



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 2019

EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From July 2018 to July 2019, the international price (Rand terms) of Urea, Muriate of Potash (MOP) and Di-Ammonium Phosphate (DAP) increased by 21.5%, 13% and 10%, respectively. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 5.8%.



The domestic prices of Urea, Potassium Chloride (KCL) and Mono-Ammonium Phosphate (MAP) increased by 21.2%, 19.2% and 5.1%, respectively, from March 2018 to March 2019.

❖ Fuel prices & Illuminated paraffin

From August 2018 to August 2019, the prices of diesel and petrol increased by 27.3% and 22%, respectively. The price of crude oil (US\$ terms) increased by 24.2%, with 6.3% depreciation of the Rand.



In August 2019, the price of illuminated paraffin in Gauteng reached R9.15/litre compared to the Coastal regions' price of R8.47/litre.

❖ Freight Indices

From August 2018 to August 2019, the Baltic Dry Index (BDI) and Grain and Oilseeds Freight Index (GOFI) increased by 8.7% and 7%, respectively. In August 2019, the BDI was 1 799 index points and the GOFI was 141 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 July 2013 to July 2019, the international price (Rand terms) of Di-Ammonium Phosphate (DAP) and Urea increased by 17.2%, and 11.3%, respectively, whilst Muriate of Potash (MOP) decreased by 9.1%. During the same period the Rand/US Dollar (R/\$) exchange rate depreciated by 41.8%. The prices of MOP, Urea, and DAP (US Dollar terms) decreased by 35.9%, 21.5% and 17.3%, respectively.

From July 2018 to July 2019, the international price (Rand terms) of Urea, MOP and DAP increased by 21.5%, 13% and 10%, respectively. During the same period the R/\$ exchange rate depreciated by 5.8%.

