

# North American Oat Outlook

Oatinformation.com

Prairie Oat Growers Association

December 2023

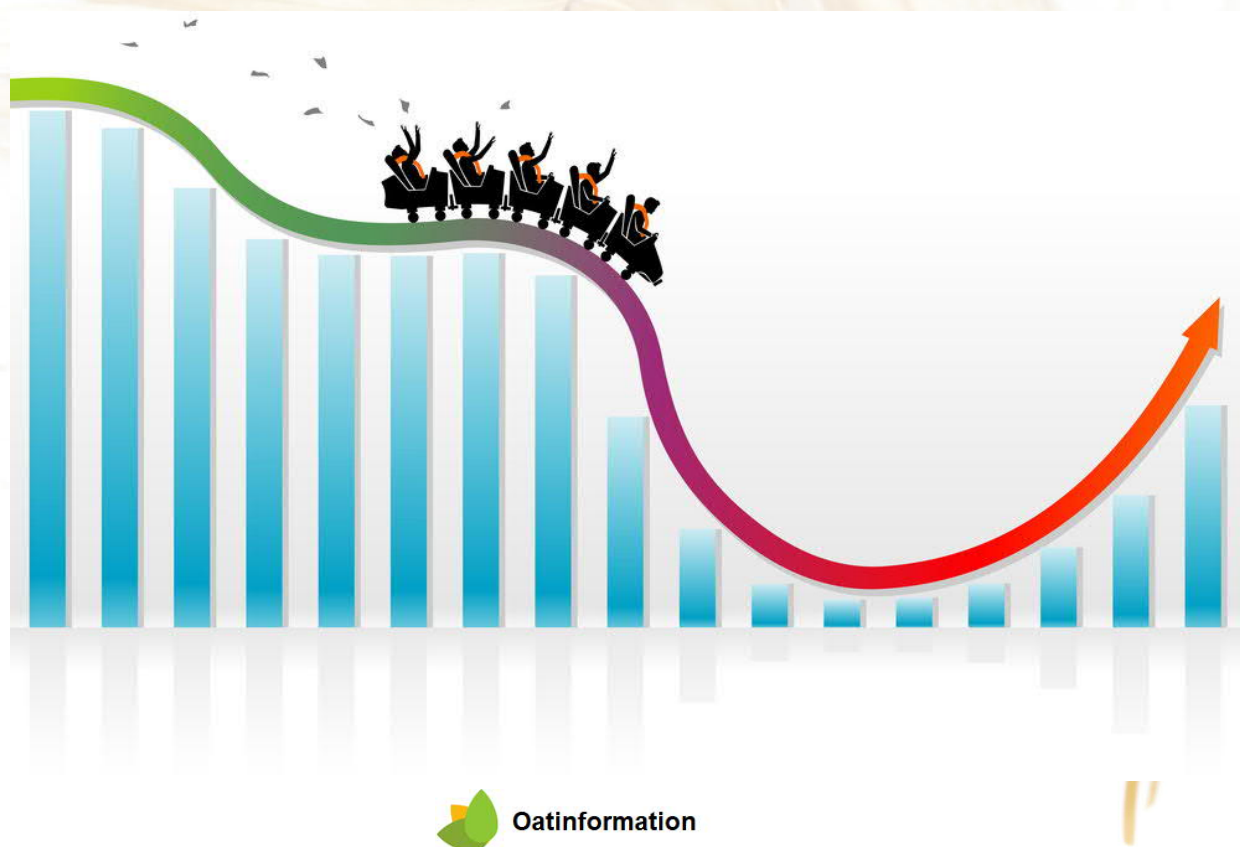


# Quick Oat Market Update

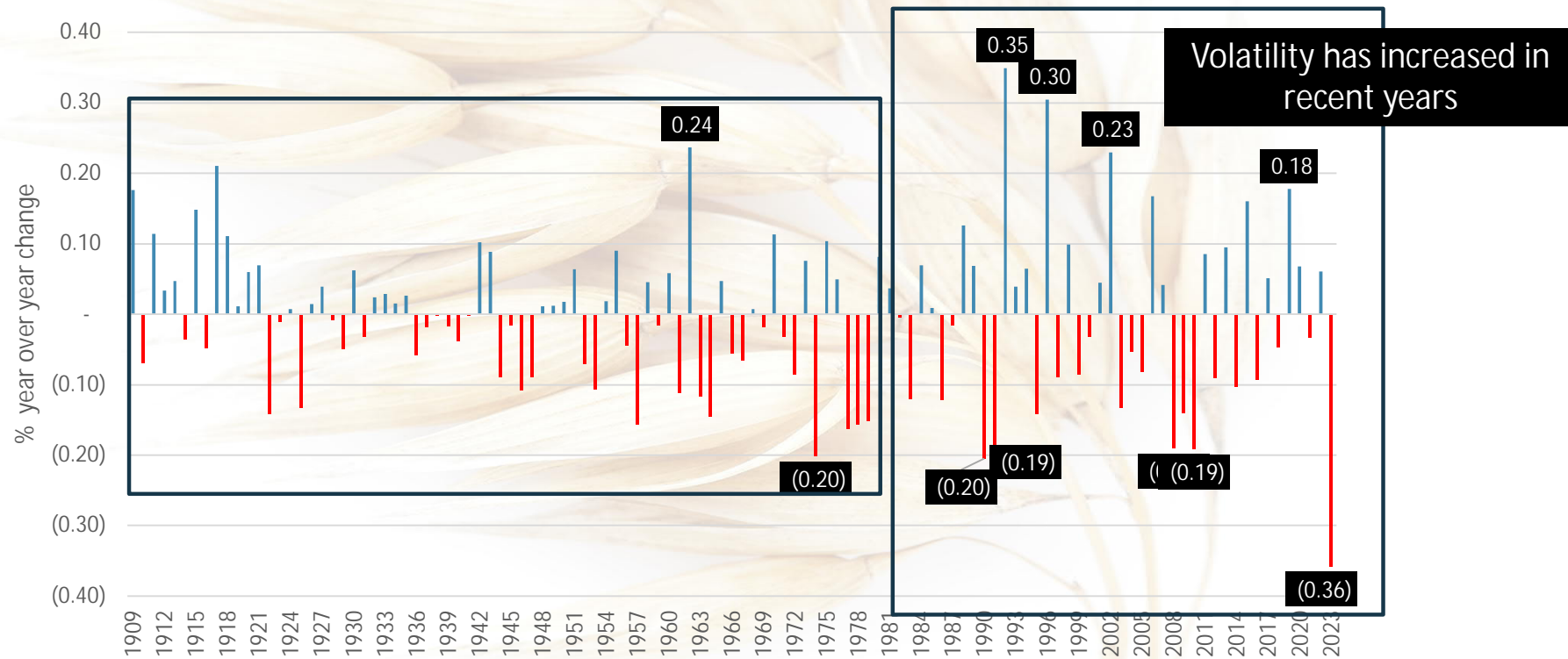


- Slowing of global oat and oat product trade.
- Slowing U.S. breakfast cereal and snack demand - oat milk demand holding with some gains.
- Global oat supplies near record lows.
- Lower trending wheat, corn and barley values are keeping a lid on oat prices.
- U.S. millers pre-bought a large volume of oat supplies, buying them time.
- Large increase in 2024 Canadian oat area expected and needed.

