



Orville Fisher

White Corn Newsletter

June 16, 2004

Planting Intentions for 2004/2005
International Edition



Orville Fisher White Corn Newsletter

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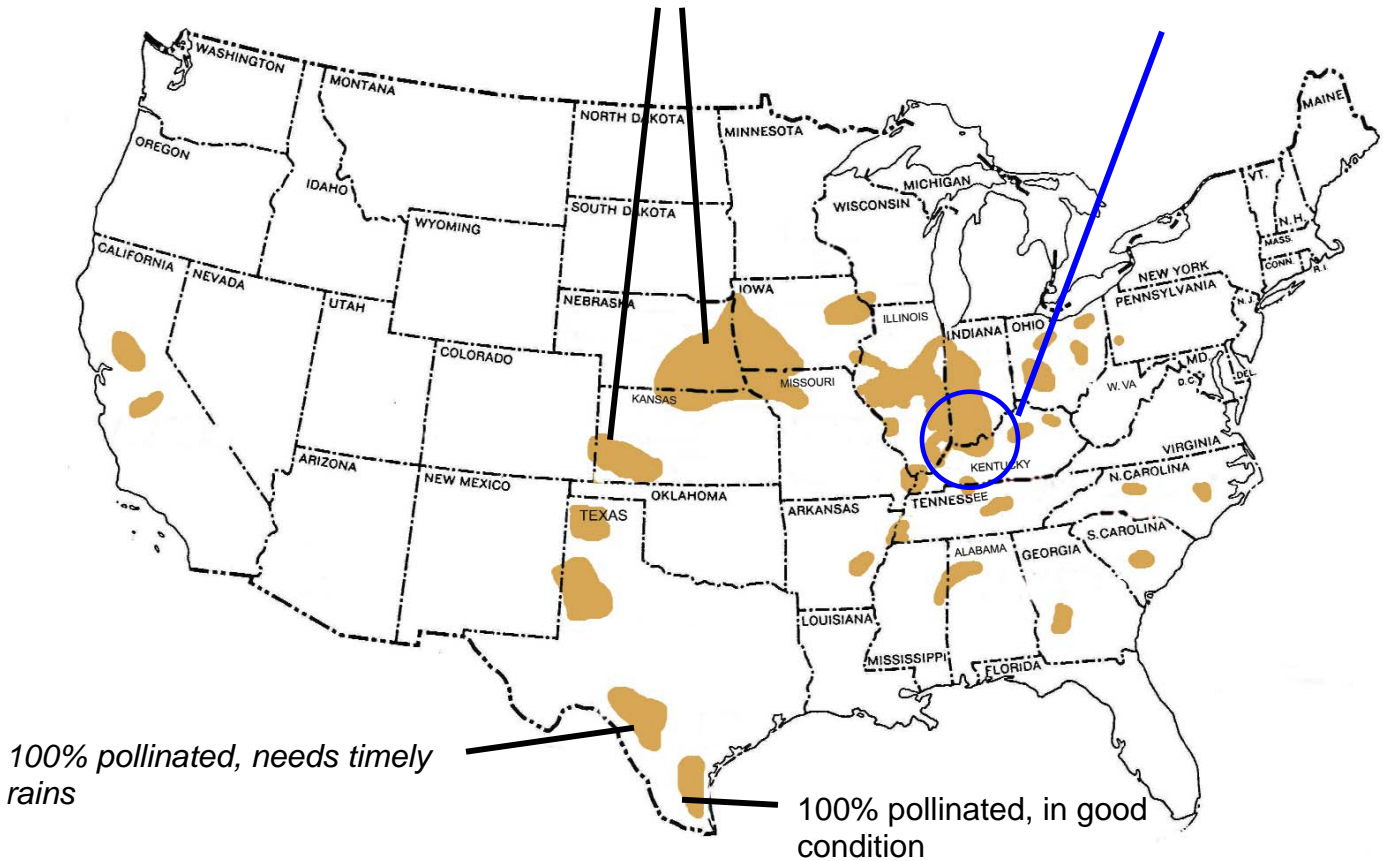
New Crop Planting Progress and Conditions by Chris Morley

Planting began in earnest the week of April 18th and proceeded at near record pace. By May 23rd, it was estimated that the total U.S. corn crop was approximately 95% planted as opposed to 85% last year and the five-year average of 87%. As of May 23rd, 100% of the white corn had been planted. Last year heavy spring rains delayed planting and as of June 10th some white corn was still being planted.

Timely spring rains across much of the Western and Northeastern Corn Belt have dramatically improved the soil moisture situation. Specifically, Southern Iowa, Nebraska, and N. Kansas have benefited the most. Heavier rains across the river bottoms of Southern Illinois and Indiana have caused some white corn acres to not be planted. Some planted acres in these areas are completely flooded out. Because of this there have been some reports of growers canceling their contracts.

*Received beneficial rain,
Excellent stands*

*Excellent stands, some
flooding in river bottoms*



| CROP CALENDAR FOR MEXICO | CROP CALENDAR FOR USA |
|--|--|
| <p>NORTHWESTERN MEXICO (15-20% of production)</p> <p>JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC</p> <p>Summer planted corn accounts for about 80-85 percent of total production. Add 1-2 months to the above crop calendar for corn grown in the Yucatan Peninsula.</p> | <p>MOST OF USA</p> <p>JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC</p> |
| <p>REST OF MEXICO (80-85% of production)</p> <p>JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC</p> | <p>MOST OF SOUTH AFRICA</p> <p>JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC</p> |

