



Canada Oat Outlook

Saskatchewan Oat Development Commission- January 2025

Key Drivers Shaping the Oat Market

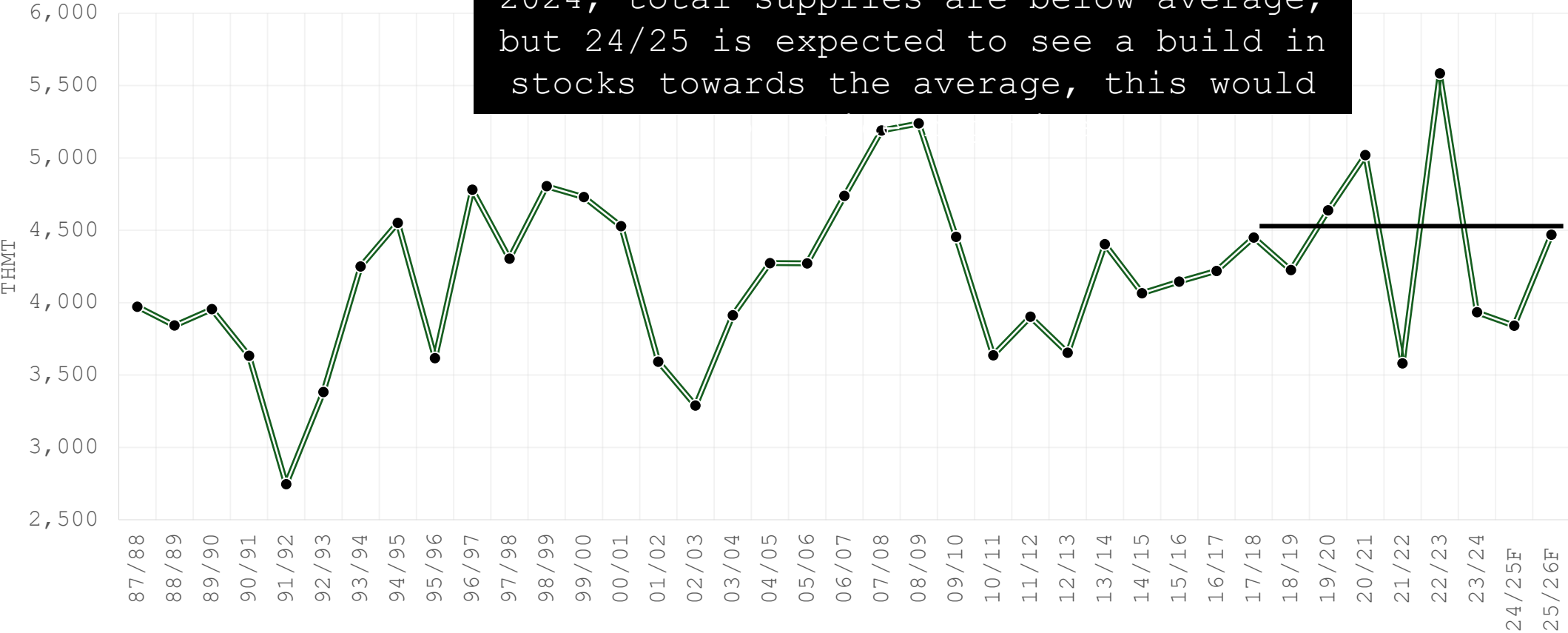
- Global oat markets are showing signs of recovery.
- U.S. demand for breakfast cereals, oat beverages, and snack bars shows gradual signs of recovery, but growth remains sluggish.
- While global oat supplies have increased this year, longer term, stocks are struggling to maintain adequate levels, which will continue to see significant oat price volatility.
- Without a “significant” expansion in Canadian oat area in 2025, oat supplies are expected to become “critically” tight unless oat yields exceed average levels.
- Global cereal prices are gradually rising, which is providing underlying support to oat prices
- Major concerns over proposed Trump import tariffs.

Volatility in Oat Markets Continues



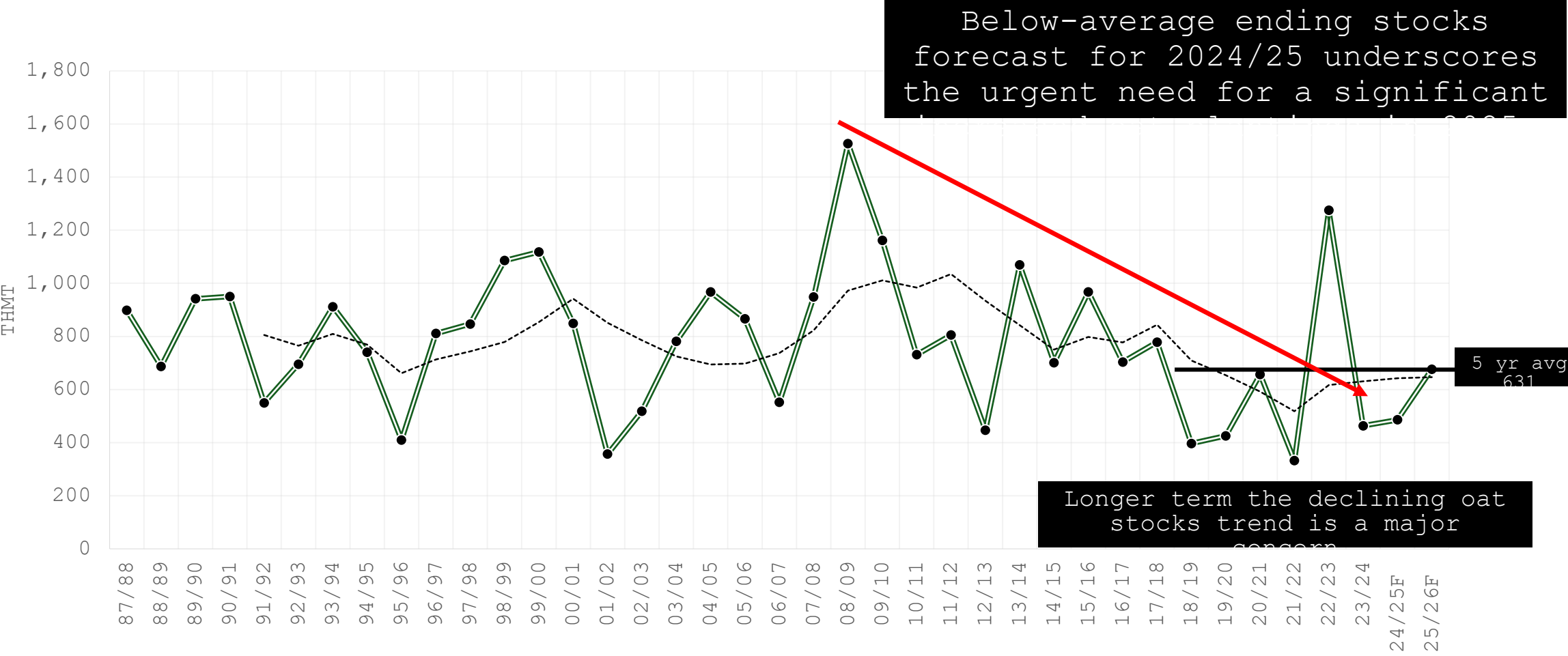
Canada Oat Supply Volatility Creating Large Price Swings

Despite oat production increases in 2024, total supplies are below average, but 24/25 is expected to see a build in stocks towards the average, this would

