



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 2019

EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From February 2018 to February 2019, the international price (Rand terms) of MOP, Urea and DAP increased by 37.9%, 19.1% and 13.6%, respectively. During the same period the R/\$ exchange rate depreciated by 17.1%.



The domestic prices of Urea, KCL and MAP increased by 19.4%, 8.2% and 7.5%, respectively, from February 2018 to February 2019.

❖ Fuel prices & Illuminated paraffin

From March 2018 to March 2019, the prices of diesel and petrol increased by 16.2%, and 7.7% respectively. The price of crude oil (US\$ terms) decreased by 2.5%, with 16.7% depreciation of the Rand.



In March 2019, the price of illuminated paraffin in Gauteng reached R9/litre compared to the Coastal regions' price of R8.39/litre.

❖ Freight Indices

From February 2018 to February 2019, the Baltic Dry Index (BDI) and Grain and Oilseeds Freight Index (GOFI) decreased by 44.4% and 15.2%, respectively. In February 2019, the BDI was 628 index points and the GOFI was 108 index points.



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1. Introduction

Agricultural inputs provide potential to improve agricultural productivity with the ultimate goal of maximising agricultural productivity. Agricultural inputs are an imperative 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 both domestic and international markets. The objective of this report is to compile information on both historic and current price trends of selected agricultural production inputs in South Africa versus the international perspective.

The data for this publication is 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 February 2013 to February 2019, the international price (Rand terms) of Di-Ammonium Phosphate (DAP) and Muriate of Potash (MOP), increased by 30.6% and 7.7%, respectively and Urea decreased by 16.2%. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 55.7%. The prices of Urea, MOP and DAP (US Dollar terms) decreased by 46.1%, 30.8%, and 16.1%, respectively.

From February 2018 to February 2019, the international price (Rand terms) of MOP, Urea and DAP increased by 37.9%, 19.1% and 13.6%, respectively. During the same period the R/\$ exchange rate depreciated by 17.1%.

