

North America Oat Outlook

Oatinformation.com

Prairie Oat Growers Association Annual Conference

December 2021



- How bad is it really?
- Oats, by the numbers
- Price outlook
- Key points





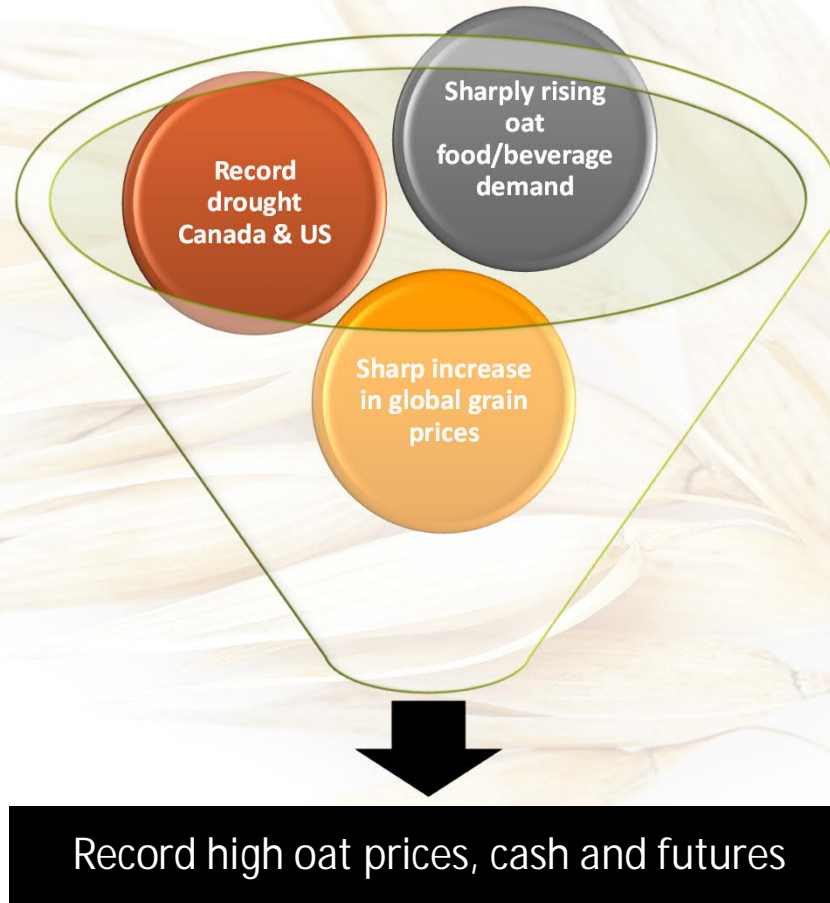
The Oat Market is Booming


- Rising awareness by consumers of the benefits of oats.
- Rising and record oat demand; foods, beverages, alternative uses.
- Expanding global oat mill/processing capacity and utilization.
- Record global oat and oat product trade.

The Perfect Oat Storm



What Happened?



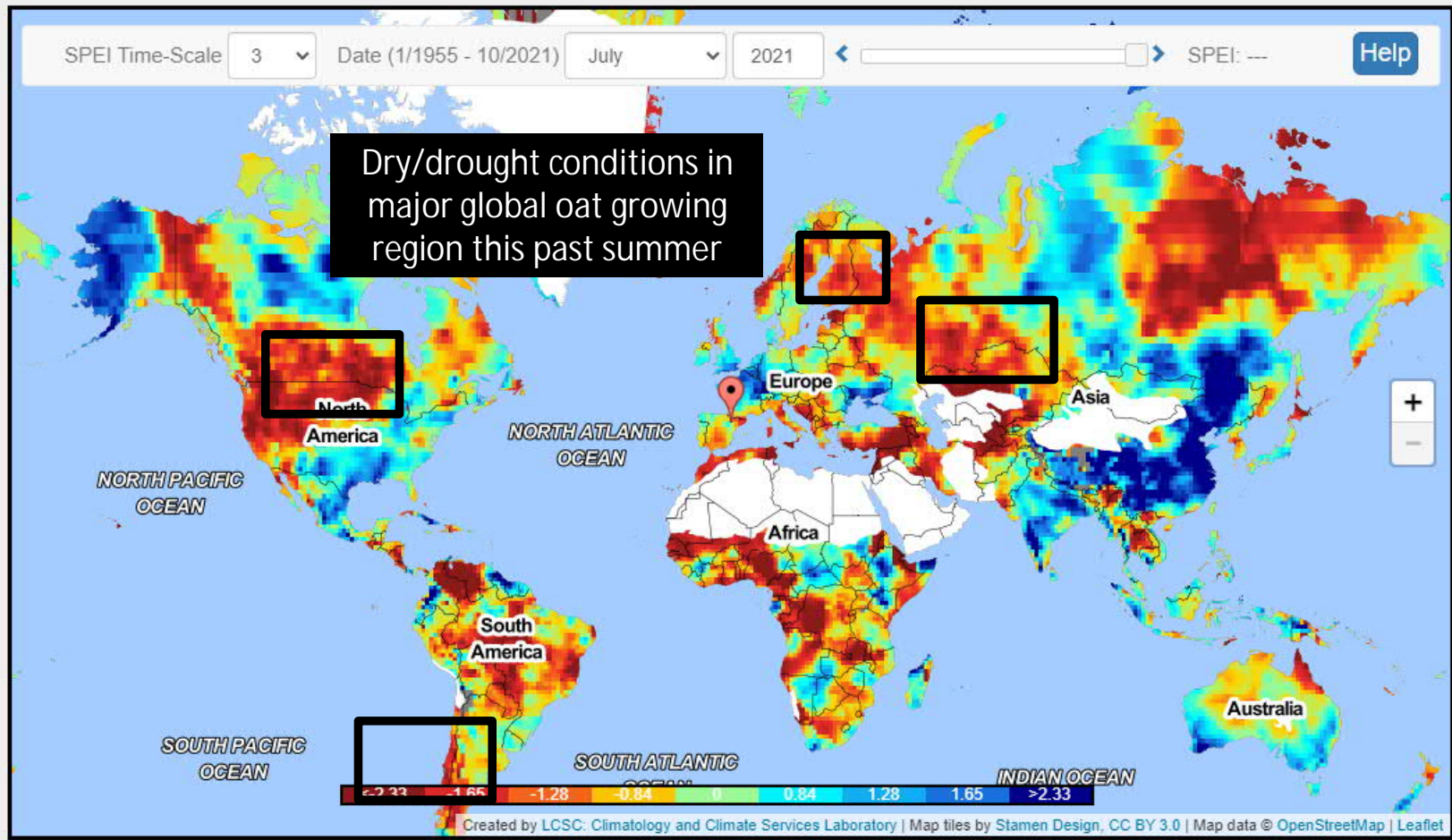


CAUSE

EFFECT



SPEI Global Drought Monitor



North American Drought Monitor

August 31, 2021
 (Released Friday, Sep. 10, 2021)

Analysts:

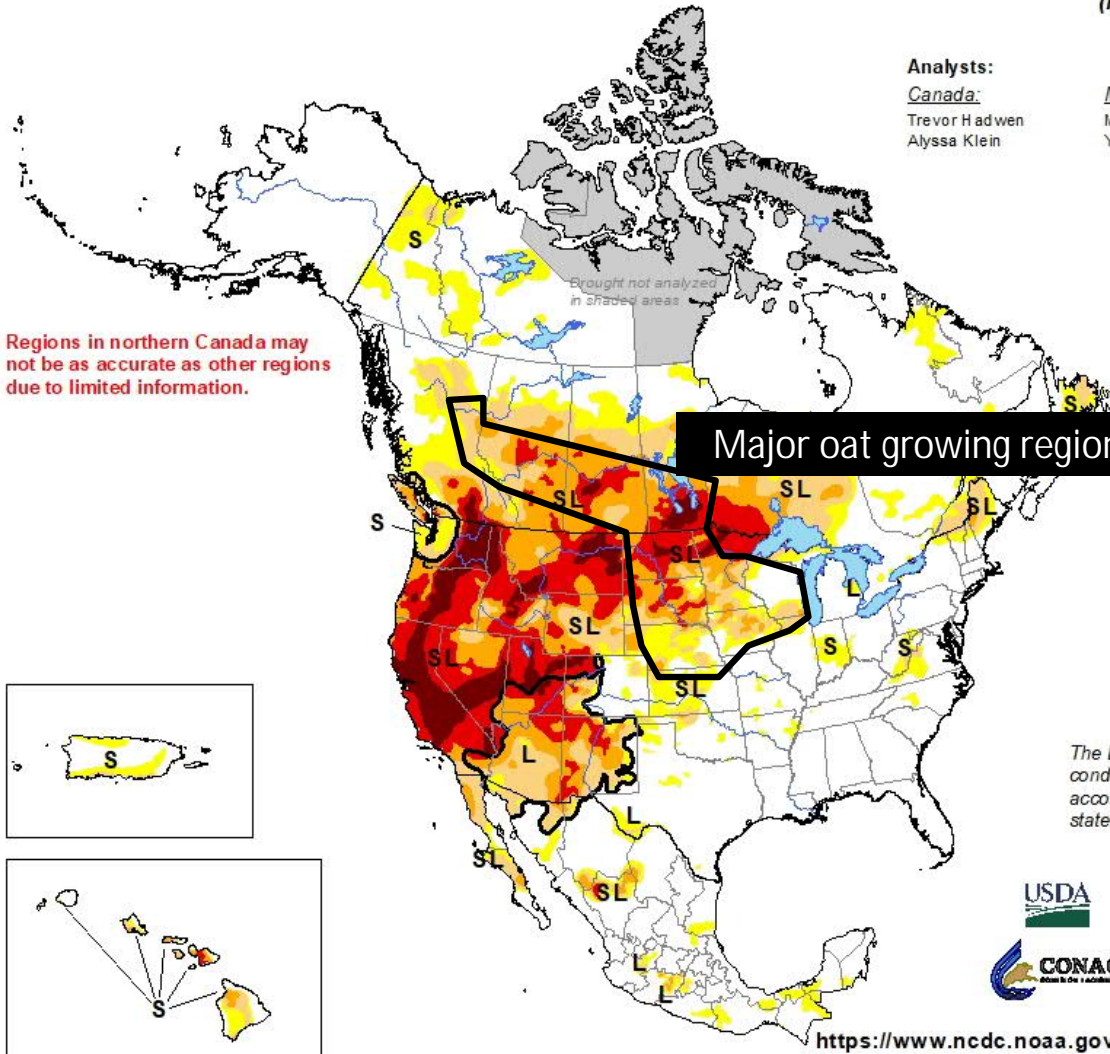
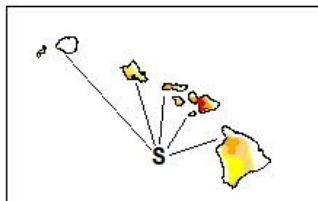
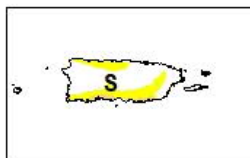
Canada:
 Trevor Hadwen
 Alyssa Klein

Mexico:
 Minerva Lopez
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USA:
 David Simeral
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 Mark Brusberg

(* Responsible for collecting analysts' input & assembling the NA-DM map)

Regions in northern Canada may not be as accurate as other regions due to limited information.



Major oat growing region

- Intensity**
- D0 Abnormally Dry
 - D1 Moderate Drought
 - D2 Severe Drought
 - D3 Extreme Drought
 - D4 Exceptional Drought

- Drought Impact Types:**
- ~ Delineates dominant impacts
 - S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
 - L = Long-Term, typically greater than 6 months (e.g. hydrology, ecology)

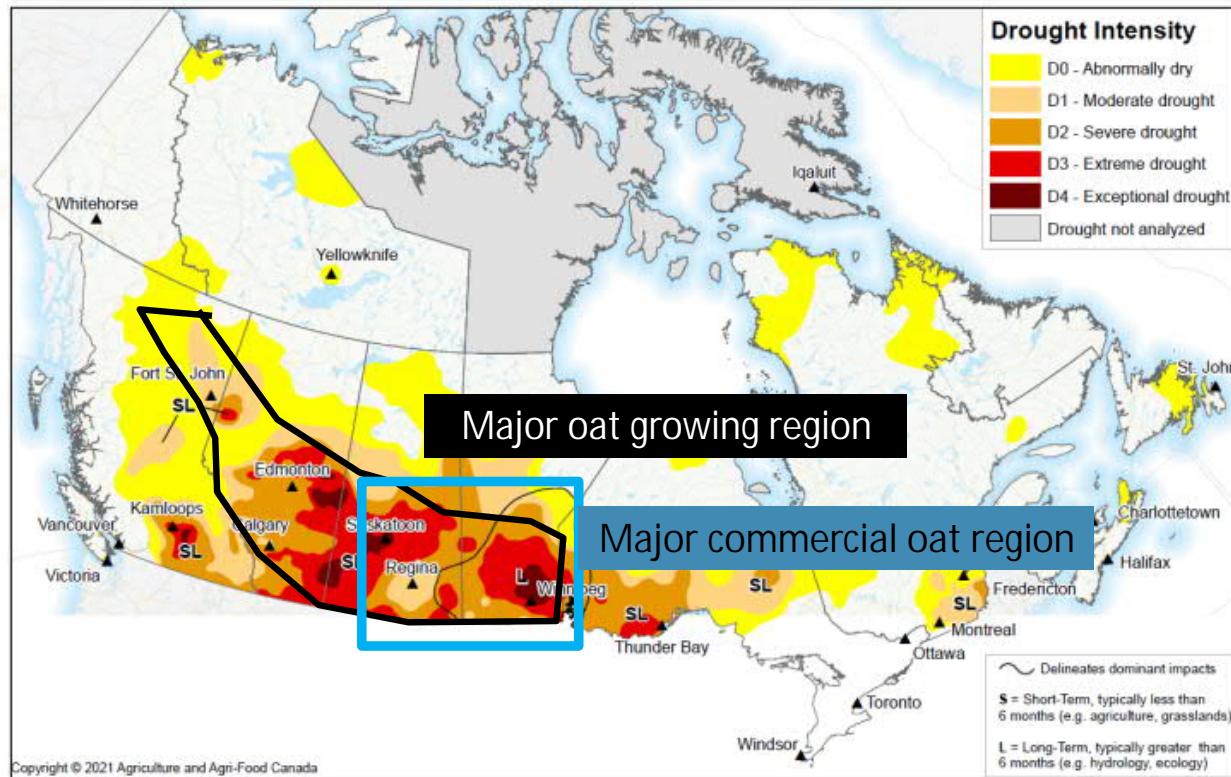
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.



