



National Agricultural
Marketing Council
Promoting market access for South African agriculture

Markets and Economic Research Centre



Input cost monitoring

An update on selected items
October 2018

EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From September 2017 to September 2018, the international price (Rand terms) of Urea, Muriate of Potash (MOP) and Di-Ammonium Phosphate (DAP) increased by 28.6%, 23.4% and 16.2%, respectively. During the same period the R/\$ exchange rate depreciated by 11.6%.



The domestic prices of Urea, Mono-Ammonium Phosphate (MAP) and Potassium Chloride (KCL) increased by 33%, 13.9% and 12.9%, respectively, from September 2017 to September 2018.

❖ Fuel prices & Illuminated paraffin

From October 2017 to October 2018, the prices of diesel and petrol increased by 25.1% and 21.9%, respectively. The price of crude oil (US\$ terms) increased by 37.2%, with 7.7% depreciation of the Rand.



In October 2018, the price of illuminated paraffin in Gauteng reached R10.60/litre compared to the Coastal regions' price of R9.97/litre.

❖ Freight Indices

The Baltic Dry Index (BDI) increased by 27.0% between September 2017 and September 2018. In September 2018, the BDI was 1 731 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 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 September 2012 to September 2018, the international price in Rand terms of Urea and Di-Ammonium Phosphate (DAP) increased by 18.3% and 16.8% respectively, while Muriate of Potash (MOP) decreased by 1.7%. During the same period the R/\$ exchange rate depreciated by 77.6%. Measured in US Dollar terms, the prices of MOP, DAP and Urea decreased by 44.7%, 34.2%, and 33.4%, respectively.

From September 2017 to September 2018, the international price (Rand terms) of Urea, MOP and DAP increased by 28.6%, 23.4% and 16.2%, respectively. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 11.6%.

