



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 2018

EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From March 2017 to March 2018, the international price in Rand terms of Di-Ammonium Phosphate (DAP) and Urea decreased by 24.6% and 8.3%, respectively, while Muriate of Potash (MOP) increased by 6.7%. During the same period the R/\$ exchange rate appreciated by 8.6%.



The domestic prices of Urea and Mono-Ammonium Phosphate (MAP) decreased by 3.3%, and 1.2%, respectively, while Potassium Chloride (KCL) increased by 4.9% from March 2017 to March 2018.

❖ Fuel prices & Illuminated paraffin

From May 2017 to May 2018, the price of diesel and petrol increased by 13% and 9.3%, respectively. The price of crude oil (US\$ terms) increased by 40.8%, with 5.4% appreciation of the Rand.



Between May 2017 and May 2018, the price of illuminated paraffin in the Coastal and Gauteng regions increased by 15.8% and 14.8%, respectively. In May 2018, the price of illuminated paraffin in Gauteng reached R8.45/litre compared to the Coastal regions' price of R7.85/litre.

❖ Freight Indices

From May 2017 to May 2018, the Baltic Dry Index (BDI) and Grain Freight Index (GFI) increased by 43.2% and 6.8%, respectively. In May 2018, the GFI and BDI were 4 145 and 1 409 index points, respectively.



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1. Introduction

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

In **Figure 1**, the prices of international fertilisers indicate continuous fluctuations. From March 2012 to March 2018, the international price in Rand terms of Urea, Muriate of Potash (MOP) and Di-Ammonium Phosphate (DAP) decreased by 18%, 17.7% and 4.3%, respectively. During the same period the R/\$ exchange rate depreciated by 55.8%. Measured in US Dollar terms, the prices of Urea, MOP and DAP decreased by 47.3%, 47.2%, and 38.6%, respectively.

From March 2017 to March 2018, the international price in Rand terms of DAP and Urea decreased by 24.6% and 8.3%, respectively, while MOP increased by 6.7%. During the same period the R/\$ exchange rate appreciated by 8.6%.

