



NAMMC
Promoting market access for South African agriculture



Input

Cost Monitoring

October 2020

An update on selected items



EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From September 2019 to September 2020, international prices (**Rand terms**) for Urea and Di-Ammonium Phosphate (DAP) increased by 29.9% (R3 487.40/ton to R4 528.41/ton) and 20% (R4 733.96/ton to R5 681.40/ton), while, Muriate of Potash (MOP) decreased by 28.1% (R4 808.16/ton to R3 458.97/ton). During the same period, the R/\$ exchange rate depreciated by 12.6% (R/\$14.84 to R/\$16.71).



From September 2019 to September 2020, domestic prices for Urea and Mono-Ammonium Phosphate (MAP) increased by 7% (from R6 821/ton to R7 301/ton) and 6.6% (from R8 524/ton to R9 083/ton) respectively. The price of Potassium Chloride (KCL) decreased by 12.6% (from R7 597/ton to R6 642/ton). The increase in domestic prices can be attributed to the planting season which normally begins in October and November of each year, as well as the exchange rates as already mentioned.

❖ Fuel prices & Illuminated paraffin

Between September 2019 and September 2020 petrol prices decreased by 9.7% from R16.03/litre in September 2019 to R14.16/litre in September 2020 while diesel prices decreased by 9% from R14.59/litre to R13.28/litre during the same period. Crude oil prices in US dollar terms decreased by 29% from US\$59.09/barrel to US\$41.9/barrel, with a 10.2% depreciation of the Rand (R/\$15.17 to R/\$16.71). These fluctuations in South Africa's fuel prices have been largely driven by oil prices as well as weakening of the Rand against the US Dollar.



Between September 2019 and September 2020, the price of illuminated paraffin in both Coastal and Gauteng regions decreased by 27% (R8.71/litre to R6.36/litre) and 23.7% (R9.39/litre to R7.16/litre), respectively.

❖ Freight Indices

From September 2019 to September 2020, the Baltic Dry Index (BDI) and Grain and Oilseeds Freight Index (GOFI) decreased by 38.8% and 25.3%, respectively. The impact of COVID-19 had an impact on the shipping industry as many freight operations were grounded or restricted. In September 2020, the BDI reached 1 422 index points while the GOFI reached 115 index points.



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1. Introduction

The agricultural inputs' importance is to improve agricultural productivity with the ultimate goal of maximising agricultural productivity or yields. Agriculture has become extremely complex and the adoption of technology in inputs development has subsequently improved to keep up with the sectors complexity. The Input Cost Monitoring (ICM) report, published by the National Agricultural Marketing Council (NAMC) is a quarterly report analysing trends from selected agricultural production input prices in both domestically and international markets. The objective of this report is to compile information to track both historic and current price trends of the selected agricultural production inputs in South Africa versus the international perspective.

The data for this publication is obtained from Grain South Africa (Grain SA), Department of Energy (DoE) and the South African Grain Information Service (SAGIS).

2. International price trends for selected fertilisers

The global economic growth and financial situation affects various sectors, including agriculture. The world fertiliser sector therefore, needs to be viewed from the perspective of the world economic growth situation. **Figure 1** illustrates international fertiliser prices for selected fertilisers from September 2014 to September 2020. International prices (**Rand terms**) for Di-Ammonium Phosphate (DAP), Urea and Muriate of Potash (MOP) increased by 19.5% (from R4 755.83/ton to R5 681.40/ton), 18.6% (R3 818.85/ton to R4 528.40/ton) and 5.5% (from R3 277.85/ton to R3 458.97/ton), respectively. During the observed period the Rand/US Dollar (R/\$) exchange rate depreciated by 53.1% (from R/\$10.91 to R/\$16.71). In terms of the US Dollar prices MOP, Urea, DAP decreased by 31.1% (from US\$300/ton to US\$207/ton), 22.6% (from US\$350/ton to US\$271/ton) and 22% (from US\$436/ton to US\$340/ton), respectively.

From September 2019 to September 2020, international price (**Rand terms**) for Urea and DAP increased by 29.9% (from R3 487.40/ton to R4 528.41/ton) and 20% (from R4 733.96/ton to R5 681.40/ton), while MOP decreased by 28.1% (from R4 808.16/ton to R3 458.97/ton). During the same period the R/\$ exchange rate depreciated by 12.6% from R/\$14.84 to R/\$16.71.

