



NAMMC
Promoting market access for South African agriculture



Input

Cost Monitoring

May 2020

An update on selected items



EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From April 2019 to April 2020, the international price (Rand terms) of Urea and Di-Ammonium Phosphate (DAP) increased by 22.6% (from R3 256.80/ton to R3 992.55/ton) and 4.9% (from R5 451.60/ton to R5 719.56/ton), respectively, while Muriate of Potash (MOP) decreased by 1.5% (from R3 922.32/ton to R3 862.56/ton). During the same period the R/\$ exchange rate depreciated by 31.1% (from R/\$14.16 to R/\$18.57).



From April 2019 to April 2020, the domestic price index of Urea and Potassium Chloride (KCL) increased by 14.9% (from 97.9 to 112.5) and 7.4% (from 96.2 to 103.4), respectively, whilst Mono-Ammonium Phosphate (MAP) decreased by 2.3% (from 94.5 to 92.3).

❖ Fuel prices & Illuminated paraffin

From May 2019 to May 2020, the price of diesel decreased by 25.5% (from R14.88/litre to R11.80/litre) and petrol by 24.9% from R16.67/litre to R12.52/litre. The price of crude oil (US\$ terms) decreased by 49.5% from US\$71.51/barrel to US\$36.1/barrel, with a 26.2% (from R/\$14.08 to R/\$17.77) depreciation of the Rand. The slowdown in the global economy due to Covid-19 has resulted in lower demand. OPEC and Russia initially agreed to reduce oil production, it did not happen. Saudi Arabia further announced to increase production. Therefore, the two major reasons are constant supply and a lower demand.



Between May 2019 and May 2020, the price of illuminated paraffin in both Coastal and Gauteng regions decreased by 59% (from R8.98/litre to R3.68/litre) and 53.5% (from R9.66/litre to R4.49/litre), respectively. On the backdrop of the international oil prices, the performance of the Rand vs the US dollar during April 2020 contributed to the drop of local illuminated paraffin. In May 2020, the price of illuminated paraffin in Gauteng reached R4.49/litre compared to the Coastal regions' price of R3.68/litre.

❖ Freight Indices

From May 2019 to May 2020, the Baltic Dry Index (BDI) and the Grain and Oilseeds Freight Index (GOFI) decreased by 52.6% (from 1 028 to 487) and 37.9% (from 116 to 72), respectively. The impact of COVID-19 is already impacting the shipping industry as many freight operations were grounded or restricted. In May 2020, the BDI reached 487 index points and the GOFI, 72 index points.



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1. Introduction

Agricultural inputs provide potential to improve agricultural productivity with the ultimate goal of optimizing 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

Global economic growth and the financial situation affects various sectors, including agriculture. The world fertiliser sector therefore needs to be viewed from the perspective of the world economic growth situation. **Figure 1** illustrates international fertiliser prices of selected fertilisers from April 2014 to April 2020. The international price (Rand terms) of Muriate of Potash (MOP), Urea and Di-Ammonium Phosphate (DAP) increased by 22.8% (from R3 145.68/ton to R3 862.56/ton), 15.9% (from R3 444.56/ton to R3 992.55/ton) and 12% (from R5 106.82/ton to R5 719.56/ton), respectively. During the depicted period the Rand/US Dollar (R/\$) exchange rate depreciated by 76% (from R/\$10.55 to R/\$18.57). In terms of the US Dollar price of DAP, Urea and MOP, prices decreased by 36.3% (from US\$484 to US\$308), 34.1% (from US\$326 to US\$215) and 30.2% (from US\$298 to US\$208), respectively.

From April 2019 to April 2020, the international price (Rand terms) of Urea and DAP increased by 22.6% (from R3 256.80/ton to R3 992.55/ton) and 4.9% (from R5 451.60/ton to R5 719.56/ton), respectively, while, MOP decreased by 1.5% (from R3 922.32/ton to R3 862.56/ton). During the same period the R/\$ exchange rate depreciated by 31.1% (from R/\$14.16 to R/\$18.57).

