



NAMMC

Promoting market access for South African agriculture



Input

COST MONITORING

An update on selected items

August 2024

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EXECUTIVE SUMMARY

❖ International and domestic price trends for selected fertilizers

The international price for Di-Ammonium Phosphate (DAP), measured in United States (US) Dollars per ton (US\$/ton), increased by 87.8% from US\$312 in July 2020 to US\$586 in July 2024, followed by Ammonia, which increased by 67.9% from US\$212 to US\$356. During the same period, Muriate of Potash (MOP) increased by 28.0% from US\$218 to US\$279, while Urea increased by 61.1% from US\$216 to US\$348. Between July 2023 and July 2024, international prices for DAP, Ammonia, Urea, and MOP increased by 27%, 20%, 13% and 1%, respectively. On month-to-month basis (June 2024 and July 2024), international prices for Ammonia, Urea and MOP increased by 3%, 2% and 1% respectively, while there is no change in the international price for DAP (0%).

The international pricing per ton of fertilizers in Rand terms shows an increasing trend, with a noteworthy increase over the period starting in August 2020 to August 2024. Mono-ammonium Phosphate (MAP) increased significantly by 95.7% (from R8 751 to R17 126), followed by Ammonium Nitrate (LAN) with an increase of 76.2% (from R5 363 to R9 452), Urea Granular rose by 52.2% (from R6 692 or R10 185) and Potassium Chloride (KCL) by 34.7% (from R6 682 to R8 997). The fluctuation of fertilizers prices can be attributed to the fluctuating exchange rate. The depreciation of the Rand against major currencies like the US dollar has made the importation of raw materials more expensive for local producers, leading to rising costs throughout the supply chain of fertilizers.

❖ Fuel prices and Illuminated paraffin

On a year-to-year basis (August 2023 and August 2024), the price of petrol and diesel increased by 1.2% (from R22.8 to R23.1 /litre) and 0.8% (from R20.2 to R20.4/litre), respectively. During the same period, international crude oil prices increased by 4.8% (from US\$79.75/barrel to US\$83.5/barrel), while domestic prices increased by 1.8% (from R1 496.9/barrel to R1 523.1/barrel). During this time, the Rand appreciated by 2.9% compared to the US dollar, declining from R18.77 to R18.23.

Fluctuations in paraffin prices in South Africa have been a persistent concern for both consumers and policymakers, as this essential commodity plays a crucial role in the daily lives of many households, particularly in low-income communities. South Africa's reliance on imported fuel sources, such as crude oil, has made the domestic paraffin market vulnerable to global price movements. Between August 2023 and August 2024, the price of illuminated paraffin in Gauteng increased by 1.1% (from R14.6/litre to R14.8/litre) while in Coastal regions price increased by 0.7% (from R13.7/litre to R13.8/litre).

❖ Freight Indices

When comparing August 2023 to August 2024, the Baltic Dry Index (BDI) surged by 47.8%, while the Grain and Oilseeds Freight Index (GOFI) increased by 17.7%. This shows that the crude oil price fluctuations have a significant impact on the movements of both the GOFI and BDI. As of August 2024, the BDI had reached 1 703 index points, while the GOFI had risen to 158 index points from 134 in August 2023.

Table of Contents

- Introduction 1
- International price trends for selected fertilizers 1
- Domestic price trends for selected fertilizers 2
- Fuel prices 2
- Freight rates..... 3
- Illuminated paraffin price 4

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 2020 and July 2024. The international prices for Di-Ammonium Phosphate (DAP), measured in US Dollars per ton (US\$/ton), increased by 87.8% from US\$312 in July 2020 to US\$586 in July 2024, followed by Ammonia, which increased by 67.9% from US\$212 to US\$356. During the same period, Muriate of Potash (MOP) increased by 28.0% from US\$218 to US\$279, while Urea increased by 61.1% from US\$216 to US\$348. Between July 2023 and July 2024, international prices for DAP, Ammonia, Urea, and MOP increased by 27%, 20%, 13% and 1%, respectively. On month-to-month basis (June 2024 and July 2024), international prices for Ammonia, Urea and MOP increased by 3%, 2% and 1% respectively, while there is no change in the international price for DAP (0%).

