



National Agricultural
Marketing Council
Promoting market access for South African agriculture

Markets and Economic Research Centre



Input cost monitoring

An update on selected items

May 2017

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1. International price trends for selected fertilisers:

In **Figure 1**, the prices of international fertilisers show continuous increasing trends since 2010, but not to the record levels reached during 2008. From March 2011 to March 2017 the international prices (Rand terms) of Urea and Di-Ammonium Phosphate (DAP) increased by 17.8% and 13.4% respectively, while Muriate of Potash (MOP) decreased by 3.0%. During the same period the R/\$ exchange rate depreciated by 88.0%. Measured in US Dollar terms the prices of MOP, DAP and Urea decreased by 48.4%, 39.7%, and 37.3% respectively.

From March 2016 to March 2017, the international price (Rand terms) of MOP, DAP, and Urea decreased by 24.6%, 12.8% and 1.4%, respectively. During the same period the R/\$ exchange rate appreciated by 15.8%.

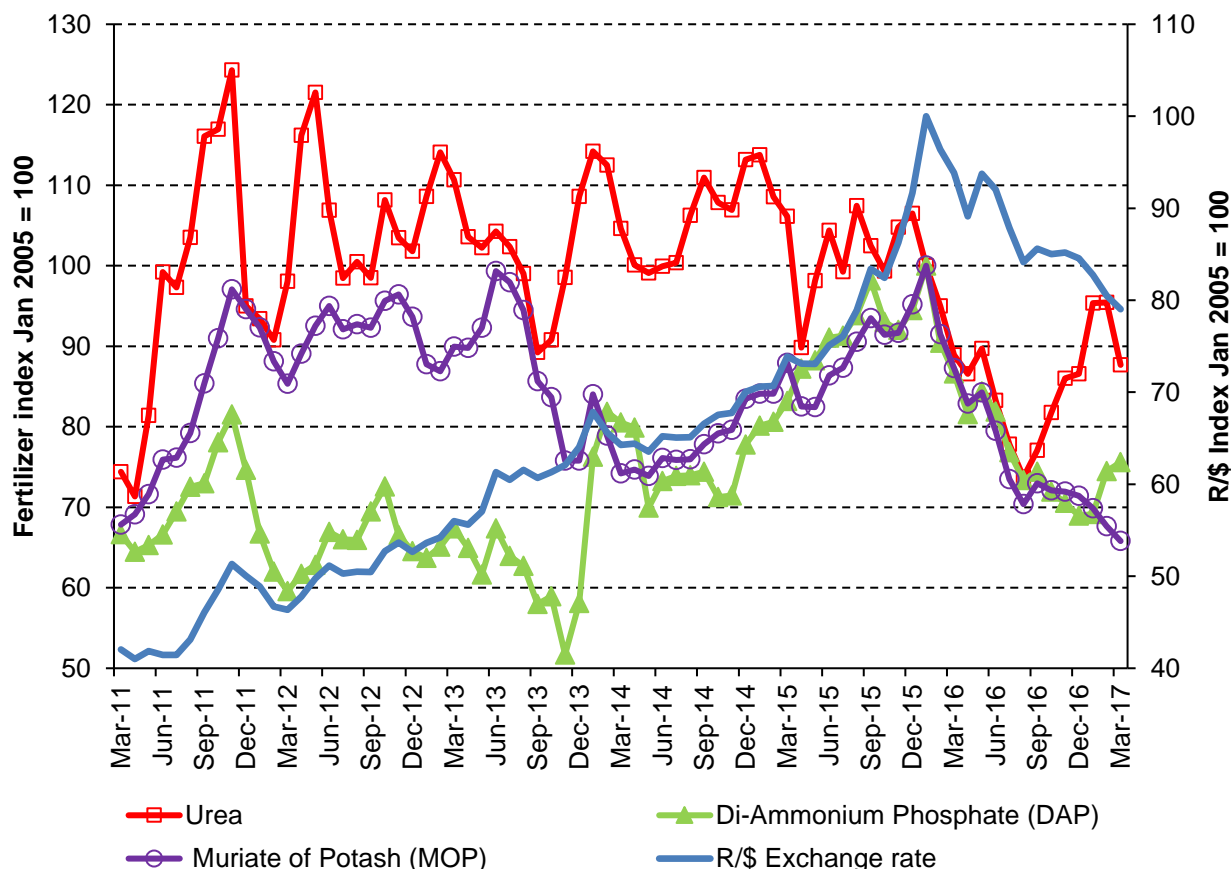


Figure 1: International price trends for selected fertilisers

Source: Own calculations based on data from Grain SA, 2017.

