Oats: Transition from Scarcity to Abundance

Presented by:

Jon Driedger

@JonDriedger

@leftfieldcr



December 2022

WHAT WE'LL COVER

- * Cereal market overview
- Oats Transition from shortage to abundance
- * International overview
- ★ What about 2023?
- Summary



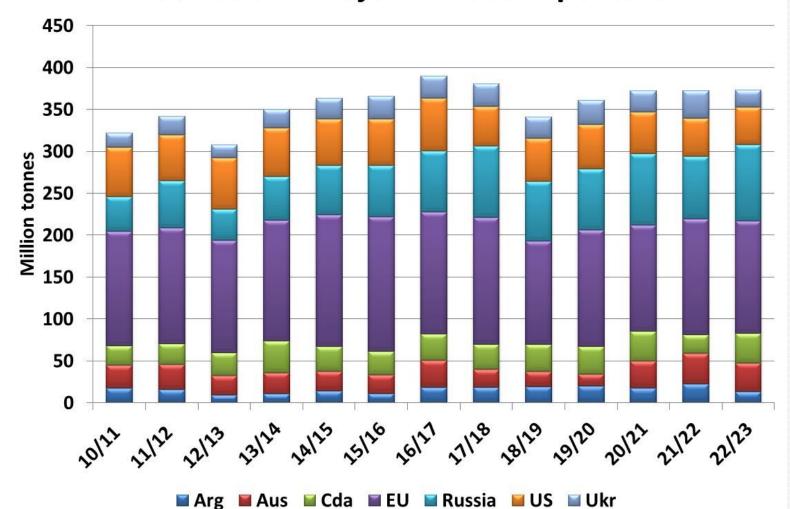
CEREAL OVERVIEW

- **★** Balance sheets are tight
 - + Global wheat, US corn, Prairie feed grains
- * Prices are off the peak
 - + Still high, but dropping
 - + High enough? Too high?
- * Bullish vs Bearish Factors