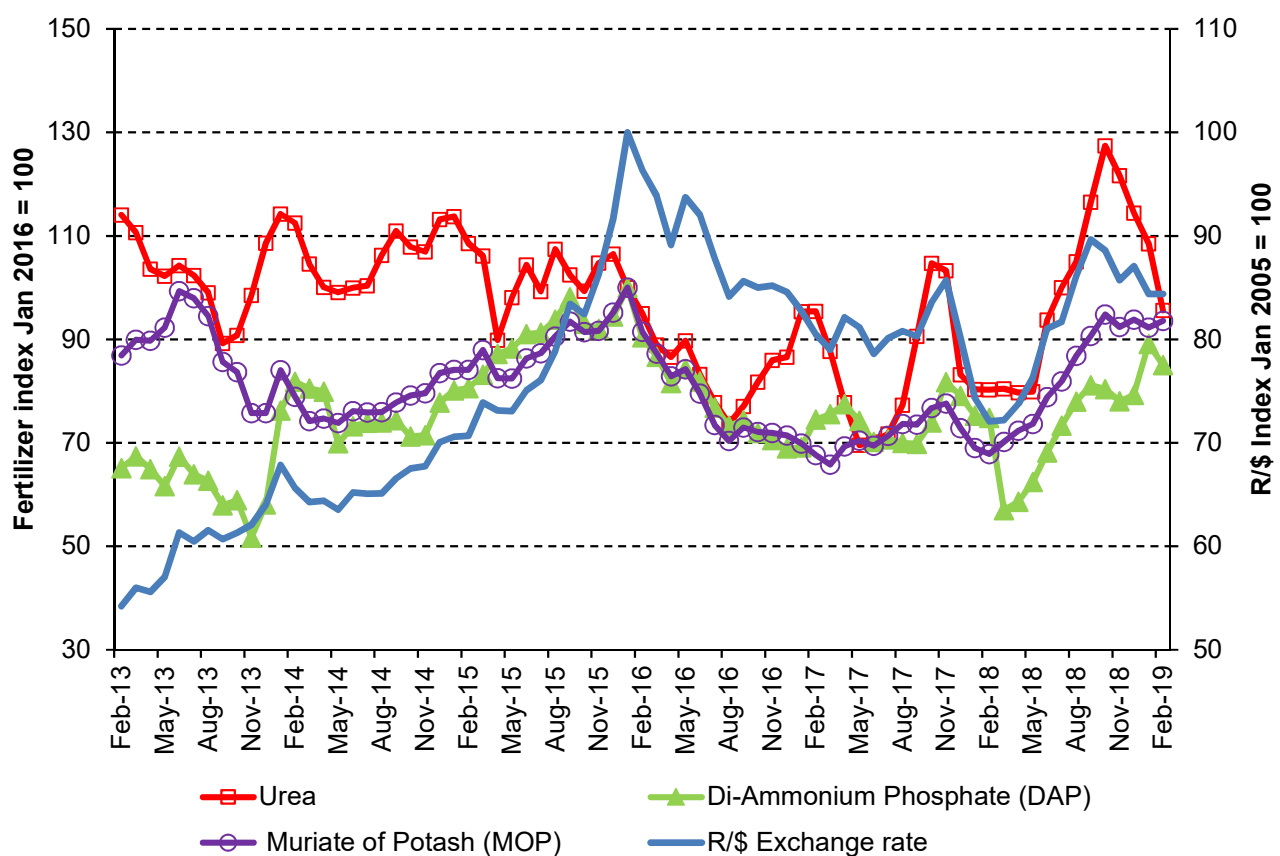


Figure 1: International price trends for selected fertilisers

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 February 2013 and February 2019. From February 2013 and February 2019, the prices of Mono-Ammonium Phosphate (MAP), Urea and Potassium Chloride (KCL) increased by 17.2%, 10.8% and 7.4%, respectively. From February 2018 to February 2019, the domestic prices of Urea, KCL and MAP increased by 19.4%, 8.2% and 7.5%, respectively.

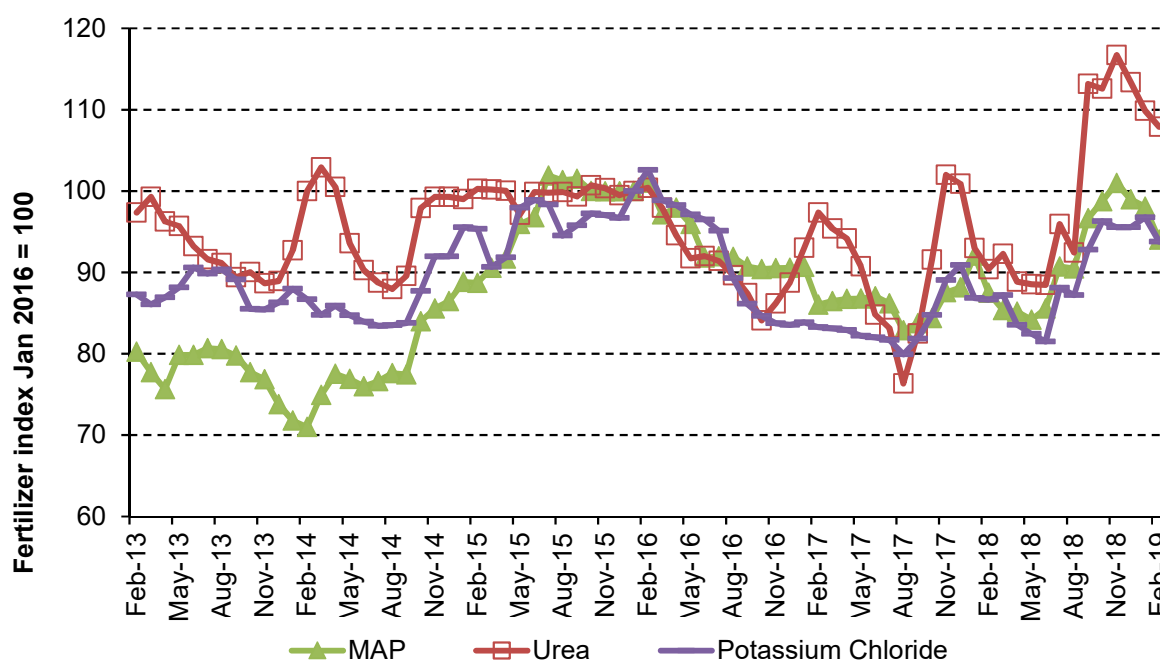


Figure 2: Domestic price trends for selected fertilisers

Source: Own calculations from price lists, 2019.

4. Fuel prices

The domestic fuel 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, 2019). In **Figure 3**, the prices of crude oil, petrol and diesel follow similar trends. From March 2013 to March 2019, the price of diesel and petrol increased by 18.3% and 13.3% respectively, while the US\$ price of crude oil decreased by 44.8%. During the same period the price of crude oil (Rand terms) decreased by 16.8% 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 March 2018 to March 2019, the prices of diesel and petrol increased by 16.2%, and 7.7% respectively. The price of crude oil (US\$ terms) decreased by 2.5%, with 16.7% depreciation of the Rand. The US\$/barrel price increased by 7.6% during March 2019 following an increase of 4.5% during February 2019. According to BusinessDay, OPEC and a group of non-affiliated producers including Russia, known as OPEC-Plus, cut supply in 2019 to halt a sharp price drop, which began in the second-half of 2018 due to booming US production and fears of a global economic slowdown. (<https://www.businesslive.co.za/bd/markets/2019-03-19-oil-prices-rises-to-2019-highs-on-opec-cuts/>, 2019).