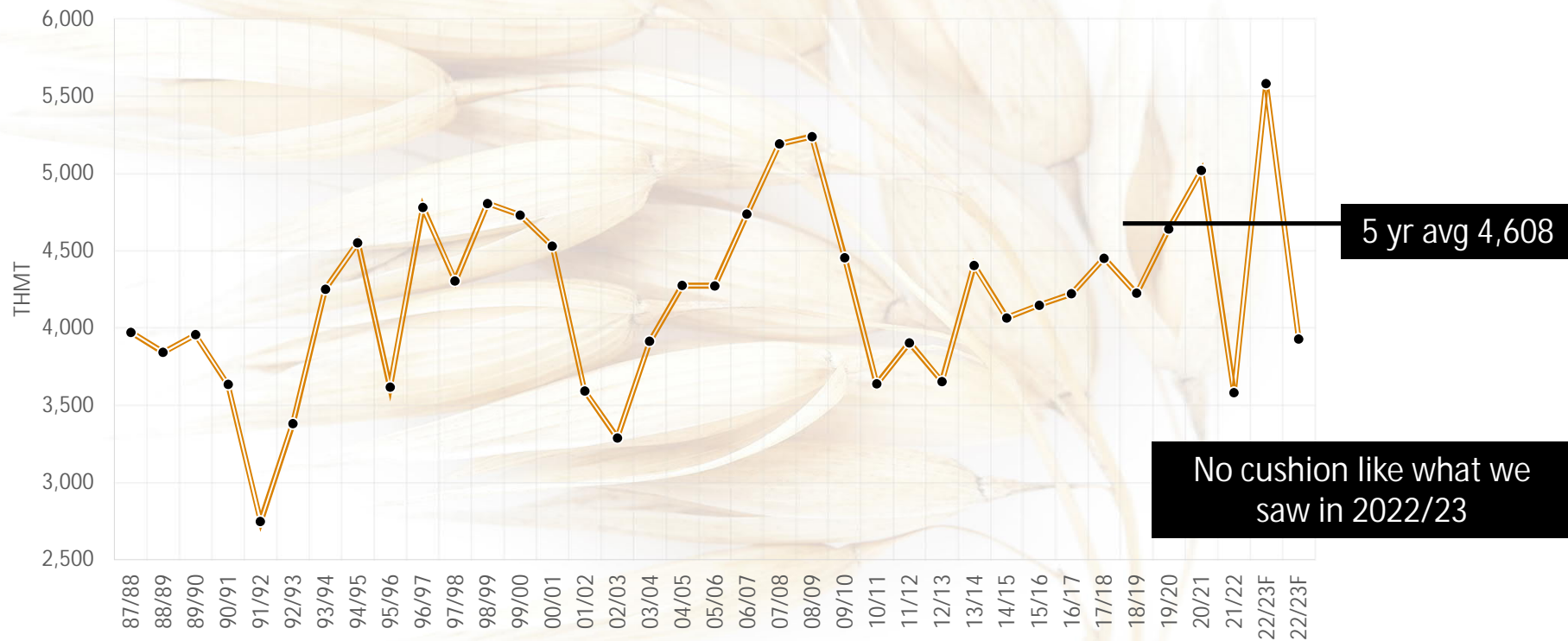
# Volatility in Oat Markets Continues



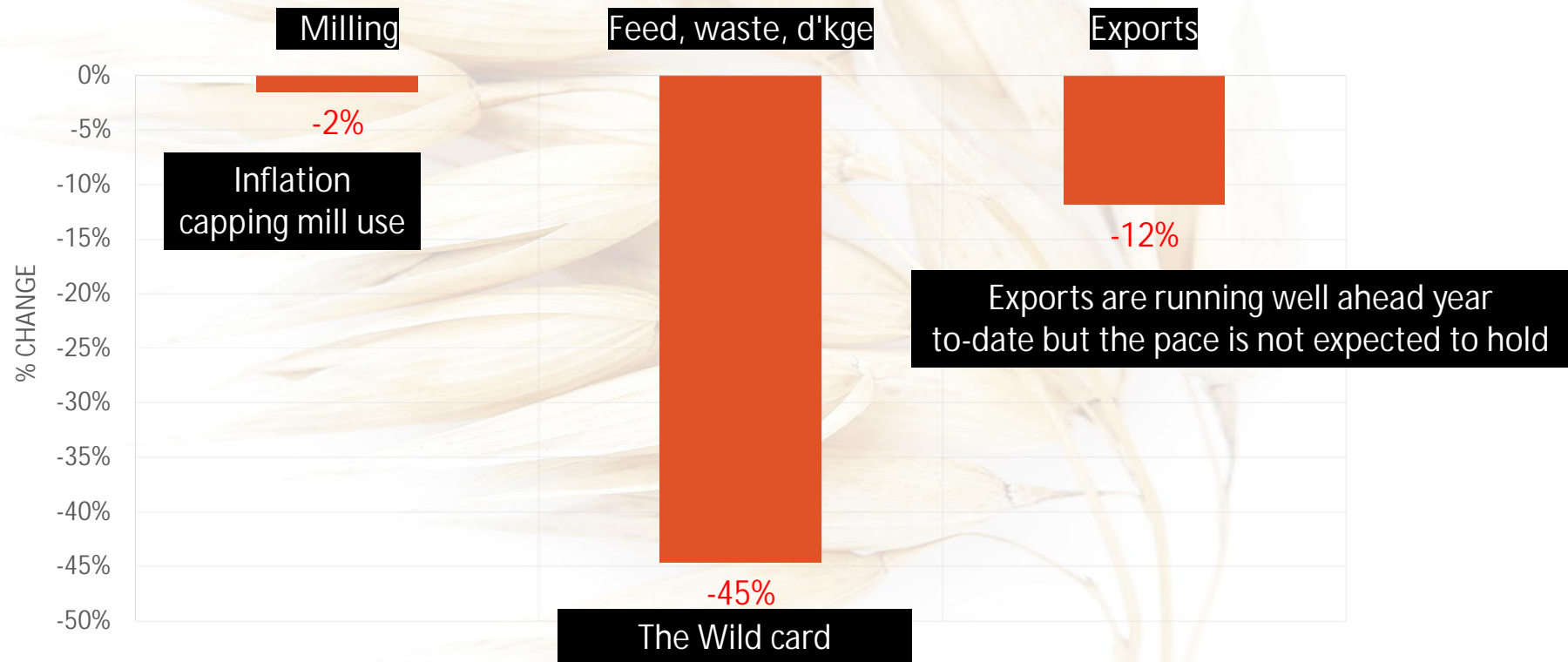
# Canada Seeded Oat Area Change YOY



# Oat Supplies Huge to Start 2023/24, Then....

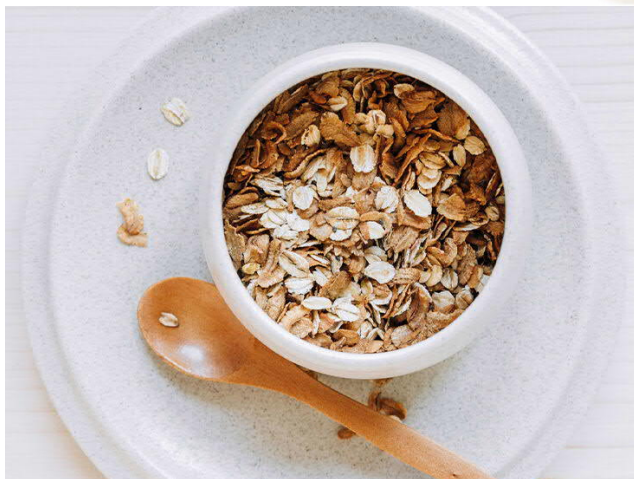


# Forecast 2023/24 Canada Use of Oats





# U.S. & Canada Food/Beverage Demand Mixed



Down 7.2%

Inflation has taken a bite out  
consumer demand

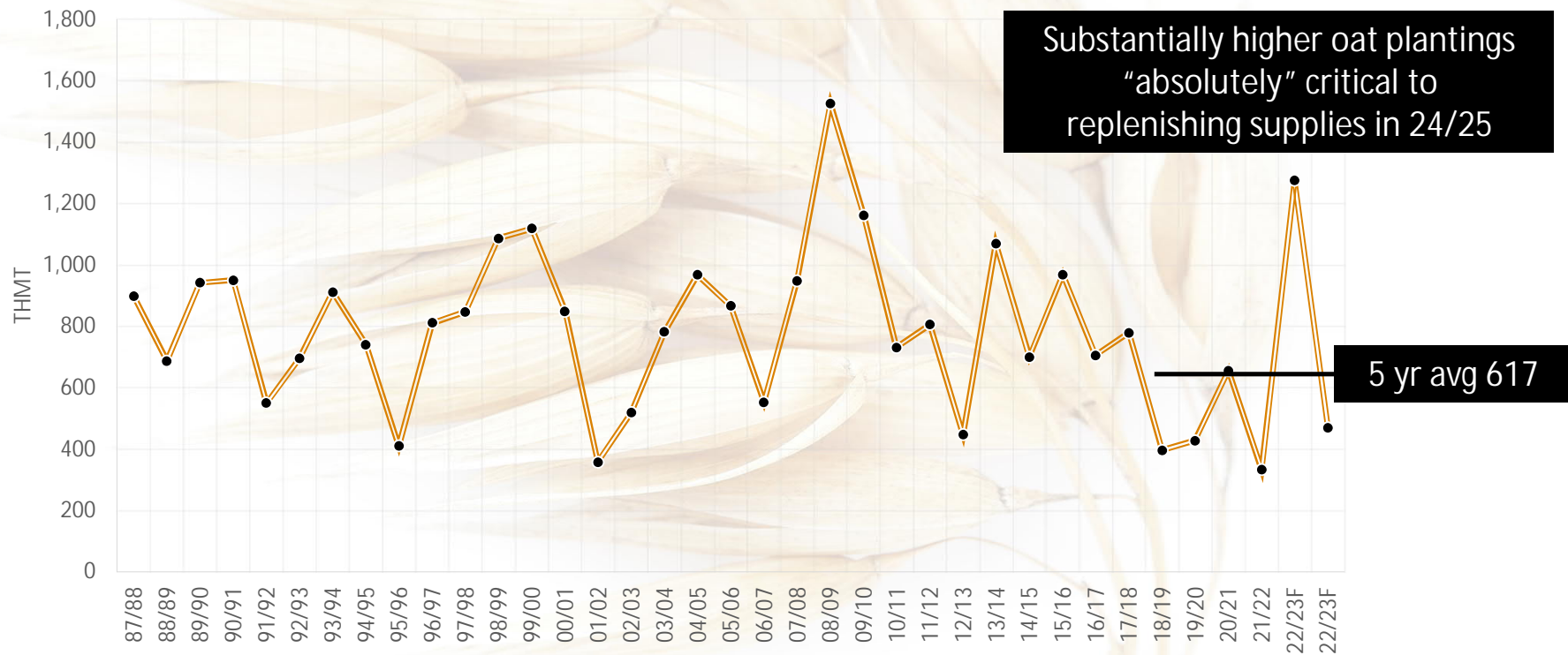


Up 2.3%



Down 2.3%

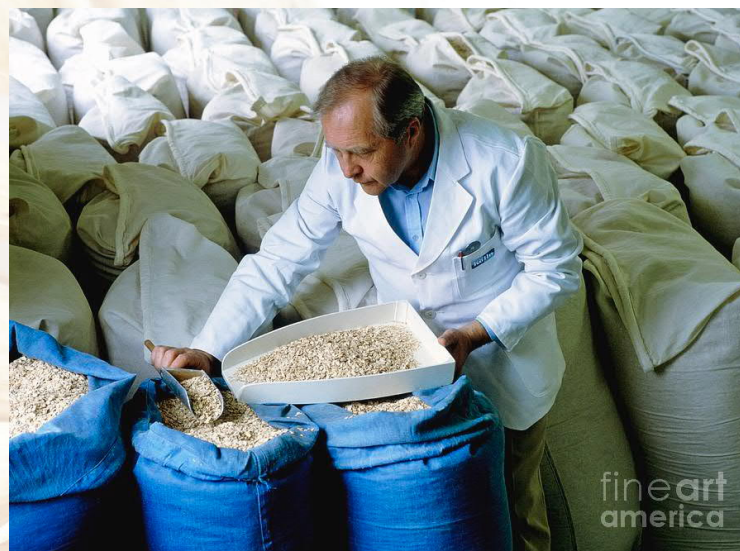
