



National Agricultural
Marketing Council
Promoting market access for South African agriculture

Markets and Economic Research Centre



Input cost monitoring

An update on selected items

August 2018

EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From June 2017 to June 2018, the international price (Rand terms) of Urea and Muriate of Potash (MOP) increased by 33.6% and 13.5%, respectively, while Di-Ammonium Phosphate (DAP) decreased by 2.9%. During the same period the R/\$ exchange rate depreciated by 3.1%.



The domestic prices of Urea, Potassium Chloride (KCL) and Mono-Ammonium Phosphate (MAP) increased by 8.5%, 3.9% and 1%, respectively, from June 2017 to June 2018.

❖ Fuel prices & Illuminated paraffin

From July 2017 to July 2018, the prices of diesel and petrol increased by 31.6% and 24.6%, respectively. The price of crude oil (US\$ terms) increased by 49.4%, with a 2.1% depreciation of the Rand.



Between July 2017 and July 2018, the price of illuminated paraffin in the Coastal and Gauteng regions increased by 48.4% and 44.4%, respectively. In July 2018, the price of illuminated paraffin in Gauteng reached R9.49/litre compared to the Coastal regions' price of R8.89/litre

❖ Freight Indices

From July 2017 to July 2018, the Baltic Dry Index (BDI) increased by 36.1%. In July 2018, the BDI reached 1 229 index points.



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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 yield determinant 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 (ICM) report, published by the National Agricultural Marketing Council (NAMC), is a quarterly report analysing selected agricultural production input prices in both 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 was 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 June 2012 to June 2018, the international price (Rand terms) of Muriate of Potash (MOP) and Urea decreased by 17% and 12.3%, respectively, while the Di-Ammonium Phosphate (DAP) increased by 1.8%. During the same period the R/\$ exchange rate depreciated by 58.4%. In US Dollar terms, the prices of MOP, Urea and DAP decreased by 47.6%, 44.6%, and 35.7%, respectively.

From June 2017 to June 2018, the international price (Rand terms) of Urea and MOP increased by 33.6% and 13.5%, respectively, while DAP decreased by 2.9%. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 3.1%.

