

The background of the slide is a photograph of a vast, rolling landscape of golden-brown hills, likely a field of mature grain. The sky is filled with large, white, fluffy clouds, with patches of blue visible. The overall color palette is warm, dominated by yellows, oranges, and blues.

Oat Outlook

**Ag Commodity Research
& Oatinsight.com
Vancouver, Canada**

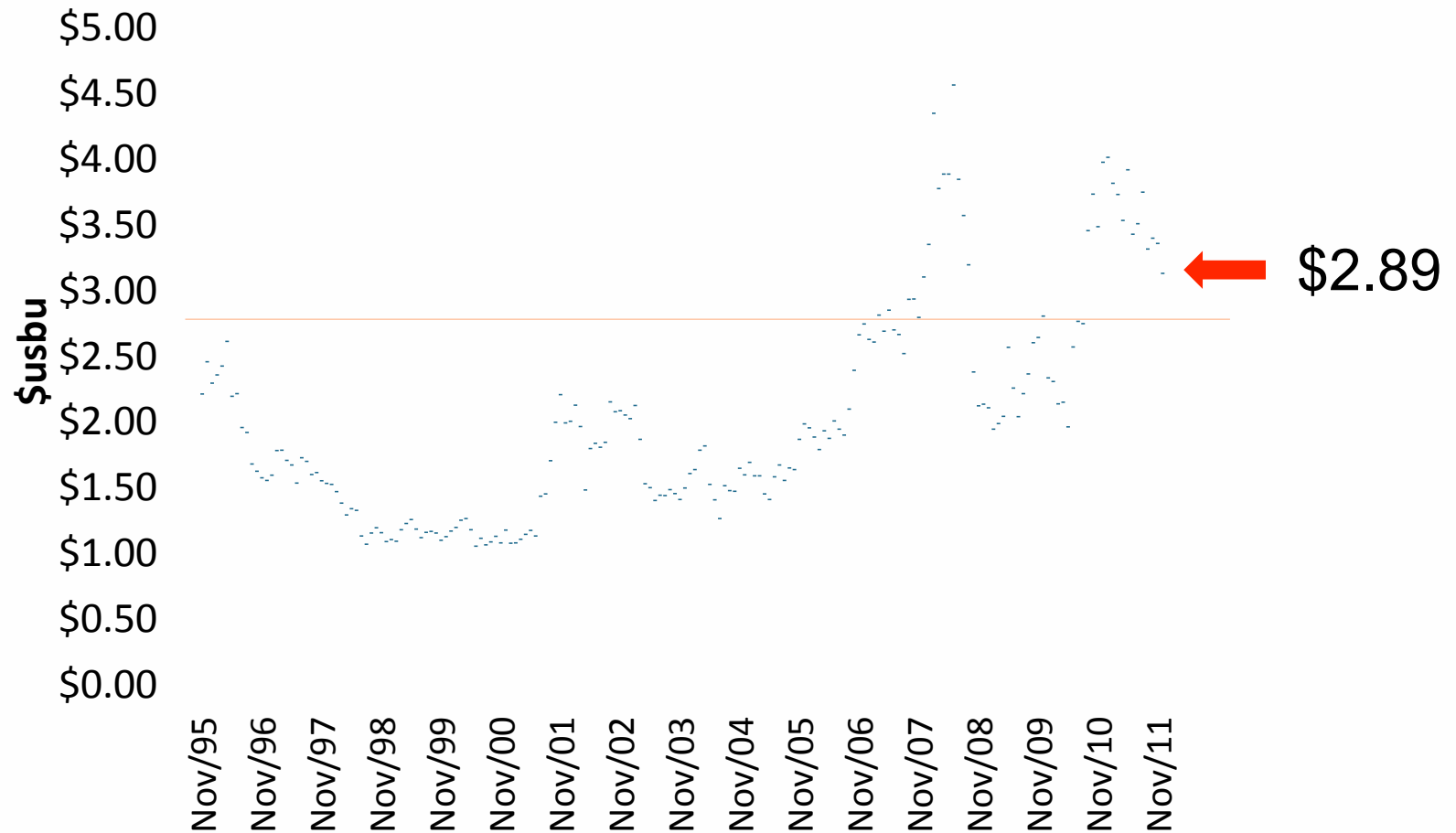
Current Situation

- South American weather & EU debt concerns driving Ag & oat fundamentals
- Oat prices bucking seasonally higher trends
- World oat S&Ds tight but adequate for the moment
- Growers oat sales strong
 - **Rate of oat use at 10-year high**
- CWB situation will create anxiety for oat markets
- Funds are net short, not seen in two years

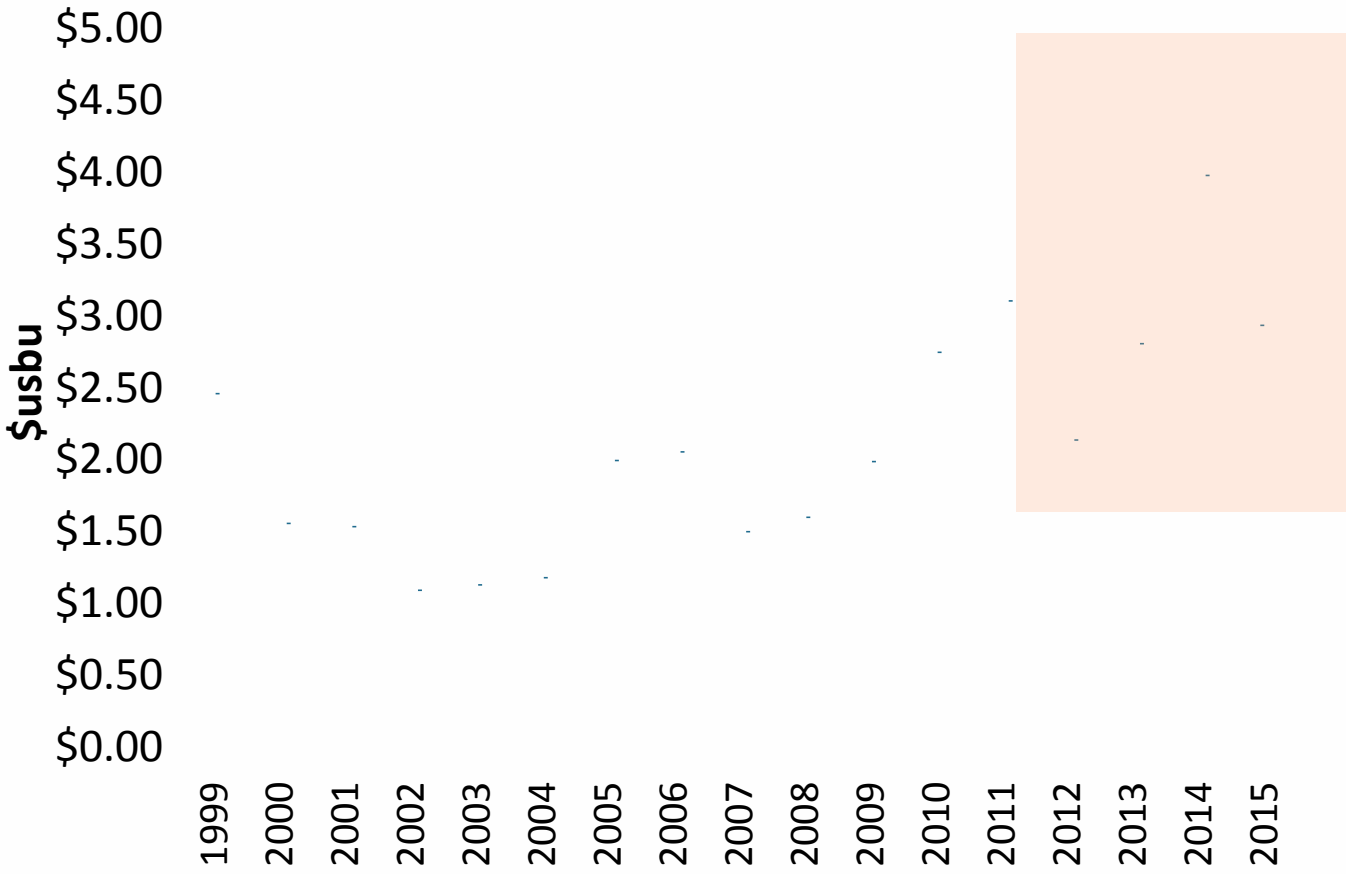
Canadian Oat Situation

- Loss of nearly 1 million oat acres last spring from excessive spring moisture reduced oat supplies
- 2011/12 oat supplies tight but not critical
- 2012/13 oat production and supplies would increase if growers seed only what they intended in 2011, end stocks to rise to near the five-year average, strong chance of both occurring
- However, expected removal of CWB export monopoly export wheat/barley creates unknowns, one is possibility of higher competition for oat area
- Long term oat area declines becoming increasingly concerning, higher US equine demand needed to stem declines
- Canadian growers are however harvesting more oats for commercial sales, trend to continue, should offset lower seeded area

