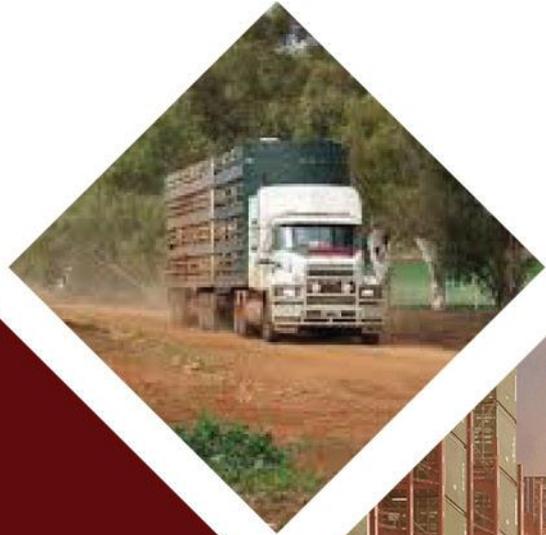




NAMMC

Promoting market access for South African agriculture



Input

COST MONITORING

An update on selected items

March 2023

INPUT COST MONITORING | MARCH 2023

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EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilizers

Between February 2021 and February 2023, international prices (**in Rand**) per ton (R/ton) for Ammonia, Muriate of Potash (MOP), and Di-Ammonium Phosphate (DAP) increased by 187.1% (from R4 251 to R12 204), 174.8% (R2 967 to R8 154), and 16.2% (from R7 882 to R9 157), respectively. The exchange rate (Rand per United States dollar – R/\$) which plays a crucial role when purchasing inputs from the global market depreciated by 21.4% during the observed period.

Local fertilizer prices trends between February 2021 and February 2023 for Potassium Chloride (KCL), Mono-Ammonium Phosphate (MAP) and urea (granular) increased by 147.9% (R6 429 to R15 937), 71.4% (R9 753 to R16 717) and 60.9% (R8 012 to R12 890), respectively.

❖ Fuel prices & Illuminated paraffin

Between February 2022 and February 2023, diesel and petrol prices increased by 18.1% (from R18.05/litre to R21.32/litre) and 7.6% (from R20.14/litre to R21.68/litre), respectively. For the same period, crude oil prices in US dollars decreased by 1.0% from US\$87.00/barrel to US\$86.16/barrel, with a 9.9% depreciation of the Rand (R15.51/\$ to R17.05/\$). These figures mostly reflect the present level of volatility in the world crude oil market and in currency rates, as evidenced by the Rand's decline versus the US Dollar.

On the other hand, the price of illuminated paraffin in both Coastal and Gauteng regions increased by 34.86% (from R11.16/litre to R15.05/litre) and 32.25% (R11.98/litre to R15.84/litre), respectively, for the same period. International petroleum prices and the fluctuation in the Rand/US\$ exchange rate often have the biggest impact on paraffin prices.

❖ Freight Indices

Between February 2017 and February 2023. During this period between February 2017 and February 2023, the Grain and Oilseeds Freight Index (GOFI) increased by 17.1%, while Baltic Dry Index (BDI) decreased by 9.5%. On year-on-year basis (February 2022 vs February 2023), the BDI and GOFI decreased by 61.1% and 31.7%, respectively. Due to global supply chain disruptions due to the COVID-19 outbreak, the cost of transporting goods significantly rose from late 2020 to mid-2022.

Notwithstanding the fluctuating energy prices and the ongoing Russia-Ukraine crisis, the situation has of recent improved significantly. As of the 7th of March 2023, the BDI was 1 427 index points and the GOFI reached 156 index points.

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Introduction

Agricultural inputs such as fertilisers, play an important role in increasing agricultural productivity. The Input Cost Monitoring (ICM) report, published by the National Agricultural Marketing Council (NAMC) is a quarterly report analysing historic and current trends of selected agricultural production input prices in both domestic and international markets. The data for this publication is obtained from Grain South Africa (Grain SA), the Department of Energy (DoE) and the South African Grain Information Service (SAGIS).

International price trends for selected fertilizers

Figure 1 illustrates international fertilizer prices for selected fertilizers between February 2021 and February 2023. International prices (**in Rand**) per ton (R/ton) for Ammonia, Muriate of Potash (MOP), and Di-Ammonium Phosphate (DAP) increased by 187.1% (from R4 251 to R12 204), 174.8% (R2 967 to R8 154), and 16.2% (from R7 882 to R9 157), respectively. The exchange rate (Rand per United States dollar – R/US\$) which plays a crucial role when purchasing inputs from the global market depreciated by 21.4% during the observed period.