<https://www.ncdc.noaa.gov/temp-and-precip/drought/nadm/>

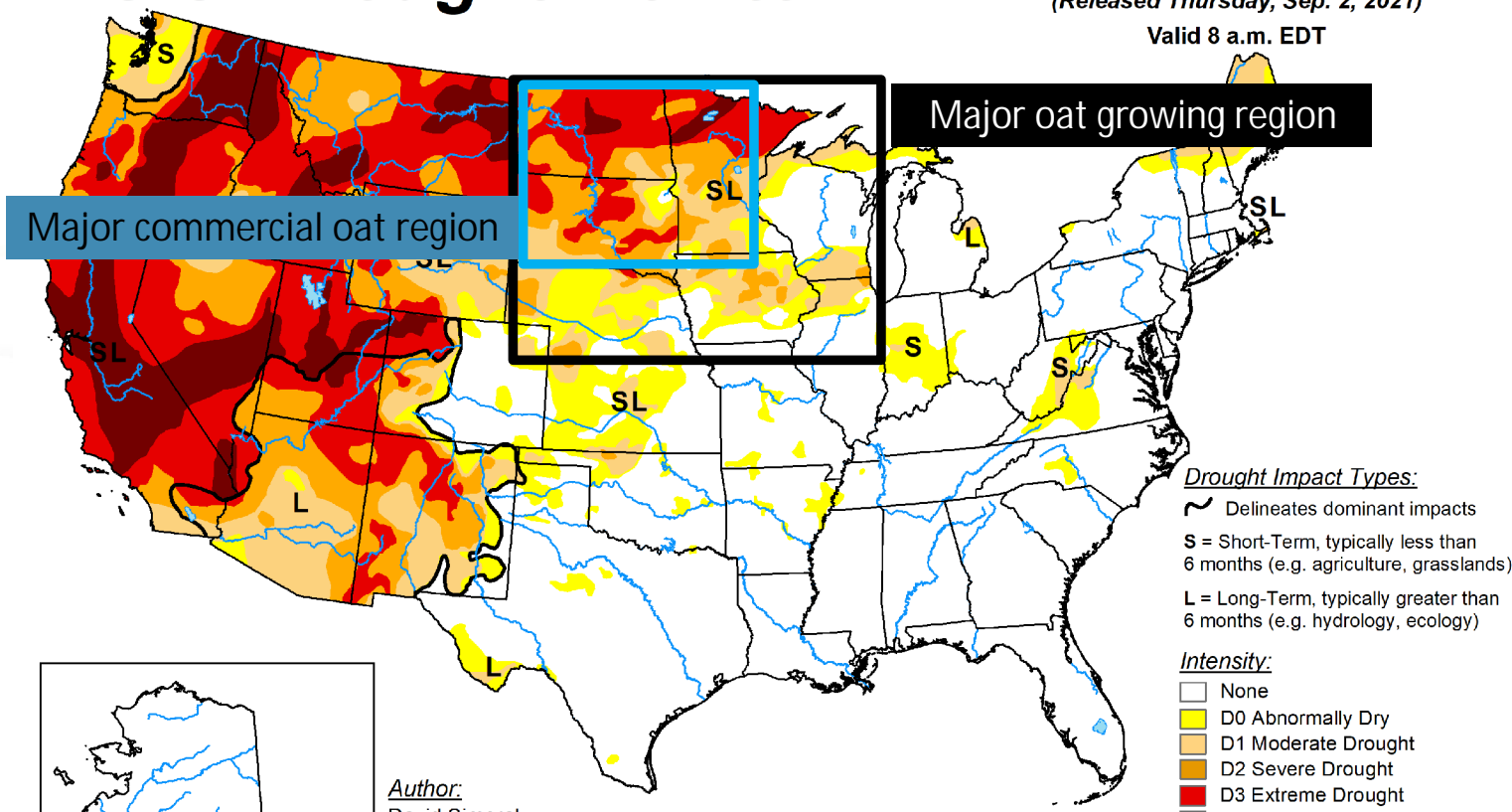
Canadian Drought Monitor

Conditions as of October 31, 2021



U.S. Drought Monitor

August 31, 2021
 (Released Thursday, Sep. 2, 2021)
 Valid 8 a.m. EDT



Major commercial oat region

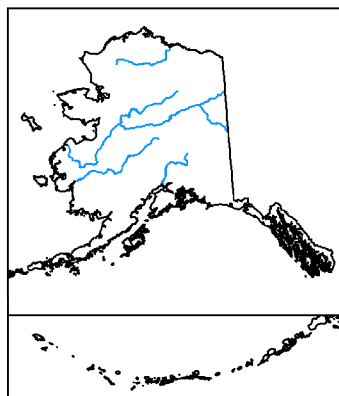
Major oat growing region

Drought Impact Types:

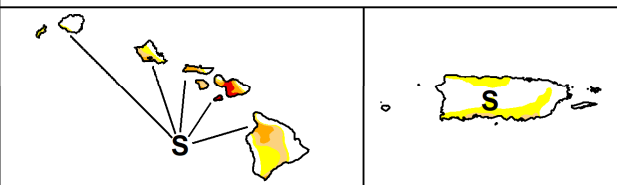
- ~ Delineates dominant impacts
- S = Short-Term, typically less than 6 months (e.g. agriculture, grasslands)
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Intensity:

- None
- D0 Abnormally Dry
- D1 Moderate Drought
- D2 Severe Drought
- D3 Extreme Drought
- D4 Exceptional Drought



Author:
 David Simeral
 Western Regional Climate Center



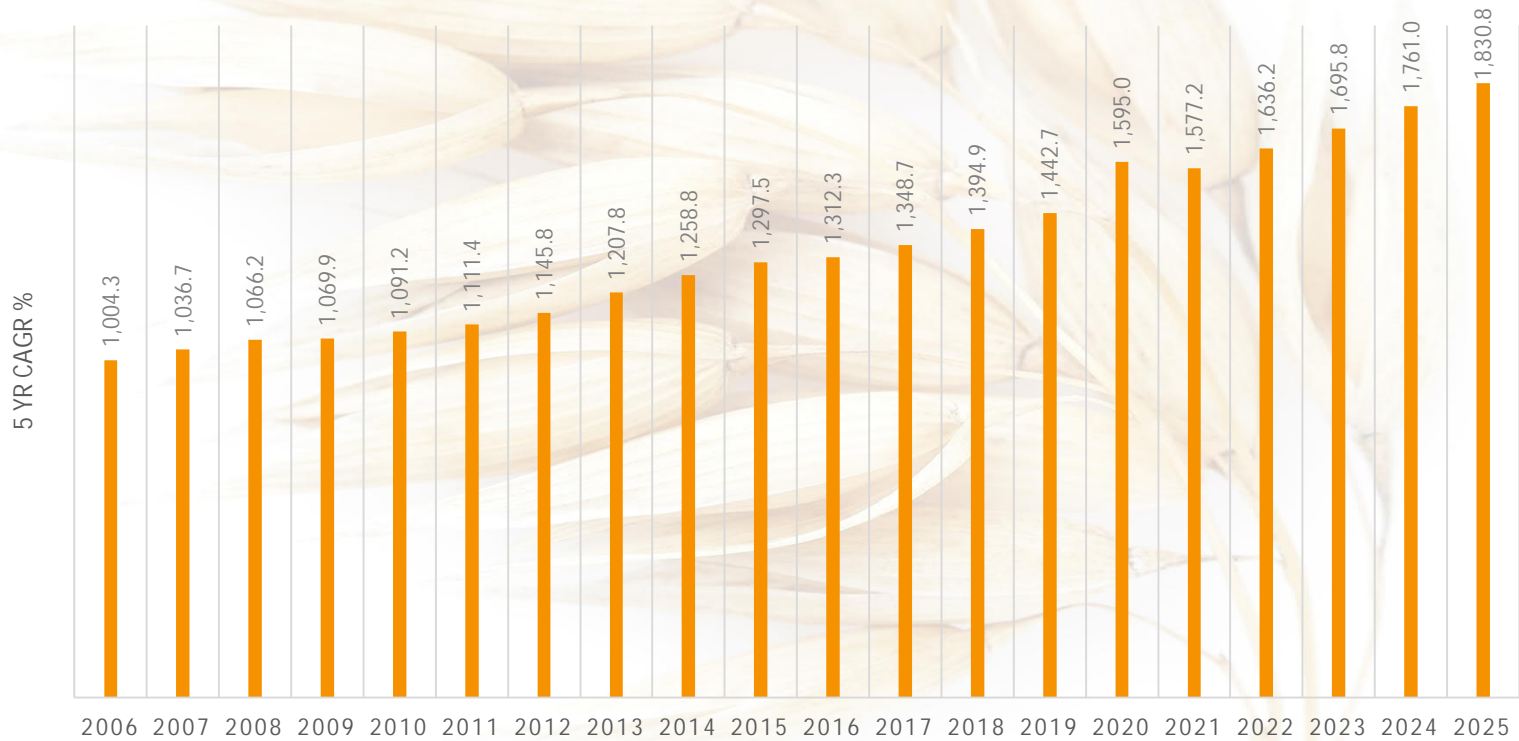
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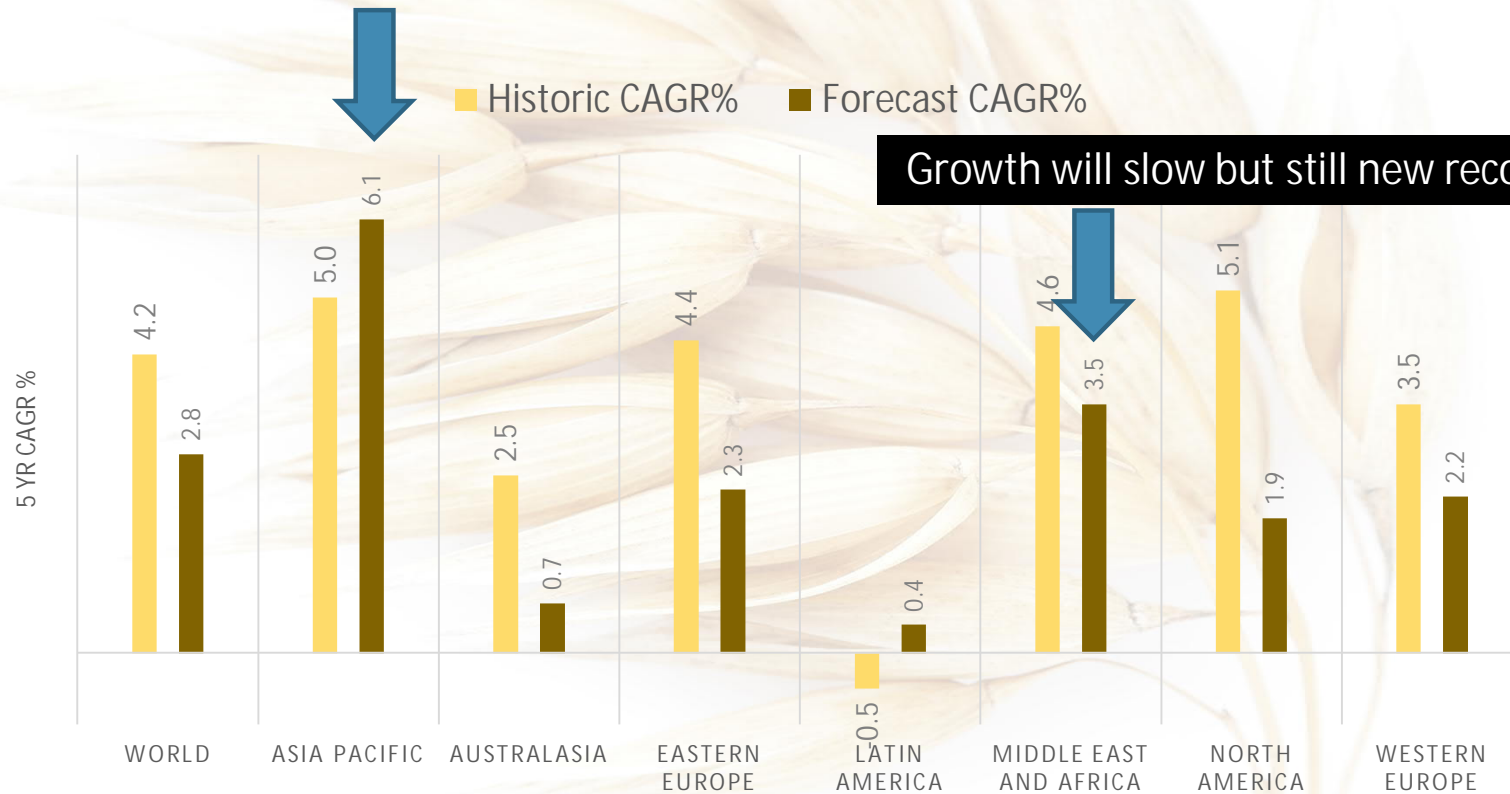
droughtmonitor.unl.edu

