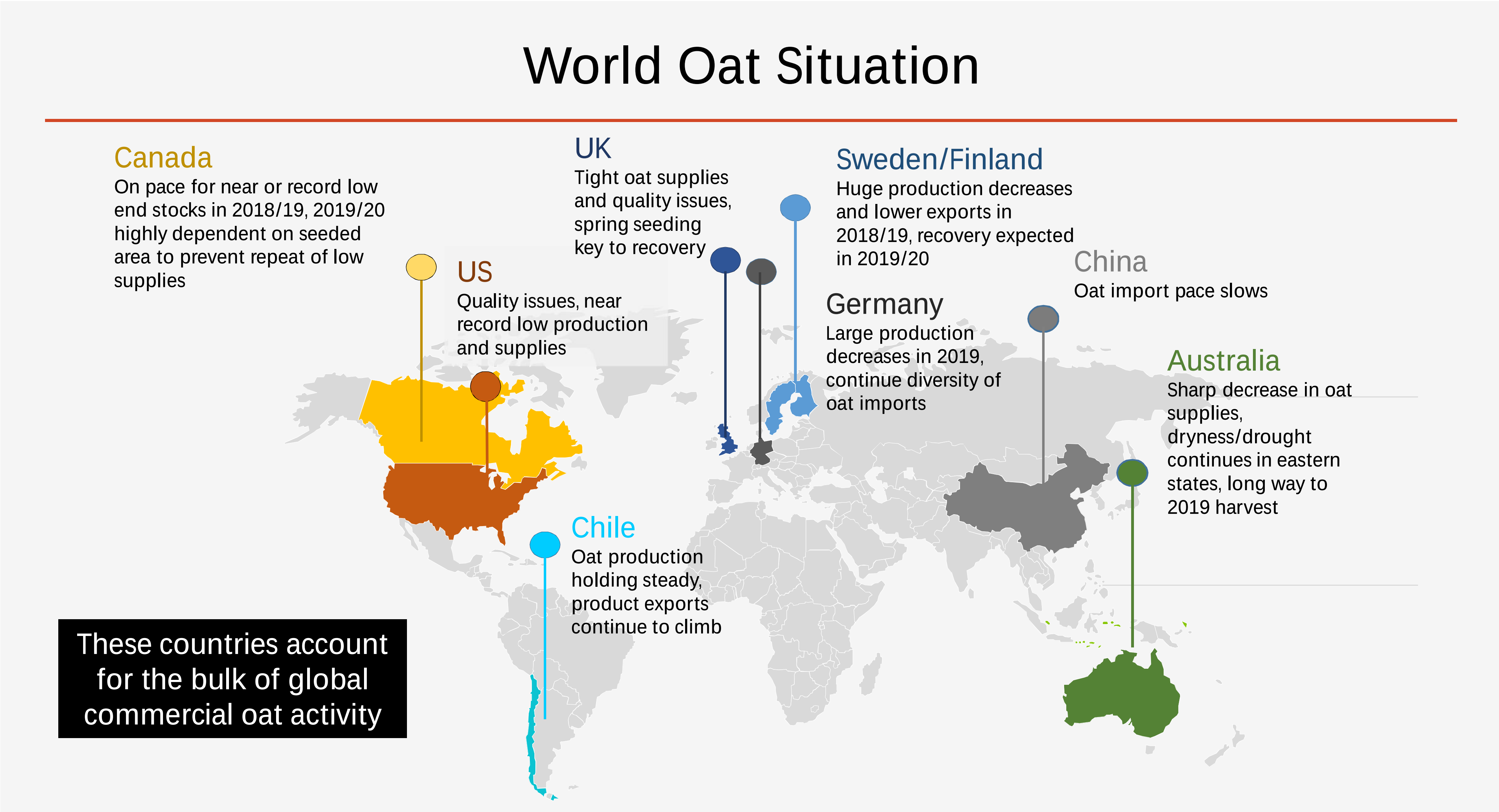
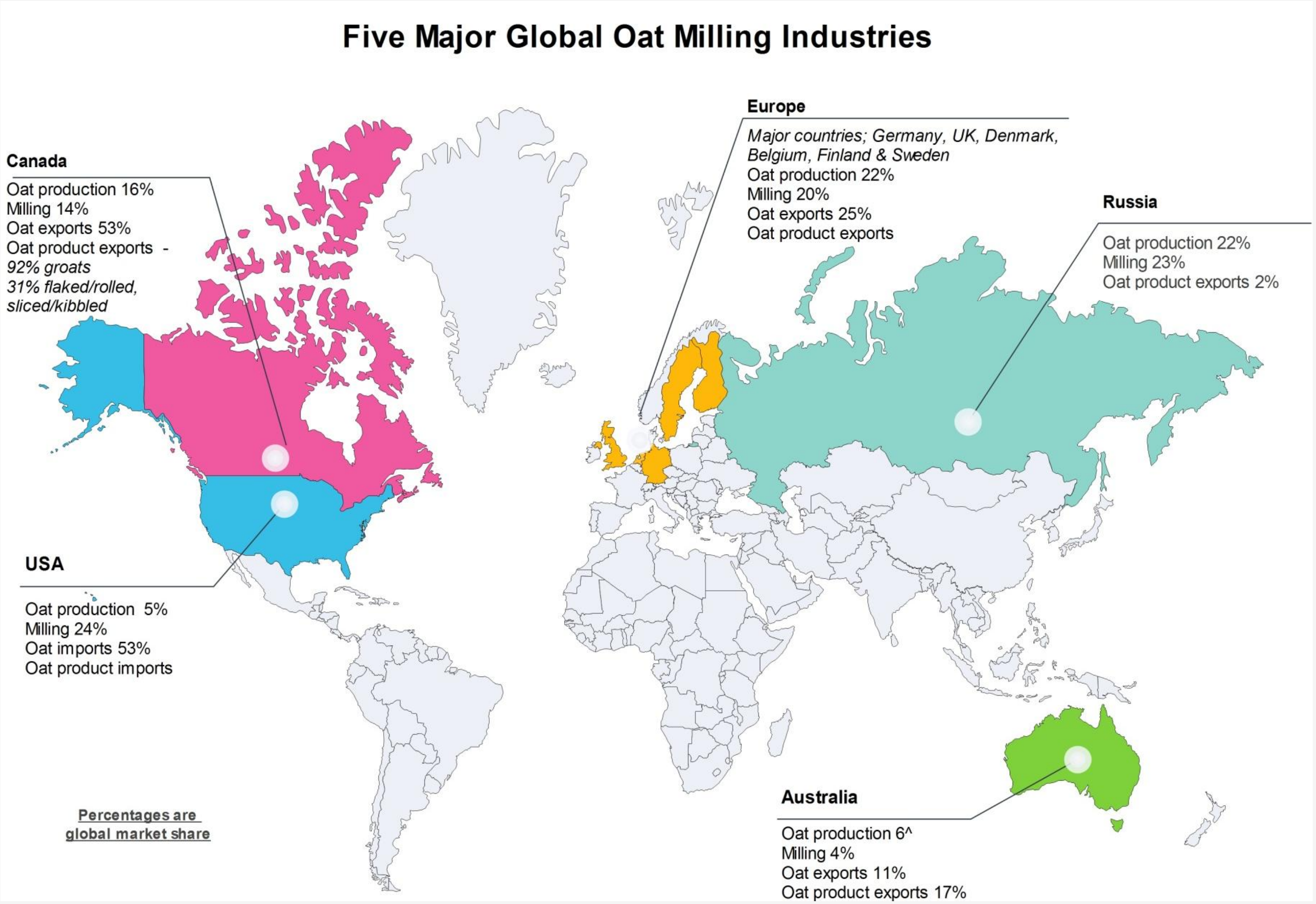
World Oat Outlook

Oatinformation.com

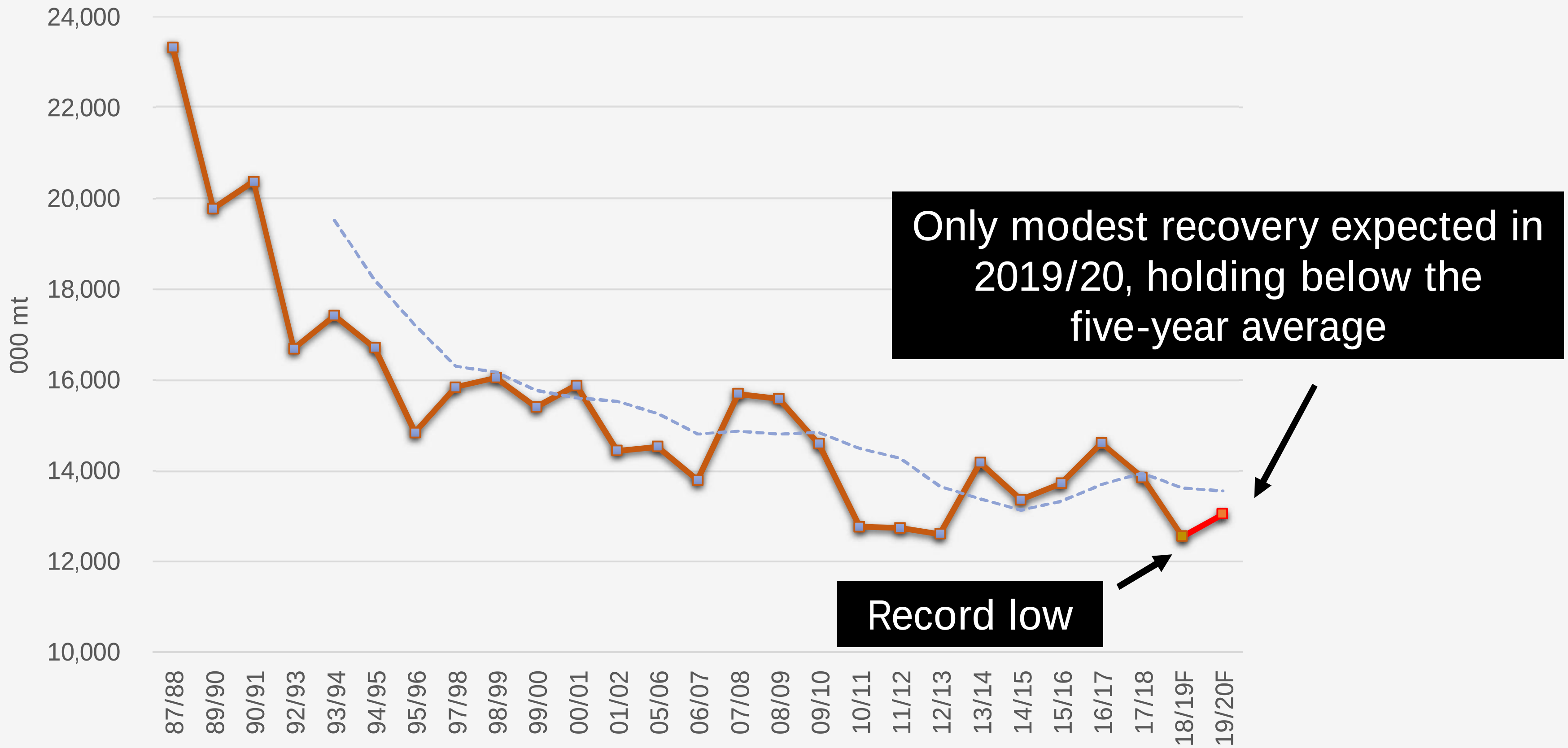
NAMA March 2019


World Oat Situation
Canada
On pace for near or record low end stocks in 2018/19, 2019/20 highly dependent on seeded area to prevent repeat of low supplies
US
Quality issues, near record low production and supplies
UK
Tight oat supplies and quality issues, spring seeding key to recovery
Sweden/Finland
Huge production decreases and lower exports in 2018/19, recovery expected in 2019/20
Germany
Large production decreases in 2019, continue diversity of oat imports
China
Oat import pace slows
Australia
Sharp decrease in oat supplies, dryness/drought continues in eastern states, long way to 2019 harvest
Chile
Oat production holding steady, product exports continue to climb
These countries account for the bulk of global commercial oat activity

