



NAMMC

Promoting market access for South African agriculture



Input

COST MONITORING

An update on selected items

March 2024

INPUT COST MONITORING | MARCH 2024

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EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilizers

International prices, measured in Rand per ton (R/ton), experienced substantial increases between January 2020 and January 2024. Di-Ammonium Phosphate (DAP), Ammonia, Urea, and MOP increased by 182% (from R4 026 to R11 336), 159% (from R3 232 to R8 366), 92% (from R3 059 to R5 884) and 65% (from R3 319 to R5 471), respectively. The exchange rate (Rand per United States dollar – R/US\$), which plays a crucial role in purchasing inputs from the global market, depreciated by 30% during the observed period. On a year-to-year basis, prices in Rand value for Ammonia, MOP, Urea, and DAP decreased by 37%, 34%, 11% and 1%, respectively.

Between February 2022 and February 2024, the local prices per ton of fertilizers exhibited significant decreases. Mono-ammonium Phosphate (MAP) experienced the largest decrease of 14% (from R18 254 to R15 711). This was followed by Urea Granular, which decreased by 28% (from R15 640 to R11 197), LAN by 26% (from R12 774 to R9 444) and KCL by 25% (from R14 289 to R10 741). Global prices have recently seen a decline from their early 2022 highs, although they still linger at historically high levels. This reduction in prices is partially attributed to diminished demand, as farmers reduce their fertilizer applications in response to concerns about affordability and availability. Additionally, the industry faces challenges on the supply side, such as production constraints in Europe, disruptions caused by sanctions on Russia and Belarus, and trade limitations in China. Furthermore, major fertilizer-consuming countries like Brazil and China are currently observing national holidays, leading to a slowdown in trading activities.

❖ Fuel prices and Illuminated paraffin

Between February 2023 and February 2024, petrol and diesel prices increased by 7.2% (from R21.68/litre to R23.24/litre) and 0.2% (from R21.32/litre to R21.36/litre), respectively. Meanwhile, crude oil prices in US dollars decreased by 4.8% (from US\$86.16/barrel to US\$82.03/barrel), while in terms of Rand value, crude oil prices increased by 0.8% (from R1 543.99/barrel to R1 556.11/barrel). During this period, the Rand depreciated by 5.9% against the US Dollar, moving from R17.92 to R18.97.

Between February 2023 and February 2024, the price of illuminated paraffin in Gauteng remained constant at R15.84/litre and Coastal regions decreased by 0.9% (from R15.05/litre to R14.91/litre). It's worth noting that international petroleum prices and fluctuations in the exchange rate (R/US\$) often exert the most significant influence on paraffin prices.

❖ Freight Indices

Between February 2018 and February 2024, the BDI increased by 46.9%, while the GOFI increased by 17.8%. In a year-on-year comparison from February 2023 to February 2024, the BDI showed a significant increase of 141.3%, and the GOFI increased by 22.8%. The recent upturn in both the GOFI and BDI can be attributed to various factors, including fluctuations in crude oil prices. As of February 2024, the BDI reached 1 658 index points, while the GOFI increased to 149.8 index points from the 112.0 index points reported in February 2023.

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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 January 2020 and January 2024. The international prices for Di-Ammonium Phosphate (DAP), measured in US Dollars per ton (US\$/ton), increased by 116% from US\$279 in January 2020 to US\$603 in January 2024, followed by Ammonia, which increased by 99% from US\$224 to US\$445. During the same period, Muriate of Potash (MOP) increased by 27% from US\$230 to US\$291 and Urea increased by 48% from US\$212 to US\$313. Between January 2023 and January 2024, Ammonia decreased by 43%, followed by MOP (40%), Urea (19%) and DAP (11%). On a month-to-month basis (January 2024 and December 2023), international prices for MOP and Ammonia decreased by 22% and 10%, while prices for Urea and DAP increased by 23% and 3%, respectively.

Between January 2020 and January 2024, international prices, measured in Rand per ton (R/ton), experienced substantial increases. Di-Ammonium Phosphate (DAP), Ammonia, Urea, and MOP increased by 182% (from R4 026 to R11 336), 159% (from R3 232 to R8 366), 92% (from R3 059 to R5 884) and 65% (from R3 319 to R5 471), respectively. The exchange rate (Rand per United States dollar – R/US\$), which plays a crucial role in purchasing inputs from the global market, depreciated by 30% during the observed period. On a year-to-year basis, prices in Rand value for Ammonia, MOP, Urea, and DAP decreased by 37%, 34%, 11% and 1%, respectively. Meanwhile, on a month-to-month basis, prices for Urea and DAP increased by 24% and 4% while prices for MOP and Ammonia decreased by 21% and 9%, respectively.