2. Local price trends for selected fertilisers

In **Figure 2**, the prices of local fertilisers showed similar increasing movements as the international prices since the end of 2009. From March 2011 to March 2017 the prices of Mono-Ammonium Phosphate (MAP), Urea and Potassium chloride (KCL) increased by 33.1%, 24.1% and 18.6%, respectively. From March 2016 to March 2017, the local price of KCL and MAP decreased by 12.3% and 7.6% respectively, while Urea increased by 1.2%.

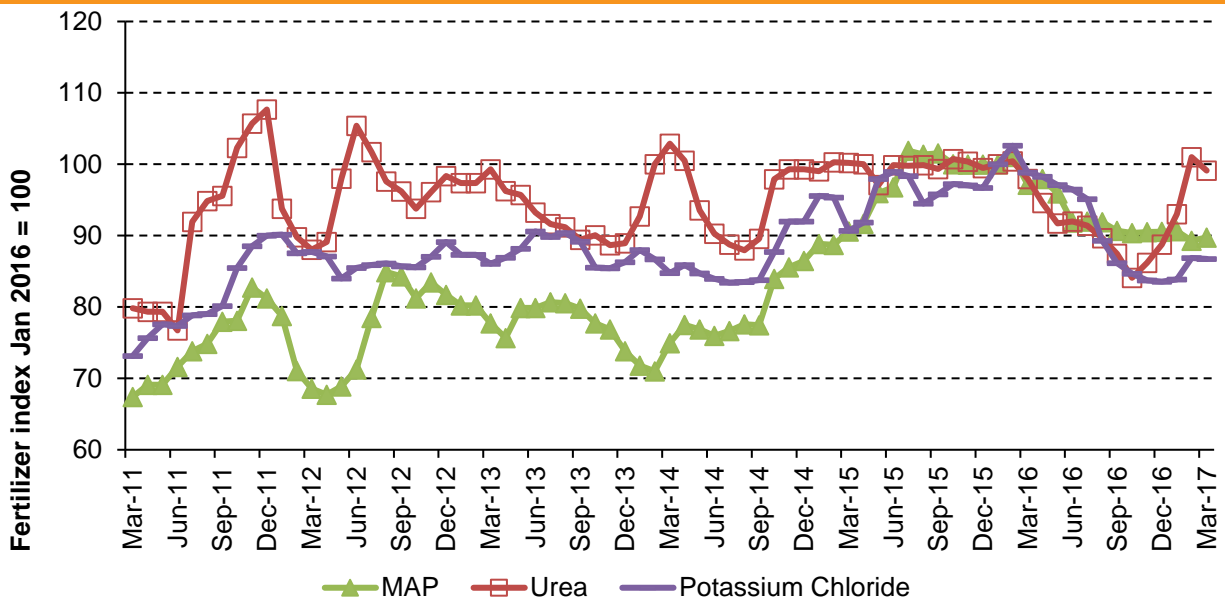


Figure 2: Local price trends for selected fertilisers
 Source: Own calculations from price lists, 2017.

3. Fuel prices

The petrol price in South Africa is linked to the international price of crude oil (US\$ per barrel). Crude oil prices combined with the Rand/Dollar (R/\$) exchange rate therefore have a major impact on domestic fuel prices (Department of Energy, 2017). In **Figure 3**, the prices of crude oil, petrol and diesel followed similar trends. From May 2011 to May 2017, the price of petrol and diesel increased by 2.0% and 1.2% respectively, whilst the US\$ price of crude oil decreased by 36.2%. The Rand price of crude oil decreased by 47.6% during the same period mainly due to a depreciation of 3.8% of the rand per US\$ exchange rate.

From May 2016 to May 2017 the prices of diesel and petrol increased by 12.1% and 7.5%, respectively. The price of crude oil (US\$ terms) increased by 12.0%, with an appreciation of the R/\$ exchange rate of 11.9%.

