

UPDATE: South African fuel prices set to increase in the coming month – 13 September 2016

- Preliminary estimates from the Central Energy Fund suggest that petrol and diesel prices could increase by 44 cents per litre (c/l) and 14 c/l, respectively, on 5 October 2016. This could bring the retail price of petrol (95 unleaded) to R12.61 per litre from the current level of R12.17 per litre. At the same time, diesel price (0.05%) could increase to R10.62 per litre from the current levels of R10.48 per litre (see **Chart 1**).
- The key drivers behind this expected increase is the weakening Rand against the US Dollar, as well as relatively higher Brent crude oil price. This month the Rand weakened by 3% against the US Dollar, averaging at R14.29, compared to an average of R13.79 in August 2016. At the same time, Brent crude oil price averaged \$47.60 a barrel, up by 1% from August 2016 average price of US\$47.07 a barrel.
- In grain production, fuel accounts for approximately 11% of the total variable costs. At the moment, the industry is at final stages of harvesting for crops such as maize, therefore fuel usage is at relatively lower levels across many farming regions.
- That said, **grain sowing activity is set to commence next month in the eastern regions of South Africa** (see **Chart 2**). Therefore, it would be ideal for farmers and agribusinesses in these respective areas of the country to consider stocking fuel before the end of this month. In doing that, they could potentially save 3% and 1% for every litre of petrol and diesel purchased, respectively, which could come handy, given the current economic environment, and the effects of the 2015/16 drought season. However, weather remains a key risk in determining whether plantings will commence within the traditional timeframe, from 01 October 2016 onwards.

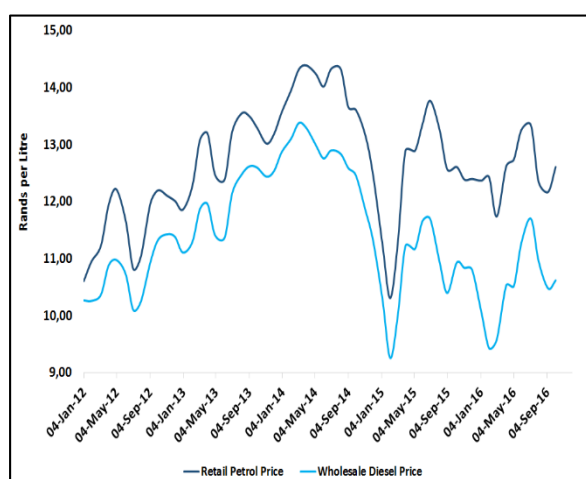


Chart 1: Retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

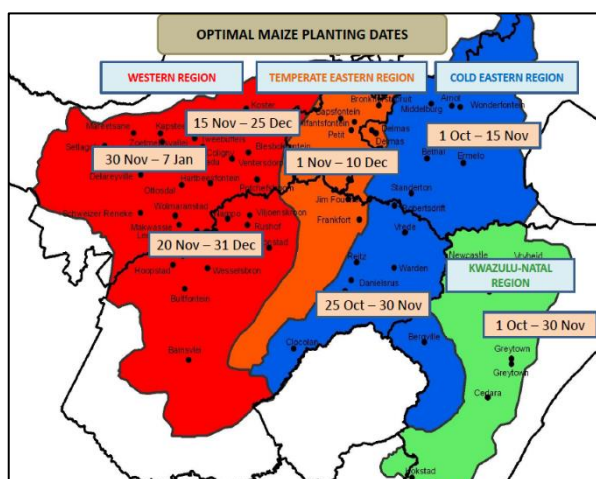


Chart 2: RSA optimal maize planting dates

Source: Grain SA, Agbiz Research

Wandile Sihlobo Agricultural economist (wandile@agbiz.co.za +2712 807 6686)

Disclaimer: Everything has been done to ensure the accuracy of this information, however Agbiz takes no responsibility for any losses or damage incurred due to the usage of this information.