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Weekend Oat Commentary

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Declining Canadian G,O&S stocks and falling crude oil demand improving oat rail car supply

Market summary

Nearby Chicago oat futures closed marginally higher this past week on reduced volume trade. Open interest climbed with the combined oat funds/specs reducing long positions to near two-year lows. Two spec groups are now short oats. Weaker corn and wheat prices lead the oat declines.

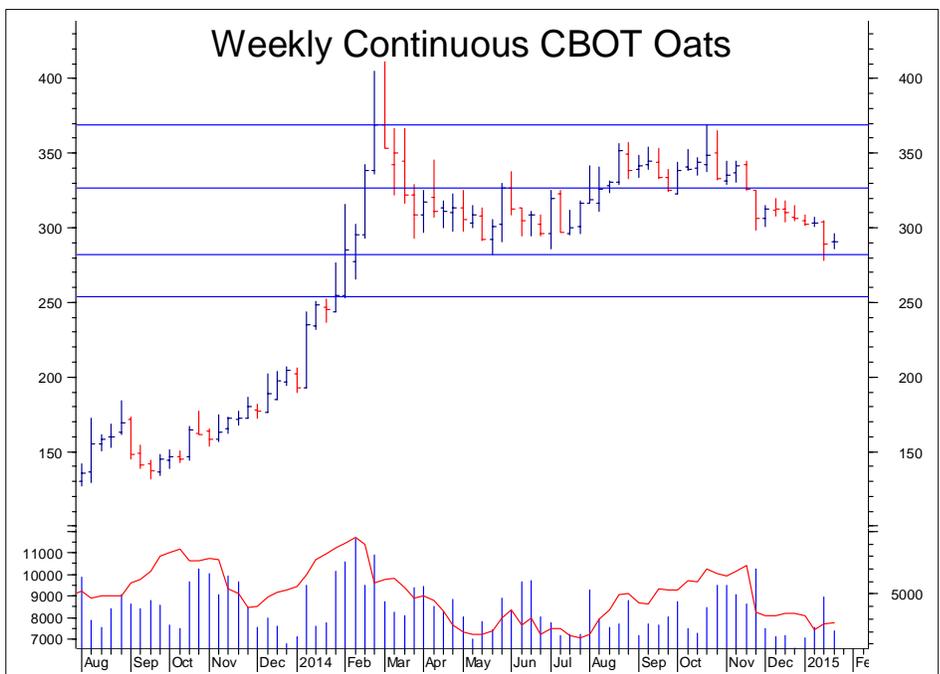
The March oat contract held major support at \$2.75 usbu for the week. Seasonal trends point to higher prices into March expiration but we could see a modest drop to \$2.60-2.65 before prices climb. The Canadian market needs to buy oat acres and oats will need to gain further on wheat futures into seeding to ensure this. Our upside CBOT oat range remains \$3.50 usbu.

Midwestern US oat cash trade has picked up some in recent weeks but volumes are not huge. More sellers are showing up, buyers are limited. The improved Canadian rail car supply is providing the volume on the sell-side. Growers remain reluctant sellers at current price levels.

EU/US cereal futures closed mostly lower this week, MATIF wheat the exception closing modestly higher. Fresh news was lacking with the market mainly responding to non-threatening South American weather. Negative developments in the

Ukraine supported Paris wheat values. The Ukraine has returned as a cheap corn seller.

Physical EU oat trade remains "very" tepid with the good coverage reported by EU/UK oat mills deep into the May. If spring seeding conditions are near normal, pressure for growers to sell oats will increase despite forecasted lower 2015 oat plantings in the EU as old crop oat supplies in the UK/Finland remain more than ample to meet forecasted demand.



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Canada: Principal Field Crops Supply and Disposition

	Area Seeded ----- thousand hectares -----	Area Harvested ----- thousand hectares -----	Yield t/ha	Production	Imports	Total Supply ----- thousand metric tonnes -----	Exports ----- thousand metric tonnes -----	Total Domestic Use	Carry-out Stocks
Total Grains And Oilseeds									
2013-2014	26,847	26,115	3.46	90,293	1,101	100,345	43,421	39,950	16,974
2014-2015f	25,859	24,787	2.97	73,594	2,173	92,742	42,460	39,792	10,490
2015-2016f	26,958	26,097	2.96	77,278	1,668	89,437	41,685	38,841	8,910
Total Pulse And Special Crops									
2013-2014	2,844	2,816	2.44	6,880	144	7,663	5,237	1,809	628
2014-2015f	3,337	3,174	1.91	6,069	138	6,835	5,270	1,250	355
2015-2016f	3,530	3,441	1.95	6,720	128	7,203	5,180	1,323	720
All Principal Field Crops									
2013-2014	29,690	28,930	3.36	97,173	1,244	108,008	48,659	41,759	17,602
2014-2015f	29,196	27,961	2.85	79,663	2,311	99,577	47,730	41,042	10,845
2015-2016f	30,488	29,538	2.84	83,998	1,796	96,640	46,865	40,164	9,630

Source: Statistics Canada, f. forecast by Agriculture and Agri-Food Canada

Opening week calls

Opening week calls are mixed to slightly lower on the favorable South American weather, and additional strength in the US dollar.