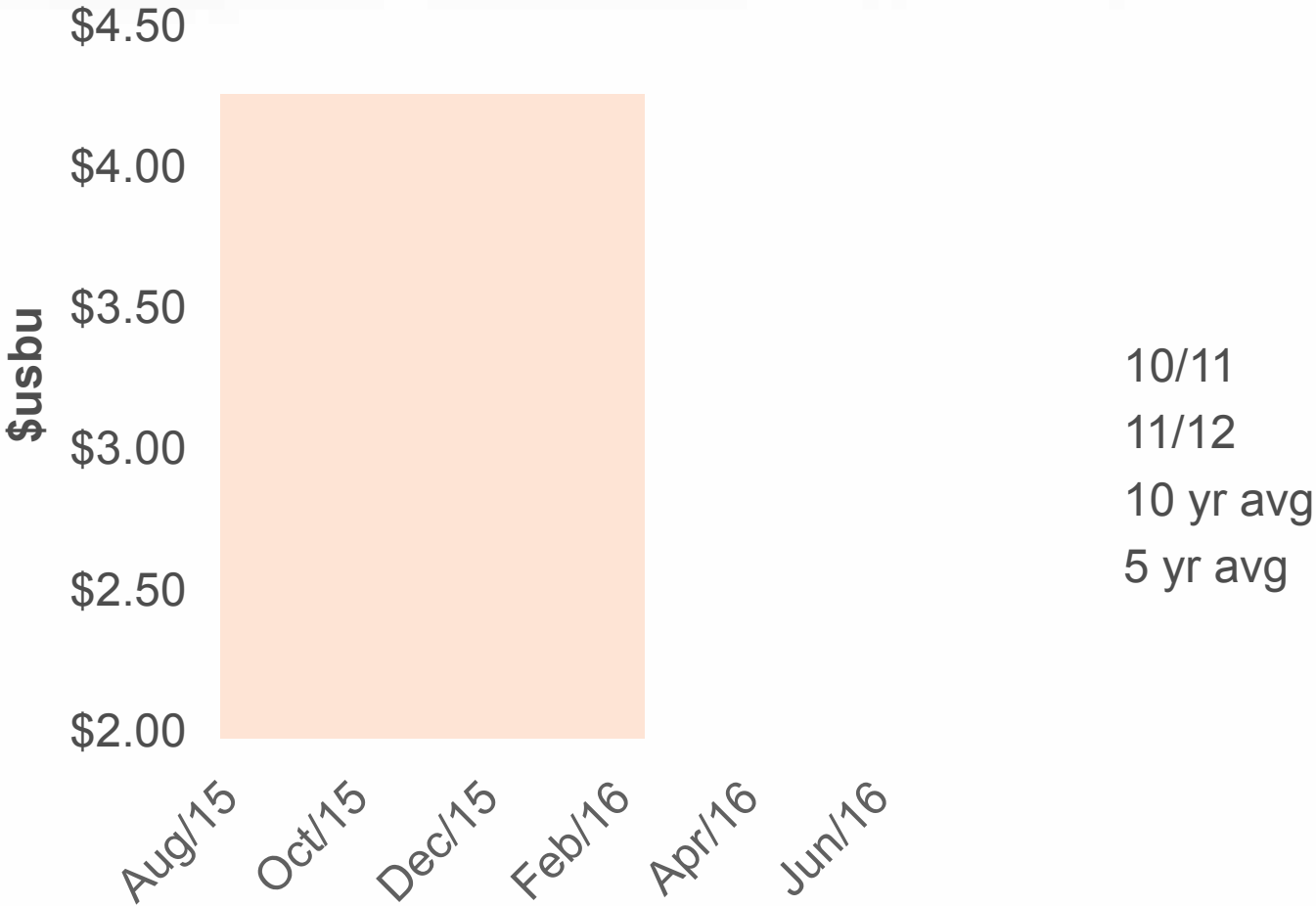
CBOT Continuous Monthly Oats



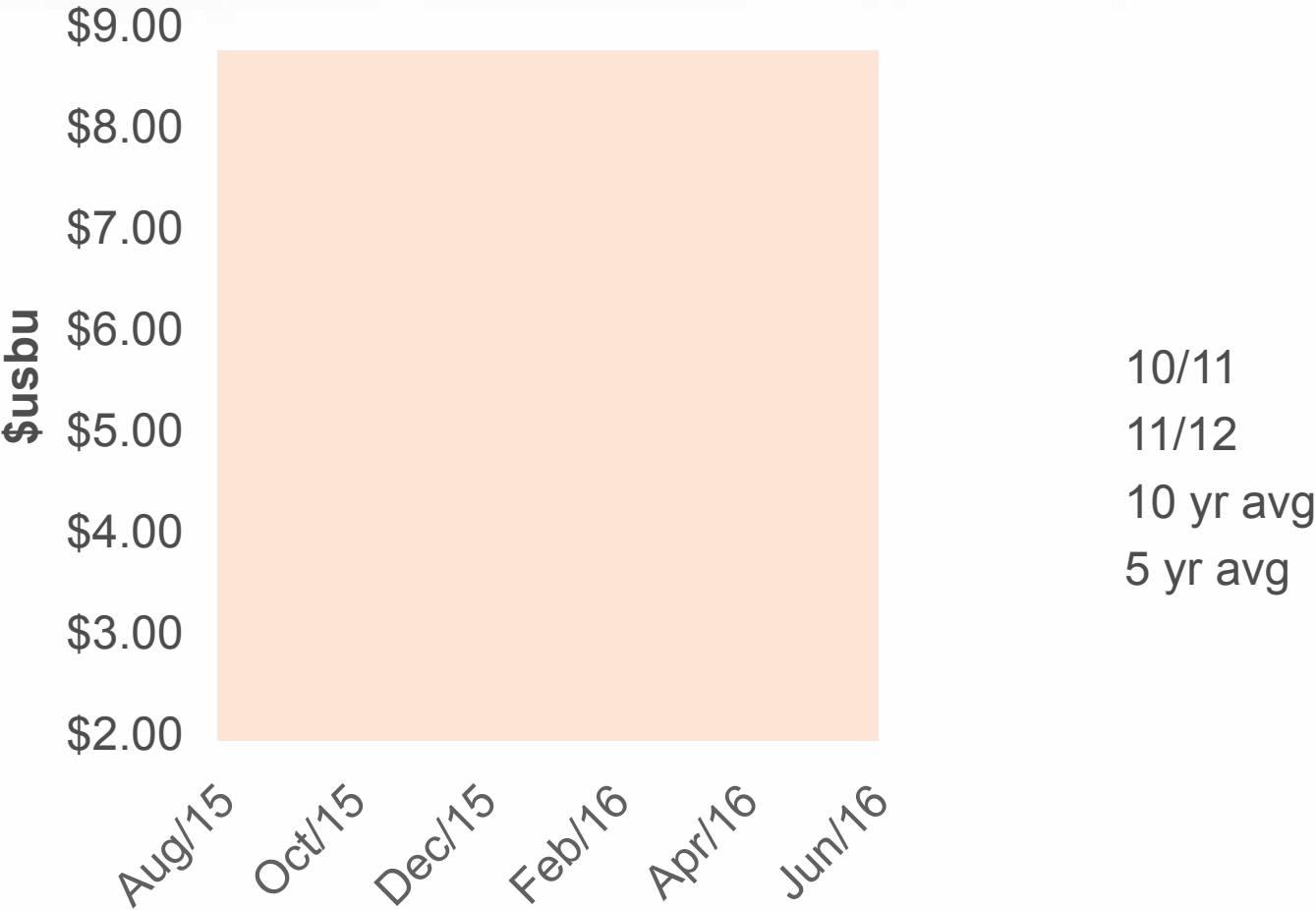
CBOT Oat Volatility



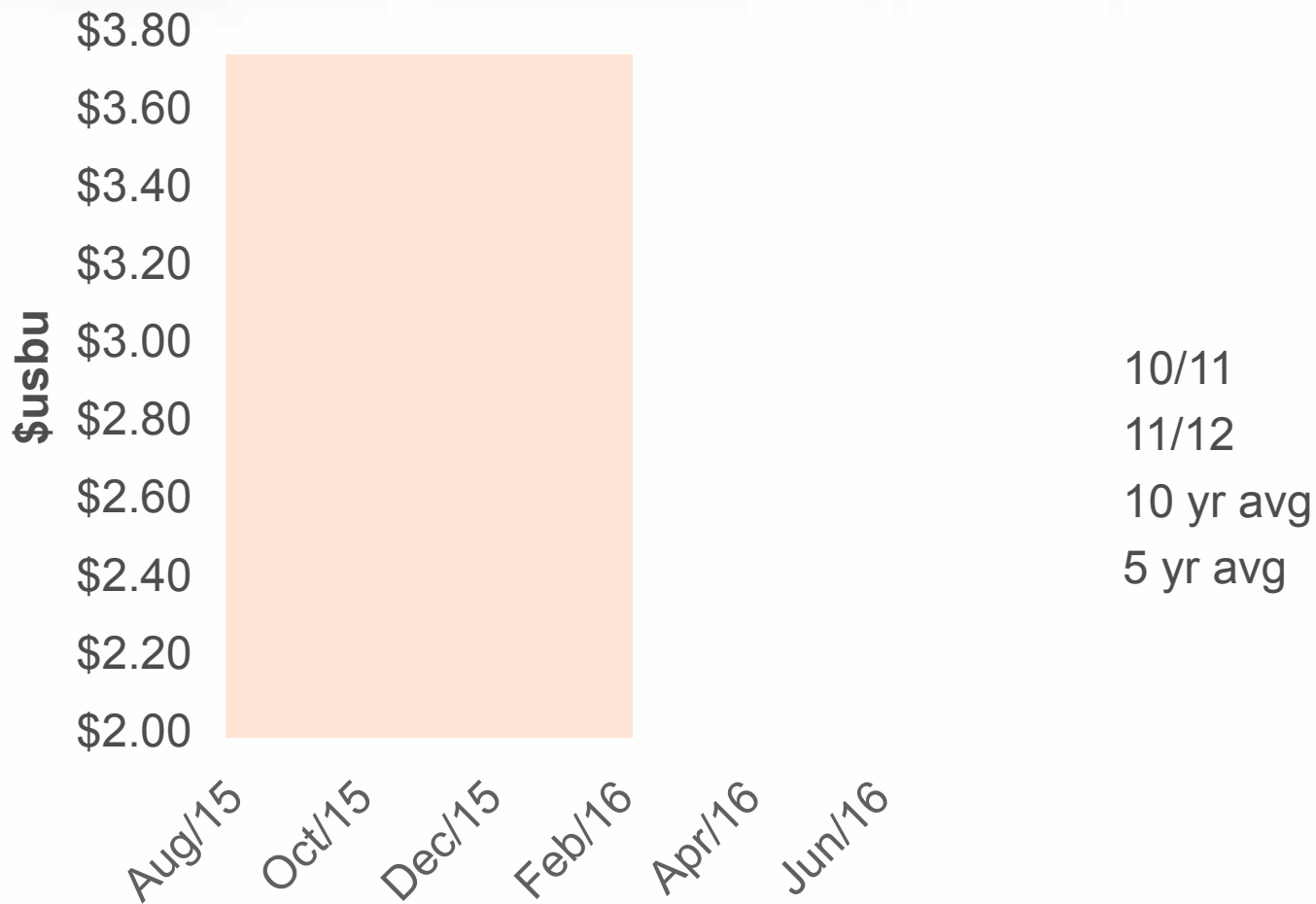
CBOT Oat Seasonal Trends



CBOT Corn Seasonal Trends



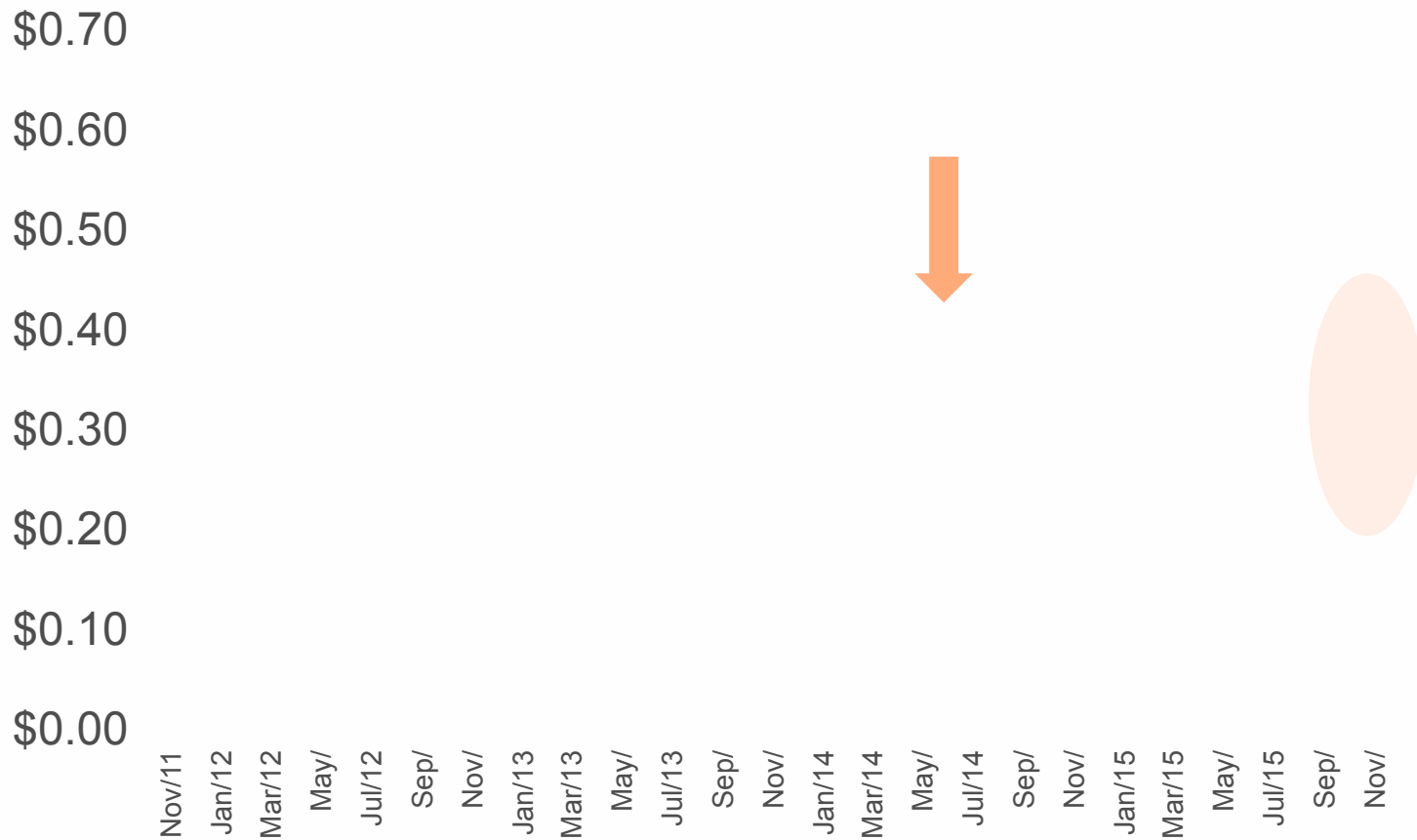
Viterra Saskatoon Seasonal Oat Price Trends



