



Oat Outlook

**Ag Commodity Research
& Oatinformation.com**



Oat Situation

- Oat prices off record highs - a trailing commodity, corn and wheat primary leaders.
- Cash oat prices still close to record highs.
- Growers sales of oats down 18% YTD.
- North American oat millers getting by with current supplies, 2013/14 will tighten for them.
- Oat supplies continue to decline.
- World and US corn S&Ds extremely tight, significant price rationing needed ahead – wheat numbers also tight. Small window

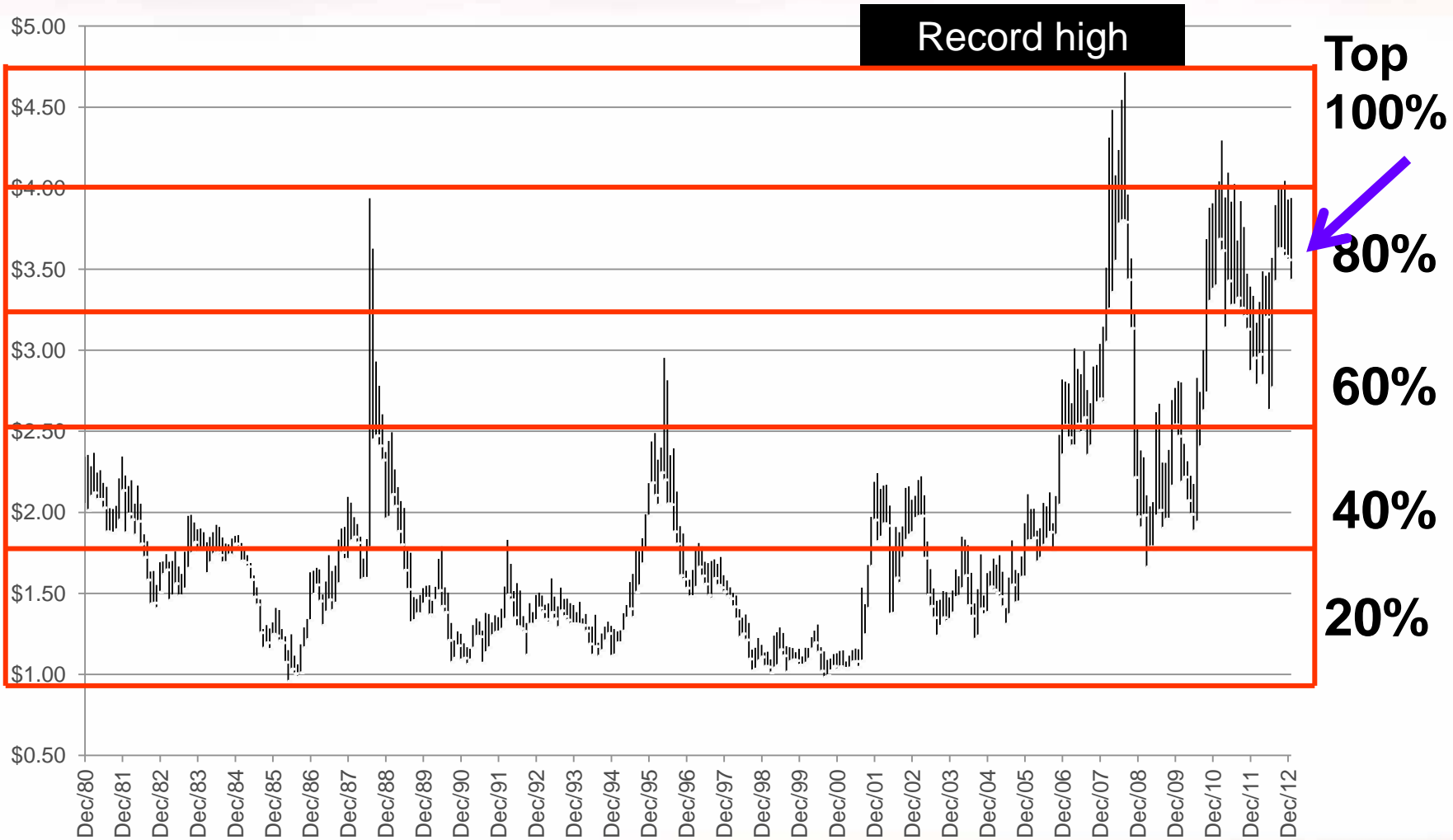
Canadian Situation

- **Net returns for oats near last** compared to other major grains and oilseeds – wheat, barley and peas major competitor for oats
- Oats continue to be priced as a feed grain in Western Canada, the cheapest cereal feed.
- High canola input cost versus low 2012 yields could see some shift to cereals, likely wheat
- New crop oat prices are running at less than 50% of wheat value, not supportive to oat plantings.
- Current soil moisture conditions in W. Canada improved but more favorable to higher cereal seeding in 2013, less oilseeds.

Canadian Situation

- On-farm feed demand for oats continues to slide reducing need for higher oat acres.
- 2013/14 Canadian oat end stocks forecast at nearly 60% below average, third lowest level in the past 20 years.

