# Oat Outlook

OATINFORMATION.COM

# 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

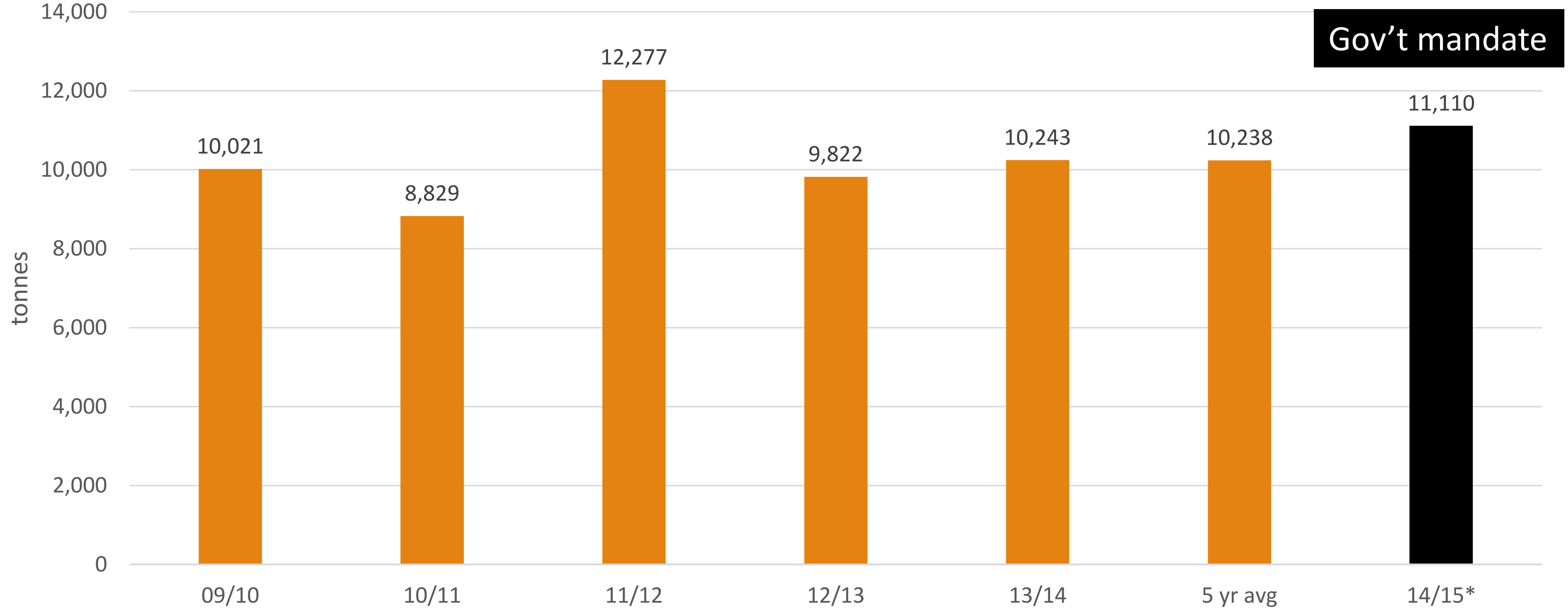
# Canadian Rail Car Supply

- 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

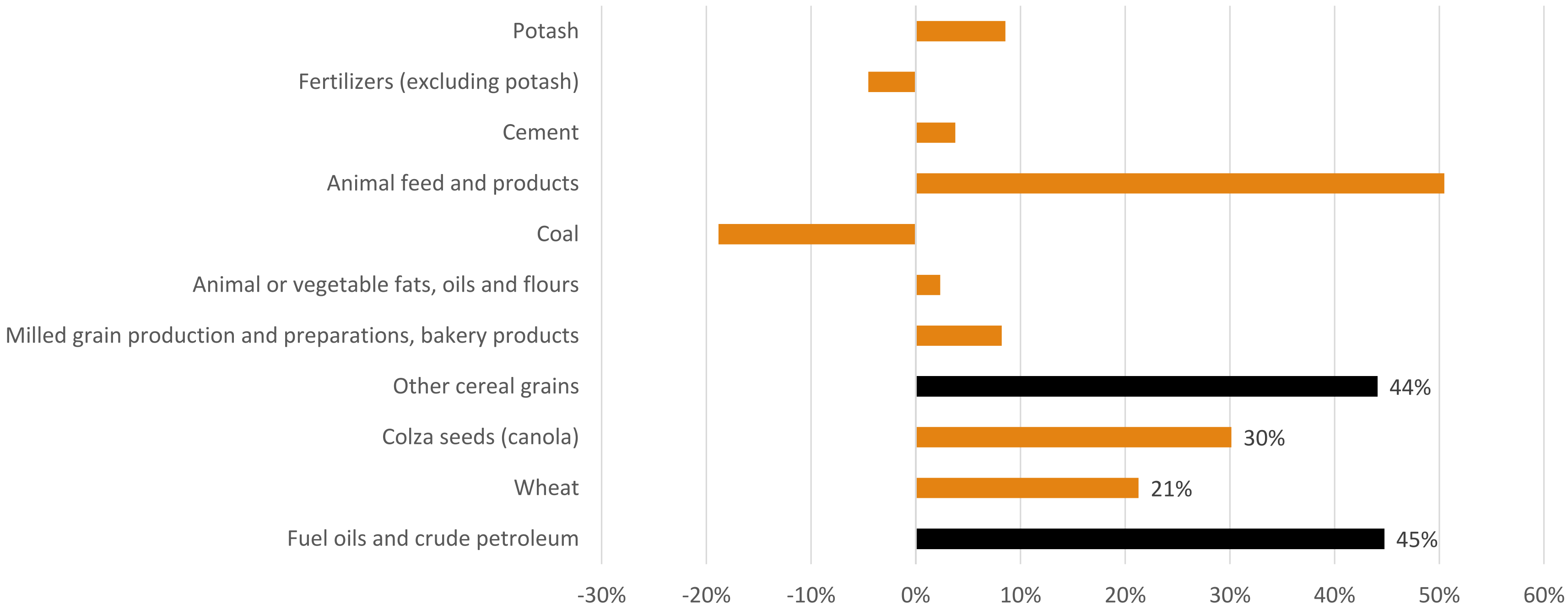
# Winter Grain Movement Requirements for CN and CP:

| Time period | Metric tonnes per week each RR |
|---|---|
| Nov. 30, 2014 to Dec. 20, 2014 | 345,000 |
| Dec. 21, 2014 to Jan.  3, 2015 | 200,000 |
| Jan. 4, 2015 to Feb. 21, 2015 | 325,000 |
| Feb. 22, 2015 to Mar. 21, 2015 | 345,000 |
| Mar. 22, 2015 to Mar. 28, 2015 | 465,000 |

