



National Agricultural
Marketing Council
Promoting market access for South African agriculture

Markets and Economic Research Centre



Input cost monitoring

An update on selected items

January 2019

EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From December 2017 to December 2018, the international price (Rand terms) of Urea, Muriate of Potash (MOP) and Di-Ammonium Phosphate (DAP) increased by 43.6%, 29.4% and 0.2%, respectively. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 8.7%.



The domestic prices of Urea, Mono-Ammonium Phosphate (MAP) and Potassium Chloride (KCL) increased by 15.0%, 5.8% and 5.7%, respectively, from December 2017 to December 2018,

❖ Fuel prices & Illuminated paraffin

From January 2018 to January 2019, the prices of petrol and diesel decreased by 2.8%, and 0.8% respectively. The price of crude oil (US\$ terms) decreased by 16.7%, with 17.0% depreciation of the Rand.



In January 2019, the price of illuminated paraffin in Gauteng reached R8.82/litre compared to the Coastal regions' price of R7.68/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 December 2012 to December 2018, the international price in Rand terms of Di-Ammonium Phosphate (DAP), Urea and Muriate of Potash (MOP) increased by 22.8%, 12.4% and 0.2%, respectively. During the same period the R/\$ exchange rate depreciated by 65.4%. Measured in US Dollar terms, the prices of MOP, Urea and DAP decreased by 39.4%, 32.0%, and 25.7%, respectively.

From December 2017 to December 2018, the international price (Rand terms) of Urea, MOP and DAP increased by 43.6%, 29.4% and 0.2%, respectively. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 8.7%.

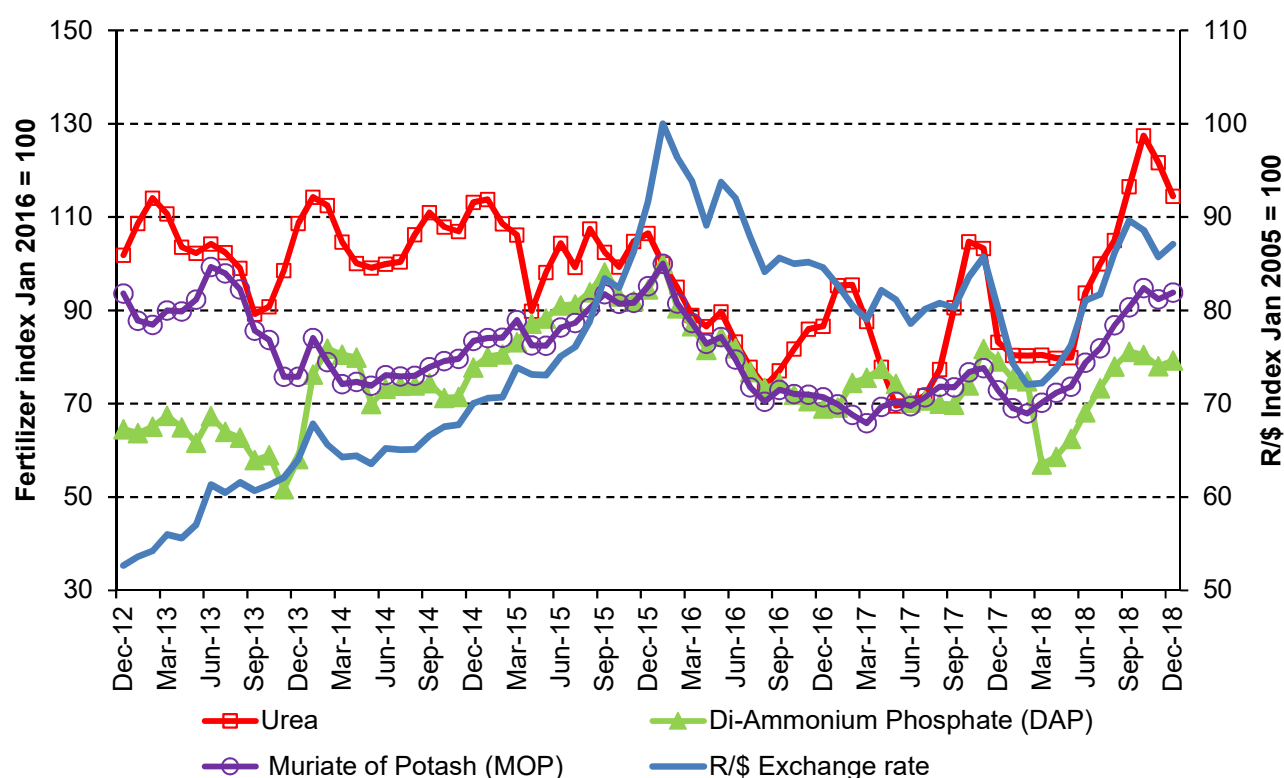


Figure 1: International price trends for selected fertilisers

Source: Own calculations based on data from Grain SA, 2019.