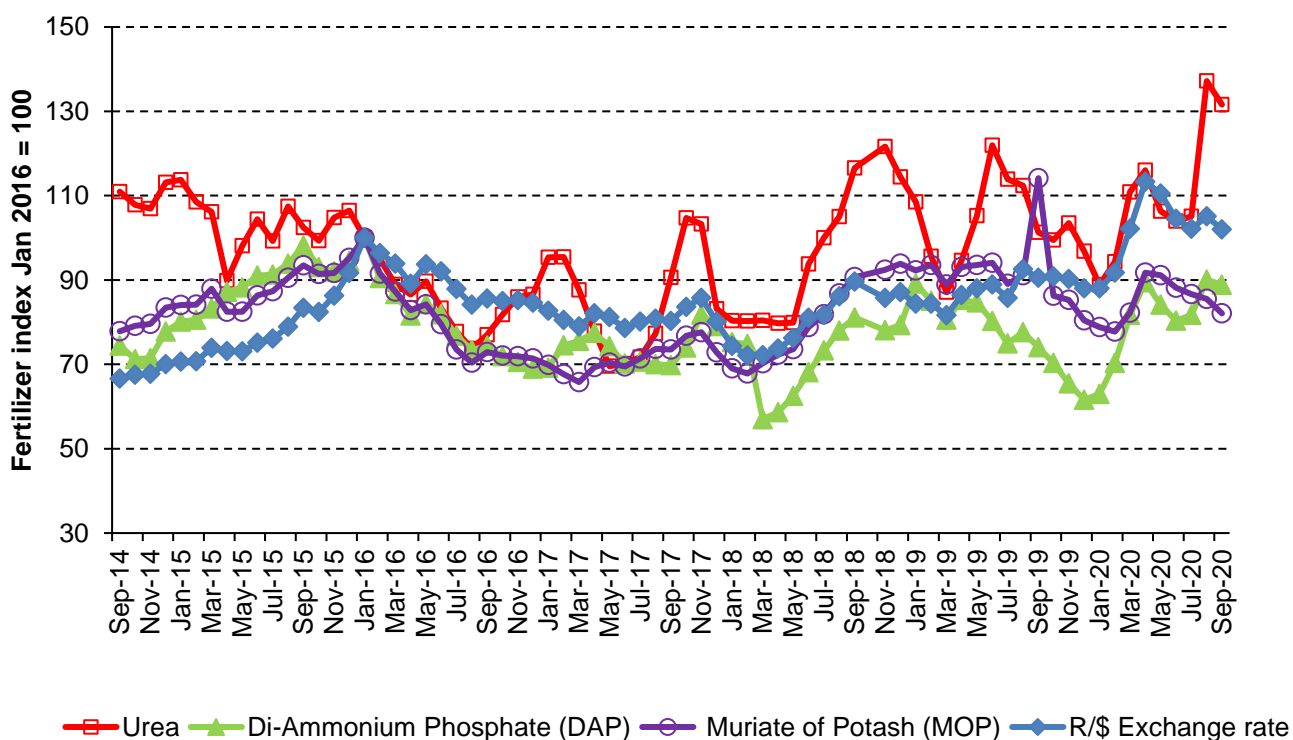


Figure 1: International price trends for selected fertilisers

Source: Own calculations based on data from Grain SA, 2020.

Domestic price trends for selected fertilisers

Figure 2 shows price trends for domestic fertiliser between September 2014 and September 2020. Over the depicted period the local fertiliser prices for Urea, Mono-Ammonium Phosphate (MAP) and Potassium Chloride (KCL) increased by 28.6% (from R5 675/ton to R7 301/ton), 19% (from R7 631/ton to R9 083/ton) and 5% (from R6 324/ton to R6 642/ton). From September 2019 to September 2020, fertilizer domestic price for Urea and MAP increased by 7% (from R6 821/ton to R7 301/ton) and 6.6% (from R8 524/ton to R9 083/ton), respectively. The price for KCL decreased by 12.6% (from R7 597/ton to R6 642/ton). The increase in domestic prices can be attributed to the planting season which normally begins in October and November of each year, as well as the exchange rates as already mentioned.