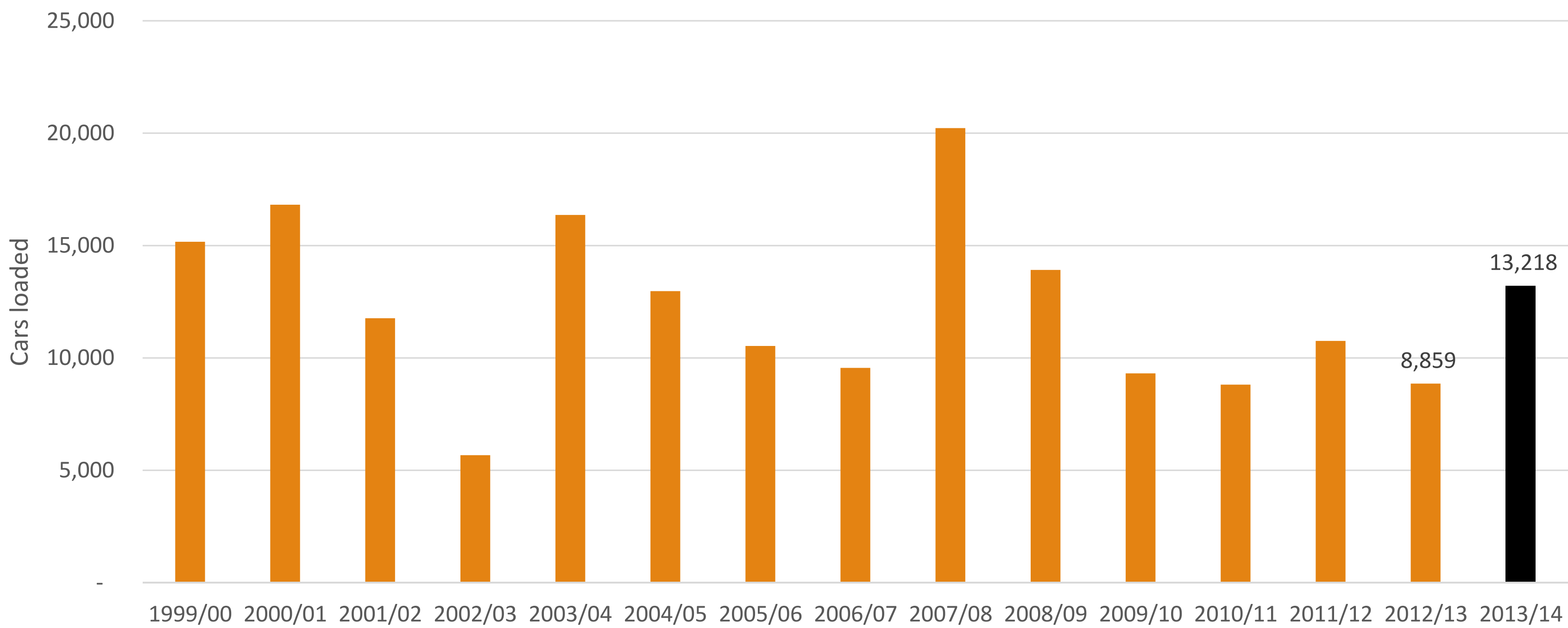
# W Canada Railcar Loading – Dec/Mar



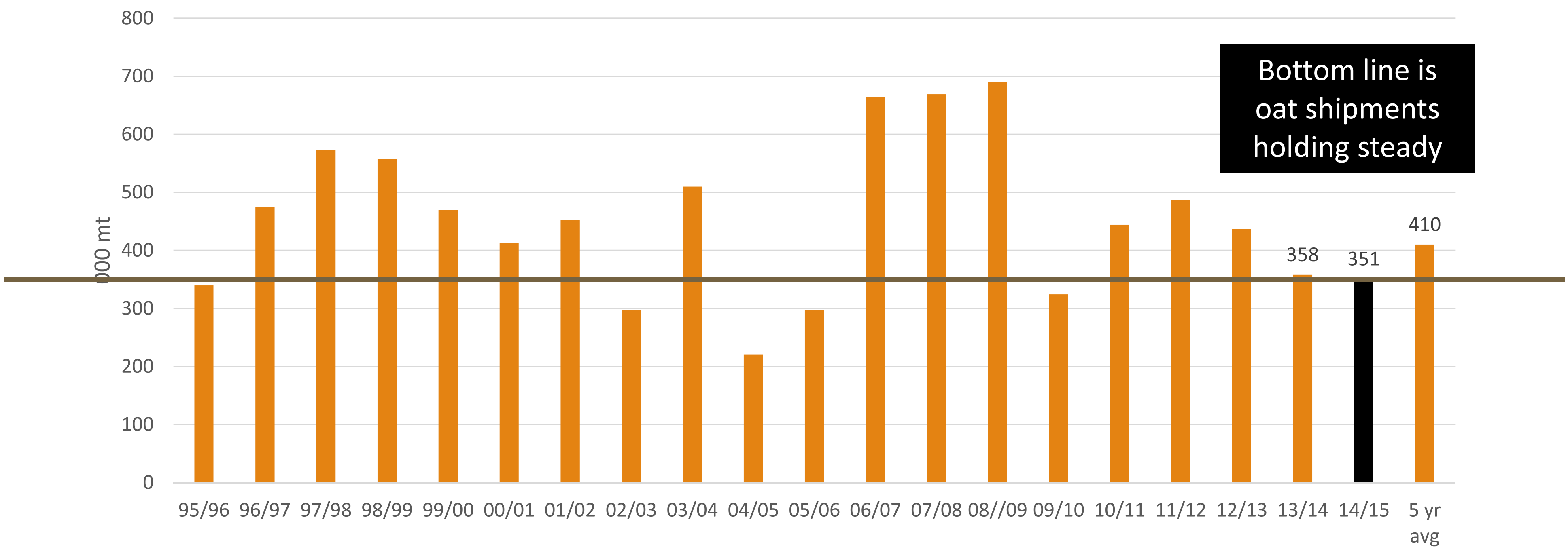
# Canada Rail Car Loading YTD (Aug-Sep)