3. Domestic price trends for selected fertilisers

Figure 2, shows the trend of domestic fertiliser prices, between December 2012 and December 2018. From December 2012 to December 2018, the prices of Urea, Mono-Ammonium Phosphate (MAP), and Potassium Chloride (KCL) increased by 15.3%, 14.0% and 7.2%, respectively. From December 2017 to December 2018, the domestic prices of Urea, MAP and KCL increased by 15.0%, 5.8% and 5.7%, respectively.

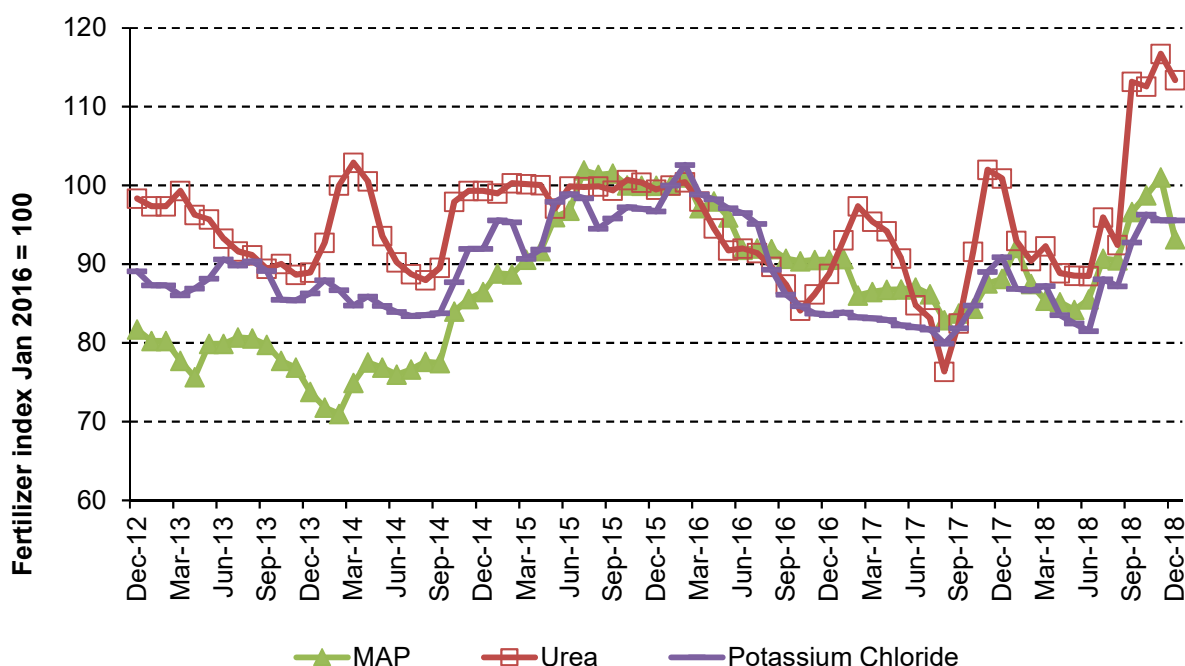


Figure 2: Domestic price trends for selected fertilisers

Source: Own calculations from price lists, 2019.

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, 2019). In **Figure 3**, the prices of crude oil, petrol and diesel follow similar trends. From January 2013 to January 2019, the price of petrol and diesel increased by 1.1% and 0.8% respectively, while the US\$ price of crude oil decreased by 28.0%. The price of crude oil (in Rand terms) decreased by 85.0% during the same period, mainly due to high levels of uncertainty surrounding global economic growth forecasts, which was intensified by easing geopolitical tension and by the potential negative impact of US-China trade dispute on the global economy (OPEC, 2019).

From January 2018 to January 2019, the prices of petrol and diesel decreased by 2.8%, and 0.8% respectively. The price of crude oil (US\$ terms) decreased by 16.7%, with 17.0% depreciation of the Rand.

