

**NDSU** NORTH DAKOTA  
STATE UNIVERSITY

STUDENT FOCUSED • LAND GRANT • RESEARCH UNIVERSITY

# Energy Outlook

Marketing Facilitators Inservice

Minot, North Dakota

September 23, 2015

David Ripplinger

# The Almighty Dollar

Capital is flowing to the United States



# A strong dollar

Makes American goods more expensive and foreign goods less expensive

Good for American consumers

Bad for American farmers, especially those in North Dakota, given how much we export

# An Example

In January 2012, the average price of Midwest spring wheat was \$8.20 per bushel

At an exchange rate of 1.6 US\$/R\$ that same bushel was R\$13.12

Today, that bushel is \$5.13 and because a strong dollar and weak R\$ (4.1 \$/R\$) R\$21.06.

[SOMETHING ABOUT HISTORY REPEATING ITSELF...]

**OIL**



The Organization of Petroleum Exporting Countries (OPEC) looks to stabilize oil revenues.

Not only to keep prices high...

Late 70's/early 80's

OPEC limited production to  
keep prices high

Saudi Arabia cut production  
significantly



# Late 70's/Early 80's



Higher cost alternative sources

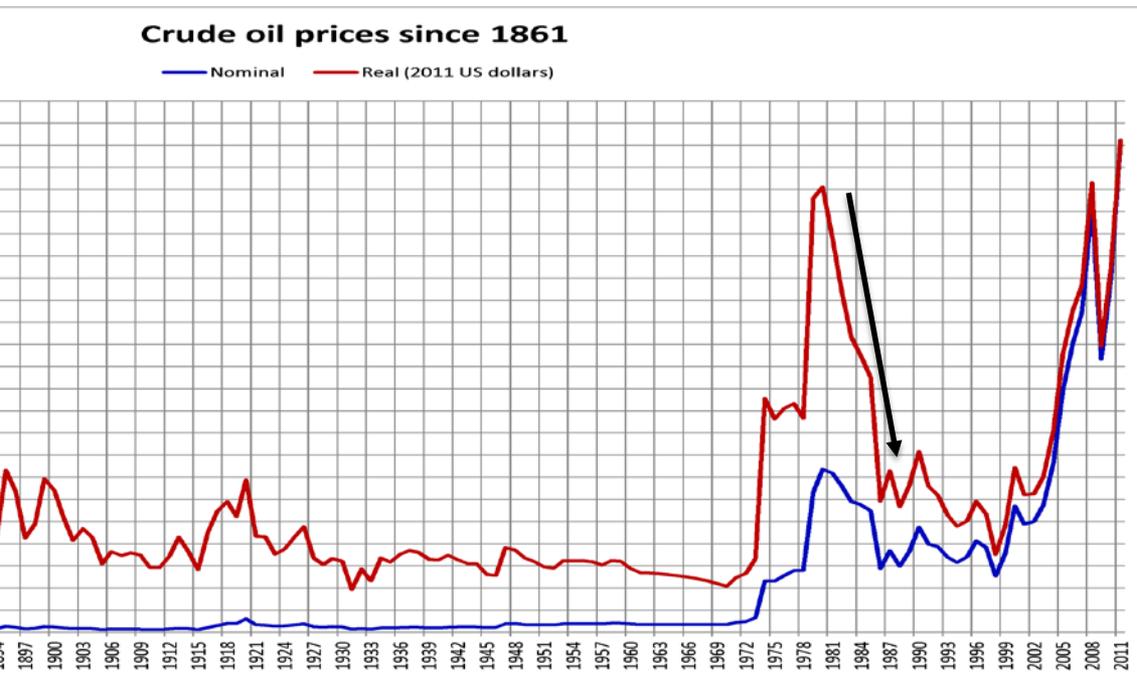


Less driving

# Saudi Response

Increase production to gain market share.

