

SA fuel price set to increase further in April

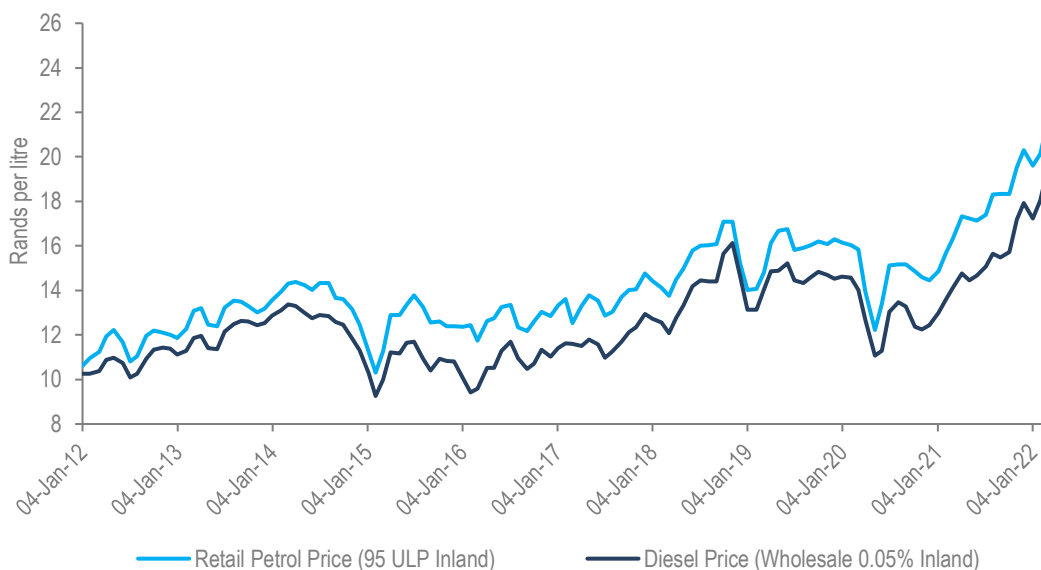
On 06 April, South Africa's petrol (95 ULP inland) and diesel (0.05% wholesale inland) prices will likely increase by R1,84 and R2,99 cents per litre, respectively. These increases will put the retail price of petrol at a record R23,44 per litre from the current level of R21,60 per litre. Simultaneously, the wholesale diesel price will be R22,47 per litre from R19,48 in March 2022 (see Exhibit 1)

The underpinning driver of the fuel price increase is the rising Brent crude oil price on the back of the current geopolitics, disruption in oil production in the Middle East and supply constraints that existed before the intensification of the Russia-Ukraine war, amongst other factors.

While this fuel price uptick will increase farmers' input costs, it, fortunately, comes at a quiet period in the summer crop producing areas where the crops are still maturing. Meanwhile, the winter crop growing areas will start planting at the end of April. This is specifically wheat, barley, canola and oats farmers. This is at a time when fertilizer prices are also generally elevated, and the ongoing war in the Black Sea region adds further upside risks to costs. The rising transport costs are a challenge also for the fruits and vegetables-focused industries.

The same is true for agribusiness; those in the logistics business will experience cost increases. This is a busy period of wheat imports and maize exports. This is in addition to general movements of agricultural products in various provinces for domestic consumption. In this case, it is worth noting that roughly 81% of maize, 76% of wheat and 69% of soybeans in South Africa are transported by road. On average, 75% of national grains and oilseeds are transported by road and a substantial share of other agricultural products.

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



Source: Central Energy Fund and Agbiz Research

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