FLAT GLOBAL WHEAT PRODUCTION

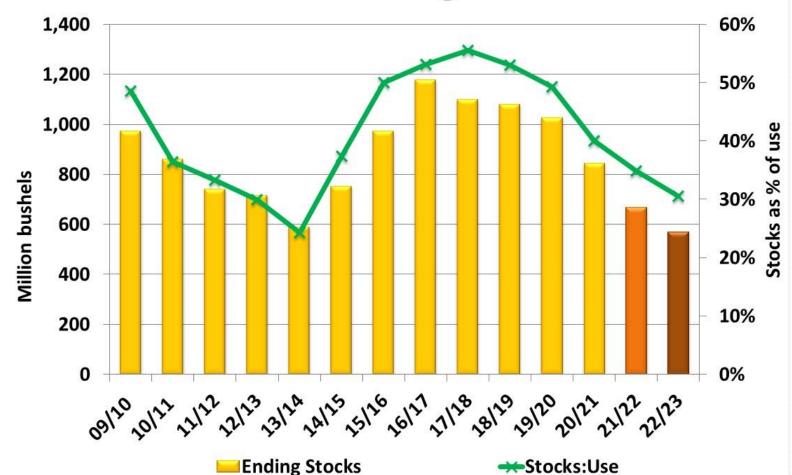
Production- Major Wheat Exporters





US WHEAT STOCKS TIGHT

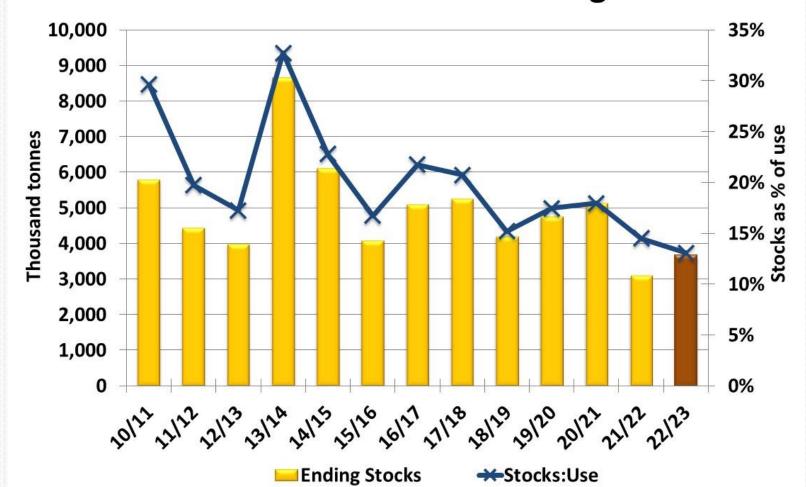
US Wheat Ending Stocks





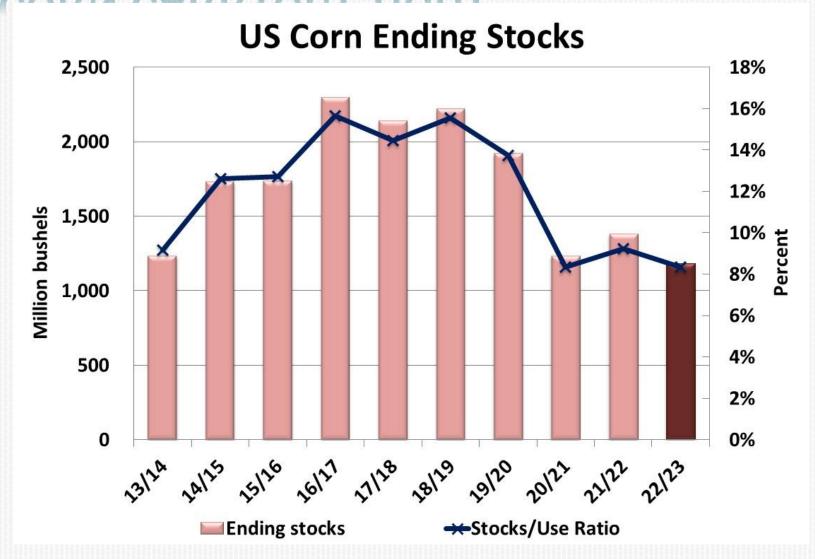
CANADIAN WHEAT STOCKS TIGHT

Cdn Non-Durum Wheat Ending Stocks



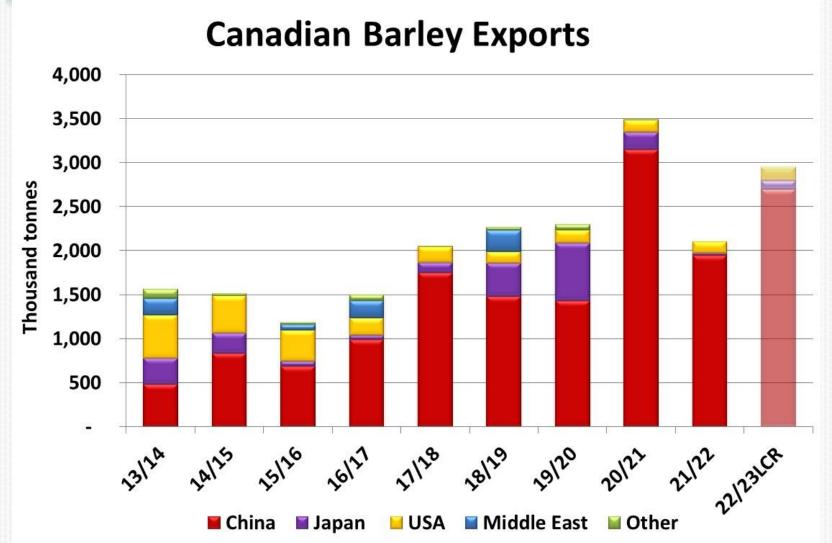


US CORN CARRYOUT TIGHT



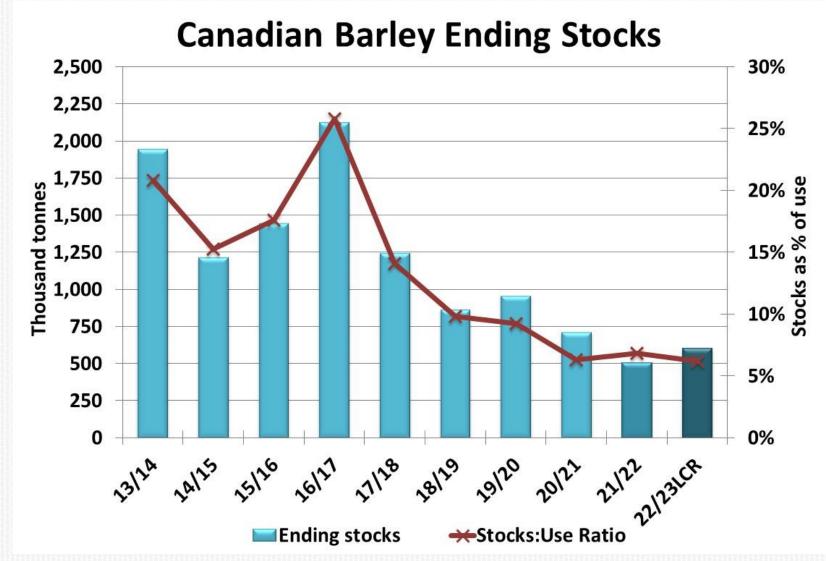


BIG BARLEY EXPORTS





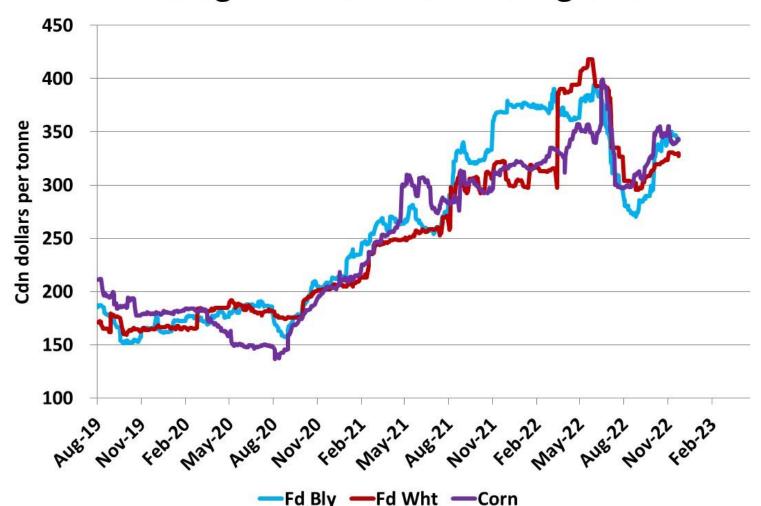
CANADIAN BARLEY CARRYOUT TIGHT





FEED GRAIN PRICES STILL HIGH...

Average Elevator Bids - Feedgrains





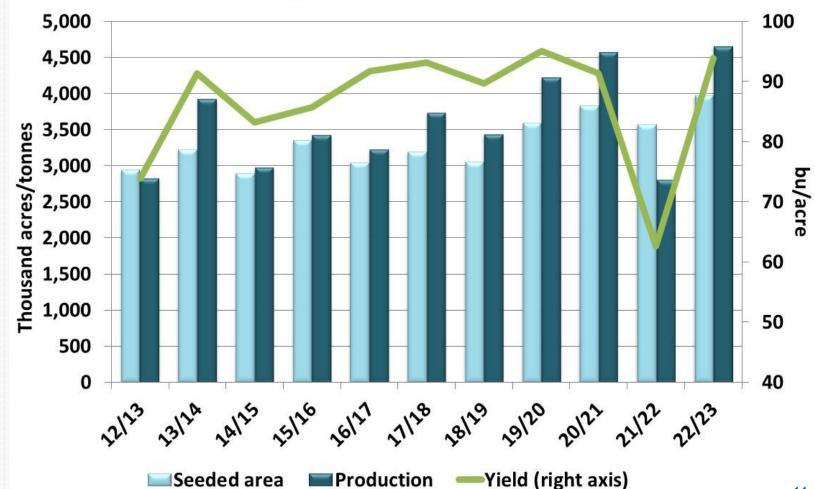
OATS

- The transition from extreme shortage to abundance
- Usage will rebound
 - + Working to 'chew through' the big supply
- Oats are relatively cheap
 - + May encourage some extra demand
- Supplies are too large to be 'bullish'; prices too low to be 'bearish'