Source: USDA

Chart 1, Table 1 Source: GRM, Industry, USDA

White Corn Prices

White Corn Premiums

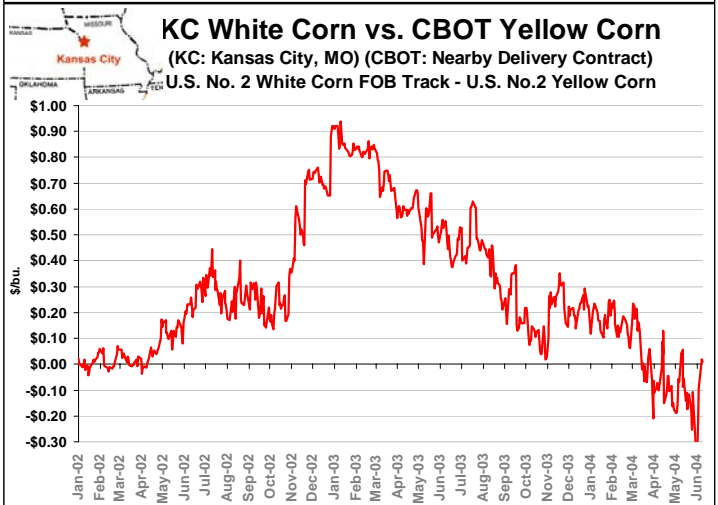
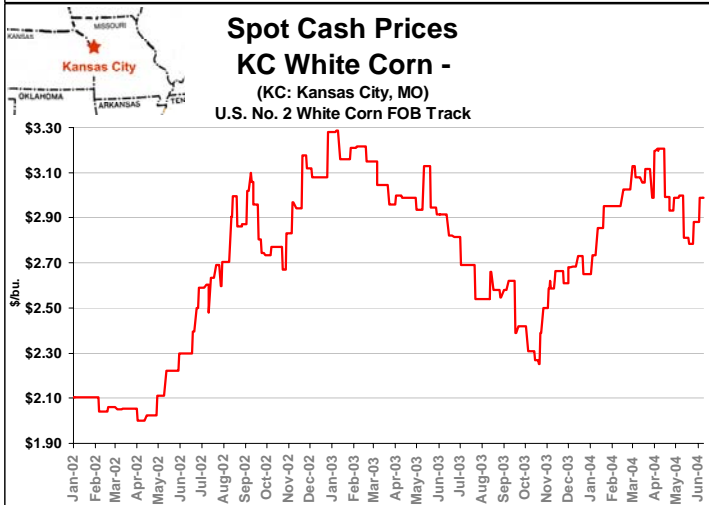
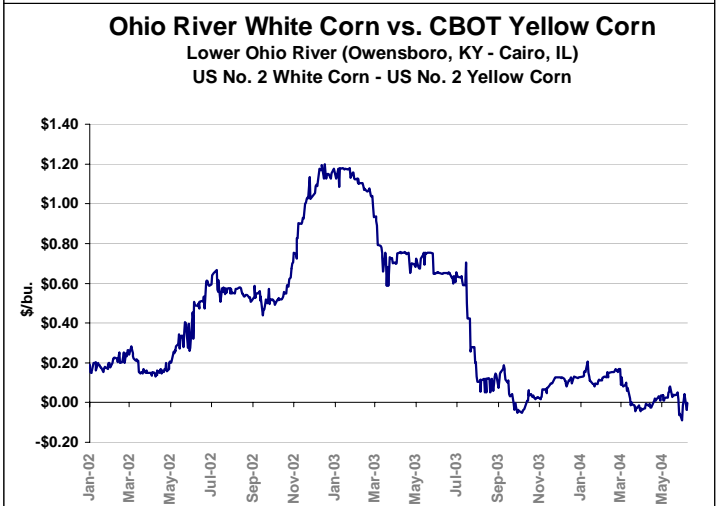
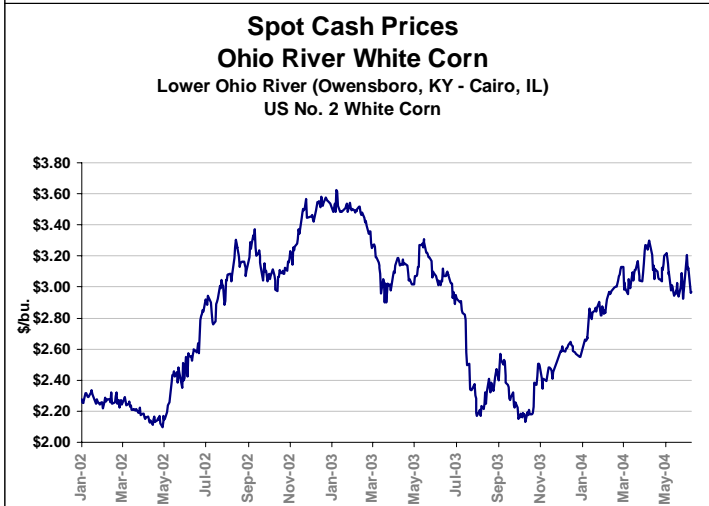
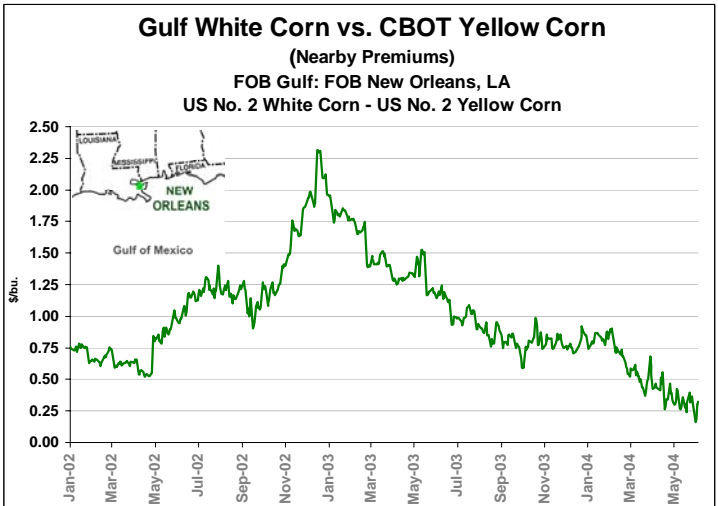
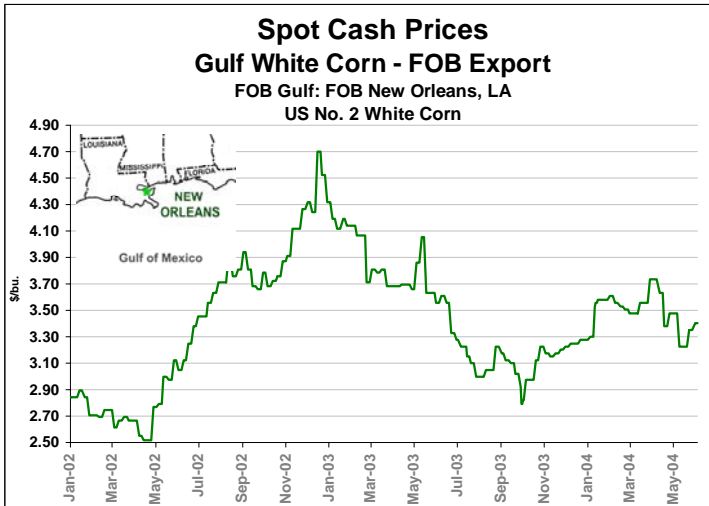


Chart 2a, 2b- Source: CBOT, USGC, Industry
 Chart 3a, 3b- Source: CBOT, USDA
 Chart 4a, 4b- Source: CBOT, USDA

Chicago Board of Trade

Yellow Corn No.2 Futures Prices July 2004 Contract

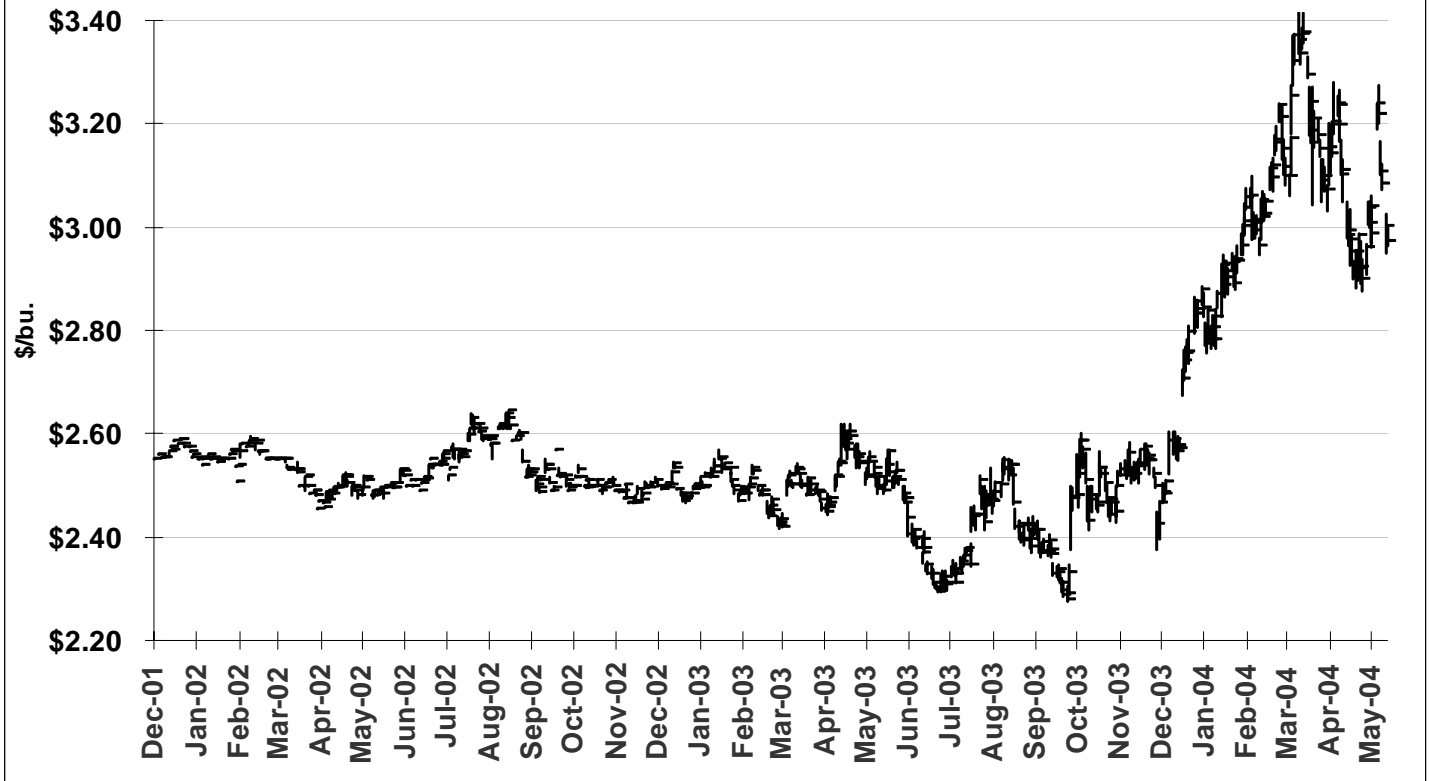


Chart 5 – Source: CBOT

White corn premiums FOB US gulf are currently offered at \$0.20/bu. (\$7.8/mt.) over the CBOT July futures contract. These have declined \$0.25/bu. (\$9.8/mt) in the past 30 days and are at the lowest levels in many years. This is a direct reflection of the slow export pace and demand. Interior basis levels at Kansas City and along the Ohio River are bid at option price to -\$0.20/bu (-\$7.8/mt) below the July corn contract and are equal to below yellow corn cash prices.