# Canadian Oat End Stocks on Pace for Near Record Low



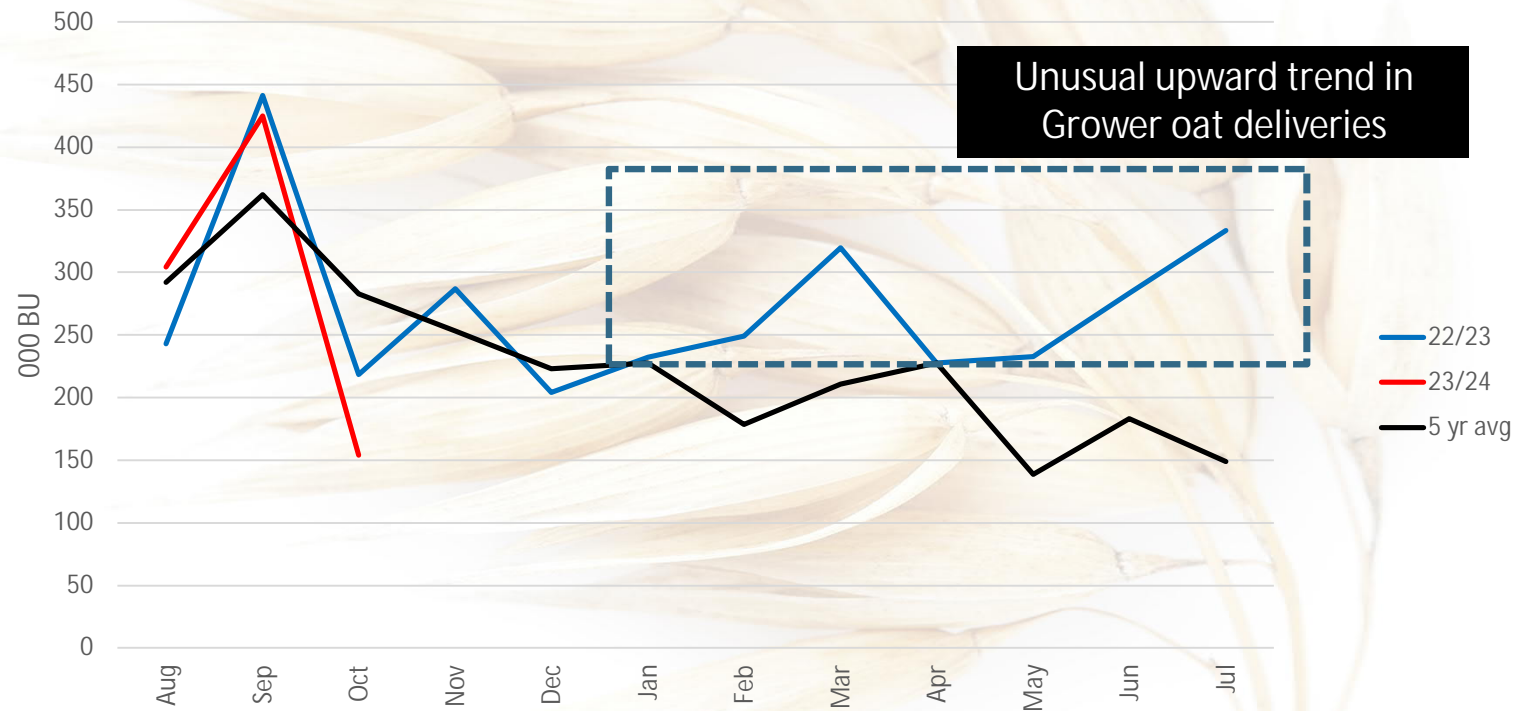


# North American Oat Market Situation

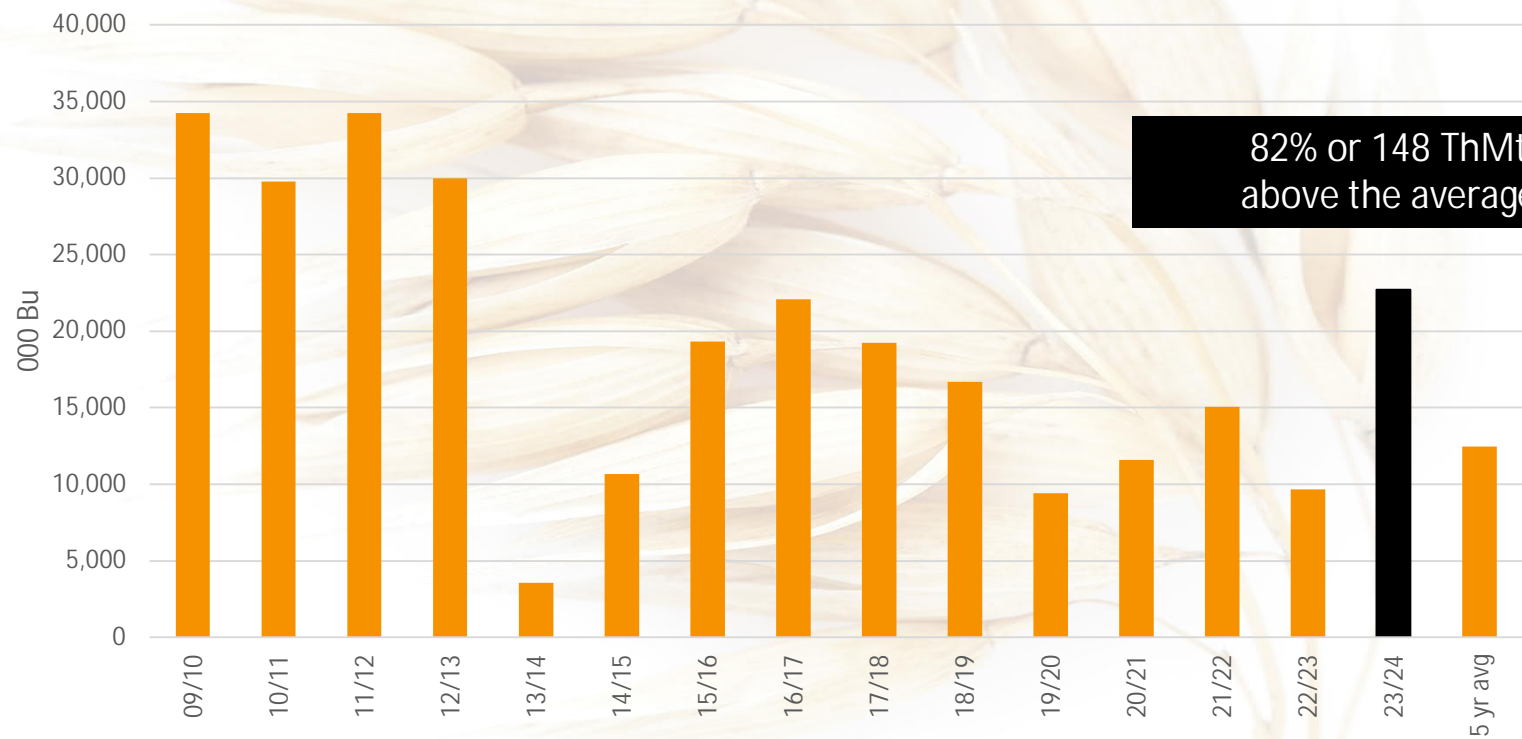
- On paper, the Canadian oat outlook is tight, but millers have bought time.
- U.S. buyers front end loaded much of their 2023/24 requirements at relatively cheap levels last winter and spring.
- Millers are expecting large oat area, production/increases in 2024/25 and will be cautious buyers of higher priced 2023/24 oats.
- However, growers have some control of prices into summer 2024.