TIGHT SUPPLIES TO ABUNDANCE

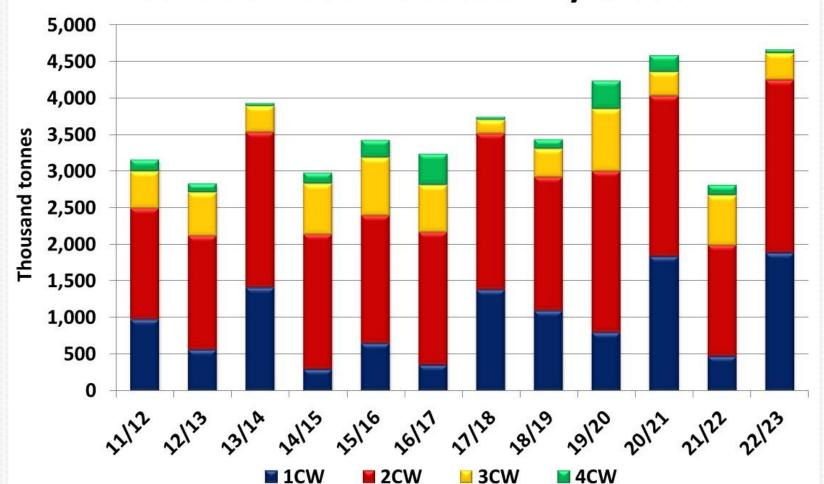
Oat Acreage & Production - Canada





CROP QUALITY IS GOOD

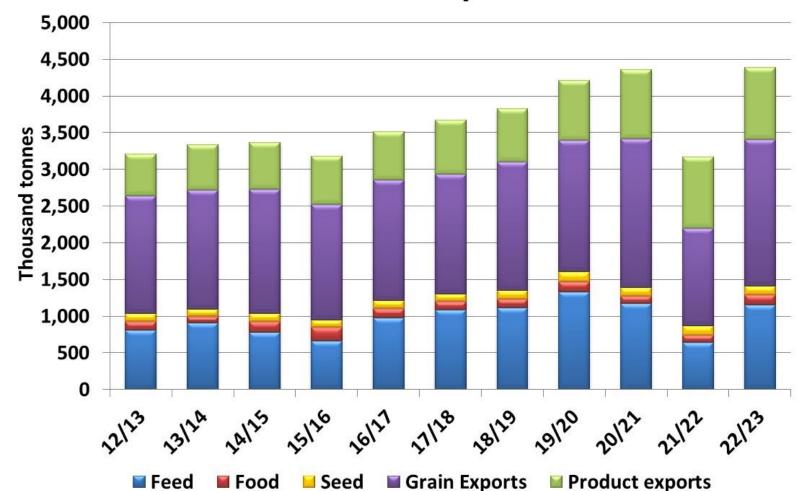
Canadian Oat Production by Grade





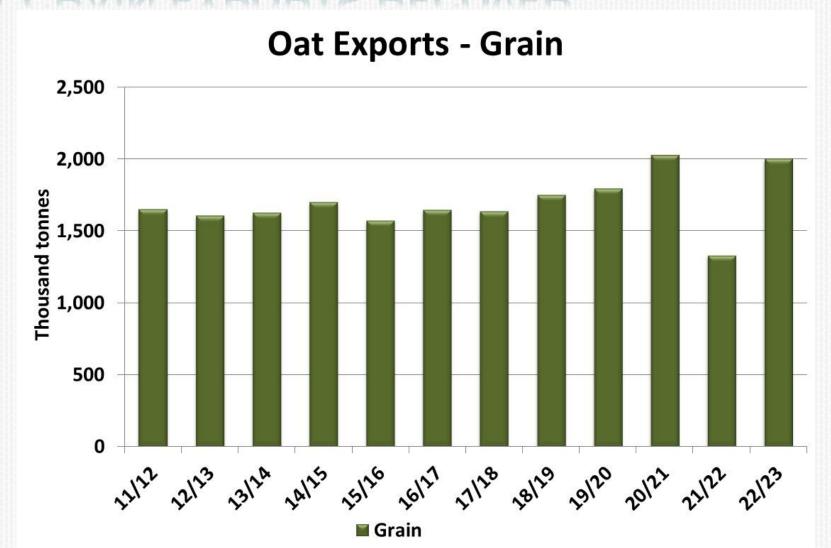
DISPOSITION RECOVERS WITH SUPPLY

Canadian Oat Disposition





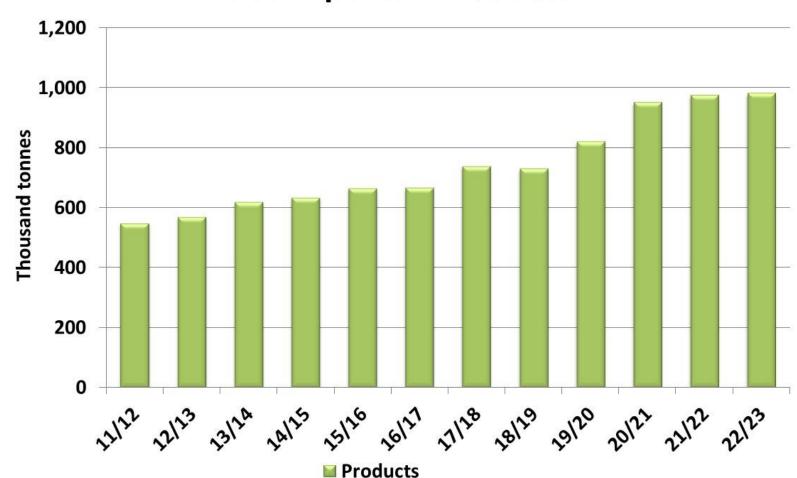
OAT GRAIN EXPORTS RECOVER





OAT PRODUCT EXPORTS DIDN'T DECLINE

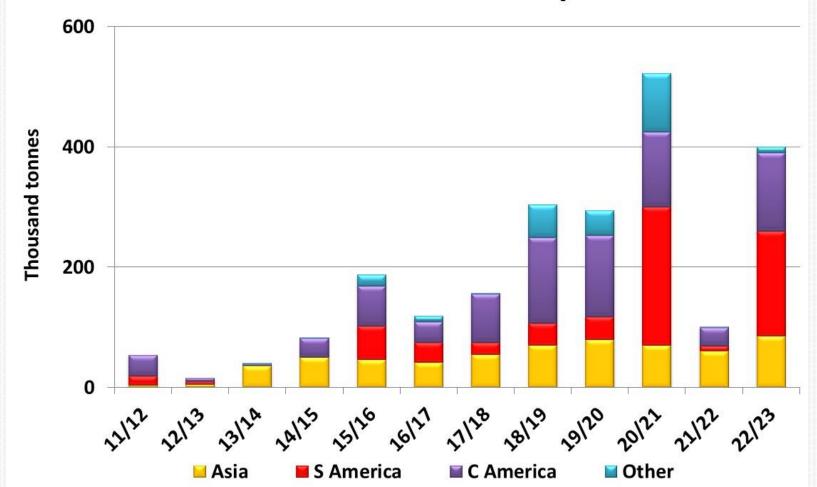
Oat Exports - Products





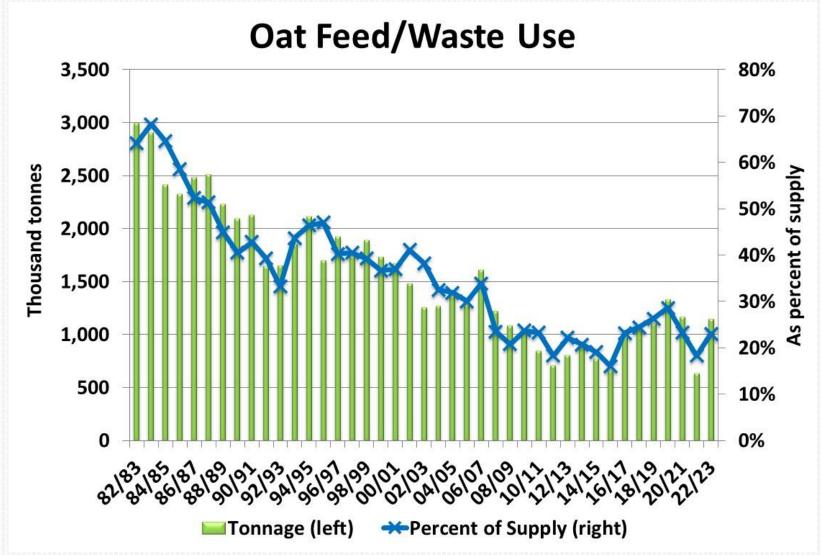
