



NAMMC

Promoting market access for South African agriculture



Input

COST MONITORING

An update on selected items

December 2023

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EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilizers

International prices, measured in Rand per ton (R/ton) for Ammonia, DAP, Urea and MOP experienced substantial increases as follows: 161.9% (from R3 617 to R9 473), 129.9% (from R4 727 to R10 864), 79.9% (from R3 603 to R6 480) and 58.6% (from R3 233 to R5 127), respectively. The exchange rate (Rand per United States dollar – R/US\$), which plays a crucial role in purchasing of inputs from the global market, depreciated by 39.1% during November 2017 to November 2023. In Rand value, international fertilizer prices per ton for MOP, Ammonia, Urea and DAP decreased by 56.0%, 44.3%, 36.7%, and 15.8%, respectively, from October 2022 to October 2023.

During this period, local fertilizer prices for Potassium Chloride (KCL) prices decreased by 42.4% (from R19 585 to R11 273), followed by Urea granular with a 30.7% decrease (from R16 655 to R11 536), Ammonium Nitrate (LAN) with a 26.2% decrease (from R14 828 to R10 945) and Monoammonium phosphate (MAP) with a 15.5% decrease (from R19 388 to R16 377). Globally, fertilizer prices have seen significant improvement from the record-high levels recorded, stemming from market disruptions due to the COVID-19 outbreak, supply chain bottlenecks and the Russia-Ukraine conflict. This positive trend in international prices is starting to reflect in domestic fertilizer prices, a pattern that might persist if global market conditions continue to improve. However, the substantial depreciation of the Rand over time undermines the local price improvements at the same rate as worldwide prices.

❖ Fuel prices and Illuminated paraffin

Between November 2022 and November 2023, petrol prices increased by 4.5% (from R22.87/litre to R23.90/litre), while diesel prices decreased by 5.2% (from R25.49/litre to R24.17/litre). Crude oil prices in US\$ decreased by 4.0% (from US\$92.41/barrel to US\$88.72/barrel), and in Rand value, crude oil prices increased by 1.1% (from R1 673.55/barrel to R1 692.78/barrel). The rand depreciated by 5.4% against the US Dollar, moving from R18.11 to R19.08 during the same period. Additionally, the price of illuminated paraffin in Gauteng and Coastal regions increased by 1.05% (from R17.76/litre to R17.95/litre) and 0.35% (from R16.97/litre to R17.03/litre), respectively.

❖ Freight Indices

Between November 2017 and November 2023, the Baltic Dry Index (BDI) increased by 28.1%, while the Grain & Oilseed Freight Index (GOFI) increased by 24.8%. In a year-on-year comparison (November 2022 vs. November 2023), the BDI showed a significant increase of 42.3%, whereas the GOFI decreased by 8%. The recent upturn in both GOFI and BDI is attributed to various factors, including the rise in crude oil prices. Consequently, as of November 2023, the BDI reached 1 852 index points, and the GOFI increased to 161 index points from the 153 index points reported in October 2023.

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Introduction

Agricultural inputs such as fertilisers and fuel play a significant role in increasing agricultural productivity. The Input Cost Monitoring (ICM) report, published by the National Agricultural Marketing Council (NAMC) is a quarterly report analysing historic and current trends of selected agricultural production input prices in both domestic and international markets. The data for this publication is obtained from Grain South Africa (Grain SA), the Department of Energy (DoE) and the South African Grain Information Service (SAGIS).

International price trends for selected fertilizers

Figure 1 presents international fertilizer prices for selected fertilizers between October 2017 and October 2023. International prices for Ammonia, measured in US Dollars per ton (US\$/ton), increased by 88.3% from US\$264 in October 2017 to US\$497 in October 2023, followed by Di-Ammonium Phosphate (DAP) with a 65.2% increase from US\$345 to US\$570. During the same period, Urea prices rose by 29.3% from US\$263 to US\$340 and Muriate of Potash (MOP) increased by 14.0% from US\$236 to US\$269.