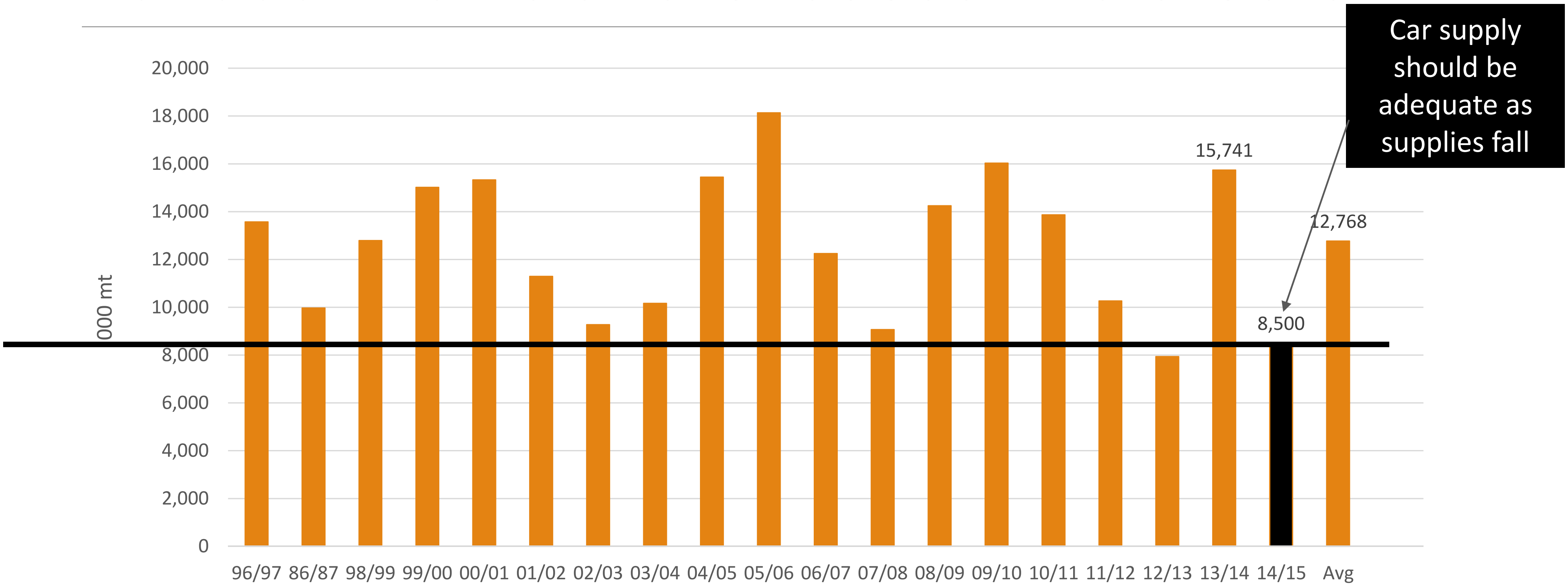
# Cereal Car Loading Apr-July



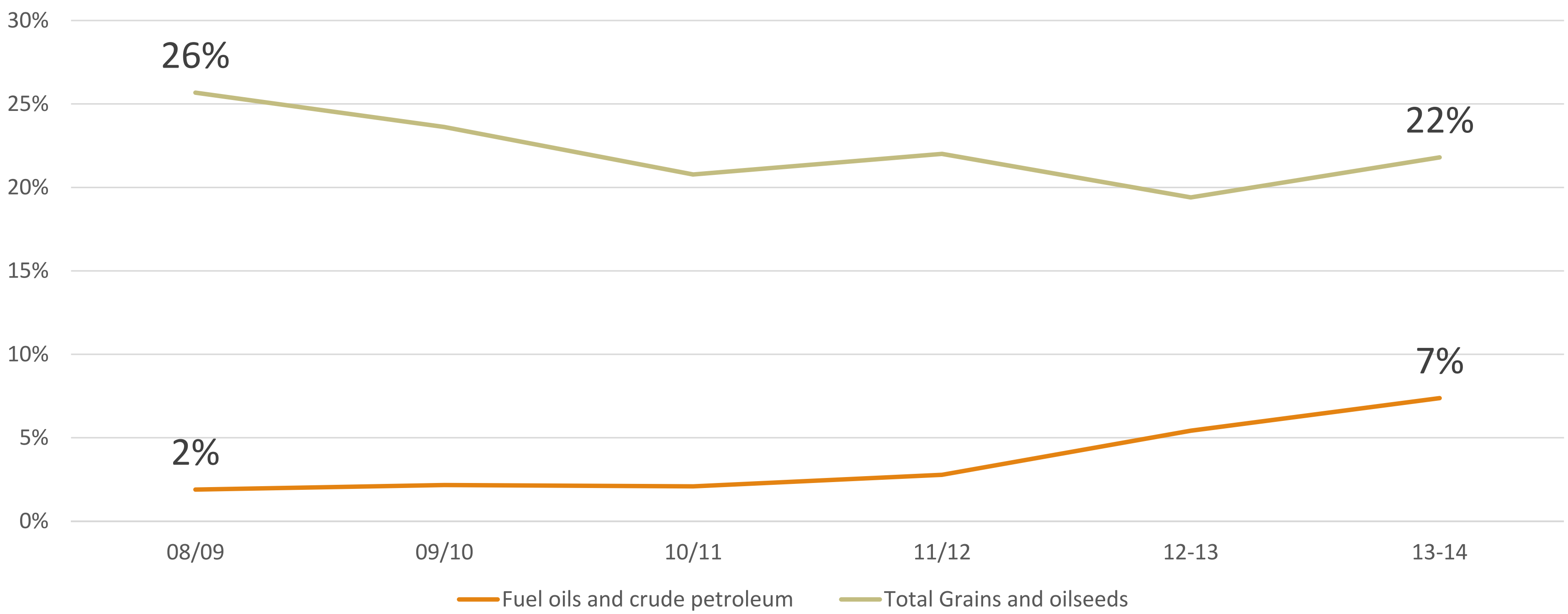
# Canada Oat Exports YTD (Aug-Nov)



# Canada Grains and Oilseeds End Stocks



# W. Canada Rail Car Loading
# % of Total Non-Intermodal



# 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.

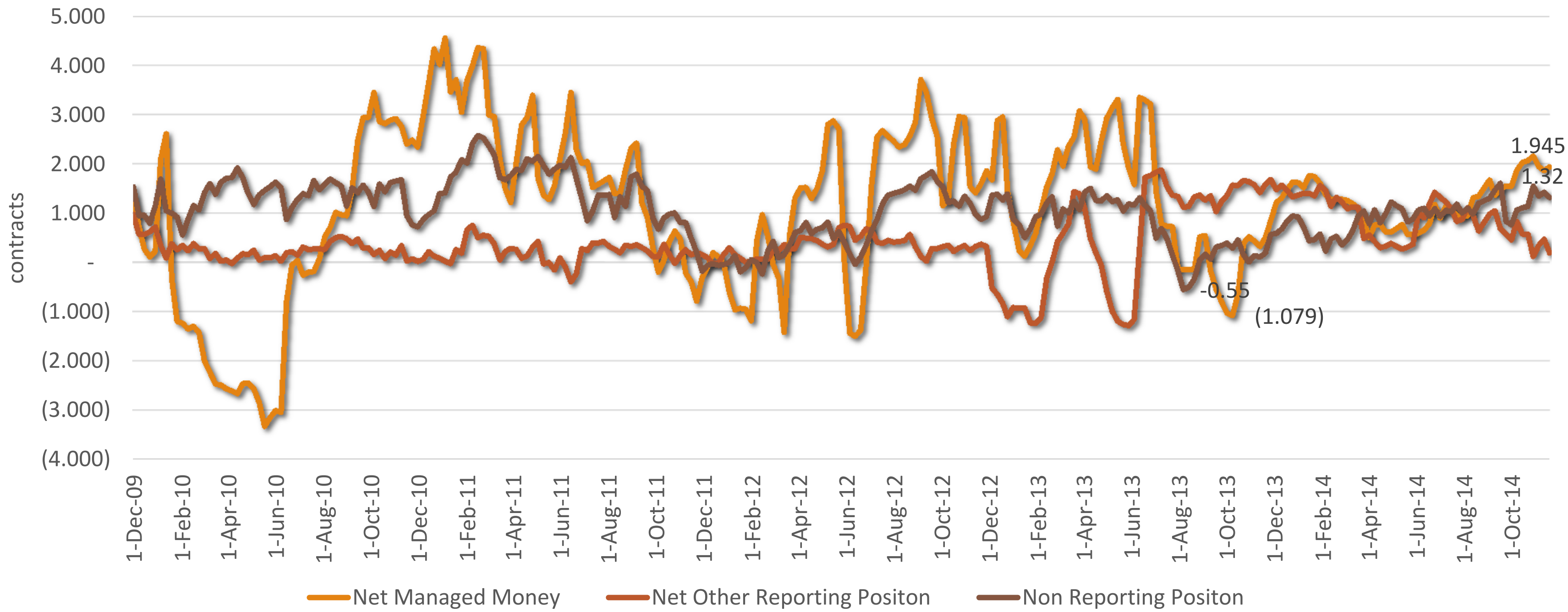
# Crude oil by rail

- 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.