International prices, measured in Rand per ton (R/ton), increased significantly between July 2020 and July 2024. Di-Ammonium Phosphate (DAP), Ammonia, Urea, and MOP increased by 104.8% (from R5 223 to R10 695), 79.0% (from R3 549 to R6 351), 75.6% (from R3 616 to R6 351) and 39.5% (from R3 649 to R5 092), respectively. The exchange rate (Rand per US dollar - R/US\$), which is vital for importing inputs from the global market, depreciated by 9% between July 2020 and July 2024 from R16.7 to R18.2. On a month-to-month basis, prices in Rand value for Urea, Ammonia and MOP increased slightly by 1.3%, 0.4% and 0.3%, respectively, while DAP decrease by 0.8%. Furthermore, the domestic prices (R/ton) for DAP, Ammonia, and Urea increased by 23.9%, 14.9% and 10.7%, respectively, while the domestic price for MOP decreased by 1.2% on year-to-year basis.

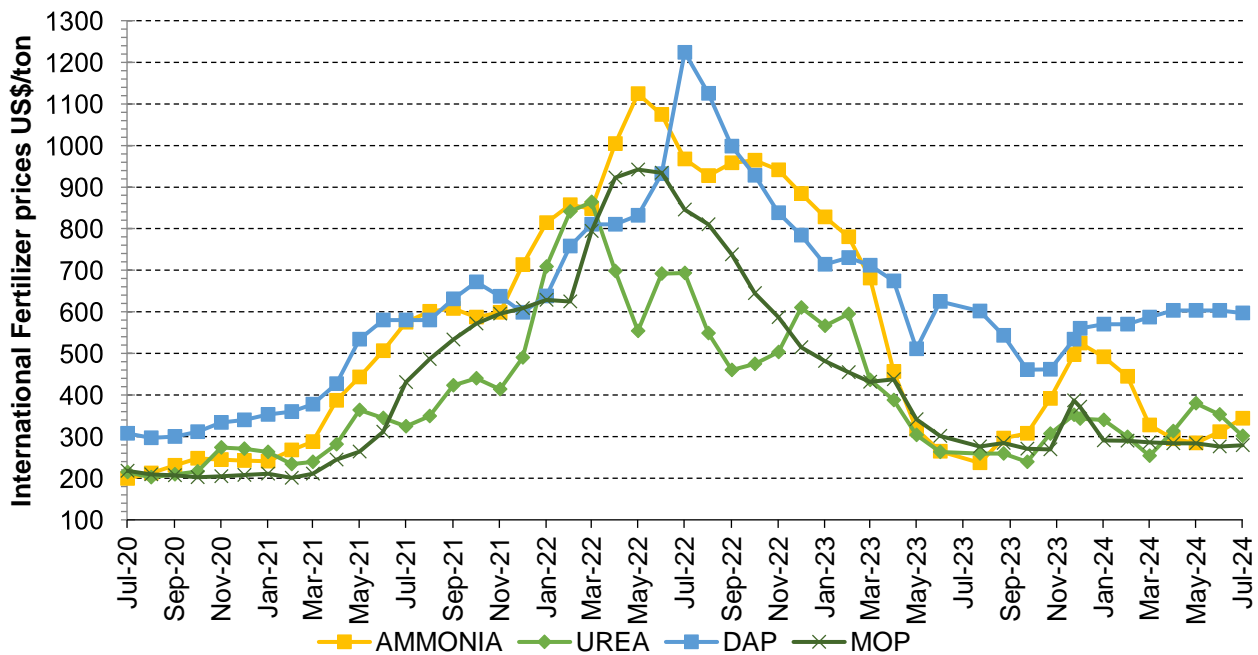


Figure 1: International price trends for selected fertilizers
Source: Own calculations based on data from Grain SA, 2024.

Domestic price trends for selected fertilizers

Figure 2 illustrates domestic price trends for fertilizers from April 2020 to August 2024. The domestic pricing per ton of fertilizers shows a general increasing trend, with a noteworthy increase over the period starting in August 2020 to August 2024. Mono-ammonium Phosphate (MAP) increased significantly by 95.7% (from R8 751 to R17 126), followed by Ammonium Nitrate (LAN) with an increase of 76.2% (from R5 363 to R9 452), Urea Granular by 52.2% (from R6 692 or R10 185) and Potassium Chloride (KCL) by 34.7% (from R6 682 to R8 997). The fluctuation of fertilizers prices can be attributed to the volatile exchange rate. The depreciation of the rand against major currencies like the US dollar has made the importation of raw materials more expensive for local producers, leading to rising costs throughout the supply chain of fertilizers.

The year-on-year comparison reveals that domestic fertilizer prices for KCL, and Urea were favorable from August 2023 to August 2024. Potassium Chloride (KCL) and Urea Granular prices decreased by 20.6% (from R11 338 to R8 997) and by 10.0% (from R11 320 to R10 185), respectively, while the prices for MAP increased by 30.6% from R13 117 to R17 126, followed by the price of LAN with an 8.7% increase from R8 696 to R9 452 during the same period.