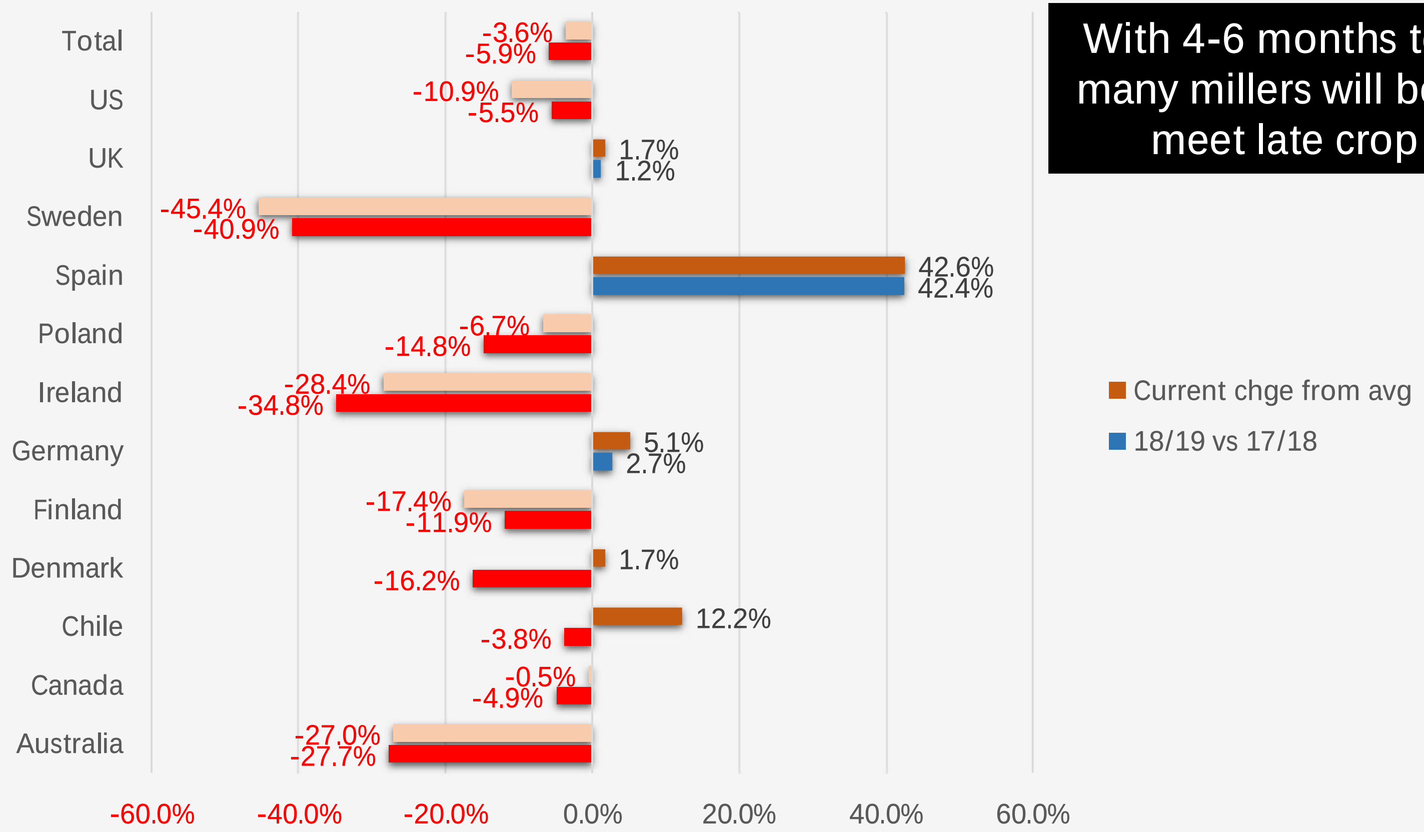
“The “Five Major Global Oat Markets



Oat Supplies – Major Global Trading and Milling Countries

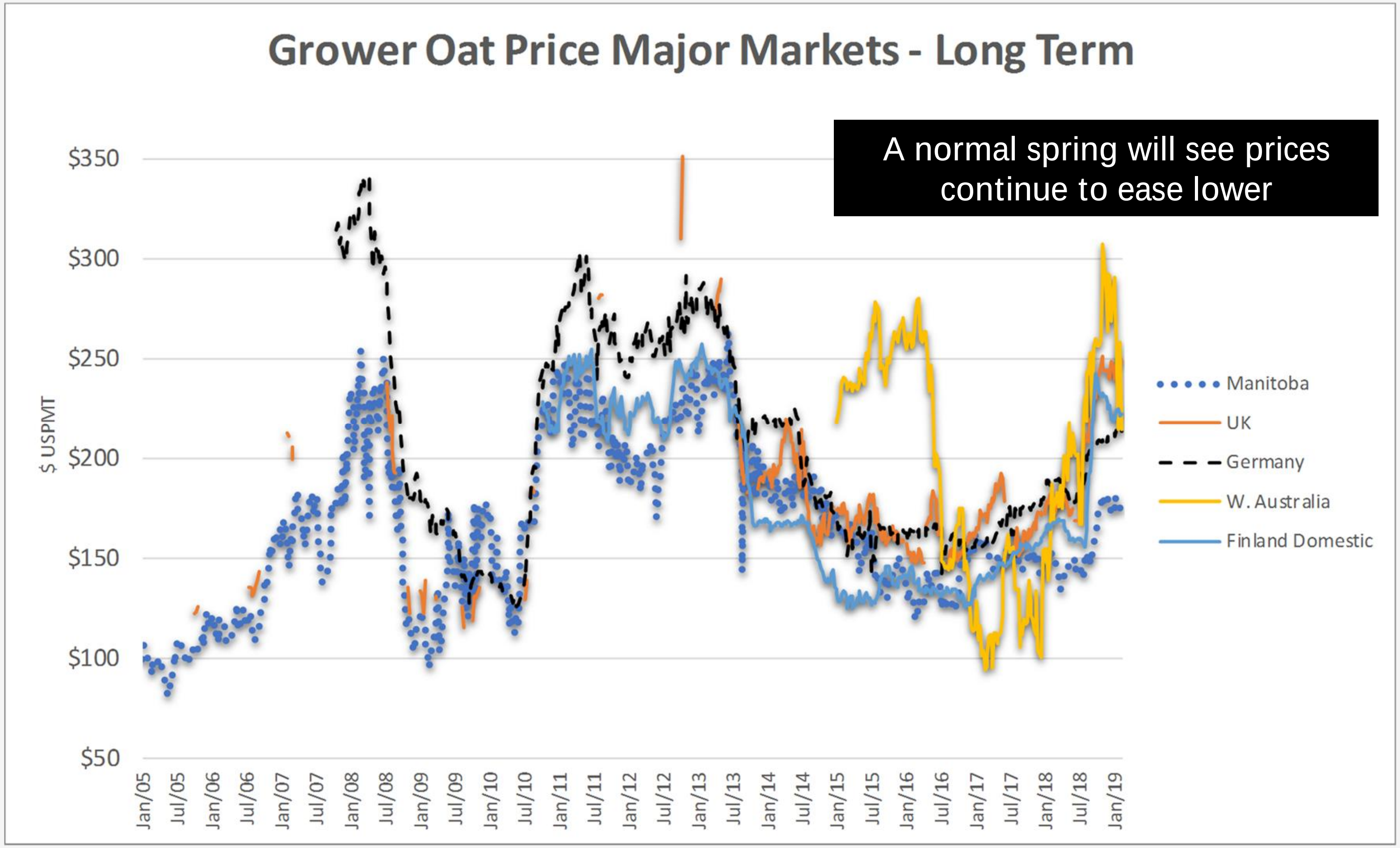


Change Total Oat Supply – Major Global Trading and Milling Countries

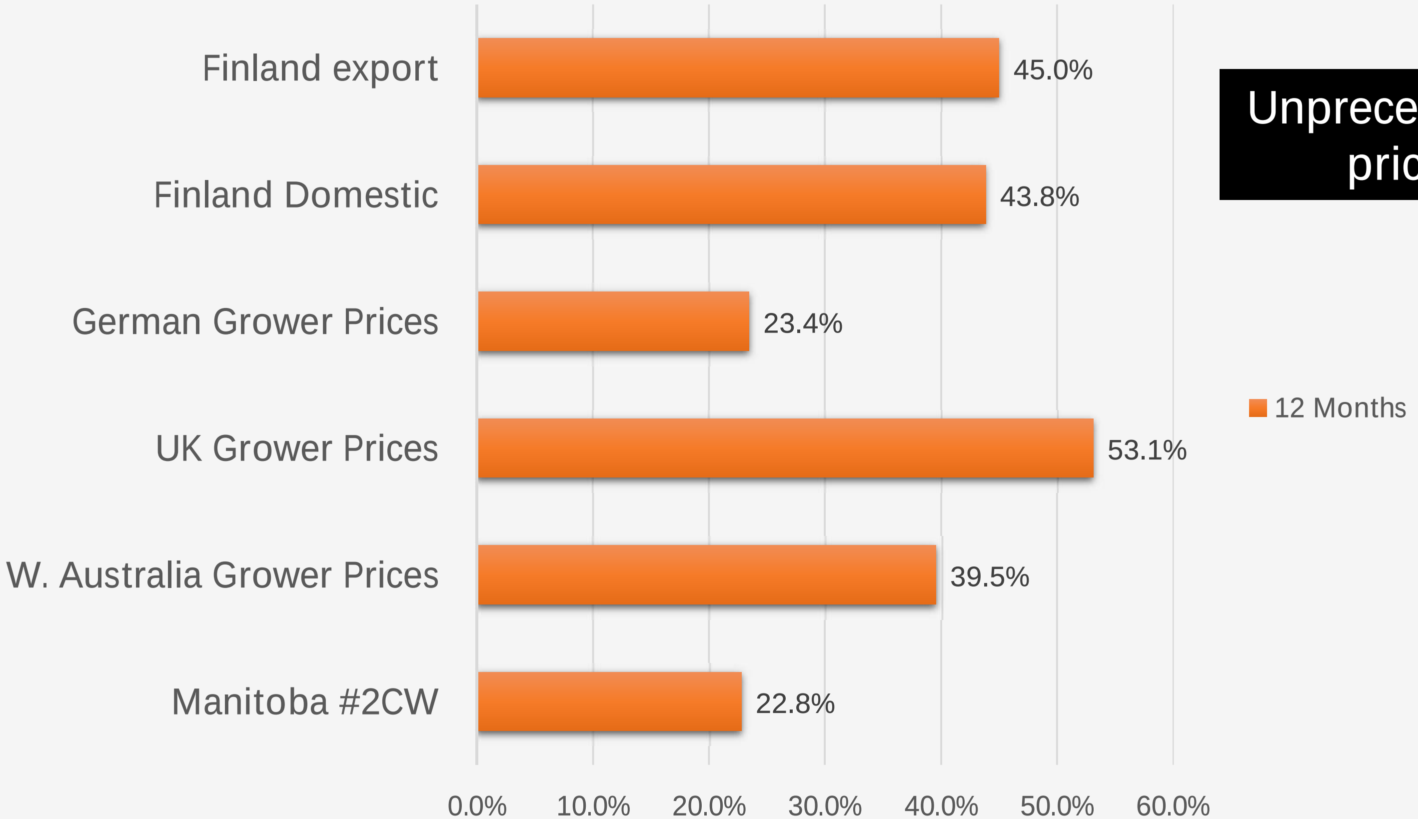


With 4-6 months to 2019 harvest many millers will be challenged to meet late crop year needs

World Oat Prices

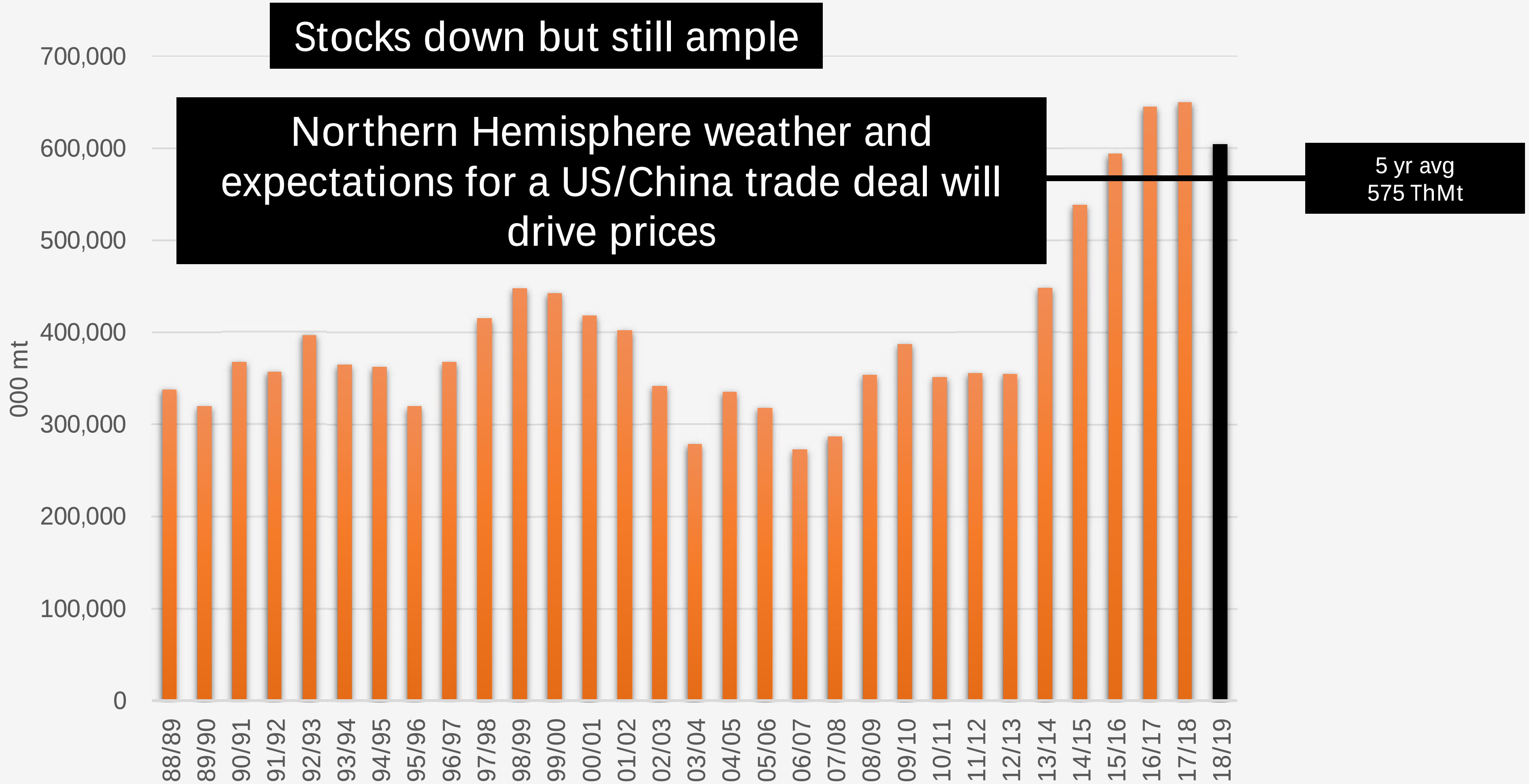


Change Oat Prices – Major Oat Markets

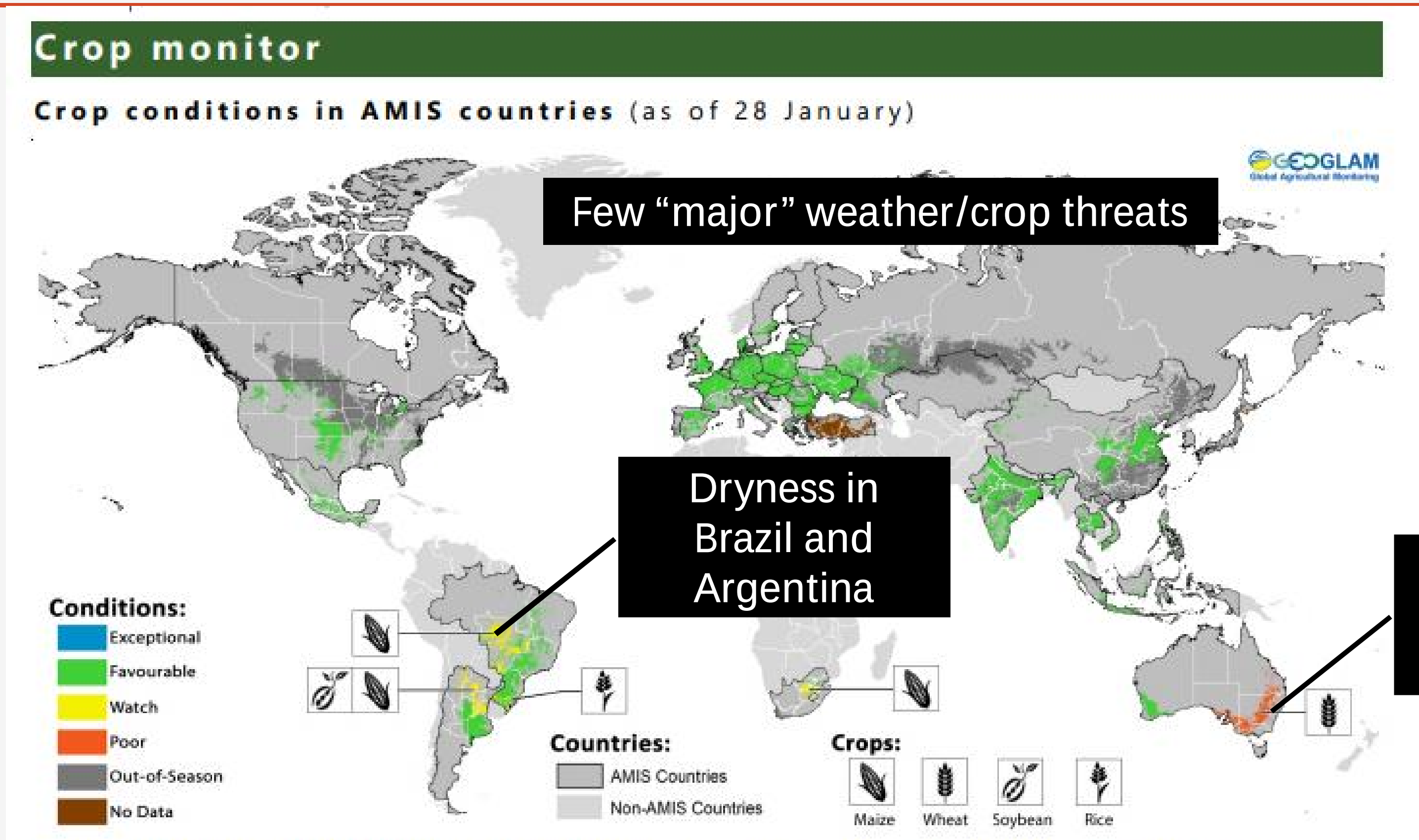


Unprecedent year of price gains

World Grain End Stocks



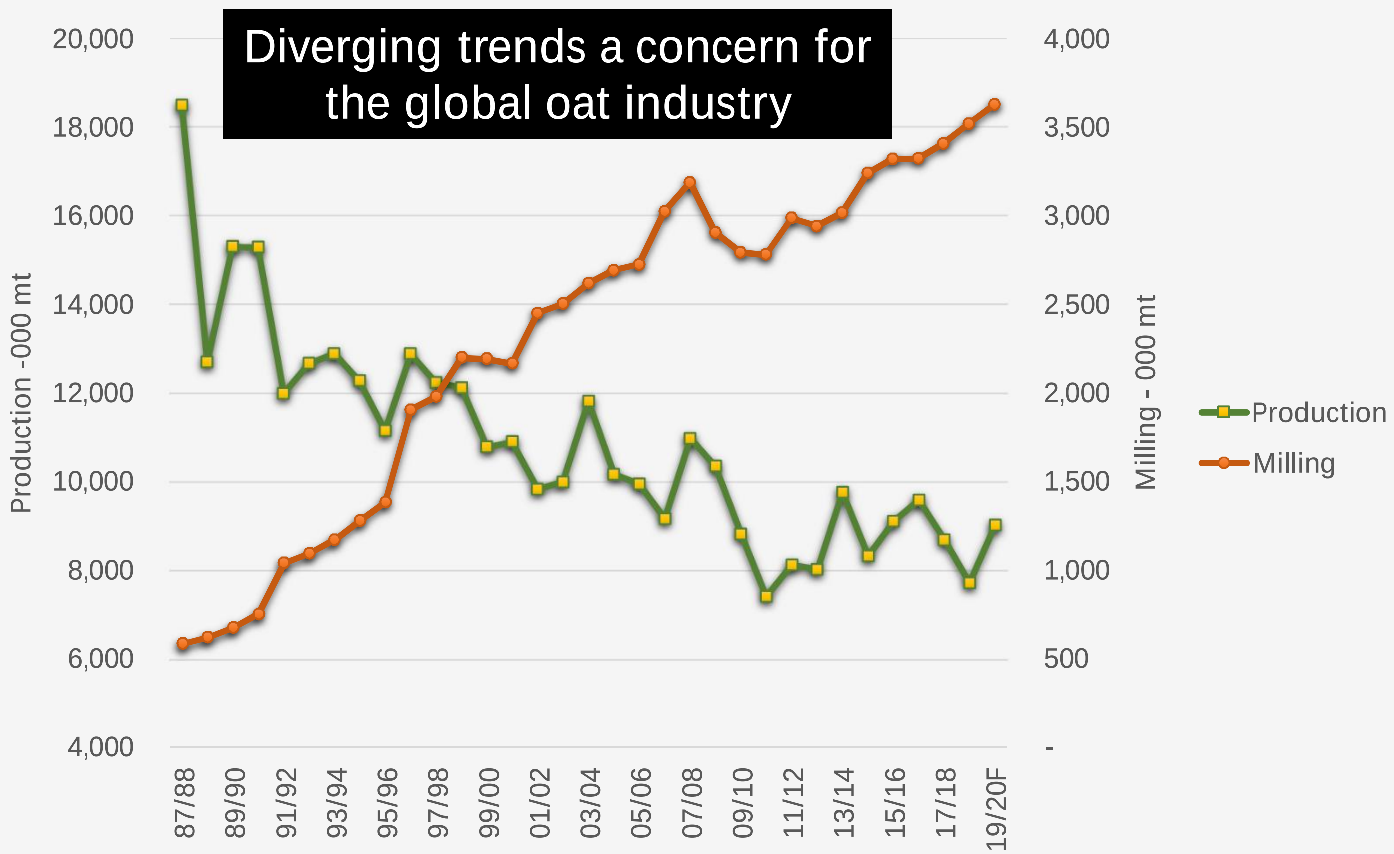
World Crop Conditions and Issues



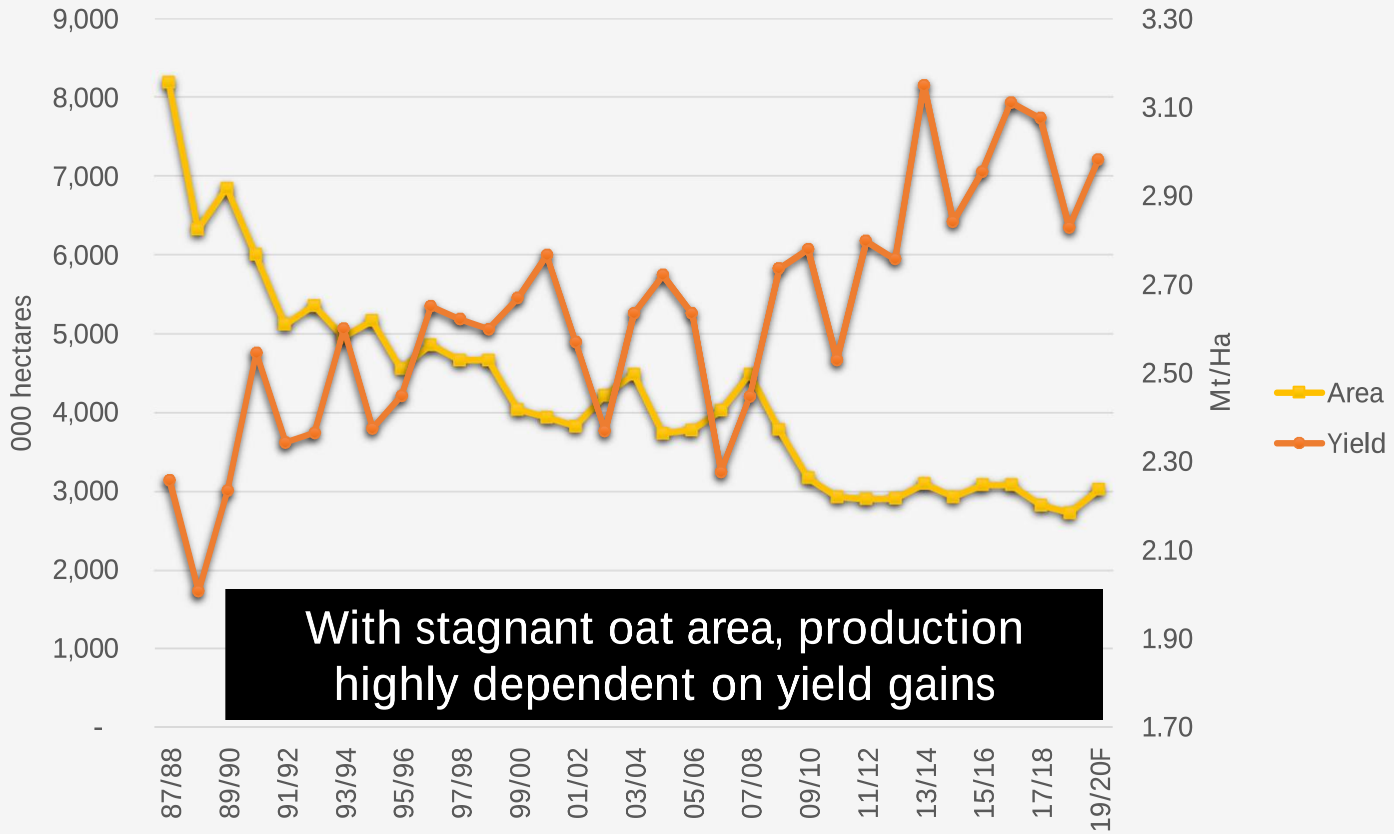
Crop condition map synthesizing information for all four AMIS crops as of 28 January. Crop conditions over the main growing areas for wheat, maize, rice, and soybean are based on a combination of national and regional crop analyst inputs along with earth observation data. ***Only crops that are in other-than-favourable conditions are displayed on the map with their crop symbol.***