Oil prices fell 2/3<sup>rd</sup>s! in 1985-1986



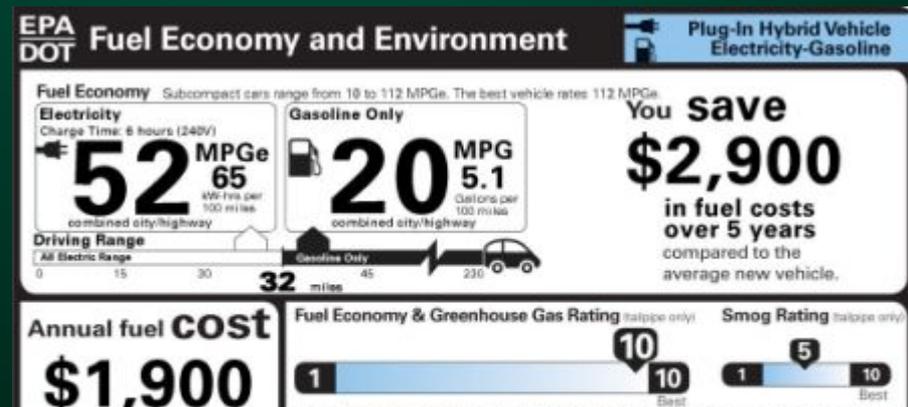
# 2014:History Repeats Itself (again)

