



National Agricultural
Marketing Council
Promoting market access for South African agriculture

Markets and Economic Research Centre



Input cost monitoring

An update on selected items

March 2018

EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From February 2017 to February 2018, the international price in Rand terms of MOP increased by 3.1%, while Urea and DAP decreased by 8.4% and 1.0% respectively. During the same period the R/\$ exchange rate appreciated by 8.8%.



The domestic prices of Potassium Chloride (KCL) and Mono-Ammonium Phosphate (MAP) increased by 4.3% and 1.2% respectively, while Urea decreased by 5.3% between February 2017 and February 2018.

❖ Fuel prices

From March 2017 to March 2018, the prices of diesel increased by 4.1%, while petrol decreased by 2.0%. The price of crude oil (US\$ terms) increased by 31.9%, with a 10.0% appreciation of the Rand.



Between March 2017 and March 2018, the price of illuminated paraffin in the Gauteng and Coastal regions increased by 6.0% and 5.9%, respectively. In March 2018, the price of illuminated paraffin in Gauteng was R7.95/litre compared to the Coastal regions' price of R7.37/litre.

❖ Freight Indices

From March 2017 to March 2018, the GFI and BDI increased by 8.1% and 0.1%, respectively. In March 2018, the GFI and BDI were 4 219 and 1 171 index points, respectively.



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1. Introduction

With the ultimate goal of maximising agricultural productivity, agricultural inputs have potential to improve agricultural productivity. Agricultural inputs are a great determinant of yields in agricultural production. Agriculture has become extremely dynamic, adoption of technology in the development of inputs subsequently improved. The Input Cost Monitoring report, published by the National Agricultural Marketing Council (NAMC), is a quarterly report analyses selected agricultural production input prices in domestic and international markets. The objective of this report is to compile information that will path both a historical and current picture of selected agricultural production input prices in South Africa versus the international perspective.

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

2. International price trends for selected fertilisers

Figure 1 depicts the fluctuation of international fertiliser prices since 2012. From February 2012 to February 2018, the international prices in Rand terms of Muriate of Potash (MOP) and Urea decreased by 20.5% and 18.1% respectively, while Di-Ammonium Phosphate (DAP) increased by 25.6%. During the same period the R/\$ exchange rate depreciated by 55.5%. Measured in US Dollar terms the prices of MOP, Urea and DAP decreased by 48.9%, 47.3% and 19.2% respectively.

From February 2017 to February 2018, the international price in Rand terms of MOP increased by 3.1%, while Urea and DAP decreased by 8.4% and 1.0% respectively. During the same period the R/\$ exchange rate appreciated by 8.8%.