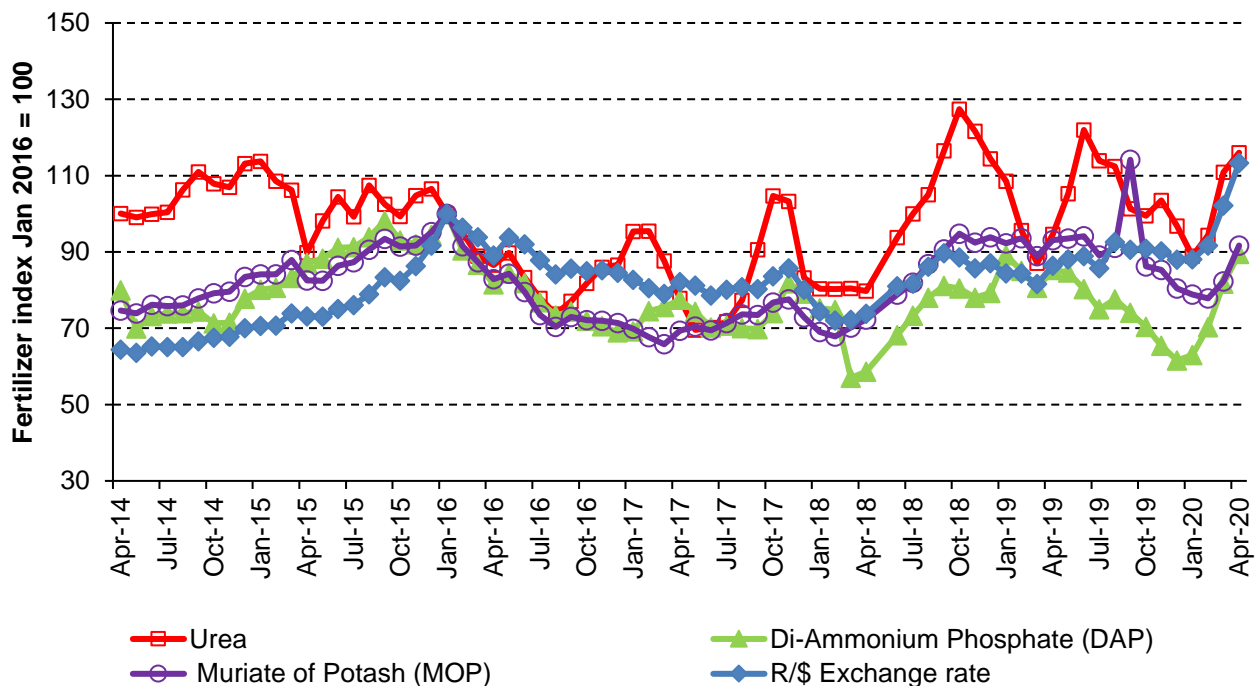


Figure 1: International price trends for selected fertilisers

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 price index between April 2014 and April 2020. The fertiliser index illustrates that from April 2014 and April 2020, the value of Potassium Chloride (KCL) and Mono-Ammonium Phosphate (MAP) increased by 20.3% (from 85.9 to 103.4) and by 19.1% (from 77.5 to 92.3), respectively, while Urea increased by 11.9% (from 100.5 to 112.5). From April 2019 to April 2020, the domestic price of Urea and KCL increased by 14.9% (from 97.9 to 112.5) and 7.4% (from 96.2 to 103.4) respectively, whilst MAP decreased by 2.3% (from 94.5 to 92.3).