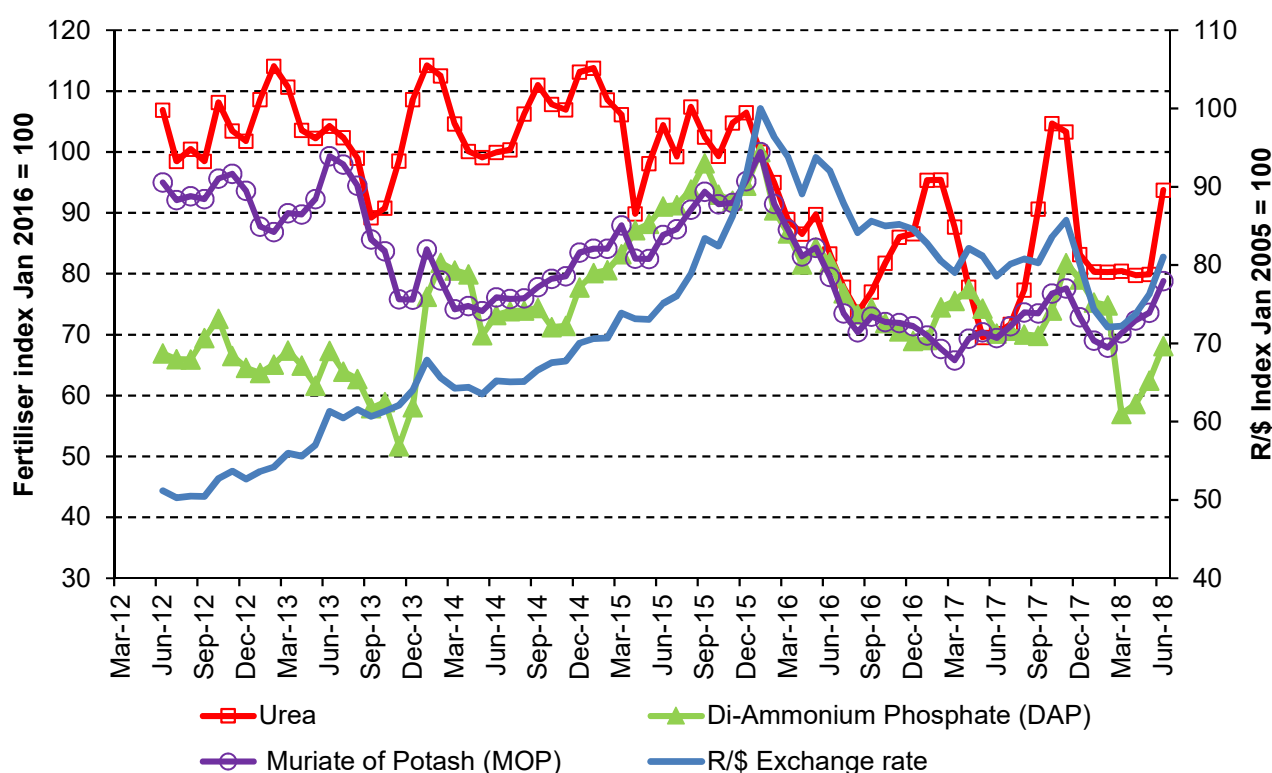


Figure 1: International price trends for selected fertilisers

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 June 2012 and June 2018. From June 2012 to June 2018, the prices of Urea and Potassium Chloride (KCL) decreased by 12.7% and 0.3%, respectively, while Mono-Ammonium Phosphate (MAP) increased by 23.4%. From June 2017 to June 2018, the domestic prices of Urea, KCL and MAP increased by 8.5%, 3.9% and 1.0%, respectively.

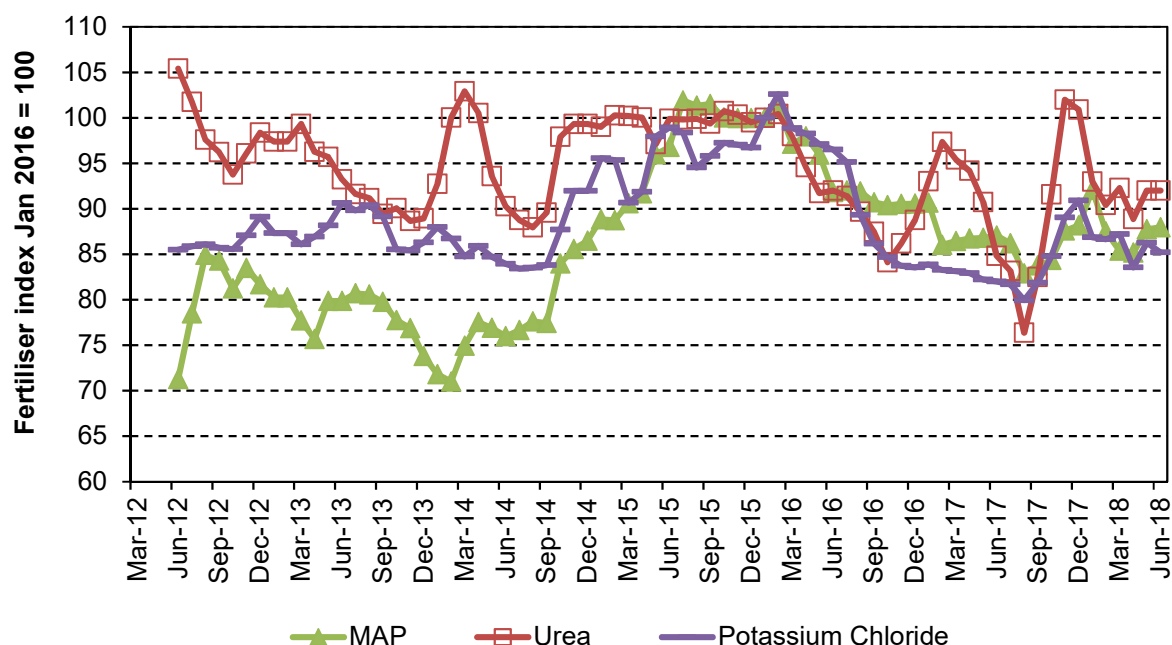


Figure 2: Domestic price trends for selected fertilisers

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 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 July 2012 to July 2018, the price of petrol and diesel increased by 2.7% and 2.3% respectively, while the US\$ price of crude oil decreased by 16%. The price of crude oil (Rand terms) increased by 65.9% during the same period, mainly attributed to the depreciation of the Rand by 2.7%.