During the same period, international prices, measured in Rand per ton (R/ton), for Ammonia, DAP, Urea and MOP experienced substantial increases as follows: 161.9% (from R3 617 to R9 473), 129.9% (from R4 727 to R10 864), 79.9% (from R3 603 to R6 480), and 58.6% (from R3 233 to R5 127), respectively. The exchange rate (Rand per United States dollar – R/US\$), which plays a crucial role in purchasing inputs from the global market, depreciated by 39.1% during the observed period. In Rand value, international fertilizer prices per ton for MOP, Ammonia, Urea and DAP decreased by 56.0%, 44.3%, 36.7%, and 15.8%, respectively, from October 2022 to October 2023.

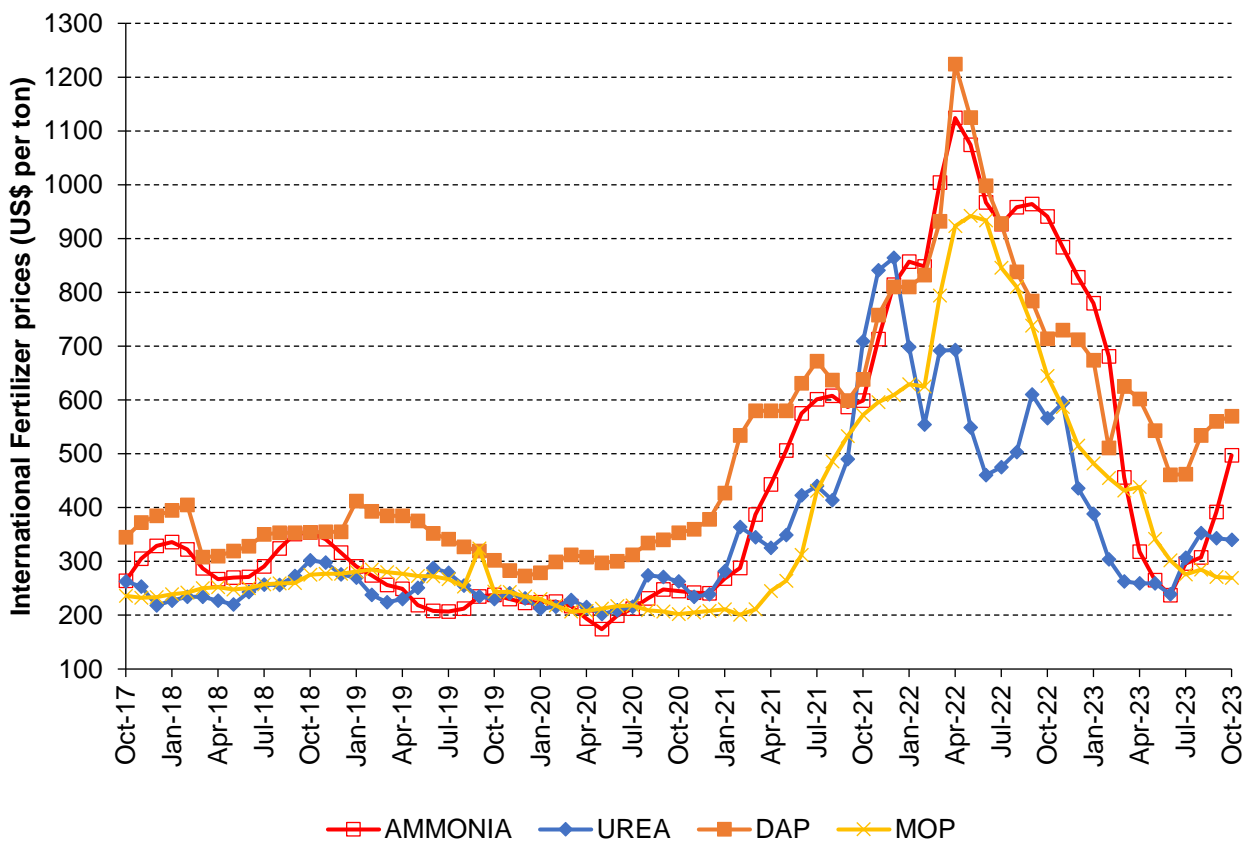


Figure 1: International price trends for selected fertilizers
Source: Own calculations based on data from Grain SA, 2023.