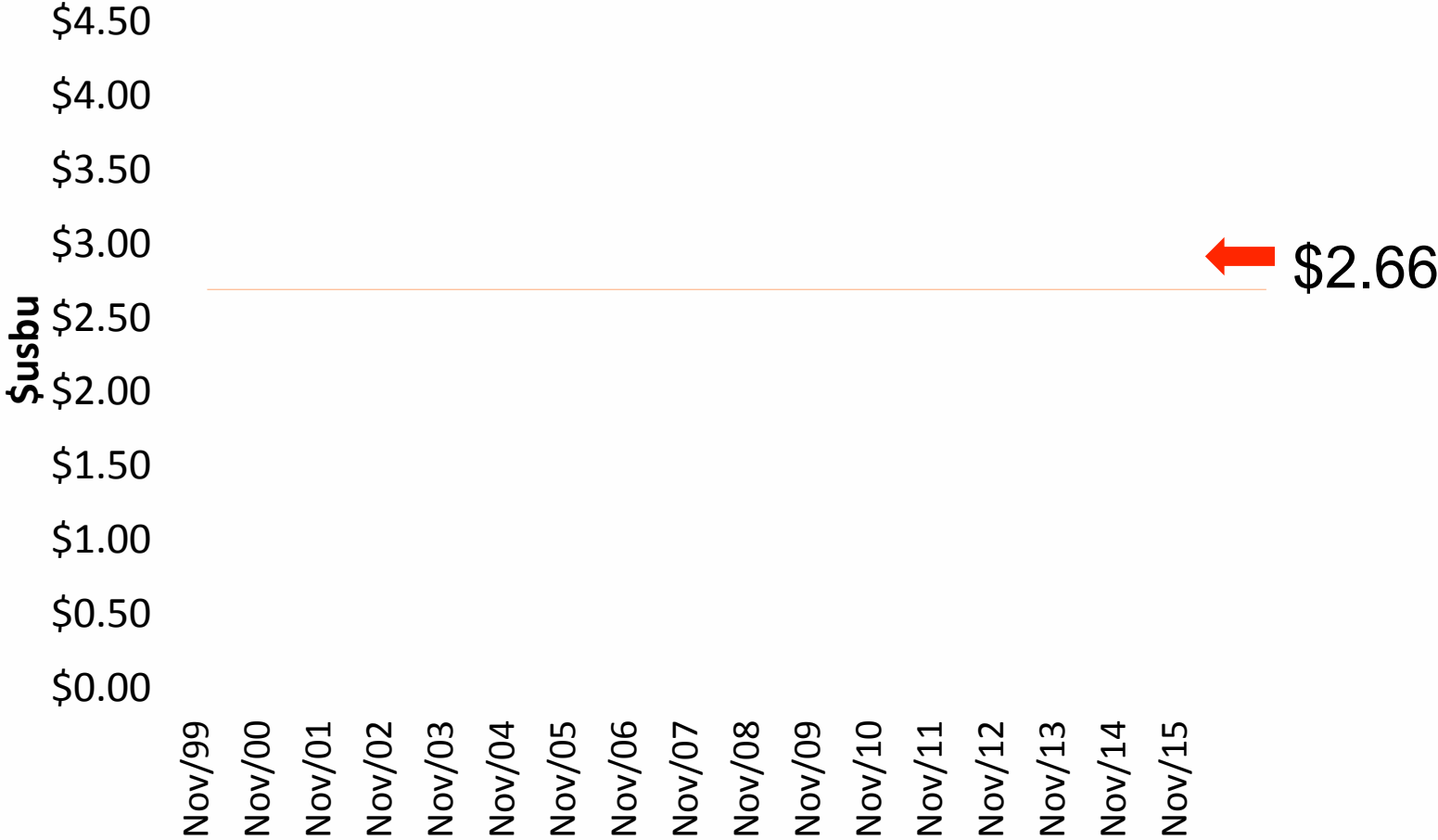
Minneapolis Oat Cash Basis



Duluth Milling Bid/Offer Spread



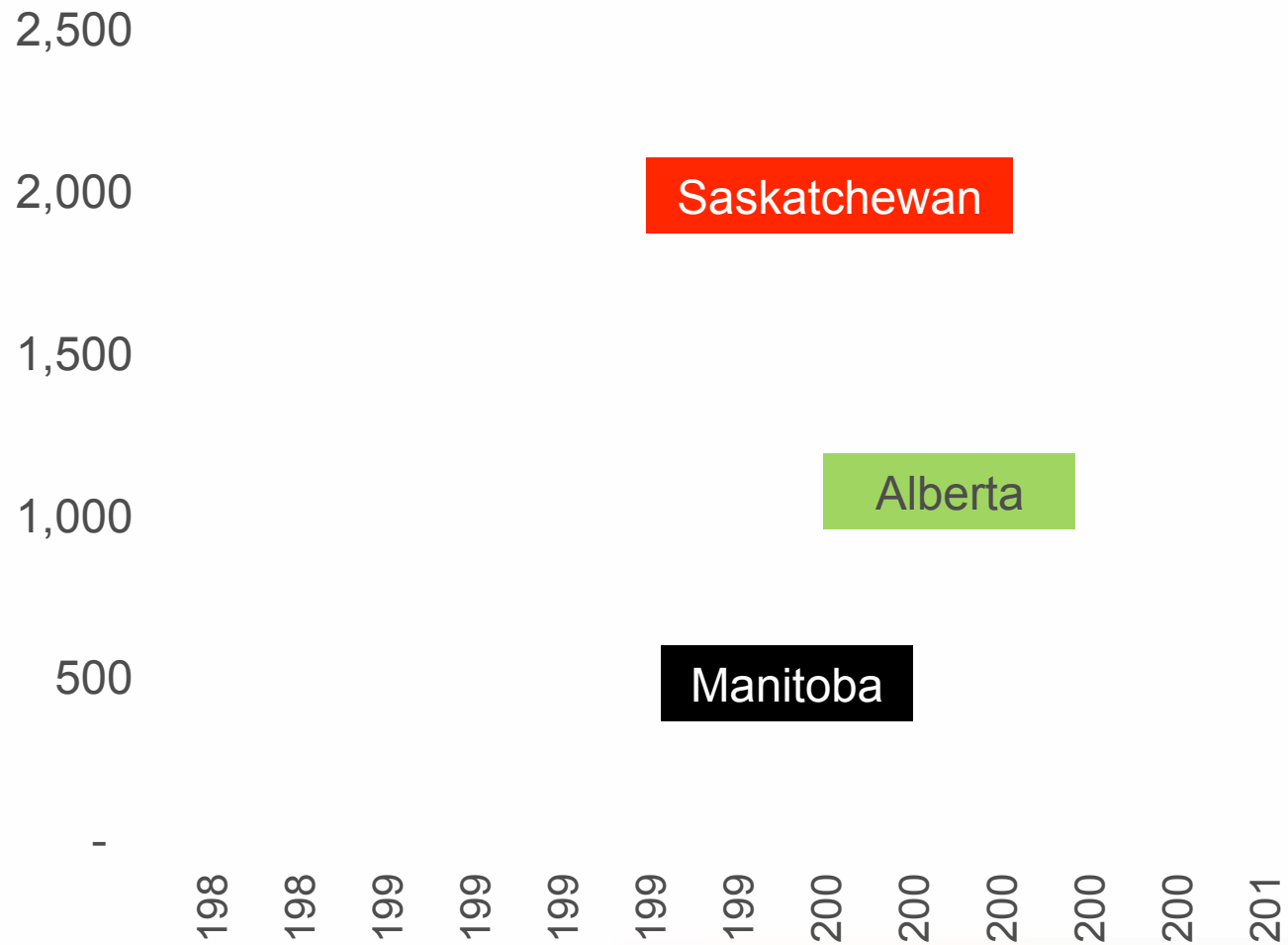
Average Western Canada Oat Bid



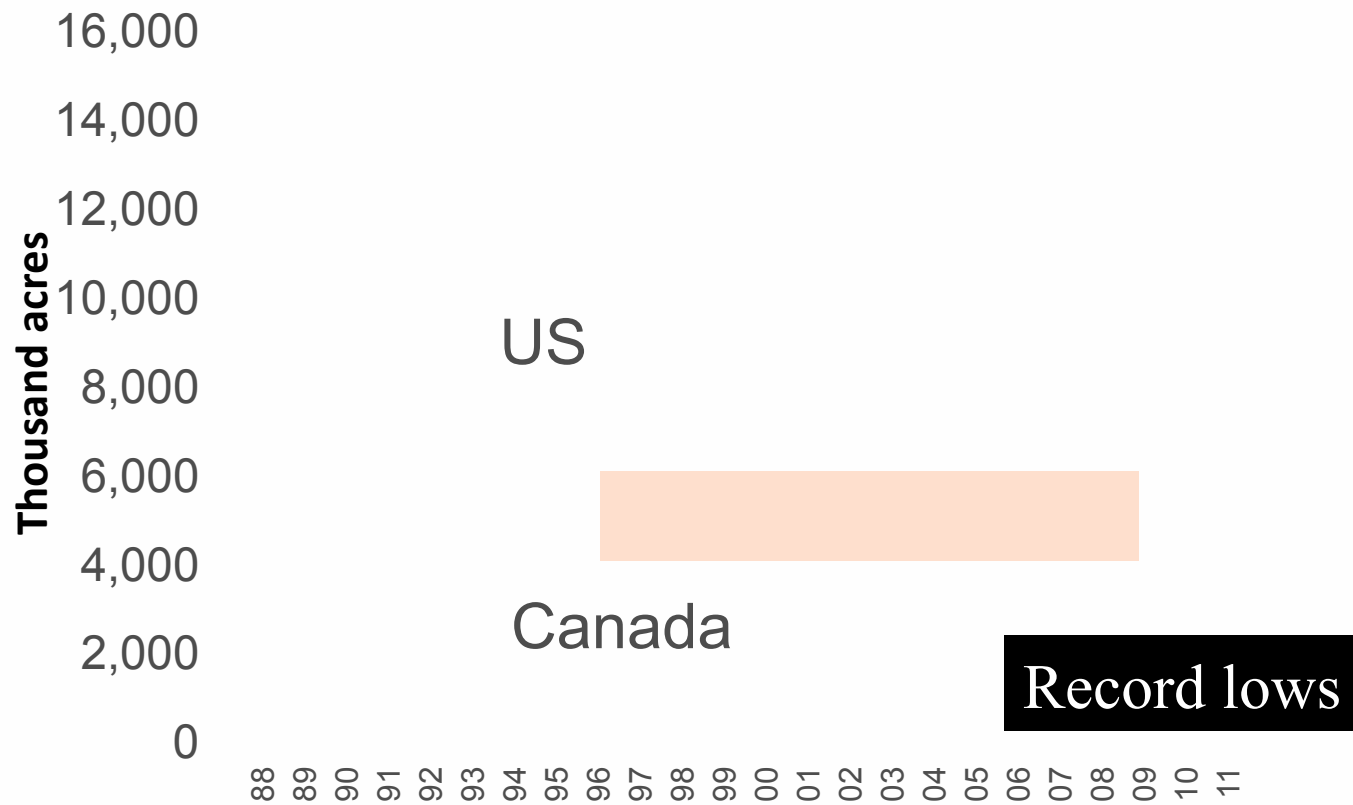
Supply and Demand Overview



Provincial Oat Production



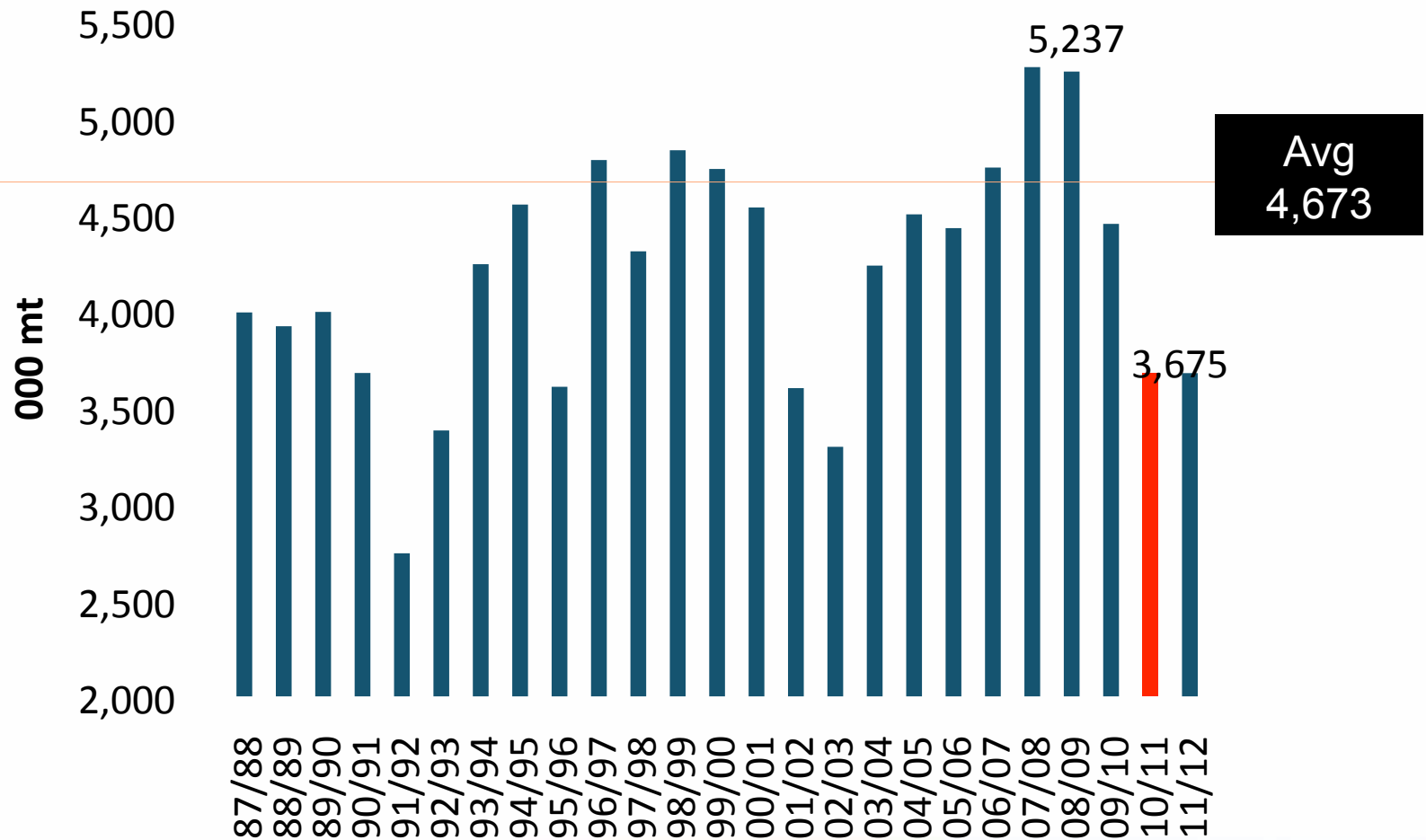
US & Canadian Seeded Oat Area



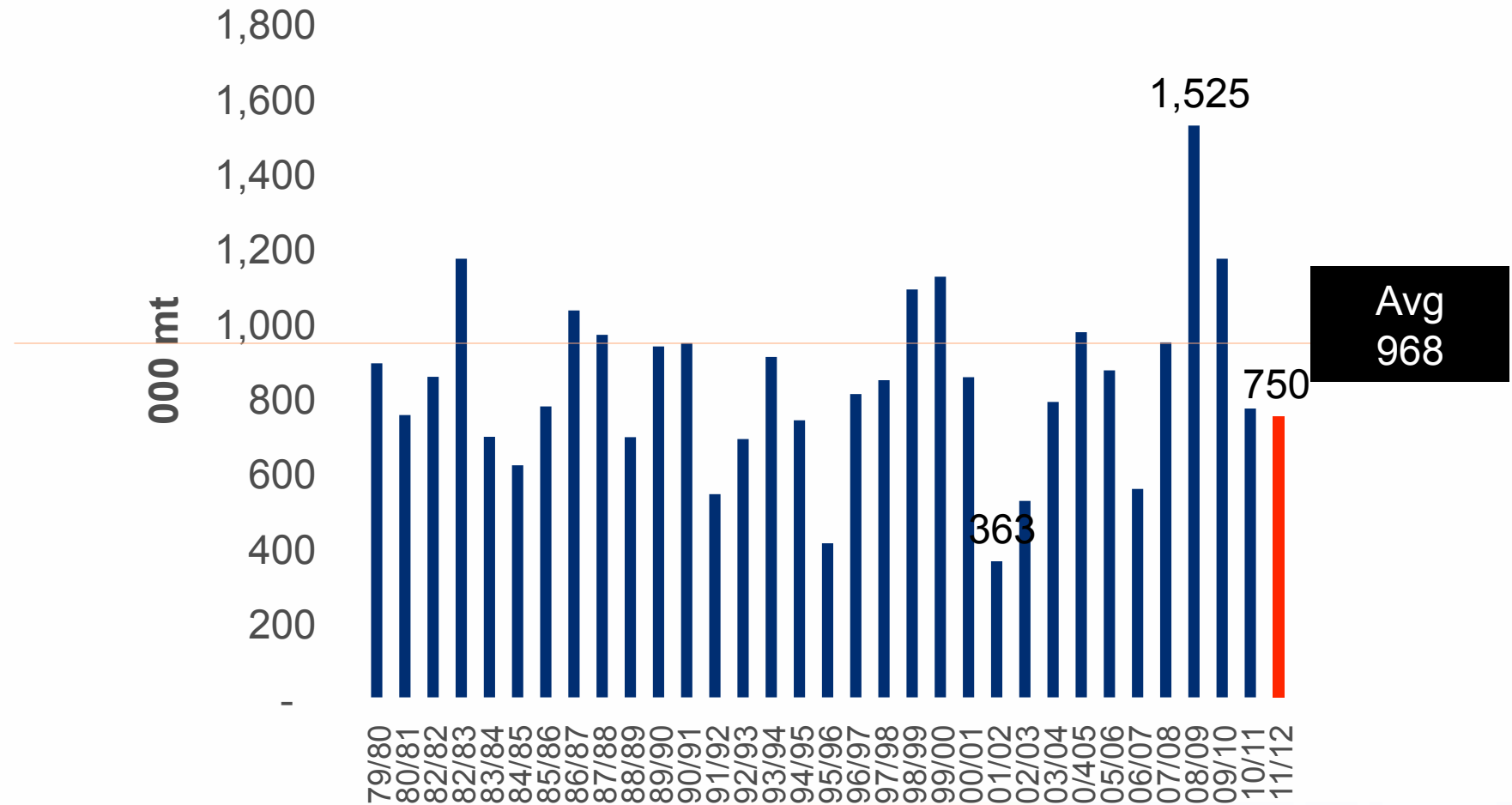
Canadian Seeded & Harvested Oat Area



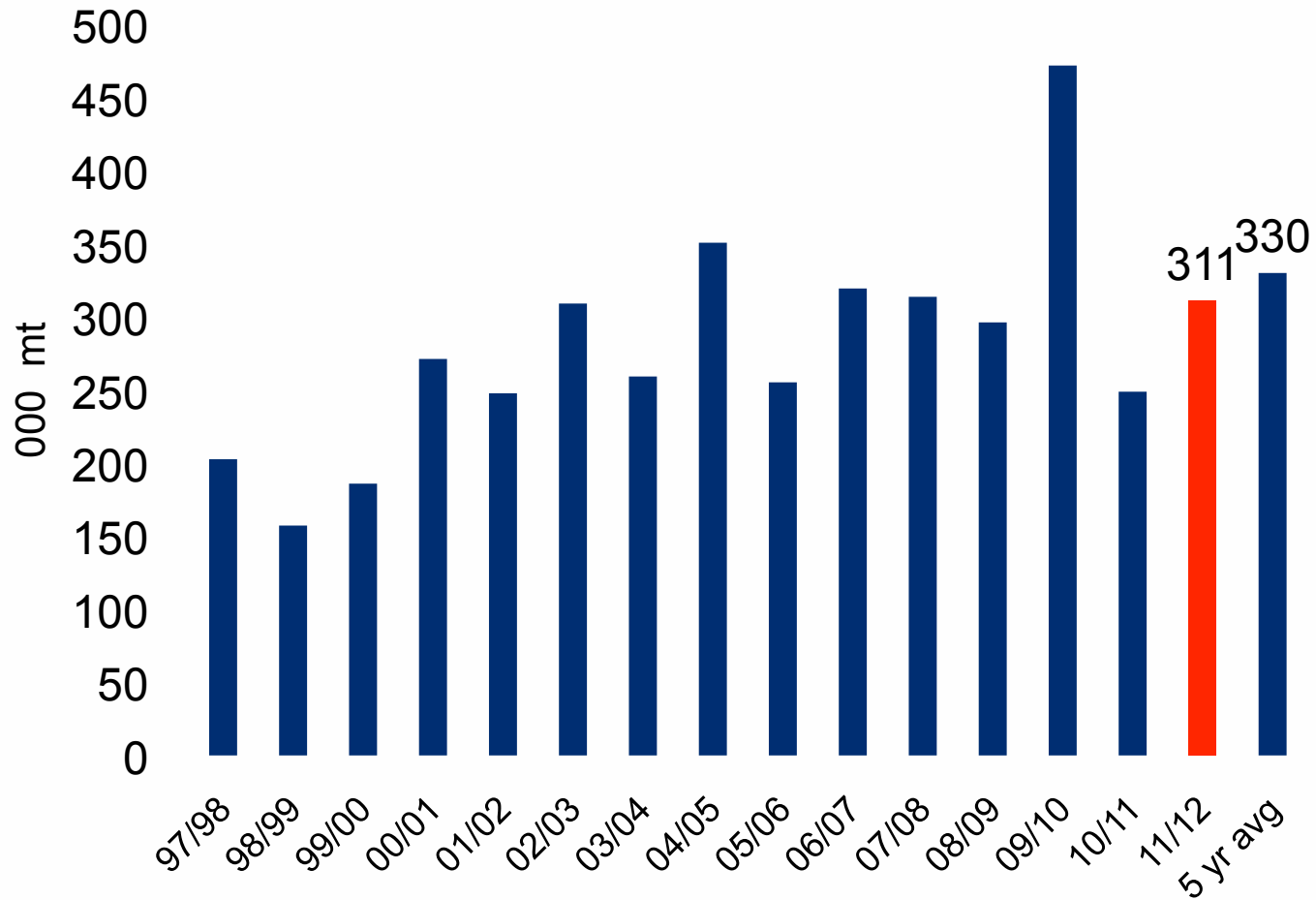
Total Canadian Oat Supplies



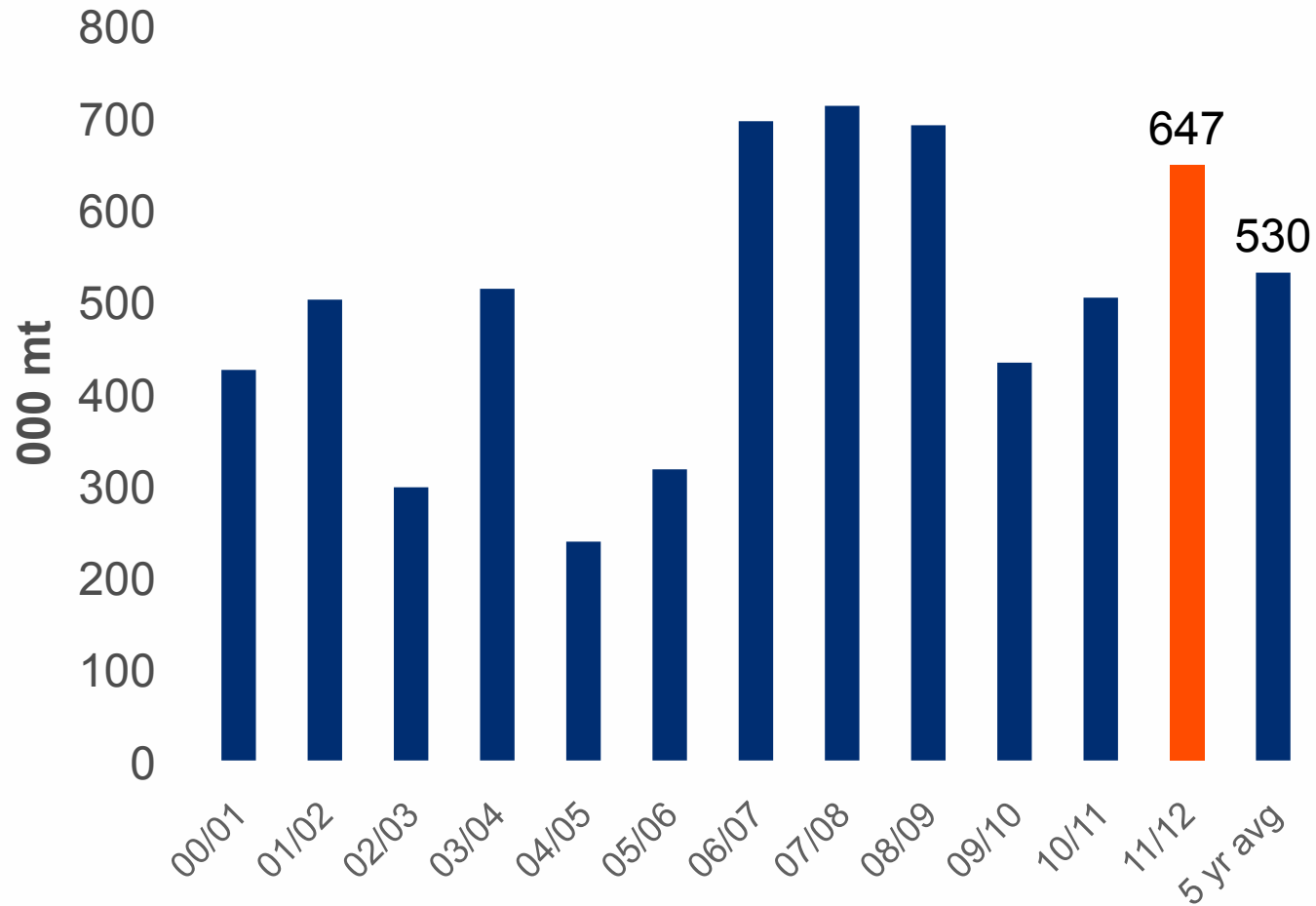