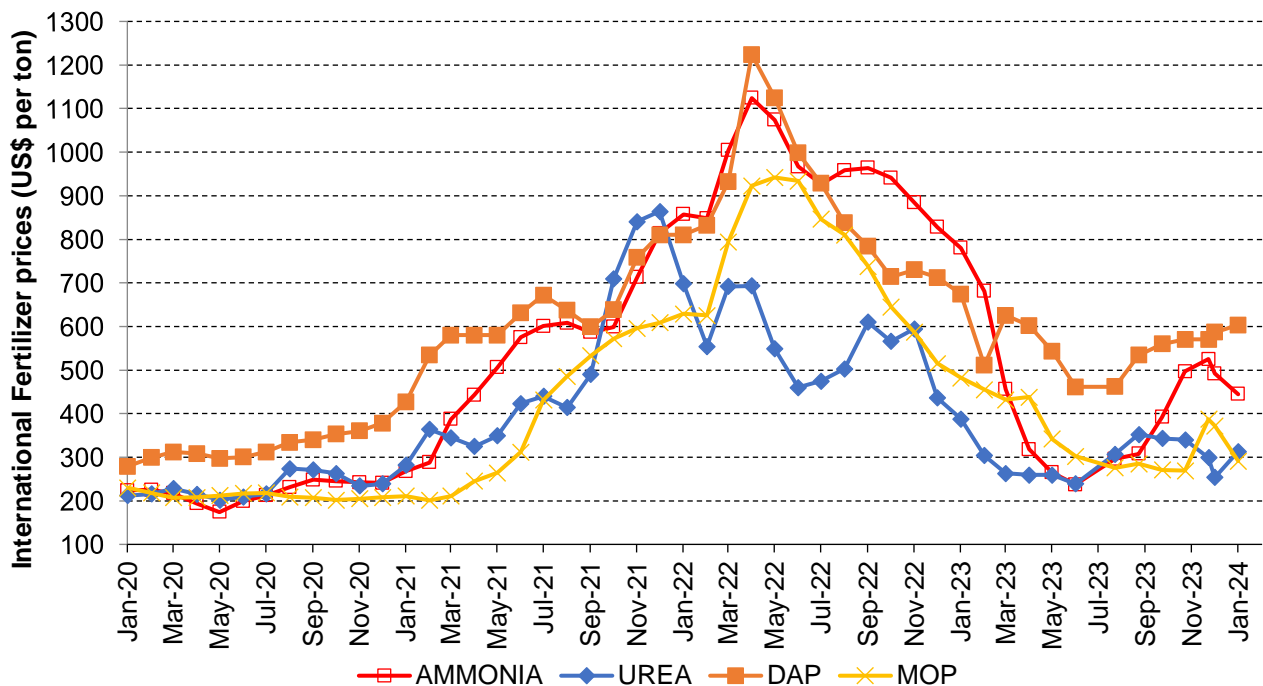


Figure 1: International price trends for selected fertilizers

Source: Own calculations based on data from Grain SA, 2024.

Domestic price trends for selected fertilizers

Figure 2 illustrates domestic price trends for fertilizers from February 2022 to February 2024. During this period, the local prices per ton of fertilizers exhibited significant decreases. Mono-ammonium Phosphate (MAP) experienced the largest decrease of 14% (from R18 254 to R15 711). This was followed by Urea Granular, which decreased by 28% (from R15 640 to R11 197), Ammonium Nitrate (LAN) by 26% (from R12 774 to R9 444) and Potassium Chloride (KCL) by 25% (from R14 289 to R10 741).

For year-on-year comparison between February 2023 and February 2024, domestic fertilizer prices experienced varying decreasing trends. Potassium Chloride (KCL) prices decreased 33% (from R15 937 to R10 741), followed by LAN with a 22% decrease (from R12 173 to R9 444), Urea granular with a 13% decrease (from R12 890 to R11 197) and MAP with a 6% decrease (from R16 717 to R 15 711). Global prices have recently seen a decline from their early 2022 highs, although they still linger at historically high levels. This reduction in prices is partially attributed to diminished demand, as farmers reduce their fertilizer applications in response to concerns about affordability and availability. Additionally, the industry faces challenges on the supply side, such as production constraints in Europe, disruptions caused by sanctions on Russia and Belarus, and trade limitations in China. Furthermore, major fertilizer-consuming countries like Brazil and China are currently observing national holidays, leading to a slowdown in trading activities.

