



NAMMC

Promoting market access for South African agriculture

MERC

Markets & Economic Research
Centre

Input

Cost Monitoring January 2020

An update on selected items



EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From December 2018 to December 2019, the international price (Rand terms) of Di-Ammonium Phosphate (DAP), Urea and Muriate of Potash (MOP) decreased by 22.3%, 15.4% and 14.3%, respectively. During the same period the R/\$ exchange rate depreciated by 1.1%.



From December 2013 and December 2019, domestic prices of Mono-Ammonium Phosphate (MAP), Potassium Chloride (KCL) and Urea increased by 12.1%, 11.4% and 9.9%, respectively.

❖ Fuel prices & Illuminated paraffin

From January 2019 to January 2020, the price of diesel and petrol increased by 11.3% and 15.3%, respectively. The price of crude oil (US\$ terms) increased by 2.1%, with a 1.1% depreciation of the Rand.



Between January 2019 and January 2020, the price of illuminated paraffin in both Coastal and Gauteng regions increased by 12% and 11.9%, respectively. In January 2020 the price of illuminated paraffin in Gauteng reached R9.27/litre compared to the Coastal regions' price of R8.60/litre.

❖ Freight Indices

From January 2019 to January 2020, the Baltic Dry Index (BDI) and the Grain and Oilseeds Freight Index (GOFI) decreased by 39.2% and 13.6% respectively. In January 2020, the BDI reached 664 index points and the GOFI reached 112 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 present 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 (ICM) 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 (DoE) and the South African Grain Information Service (SAGIS).

2. International price trends for selected fertilisers

The global economic growth and financial situation affects various sectors, including agriculture. The world fertilizer sector therefore, needs to be viewed from the perspective of the world economic growth situation. **Figure 1** illustrates international fertilizer prices of selected fertilisers from December 2013 to December 2019. The international price (**Rand terms**) of Di-Ammonium Phosphate (DAP), Urea and Muriate of Potash (MOP) decreased by 19.2%, 15.3% and 4.3%, respectively. However, FAO (2018) reported that over the next five years, the global capacity of production of fertilizers, intermediates and raw materials were expected to increase. During the depicted period the Rand/US Dollar (R/\$) exchange rate depreciated by 29.7%. In terms of the US Dollar price of DAP, Urea and MOP, prices decreased by 37.7%, 34.7% and 26.2%, respectively.

From December 2018 to December 2019, the international price (**Rand terms**) of DAP, Urea and MOP decreased by 22.3%, 15.4% and 14.3%, respectively. During the same period the R/\$ exchange rate depreciated by 1.1%.