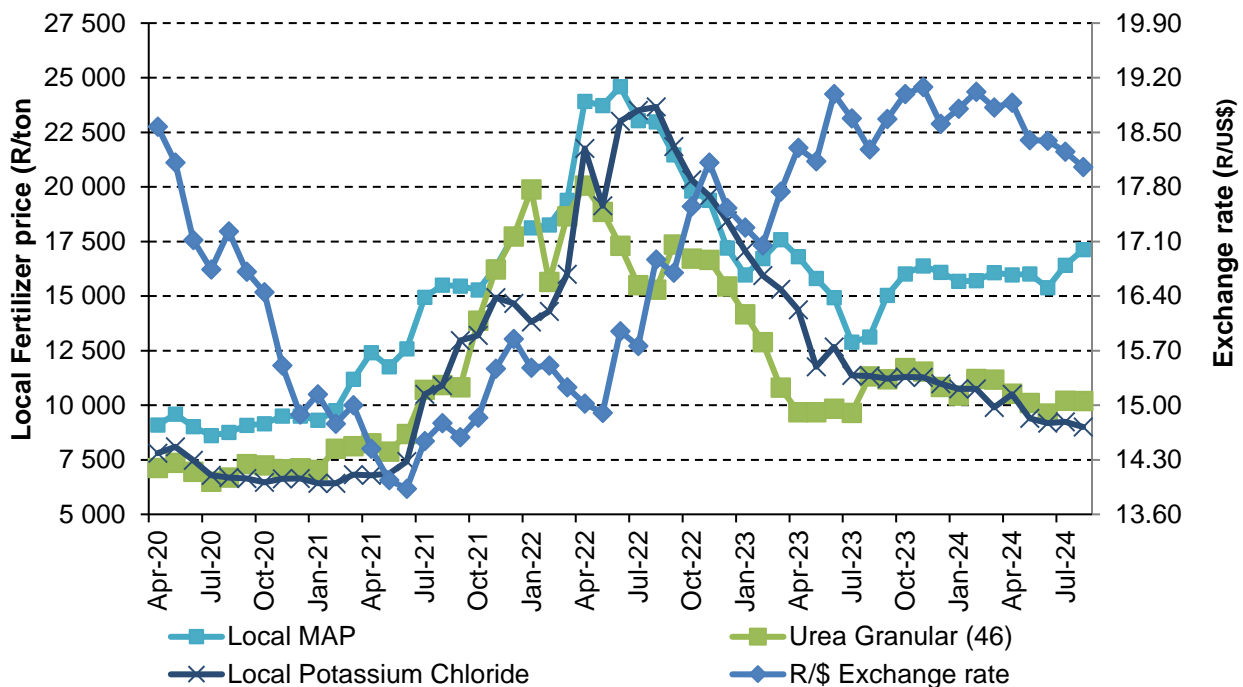


Figure 2: Domestic price trends for selected fertilizers and exchange rate (R/US\$)

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

Fuel prices

The crude oil price (measured in US dollars per barrel) and the exchange rate impact on domestic fuel prices. **Figure 3** shows price trends for crude oil, petrol, diesel, and the exchange rate from August 2018 to August 2024. During this period, petrol and diesel prices increased by 44.2% (from R16.03/litre to R23.11/litre) and 41.4% (from R14.41/litre to R20.38/litre), respectively. Meanwhile, crude oil prices increased by 11.3% (from US\$75.06/barrel to US\$83.55/barrel), while in Rand terms, crude oil prices increased by 51.6% (from R1 004.88/barrel to R1 523.12) during the same period.

On year-to-year basis (August 2023 and August 2024), petrol and diesel prices increased by 1.2% (from R22.8/litre to R23.1/litre) and 0.8% (from R20.2/litre to R20.4/litre), respectively. During the same period, crude oil prices in US dollars increased by 4.8% (from US\$79.75/barrel to US\$83.55/barrel), while prices in Rands increased by 1.8% (from R1 496.9/barrel to R1 523.1/barrel). During the same period, the Rand appreciated by 2.9% compared to the US dollar, declining from R18.77 to R18.23.