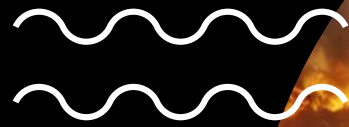


5 yr avg
4,551

Canadian Oat End Stocks on Pace for Near Record Low



Canadian
Oat
Market
Is At A
Tipping
Point



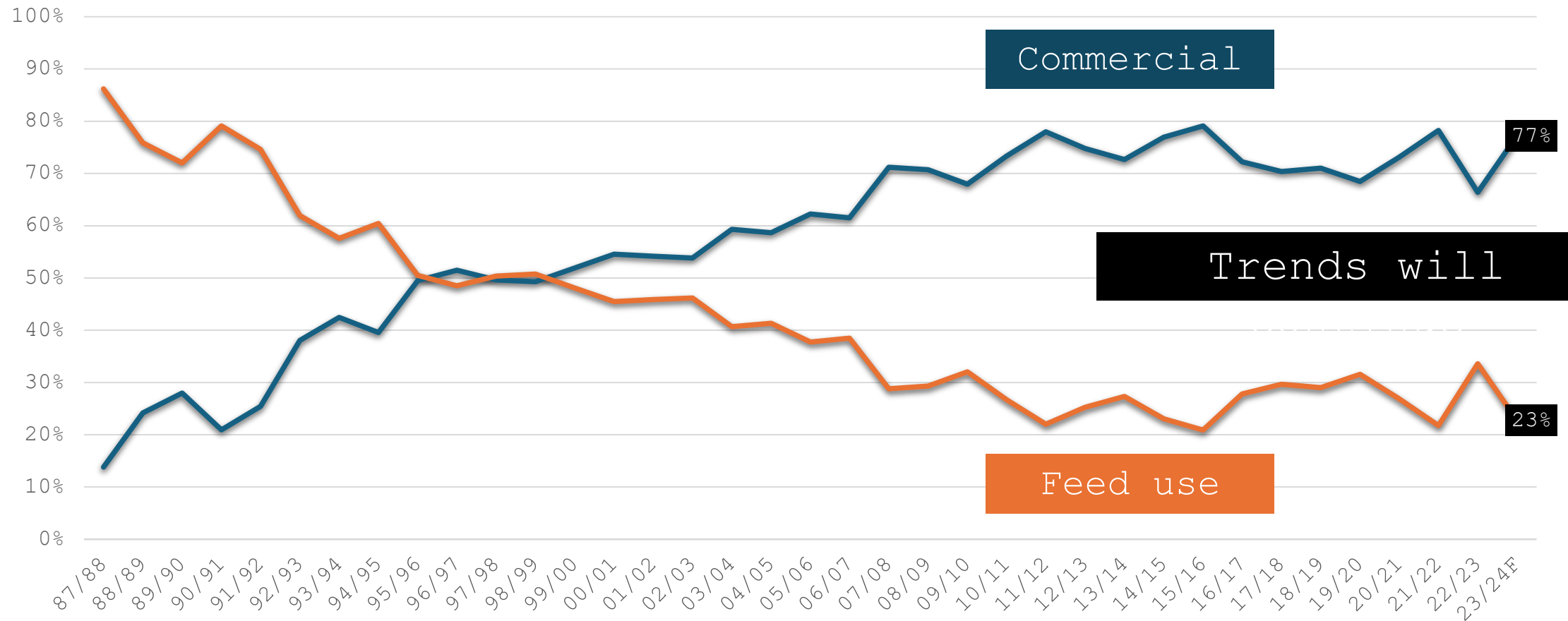
Oat Plantings Must Significa ntly Expand in 2025

- Western Canada oat plantings will need to climb 25% to return the oat balance sheet to near normal, and even this may not be enough.
 - A less than 25% increase will require above average oat yields.
- However, Growers are not trusting the oat market!
 - Despite solid net oat returns compared to other crops in 2024, the market failed to secure the expected “necessary” oat acreage.

