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#### Trader's Corner

*This week's Trader's Corner challenges propane retailers to seek their freedom.*

Americans truly love to celebrate Independence Day. To be free and independent resonates with all of us. As many would say, it is in our DNA.

After a long and grueling war, the United States of America gained her independence from England 236 years ago. The decision to seek independence, ultimately having to fight for it, was not easy.

Many questioned whether it was the right thing to do, some choosing to stay loyal to the English crown. Of course, there were those motivated to remain loyal for political and financial reasons, but for many more it was simply the fear of change. We often prefer the hell of the known to the joy of the unknown.

Ultimately, however, the desire to have control over more facets of their lives compelled Americans to pay the heavy toll of freedom. Many paid the ultimate sacrifice to see their young nation shed the shackles of oppression imposed by King George.

Yet we find today that many propane retailers continue to toil under the burdens of a tyrant. These tyrants go by many names, and they are spread out all over our nation. Perhaps you know some of them — Dominate Propane



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Company, Alpha Propane, Eat My Dust Propane or Make Your Life Miserable Propane LLC.

These are the companies that set the market in a given area. They take the lead in setting prices and offering different programs to their customers. The remaining propane companies react to whatever these market leader companies do.

We have conversations all of the time with retailers about the market and the price of propane. Many might say they like the price of propane, but they aren't going to buy until they see what their competitor is going to do.

When we talk to these retailers, they can tell us everything about their competitors. They know what they have for breakfast, where they go to church, their hat size, but especially their boot size. Many have gotten a swift kick in the rear from that boot numerous times over the years.

For the most part, these retailers loathe the competitor they know so much about, but they have become conditioned to be dependent on them. They set their price based on their competitor's price. They offer programs to their customers only as a reaction to their competitors doing the same. In fact, reaction is what they are all about. Their business model is simply to react to whatever the competitor does. These retailers are competitor focused to a fault.

When we have conversations with the market-leader companies, it is totally different. Often, when we ask them questions about their competitors, they don't know the answer. But they are exceedingly familiar with their customers.

It is not uncommon for them to say something like, "This pullback is giving me the opportunity to buy in the price range my commercial accounts are looking to own for next year." Or, "I can beat my margin target on the budget program based on the strike price of swaps covering this winter."

Market leaders have an air of calm and confidence about them. They are also proactive, decisive, innovative, and customer and margin focused. Market followers are reactive, indecisive, hate change, and are competitor and price focused.

If a retailer decides to move to market-leader status, it will not be easy. Many paradigms must be shifted. There also may need to be changes in the customer list. For the most part, we condition our customers to be like us, and some just won't be able to adapt if we change. But market leaders are generally going to make better margins than followers, so some customer attrition could be absorbed as we change our customer base to those who are innovative and proactive, and value a retailer who helps them manage the cost of propane.

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The good news is that the same financial hedging tools and market information that market leaders use to control margins and provide innovative products and services to their customers are available to all propane retailers.

Ultimately it comes down to the decision that having independence is worth overcoming the fear of change and sacrifices of teaching ourselves a new approach to our business. Revolution is never easy, but remember there are those who are interested in being your allies.

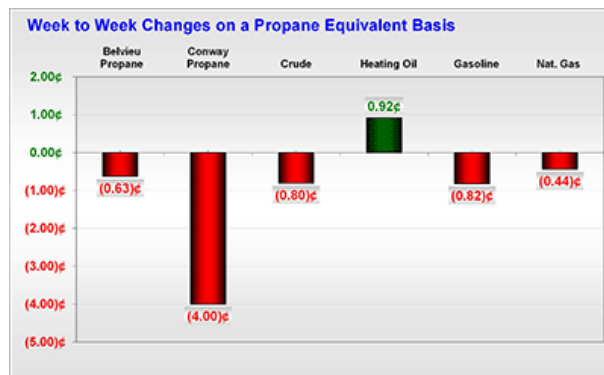
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**WEEK IN REVIEW**

It was a very volatile week for crude. As the chart below shows, there was little change in price at the end of all the volatility.

The same was true for Belvieu propane, but Conway continued to struggle, as the prospects for managing a high-inventory position in the Midwest were limited.

We go into the week neutral in our outlook. Crude finished the week on a very weak note that could carry over.



**LAST WEEK'S DAILY HIGHLIGHTS**

**Monday:** Data showing weakness in global manufacturing activity sent energy prices lower. Propane prices continued to show the same weakness demonstrated last week.

**Tuesday:** Threats to Israel and the Strait of Hormuz coming from Iran sent crude prices up sharply, and propane followed. Markets were also hopeful central banks would take measure to stimulate global economies, causing some investors to put money to work in riskier assets.

**Wednesday:** Markets closed for the July 4th holiday.

**Thursday:** Crude sees profit taking on the big run-up in prices that occurred before the July 4th holiday. A decision

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by Norway's Statoil to lock out oil workers limited the downside. Central banks in Europe and Asia cut interest rates or provided other stimulus, but it was not enough to impress investors. Belvieu showed a little strength as it gained, with crude falling.

**Friday:** Commodities and equities markets experienced a heavy pullback after U.S. jobs data was disappointing. Also, the Norwegian government stepped in to force talks between oil workers and oil companies in an effort to end a labor dispute. Belvieu propane resisted the fall in crude.

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The Propane Price Insider, an e-mail service that provides:

- Three Daily Price Flash Wires
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- Wednesday Inventory Data Updates around 11 a.m. ET
- Evening Report with Executive Summary, Trader's/Hedger's Corner, Weather maps and complete review of energy prices that are based on Propane's Btu Equivalent

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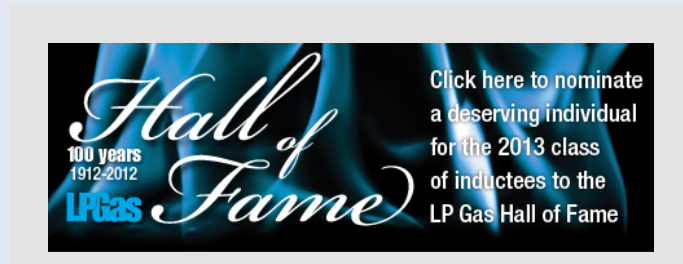
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