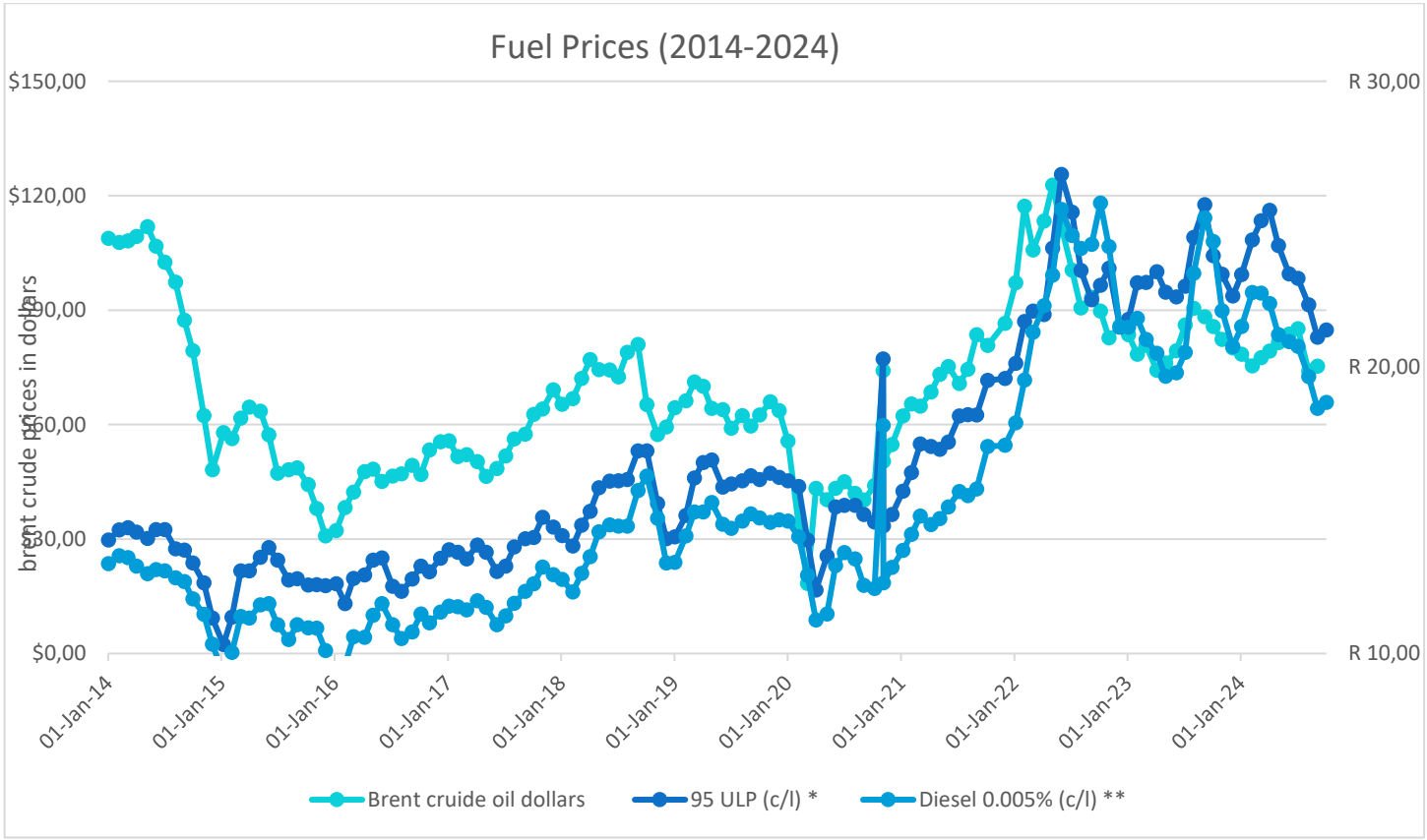
Thapelo Machaba | Agricultural Economist | Tel: +27 12 807 6686 | Email: Policy@agbiz.co.za

AGRI INPUT PRICES: TRENDS AND IMPLICATIONS FOR SOUTH AFRICAN AGRICULTURE

The interplay between global crude oil prices and South Africa's domestic fuel market has presented significant challenges for the agricultural sector over the past decade. This document explores these trends and their implications, with actionable recommendations.