Oat Industry Trends

Oat Milling and Production Trends – Major Global Trading and Milling Countries

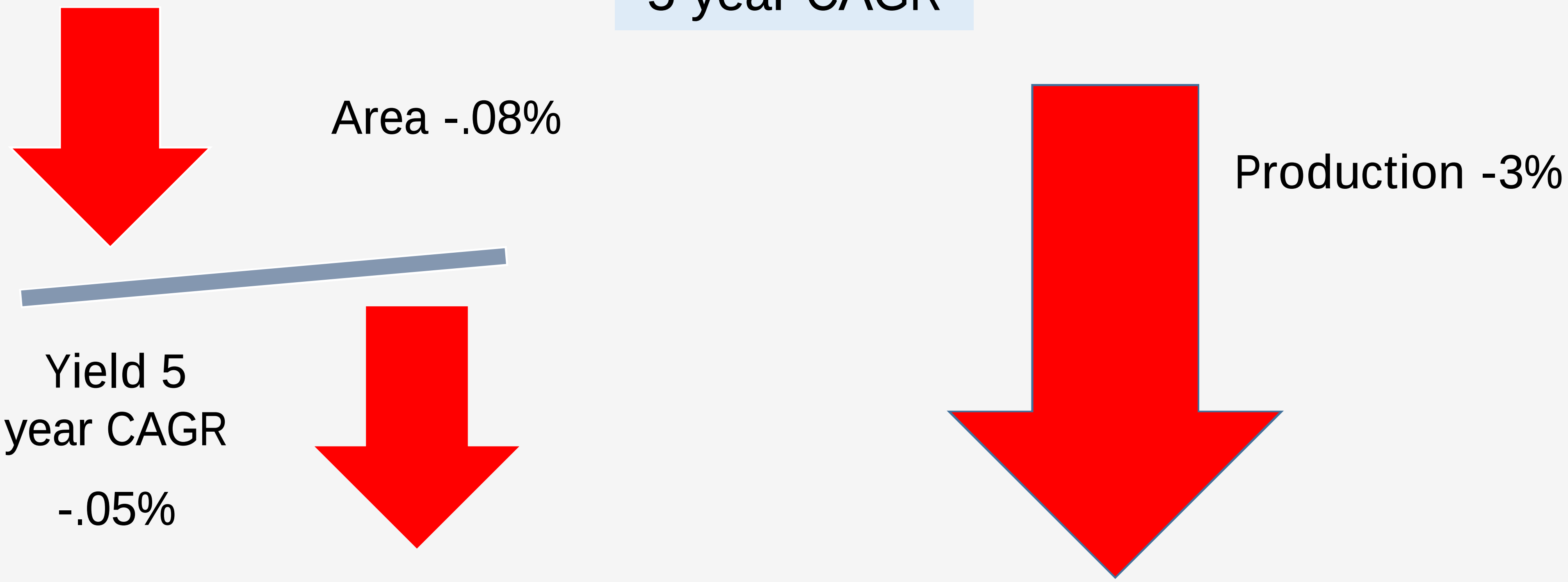


Oat Area and Yields Trends – Major Global Trading and Milling Countries

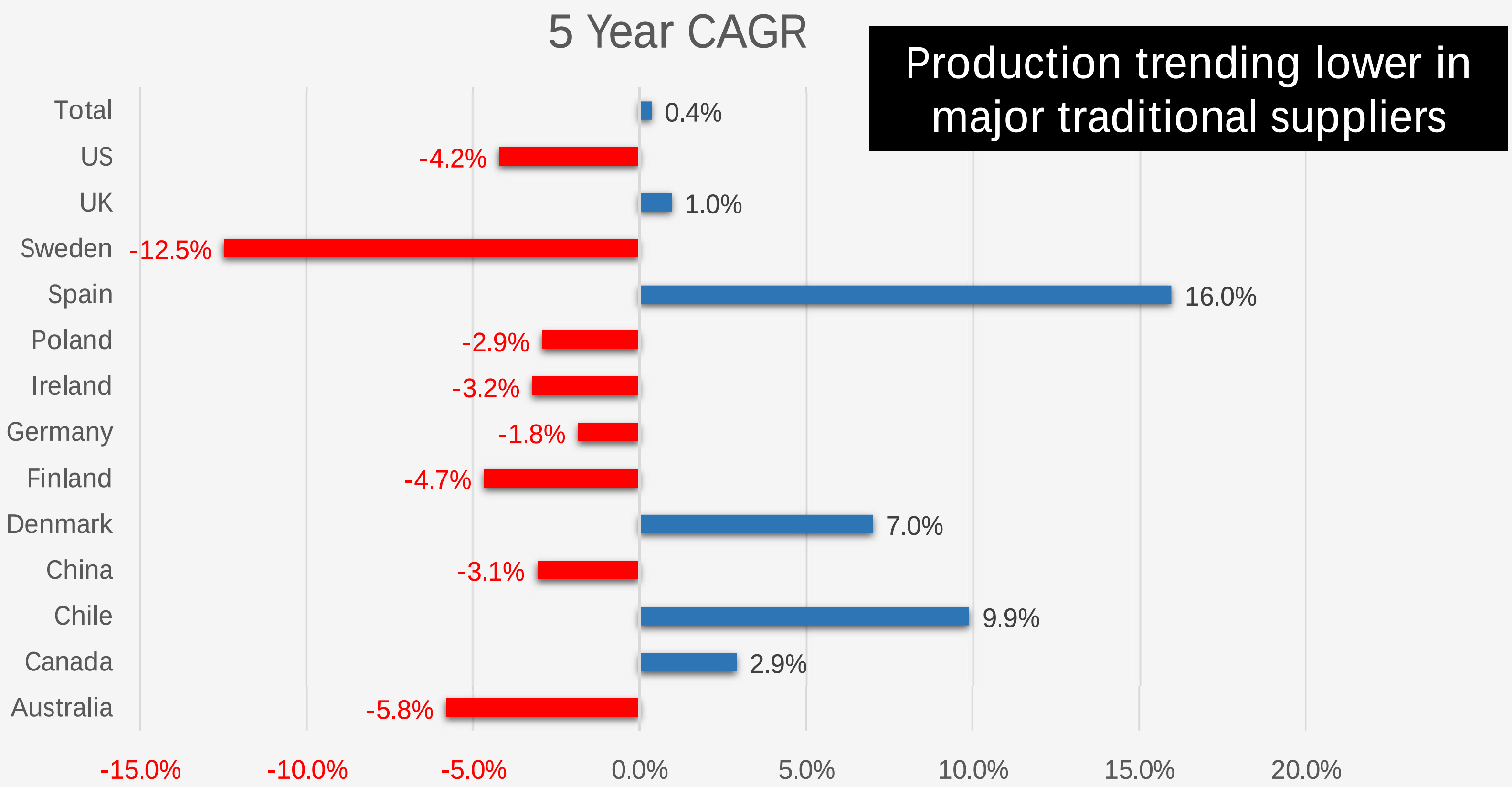


Yield and Production Growth – Major Global Oat Markets

5 year CAGR

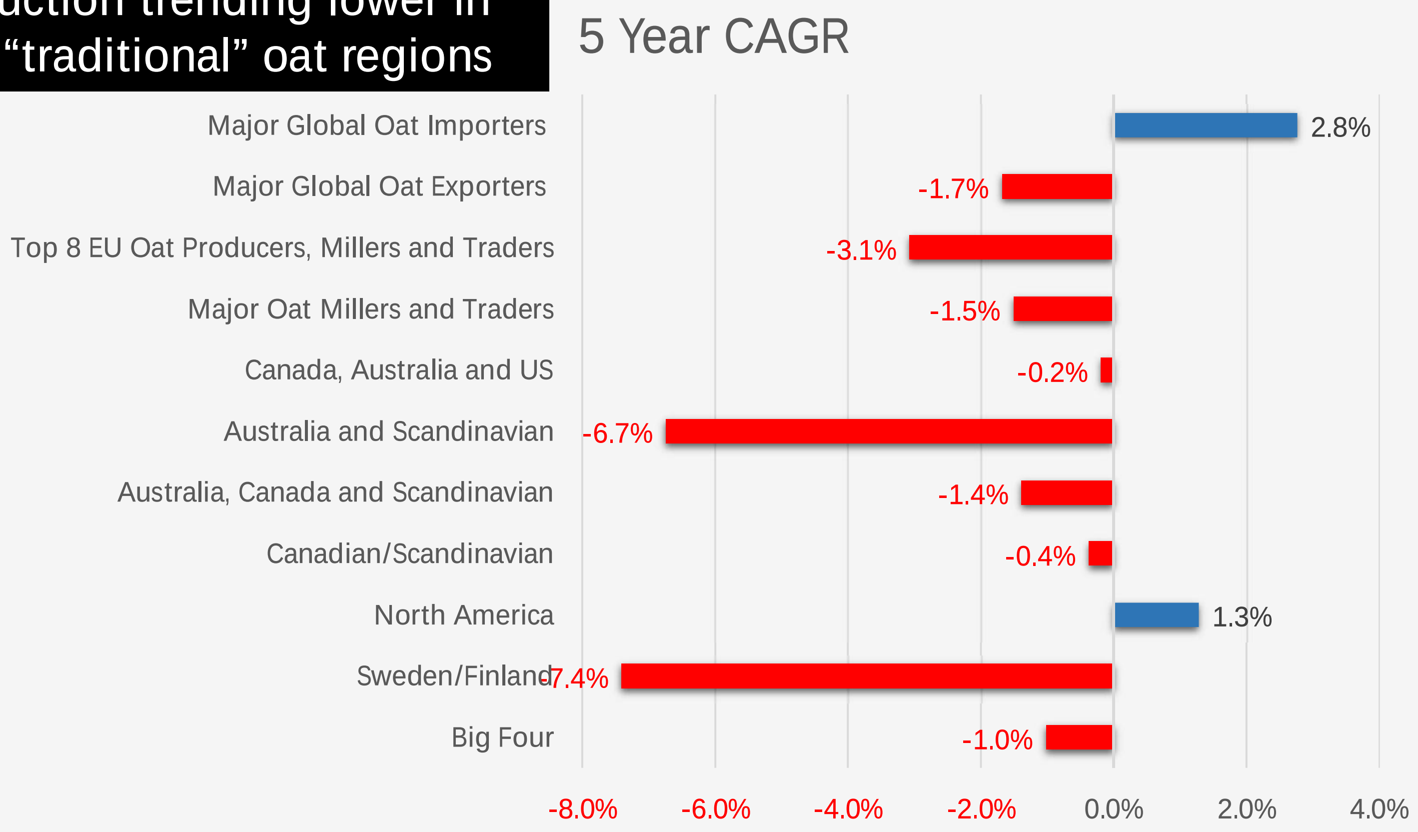


Oat Production Growth – Major Trading and Milling Countries

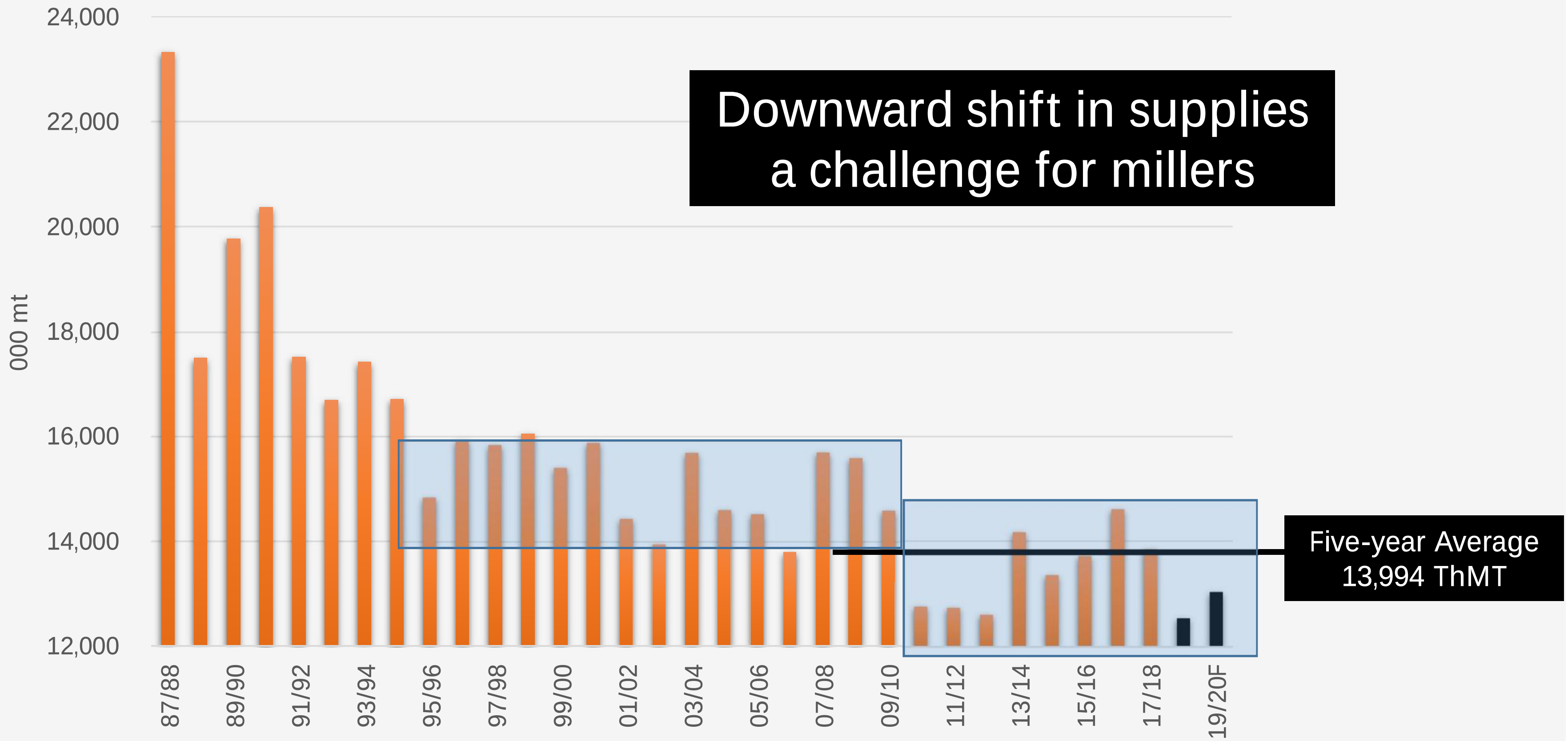


Oat Production Growth – Major Trading and Milling Regions

Again, production trending lower in most major “traditional” oat regions

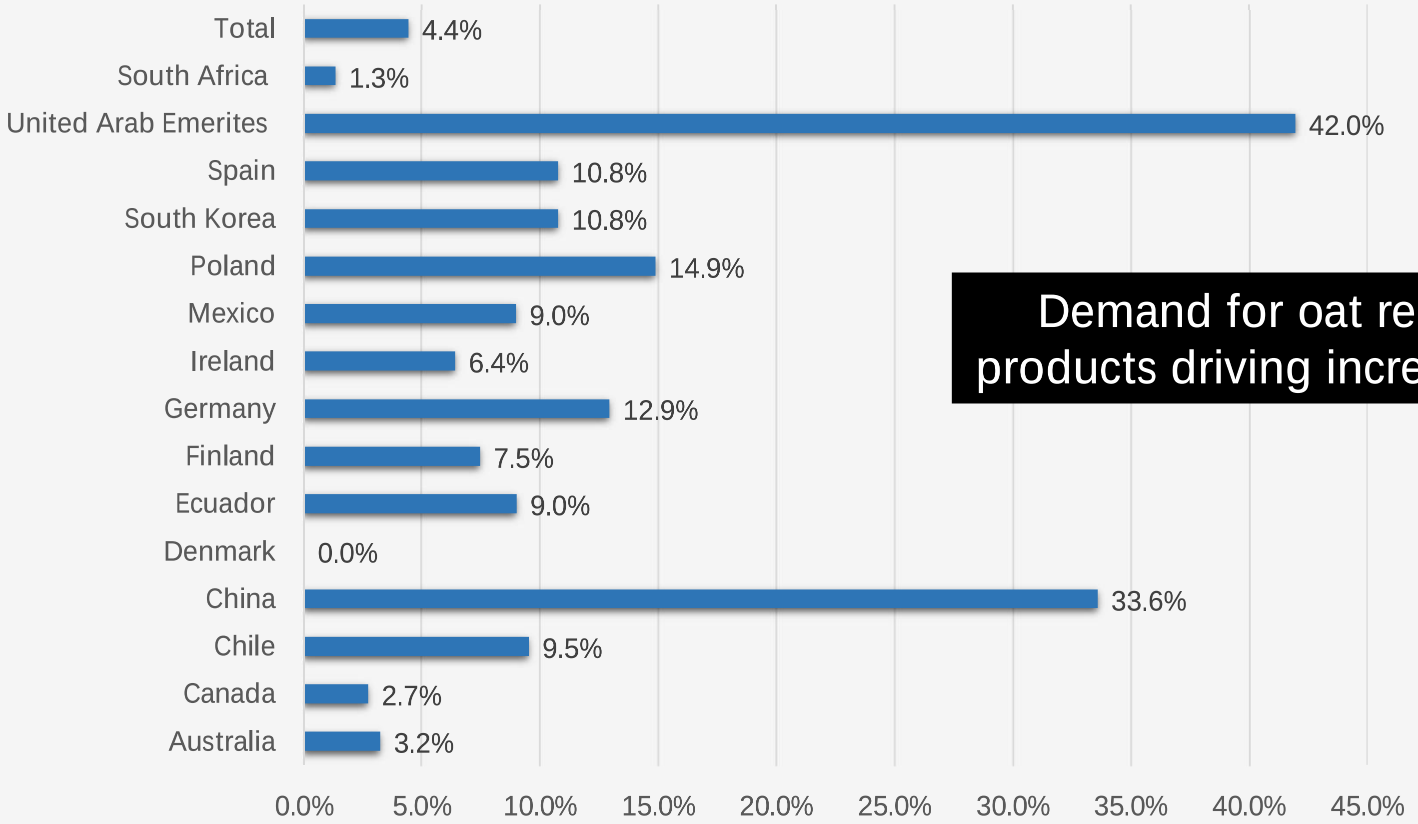


Total Oat Supplies – Major Trading and Milling Countries



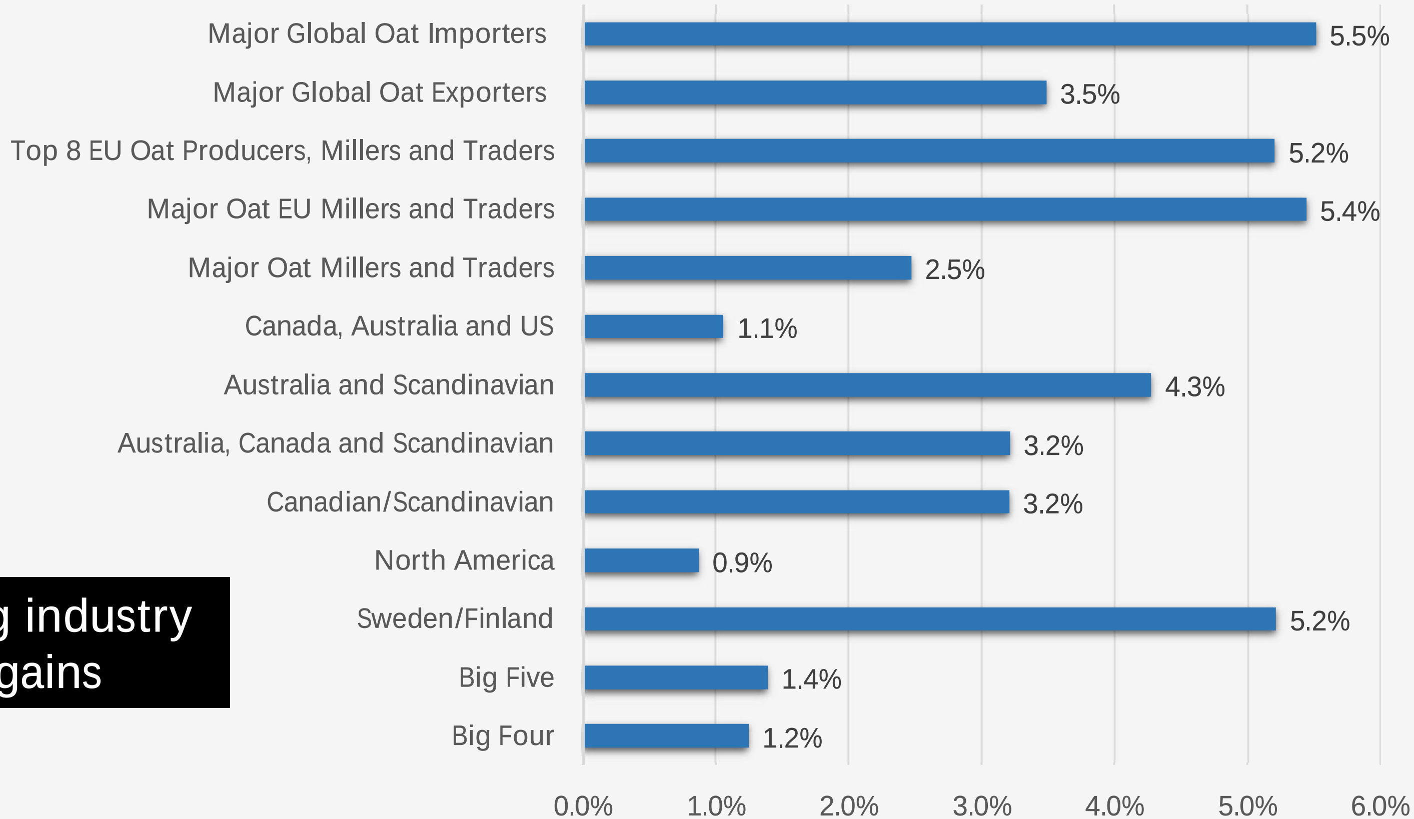
Oat Milling Trends

Oat Milling Growth – Major Trading and Milling Countries



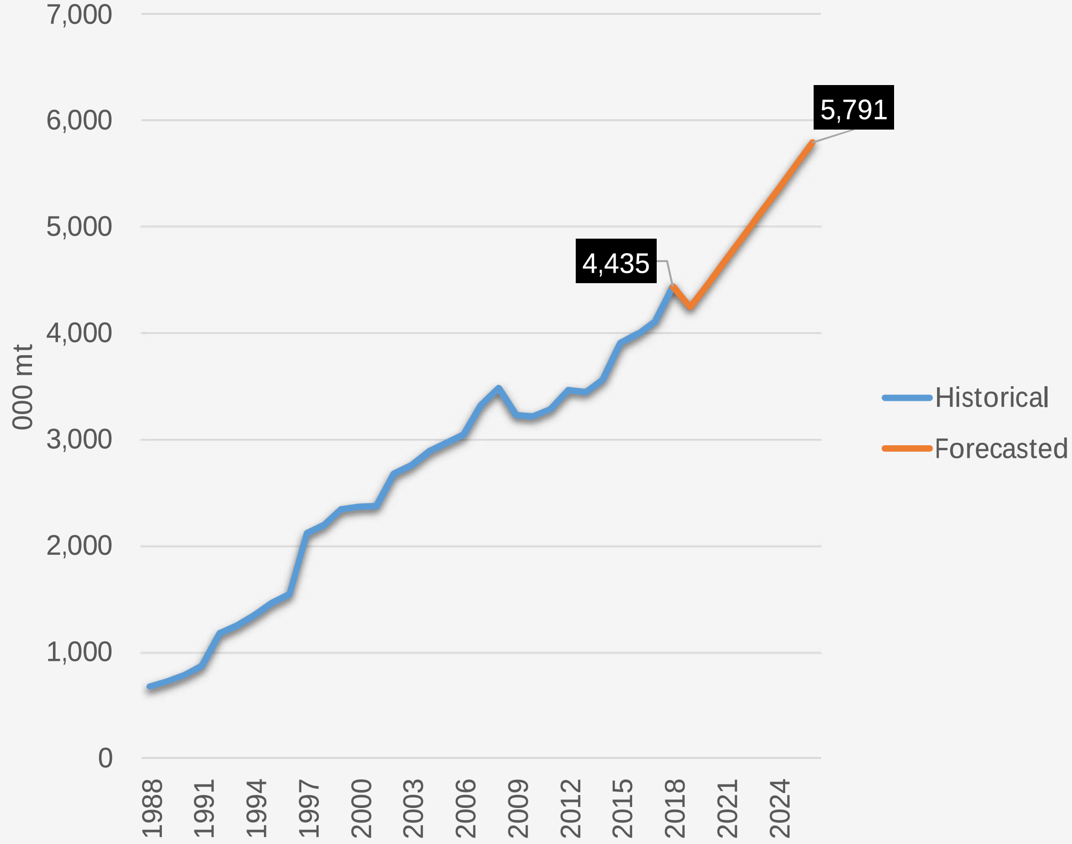
Demand for oat related food products driving increased mill use

Regional Oat Milling Growth – Major Trading and Milling Countries



Major milling industry leading gains

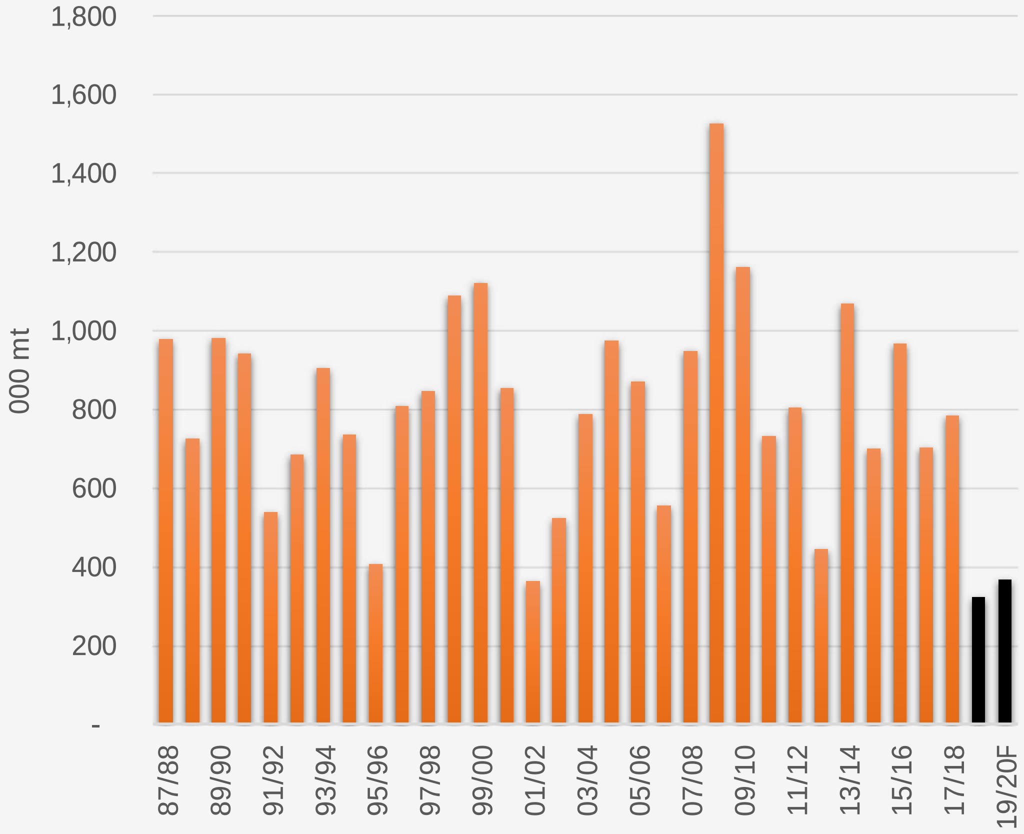
Global Oat Milling Forecast



- Steadily rising food demand continues to drive oat mill capacity and use
- Global mill demand forecast to increase by over 1.3 MMT by 2025
- This equates to roughly 13 large size oat mills.

North American Oat Outlook

Canada Oat End Stocks



- Expected to drop to near to record low in 2018-19
