



NAMMC
Promoting market access for South African agriculture



Input

Cost Monitoring

March 2021

An update on selected items



EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilisers

From February 2020 to February 2021, international price (**Rand terms**) for Di-Ammonium Phosphate (DAP) and Urea increased by 50.9% (from R5 222.88/ton to R7 881.84/ton) and 40.8% (from R3 816.72/ton to R5 372.64/ton), respectively, while Muriate of Potash (MOP) decreased by 14.4% (from R3 465.18/ton to R2 966.76/ton). During the same period the R/\$ exchange rate depreciated by 11.8% from R/\$16.74 to R/\$14.76.



From February 2020 to February 2021, fertilizer domestic price for Urea and Mono-Ammonium Phosphate (MAP) increased by 26.2% (from R6 348/ton to R8 012/ton) and 21.7% (from R8 015/ton to R9 753/ton), respectively. The price for Potassium Chloride (KCL) decreased by 13.4% (from R7 422/ton to R6 429/ton). The fluctuation of domestic prices can be attributed to any shock in the international market as South Africa is a net importer, as well as the exchange rates.

❖ Fuel prices & Illuminated paraffin

Between February 2020 and February 2021 diesel and petrol prices decreased by 6.8% (from R14.57/litre to R13.58/litre) and 2.2% from R16.03/litre to R15.67/liter during the same period. Crude oil prices in US dollar terms decreased by 13% from US\$54.05/barrel to US\$62.22/barrel, with a 1.8% depreciation of the Rand (R/\$15.03 to R/\$14.67). These fluctuation in South Africa's fuel prices have been largely driven by oil prices as well as weakening of the Rand against the US Dollar.



Between February 2020 and February 2021, the price of illuminated paraffin in both Coastal and Gauteng regions decreased by 3.2% (R7.98/litre to R7.64/litre) and 1.4% (R8.57/litre to R8.45/litre), respectively.

❖ Freight Indices

Between March 2020 and March 2021, the Baltic Dry Index (BDI) and Grain and Oilseeds Freight Index (GOFI) increased by 225.7% and 77.1%, respectively. The shipping sector had been volatile in 2020 due to the global effects of the COVID-19 pandemic on demand for commodities and this had affected freight rates. An improving global economy due to the introduction of COVID-19 vaccines resulted in the expansion in shipping volumes. In March 2021, the BDI reached 1 966 index points and the GOFI reached 172 index points.



Table of Contents

	Page
1. Introduction	1
2. International price trends for selected fertilisers	1
3. Domestic price trends for selected fertilisers	2
4. Fuel prices	2
5. Baltic Dry Index	3
6. Illuminated paraffin	4

1. Introduction

The agricultural inputs' importance is to improve agricultural productivity with the ultimate goal of maximising agricultural productivity or yields. Agriculture has become extremely complex and the adoption of technology in inputs development has subsequently improved to keep up with the sectors complexity. The Input Cost Monitoring (ICM) report, published by the National Agricultural Marketing Council (NAMC) is a quarterly report analysing trends from selected agricultural production input prices in both domestically and international markets. The objective of this report is to compile information to track both historic and current price trends of the 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 for selected fertilisers from February 2015 to February 2021. International prices (**Rand terms**) for Di-Ammonium Phosphate (DAP) and Urea increased by 48.2% (from R5 318.31/ton to R7 881.84/ton) and 47.1% (R3 653.18/ton to R5 372.64/ton), respectively. While Muriate of Potash (MOP) decreased by 19.9% (from R3 703.64/ton to R2 966.76/ton), respectively. During the observed period the Rand/US Dollar (R/\$) exchange rate appreciated by 21.9% (from R/\$12.11 to R/\$14.76). In terms of the US Dollar prices DAP and Urea increased by 21.6% (from US\$439/ton to US\$534/ton) and 20.7% (from US\$302/ton to US\$364/ton), respectively, MOP decreased by 34.3% (from US\$306/ton to US\$201/ton),

From February 2020 to February 2021, international price (**Rand terms**) for DAP and Urea increased by 50.9% (from R5 222.88/ton to R7 881.84/ton) and 40.8% (from R3 816.72/ton to R5 372.64/ton), respectively, while MOP decreased by 14.4% (from R3 465.18/ton to R2 966.76/ton). During the same period the R/\$ exchange rate depreciated by 11.8% from R/\$16.74 to R/\$14.76.