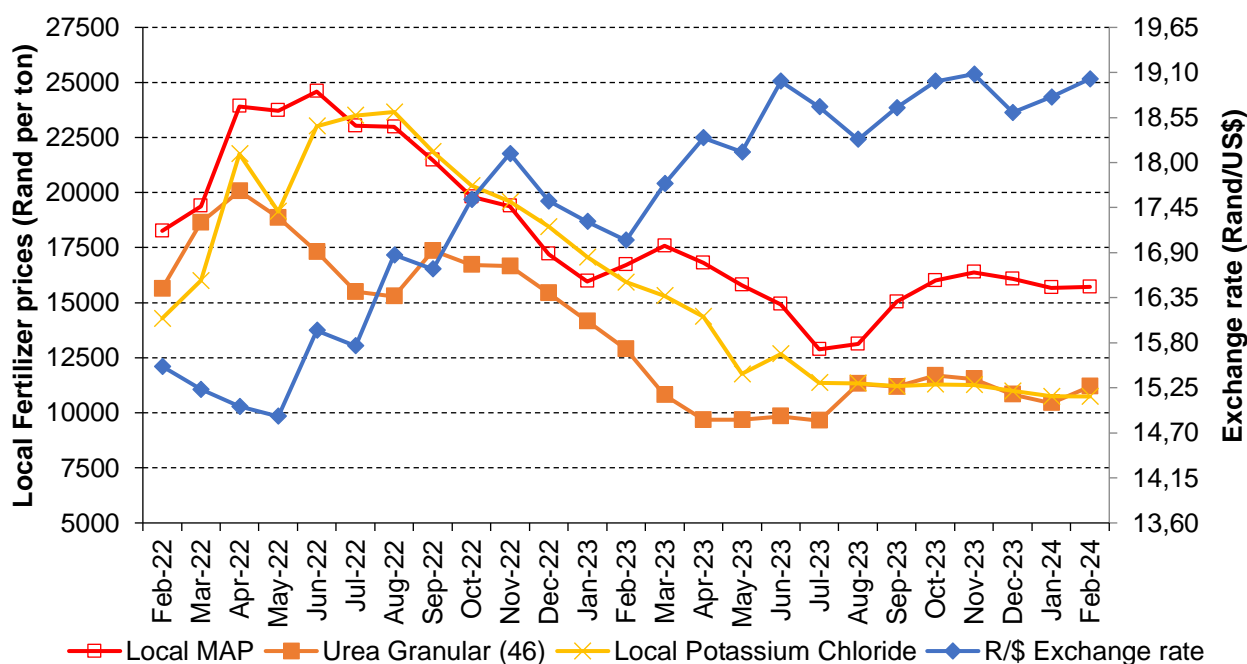


Figure 2: Domestic price trends for selected fertilizers and exchange rate (R/US\$)

Source: Own calculations based on data from Grain SA, 2024.

Fuel prices

Domestic fuel prices are influenced by factors such as the international crude oil price (measured in US dollars per barrel) and the exchange rate. **Figure 3** illustrates the price trends of crude oil, petrol, diesel and the exchange rate from February 2018 to February 2024. During this period, diesel and petrol prices experienced significant increases of 69.9% (from R12.57/litre to R21.36/litre) and 64.6% (from R14.12/litre to R23.24/litre), respectively. Meanwhile, crude oil prices increased by 25.0% (from US\$65.65/barrel to US\$82.03/barrel), and in terms of Rand value, crude oil prices rose by 100.7% (from R775.33/barrel to R1 556.11/barrel).

Between February 2023 and February 2024, petrol and diesel prices increased by 7.2% (from R21.68/litre to R23.24/litre) and 0.2% (from R21.32/litre to R21.36/litre), respectively. Meanwhile,

crude oil prices in US dollars decreased by 4.8% (from US\$86.16/barrel to US\$82.03/barrel), while in terms of Rand value, crude oil prices increased by 0.8% (from R1 543.99/barrel to R1 556.11/barrel). During this period, the Rand depreciated by 5.9% against the US Dollar, moving from R17.92 to R18.97.