- An increase of 10% or more in seeded oat area needed in 2019 to replenish oat supplies.
- Exports and on farm feed demand remain key drivers

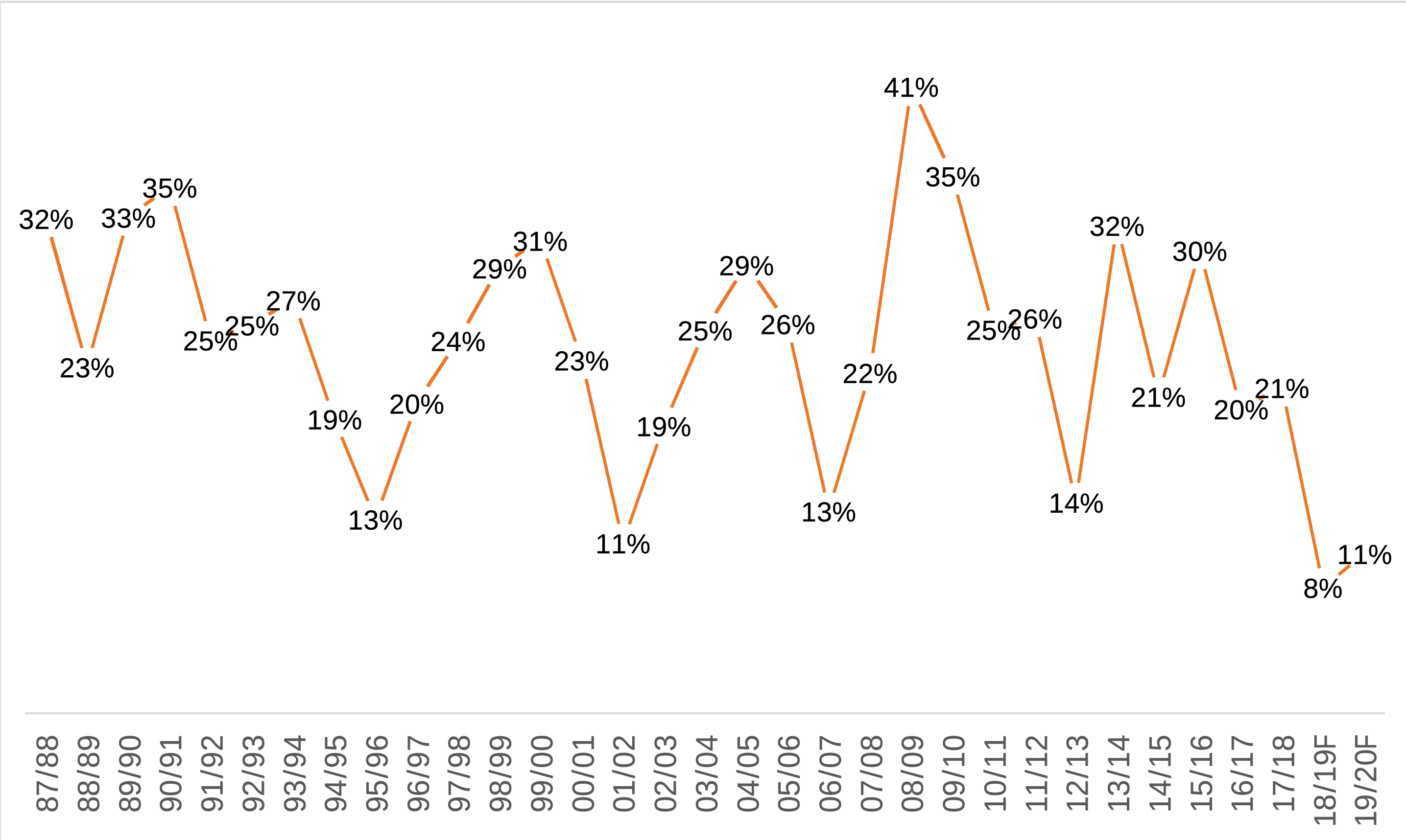
Canada Oat Supply & Use

7% seeded area increase

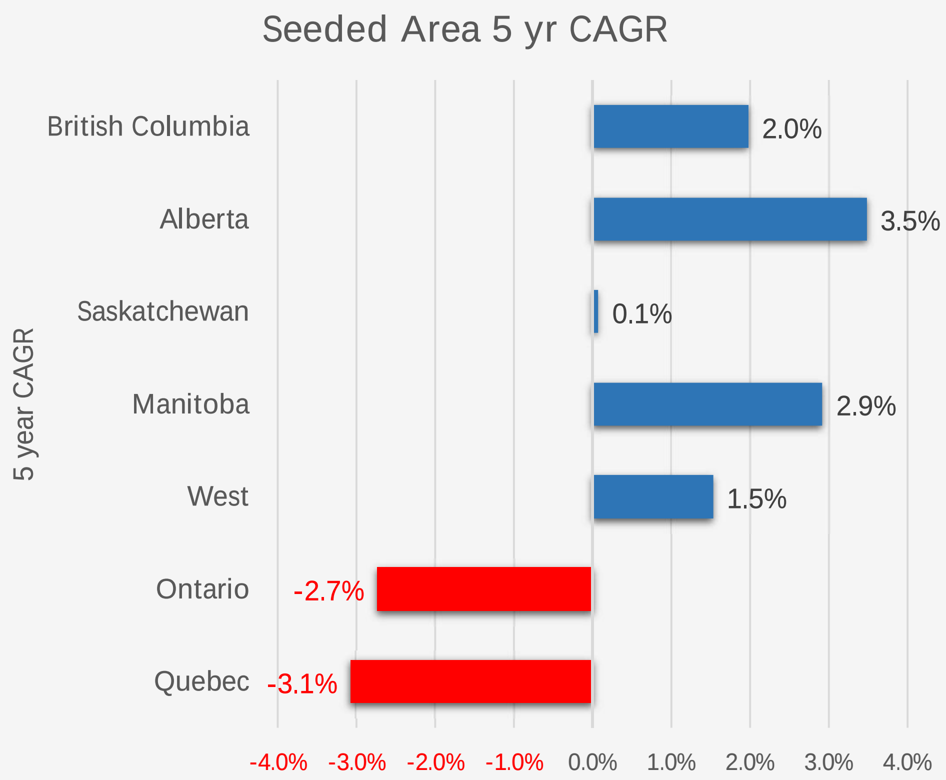
Each 1% = 33,000 MT

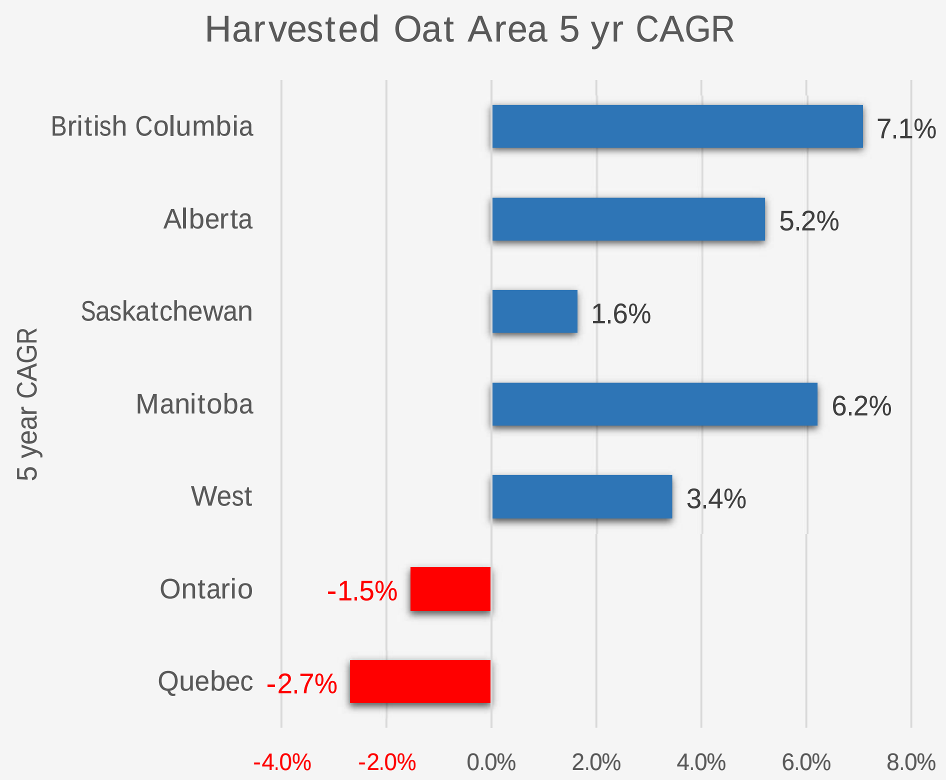
(000 mt)		15/16	16/17	17/18	18/19F		19/20F	18/19				yr
					Jan	Feb	Feb	17/18	18/19	5 yr avg	from avg	CAGR
Harvested	**ha. (000)**	1,048	925	**1,052**	**1,005**	**1,005**	**1,024**	-4.5%	1.9%	1,018	-1.3%	-1.4%
	ac. (000)	2,590	2,285	**2,599**	**2,483**	**2,483**	**2,530**	-4.5%	1.9%	2,516	-1.3%	-1.4%
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%	0.0%	21	-20.2%	-10.0%
Total Supply		4,145	4,218	**4,454**	**4,240**	**4,237**	**3,805**	-4.9%	-10.3%	4,257	-0.5%	0.2%
Food, Seed, Enrg/Othe		945	898	**906**	**933**	**938**	**955**	3.6%	2.4%	888	5.7%	2.6%
Seed		97	108	**103**	**103**	**108**	**103**	5.0%	0.0%	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%	-22.5%	872	34.8%	2.5%
Exports		1,571	1,640	**1,731**	**1,780**	**1,800**	**1,750**	4.0%	-1.7%	1,653	8.9%	1.3%
Total Usage		3,178	3,515	**3,669**	**3,713**	**3,913**	**3,480**	6.7%	-6.3%	3,412	14.7%	1.9%
Ending Stocks		966	703	**785**	**527**	**324**	**325**	-58.7%	-38.4%	845	-61.7%	-6.0%
Stocks to Usage %		30%	20%	**21%**	**14%**	**8%**	**9%**	-61.3%	-34.3%	25%	-66.8%	-7.8%

