



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 2019

EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From March 2013 to March 2019, the international price (Rand terms) of Di-Ammonium Phosphate (DAP) increased by 19.6%, whilst that of Urea and Muriate of Potash (MOP) decreased by 21.3% and 1.1%, respectively. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 45.8%.



The domestic prices of Urea, KCL and MAP increased by 14.3%, 11.1% and 7.5%, respectively, from March 2018 to March 2019.

❖ Fuel prices & Illuminated paraffin

From May 2013 to May 2019, the price of petrol and diesel increased by 33.7% and 30.4% respectively, while the US\$ price of crude oil decreased by 30.8%. During the same period the price of crude oil (Rand terms) increased by 4.2%.



In May 2019, the price of illuminated paraffin in Gauteng reached R9.66/litre compared to the Coastal regions' price of R8.98/litre.

❖ Freight Indices

From May 2013 and May 2019 the BDI increased by 18.3% and the GOFI by 4.3%, respectively. In May 2019, the BDI was 1 009 index points and the GOFI was 116 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 that will track 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 March 2013 to March 2019, the international price (Rand terms) of Di-Ammonium Phosphate (DAP) increased by 19.6%, whilst Urea and Muriate of Potash (MOP) decreased by 21.3% and 1.1%, respectively. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 45.8%. The prices of Urea, MOP and DAP (US Dollar terms) decreased by 46%, 32.2%, and 18%, respectively.

From March 2018 to March 2019, the international price (Rand terms) of DAP, MOP and Urea increased by 41.4%, 26.7% and 8.3%, respectively. During the same period the R/\$ exchange rate depreciated by 13.1%.