Domestic price trends for selected fertilizers

Figure 2 illustrates domestic price trends for fertilizers between November 2017 and November 2023. Over this period, the local price per ton of fertilizers showed significant increases. Ammonium Nitrate (LAN) rose by 90.0% (from R5 733 to R10 945), followed by Mono-ammonium Phosphate (MAP) with an 89.7% increase (from R8 631 to R16 377), Urea Granular with a 78.5% rise (from R6 463 to R11 536) and Potassium Chloride (KCL) with a 67.7% increase (from R6 721 to R11 273).

For year-on-year comparison between November 2022 and November 2023, domestic fertilizer prices experienced varying trends. Potassium Chloride (KCL) prices decreased by 42.4% (from R19 585 to R11 273), followed by Urea granular with a 30.7% decrease (from R16 655 to R11 536), Ammonium Nitrate (LAN) with a 26.2% decrease (from R14 828 to R10 945) and Monoammonium phosphate (MAP) with a 15.5% decrease (from R19 388 to R16 377). Globally, fertilizer prices have seen significant improvement from the record-high levels recorded, stemming from market disruptions due to the COVID-19 outbreak, supply chain bottlenecks and the Russia-Ukraine conflict. This positive trend in international prices is starting to reflect in domestic fertilizer prices, a pattern that might persist if global market conditions continue to improve. However, the substantial depreciation of the Rand over time undermines the local price improvements at the same rate as worldwide prices.

