

# Spotlight On Oats

February 2016



In an effort to bring more value and new ideas to this monthly communication, we have decided to do a series on crops, where we provide information on market outlooks by crop and follow up this with some basic agronomic reminders for the crop. I am joined in this effort by Ryan Denis of Full Acres Consulting who works in NE Alberta. Hopefully, you will find that this format provides useful and

timely information that will help you in your management decisions.

**Wayne Spurrill, P.Ag**  
**Agronomist**  
**Battle River Implements**

## THE MARKET - *By Guest Ryan Denis*

I would first like to thank Wayne Spurrill and Battle River Implements for inviting me to participate in this monthly newsletter. My name is Ryan Denis and I work as a Market Coach in North East AB. I am originally from Saskatchewan where I grew up on the family farm and moved to Alberta in spring 2008. This is my 5th year advising producers on how to create and implement a grain marketing plan for their farm, where we review cost of production and learn about risk management tools.

I specialize in price discovery, and focus on knowing the best local bids. If anyone has any questions or would like further information on the grain markets please contact me.

## OATS

This month when searching for a topic to review, I decided to spend some time on a crop that continually ranks in my top 5 for gross margin return. Oats are projected to drop in acreage in 2016, and is one of the few crops where “record supplies” are NOT mentioned. With \$7/bu CWRS prices available and \$6/bu Malt barley, why would you grow oats?

***“continually  
ranks in top 5  
for gross margin  
return”***

## Recap

2015 was a year where oat quality suffered in many areas, resulting in more 3cw and feed oats available to market. Bushel weight and tough/damp grain were factors that impacted oat quality. This is apparent in Alberta especially, where we just recently had offers of \$3.50/bu for February delivery on #2cw.

In comparison Manitoba producers are being offered \$3/bu and in north central Saskatchewan \$2.75/bu is available. My assumption is that both those provinces harvested a better quality oat; typically we see the highest prices in the eastern prairies and lower prices in the west. One reason for this recent surge in price could be the lack of quality available, or a developing market on the west coast. I also expect a large portion of the carry over oat supply to be of poor quality.

With the U.S as our biggest customer for importing oats, the decline in the Canadian \$ did help support prices locally. As for all crops, oat futures were not spared and saw a decline in futures by \$1.00/bu. Net prices remained consistent with plenty of opportunity to price oats at \$3.00/bu+ in Alberta. (See Diagram 1)

Diagram 2 highlights a steady decrease in oat stocks into 2017. We may argue that 20% is comfortable, so we are in a fairly equal market for both the supplier (producer) and end user (oat mill). As we get closer to the 2016 planting season I would argue that the end user will need to “buy” up some acres in order to guarantee continued equilibrium.

Diagram 3 ranks the top 5 crops to grow in North East AB based on gross margin. (If you are in a lentil growing area, they would rank ahead of any crop listed above) Now of course every number on this chart can be debated, but I would argue that the trend remains the same.

And AAFC agrees, as here are the first acreage projections for the 2016-2017 growing season.

PEAS – increase of over 14%

BARLEY - increase in acres of 2.3%

WHEAT – slight decrease in acres, call it 1%

OATS – decrease in acres of 5.5%

In Alberta, we will see a greater increase in pea acres than the 12% suggested and with \$7/bu CWRS, \$6/bu CPRS and \$5.50 soft white wheat, oat acres could be scarce in our area.



Diagram 1

## Looking ahead

As you look to firm up your seeding plans for 2016, pay attention to new crop oat offers in your area. With a reduction in acres and stocks in 2016, and the benefits of a low Canadian dollar, oats could be a crop that provides well over \$260/acre of gross margin for your farm. Even if equilibrium continues, oats will provide you with less risk than malt barley, and similar returns. I expect to see offers for fall at \$3.25/bu in order to secure acres, and \$3.50/bu will be a possibility in winter/spring 2017.

“Gluten free” continues to gain momentum in the marketplace, with more and more people switching to diets that don’t include wheat based products. This has led to increased demand in the U.S. and more recently in Asia. Heading into 2017 I expect oat demand to continue its rise, and more product shipped from the west coast.

## Current oat buyers in our area:

- Canadian Oats – Namao, AB
- Viterra – Camrose, AB
- Marketplace Commodities – Lethbridge, AB (on farm pick up)
- Scouler – Calgary, AB (on farm pick up)
- Quaker Oats – Chicago, IL (loaded rail car)
- Cargill – multiple locations

JRI – multiple locations  
and many more.

If you’d like to discuss this in more detail, give me a call.  
Enjoy your February.

**Ryan Denis**  
Market Coach  
Cell: 587-338-6550  
Email: [fullacreconsulting@gmail.com](mailto:fullacreconsulting@gmail.com)

## THE AGRONOMY - By Wayne Sprurrill

### Variety Selection

The first thing to consider when growing oats is to have a clear idea on what market you interested in selling into. Oats have 4 major markets – human consumption, racehorse, feed, and forage oats. Which market you are considering will determine which variety works best. Most oat buyers (especially those in the high end markets) have lists of preferred varieties that they like to buy. I suggest consulting with oat buyers or Ryan to see which variety works best for your situation.

