National Agricultural Marketing Council

Promoting market access for South African agriculture

Markets and Economic Research Centre

Input cost monitoring

An update on selected items

June2016

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1. International price trends for selected fertilisers:

As depicted in Figure 1, the prices of international fertilisers showed continuous increasing trends since 2010 but not to the record levels reached during 2008. From April 2010 to April 2016 the internatioanl prices (in Rand terms) of Di-Ammonium Phosphate (DAP), Urea and Muriate of Potash (MOP) increased by 53.1%, 51% and 31.9% respectively. During the same period the R/$ exchange rate depreciated by 99.7%. Measured in US Dollar terms the prices of Muriate of Potash (MOP), Urea and Di-Ammonium Phosphate (DAP) decreased by 33.9%, 24.4% and 23.3% respectively.

From April 2015 to April 2016, the international price (in Rand terms) of MOP increased by 0.4%. The price for DAP and Urea decreased by 6.4% and 3.7% respectively. During the same period the R/$ exchange rate depreciated by 21.9%.

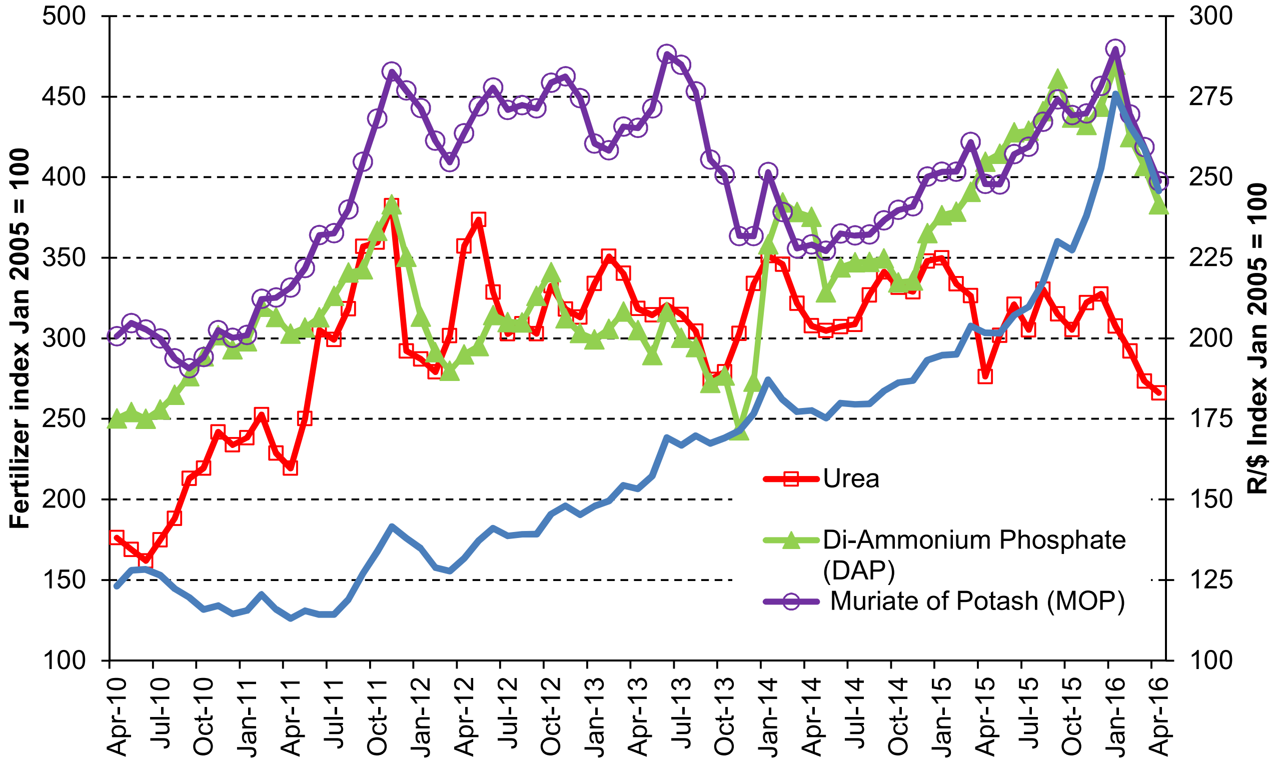


Figure 1: International price trends for selected fertilisers
Source: Own calculations based on data from Grain SA, 2016.

