



National Agricultural
Marketing Council
Promoting market access for South African agriculture

Markets and Economic Research Centre



Input cost monitoring

An update on selected items

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1. International price trends for selected fertilisers:

As depicted in Figure 1, the prices of international fertilisers showed moderate fluctuations since the end of 2009 after record highs during 2008. From September 2008 to September 2014 the prices of Muriate of Potash (MOP), Di-Ammonium Phosphate (DAP), and Urea decreased by 55.7 %, 43.2 % and 33.3 % respectively. During the same period the R/\$ exchange rate depreciated by 36.3 %.

From September 2013 to September 2014, the international price of DAP and Urea increased by 29 % and 25.3 % respectively and the price of MOP decreased by 9.1 % on a year-on-year basis. During the same period the R/\$ exchange rate depreciated by 9.7 %.

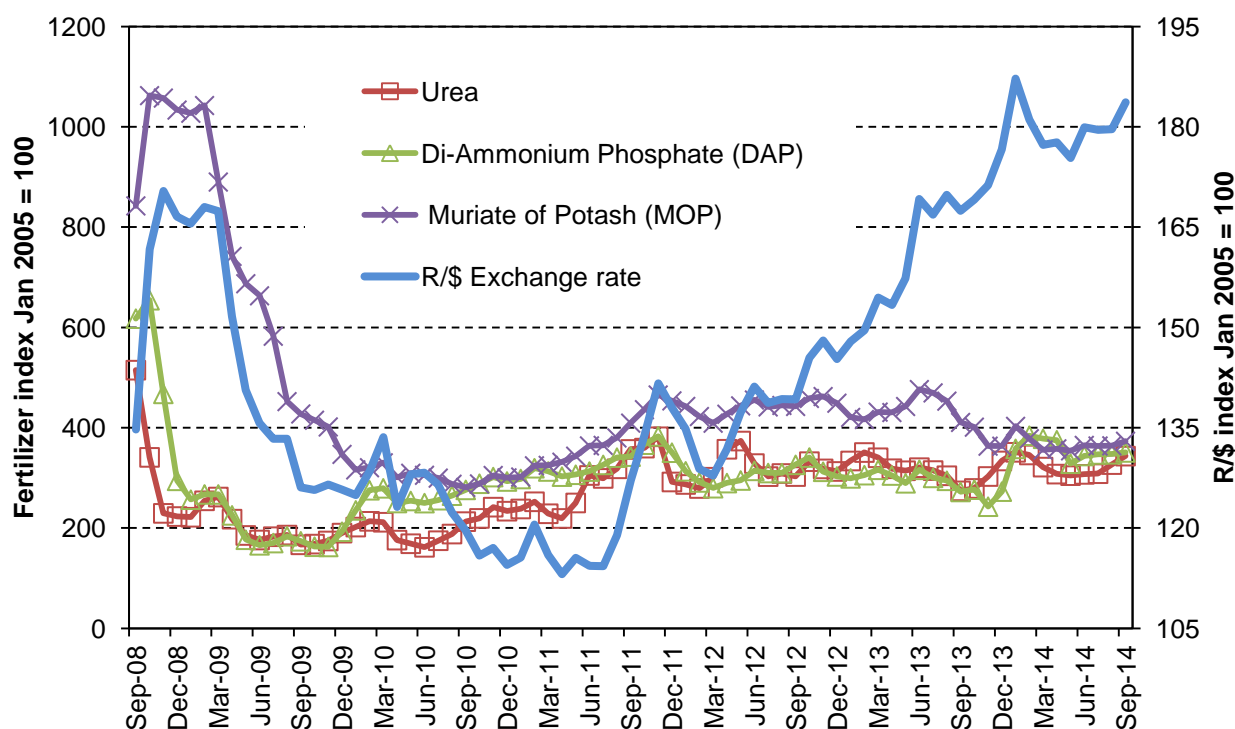


Figure 1: International price trends for selected fertilisers

Source: Own calculations based on data from Grain SA, 2014.

