



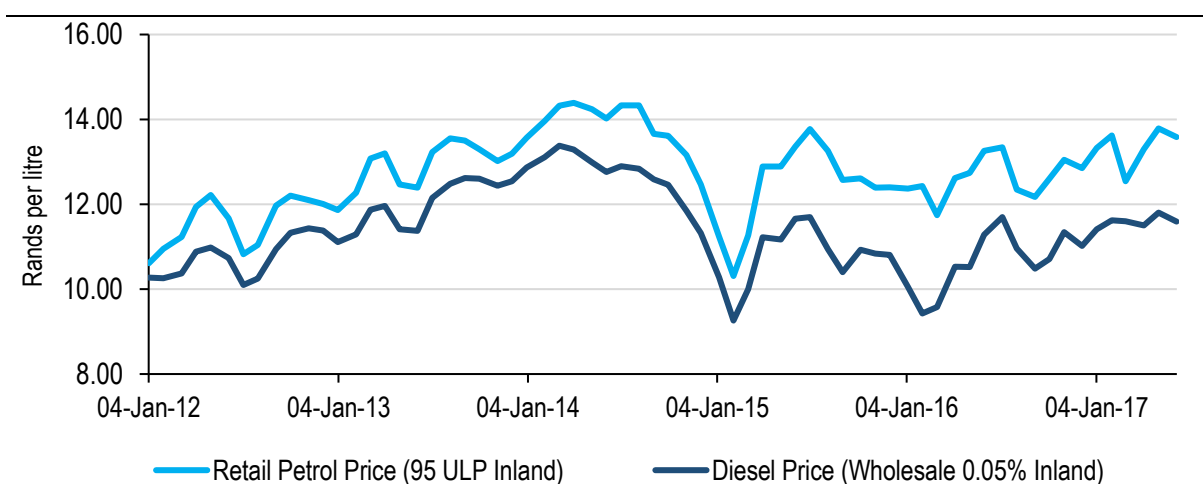
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## SA agricultural sector likely to get a 2% relief on diesel price next month

*Agribusinesses and farmers could be paying 2% less for a litre of diesel and petrol next month. Diesel (0.05% Wholesale Inland) and petrol (95 ULP Inland) prices could decline by 21 cents per litre (c/l), respectively, on 07 June 2017. This could bring the wholesale diesel price down to R11.59 per litre from R11.80 per litre. The retail price of petrol could ease at R13.58 per litre from the current level of R13.79 per litre. Although this expected fuel price decrease is marginal, it is of importance as it coincides with a high fuel consumption period in the agricultural sector - harvesting period for summer crops (with expected large harvest of maize) and a planting period for winter crops.*

- This expected fuel price decrease is largely on the back of lower Brent crude oil prices, which averaged US\$50 a barrel this month, down 7% from April 2017. The ZAR/USD exchange played a minimal role, after strengthening by just 0.3% from the previous month, averaging R13.42 this month.
- The agricultural sector will benefit from a decrease in fuel prices, as this coincides with the harvesting period for the summer crops growing areas of the country. Although the harvest activity has already started, a large part of maize and sunflower seed have not been harvested yet. The harvest activity could gain momentum towards month-end or early June 2017. Moreover, agribusinesses that are operating in the grain and oilseeds industry will also get relief. Fuel costs make up roughly 11% of grain farmers' production costs in South Africa. About a third of this is typically utilised during harvesting season.
- At the same time, winter grain planting has not progressed much due to dryness. Therefore, winter grain farmers could also benefit from expected fuel cuts when planting conditions start to improve.

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**Chart 1: SA retail petrol and wholesale diesel prices**

Source: Central Energy Fund, Agbiz Research

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