



NAMMC
Promoting market access for South African agriculture



Input

Cost Monitoring

August 2020

An update on selected items



EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From July 2019 to July 2020, the international price (**Rand terms**) of Di-Ammonium Phosphate (DAP) increased by 9% (R4 791.05/ton to R5 222.88/ton), while Urea and Muriate of Potash (MOP) decreased by 7.8% (R3 919.95/ton to R3 615.84/ton) and 2.7% (R3 751.35/ton to R3 649.32/ton), respectively. During the same period the R/\$ exchange rate depreciated by 19.1% (R/\$14.05 to R/\$16.74).



From July 2019 to July 2020, the domestic price of Potassium Chloride (KCL), Urea and Mono-Ammonium Phosphate (MAP) decreased by 7.4% (from R 7 333/ton to R 6 787/ton) and 4.5% (from R 6 797/ton to R 6 491/ton) and 2.9% (from R 8 862/ton to R 8 607/ton).

❖ Fuel prices & Illuminated paraffin

From August 2019 to August 2020, the price of petrol decreased by 9.1% from R15.92/litre to R14.47/litre and diesel by 5.9% from R14.33/litre to R13.49/litre. The price of crude oil (**US\$ terms**) decreased by 28% from US\$64.30/barrel to US\$46.29/barrel, with a 21.6% depreciation of the Rand (R/\$14.05 to R/\$17.09). The fluctuation of South African fuel price has been largely driven by oil prices as well as the exchange rate.



Between August 2019 and August 2020, the price of illuminated paraffin in both Coastal and Gauteng regions decreased by 22% (R8.47/litre to R6.61/litre) and 18.9% (R9.15/litre to R7.42/litre), respectively.

❖ Freight Indices

From August 2019 to August 2020, the Baltic Dry Index (BDI) and the Grain and Oilseeds Freight Index (GOFI) decreased by 22.8% and 13.8%, respectively. The impact of COVID-19 had an impact on the shipping industry as many freight operations were grounded or restricted. In August 2020, the BDI reached 1 519 index points and the GOFI reached 125 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 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 July 2014 to July 2020. The international price (**Rand terms**) of Muriate of Potash (MOP), Di-Ammonium Phosphate (DAP) and Urea increased by 14.2% (from R3 195.06/ton to R3 649.32/ton), 10.6% (from R4 722.46/ton to R5 222.88/ton) and 4.7% (R3 454.39/ton to R3 615.84/ton), respectively. During the depicted period the Rand/US Dollar (R/\$) exchange rate depreciated by 57% (R/\$10.67 to R/\$16.74). In terms of the US Dollar price of Urea, DAP, and MOP, prices decreased by 33.3% (US\$324/ton to US\$216/ton), 29.5% (US\$443/ton to US\$312/ton) and 27.2% (US\$300/ton to US\$218/ton), respectively.

From July 2019 to July 2020, the international price (**Rand terms**) of DAP increased by 9% (R4 791.05/ton to R5 222.88/ton), while Urea and MOP decreased by 7.8% (R3 919.95/ton to R3 615.84/ton) and 2.7% (R3 751.35/ton to R3 649.32/ton), respectively. During the same period the R/\$ exchange rate depreciated by 19.1% (R/\$14.05 to R/\$16.74).