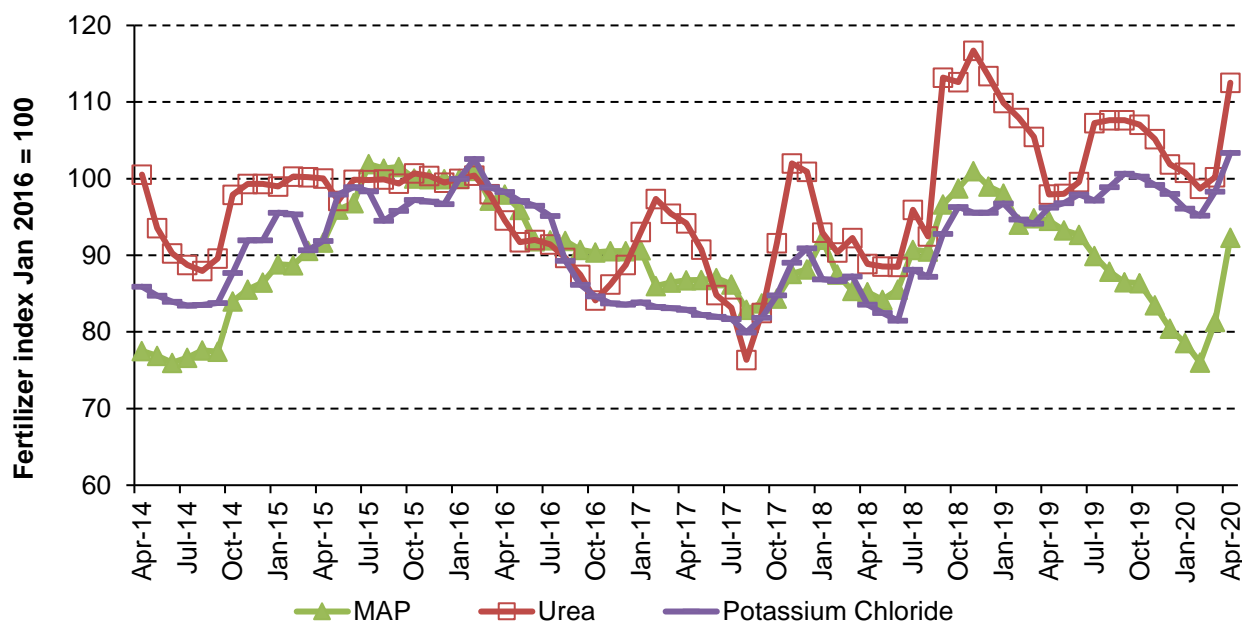


Figure 2: Domestic price trends for selected fertilisers

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 May 2014 to May 2020, the price of diesel decreased by 14.8% from (R13.00/litre to R11.08/litre) and petrol by 12.1% (R14.24/litre to R12.52/litre), respectively. The US\$ price of crude oil also decreased by 66.9% (from \$109.15/barrel to \$36.1/barrel). During the same period the price of crude oil (Rand terms) decreased by 43.6% (from R8 297.98/ton to R4 682.93/ton).

From May 2019 to May 2020, the price of diesel decreased by 25.5% (from R14.88/litre to R11.80/litre) and petrol by 24.9% from R16.67/litre to R12.52/litre. The price of crude oil (US\$ terms) decreased by 49.5% from US\$71.51/barrel to US\$36.1/barrel, with a 26.2% (from R/\$14.08 to R/\$17.77) depreciation of the Rand. The slowdown in the global economy due to Covid-19 has resulted in lower demand. OPEC and Russia initially agreed to reduce oil production, it did not happen. Saudi Arabia further announced to increase production. Therefore, the two major reasons are constant supply and a lower demand.

