



NAMMC

Promoting market access for South African agriculture



Input

COST MONITORING

An update on selected items

August 2023

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EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilizers

International prices measured in Rand per ton (R/ton) for Urea, Ammonia, Di-Ammonium Phosphate (DAP) and Muriate of Potash (MOP) increased by 125.7% (from R2 468 to R5 572), 112.0% (R2 534 to R5 372), 85.7% (R4 517 to R8 385) and 66.6% (R3 007 to R5 009), 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 38.2% during the observed period. In Rand value, international fertilizer prices per ton for Urea, DAP, MOP and Ammonia decreased by 30.3%, 46.3%, 64.8% and 65.5% respectively from July 2022 to July 2023.

During this period, the local price per ton of fertilizers for Potassium Chloride (KCL) increased by 84.3% (R6 166 to R11 364), followed by Urea granules with 83.0% (R5 269 to R9 644), Ammonium Nitrate (LAN) with 80.9% (R4 797 to R8 679) and Mono-ammonium phosphate (MAP) with 51.7% (R8 495 to R12 883), respectively. Fertilizer prices on a global scale have displayed a rising trajectory over the years, and this upward movement is attributed to various factors, including sanctions imposed on Russia and Belarus, reduced investment in the fertilizer sector in the region, China's restrictions on exports as well as challenges in the global supply chain.

❖ Fuel prices and Illuminated paraffin

Between July 2022 and July 2023, the price of diesel decreased by 23.3% (from R25.40/litre to R19.49/litre), followed by petrol which decreased by 16.0% (from R26.74/litre to R22.46/litre). On the other hand, crude oil prices in US\$ decreased by 35.1% (US\$115.77\$/barrel) to US\$75.10\$/barrel) and in Rand value, crude oil prices decreased by 23.1% (R1 824.54/barrel to R1 402.87barrel). When accounting for the exchange rate, during this period, the rand depreciated against the US Dollar from R15.76 to R18.68. During the same period, the price of illuminated paraffin in both Coastal regions and Gauteng decreased by 31.83% (R19.07/litre to R13.00/litre) and 29.92% (R19.86/litre to R13.92/litre), respectively.

❖ Freight Indices

Between July 2017 and July 2023, the Grain & Oilseed Freight Index (GOFI) increased by 9.54%, while the Baltic Dry Index (BDI) increased by 12.79%. However, on a year-on-year basis (July 2022 vs. July 2023), the GOFI and BDI decreased by 37.22% and 51.0%, respectively. The recent decline in both GOFI and BDI can be attributed to several factors, including the drop in crude oil prices and some improvements in supply chain operations. As of July 2023, the BDI stood at 1 019 index points, while the GOFI reached 120 index points, down from the 124 index points reported in July 2022.

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Introduction

Agricultural inputs such as fertilisers and fuel play a significant 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 presents international fertilizer prices for selected fertilizers between July 2017 and July 2023. International prices measured in US Dollars per ton (US\$/ton) for Urea increased by 63.3% from US\$188 to US\$307 followed by Ammonia with 53.4% from US\$193 to US\$296 while Di-Ammonium Phosphate (DAP) and Muriate of Potash (MOP) increased by 34.3% and 20.5%, respectively.

During the same period, international prices measured in Rand per ton (R/ton) for Urea, Ammonia, DAP and MOP increased by 125.7% (from R2 468 to R5 572), 112.0% (R2 534 to R5 372), 85.7% (R4 517 to R8 385) and 66.6% (R3 007 to R5 009), 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 38.2% during the observed period. In Rand value, international fertilizer prices per ton for Urea, DAP, MOP and Ammonia decreased by 30.3%, 46.3%, 64.8% and 65.5% respectively from July 2022 to July 2023.

