

## South Africa's fuel prices to remain at higher levels in September 2021

The planting season for South Africa's 2021/22 summer grains and oilseeds begins in October. While the weather outlook is favourable with prospects of a weak La Niña, which should bring above-normal rainfall, there are concerns about the rising input costs. We have recently written about the fertilizer and agrochemicals prices which are over 30% higher than in 2020.<sup>1</sup> The additional costs to farmers and agribusiness are the higher fuel prices.

The preliminary estimates from the Central Energy Fund suggest that petrol (95 ULP Inland) and diesel (0.05% Wholesale Inland) prices could decrease by 7 cents per litre (c/l) and 23 c/l, respectively, on 01 September 2021.<sup>2</sup> This adjustment means the retail price of petrol could marginally fall to R18,23 per litre from the current level of R18,30. Simultaneously, the wholesale diesel price could decline to R15,41 per litre from R15,64 in September 2021. These will still be relatively higher levels. The key factors sustaining fuel prices at these higher levels are somewhat weaker ZAR/USD, combined with the rising Brent crude prices, which averaged US\$70,09 per barrel in the first 20 days of August 2021, up 55% year on year.

Fuel generally accounts for between 11% and 13% grains and oilseeds production costs. The consumption is generally throughout the year, with the highest periods being during planting and harvesting. In terms of annual fuel usage, it is worth noting that South Africa transports by road roughly 81% of maize, 76% of wheat, and 69% of soybeans. On average, 75% of national grains and oilseeds are transported by road.

### Exhibit 1: South Africa's retail petrol and wholesale diesel prices



Source: Central Energy Fund and Agbiz Research

<sup>1</sup> Rising costs to keep South African farmers on their toes. The note is available [here](#). It is also worth highlighting that South Africa imports about 80% of its annual fertilizer consumption and is a minor player globally. Much of the fertilizer imported by South Africa is utilized in maize production, accounting for 41% of total fertilizer consumption in the country, the second-largest consumer being sugar cane at 18%. Fertilizer constitutes about 35% of grain farmers' input costs and a substantial share in other agricultural commodities and crops.

<sup>2</sup> Estimates from the Central Energy Fund are available [here](#).

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