Canada Oat Stocks To Use Ratio

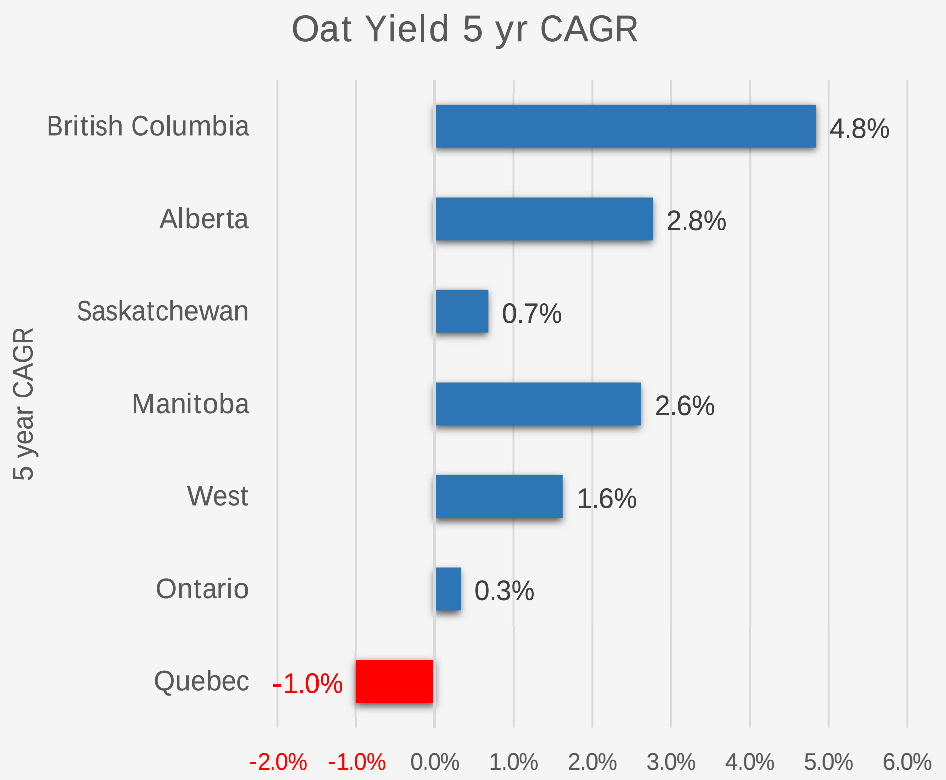


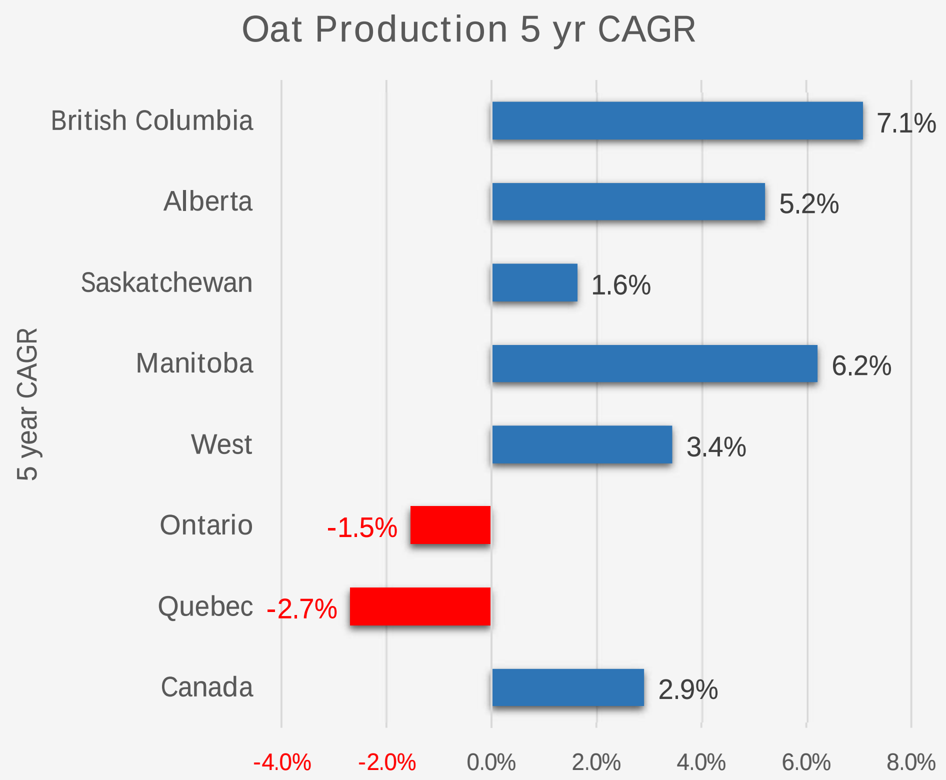
Western Canada Seeded & Harvested Oat Area Growth



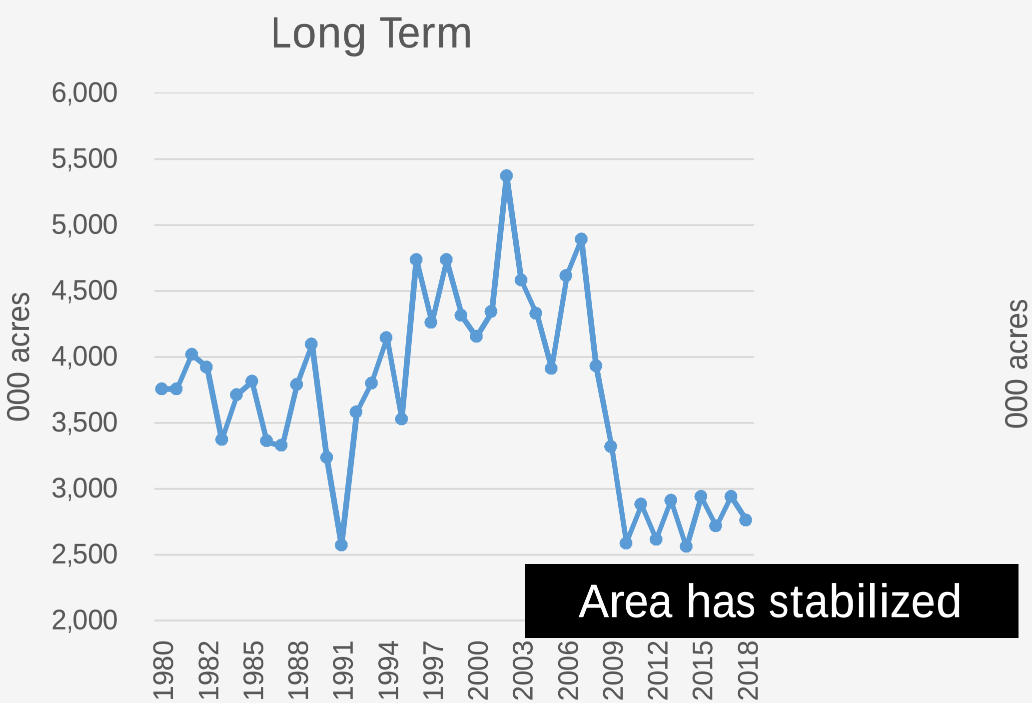


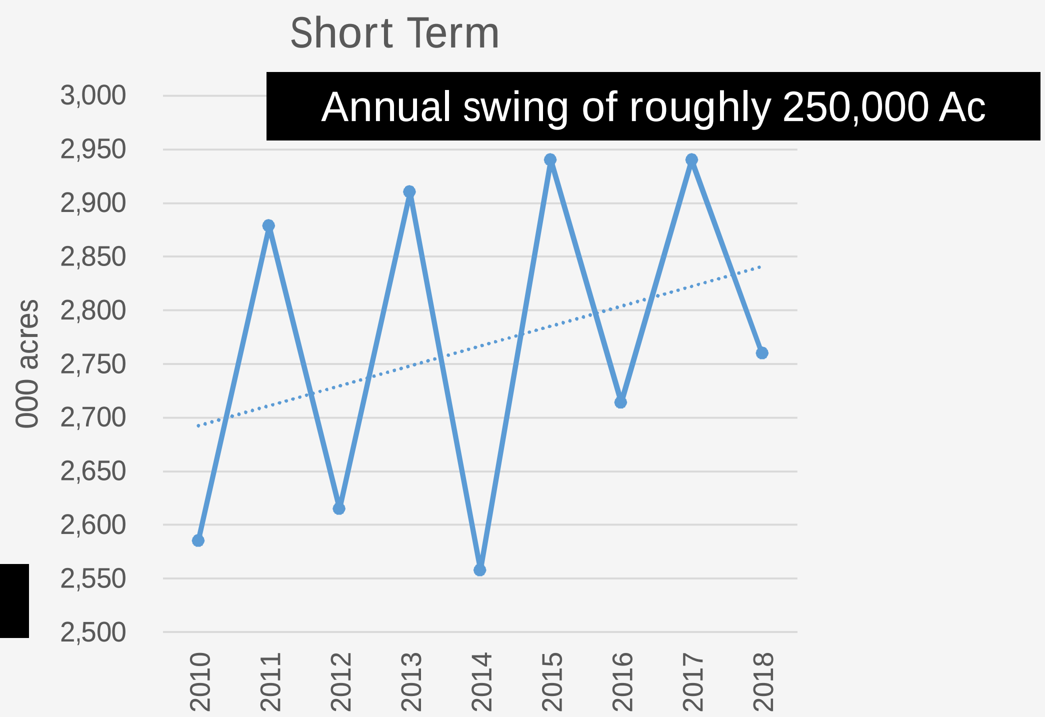
Western Canada Oat Yield & Production Growth





Western Canada Seeded Oat Area

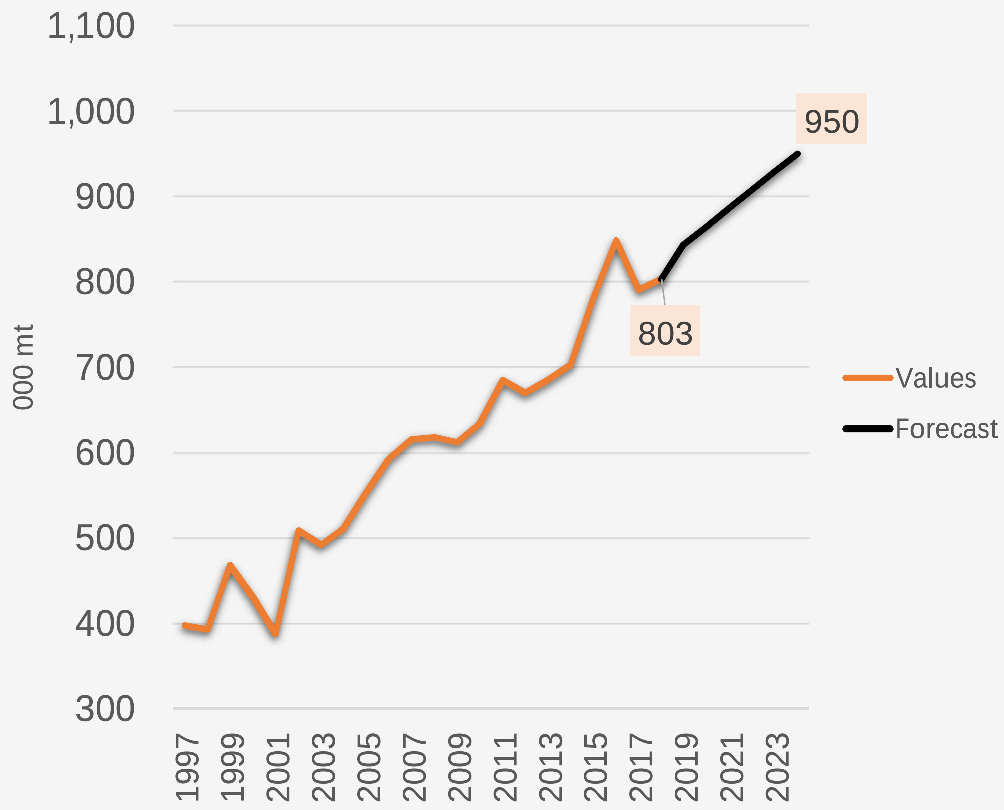




2019 Canadian oat plantings

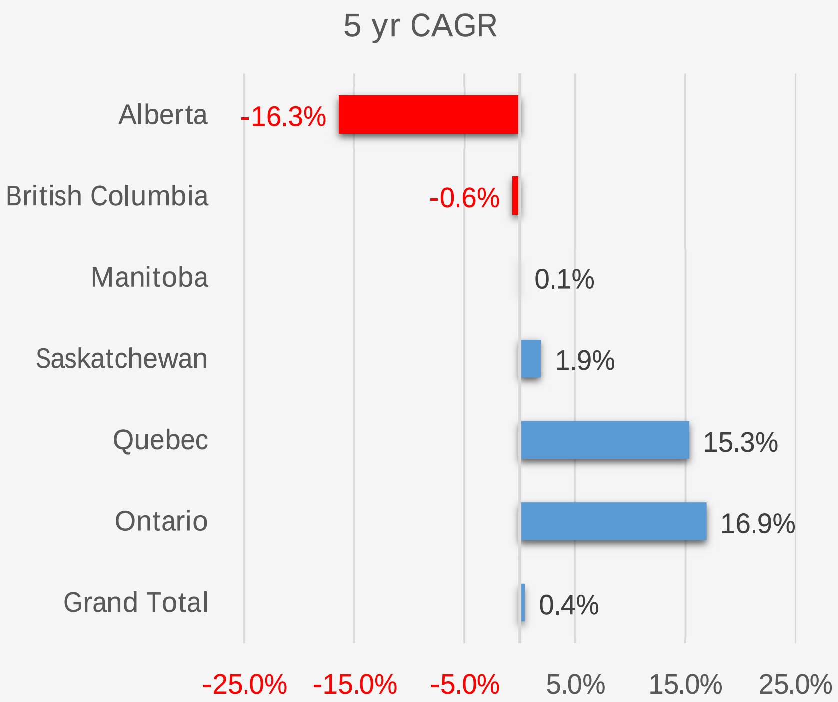
- Industry forecasting 3-5% increase.
- New crop values well below old crop levels.
- Oats could however benefit in Manitoba from lower soybean plantings.
- Saskatchewan plantings critical to Canadian oat supply.
- Conditions somewhat dry but still time for normal germination.
- China canola ban could impact plantings numbers.

Canadian Oat Milling Outlook



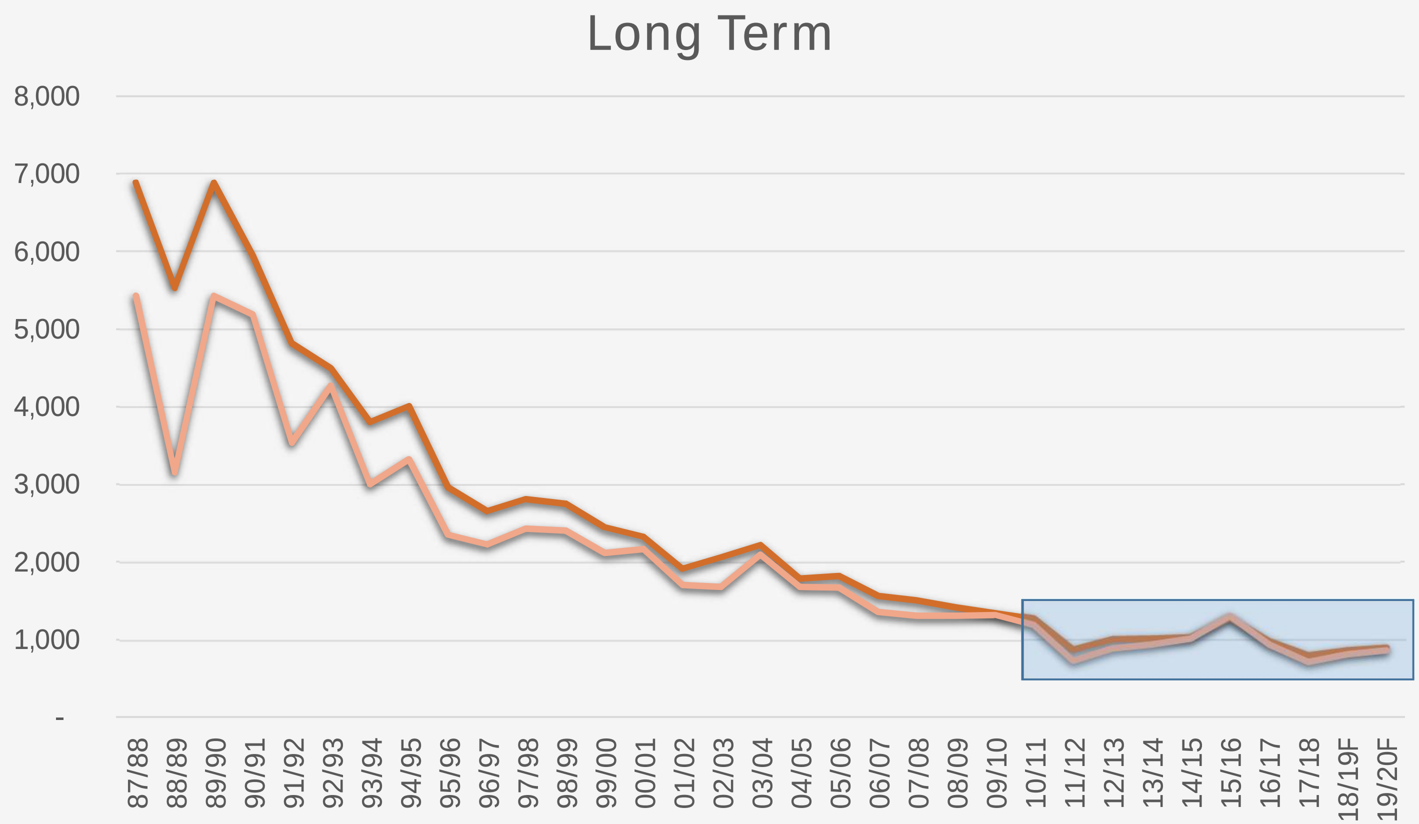
- Steadily rising US demand continues to drive milling
- Capacity/utilization will climb a further 100,000-150,000 by 2023
- Increase in new start ups