SOME REBOUND TO NON-US DESTINATIONS

Canadian Non-US Oat Exports





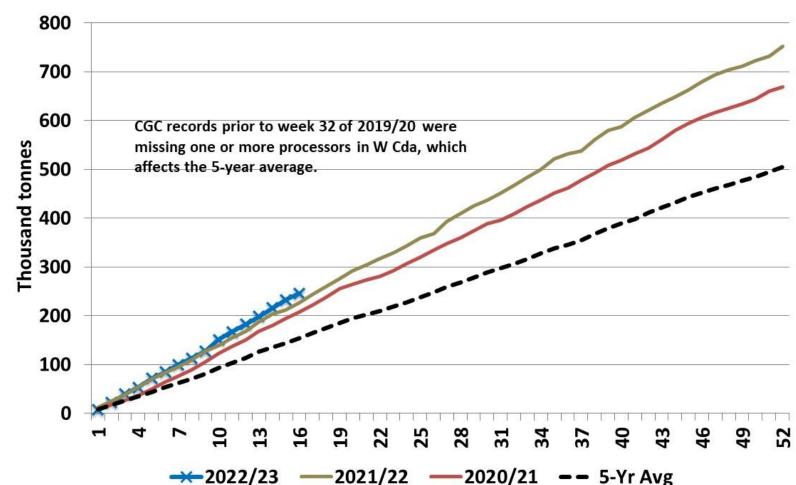
OAT FEEDING AIN'T WHAT IT USED TO BE...





MILLING REMAINS STRONG

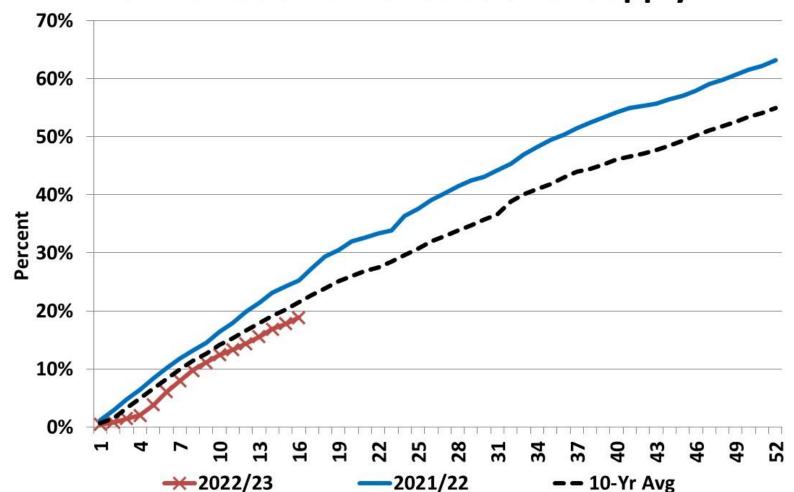
Cumulative Oats Milled





OAT DELIVERIES A BIT SLOW.....

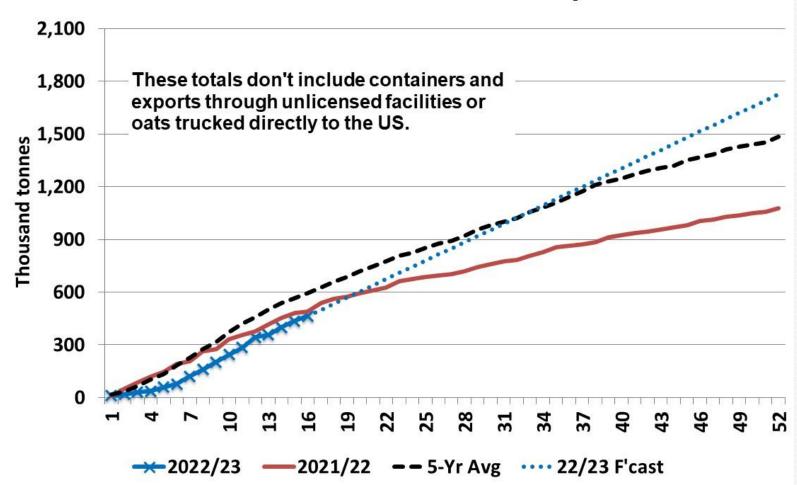
Cumul Oat Deliveries as % of Supply





EXPORTS BEHIND THE FORECAST PACE

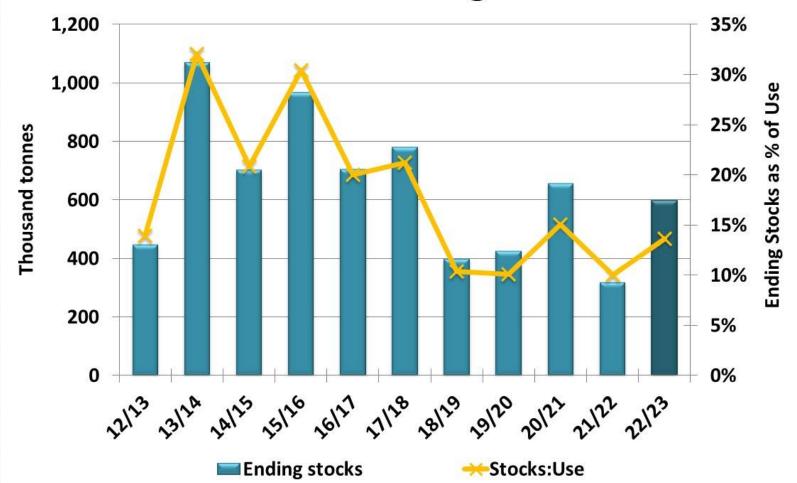
Cumulative Licensed Oat Exports





STOCKS BUILD, BUT NOT 'BURDENSOME'

