Next month, fuel prices could reach the highest level in three years

On 04 October 2017, fuel prices could increase for a third consecutive month and reach the highest level in three years. The prices of diesel and petrol could each increase by 3% from the previous month, partly driven by an uptick in crude oil prices. While this expected increase seems marginal, it could add pressure on farmers as it coincides with the new season planting period. Also worth noting is that, for grain and oilseed, fuel makes up roughly 11% of production costs, therefore an increase in price will add pressure on farmers.

- Diesel (0.05% Wholesale Inland) and petrol (95 ULP Inland) prices could increase by 33 cents per litre (c/l) and 35 c/l respectively, on 04 October 2017. This increase could lift the wholesale diesel price to R12.03 per litre from R11.70 per litre in September 2017. At the same time, the retail price of petrol could increase to R14.07 per litre from the current level of R13.72 per litre.

- This expected fuel price increase is mainly driven by relatively higher Brent crude oil prices, which averaged US$53.94 a barrel this month, up by 4% from August 2017. Meanwhile, the ZAR/USD exchange had a minimal impact, as it strengthened by 2% from the previous month, averaging R13.22 at the time of writing.

- The implication of this will be an upward pressure on input costs, particularly in summer crop growing areas which will soon be commencing the planting activity for the 2017/18 production season. The agribusinesses that operate in the transport industry will also feel the pressure on input costs due to their exposure on road transport. An example of this is maize which has more than 80% stock that is transported by road.
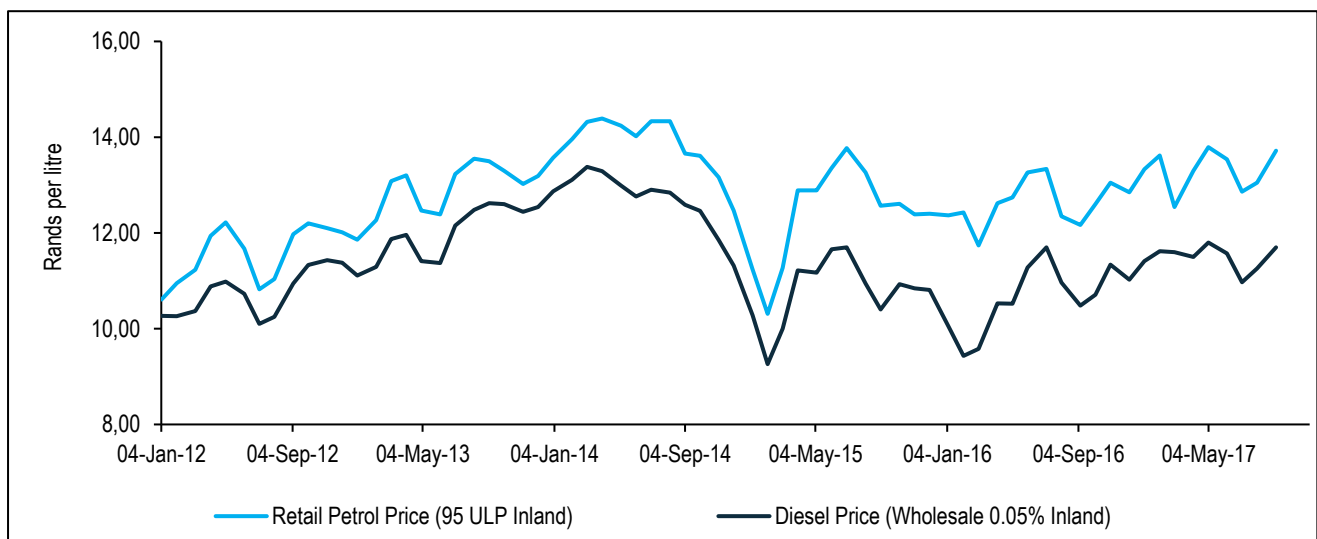
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Chart 1: SA retail petrol and wholesale diesel prices
Source: Central Energy Fund, Agbiz Research