Canada Provincial Oat Exports

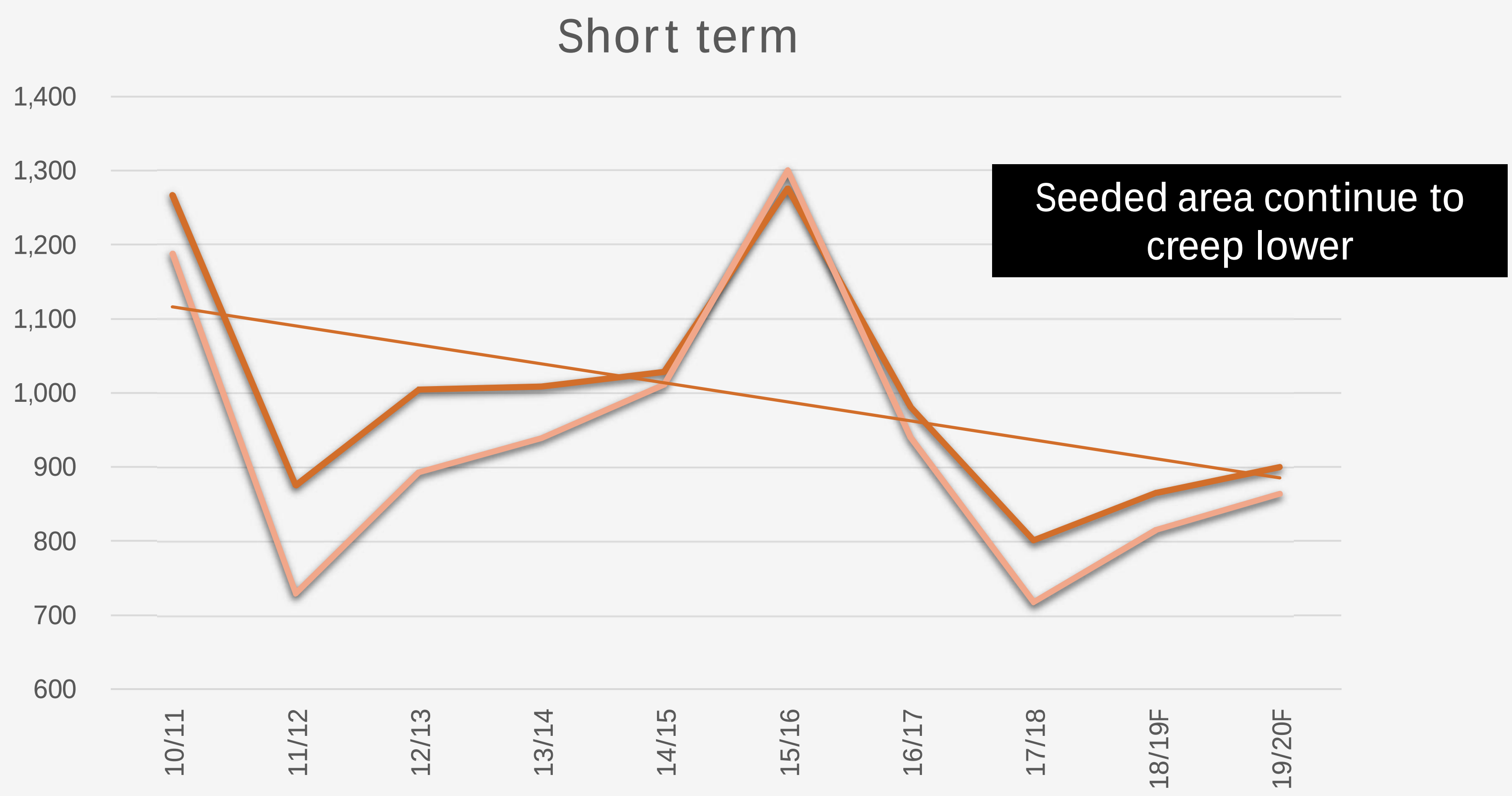


- Overall Canadian exports stagnating
- Manitoba and Saskatchewan showing limited growth
- Saskatchewan should gain longer term as oat production continues to shift north and west.

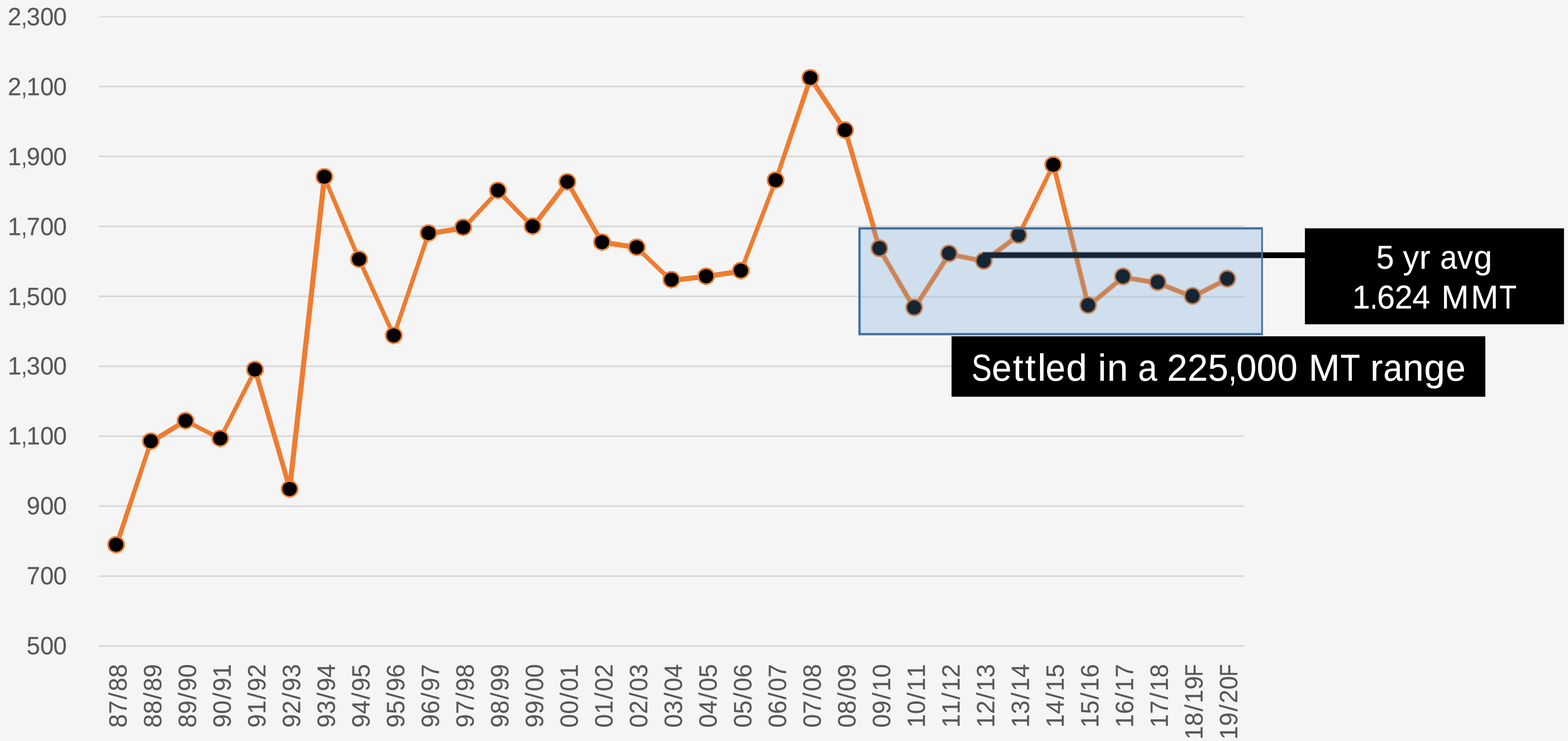
US Oat Area & Production



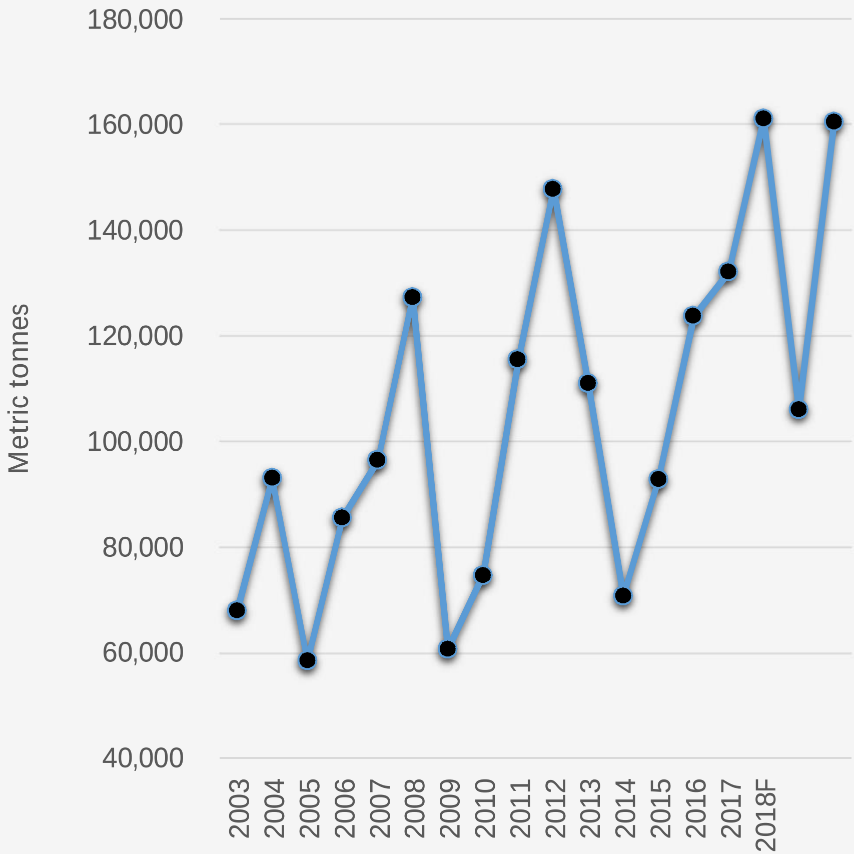
US Oat Area & Production



US Oat Imports

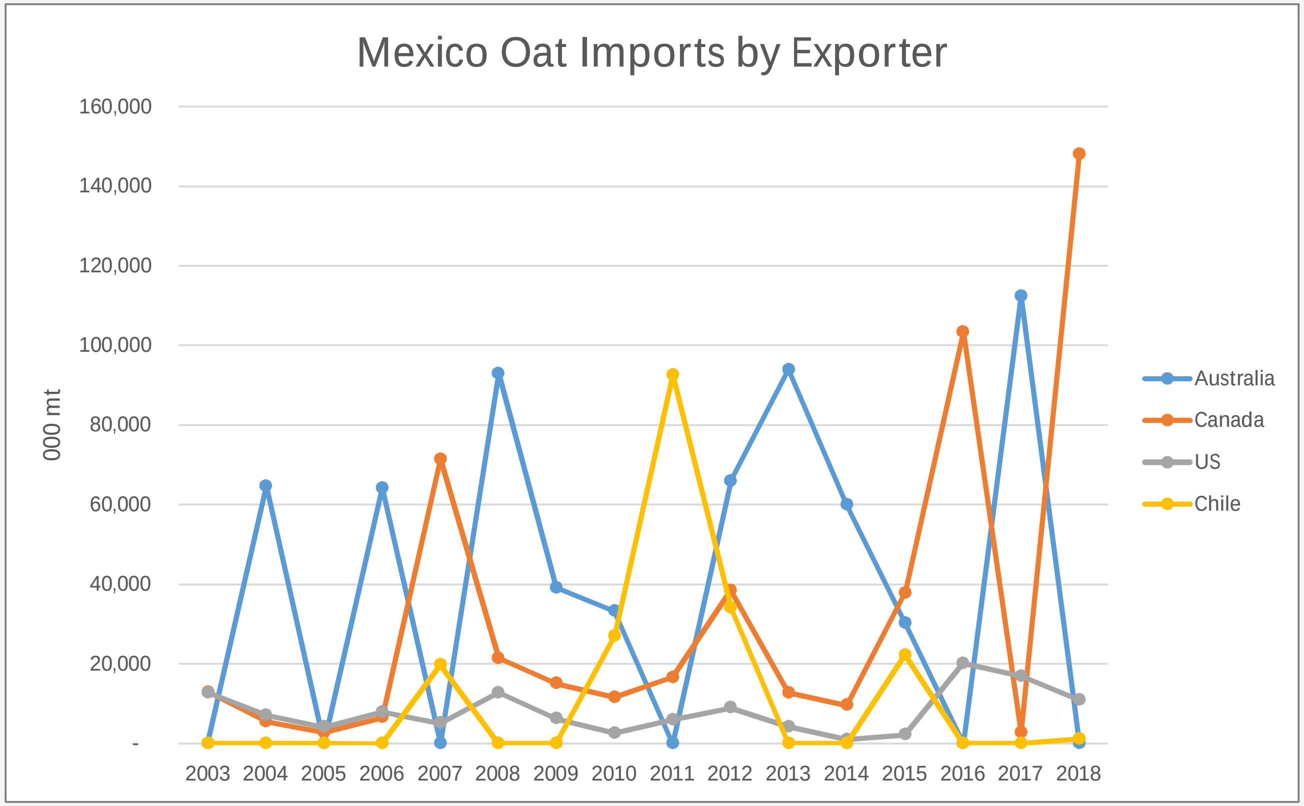


Mexico Oat Imports



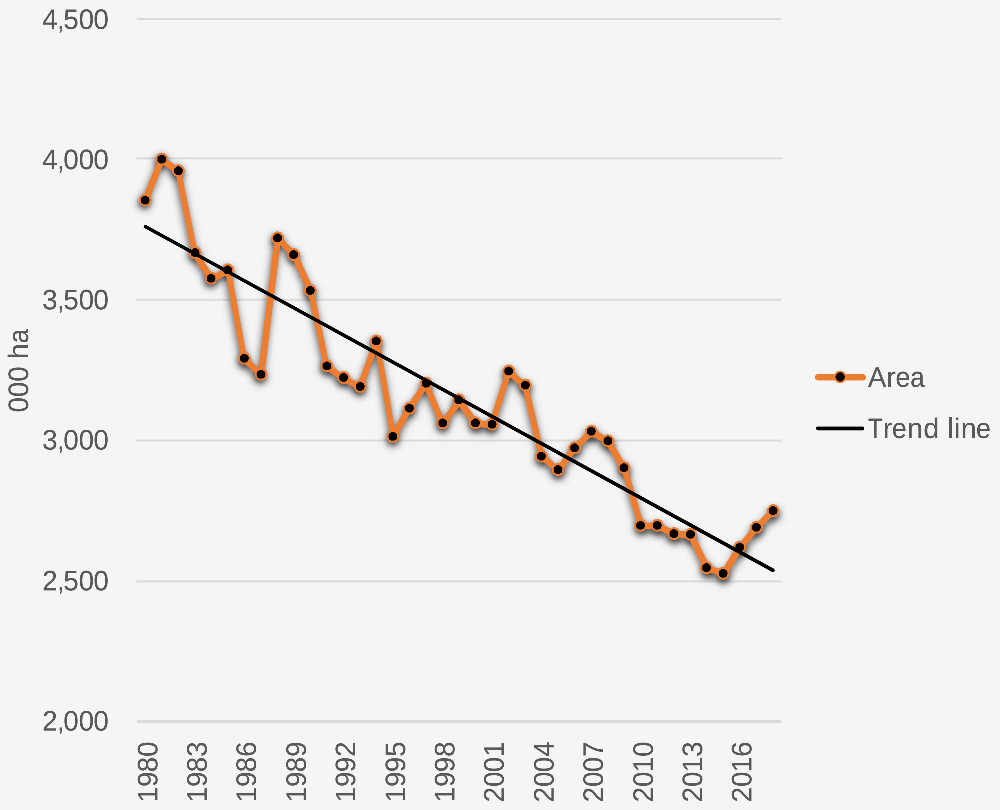
- Higher trending imports as food demand for oats continues to grow.

