



ISSUE PAPER: Energy Security – Propane Supply

Source: National Turkey Federation (NTF)

What started as a Midwest propane supply shortage developed into a larger, national discussion with over 20 governors declaring a state of emergency, scrambling to secure adequate supplies to meet the need during the critical winter months. Rural residents in many areas of the U.S. depend on propane to heat their homes, livestock and poultry barns and drying grains after the fall harvest. This past winter, however, an extremely serious propane shortage in the Midwest, Northeast, and areas of the South caused skyrocketing prices and hit homeowners and businesses directly in the pocket book. It is important that steps be taken to prevent and respond to future propane shortages by targeting and addressing the root causes of last winter's shortage.

Why did this crisis occur? Many have described it as the 4 C's (Crop, Cochin Pipeline, Cold weather, and Communication).

Request to the Congress:

MTGA urges the Minnesota Congressional offices to support bi-partisan legislation, introduced in July 2014, that would increase price and shipment transparency, establish a coordinated response plan during emergencies such as this past winter and provide additional protection against collusion and anti-competitive behavior, as well as examine the feasibility of a long-term propane reserve. Finally, the bill would provide grants for propane during shortages.

Background:

To start, propane inventories were already low because of increased demand for crop drying in November 2013. Second, the Cochin pipeline, which is critical to the upper Midwest propane supplies, had been reduced to fifty percent of its normal capacity. It did not help that this same pipeline was shut down for scheduled maintenance in November. Finally, the volatile run up in prices started on December 12, 2013, when a propane supplier notified companies of force majeure, indicating they would not be able to complete the obligations of their contract, and the rest of the propane would have to be bought on the open market. Unfortunately, there was neither enough storage nor propane available to weather the long, brutal winter.

Given the scenario, fuel stocks were never able to rebound as early sub-zero winter weather set in across much of the Midwest and Northeast, hindering propane gas movement on our already overburdened pipeline and rail systems. Finally, the lack of communication by all parties, leading up to the crisis made the situation even worse. The government at the very least should establish some type of early warning system that allows time to formulate a plan for the impending disaster. Turkey producers did not have the luxury of a head start on moving propane from where it was stored to where it was needed because such a system did not exist.

The inadequate transport and storage systems combined with the lack of an early warning directly hit the pocketbook of the people that heat their homes with propane along with those of us that need propane to heat our turkey barns.

For more information, contact MTGA at info@minnesotaturkey.com or 763/682-2171.