



NAMMC

Promoting market access for South African agriculture



Input

COST MONITORING

An update on selected items

June 2024

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EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilizers

The international prices, measured in Rand per ton (R/ton), increased significantly between April 2020 and April 2024. Di-Ammonium Phosphate (DAP), Ammonia, Urea, and MOP increased by 97% (from R5 720 to R11 271), 49% (from R3 603 to R5 381), 43% (from R3 993 to R5 702) and 39% (from R3 863 to R5 362), respectively. The exchange rate (Rand per US dollar - R/US\$), which is vital for importing inputs from the global market, decreased by 2% between April 2020 and April 2024. On a year-to-year basis, prices in Rand value for Ammonia and MOP decreased by 56% and 34%, while DAP and Urea increased by 23% and 5%, respectively. In addition, the international prices for MOP(R/ton) remained stable on month-to-month basis, while the prices for Urea, Ammonia and DAP decreased by 14%, 3% and 1%, respectively.

The domestic pricing per ton of fertilizers exhibited an increasing trend, with a significant surge over the period starting in April 2020 to April 2024. Mono-ammonium Phosphate (MAP) experienced a significant increase of 76% (from R9 096 to R15 966), followed by Ammonium Nitrate (LAN) which increased by 69% (from R5 843 to R9 890), then Urea Granular (48%) from R7 130 or R10 532 and Potassium Chloride (KCL) by 35% (from R7 803 to R10 501). The planting season in South Africa has a considerable impact on fertilizer production and demand, which is why domestic fertilizer prices have fallen. For example, the majority of South Africa's seasonal rainfall occurs during the warmer summer months, from October to March. As a result, October is a critical time for farmers to start determining when to sow crops for the growing season, increasing demand for fertilizers.

❖ Fuel prices and Illuminated paraffin

Between June 2023 and June 2024, petrol and diesel prices surged by 7.2% (from R22.63 to R24.25 /litre) and 8.5% (from R19.31 to R20.96/litre), respectively. Meanwhile, crude oil prices in United States (US) dollars increased by 9.3% (from US\$75.90/barrel to US\$82.98/barrel), while Rand prices surged by 7.8% (from R1 420.09/barrel to R1 530.98/barrel). During this time, the Rand appreciated by 1.4% versus the US dollar, dropping from R18.71 to R18.45.

The global paraffin market has seen considerable price swings in recent years, owing to a complex interaction of economic, political, and environmental variables. One of the key reasons for these price swings is the volatility of crude oil prices, because paraffin is a refined product of crude oil. Between June 2023 and June 2024, the price of illuminated paraffin in Gauteng increased by 8.8% (from R13.96 to 15.19) and Coastal regions increased by 8.9% (from R13.04/litre to R14.21/litre).

❖ Freight Indices

When comparing May 2023 to May 2024, the BDI went up by 87.1%, while the GOFI rose by 14.8%. This shows that the crude oil price fluctuations have a significant impact on the movements of both the GOFI and BDI. As of May 2024, the BDI had reached 1,992.25 index points, while the GOFI had risen to 157.75 index points from 129.0 in May 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 April 2020 and April 2024. The international prices for Di-Ammonium Phosphate (DAP), measured in US Dollars per ton (US\$/ton), increased by 94% from US\$308 in April 2020 to US\$597 in April 2024, followed by Ammonia, which increased by 47% from US\$194 to US\$285. During the same period, Muriate of Potash (MOP) increased by 37% from US\$208 to US\$284 and Urea increased by 40% from US\$215 to US\$302. Between April 2023 and April 2024, the international prices for MOP, Ammonia, and DAP decreased by 35%, 10% and 1%, respectively, while the international prices for Urea increased by 17%. On a month-to-month basis (March 2024 and April 2024), international prices for Urea decreased by 14%, followed by Ammonia (3%), and MOP and DAP which decreased by 1%, respectively.

International prices, measured in Rand per ton (R/ton), increased significantly between April 2020 and April 2024. Di-Ammonium Phosphate (DAP), Ammonia, Urea, and MOP increased by 97% (from R5 720 to R11 271), 49% (from R3 603 to R5 381), 43% (from R3 993 to R5 702) and 39% (from R3 863 to R5 362), respectively. The exchange rate (Rand per US dollar - R/US\$), which is vital for importing inputs from the global market, decreased by 2% between April 2020 and April 2024. On a year-to-year basis, prices in Rand value for Ammonia and MOP decreased by 56% and 34%, while DAP and Urea increased by 23% and 5%, respectively. In addition, international prices for MOP(R/ton) remained stable on month-to-month basis, while the prices for Urea, Ammonia and DAP decreased by 14%, 3% and 1%, respectively.