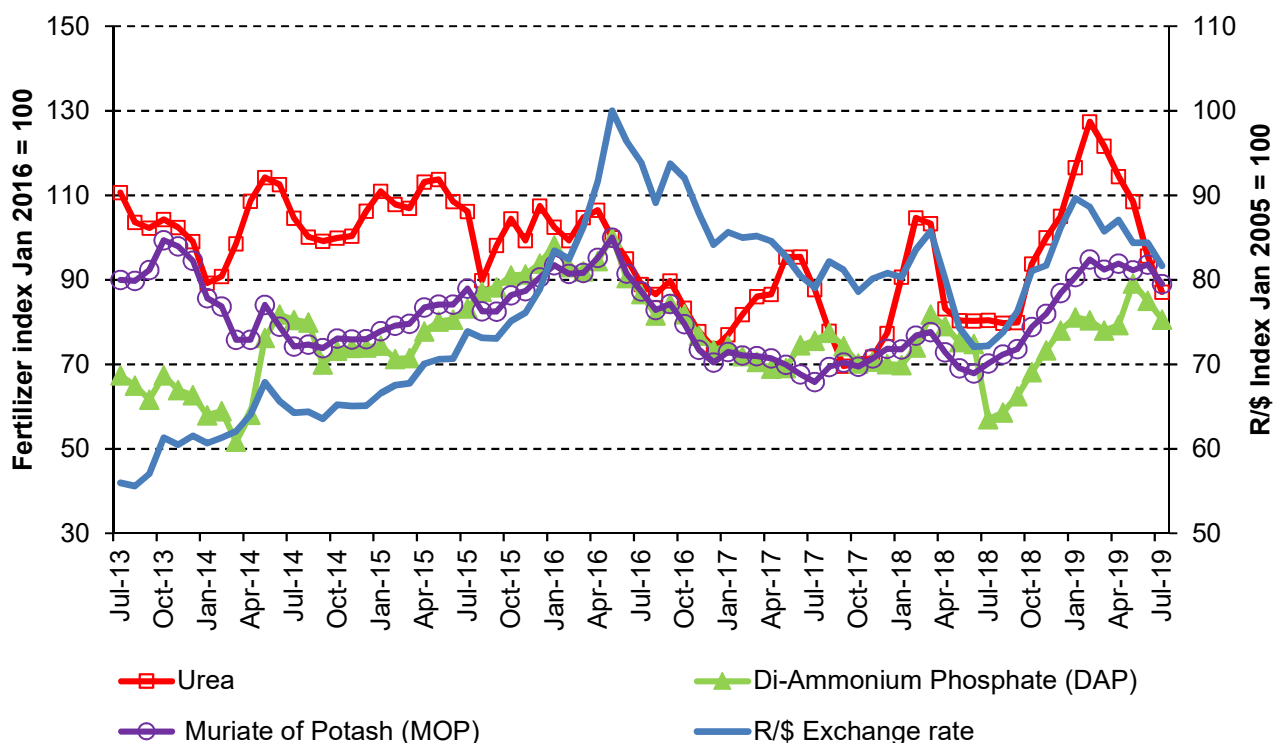


Figure 1: International price trends for selected fertilisers

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 July 2013 and July 2019. From July 2013 and July 2019, the prices of Urea, Mono-Ammonium Phosphate (MAP) and Potassium Chloride (KCL) increased by 17.1%, 11.4% and 8.1% respectively. From July 2018 to July 2019, the domestic prices of Urea, KCL and MAP increased by 21.2%, 19.2% and 5.1%, respectively.

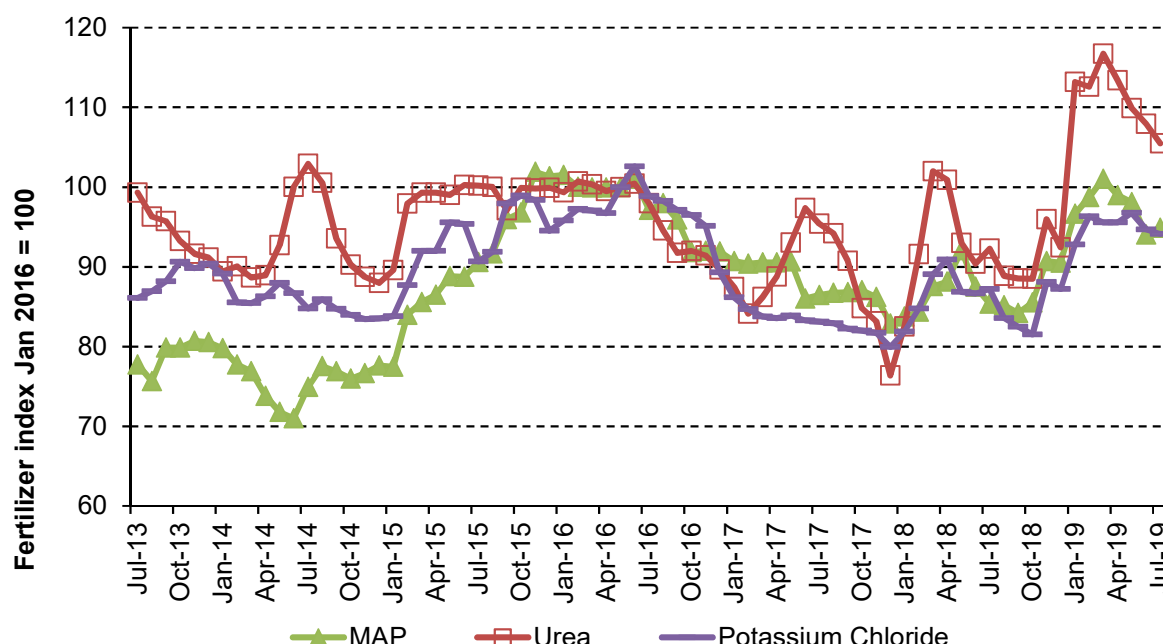


Figure 2: Domestic price trends for selected fertilisers

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 August 2013 to August 2019, the price of petrol and diesel increased by 17.5% and 14.8% respectively, while the US\$ price of crude oil decreased by 41.8%. During the same period the price of crude oil (Rand terms) decreased by 19% this was fuelled by the slowdown of the global economy and amid a flare-up in US-China trade tension (OPEC, 2019).

From August 2018 to August 2019, the prices of diesel and petrol increased by 27.3% and 22%, respectively. The price of crude oil (US\$ terms) increased by 24.2%, with 6.3% depreciation of the Rand.