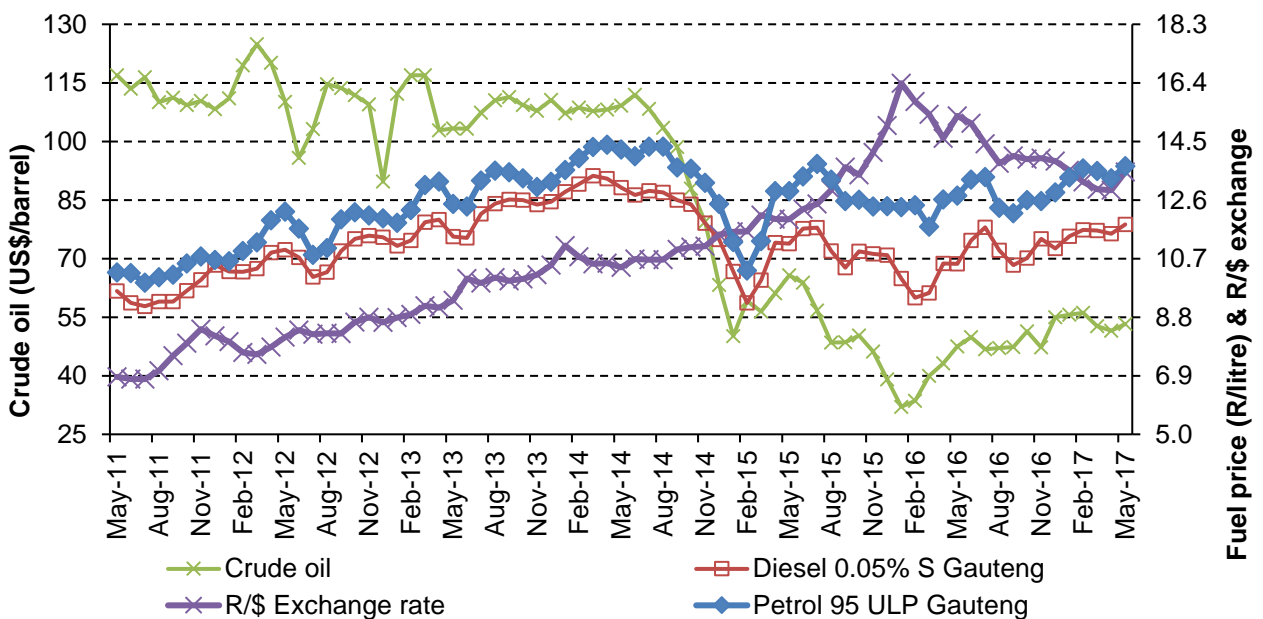


Figure 3: Crude oil and fuel prices
 Source: Grain SA and Department for Energy, 2017.

4. Baltic Dry Index

The Baltic Dry Index (BDI) measures international freight rates for dry bulk cargo, and is greatly impacted by both the demand to move raw materials internationally and the supply of shipping capacity. **Figure 4** shows that during the depicted period the index decreased by 20.96%. The BDI for May 2017 was 1073 index points, a 70.37% increase compared to May 2016.

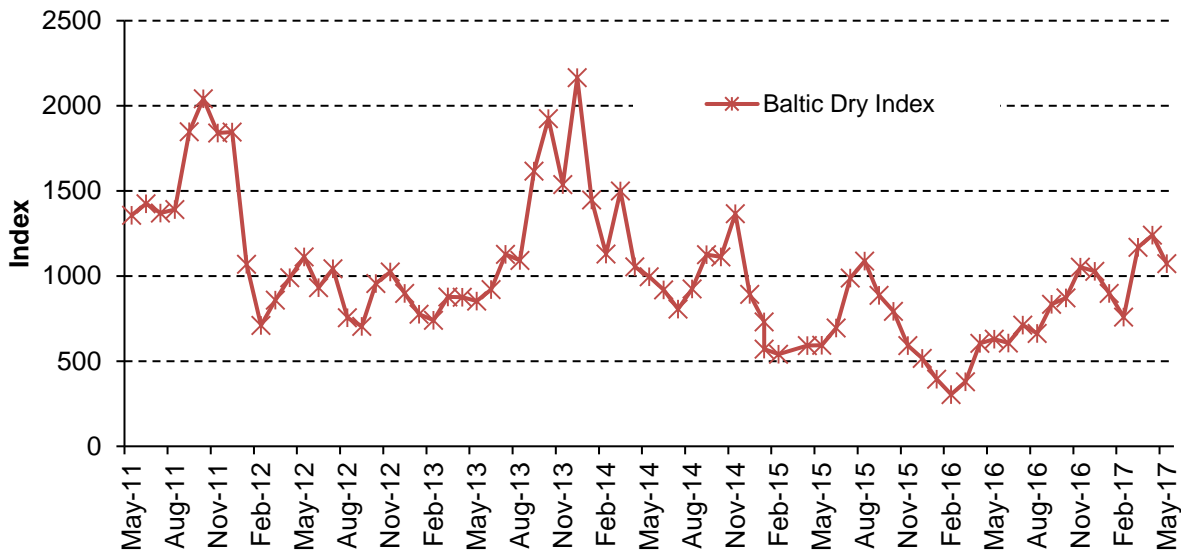


Figure 4: Baltic Dry Index

Source: SAGIS, 2017.

