

# Grower Oat Report

Oatinformation.com/canadian-oat-grower - info@oatinformation.com - 604-984-2133

## Quick Summary

Cash oat prices in Western Canada are trending off multi-year highs and have been tracking into a period of historically lower trending prices (charts right). However, values historically begin another climb in April before again moving lower into harvest (see chart lower right).

Both old and new crop Canadian oat balance sheets, barring higher than expected 2019 seeding (10%+), will be extremely tight for the next 18 eighteen months. This should present growers with the potential for better opportunities for pricing the 2019 oat crop if oat plantings are less than expected. **We are at the moment friendly 2019/20 oat prices given current conditions.**

## What's Driving Cash Oat Prices

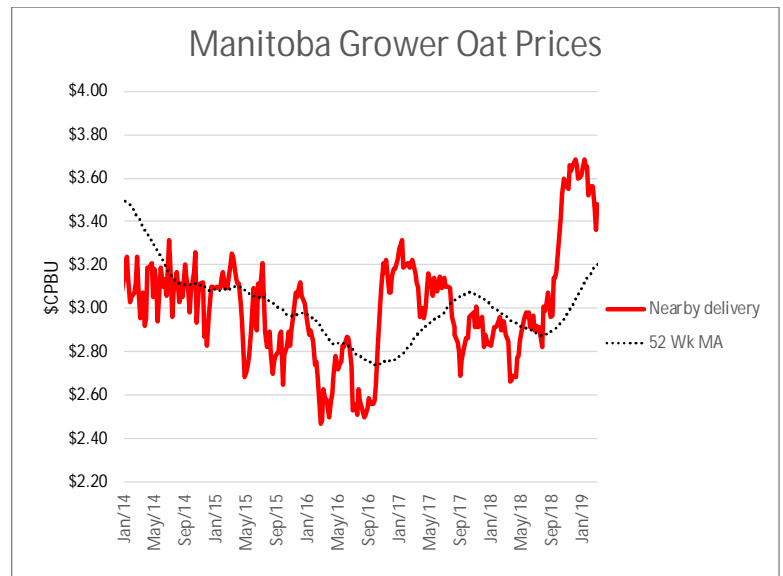
- Forecasts of near to new record low Canadian end oat stocks in 2018/19, and likely in 2019/20 if oat seeding less than expected.
- Weakness in outside markets tied to large US soybean and wheat supplies are capping grain prices in general at the moment. This could shift in a heartbeat if the China/US trade war is settled.

## Cash Oat Sales Recommendations

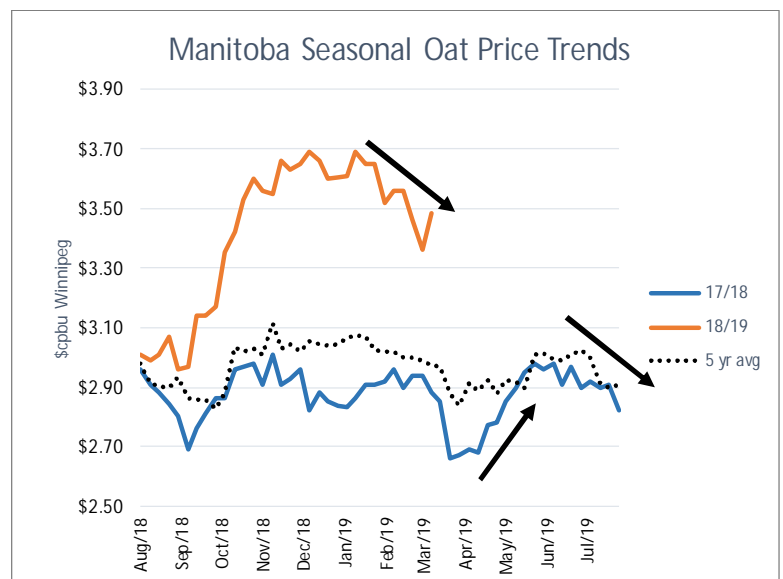
**Old crop** - Grower should be 100% sold for 2018/19 crop. Prices are trading just off multi-year highs and while 2019/20 stocks will be tight these are historically very good prices you don't want to miss.