Mexico Oat Imports



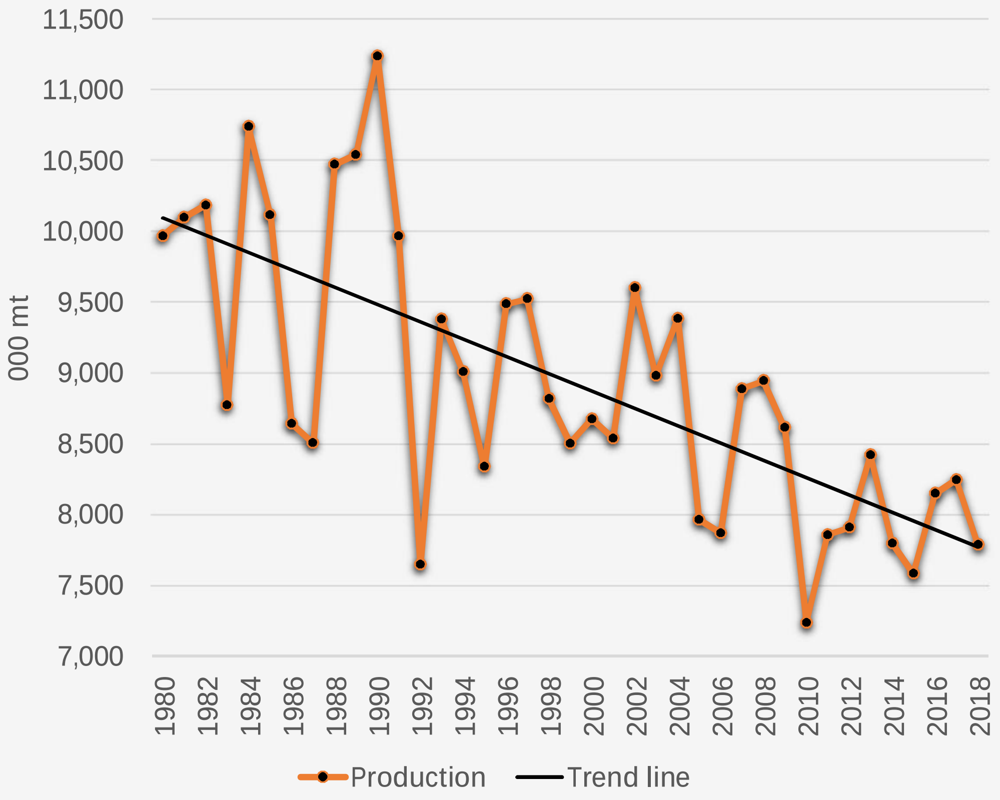
Europe

EU Oat Area



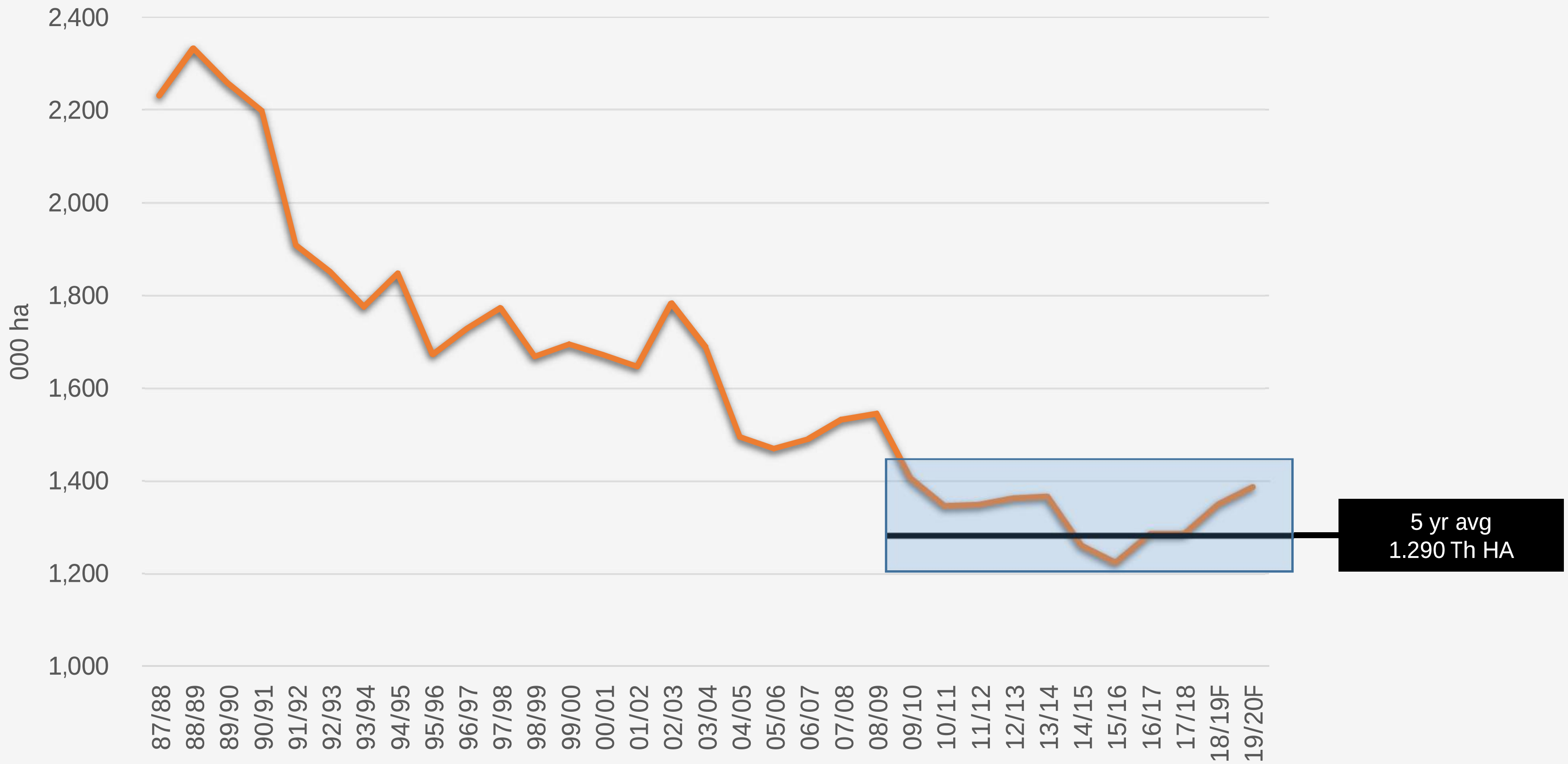
- Production has bounced off broader downtrend on gains in emerging oat markets

EU Oat Production

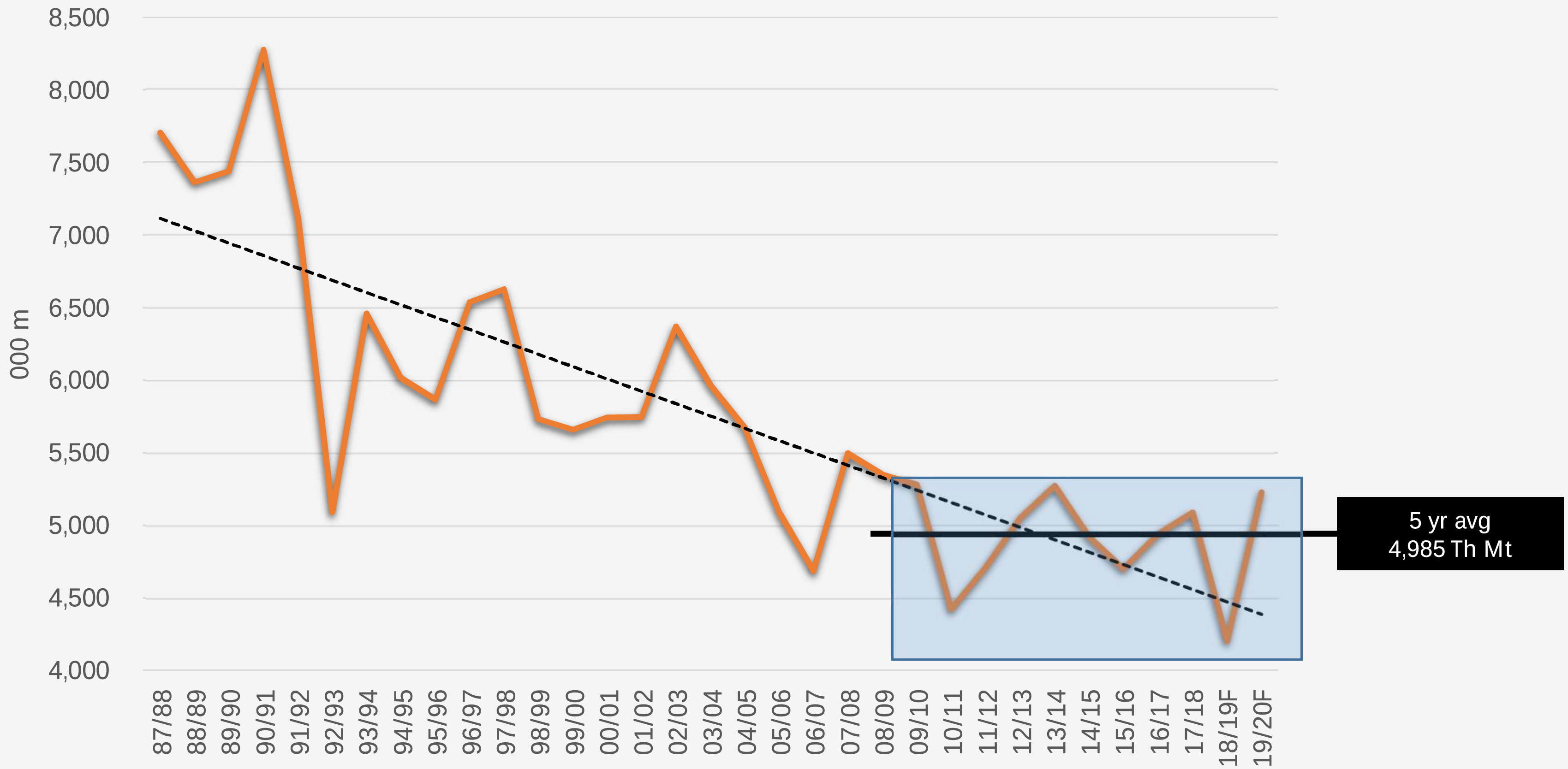


- Production continues to trend lowers.
- Gains will be highly dependent on yields.
- Oats still being priced as feed grain in many markets.

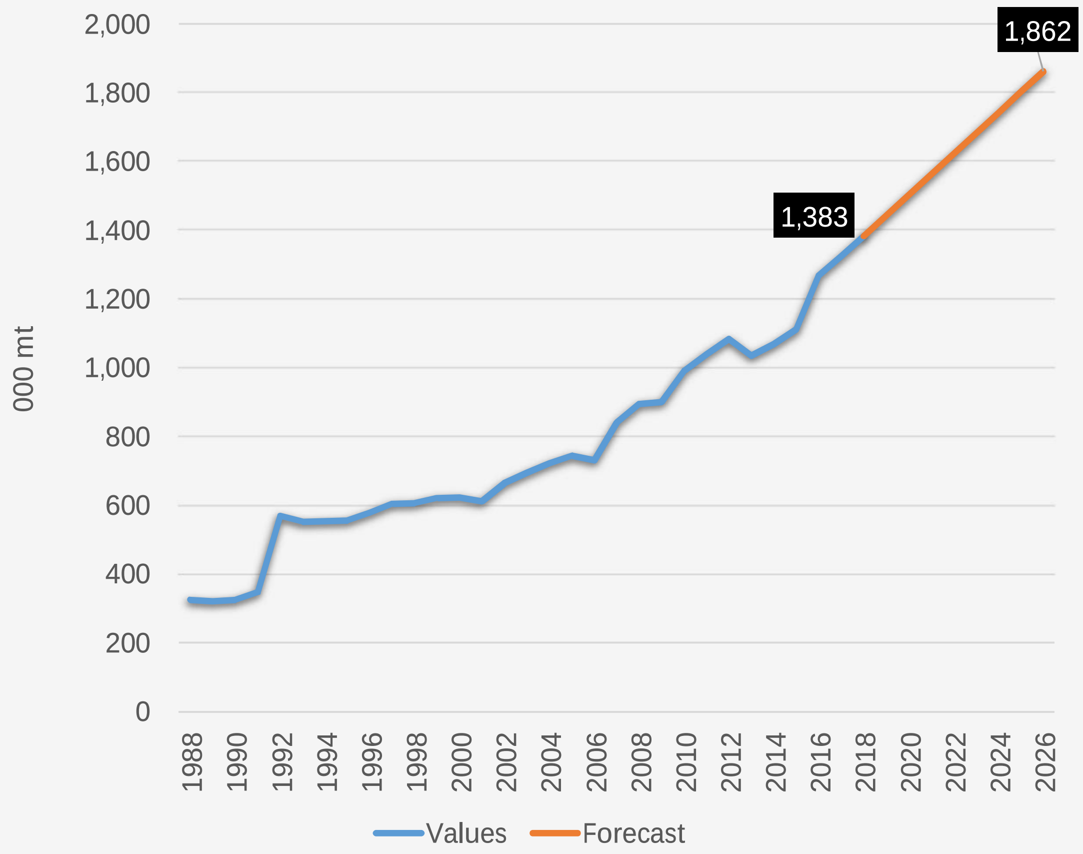
Major EU Oat Countries – Oat Area



Major EU Oat Countries – Oat Production



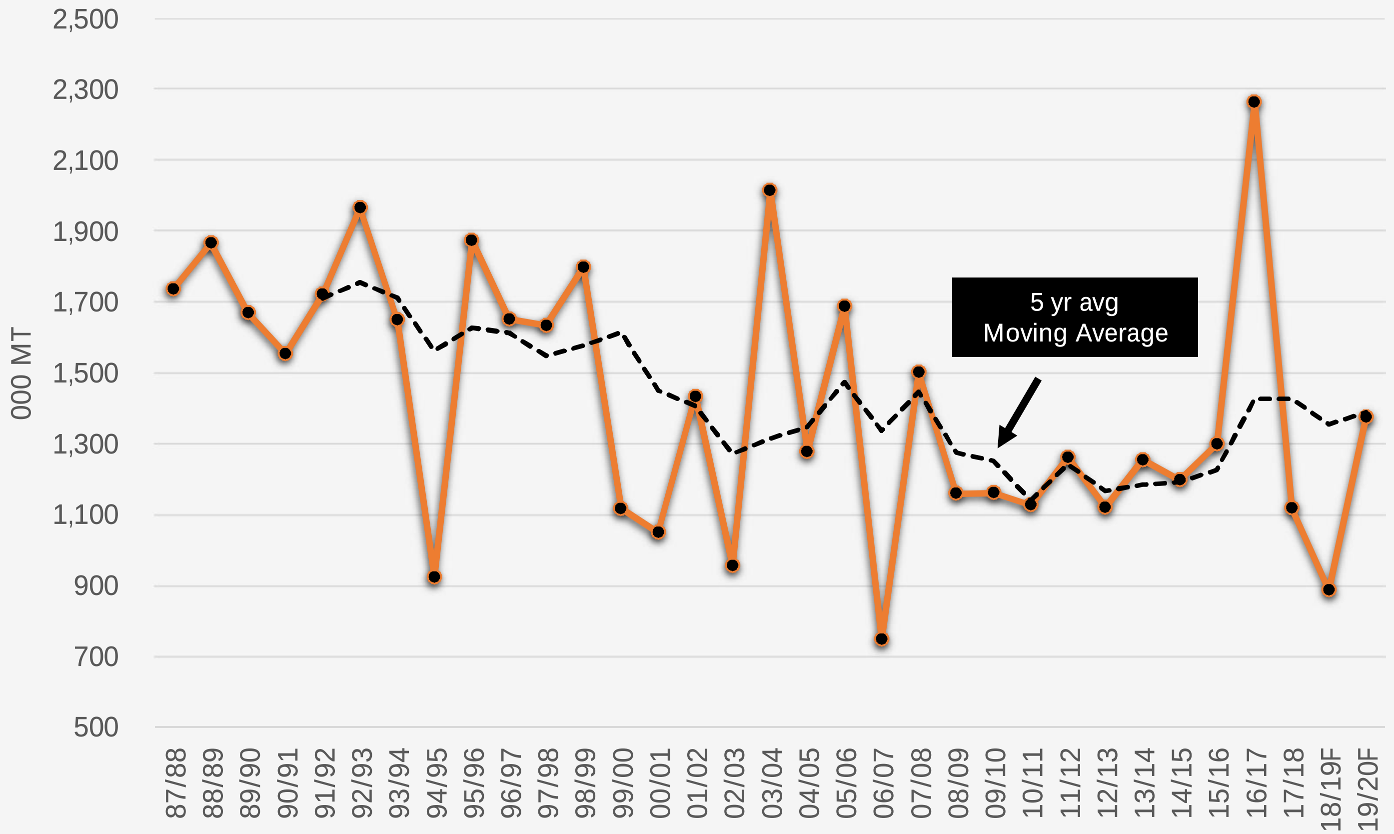
EU Oat Milling Forecast – Top 8 Countries



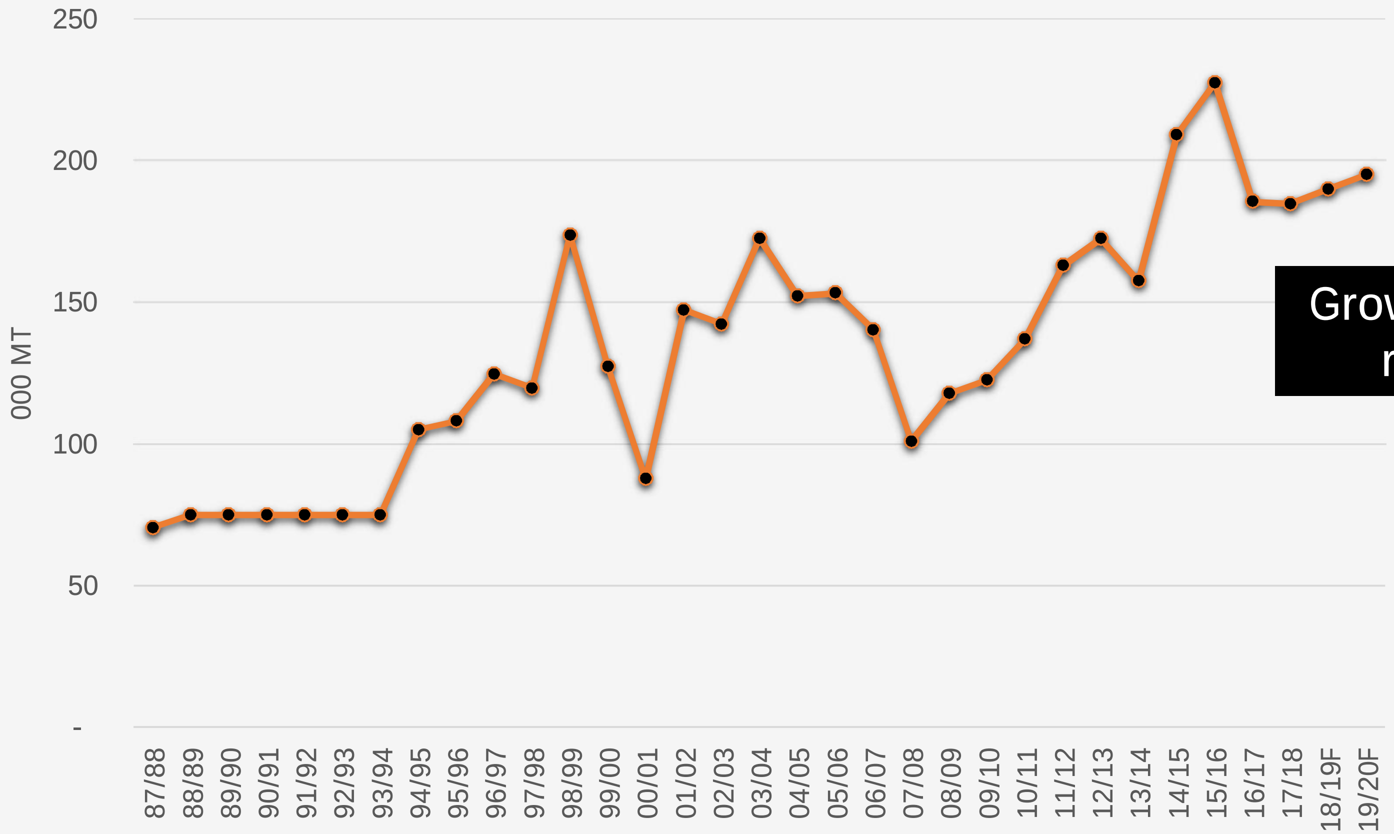
- Mill use forecast to climb 34% or nearly 0.500 MMT over the next 8 years
- The equivalent of roughly 5 new mills
- Mill use continues to outstrip oat supplies