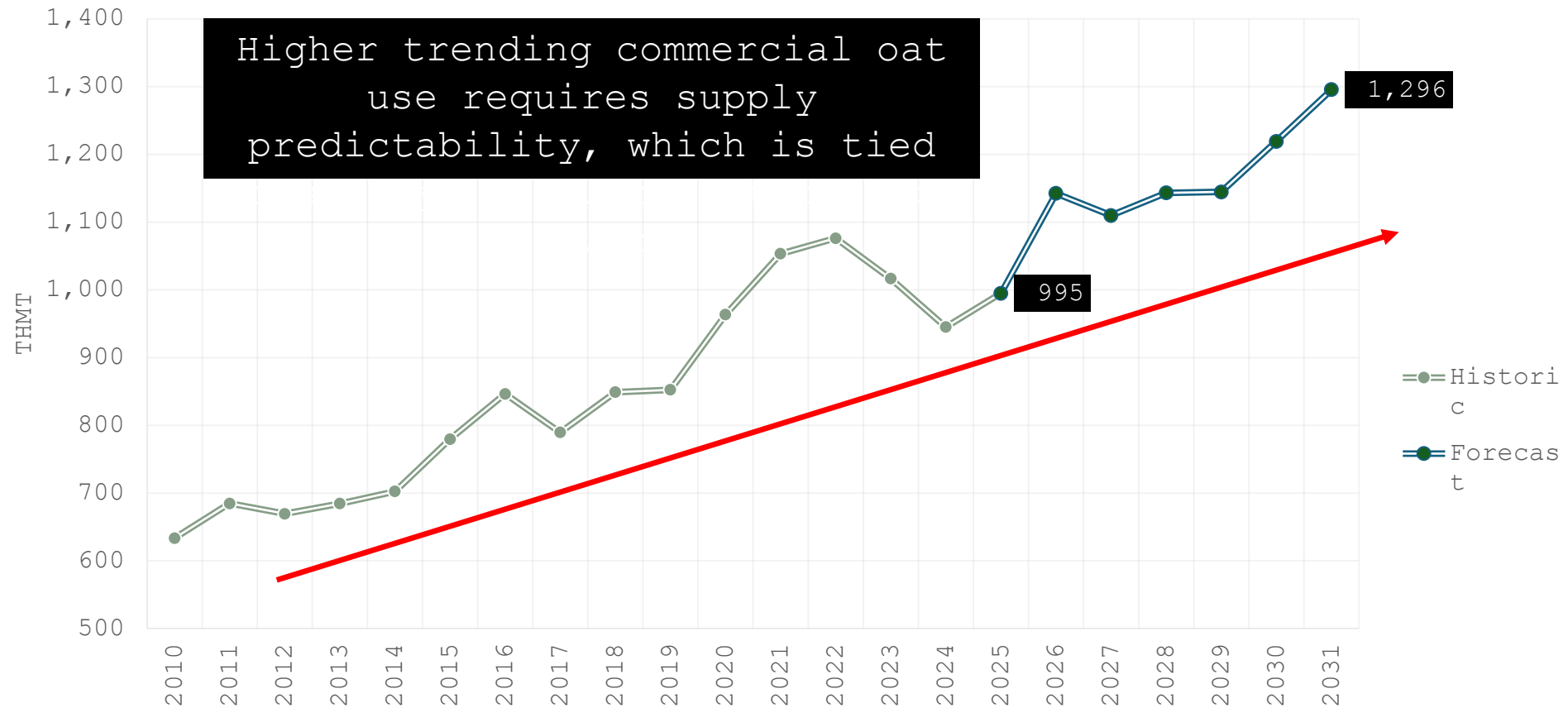
Key Metrics



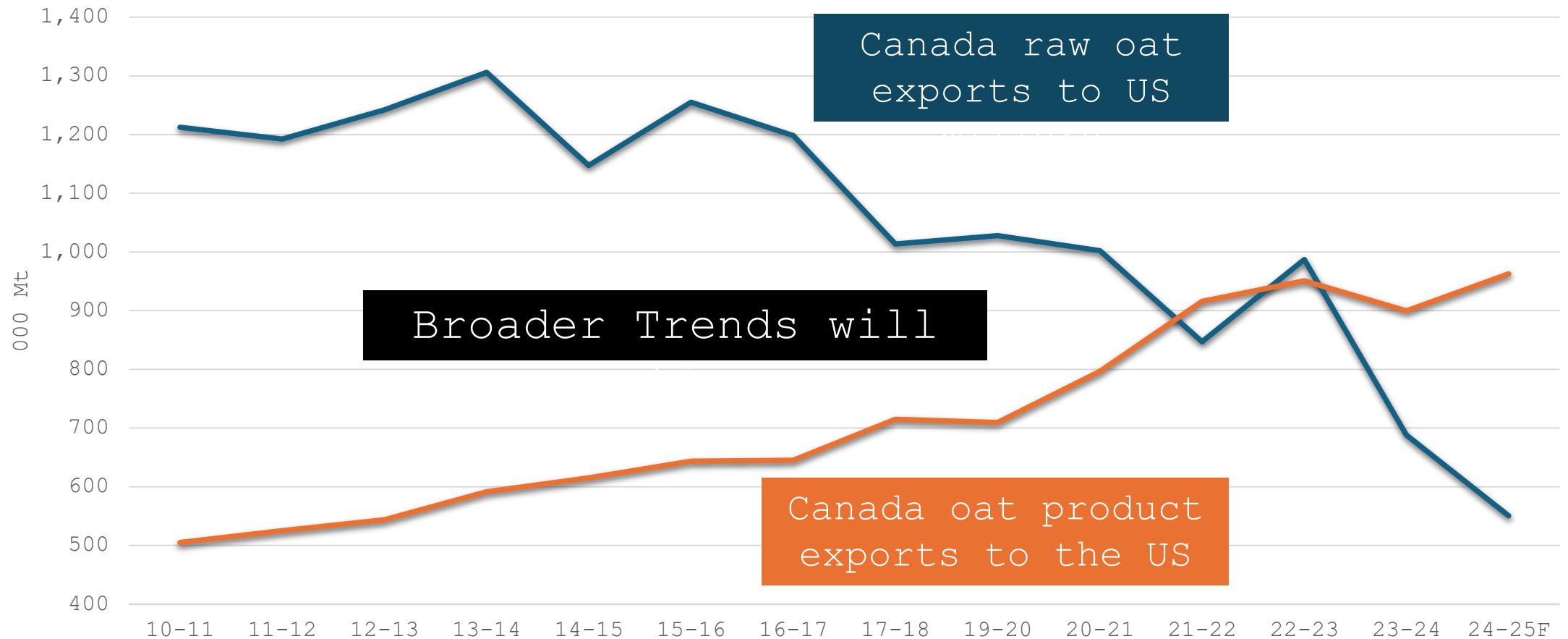
Oat Have Become a Food Commodity



Rising Canada Mill Use



North American Oat Supply Chains Shifting



The Critical Need for Better Oat Returns for Growers



Oat Price Model Broken

The oat industry's current pricing model is outdated and needs modernization

- The current price model is not working for anyone in the oat industry!
- The broken model is impeding better returns for growers, creating instability in oat production/supplies.
- Supply chain reliability for oat food/beverage manufacturers and consumers is threatened.



Issues with the Current Pricing Model:

Inadequate Market Value Recognition:

- Current pricing undervalues oats for human consumption despite their growing use in high-value products (e.g., oat milk, cereals, baked goods).

Disincentivizing Production:

- Undervaluation discourages farmers from prioritizing oats, leading to inconsistent oat production/supplies in Canada.
- This threatens the ability to meet rising domestic and global demand for oat.

Unclear Market Signals:

- Lack of clear pricing signals creates uncertainty for both growers and oat commercials.
- Undermines confidence in planting decisions and securing

Proposed Changes to the Pricing Model:

Direct Contracting:

- Foster agreements directly between growers and processors for greater price stability and reduced reliance on volatile CME oat futures for price signals.
- Enable growers to capture more value in the supply chain.

Price Transparency:

- Enhance transparency by publishing real-time oat prices which provide both growers and oat commercials with improved price discovery.
- Ensure fair compensation throughout the supply chain! Oats are a "special crop," treat like one!

Trump Tariffs a Potential Concern for Oat Markets

- **Proposed Tariffs:** Trump plans to impose a 25% tariff on all imports from Canada and Mexico (including oats and oat products) and an additional 10% on Chinese goods on day one of his presidency.
- **Justification:** Tariffs tied to issues beyond trade, including illegal immigration and drug trafficking.



Impacts of Tariffs on North American Oat Markets

- U.S. companies importing oats and oat products will bear the financial and administrative burden of tariffs.
- Initial demand for Canadian raw oats may not drop significantly, however, long-term we expect price erosion for growers.
- Feed sectors (pet food, hog, and horse demand) could more quickly shift to U.S. origin oats or alternative sources.
- Early indications are paying the tariff would be cheaper than importing other origins.
- This would likely see US companies passing the losses back to Canadian growers down the road.

What is the Impact to US Oat Companies?

- Companies face decisions on whether to absorb or pass on the tariffs' costs to consumers.
- Impact varies by product category (e.g., breakfast cereals, granola bars, oat beverages) due to differing oat content.
- Competitive markets and branding concerns may influence pricing strategies.
- Exporters in Canada/Mexico:
 - Canadian and Mexican oat exporters may face reduced purchasing oat prices from U.S. importers.
 - Identifying alternative markets for Canadian oat/product exports poses challenges but is considered a low-probability scenario.

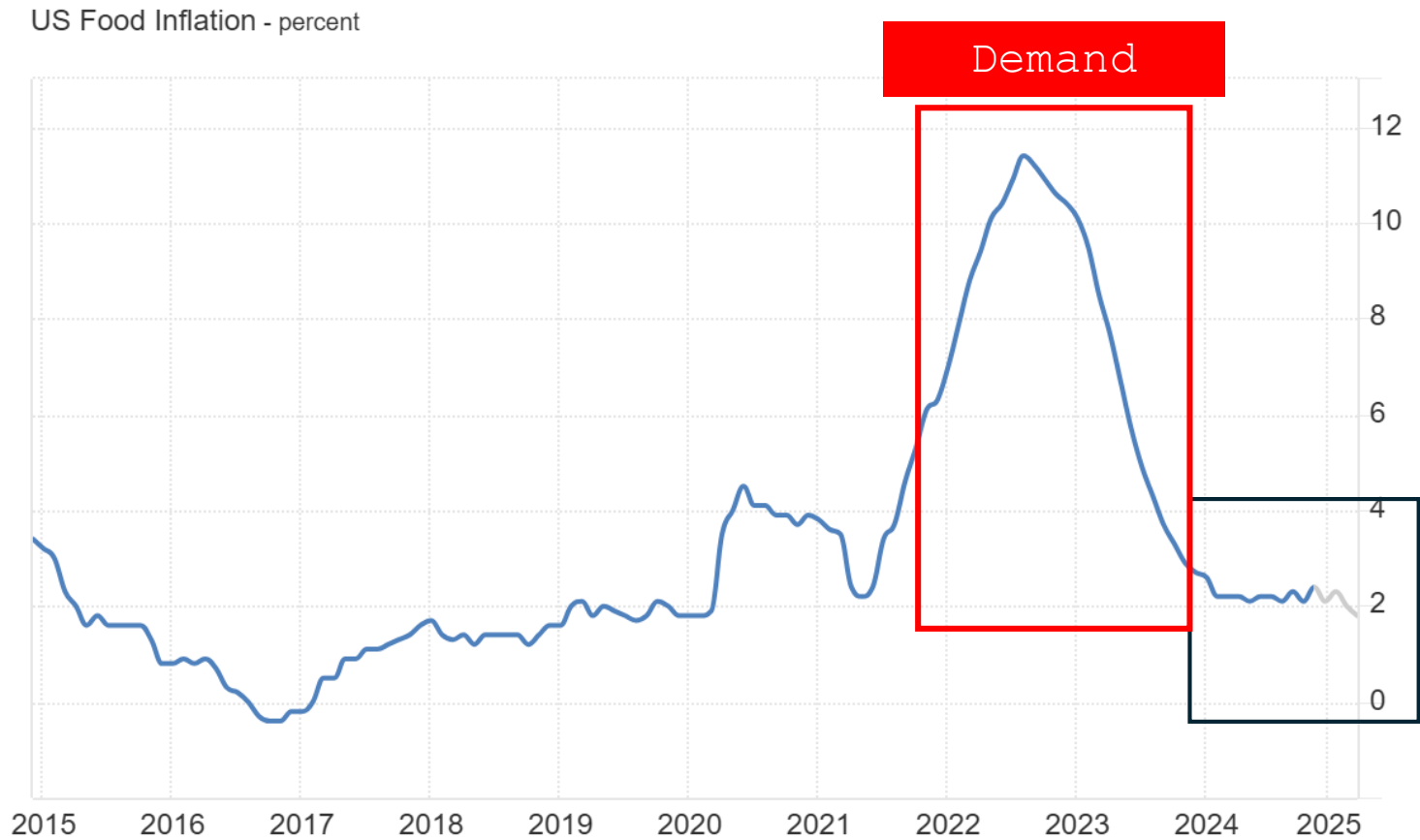
What is the Impact to Canadian Oat Growers?