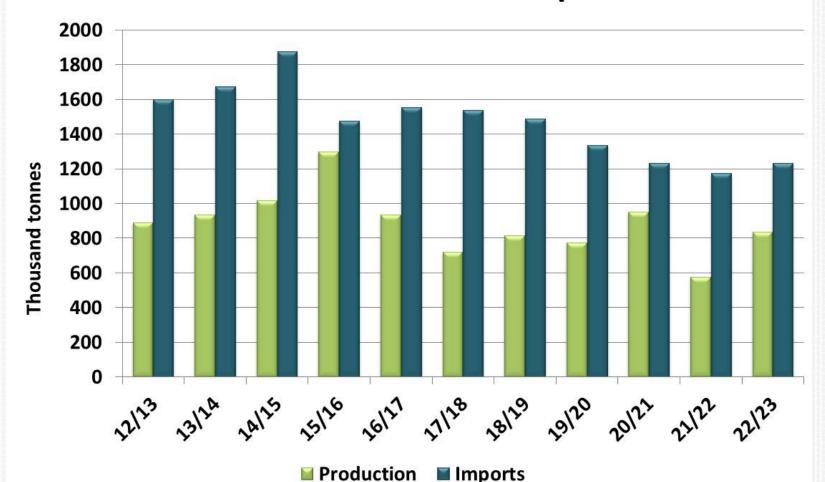
Canadian Oat Ending Stocks





US PRODUCTION UP, IMPORTS UNDERSTATED?

US Oat Production & Imports





US OAT STOCKS WILL BE TIGHT AGAIN

US Oat Ending Stocks



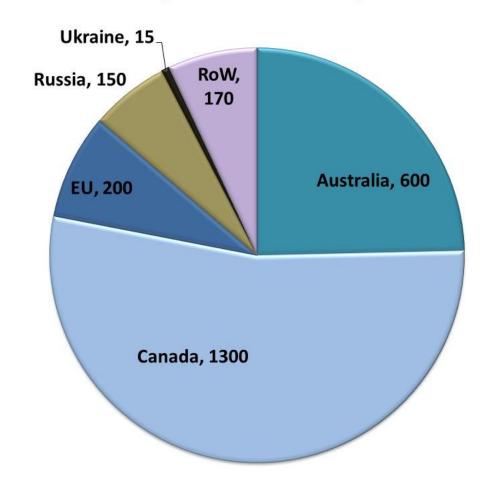


Ending Stocks (left) —S

→S/U Ratio (right)

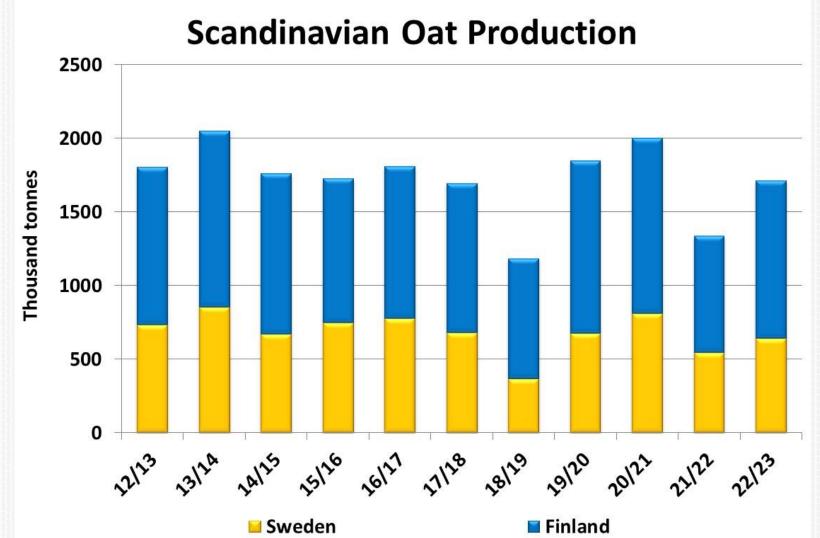
GLOBAL MARKET IS NORTH AMERICA-CENTRIC

World Oat Exports 2021/22 ('000 tonnes)