Global Hot Cereal Sales Trends

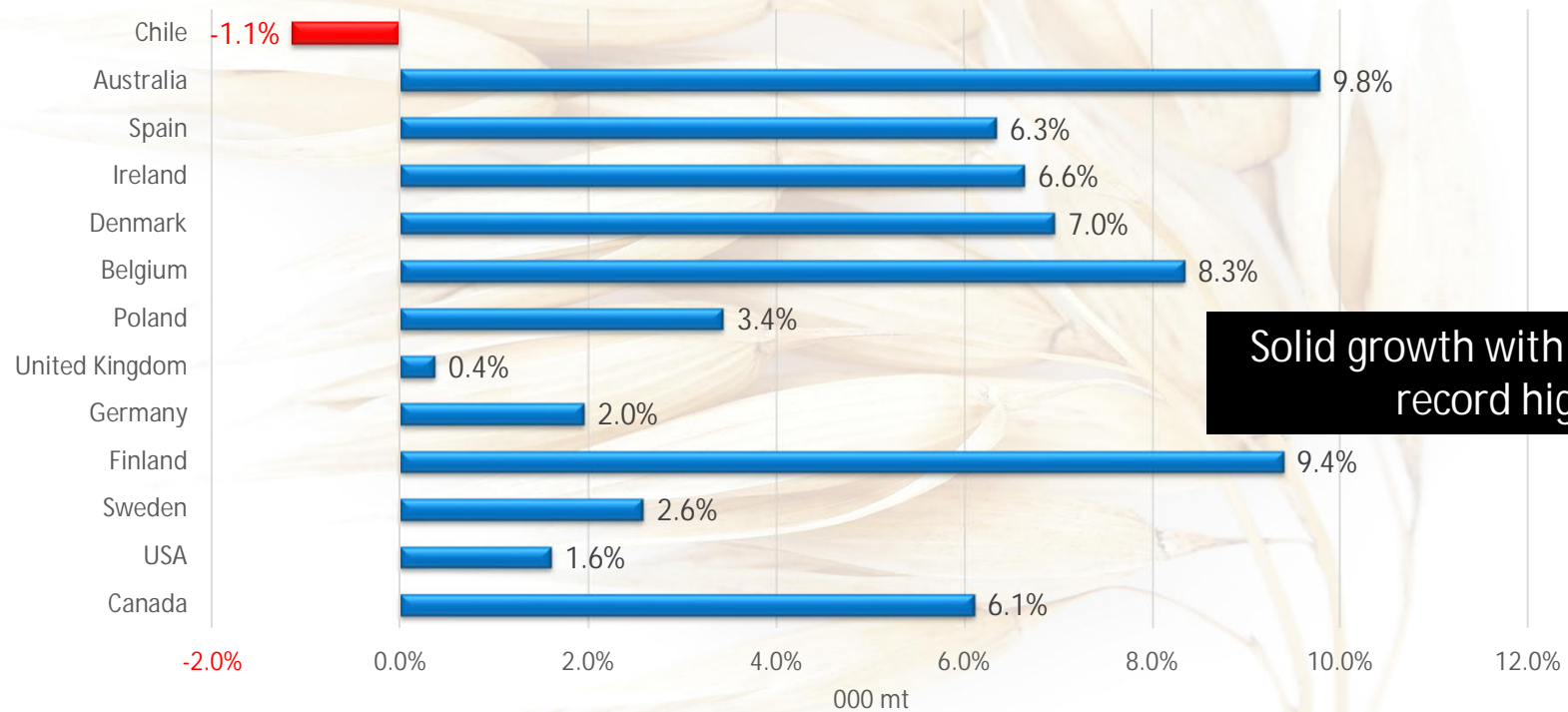
Record highs expected moving forward



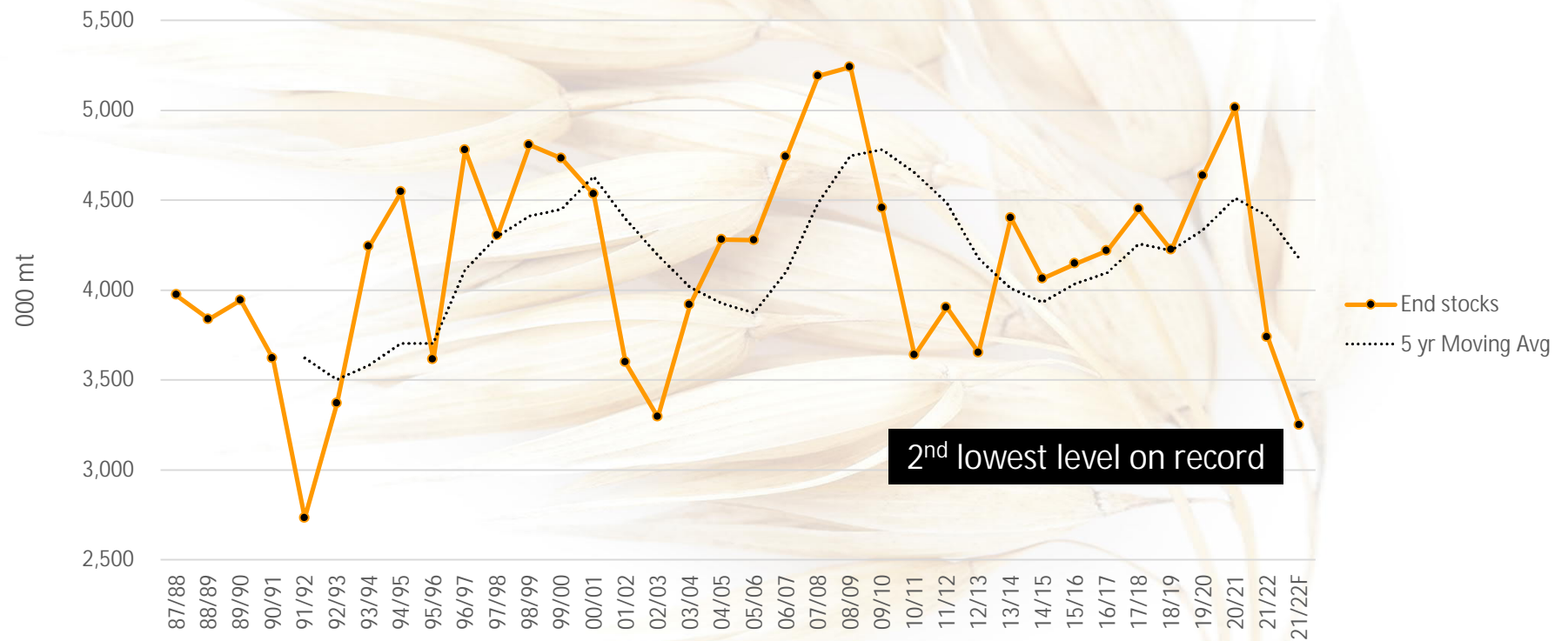
Regional Hot Cereal Sales – 5-year CAGR



Oat Milling Growth – Major Oat Markets



Canada Total Oat Supply



2nd lowest level on record

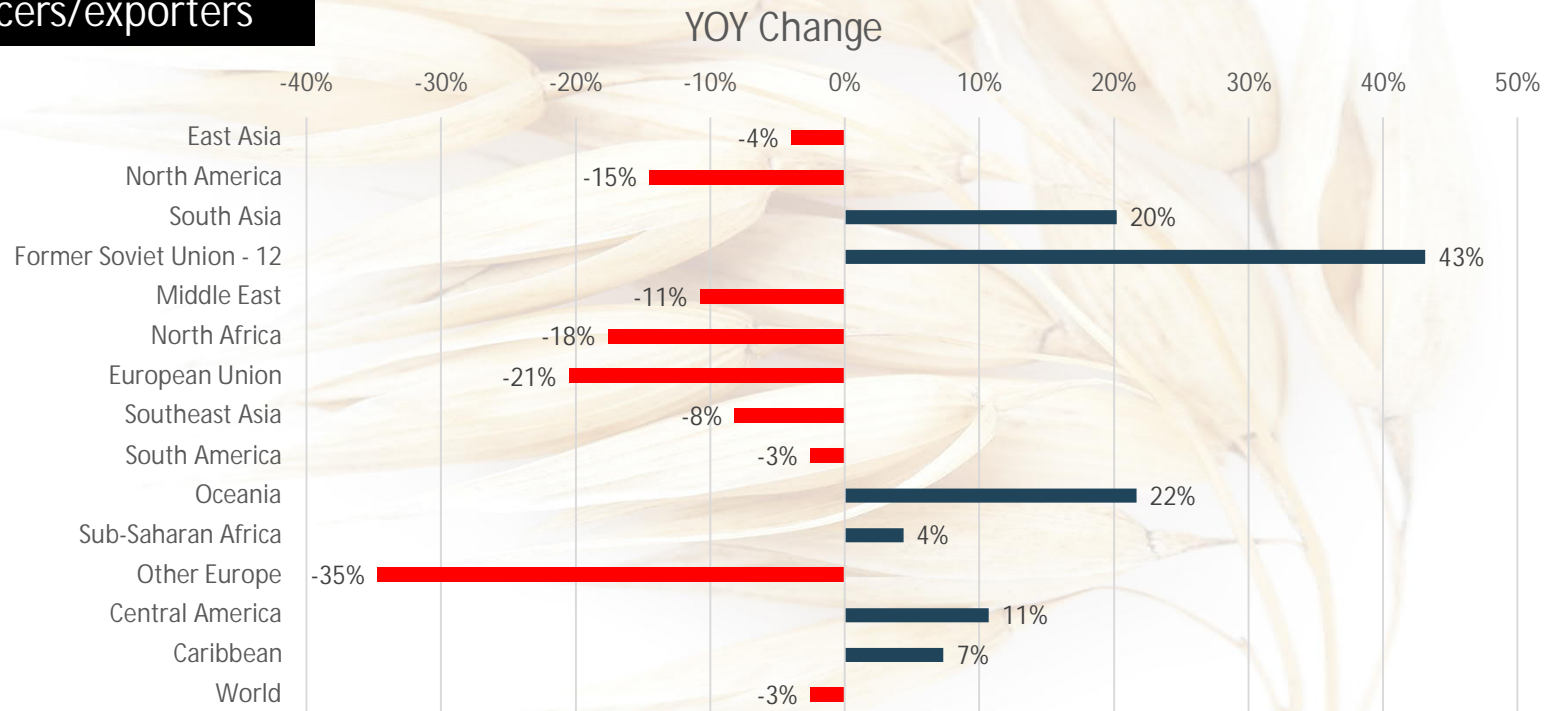
World Supply and Use for Grains

World - Mmt		Output	Total Supply	Trade 2/	Total Use 3/	Ending Stocks	
Total Grains 4/	2019/20	2,677	3,486	448	2,672	814	
	2020/21 (Est.)	2,712	3,527	478	2,730	797	
	2021/22	Oct	2,781	3,574	499	2,785	788
	2021/22	Nov	2,786	3,583	504	2,789	793
	(Proj.)						
Wheat	2019/20	762	1,043	194	747	296	
	2020/21 (Est.)	775	1,070	202	782	288	
	2021/22	Oct	776	1,064	200	787	277
	2021/22	Nov	775	1,063	203	787	276
Coarse Grains	2019/20	1,416	1,768	211	1,431	337	
	2020/21 (Est.)	1,430	1,767	227	1,446	321	
	2021/22	Oct	1,494	1,814	250	1,486	328
	2021/22	Nov	1,499	1,820	251	1,491	330

3 years of declines
& 5 yr low

Global Wheat End Stocks

Serious declines in major producers/exporters

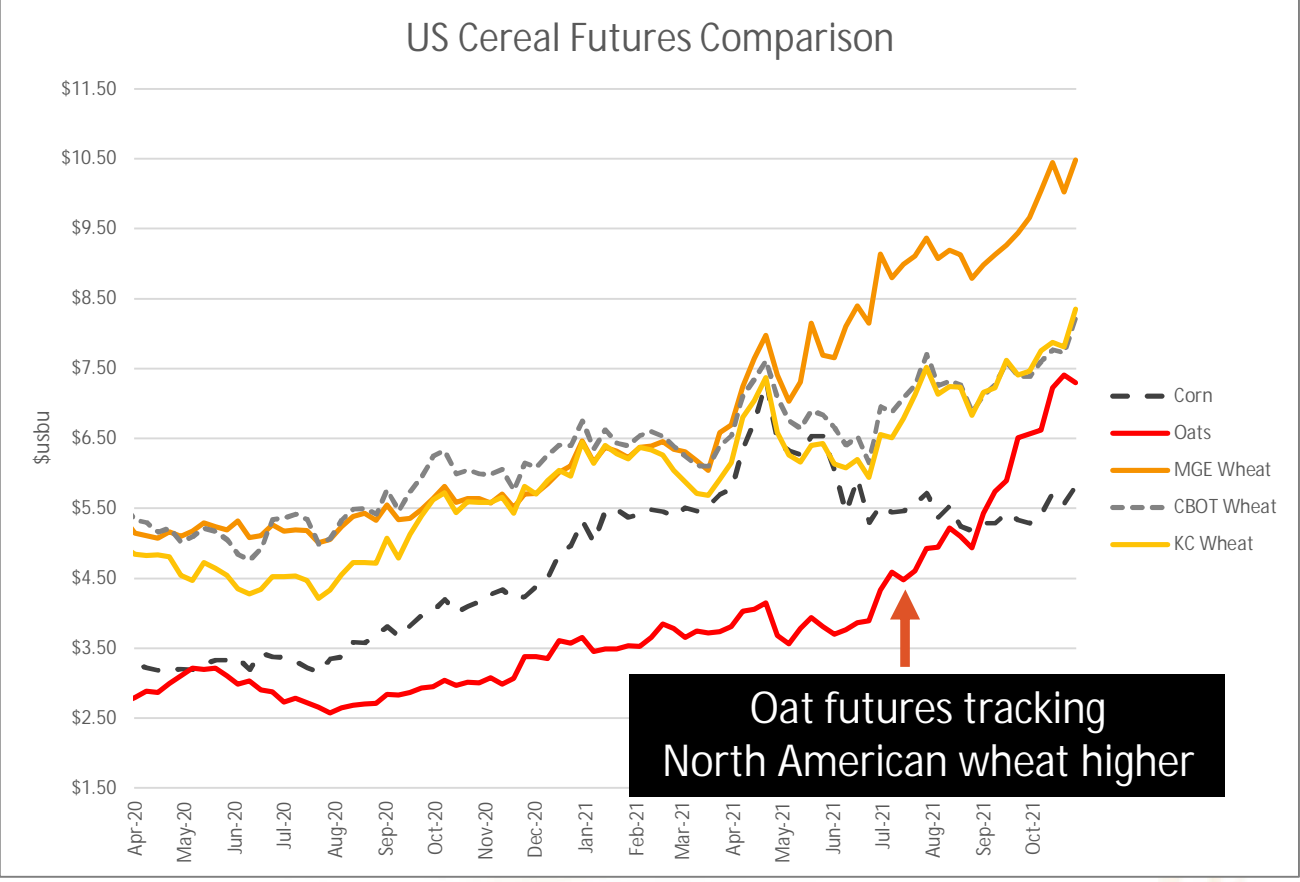


Declines account for 60% of world wheat production

The Impact!