OPEC members overproducing

Shale oil/renewables

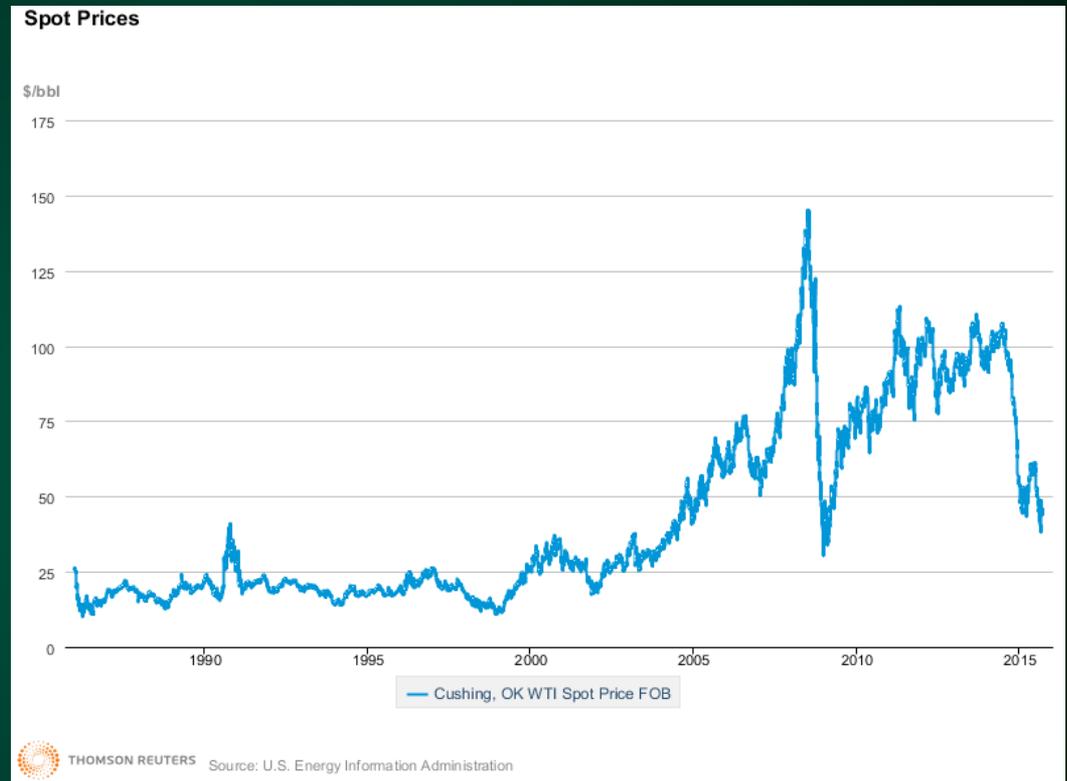
Slumping demand in East Asia

Saudi Arabia goes for market share



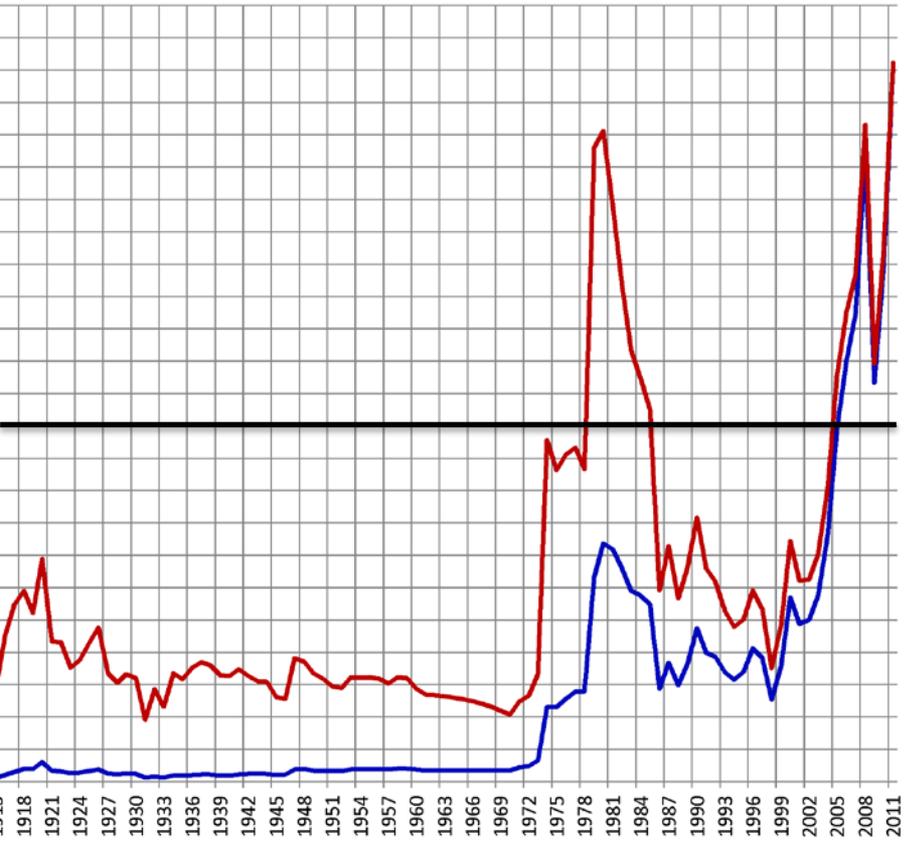
# How low?

West Texas Intermediate is below \$50 – half of its 2014 high of \$101



## Oil prices since 1861

— Nominal — Real (2011 US dollars)



# How long?

~~A few months?~~

A year to 18 months?

Longer?

What about the Bakken?  
ND Light Sweet: \$30 9/22/15

	11/14 be	11/14 Rigs	8/15 be	8/15 Rigs
Billings	\$56	3	\$28	0
Bottineau-Renville	\$61	5	\$85	2
Bowman-Slope	\$75	1	\$85	2
Burke	\$87	2	\$82	0
Divide	\$104	6	\$81	3
Dunn	\$29	27	\$24	11
Golden Valley	\$87	0	\$64	0
McKenzie	\$30	72	\$27	26
McLean	\$73	0	\$25	0
Mountrail	\$45	31	\$43	13
Stark	\$38	2	\$41	1
Williams	\$39	39	\$38	16

# Rig Count

Now below 80 rigs

Down from 180 the last Friday of November

Oil production is steady around 1.2 million  
bbls/day

# Outlook

Tremendous uncertainty regarding a short-term price, some saying WTI into the \$20s.

Uncertainty of how long new low-price regime will last.