# U.S. Miller Started Buying In Jan 2023



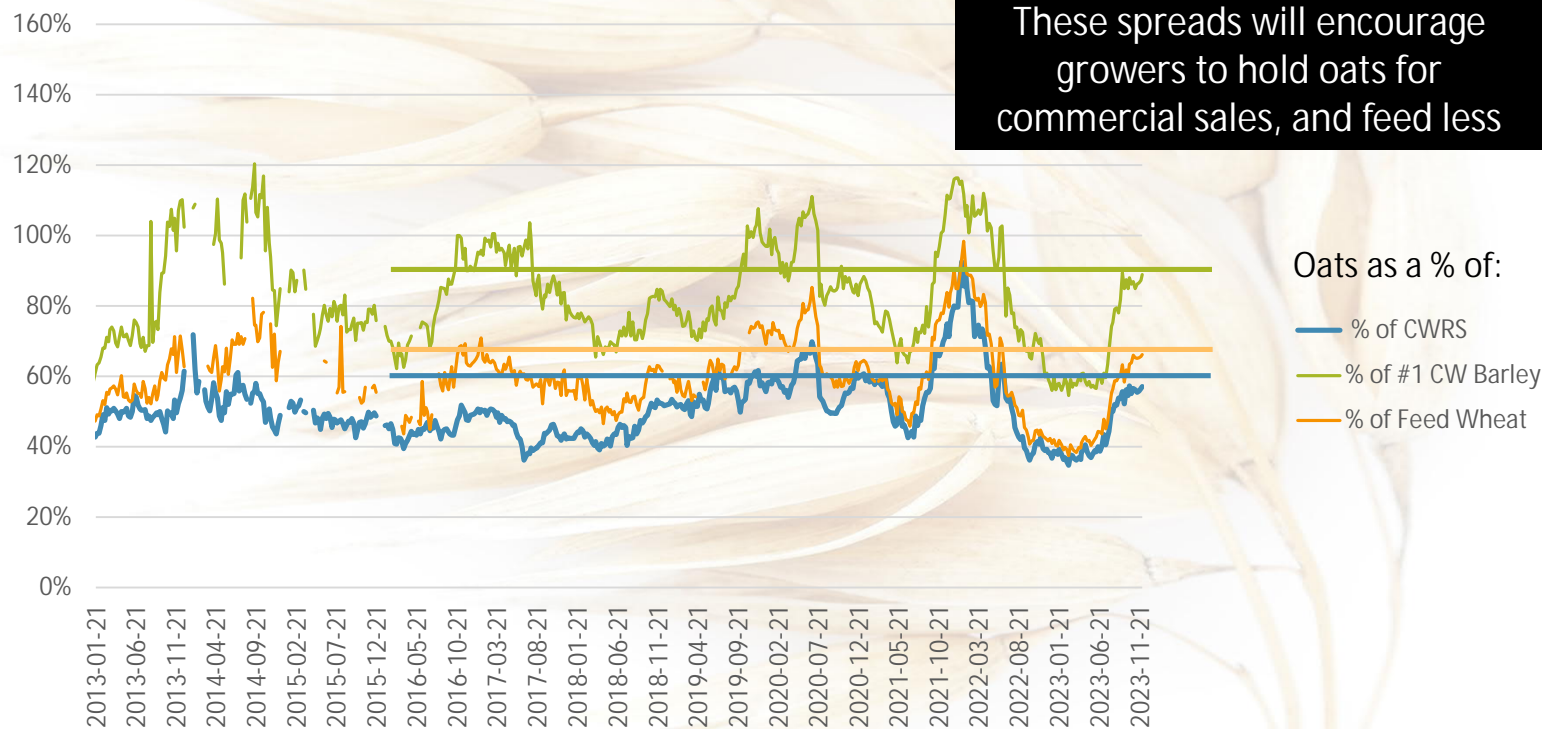
# Minneapolis/Duluth Commercial Oat Stocks



# More Buying Down the Road...But

- Millers will need to buy more oats late winter into 2024 oat harvest.
- Millers, however, have become very good at dealing with short supplies.
- They will pay up only when forced to.
- And they will buy not one pound more of high-priced old crop than needed on expectations of large production/supply increases in 2024/25.
- “Collectively,” growers have some control.

# Oats Are Priced for Commercial Sales



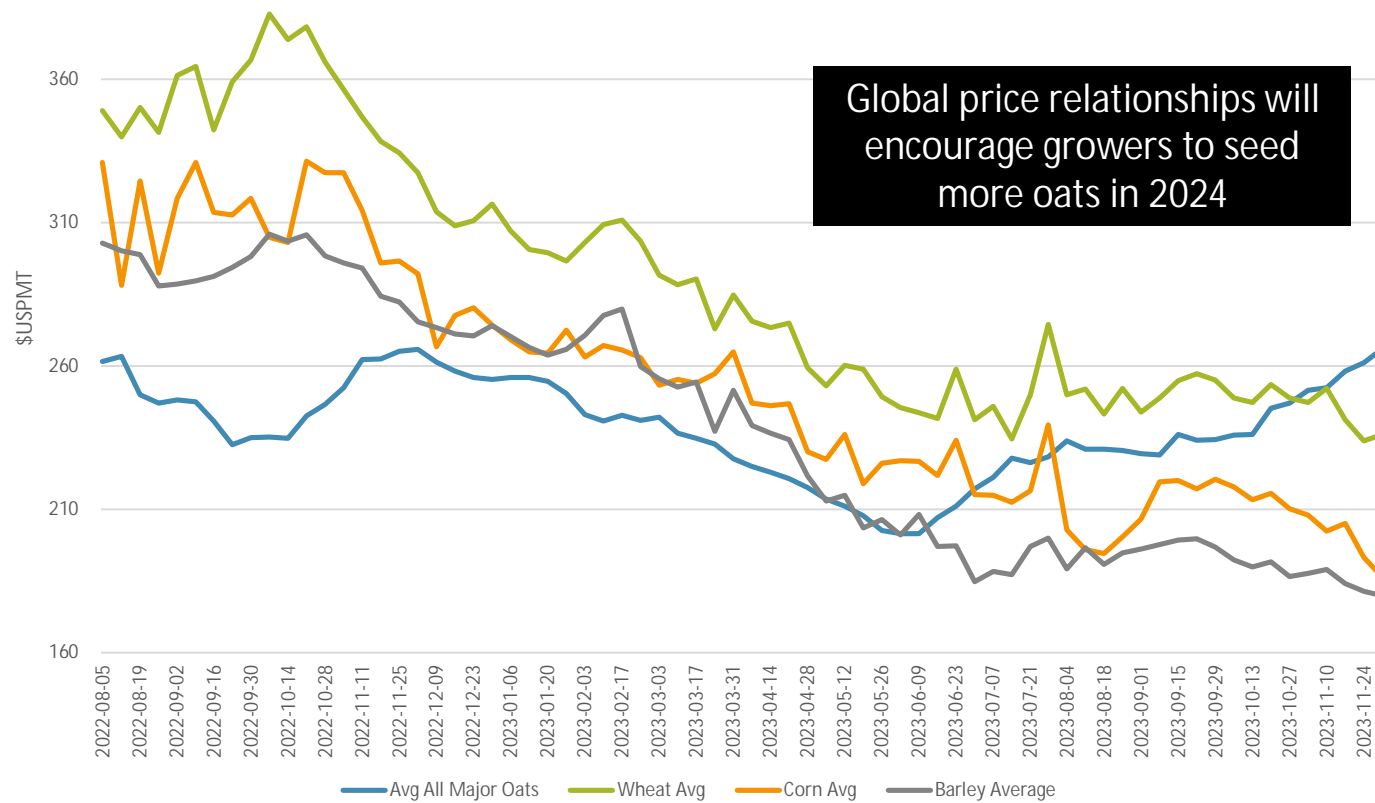


# Forward looking

- Current oat price spread to other cereals is going to encourage growers to hold oats.
- Realize this strategy has a time expiration on it as 2024/25 oat supply increases are expected to be large(r)!
- Wheat, corn, and barley prices are lagging, this will cap oat gains.



