline made up 31.7 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.5 percent of sales.

No. 2 Distillate

During April, the daily spot price for No. 2 heating oil at New York Harbor moved along a less volatile path compared with other finished product prices. After opening at 79.6 cents per gallon, the price quickly moved to its low of 73.9 cents per gallon on April 2. During the next 2 weeks, the price increased, underpinned by ongoing low inventories and unseasonably cool temperatures, particularly in the Northeast. It

reached its high of 86.0 cents per gallon on April 15, in anticipation of supply reports showing another decline in stocks. The price gave back part of the increase during the latter part of April, due principally to soft demand. Closing at 81.6 cents per gallon, the price was 2 cents higher than when it opened the month.

- Like gasoline prices, No. 2 distillate prices dropped substantially in April. The national average residential sales price for No. 2 distillate plummeted 19.4 cents to \$1.345 per gallon. The average wholesale price declined 16.7 cents to 86.9 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 17.1 cents, while the average No. 2 diesel fuel wholesale price declined 15.4 cents. The difference between low- and high-sulfur diesel fuel prices was 3.7 cents at retail and 3.2 cents at wholesale.
- Refiner sales of No. 2 distillate were mixed in April. Total sales fell 5.4 million gallons (3.6 percent), to 144.7 million gallons per day. Sales of No. 2 fuel oil decreased 7.1 million gallons per day (21.5 percent), while sales of No. 2 diesel fuel rose 1.7 million gallons per day (1.5 percent). Low-sulfur diesel fuel 86.5 percent of all refiner diesel fuel sales, and 71.0 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices plummeted during April. Refiner prices for low-sulfur residual fuel oil fell 19.3 cents to 78.1 cents per gallon at retail, and 28.0 cents to 60.1 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil decreased 13.0 cents to 59.3 cents per gallon, while the whole-

sale price dropped 9.1 cents to 53.4 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price plunged 24.2 cents to 73.6 cents per gallon at retail, while the wholesale price fell 21.3 cents to 64.8 cents per gallon. The retail price for high-sulfur residual fuel oil decreased 13.6 cents to 59.3 cents per gallon, while the wholesale price dropped 13.8 cents to 55.8 cents per gallon.

- Refiner sales of residual fuel oil declined during April. Total sales fell 4.9 million gallons per day (22.3 percent) to 17.1 million gallons per day. Low-sulfur residual fuel sales decreased 3.7 million gallons per day (36.6 percent), while high-sulfur residual fuel oil sales dropped 1.5 million gallons per day (12.4 percent).

Other Products

- Prices for the remaining surveyed products declined in April. Refiner propane prices decreased 14.7 cents per gallon at retail and 15.2 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price fell 9.3 cents per gallon, while the average retail price dropped 13.9 cents. The average wholesale propane price decreased 15.1 cents. Retail and wholesale prices dropped for kerosene-type jet fuel, kerosene, No. 1 distillate, and No. 4 distillate. The wholesale price for aviation gasoline also decreased in April.
- Like the prices for these products, refiner sales fell in April. Sales of propane, kerosene-type jet fuel, kerosene, No. 1 distillate and No. 4 distillate decreased at both retail and wholesale. Sales of aviation gasoline sales also decreased at the wholesale level.