Since February, July Corn Futures prices have consistently traded above \$3.00/bu. The higher futures prices are offsetting the lower premium levels resulting in the highest cash corn selling prices since the October '02-February '03 period. With cash prices near \$3.00/bu. the growers perception is that "corn is corn" and white corn has no added value vs. yellow corn. This has accelerated the selling of white corn into the feed channels

2003 / 2004 Old Crop Supply & Demand (Marketing year ending August 2004)

The table (Table# 2a & 2b) below illustrates historical, current '03/04, and projected '04/05 new crop supply and demand situations. The tables are presented in both British and metric units.

U.S. WHITE CORN SUPPLY & DEMAND

| | in British units (acres, bushels) | | | | | Official Scenario | |
|-------------------------|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------------------|---------------------------------|
| | Final 1998-1999 | Final 1999-2000 | Final 2000-2001 | Final 2001-2002 | Final 2002-2003 | May Estimate 2003-2004 Est. | May Estimate 2004-2005 Proj. |
| Planted Area | 775,000 | 1,198,000 | 931,500 | 925,620 | 780,108 | 860,710 | 703,729 |
| Harvested Area | 750,000 | 1,175,000 | 922,185 | 916,364 | 724,000 | 823,649 | 696,692 |
| Average Yield | 138.00 | 132.11 | 144.74 | 148.00 | 129.88 | 160.31 | 150.00 |
| SUPPLY (bushels) | | | | | | | |
| Total Production | 103,500,000 | 155,229,250 | 133,477,057 | 135,621,842 | 94,032,306 | 132,039,506 | 104,503,790 |
| Beginning Stocks | 7,500,000 | 1,500,000 | 15,430,027 | 5,932,084 | 4,266,926 | 4,195,232 | 16,234,738 |
| Total Supply | 111,000,000 | 156,729,250 | 148,907,084 | 141,553,926 | 98,299,232 | 136,234,738 | 120,738,528 |
| USAGE (bushels) | | | | | | | |
| Food | 55,500,000 | 58,500,000 | 63,500,000 | 60,000,000 | 62,000,000 | 63,000,000 | 63,000,000 |
| Feed/Industrial | 0 | 20,000,000 | 17,000,000 | 11,800,000 | 8,000,000 | 25,000,000 | 8,000,000 |
| Exports | 54,000,000 | 62,799,223 | 62,475,000 | 65,487,000 | 24,104,000 | 32,000,000 | 42,000,000 |
| Total Usage | 109,500,000 | 141,299,223 | 142,975,000 | 137,287,000 | 94,104,000 | 120,000,000 | 113,000,000 |
| Ending Stocks | 1,500,000 | 15,430,027 | 5,932,084 | 4,266,926 | 4,195,232 | 16,234,738 | 7,738,528 |
| % Ending Stocks/Use | 1.4% | 10.9% | 4.1% | 3.1% | 4.5% | 13.5% | 6.8% |

U.S. WHITE CORN SUPPLY & DEMAND

| | in metric units (hectares, tons) | | | | | Official Scenario | |
|------------------------|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------------------|---------------------------------|
| | Final 1998-1999 | Final 1999-2000 | Final 2000-2001 | Final 2001-2002 | Final 2002-2003 | May Estimate 2003-2004 Est. | May Estimate 2004-2005 Proj. |
| Planted Area | 313,638 | 484,824 | 376,973 | 374,593 | 315,705 | 348,325 | 284,795 |
| Harvested Area | 303,521 | 475,516 | 373,203 | 370,847 | 292,999 | 333,326 | 281,947 |
| Average Yield | 8.66 | 8.29 | 9.08 | 9.29 | 8.15 | 10.06 | 9.41 |
| <i>Yield in bu/ac.</i> | <i>138.00</i> | <i>132.11</i> | <i>144.74</i> | <i>148.00</i> | <i>129.88</i> | <i>160.31</i> | <i>150.00</i> |
| SUPPLY (tons) | | | | | | | |
| Total Production | 2,628,900 | 3,942,823 | 3,390,317 | 3,444,795 | 2,388,421 | 3,353,803 | 2,654,396 |
| Beginning Stocks | 190,500 | 38,100 | 391,923 | 150,675 | 108,380 | 106,559 | 412,362 |
| Total Supply | 2,819,400 | 3,980,923 | 3,782,240 | 3,595,470 | 2,496,801 | 3,460,362 | 3,066,759 |
| USAGE (tons) | | | | | | | |
| Food | 1,409,700 | 1,485,900 | 1,612,900 | 1,524,000 | 1,574,800 | 1,600,200 | 1,600,200 |
| Feed/Industrial | 0 | 508,000 | 431,800 | 299,720 | 203,200 | 635,000 | 203,200 |
| Exports | 1,371,600 | 1,595,100 | 1,586,865 | 1,663,370 | 612,242 | 812,800 | 1,066,800 |
| Total Usage | 2,781,300 | 3,589,000 | 3,631,565 | 3,487,090 | 2,390,242 | 3,048,000 | 2,870,200 |
| Ending Stocks | 38,100 | 391,923 | 150,675 | 108,380 | 106,559 | 412,362 | 196,559 |
| % Ending Stocks/Use | 1.4% | 10.9% | 4.1% | 3.1% | 4.5% | 13.5% | 6.8% |

Table 2a & 2b: Source: GRM, Industry

Please refer to the column titles May 2003-2004 estimate in the above balance tables (Table# 2a, 2b). This reflects adjustments to the old crop situation published in our January 2004 report. In this regard, the old crop (02/03) column references the current situation.

SUPPLY

Planted Area – No Change
Harvested Area – No Change
Average Yield – No Change
Beginning Stocks – No Change
Total Production – No Change
Total Supply – No Change

DEMAND

Food - Domestic demand is increased by 1 million bushels to a total of 63 million bushels or 1.58 mmt

Exports - This has been reduced by 10 million bushels (254,019 mt.) to 32 million bushels or 812,800 mt. This would be the lowest export number prior to 1997. The adjustment reflects an overall slower than anticipated sales pace to Mexico, and unrealized sales to the EU. Most significantly, the outlook for shipments to Mexico, for the June- August, period is bleak at best. Additionally, history would suggest that the overall sales pace in the 4th quarter of the marketing year could be the 2nd lowest since 1997 making our initial forecast unreachable.

Feed / Industrial Use - The estimate has been increased by 6,000,000 bushels (152,000 mt) to a record total of 25 million bushels (635,000 mt). As previously discussed cash corn prices above \$3.00/bu, coupled with "0" premium and market inverses are forcing white corn into the feed channels. It is possible that this feed number could increase further in the June – August period.

ENDING STOCKS

The drop in exports is not totally offset with the increase in feeding and domestic demand, hence our end of year carryout supplies total supplies increase. Our carryout estimate of 16.2 mill bushels (412,000 mt) represents the most burdensome supply situation since the '99/2000 crop year. This situation creates a supply buffer in the event of crop production problems in the '04/05 new crop year

2004 / 2005 New Crop Planting Intentions by Chris Morley

For the upcoming 2004/05 marketing year, total white corn *planted* acres are expected to *decline* by 18% nationally. This represents a decline of 156,981 acres to a total of 703,729 acres - down from last years planted acreage base of 860, 710 acres. This is the lowest planted acreage since the '97/98 crop year. There are three basic explanations for the expected decline. First, growers responded to the prolonged period of declining free market white corn premiums vs. Yellow corn. Secondly, cash corn prices above \$3.00/bu., combined with a surplus white corn supplies have resulted in large amounts of white corn being sold into the feed markets. This situation represents to the grower that white corn has no "added value" Third; white corn acres continue to lose to "GMO" yellow corn acres.

The table below (Table# 3) gives an indication of this years planted acres vs. the last 5 years by key states in each production region. In examining this table a number of areas warrant discussion.