**New crop** - Growers should be locking in sales for 20% of their estimated yield for new crop 2019/20 at \$3.50 Manitoba, \$3.00 Saskatchewan (see pg. 3).

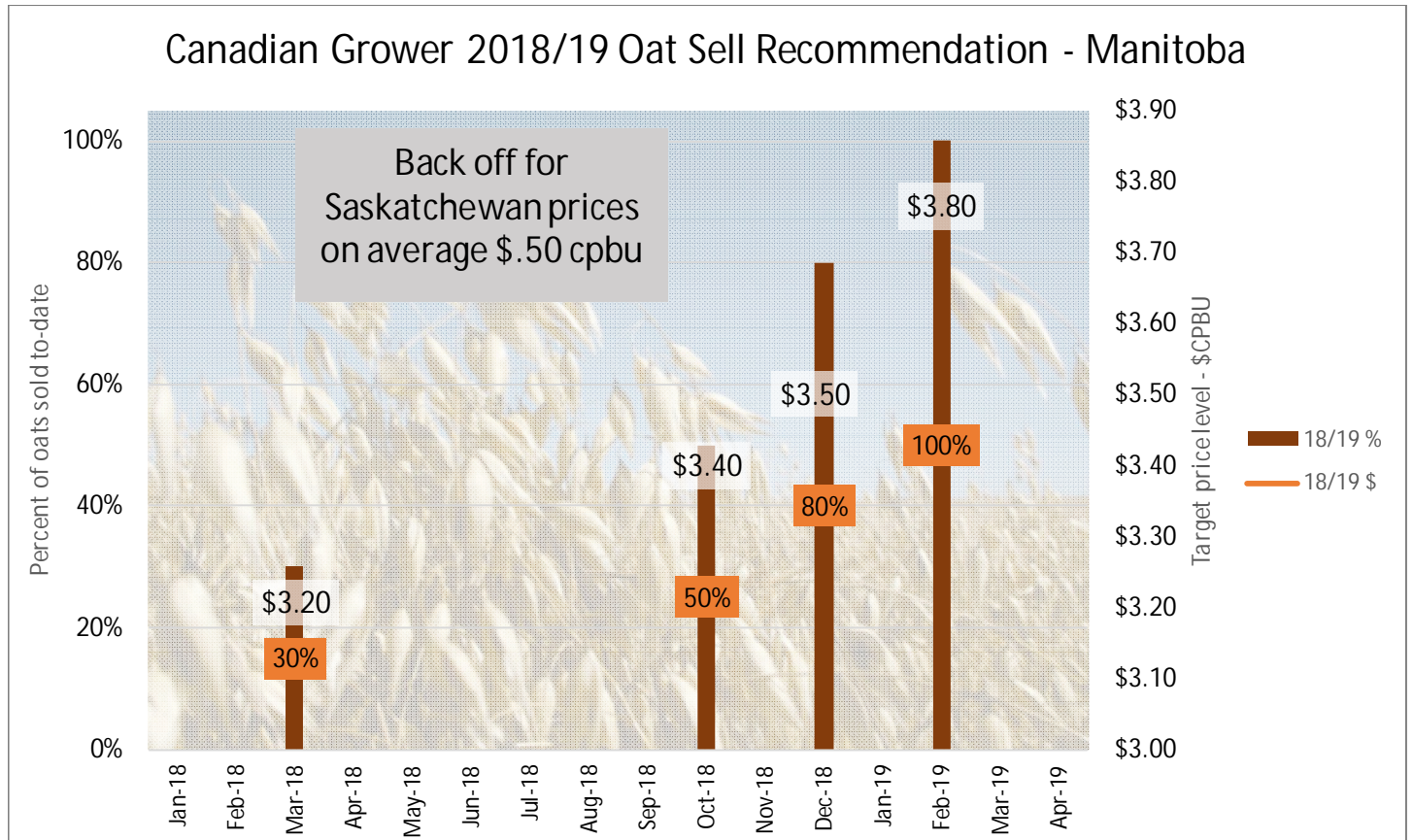
Prices reflect trends and average bid levels rather than absolute traded values you may receive at your local elevator



