

SA fuel prices could reach an all-time high in June 2018

After a notable increase in fuel prices earlier this month, June 2018 could bring further uptick in fuel prices to an all-time high. This is due to higher Brent crude oil price, coupled with the relatively weaker Rand against the US Dollar. It is still early to be certain about the scale, but the current estimates suggest that prices of petrol and diesel could rise by roughly 5% and 6%, respectively, from May 2018 levels. From an agricultural perspective, this will add pressure on farmers and agribusinesses as it coincides with a high fuel consumption period -- harvesting period for summer crops and a planting period for winter crops. It is worth noting that 81% of maize, 76% of wheat and 69% of soybeans in South Africa are transported by road. On average, 75% of national grain and oilseed are transported by road.

- Petrol (95 ULP Inland) and Diesel (0.05% Wholesale Inland) prices could increase by 78 cents per litre (c/l) and 84 (c/l) respectively, on 06 June 2018. This means the retail price of petrol could rise to R15.75 per litre from the current level of R14.97 per litre. At the same time, the wholesale diesel price could increase to R14.16 per litre from R13.33 per litre in May 2018.
- This expected fuel price upsurge is partly driven by the ZAR/USD exchange, after weakening by 4% from April 2018, averaging R12.53 this month at the time of writing.
- The higher Brent crude oil price is also a key factor behind the potential fuel price hikes. At the time of writing, the monthly oil price averaged US\$76.77 per barrel, up by 7% from April 2018.
- Above all, the expected fuel price hikes will add pressure on agribusiness and farmers, particularly for summer crop regions which have recently commenced with the harvest activity. Fuel costs make up roughly 11% of grain farmers' production costs in South Africa. About a third of this is typically utilised during harvesting season.

Wandile Sihlobo (wandile@agbiz.co.za)

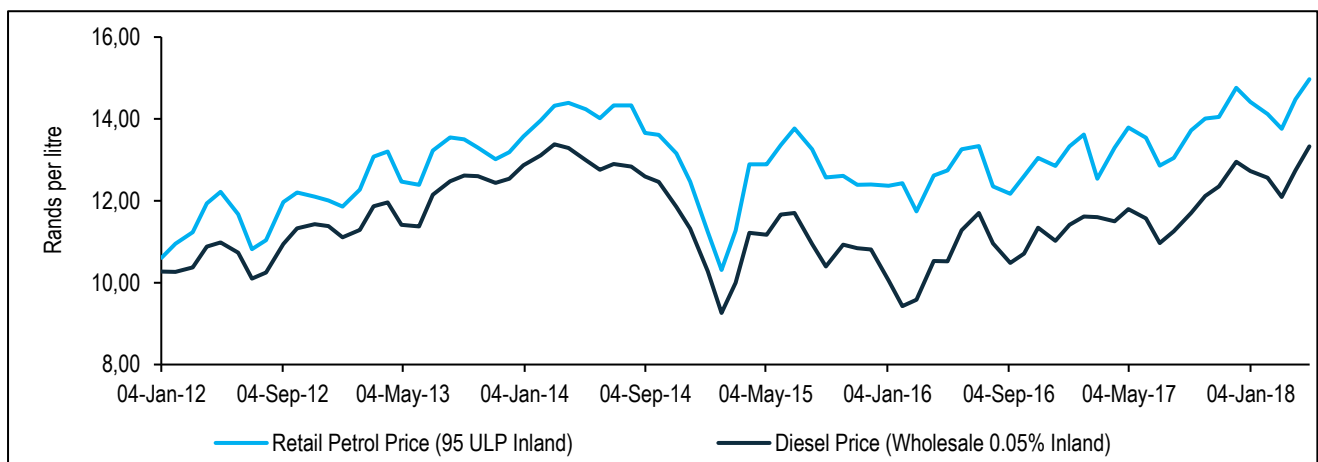


Chart 1: SA retail petrol and wholesale diesel prices

Source: Central Energy Fund, Agbiz Research

Disclaimer: Everything has been done to ensure the accuracy of this information, however, AGBIZ takes no responsibility for any loss or damage incurred due to the usage of this information.