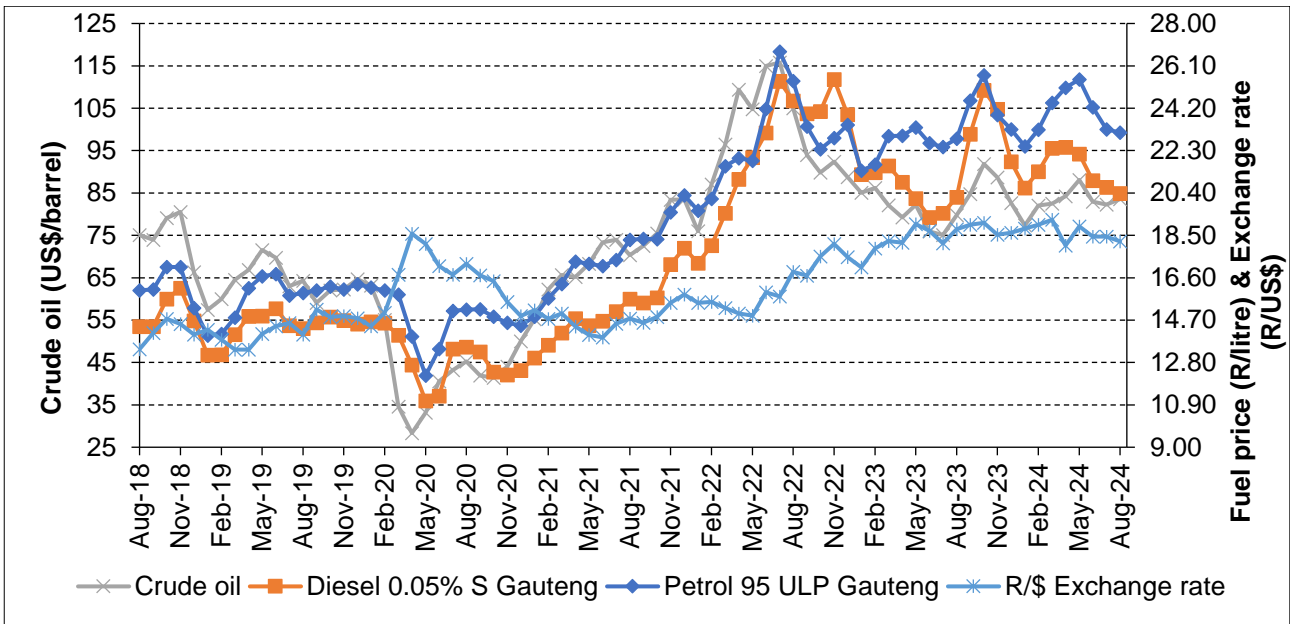


Figure 3: Price trends for crude oil, fuel and exchange rate trend
 Source: DoE, 2024.

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 shows the developments of the Baltic Dry Index (BDI) and the Global Oilseeds Freight Index (GOFI) between August 2018 and August 2024. During this time, the BDI increased by 2.9%, while the GOFI increased by 20.3%. When comparing August 2023 to August 2024, the BDI surged by 47.8%, while the GOFI increased by 17.7%. This suggests that the fluctuation of crude oil price impact on the movements of both the GOFI and BDI. As of August 2024, the BDI had reached 1 703 index points, while the GOFI had risen to 158 index points from 134 in August 2023.