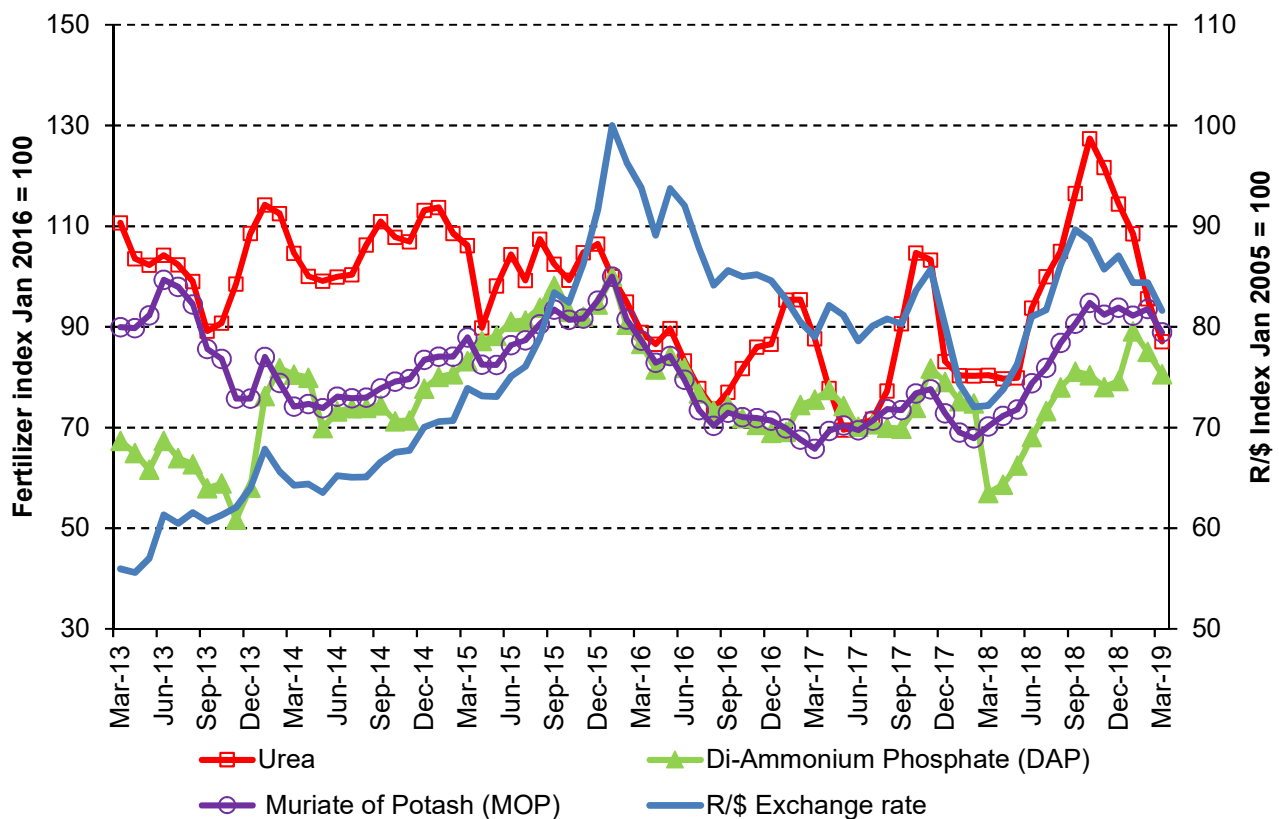


Figure 1: International price trends for selected fertilisers

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 March 2013 and March 2019. From March 2013 and March 2019, the prices of Mono-Ammonium Phosphate (MAP), Potassium Chloride (KCL) and Urea increased by 22.1%, 8.9% and 6.2%, respectively. From March 2018 to March 2019, the domestic prices of Urea, MAP and KCL increased by 14.3%, 11.1% and 7.5%, respectively.

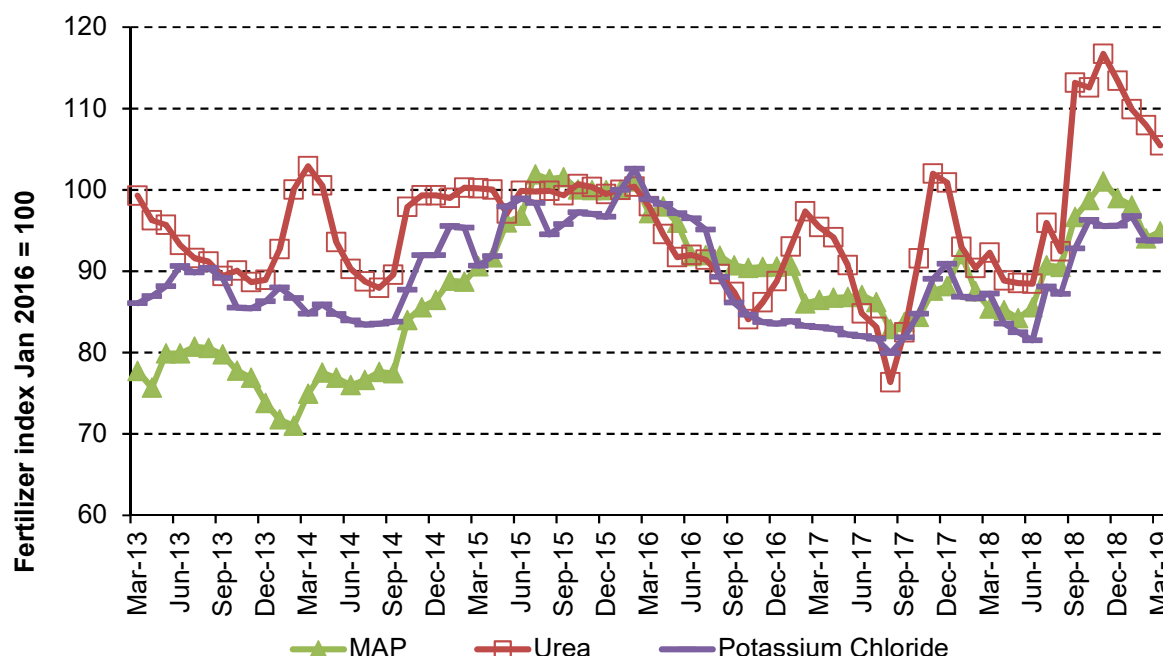


Figure 2: Domestic price trends for selected fertilisers

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 May 2013 to May 2019, the price of petrol and diesel increased by 33.7% and 30.4% respectively, while the US\$ price of crude oil decreased by 30.8%. During the same period the price of crude oil (Rand terms) increased by 4.2% mainly due to the slowdown of the global economy, supply situations in amongst other Venezuela and the ongoing trade war between USA and China (OPEC, 2019).

From May 2018 to May 2019, the prices of diesel and petrol increased by 11.6% and 11.4%, respectively. The price of crude oil (US\$ terms) decreased by 0.4%, with 16.5% depreciation of the Rand. The US\$/barrel price increased by 7% during May 2019 following an increase of 3.6% during April 2019.