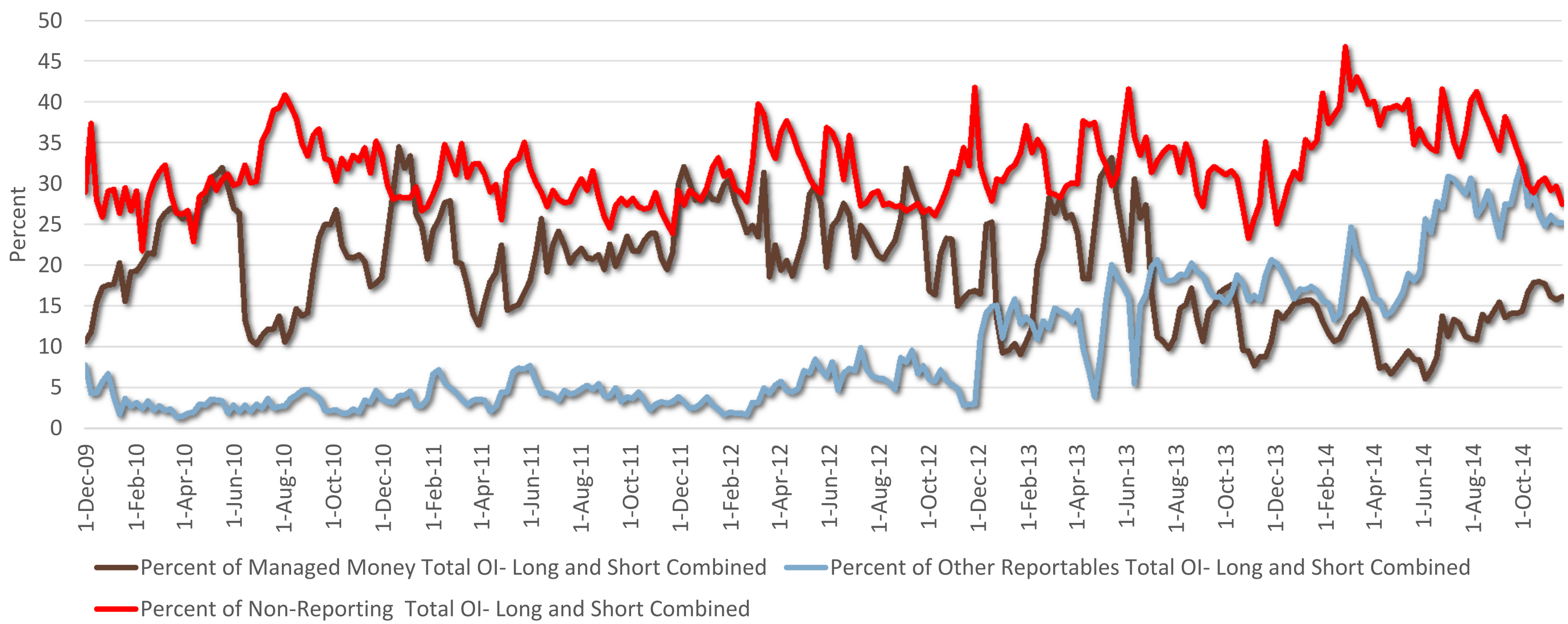
# Oat Fund/Specs

- 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

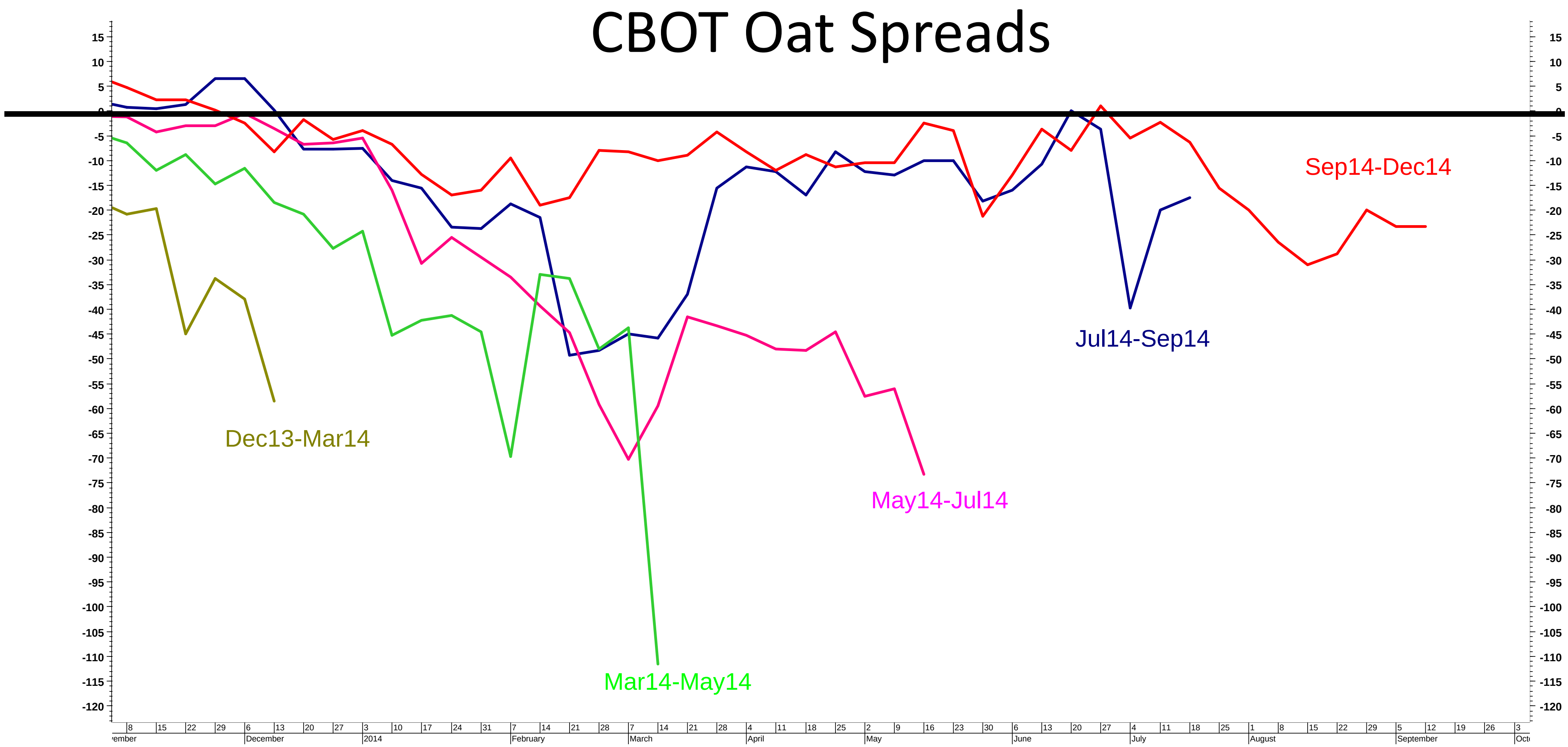


# Percent of Open Interest

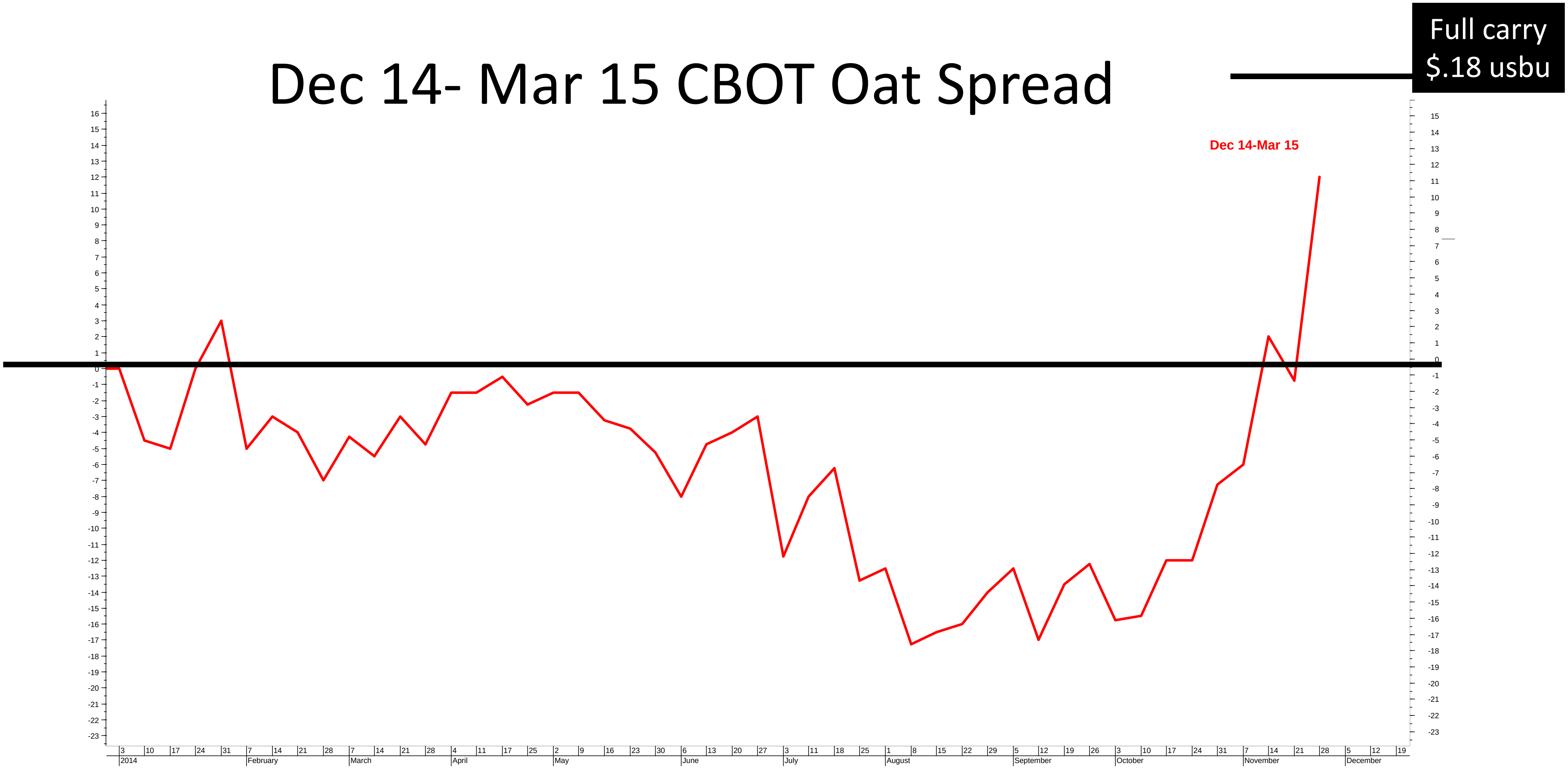


# CBOT Oat Carry

- Oat markets struggle without it
- Carry brings increased:
  - Commercial cash oat trade
  - Forward grower selling
  - Predictability of oat supply, particularly for commercial’s


