

A 5% increase in fuel price on the cards in September 2017

Following a slight uptick in the beginning of August 2017, fuel price is set to increase further on 06 September 2017. The prices of diesel and petrol could increase by 5% from the previous month to the highest level in four months. While this fuel price increase is set to come during a relatively quiet period in the agricultural sector, farmers in the eastern parts of the country will be at the initial stages of soil preparations for the 2017/18 production season which commences around mid-October 2017.

- Diesel (0.05% Wholesale Inland) and petrol (95 ULP Inland) prices could increase by 53 cents per litre (c/l) and 62 c/l respectively, on 06 September 2017. This increase could lift the wholesale diesel price to R11.79 per litre from R11.26 per litre in August 2017. At the same time, the retail price of petrol could increase to R13.67 per litre from the current level of R13.05 per litre.
- This expected fuel price increase is largely on the back of relatively higher Brent crude oil prices, which averaged US\$51.76 a barrel this month, up by 6% from July 2017. The ZAR/USD exchange also played a major role, after weakening by 2% from the previous month, averaging R13.34 this month.
- The implication of this will be an upward pressure on input costs, particularly in areas that will soon be preparing fields for the 2017/18 summer grains and oilseeds production season which starts around mid-October in the eastern parts of the country. Moreover, the agribusinesses that operate in the transport space will also feel the pressure on input costs due to their exposure on road transport. An example of this is maize where more than 80% of the stock is transported by road.

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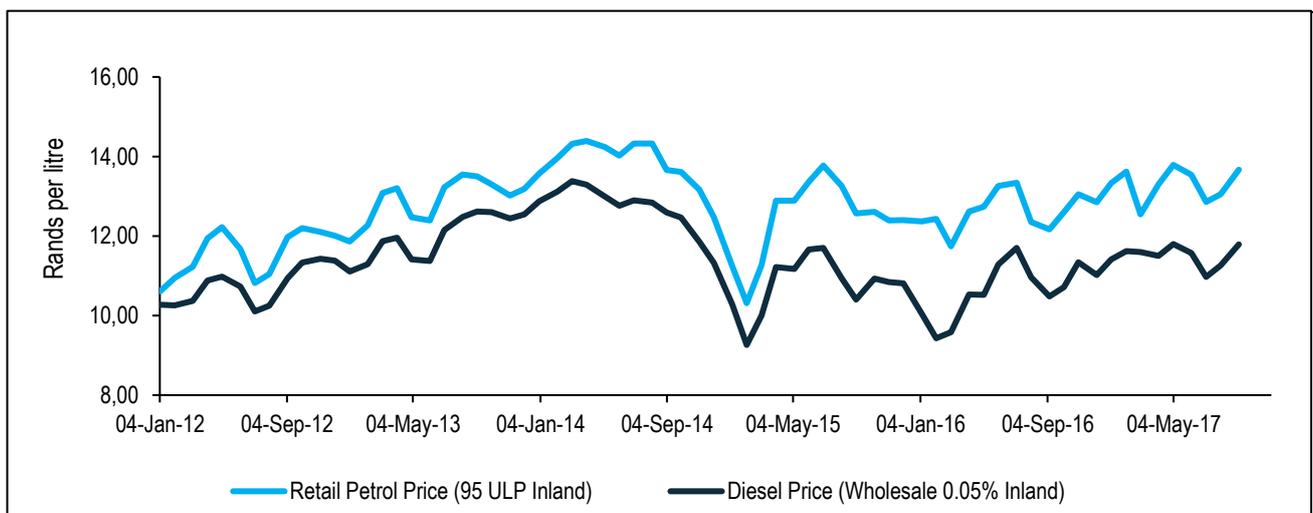


Chart 1: SA retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

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