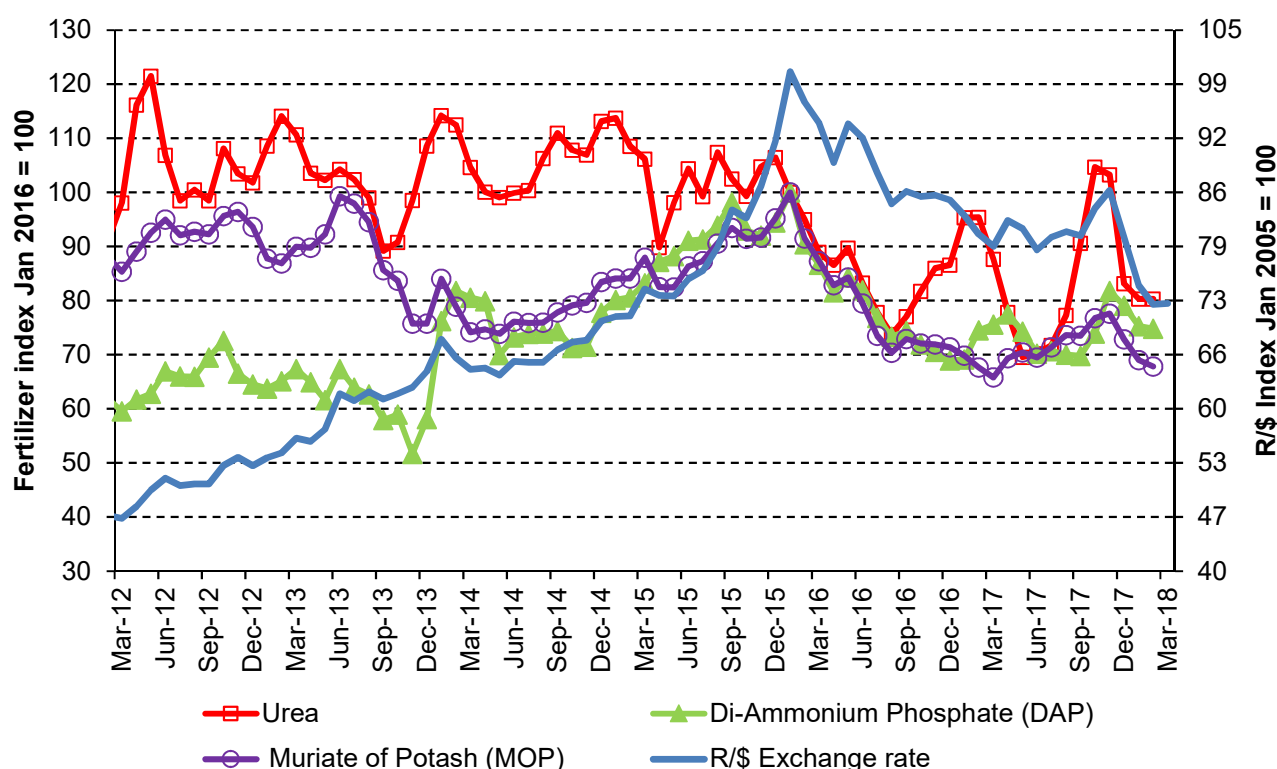


Figure 1: International price trends for selected fertilisers

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

3. Domestic price trends for selected fertilisers

Figure 2, shows the trend of domestic fertiliser prices, between March 2012 and March 2018. From March 2012 to March 2018, the prices of Mono-Ammonium Phosphate (MAP) and Urea increased by 24.5% and 4.8%, respectively, while Potassium Chloride (KCL) decreased by 0.5%. From March 2017 to March 2018, the domestic prices of Urea and MAP decreased by 3.3%, and 1.2%, respectively, while KCL increased by 4.9%.

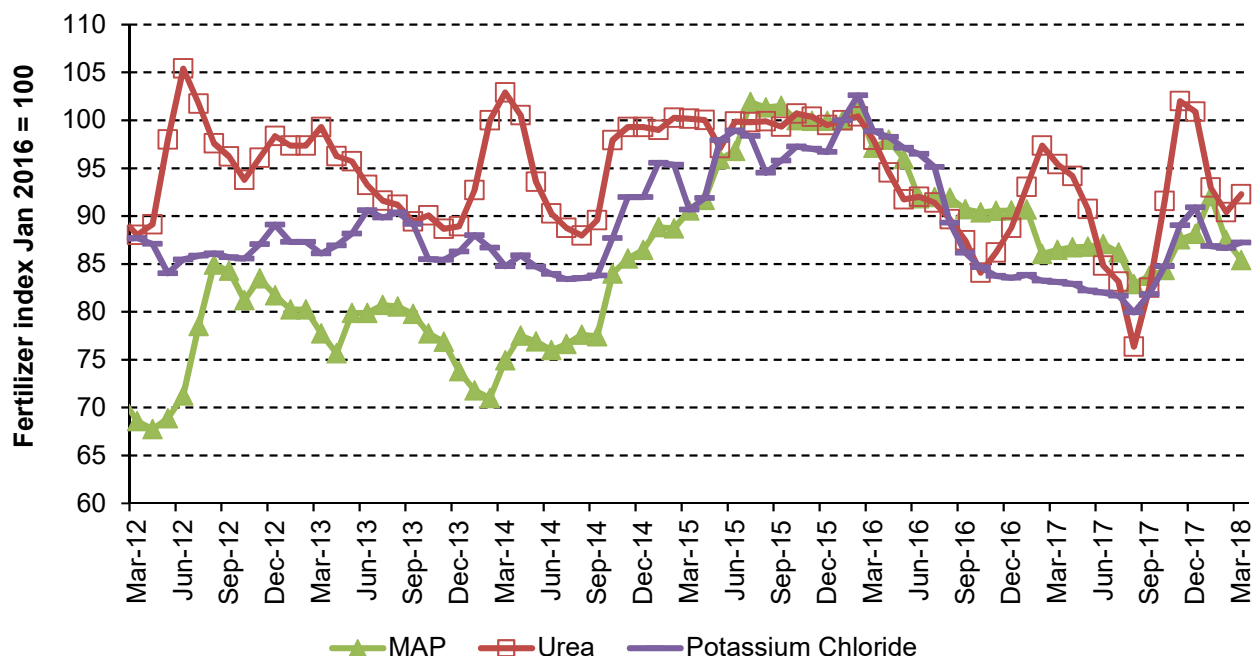


Figure 2: Domestic price trends for selected fertilisers

Source: Own calculations from price lists, 2018.

4. Fuel prices

The domestic 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, 2018). In **Figure 3**, the prices of crude oil, petrol and diesel follow similar trends. From May 2012 to May 2018, the price of petrol and diesel increased by 1.5% and 1.3% respectively, while the US\$ price of crude oil decreased by 19.9%. The price of crude oil (in Rand terms) increased by 7.8% during the same period, mainly attributed to the depreciation of the Rand by 2.3%.

From May 2017 to May 2018, the prices of diesel and petrol increased by 13% and 9.3%, respectively. The price of crude oil (US\$ terms) increased by 40.8%, with 5.4% appreciation of the Rand.