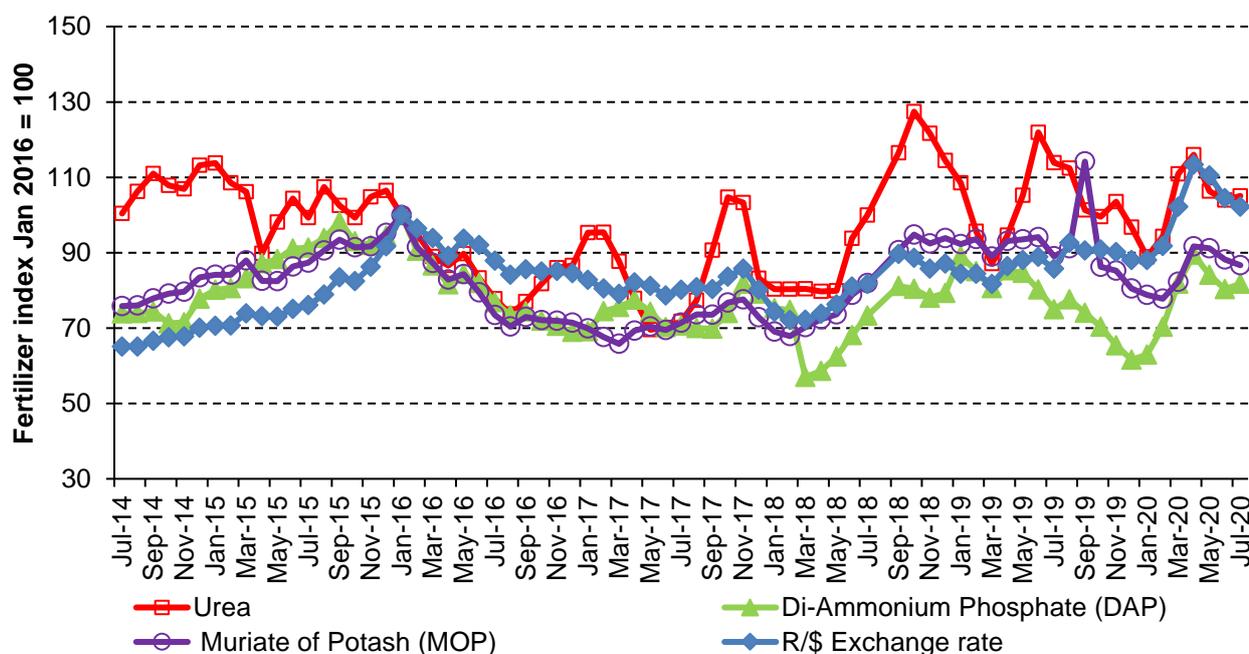


Figure 1: International price trends for selected fertilisers

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 July 2014 and July 2020. From July 2014 and July 2020 the local fertiliser prices of Urea, Mono-Ammonium Phosphate (MAP) and Potassium Chloride (KCL) increased by 15.4% (from R5 624/tonto R6 491/ton), 14% (from R7 553/ton to R8 607/ton), and 7.8% (from R6 297/ton to R6 787/ton). From July 2019 to July 2020, the domestic price of KCL, Urea and MAP decreased by 7.4% (from R7 333/ton to R6 787/ton) and 4.5% (from R6 797/ton to R6 491/ton) and 2.9% (from R8 862/ton to R8 607/ton).

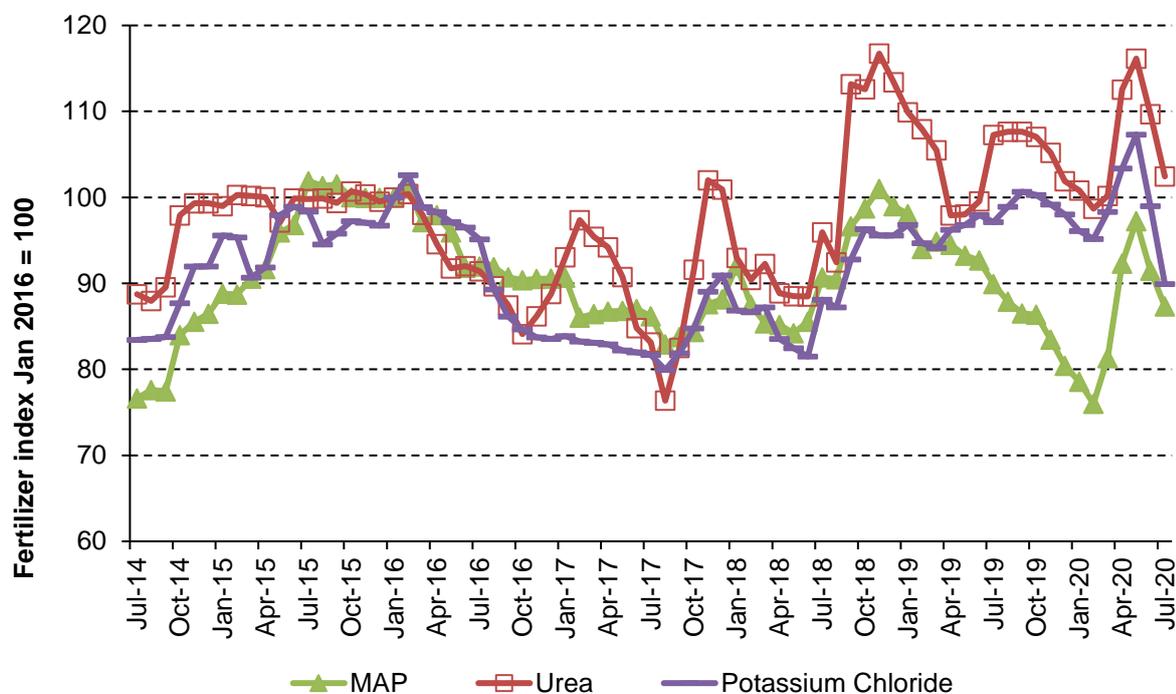


Figure 2: Domestic price trends for selected fertilisers

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 August 2014 to August 2020, the price of diesel and petrol increased by 5% (R12.85/litre to R13.49/litre) and 1% (R14.33/litre to R14.47/litre), respectively. The US\$ price of crude oil decreased by 55.3% (US\$103.49/barrel to US\$46.29/barrel). During the same period the price of crude oil (**Rand terms**) decreased by 28.4% (R1 104.24/barrel to R791.10/barrel).

