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August 1, 2008

High US corn prices prompts South Korea to grow corn in Indonesia

As part of the country's plans to source feed from Southeast Asia, South Korea's biggest feed maker Nonghyup Feed has announced plans to plant corn in Indonesia.

The company accounts for nearly a quarter of the country's corn imports.

Nonghyup said it signed a memorandum of understanding with South Korean firm Daewoo Logistics this month to jointly develop a 20,000-hectare corn farm in Kalimantan starting next year.

South Korea traditionally imports US corn almost exclusively. The shift away from US corn is a sign that more traditional buyers are turning away from high US corn prices.

The company said Indonesia could supply up to 20 percent of its feed corn requirements, or 500,000 tonnes of the 2.5 million tonnes of corn the company buys each year.

Corn from this project would yield 200,000 tonnes, with shipments starting as early as 2010. The project is expected to lower import costs by 66 percent through savings in freight and labour.

Although many Korean firms are looking to Southeast Asia to develop their own cropland, the complicated process of securing farmland for lease and the long-term commitment required means not many succeed in doing so, according to Daewoo Logistics.

This made long-term outsourcing contracts a more popular choice.

In fact, Daewoo Logistics said it was in talks to secure an outsourcing deal with a US corn producers' group to import 300,000 tonnes per year of non-GM corn for food use.

The deal, if signed, will be the first outsourcing agreement by South Korean grain importers.

Such attempts are also in line with the new Korean government's attempt to establish foreign grain supply bases, as the country is heavily dependent on foreign food imports.

South Korea, the world's third-largest corn importer, bought 4.2 million tonnes of corn in the first six months of this year, mainly from the US, India and China.

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