- Short term:
 - Demand impact will be limited in the food sector, potential issues in the horse/feed sector.
 - Food companies will keep buying Canadian oats to protect brand and market share.
 - Horse markets are likely to see demand challenges as buyers have options of other cereals
- Longer term:
 - Potential for lower oat prices for Canadian growers as US companies look to recovery the cost of the tariffs.
 - Potential loss of some demand.

Oat Pricing Dynamics

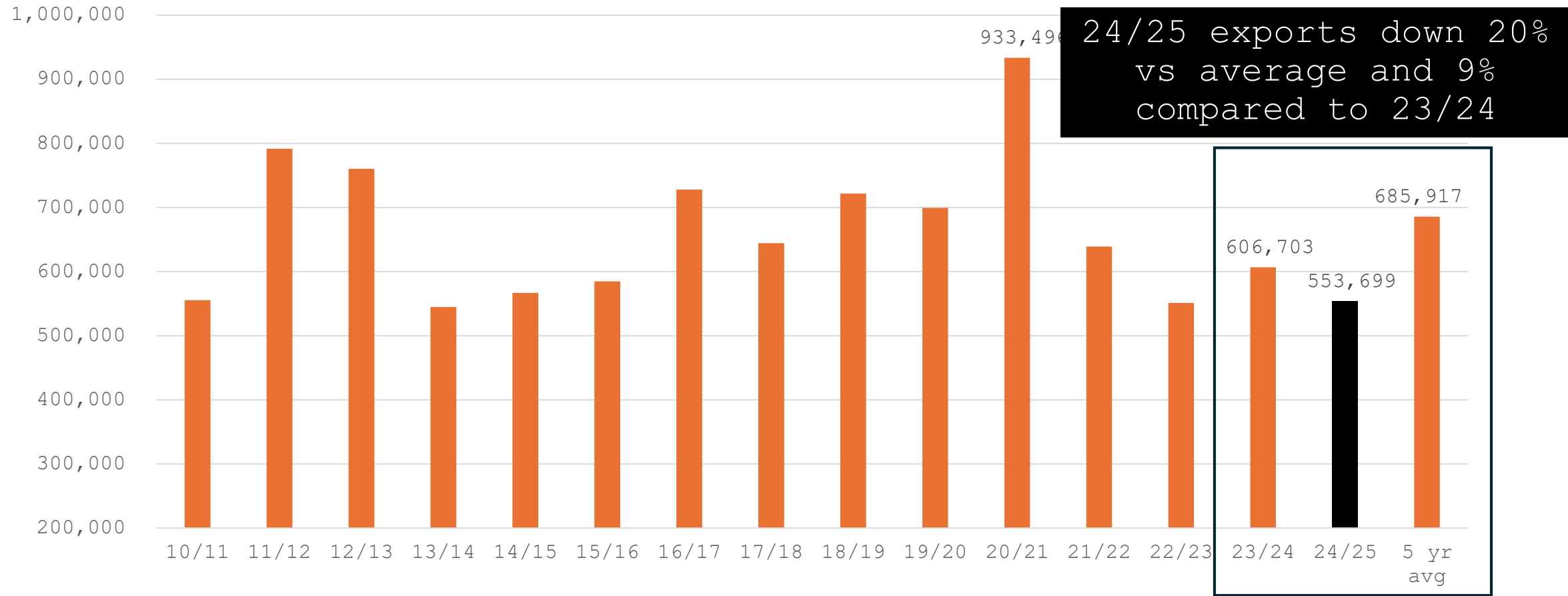


U.S.
Food
Inflation
Cut
Out
Demand

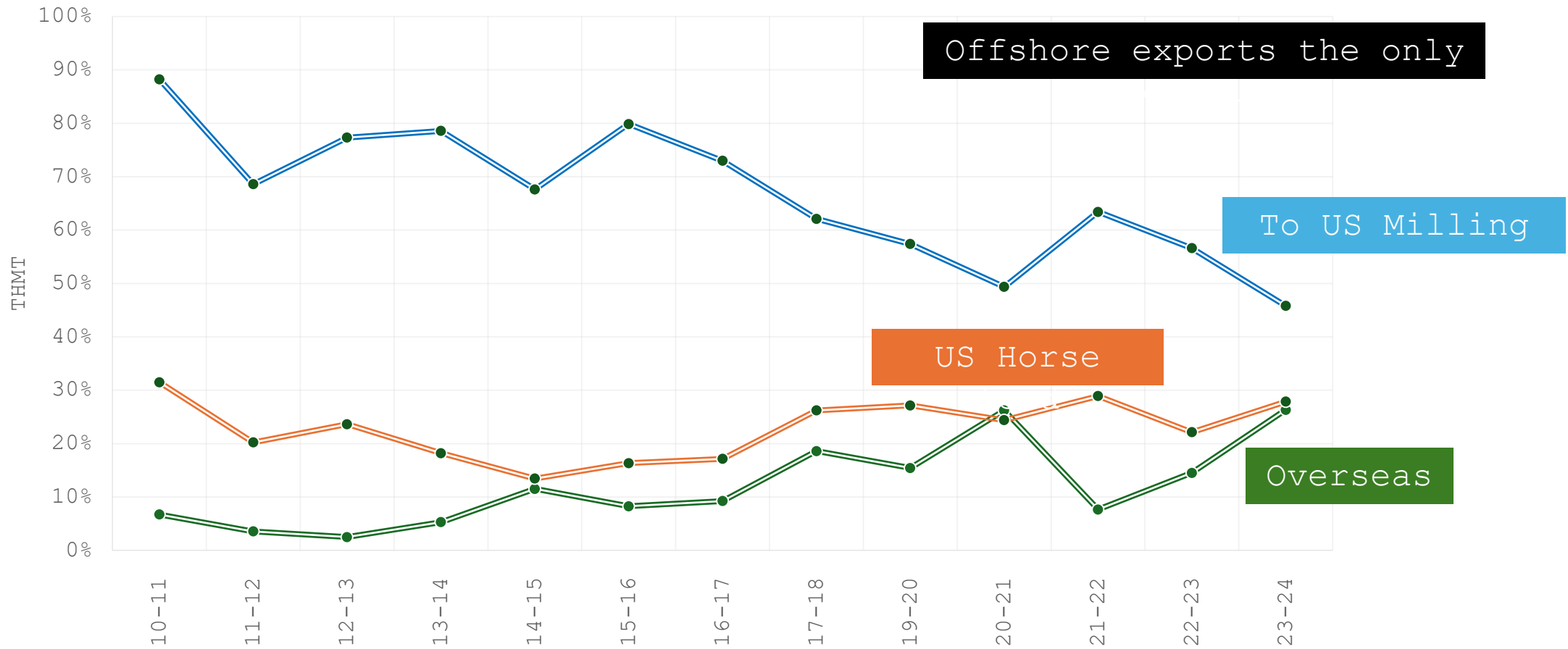


U.S. food costs increased by 2.4% in November 2024, with food inflation projected to reach 2.1% by the end of the quarter.