2. Local price trends for selected fertilisers:

As depicted in Figure 2, the prices of local fertilisers showed similar increasing movements as the international prices since the end of 2009. From April 2010 to April 2016 the prices of Mono-Ammonium Phosphate (MAP), Urea and Potassium chloride increased by 60.4%, 31.2% and 24.9% respectively.

From April 2015 to April 2016, the local price of Urea decreased by 5.5%. The price for Potassium chloride and MAP increased by 7% and 6.8% respectively.

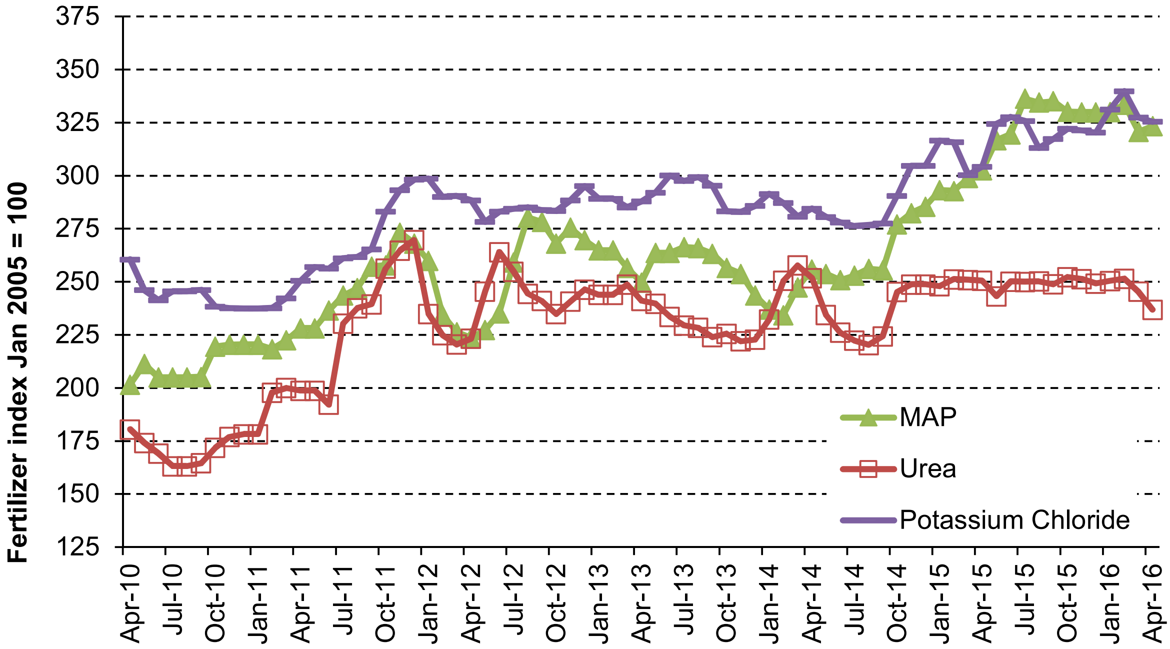


Figure 2: Local price trends for selected fertilisers
Source: Own calculations from price lists, 2016.

