

[Cold Weather Strains Midwestern Propane Supplies](#)

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Severely cold weather, transportation issues and high demand across the Midwest have significantly driven up the price of propane recently, says the U.S. Energy Information Administration.

According to EIA information released Thursday, the Midwest spot price of propane at the Midwest's key supply hub in Conway, Kan., has spiked far above the Gulf Coast spot price at the southern hub in Mont Belvieu, Texas.

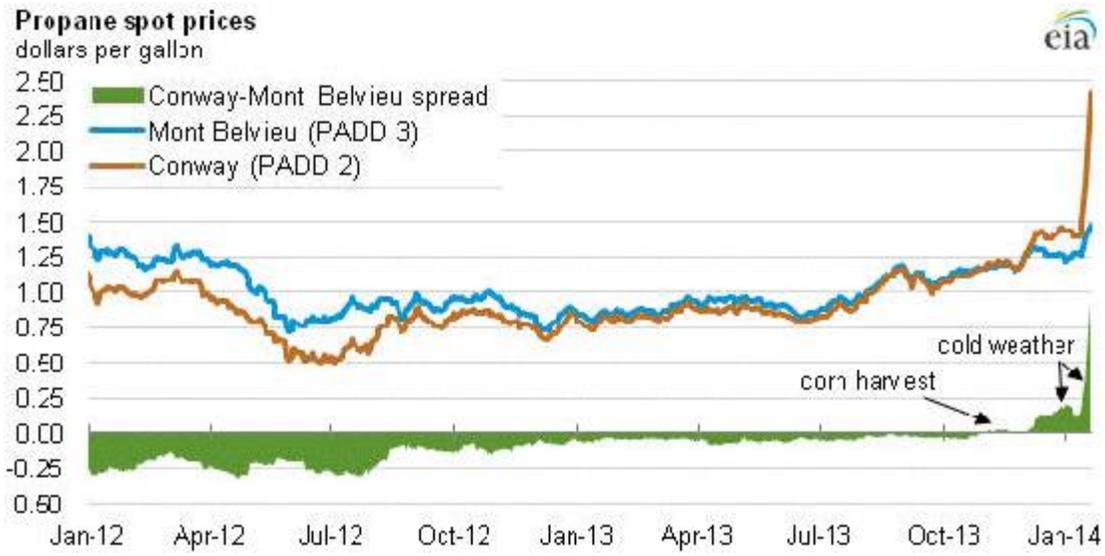
The price increases began to surface last fall as a late corn harvest during cold and wet conditions prompted [more grain drying and more demand from the Midwest](#). In fact, EIA says for the week ending Nov. 1, 2013, Midwest propane inventories dropped more than 2 million barrels, the largest single-week stock draw in any November since 1993. This demand prompted a strong upward price response, and propane at Conway moved to a 3-cent-per-gallon premium over Mont Belvieu during the first week of November, the first such premium in almost three years.



After harvest, EIA says logistical problems prevented the region from fully replenishing inventories before the onset of winter.

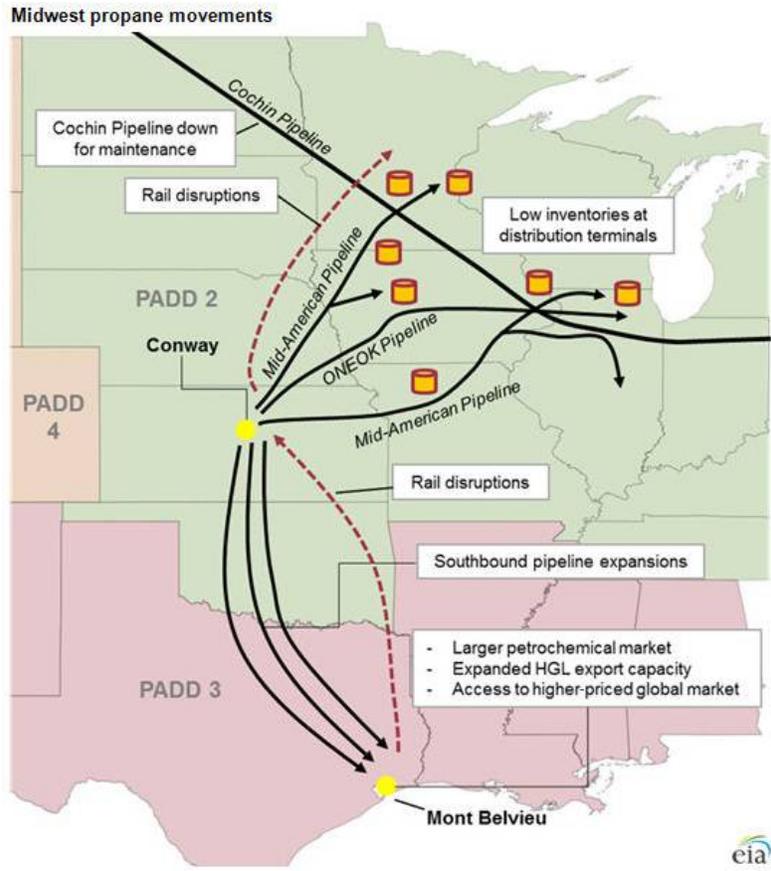
The Cochin Pipeline, which supplies propane to the Midwest from Canada, was out of service for maintenance from late November to Dec. 20 and unavailable to deliver supplies. Rail transportation disruptions, both due to weather and other factors, curtailed deliveries from Mont Belvieu and Conway, as well as from Canada, EIA says.

The most recent cold weather increased space-heating demand at a time when markets were already tight. EIA says as demand outpaced supply, inventories dropped further, by 1.5 million barrels and 1.2 million barrels for the weeks ending Dec. 6 and Jan. 3, respectively.



Since the week ending Oct.11, Midwest propane inventory levels have dropped by 12.8 million barrels, compared with a drop of 7.3 million barrels for the previous five-year average for that period.

By Jan. 21, prices at Conway had vaulted to a 95 cent per gallon premium to Mont Belvieu – a big change from the early 2010 to November 2013 period, which saw prices at Mont Belvieu as much as 30 cents higher than at Conway.



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