

Propane Market Pulse



A very successful year

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Propane



Last month we wrapped up a successful fiscal year at CHS, selling the second most propane gallons in the company's history. I want to thank you for that.

The only year we sold more gallons was in 2014, the year of the polar vortex in conjunction with a very wet, cold Fall. As I think about how challenging that year was for five months straight, it is amazing to think that we sold nearly the same amount of gallons this past year. I think it demonstrates how much we all learned from 2014 and how far we have come in our planning together to accomplish this.

Looking forward to the year ahead, I would encourage you to utilize those lessons in reviewing your supply plan with your Account Manager. Although it looks to be a fall with much less grain drying demand than last year, we shouldn't overlook the importance of planning. We face many unknowns in our world today that have the potential to impact propane production and logistics, so having a good Supply Plan is as important as ever.

This past fiscal year, our historic sales results happened thanks to the business that all of you chose to do with CHS Propane. We thank you for that business and for your trust. We will continue to do our best to earn your business every day, and we look forward to another successful year together.

Be ready when demand hits

In the propane industry, no two years are exactly alike when it comes to timing of demand. Each year brings unique tests for the supply infrastructure.



For instance, early this spring propane supply experienced colliding forces of greatly reduced production due to COVID-related refined product demand destruction, along with increased export capacity. As a result, producers were faced with the challenge of optimizing the return on their supply during an unpredictable period of time. The strain on propane production contributed to an increase in costs associated with moving propane by rail into the mid-continent market.

This increase has driven many marketers to source more propane from their nearest pipeline terminal than they historically would. Summer lifting have therefore been extremely strong at all pipeline terminals. When strong seasonal demand returns, the pipeline terminals in portions of the country will have a difficult time meeting the market's needs and will likely be forced onto allocation earlier than we would typically expect.

Ensuring you have contracted reliable supply will be critical as a result. Building rail and truck capacity from alternative sources, such as gas plants and refineries, will most definitely be needed this winter.

Lastly, as we witnessed this year, the industry will figure out a way to rebalance itself. The near-record inventory build and recent softening in prices are both temporary. In these uncertain times, continue to layer in gallons and build a balanced approach for your company and customers.

As you prepare and finalize your plan with your Account Manager for this upcoming season, consider these key steps:

- Revisit your supply plan with your Account Manager ahead of demand spikes.
- Diversify your supply to avoid outages and wait times.
- Work with your transportation partner to build a logistics plan around your supply sources.
- Set a game plan with large users (farmers, Frac Sand companies, natural gas curtailment companies).

Solid preparation with your Account Manager will go a long way in being ready when demand hits.

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Important tips to share with renters

With seasonal and vacation rentals becoming increasingly popular during the COVID-19 pandemic, it's important to stress safety to renters in these propane-powered units.

If you supply rental properties that use propane for heating, cooking or drying clothes, you can't assume that your renters are familiar with how to use a propane system. Here are some basic propane facts to share with them:

The benefits of propane

Propane gas is a clean, safe, reliable energy source that can be used to power furnaces; appliances including stoves, clothes dryers and water heaters; fireplaces; generators; and outdoor grills.

How to recognize the smell of propane

Propane gas is naturally colorless and odorless, but propane manufacturers add a strong sulfuric smell to help customers detect a leak. Many people compare the additive smell of propane to sewage or skunk spray.

What to do if you smell it

- Leave the area and get outside immediately.
- If it is safe to do so, turn off the main supply valve on the propane container.
- Call your local propane retailer.
- After normal business hours, call the local fire department or 911.
- Do not return to the home until a qualified service technician or emergency responder says it is safe to do so.

Clearly post contact info

Make sure the name and phone number of your company is clearly posted for renters, so they know who to call if they have questions or problems. It's a good idea to include this information with other emergency phone numbers, including those for the local fire department and police. Consider leaving a copy of PERC's "Important Propane Safety Information For You And Your Family" pamphlet on the counter so renters can read helpful safety information. It is available at <http://propane.com>

Keeping renters safe

One final step to help ensure the safety of a renter is a tank monitor. Having a tank monitor will help maintain a stable supply of propane for a customer who may be unfamiliar with propane.

Call CHS Energy Equipment at (800) 852-8186, option 1 to find out what options are available for tank monitors.

If you have any questions about tank monitors and safe propane use, contact: Ken Mueller, hazardous gas safety technician, CHS Country Operations at 217-503-8100 or CHS Energy Equipment at (800) 852-8186, option 1.

Get carriers carded ahead of the busy season

Help yourself and the industry prepare this season by having your carrier schedule terminal driver training before the October/November season arrives. This process ensures drivers are qualified to load at the necessary terminals and helps avoid the impact on the terminal and operators if training occurs during the busy time of the year.

Please discuss with your CHS Propane Account Manager which terminals your carrier should be prepared to use this season, including your second and third options.