<b>CANADA OAT SUPPLY USE</b>			
YEAR	15/16F	15/16F	16/17F
(000 mt)	Dec	Feb	Feb
Harvested Acres	2,606	2,606	2,555
Yield	85.3	85.3	82.6
Opening Stocks	681	681	697
Production	3428	3428	3255
Imports	15	15	15
<b>Total Supply</b>	<b>4.124</b>	<b>4.124</b>	<b>3.967</b>
Food/Seed/Other	812	827	825
Seed	112	112	100
Milling	700	715	725
Feed/Waste/Dock	1000	950	900
Exports	1575	1650	1625
<b>Total Usage</b>	<b>3,387</b>	<b>3,427</b>	<b>3,350</b>
Ending Stocks	737	697	617
Stocks/Usage	0.22	0.2	0.18

Diagram 2

<b>2016 - Gross Margin Calculator</b>					
	YELLOW PEAS	GREEN PEAS	MALT BARLEY	CPSR	OATS
YIELD	50	48	70	73	125
PRICE	9.5	9	5.75	5.85	3.1
<b>NET REV.</b>	<b>475</b>	<b>432</b>	<b>402.5</b>	<b>427.05</b>	<b>387.5</b>
SEED	56	38	21	27	17
FERT	20	20	60	70	65
CHEM	55	55	42	50	38
CROP INS.	15	15	13	14	10
Total Fixed	146	128	136	161	130
<b>Gross Margin</b>	<b>329</b>	<b>304</b>	<b>266.5</b>	<b>266.05</b>	<b>257.5</b>
Rank	#1	#2	#3	#4	#5

Diagram 3

*“Gluten free” continues to gain momentum in the marketplace, with more and more people switching to diets that don’t include wheat based products. This has led to increased demand in the U.S. and more recently in Asia.”*

## Field Selection

When picking a field to grow oats in, you should consider where you are in your crop rotation cycle. Growing oats on cereal stubble can be problematic, as this may lead to increased disease issues. Volunteer cereals may also be a grading issue in some markets. Also consider the chances of herbicide residue causing issues. Growing oats on fields that have had Avadex applied the year previously, or something like Everest in a dry year may not be your best option.

## Seeding

As with all crops in Western Canada, the chances at improved yield and test weight will increase with earlier seeding, but if you are seeding early into cold, damp soils, a seed treatment may help with seedling survival and keep the crop free of diseases early. A target population of around 24 plants/ft<sup>2</sup> is suggested and seeding depth is best kept in the 1" – 1.5" in a direct seeding situation. Under dry conditions, oat seed has been successfully planted as deep as 3", but that would be the limit and will delay emergence and seedling survival.

## Fertility

Oats do not respond well to excessive nitrogen. In addition, oat roots are extremely aggressive and do a good job of extracting nutrients from the soil compared to many of the other crops we grow. Therefore the fertility requirements of this crop are relatively modest. With most soils, an application of 45 to 70 lbs of N and 20 to 30 lbs of P are all that is required. On some soils - especially lighter textured ones – oats will respond to an application of K. On high production oats, where macronutrients and moisture are not limiting, we sometimes see "Grey Speck" on the leaves. This is not a disease; it's an expression of manganese deficiency. This is the only commonly seen micronutrient deficiency in oats and it can be corrected in crop with a foliar application.

## Weeds

There are many good options available for the control of broadleaf weeds in Oats. Consult your Crop Protection Guide to see which herbicide best suits the weeds and herbicide rotation on your farm. There is obviously no in-crop control of wild oats possible. Oats should be planted on fields that do not have a high population of wild oats. If the wild oat population is heavier than anticipated, but you are locked into the rotation at that time, the only real options are to delay seeding so the wild oats can be controlled in a pre-seed burnoff, and to increase the seeding rate, which will improve the competitiveness of the crop.

## Diseases

Oats are generally susceptible to Crown and Stem Rust. Fortunately for us, these diseases are much more of a problem in the eastern Prairies than in our area. We

are most likely to see septoria leaf diseases as these are also common on wheat and barley and are increasing in prevalence due to poor crop rotations. Oats can also play host for smut and can be affected by Barley Yellow Dwarf, a viral type infection which is spread by aphids. This disease causes blasting (incomplete spikelet development and sterile florets), however most of the blasting we see in oats in Alberta is due to heat and drought stress.

## Insects

Oats are not the preferred food of many insects. Aphids carrying the Yellow Dwarf Virus can cause problems, and grasshoppers, cutworms and wireworms will also thrive in oat crops, but none of these insects choose oats over other potential targets.

## Harvest

Because oats can be prone to shattering under certain conditions and can suffer from seed losses from the loose panicles, the crop is often swathed and combined. Swathing should not occur prior to about 35%. Once the crop reaches this moisture level, swathing will not affect crop quality or test weight. Conversely, if you prefer to do a preharvest application and straight cut the crop, glyphosate application should not happen before the crop achieves 30% moisture. (Note: some buyers no longer accept oats that have received a glyphosate treatment)

## Storage

Oats may be stored at 14% moisture. For long term storage levels of 12% or lower would be advisable.

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I hope this article has given you a brief outline of why oats are a viable option on many farms in 2016, as well as a very basic review of the agronomy of growing the commodity. In conclusion, I would like to acknowledge the Prairie Oat Growers Association. I leaned heavily on their template to outline the agronomy of the crop. They use a very logical progression to walk the crop through the growing season and I intend to follow that format for the rest of this series. If you have any questions or comments, please do not hesitate to contact either myself or Ryan.

**Wayne Spurrill, P.Ag**  
**Agronomist**  
**Battle River Implements**

**wspurrill@briltd.com**  
**Cell: 780-761-1616**  
**Office: 780-672-4463**