3. Fuel prices

As depicted in Figure 3, the prices of crude oil, petrol and diesel followed mostly the same trends. From June 2010 to June 2016 the price of petrol and diesel increased by 56.9% and 47.3%, respectively, whilst the US$ price of crude oil decreased by 33.7%. The Rand price of crude oil increased by 35.6% during the same period mainly due to a depreciation by 104.4% of the rand per US$ exchange rate. World oil supply stayed higher than world oil demand throughout 2015 after similar conditions started at the beginning of 2014. This led to further decreases in the oil price. Demand slowed down in Europe, China and the US. During the beginning of June the oil price moved upwards to levels last seen during October 2015. In the light of a depreciating dollar and decreasing supply in Canada and Nigeria it is foreseen that the upward rally of the oil price might continue.

From June 2015 to June 2016 the prices of crude oil (US$ terms), diesel and petrol decreased by 21.9%, 3.2 and 0.7% respectively, with a further depreciation of the R/$ exchange rate by 26.6%.

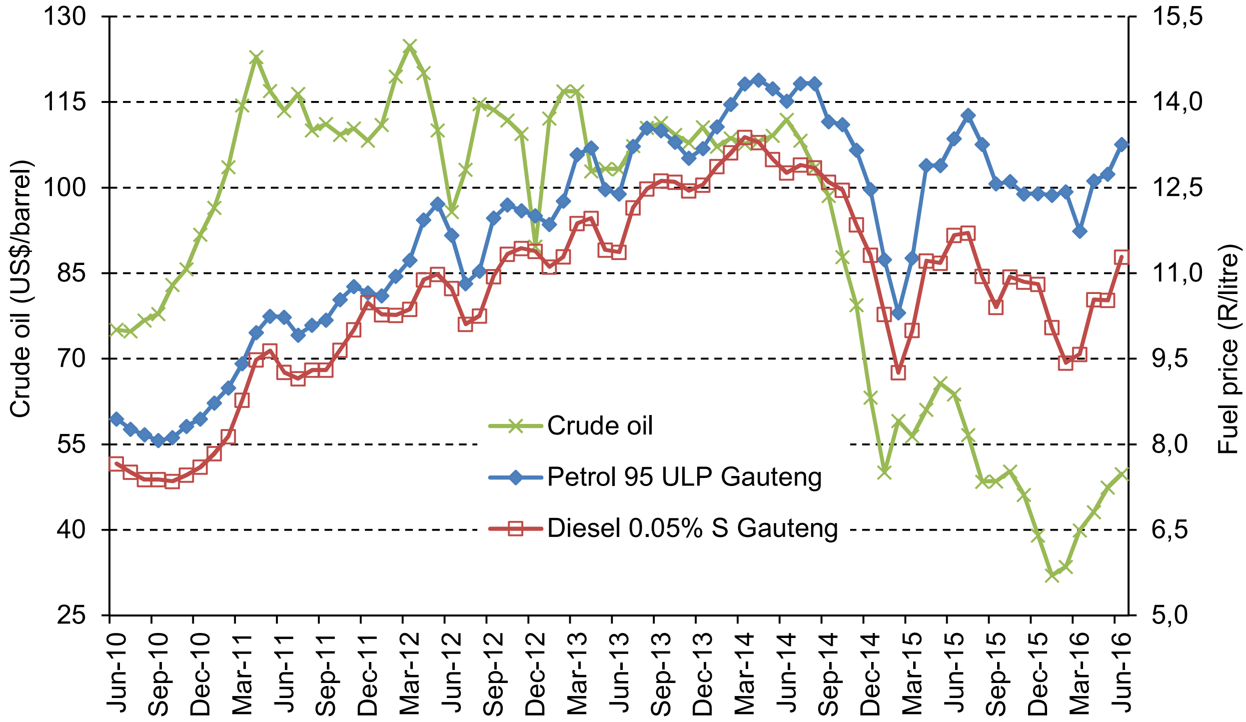


Figure 3: Crude oil and fuel prices
Source: Grain SA and Department for Energy, 2016.

4. Baltic Freight Index

The Baltic Dry Index (BDI) measures international freight rates for dry bulk cargo, and is significantly influenced by the demand to move raw materials internationally and the supply of shipping capacity. Figure 4 shows that during the depicted period the index decreased by 80.7%.