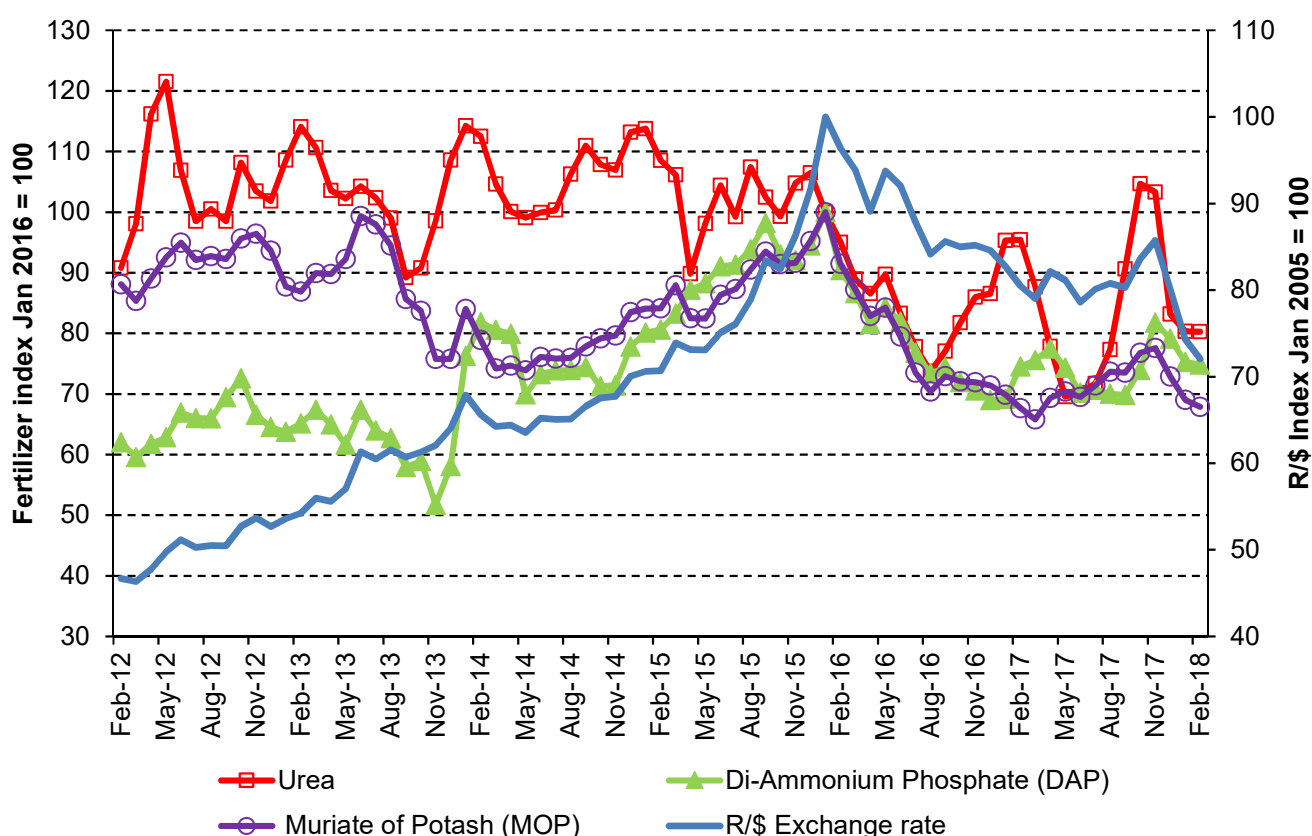


Figure 1: International price trends for selected fertilisers

Source: Own calculations based on data from Grain SA, 2018.

3. Domestic price trends for selected fertilisers

Figure 2 illustrates the trend of prices for selected domestic fertilisers since 2012. From February 2012 to February 2018, the prices of Mono-Ammonium Phosphate (MAP) and Urea increased by 27.6% and 2.7%, while Potassium Chloride (KCL) decreased by 1.2%. From February 2017 to February 2018, the domestic prices of KCL and MAP increased by 4.3% and 1.2% respectively, while Urea decreased by 5.3%.

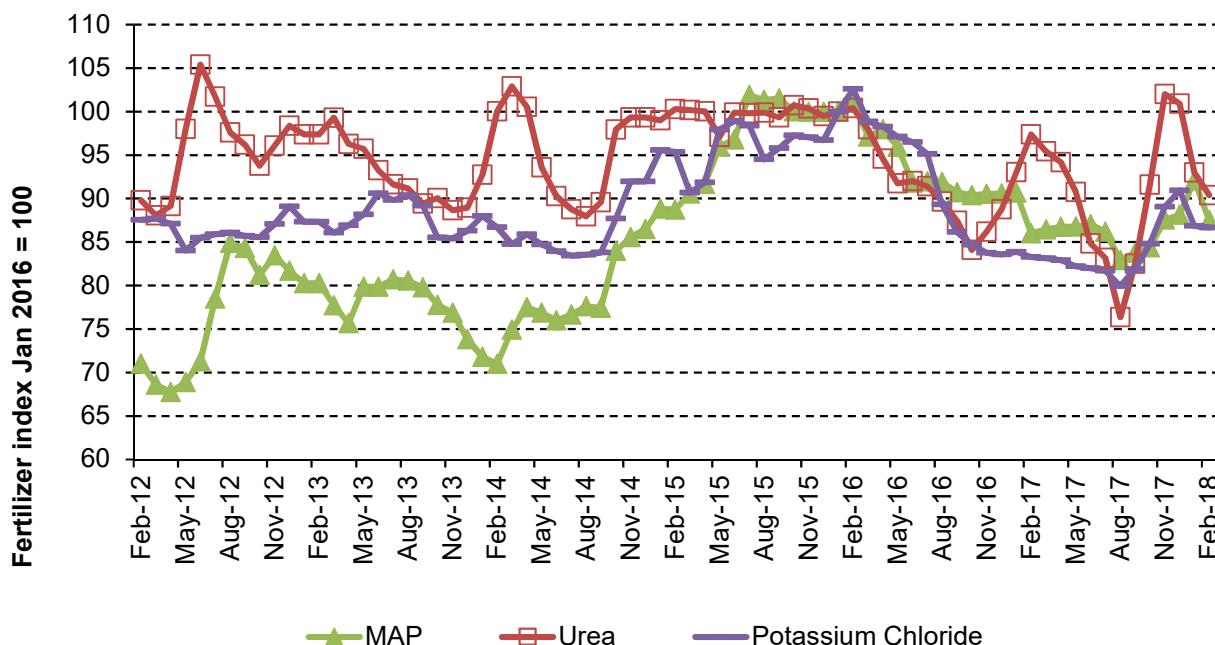


Figure 2: Domestic price trends for selected fertilisers

Source: Own calculations from price lists, 2018.

