



Perspektief | Perspective

Nuusbrief | Newsletter

28/08/2015 WEEK 35 - 2015

KLIK HIER VIR DIE AFRIKAANSE WEERGAWE

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DOMESTIC FUEL PRICES ARE LIKELY TO DECREASE IN SEPTEMBER 2015

Wandile Sihlobo, Economist, Grain SA

» Fuel accounts for approximately 11% of the total variable costs of maize production. The expected decrease in fuel prices might benefit grain farmers who will be preparing their fields for the 2015/16 production year. **It is expected that petrol and diesel prices will decrease on 2 September by 68 and 53 cents per litre respectively.**

Contributing Factors to Diesel and Petrol Price changes

The domestic fuel prices are mainly influenced by international product prices, as well as exchange rate movements. The international product prices are currently the main contributing factor towards the expected decrease of domestic fuel prices (see table below). If the value of the Rand did not weaken, price decreases would have been even more significant.

ANALYSIS MOVEMENT OF AVERAGE OVER / (UNDER) RECOVERY			
	Petrol 95	Diesel 0.05%	Diesel 0.005%
Movement in International Product Prices	91.430	73.943	71.605
Movement in Exchange Rate	(23.851)	(21.162)	(21.472)
Average Unit Over / (Under) Recovery	67.579	52.780	50.133

Source: Central Energy Fund

Rand and Brent Crude Oil View

At midday, on 26 August 2015 the Rand was quoted at R13.15 to the US dollar. The Rand's depreciation against the US dollar has mostly been consistent with the US dollar strengthening against some of the major currencies. Analysts also attribute the weak Rand to, rising concerns of industrial action in the mining sector, raising expectation of a US interest rate hike, low global commodity prices on the back of weakening Chinese demand and increased chance of South African credit rating downgrade.

The Brent crude oil price has generally been under pressure on the back of expected increases in supplies. OPEC has increased its output by almost 1.4 million barrels per day since January 2015. Moreover, Iran is expected to add significant supplies in the world market early next year. At the time of writing, Brent crude was traded at US\$43.52 per barrel.

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SENWES FUTURE FOCUS

Senwes 

FUTURE FOCUS

TOGETHER WITH NATION IN CONVERSATION

8 SEPTEMBER 2015 • 09:00 • NAMPO PARK

Cost: R80 per person (spitbraai included)

(Funds in aid of Young Farmer Committees of
Agri NW and Free State Agriculture)

Join in the discussion of
the subject **"Game as an
extension of your business"**
with experienced farmers in
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CONSERVATION AGRICULTURE PROJECTS KICK OFF IN THE NORTH-EASTERN FREE STATE

Hendrik Smith, Conservation Agriculture Facilitator, Grain SA

» A new project, to implement Conservation Agriculture (CA) in two study areas in the North-Eastern Free State has recently been approved and funded by The Maize Trust (MT) and Winter Cereal Trust (WCT). The MT project has been

initiated by the Grain SA CA Farmer Innovation Programme (CA-FIP) in cooperation with the Riemland (Reitz) and Ascent (Vrede) study groups and aims to investigate, demonstrate and promote good CA practices in the regions. The ARC-Small Grains Institute (ARC-SGI) in Bethlehem is funded by the WCT and will collaborate under the same initiative to achieve these objectives.

The main activity in these two study areas will be a range of on-farm trials involving various producers. The trials will focus on crop rotation, crop density and cover crops. Various aspects will be examined in the trials, in particular soil health, productivity and profitability and various stakeholders have been involved accept these responsibilities. On 13 and 14 August meetings were held with both project teams to plan the trials and other activities.

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INPUT PRICE TRENDS - THE WEAK RAND IS NOT IN OUR FAVOUR

Corné Louw, Senior Economist, Grain SA

»Agriculture Chemicals

Essentially, 100% of the active ingredients required to manufacture agricultural chemicals are imported. International trends and the exchange rate will play a decisive role in regional price trends.

Tables 1 and 2 show trends in international agricultural chemical prices (active ingredients). From the tables below, the impact of exchange rates on local prices is evident. When viewing insecticide prices, it is clear that prices, in dollars, have declined, but due to the exchange rate, prices can increase for the domestic market. Only the price of Imidacloprid could decline locally.