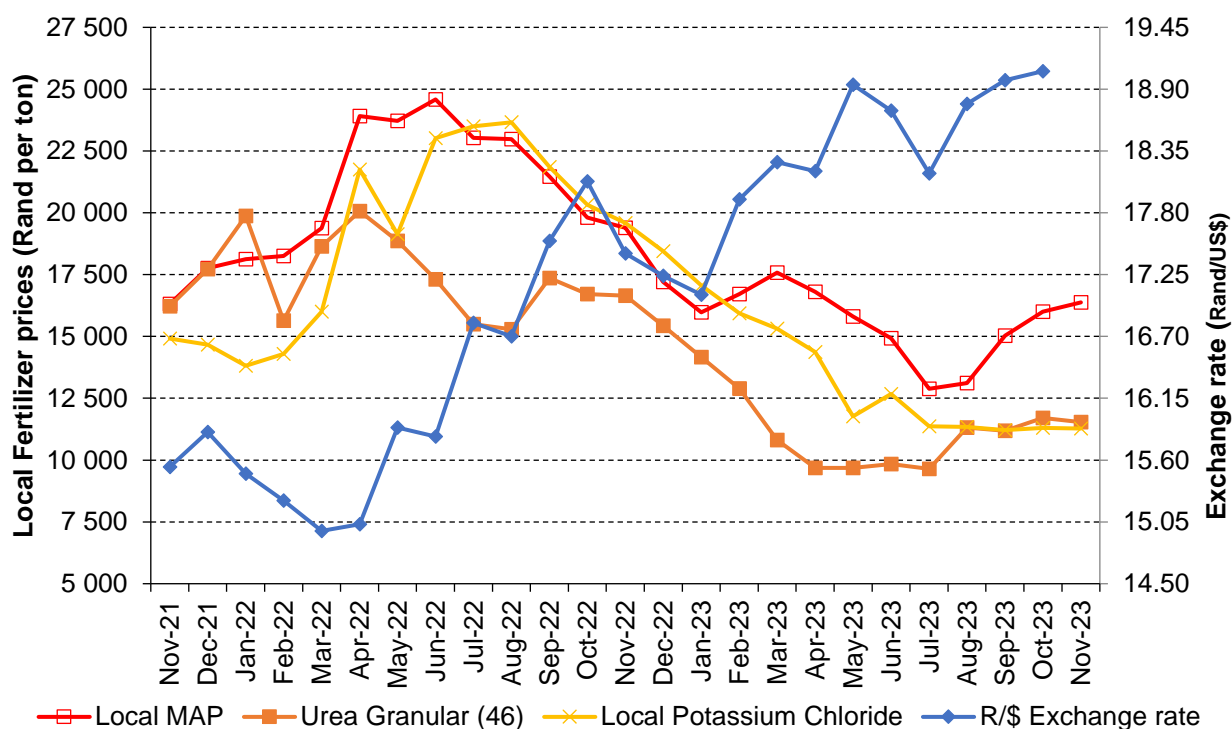


Figure 2: Domestic price trends for selected fertilizers and exchange rate (R/US\$)

Source: Own calculations based on data from Grain SA, 2023.

Fuel prices

Domestic fuel prices are linked to factors such as international crude oil price (US\$ per barrel) and the exchange rate. **Figure 3** illustrates price trends of crude oil, petrol, diesel and the exchange rate between November 2017 and November 2023. Over this period, diesel and petrol prices significantly increased by 95.7% (from R12.35/litre to R24.17/litre) and 70.1% (from R14.05/litre to R23.90/litre), respectively. Crude oil prices increased by 41.6% (from US\$62.66/barrel to US\$88.72/barrel), while in Rand value, crude oil prices rose by 92.3% (from R880.37/barrel to R1 692.78/barrel) during the same period.

For the period between November 2022 and November 2023, petrol prices increased by 4.5% (from R22.87/litre to R23.90/litre) while diesel prices decreased by 5.2% (from R25.49/litre to R24.17/litre). Crude oil prices in US\$ decreased by 4.0% (from US\$92.41/barrel to US\$88.72/barrel) while in Rand value, crude oil prices increased by 1.1% (from R1 673.55/barrel to R1 692.78/barrel). The rand depreciated by 5.4% against the US Dollar, moving from R18.11 to R19.08 during the same period.

