

Special Oat Report

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Oat trade brushes off bullish news, for now, 2019 oat plantings critical to oat supply moving forward

Statistics Canada released some of the most bullish oat data in quite sometime today but much of the North American oat trade largely ignored forecasts calling for near to record low Canadian oat end stocks in 2018/19 and very tight stocks into 2019/20.

Canadian oat stocks in all positions at December 31, fell 19.7% year over year to 2.31 MMT said Stats Can. On-farm stocks fell 22.1% to 2.1 MMT, while commercial stocks rose 15.8%. This is the second smallest Dec 31 stocks in all position level in 16 years.

Two items in the Stats Can Aug-Dec use estimates released today stand out, hugely. The first is feed use, up 51% compared to the prior year. The fact feed use is up is not a surprise given the reports we have receiving from the trade regarding lower quality oats harvested this year.

The problem is, if the current feed use pace is maintained, or even slows some, 2018/19 Canadian end stocks will be on pace for a record low. Somewhere sub 0.350 MMT (See table pg. 1). The record low is 0.362 MMT.

Adding to the end stocks concerns is the strong pace of oat exports, up 14% YOY for the first five months of the crop year.

While we are not expecting the current pace to be maintained, even a CY increase of 5% is again going to add to the downward pressure on 2018/19 Canadian oat end stocks.

While US/Canadian oat millers and feed users are certainly aware of the latest estimates they are now quite comfortable with good forward coverage deep into the spring.

We don't expect them to chase values higher anytime soon. They will likely take a wait and see attitude given expectation of higher oat plantings this spring.

A look at the 2019/20 supply/usage estimates would point to the fact this is not going to be anywhere near enough of an oat area/production increase to rebuild stocks in 2019/20 if oat yields and area abandonment are only near normal.

In fact, the 2019/20 Canadian oat end stocks outlook is going to be closer to the record low than the average.

All this adds up to a very high dependency on substantially higher 2019 Canadian oat plantings and at least near normal growing conditions next summer, with few harvest issues.