Continuous Monthly CBOT Oats



Time to Look at Oats



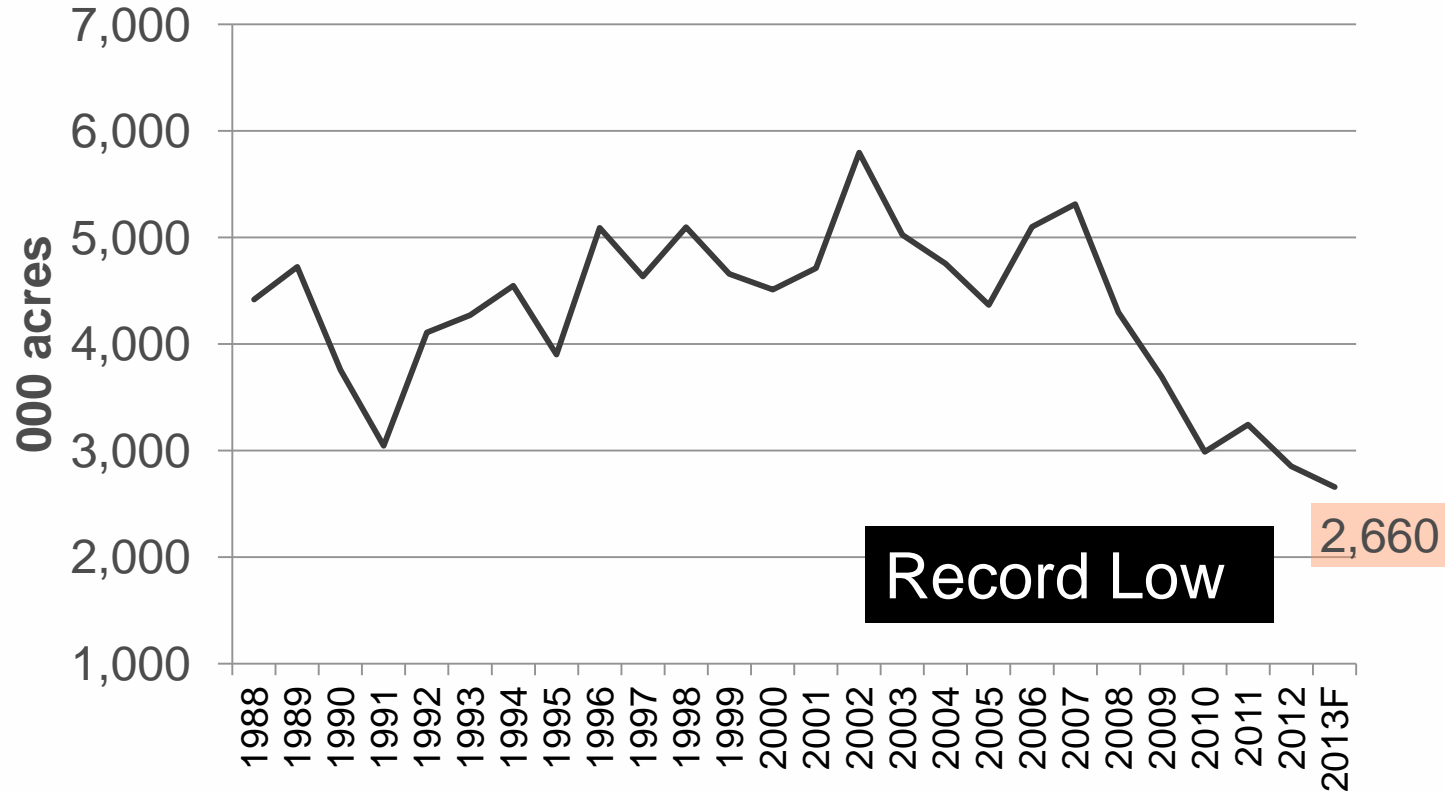
The Smart
Farmer



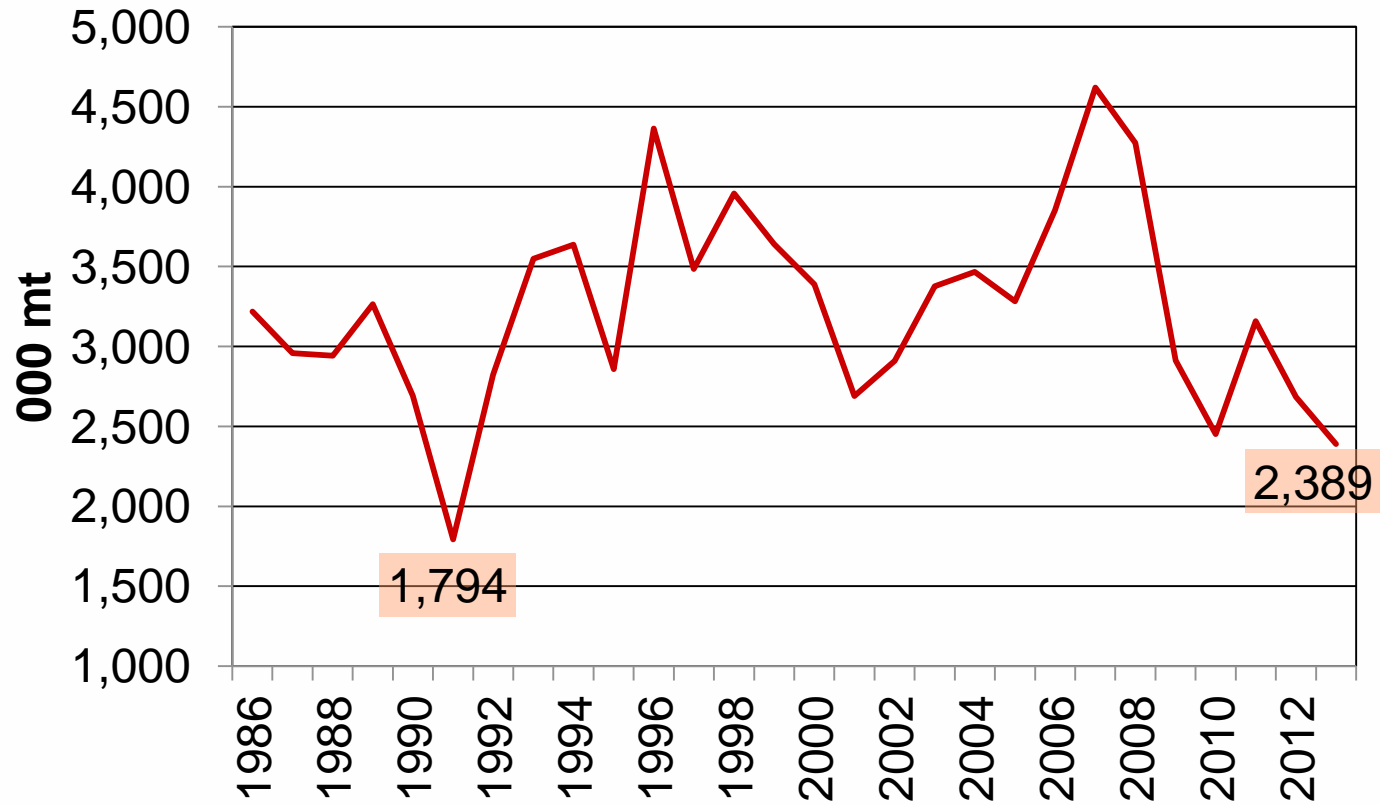
Markets are Cyclical

- What goes up, comes down....sometime hard and fast!
- The cure for high prices is high production!
- A recovery of North Hemisphere crops will see wheat and canola values plunge
- Oat production is headed south, oat prices will firm relative to other crops.....just not yet.