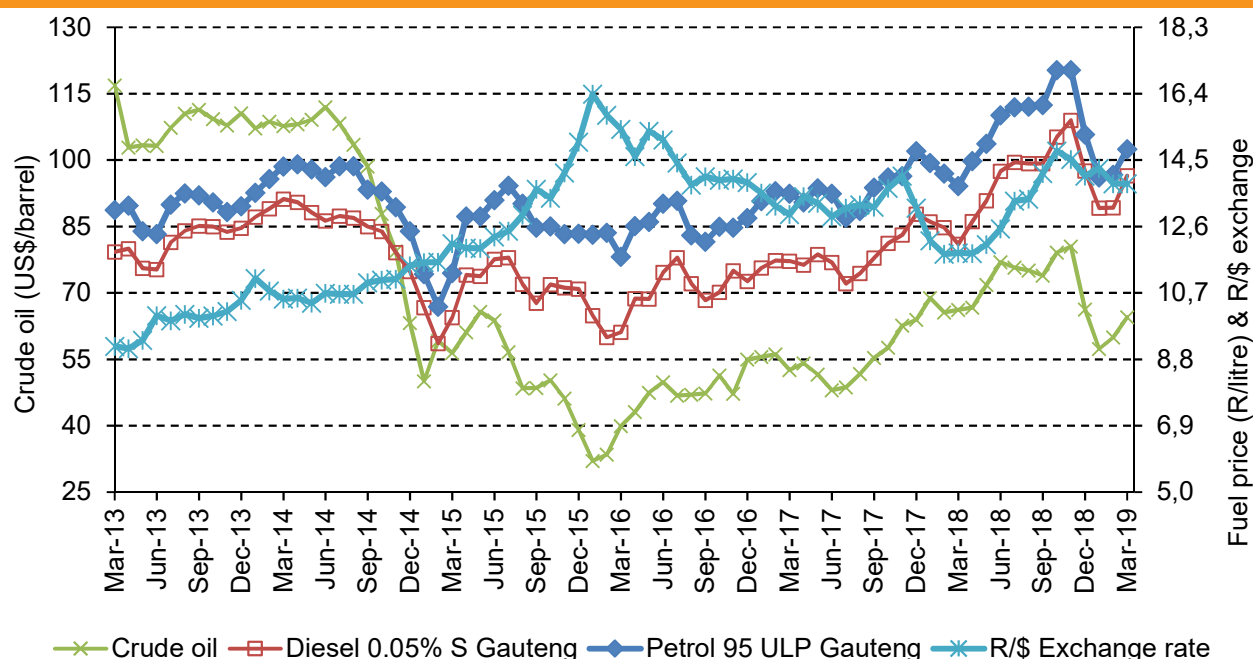


Figure 3: Crude oil and fuel prices

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 with May 2005 as its base of 6 000. The International Grain Council (IGC) introduced a new Grain and Oilseeds Freight Index (GOFI) with January 2013 as its base year which represents 68 major grain routes.

In **Figure 4**, between February 2013 and February 2019 the BDI decreased by 15.2% and the GOFI increased by 5.3%. From February 2018 to February 2019, the BDI and GOFI decreased by 44.4% and 15.2%, respectively. According to the IGC the freight indices declined and reflect generally subdued market sentiments and declining supply and demand fundamentals, led by losses in the Black Sea region against the backdrop of slower grains dispatches.

In February 2019, the BDI was 628 index points and the GOFI was 108 index points.