Canadian End Stocks



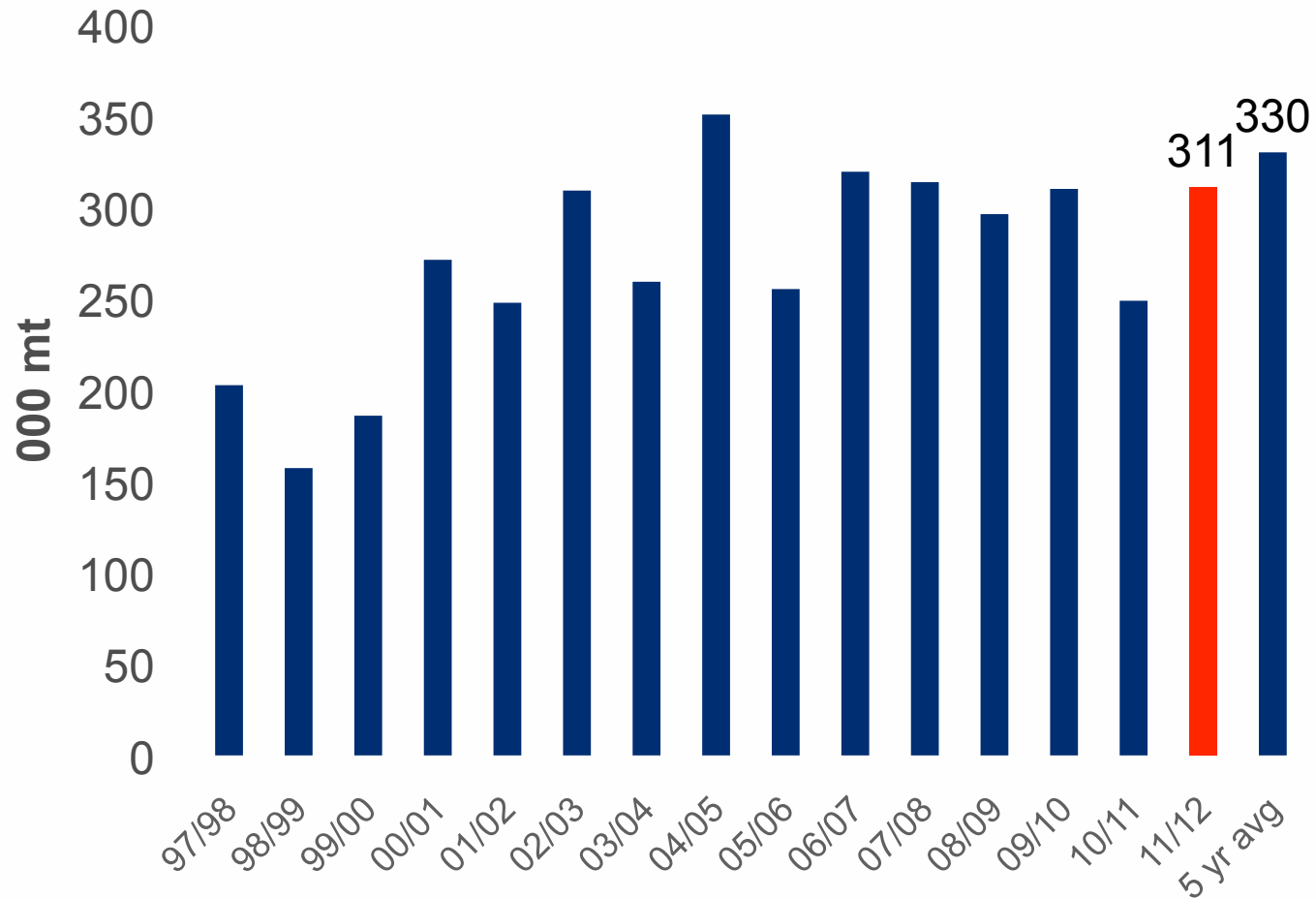
Canadian Oat Rate of Use



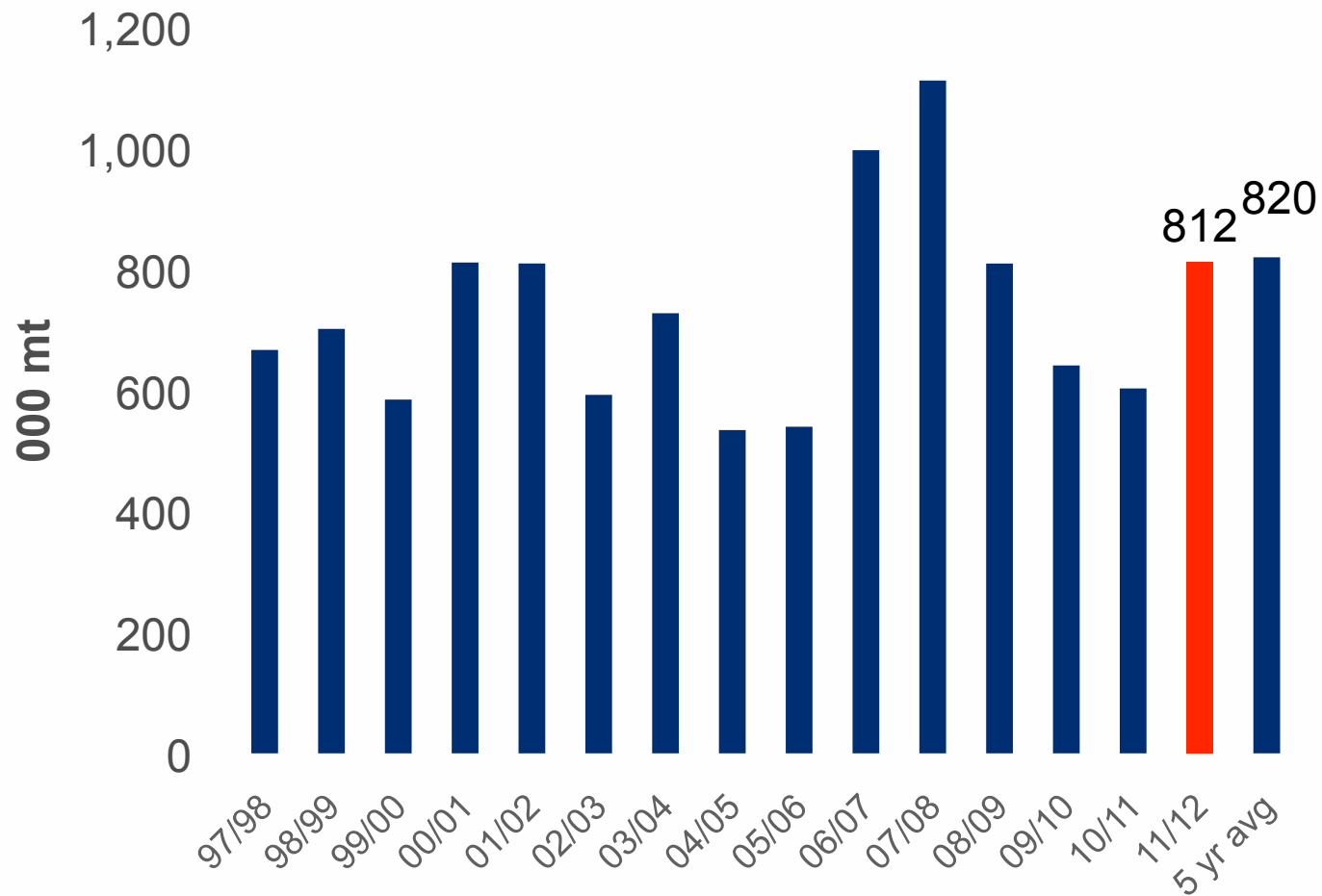
Canadian Oat Exports YTD



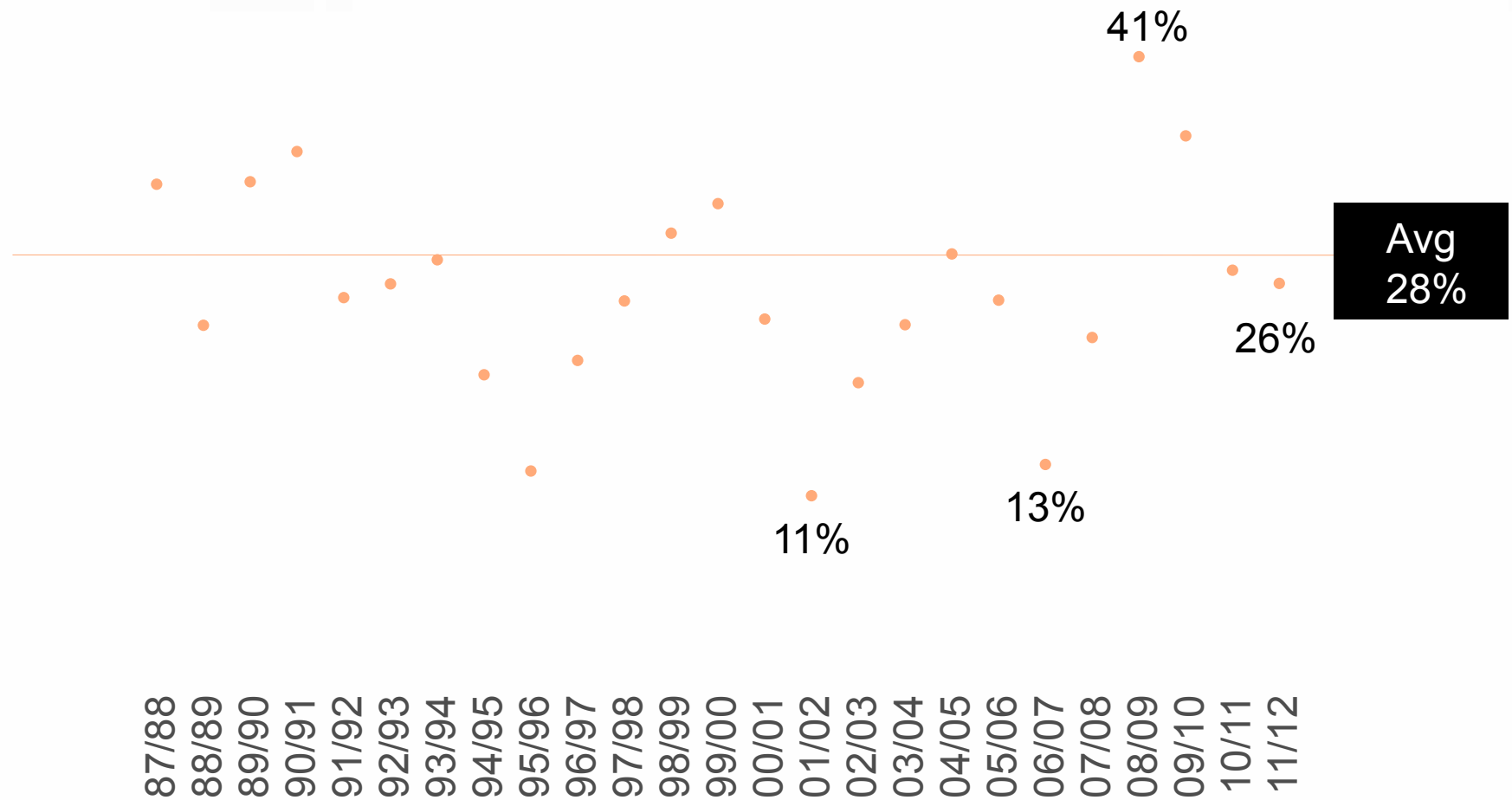
Canadian Oat Domestic Use YTD



Canadian Oat Deliveries Use YTD



Canada Oat Stocks to Usage-Ratio



A Bull Market?



So What's Keeping Oat Prices Down?

- European debt crisis
- Weakening global economies
- Larger supplies of “Black Sea” grains
 - **Cheaper prices**
 - **Aggressive selling**
- Falling corn values
 - **Ethanol margins good**
 - **Exports slowing**