From August 2019 to August 2020, the price of petrol decreased by 9.1% from R15.92/litre to R14.47/litre and diesel by 5.9% from R14.33/liter to R13.49/liter. The price of crude oil (**US\$ terms**) decreased by 28% from US\$64.30/barrel to US\$46.29/barrel, with a 21.6% depreciation of the Rand (R/\$14.05 to R/\$17.09). The fluctuation of South African fuel price has been largely driven by oil prices as well as the exchange rate.

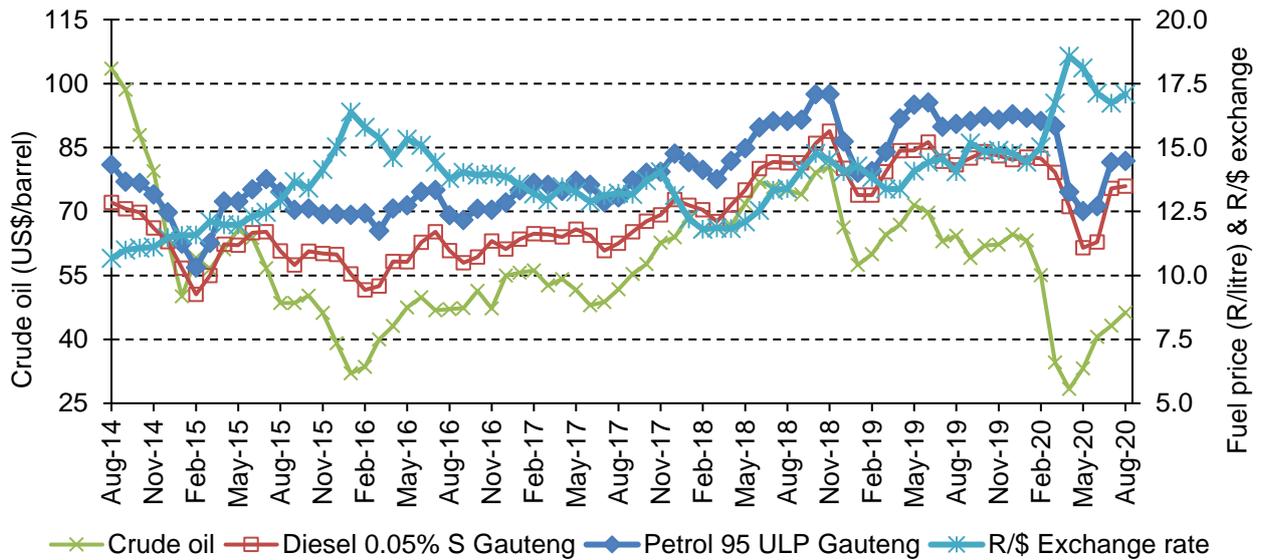


Figure 3: Crude oil and fuel prices
 Source: Grain SA and DoE, 2020.

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 August 2014 and August 2020, the BDI and GOFI increased by 64.2% and 26.1%, respectively. From August 2019 to August 2020, the BDI and GOFI decreased by 22.8% and 13.8%, respectively. The impact of COVID-19 had an impact on the shipping industry as many freight operations were grounded or restricted. In August 2020, the BDI reached 1 519 index points and the GOFI reached 125 index points.