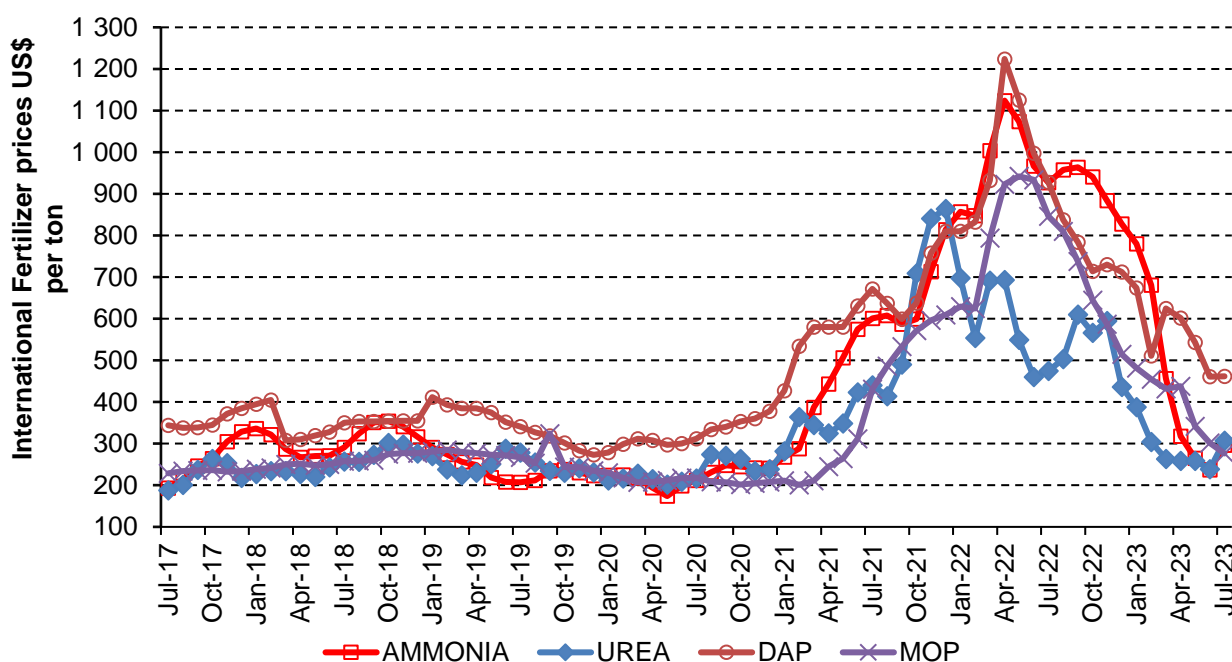


Figure 1: International price trends for selected fertilizers

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 July 2017 and July 2023. During this period, the local price per ton of fertilizers for Potassium Chloride (KCL) increased by 84.3% (R6 166 to R11 364), followed by Urea granular with 83.0% (R5 269 to R9 644), Ammonium Nitrate (LAN)

with 80.9% (R4 797 to R8 679) and Mono-ammonium phosphate (MAP) with 51.7% (R8 495 to R12 883), respectively.

Between July 2022 and July 2023 (y/y), domestic fertilizer prices for KCL decreased by 51.7% (R23 504 to R11 364), MAP decreased by 44.1% (R23 031 to R12 883), LAN decreased by 38.8% (R14 170 to R8 679) and Urea decreased by 37.8% (R15 550 to R9 644). Fertilizer prices on a local scale have displayed a fluctuating trend over the years, and this is attributed to various factors, including sanctions imposed on Russia and Belarus, Sub Saharan Africa's reduced investment in the fertilizer sector, China's restrictions on exports, as well as challenges in the global supply chain.