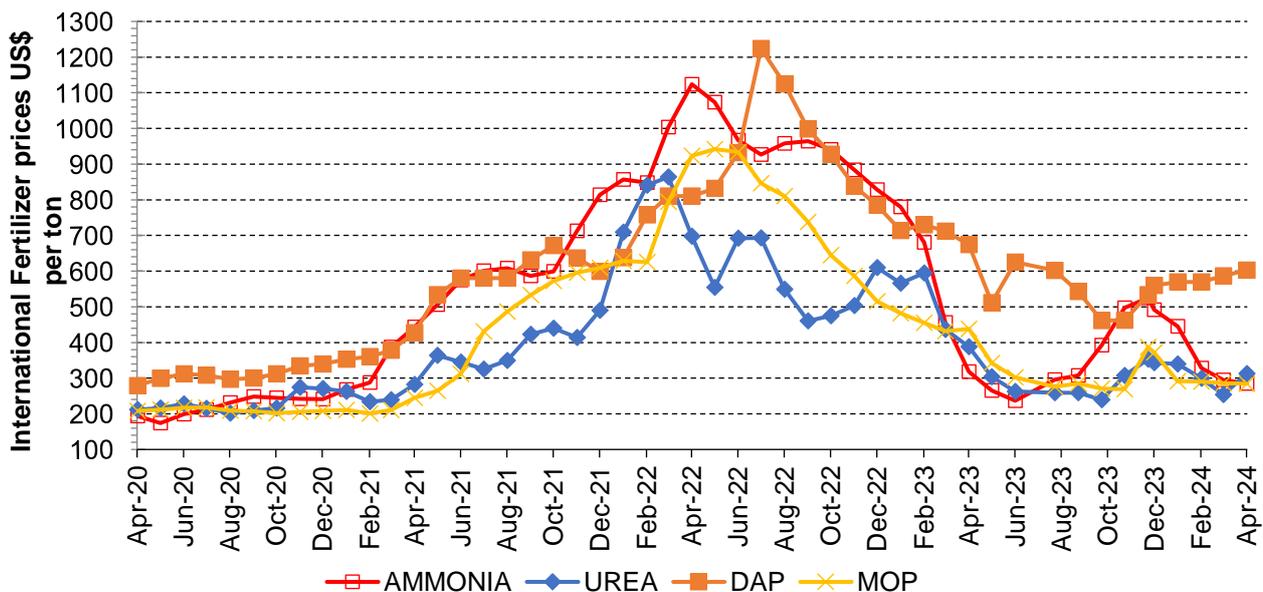


Figure 1: International price trends for selected fertilizers

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 April 2020 to April 2024. The domestic price per ton of fertilizers exhibited an increasing trend, with a significant surge over the period starting from April 2020 to April 2024. Mono-ammonium Phosphate (MAP) experienced a significant increase of 76% (from R9 096 to R15 966), followed by Ammonium Nitrate (LAN) which increased by 69% (from R5 843 to R9 890), while Urea Granular rose by 48% (from R7 130 or R10 532) and Potassium Chloride (KCL) by increased 35% (from R7 803 to R10 501).

The year-on-year comparison reveals that domestic fertilizer prices KCL, LAN, and MAP were favorable from April 2023 to April 2024. Potassium Chloride (KCL) prices decreased by 27% (from R14 371 to R10 501), followed by MAP with a 5% decrease (from R16 800 to R15 966), and LAN with a 4% decrease from R10 290 to R9 890. However, prices of Urea granular experienced a 9% increase (from R9 684 to R10 532). The planting season in South Africa has a considerable impact on fertilizer production and demand thereof, which is why domestic fertilizer prices have fallen. For example, the majority of South Africa's seasonal rainfall occurs during the warmer summer months, from October to March. As a result, October is a critical time for farmers to start determining when to sow crops for the growing season, hence the increasing demand for fertilizer.