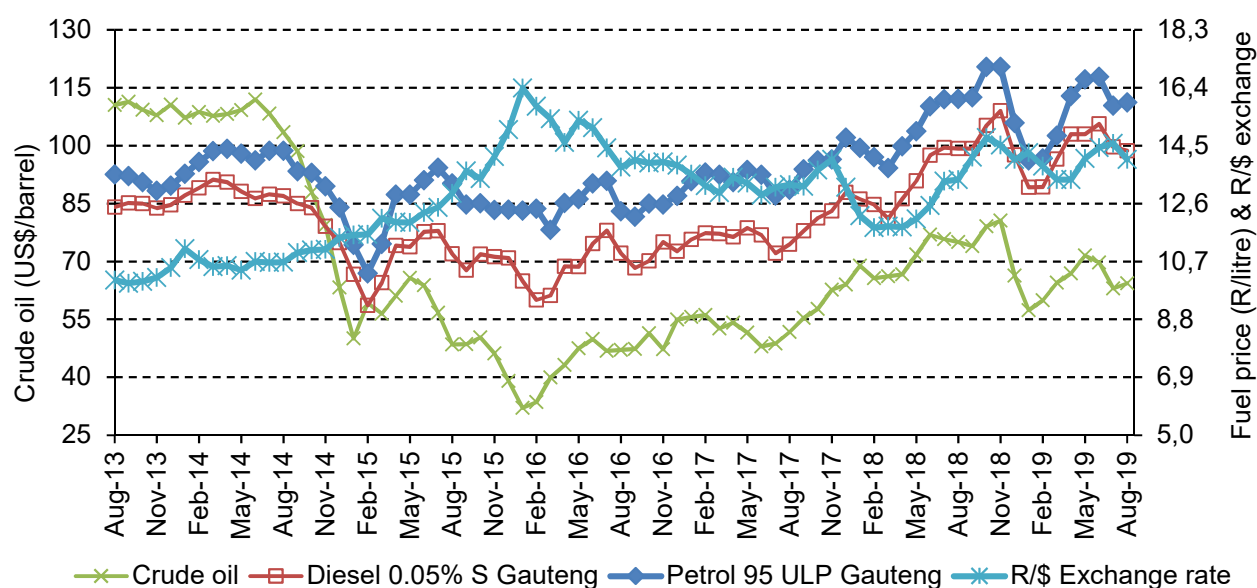


Figure 3: Crude oil and fuel prices

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 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 August 2013 and August 2019 the BDI increased by 64.8% and the GOFI by 26.3%, respectively. From August 2018 to August 2019, the BDI and GOFI increased by 8.7% and 7%, respectively. The increase in BDI and GOFI was due by higher rates for larger capesize vessels on strong demand for shipping iron ore (Reuters, 2019).

In August 2019, the BDI was 1 799 index points and the GOFI was 141 index points.