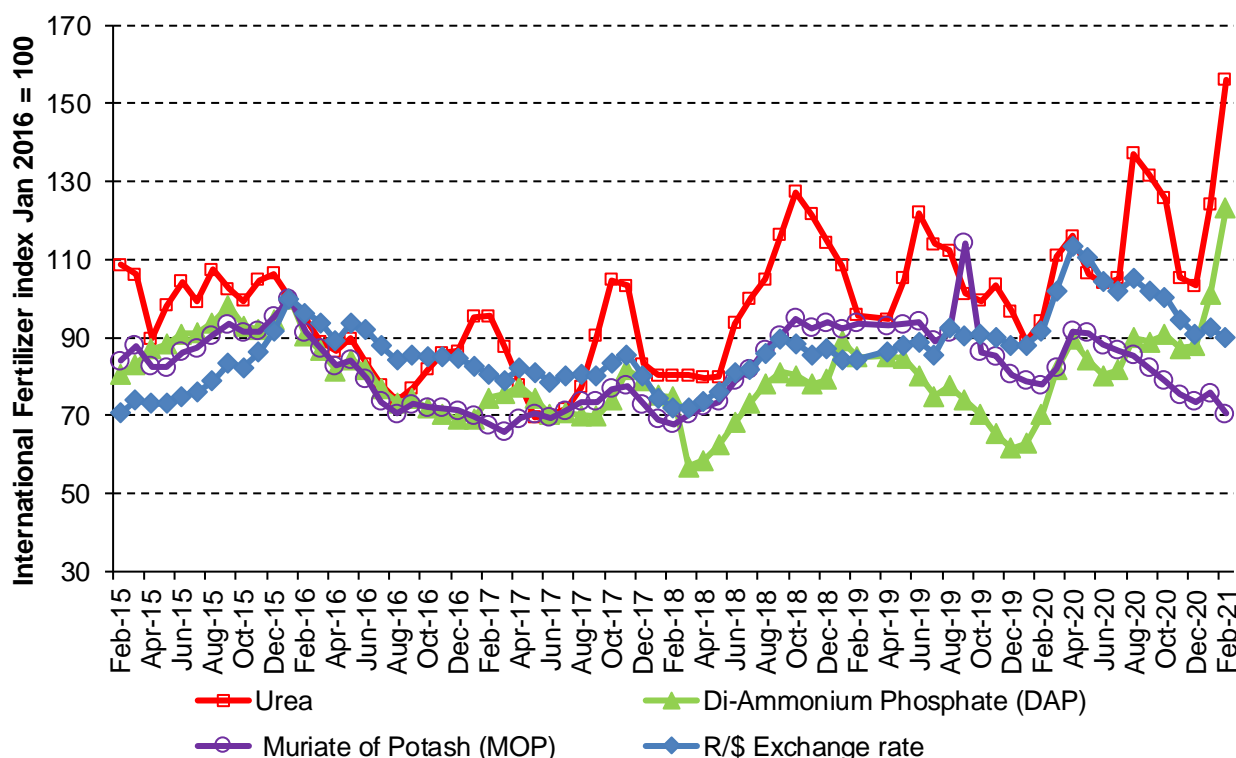


Figure 1: International price trends for selected fertilisers

Source: Own calculations based on data from Grain SA, 2021.

