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South Korea's Daewoo to grow corn in Madagascar

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Reuters | Tue 18 Nov 2008

SEOUL (Reuters) - South Korea's Daewoo Logistics will plant corn in Madagascar, a company official said on Tuesday, with a long-term aim to replace more than half the corn it currently imports from mostly the United States.

The move to develop an area of Madagascar larger than Qatar follows a smaller deal in July to plant corn in Indonesia and reflects the region's latest push to lock in cropland abroad.

Soaring food prices earlier this year and a shortage of farm land at home has prompted several countries, including Saudi Arabia, Kuwait, Malaysia and South Korea to seek agricultural assets abroad to grow crops.

Daewoo Logistics has secured rights in Madagascar to develop 1.3 million hectares. It plans to plant 1 million hectares in the western part of the country with corn and 300,000 hectares in the east will be dedicated to oil palm planting, said Shin Dong-hyun, who is in charge of the project for the company.

"We plan to start planting corn on 2,000 hectares next year and aim to produce around 5 tonnes of corn per hectare the following year," he said.

According to the plan, Daewoo will produce 10,000 tonnes of corn in 2010, which will be worth \$2 million at current import prices of U.S. corn to South Korea of around \$200 per tonne.

Daewoo -- which plans to directly manage its plantations and use labour from South Africa -- would develop the cropland over 15 years and may produce around 5 million tonnes of corn annually, more than half of South Korea's annual corn needs and 5 percent of the global corn trade.

The U.S. is the biggest corn exporter supplying some 60 percent to the world markets.

PART OF A TREND

The move by Daewoo Logistics follows similar deals by other countries short of arable land.

Saudi Arabia's Savola Group, the world's largest producer of branded edible oil, wants to buy minority shares in agribusiness firms in Sudan, Egypt and Ukraine while Malaysia's biggest palm planter is looking to develop plantations in Africa.

Kuwait has leased rice fields in Cambodia and plans to import food from the Asian country which has plenty of land ideal for growing food crops.

South Korea is the world's third-largest corn importer and relies heavily on imports to meet its corn requirements.

"We plan to improve productivity to produce 10 tonnes of corn per hectare but it will take quite a long time to reach that level," Shin said.

Corn, which is mainly used in making feed for animals and poultry, has lost half of its value since peaking in June when floods threatened crops in the top growing U.S. Midwest region.

But analysts expect the prices to bounce back in 2009 as farmers cut production due to lower prices and growing use of corn in making ethanol.

Daewoo is talking to potential investor partners such as South Korea's biggest feedmaker Nonghyup Feed, with which it agreed in July to jointly develop a 20,000 hectare corn farm in Kalimantan in Indonesia starting in 2009.

But if the negotiations fail, Daewoo plans to tap overseas partners such as China National Cereals, Oils & Foodstuffs Imports and Exports Corp (COFCO) and Thailand's CP Group, Shin said.

Source: [Reuters](#)

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