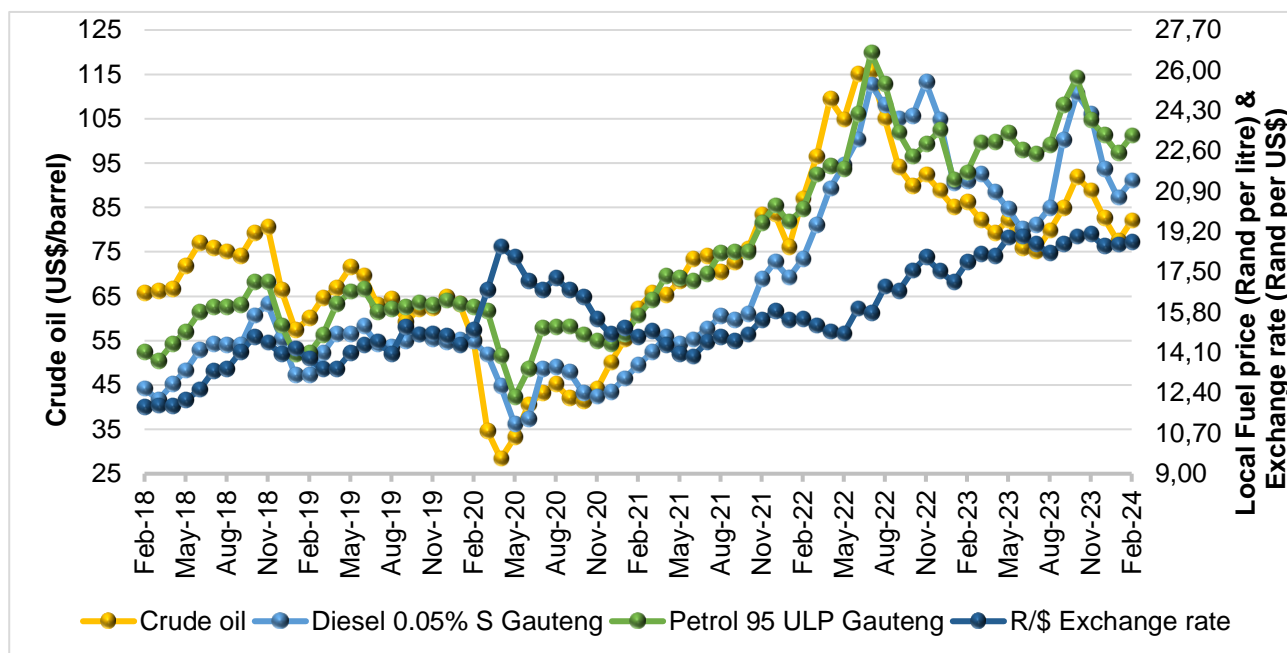


Figure 3: Price trends for crude oil, fuel and exchange rate trend
Source: DoE, 2024.

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 illustrates the trends of both the Baltic Dry Index (BDI) and the Global Oilseeds Freight Index (GOFI) from February 2018 to February 2024. During this period, the BDI increased by 46.9%, while the GOFI increased by 17.8%. In a year-on-year comparison from February 2023 to February 2024, the BDI showed a significant increase of 141.3%, and the GOFI increased by 22.8%. The recent upturn in both the GOFI and BDI can be attributed to various factors, including fluctuations in crude oil prices. As of February 2024, the BDI reached 1 658 index points, while the GOFI increased to 149.8 index points from the 122.0 index points reported in February 2023.