Domestic price trends for selected fertilisers

Figure 2 shows price trends for domestic fertiliser between February 2015 and February 2021. Over the depicted period the local fertiliser prices for Urea and Mono-Ammonium Phosphate (MAP) increased by 26.2% (from R6 348/ton to R8 012/ton) and 9.3% (from R8 926/ton to R9 753/ton), respectively, while Potassium Chloride (KCL) declined by 6.1% (from R6 844/ton to R6 429/ton). From February 2020 to February 2021, fertilizer domestic price for Urea and MAP increased by 26.2% (from R6 348/ton to R8 012/ton) and 21.7% (from R8 015/ton to R9 753/ton), respectively. The price for KCL decreased by 13.4% (from R7 422/ton to R6 429/ton). The fluctuation of domestic prices can be attributed to any shock in the international market as South Africa is a net importer, as well as the exchange rates.

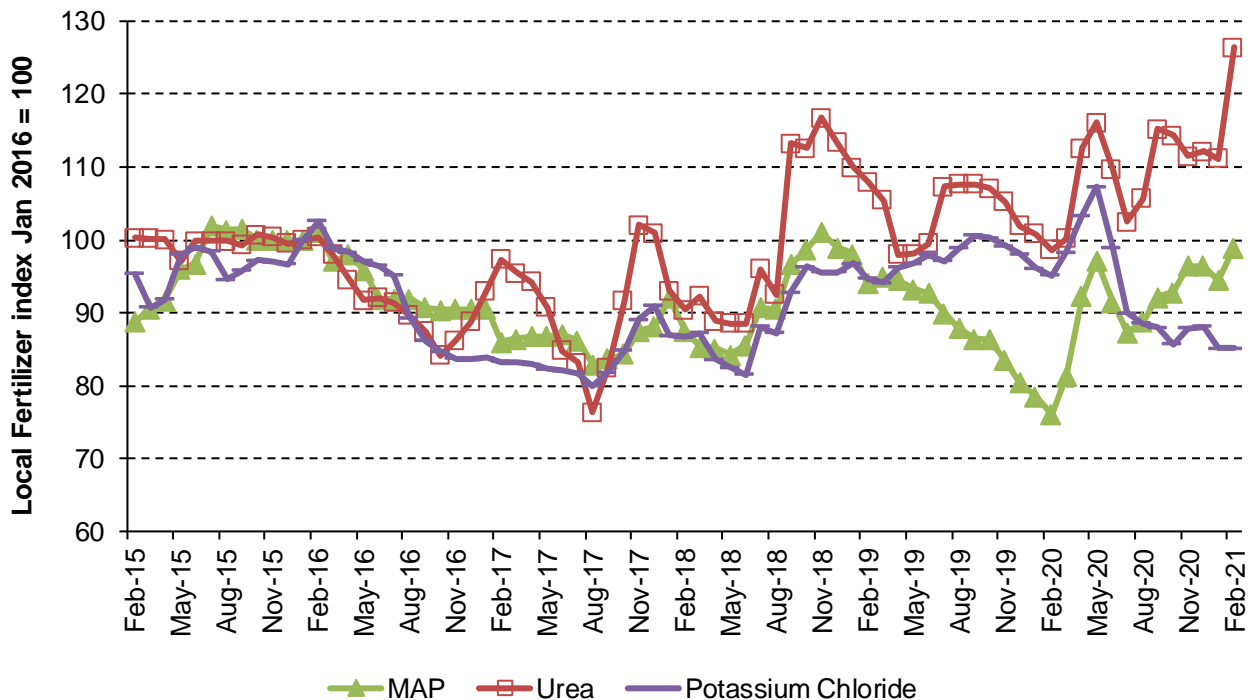


Figure 2: Domestic price trends for selected fertilisers

Source: Own calculations from price lists, 2021.

3. Fuel prices

Domestic fuel prices are linked to factors such as international crude oil price (US\$ per barrel) and the R/\$ exchange rate. **Figure 3** presents crude oil prices, petrol prices and diesel prices trends between February 2015 and February 2021. During this period petrol and diesel prices increased by 52% (from R10.31/litre to R15.67/litre) and 46.7% (from R9.26/litre to R13.58/litre), respectively. In US dollar terms crude oil prices increased by 5.2% (from US\$59.16/barrel to US\$62.22/barrel). During the same period crude oil prices in **Rand terms** increased by 34.3% (from R685.36/barrel to R918.37/barrel).