In US Dollars, the price per ton for Ammonia and MOP increased by 136.5% and 126.4%, respectively from (\$288 to \$681) and (\$201 to \$455), respectively. Conversely, the price of Urea and DAP decreased by 16.5% (\$364 to \$304) and 4.3% (\$534 to \$511), respectively.

From late 2022, the global fertilizer market situation improved substantially. This could be attributed to improvements in the supply chain that had been disrupted during the Covid-19 outbreak and due to the easing in demand. As anticipated, this was also mirrored in international fertilizer prices. Between February 2022 and February 2023 year-on-year (y/y), international prices (**in Rands**) per ton for Urea, DAP, MOP and Ammonia decreased by 35.5%, 27.8%, 14.4% and 5.6%, respectively.

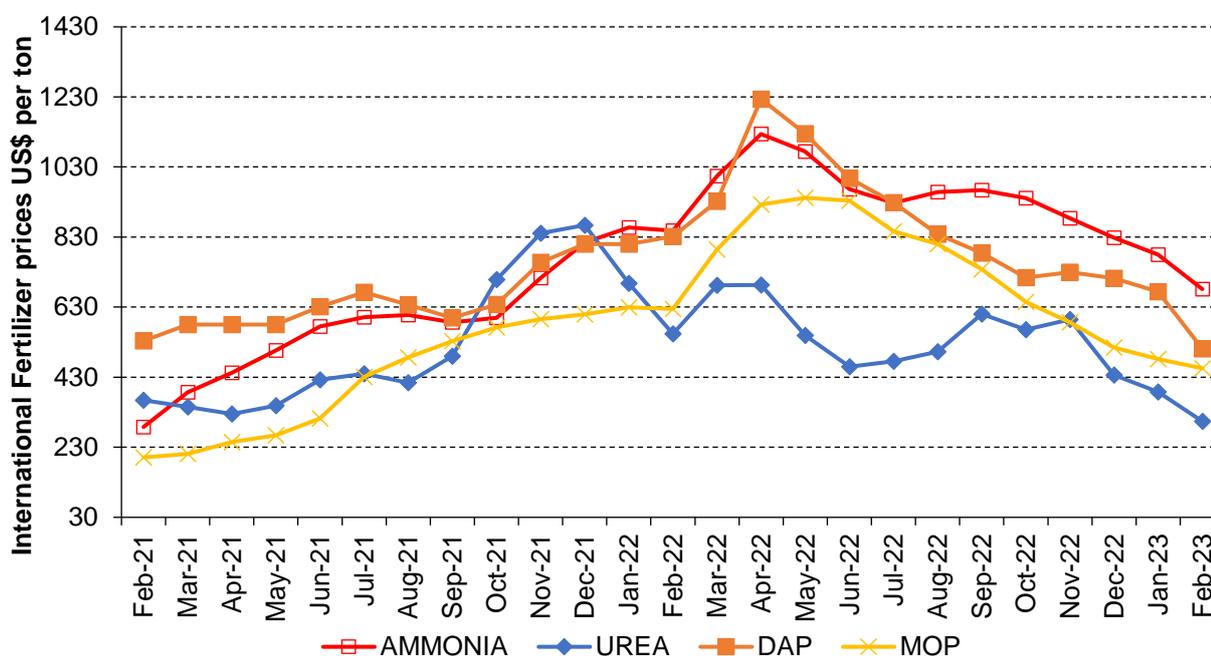


Figure 1: International price trends for selected fertilizers

Source: Own calculations based on data from Grain SA, 2023.

Domestic price trends for selected fertilizers

Figure 2 shows domestic price trends for fertilizers between February 2021 and February 2023. During this period, the local price per ton of fertilizers for Potassium Chloride (KCL), Mono-Ammonium Phosphate (MAP) and Urea (granular) increased by 147.9% (R6 429 to R15 937), 71.4% (R9 753 to R16 717) and 60.9% (R8 012 to R12 890), respectively.

Between February 2022 and February 2023 (y/y), domestic fertilizer prices for KCL increased by 11.5% (from R14 289 to R15 937), while Urea decreased by 17.6% (from R15 640 to R12 890), and MAP decreased by 8.4% (from R18 254 to R16 717). In line with the global market price trends, domestic fertilizer prices have been trending downwards over the past few months mirroring the developments from the international markets.