U.S. White Corn Planted Acreage History by State

| Planted Acres by Producing Region | 1999/2000 Total | 2000/01 Total | 2001/02 Total | 2002/03 Total | 2003/04 Total | 2004/05 Initial | Year over year change | % change |
|-----------------------------------|------------------|----------------|----------------|----------------|----------------|-----------------|-----------------------|-------------|
| Iowa | 130,000 | 100,776 | 97,458 | 75,999 | 77,370 | 52,668 | -24,702 | -32% |
| Nebraska | 225,000 | 154,140 | 178,390 | 164,160 | 186,240 | 117,457 | -68,783 | -37% |
| Kansas | 70,000 | 44,172 | 27,670 | 26,996 | 17,008 | 18,350 | 1,342 | 8% |
| Missouri | 110,000 | 49,675 | 67,238 | 60,674 | 65,443 | 49,624 | -15,819 | -24% |
| Illinois | 100,000 | 124,454 | 140,727 | 113,700 | 132,710 | 112,819 | -19,892 | -15% |
| Indiana | 65,000 | 89,772 | 105,564 | 103,556 | 133,795 | 113,654 | -20,141 | -15% |
| Kentucky/Tennessee | 160,000 | 161,323 | 147,911 | 144,955 | 148,244 | 134,998 | -13,246 | -9% |
| Ohio | 40,000 | 8,780 | 3,484 | 3,628 | 3,140 | 2,300 | -840 | -27% |
| Georgia/Alabama | 25,000 | 2,794 | 3,555 | 2,449 | 3,281 | 2,419 | -861 | -26% |
| North & South Carolinas | 25,000 | 2,719 | 3,577 | 2,467 | 3,316 | 2,037 | -1,278 | -39% |
| Pennsylvania | N/A | N/A | N/A | 1,055 | 280 | 414 | 134 | 48% |
| Mississippi | N/A | N/A | N/A | 0 | 1,375 | 894 | -481 | -35% |
| West High Plains | | | 42,360 | 26,280 | 21,000 | | | |
| Panhandle | 95,000 | 78,000 | 27,520 | 11,000 | 14,075 | | | |
| Garden State | 65,000 | 49,744 | 25,186 | 16,000 | 18,800 | 15,040 | -3,760 | -20% |
| Rio Grande Valley | 65,000 | 42,000 | 30,000 | 8,821 | 10,000 | 6,500 | -3,500 | -35% |
| Texas | 225,000 | 169,744 | 125,066 | 62,101 | 63,875 | 71,529 | 7,654 | 12% |
| California | 23,000 | 23,050 | 24,550 | 15,818 | 20,915 | 21,427 | 512 | 2% |
| Wisconsin/Minn | N/A | N/A | 430 | 1,510 | 2,670 | 1,817 | -853 | -32% |
| Canada | N/A | N/A | - | 1,040 | 1,050 | 1,323 | 273 | 26% |
| U.S. Total | 1,198,000 | 931,399 | 925,620 | 780,108 | 860,710 | 703,729 | 156,981 | -18% |

Table 3- Source: Industry

Texas

Acreage in Texas *could* increase for the second year in a row. This is mostly attributable to adequate available seed supplies in this region. Texas acreage is still 68% lower than the peak in 1999.

Kentucky / Tennessee / Illinois / Indiana

Illinois is expected to decline (-15%), Indiana (-15%) and Kentucky/Tennessee (-9%) Much of the decline is in "wild cat" acres which typically are planted in hopes of a strong export market which would drive white corn premiums above yellow corn.

Heavy spring rains and continued showers have flooded out some of the low-river-bottom areas. These areas are concentrated around East and South of Evansville, Indiana. Some acreage has been replanted and some

has gone into the preventive planting program. Those areas not replanted by now will probably go to soybeans. At this time we do not have an estimate of lost acreage.

Western Region

Of the major production areas the largest acreage declines are in the western states. Iowa is down (-32%) Nebraska (-37%) and Missouri (-24%) Kansas planted area is expected to increase by 8% due to some acreage shifts from N. Texas to SW Kansas.

The acreage decreases in the western states are primarily ‘wildcat’ acres. The loss of significant rail markets to Mexico and the continued expansion of BT yellow corn varieties - against which the whites cannot compete in yield and production economics- are the most significant contributing factors.

2004 / 2005 New Crop Supply & Demand by Chris Morley

New Crop Supply and Demand Scenarios Marketing Year (September 2004 – August 2005)

Please refer to the column titled May 2004-2005 projection estimate in the above balance tables (Table# 2a, 2b).

The US is beginning this crop year with a significantly improved situation over last year. The crop was planted on time, rains have improved conditions in the western dry areas, and current overall crop conditions are good. Additionally, there are ample supplies of old crop corn remaining in the event of a crop production problem.

SUPPLY

Beginning Stocks - Reflects the old crop adjustment to 16.234 million bushels (412.362 mt)

Production - As mentioned above planted area is expected to decline by 18%. Assuming good growing conditions and crop quality, harvested area is typically 99% of planted area.

As is typical of this time of year the new crop production potential depends heavily on “Mother Nature” and hence yields. The above S&D assumes a yield of 150 bu./acre. This would be the second highest yield ever but below last years record yield of 160 bu./acre. Given this scenario production is estimated at 104,503,790 bushels (2.654 mmt). If realized this would be the lowest production since 1998.

The table (#4) below allows the reader to determine “what-if” situations given a range of yield scenarios.

U.S. White Corn Production Matrix

| MY 03/04 | | MY 04/05 Potential Planted Acreage Loss | | | | | | | |
|----------------|--------------|---|-------------------------------|---------|---------|---------|---------|---------|---------|
| | Last Year | acres (less) | 5% | 10% | 15% | 18% | 25% | 30% | 35% |
| Planted Area | 860,710 | Planted Area | 817,675 | 774,639 | 731,604 | 703,729 | 645,533 | 602,497 | 559,462 |
| Harvested Area | 823,649 | Harvested Area | 782,467 | 741,284 | 700,102 | 696,692 | 617,737 | 576,554 | 535,372 |
| Yield | 160.3 | Yield | Production in million bushels | | | | | | |
| Production | 132.0 | 135 | 105.6 | 100.1 | 94.5 | 94.1 | 83.4 | 77.8 | 72.3 |
| | mil. Bushels | 140 | 109.5 | 103.8 | 98.0 | 97.5 | 86.5 | 80.7 | 75.0 |
| | | 145 | 113.5 | 107.5 | 101.5 | 101.0 | 89.6 | 83.6 | 77.6 |
| | | 150 | 117.4 | 111.2 | 105.0 | 104.5 | 92.7 | 86.5 | 80.3 |
| | | 155 | 121.3 | 114.9 | 108.5 | 108.0 | 95.7 | 89.4 | 83.0 |
| | | 160 | 125.2 | 118.6 | 112.0 | 111.5 | 98.8 | 92.2 | 85.7 |
| | | 165 | 129.1 | 122.3 | 115.5 | 115.0 | 101.9 | 95.1 | 88.3 |
| | | 170 | 133.0 | 126.0 | 119.0 | 118.4 | 105.0 | 98.0 | 91.0 |

Table 4- Source: GRM, Industry

DEMAND

Food - Domestic demand is forecast to be flat reflecting the current year upward adjustment at 63 million bushels. For the past few years, the trade has assumed increases consistent with the growth in the snack food and masa markets. This number has not really been verified for the past 6 to 7 years. **This summer, we will attempt to survey all sectors of domestic use to re-quantify this number. We would appreciate your help with the upcoming survey.**

Exports - New crop exports are estimated at 42 million bushels up significantly from the current 03/04 forecast of 32. This estimate is the same as our initial estimate for this years' crop. The export estimate assumes the following factors:

- 1.) Low US market premiums enable U.S. exports to be competitive into the Republic of South Africa.
- 2.) Tight South African supplies in the late season encourage US imports,
- 3.) Optimism that Mexico will increase its purchases
- 4.) Continued traditional export programs to Columbia, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.

Feed / Industrial Use - This is initially estimated at 8 million bushels based on the current burdensome supply situation. Economics dictate that additional white corn needs to move to the feed and yellow corn channels in order to ration down the burdensome supply situation. This is not without precedence. In each of the past four years 8.0 million -25.0 million bushels have been either fed or blended with yellow corn to bring the US ending stocks situation to pipeline inventories.

ENDING STOCKS

Assuming all of the factors above remain stable, the following applies:

- 1.) Production declines by 28% and total supplies decline by 12% vs. last year.
- 2.) Exports increase by 30%- optimistically
- 3.) White corn continues to be fed and/or blended off
- 4.) Ending stocks decline by 50% but remain more than adequate by historical standards.

