



International Agricultural Trade Report

December 21, 2001

U.S. Oat Appetite May Lure Nontraditional Imports

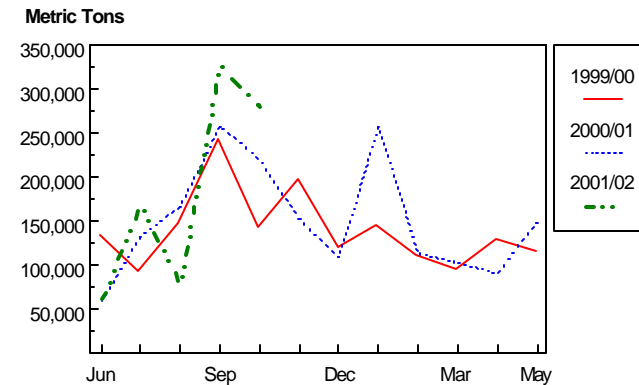
Summary

A hearty U.S. appetite for high quality oats, coupled with lower production here and poor crops in Canada and Scandinavia, may lead to imports from nontraditional origins. However, these will likely be limited by an abundance of other feed grains and the commercial risk related to U.S. phytosanitary requirements. Strong U.S. cash oat prices may coax additional planted area to oats next spring, but this likely will occur in Canada and not the United States.

U.S. Import Pace for September Near a One-Month Record

During the month of September, U.S. Census data showed a whopping 326,283 tons of oats imported from Canada (mostly) and Sweden, second only to the record set in September 1998 when 368,329 tons were imported. Twenty years of trade data shows no other months even close to those two. USDA's current forecast shows the United States importing nearly 1.6 million tons in 2001/02 (June/May), down from 1.8 million tons the prior year.

U.S. Oat Imports by Month



U.S. oat imports are predominantly supplied by Canada, with Finland and Sweden providing most of the remainder. Production shortfalls and quality concerns in these countries--combined with inelastic demand by the horse industry--have driven U.S. cash prices levels to nearly double from a year ago and futures prices to the highest levels since 1996. These market conditions have also allowed the EU Commission to grant export licenses with zero restitution (subsidy) for the first time.

Could High U.S. Prices Lead to New Trade Patterns?

Ironically, global production of oats is the highest in three years, although quality remains a problem. Imports from nontraditional origins are not unusual in small quantities: Other countries exporting oats in the past to the United States have included Denmark, Poland, Australia, Norway, and Yugoslavia. For this year, Russia is a possible supplier, although there are concerns over quality. UK oats appear to have the requisite quality and freight advantage to be competitive; however, that is dependent upon the EU Commission to change its usual practice of granting export licenses to Finland and Sweden only. More likely, traders expect that Argentina or Chile would be the source of “new” oats in 2001/02.

Oats imported into the United States are required to have a Phytosanitary Certificate (PC) and are inspected upon arrival. Traders cite commercial risk of cargo rejection (primarily because of weed seeds) and demurrage as the prevailing reason why Australian oats are not likely to be exported to the United States this year.

What About Next Year?

Our conversations with trade sources suggest that strong cash prices seem likely to coax additional area next spring into oats but that is more likely to occur in Canada. Strong LDPs for corn and soybeans continue to push oats as a spring crop to a lower priority in the United States. The crop seems destined to continue its many-year decline in production.

Cash and futures market prices reflect different oat qualities. The futures market contract specifications are based on U.S. grades (principally test weight and damage) and represent a wide range of quality that may or may not be acceptable to millers, for whom the cash market is more relevant. Millers look at protein and energy (fat) as well as color (staining); also, soluble fat, fiber, β -glucan, and groat percentage.

The United States normally imports oats of a wide quality range but they are predominantly “Heavy” oats, with a test weight of at least 38 pounds per bushel, and “Extra-heavy” with a test weight of at least 40 pounds. Extra-heavy oats are often used for horse feed while heavy oats are more likely to be milled for food use.

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