4. Fuel prices

The South African petrol price is linked to the international price of crude oil (US\$ per barrel). Crude oil prices combined with the Rand/Dollar (R/\$) exchange rate 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 March 2012 to March 2018, the price of petrol and diesel increased by 1.1% and 0.9% respectively, while the US\$ price of crude oil decreased by 29.8%. The price of crude oil (in Rand terms) decreased by 548.2% during the same period mainly attributed to the depreciation of the Rand by 2.3%.

From March 2017 to March 2018, the prices of diesel increased by 4.1%, while petrol decreased by 2.0%. The price of crude oil (US\$ terms) increased by 31.9%, with a 10.0% appreciation of the Rand.

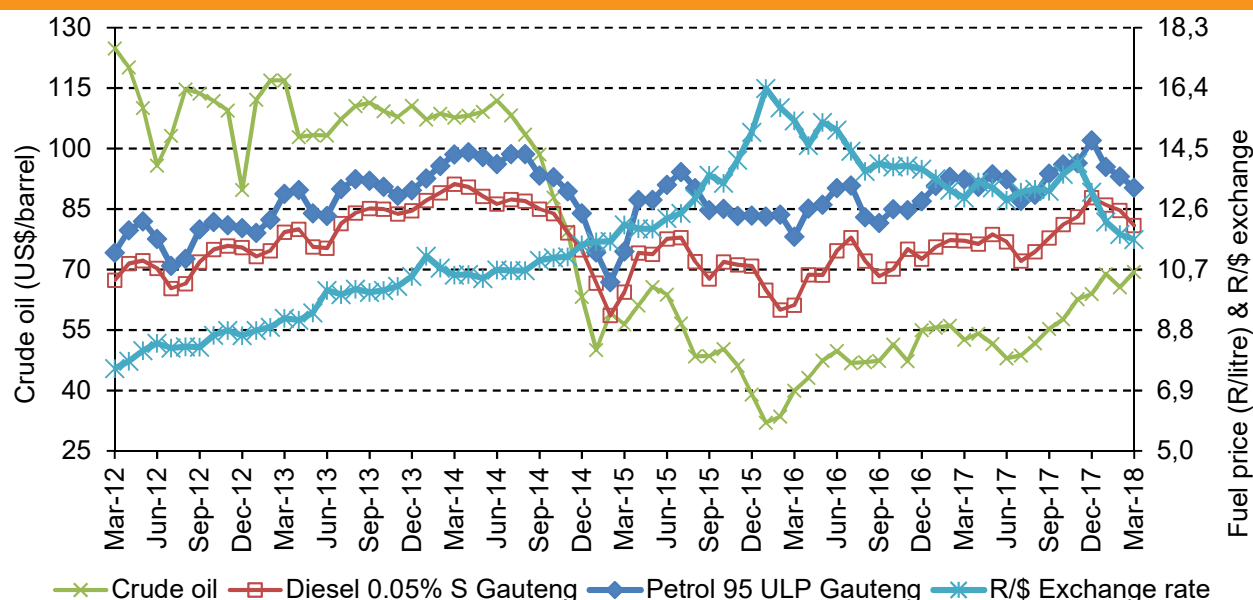


Figure 3: Crude oil and fuel prices

Source: Grain SA and Department of Energy, 2018.

5. Freight Indices

The Baltic Dry Index (BDI) measures international freight rates for dry bulk cargo, and is affected by both the demand to move raw materials internationally, and the supply of shipping capacity. The Grain Freight Index (GFI) measures movements in rates for ocean transportation of grains. This is based on 15 major grain routes, with representation of the different sizes of vessels typically involved in these trades. **Figure 4** shows that during the period January 2012 to March 2018, the BDI and GFI increased by 9.6%, while the GFI decreased 15.7%. From March 2017 to March 2018, the GFI and BDI increased by 8.1% and 0.1%, respectively. In March 2018, the GFI and BDI were 4 219 and 1 171 index points, respectively.