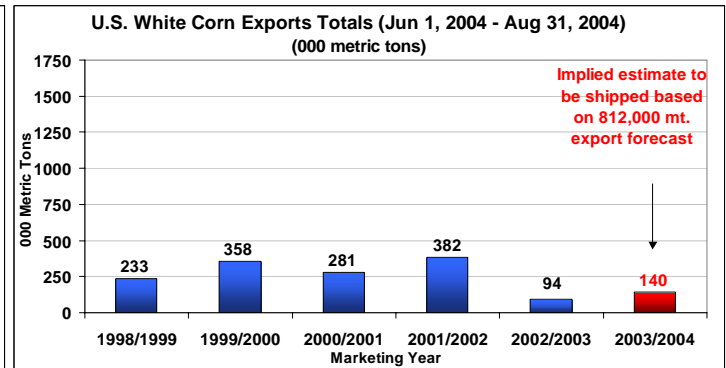
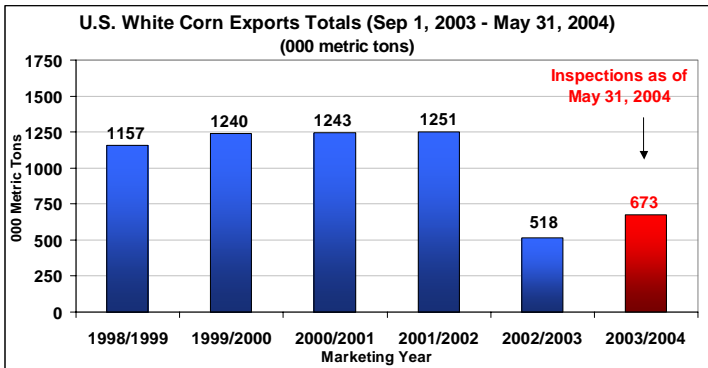
U.S. Exports by Chris Morley & Ahmet Hepdogan

Export inspections year-to-date are slightly above last years dismal pace and are the 2nd lowest in the past 5 years. We have lowered our total export projection by 10 million bushels (254,000 mt.) to 32 million bushels (812,000 mt). The reasons for this revision are:

- 1.) The current slow export pace, year-to-date, would indicate that historically, the US will not ship enough corn in the June- August period to reach our initial projection.
- 2.) The inconsistencies surrounding the Mexican import situation. Most specifically:
 - The outlook for a record harvest
 - Un-restricted imports of US cracked yellow corn which is displacing white corn feed demand
 - The strong farm lobby to restrict US white corn imports
 - No new import "cupos" until August 2004
- 3.) Unrealized exports to the EU as a non-GMO alternative.

Assuming the new downward export adjustment, for the September 2003 -May 2004 period, the US has exported approximately 84% of the 32 million bushel total export forecast (revised) as compared to the past 4 year average of 85% for the same period (Sep-May). The charts (Chart# 6a, 6b, 7a, 7b) below illustrate the comparison of exports by country vs. last year. The most notable differences can be viewed in the table (Table# 5, 6) below.

U.S. WHITE CORN EXPORTS (IN 000 METRIC TONS)



U.S. WHITE CORN EXPORTS (IN 000 BUSHELS)

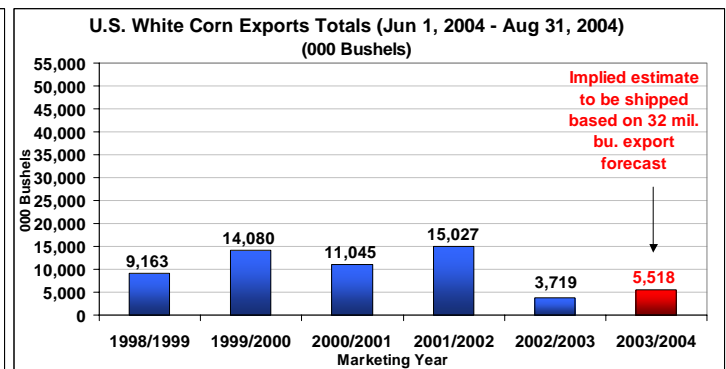
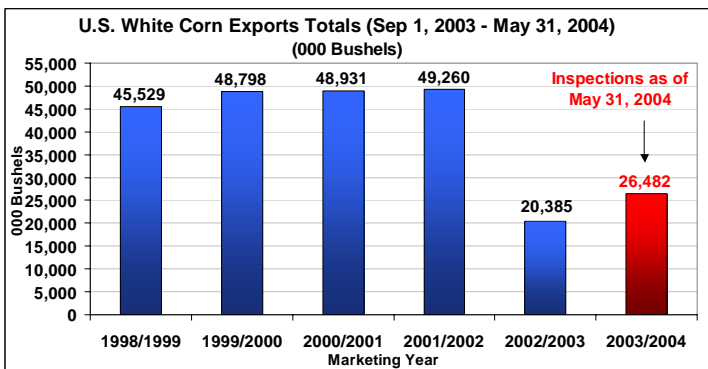


Chart 6a, 6b- Source: USDA, GRM
Chart 7a, 7b- Source USDA, GRM

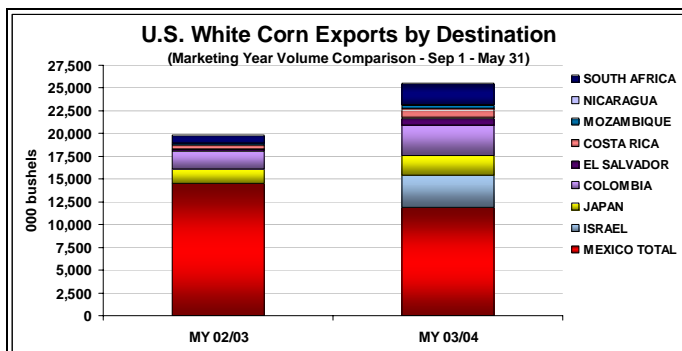


Chart 8- Source USDA

| (000 bushels) | MY 02/03 | MY 03/04 | % change |
|---------------|----------|----------|----------|
| SOUTH AFRICA | 908 | 2,362 | 160% |
| NICARAGUA | 0 | 99 | - |
| MOZAMBIQUE | 234 | 289 | 24% |
| COSTA RICA | 418 | 1,023 | 145% |
| EL SALVADOR | 199 | 806 | 305% |
| COLOMBIA | 1,981 | 3,408 | 72% |
| JAPAN | 1,635 | 2,082 | 27% |
| ISRAEL | 0 | 3,577 | - |
| MEXICO TOTAL | 14,489 | 11,878 | -18% |
| OTHERS | 521 | 958 | 84% |
| TOTAL | 20,385 | 26,482 | 30% |

Table 5- Source: USDA

| U.S. WHITE CORN EXPORTS MY 03/04 YTD | | | U.S. WHITE CORN EXPORTS MY 03/04 FORECAST | | |
|---|----------------|-------------------|--|----------------|-------------------|
| Destination | Metric Tons | Bushels | Destination | Metric Tons | Bushels |
| Mexico | 301,718 | 11,878,000 | Mexico | 317,000 | 12,479,624 |
| EU | | | EU | | 0 |
| Japan | 52,886 | 2,082,000 | Japan | 53,000 | 2,086,499 |
| S.Korea | 178 | 7,000 | S.Korea | 178 | 7,007 |
| Phillipines | | | Phillipines | | |
| Canada | | | Canada | | |
| Belgium | | | Belgium | | |
| Italy | | | Italy | | |
| Netherlands | | | Netherlands | | |
| Portugal | | | Portugal | | |
| Colombia | 86,568 | 3,408,000 | Colombia | 107,000 | 4,212,365 |
| Costa Rica | 25,986 | 1,023,000 | Costa Rica | 32,000 | 1,259,773 |
| EL Salvador | 20,474 | 806,000 | EL Salvador | 28,000 | 1,102,301 |
| Grenada | | | Grenada | | |
| Guatemala | 11,456 | 451,000 | Guatemala | 19,000 | 747,990 |
| Honduras | 9,500 | 374,000 | Honduras | 10,000 | 393,679 |
| Nicaragua | 2,515 | 99,000 | Nicaragua | 2,600 | 102,357 |
| Panama | | | Panama | | |
| Venezuela | | | Venezuela | | |
| Cameroon | | | Cameroon | | |
| Cape Verde | 0 | 0 | Cape Verde | | 0 |
| Ghana | | | Ghana | | |
| Kenya | | | Kenya | | 0 |
| Malawi | | | Malawi | | |
| Mozambique | 7,341 | 289,000 | Mozambique | 8,000 | 314,943 |
| Namibia | | | Namibia | | 0 |
| Nigeria | | | Nigeria | | |
| Rwanda | | | Rwanda | | |
| South Africa | 59,998 | 2362000 | South Africa | 140,000 | 5,511,506 |
| Tanzania | | | Tanzania | | |
| Zimbabwe | | | Zimbabwe | | |
| Israel | 90,861 | 3,577,000 | Israel | 95,000 | 3,739,951 |
| Total | 669,479 | 26,356,000 | Total | 811,778 | 31,957,995 |

Table 6- Source: GRM

MEXICO by Chris Morley – (based on USDA GAIN Reports)

The USDA is currently forecasting 2003/04 total Mexican corn production at 20.5 MMT (million metric tons). This is slight increase (6.3%) from last years' production of 19.28 MMT.