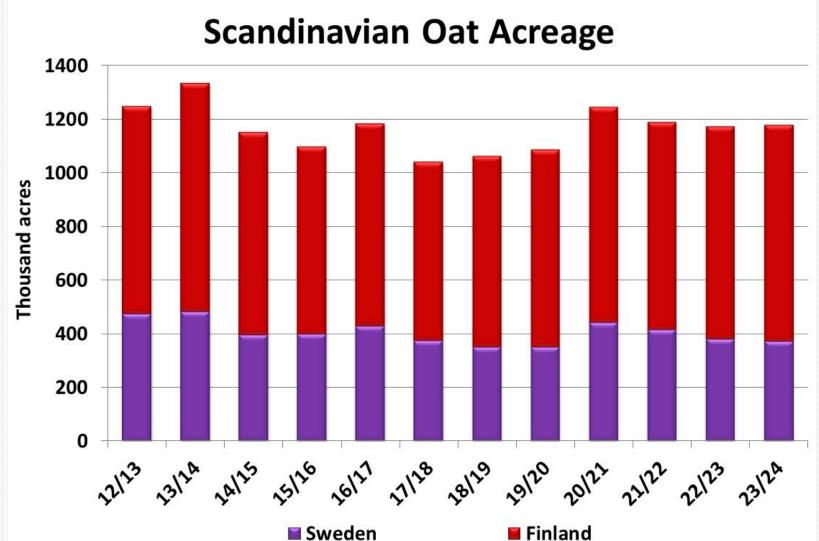


AVERAGE SCANDINAVIAN PRODUCTION



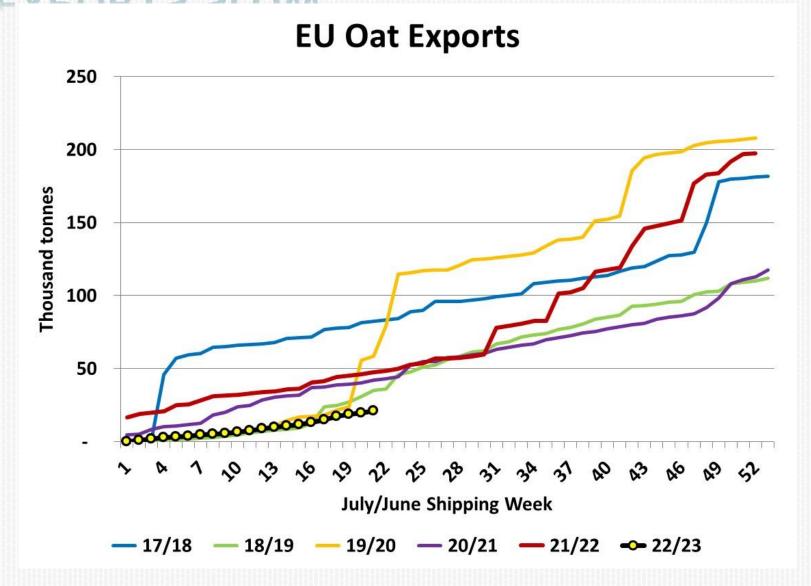


SCANDINAVIAN ACRES WILL BE FLAT





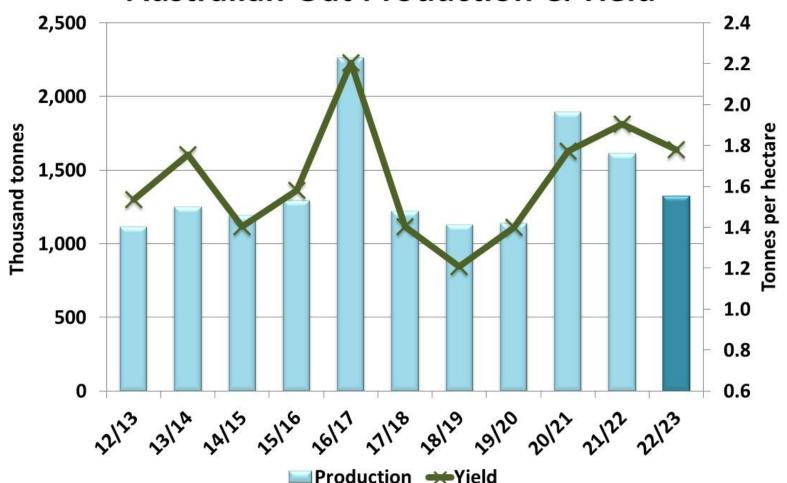
EU EXPORTS SLOW





AUSTRALIAN PRODUCTION DOWN

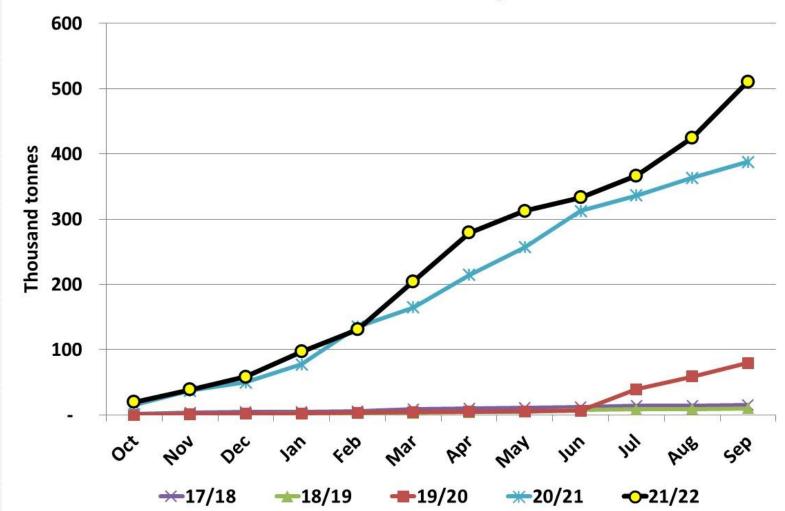
Australian Oat Production & Yield





HUGE AUSTRALIAN EXPORTS

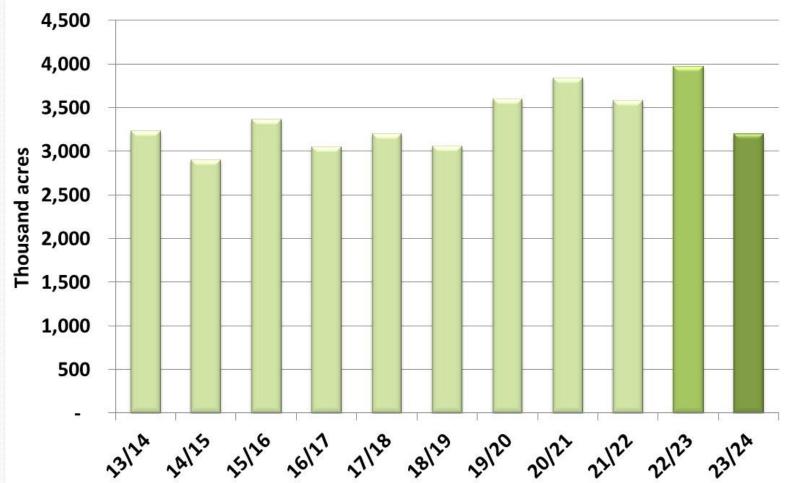
Australian Oats Exports





WHAT ABOUT 2023?.....