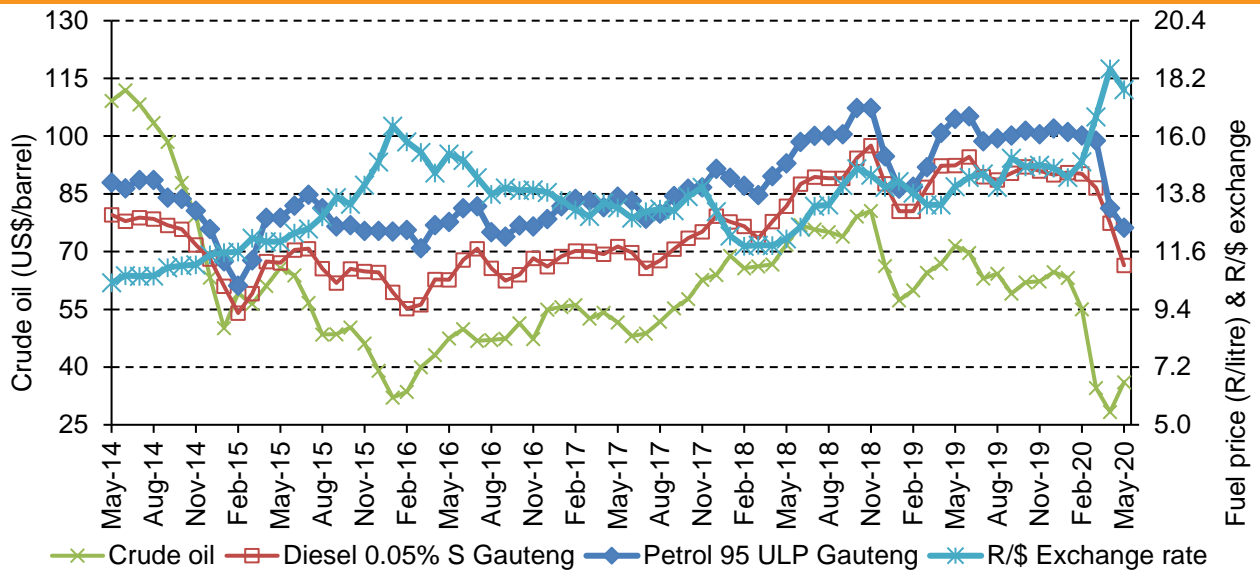


Figure 3: Crude oil and fuel prices

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 May 2014 and May 2020, the BDI and GOFI decreased by 51.1% (from 997 to 487) and 37.1% (from 115 to 72), respectively. From May 2019 to May 2020, the BDI and GOFI decreased by 52.6% (from 1 028 to 487) and 37.9% (from 116 to 72), respectively. The impact of COVID-19 is already impacting the shipping industry as many freight operations were grounded or restricted. In May 2020, the BDI reached 487 index points and the GOFI 72 index points.