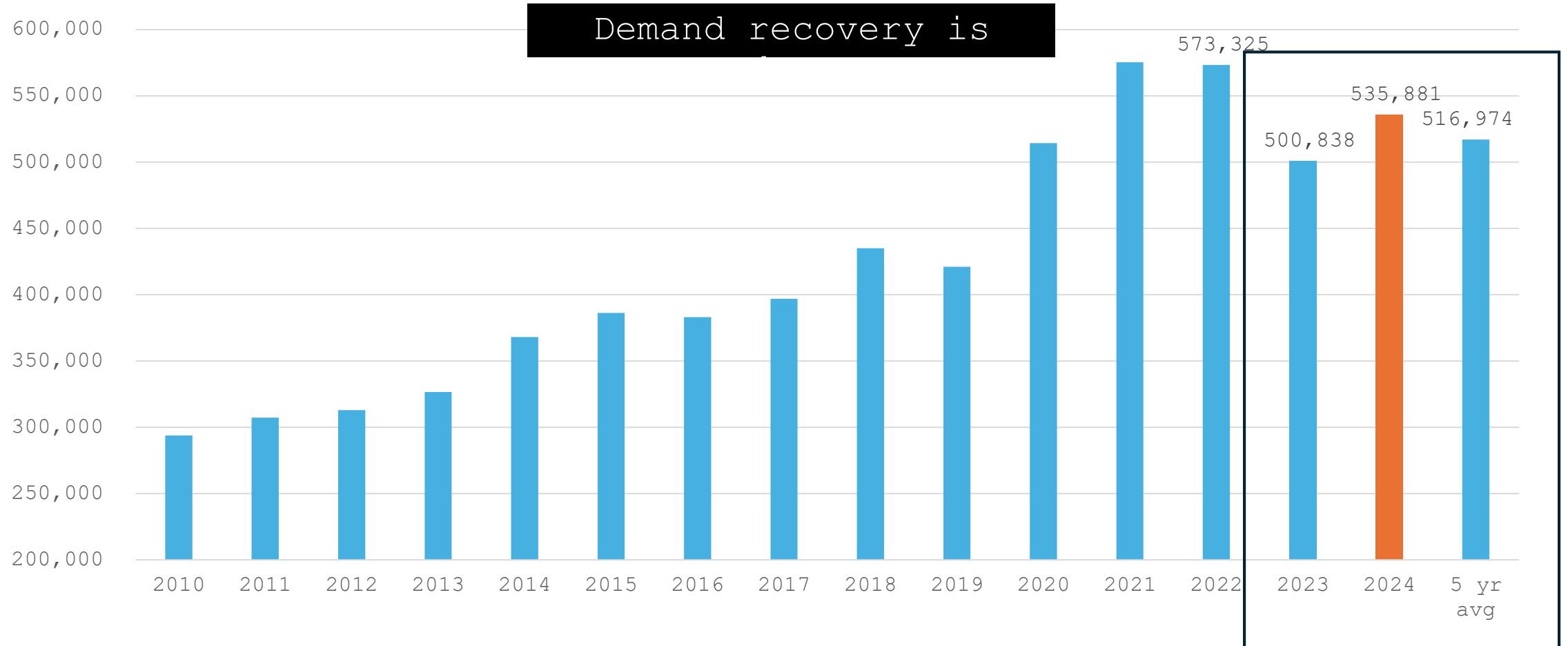
Canada Oat Exports Year To-Date



Canadian Oat Exports

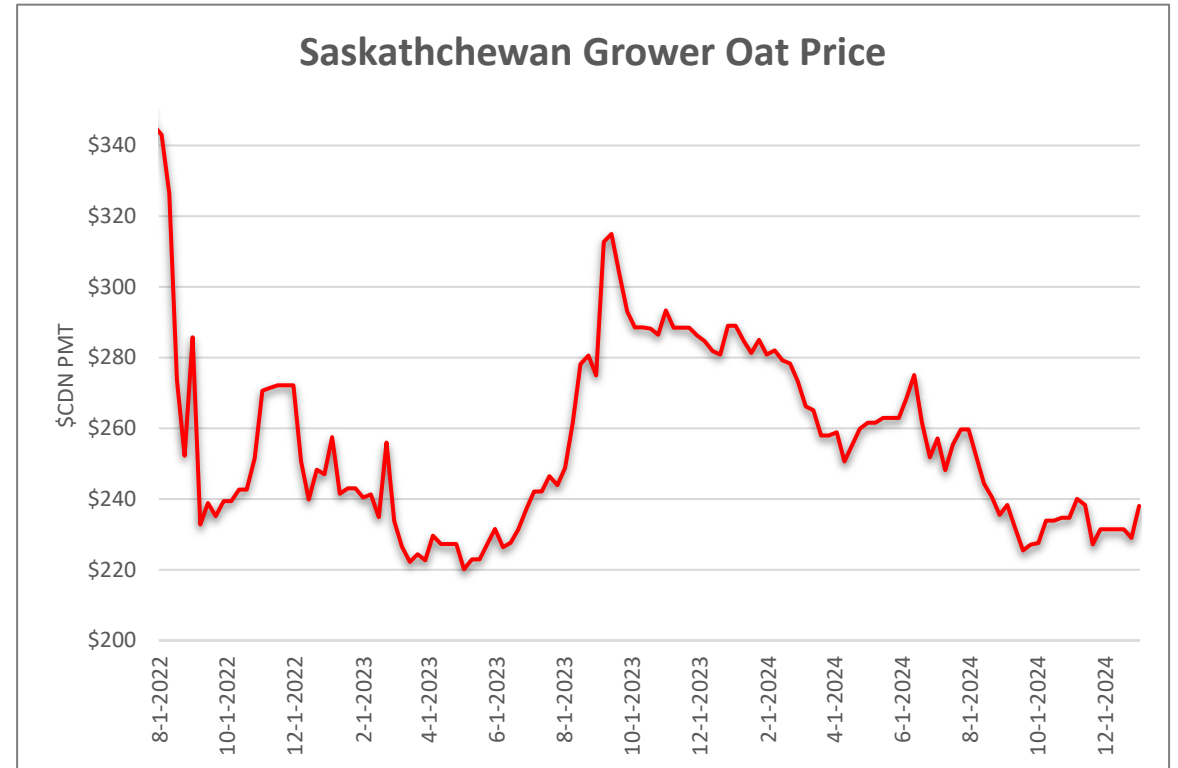


Canada Oat Product Exports Year To-Date



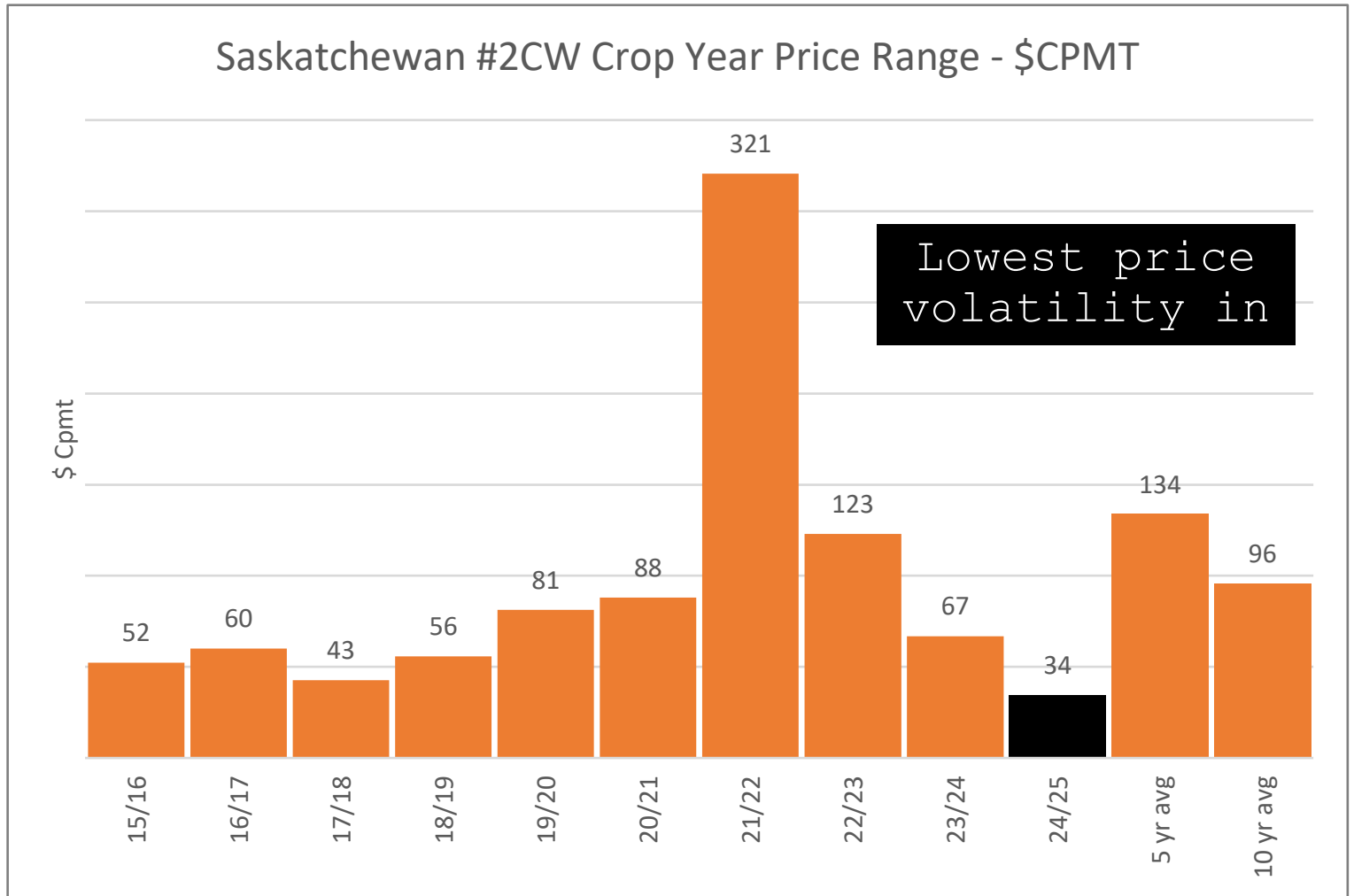
Western Canada Oat Prices