Between February 2020 and February 2021 diesel and petrol prices decreased by 6.8% (from R14.57/litre to R13.58/litre) and 2.2% from R16.03/litre to R15.67/liter during the same period. Crude oil prices in US dollar terms increased by 13% from US\$54.05/barrel to US\$62.22/barrel, with a 1.8% depreciation of the Rand (R/\$15.03 to R/\$14.67). These fluctuation in South Africa’s fuel prices have been largely driven by oil prices as well as weakening of the Rand against the US Dollar.

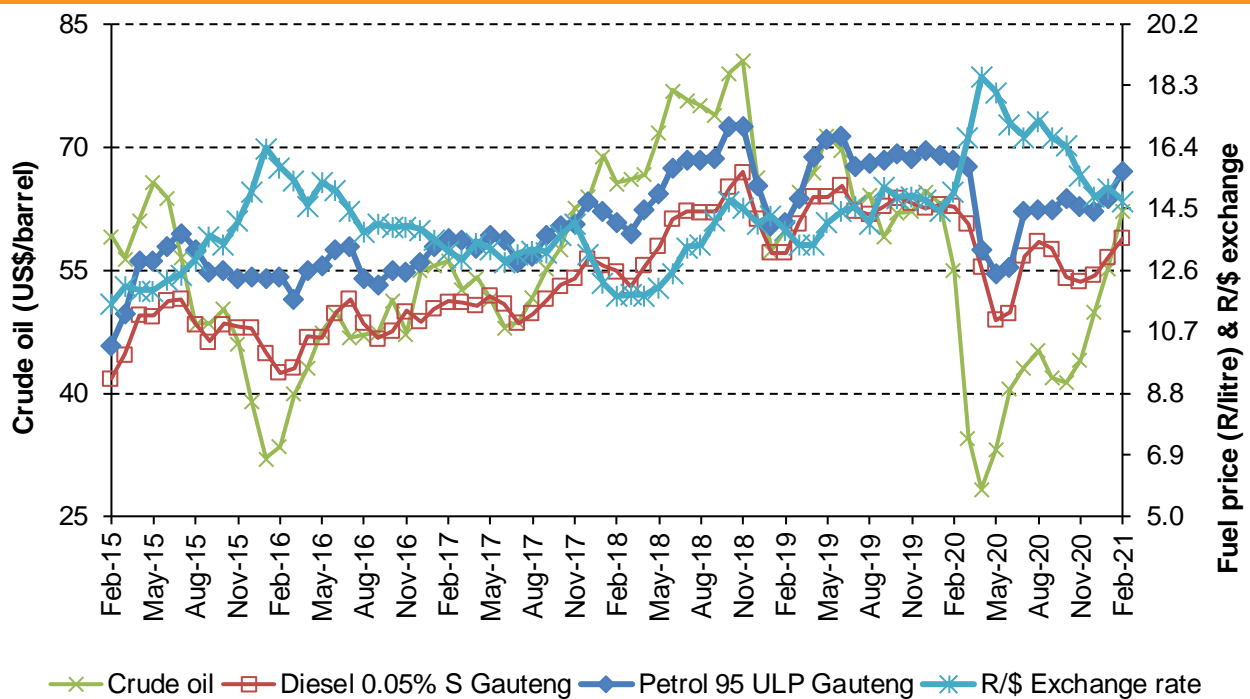


Figure 3: Crude oil and fuel prices

Source: Grain SA and DoE, 2021.

4. Baltic Dry Index

The Baltic Dry Index (BDI) measures international freight rates for dry bulk cargo which is affected by both the demand to move raw materials across international markets and the supply of shipping capacity. Using 2005 as a base year of 6000, the BDI is calculated on a monthly basis. The International Grains Council (IGC) introduced a new Grain and Oilseeds Freight Index (GOFI) with January 2013 used as a base year which represents 68 major grain routes.