CBOT Oat Spreads
Sep14-Dec14
Jul14-Sep14
Dec13-Mar14
May14-Jul14
Mar14-May14

# Dec 14- Mar 15 CBOT Oat Spread



# Spread Outlook

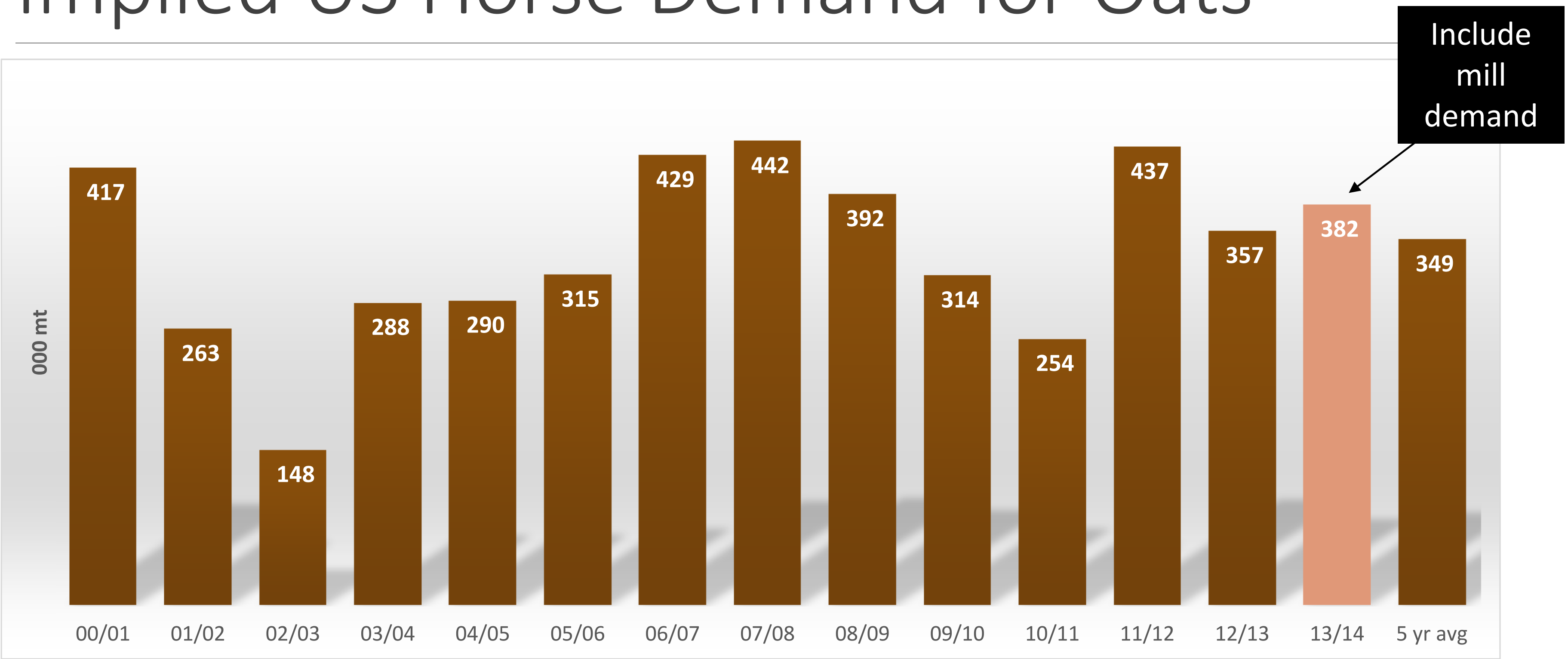
- Dec/Mar should maintain decent to good carry if Canadian oat exports hold current pace
- Back end months could tighten if Canadian oat plantings are lower than expected….or exports slow
- Oats are expected lose further ground to corn and wheat if;
  - Canadian oat export pace holds steady
  - 2015 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

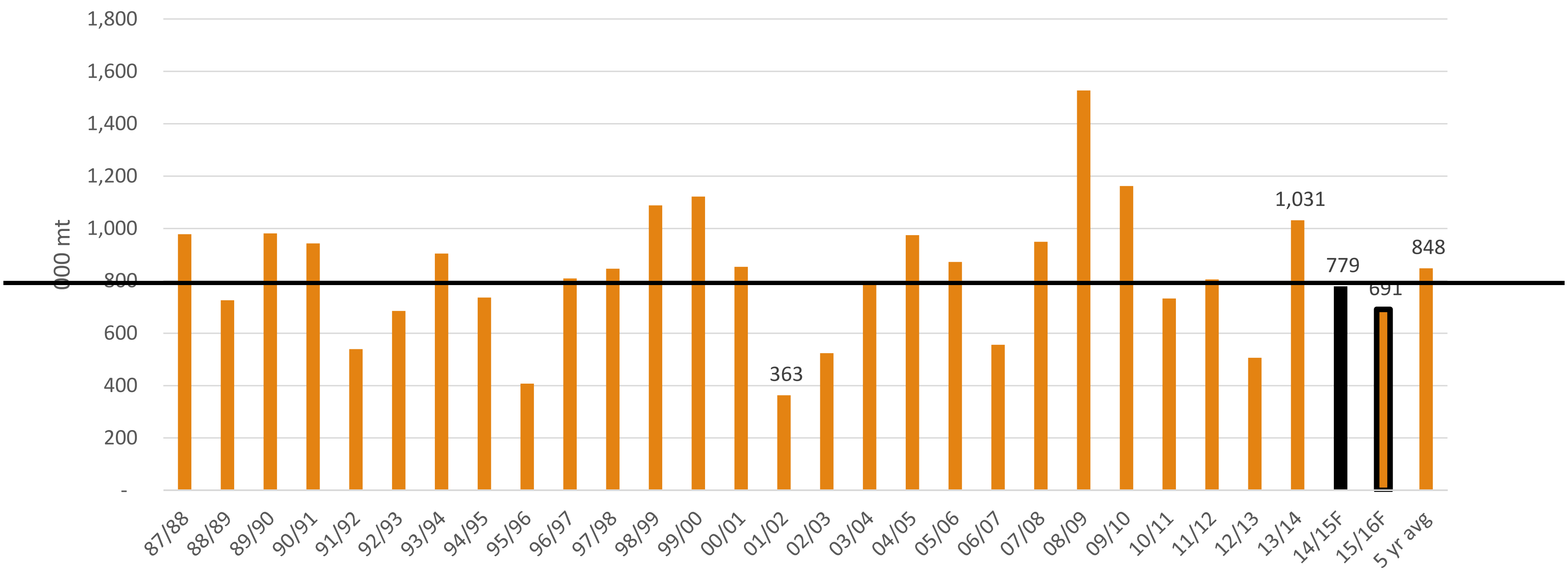
# Implied US Horse Demand for Oats



# Tighter Canadian 14/15 Oat End Stocks

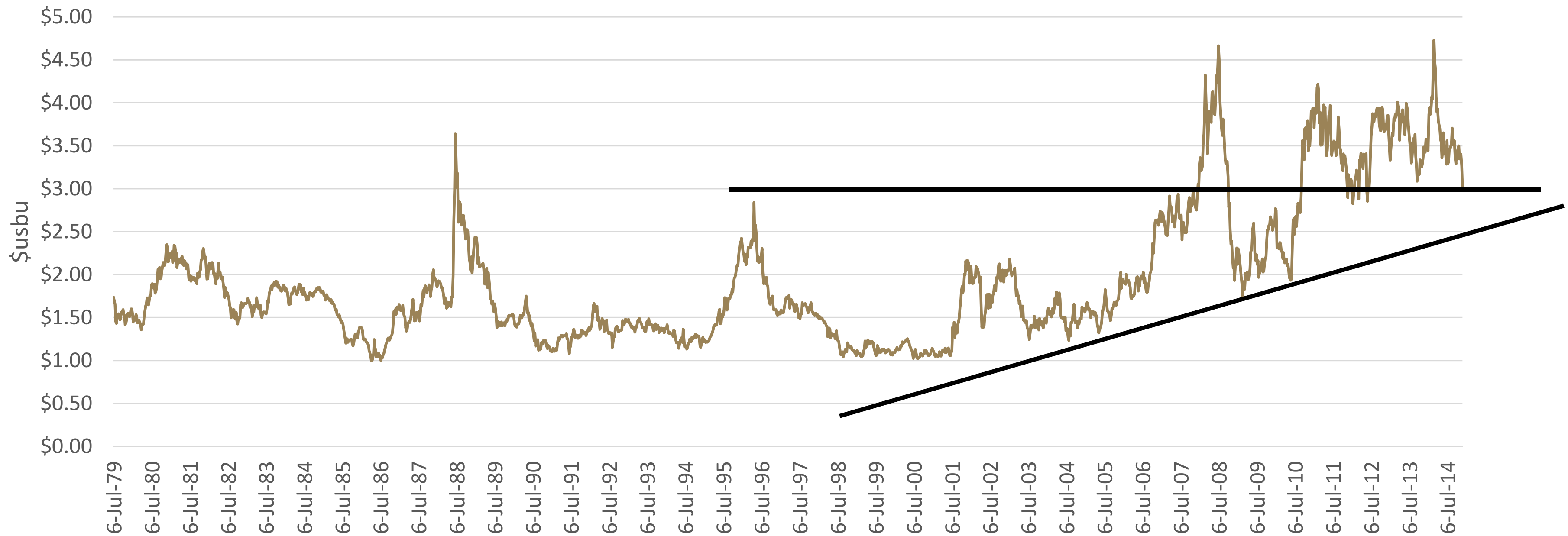
- Forecasted 0.710 MMT, OK but not comfortable versus the average of 0.848 MMT
- Oat net return not good
- 2015 oat plantings will need to climb 6-8% to keep oat market in balance.