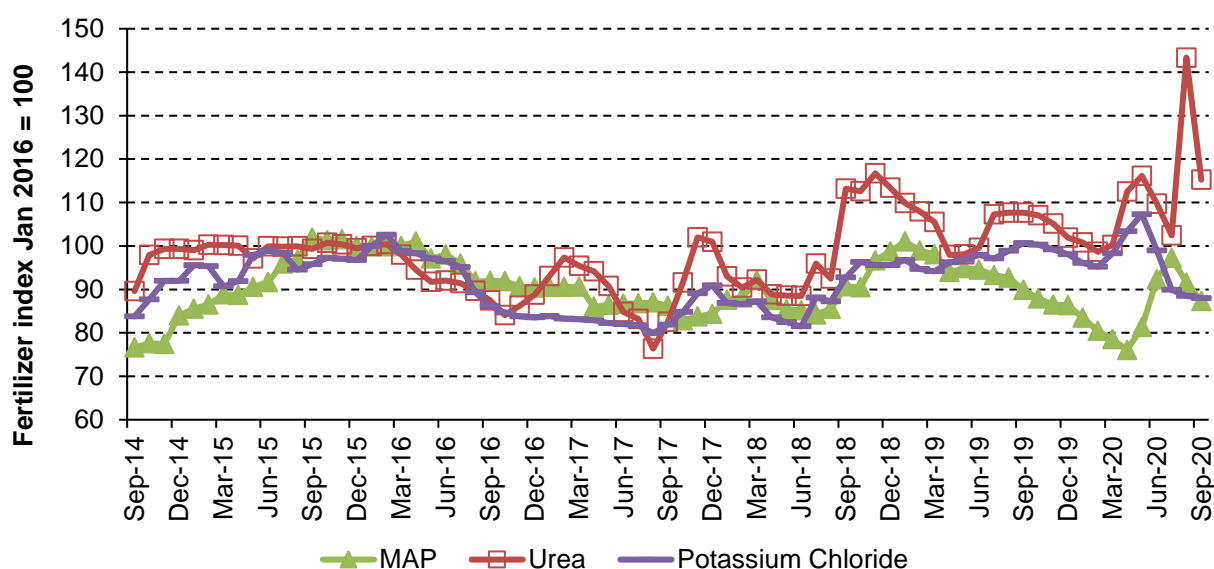


Figure 2: Domestic price trends for selected fertilisers

Source: Own calculations from price lists, 2020.

3. Fuel prices

Domestic fuel prices are linked to factors such as international crude oil price (US\$ per barrel) and the R/\$ exchange rate. **Figure 3** presents crude oil prices, petrol prices and diesel prices trends between September 2014 and September 2020. During this period diesel and petrol prices increased by 5.4% (from R12.60/litre to R13.28/litre) and 6% (from R13.66/litre to R14.48/litre), respectively. In US dollar terms crude oil prices decreased by 57.4% (from US\$98.58/barrel in September 2014 to US\$41.95/barrel in September 2020). During the same period crude oil prices in **Rand terms** decreased by 35.3% (from R1 083.89/barrel to R700.98/barrel).

Between September 2019 and September 2020 petrol prices decreased by 9.7% from R16.03/litre in September 2019 to R14.16/litre in September 2020 while diesel prices decreased by 9% from R14.59/litre to R13.28/litre during the same period. Crude oil prices in US dollar terms decreased by 29% from US\$59.09/barrel to US\$41.9/barrel, with a 10.2% depreciation of the Rand (R/\$15.17 to R/\$16.71). These fluctuation in South Africa’s fuel prices have been largely driven by oil prices as well as weakening of the Rand against the US Dollar.