Table 1: Insecticides in Dollar and Rand value

International Prices (Dollar/ton)			
	July 2014	July 2015	% change
	USD/t	USD/t	
Imidacloprid (95%)	19 957	14 602	-26.8
Lambda-cyhalothrin (95%)	23 914	23 482	-1.8
Carbofuran (99%)	12 041	11 504	-4.5
Deltamethrin (98%)	71 406	67 231	-5.8
R/\$	10.665	12.47	+16.9
International Prices (Rand/ton)			
	July 2014	July 2015	% change
	R/t	R/t	
Imidacloprid (95%)	212 841	182 087	-14.4
Lambda-cyhalothrin (95%)	255 043	292 821	+14.8
Carbofuran (99%)	128 417	143 455	+11.4
Deltamethrin (98%)	761 545	838 371	+10.1

International insecticide prices, except for Trifluralin, have declined in dollar terms. These declines is however not noticed in the local market due to the weakening of the Rand. The prices of domestic glyphosate products however should be more than 10% lower compared to the same time last year.

Table 2: Herbicide prices: International in dollar and Rand value

International prices (Dollar/ton)			
	July 2014	July 2015	% change
	USD/t	USD/t	
Glyphosate (95%)	4 651	3 518	-24.4
Acetochlor (92%)	3 295	2 826	-14.2
Atrazine (97%)	3 628	3 092	-14.8
Metolachlor (97%)	3 929	3 701	-5.8
Trifluralin (95%)	4 025	4 960	+23.2
R/\$	10.665	12.47	+16.9
International prices (Rand/ton)			
	July 2014	July 2015	% change

	R/t	R/t	
Glyphosate (95%)	49 603	43 869	-11.6
Acetochlor (92%)	35 141	35 240	+0.3
Atrazine (97%)	38 693	38 557	-0.3
Metolachlor (97%)	41 903	46 151	+10.1
Trifluralin (95%)	42 927	61 851	+44.1

Fertiliser

Since South Africa imports such a large quantity of its fertilizer, domestic and international prices should correlate well. Table 3 illustrate international prices in rand value over a year-period, while Table 4 illustrate average domestic fertilizer prices (price lists).

The tables further indicate that local phosphate prices closely followed international price trends. Local nitrogen prices (CAN and Urea), however, increased significantly more than international prices. Local potassium chloride prices however did not rise to the same extent as international prices.

Please keep in mind that these prices aim to demonstrate trends and the physical prices should not necessarily be viewed in isolation, since international prices are free on board in international ports and the local average prices are price list prices.

Table 3: International fertiliser prices

Average fertilizer prices (Rand value)			
Fertiliser	July 2014	July 2015	% change
	Rand/ton	Rand/ton	%
Ammonia (Middle East)	4 863	4 938	+1.5%
Urea (46) (Eastern Europe)	3 454	3 417	-1.1%
DAP (US Gulf)	4 722	5 836	+23.6%
Potassium chloride (CIS)	3 195	3 679	+15.1%

Table 4: Domestic fertiliser prices

Average domestic fertilizer prices			
Fertiliser	August 2014	August 2015	% change
	Rand/ton	Rand/ton	%
CAN (28)	5 147	5 546	+7.8%
Urea (46)	5 794	6 329	+9.2%
MAP	8 013	9 987	+24.6%
Potassium chloride	6 603	7 134	+8.0%

Tips for purchasing fertilizer:

- Get quotes from different companies for the same products required;
- Find out what wholesalers ask for raw materials (e.g. SASOL for nitrogen and Foskor for phosphate), in addition, there are plenty of wholesalers (which import fertilizer), that operate from the ports;
- Calculate the cost per unit plant feed;
- Find out which payment terms fit best
- Order in advance;
- Always prioritise product quality

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NATIONAL AGRO-METEOROLOGICAL COMMITTEE (NAC) ADVISORY ON THE 2015 SPRING SEASON

Petru Fourie, Research Coordinator & Production Cost Analyst, Grain SA

» Please click on the link below to view a document released by the Department of Agriculture: Climate Change and Disaster Management. The document contains information on the current climate conditions, conditions in the provinces during July, monthly climate outlook and much more.

[Read the full report here](#)

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Stay inspired...

"The ultimate goal of farming is not the growing of crops, but the cultivation and perfection of human beings."

~ *Masanobu Fukuoka*

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