# Canadian End Stocks

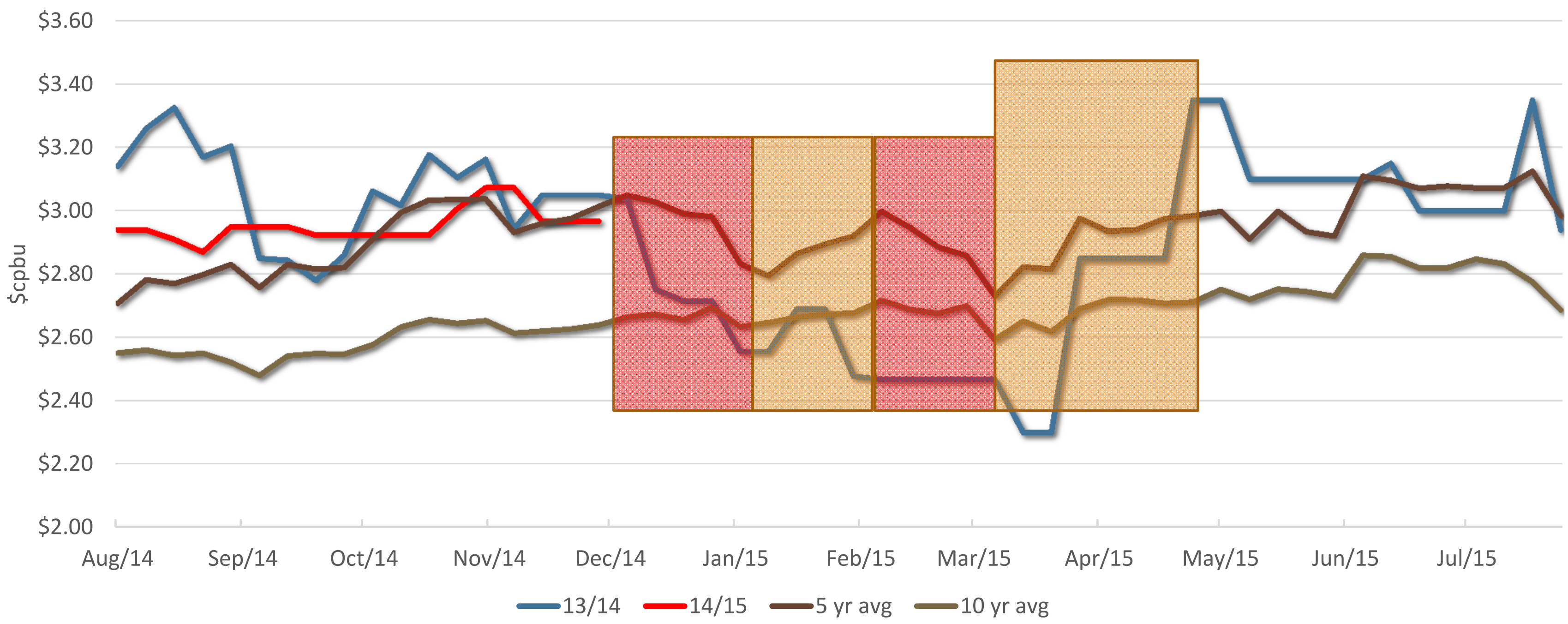


# Oat Metrics

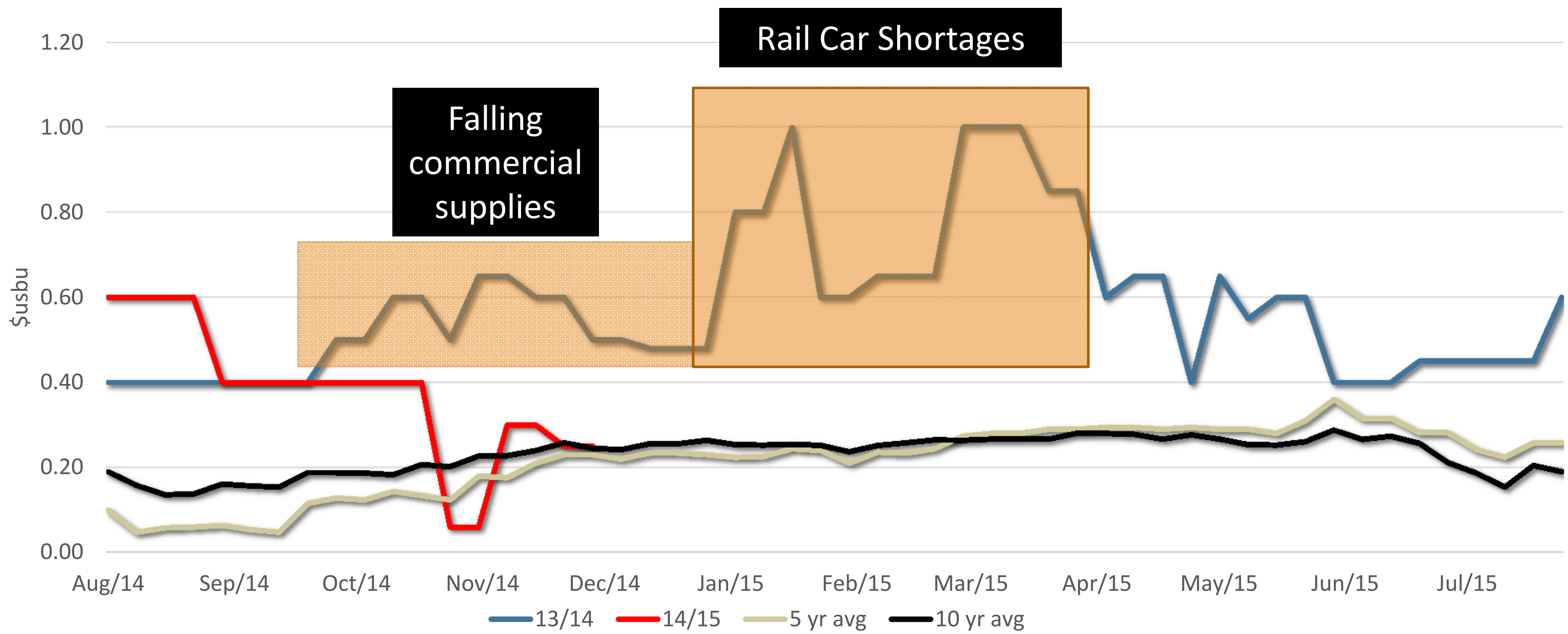
# CBOT Oat Futures – Continuous Weekly



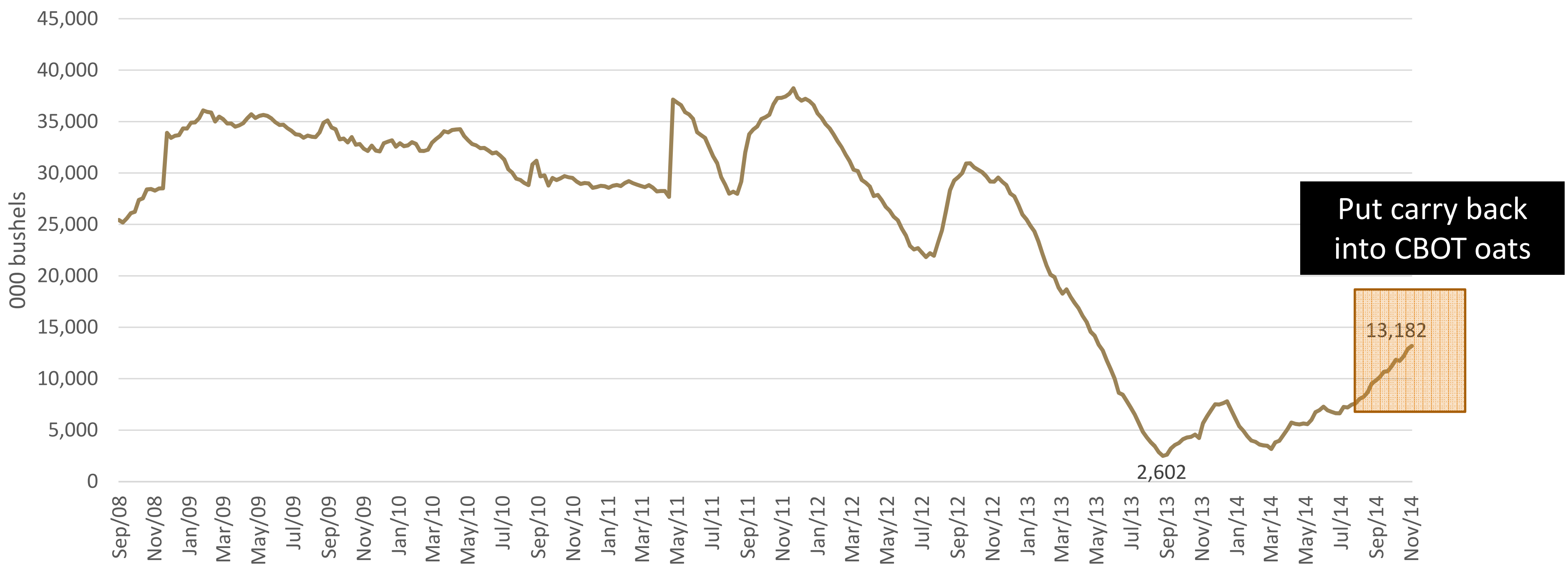
# Western Canada Mill Prices



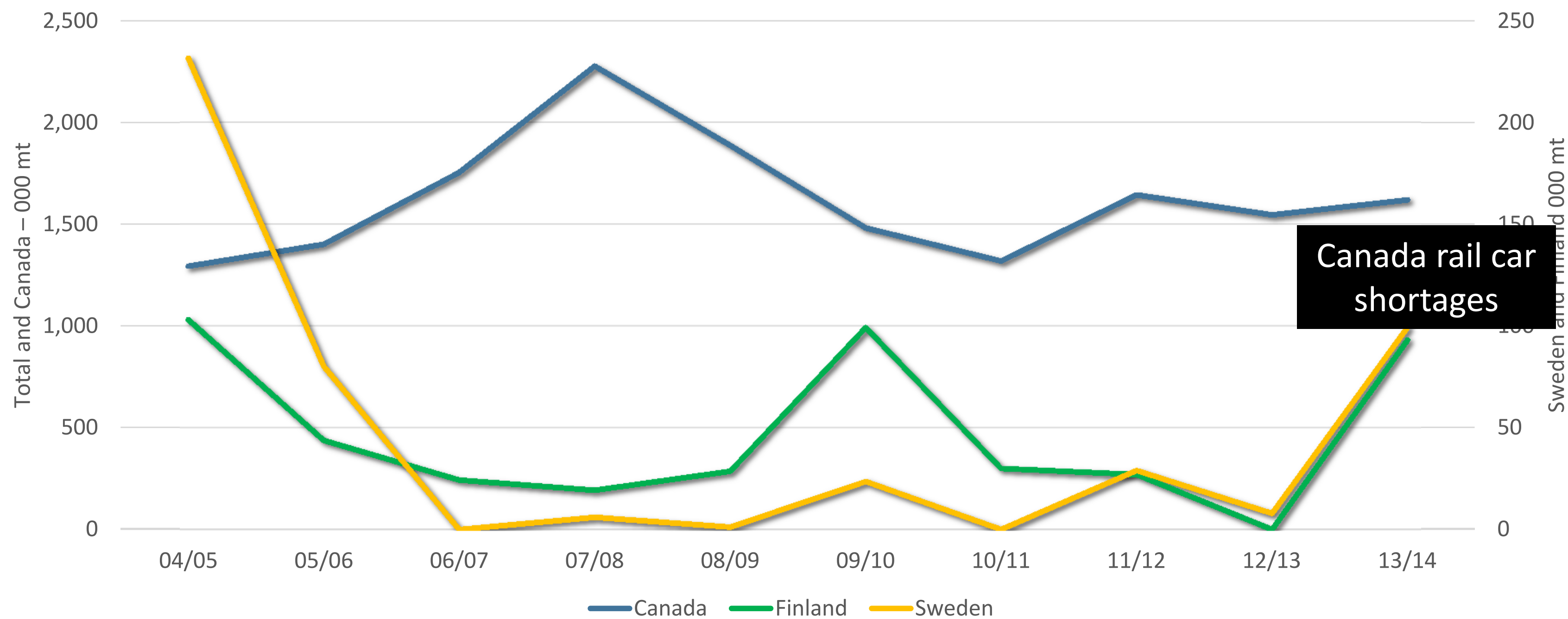
# Minneapolis Milling Oat Basis Bids



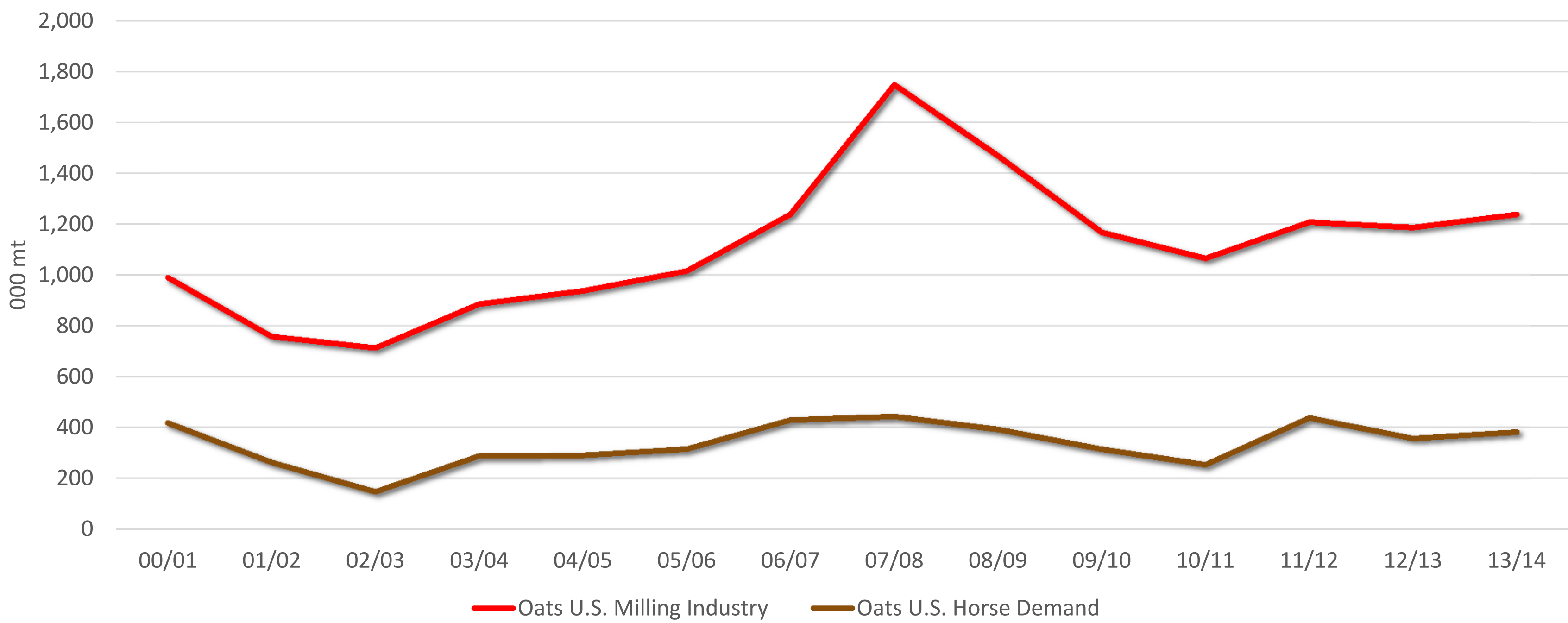