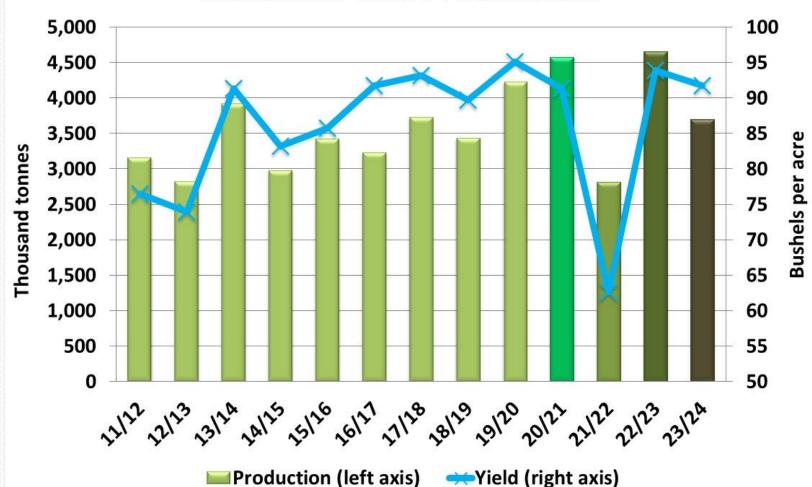
Canadian Oat Seeded Area





PRODUCTION MAY SEE SIZEABLE DROP

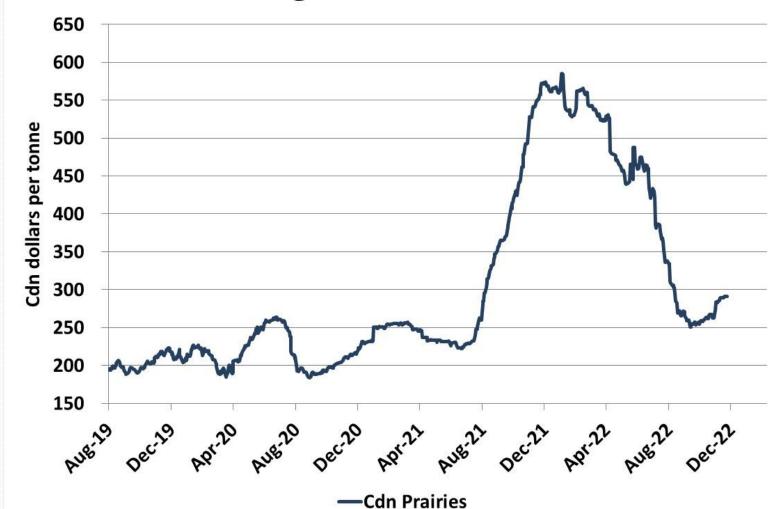
Canadian Oat Production





OAT PRICES OFF HARVEST LOWS

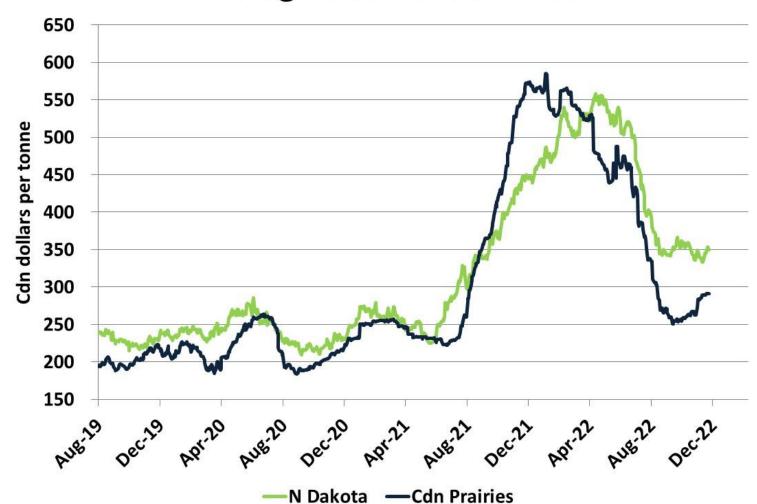
Average Oat Elevator Bids





PRAIRIE BIDS DISCOUNTED RELATIVE TO US

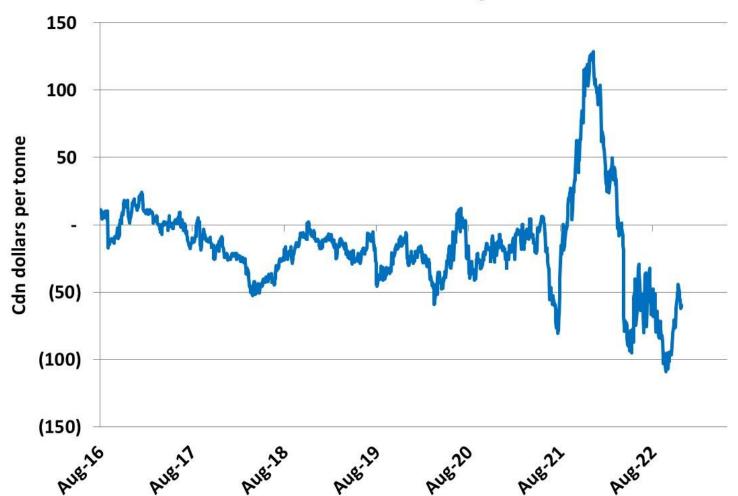
Average Oat Elevator Bids





PRAIRIE BIDS DISCOUNTED RELATIVE TO US





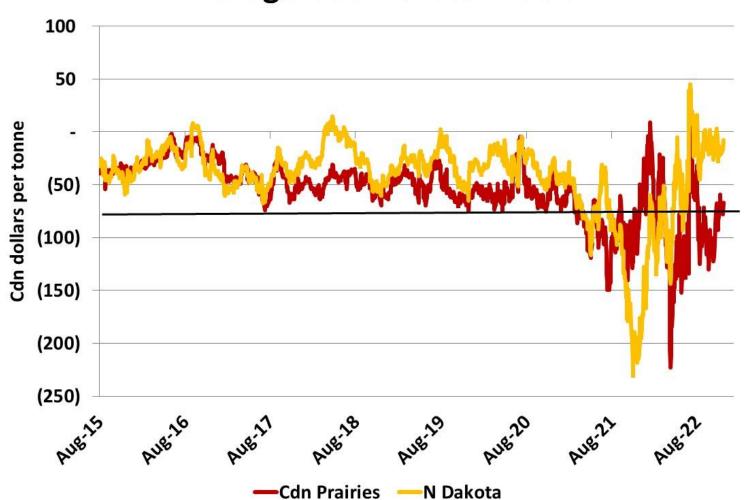


LONG TERM OAT FUTURES



CANADIAN OAT BASIS RELATIVELY LOW

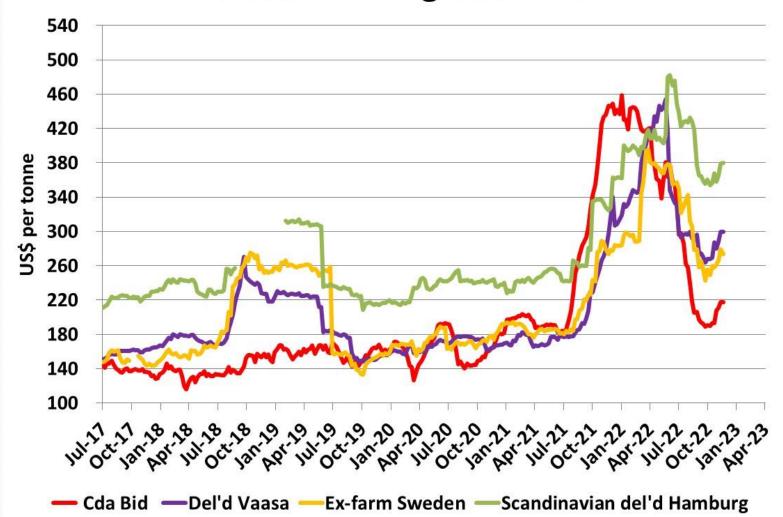
Average Oat Elevator Basis





CANADA CHEAP RELATIVE TO EU

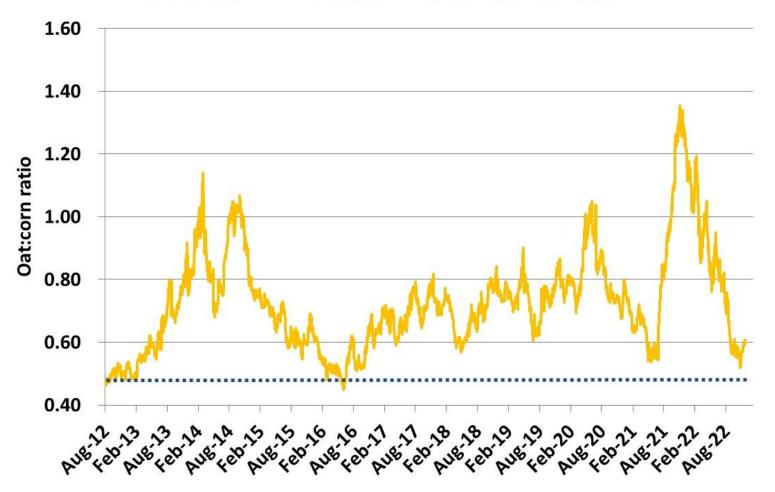
Selected Milling Oat Prices





OAT FUTURES CHEAP VS CORN

Oat:Corn Ratios - Futures & Cash

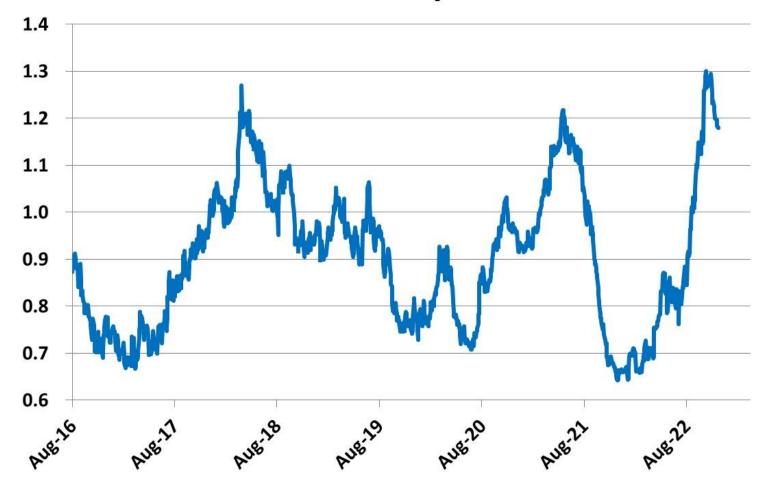




-Nearby Futures

PRAIRIE OAT BIDS CHEAP VS BARLEY

Western Canada Barley: Oat Price Ratio





SUMMARY

- * Big rebound in supply limits upside potential
- Oats remain relatively cheap, and stocks will not be heavy
 - + 'Should' see usage levels hit forecasts
- * Cereal complex is tight
- Sets up for steady-to-firmer market
- * May see big drop in 2023 production





Free 4-week trial

Hedging Course – Brandon, MB Jan 9, 10

Special Crops Letter

Highlights & Lowlights

- The condition of the Canadian pea crop is close to average as the market waits for StatsCan acreage next week
- Movement of pear through the elevator system slows in nummer but is even quieter than usual this:
 Chinese pea imports declined to 192,000 tonnes in May but the year-to-date pace is still a record.
- The US 2021 pea crop will like
 Pea prices in Ukraine are conti
- . The recent weakness in Canad
- Ending stocks of mustard will |
 For now, the condition of the S
 The USDA will announce its fire
- . Canadian bids for all three clas
- Canary Seed

 StatsCan will release its 2021 a

 The condition of the Saskatche
- Argentine seeded area is estim
 Nigerseed production in India
 Both old-crop and new-crop bi

- . So far, dry bean bids in the US

average to slightly above, it's still we ocuple of yield scenarios to see what they would have on supplies in 2021 update its acreage estimates in the n week, but we're still fairly comfortal intentions number of 3.84 mln acres