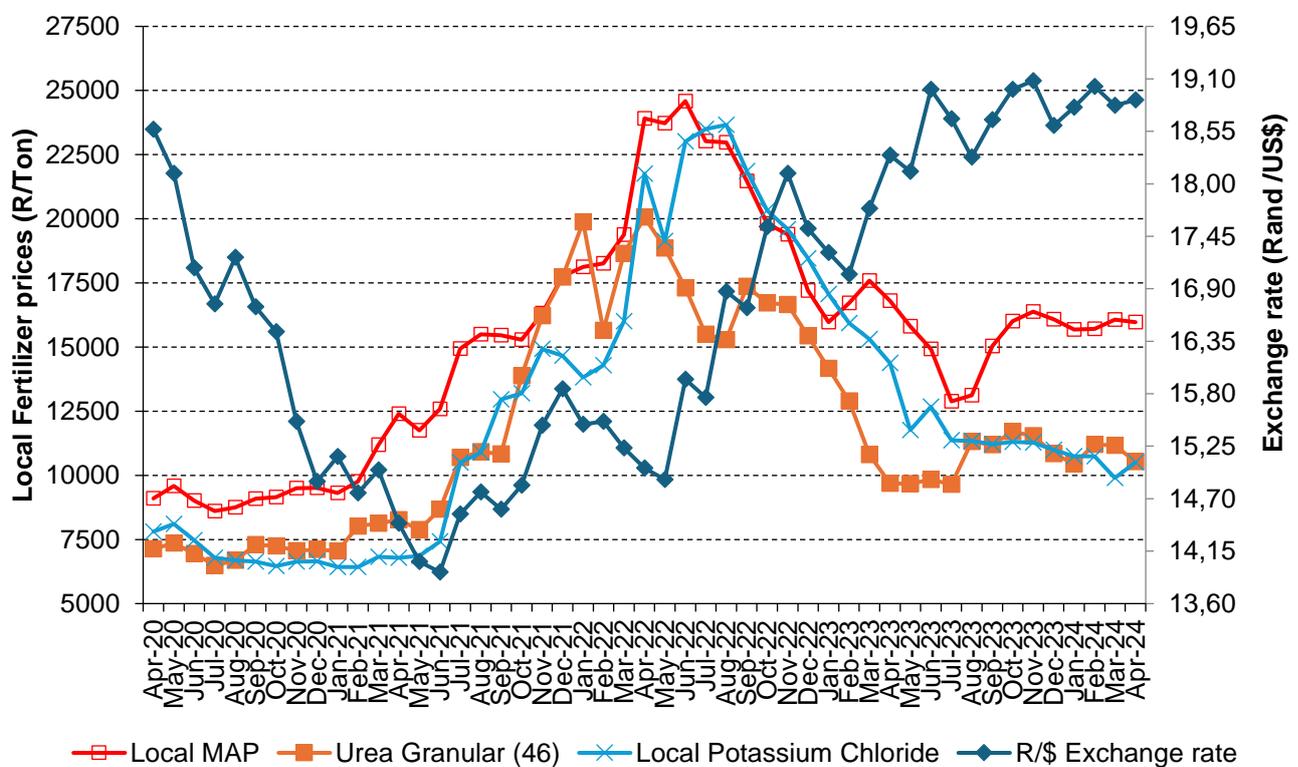


Figure 2: Domestic price trends for selected fertilizers and exchange rate (R/US\$)

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

Fuel prices

The crude oil price (measured in dollars per barrel) and the exchange rate have a significant impact on domestic fuel prices. **Figure 3** depicts the price patterns for crude oil, petrol, diesel, and the exchange rate from June 2018 to June 2024. During this time, petrol and diesel prices increased significantly by 53.6% (from R15.79/litre to R24.25/litre) and 47.7% (from R14.19/litre to R20.96/litre), respectively. Meanwhile, crude oil prices surge by 7.8% (from US\$76.94/barrel to US\$82.98/barrel), while in Rand terms, crude oil prices increased by 58.7% (from R964.62/barrel to R1 530.98).

Between June 2023 and June 2024, petrol and diesel prices surged by 7.2% (from R22.63 to R24.25 /litre) and 8.5% (from R19.31 to R20.96/litre), respectively. Meanwhile, crude oil prices in US dollars increased by 9.3% (from US\$75.90/barrel to US\$82.98/barrel), while Rand prices surged by 7.8% (from R1 420.09/barrel to R1 530.98/barrel). During this time, the Rand appreciated by 1.4% versus the US dollar, dropping from R18.71 to R18.45.