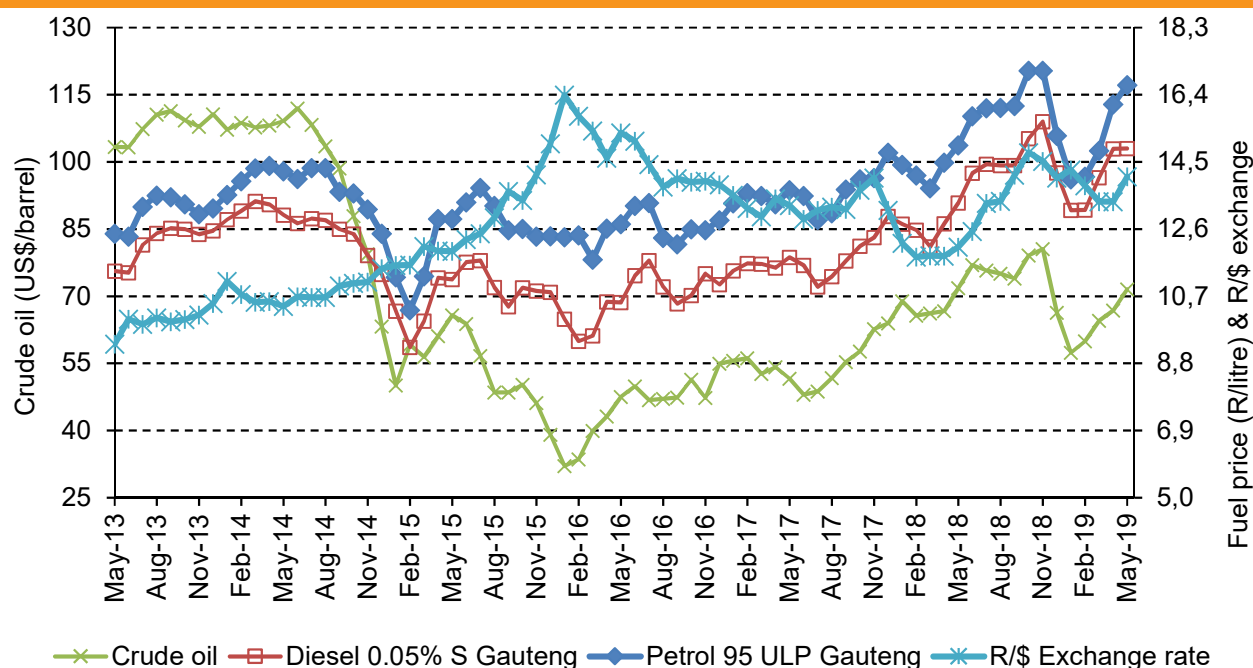


Figure 3: Crude oil and fuel prices

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 May 2013 and May 2019 the BDI increased by 18.3% and the GOFI by 4.3%, respectively. From May 2018 to May 2019, the BDI and GOFI decreased by 21.7% and 10%, respectively. According to the IGC slight gains across all underlying sectors continued to pull the BDI higher. Strong activity in the Pacific, coupled with fresh business out of Colombia, offered support to Capesize rates, while S America remained the driver for Panamax earnings.

In May 2019, the BDI was 1 009 index points and the GOFI was 116 index points.