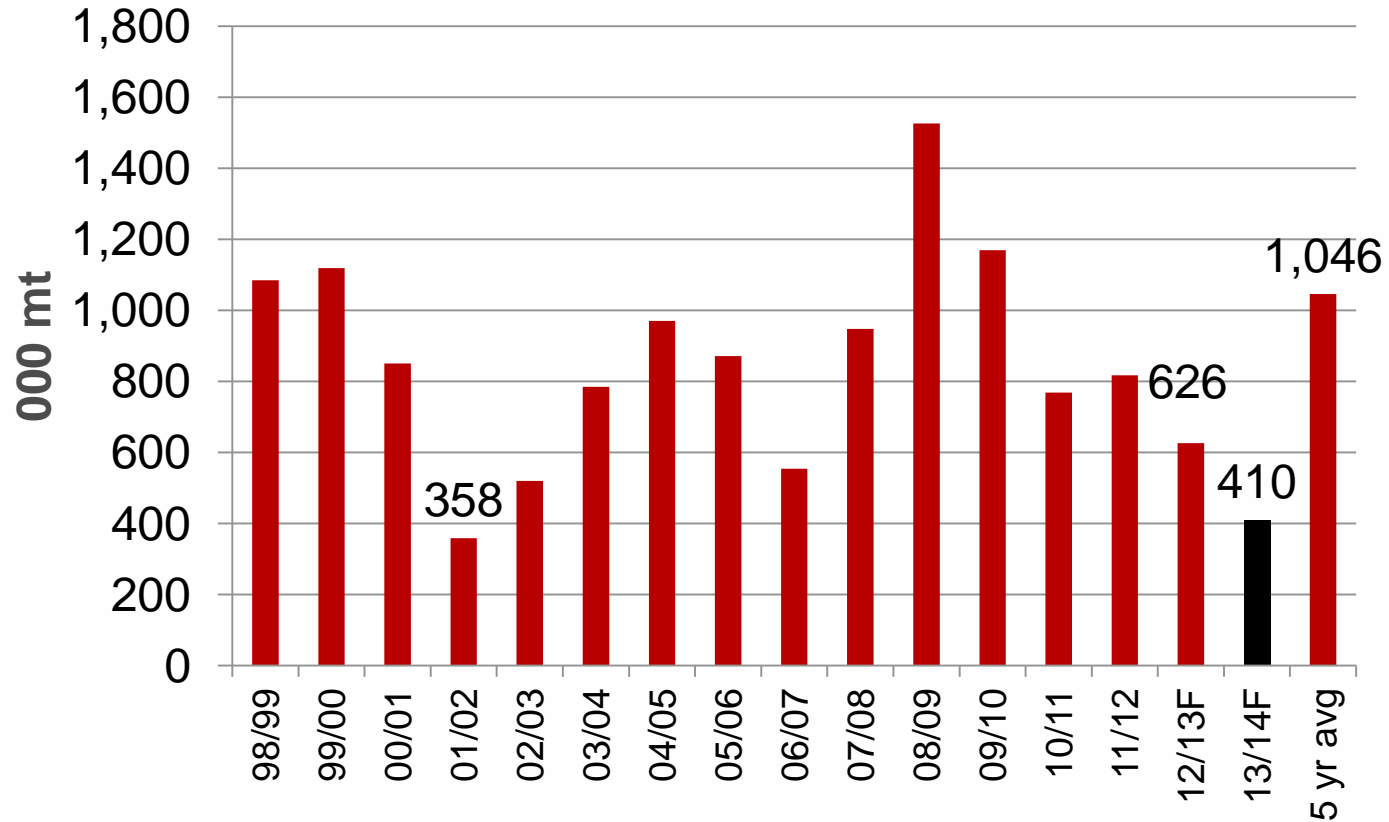
Canadian Seeded Oat Area



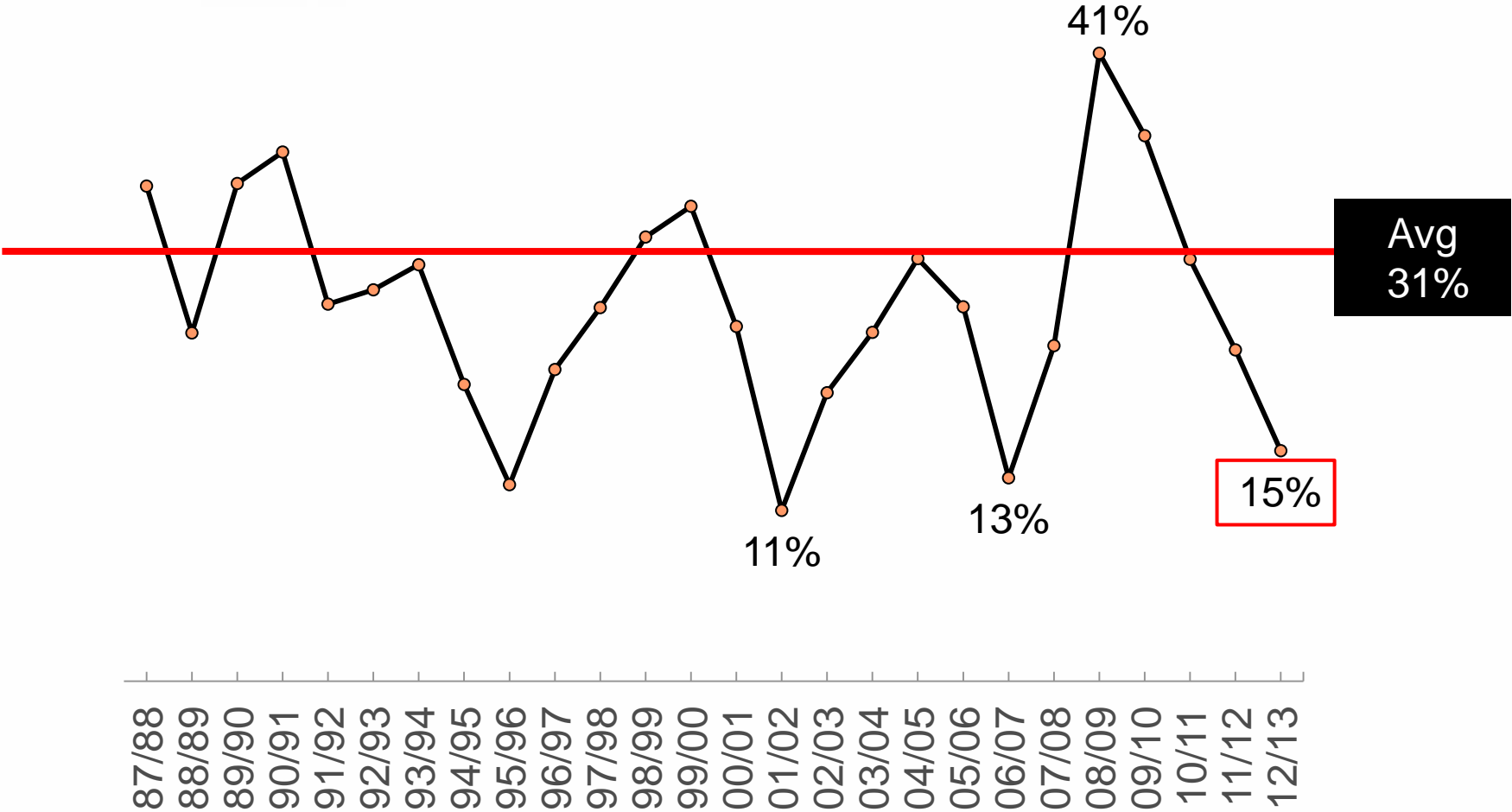
Canadian Production



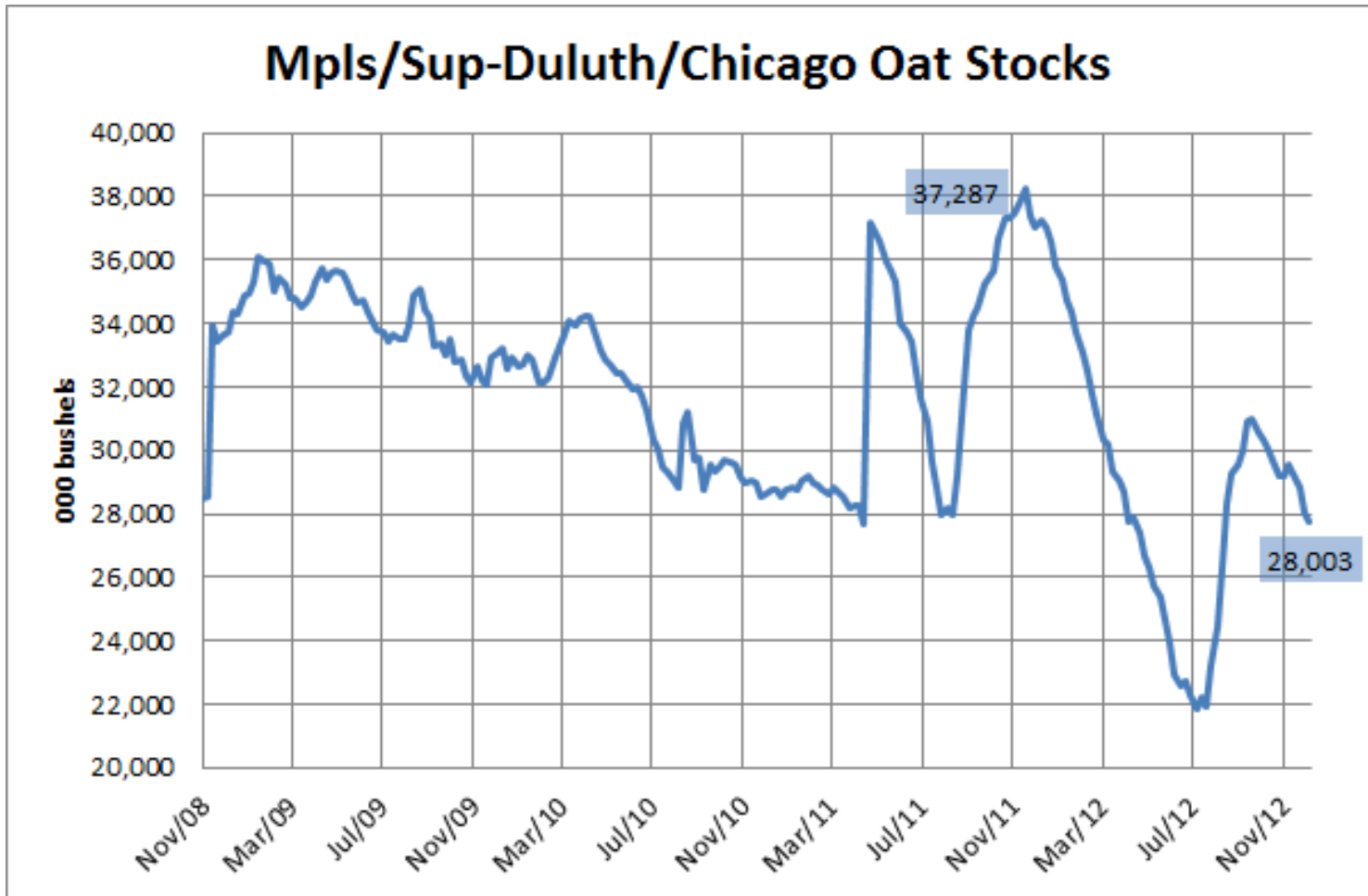
Canadian Oat End Stocks



Canada Oat Stocks to Usage-Ratio



US Oat Stock Levels Declining