Wheat may find some support as Ukraine separatists fight for additional territory in E Ukraine and Russian troops are again massing along the Russian/Ukraine border.

Oats remain a trailing commodity in a broader sense but are expected to continue to gain on wheat.

Oat notes

- The Managed Money (MM) net long for corn, wheat the soya complex decreased a further 14% as of the last CFTC report on Jan 20, wheat and soybeans leading declines.
- The "Managed Money" net oat long fell 34% this week with "Swaps" unchanged.

"Other Reporting" and "Non-Reporting" traders are now short, something we haven't seen for some time.

- Midwestern US cash oat trade volume was up some last week on the improved railcar supply. Cash basis levels are holding mostly steady with a slight bias to the downside.
- Oat prices quoted to Finnish growers held steady this week, Germany was down slightly. Traders continue to report limited grower selling in Finland/Sweden.
- Oat mill demand in the EU/UK remains sparse and what is showing up is for later spring early summer delivery.

Rail car supply for Canadian oat exports improving, the trend likely to continue into summer months

Canadian rail car supply for oats is improving and with it so are Canadian oat exports and US commercial oat stocks. Two

factors are helping the increased car supply for oats.

First is the steadily declining supply of Canadian grains, oilseeds, and special crops (G,O&S). Ag Canada (AC) is forecasting 2014/15 total G,O&S end stocks to fall to 10.845 MMT, up slightly from the December forecast of 10.835 MMT but more importantly down 38% or 6.77 MMT from the 2013/14 record highs (see above).

Near record exports is helping to reduce the record stocks. AC is forecasting total G,O&S exports for 2014/15 at 47.73 MMT, down only 2% from last year's record high of 48.66 MMT (see above).

G,O&S end stocks for 2015/16 are forecast by AC to fall even further, to 9.630 MMT, which is well below the five-year average of 12.58 MMT. If realized, this would further reduce overall rail car demand.

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The second factor that should keep Canadian oat exports climbing is the forecasted decline in crude oil demand and exports.

The sharp drop in crude oil prices that is tied to increasing world crude oil production/stocks is freeing engine power for grain and oilseed movement and exports. Most of Canada's crude oil exports go to the US.

Canadian Pacific Railway (CPR) last week said it moved less oil in the final three months of 2014 and it expected to haul about 140,000 tank cars this year,

2015, down from an earlier estimate of 200,000, a 30% drop in the forecast. CPR did move 110,000 cars of light crude last year (2014), up 22%.

We are expecting Canada's other railway, Canadian National, will release similar estimates and forecasts.

The reduced crude oil estimates, coupled with the falling grain, oilseed and special crop stocks should see an improved Canadian oat export outlook into the summer months at the very least.

Whether or not Canadian oat growers respond by selling more oats at reduced prices to take advantage of the improve rail car supply is far from clear. Oat prices have improved relative to wheat in recent months which should help. This improves the potential for not only steady to higher Canadian oat exports but potentially higher 2015 oat acres.