Managed Money Net CBOT Oat Position



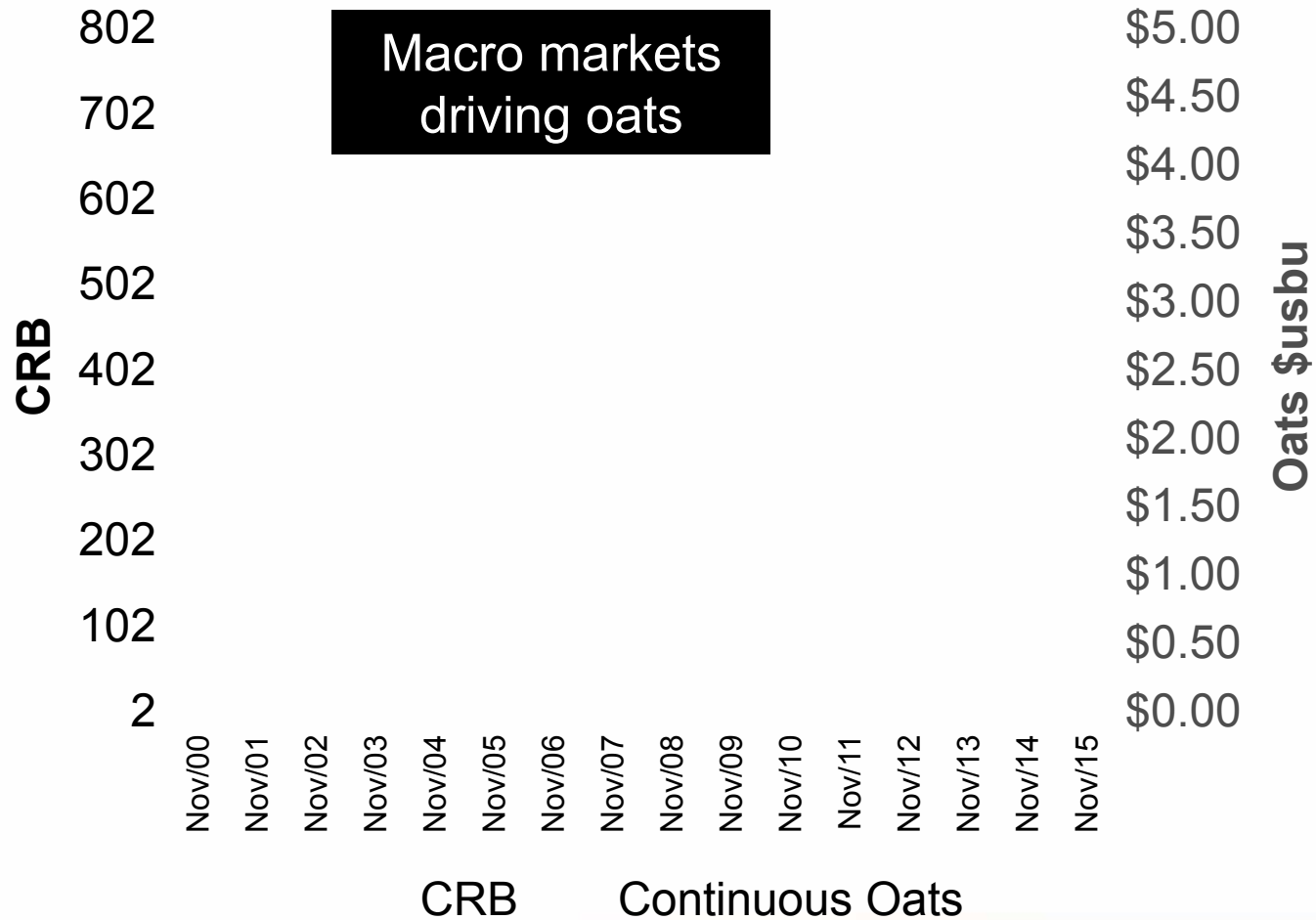
Macro Markets Impacting Oats

- World Economy is slowing resulting in risk-off, Ag prices negatively impacted
- EU debt situation has become a major concern and focus of commodity markets
- Near term outlook depends on the ability of the EU to resolve its debt issues – questions remain of willingness of Governments to make “hard” choices
- Market volatility has increased and remains high and leading to nasty surprises
- Rising US Dollar threatening demand for US Ag products
- China’s economy is slowing, rising food prices at center of China's inflation fight

Macro Markets Impacting Oats

- Food prices across all major commodities have risen and remain high relative to 2010
- Speculators have been impacted by macroeconomic risks and skittish, reducing risk for most commodities
- Food issues and security are increasingly a political issue, use of grains for biofuels adds to pressures
- Margin calls and liquidity constraint are increasing globally
- The cost of doing business in commodities is increasing, along with risk