2. Local price trends for selected fertilisers:

As depicted in Figure 2, the prices of local fertilisers showed similar sideways movements as the international prices since the end of 2009. From September 2008 to September 2014 the prices of Mono-Ammonium Phosphate (MAP), Potassium chloride and Urea decreased by 31.9 %, 33.3 % and 35.6 % respectively.

From September 2013 to September 2014, the local price of MAP and Urea increased by 6 % and 0.9 % respectively, whilst the price of Potassium chloride decreased by 3.9 %.

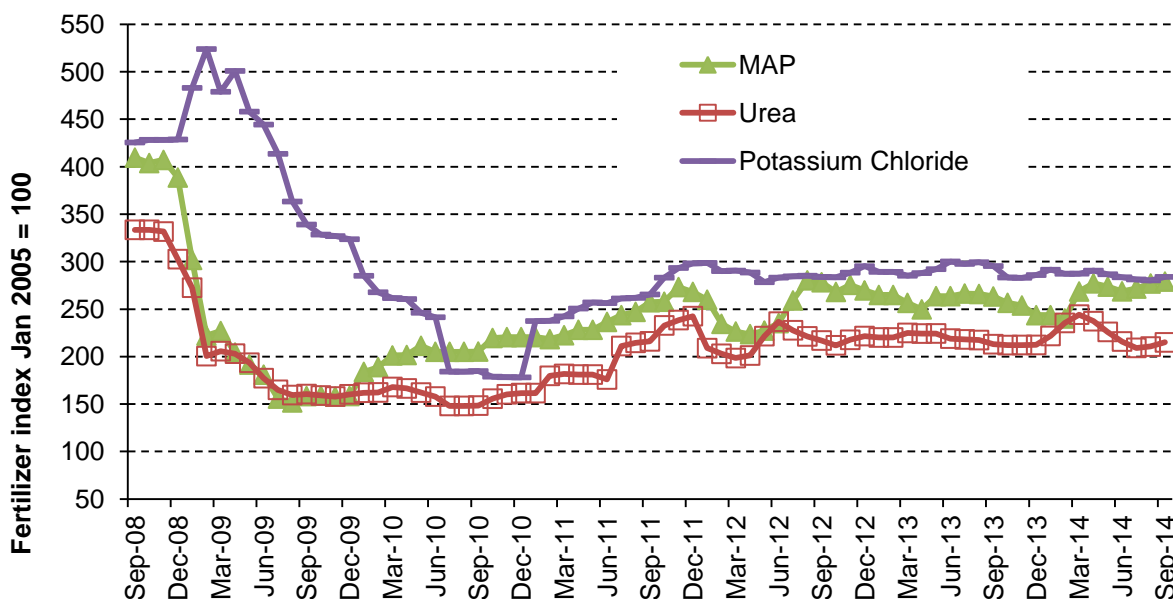


Figure 2: Local price trends for selected fertilisers

Source: Own calculations from price lists, 2014.

3. Fuel prices

As depicted in Figure 3, the prices of crude oil, petrol and diesel followed mostly the same trends. From September 2008 to September 2014 the price of petrol and diesel increased by 41.4 % and 28.1 %, respectively, whilst the US\$ price of crude oil increased by 0.5 %. The Rand price of crude oil increased by 37.9 % during the same period mainly due to a depreciation by 37.3 % of the rand per US\$ exchange rate.

From September 2013 to September 2014, the prices of petrol increased by 1.2 %, whilst the price of diesel and crude oil decreased by 0.2 % and 10.8 % respectively, with a further depreciation of the R/\$ exchange rate by 10.1 %.