Commitment of Traders

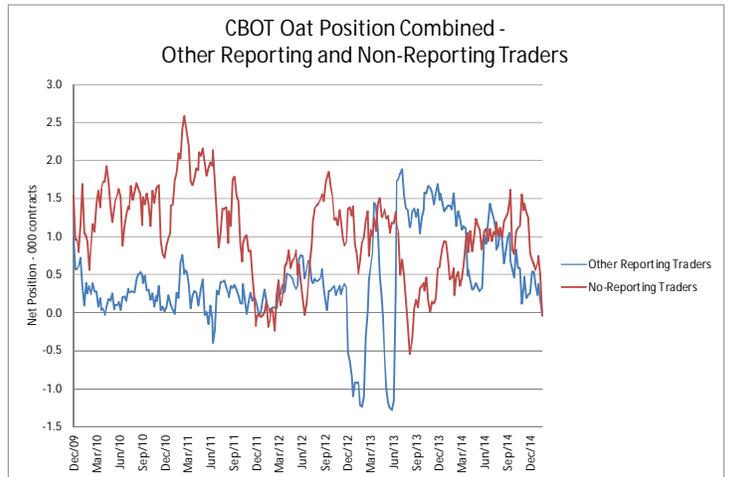
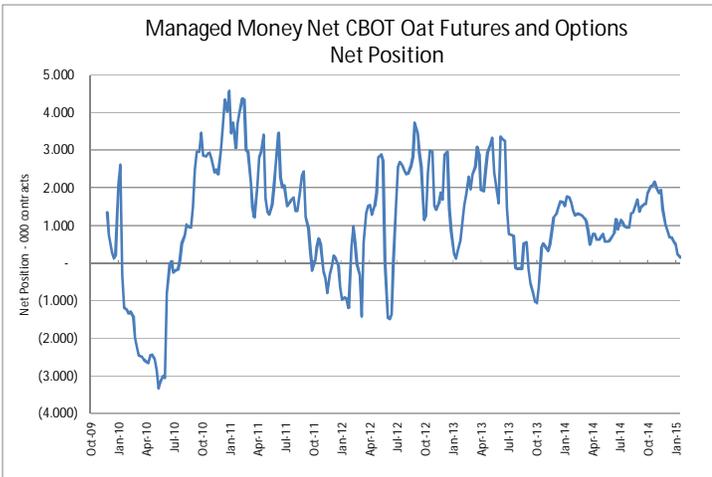
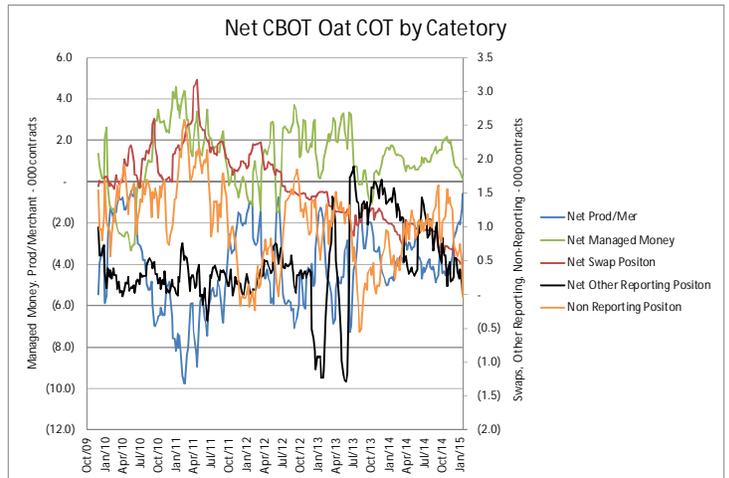
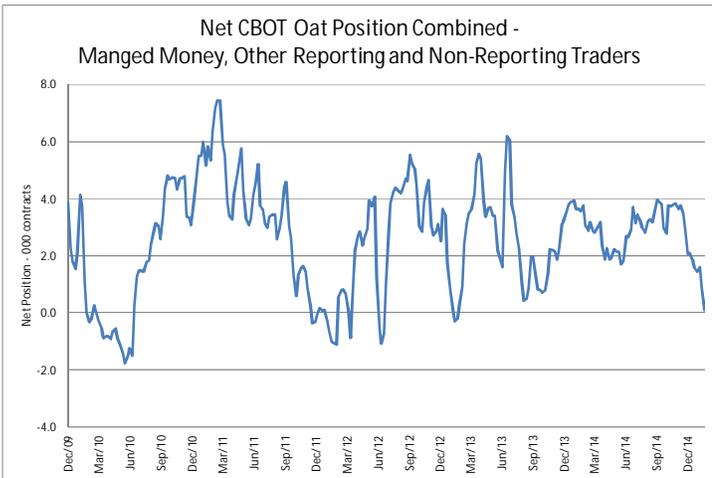
Commitment of Traders Report