Figure 4 presents BDI and GOFI between Jan 2015 and March 2021. The BDI and GOFI during this period increased by 169.1% and 71.2%, respectively attributed to changes in shipments times and demand across the world. From March 2020 to March 2021, the BDI and GOFI increased by 225.7% and 77.1%, respectively. The shipping sector had been volatile in 2020 due to the global effects of the COVID-19 pandemic on demand for commodities and this had affected freight rates. An improving global economy due to the introduction of COVID-19 vaccines that resulted expansion in shipping volumes. In March 2021, the BDI reached 1 966 index points and the GOFI reached 172 index points.

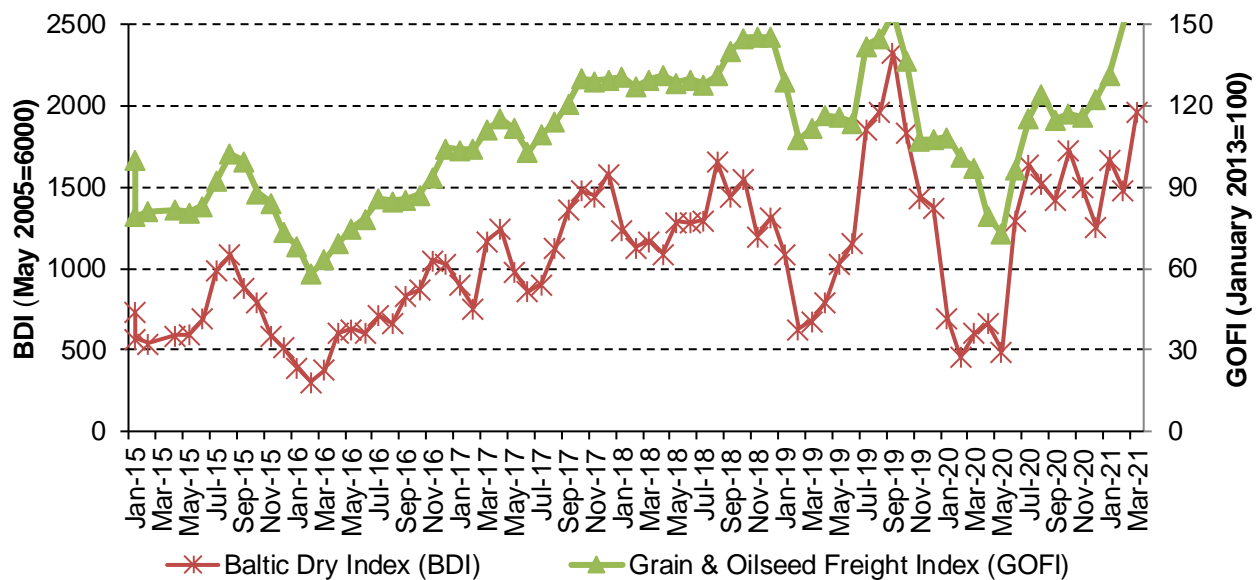


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index
 Source: SAGIS, 2021.

5. Illuminated paraffin price

Consumers utilise paraffin as an alternative source of household energy and is classified as an essential backup fuel. **Figure 5** shows illuminated paraffin prices for both the Coastal and Gauteng regions from March 2018 to March 2021. During this period, illuminated paraffin prices from the Gauteng and Coastal regions increased by 6.3% from R7.95/litre to R8.45/litre and 3.7% from R7.37/litre to R7.64/litre, respectively.

Between February 2020 and February 2021, the price of illuminated paraffin in both Coastal and Gauteng regions decreased by 3.2% (R7.98/litre to R7.64/litre) and 1.4% (R8.57/litre to R8.45/litre), respectively.