From July 2017 to July 2018, the prices of diesel and petrol increased by 31.6% and 24.6%, respectively. The price of crude oil (US\$ terms) increased by 49.4%, with 2.1% depreciation of the Rand.

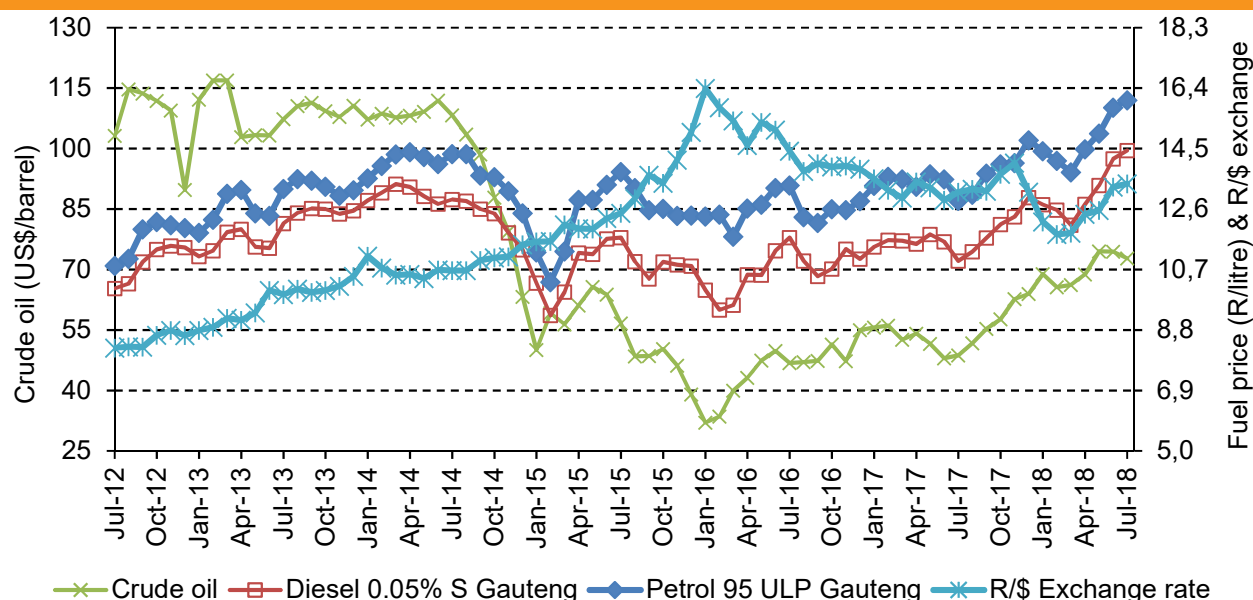


Figure 3: Crude oil and fuel prices

Source: Grain SA and Department of Energy, 2018.

5. Baltic Dry Index

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. This is based on 15 major grain routes, with representation of the different sizes of vessels typically involved in these trades. The BDI is calculated on a monthly basis and it used May 2005 as its base of 6 000. **Figure 4** shows that the BDI increased by 17.8%, between July 2012 and July 2018. From July 2017 to July 2018, the BDI increased by 36.1%. In July 2018, the BDI was 1 229 index points.

