July | 2016

Radchem Products, Inc.

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Market Report

Bill Radostits

The Citgo Petroleum Refinery at Lemont, Illinois is having a problem with their UDEX Unit which yields Heptane, Hexane, and Textile Spirits. The problem has been going on for 2 weeks, and it seems that the warm outside temperatures have had a negative effect on their cooling tower which has caused them to significantly slow down their production rate. Their inventory is very low, and demand is exceeding inventory levels. They have told us that we cannot place new orders until July 26th. The temperature in Lemont is expected to be above 90 degrees for the rest of July so they are not getting any help from Mother Nature.

Citgo also has refused to extend some supports on Non Exempt Mineral Spirits (Regular Mineral Spirits) because Jet Fuel and Diesel Fuel are the two alternative value products that drive pricing on regular mineral spirits. When Jet and Diesel prices are strong, the refineries demand to have a netback or incremental margin over and above the alternative values. That being said, even though Crude Oil has retreated down to the mid $40's per barrel, the fuel demand and strong market on Jet Fuel has firmed up pricing in the mineral spirits market.

Calumet is struggling to supply their mid range solvents in the Midwest. They have continued to have problems producing on spec 300/360 Solvent 1% which has eliminated their ability to supply 300/360 Solvent and Mineral Spirits 1% to the Midwest market. They reported that they are close to solving the problem. They have determined the specification problem to be inconsistent feedstock being used at the refinery in Texas. Calumet is also tight on their Heptane 195/208 product, and are selling to mostly contract customers.

The Toluene and Xylene markets have been pressured by lower gasoline prices. Gasoline prices have dropped about $0.15 per gallon this month. Toluene barge numbers have started to follow and have fallen about $0.05 per gallon this month. Xylene barge numbers have only dropped $0.03 per gallon. Toluene in barges have traded recently between $1.93 and $1.97 per gallon. There are current bids out as low as $1.90 per gallon. Toluene sales are slow because of lower price gasoline in the market and high inventories of high octane fuel. A barge of Xylene recently traded at $2.10 per gallon FOB the Gulf coast. The Benzene market is stronger. The July contract price is $2.14 per gallon which is a $.14 per gallon increase over June. A recent trade was made at $2.33 per gallon. The traders are expecting an increase in the benzene contract for August.

The Methanol market has been flat for July. The barge market has traded limited barrels between $.61 and $.63 per gallon. The August pricing looks like it could be a rollover if there are no changes in the August barge contract. The supply from Venezuela and Trinidad is down because of restrictions on Natural Gas.

Energy Outlook 2016 and 2017

By Alan May

Crude Prices.
Global outages in June caused upward oil price pressure increasing $2/b to $48/b. July is showing pricing declines due to concerns over global economic events such as the United Kingdom voting to exit the European Union and the easing of Canadian supply disruptions due to fires near the sand shale fields. West Texas crude is expected to mirror Brent pricing for the remainder of 2016 and continue in 2017. There are indications that global inventories will increase by 0.6 million b/d during the second half of 2016. The inventory increase will most likely stabilize oil pricing at $48/b through year end.

Increased growth forecasted for 2017 indicates pricing should begin to increase during the first half of the year and continue to accelerate during the second half settling at $58d/b in the fourth quarter.

Supply.
U.S. crude production has decreased by approximately 1.6 million b/d since April of 2015. It is predicted to continue to decrease in 2017. Presently there are 417 active oil rigs, compared to over 600 in January of 2016. Oil production reduction has been mainly in the lower 48 states while Gulf production remains constant.

Liquid Fuels.
Refiners are enjoying higher wholesale margins (the difference between the price of wholesale gasoline and Brent crude oil) due to an increase in domestic and global consumption. This has resulted in some refineries moving away from select solvents and using the molecule in the production of gasoline and jet fuel. A June $0.10 gallon increase in gasoline prices was the result of higher crude prices during this time.

Consumption.
Diesel fuel and heating oil consumption will likely decrease by 2.4% after a 1.7% decline in 2015. The decline was the result of declining coal production and mild weather conditions. 2017 volume is expected to increase by 1.5% as the result of expected economic growth.

U.S. fuels consumption is estimated to increase by 0.6% in 2017 following and estimated increase of 2.5% in 2016 and 1.5% in 2015. This mirrors the statistical increase in highway travel and lower unemployment. 2017 should be a reflection of 2016.

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