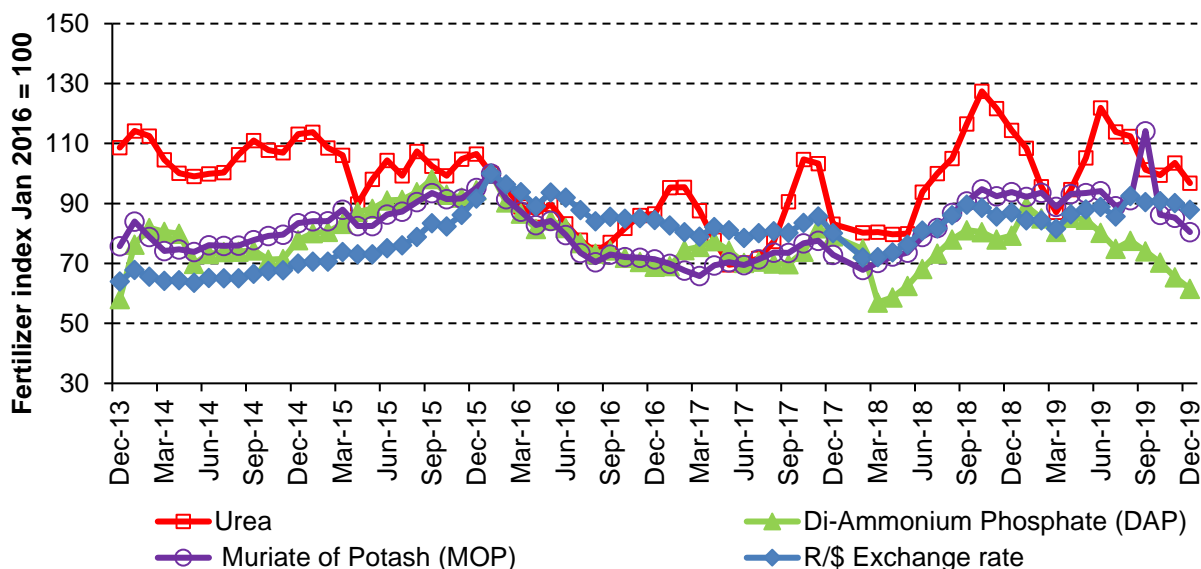


Figure 1: International price trends for selected fertilisers

Source: Own calculations based on data from Grain SA, 2020.

3. Domestic price trends for selected fertilisers

Figure 2 shows the trends of domestic fertiliser prices between December 2013 and December 2019. From December 2013 and December 2019, the prices of Mono-Ammonium Phosphate (MAP), Potassium Chloride (KCL) and Urea increased by 12.1%, 11.4% and 9.9%, respectively. From December 2018 to December 2019, the domestic price of KCL increased by 2.6%, whilst MAP and Urea decreased by 18.7% and 10.2%, respectively.

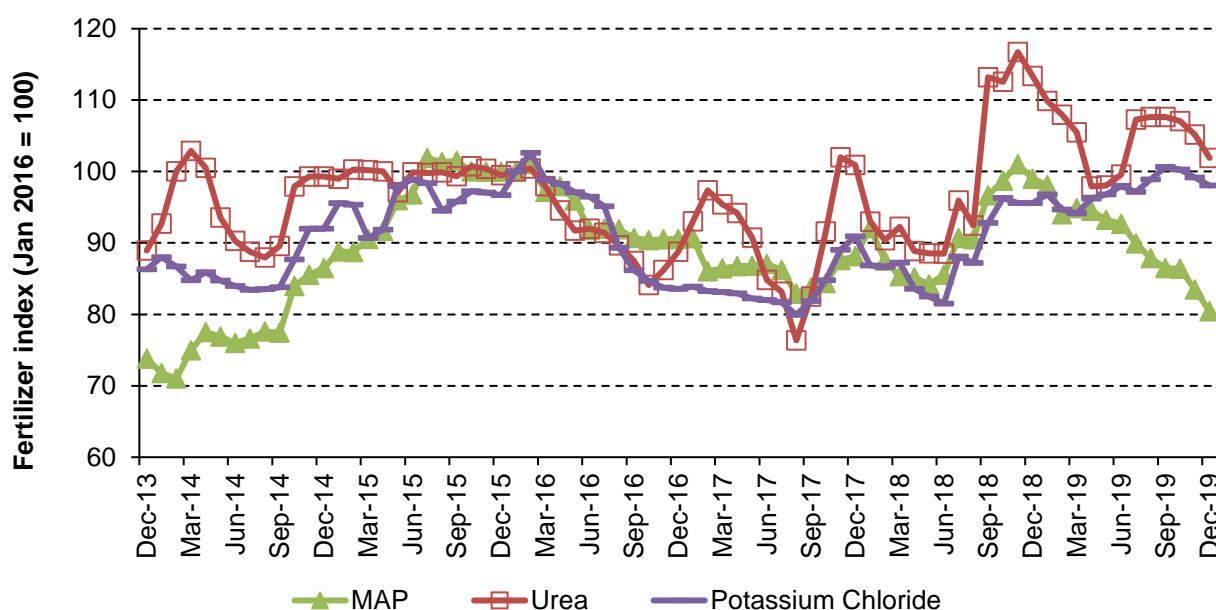


Figure 2: Domestic price trends for selected fertilisers

Source: Own calculations from price lists, 2020.

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 affect domestic fuel prices (DoE, 2019). In **Figure 3**, the price of crude oil, petrol and diesel follow similar trends. From January 2014 to January 2020, the price of petrol and diesel increased by 19.1% and 13.6% respectively, while the US\$ price of crude oil decreased by 45.3%. During the same period the price of crude oil (**Rand terms**) decreased by 29.1%. This was fuelled by the slowdown of the global economy amid a flare-up in US-China trade tension (OPEC, 2019).