5. Composition of diesel price

Figure 5 depicts the composition of the inland 0.05% sulphur diesel price during April 2017 vs. April 2016. During April 2016 the total margins, taxes and levies increased to 566.24 cents or 53.7% of the wholesale pump price of diesel. The Basic Fuel Price was 487.63 cents or 46.3% of the wholesale pump price of 0.05% sulphur diesel in Gauteng.

During April 2017 the Basic Fuel Price was 538.63 cents or 46.82% of the wholesale pump price of 0.05% sulphur diesel in Gauteng. During this time the total margins, taxes and levies accounted for 300 cents or 26.08% of the wholesale price of diesel.

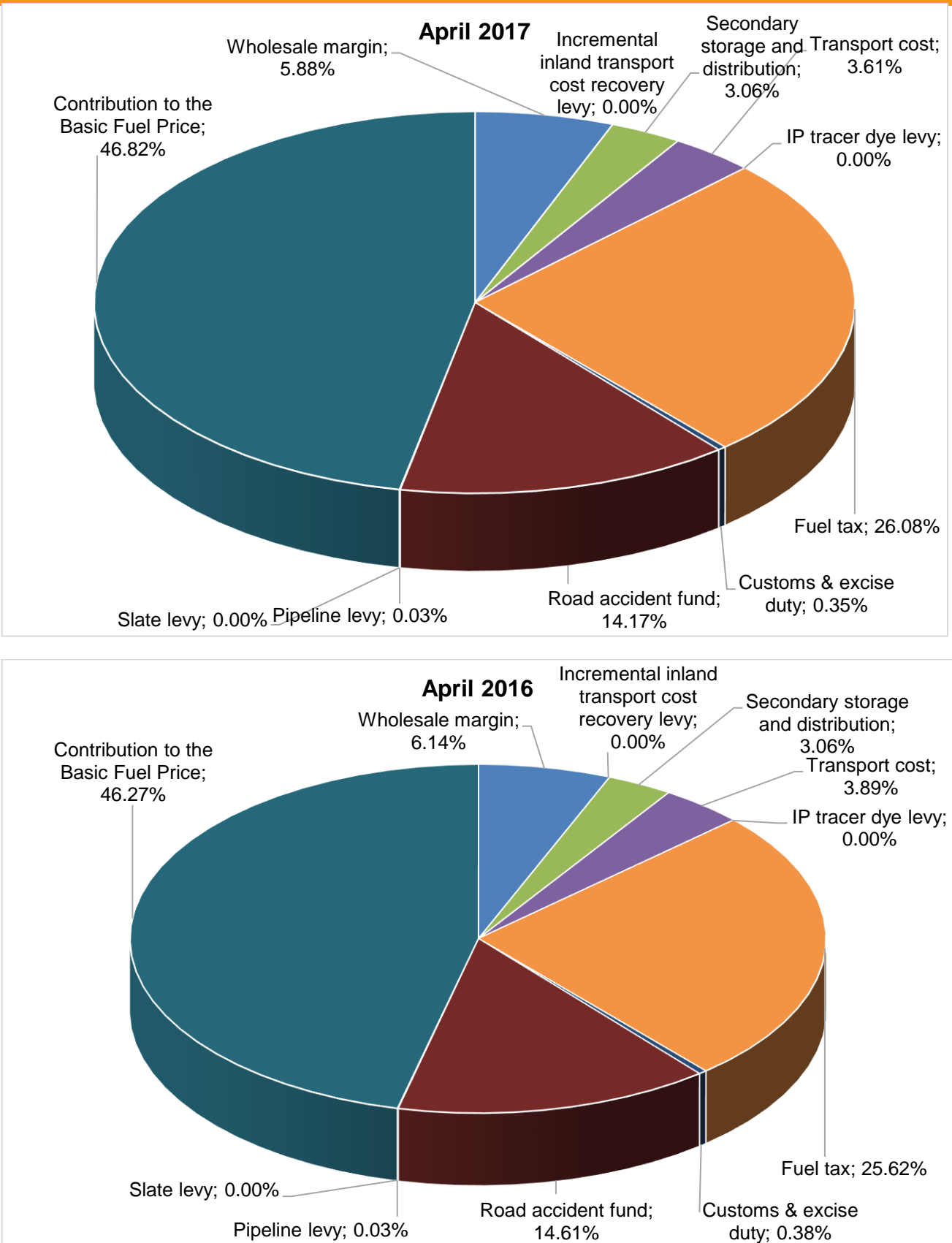


Figure 5: Composition of diesel price, April 2017 vs. April 2016

Source: Dept of Energy, 2017.

Compiled by:

Trends and discussion on selected topics:

Corné Dempers

Fezeka Matebeni

Enquiries: Christo Joubert: +27 12 341 1115

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