

Transport Topics **Online**

Updated:

Diesel, Gasoline Rise Again

Crude Price Gain, Weather Push Prices Up

By Frederick Kiel, Staff Reporter

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The average retail price of U.S. diesel rose 2.9 cents last week, the second consecutive increase, pushing the cost of trucking's main fuel to \$2.861 a gallon, according to the [Department of Energy](#).

Gasoline also increased for a second straight week, rising 4.7 cents to an average of \$2.702, DOE said March 1, following its ongoing survey of U.S. retail fuel outlets.

The national average prices of both fuels had fallen five consecutive weeks before reversing course two weeks ago.

The new gains resulted from "a combination of the rising price of crude oil and very cold weather in the Northeast and mid-Atlantic," Phil Flynn, senior energy analyst at PFG Best, Chicago, told Transport Topics.

"Crude prices started rising in early February, and it takes a few weeks to work its way to the retail level," Flynn said.

Crude oil reached its low for the year on Feb. 5 at \$71.19 a barrel on the New York Mercantile Exchange, Bloomberg News reported. Thereafter, it has risen fairly steadily to \$80.16 a barrel on Feb. 22 and has traded since in the range of \$78 to \$80.

On March 4, crude closed at \$80.21 per barrel.

"If you extrapolate crude's recent rise into gallons, it's increased about 20 cents a gallon," John Felmy, chief economist at the [American Petroleum Institute](#), Washington D.C., told TT. "To date, about 10 cents of that has shown up at the retail level, but it won't necessarily rise further."

PFG Best's Flynn added that part of the increase, especially in diesel, "was due to the weather."

"We had that cold snap in the Northeast and mid-Atlantic, and that increased demand for heating oil, which then took down the supply of distillates, which includes diesel," Flynn said.

Distillate stocks fell from 157.5 million barrels on Jan. 22 to 151.8 million on Feb. 26, the last date for which EIA has data. Tancred Lidderdale, senior economist at DOE's Energy Information Administration, pointed out that the drop in stocks of ultra-low-sulfur diesel, used by over-the-road truckers, was even more dramatic. "USLD stocks dropped from 100 million barrels on Jan. 22nd to 97 million barrels on Feb. 26th," Lidderdale told TT.

Two fleet executives said that their companies immediately felt the adverse effects of diesel's increase.

“The price jump in the past two weeks has definitely hurt us,” Kevin Slaughter, vice president of operations at James Brown Trucking Co., Lithonia, Ga., told TT.

“We see it at the pump and we see it in bulk purchases,” Slaughter said. “Most contracts since the wild price swings of 2007 have been converted into weekly ones, but we still have some monthly contracts, and when you get a 10-to-12-cent swing in prices, it’s difficult to cover your costs.”

James Brown Trucking offers dedicated and regional for-hire services in the southeast with a fleet of 500 tractors and 2,700 trailers.

“When fuel rises, we suffer more now than the past 30 years I’ve been in business,” Ronald Silver, owner of regional for-hire fleet Westar Transport, Selma, Calif., told TT.

“Brokers have taken over a lot of the freight, and they don’t necessarily pay fuel surcharges,” Silver said. “You have to argue a lot to get them, and if you don’t, with rates so damn cheap, a jump of 10 cents or more really hurts.”

Westar operates 80 tractors and 120 trailers.

Neil Gamson, a DOE economist, added another reason why crude and retail prices were rising.

“We’ve been seeing a growth worldwide in diesel demand in recent months, in places like India where the economy is strong, but particularly in China,” Gamson said.

Gamson said that U.S. refineries had seen their profit margins shrink when, domestically, demand for gasoline and diesel dropped or stagnated in the winter months.

“With rising global demand for diesel, refineries have been able to increase their profit margins, also putting upward pressure on retail prices,” Gamson said.

Current diesel prices are 77.4 cents a gallon more expensive than a year ago, DOE said. Gasoline, however, was 76.8 cents a gallon more expensive than March 2009.

[American Trucking Associations](#) estimates that the U.S. trucking industry burns 752 million gallons of diesel weekly and 285 million gallons of gasoline.

At those rates, truckers paid \$582 million more last week for diesel than they did a year ago, and \$218.8 million more for gasoline.

Diesel reached its high price for 2010 to date on Jan. 11 at \$2.879 a gallon. Gasoline’s high price for the year also was on Jan. 11, at \$2.751.