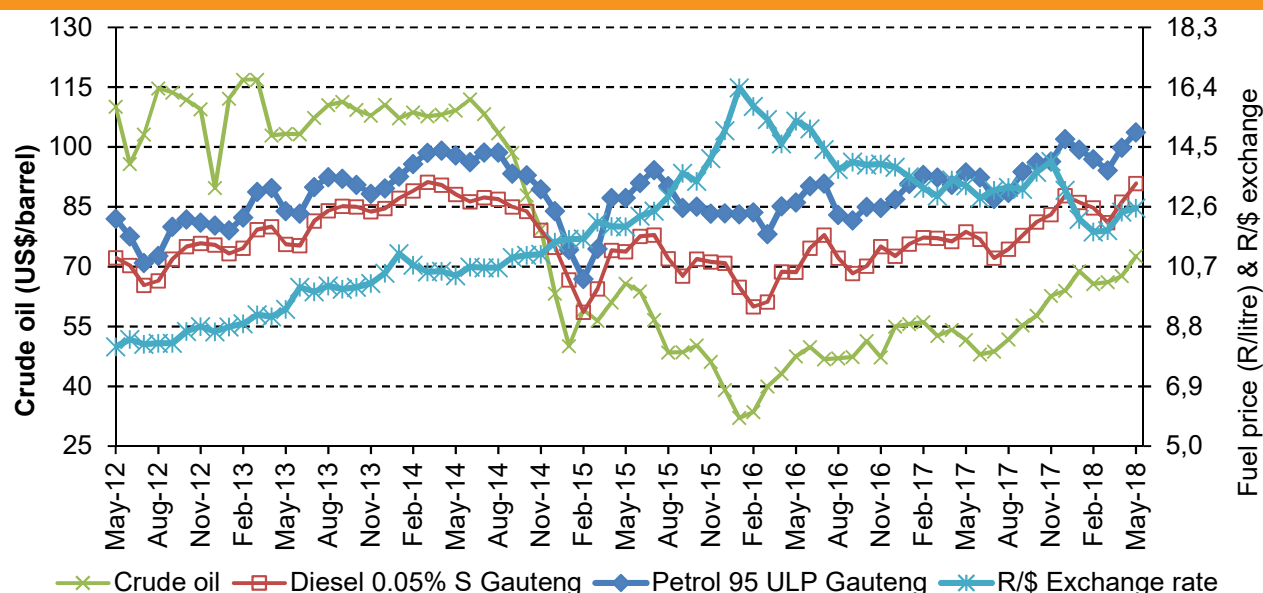


Figure 3: Crude oil and fuel prices

Source: Grain SA and Department of Energy, 2018.

5. Freight Indices

The Baltic Dry Index (BDI) measures international freight rates for dry bulk cargo affected by both the demand to move raw materials internationally, and the supply of shipping capacity. The Grain Freight Index (GFI) measures changes 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 May 2012 to May 2018, the BDI, increased by 26.7%, while GFI decreased by 16.7%. From May 2017 to May 2018, the BDI and GFI increased by 43.2% and 6.8%, respectively. In May 2018, the GFI and BDI were 4 145 and 1 409 index points, respectively.