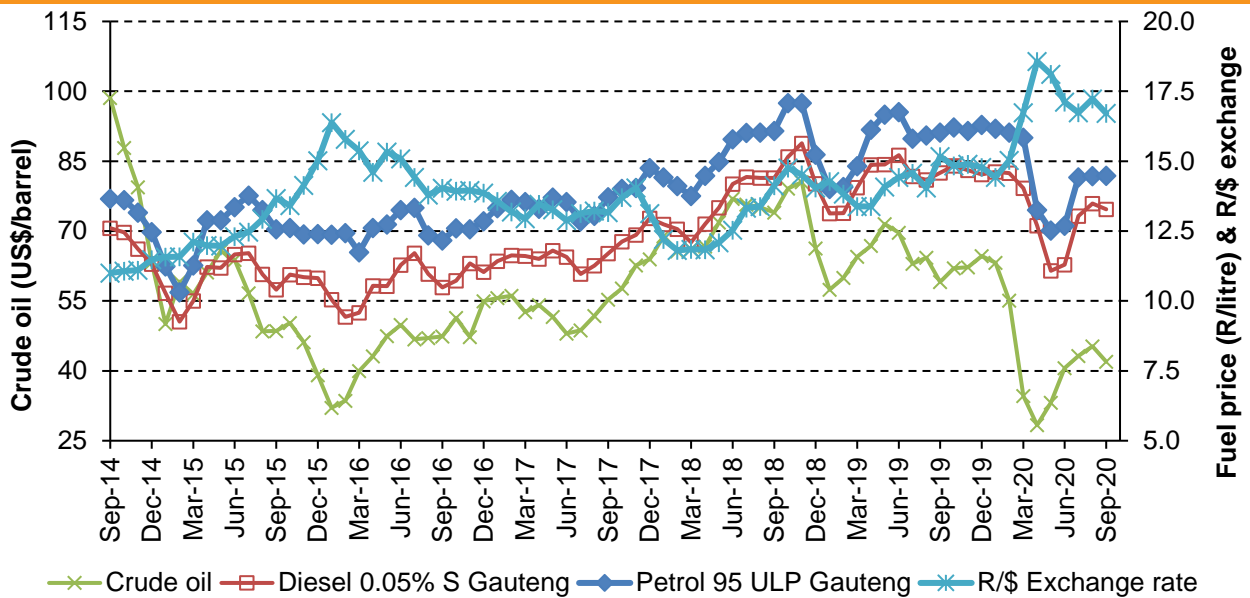


Figure 3: Crude oil and fuel prices
 Source: Grain SA and DoE, 2020.

4. Baltic Dry Index

The Baltic Dry Index (BDI) measures international freight rates for dry bulk cargo which is affected by both the demand to move raw materials across international markets and the supply of shipping capacity. Using 2005 as a base year of 6000, the BDI is calculated on a monthly basis. The International Grains Council (IGC) introduced a new Grain and Oilseeds Freight Index (GOFI) with January 2013 used as a base year which represents 68 major grain routes.

Figure 4 presents BDI and GOFI between September 2014 and September 2020. The BDI and GOFI during this period increased by 26.2% and 7.8%, respectively attributed to changes in shipments times and demand across the world. From September 2019 to September 2020, the BDI and GOFI decreased by 38.8% and 25.3%, respectively. The COVID-19 was the main cause of this observed decrease as it negatively affected the shipping industry as many freight operations were grounded or restricted. In September 2020, the BDI reached 1 422 index points and the GOFI reached 115 index points.