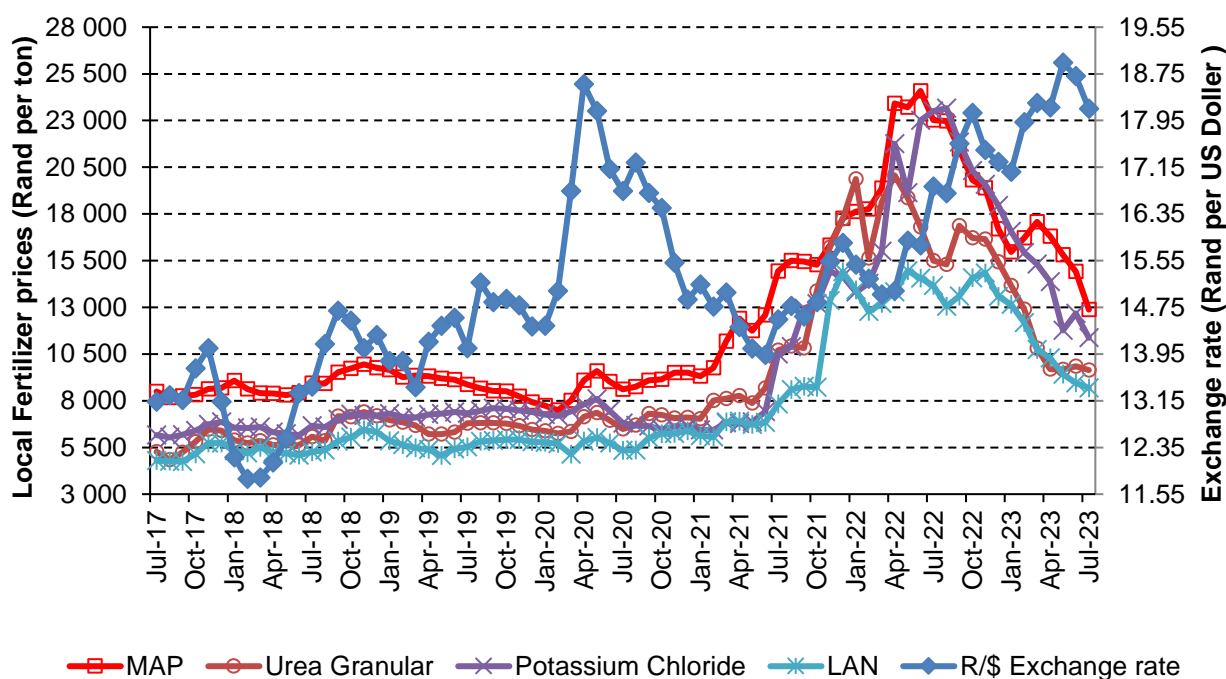


Figure 2: Domestic price trends for selected fertilizers and exchange rate (R/US\$)

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

Fuel prices

Figure 3 presents price trends of crude oil, petrol, diesel and the trend of the exchange rate between July 2017 and July 2023. During this period, diesel and petrol prices increased by 77.7% (R10.97/litre to R19.49/litre) and 74.7% (R12.86/litre to R22.46/litre), respectively. Crude oil prices increased by 54.1% (US\$48.73/barrel to US\$75.10/barrel) while in Rand value, crude oil prices increased by 119.3% (R639.82/barrel to R1 402.87/barrel) during the same period.

Between July 2022 and July 2023, diesel decreased by 23.3% (R25.40/litre to R19.49/litre), followed by petrol which decreased by 16.0% (R26.74/litre to R22.46/litre), crude oil prices in US\$ decreased 35.1% (US\$115.77/barrel to US\$75.10/barrel) and in Rand value, crude oil prices decreased by 23.1% (from R1 824.54/R/barrel to R1 402.87R/barrel), while the rand depreciated against the US Dollar from R15.76 to R18.68 from July 2022 to July 2023.