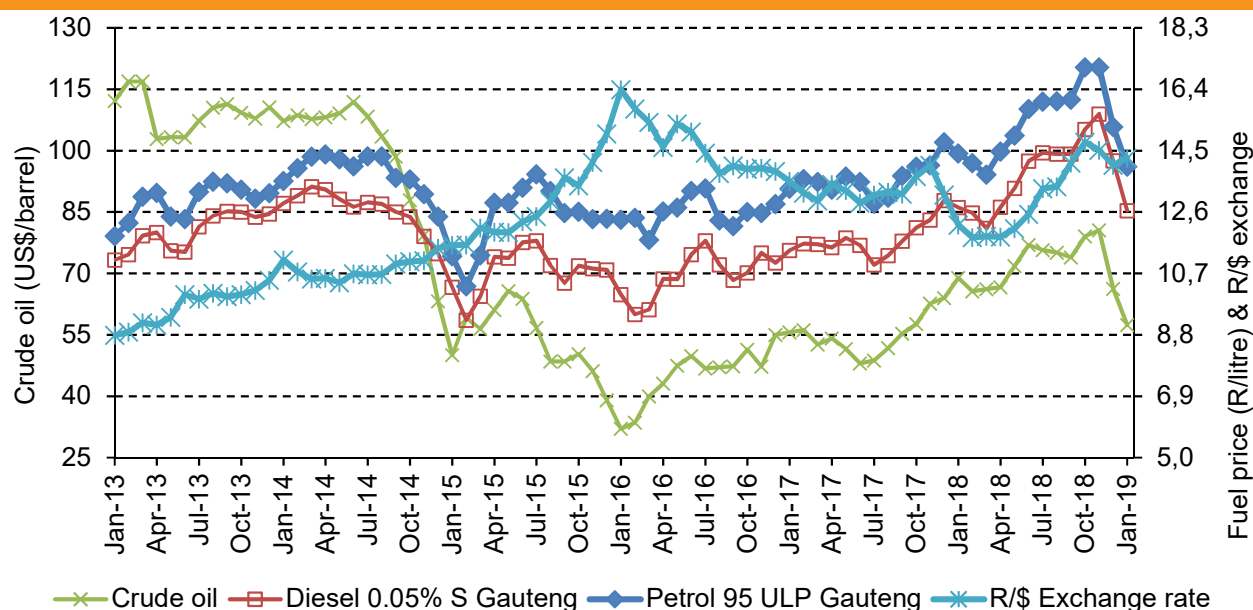


Figure 3: Crude oil and fuel prices

Source: Grain SA and Department of Energy, 2019.

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. The BDI is calculated on a monthly basis and it used May 2005 as its base of 6 000. The Grain Freight Index (GFI) measures movements in rates for ocean transportation of grains. In May 2018, the International Grain Council (IGC) introduced new Grain and Oilseeds Freight Index (GOFI) with January 2013 as its base year and it represents 68 major grain routes. **Figure 4** shows that the BDI increased by **27.0%** between January 2013 and January 2019. From January 2018 to 2019, the BDI increased by **146.0%**. In January 2019, the BDI was **1 731** index points. Between May 2018 and January 2019, the GOFI was and in January 2019 it was