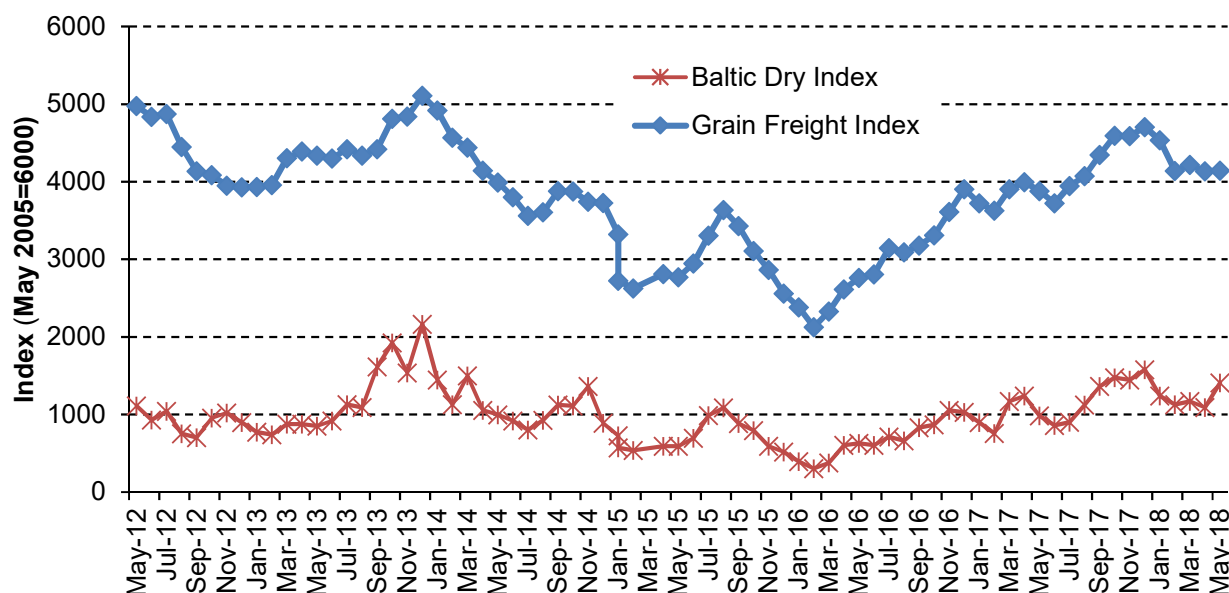


Figure 4: Baltic Dry Index versus Grain Freight Index

Source: SAGIS, 2018.

6. Illuminated paraffin price

Consumers utilize paraffin as an important part of their household energy mix, classified as an essential backup fuel. **Figure 5** depicts the price of illuminated paraffin for the Coastal and Gauteng regions during January 2016 to May 2018. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions increased by 33.1% and 30.0%, respectively.

Between May 2017 and May 2018, the price of illuminated paraffin in the Coastal and Gauteng regions increased by 15.8% and 14.8%, respectively. In May 2018, the price of illuminated paraffin in Gauteng reached R8.45/litre compared to the Coastal regions' price of R7.85/litre.

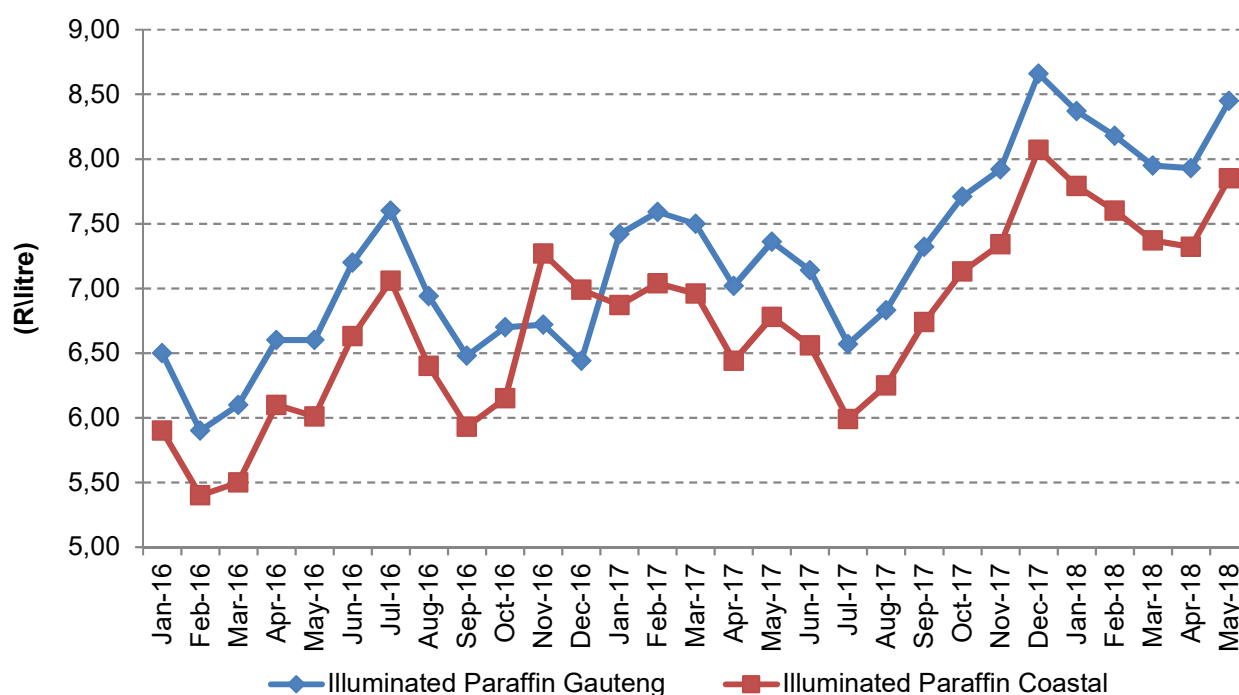


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2018

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