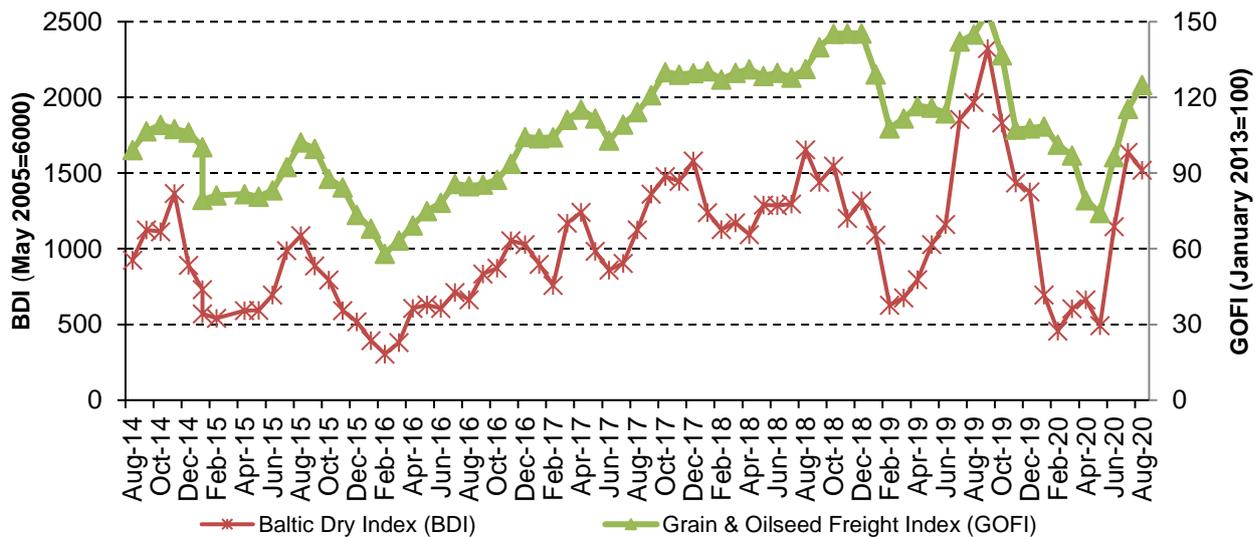


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index
 Source: SAGIS, 2020.

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 August 2017 to August 2020. During this period, the price of illuminated paraffin for Gauteng and the Coastal regions increased by 8.6% (R6.83/litre to R7.42/litre) and 5.8% (R6.25/litre to R6.61/litre), respectively.

Between August 2019 and August 2020, the price of illuminated paraffin in both Coastal and Gauteng regions decreased by 22% (R8.47/litre to R6.61/litre) and 18.9% (R9.15/litre to R7.42/litre), respectively.

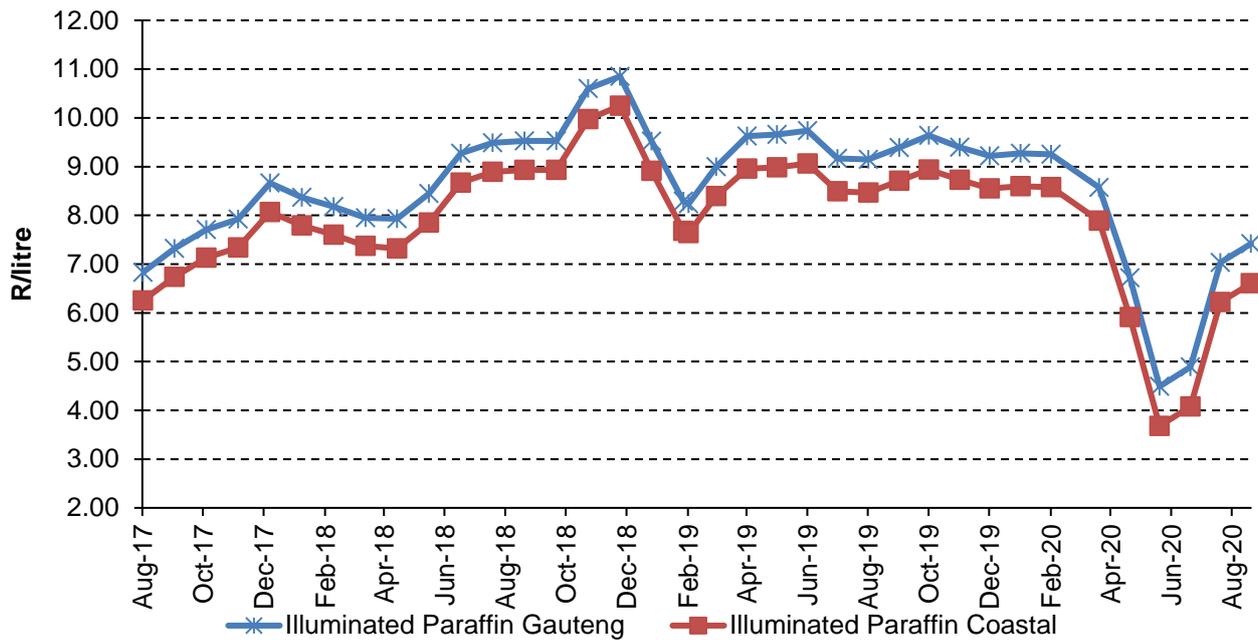


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2020.

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