South African Fuel Prices



(Saipa and trading economics)

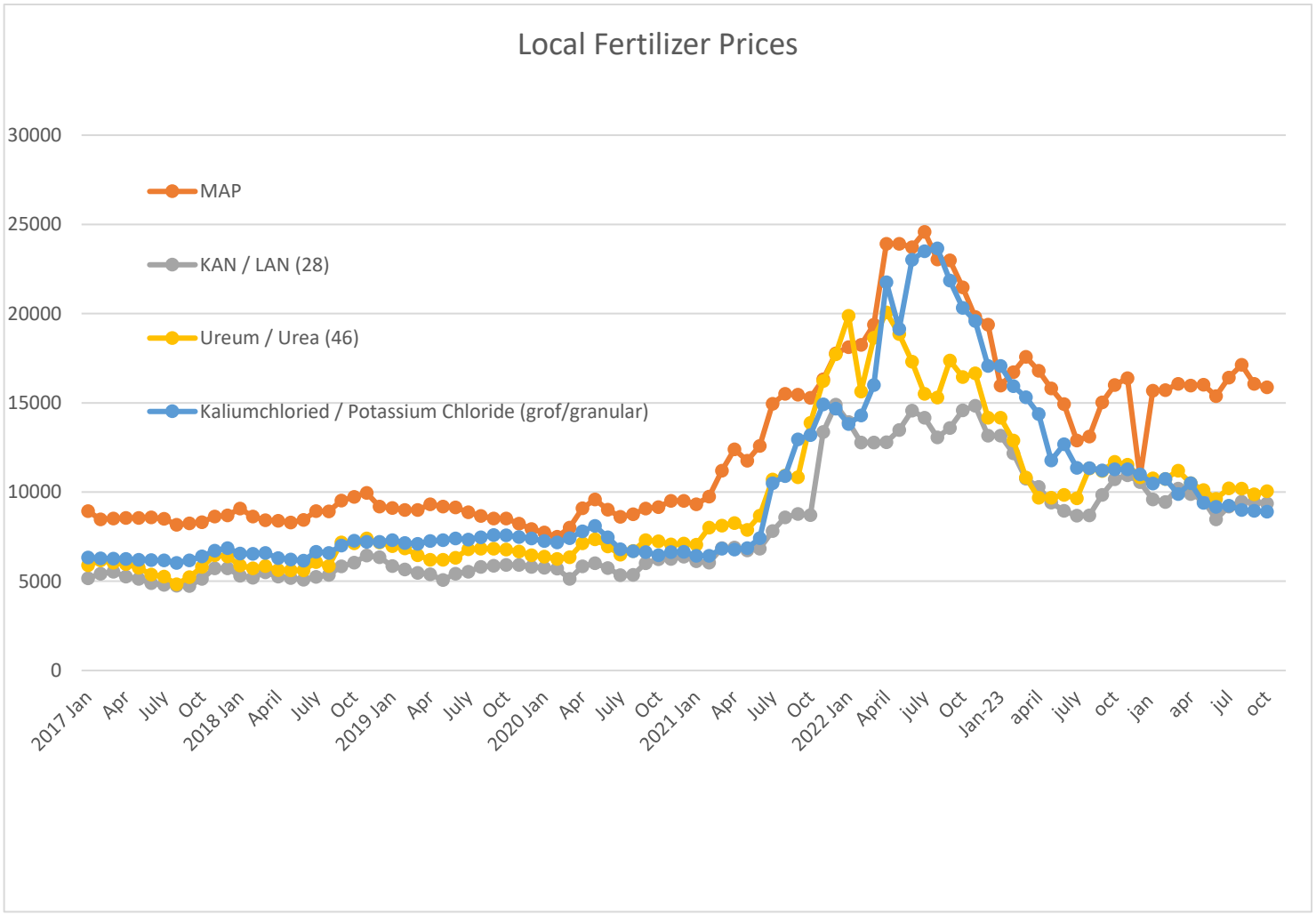
Over the past decade, the intricate interplay between global crude oil prices and South Africa's domestic fuel market has been vividly illustrated, offering key insights into the challenges faced by the

agricultural sector. The data underscores a sharp 58.22% increase in petrol prices and a 49.77% rise in diesel prices between January 2014 and December 2024. These trends are significant in a sector that relies heavily on diesel for operations and logistics, where every hike or dip leaves ripples across the value chain.

From late 2021 through 2022, Brent crude oil surged past $120 per barrel, fuelled by geopolitical shocks, particularly the Russia-Ukraine conflict. In South Africa, petrol and diesel prices skyrocketed, reaching record highs. This surge was costly for agriculture. Diesel, critical for powering tractors, harvesters, and irrigation systems, became a significant cost driver. Rising transport costs impacted the entire food value chain, from farm to table. Moreover, the conflict disrupted global fertilizer supply chains, further inflating costs for grain producers, who already faced rising input prices.

The trends in fuel prices over the past decade serve as a stark reminder of the vulnerabilities inherent in South African agriculture. With diesel forming the backbone of farming operations from planting to transporting produce the sector's exposure to global crude oil price volatility cannot be overstated.