## Global Grain Prices



## Canada Oat Supply & Usage

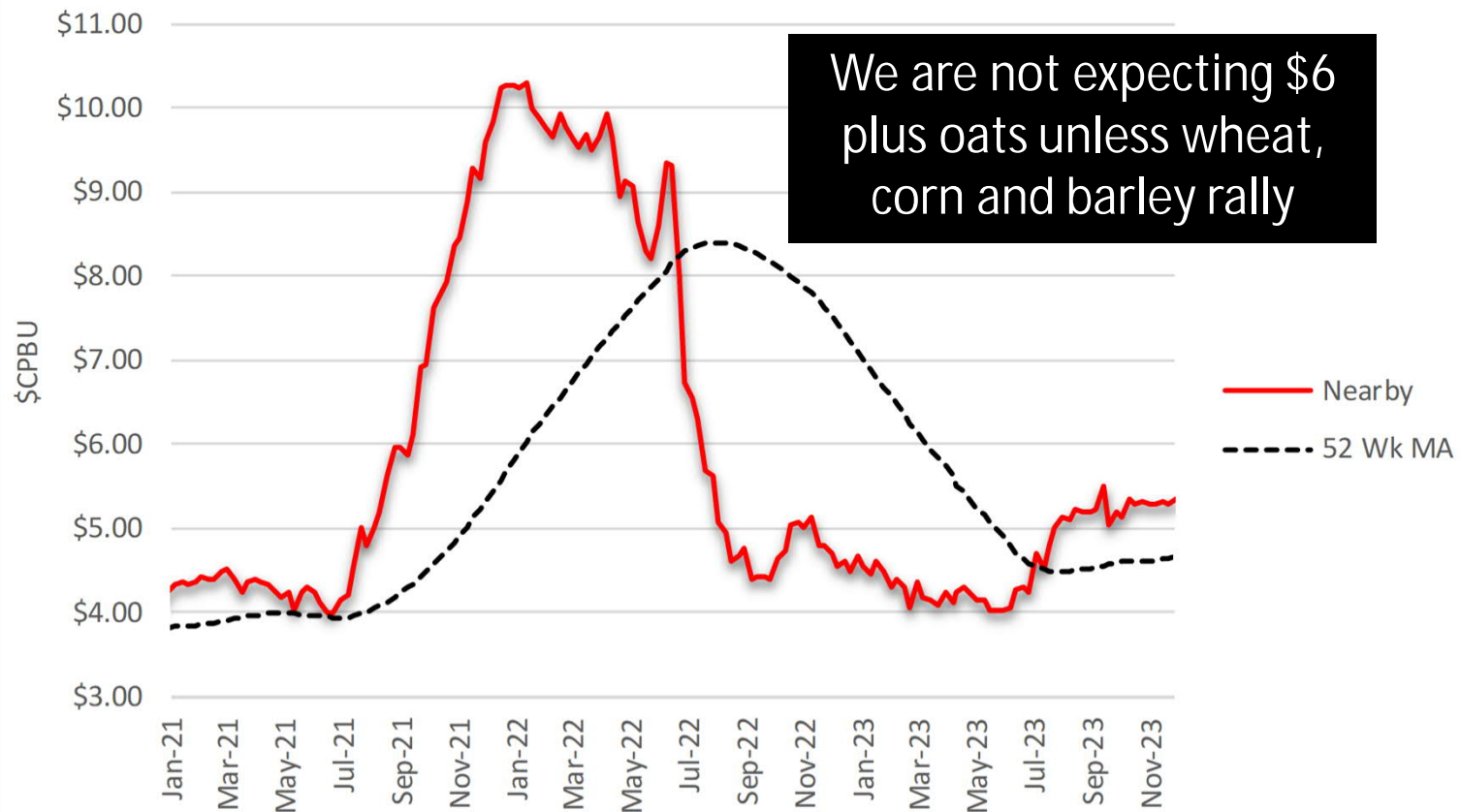
38% area increase would be record high

(000 mt)	17/18	18/19	19/20	20/21	21/22	22/23	23/24F Nov	23/24F Dec	24/25 Dec	23/24 vs 22/23	24/25 vs 23/24	5 yr avg
Harvested ha. (000)	1,052	1,005	1,167	1,314	1,214	1,402	829	823	1,133	-41%	38%	1,220
ac. (000)	2,599	2,483	2,884	3,248	2,999	3,465	2,048	2,033	2,800	-41%	38%	3,016
Yield mt/ha	3.55	3.42	3.62	3.48	2.39	3.73	2.94	3.20	3.43	-14%	7%	3.33
bu/ac	93.1	89.7	95.1	91.3	62.7	97.8	77.1	84.1	90.0	-14%	7%	87.3
Opening Stocks	705	779	396	427	656	333	1,275	1,275	469	282%	-63%	518
Production	3,732	3,435	4,229	4,573	2,900	5,225	2,435	2,636	3,886	-50%	47%	4,073
Imports	14	11	14	17	25	22	15	18	19	-17%	6%	18
<i>Total Supply</i>	4,450	4,224	4,639	5,017	3,581	5,580	3,725	3,929	4,374	-30%	11%	4,608
Food, Seed, Enrg/Other	952	974	1,093	1,169	1,210	1,102	1,122	1,110	1,150	1%	4%	1,109
Seed	103	121	129	115	134	86	82	110	110	29%	-	117
Milling	849	852	964	1,053	1,076	1,016	1,040	1,000	1,040	-2%	4%	992
Energy/Others	-	-	-	-	-	-	-	-	-	-	-	-
Feed, waste, d'kge	1,088	1,110	1,329	1,171	707	1,446	800	800	850	-45%	6%	1,153
Exports	1,631	1,745	1,791	2,022	1,331	1,758	1,475	1,550	1,600	-12%	3%	1,729
<i>Total Usage</i>	3,672	3,828	4,212	4,362	3,247	4,306	3,397	3,460	3,600	-20%	4%	3,991
<i>Ending Stocks</i>	779	396	427	656	333	1,275	328	469	774	-63%	65%	617
Stocks to Usage %	21%	10%	10%	15%	10%	30%	10%	14%	22%	-54%	59%	15%