- Prices in Western Canada recovered by 6.6% over the last three months, reflecting higher prices for other cereals.
- However, a year-on-year drop of 13.1% and a 13.3% decline from the 5-year average highlights ongoing oat market pressures.

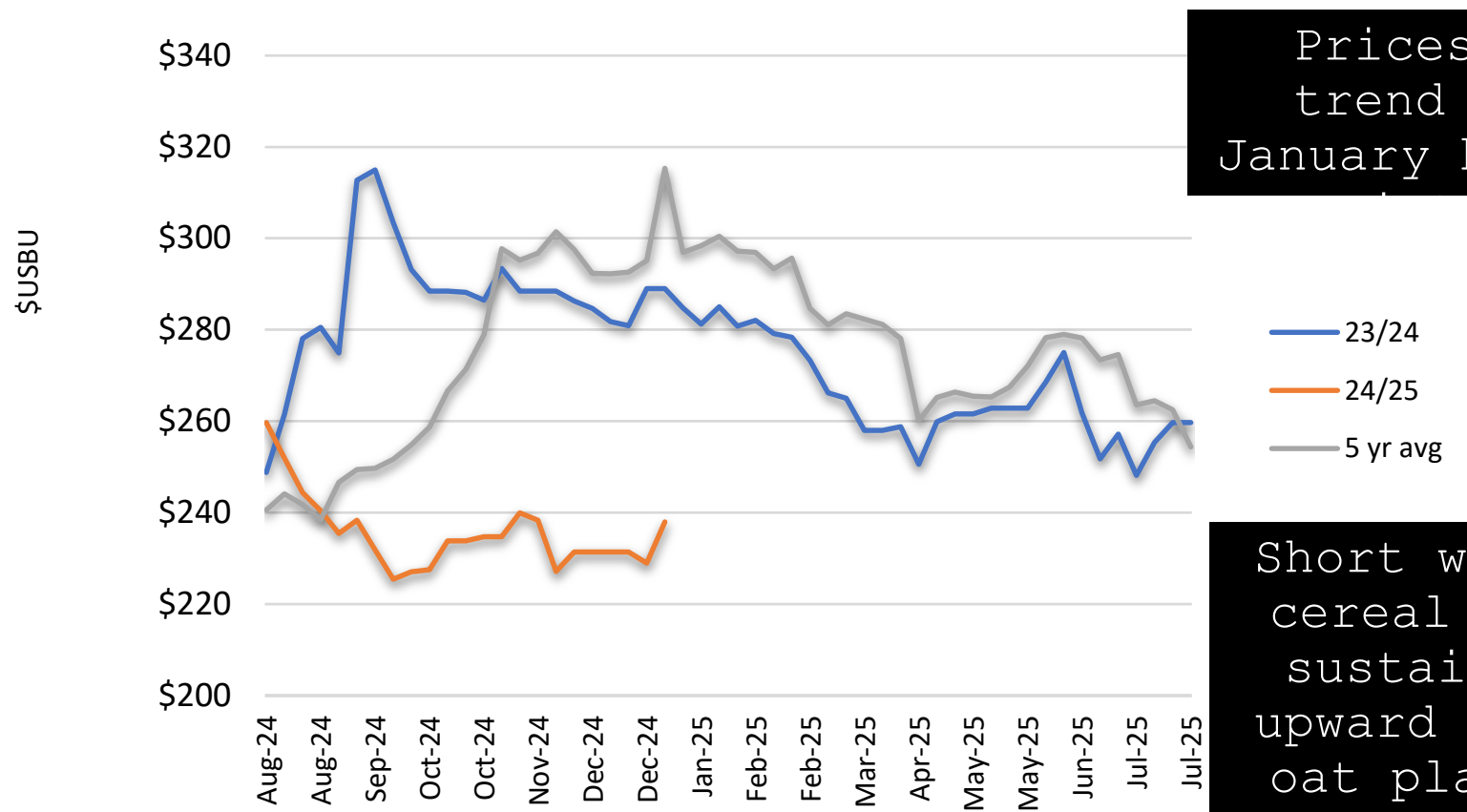


Historically a narrow trading range this year.