Saskatchewan price trends are similar and back off at approximately \$.50 cpbu less to Manitoba

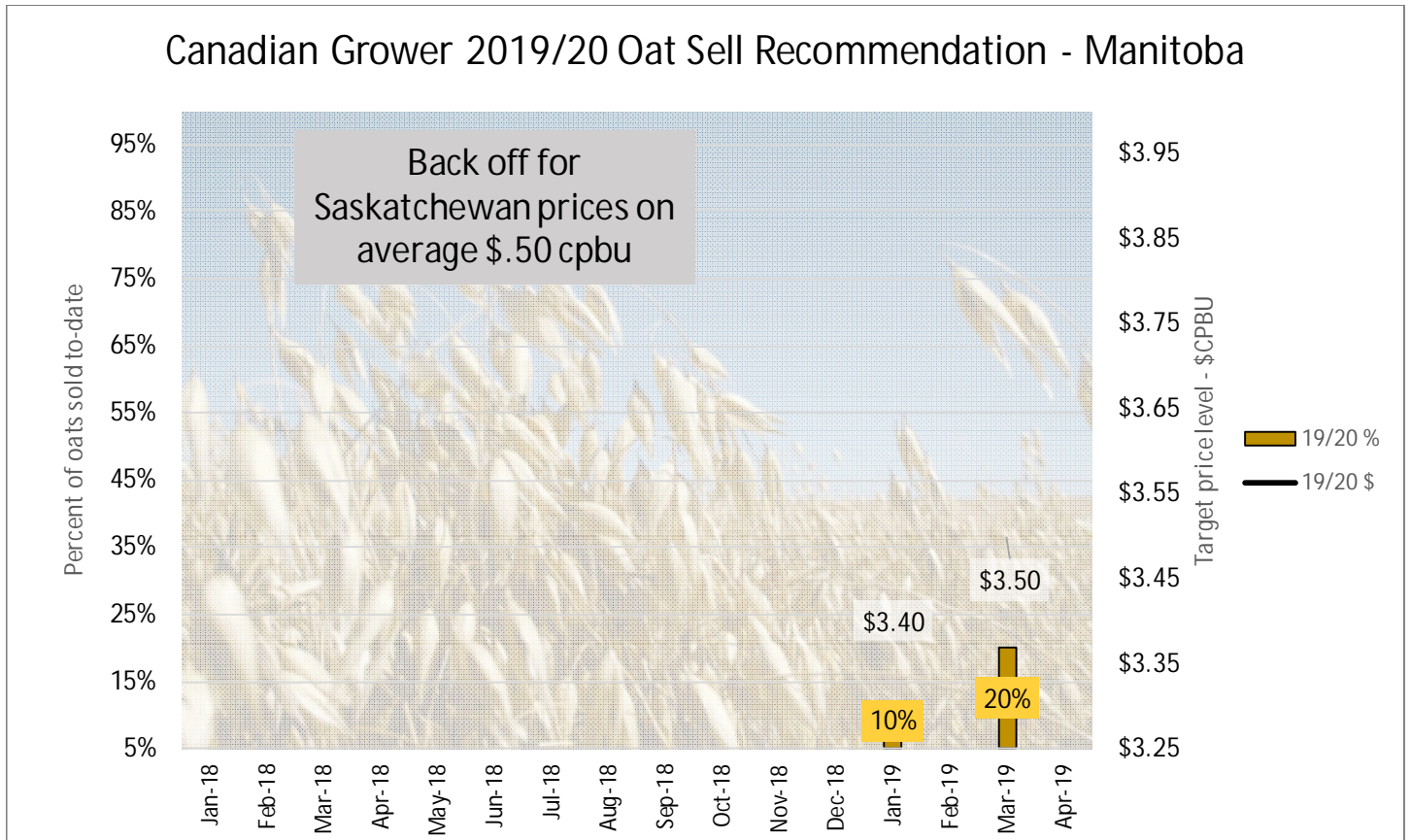


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## Old crop 2018/20

- Growers should be 100% sold for 2018/19 harvest. Given the forecasted “very tight” 2018/19 Canadian oat balance sheet there may be further upside, but we view this as risky in politically volatile environment, IE, China/US.
- Commercial buying over the past several months suggest balance sheet are not as tight as forecast. This likely a result of the fact miller were very aggressive buying in the fall of 2018 for spring delivery.
- On-farm use Jan-Jul will confirm if the forecasted tight 2018/19 Canadian oat supply use forecast is accurate. Mill use and exports remain on a strong pace YTD.



## New Crop 2019/20

- New crop prices are ranging from \$3.25 to \$3.50 in Manitoba, \$2.75 to \$3.00 in Saskatchewan. These, are from a historical perspective decent values as Manitoba has averaged between \$2.90 and \$3.10 cpbu over the past five-years.