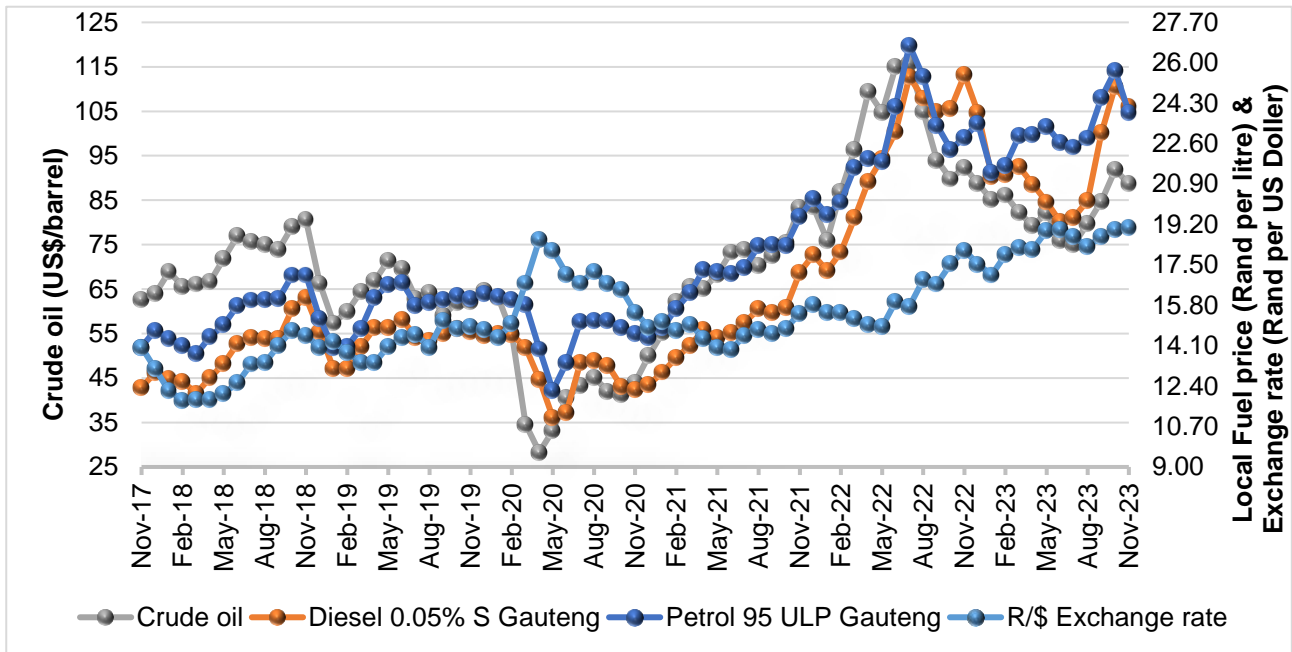


Figure 3: Price trends for crude oil, fuel and exchange rate trend
Source: DoE, 2023.

Freight rates

The Baltic Dry Index (BDI) is used to monitor international freight rates for dry bulk cargo across the world. Specific to grains and oilseeds, the International Grains Council (IGC) introduced the Grain and Oilseeds Freight Index (GOFI) which is used to track international freight rates on grains and oilseeds globally. Using January 2013 as a base year for the GOFI, at least 68 key grains and oilseeds routes are monitored.

Figure 4 illustrates the trends of both BDI and GOFI between November 2017 and November 2023. Over this period, the BDI increased by 28.1%, while the GOFI increased by 24.8%. In a year-on-year comparison (November 2022 vs. November 2023), the BDI showed a significant increase of 42.3%, whereas the GOFI decreased by 8%. The recent upturn in both GOFI and BDI is attributed to various factors, including the rise in crude oil prices. Consequently, as of November 2023, the BDI reached 1 852 index points, and the GOFI increased to 161 index points from the 153 index points reported in October 2023.