MEXICAN SUPPLY & DEMAND TABLE (WHITE & YELLOW)

| Marketing Year October - September | METRIC UNITS | | | | | | | Marketing Year October - September | BRITISH UNITS | | | | | | |
|---------------------------------------|----------------------------|--------|--------|--------|--------|----------|-------------|---------------------------------------|-------------------------|--------|--------|--------|--------|--------|-------------|
| | 000 metric tons, 000 hect. | | | | | Mar Fcst | Projected | | mil. Bushels, 000 acres | | | | | Fcst | Projected |
| | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 | 04/05 Proj. | | 98/99 | 99/00 | 00/01 | 01/02 | 02/03 | 03/04 | 04/05 Proj. |
| Harvested Area | 7,858 | 7,225 | 7,144 | 7,780 | 7,030 | 7,670 | 7,650 | Harvested Area | 19,417 | 17,853 | 17,653 | 19,224 | 17,371 | 18,953 | 18,903 |
| Yield | 2.26 | 2.66 | 2.51 | 2.62 | 2.74 | 2.67 | 2.65 | Yield | 36.07 | 42.43 | 39.96 | 41.78 | 43.69 | 42.58 | 42.28 |
| SUPPLY (000 MT) | | | | | | | | SUPPLY (mil. bushels) | | | | | | | |
| Beginning Stocks | 2,025 | 2,373 | 2,856 | 2,684 | 3,396 | 3,253 | 3,833 | Beginning Stocks | 80 | 93 | 112 | 106 | 134 | 128 | 151 |
| Production | 17,789 | 19,240 | 17,917 | 20,400 | 19,280 | 20,500 | 20,300 | Production | 700 | 757 | 705 | 803 | 759 | 807 | 799 |
| Total MY. Imports | 5,615 | 4,911 | 5,928 | 4,076 | 5,284 | 6,300 | 6,300 | Total MY. Imports | 221 | 193 | 233 | 160 | 208 | 248 | 248 |
| Total Supply | 25,429 | 26,524 | 26,701 | 27,160 | 27,960 | 30,053 | 30,433 | Total Supply | 1,001 | 1,044 | 1,051 | 1,069 | 1,101 | 1,183 | 1,198 |
| DEMAND (000 MT) | | | | | | | | DEMAND (mil. bushels) | | | | | | | |
| Feed Use | 7,510 | 8,260 | 8,800 | 8,400 | 9,500 | 11,000 | 11,200 | Feed Use | 296 | 325 | 346 | 331 | 374 | 433 | 441 |
| Milling/Food/Other | 15,530 | 15,400 | 15,200 | 15,200 | 15,200 | 15,200 | 15,300 | Milling/Food/Other | 611 | 606 | 598 | 598 | 598 | 598 | 602 |
| Exports | 16 | 8 | 17 | 164 | 7 | 20 | 10 | Exports | 1 | 0 | 1 | 6 | 0 | 1 | 0 |
| Total Use | 23,056 | 23,668 | 24,017 | 23,764 | 24,707 | 26,220 | 26,510 | Total Use | 908 | 932 | 945 | 936 | 973 | 1,032 | 1,044 |
| Ending Stocks | 2,373 | 2,856 | 2,684 | 3,396 | 3,253 | 3,833 | 3,923 | Ending Stocks | 93 | 112 | 106 | 134 | 128 | 151 | 154 |
| % Ending Stocks / Use | 10.29% | 12.07% | 11.18% | 14.29% | 13.17% | 14.62% | 14.80% | % Ending Stocks / Use | 10.29% | 12.07% | 11.18% | 14.29% | 13.17% | 14.62% | 14.80% |

Table 7

(Source: USDA / FAS/ Industry)

The production estimates for MY 2004/05 is also 20.3MMT. Price economics favoring corn over sorghum production continue to support the expansion in corn production. Imports are forecast at 6.3 MMT. This has been lowered based on a second consecutive year of good domestic production. With increases in production and large imports, ending stocks are expected to increase in both the MY 2003/04 and MY 2004/05 seasons.

It is important to remember that Mexico has two annual crop cycles: a spring/summer cycle and a fall/winter cycle. The five states accounting for the majority of the spring/summer corn production are Jalisco, Mexico, Michoacan, Chiapas, and Puebla. Between 90-95 percent of corn production is grown in the spring/summer cycle and harvest takes place October through December. Since 90 percent of corn produced in spring/summer cycle is rain fed, the rains starting in June are the major source of water. Production under the fall/winter cycle is conducted primarily in the states of Sonora, Sinaloa and Chihuahua. The fall/winter crop is harvested in March through September and 40 percent of this is irrigated.

Total domestic corn consumption is forecast to increase to approximately 26.258 MMT in MY 2004/05, based largely on expanding feed demand.

Trade

Total corn imports in 2003/04 are lowered to 6.30 MMT. This decrease is based on a higher domestic production strong demand from the feed industry for imported cracked corn.

Citing directly from the USDA GAIN Report no. MX4033 dated 3/5/2004

MY 2004/05 import forecast assumes that the GOM will not enforce any regulation against transgenic corn. Controversy surrounding transgenic corn and biotechnology has risen and fallen in the last year, as anti-biotech groups have lobbied Congress – so far unsuccessfully -- to include trade-restrictive measures in a national biosafety bill. Mexican consumers appear to be unaware or disinterested in the biotechnology debate and its potential trade implications. In November 2004, the GOM decided to suspend the moratorium, in place since 1998, on planting transgenic corn for experimental purposes. SAGARPA sources indicate that this decision was made after a consensus was reached among the members of the Inter-Secretarial Commission and Genetically Modified Organisms (CIBIOGEM); however the moratorium on transgenic corn for commercial purposes still remains in effect. As the original moratorium was a “de facto” one, lifting it required no official notification procedure (see MX3152).

It should be noted that the MY 2003/04 import estimate assumes that the Government of Mexico will not enforce any regulation against transgenic corn. Controversy surrounding transgenic corn and biotechnology has risen and fallen in the last year, as anti-biotech groups have lobbied Congress –unsuccessfully so far- to pass trade-restrictive legislation. Mexican consumers seem to be unaware or disinterested in the biotechnology debate and its potential trade implications. Although a moratorium was imposed on the planting of transgenic corn in 1998, transgenic corn can be imported for food, feed, and processing uses

White Corn Imports- Specifically

As in the past, imports of US corn will be allocated through the politically sensitive “Cupo” allocation system. Below is a summary of the Mexican import policy. This was extracted from USDA GAIN Report no. MX4033 dated 3/5/2004

Since NAFTA was implemented on January 1, 1994, the over-quota bound tariff on corn has been reduced from 206.4 percent to 72.6 percent and the TRQ has increased from 2.5 MT to 3.360 MMT for 2004. The United States has eliminated the 0.2 cents per kilogram tariff on imported corn from Mexico. At the same time, Mexico has also converted its import licensing system to a transitional tariff-rate quota for the U.S. and Canada. The TRQ will remain in effect until 2008, with a 3 percent annual increase in quantity. Over the first six years of the agreement, an aggregate 24 percent of the tariff was eliminated. The remainder will be phased-out by 2008.

Despite the agreed-upon NAFTA bound tariffs for white and yellow corn, the Mexican Congress has traditionally voted annually on what the applied tariffs will be for corn. In past years, Congress essentially agreed with the Executive Branch’s recommendation of low applied tariffs on out-of-quota corn. Past applied tariffs approved by Congress have been approximately 1-2 percent for yellow corn; and 2-3 percent for white corn. However, in 2004, for white corn, **Congress approved the 2004 applied tariff for white corn at 72.6 percent – the same as the 2004 NAFTA bound tariff – but a marked departure from past practice, as it marks a significant difference between the current bound and the past applied tariffs.** Nevertheless, this tariff is NAFTA consistent and will apply to white corn, even in the case of a shortage (see MX4003). For 2004 duty-free in-quota amounts for white and yellow corn, please see MX4002.

The 2003 import quota for total U.S. corn is 3.262 MMT. The structure of the 2003 NAFTA TRQ (3.262 MMT for the United States) will continue as in 2003 with direct allocations of cupos to importers and industries.