- Growers should be 20% sold for 2019/20 harvest at \$3.50 cpbu Manitoba, \$3.00 Saskatchewan. Guaranteed movement off combines for a portion of harvest is always a good idea.
- We feel new crop 2019 values could climb on a forecasted tight Canadian oat balance sheet.
- Stats Can 2019 plantings estimate due out in April 24 will be **“key”** moving forward to oat price direction. Anything less than a 10% increase in seeded acres will be bullish oat prices longer term.

# US & Mill & Horse Markets, and CBOT Oat Futures

The US accounts for 70% of total Canadian oat demand

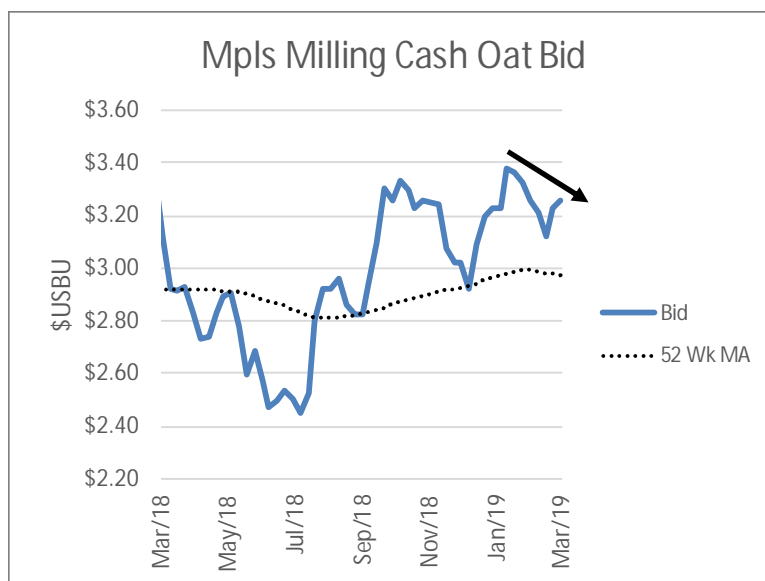
## US Mill and Horse Demand

Oat mill trade activity has slowed for old crop as most US and Canadian millers contracted well forward back into the summer/fall of 2018 for forward delivery.

There will be some holes to fill but the bulk of the buying for old crop has been mostly completed. New crop buying has been small to-date.

US horse demand has been much stronger than expected as Canadian oat supplies are filling severe shortfalls from the EU. Demand should remain strong into 2019 harvest.