From January 2019 to January 2020, the price of diesel and petrol increased by 11.3% and 15.3%, respectively. The price of crude oil (**US\$ terms**) increased by 2.1%, with a 1.1% depreciation of the Rand.

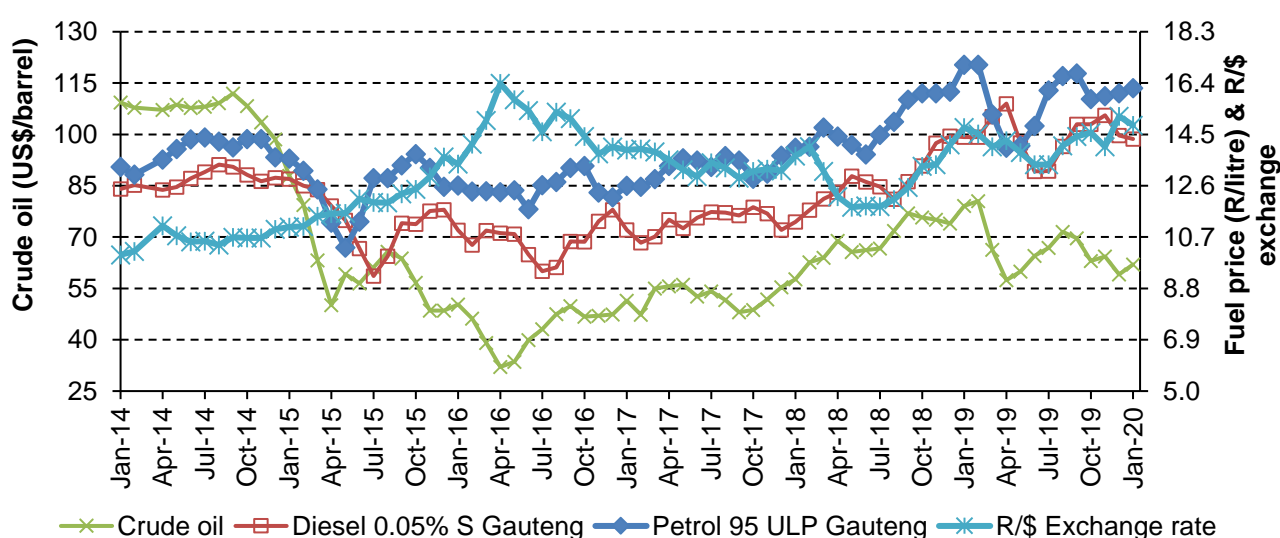


Figure 3: Crude oil and fuel prices

Source: Grain SA and DoE, 2020.

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 Grains 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 January 2014 and January 2020 the BDI and GOFI decreased by 54.2% and 22%, respectively. From January 2019 to January 2020, the BDI and GOFI also decreased by 39.2% and 13.6%, respectively. The Baltic Exchange's main sea freight index edged higher, as a rise in panamax vessel demand offset declines in both the capesize and supramax segments (Reuters, 2019). In January 2020, the BDI reached 664 index points and the GOFI reached 112 index points.