Western Canada Oat Price Volatility



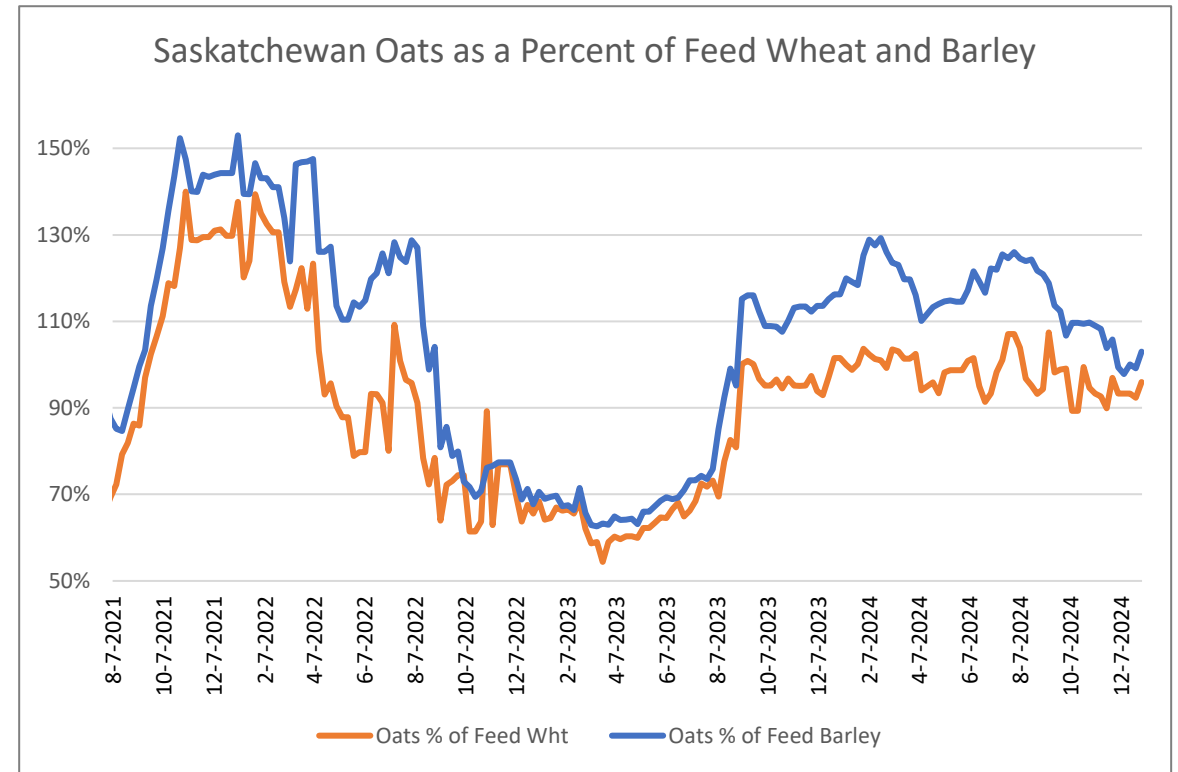
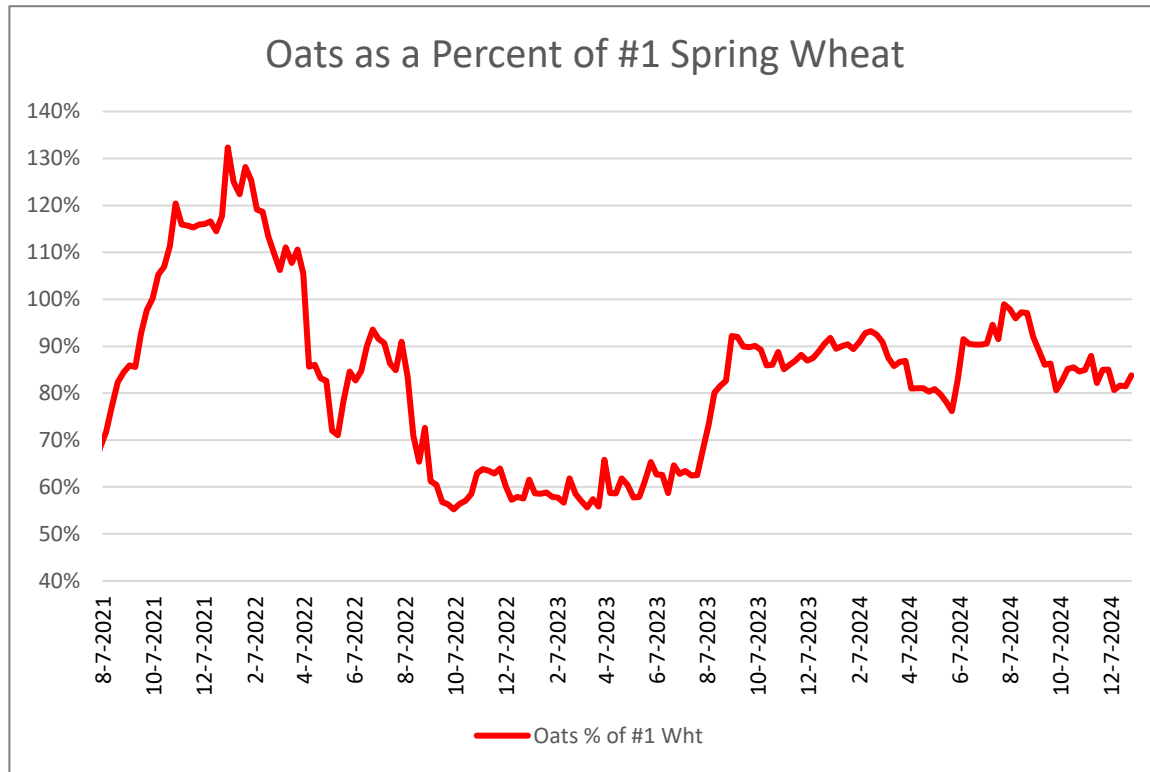
Saskatchewan Oat Milling Seasonal Oat Price Trends