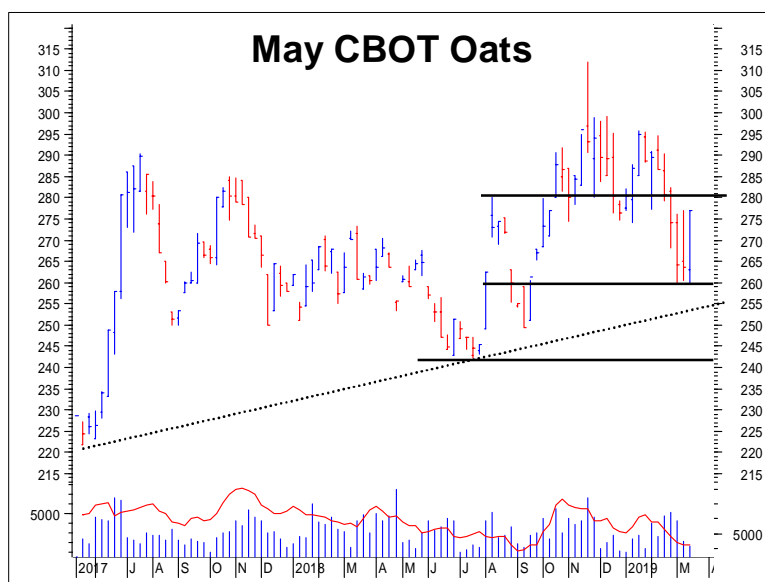
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## CBOT Oat Futures Technical analysis

CBOT May oat prices are tracking into a period of historically lower trending values. This however will be offset by higher basis levels in commercial markets keeping W. Canada cash oat prices from easing much lower.

Sell Technicals weakening. The Barchart Technical Opinion rating is a 16% Sell on the May with a Average short term outlook on maintaining the current direction. Longer term, the trend strength is Weak.



Western Canada cash oat prices correlate strongly with CBOT oat futures. This suggests oat futures are a good price direction indicator for Canadian growers.



# Oat Supply/Demand Outlook

## Canada Oat Supply & Use

								18/19 vs 17/18	19/20 vs 18/19	5 yr avg	Current chge from avg	5 yr CAGR
(000 mt)		15/16	16/17	17/18	18/19F		19/20F					
Harvested	ha. (000)	1,048	925	1,052	1,005	1,005	1,024	-4.5%	1.9%	1,018	-1.3%	-1.4%
	ac. (000)	2,590	2,285	2,599	2,483	2,483	2,530	-4.5%	1.9%	2,516	-1.3%	-1.4%
Yield	mt/ha	3.27	3.49	3.55	3.42	3.42	3.38	-3.7%	-1.1%	3.38	1.1%	0.4%
	bu/ac	85.8	91.7	93.1	89.7	89.7	88.7	-3.7%	-1.1%	88.7	1.1%	0.4%
Opening Stocks		700	966	703	785	785	324	11.6%	-58.7%	777	1.1%	9.6%
Production		3,425	3,231	3,733	3,435	3,435	3,461	-8.0%	0.7%	3,459	-0.7%	-1.0%
Imports		19	21	18	20	17	20	-2.9%	17.6%	21	-20.2%	-10.0%
Total Supply		4,145	4,218	4,454	4,240	4,237	3,805	-4.9%	-10.2%	4,257	-0.5%	0.2%
Food, Seed, Enrg/Other		945	898	906	933	938	955	3.6%	1.8%	888	5.7%	2.6%
Seed		97	108	103	103	108	103	5.0%	-4.7%	103	4.7%	1.5%
Milling		848	790	803	830	830	852	3.4%	2.7%	785	5.8%	2.7%
Energy/Others		-	-	-	-	-	-	0.0%	0.0%	-		
Feed, waste, d'kge		662	978	1,032	1,000	1,175	775	13.8%	-34.0%	872	34.8%	2.5%
Exports		1,571	1,640	1,731	1,780	1,800	1,750	4.0%	-2.8%	1,653	8.9%	1.3%
Total Usage		3,178	3,515	3,669	3,713	3,913	3,480	6.7%	-11.1%	3,412	14.7%	1.9%
Ending Stocks		966	703	785	527	324	325	-58.7%	0.3%	845	-61.7%	-6.0%
Stocks to Usage %		30%	20%	21%	14%	8%	9%	-61.3%	12.7%	25%	-66.8%	-7.8%

Near record  
low end  
stocks

## Highlights

- The Canadian oat balance sheet is mostly unchanged this month with forecasts of extremely tight end stocks for 2018/19. Unless Canadian oat plantings are 10% or higher this spring, the 2019/20 oat balance sheets will also remain tight to very tight.
- Jan-July oat exports and on-farm feed demand are the major keys to balance sheets moving forward.
- Stats Can may have overstated 2018 production, which if confirmed later this summer will lower on farm feed demand.
- US exports are on pace for a slight increase in 2018/19.
- Offshore demand will be stronger this year.
- Canadian mill demand remains on record pace.