# Oat Pricing

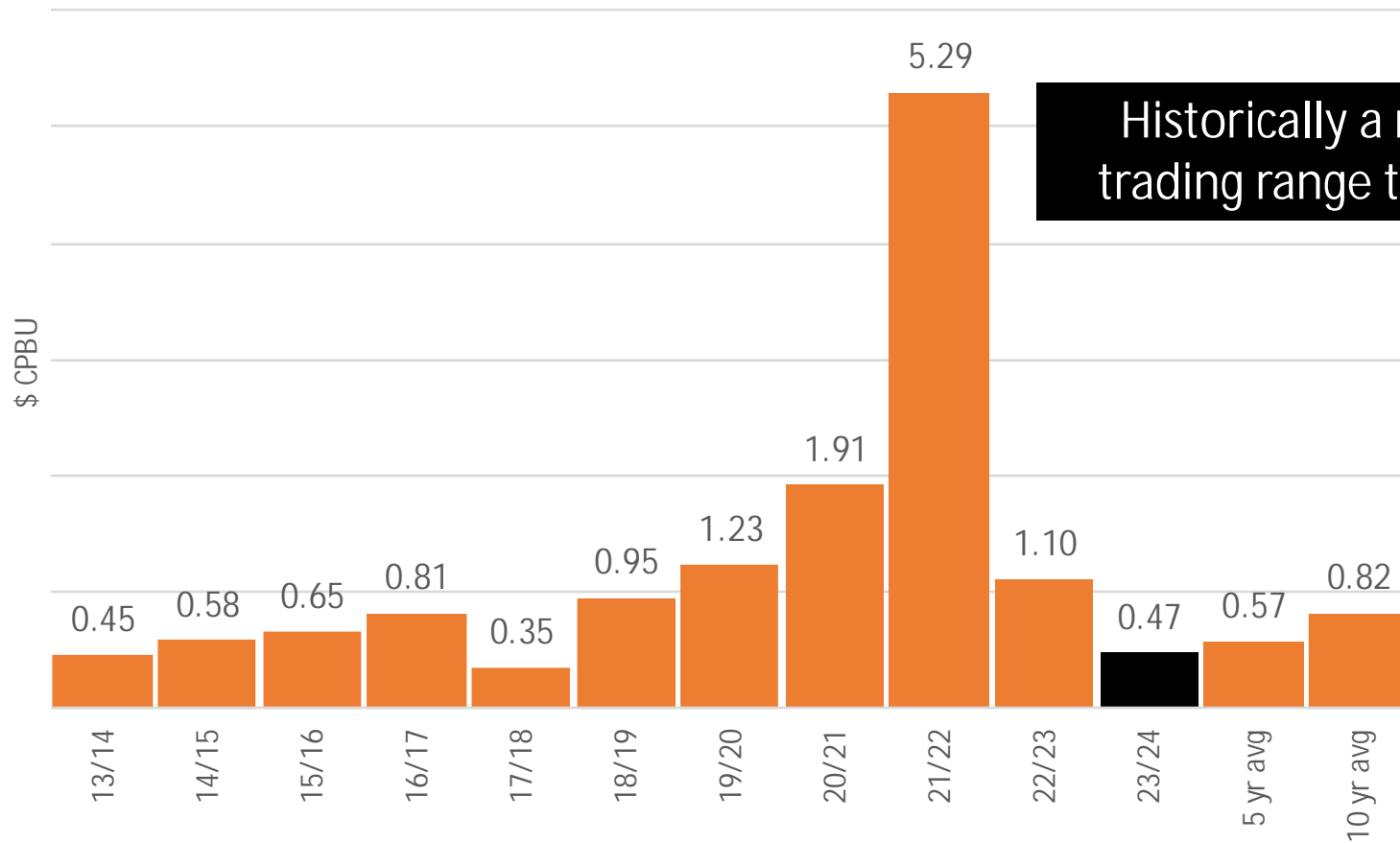


## Average Manitoba Grower Oat Prices - \$Cdn (34 lbs)

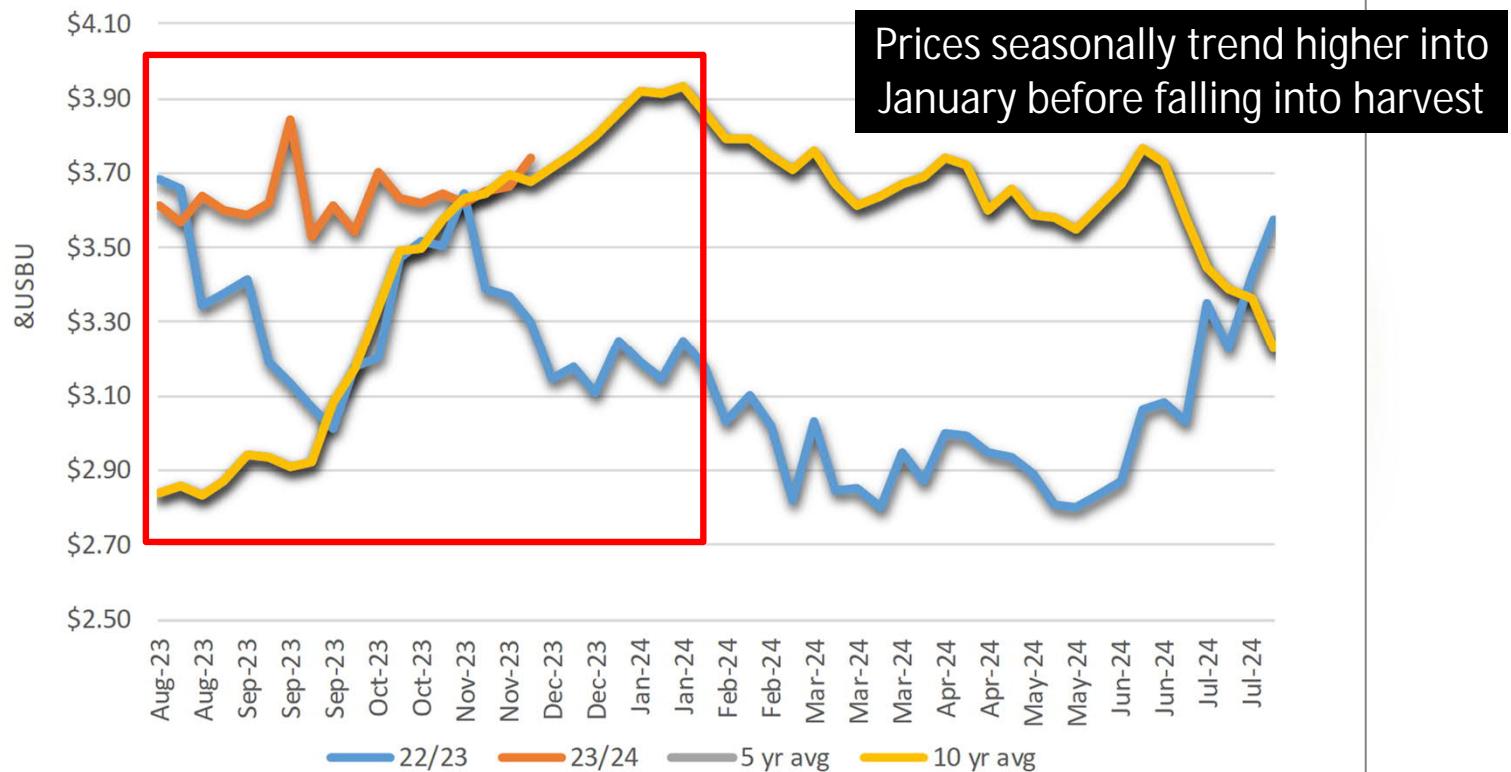




## Manitoba #2CW Crop Year Price Range - \$CPBU



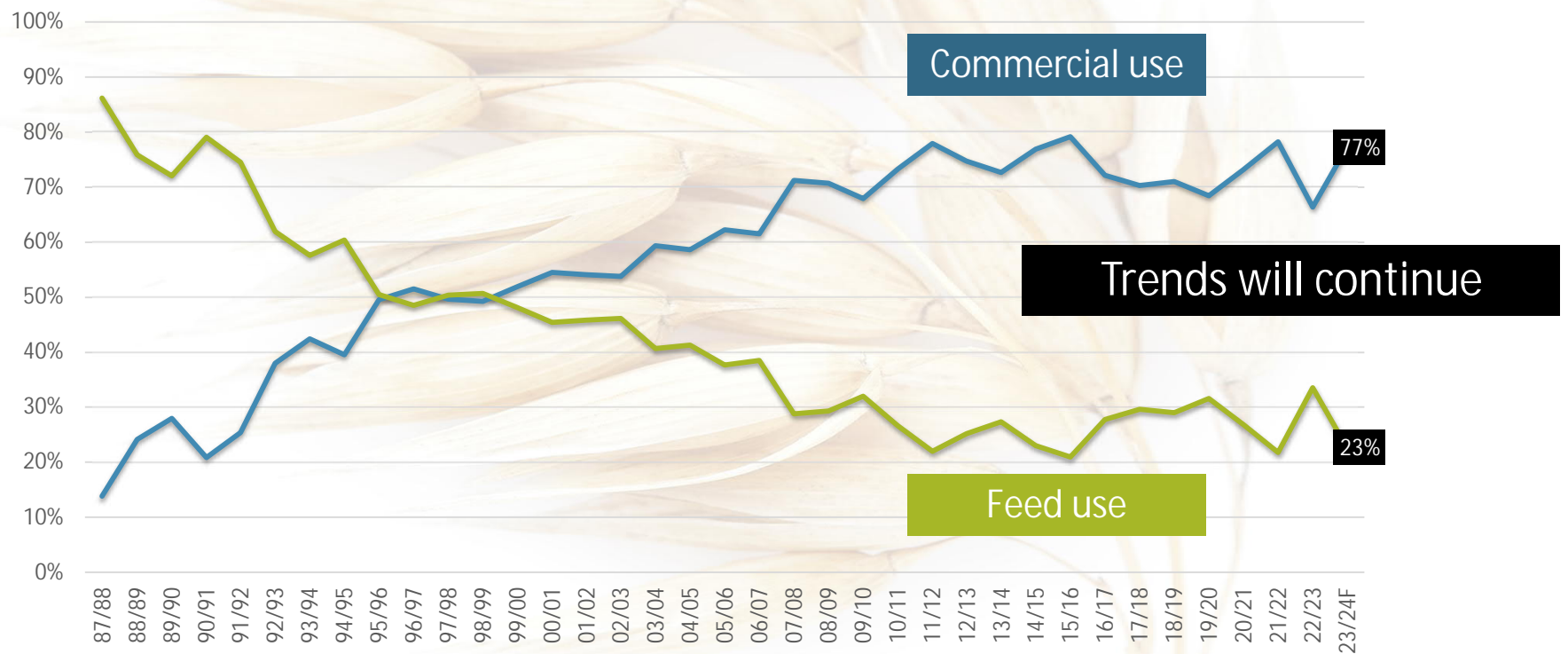
## Manitoba Seasonal Oat Price Trends



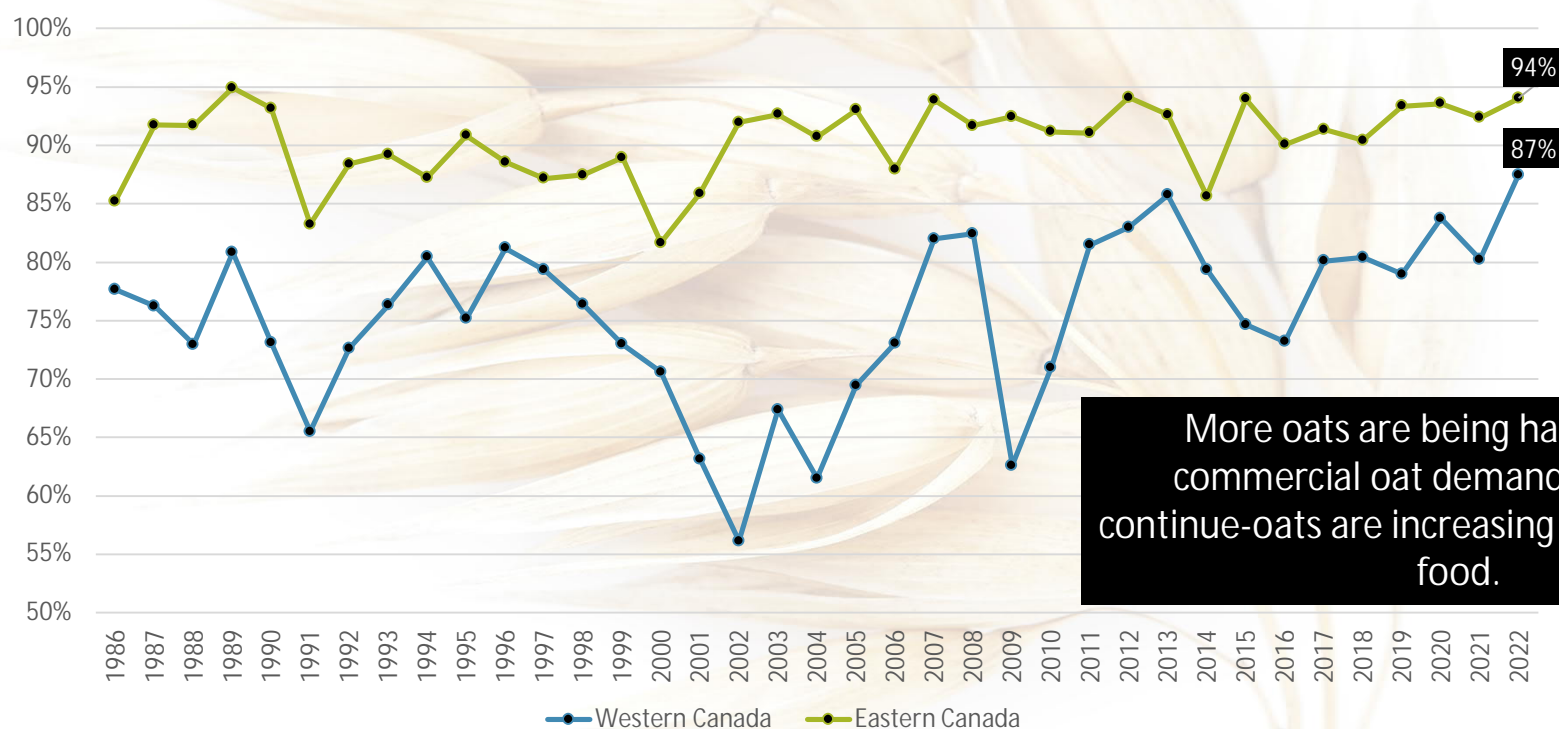