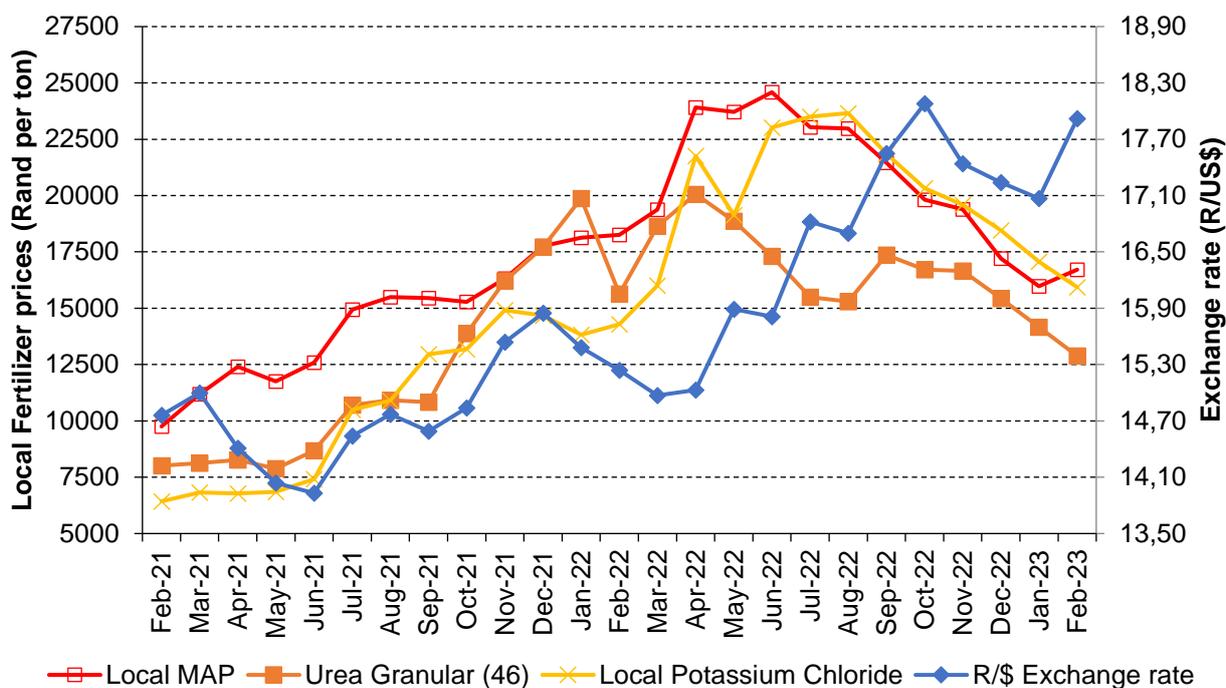


Figure 2: Domestic price trends for selected fertilizers and exchange rate (R/US\$)
 Source: Own calculations based on data from Grain SA, 2023.

Fuel prices

Domestic fuel prices are linked to factors such as international crude oil price (US\$ per barrel) and the exchange rate. **Figure 3** presents price trends of crude oil, petrol, diesel and the trend of the exchange rate between February 2017 and February 2023. During this period, diesel and petrol prices increased by 83.3% (from R11.63/litre to R21.32/litre) and 59.2% (from R13.62/litre to R21.68/litre), respectively. Crude oil prices increased by 53.5% (from US\$56.14/barrel to US\$86.16/barrel) while in Rand value, crude oil prices increased by 98.4% (from R740.49/barrel to R1 469/barrel) during the same period.

Between February 2022 and February 2023, diesel and petrol prices increased by 18.1% (from R18.05/litre to R21.32/litre) and 7.6% (from R20.14/litre to R21.68/litre), respectively. For the same period, crude oil prices in US dollars decreased by 1.0% from US\$87.00/barrel to US\$86.16/barrel, with a 9.9% depreciation of the Rand (R15.51/\$ to R17.05/\$). These figures mostly reflect the present level of volatility in the world crude oil market and in currency rates, as evidenced by the Rand's decline against the US Dollar.