An Oat Bull Market?



You Bet!
Just not yet

What's Down the Road for Oats



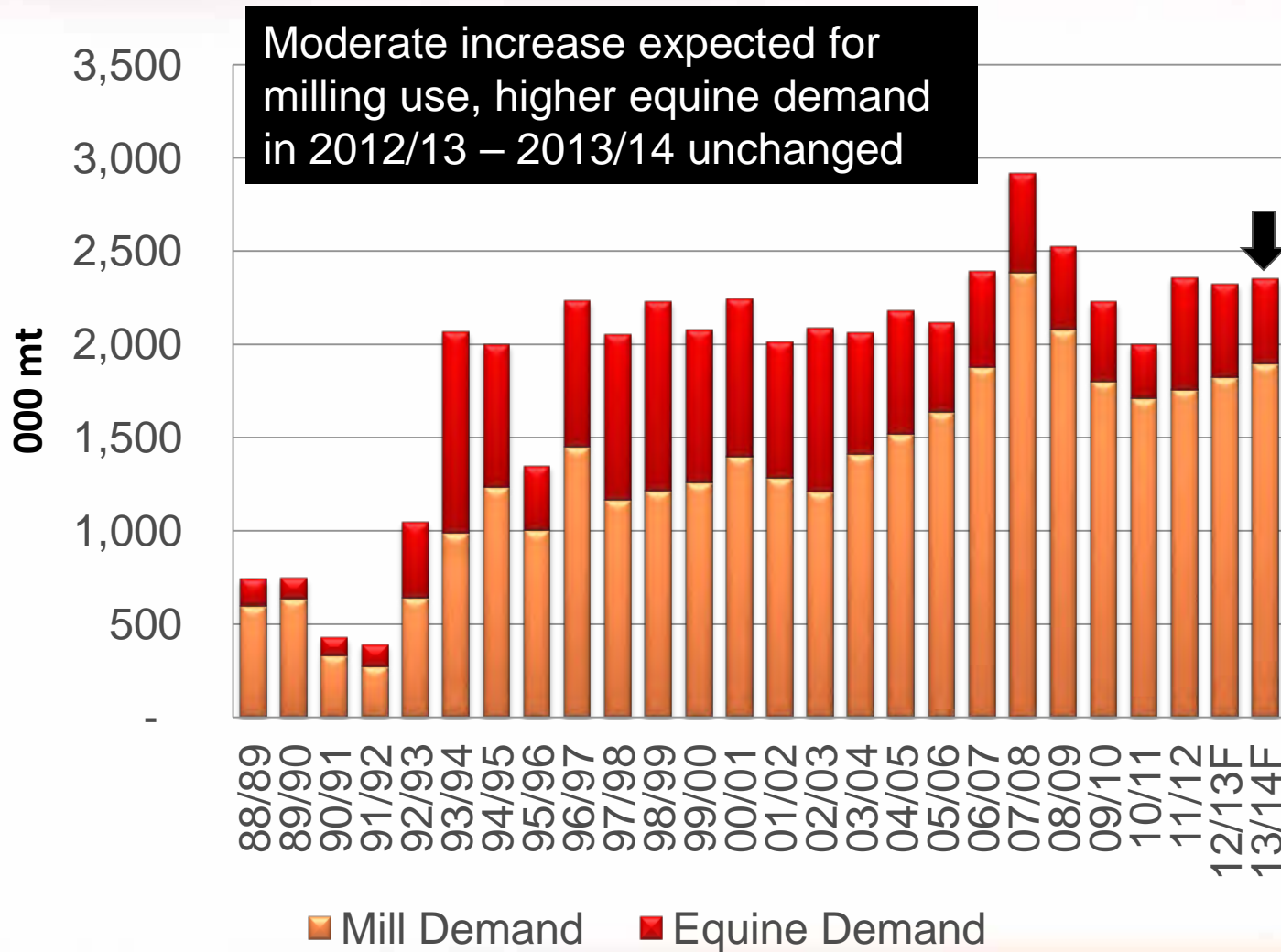
Macro Markets Impacting Oats

- Food prices across all major commodities have risen and remain high relative to 2011/12.
- Speculators have been impacted by macroeconomic risks and are skittish.
- Food issues and security are increasingly a political issue, use of grains for biofuels adds to pressures
- Margin calls and liquidity constraint are increasing globally.
- The cost of doing business in commodities is increasing, along with risk.