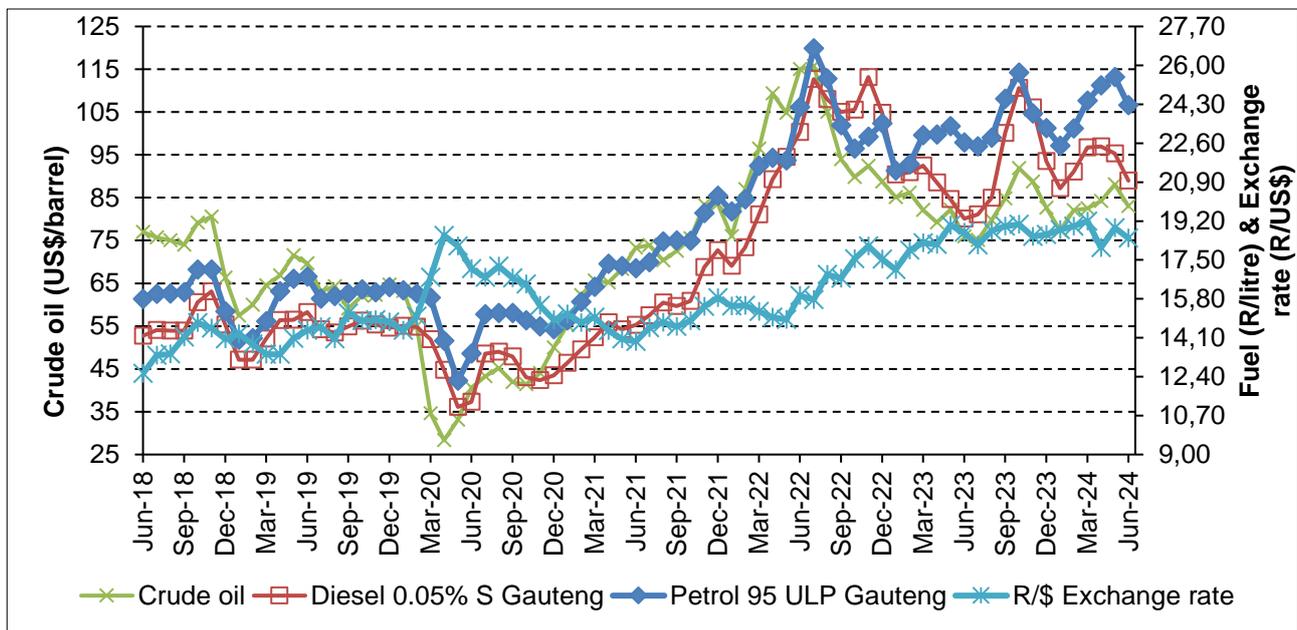


Figure 3: Price trends for crude oil, fuel and exchange rate trend
Source: DoE, 2024.

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 depicts the developments of the Baltic Dry Index (BDI) and the Global Oilseeds Freight Index (GOFI) between May 2018 and May 2024. During this time, the BDI surged by 49.1%, while the GOFI increased by 22.7%. When comparing May 2023 to May 2024, the BDI went up by 87.1%, while the GOFI rose by 14.8%. This shows that crude oil price fluctuations have a significant impact on the movements of both the GOFI and BDI. As of May 2024, the BDI had reached 1 992.25 index points, while the GOFI had risen to 157.75 index points from 129.0 in May 2023.