# Oat News—Grain Millers Yorkton Expansion

## Grain Millers expanding Yorkton oat mill

*Calvin Daniels/ Yorkton This Week*—Construction is ongoing on the final phase of a major expansion at Grain Millers north of Yorkton.

“This is the culmination (of an expansion) that dates back over three years,” facility general manager Terry Tyson told Yorkton This Week.

Tyson said the overall facility has been gearing up to add production capacity with a sort of phased in expansion that started with an upgrade to its grain receiving areas, and has included adding additional storage capacity, including in the ‘work in progress’ area which allows for product to be temporarily held at any point in the process from cleaning, through hull removal, to kilning, cutting and processing into groats, flour or flakes.

The final step in the overall expansion is currently under construction, adding final milling capacity. The work, which has faced some weather-related issues this winter is still hoped to be complete and in operation this fall, said Tyson. “Oct. 1, is still our target date,” he said.

The new addition will nearly double production at the plant.

As Grain Millers in Yorkton currently operates they produce 100,000 metric tonnes of processed product annually, said Tyson.

The completed expansion will increase production to 180,000 metric tonnes annually, or an increase in capacity of 80 per cent.

“It will be our (Grain Millers) biggest (oat processing plant),” said Tyson “Iowa has been the biggest but this will be.”

With the increased capacity the facility will

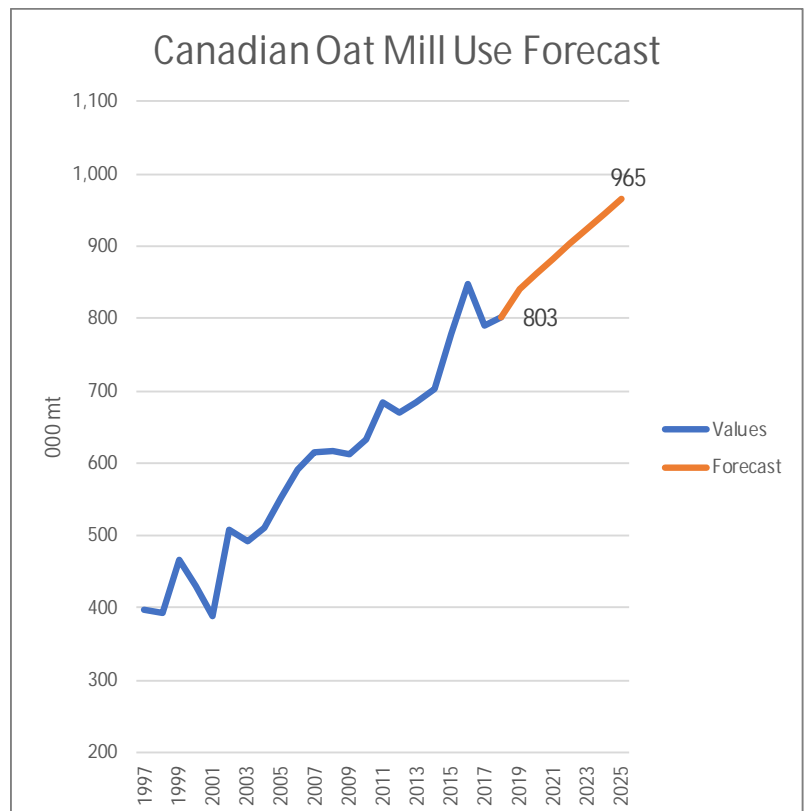
The outlook for the Canadian oat milling is excellent with demand forecast to climb a further 18% over the next five-years (see below). Oat Growers will continue to benefit from the rising value added.

also need more staff, “about 30 more people,” said Tyson, adding “a few of which we have already hired.”