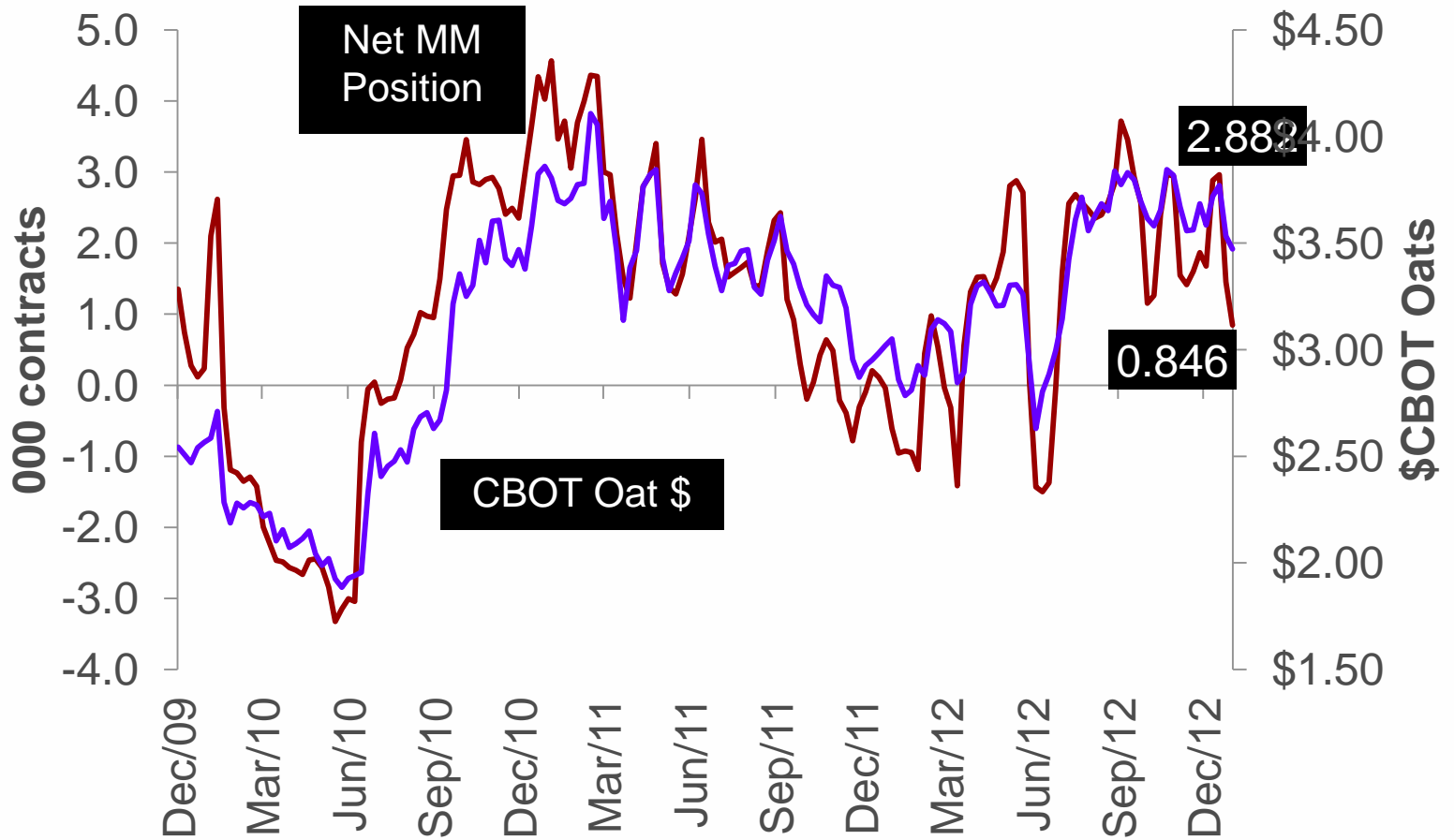
Macro Markets Impacting Oats

- World Economy is slowing resulting in risk-off, Ag prices negatively impacted. China showing some improvement, but small.
- EU & US debt situation remain major concerns and a focus of commodity markets.
- Market volatility has increased and remains high and can lead to nasty surprises.
- China's economy is slowing, rising food prices at center of China's inflation fight