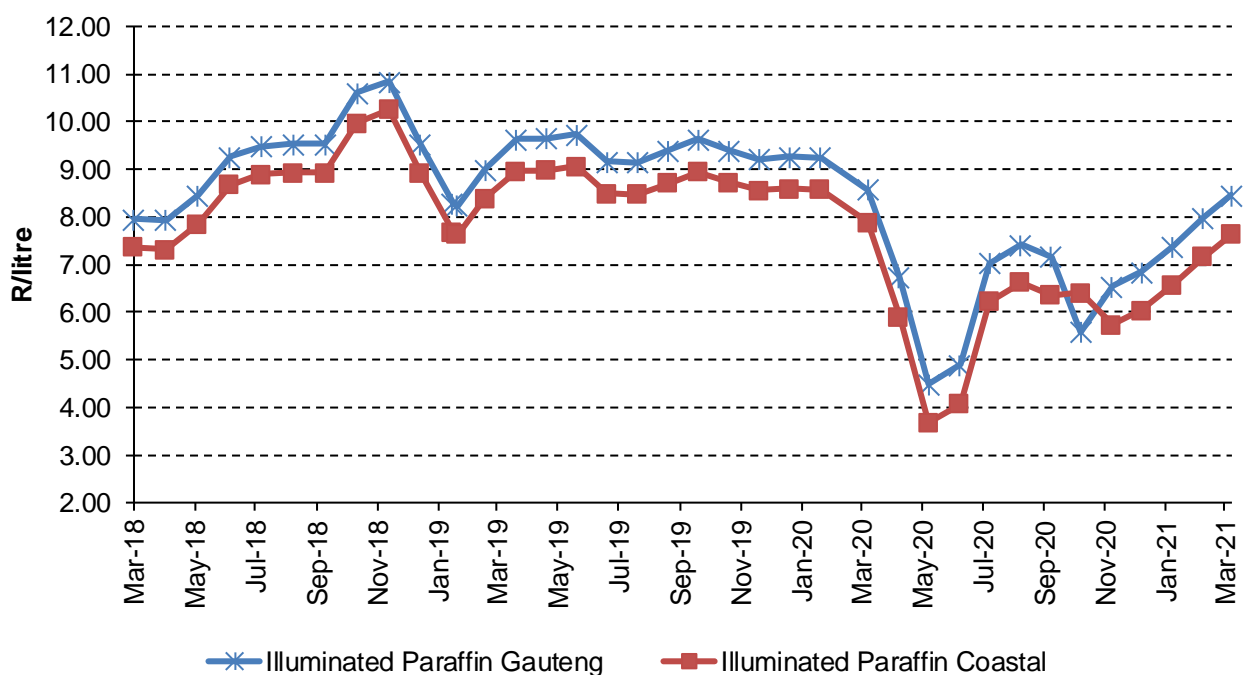


Figure 5: Comparison of illuminated paraffin price between Coastal regions and Gauteng
 Source: Department of Energy, 2021.

Compiled by:

Trends and discussion on selected topics:

Fezeka Matebeni

Corné Dempers

Enquiries: Dr Christo Joubert: +27 12 341 1115 or christo@namc.co.za

© 2021. National Agricultural Marketing Council.

Disclaimer:

Information contained in this document results from research funded wholly or in part by the NAMC, acting in good faith. Opinions, attitudes and points of view expressed herein do not necessarily reflect the official position or policies of the NAMC. The NAMC makes no claims, promises or guarantees about the accuracy, completeness or adequacy of the contents of this document and expressly disclaims liability for errors and omissions regarding the content thereof. No warranty of any kind, implied, expressed, or statutory, including but not limited to the warranties of non-infringement of third party rights, title, merchantability, fitness for a particular purpose or freedom from computer virus is given with respect to the contents of this document in hardcopy, electronic format or electronic links thereto. Reference made to any specific product, process, and service by trade name, trade mark, manufacturer or another commercial commodity or entity are for informational purposes only and do not constitute or imply approval, endorsement or favouring by the NAMC.