The BDI for June 2016 was 606 index points, a 12.8% decrease in comparison with June 2015.

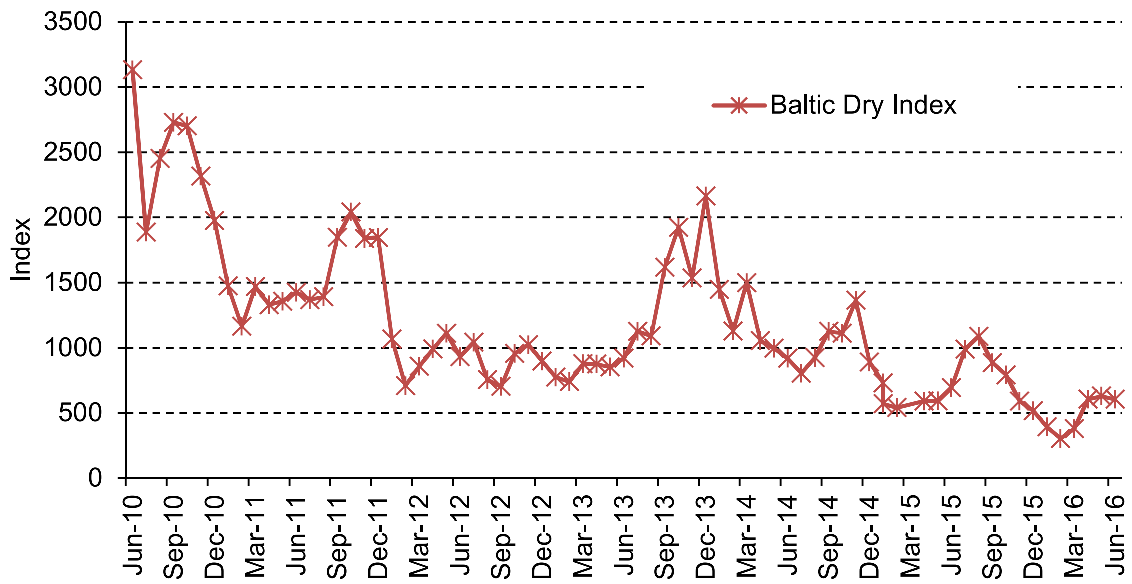
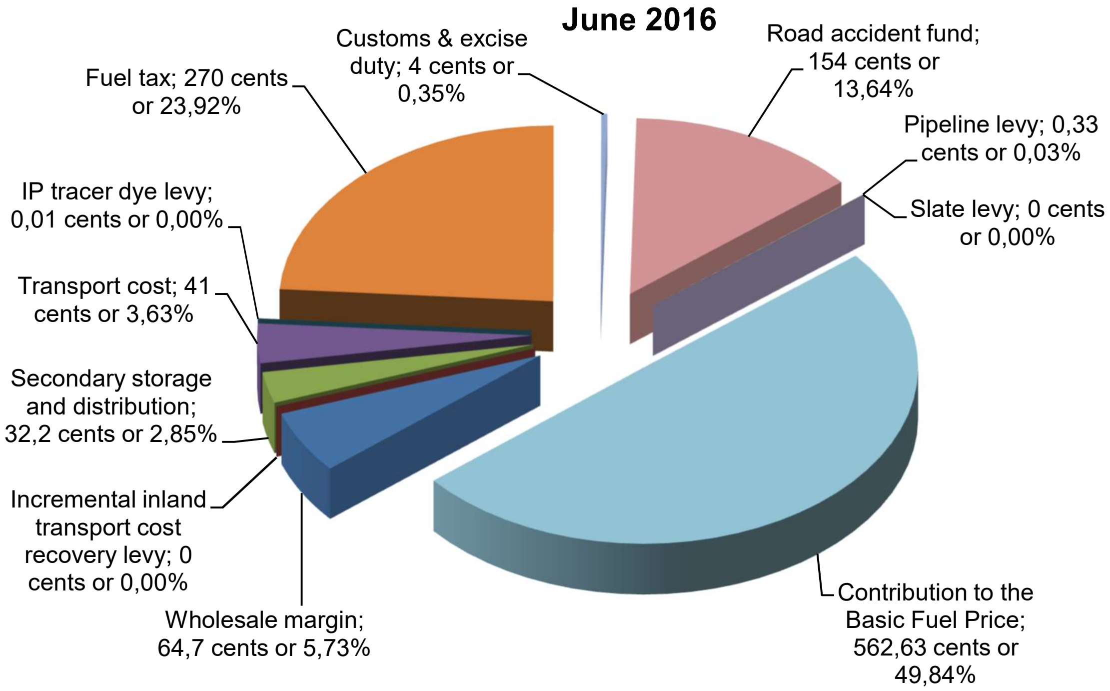


