



BUTANE-PROPANE NEWS

**BPN**

# 8 STEPS TO ENSURING A SUCCESSFUL WINTER SEASON

Craft a plan & a backup plan to mitigate the factors that could affect your busy season

BY JOHN POWELL

Before we move into the winter of 2022-2023, it is important to assess this past winter season. We began last winter with propane inventory lower than in previous years, while exports continued flowing at a high rate. Again, this past year, Asia was disciplined in building inventory going into the heating season to ensure inventory levels were higher than normal given all the supply chain issues. Those factors generated a cause for concern, which in turn created a period of backwardation, or when current month pricing is higher than prices for barrels just a few months in the future.

So, with lower than normal global inventory and higher than expected United States exports, it's no wonder there was a cause for concern heading into the 2021-2022 winter season.

However, let's give a shout out to our propane marketers for a successful winter season. They managed their deliveries very

well, topped off their tanks when they had space and overall did a great job taking care of their customers. In fact, the first quarter of 2022 (January through March) was an overall success, thanks to a welcome cold spell and no major supply disruptions.

Fast forward a few months and consider all that has happened since the first quarter wrapped: the pandemic is hanging on; Russia declared war on Ukraine; inflation has skyrocketed; and exports have continued at a strong pace. Again, this year we are also faced with propane inventory levels in the U.S. at or below the five-year average. Although our industry has continued to get better every year, there are always ways in which we can improve. Here are eight steps you should consider taking now to ensure you have a successful winter of 2022-2023.

### 1. Identify the Lessons You Learned From This Past Winter

Pull data from last year's sales. Were your projections on target? Were your deliveries timely? Did you have the right level of staffing to support customer demand? And perhaps most importantly, did you meet your sales goals? If you have not yet recapped the lessons you learned over these past few months, pull your leadership team together for a post-mortem discussion about this past winter. Identify any weaknesses and begin working now to shore them up.

### 2. Assess Your Customer Base

Do you have a good handle on your customers' buying habits? Do a significant number of your customers lock into a pre-buy program each year? Do others take advantage of an early "fall fill" special? Are most of your customers on a "keep full" program, allowing you to plan your deliveries in advance? Take a deep dive into all facets of your customers' buying habits as you

WHETHER A WARM WINTER IS  
PREDICTED OR A COLD SPELL IS  
ANTICIPATED, ALWAYS KEEP A CLOSE  
EYE ON MOTHER NATURE & BE ABLE  
TO REACT QUICKLY.

develop your plan.

### 3. Take a Hard Look at the Economy

Not just the overall U.S. economy, which has been in turmoil and may be facing a recession, but consider also what is happening in your local community. Although the pandemic has waned and fewer of us are wearing masks these days, that does not mean your local community is no longer dealing with the effects of COVID-19. Determine whether local employers are cutting back, as that could significantly impact the income of the families and commercial accounts you serve.

### 4. Pay Attention to the Winter Weather Forecast

Unfortunately, Mother Nature loves to surprise us. To keep from being caught totally off guard, study weather forecasts for the next several months and track what industry sources are expecting. Whether a warm winter is predicted or a cold spell is anticipated, always keep a close eye on Mother Nature several months out and react quickly.

### 5. Diversify Your Supply Points

I cannot emphasize this enough. The old saying, "Don't put all of your eggs in one basket," rings true far too often. If you are relying on just one key supply source and a disruption occurs, it could really hurt your bottom line. Always, always schedule deliveries from a variety of supply points.

### 6. Assess the Benefits of Terminals Closer to Your Bulk Plants vs. Trucking Longer Distances

During the peak winter season, trucking can often be the first link in the supply chain to break. Plan now to ensure you have enough transports and bobtails and that you are adequately staffed with qualified drivers (which may be a challenge given the concerns today about a driver shortage).

Then, plan your deliveries from the various supply sources you've identified. As part of your plan, remember to source your supply from terminals closer to your bulk plants, increasing the efficiency of your transports. This will ensure more gallons are delivered to your bulk plants and that your drivers aren't spending their time driving longer distances and waiting in long lines.

### 7. Keep Your Eye on Exports

Exports increased dramatically last winter and have not slowed down much this year. When propane is exported, that leaves less on hand for U.S. propane marketers. So, keep your eye on the export situation to know if the industry could face a limited supply of propane this year and how this will affect hub pricing at both Conway, Kansas, and Mont Belvieu, Texas.

### 8. Have a Contingency Plan in Place

Our Crestwood team works with each of our customers to create a supply plan tailored to their needs. We also help those customers create a contingency plan. We encourage you to do the same. Work closely with your key supply partner(s) to lay out a plan that works for you, then create a back-up plan. If you closely monitor your supply plan throughout the coming winter, hopefully you will not need to pivot to your backup plan.

The bottom line? Although the propane industry performed well this past winter, a lot has happened since then. Consider all the moving parts as we head into the winter months, and make sure you have a supply plan in place. Then, create a backup plan. You'll be glad you did. Even if you did not need one this past year, a Plan B should always be part of your overall winter supply plans. 📌

John Powell is senior vice president of marketing, supply and logistics for Crestwood Services. Powell and the Crestwood team of NGL professionals help propane marketers create reliable supply plans that fit their needs. He can be reached at [john.powell@crestwoodlp.com](mailto:john.powell@crestwoodlp.com) or 816-329-5365. Visit [crestwoodlp.com](http://crestwoodlp.com).