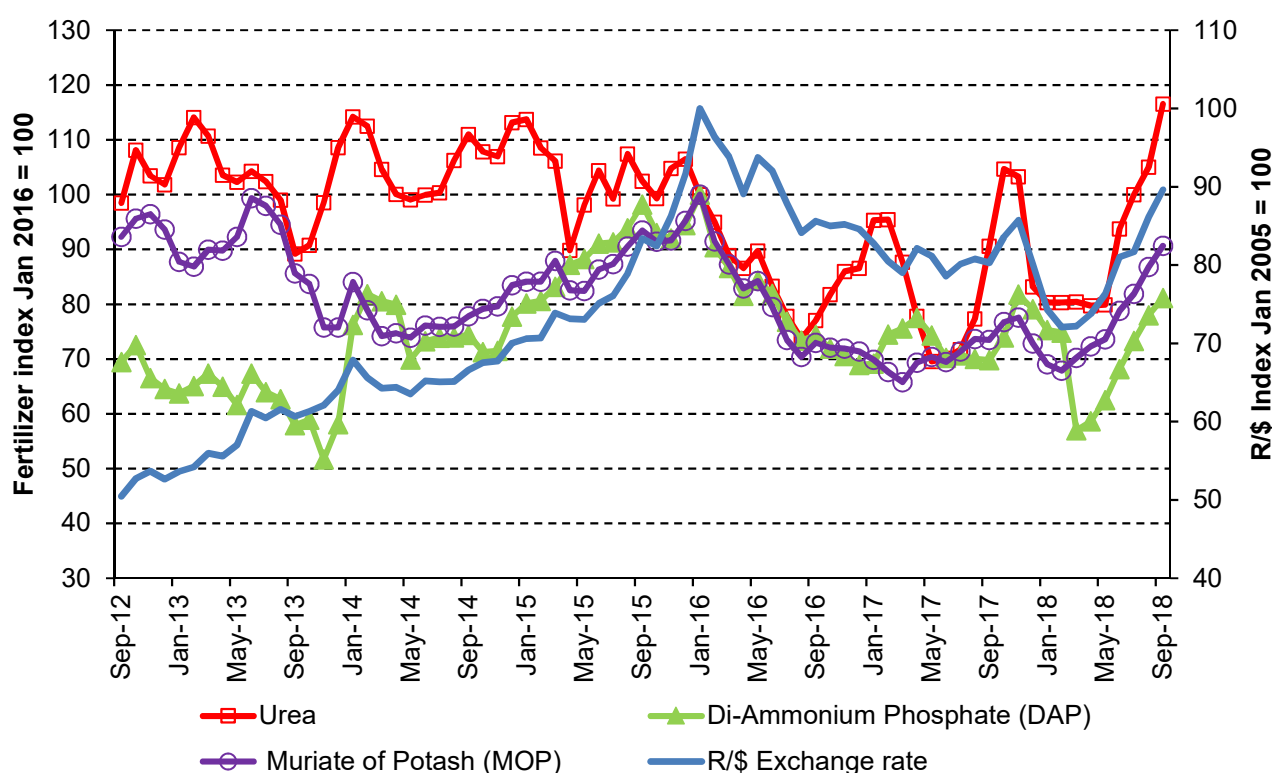


Figure 1: International price trends for selected fertilisers

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 September 2012 and September 2018. From September 2012 to September 2018, the prices of Urea, Mono-Ammonium Phosphate (MAP), and Potassium Chloride (KCL) increased by 14.1%, 13.1% and 7.9%, respectively. From September 2017 to September 2018, the domestic prices of Urea, MAP and KCL increased by 33%, 13.9% and 12.9%, respectively.

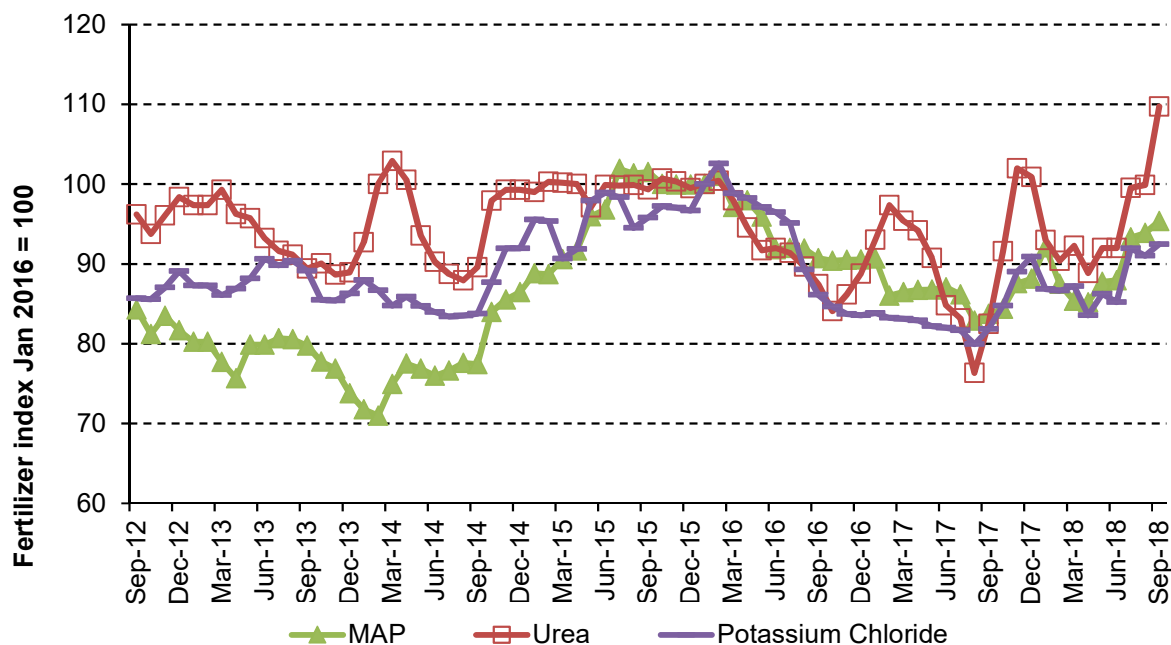


Figure 2: Domestic price trends for selected fertilisers

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 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 October 2012 to October 2018, the price of petrol and diesel increased by 2.5% and 2.0% respectively, while the US\$ price of crude oil decreased by 16.9%. The price of crude oil (in Rand terms) increased by 104.4% during the same period, mainly attributed to the depreciation of the Rand by 3.2%.

From October 2017 to October 2018, the prices of diesel and petrol increased by 25.1% and 21.9%, respectively. The price of crude oil (US\$ terms) increased by 37.2%, with 7.7% depreciation of the Rand.