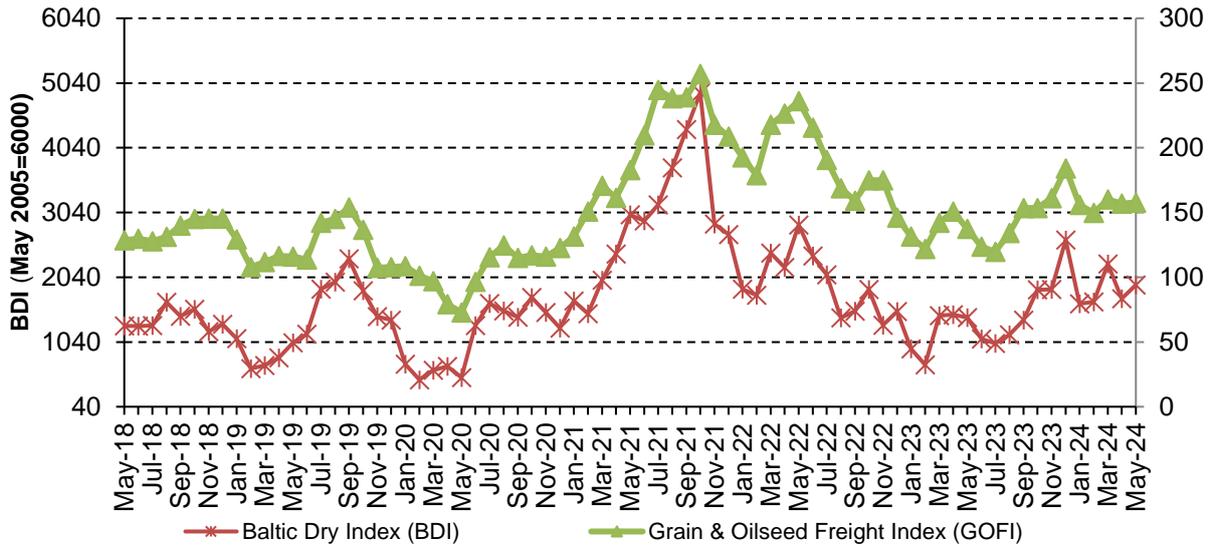


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index
 Source: SAGIS, 2024.

Illuminated paraffin price

Paraffin is a widely used fuel in South African households, particularly among low-income communities. **Figure 5** shows the pricing patterns for illuminated paraffin in the Coastal and Gauteng areas from June 2018 to June 2024. Over this period, illuminated paraffin prices for Coastal regions and Gauteng increased by 63.90% (from R8.67/litre to R14.21/litre) and 63.86% (from R9.27/litre to R15.19/litre), respectively.

The global paraffin market has seen considerable price swings in recent years, owing to a complex interaction of economic, political, and environmental variables. One of the key reasons for these price swings is the volatility of crude oil prices, because paraffin is a refined product of crude oil. Between June 2023 and June 2024, the price of illuminated paraffin in Gauteng increased by 8.8% (from R13.96 to 15.19) and Coastal regions increased by 8.9% (from R13.04/litre to R14.21/litre).

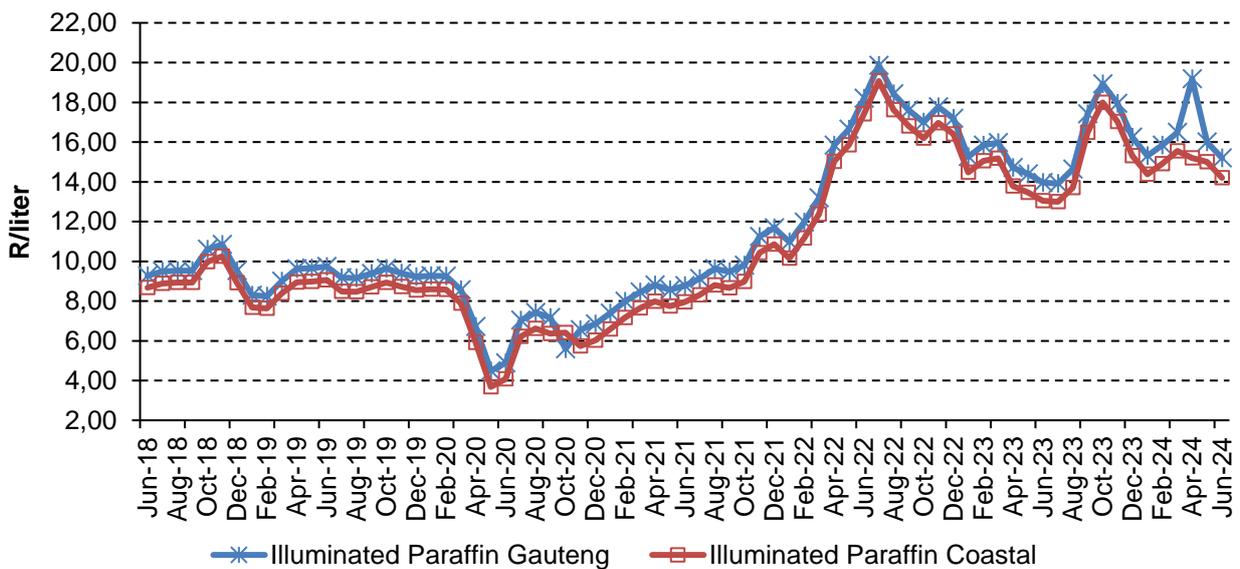


Figure 5: Comparison of illuminated paraffin price between Coastal and Gauteng regions
 Source: Department of Energy, 2024.

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