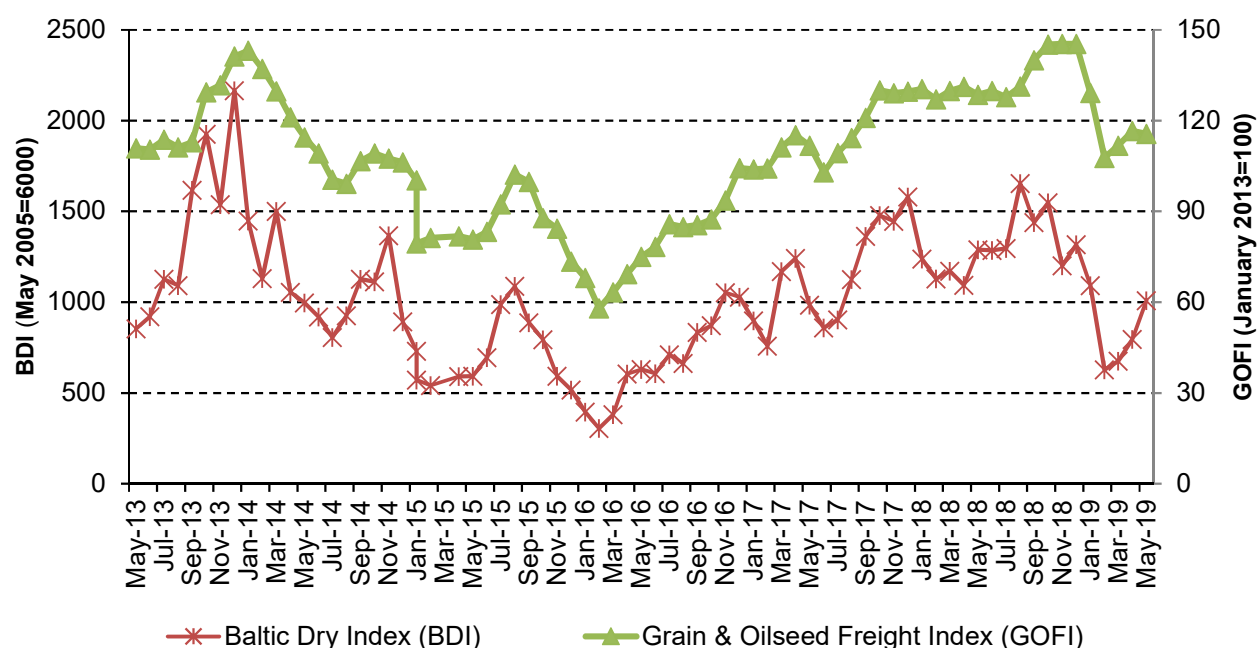


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

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 May 2016 to May 2019. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions increased by 49.5% and 46.3%, respectively.

Between May 2018 and May 2019, the price of illuminated paraffin in Coastal and Gauteng regions increased by 14.5% and 14.3%, respectively. In May 2019, the price of illuminated paraffin in Gauteng reached R9.66/litre compared to the Coastal regions' price of R8.98/litre.

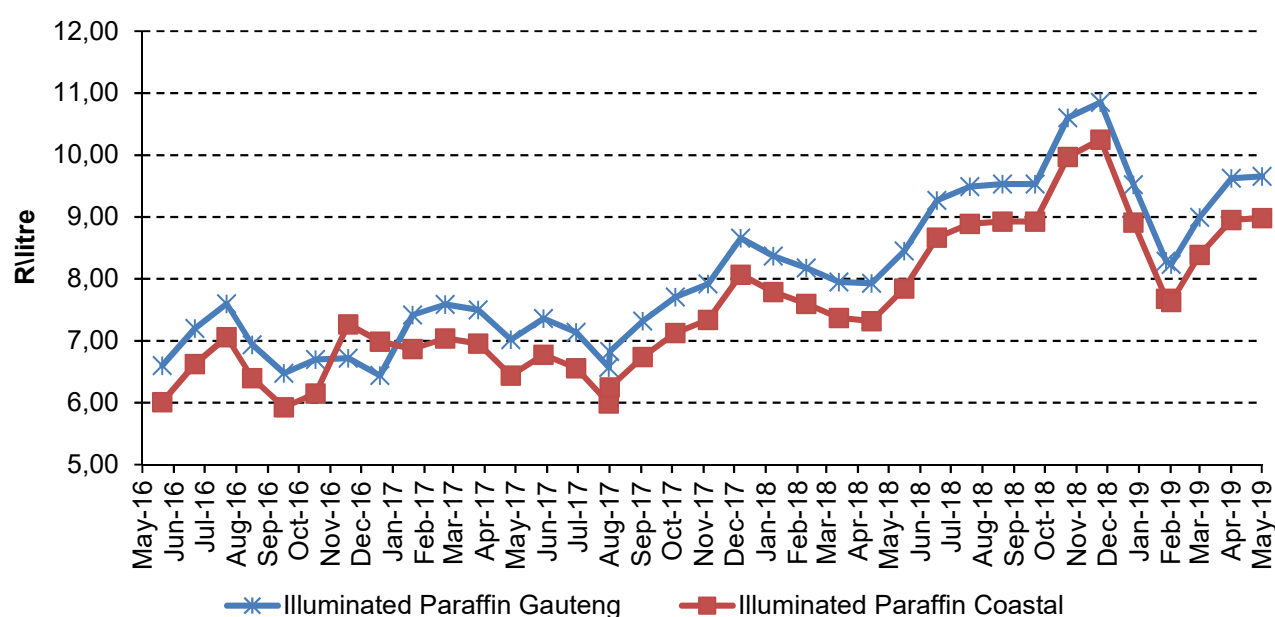


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng

Source: Department of Energy, 2019.

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