# Longer Term Outlook



# Oat Have Become a Food Commodity



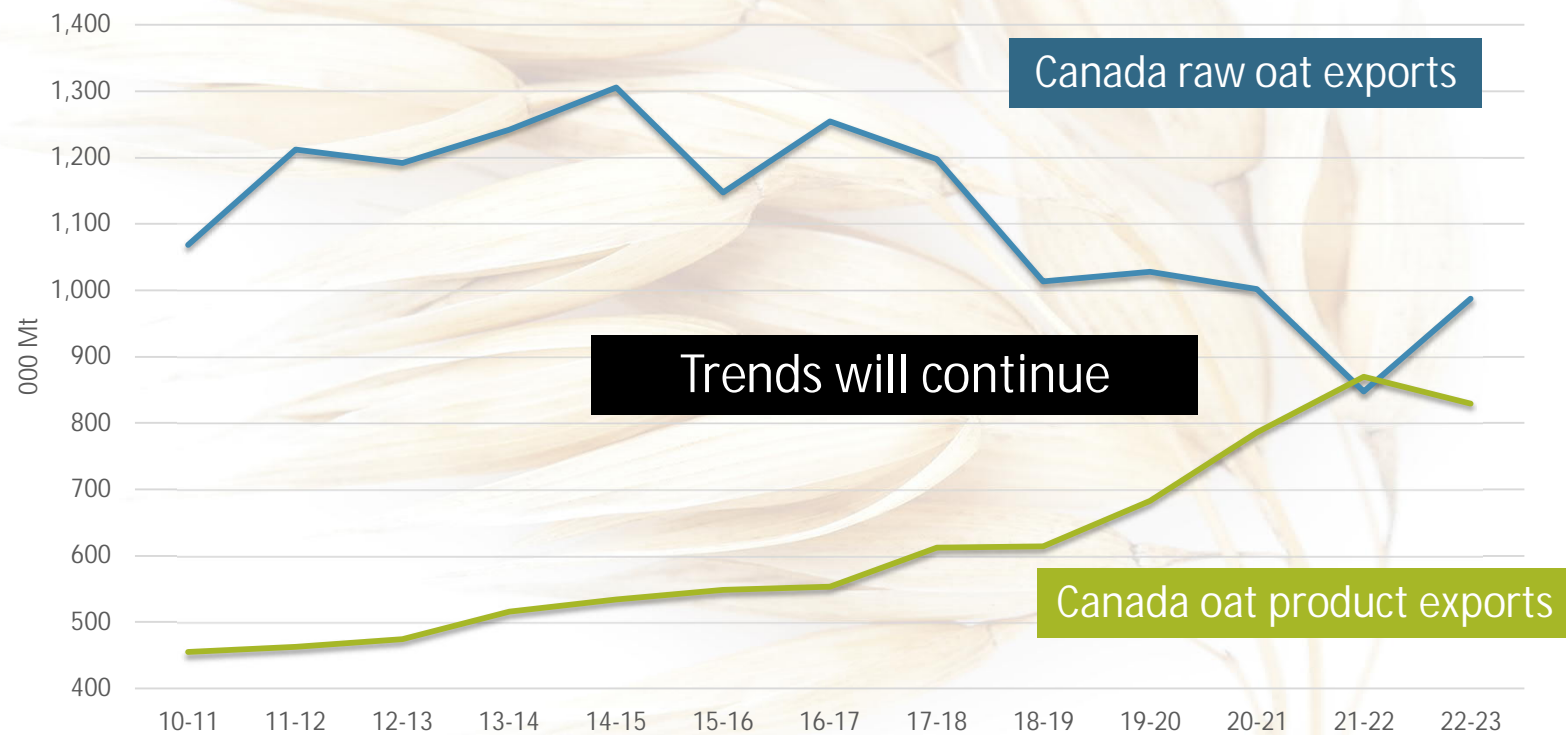
# Percent of Seeded Canada Oat Area Harvested for Grain



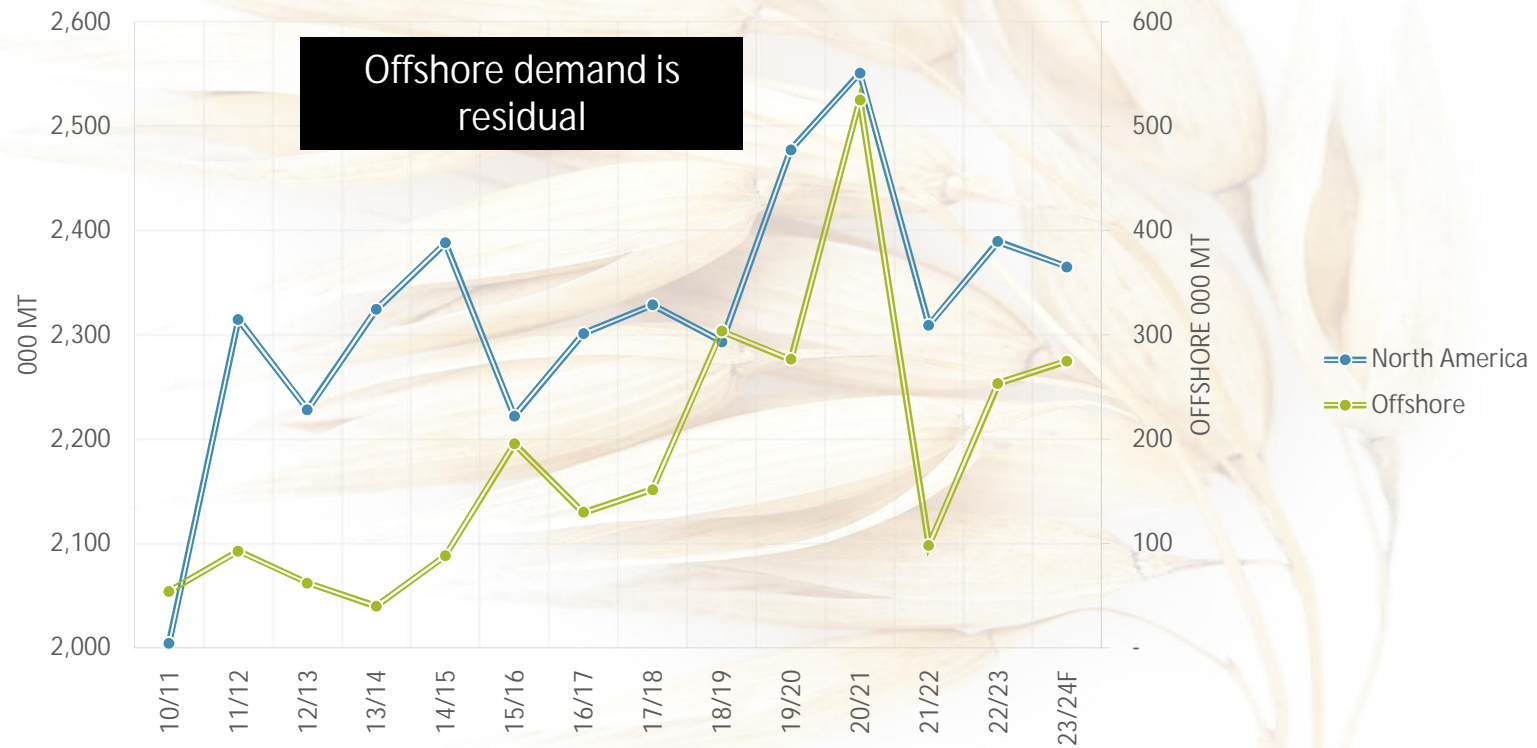
More oats are being harvested for commercial oat demand-trends will continue-oats are increasing being grown for food.



