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GLOBAL VIEW ON OATS PRODUCTION

South Africa's oats consumption has doubled over the past 19 years – from 33 000 tons in 1997/98 to 71 699 tons in 2015/16. This has largely been driven by expanding use in breakfast cereals. In line with the consumption trend, domestic oats production has trebled over the observed period – increasing from 9 200 tons in 1997/98 to 38 463 tons in 2015/16.

Overall, South Africa remains a net importer of oats. In fact, imports constitute roughly a third of South Africa's annual oats consumption. The key suppliers of oats to South Africa are Finland, United Kingdom, Australia, Ukraine, Brazil, and Uruguay. In 2015/16, South Africa imported 30 232 tons of oats. Of this total, 90% was from Finland, 9% from the United Kingdom and the remainder from Australia and Ukraine.

Given this dependency on the global market, it is important that South African oats importers and producers are aware of the current global trends. After two successive year-on-year declines in global oats production, the recent report from the International Grains Council suggests that global oats production could increase by 2% year-on-year (y/y) in the 2016/17 season to 23 million tons. The European Union, Australia, and Russia are set to be the key drivers of this expected global production uptick.

The European Union alone is expected to produce a 39% share of global oats crop - which is 7.9 million tons of the expected 23 million tons of global production. This would be a 6% annual increase, largely driven by expected higher yields across Europe.

Russia is also amongst the leading oats producing countries, accounting for 20% share of global oats production. The country's 2016/17 oats production is estimated at 4.7 million tons – up by 4% from the previous season. This too is largely driven by expected higher yields on the back of favourable weather conditions. Moreover, Australia is also one of the leading oats producers, constituting a 7% share of global oats production - which is 1.6 million tons of 23 million tons.

Although set to see a decline in production in the 2016/17 season, North America remains a key player in global oats production. Canada's 2016/17 oats production is set to decline by 13% y/y to 3 million tons. In addition, Canada accounts for a 13% share of global oats production - which is 3 million tons of 23 million tons. The US is set to see a 28% annual decline in oats production to 1 million tons. The US accounts for a

4% share in global oats production. For both countries, the decline in production is mainly due to a decrease in area plantings, as well as lower yields on the back of unfavourable climatic conditions.

On global consumption perspective – the 2016/17 season could see a 3% annual rise in global oats consumption to 22.9 million tons. A large part of this growth is set to come from both food and feed industries. Much of this consumption is within the European Union market, driven by expanding use of breakfast cereals. More importantly, the 2016/17 global oats stock level are estimated at 4.4 million tons, which is a 4% y/y increase.

Overall, the aforementioned trends suggest that global oats prices could remain sideways to downwards over the short-to-medium term and this could be beneficial for South Africa oats importers.

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