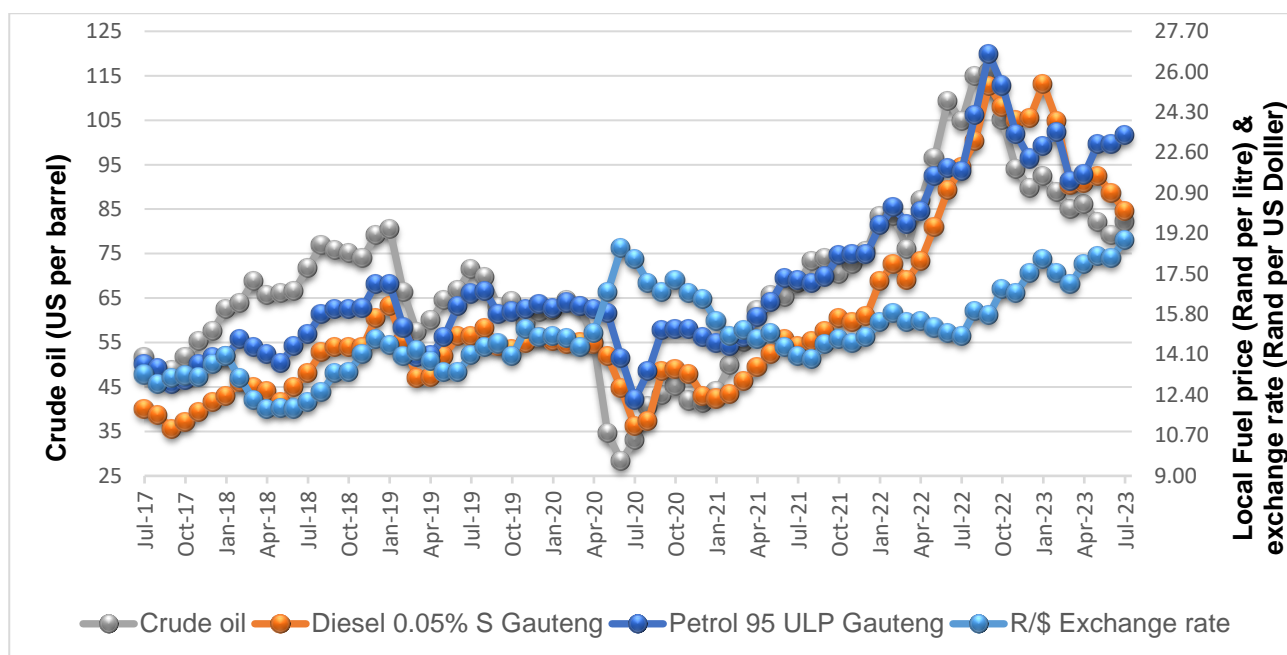


Figure 3: Price trends for crude oil, fuel and exchange rate

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 for the GOFI, at least 68 key grains and oilseeds routes are monitored.

Figure 4 presents the BDI and the GOFI between July 2017 and July 2023. During this period, the GOFI increased by 9.5% while the BDI increased by 12.8%. On a year-on-year basis (July 2022 vs July 2023), the GOFI and BDI decreased by 37.2% and 51.0%, respectively. The decline in both GOFI and BDI in recent months is attributed to several factors including the drop in crude oil prices and partly improved operations along supply chains. As a result of these developments, as of July 2023, the BDI was 1 019 index points while the GOFI reached 120 index points from 124 index points reported during June 2023.