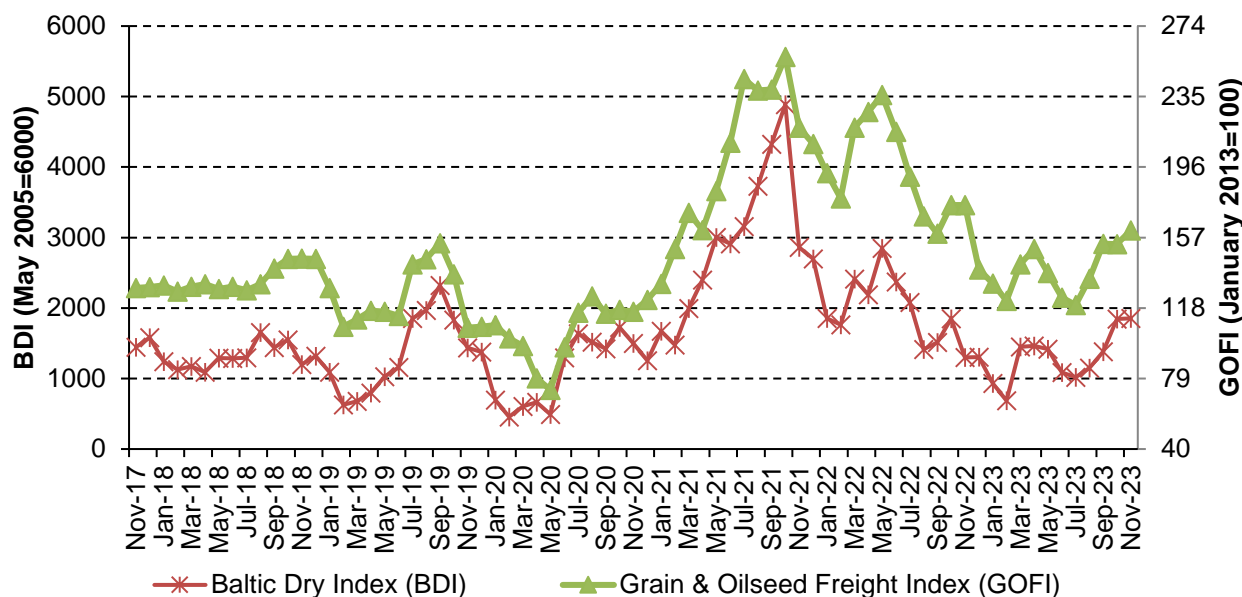


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index
 Source: SAGIS, 2023.

Illuminated paraffin price

Consumers in South Africa commonly use paraffin as an essential alternative source of energy at the household level. **Figure 5** depicts the price trends of illuminated paraffin for both the Coastal and Gauteng regions from November 2017 to November 2023. Over this period, illuminated paraffin prices for Coastal regions and Gauteng increased by 132.0% (from R7.34/litre to R17.03/litre) and 124.6% (from R7.92/litre to R17.95/litre), respectively.

Between November 2022 and November 2023, the price of illuminated paraffin in Gauteng and Coastal regions increased by 1.1% (from R17.76/litre to R17.95/litre) and 0.3% (from R16.97/litre to R17.03/litre), respectively. It's worth noting that international petroleum prices and fluctuations in the exchange rate (R/US\$) often exert the most significant influence on paraffin prices.

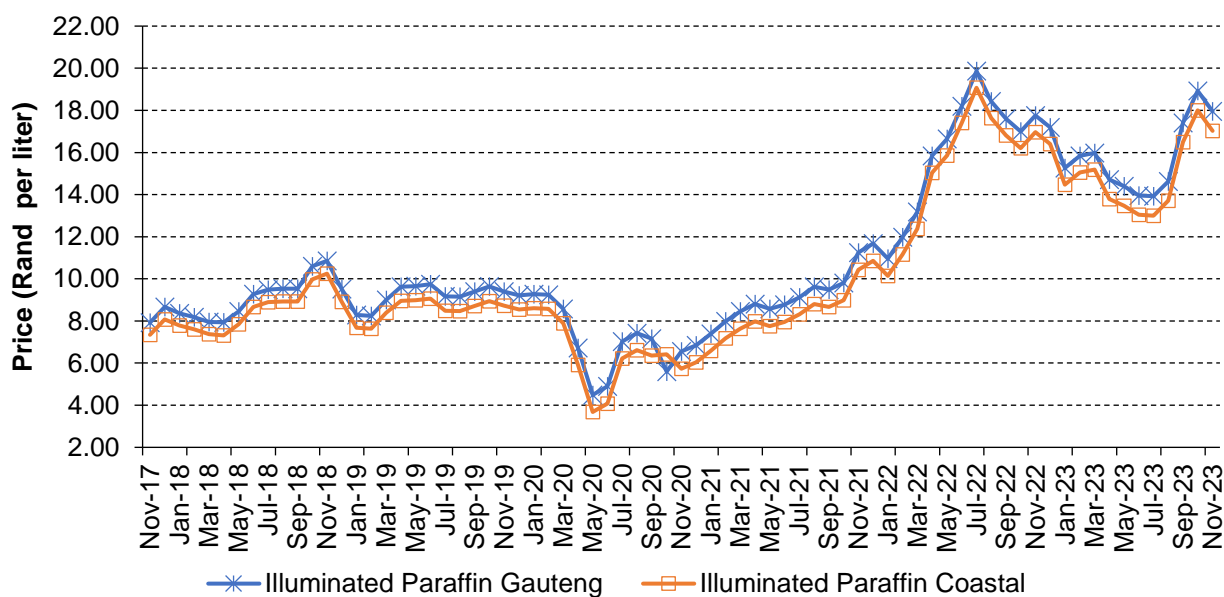


Figure 5: Comparison of illuminated paraffin price between Coastal and Gauteng regions
 Source: Department of Energy, 2023.

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