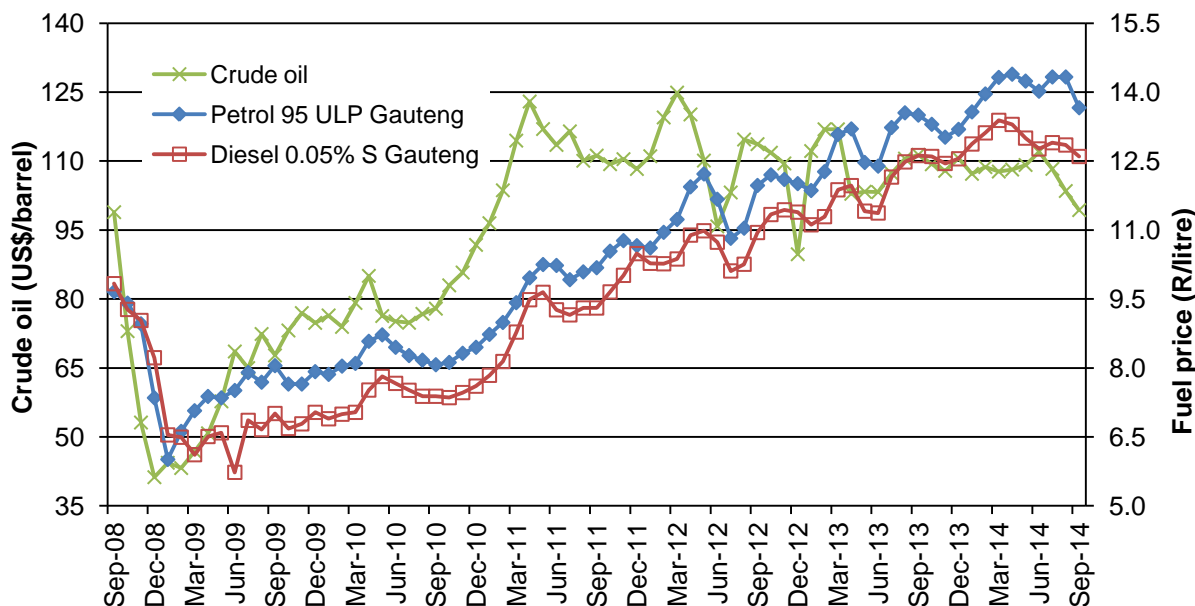


Figure 3: Crude oil and fuel prices

Source: Grain SA and SAPIA, 2014.

4. Baltic Freight Index

The Baltic Dry Index (BDI) measures international freight rates for dry bulk cargo, and is significantly influenced by 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 78.8 %.

The BDI for September 2014 was 1 126 index points, a 30.4 % decrease in comparison with September 2013.

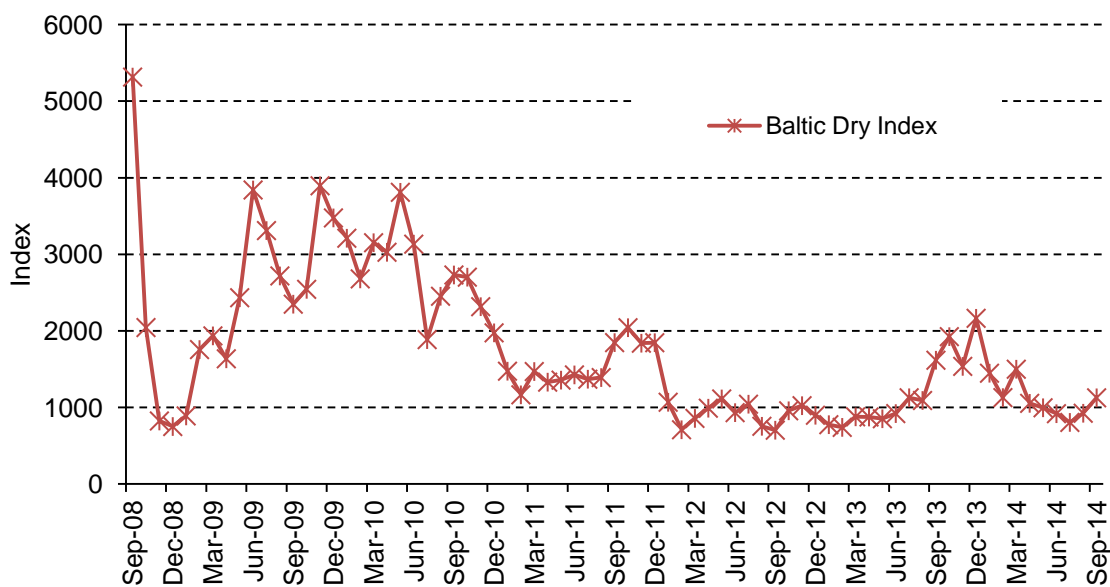


Figure 4: Baltic Dry Index
 Source: SAGIS, 2014.