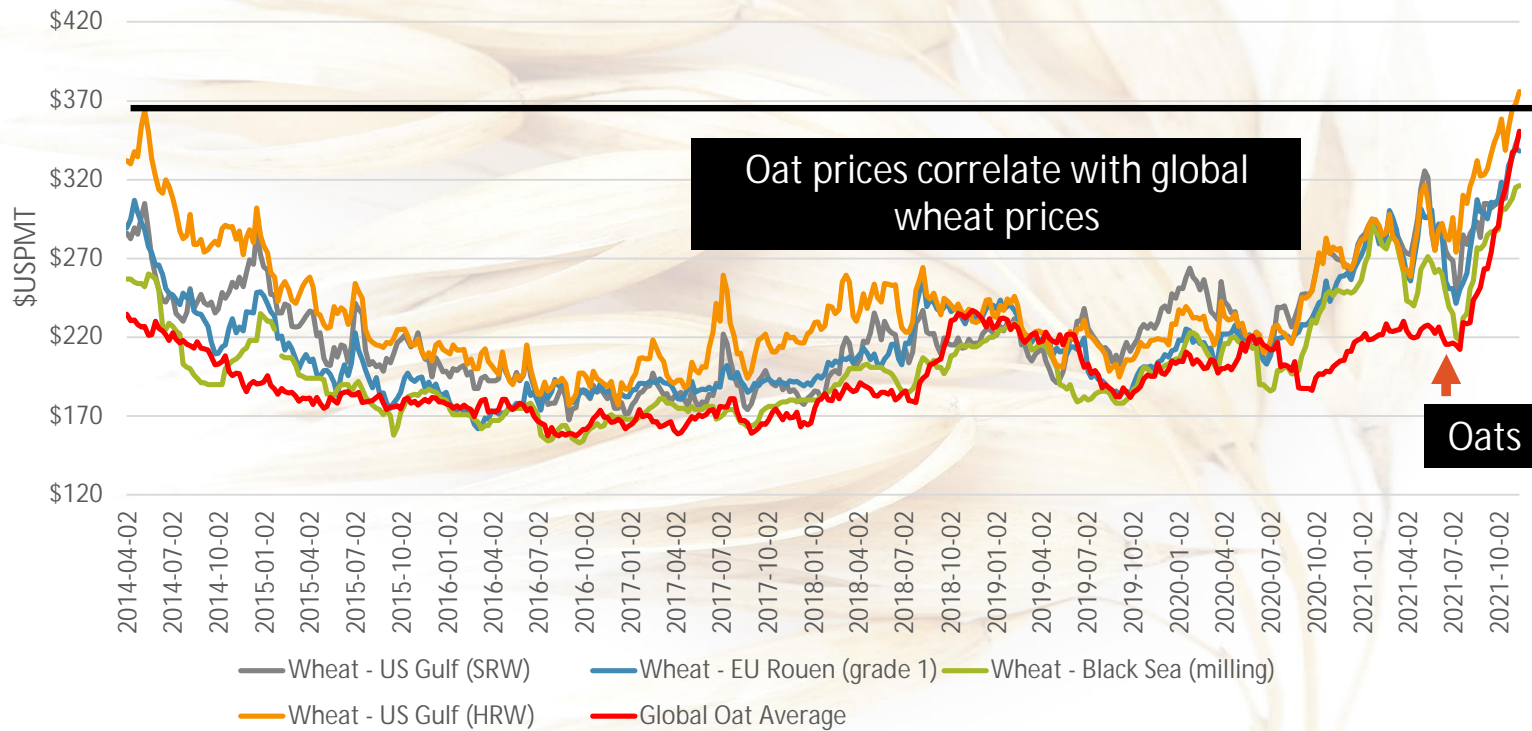


US Cereal Futures Comparison



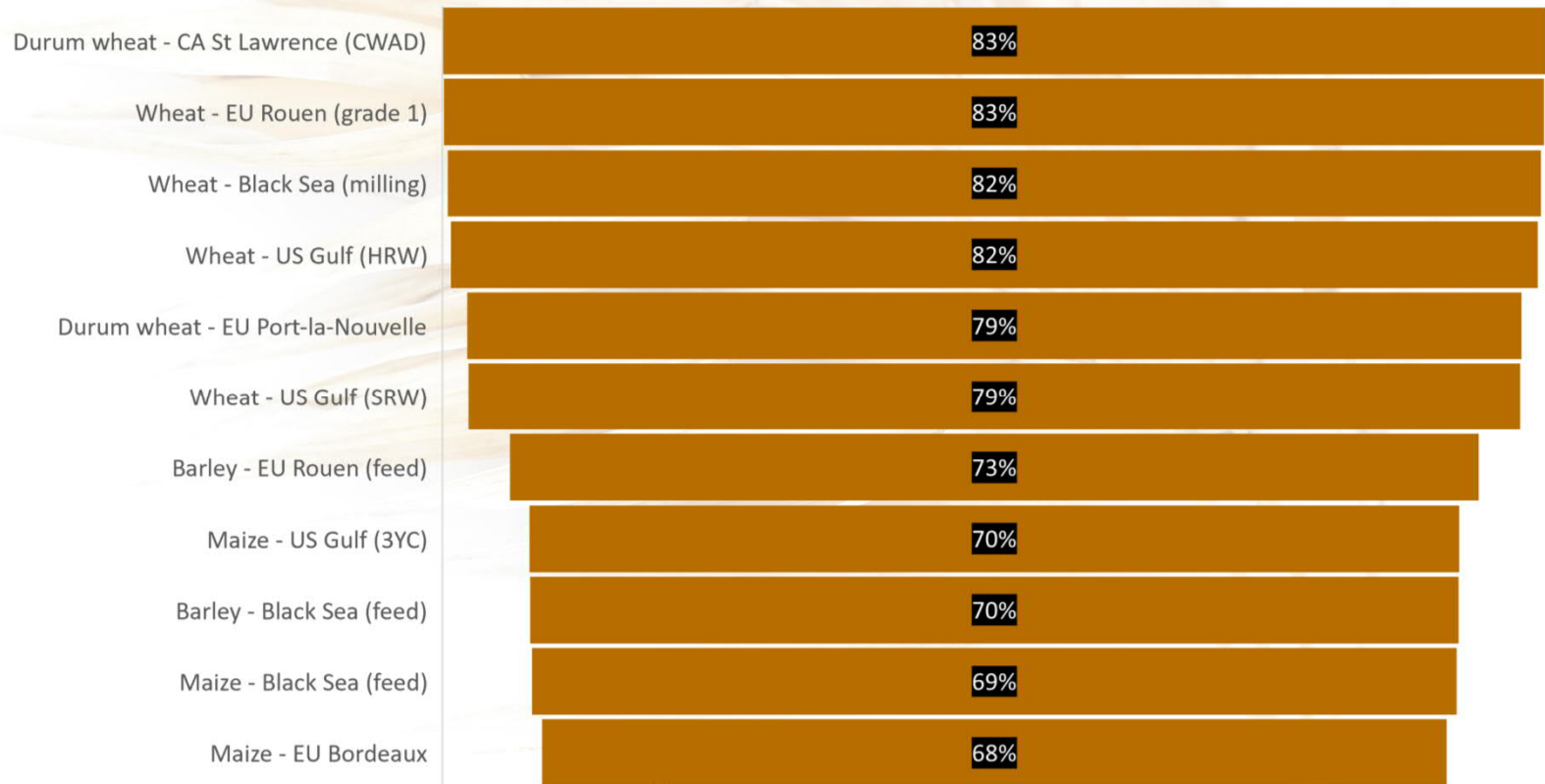
Oat futures tracking North American wheat higher

Global Grain Prices – Long Term

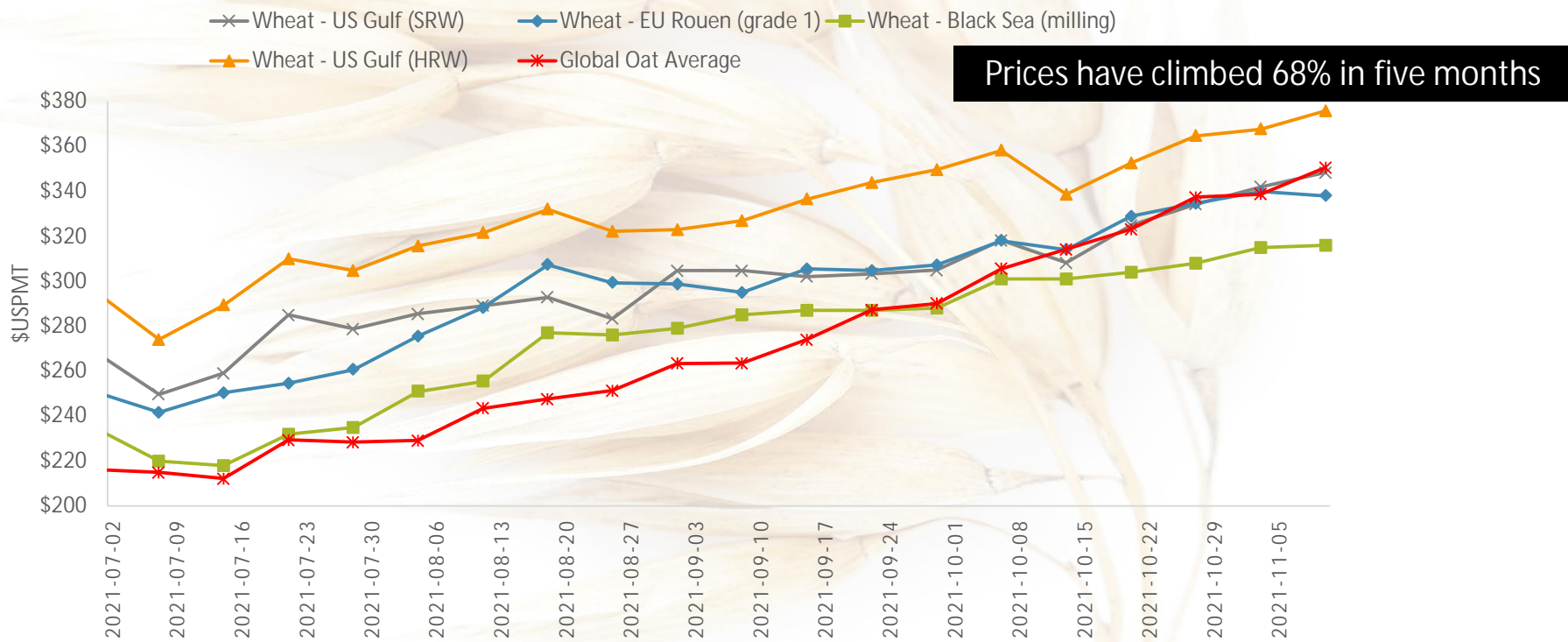


Global Oat Prices Correlated to Grains – 5 yr

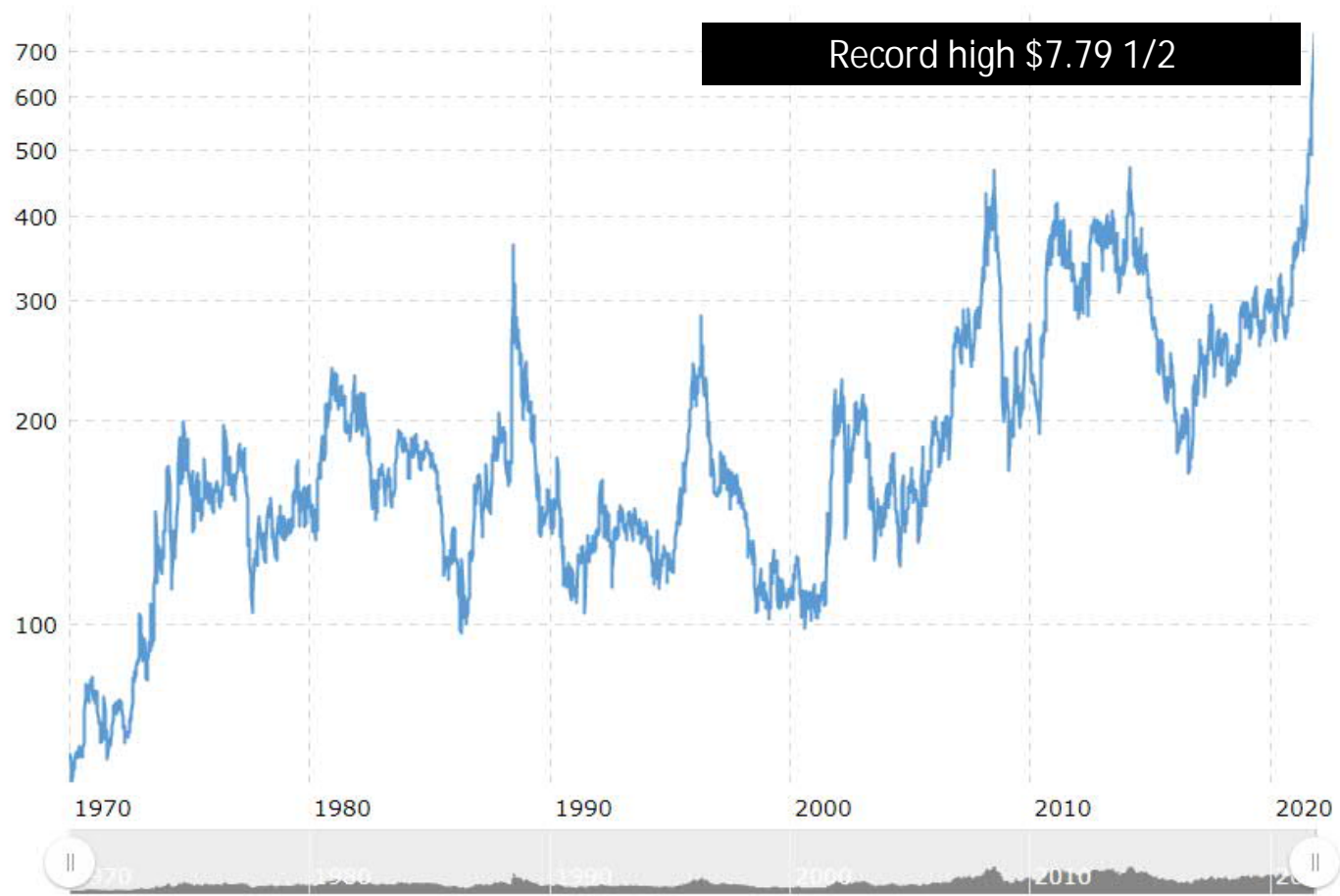
Average of oat prices in major global markets



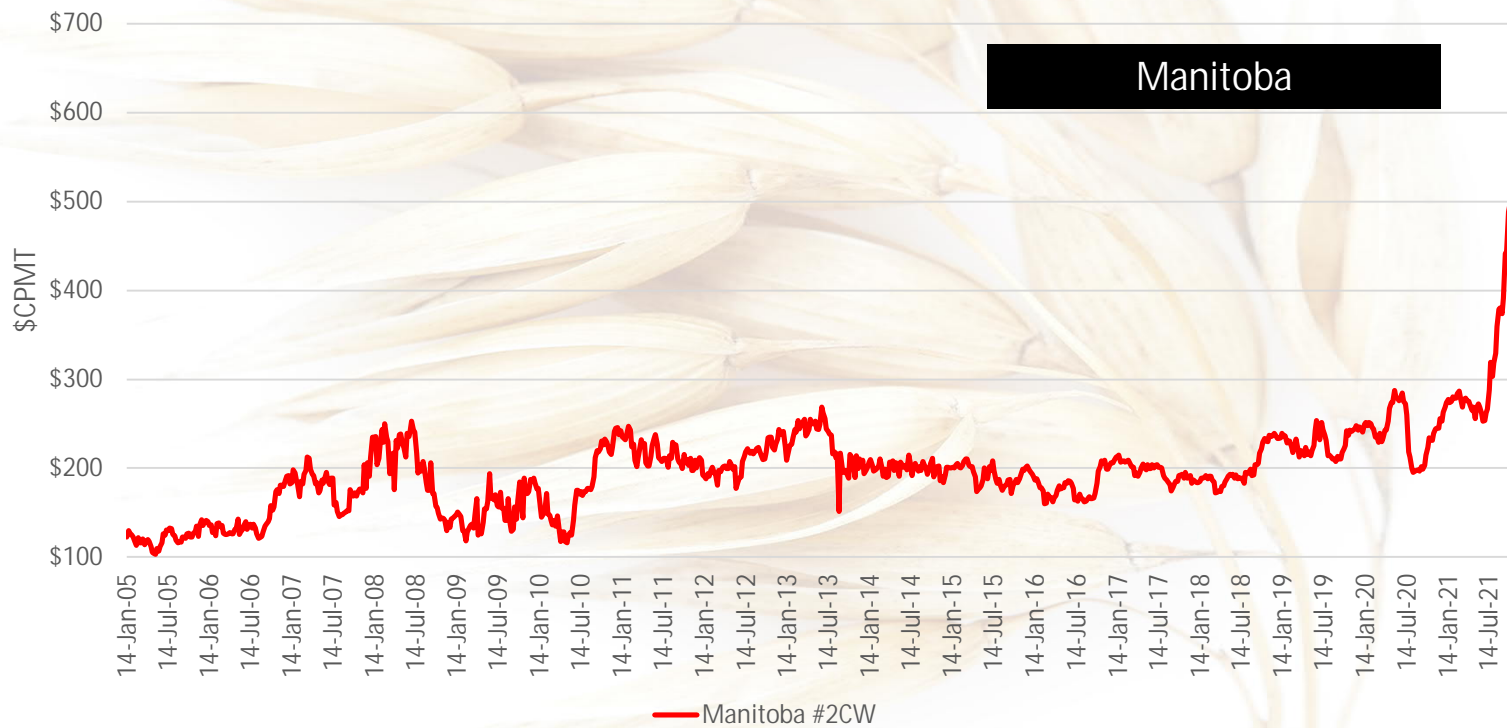
Global Grain Prices – Short Term



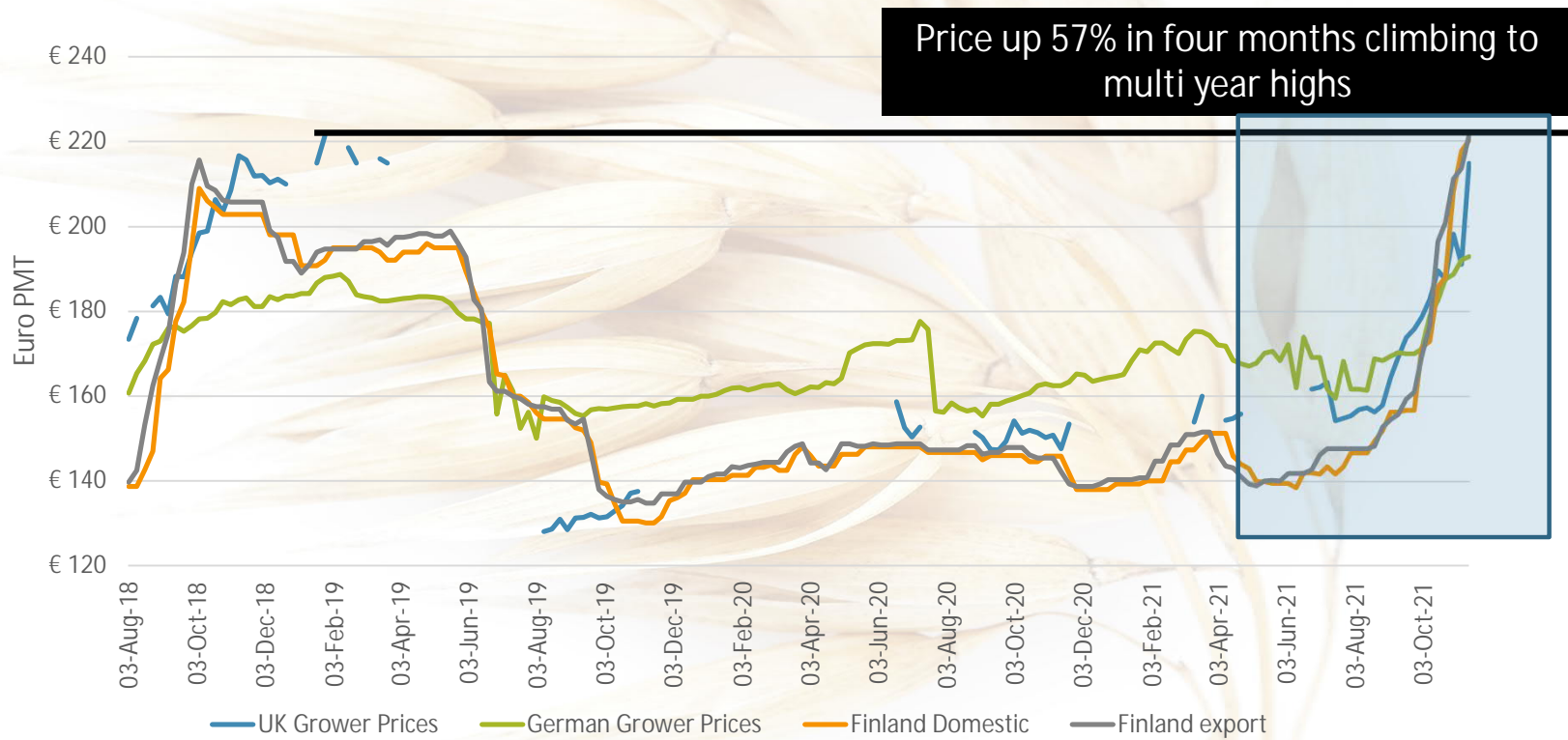
Record High CBOT Oat Futures



Record High Canadian Cash Oat Prices



EU Oat Prices – Major Markets



Oats

BY
THE
NUMBERS

Global Oat Situation

- Oat production declines in 16 of the top 20 global oat producing countries. Every global oat region has lower oat production this year.
- However, the good news is 13 of the major producers still have above average production.
- On paper... there are enough oats to meet forecasted commercial oat demand. The logistics to get at those are oats however are challenging.
- Oat food/beverage demand is record high and climbing... putting pressure on oat processors.