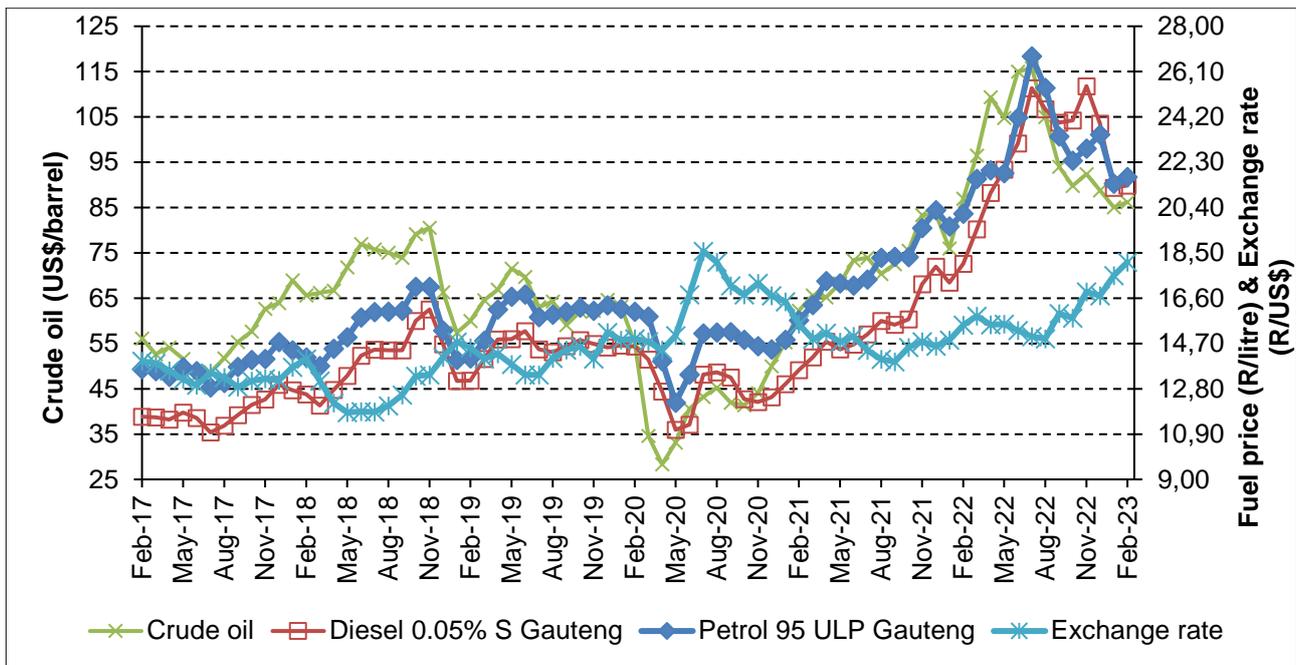


Figure 3: Price trends for crude oil, fuel and exchange rate trend
 Source: DoE, 2023.

Freight rates

The Baltic Dry Index (BDI) is used to monitor international freight rates for dry bulk cargo across the world. Specific to grains and oilseeds, the International Grains Council (IGC) introduced the Grain and Oilseeds Freight Index (GOFI) which is used to track international freight rates on grains and oilseeds globally. Using January 2013 as a base year, at least 68 key grains and oilseeds routes are monitored.

Figure 4 presents BDI and GOFI between February 2017 and February 2023. During this period, the GOFI increased by 17.1% while the BDI decreased by 9.5%. Year-on-year (February 2022 vs February 2023), the BDI and GOFI decreased by 61.1% and 31.7%, respectively. Due to the global supply chain disruptions because of COVID-19 outbreak, the cost of transporting goods significantly increased from late 2020 to mid-2022. Notwithstanding the fluctuating energy prices and the ongoing Russia-Ukraine crisis, the situation has of recent improved significantly. As of the 7th of March 2023, the BDI was 1 427 index points while the GOFI reached 156 index points.