North American Oat Demand



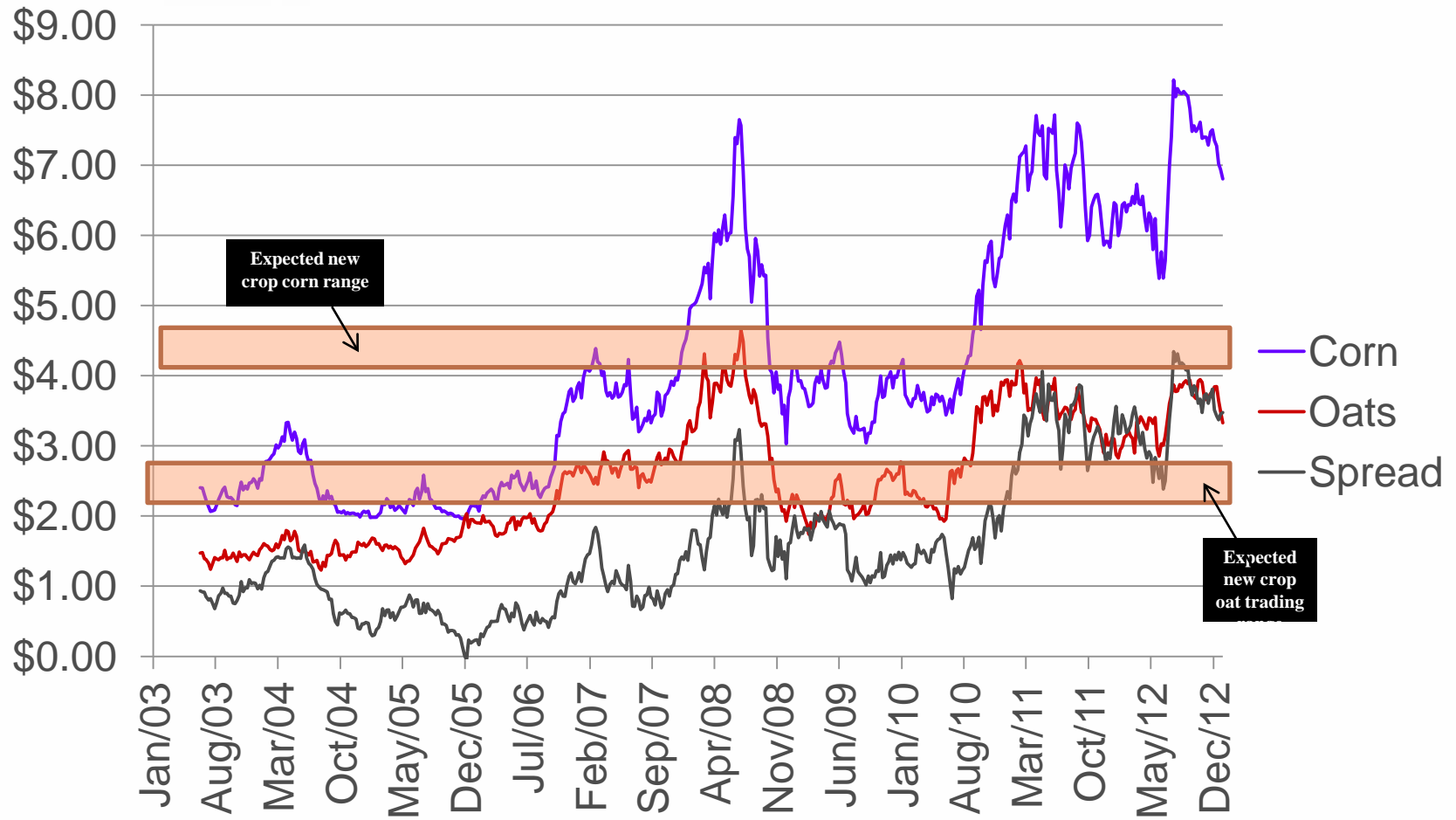
Managed Money (MM) Net CBOT Oat Position