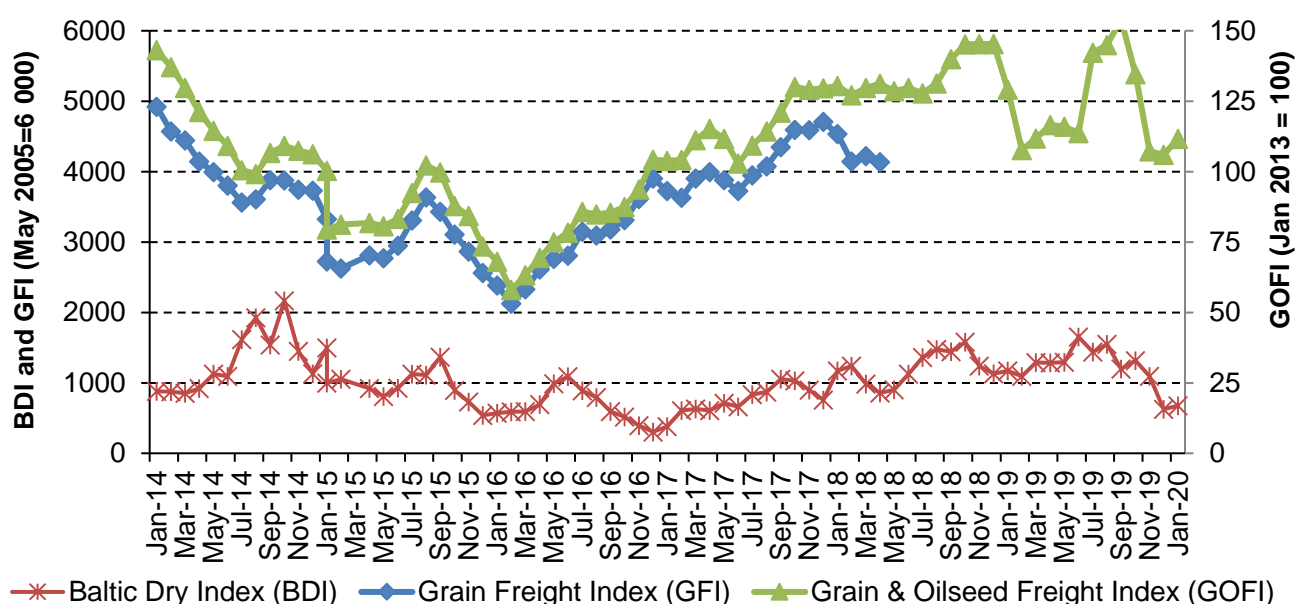


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

Source: SAGIS, 2020.

6. Illuminated paraffin price

Consumers utilise paraffin as an alternative source to 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 2017 to January 2020. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions increased by 25.2% and 24.9%, respectively.

Between January 2019 and January 2020, the price of illuminated paraffin in both Coastal and Gauteng regions increased by 12% and 11.9%, respectively. In January 2020, the price of illuminated paraffin in Gauteng reached R9.27/litre compared to the Coastal regions' price of R8.60/litre.

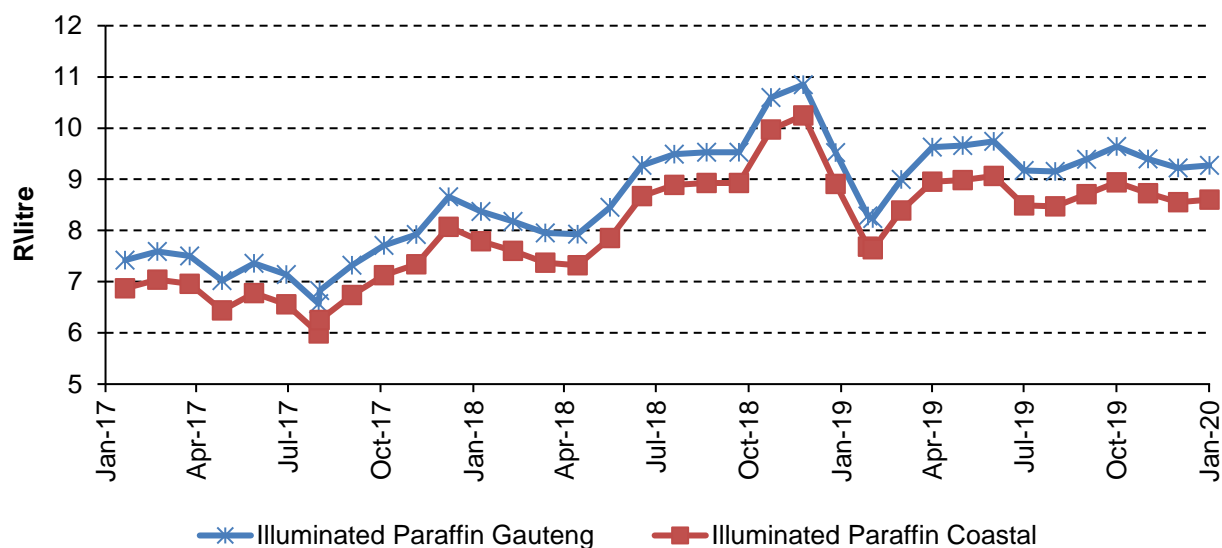


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2020.

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