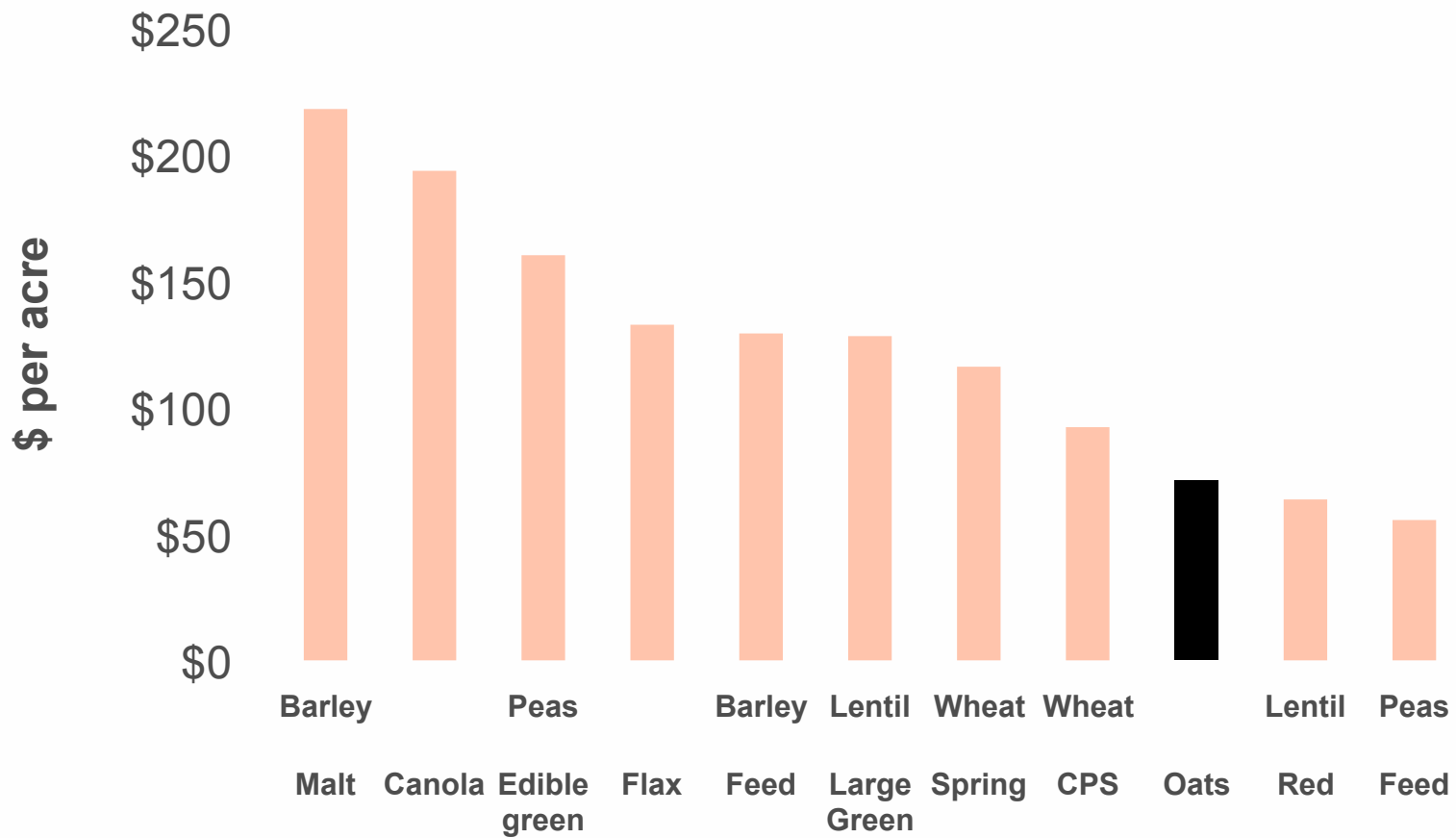
CRB & CBOT Continuous Oats



What's Down the Road for Oats



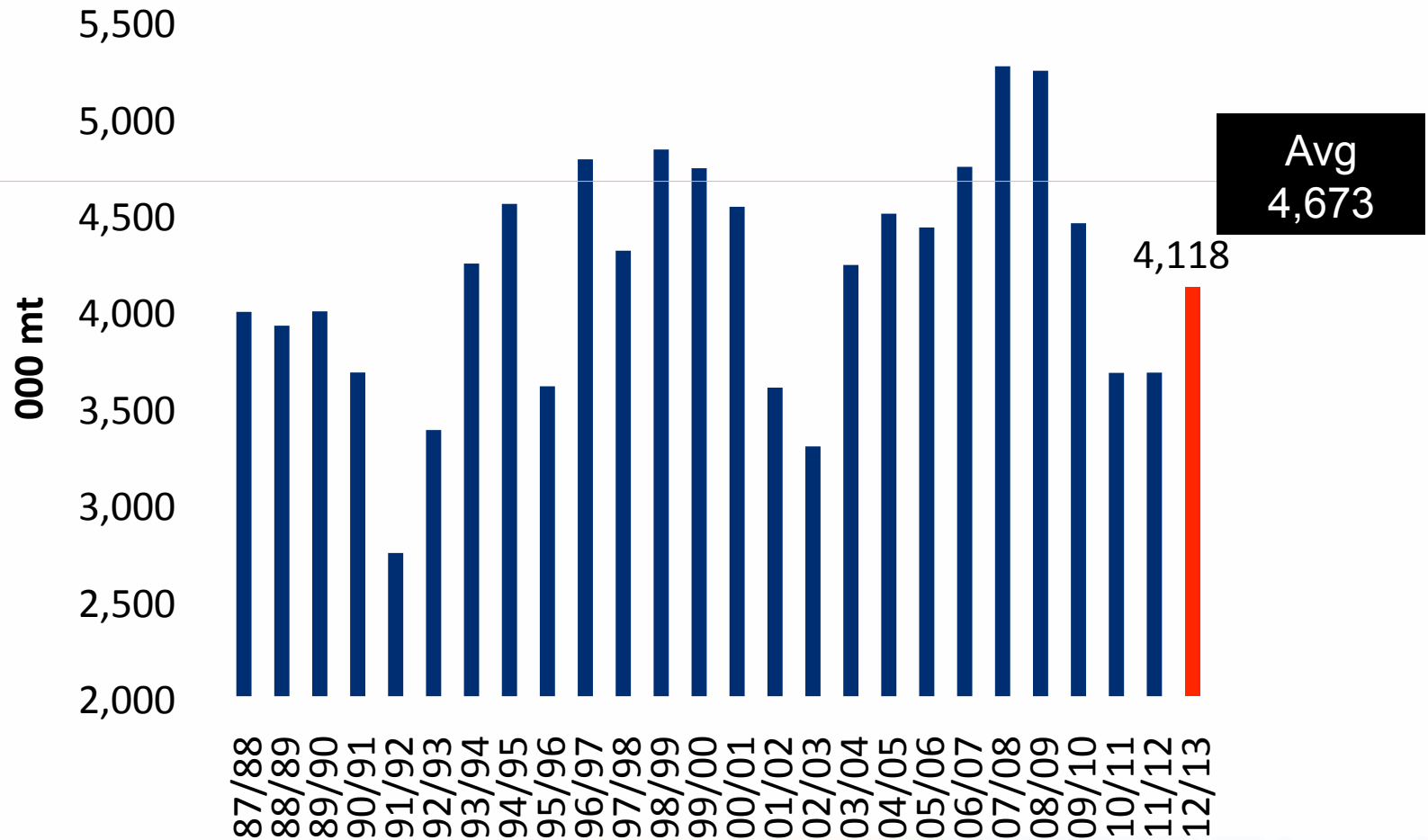
Saskatchewan Net Black Soil Returns



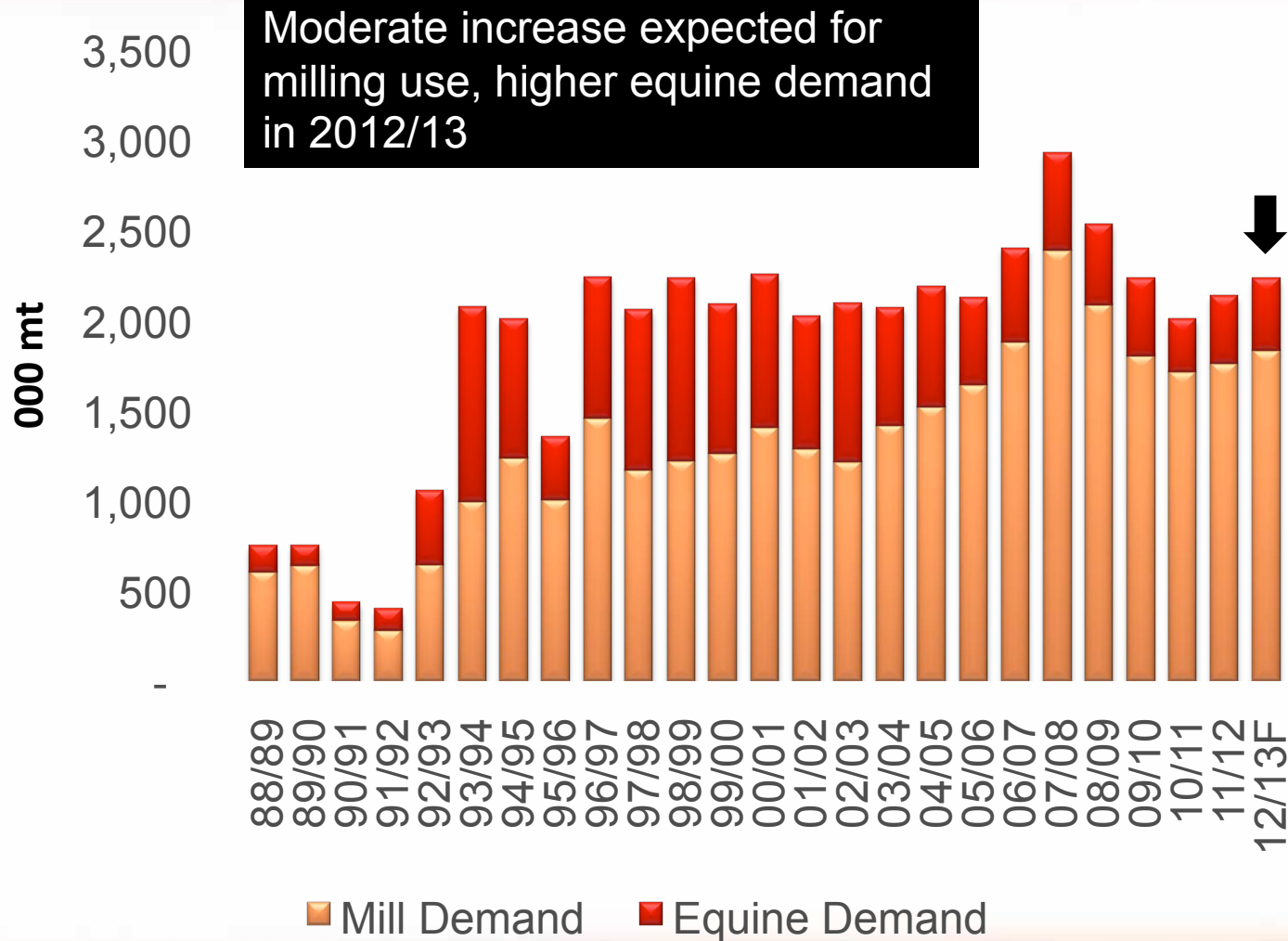
Canadian Oat Production Outlook

	2011 Final	2011 March Intention	5 yr avg	2012 Potential seeded acreage changes									
				-10%	-5%	0%	10%	15%					
Planted area - 000 ac	3,024	4,001	4,319	3,601	3,601	3,801	3,801	4,001	4,001	4,201	4,201	4,401	4,401
Abandonment	81%	75%	75%	81%	75%	81%	75%	81%	75%	81%	75%	81%	75%
Harvested - 000 ac	2,462	3,016	3,256	2,931	2,714	3,094	2,865	3,257	3,016	3,420	3,167	3,583	3,318
Yield - bu/ac	76.0	72.1	72.1	72.1									
Production 000 mt	2,738	3,354	3,621	3,260	3,018	3,441	3,186	3,622	3,354	3,803	3,521	3,984	3,689
Change prod -mt				522	281	703	449	884	616	1,065	784	1,246	952
%				19%	10%	26%	16%	32%	23%	39%	29%	46%	35%