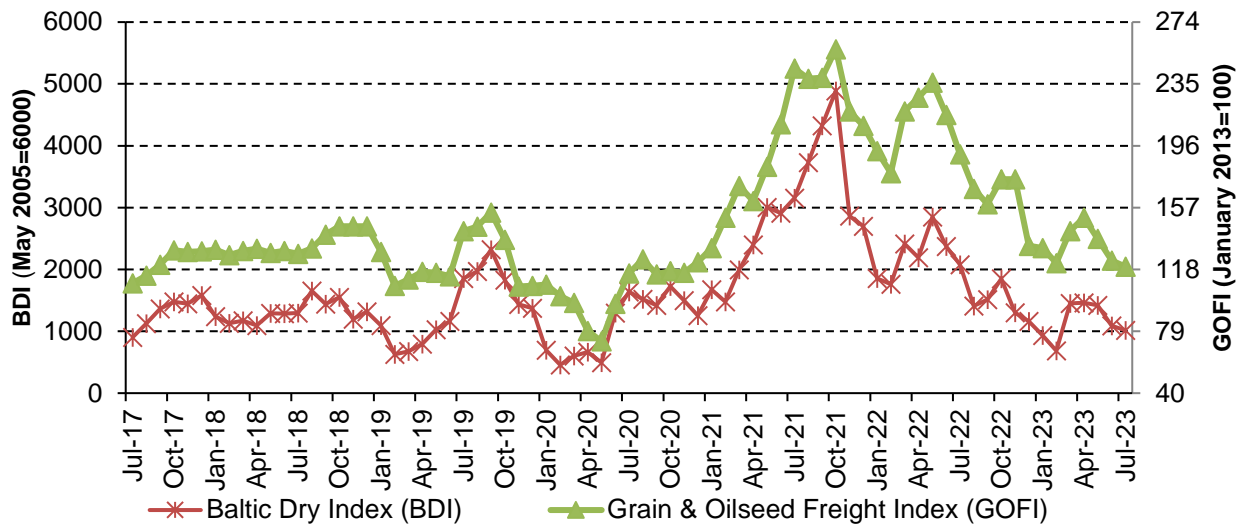


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

Source: SAGIS, 2023.

Illuminated paraffin price

Figure 5 shows prices trends of illuminated paraffin for both the Coastal and Gauteng regions, from July 2017 to July 2023. During this period, illuminated paraffin prices for Coastal regions and Gauteng increased by 128.9% (from R5.99/litre to R13.00/litre) and 122.7% (from R6.57/litre to R13.92/litre), respectively.

Between July 2022 and July 2023, the price of illuminated paraffin in Coastal regions and Gauteng decreased by 28.1% (R19.07/litre to R13.00/litre) and 26.3% (R19.86/litre to R13.92/litre), respectively. The fluctuation in the paraffin prices could be explained by unstable international petroleum prices and the exchange rate (R/US\$). Due to energy supply challenges faced of late, paraffin acts as one of the essential alternative energy sources for the majority of households in South Africa.

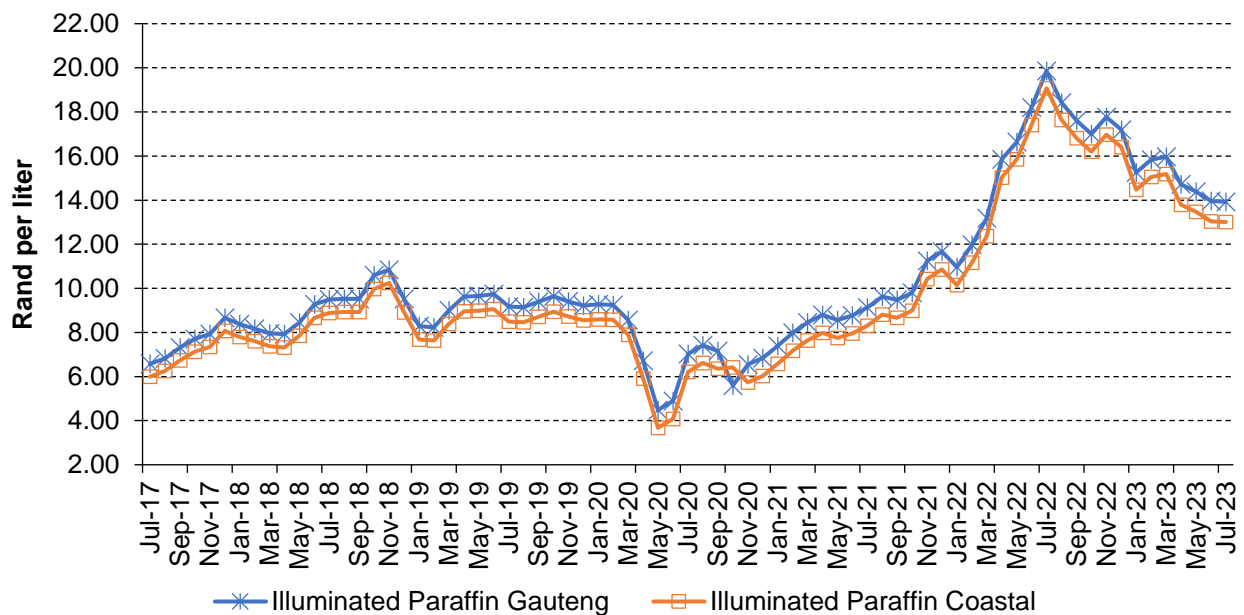


Figure 5: Comparison of illuminated paraffin price between Coastal and Gauteng regions

Source: Department of Energy, 2023.

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