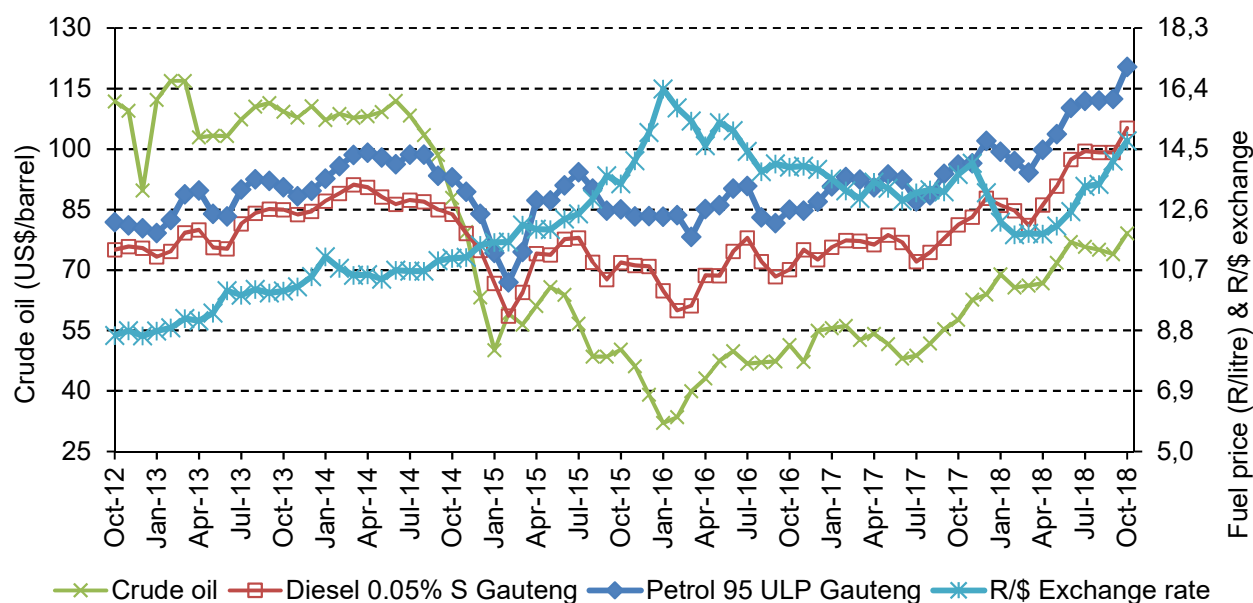


Figure 3: Crude oil and fuel prices

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 27.0% between September 2017 and September 2018. From September 2012 to 2018, the BDI increased by 146.0%. In September 2018, the BDI was 1 731 index points.