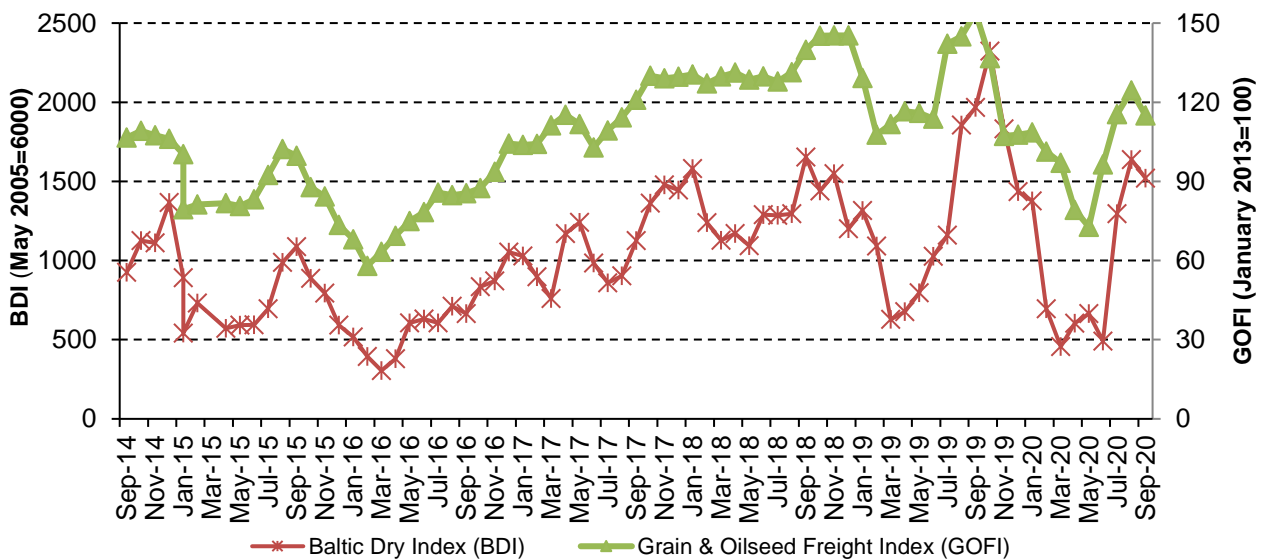


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index
 Source: SAGIS, 2020.

5. Illuminated paraffin price

Consumers utilise paraffin as an alternative source of household energy and is classified as an essential backup fuel. **Figure 5** shows illuminated paraffin prices for both the Coastal and Gauteng regions from September 2017 to September 2020. During this period, illuminated paraffin prices from the Coastal region decreased by 5.6% from R6.74/litre to R6.36/litre while the Gauteng region decreased by 2.2% from R7.32/litre to R7.16/litre.

Between September 2019 and September 2020, the price of illuminated paraffin in both Coastal and Gauteng regions decreased by 27% (R8.71/litre to R6.36/litre) and 23.7% (R9.39/litre to R7.16/litre), respectively.

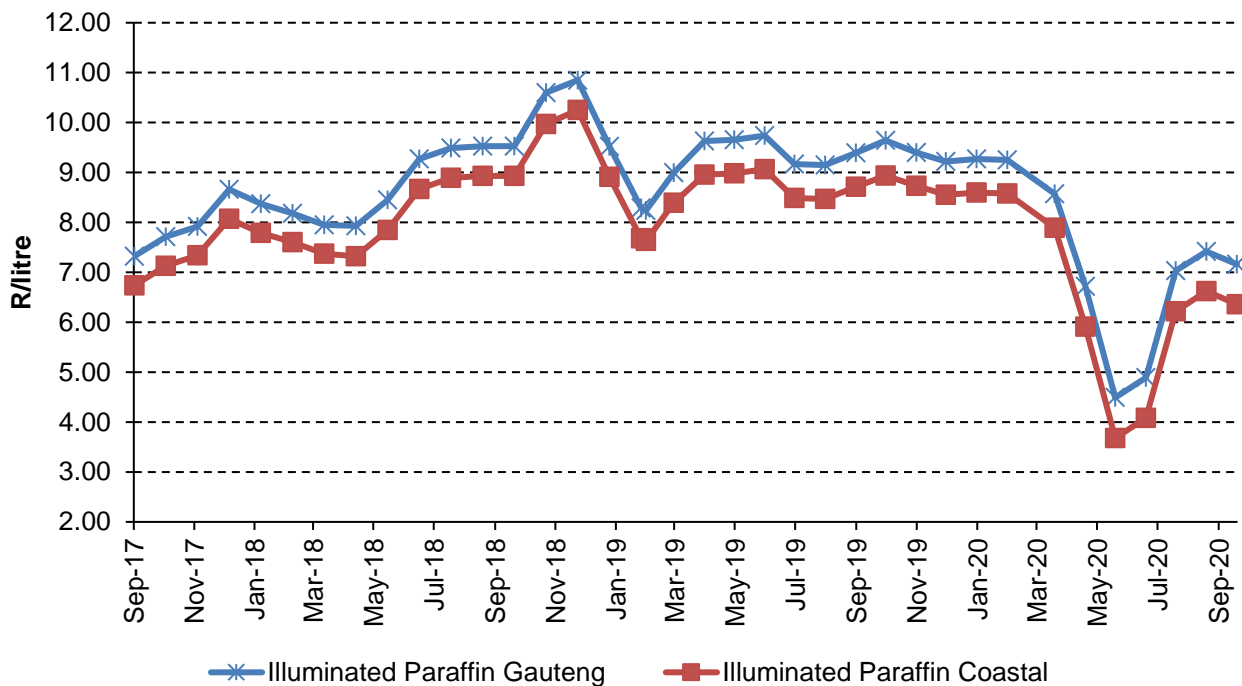


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2020.

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