Oat Production Key Global Markets

000 Mt	16/17	17/18	18/19	19/20	20/21	21/22F	21/22 vs 20/21	5 yr avg	2021/22 chge from avg	5 yr CAGR
Russia	4,751	5,449	4,714	4,421	4,126	4,070	-1.4%	4,692	-13.3%	-2.8%
Canada	3,231	3,732	3,435	4,227	4,573	2,579	-43.6%	3,840	-32.8%	7.2%
Australia	2,266	1,228	1,135	1,142	1,664	1,588	-4.6%	1,487	6.8%	-6.0%
Poland	1,318	1,434	1,166	1,232	1,587	1,395	-12.1%	1,348	3.5%	3.8%
Spain	1,110	842	1,487	808	1,290	1,004	-22.2%	1,108	-9.4%	3.1%
Finland	1,035	1,013	818	1,170	1,194	920	-23.0%	1,046	-12.1%	2.9%
United Kingdom	816	875	850	1,076	1,031	1,148	11.4%	929	23.5%	4.8%
USA	940	720	815	744	949	578	-39.0%	833	-30.6%	0.2%
Sweden	771	676	364	639	805	700	-13.0%	651	7.5%	0.8%
Germany	536	576	577	519	832	813	-2.2%	608	33.8%	9.2%
China	527	551	575	625	625	620	-0.7%	580	6.8%	3.5%
Chile	713	571	388	477	524	585	11.7%	535	9.5%	-6.0%
Czechia	465	460	544	425	719	786	9.2%	523	50.3%	9.1%
Ukraine	509	480	424	427	516	450	-12.7%	471	-4.5%	0.2%
France	346	537	428	407	390	467	19.9%	422	10.8%	2.4%
Denmark	275	319	290	250	431	383	-11.0%	313	22.5%	9.4%
Norway	359	283	144	300	300	300	0.0%	277	8.3%	-3.5%
Latvia	146	134	188	238	288	240	-16.5%	199	20.9%	14.5%
Lithuania	155	196	182	178	264	236	-10.8%	195	20.8%	11.3%
Ireland	174	194	122	202	187	136	-27.3%	176	-22.6%	1.5%
Total	20,660	20,480	18,889	19,740	22,586	19,250	-14.8%	19,928	13.3%	-0.2%

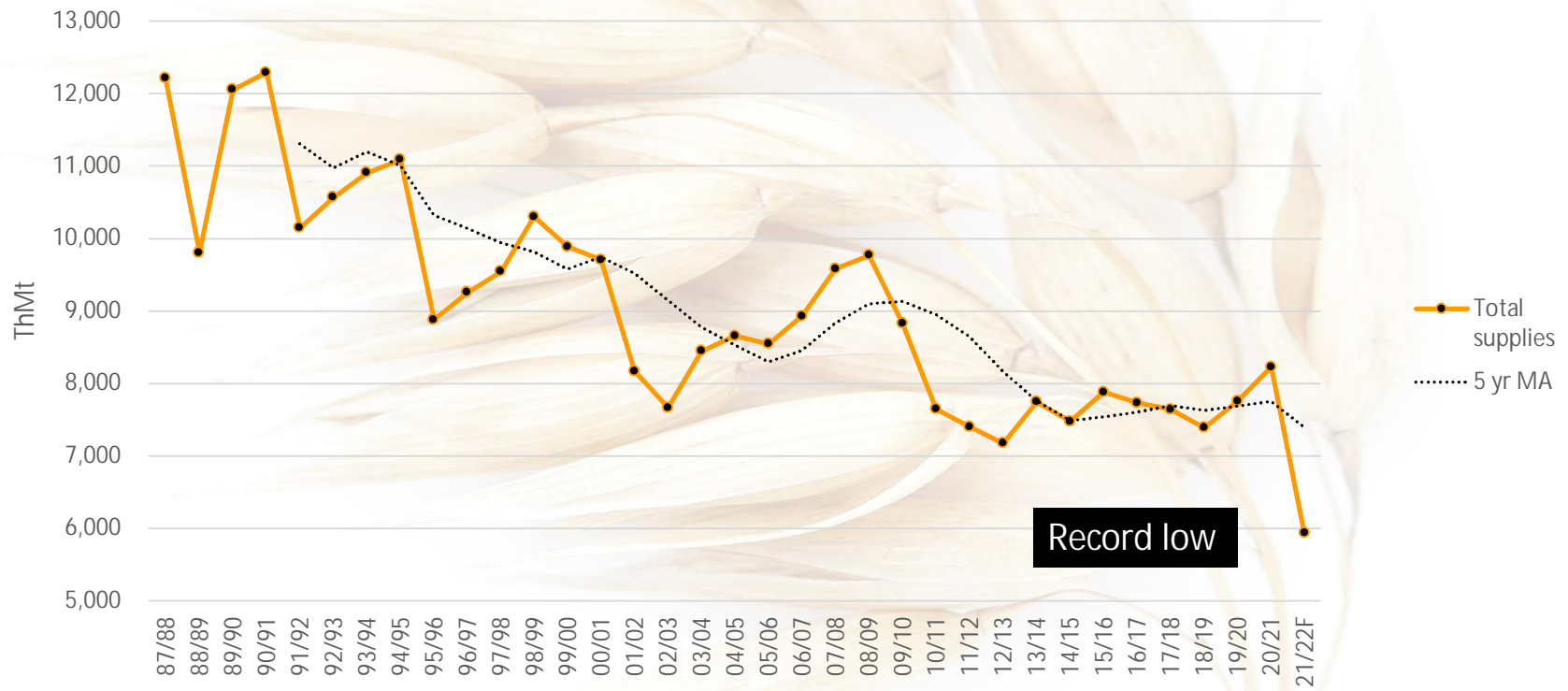
Oat Production Key Global Regions

000 Mt	16/17	17/18	18/19	19/20	20/21	21/22F	21/22 vs 20/21	5 yr avg	2021/22 chge from avg	5 yr CAGR
Big Four	5,978	6,141	5,432	6,780	7,521	4,777	-36.5%	6,370	-25.0%	4.7%
Big Five	8,243	7,369	6,567	7,923	9,185	6,365	-30.7%	7,857	-19.0%	2.2%
Sweden/Finland	1,807	1,689	1,182	1,809	1,999	1,619	-19.0%	1,697	-4.6%	2.0%
North America	4,242	4,524	4,353	5,061	5,612	3,247	-42.1%	4,758	-31.8%	5.8%
Canadian and Scandinavian	5,038	5,421	4,617	6,036	6,572	4,198	-36.1%	5,537	-24.2%	5.5%
Australia, Canada, Sweden and Finland	7,303	6,649	5,752	7,179	8,236	5,786	-29.7%	7,024	-17.6%	2.4%
Australia, Sweden, Finland	4,072	2,917	2,317	2,951	3,662	3,207	-12.4%	3,184	0.7%	-2.1%
Canada, Australia & U.S.	6,437	5,679	5,385	6,114	7,186	4,745	-34.0%	6,160	-23.0%	2.2%
Major World Oat Millers and Traders	10,851	9,957	8,975	10,639	12,214	9,551	-21.8%	10,527	-9.3%	2.4%
Major EU Oat Millers and Traders	3,450	3,475	2,917	3,674	4,311	3,983	-7.6%	3,565	11.7%	4.6%
Top Thirteen EU Oat Producers, Millers and Traders	6,413	6,488	6,264	6,186	8,124	7,200	-11.4%	6,695	7.5%	4.8%
Major Global Oat Exporters	8,622	8,084	6,918	8,411	9,822	7,181	-26.9%	8,371	-14.2%	2.6%
Major Global Oat Importers	3,200	2,777	3,575	2,806	3,804	3,125	-17.9%	3,232	-3.3%	3.5%
All Major Global Oat Markets	20,686	20,511	18,939	19,772	22,634	19,285	-14.8%	20,508	-6.0%	1.8%