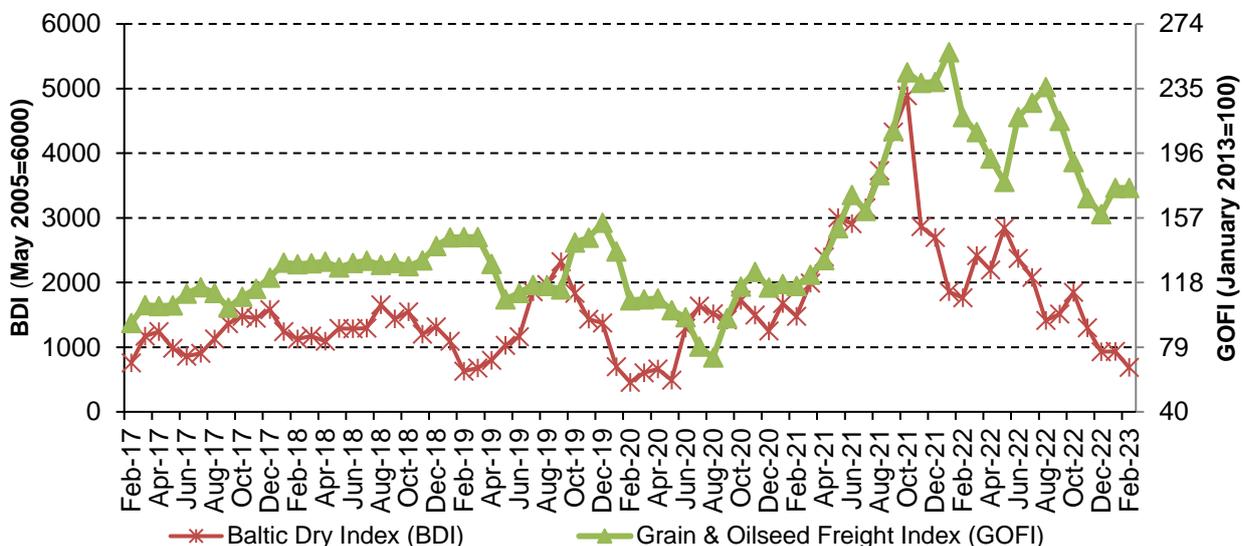


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

Source: SAGIS, 2023.

Illuminated paraffin price

Consumers in South Africa utilise paraffin as an alternative source of energy at household level. As result, paraffin is classified as an essential fuel. **Figure 5** shows that prices of illuminated paraffin for both the Coastal and Gauteng regions, from February 2017 to February 2023. During this period, illuminated paraffin prices for Gauteng and Coastal regions increased by 108.7% (from R7.59/litre to R15.84/litre) and 113.7% (from R7.04/litre to R15.05/litre), respectively.

Between February 2022 and February 2023, the price of illuminated paraffin in both Coastal and Gauteng regions increased by 34.9% (R11.16/litre to R15.05/litre) and 32.3% (R11.98/litre to R15.84/litre), respectively. International petroleum prices and the fluctuation in the exchange rate (R/US\$) often have the biggest impact on paraffin prices.

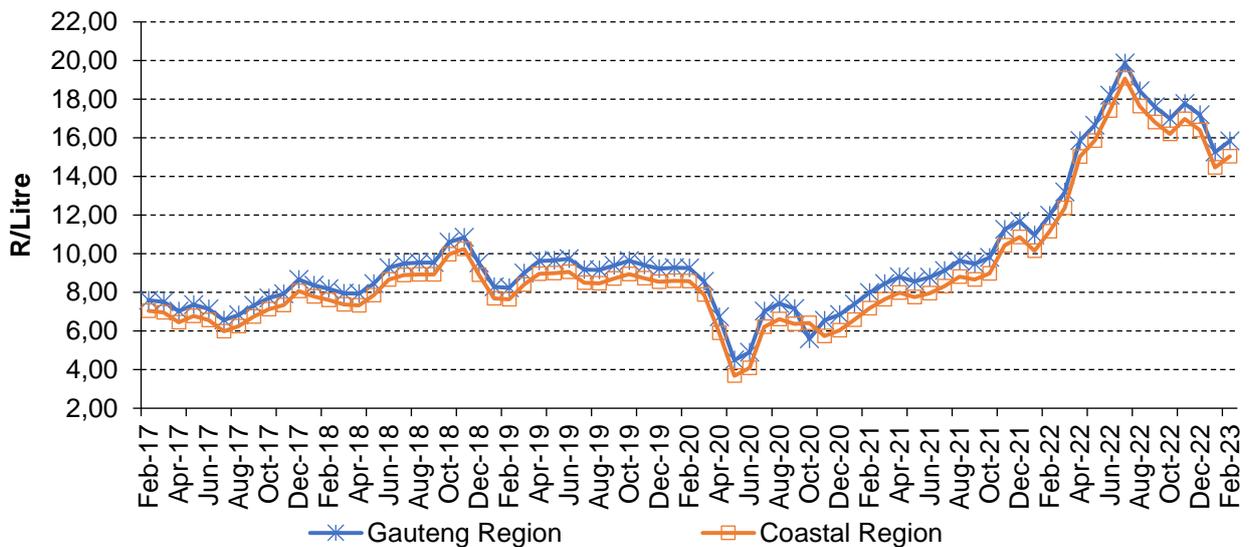


Figure 5: Comparison of illuminated paraffin price between Coastal and Gauteng regions

Source: Department of Energy, 2023.

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