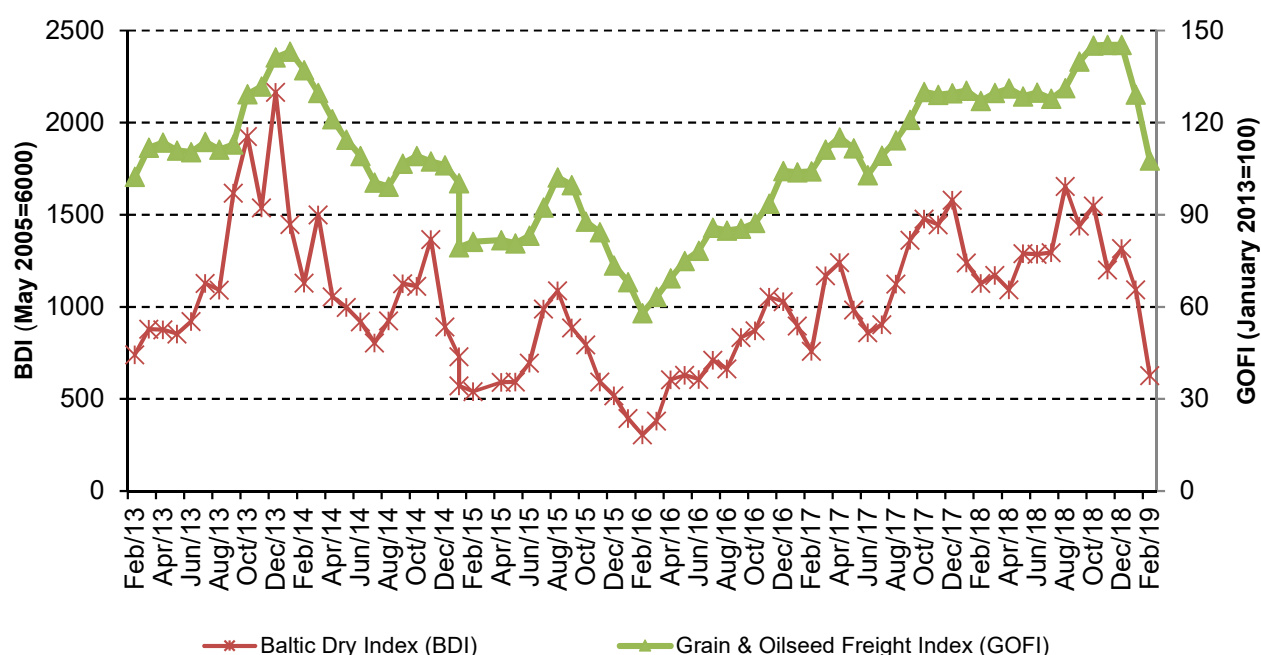


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

Source: SAGIS, 2019.

6. Illuminated paraffin price

Consumers utilise paraffin as an alternative source 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 March 2016 to March 2019. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions increased by 52.6% and 47.5%, respectively.

Between March 2018 and March 2019, the price of illuminated paraffin in Coastal and Gauteng regions increased by 13.9% and 13.2%, respectively. In March 2019, the price of illuminated paraffin in Gauteng reached R9/litre compared to the Coastal regions' price of R8.39/litre.

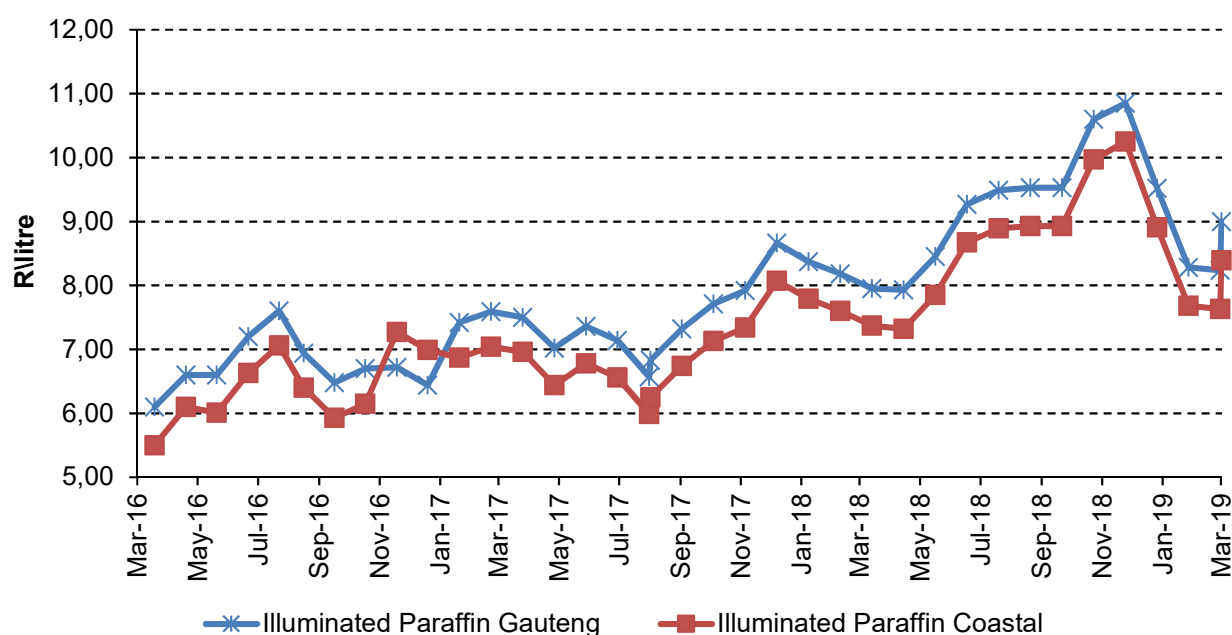


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng

Source: Department of Energy, 2019.

Compiled by:

Trends and discussion on selected topics:

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