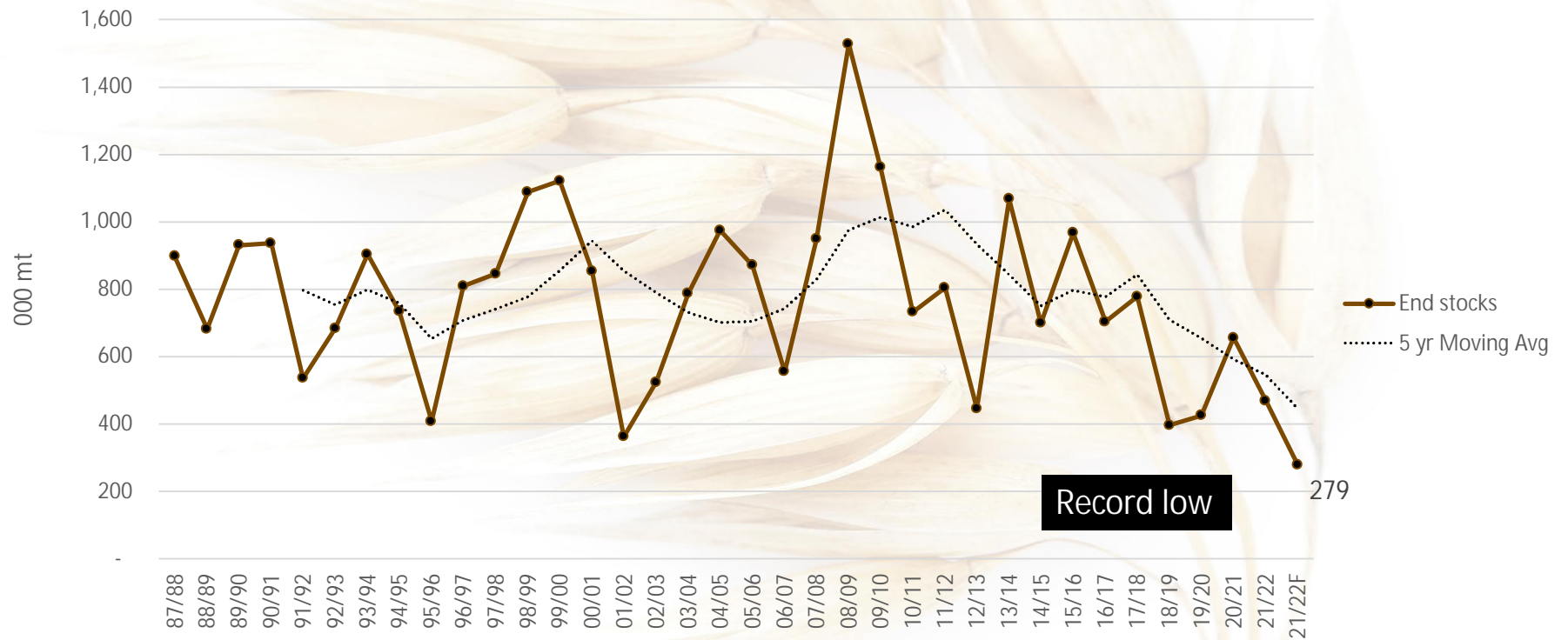
North America - A Major Oat Disaster



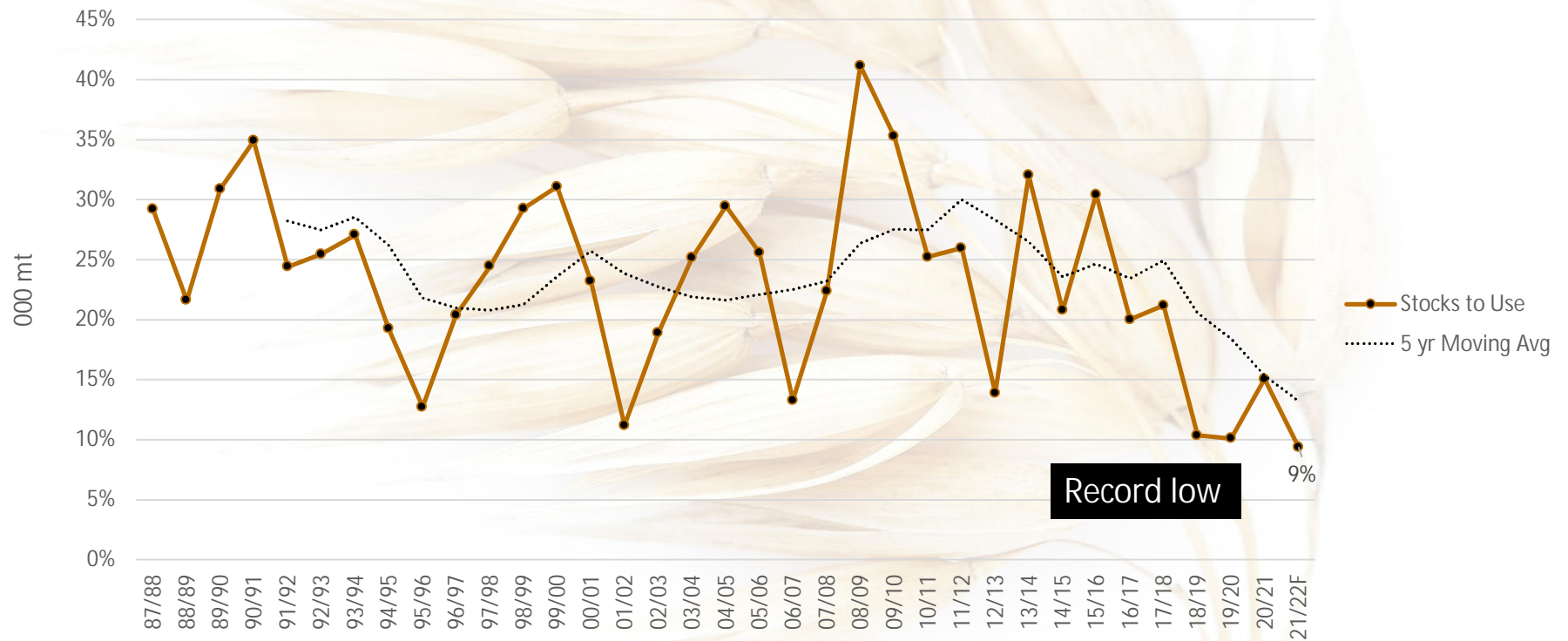
North American Oat Supplies



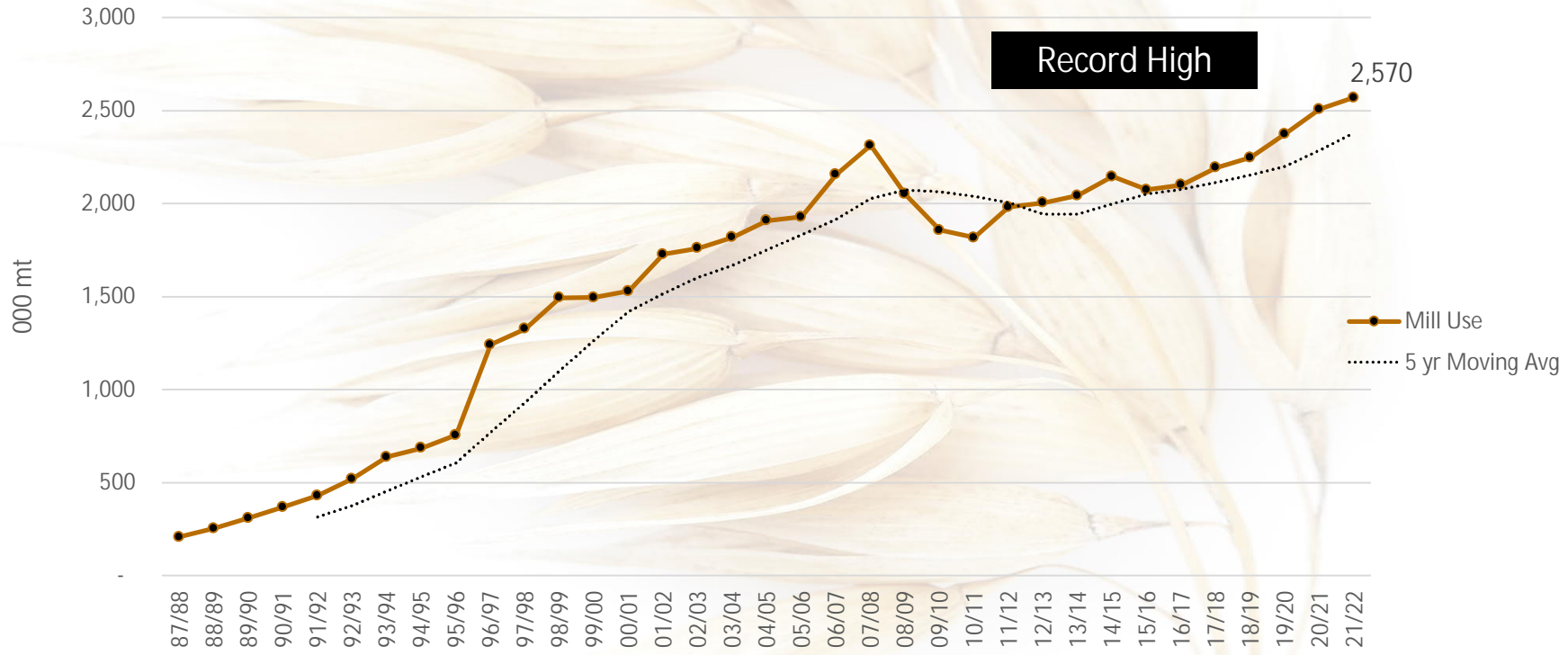
Canada Oat End Stocks



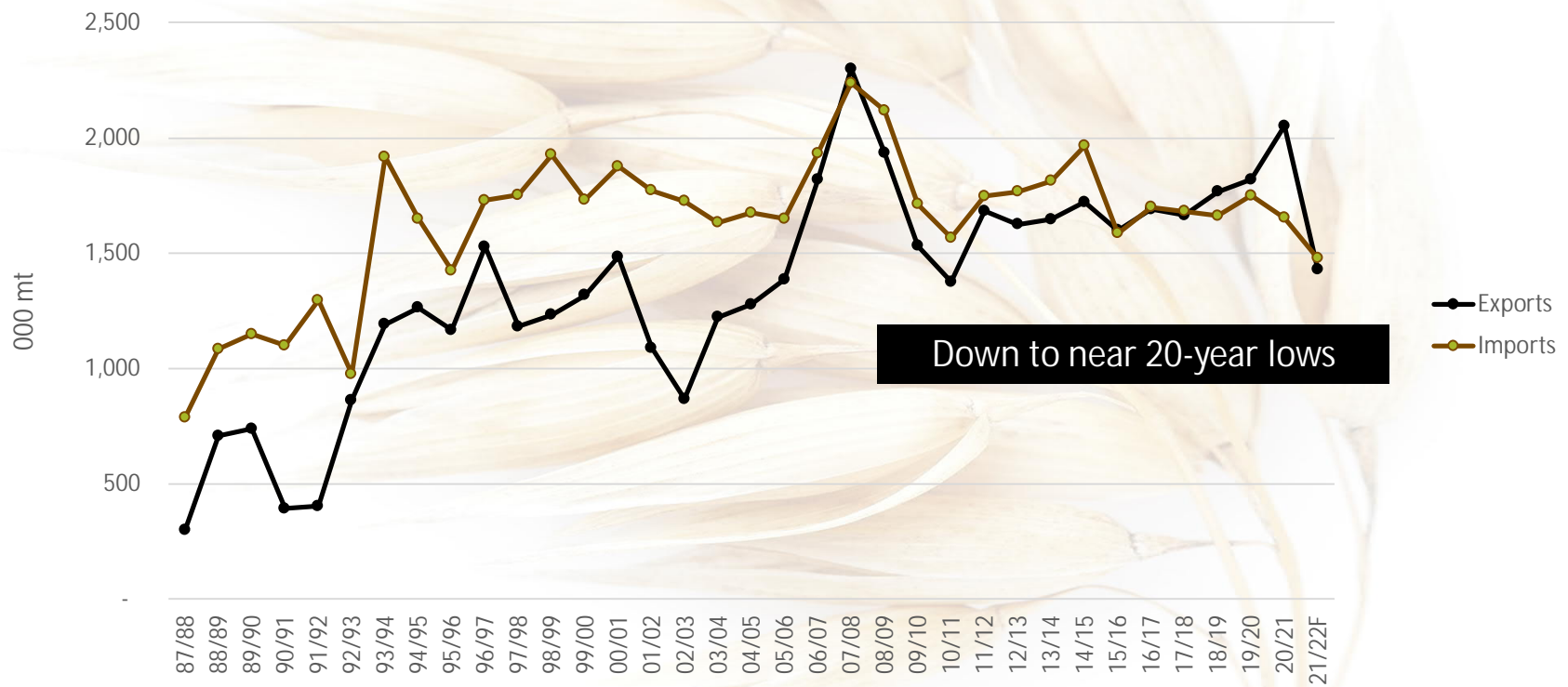
Canada Oat Stocks to Use Ratio



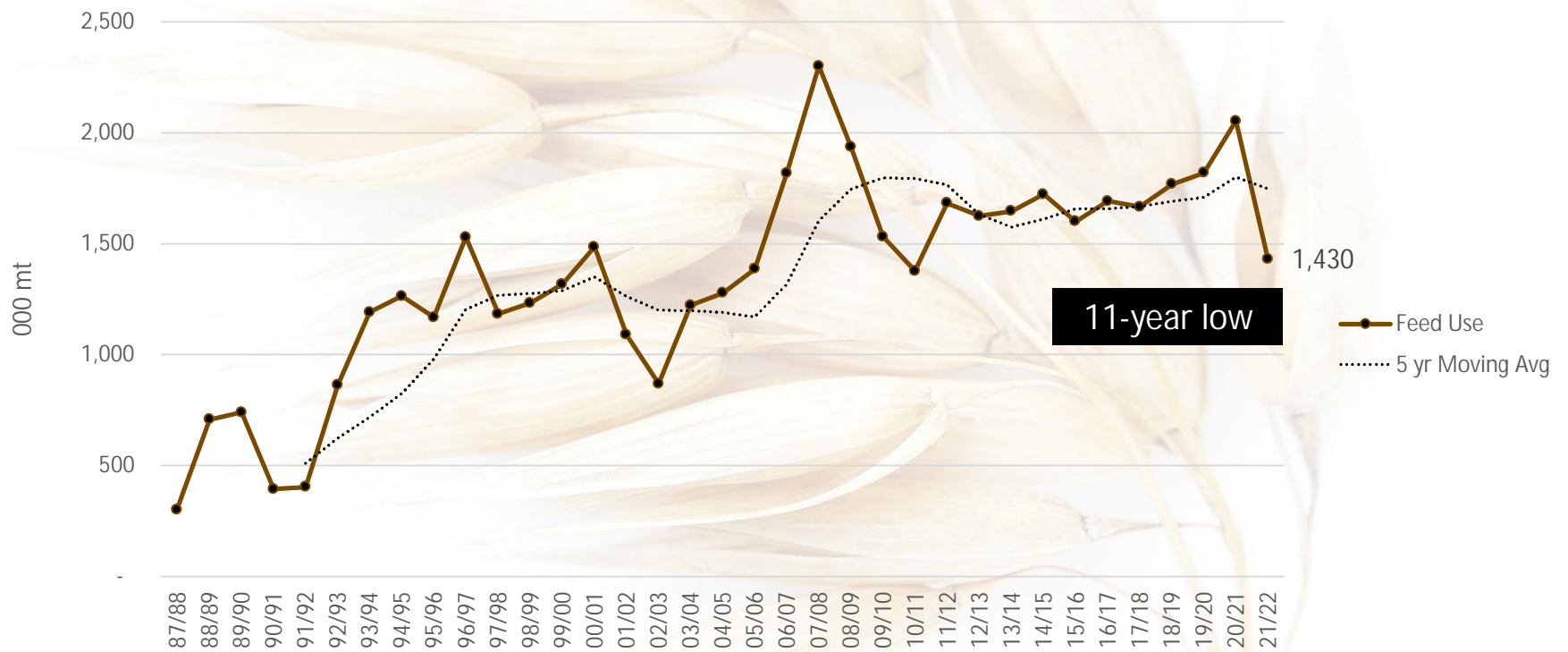
North American Oat Milling Use



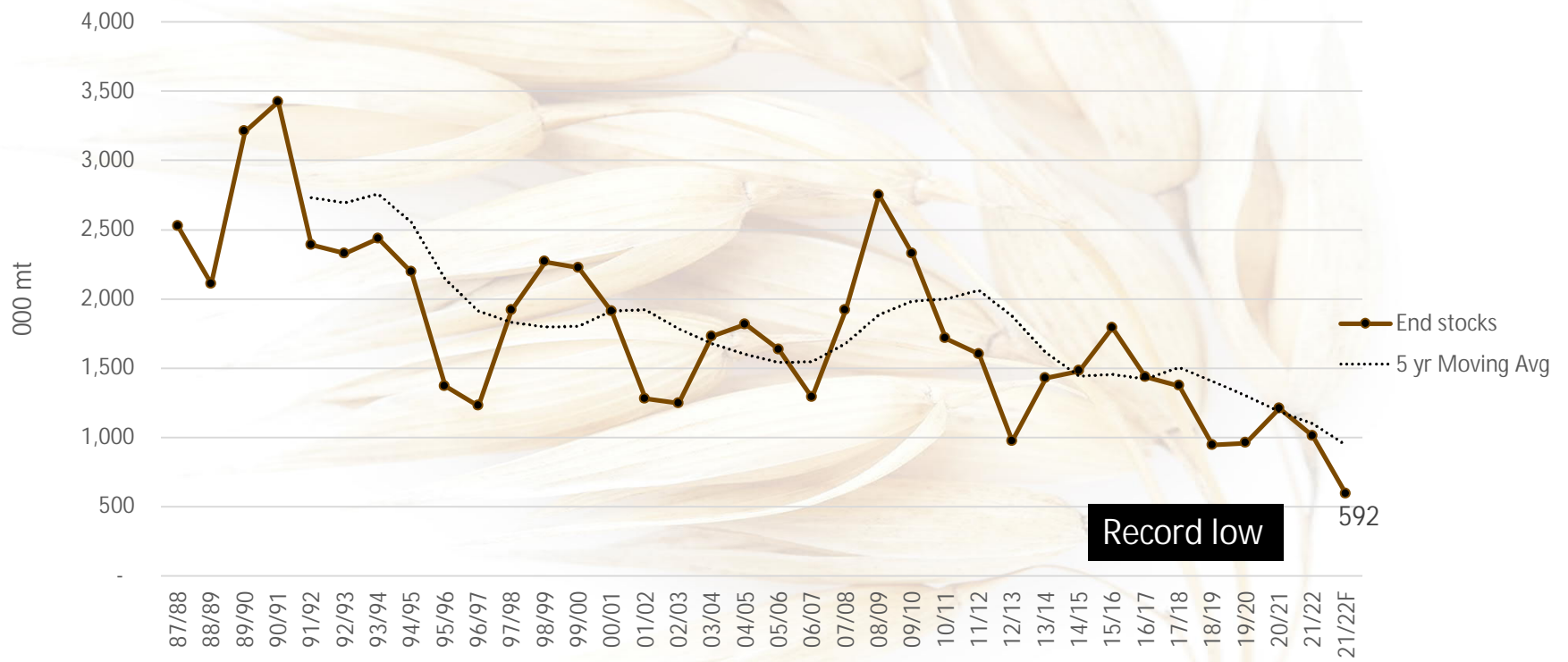
North American Oat Exports & Imports



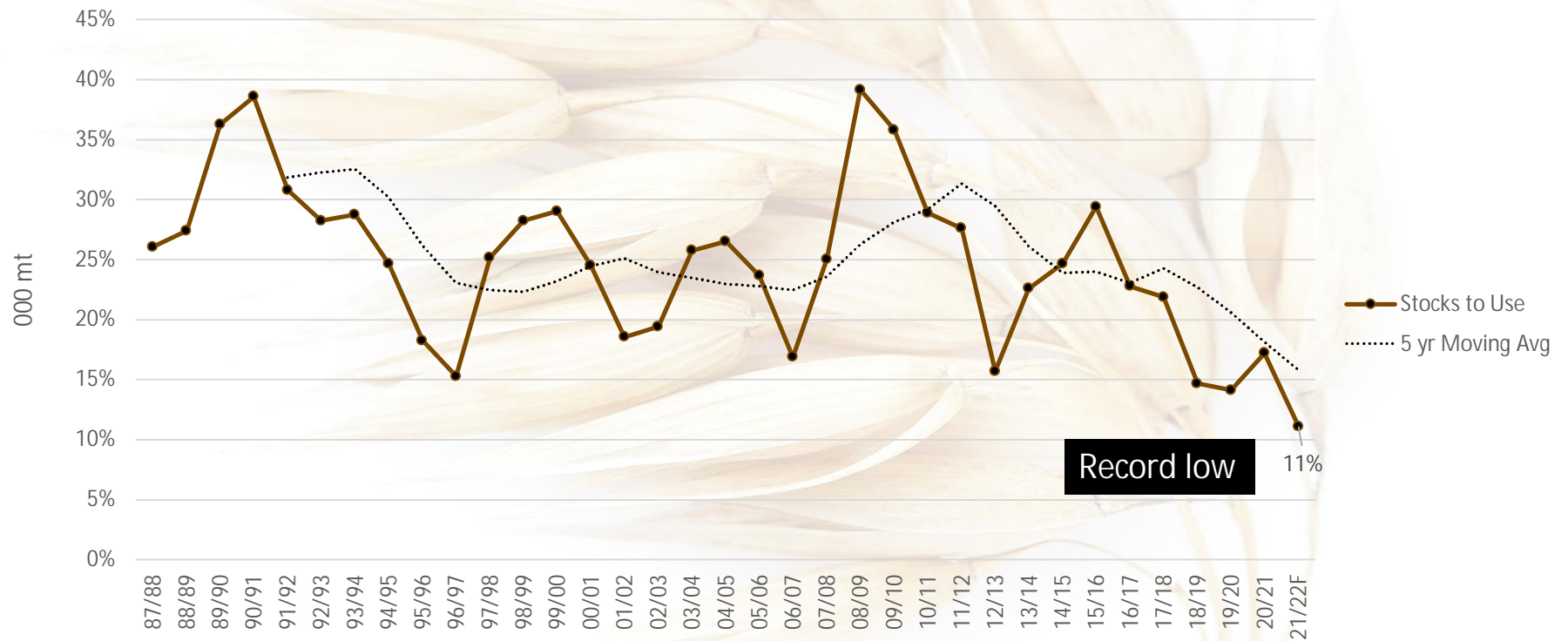
North American Oat Feed Use



North American Oat End Stocks



North America Oat Stocks to Use Ratio



Record low

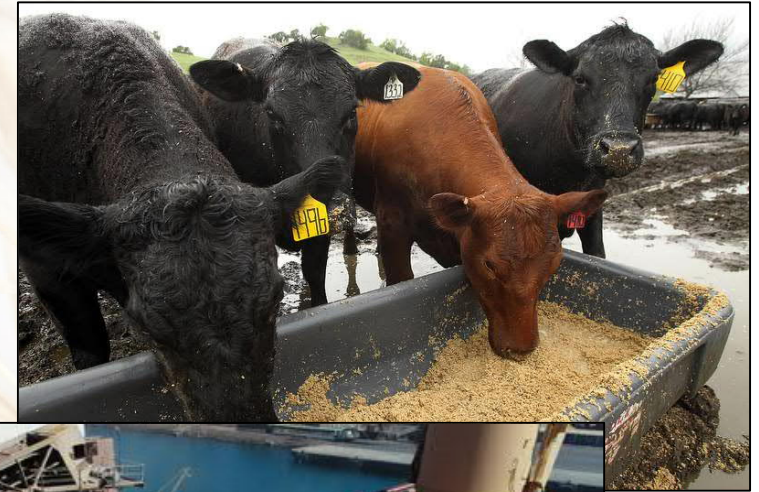
11%

Oat Market Outlook



21/22 Canadian Oat Supply & Use Outlook

- The obvious....very tight Canadian oat supplies need to be rationed.
- To do this oat prices need to stay high relative to wheat and barley to reduced on farm feed use.
- Limit overseas (non-US) raw oat exports.
- Mill use expected to remain on a record pace.



22/23 Canada Oat Supply & Use

(000 mt)	16/17	17/18	18/19	19/20	20/21	21/22		21/22 vs 20/21	5 yr avg	2021/22 chge from avg
						Sept	Oct			
Harvested ha. (000)	925	1,052	1,005	1,167	1,314	1,128	1,128	-14.2%	1,093	3.2%
ac. (000)	2,285	2,599	2,483	2,884	3,248	2,787	2,787	-14.2%	2,700	3.2%
Yield mt/ha	3.49	3.55	3.42	3.62	3.48	2.72	2.29	-34.3%	3.51	-34.9%
bu/ac	91.7	93.1	89.7	95.1	91.3	71.4	60.0	-34.3%	92.2	-34.9%
Opening Stocks	967	704	777	397	425	656	656	54.1%	654	0.2%
Production	3,231	3,732	3,435	4,227	4,573	3,069	2,579	-43.6%	3,840	-32.8%
Imports	21	14	11	14	16	14	14	-14.6%	16	-10.8%
<i>Total Supply</i>	4,219	4,449	4,223	4,638	5,015	3,739	3,249	-35.2%	4,335	-25.1%
Food, Seed, Enrg/Other	897	952	974	1,093	1,177	1,220	1,220	3.6%	972	25.5%
Seed	108	103	121	129	115	130	130	12.7%	112	16.6%
Milling	790	849	852	964	1,062	1,090	1,090	2.6%	860	26.7%
Energy/Others	-	-	-	-	-	-	-	-	-	0.0%
Feed, waste, d'kge	977	1,088	1,110	1,328	1,175	650	350	-70.2%	1,033	-66.1%
Exports	1,642	1,631	1,743	1,791	2,007	1,400	1,400	-30.2%	1,676	-16.4%
<i>Total Usage</i>	3,516	3,672	3,826	4,212	4,360	3,270	2,970	-31.9%	3,681	-19.3%
<i>Ending Stocks</i>	704	777	397	425	656	469	279	-57.5%	654	-57.4%