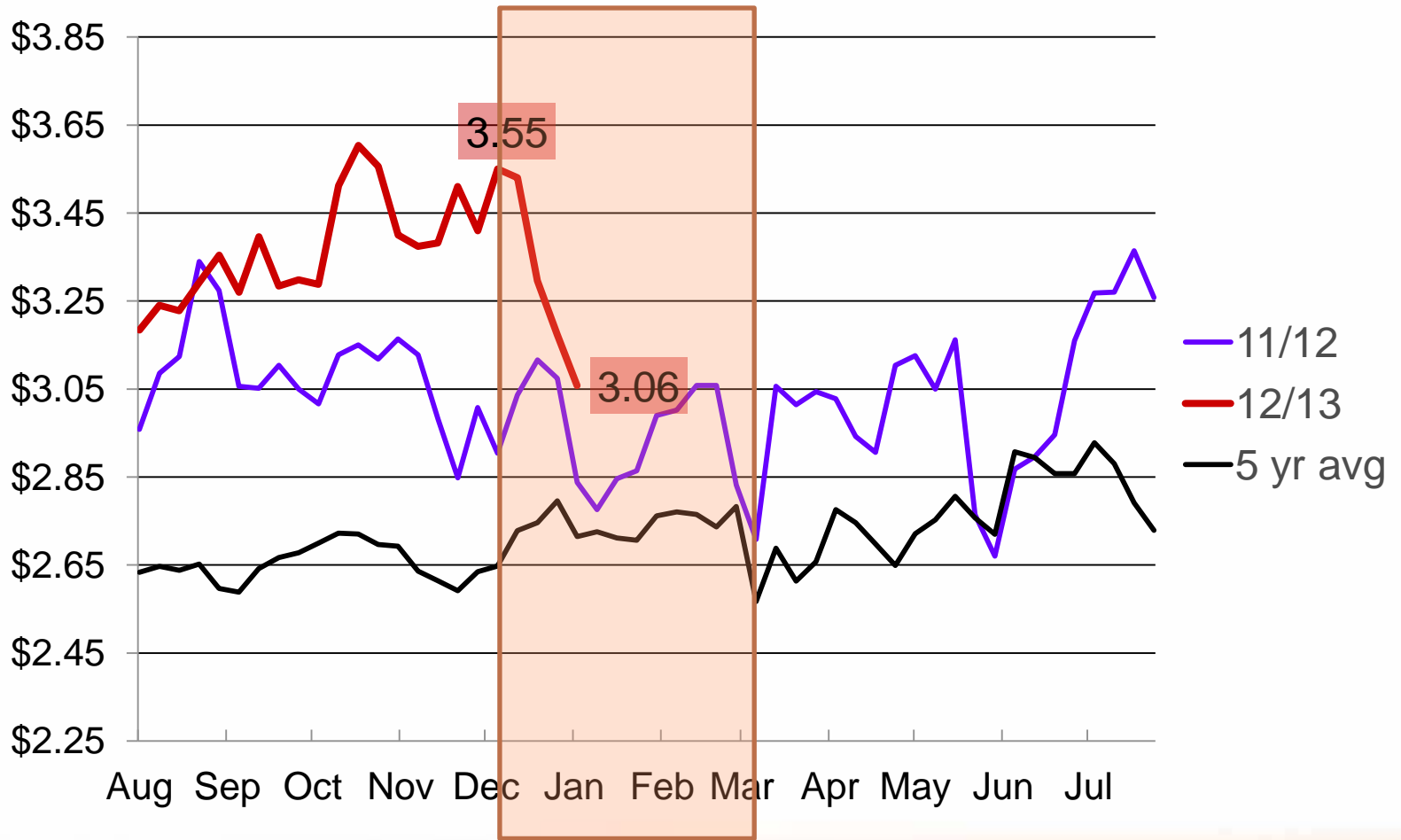
A Peak Ahead

- Moderate oat mill demand January-March, good demand beyond March, new crop 2013 wide open.
- Canadian and EU oat supplies are ample at the moment but trending lower.
- Ag markets will remain skittish given high commodity prices.
- US equine oat demand will depend on how high corn climbs.

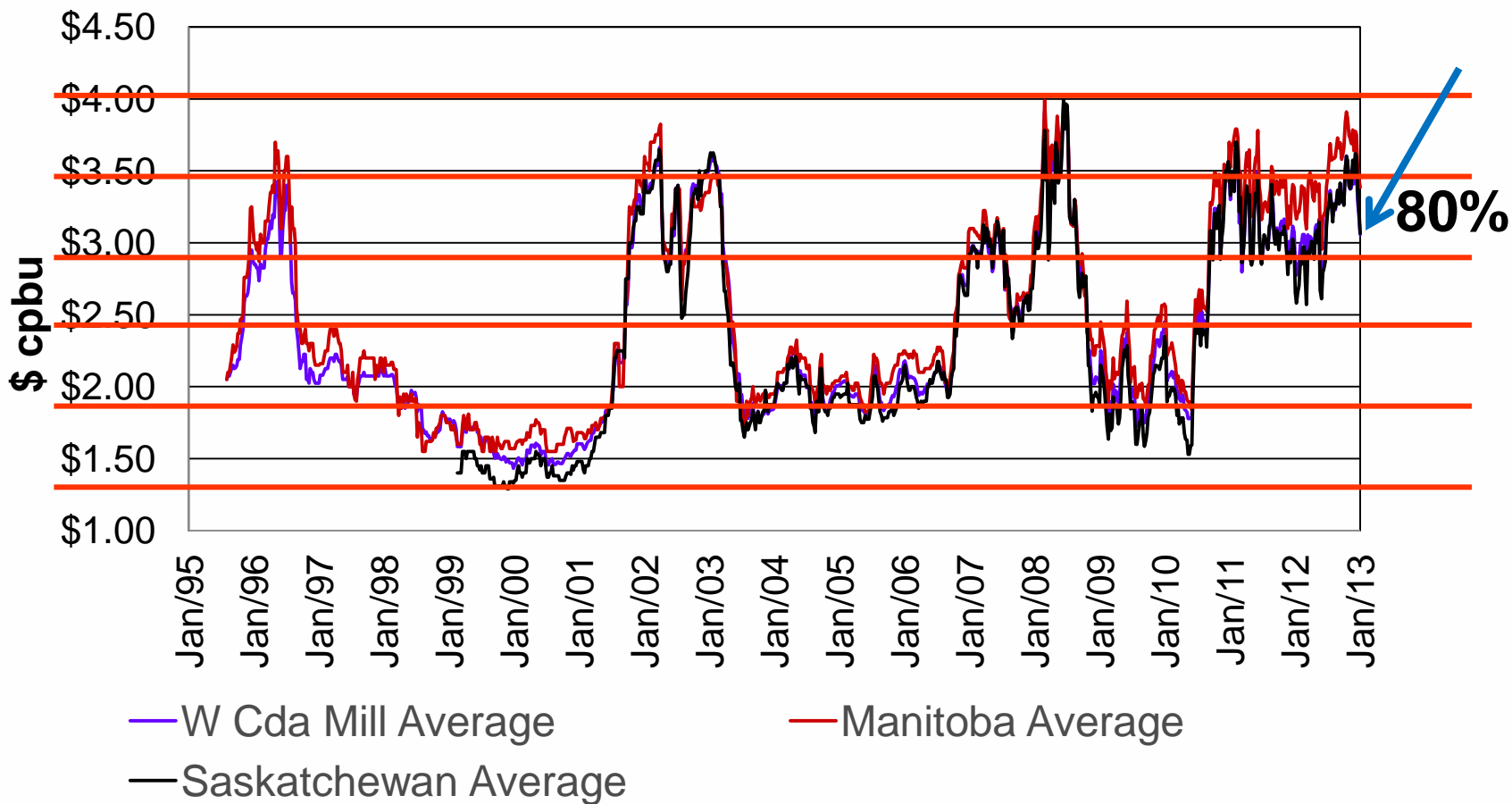
CBOT Corn and Oats Outlook



Average Western Canada Oat Bid



Average Western Canada Oat Bid



What to do as a Grower

- Lock a good percentage of new crop sales at prices that are near historical highs.
- Good Northern Hemisphere growing conditions will take the edge off old crop prices, don't lose track of old crop marketing opportunities.
- Growers may get one last "kick of the old crop cat." Don't waste it.
- Seeded more oats!



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Improving your bottom line