Australia

Australia Oat Production

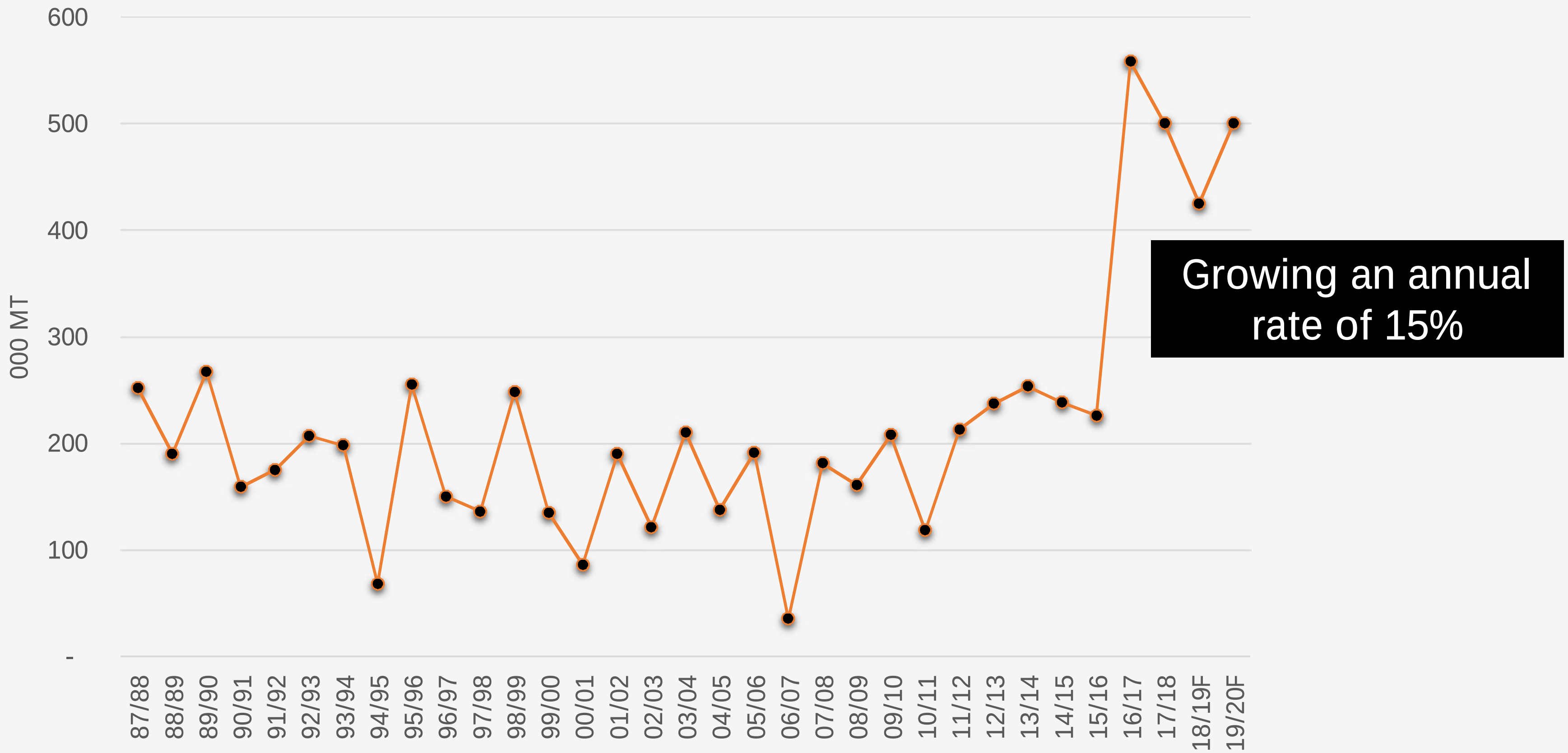


Australia Oat Milling

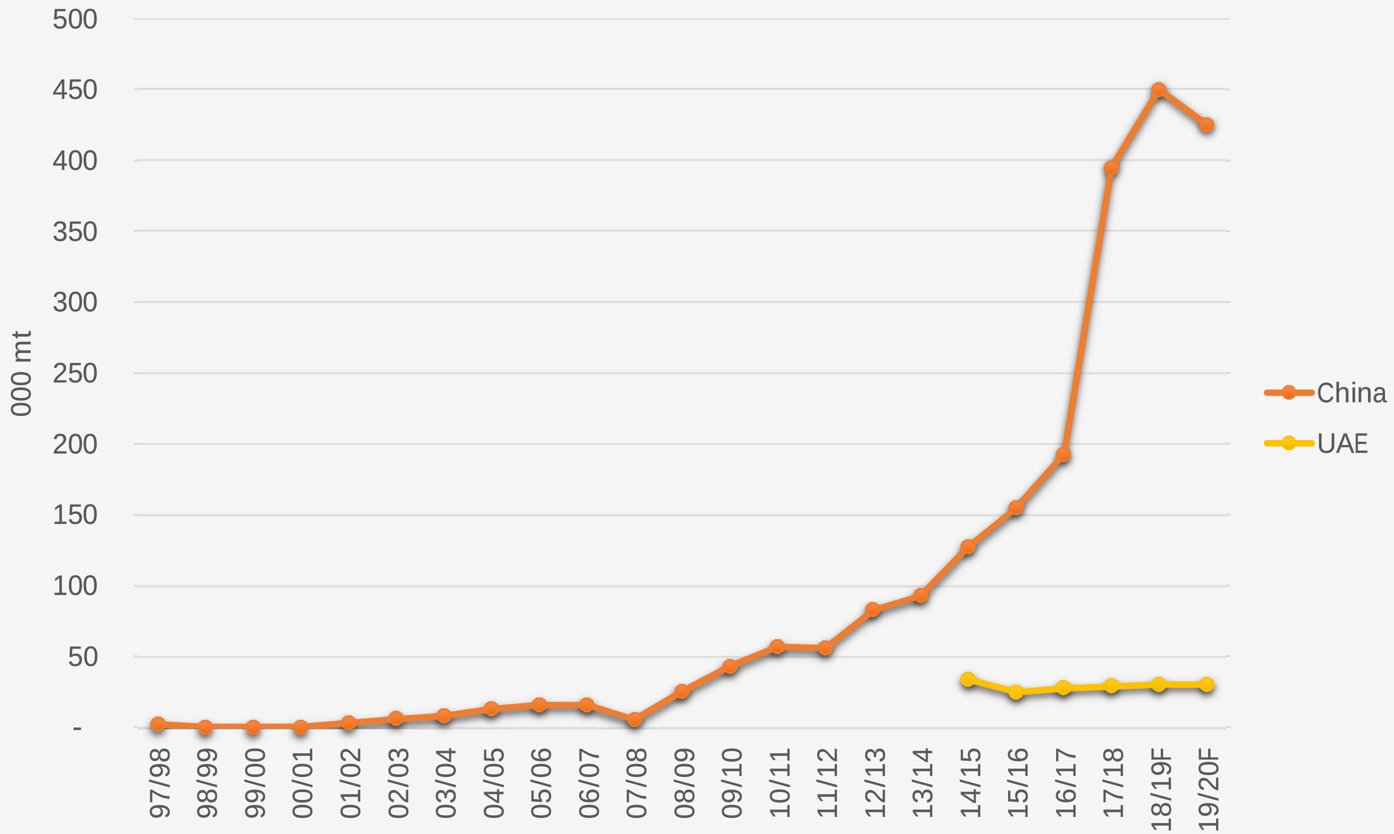


Growing an annual rate of 3.2%

Australia Oat Exports



China and UAE Oat Mill Use



Wider Outlook for Canadian Oats

- Realization oats have now become a special crop!
- Tighter supplier/buyer integration
- Canadian oat price structure will shift higher if glyphosate use is significantly curtailed.
- Geographically Canadian oat production continues to consolidate shifting north and west.

Impact of Global Trade Deals

- USMCA - formally NAFA,
- CETA-Canada Europe Comprehensive Economic Trade Agreement
- TPP – Trans Pacific Partnership
- ChAFTA – China Australia Free Trade Agreement
- Japan Australia Economic Partnership Agreement.
- Brexit

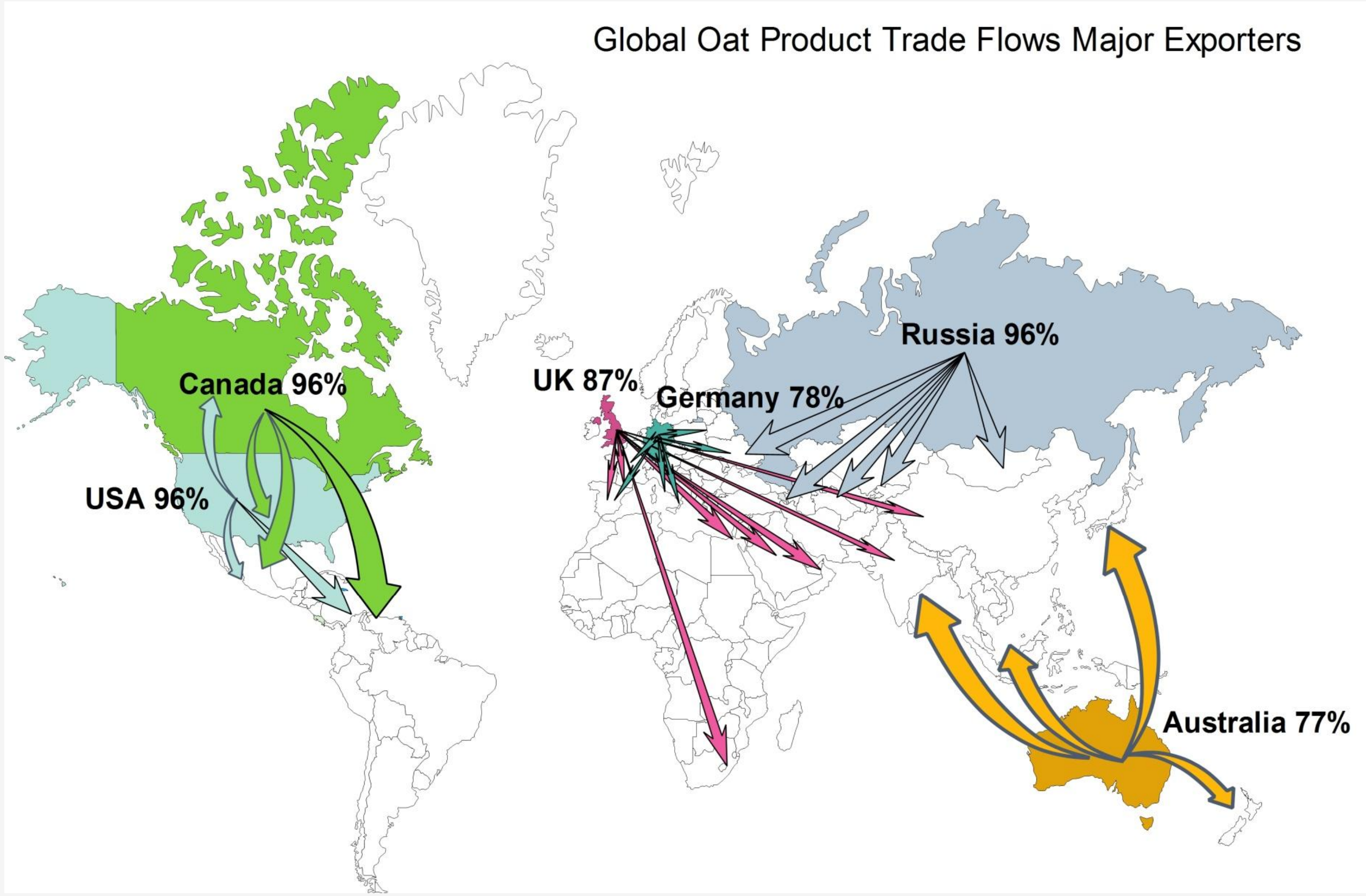
Brexit and Oat Market Situation

- The UK is the 2nd largest exporter of oat products in the EU.
    - Roughly 50% or roughly 51,700 mt of oat products exported to the EU
- The UK also exports a small amount of raw oats, mostly to

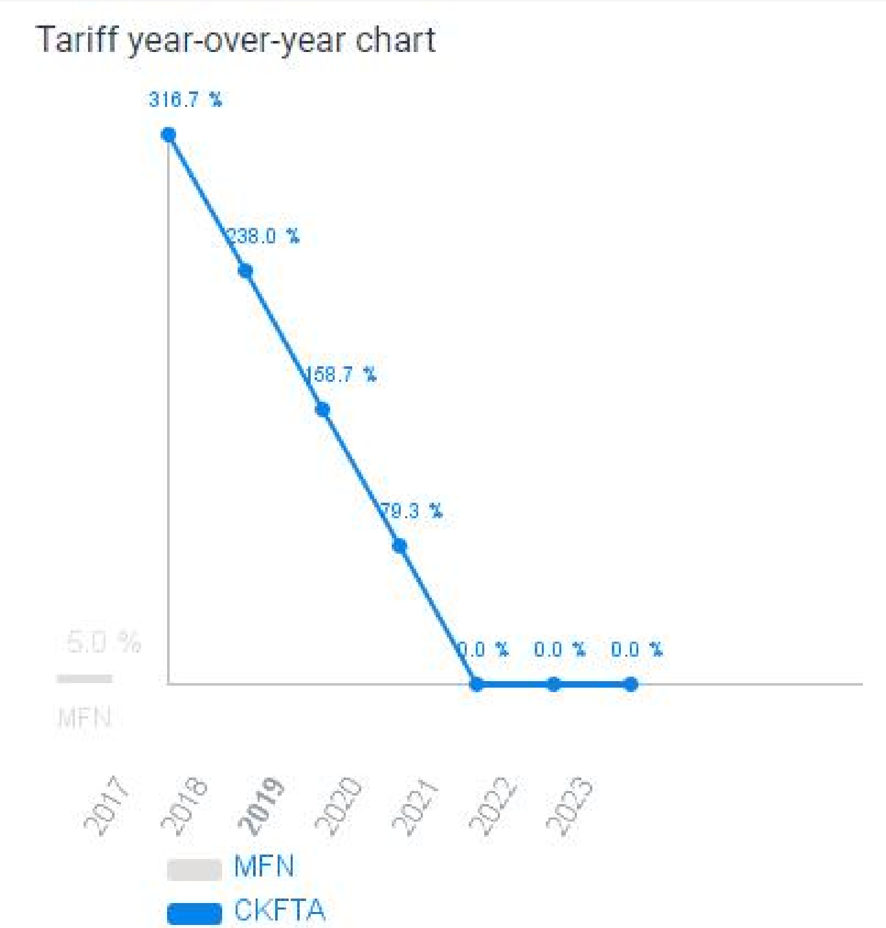
Implications of No Brexit Agreement

- No Brexit agreement or negotiation extension means World Trade Organization (WTO) rules.
    - Oat product exports to EU could be subject to an import tariff of €93 to €162 PMT.
    - Raw oats an import tariff of €89 PMT.
- No Brexit agreement would be devastating to UK oat milling and product exports, as well UK growers.
- It would likely be bonus to EU oat millers.

Global Oat Product Trade Flows- Major Exporters

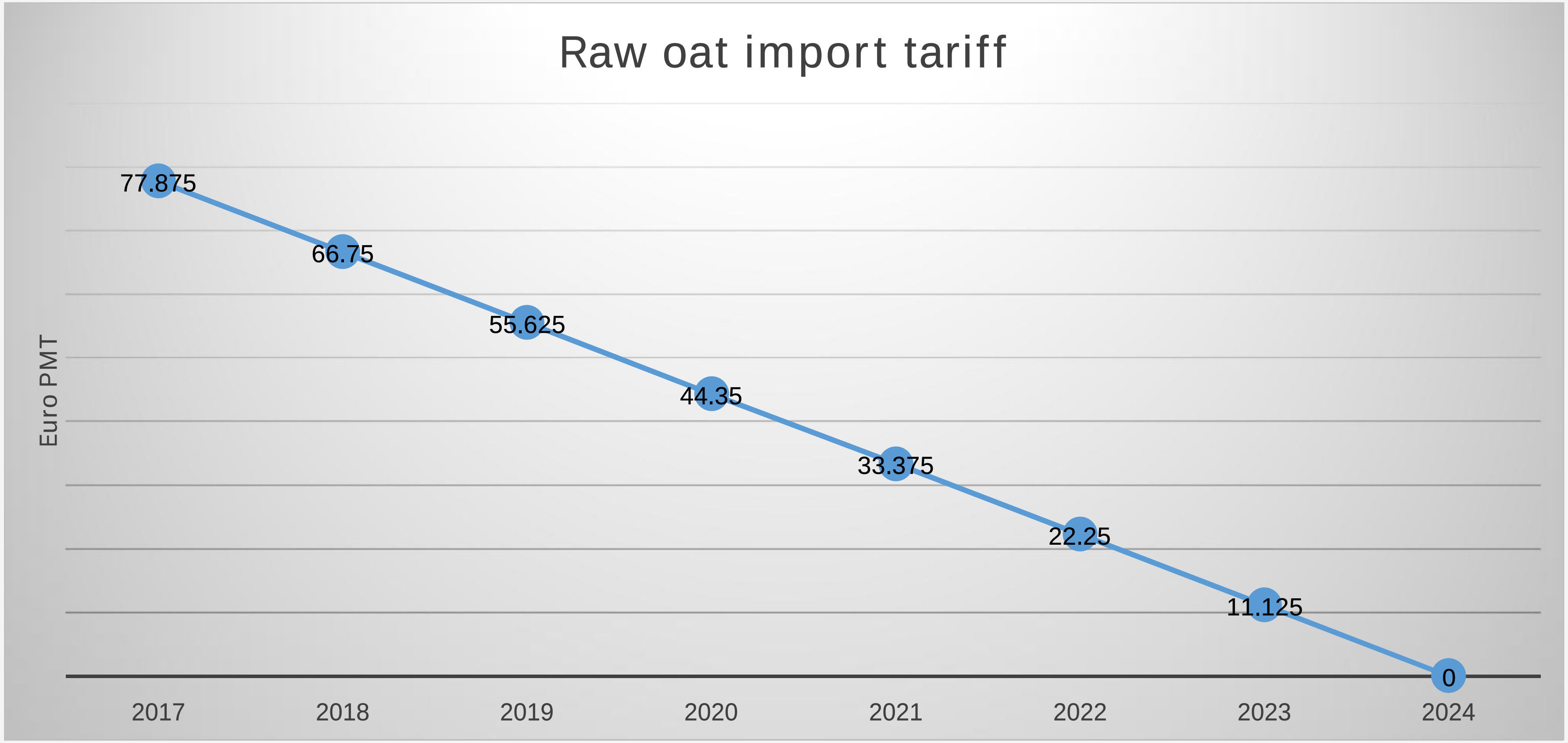


Canadian Oat Products to South Korea



- 110422 Oats, hulled, pearled, sliced or kibbled
- 110412 Oats, rolled or flaked grains

Canadian Oats To EU



Shift in Global Oat Trade Matrix?

- Will the trade agreements see a change the world oat trade matrix?
- Remember that in some of these deals tariffs are going to zero either this year or over the next 2 years.
- Perhaps more important is BREXIT and US withdrawal from TPP.
- The EU has made it clear they will not include any ag products in up coming trade deal discussions with the US and oats in the EU could be a wedge point in pressure on Britain BREXIT discussions.
- China/US negotiations as well as China/Canada spat over arrests.
- I could be wrong here but all these moving parts have the potential to alter the world oat and oat product trade matrix.

Potential Canadian Loss/Reduction of Glyphosate

000 mt	Current	Adjusted
Milling	852	852
Export	1,750	1,750
Feed	872	435
Total commercial	3,474	3,037
Seed	100	75
Total oat needs - 000 mt	3,574	3,112
- 000 bu	231,742	201,785
Avg yield bu/ac	89	89
Acres - 000 ace	2,604	2,267
% of seeded area harvestd	79%	79%
Acres needed - 000 ac	3,296	2,870
Current avereage	3,100	3,100

- Each 5% loss of acres would reduce production by 75,000 MT.
- Higher costs associated with swathing oats.
- Consumers will ultimately decided on what they will eat.
- It does appear glyphosate will be an impediment to exporting oats to Europe, possibly other.

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