Prices seasonally trend higher into January before falling

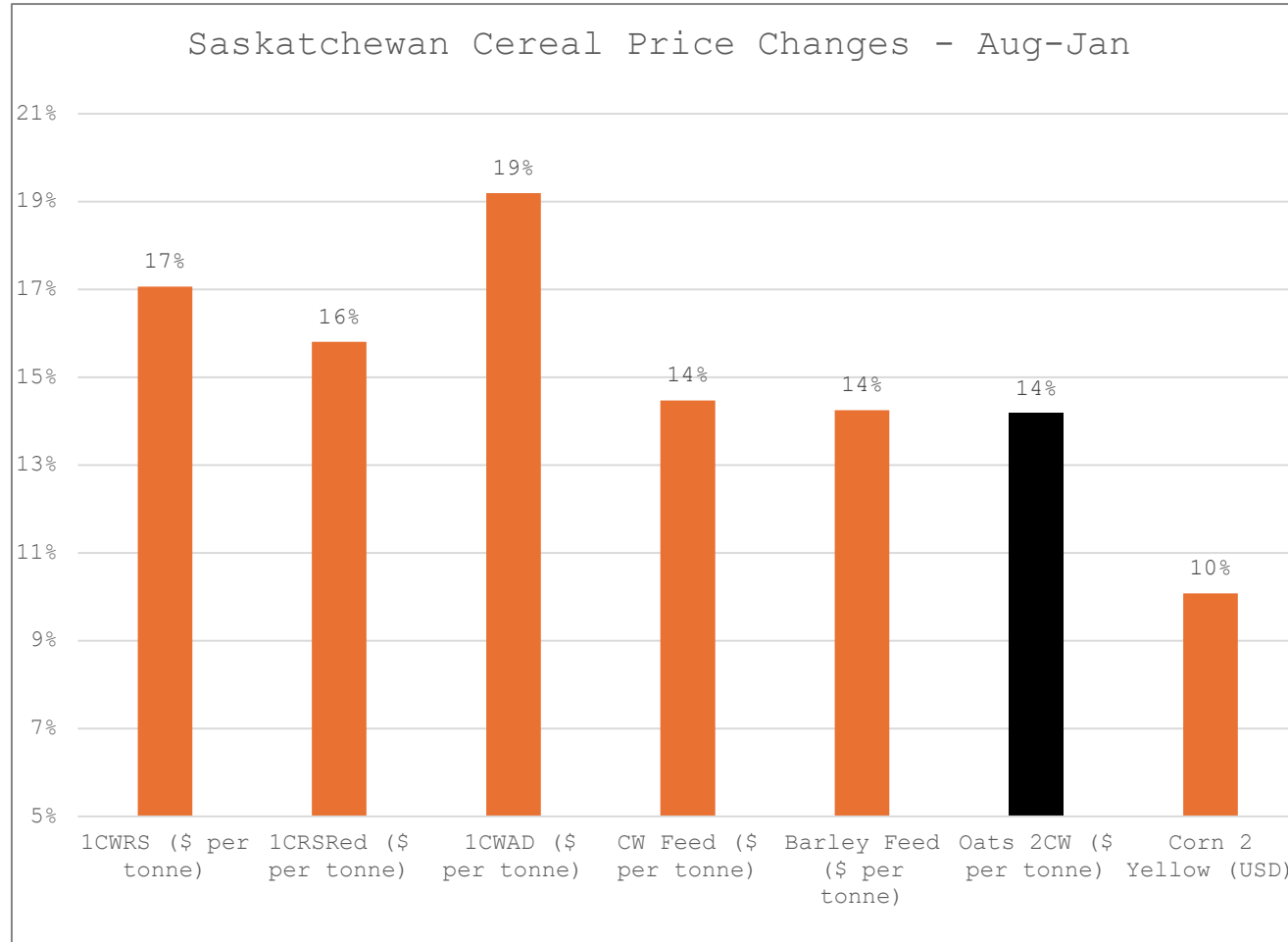
Short window if other cereal prices cannot sustain the current upward trends as 2025 oat plantings are as

Oat Prices Compared to Other Cereals

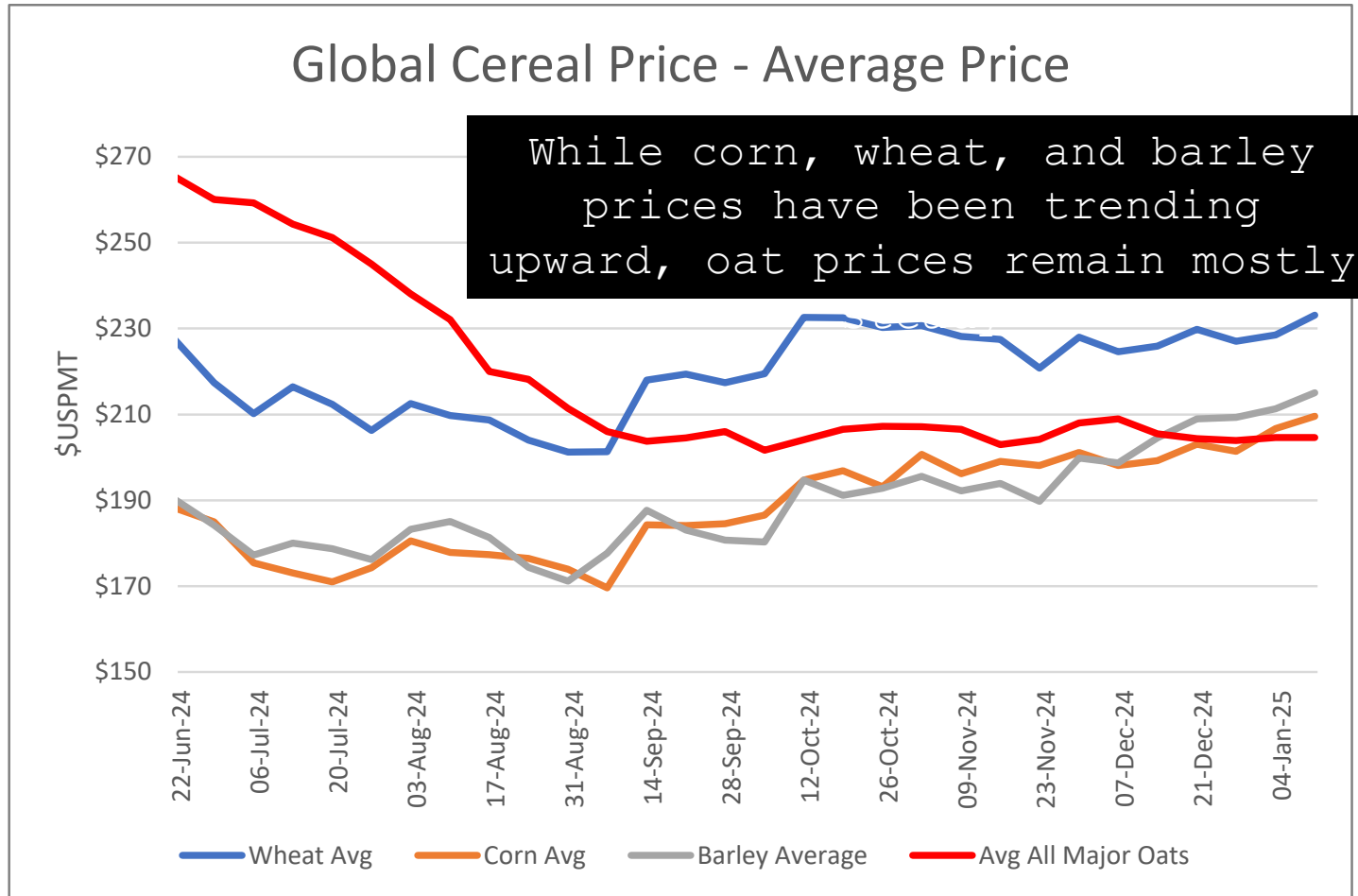


Oats look favorable for growers.

Saskatchewan Cereal Prices Changes Aug-Jan



Global Cereal Prices Support



More
Buying
Down the
Road...But

- Purchases of high-priced old-crop oats will be minimized due to expectations of a large oat supply increase in 2025/26.
- Further buying is expected; however, millers are willing to pay higher prices only for the exact quantity needed, not a pound more

SUMMARY

Summary

- Canadian oat supplies and ending stocks for 2024/25 are projected to be below average, highlighting the “critical” need for significant oat plantings in the upcoming spring.
- Oat prices are expected to stay within a relatively stable range unless there is a prolonged rally in corn, wheat, or other cereal prices.
- The anticipated increase in Canadian oat acreage and production for 2025 is likely to exert downward pressure on oat prices.
- Trump's proposed tariffs are price negative for oats.



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