Stocks to Usage %	20%	21%	10%	10%	15%	14%	9%	-37.6%	18%	-49.1%

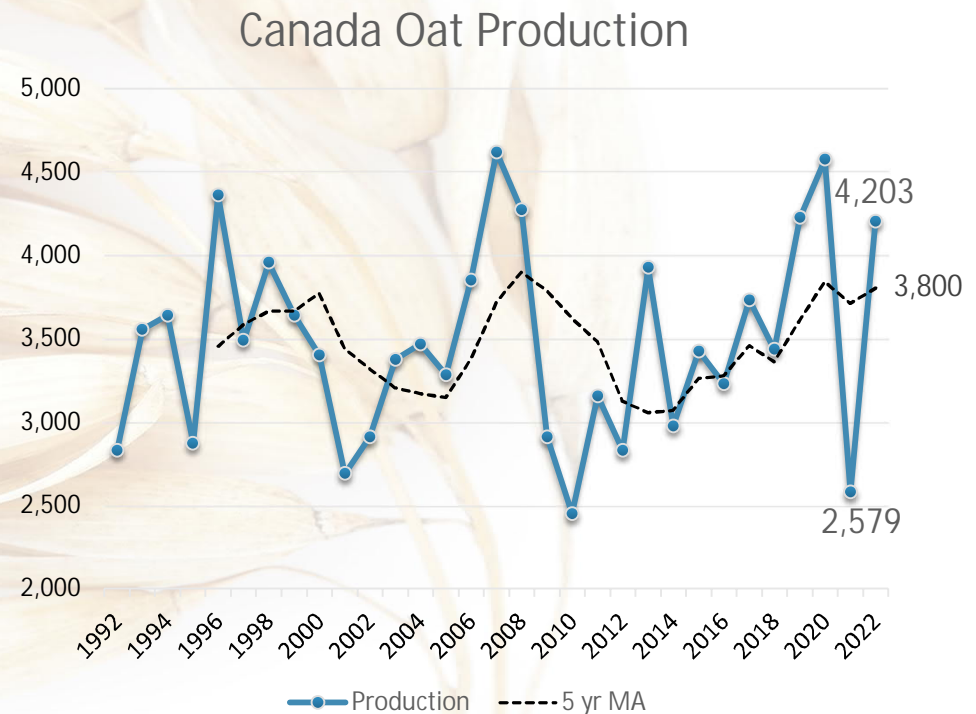
22/23 Canadian Crop Outlook

- Competition for Canadian acres next spring will be fierce
- Dry soils favor cereal plantings including oats.
- High fertilizer/input costs prices favor oats.
- Oat prices 57% of wheat value, again favoring oat plantings.
- Oat market absolutely needs to maintain acres, implying strong oat prices versus wheat and barley into 2022 plantings.
- Ag Canada is forecasting Canadian wheat plantings will be 6% higher than last year. This would imply lower oat plantings.



22/23 Canadian Oat Supply & Use Outlook

- Assuming “March 2021” plantings are realized for 2022, and average yield and area abandonment.
- 2020 production would climb to 4.2 MMT, well above the five-year average of 3.8 MMT.



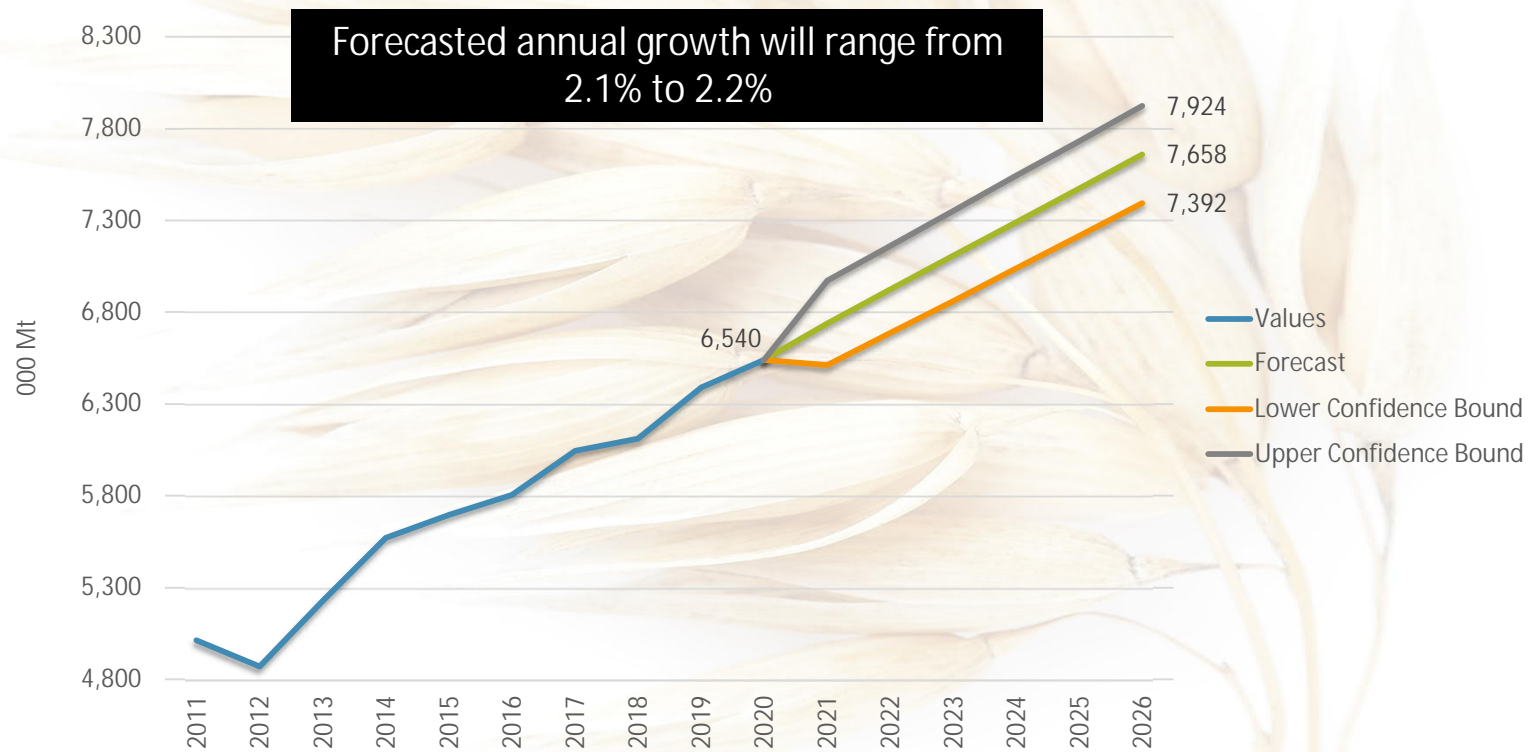
Canada 22/23 Oat Supply Use

(000 mt)	16/17	17/18	18/19	19/20	20/21	21/22F	22/23	21/22 vs 20/21	22/23 vs 21/22	5 yr avg	2021/2 2 chge from avg	5 yr CAGR
						Nov	Nov					
Harvested ha. (000)	925	1,052	1,005	1,167	1,314	1,128	1,181	-14.2%	4.7%	1,093	3.2%	7.3%
ac. (000)	2,285	2,599	2,483	2,884	3,248	2,787	2,918	-14.2%	4.7%	2,700	3.2%	7.3%
Yield mt/ha	3.49	3.55	3.42	3.62	3.48	2.29	3.56	-34.3%	55.7%	3.51	-34.9%	-0.1%
bu/ac	91.7	93.1	89.7	95.1	91.3	60.0	93.4	-34.3%	55.7%	92.2	-34.9%	-0.1%
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<i>Total Supply</i>	4,219	4,449	4,223	4,638	5,015	3,249	4,497	-35.2%	38.4%	4,335	-25.1%	3.5%
Food, Seed, Enrg/Other	897	952	974	1,093	1,177	1,220	1,250	3.6%	2.5%	972	25.5%	5.6%
Seed	108	103	121	129	115	130	130	12.7%	0.0%	112	16.6%	1.4%
Milling	790	849	852	964	1,062	1,090	1,120	2.6%	2.8%	860	26.7%	6.1%
Energy/Others	-	-	-	-	-	-	-	-	0.0%	-	0.0%	-
Feed, waste, d'kge	977	1,088	1,110	1,328	1,175	350	1,033	-70.2%	195.1%	1,033	-66.1%	3.8%
Exports	1,642	1,631	1,743	1,791	2,007	1,400	1,676	-30.2%	19.7%	1,676	-16.4%	4.1%
<i>Total Usage</i>	3,516	3,672	3,826	4,212	4,360	2,970	3,959	-31.9%	33.3%	3,681	-19.3%	4.4%
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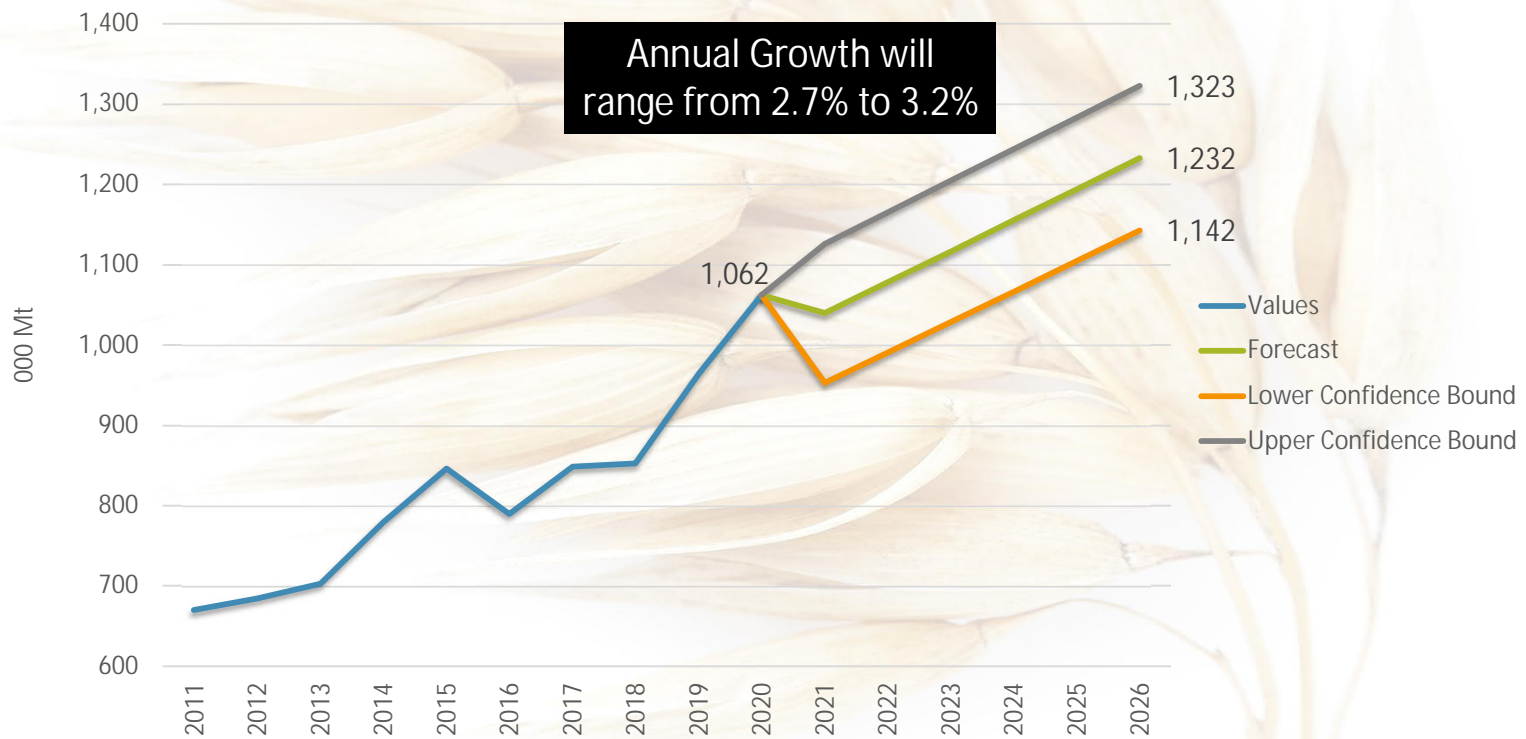
The Demand Side