Northern Plains conditions are poor and the Prairie crop could deteriorate if there isn't follow-through rain. Corn prices will rally on any weather threats, which would

more aggressively than usual in 2021/22.

Bearish

✓ Crop estimates keep increasing in the EU. There are no major weather concerns in most key growing regions. This increases global export competition.

Market Stance Wheat continues to lack its own bullish story aside from the problems in the hard red spring wheat growing area.
Harvest selling pressure will limit upside potential from nov

until fall.

The longer-term outlook is less bearish due to good demand and potential support from corn. Wheat is pricing into feed markets in some regions, which provides a floor. But patience is required for any sustained and sizeable upside

Chart of the Week

Farm Market Letter

The Bigger Picture - Do Strong Prices Keep Markets Elevated?

We've always been fascinated by market psychology and its effect on decision-making. It's clear

that 2020/21 has been a high price environment for most crops grown in western Canada, Canola barley and flax prices have hit all-time highs and most other crops have been the strongest in a fer

Aside from the obvious observation that these high prices mean there are very few supplies left on assue from the own of control observation and these major prices mean there are very new suppose set. farm, we wonder how they could influence selling behaviour for next year's crop. The feeling of "woulda, shoulda, coulda" is very strong for those (almost everyone) that missed the highs. While

many have taken advantage of exceptional new-crop bids to forward contract part of their 2021 crops, others are reluctant to make sales, which adds a bit of support for price:

there's less pressure on many farmers' finances. Even if it wasn't enough to create actual wealth, it should (in general) let farmers "sell when they can, not when they have to". Reduced pressure to make sales could allow farmers to be choosier about when to sell, and force buyers to bid a little

> Prairie conditions have improved, but remain vulnerable and the dryness in the Northern US is well known. The

that will impact the spreads (harvest quality, yield, the feed complex), but the futures premium may be nearing its limit

7/1/1/1/1/1/1/1/1/1/1/1/

E-mail: jon@leftfieldcr.com

Text: 204.905.1881

www.leftfieldcr.com

@leftfieldcr

@jondriedger