# Mpls/Duluth Oat Stocks



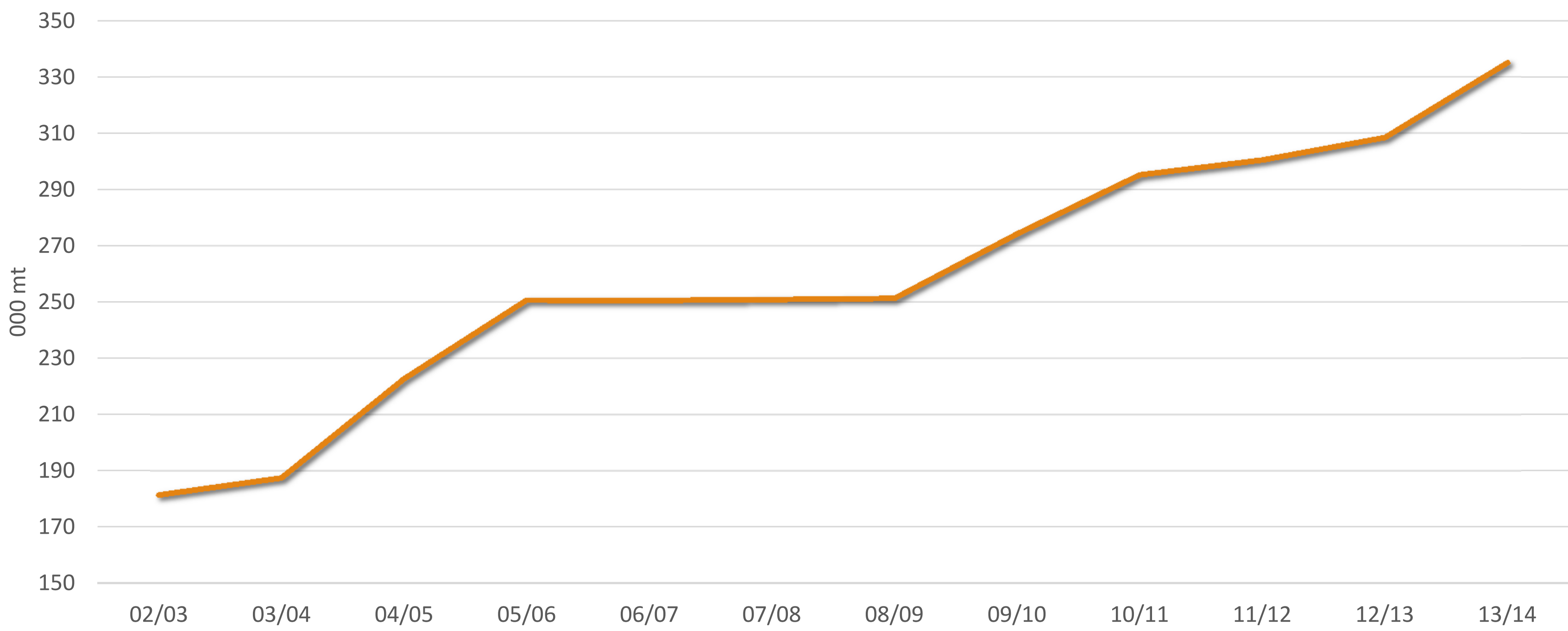
# US Oat Imports



# Implied Canadian Oat Exports to US



# Canada Oat Product Exports to US

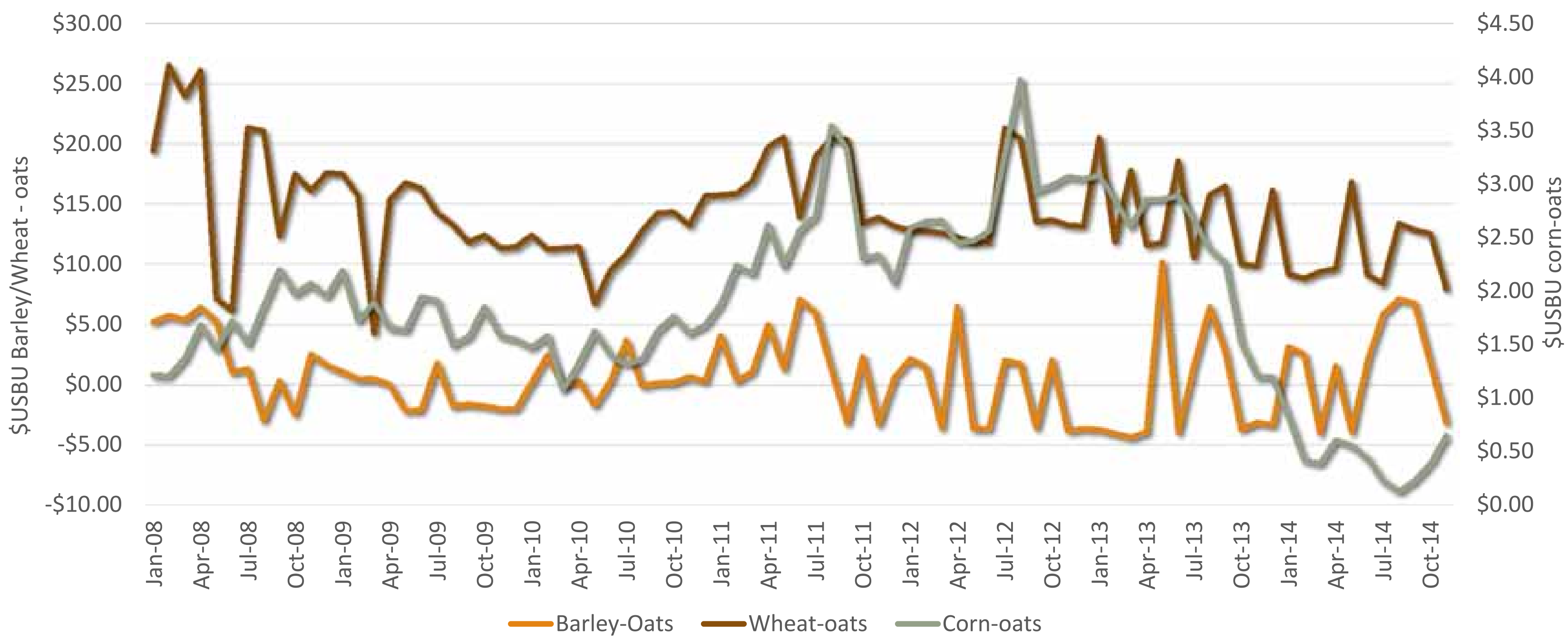


# Saskatchewan Grower Net Returns

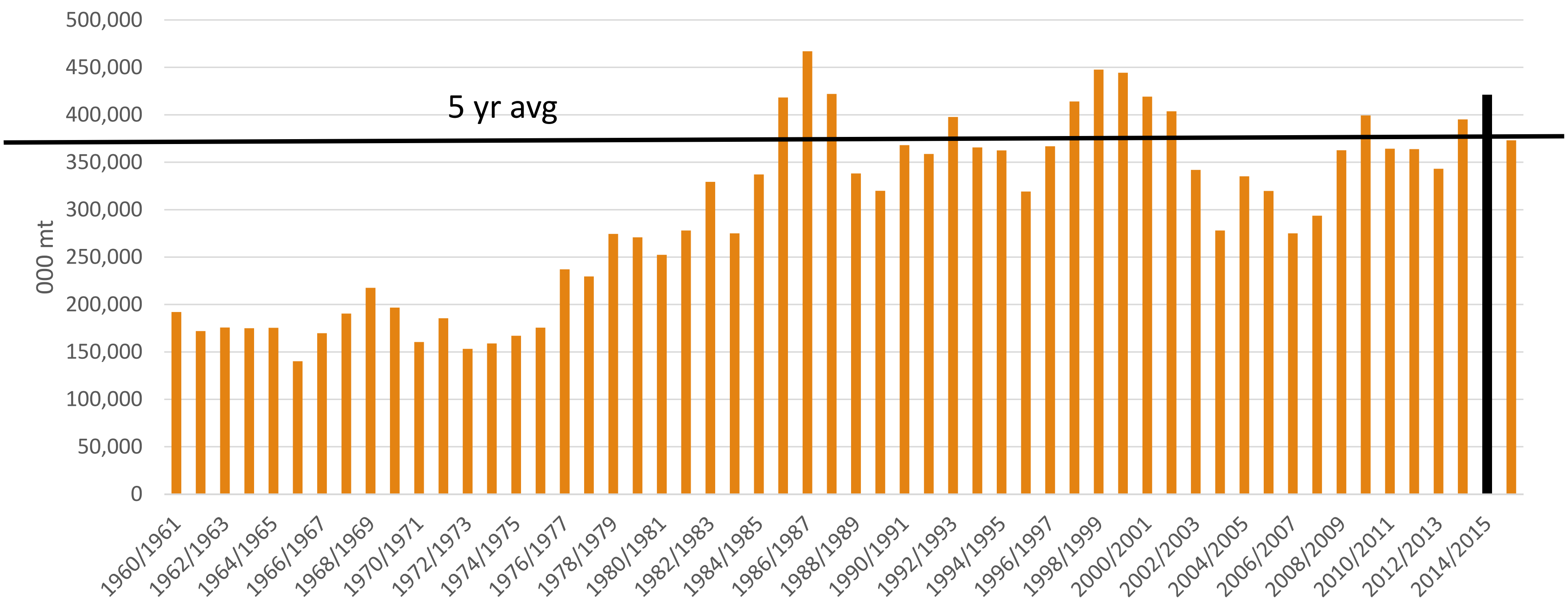
# 2015 Canada Oat Plantings

- 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



# World Grain End Stocks




Mar15 Oats(CBOT)
With 15 Year Seasonal(2000-2014)
Right click for additional options
Mar 12, 2015: MKT: O: 328.00 H: 329.75 L: 325.00 C: 326.00
$3.50
$2.75
Mar 12, 2015: 15-Year: 100.00 5-Year: 92.40 30-Year: 56.28
From: 2014 Apr 01 To: 2015 Mar 12
Zoom: 10D 1M 3M 6M 9M 1Y MAX
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