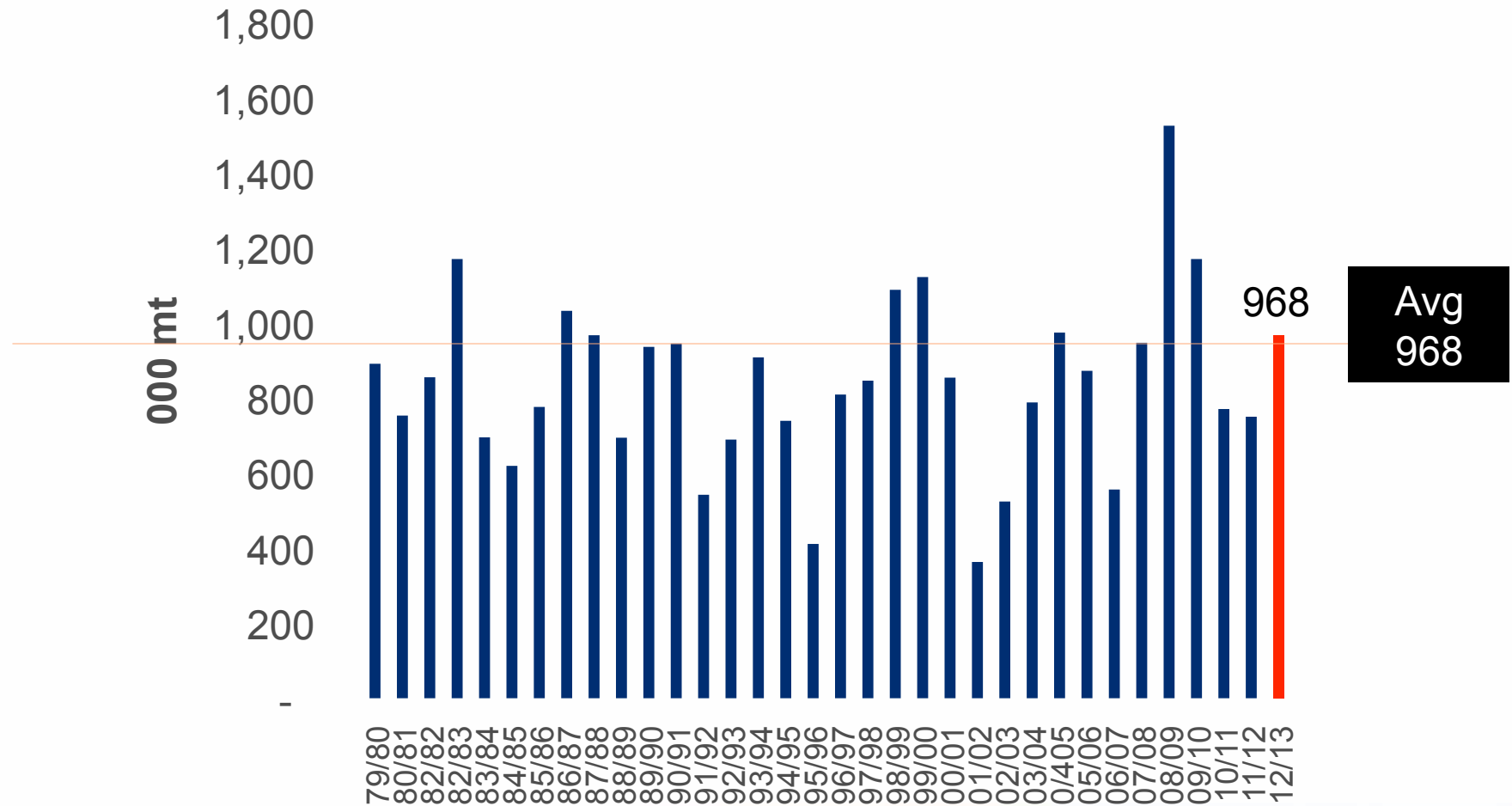
Total Canadian Oat Supplies



North American Oat Demand



Canadian End Stocks



A Good Balance For The Oat Market

- Commercial North American demand 2.3 to 2.5 mmt
- Ending stocks of 0.9 mmt – 2012/12 0.968
- This implies an oat crop of roughly 3.8 to 4.1 mmt - 2012 of 3.3
- Expanded oat production would require higher US feed use



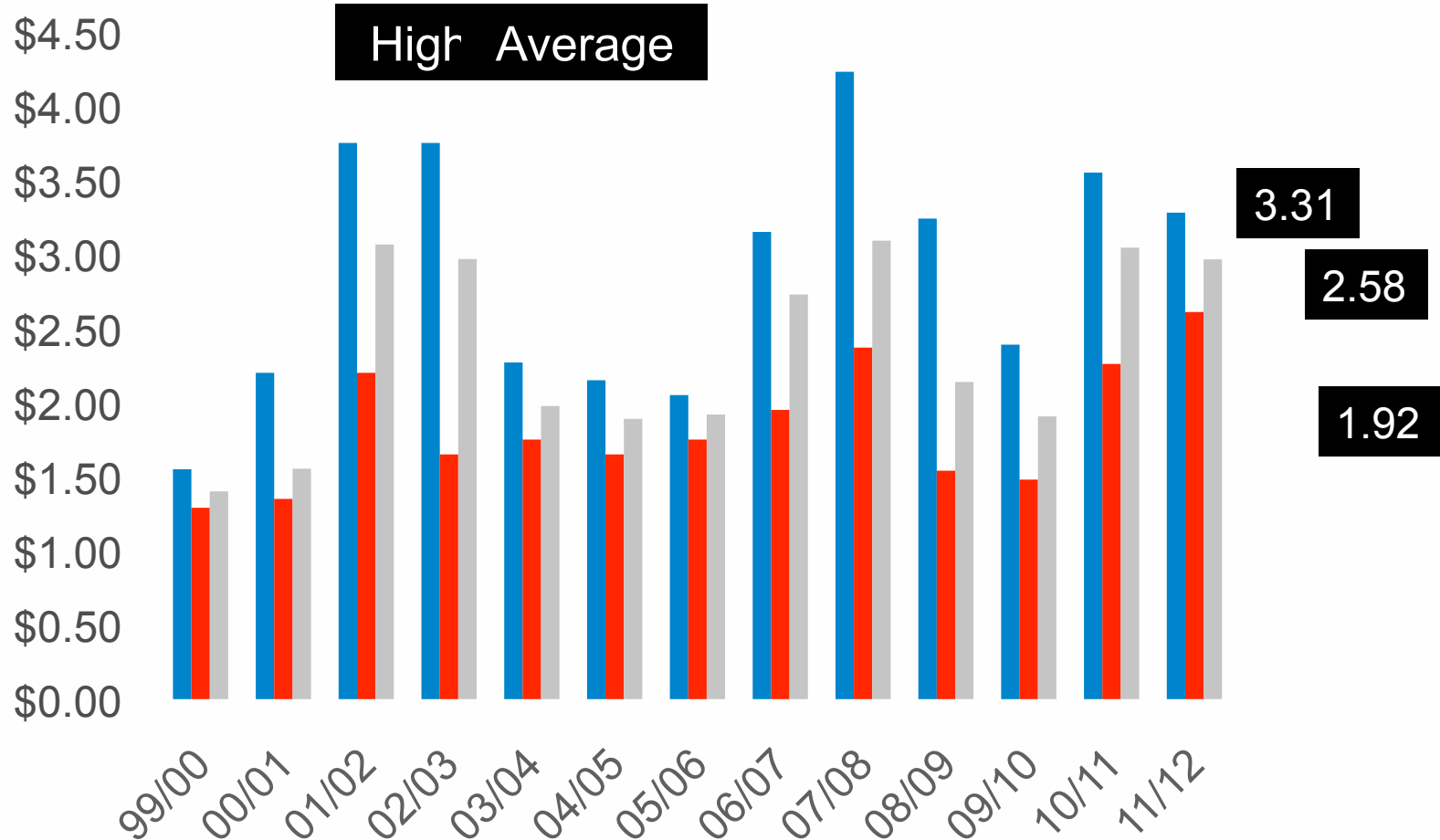
A Peak Ahead

- Good oat mill demand Feb forward
- Ag markets will remain skittish on global debt concerns
- Canadian and EU oat supplies will build some in 2012/13, no shortage expected
- US equine oat demand likely to increase in 2012/13, wheat prices key
- NA oat mill demand up slightly in 2012/13

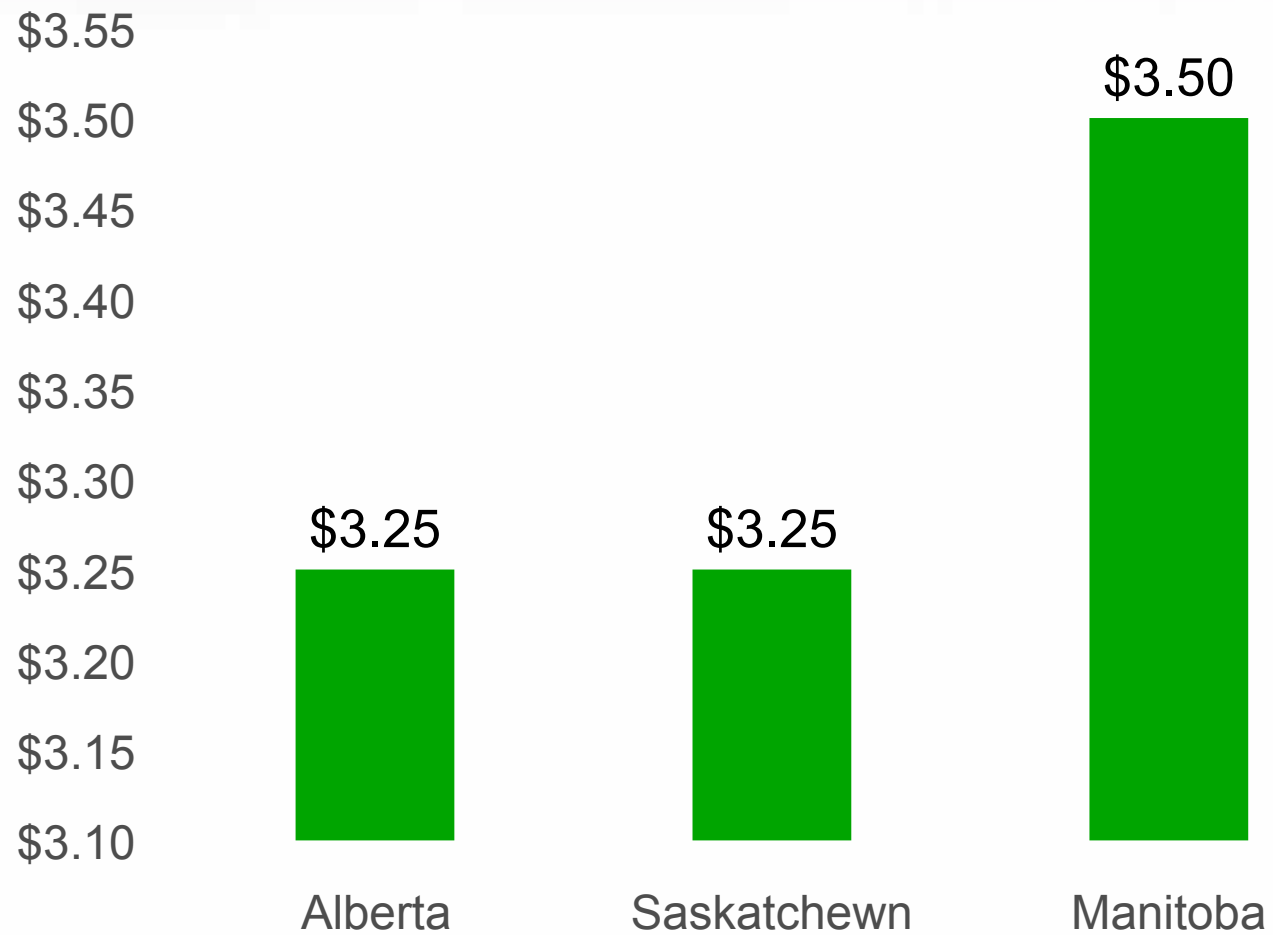
Recommendations

- Slightly possibility of a Dec/Jan CBOT oat & cash oat price spike - but EU debt situation limiting factor – too risky to wait?
- Oat prices will fall into spring 2012 - don't wait
- Sell as far forward as possible to capture carry premiums
- Lock in 10-15% of new crop at \$3.00 or better Eastern Saskatchewan

Viterra Saskatoon – Crop Year Highs



Price Outlook – Crop Year High Forecast





OatInsight.com

Improving your bottom line