Oat Outlook
Key Factors Driving Oat Markets

• Canadian rail car supply
• Fund/Specs
• CBOT oat carry
• High price of oats in US horse markets
• Tighter 2014/15 oat end stocks
Canadian Rail Car Supply

• This is primary to oat price direction
• Minimum rail car mandate extended;
  • To March 31, 2015
  • Car numbers reduced and varied
  • Impact to oats will be limited
• Crude oil shipments up sharply Y-O
  • Future exports will depend on US demand
  • Current longer term forecasts call for increased exports
• Higher wheat and canola margins
• Implied corridor restrictions for oats
Winter Grain Movement Requirements for CN and CP:

<table>
<thead>
<tr>
<th>Time period</th>
<th>Metric tonnes per week each RR</th>
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<tbody>
<tr>
<td>Nov. 30, 2014 to Dec. 20, 2014</td>
<td>345,000</td>
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<tr>
<td>Dec. 21, 2014 to Jan. 3, 2015</td>
<td>200,000</td>
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<td>Jan. 4, 2015 to Feb. 21, 2015</td>
<td>325,000</td>
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<td>Feb. 22, 2015 to Mar. 21, 2015</td>
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<td>Mar. 22, 2015 to Mar. 28, 2015</td>
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W Canada Railcar Loading – Dec/Mar

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<tr>
<th>Year</th>
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<tr>
<td>09/10</td>
<td>10,021</td>
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<td>10/11</td>
<td>8,829</td>
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<td>11/12</td>
<td>12,277</td>
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<td>12/13</td>
<td>9,822</td>
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<td>13/14</td>
<td>10,243</td>
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<td>14/15</td>
<td>10,238</td>
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<td>5 yr avg</td>
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Gov’t mandate

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Canada Rail Car Loading YTD (Aug-Sep)

- Potash: 45%
- Fertilizers (excluding potash): 21%
- Cement: -20%
- Animal feed and products: -10%
- Coal: 0%
- Animal or vegetable fats, oils and flours: 10%
- Milled grain production and preparations, bakery products: 21%
- Other cereal grains: 30%
- Colza seeds (canola): 44%
- Wheat: 45%
- Fuel oils and crude petroleum: 0%
Cereal Car Loading Apr-July

Cars loaded

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<td>8,859</td>
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<td>13,218</td>
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Canada Oat Exports YTD (Aug-Nov)

Bottom line is oat shipments holding steady
Canada Grains and Oilseeds End Stocks

Car supply should be adequate as supplies fall.
W. Canada Rail Car Loading % of Total Non-Intermodal

- Fuel oils and crude petroleum
- Total Grains and oilseeds

Year:
- 2008-2009: 2%
- 2009-2010: 2%
- 2010-2011: 2%
- 2011-2012: 2%
- 2012-2013: 2%
- 2013-2014: 7%

Fuel oils and crude petroleum:
- 2008-2009: 2%
- 2009-2010: 2%
- 2010-2011: 2%
- 2011-2012: 2%
- 2012-2013: 2%
- 2013-2014: 7%

Total Grains and oilseeds:
- 2008-2009: 26%
- 2009-2010: 24%
- 2010-2011: 22%
- 2011-2012: 22%
- 2012-2013: 22%
- 2013-2014: 22%
Crude oil by rail

- US Railroads’ oil-by-rail business is dependent on shale plays in North America.
- Shale plays are unsustainable with oil below $73 per barrel, some say lower.
- US Railroads haul 8% of U.S. crude.
- 19% of CNR revenues came from shipment of petroleum and chemicals in third quarter 2014. For the first nine months of the year, about 19.3% of revenues came from shipment of petroleum and chemicals, the company reported.
- If Union Pacific, BNSF Railway, CSX, Norfolk Southern and Canadian National have similar crude-by-rail numbers as CNR, these railroads may lose 5% to 10% of their revenues if oil stays below $70 per barrel.
Crude oil by rail

- The overall revenue exposure in 2014 for both CN and CP stands at roughly 9%.
- Several oil experts believe risk to 2015 volume is relatively minimal considering that low prices likely need to stick around for 6-12 months before there is any major change in production.
Oat Fund/Specs

• Volume buyer.....and sellers
• Algorithms’ driving trade...fundamentals????
• Non-reporting reporting traders playing a larger role
• Can significantly impact oat prices when entering, exiting and or rolling
Funds/Specs CBOT Oats Net Positions

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Percent of Open Interest

Percent of Managed Money Total OI- Long and Short Combined
Percent of Other Reportables Total OI- Long and Short Combined
Percent of Non-Reporting Total OI- Long and Short Combined
CBOT Oat Carry

• Oat markets struggle without it
• Carry brings increased:
  • Commercial cash oat trade
  • Forward grower selling
  • Predictability of oat supply, particularly for commercial’s
Dec 14- Mar 15 CBOT Oat Spread

Full carry $.18 usbu
Spread Outlook

• Dec/Mar should maintain decent to good carry if Canadian oat exports hold current pace
• Back end months could tighten if Canadian oat plantings are lower than expected…or exports slow
• Oats are expected lose further ground to corn and wheat if;
  • Canadian oat export pace holds steady
  • 2015 Canadian oat plantings are up 10% or more
High Price of Oats Relative to other Ingredients

• Killing feed demand in US horse markets
• Without feed demand, oat become “contracted” crop
• Rail issues are impacting horse demand and price relationships
Corn-Oat Cash Spread Toledo

$67 $57

- $146
Implied US Horse Demand for Oats

Year | Demand (000 mt)
--- | ---
00/01 | 417
01/02 | 263
02/03 | 148
03/04 | 288
04/05 | 290
05/06 | 315
06/07 | 429
07/08 | 442
08/09 | 392
09/10 | 314
10/11 | 254
11/12 | 437
12/13 | 357
13/14 | 382
5 yr avg | 349

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Tighter Canadian 14/15 Oat End Stocks

• Forecasted 0.710 MMT, OK but not comfortable versus the average of 0.848 MMT
• Oat net return not good
• 2015 oat plantings will need to climb 6-8% to keep oat market in balance.

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Canadian End Stocks

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Oat Metrics
CBOT Oat Futures – Continuous Weekly
Western Canada Mill Prices
Minneapolis Milling Oat Basis Bids

- Falling commercial supplies
- Rail Car Shortages

OATINFORMATION.COM
Mpls/Duluth Oat Stocks

Put carry back into CBOT oats

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US Oat Imports

Canada rail car shortages
Implied Canadian Oat Exports to US

000 mt

Oats U.S. Milling Industry
Oats U.S. Horse Demand

OATINFORMATION.COM
Canada Oat Product Exports to US

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Saskatchewan Grower Net Returns

- Canola: $129
- Flax: $125
- Feed Barley: $122
- Spring Wheat: $115
- Yellow Peas: $108
- Oats: $103

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2015 Canada Oat Plantings

- Oat market needs 6-8% increase in seeded/harvested...or above average yields
- Each 1% increase in yield or harvested area about 40,000 MT of additional production
- Likely a higher CBOT board needed but basis move possible
- No increase in oat area likely to see sub 0.575 MMT 15/16 end stock
Minnesota Grower Prices

[Graph showing price trends for various crops from January 2008 to October 2014]
World Grain End Stocks

5 yr avg

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*The Source for Oat Information*