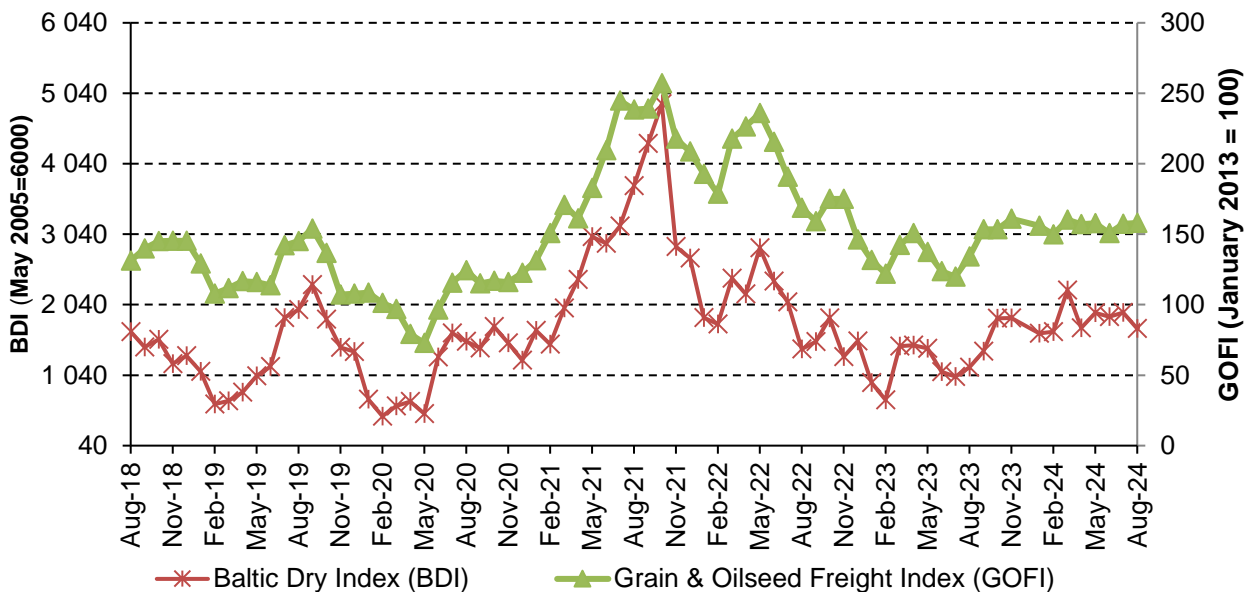


Figure 4: Baltic Dry Index versus Grain and Oilseeds Freight Index

Source: SAGIS, 2024.

Illuminated paraffin price

Figure 5 shows the price trend for illuminated paraffin in the Coastal and Gauteng areas from August 2018 to August 2024. Over this period, illuminated paraffin prices for Gauteng and Coastal regions increased by 55.2% (from R9.5/litre to R14.8/litre) and 54.5% (from R8.9/litre to R13.8/litre), respectively.

The fluctuations in paraffin prices in South Africa have been a persistent concern for both consumers and policymakers, as this essential commodity plays a crucial role in the daily lives of many households, particularly in low-income communities. South Africa's reliance on imported fuel sources, such as crude oil, has made the domestic paraffin market vulnerable to global price movements. Between August 2023 and August 2024, the price of illuminated paraffin in Gauteng increased by 1.1% (from R14.6/litre to R14.8/litre) and Coastal regions increased by 0.7% (from R13.7/litre to R13.8/litre).

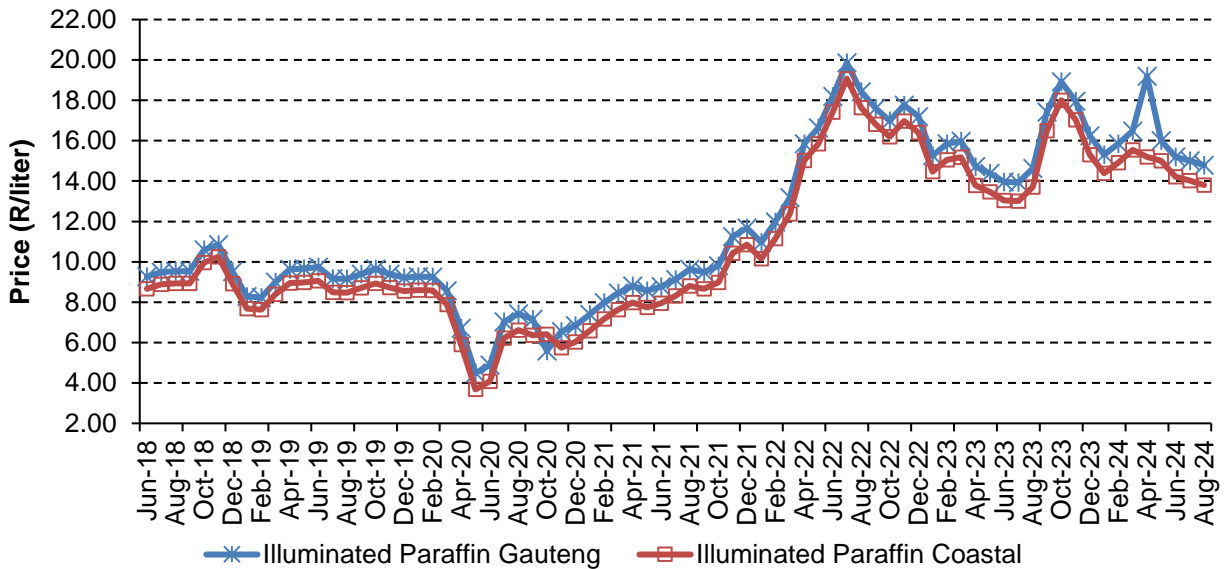


Figure 5: Comparison of illuminated paraffin price between Coastal and Gauteng regions

Source: Department of Energy, 2024.

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