Fertilizer prices



(*GrainSA input reports*)

Average monthly Local fertilizer prices for 2017

Type	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
MAP	8934	8477	8519	8547	8553	8579	8495	8169	8254	8315	8631	8687
KAN / LAN (28)	5168	5425	5527	5271	5131	4899	4797	4748	4744	5143	5733	5733
Urea (46)	5895	6169	6046	5968	5750	5374	5269	4839	5228	5804	6463	6394
KCL	6330	6285	6274	6259	6206	6190	6166	6034	6179	6399	6721	6863

Average monthly Local fertilizer prices for 2024

Type	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
MAP	15677	15711	16056	15966	16011	15378	16409	17126	16067	15864	15867	
KAN / LAN	9584	9444	10189	9890	9545	8474	9185	9452	9422	9362	9292	
Urea (46)	10774	10741	11201	10501	10107	9624	10202	10185	9873	10045	10289	
KCL	10477	10741	9887	10501	9396	9179	9240	8997	8951	8899	8875	

(GrainSA and Fcurve)

Between 2017 and 2019, fertilizer prices in South Africa remained relatively stable, offering farmers predictability in managing their input costs. During this period, MAP (Monoammonium Phosphate) averaged around R8,500, KAN/LAN (Calcium Ammonium Nitrate) hovered at R5,100, Urea was approximately R5,700, and KCL (Potassium Chloride) averaged R6,200. This stability was driven by consistent global supply chains, manageable energy prices, and steady demand for agricultural inputs, allowing for effective planning and steady cash flow in the agricultural sector.

In 2020, the onset of the COVID-19 pandemic caused initial disruptions in logistics and trade. While fertilizer prices were not immediately impacted due to existing stock levels and relatively stable production, early signs of supply chain strain began to emerge. By 2021, these disruptions escalated significantly as global recovery efforts increased demand for fertilizers, while supply chain bottlenecks and surging energy prices strained the market. Fertilizer production, heavily reliant on natural gas, became more expensive, leading to sharp price increases. MAP and Urea prices saw notable hikes, while KAN/LAN and KCL followed similar trends, marking the beginning of sustained volatility.

The situation intensified in 2022, with fertilizer prices reaching historic highs. Contributing factors included the Russia-Ukraine conflict, which disrupted the supply of key raw materials, and sanctions on Belarus, a major potash exporter. These geopolitical tensions compounded existing challenges, pushing MAP prices beyond R15,000, KAN/LAN to approximately R9,500, Urea to nearly R11,000, and KCL to over R10,500. These record prices placed significant financial pressure on farmers, raising concerns about reduced fertilizer application and potential impacts on crop yields.

In 2023, fertilizer prices began to stabilise as global supply chains recovered and energy prices eased. However, stabilisation occurred at significantly higher levels than those seen pre-2021. MAP averaged around R15,900, KAN/LAN settled at R9,500, Urea at approximately R10,800, and KCL at R10,500. Inflationary pressures and lingering geopolitical uncertainties continued to prevent prices from returning to earlier levels, maintaining a challenging environment for the agricultural sector.

By October 2024, fertilizer prices remained elevated. MAP averaged R15864 KAN/LAN stood at R9362, Urea reached R10045, and KCL stabilised at R8898. Though easing, prices still reflect the ongoing challenges of increased global demand, geopolitical tensions, and the residual impacts of supply chain disruptions. While some stability has returned, these elevated costs underline the importance of long-term strategies to support farmers and ensure agricultural productivity amid persistent challenges.

Conclusion

The trends in fuel and fertilizer prices over the past decade underscore the fragility of South African agriculture in the face of global economic and geopolitical disruptions. The rising costs of these essential inputs have constrained profitability and placed immense strain on smallholder and export-focused farmers. To mitigate these challenges, stakeholders must prioritise renewable energy solutions, encourage domestic fertilizer production, and adopt advanced technologies to reduce dependency on volatile global markets. Collaborative efforts between government, private sector, and producer organisations are critical to ensuring a resilient and sustainable sector capable of safeguarding national food security.

References

Trading Economics. (2024). Historical Fuel Price Data. Available at: https://tradingeconomics.com/commodity/crude-oil

[Accessed 16 October 2024].

OECD & FAO, 2023. OECD-FAO Agricultural Outlook 2023-2032. Available at: https://www.oecd-ilibrary.org/agriculture-and-food/oecd-fao-agricultural-outlook-2023-2032_08801ab7-en [Accessed 6 December 2024].

Department of Agriculture, Land Reform and Rural Development (DALRRD), 2024. Quarterly Economic Overview of the Agriculture Sector. Available at: https://www.dalrrd.gov.za [Accessed 6 December 2024].

Bureau for Food and Agricultural Policy (BFAP), 2024. BFAP Baseline: Agricultural Outlook 2024-2033. Available at: https://baseline.bfap.co.za [Accessed 6 December 2024].

FAO, 2023. The Impact of Geopolitical Events on Global Agriculture. Available at: https://www.fao.org/newsroom/detail/oecd-fao-agricultural-outlook-2023-32-maps-key-output--consumption-and-trade-trends/en [Accessed 6 December 2024].

AgriEcon, 2023. The Impact of Geopolitical Risks on Agricultural Commodity Prices. Available at: https://agricecon.agriculturejournals.cz/pdfs/age/2023/04/02 . pdf [Accessed 6 December 2024].

By Agbiz Agricultural Economist and Policy Analyst Thapelo Machaba