Oat Milling Forecast - Major Global Oat Markets



Canada Oat Milling Forecast

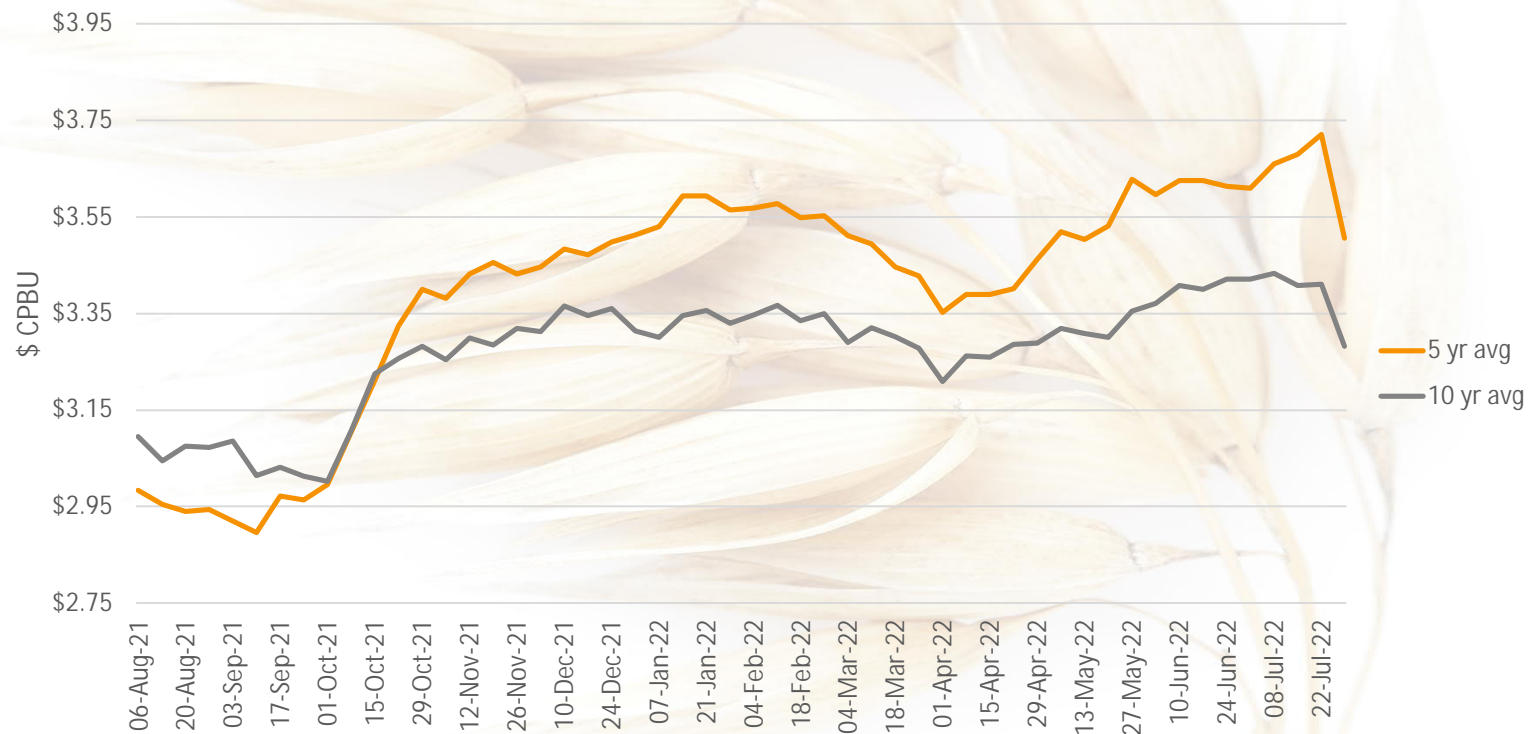


Western Canada Oat Price Outlook

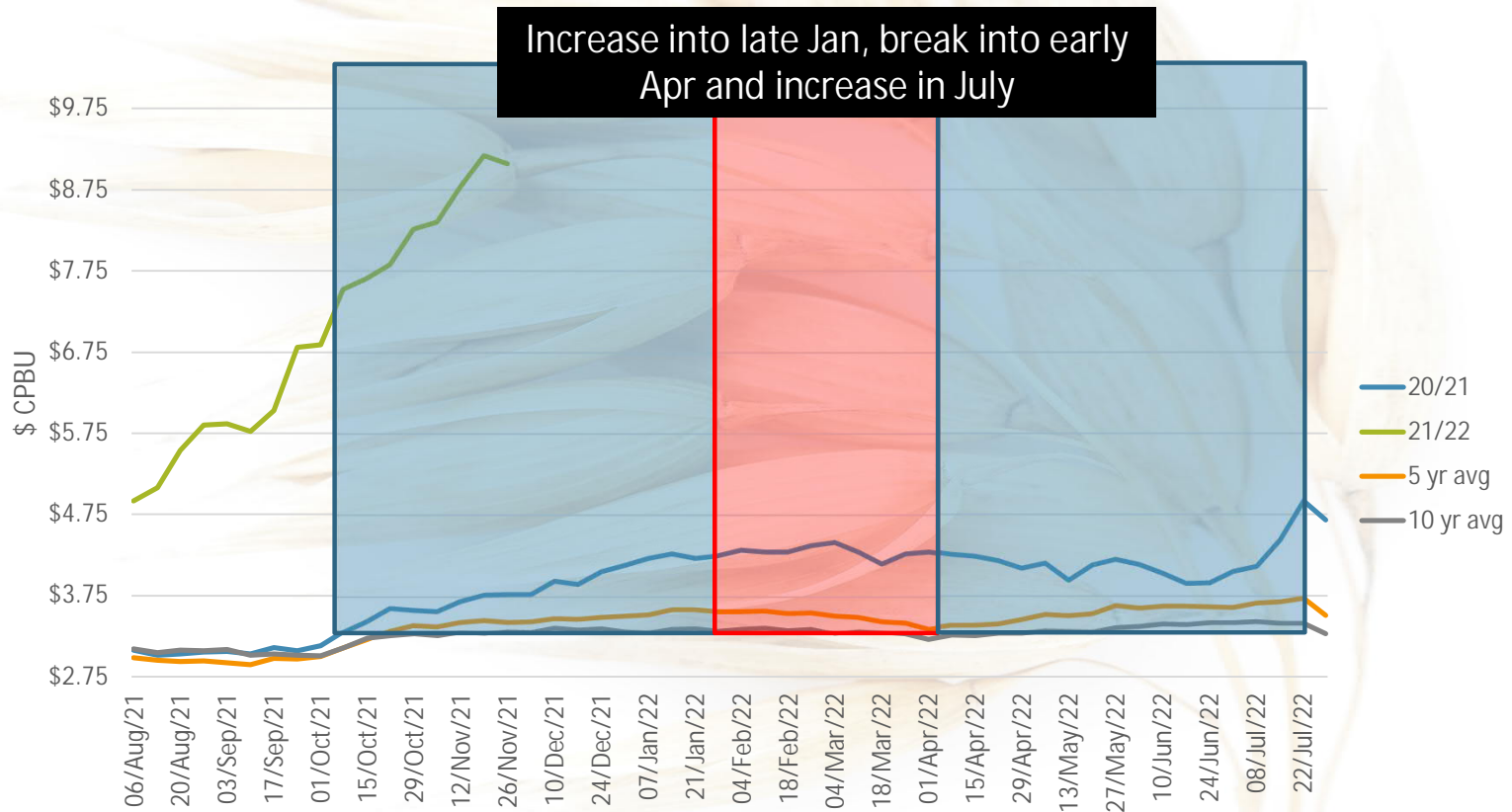
- Oat prices will transition from a Bull to Bear market if Western Canada oat production/supply forecasts are realized.
- If not, we can expect above average oat prices (Manitoba average CDN \$3.50 Cpbu).



Manitoba Seasonal Oat Price Trends



Manitoba Seasonal Oat Price Trends



Canada Oat Price Outlook – Longer Term

Factors potentially impacting oat prices into 2024

- Global oat prices track other major cereals. After reaching a 20-year peak of 32% total global cereal stocks to use ratios have fallen to 23% amidst broader global downward trend. Cereal grain demand is longer term outstripping supply.
- Total Canadian oat supplies are also not keeping pace with domestic oat mill use and raw oat exports (commercial use). The commercial use to total supply ratio has been steadily climbing, from 6% in 1994/95 to 27% in 2020/21.
- Offshore demand for raw Canadian oats is directly tied to rising/record global oat food/beverage use. Canadian offshore (non-US) raw oat exports are growing at annual rate of 7.2%.

Canada Oat Price Outlook – Longer Term

Factors potentially impacting oat prices into 2024

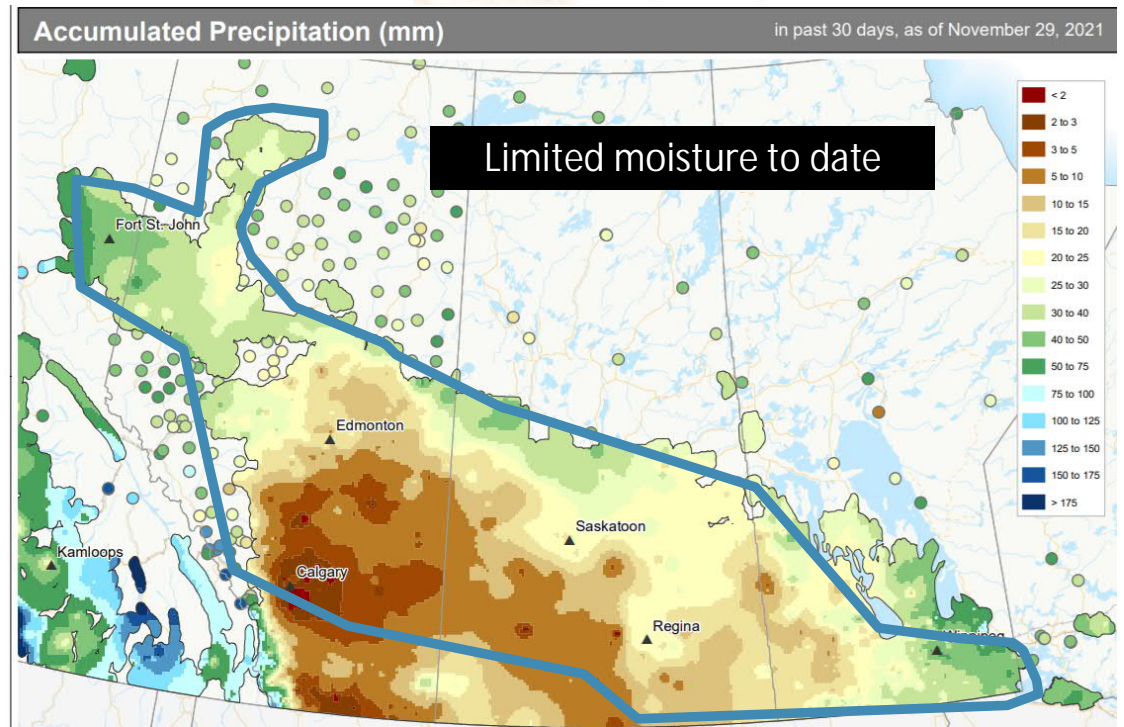
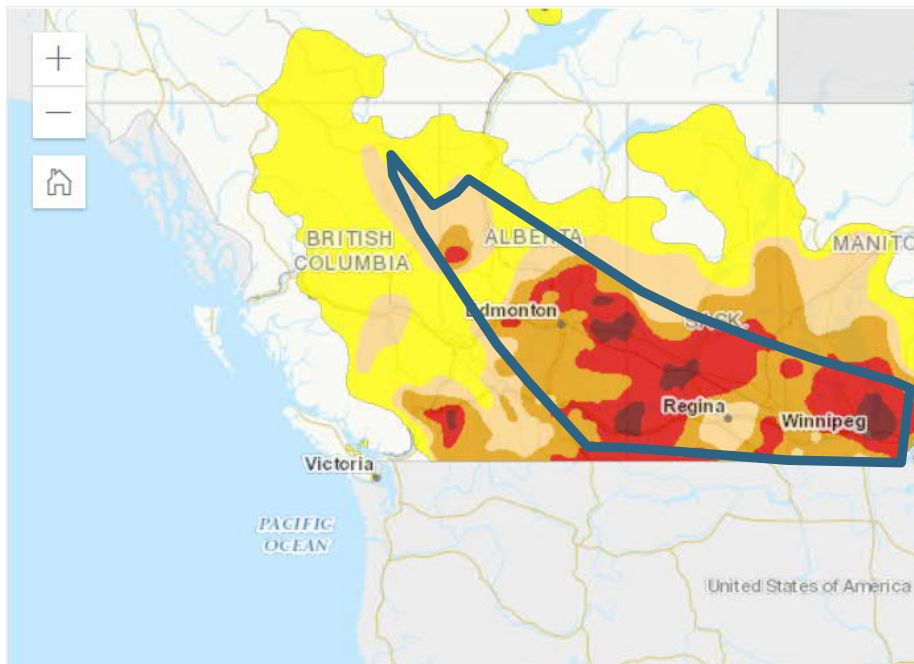
- Increasing demand for glyphosate free and gluten free oats is providing underlying support to Canadian oat prices. Consumer awareness is rising for how crops are grown.
- The global gluten-free oats market reached USD 179 million in 2020. The market is further expected to grow at a CAGR of about 16.9% between 2021 and 2026. North America is the leading region for the market, accounting for the largest market share. This will again provide support to oat prices.
- Summary – The bottom line is cash oat prices in Western Canada are unlikely to return to five-year averages over the next 2-3 years barring a huge increase in Canadian oat plantings and above average oat yields, or sharp increases in non-Canadian oat production globally.




- Continue strong demand for oat food/beverage products.
- North American soil moisture levels critical.


Western Canada Dryness Persists

Drought conditions as of October 31, 2021



 D0 - Abnormally dry

 D2 - Severe drought

 D4 - Exceptional drought



- Continue strong demand for oat food/beverage products.
- North American soil moisture levels.
- Global cereal price trends.
- Net returns for oats versus other crops.



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