Figure 4: Baltic Dry Index
Source: SAGIS, 2016.

5. Composition of diesel price

Figure 5 depicts the composition of the inland 0.05 % sulphur diesel price during June 2015 and June 2016. During June 2015 the total margins, taxes and levies was 528.16 cent or 45.3% of the wholesale pump price of diesel. The Basic Fuel Price was 638.63 cents or 54.7% of the wholesale pump price of 0.05% sulphur diesel in Gauteng.

During June 2016 the Basic Fuel Price was down to 562.63 cents or 49.8% of the wholesale pump price of 0.05% sulphur diesel in Gauteng. During this time the total margins, taxes and levies accounted for 566.24 cents or 50.2% of the wholesale price of diesel.



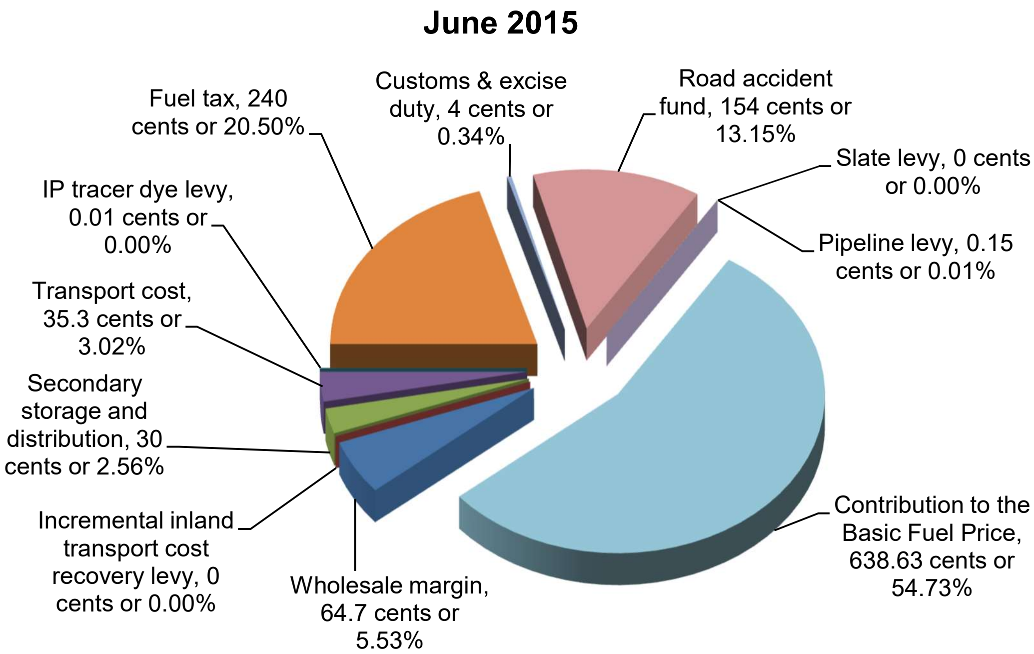


Figure 5: The composition of the inland 0.05 % sulphur diesel price.
Source: Department of Energy, 2016.