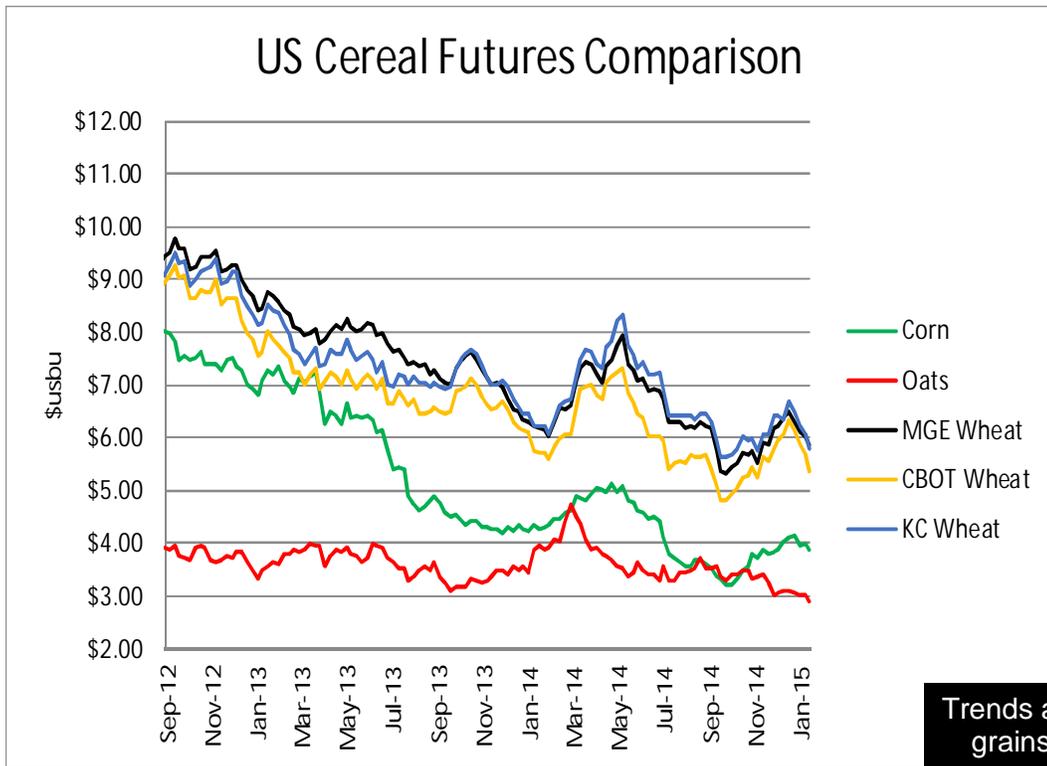
Disaggregated Futures and Options

Commodity	Managed Money			Producer/Merchandise			Swap Positions			Other Reporting			Non Reporting		
	Net Position	Weekly Change	Weekly change %	Net Position	Weekly Change	Weekly change %	Net Position	Weekly Change	Weekly change %	Net Position	Weekly Change	Weekly change %	Net Position	Weekly Change	Weekly change %
Corn	197.02	-7.59	-4%	-319.01	18.62	-6%	218.80	-6.57	-3%	71.85	-5.98	-8%	-168.658	1.520	-1%
Oats	0.144	-0.07	-34%	-0.56	0.76	-57%	0.461	0.00	0%	-0.005	-0.16	-103%	-0.036	-0.522	-107%
Soymeal	28.58	-2.87	-9%	-93.59	12.10	-11%	41.97	1.60	4%	18.35	-7.37	-29%	4.682	-3.460	-42%
Soyoil	51.97	2.80	6%	-141.78	-5.94	4%	55.67	1.99	4%	25.51	-0.62	-2%	8.626	1.768	26%
Soybeans	-7.54	-22.06	-152%	-5.67	22.96	-80%	86.69	-0.68	-1%	20.45	0.33	2%	-93.936	-0.554	1%
Wheat - SRW	5.15	-0.52	-9%	-7.05	2.59	-27%	4.51	-0.97	-18%	0.60	1.03	-238%	-3.201	-2.132	199%
Wheat - HRW	15.86	-3.99	-20%	-29.29	5.92	-17%	27.98	-1.05	-4%	-7.13	-2.34	49%	-7.421	1.448	-16%
Wheat - Mpls	-2.46	-11.89	-126%	-90.42	9.82	-10%	99.22	0.92	1%	5.17	2.01	63%	-11.511	-0.855	8%
Total	334.91	-46.20	-14%	-687.36	66.85	-9%	535.30	-4.76	-1%	134.80	-13.10	-9%	-271.455	-2.787	1%

The Managed Money (MM) net long for corn, wheat the soya complex decreased a further 14% the last reporting week to January 20. Beans were down 152% on the week followed by MGE wheat at 126% and CBOT wheat at 20%

The "Managed Money" net long oat long fell a further 34% this week with "Swaps" unchanged. "Other Reporting" traders decreased their net 103% and are now short. "Non-Reporting" down 107%, also a small short. The combined MM, ORT and NRT net long was down this week down to near the two year low.





Trends are down for grains with oats expected to gain further on wheat moving forward. The Canadian market needs to buy oat

