

# Agricultural Marketing Guide >>



## Marketing Oats in Canada

### Introduction

Oats have been grown in Canada since the arrival of the first settlers. In bygone years, oats were used primarily as feed for horses and other livestock. However, oats are no longer considered a simple feed grain. In addition to being a livestock feed source, oats are also used for human consumption as well as into a lucrative racehorse market. Other newly developed markets include organics, pharmaceuticals, and birdseed.

### The Oat Market

There are three main markets for oats:

- The performance oats market (pony oats)
- The milling oats market (human consumption)
- The feed oats market

Oats entering each of these markets are priced, handled and marketed in different ways. Oats are segregated into each end-use market primarily by quality. Canadian Grain Commission (CGC) grades provide a general guideline, but many buyers have very specific quality criteria. One buyer might accept a certain quality of oats and another not.

View the [Official Grain Grading Guide](#) on the Canadian Grain Commission website for more details on oats grading.

Oats entering the performance and milling oats markets are typically sold on a sample basis. By cleaning and clipping, grain companies, processors, and seed cleaning plants, can take 38 pound oats and produce bushel weights of 42 to 43 pounds or more for the performance and milling markets. In years with better growing conditions, 42 pound oats are often cleaned up to 48 pounds or higher.

When dealing with the US oat market, special attention must be paid to the definition of bushel weight. The US uses a Winchester bushel (1.244 cu. ft. or 35.239 liters) while Canada uses an Avery or Imperial bushel (1.2843 cu. ft. or 36.369 liters). The Avery bushel is the same volume as the Imperial bushel but the Avery bushel accounts for grain compaction. The Avery bushel is the one used in Canada. The Canadian Grain Commission can provide information on determining the metric test weight, and then converting to Avery or Winchester bushel.

Consistency is important in discussing the product (bushel weight) and prices (based on a bushel weight expectation), particularly with US buyers.

Buyers may have varietal preferences as well, so growers pursuing a particular market should consult with buyers prior to seeding. Oat variety types include:

- General purpose
- Feed oat
- Hullless oats
- Milling

An up to date list of [oat varieties and their eligibility and characteristics](#) is available under the Cereals link on the left side of the page.

Test weight is not the only criteria important to a buyer of performance and milling oats. Other important factors include color, uniformity of kernel size, screen out, cleanliness, percentage of plumpness, protein (and perhaps other nutrient factors), moisture content and soundness. Green seed is of concern to most milling and pony oat buyers. However, since oats are generally de-hulled, a “green” kernel may have a perfectly plump, clean groat. However, “green” is also associated with immature seed, early ripening, frost, and other weather factors. Discussion of these issues with buyers and crop specialists, prior to growing and certainly prior to harvest, is important. Quality management can help increase the chances of quality oats. Many buyers of performance and milling oats will not tolerate “off-type” grains in their purchases. Growers aiming for these markets should consider growing their crops on clean land, especially avoiding barley or wheat stubble.

The majority of Canadian oats are still used in the Canadian feed market. A large amount of the feed oats are produced and fed on farm, with a small amount moved to the Canadian racehorse market. Although oats are being used in more quality specific markets, in years of ample supply, the North American feed market is still a significant factor in determining overall oat prices.

## **Performance Oats**

Milling oats refer to those oats that end up in the human consumption market for further processing into rolled oats or oat components such as oat bran.

In general, the milling trade prefers oats that yield a high percentage of end product known as groat yield or percentage. The groat itself is the oat’s inner kernel. Oat markets refer to the groat as the inner kernel with the hull (outer shell) removed along with foreign material, leaving processors to evaluate the groat percentage. High quality oats will have a high groat percentage and are free from noticeable weather damage such as mildew or staining or both.

A high level of protein is also preferred, although this specification is currently not part of the grading system and a premium not necessarily paid for high protein. This preference, along with good groat yield and the fact the oats can now be selected into smaller consistent lots, has also increased the demand for specific varieties.

Most milling oats are traded in a raw bulk form through major grain trading companies and dealers.

## **Feed oats**

Heavier test weights and lower levels of foreign material are two key quality factors often desired in feed oats. Commonly referred to as our #3CW and #4CW grades, feed oats make up a sizeable portion of the oats exported out of the province.

Local neighbor-to-neighbor or direct to the feed mill sales are quite common and provide a ready cash market.

## **Other Markets**

Alberta oats are also sold for use in birdseed mixes, specialty feedstuff rations such as pig starters, and organic food markets. Commonly it is groated oats that are sold into birdseed and specialty feedstuff markets. Companies involved in the birdseed trade prefer oat varieties that are plump, easy to groat and produce a consistently sized end product.

Organic or pesticide-free markets do exist. Producers attempting to sell product into these markets should be certified as "organic" growers and follow certification procedures for harvested grain. A new, evolving market for oats is hulless oats. Many producers grow hulless oats under contract for very specific markets. Growers should be aware that hulless oats seem to have a shorter storage period before rancidity will occur. As with other oats, prospective growers should clarify the management and marketing issues of hulless oats prior to seeding these varieties.