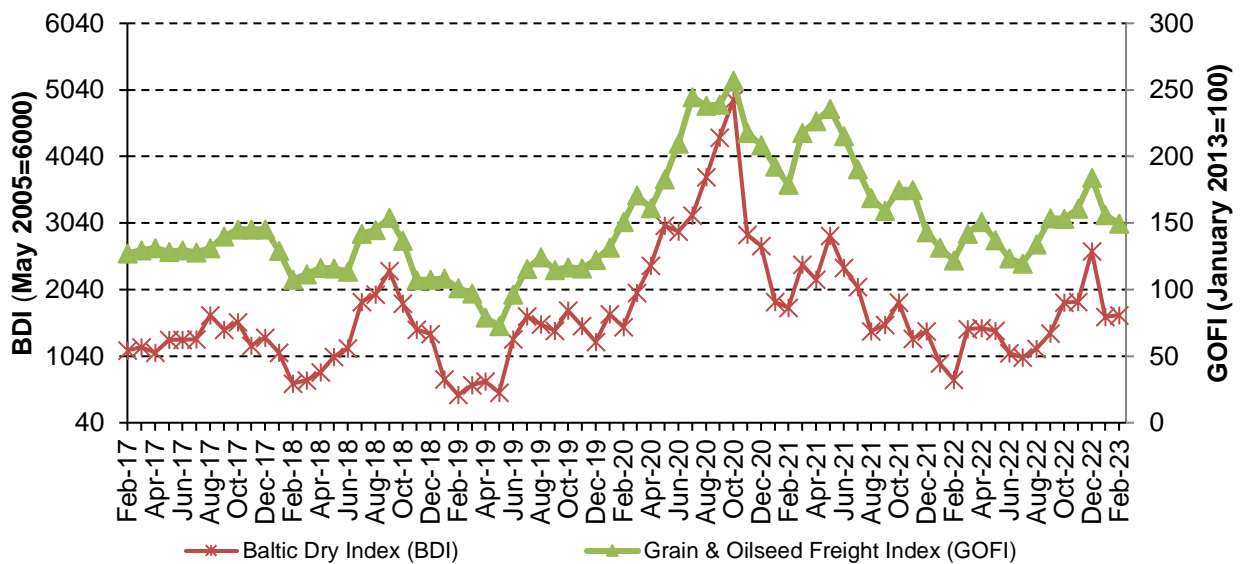


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index
 Source: SAGIS, 2024.

Illuminated paraffin price

Consumers in South Africa commonly use paraffin as an essential alternative source of energy at the household level. **Figure 5** depicts the price trends of illuminated paraffin for both the Coastal and Gauteng regions from February 2018 to February 2024. Over this period, illuminated paraffin prices for Coastal regions and Gauteng increased by 96.2% (from R7.60/litre to R14.91/litre) and 93.6% (from R8.18/litre to R15.84/litre), respectively.

Between February 2023 and February 2024, the price of illuminated paraffin in Gauteng remained constant at R15.84/litre and Coastal regions decreased by 0.9% (from R15.05/litre to R14.91/litre). It's worth noting that international petroleum prices and fluctuations in the exchange rate (R/US\$) often exert the most significant influence on paraffin prices.

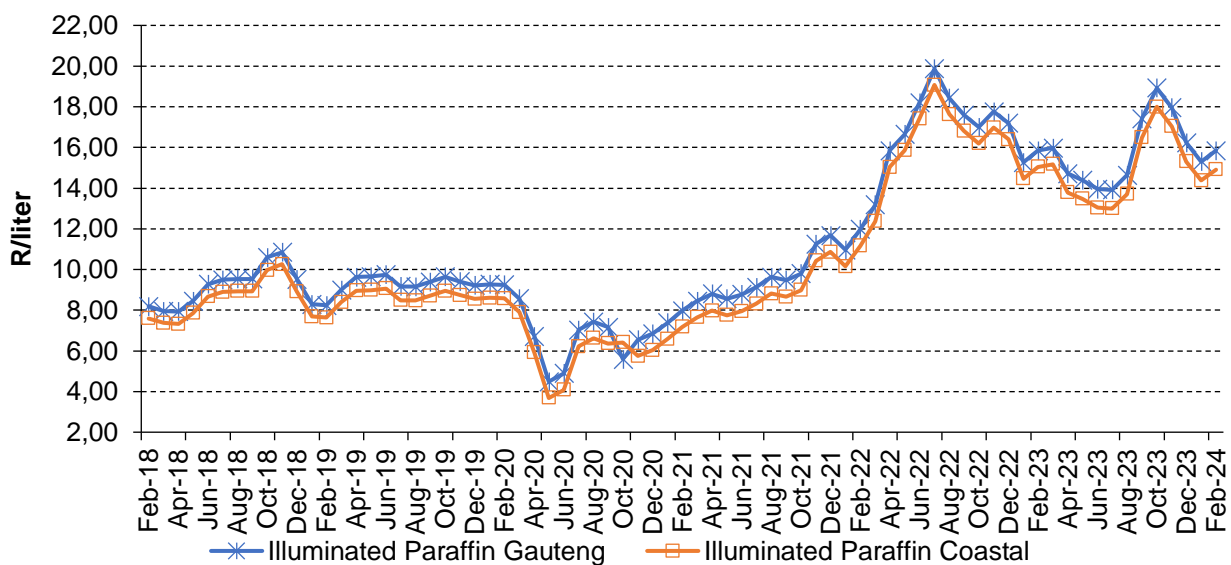


Figure 5: Comparison of illuminated paraffin price between Coastal and Gauteng regions
 Source: Department of Energy, 2024.

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