5. International petrol price comparison

According to the international data collection website, Global Petrol Prices, the world average petrol price is US\$1.27 per litre or R14.28 per litre at R11.28/US\$. They collect data for 160 countries worldwide and currently South Africa lies 67th with R13.31 per litre. Other countries representing BRICS are Brasil in 69th place (R13.42/lt), Russia in 32nd place (R9.93/lt), India in 68th place (R13.31/lt) and China in 86th place with R14.89/lt.

From Figure 5 it can be seen that Venezuela has the cheapest petrol because of government subsidies and Norway has the most expensive petrol at R26.85 per litre.

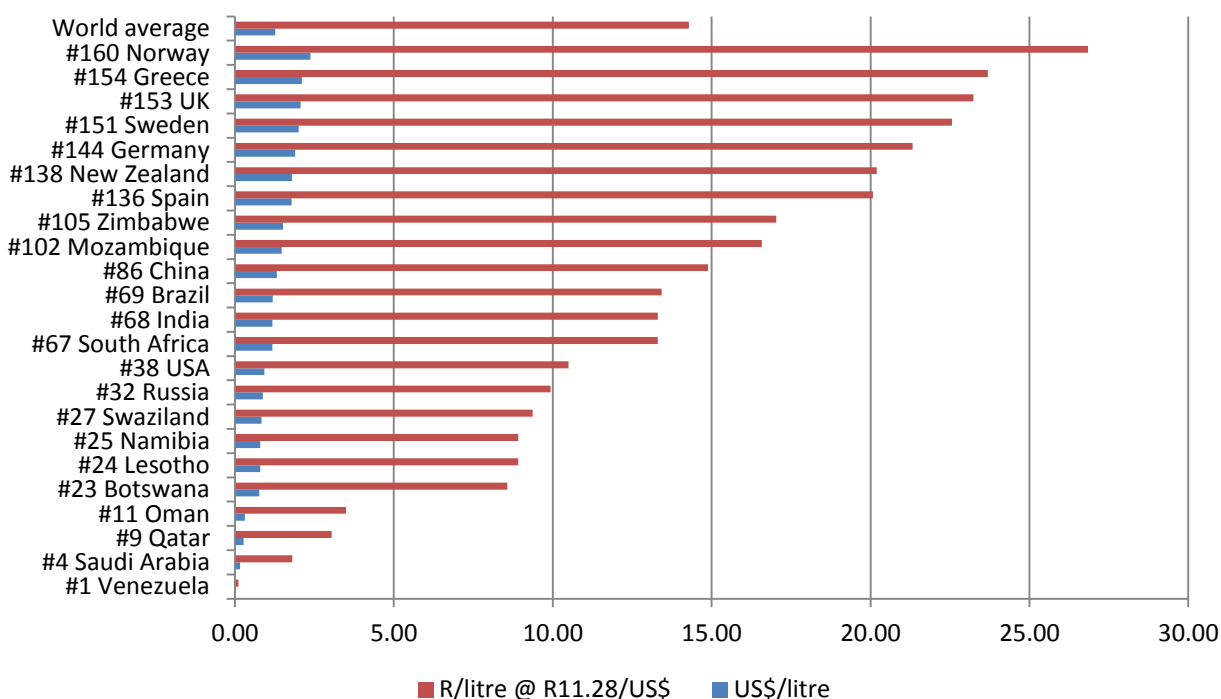


Figure 5: International petrol price comparison

Source: http://www.globalpetrolprices.com/gasoline_prices/, 2014.

Neighbouring countries like Zimbabwe (R17.03) and Mozambique (R16.58) pay more for a litre of fuel than the global average.

It is said while countries that produce and export oil generally have significantly lower prices, all countries have access to the same prices on international markets and the difference in prices globally are largely due to the various taxes imposed by governments.

Just over 80% of South Africa’s fuel price is currently made up of government levies and taxes (29%) and the basic fuel price (55%), which is largely based on spot prices quoted daily on international markets. The remaining elements that make up the petrol price are transport costs and industry margins.

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