PERCENTAGE OF WHITE CORN IN TOTAL U.S. ORIGIN MEXICAN CORN IMPORTS

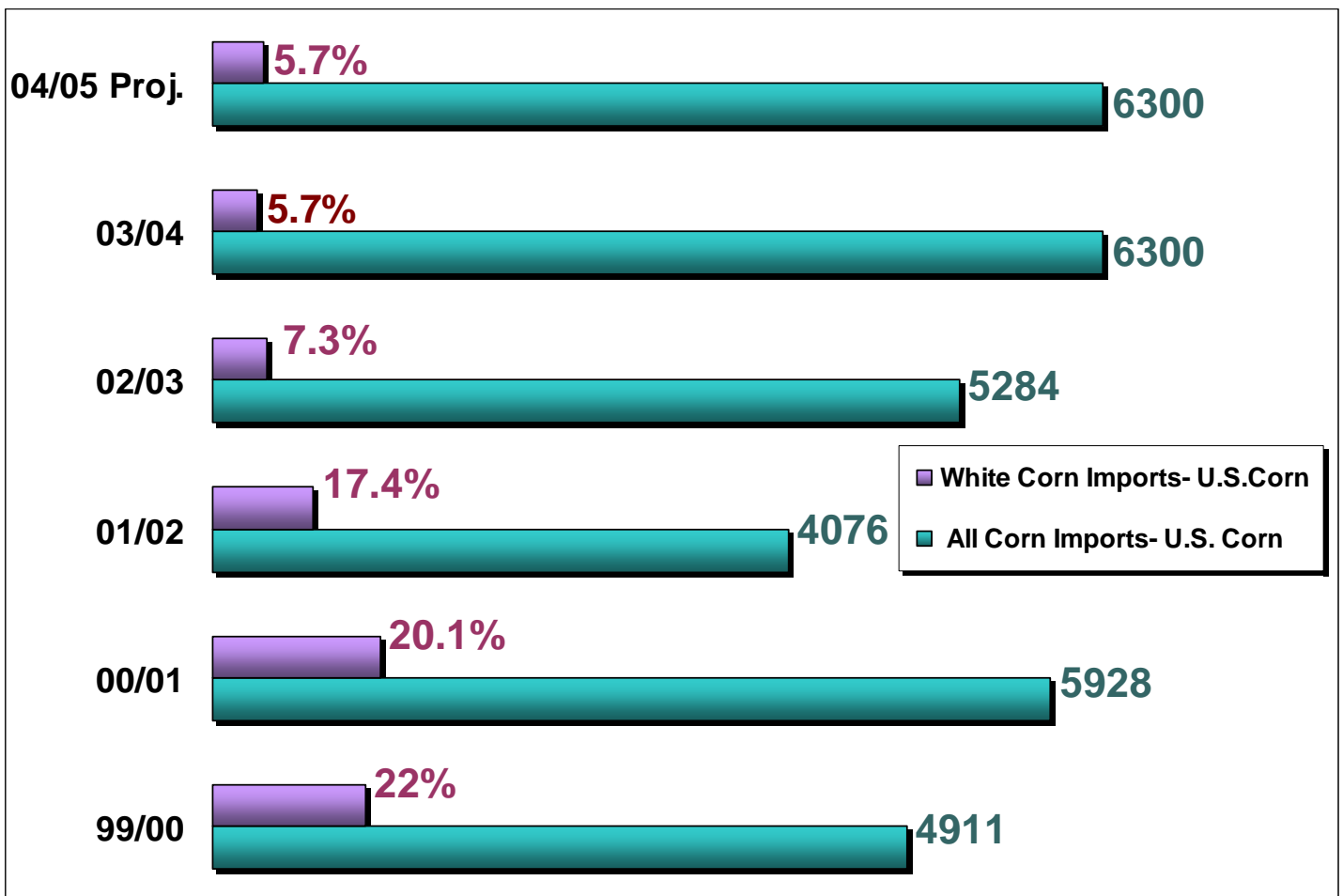


Chart 9

Mexico has been the largest importer of US white corn in 9 of the past 10 years. Since 1999 white corn imports have been 17% -22% of the total Mexican corn imports. It is expected that for the 03/04 marketing **US white corn imports will be only 5.7% of total Mexican corn imports.** This downward trend is a significant factor in the US decline in white corn acreage

REPUBLIC OF SOUTH AFRICA WHITE MAIZE SUPPLY & DEMAND TABLE

| | METRIC UNITS | | 000 hect. | 000 mt. | | |
|--------------------------------|--------------|----------|--------------------|--------------|---------------------|---------------|
| Marketing Year: May - April | | | Orville F. Est. | USDA Est. | Orville F. Proj. | USDA Proj. |
| | MY 01/02 | MY 02/03 | MY 03/04 | MY 03/04 | MY 04/05 | MY 04/05 |
| <i>Harvested Area</i> | 1,596 | 1,843 | 2,232 | 2,232 | 1727.6 | 1727.6 |
| <i>Yield (mt/hect.)</i> | 2.58 | 3.01 | 2.85 | 2.85 | 2.68 | 2.70 |
| SUPPLY (000 mt) | | | | | | |
| Beginning Stocks | 1,245 | 327 | 1,347 | 1,265 | 2,129 | 2,055 |
| Deliveries | 4,432 | 5,437 | 6,242 | 6,200 | 4720 | 4500 |
| Imports | 47 | 274 | 33 | 60 | 0 | 45 |
| Total Supply | 5,724 | 6,038 | 7,622 | 7,525 | 6,849 | 6,600 |
| DEMAND (000 mt) | | | | | | |
| Domestic Consumption | 4,585 | 3,874 | 4,425 | 4,455 | 4509 | 4500 |
| Exports | 812 | 817 | 1,068 | 1,015 | 980 | 1000 |
| Total Demand | 5,397 | 4,691 | 5,493 | 5,470 | 5,489 | 5,500 |
| STOCKS | | | | | | |
| Ending Stocks | 327 | 1,347 | 2,129 | 2,055 | 1,360 | 1,100 |
| Ending Stocks / Use % | 6.06% | 28.71% | 38.76% | 37.57% | 24.78% | 20.00% |

| | BRITISH UNITS | | mil. acres | mil. bus. | | |
|--------------------------------|---------------|----------|--------------------|--------------|---------------------|---------------|
| Marketing Year: May - April | | | Orville F. Est. | USDA Est. | Orville F. Proj. | USDA Proj. |
| | MY 01/02 | MY 02/03 | MY 03/04 | MY 03/04 | MY 04/05 | MY 04/05 |
| <i>Harvested Area</i> | 3.9 | 4.6 | 5.5 | 5.5 | 4.3 | 4.3 |
| <i>Yield (Bu./acr.)</i> | 44.2 | 47.0 | 44.6 | 44.3 | 43.5 | 41.5 |
| SUPPLY (mil. bushels) | | | | | | |
| Beginning Stocks | 49 | 13 | 53 | 50 | 84 | 81 |
| Deliveries | 174 | 214 | 246 | 244 | 186 | 177 |
| Imports | 2 | 11 | 1 | 2 | 0 | 2 |
| Total Supply | 225 | 238 | 300 | 296 | 270 | 260 |
| DEMAND (mil. bushels) | | | | | | |
| Domestic Consumption | 181 | 153 | 174 | 175 | 178 | 177 |
| Exports | 32 | 32 | 42 | 40 | 39 | 39 |
| Total Demand | 212 | 185 | 216 | 215 | 216 | 217 |
| STOCKS | | | | | | |
| Ending Stocks | 13 | 53 | 84 | 81 | 54 | 43 |
| Ending Stocks / Use % | 6.06% | 28.71% | 38.76% | 37.57% | 24.78% | 20.00% |

Table 8a, 8b- Source: USDA, GRM (Hans Swart)

CALCULATION OF INDICATIVE EXPORT PARITY PRICES

FOB PRICE COMPARISON (WHITE MAIZE - ORIGIN PORT DURBAN VS. WHITE CORN ORIGIN US GULF)

This is only an example:

Comparison based on June 15, 2004 markets

| | Jul-04 | Sep-04 | Dec-04 | Mar-05 |
|--|----------------|----------------|----------------|----------------|
| SAFEX Futures Price (Rand/Ton) | 997 | 1023 | 1068 | 1093 |
| SAFEX Futures Price (\$/Ton) | \$153.0 | \$155.1 | \$159.2 | \$160.3 |
| Discount to Silo (less est. trans factor) | 60 | 60 | 60 | 60 |
| FOT ex-Silo | 937 | 963 | 1008 | 1033 |
| Transportation to Port (Rand/ton) | 165 | 165 | 165 | 165 |
| Loading Costs (Rand/ton) | 67 | 67 | 67 | 67 |
| Finance @ 11.5%pa *30 days (Rand/ton) | 11 | 11 | 12 | 12 |
| Miscellaneous | 3 | 3 | 3 | 3 |
| FOB Durban (Rand/MT) | 1183 | 1209 | 1255 | 1280 |
| Exchange Rate (1 USD\$ = X ZAR) | 6.51 | 6.59 | 6.71 | 6.82 |
| | | | | |
| FOB Durban (\$/MT) | \$182 | \$183 | \$187 | \$188 |
| CBOT US #2 Yellow Corn (\$/bu.) | \$2.80 | \$2.83 | \$2.84 | \$2.89 |
| US Gulf Basis White Corn | \$0.20 | \$0.20 | \$0.20 | \$0.20 |
| Theoretical Gulf US #2 White Corn | \$3.00 | \$3.03 | \$3.04 | \$3.09 |
| | | | | |
| FOB US Gulf (\$/MT)* | \$118 | \$119 | \$120 | \$122 |

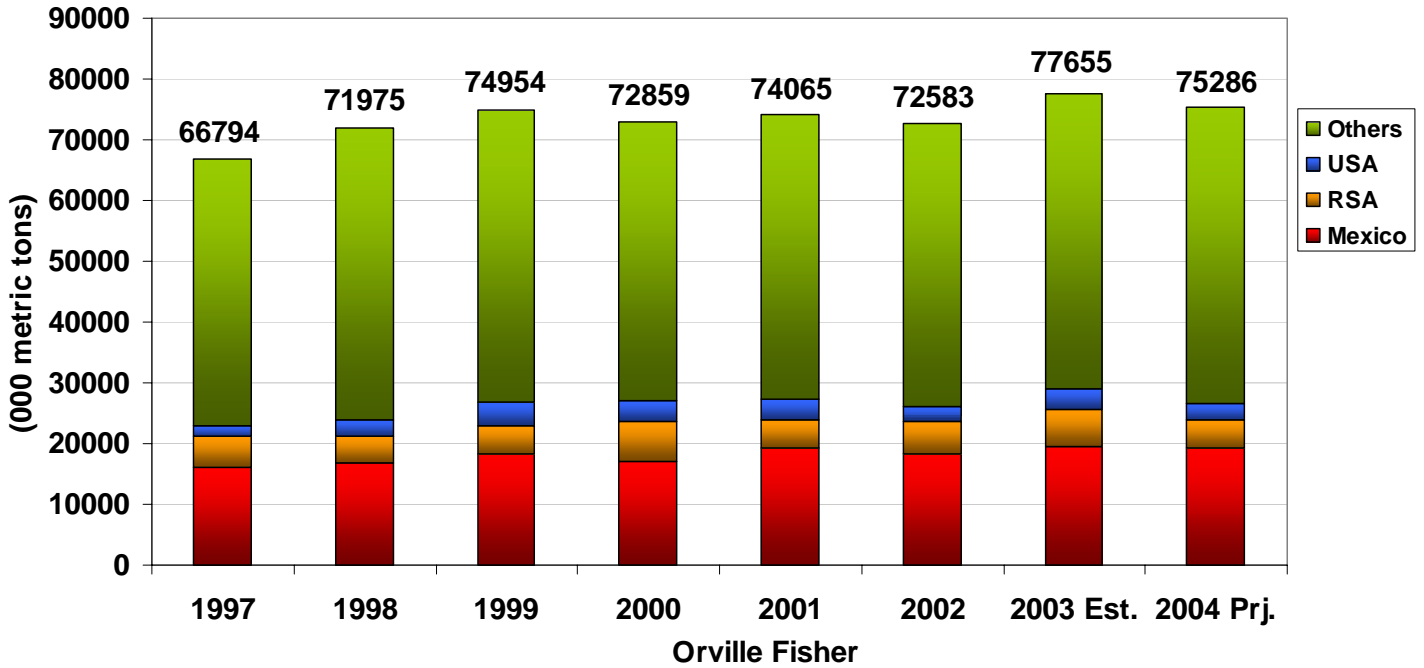
* assumes U.S. Gulf basis at \$0.20

Although every attempt was made to provide accurate information the author does not take any responsibility for losses incurred in the use of this information.

Table 9- Source: SAFEX, SAGIS, CBOT, Industry, USGC

WORLD WHITE MAIZE PRODUCTION by Ahmet Hepdogan

World White Corn Production



WORLD WHITE MAIZE PRODUCTION BY COUNTRY

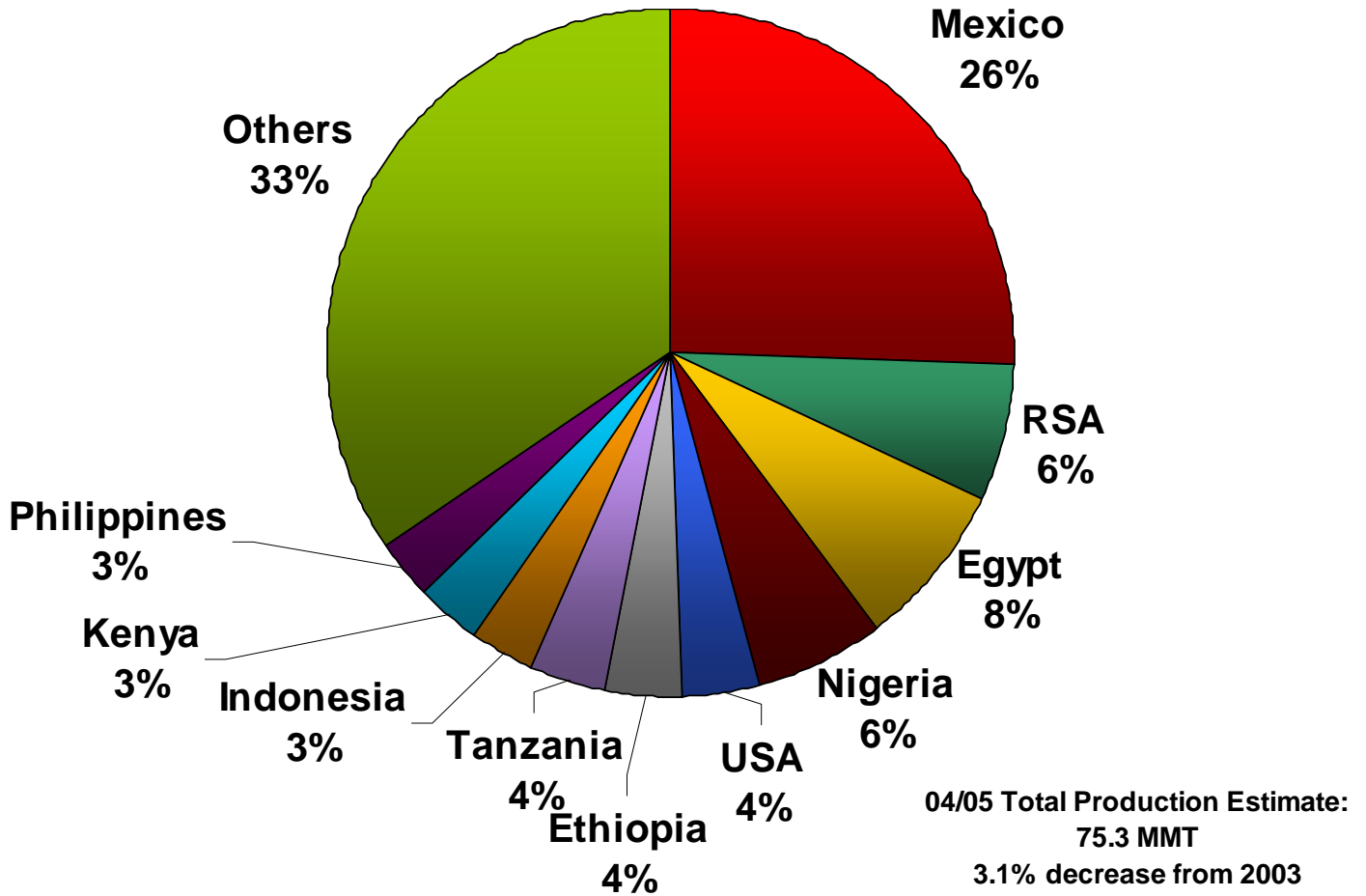


Chart 10, 11- Source; USDA, GRM