## **Price Factors**

Factors affecting oat prices include:

- Canadian, US and Scandinavian supply and demand
- Quality of the oats
- North American feed grain market
- Transportation
- Other competitive factors, such as trade subsidies

Tracking oat prices can be confusing because the price varies a lot with the quality, and often prices are based on buyer specifications, not CGC grades. Most grain companies base their prices off the Chicago Board of Trade oat futures and/or the Minneapolis cash oat market, adjusted for the Canadian dollar exchange rate, and other factors. Yet, the Alberta cash market, particularly the performance and milling markets, can vary significantly from the Chicago market.

However, to see what price trends are occurring in the oats markets, the CBOT quote for oats can be used as a guide. You will have to know:

- Futures quote for oats for a particular month
- Exchange rate between the US and Canadian dollar
- Average CDN basis level

CBOT quotes are for No. 2 heavy/No. 1 oat (38 lb.). If Dec CBOT futures are at \$1.60 US, exchange rate at .85, the CDN equivalent price is  $1.60/.85$ , or \$1.88 CDN/bu. minus an example basis of 18¢/bushel. Thus, one can expect a local December cash delivery price of around \$1.70/bu. Other price factors, such as seasonality of basis, border disputes and distance to buyers should be considered when using CBOT quotes. Like most commodity exchanges, the prices being quoted are a reflection of how buyers and sellers feel the marketplace is going and takes into account both fundamental and technical factors affecting that particular commodity.

Futures quotes posted at:

- [Chicago Board of Trade](#)
- [Minneapolis cash grain prices](#), including cash oats prices, are posted daily by USDA Agricultural Marketing Service (AMS)

## Merchandising

Prairie farmers have become astute merchandisers of their oats. They have learned to properly sample and test. Some have consulted with the CGC and set up an on-farm grain office with the proper equipment for testing, such as a Cox funnel and the appropriate set of screens. They are aware of both Avery and Winchester bushel measurements. But most importantly, they have sought out information by working closely with millers and processors, and recognize and acknowledge the vastly different specifications required by each Canadian and US buyer. There are no hard and fast rules, but expect different twists with marketing quality oats. Growers have developed these skills over time by asking questions, seeking new information, and getting to understand the buyer.

## Pricing alternatives

Pricing oats means setting or fixing the price on a specific amount of oats (tonnes). Pricing does not necessarily mean that delivery is made immediately. There are basically two pricing choices that producers can use:

1. the cash (or spot) market or
2. a contract market. Each market has specific opportunities and risks.

## **Cash (spot) market**

Selling oats into the cash market means delivering them to a local elevator, neighbor, feedlot, feed mill or grain company for a cash sale. Buyers will quote a cash price that they are willing to pay for oats delivered that day or within a short time. Some companies make cash or spot market purchases at the farm gate. In that case, the price quoted includes the cost of freight to the final destination. A large amount of grain is sold on the cash or spot market every day.

The advantage of selling on the cash or spot market is that the grain is priced immediately, and payment follows soon after delivery. A limitation to selling on the cash market is that offering prices vary from day to day. Also, spot sellers may not be receiving the best price for their quality if they haven't submitted samples to several buyers. Usually oats purchased for the "pony oat" or milling oats market are bought on the cash market after farmers have submitted samples.

Many growers are now marketing directly into the pony oats markets in the USA. In these cases, the US companies/brokers are making the necessary export permits for delivering across the border.

Deferred pricing contracts, a form of cash sale where delivery is made but pricing is delayed, are also available on delivered grain. These contracts may allow a producer a time period after delivery to price the product.

Oat growers are also accessing both the feed market and pony/human consumption market through brokers or grain buyers rather than with line companies/oat processors. These "cash grain brokers" connect buyers with sellers. The credentials and services of each broker varies. Each broker should be scrutinized prior to using their services.

## **Summary**

Oat producers can sell their oats in three main markets:

1. the performance oats market,
2. the milling oats market, and
3. feed oats markets.

The quality of a particular package of oats is the key factor in determining the appropriate market. To get full value for quality oats, growers will need to know the quality of their product, the needs of the buyers, and spend some time merchandising their oats to potential buyers.

There are basically two pricing alternatives that oat producers can use: the cash market or a contract market. Each pricing alternative has specific opportunities and risks. For more information on oat marketing strategies, see A Decision Grid for Grain Marketing.

Remember, most buyers of milling and pony oats are looking for large, clean, plump, white seed. Therefore have good samples prepared. Distribute them to all potential buyers.

## **Additional Information:**

### [Canadian Grain Commission](#)

600-303 Main Street

Winnipeg, Manitoba R3C 3G8

Telephone: 1-800-853-6705 or 204-983-2770 Fax: 204-983-2751

### [Prairie Oat Growers Association](#)

Phone: 306-530-8545

Fax: 306-546-2999

[www.poga.ca](http://www.poga.ca)

For more information about the content of this document, contact [Neil Blue](#).

This document is maintained by [Erminia Guercio](#).

This information published to the web on August 25, 2006.

Last Reviewed/Revised on August 21, 2017.