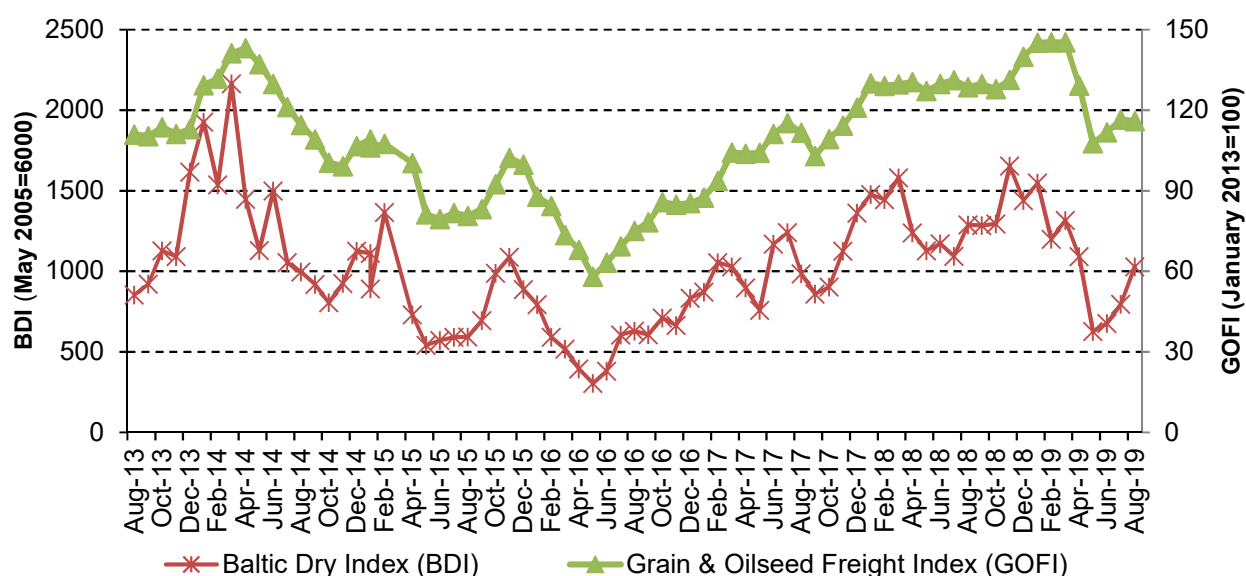


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

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 August 2016 to August 2019. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions increased by 32.3% and 31.8%, respectively.

Between August 2018 and August 2019, the price of illuminated paraffin in Coastal and Gauteng regions increased by 5.2% and 4%, respectively. In August 2019, the price of illuminated paraffin in Gauteng reached R9.15/litre compared to the Coastal regions' price of R8.47/litre.

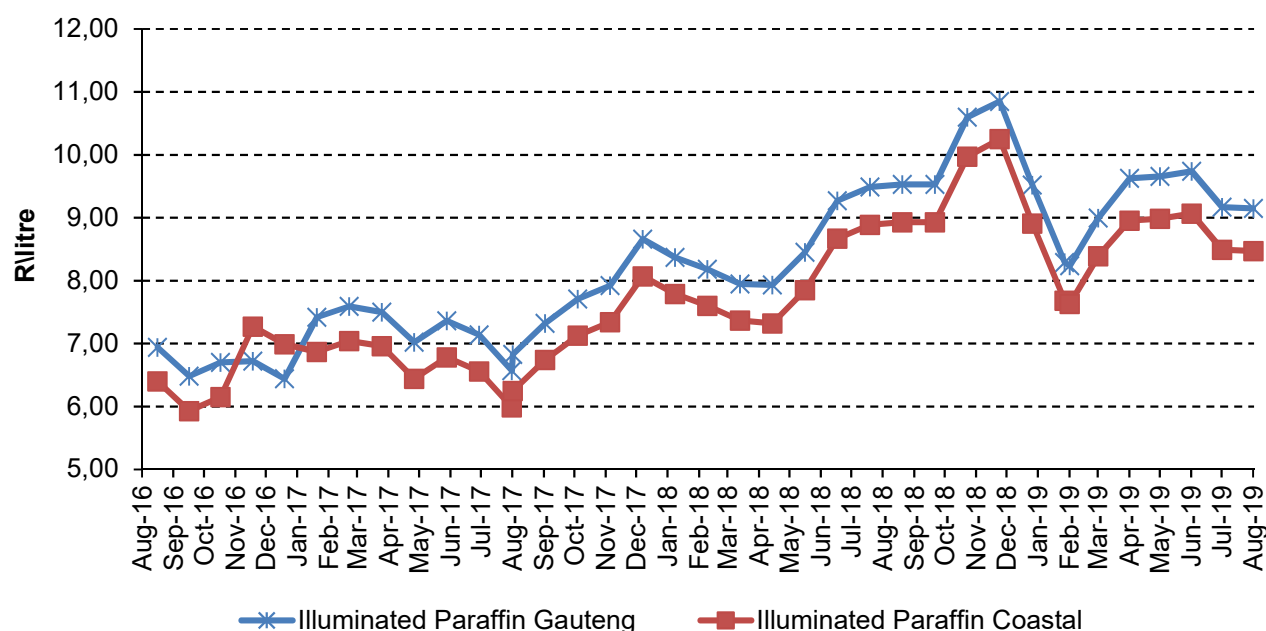


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng

Source: Department of Energy, 2019.

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