

LIST OF STATES IN PROPANE HOURS OF OPERATION WAIVERS GROWS TO 8 ON HARVEST: A total of eight states in the Midcontinent have issued orders suspending rules concerning hours of operation for vehicles transporting propane as of today, to deal with a spike in demand from the agricultural sector because of the ongoing fall harvest season.

Farmers use propane as fuel in crop dryers, particularly in the case of corn. According to the National Propane Gas Association, suspension orders have been put in place for:

South Dakota (Oct. 23-Nov.30)

North Dakota (Oct. 23-Nov. 22)

Minnesota (Oct. 23-Nov. 6)

Montana (Oct. 24-Nov. 14)

Nebraska (Oct. 26-Nov. 24)

Iowa (Oct. 25-Nov. 7)

Wisconsin (Oct. 25-Nov. 7)

Illinois (Oct. 28-Nov. 3)

According to a spokesman for the Department of Agriculture and Land Stewardship (DOA) in Iowa -- the country's corn capital -- the waivers applied not only to transport of propane intrastate, but also to and from neighboring states.

These waivers were triggered by a sudden demand surge from the agricultural community.

According the state DOA spokesman, spring planting in Iowa was held up by heavy rains seen over April-May, with the north central regional bearing the brunt of the deluge. That timing is when planting usually gets done. The northern half of the state is mostly dedicated to agriculture, he said.

Because of the late planting, harvests have only just begun, whereas usually those would have started in mid-September, he added.

A similar scenario had played out in much of rest of the upper Midwest, he said.

As a result, propane demand from that entire region has descended on supply centers within a small time frame as farmers race to complete their work before the onset of colder winter weather.

In addition to late planting and harvesting, the record rainfall in Iowa has caused crops to have high moisture content, and therefore requiring extra drying, he also said.

Iowa consumes some 420-450 million gallons of propane annually, of which about one-third is used by the agricultural sector. Nearly 80% of the demand from Iowa farmers surfaces around September-October when harvesting gets done, he said.

However, he also pointed out that Iowa also serves as a resupply center to the other upper Midwest states, setting the tone for a much larger demand base.

There are five pipelines that pass through the state from which supplies are distributed to a host of terminals. These pipelines are owned by ONEOK (2), Enterprise Products Partners (2) and NuStar (1).

Unlike Iowa, most other Upper Midwest states do not have as many pipelines passing through, nor terminals. As such those states truck supplies in from Iowa distribution centers, he added.

But despite the regional strong demand, the spokesman said, there are still sufficient propane inventories to go around. Referring to data from the Energy Information Administration, he noted current stocks for the Midwest are high compared with even 10 years ago.

As of the week ending Oct. 18, propane/propylene stocks stood at 23.6 million, from 22.3 million a decade back. At the start of this year, stocks stood at 18.9 million barrels. (Sheela Tobben, stobben@opisnet.com, Oil Price Information Service)