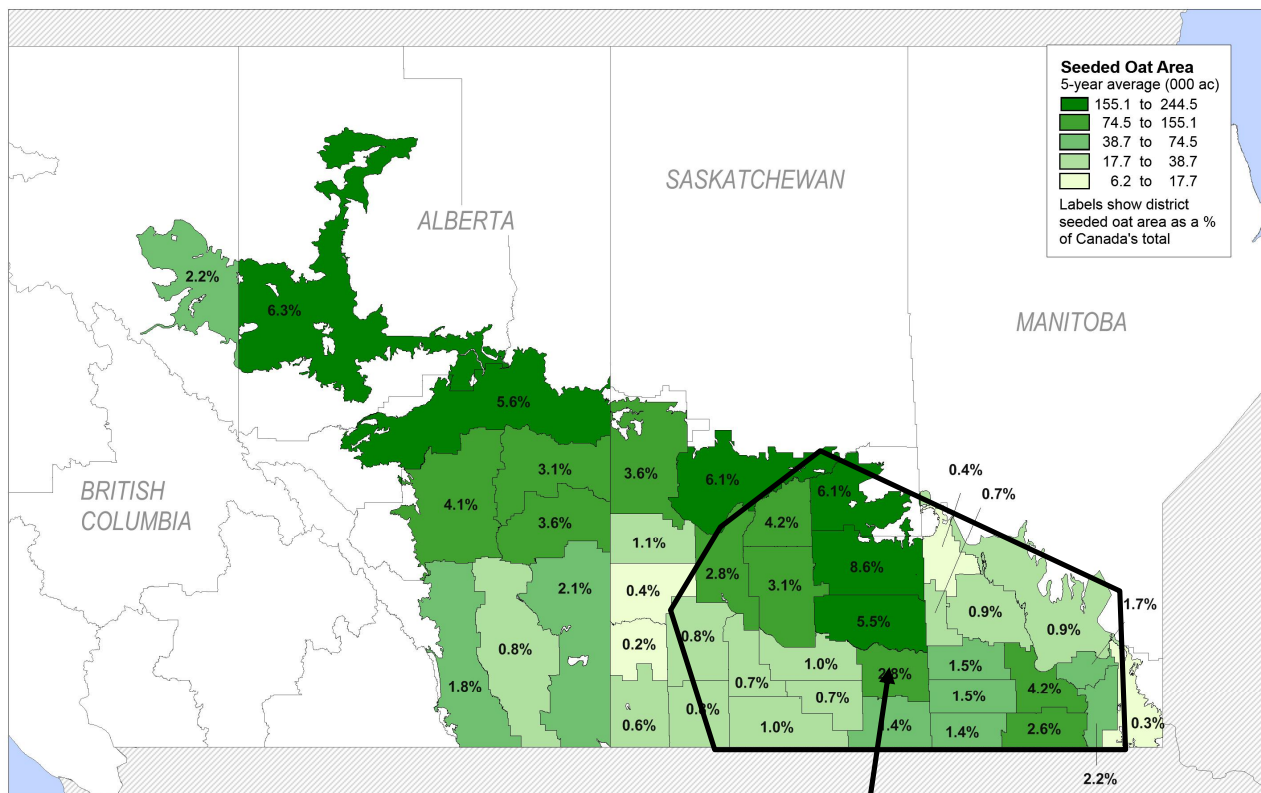
The expanded plant will require about 280,000 metric tonnes of oats, most of likely still accessed in the local region.

“To-date our catchment area has been about 120 miles,” said Tyson, adding while Grain Millers does not get every bushel of oats grown in that area by far “... we think it will need to get a little bigger (the collection area).”

That said, Tyson said the reason for the expansion here is the availability of oats. “This is where the oats are,” he said.



## Western Canadian Seeded Oat Area by Agricultural District



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