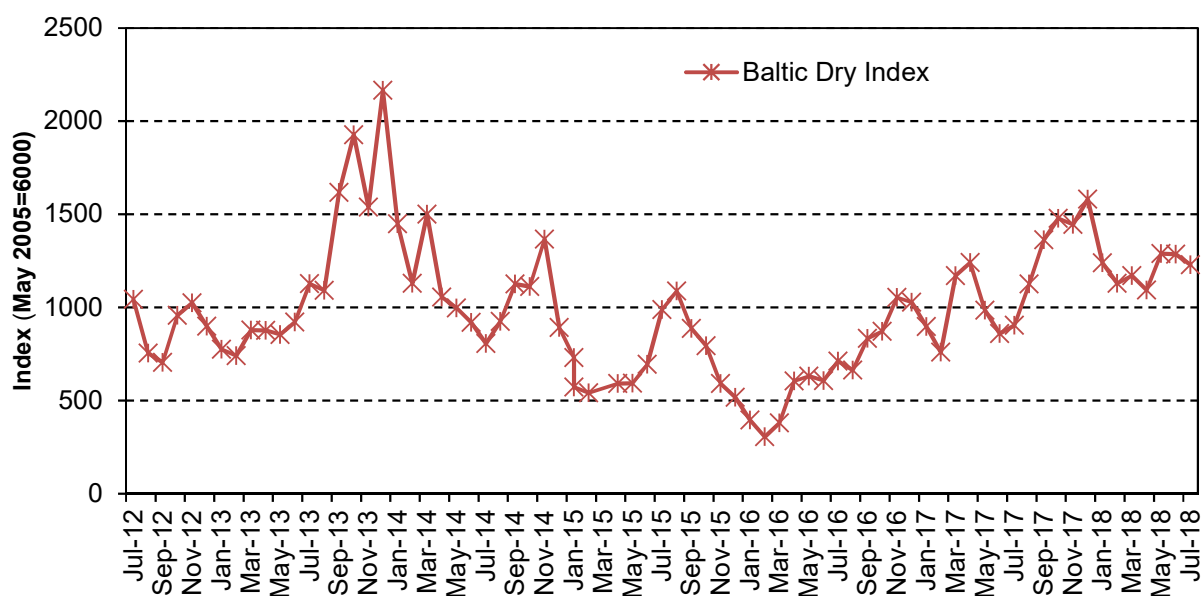


Figure 4: Baltic Dry Index

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 July 2018. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions increased by 50.7% and 46%, respectively.

Between July 2017 and July 2018, the price of illuminated paraffin in the Coastal and Gauteng regions increased by 48.4% and 44.4%, respectively. In July 2018, the price of illuminated paraffin in Gauteng reached R9.49/litre, compared to the Coastal regions' price of R8.89/litre.

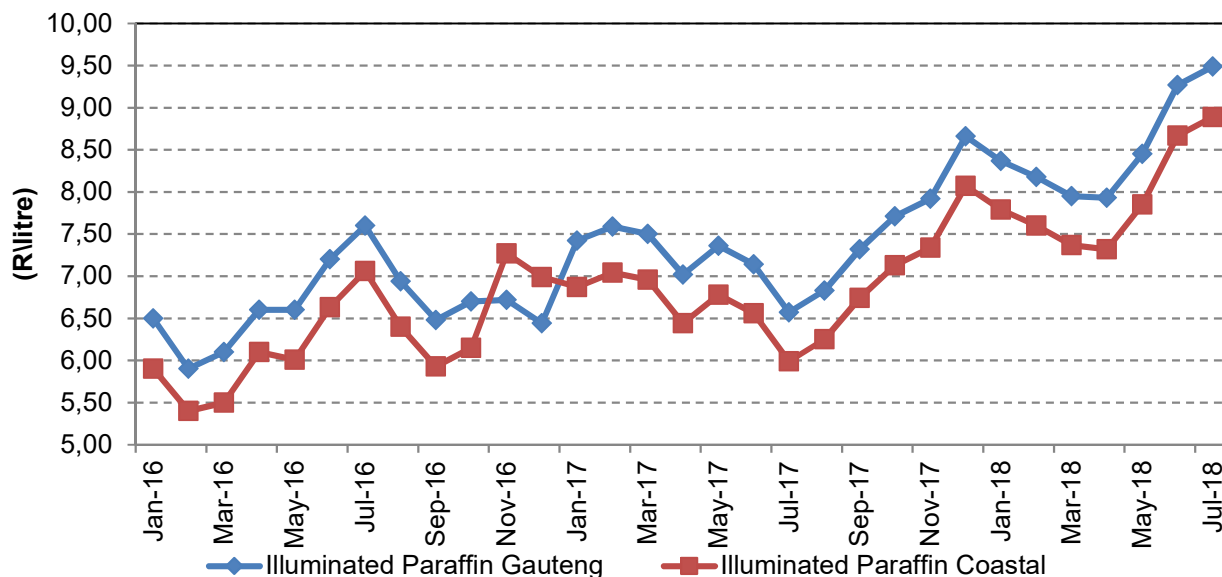


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2018

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