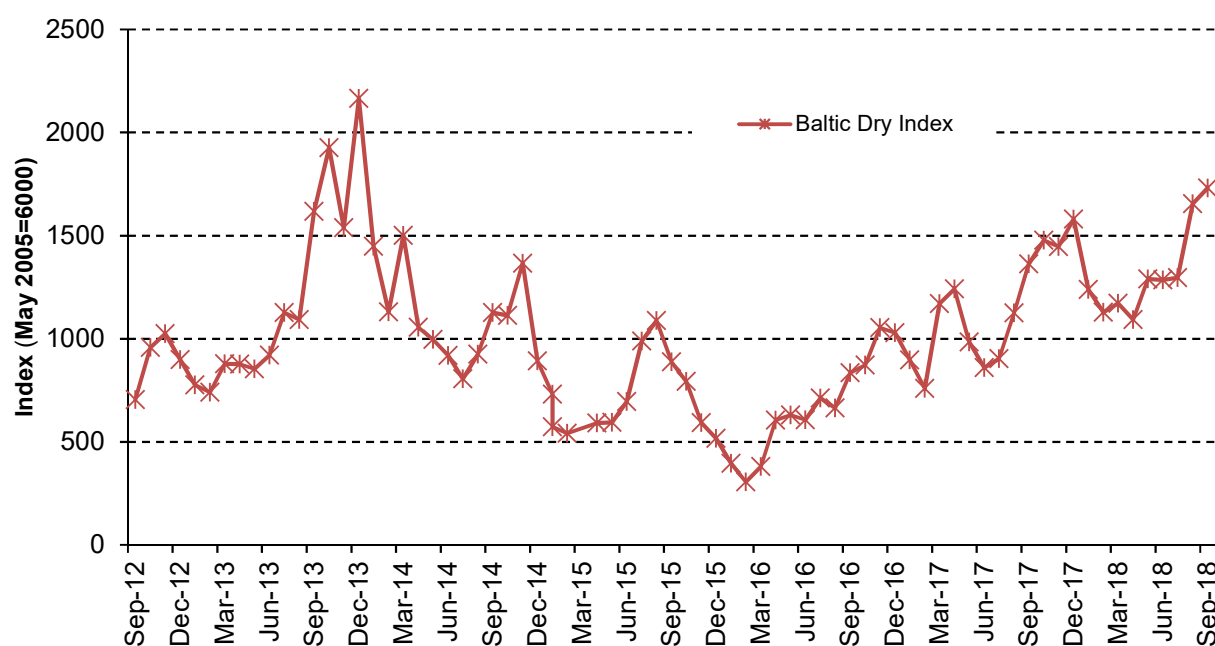


Figure 4: Baltic Dry Index versus Grain Freight Index

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 October 2018. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions increased by 69.0% and 63.1%, respectively.

Between October 2017 and October 2018, the price of illuminated paraffin in the Coastal and Gauteng regions increased by 39.8% and 37.5%, respectively. In October 2018, the price of illuminated paraffin in Gauteng reached R10.60/litre compared to the Coastal regions' price of R9.97/litre.

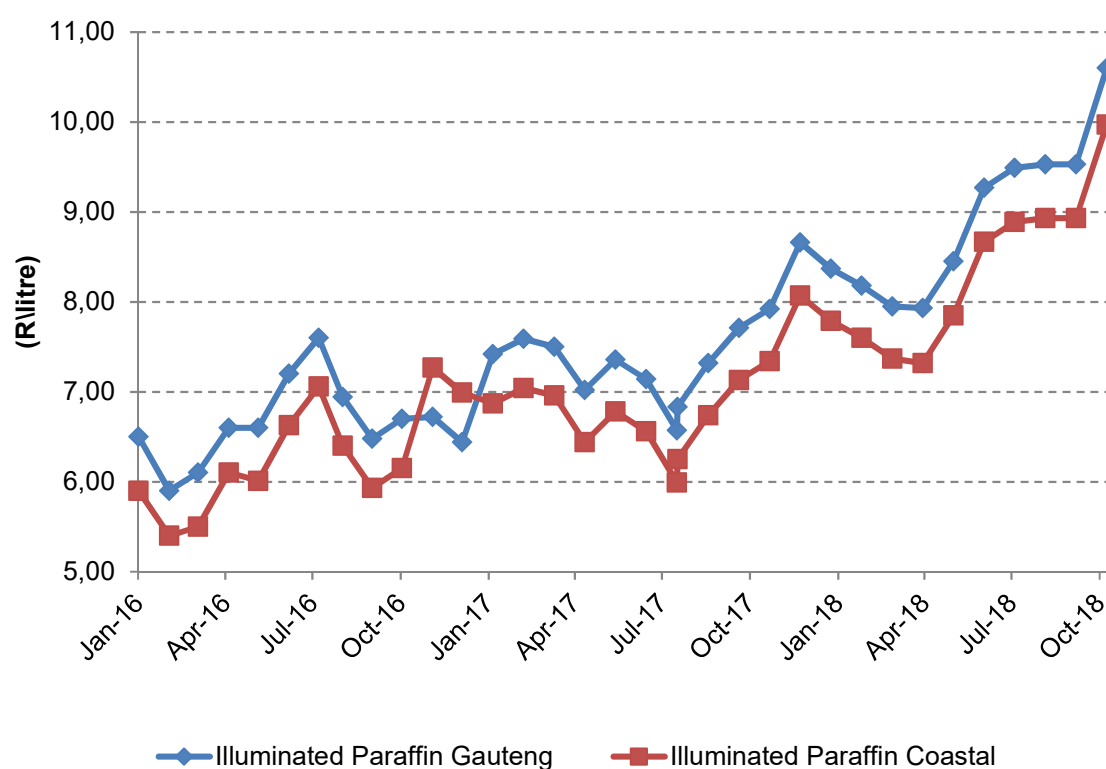


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng

Source: Department of Energy, 2018

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