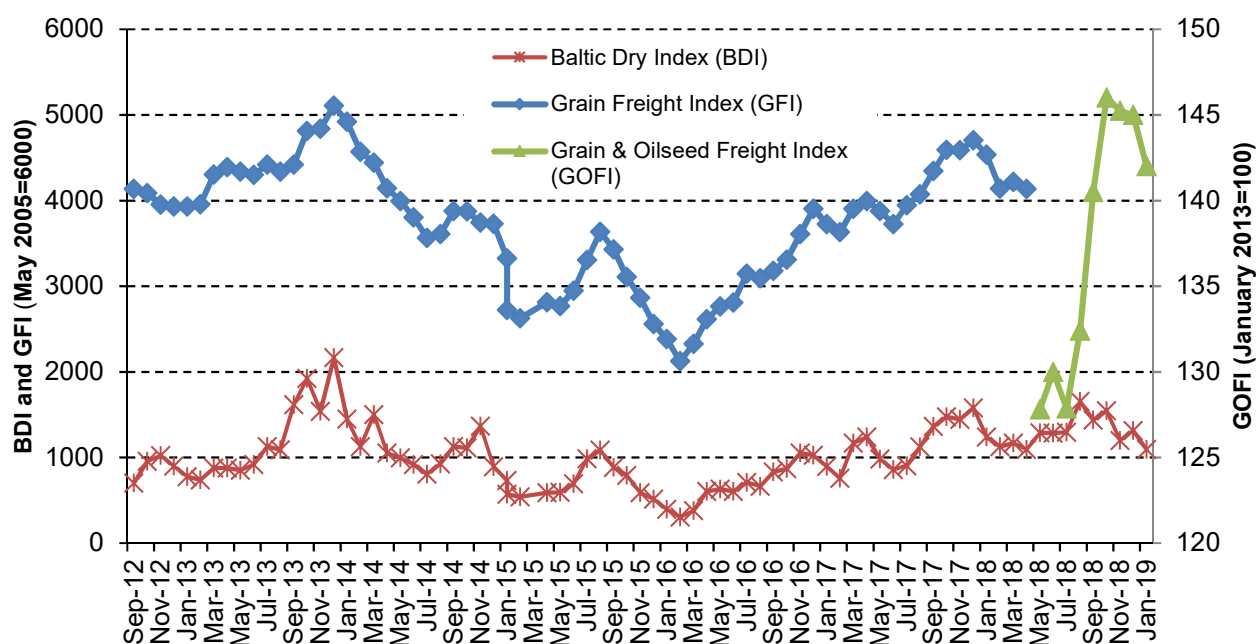


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

Source: SAGIS, 2019.

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 January 2019. During this period, the price of illuminated paraffin for the Gauteng and Coastal regions increased by 35.7% and 30.2%, respectively.

Between January 2018 and January 2019, the price of illuminated paraffin in Gauteng increased by 5.4% whilst the Coastal regions decreased by 1.4%, respectively. In January 2019, the price of illuminated paraffin in Gauteng reached R8.82/litre compared to the Coastal regions' price of R7.68/litre.

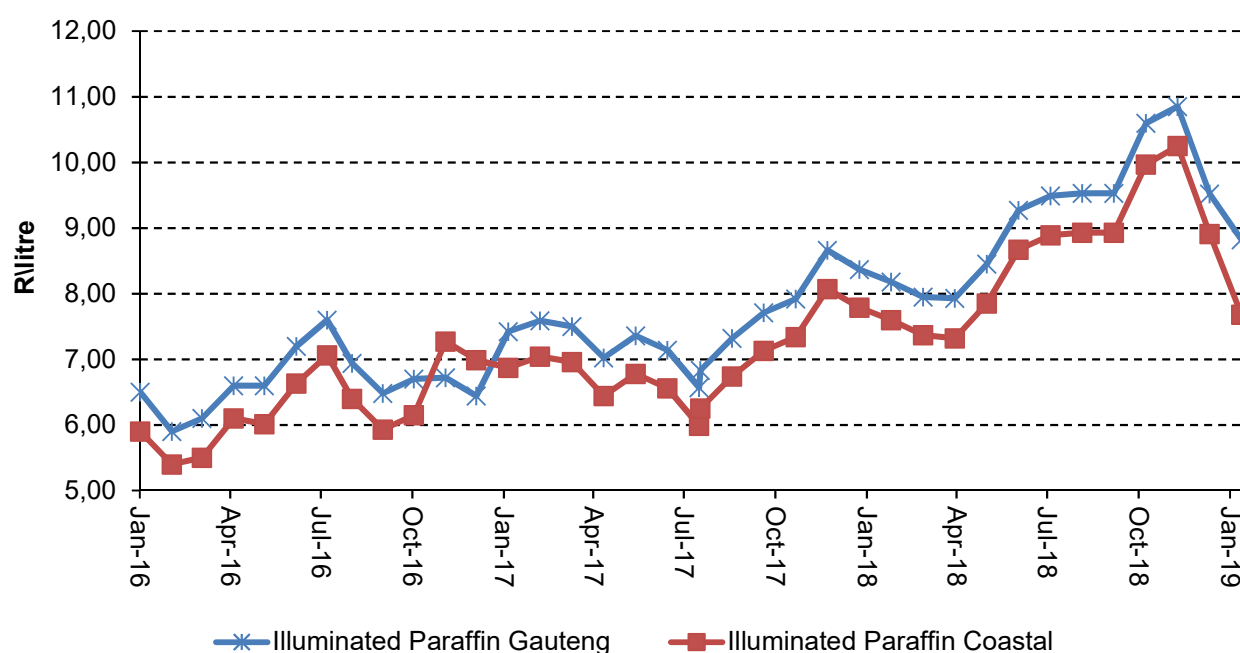


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2019

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