# THE GOOD NEWS



# Consumer Impacts

Regular gasoline (PADD  
2, EIA)

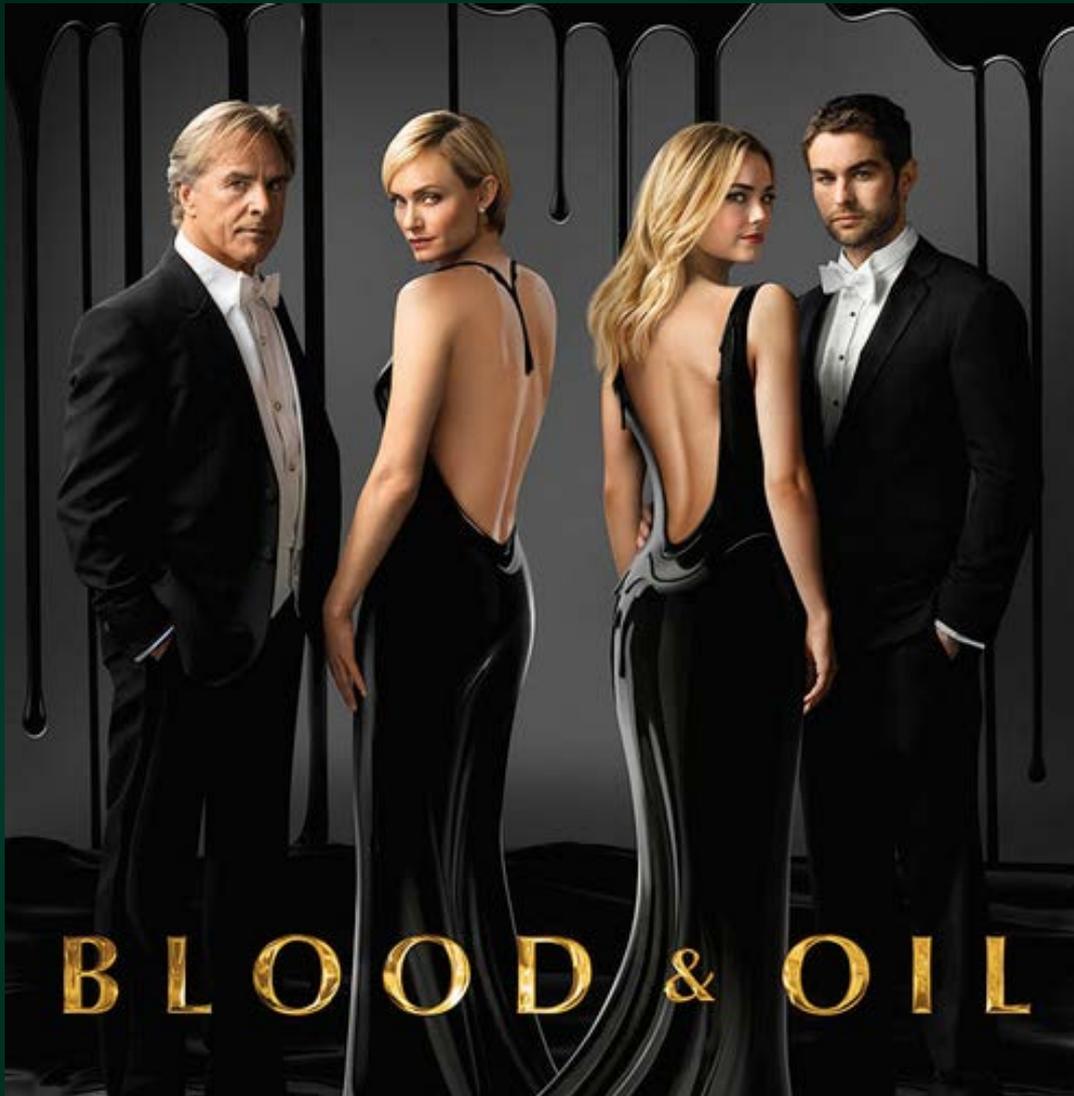
\$3.29 9/22/14

\$2.21 9/21/15

12,000 miles per year,  
24 mpg, 500 gallons

-> 'savings' of \$535





Questions?