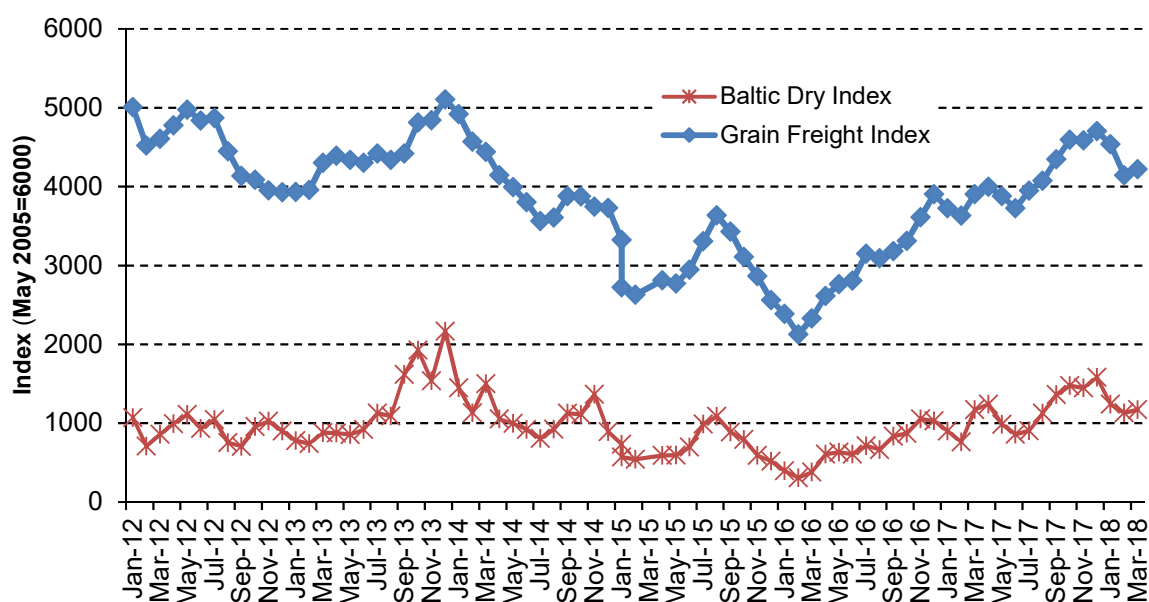


Figure 4: Baltic Dry Index versus Grain Freight Index

Source: SAGIS, 2018.

6. Illuminated paraffin price

Consumers utilize paraffin as an important part of their household energy mix, classifying it as an essential backup fuel. **Figure 5** depicts the price of illuminated paraffin for the Coastal and Gauteng regions during January 2016 to March 2018. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions increased by 24.9% and 22.3%, respectively.

Between March 2017 and March 2018, the price of illuminated paraffin in the Gauteng and Coastal regions increased by 6.0% and 5.9%, respectively. In March 2018, the price of illuminated paraffin in Gauteng was R7.95/litre compared to the Coastal regions' price of R7.37/litre.

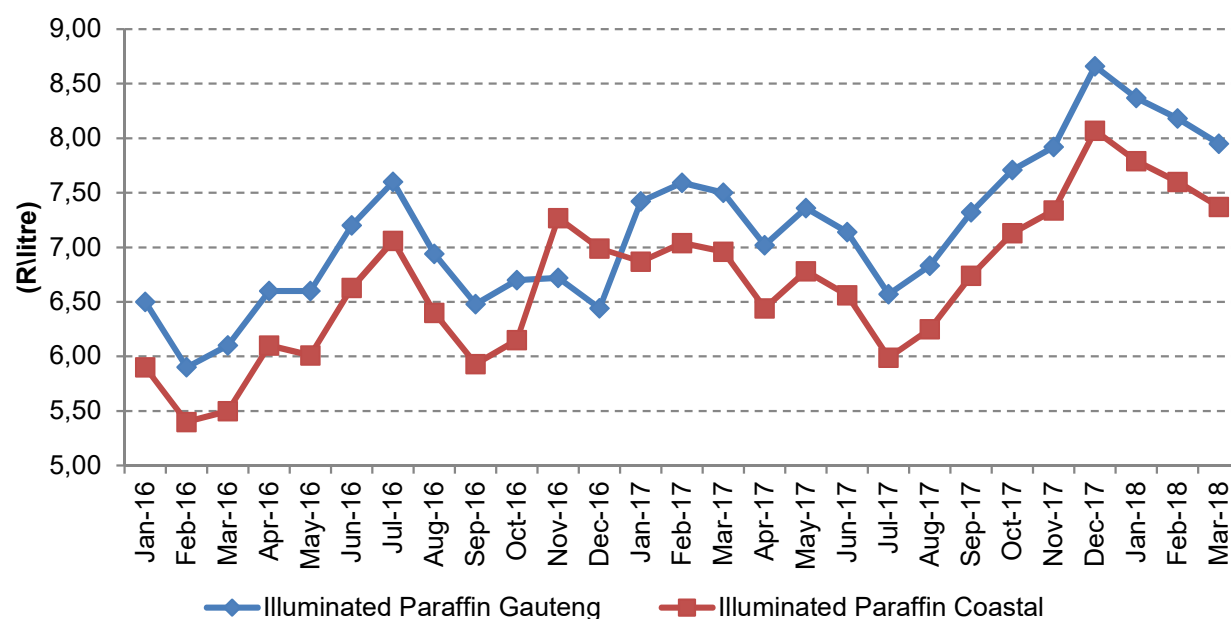


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2018

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