AGRICULTURAL INPUTS

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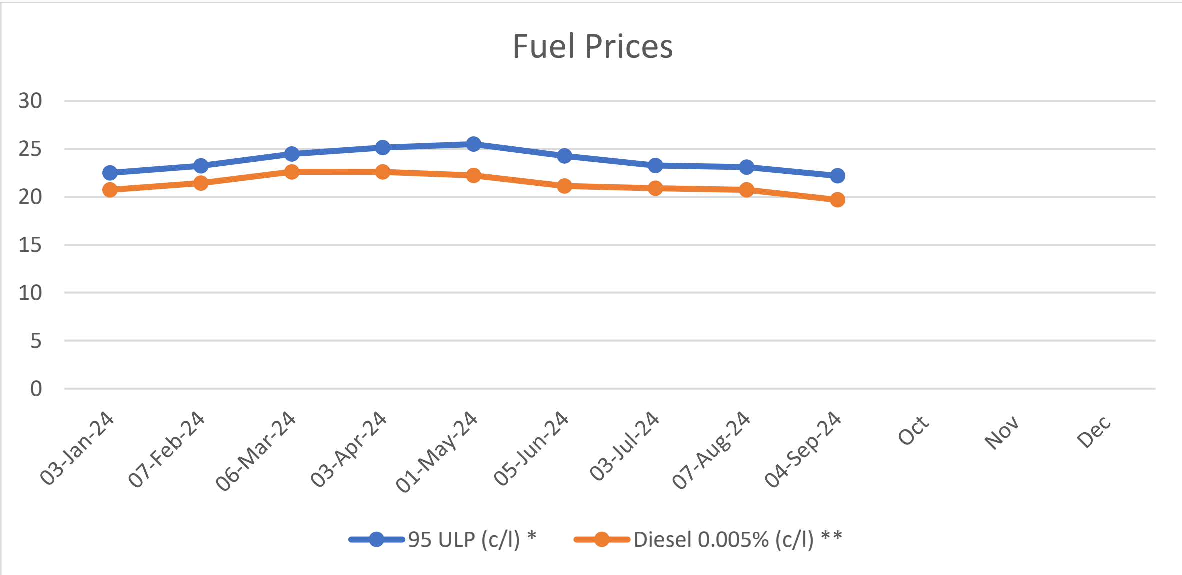
FUEL PRICES

Fuel prices in South Africa have steadily declined over the past four months, reaching their lowest levels since the beginning of 2024. As of the latest figures, the cost of inland 95 unleaded petrol stands at R22.19 per litre, while diesel 0.005% is priced at R19.68 per litre. This drop is largely attributed to the softening of global oil prices, which have provided more favourable conditions for fuel pricing. Additionally, the South African Rand has appreciated against the US Dollar, reducing the cost of oil imports and further contributing to the local price decrease.

The fuel price decrease comes at a crucial time as the sector faces high input costs for fertilisers and other agricultural products. Importantly, the 2024/25 planting season starts next month, and the easing fuel prices will provide a much needed relief for farmers.



Source: Sapia

FERTILIZER PRICES

Data from Fcurve show that during the week of 29 August 2024, fertiliser prices in South Africa saw modest declines. Urea dropped by 3.9% to R6,846, MAP decreased by 1.4% to R12,637, and KCl (potassium chloride) fell by 1.4% to R6,266. Nutrient costs mirrored these changes, with nitrogen (N) down 3.9%, phosphate (P) down 1%, and potash (K) down 1.4%. These price reductions were mainly due to weaker global demand, particularly for Urea.

However, this release could be short lived. Fertiliser prices could rise in Q4 as demand picks up in regions such as Brazil and Europe.

Moreover, the Rand's 1.5% appreciation against the US Dollar offered some relief to South African farmers, slightly lowering their input costs. Additionally, Foskor reduced local MAP prices in response to the stronger Rand.

Nevertheless, this reprieve may be short-lived, with potential global price hikes looming in the coming months. Factors such as India’s urea purchases and possible export restrictions from China are expected to influence the market, which could lead to increased costs just as farmers gear up for the summer planting season.

Looking ahead, South African farmers need to stay vigilant of global fertiliser market trends. Although the current lower prices for nitrogen-based fertilisers offer temporary relief, the risk of price increases in Q4 remains significant. Rising energy costs and potential disruptions in global supply chains could push fertiliser prices higher into 2025, particularly for nitrogen and phosphate. In light of this uncertainty, farmers must weigh immediate savings against the need for long-term planning to manage future cost pressures effectively.

By Agbiz Agricultural Economist and Policy Analyst Thapelo Machaba