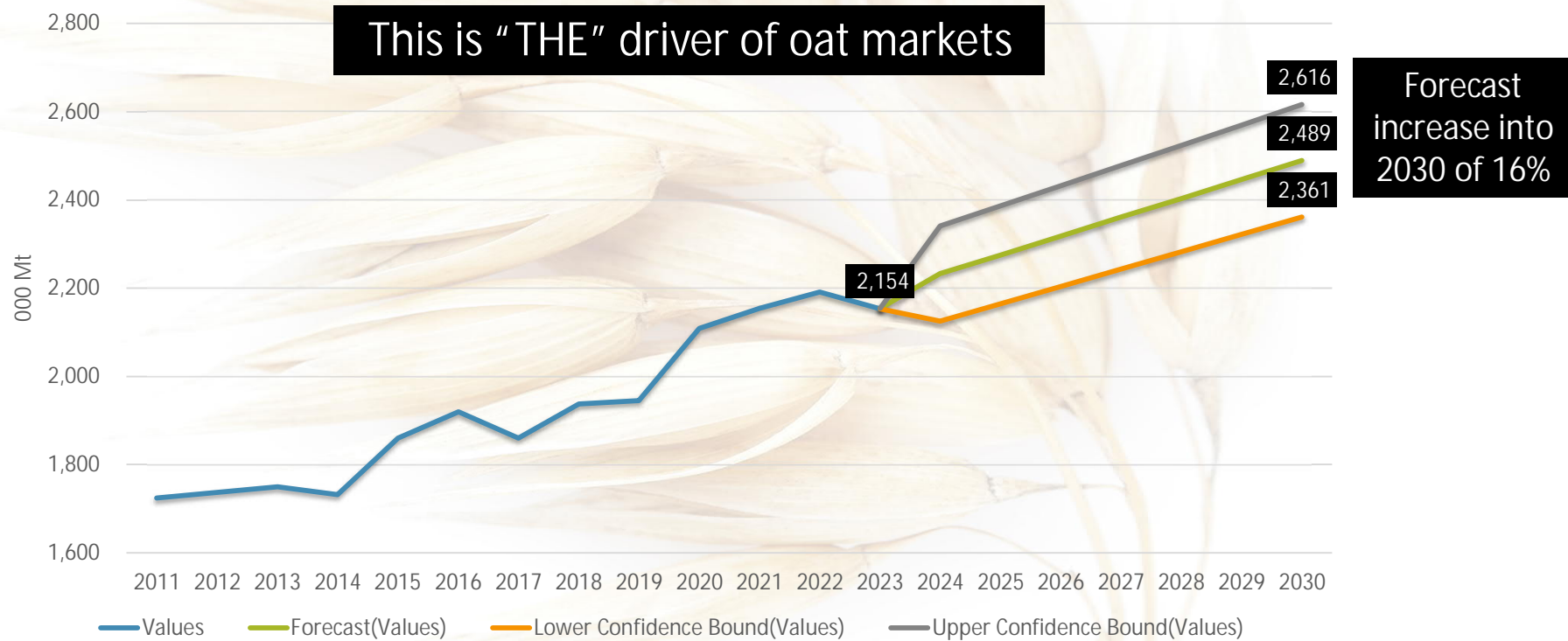
# North American Oat Supply Chains Shifting



# Canada Oat Exports



# North American Oat Milling Forecast



# Good News, Oats Have Become a Food Commodity, Bad News Is...

But oat pricing remains an issue for oat market growth.

The current price model is outdated and impeding supply stabilization.

CBOT oat futures correlate well with Western Canada cash oat prices, on paper, but a lack of volume and liquidity a major issue.

US wheat futures a possible oat hedge but there are issues.

# Oat Price Model Needs Fixing

- There is a growing consensus among industry experts that the current pricing model for oats in Canada is outdated and needs to be modernized to reflect the changing market dynamics.
- The current model, which primarily values oats as a feed grain, does not adequately capture the increasing demand for oats as a human-consumption grain.
- This disparity is leading to a situation where oat growers are not receiving fair compensation for their product, while consumers are facing higher prices for oat-based products.
- Oat supply/demand volatility has increased as a result.



# Issues with the Current Pricing Model:

- Inadequate Reflecting of Market Value: The current pricing model fails to recognize the increasing value of oats as a human-consumption grain. Oats are now used in a wide range of products, including oat milk, cereal, granola bars, and baked goods. These products command a higher price than feed oats, but the current pricing model does not reflect this differential.
- Disincentivizing Oat Production: The undervaluation of oats as a human-consumption grain is discouraging farmers from consistently growing oats. Oat production in Canada has been vacillating in recent years. This trend is unsustainable if Canada wants to meet the growing domestic and international demand for oats.
- Price Volatility: The current pricing model, which relies heavily on futures contracts, is subject to significant price volatility. This volatility makes it difficult for both growers and processors to plan and manage their businesses effectively.

# Proposed Changes to the Pricing Model:

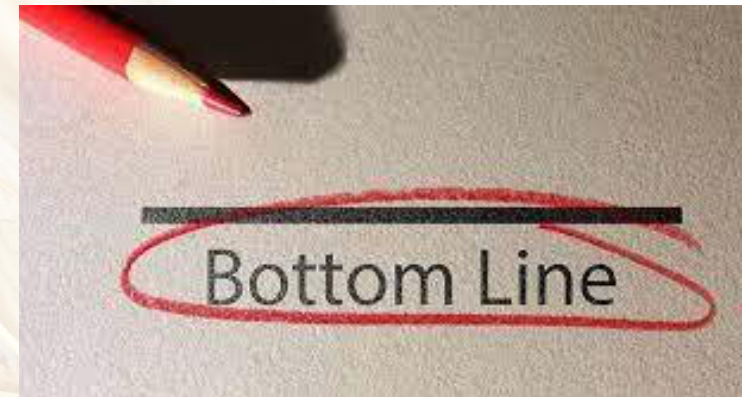
- Direct Contracting: Encourage direct contracting between oat growers and processors to provide growers with more price certainty and stability. This would reduce reliance on volatile futures markets and allow growers to capture a greater share of the value chain.
- Price Transparency: Improve price transparency throughout the oat supply chain to ensure that growers are receiving fair compensation for their product. This could involve publishing real-time prices and providing growers with access to market information.

# Degree of Stability Needed in Oat Markets

- By implementing changes, Canada can modernize its oat pricing model, incentivize oat production, and ensure a more sustainable and equitable oat supply chain.
- This would benefit oat growers, processors, and consumers alike, and help Canada capture a larger share of the growing global oat market.

# Bottom Line for Oat Growers

- 2023/24 oat balance sheet is tight.
- 2024 oat plantings need to increase more than 30%, this means higher oat prices relative to other cereals into seeding.
- Growers have a degree of price control.
- Pick your price objective, keep it realistic and pick your point to sell.
- If 2024 oat plantings increase as expected, expect oat prices to steadily trend lower into 2024 oat harvest.



# Challenges for Oat Markets

1. Outdated pricing.
2. Research funding.
3. Trade barriers.





Despite the current supply chain challenges, the outlook for the North American oat market remains positive, driven by several key factors:

- **Growing Consumer Demand for Healthy Foods:** Consumers are increasingly seeking nutritious and wholesome food options, and oats are seen as a healthy and versatile grain with a variety of health benefits.
- **Rise of Plant-Based Alternatives:** The popularity of plant-based milk, particularly oat milk, is driving demand for oats. Oat milk is a popular alternative to dairy milk, and its consumption is expected to continue growing in the coming years.
- **Expanding Product Applications:** Oats are being used in a wider range of products, beyond just oatmeal and oat flour. Oats are being incorporated into baked goods, snacks, and even beverages, expanding their market reach.
- **Opportunities in the Functional Food Sector:** Oats are being recognized for their potential health benefits, such as their ability to lower cholesterol and improve gut health. This is opening up opportunities for the development of functional oat-based products.
- **Increased visibility feed demand;** Oat foods and beverages are expanding their distribution channels to reach a wider audience and tap into new consumer segments.
- Overall, the North American oat market is poised for continued growth



# The Global Source for Oatinformation

## Get In Touch



### Address

Oatinformation  
907-124 West 1st Street  
North Vancouver, BC  
V7M3N3



### Phone

1-604-984-2133



### Email

[randy@oatinformation.com](mailto:randy@oatinformation.com)



### Twitter

[@oatinformation](https://twitter.com/oatinformation)



### Web

[Oatinformation.com](http://Oatinformation.com)