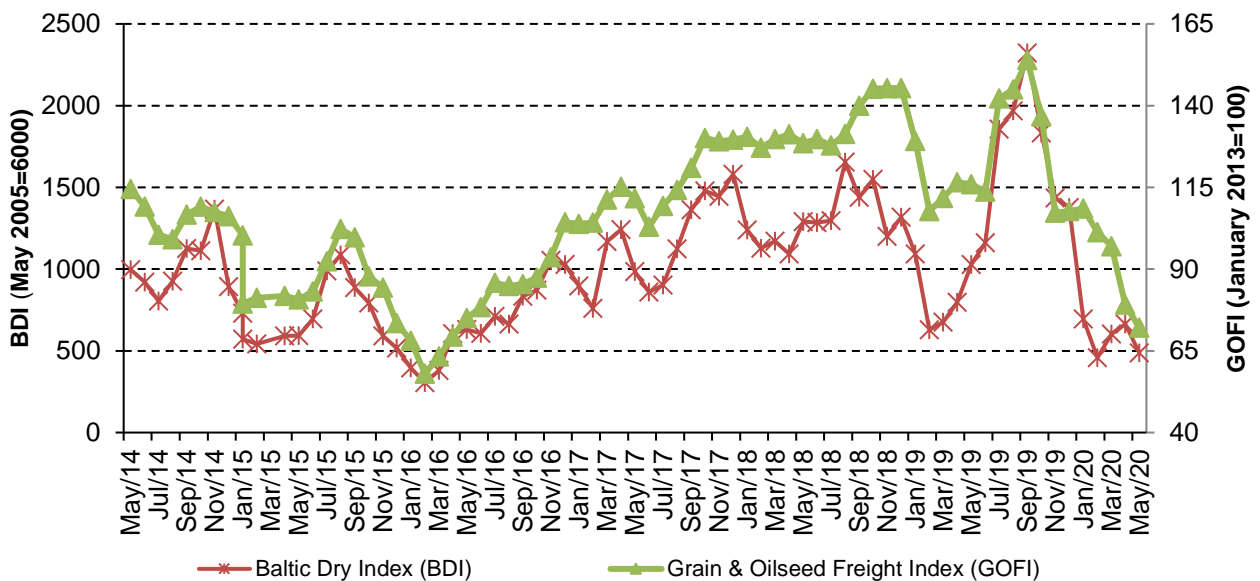


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

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 May 2017 to May 2020. During this period, the price of illuminated paraffin for the Coastal and Gauteng regions decreased by 46.4% (from R6.87/litre to R3.68/litre) and by 39.5% (from R7.42/litre to R4.49/litre), respectively.

Between May 2019 and May 2020, the price of illuminated paraffin in both Coastal and Gauteng regions decreased by 59% (from R8.98/litre to R3.68/litre) and 53.5% (from R9.66/litre to R4.49/litre), respectively. On the backdrop of the international oil prices, the performance of the Rand vs the US dollar during April 2020 contributed to the drop of local illuminated paraffin. In May 2020, the price of illuminated paraffin in Gauteng reached R4.49/litre compared to the Coastal regions' price of R3.68/litre.

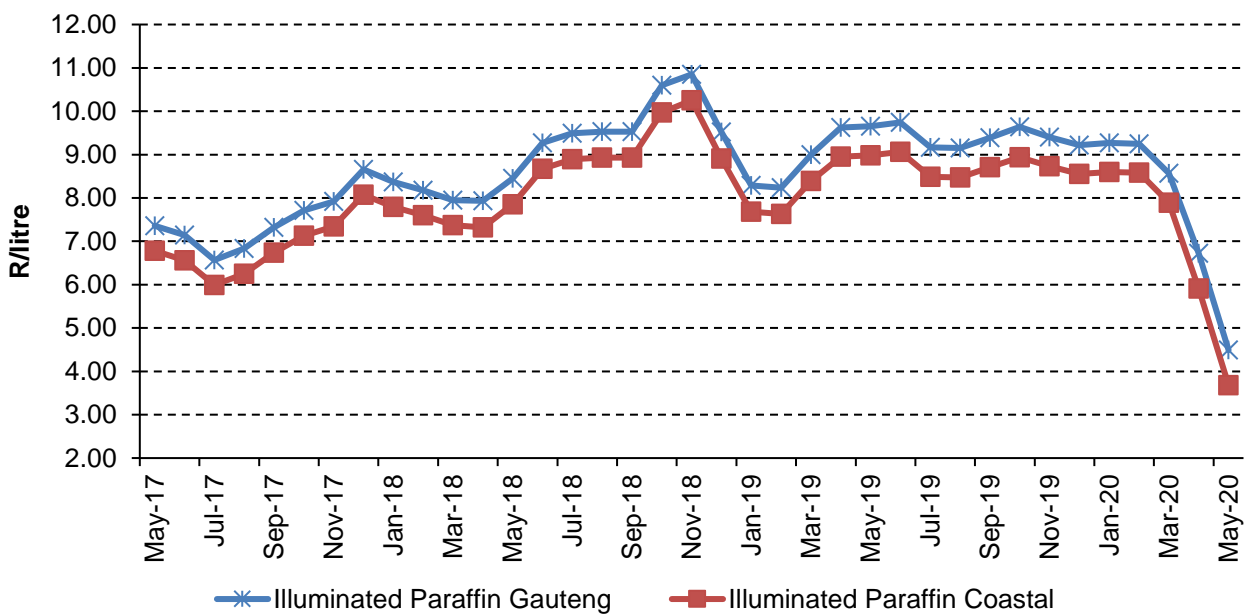


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2020.

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