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German oat imports/milling remain on a record pace, China retaliates with tariffs on US imports, targeting US ag states

CBOT oat futures summary

CBOT oat futures closed sharply higher Monday in good volume trade. With Technicals indicating extreme over sold conditions, the bounce in prices was not unexpected. Volume were well above average with good spread volume on the May/July as funds/specs begin to roll/liquidate out of the May.

Technicals remain negative. We are not expecting any rally to hold given the huge Canadian oat stocks and what looks to be an expansion of global trade issues (see below). World grain supplies remain large, and without a Northern Hemisphere weather/crop issues, 2018/19 supplies will still be large even with the forecasted decrease.

World grain futures

EU/UK/NA cereal futures closed mixed Monday with MGE wheat leading declines on forecasts for higher US plantings. China raised import duties on a \$3 billion list of U.S. pork, apples and other products Monday in an escalating dispute with Washington over trade and industrial policy.

The tariffs, while not large compared with China's \$150 billion in annual imports of U.S. goods, do signal a most unwelcome development, which is that countries are becoming protectionist.

Monday's tariff increases will hit American farm states, many of which voted for Trump in 2016. Beijing is imposing a 25% tariff on U.S. pork and aluminum scrap and 15% on sparkling wine, steel pipe used by oil and gas companies, and an array of fruits and

German Oat Import Origins (95% total)

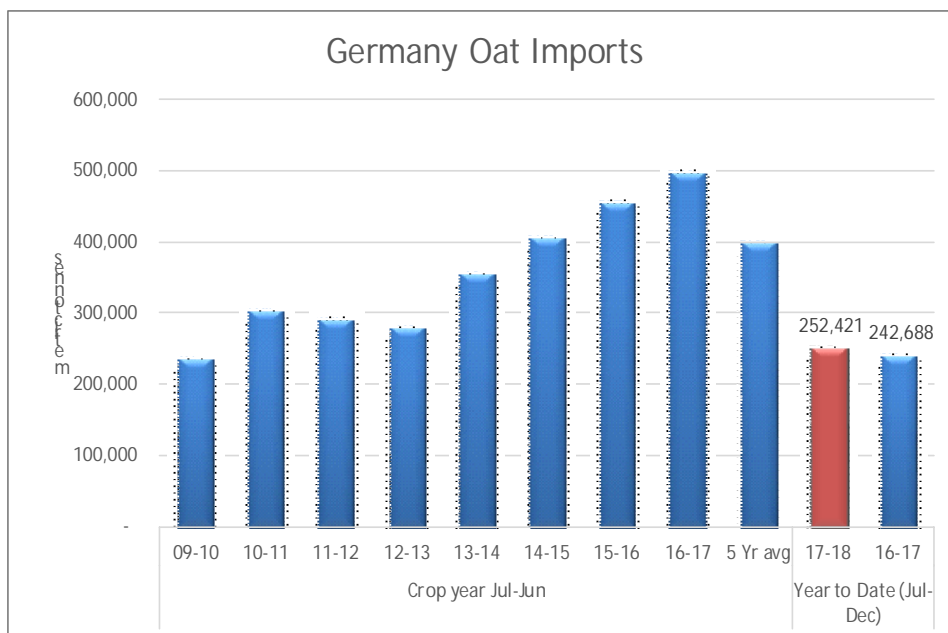
Country	5 yr average			Share
	07/08-11/12	12/13-16/17	Change	
FINLAND	58.2%	42.2%	-16.0%	42.2%
SWEDEN	15.3%	16.6%	1.3%	16.6%
DENMARK	4.4%	12.9%	8.5%	12.9%
POLAND	3.9%	6.5%	2.5%	6.5%
CZECH REPUBLIC	3.2%	4.7%	1.5%	4.7%
FRANCE	2.4%	3.7%	1.3%	3.7%
LITHUANIA	0.4%	3.1%	2.7%	3.1%
UNITED KINGDOM	2.1%	1.8%	-0.3%	1.8%
AUSTRIA	1.9%	1.7%	-0.2%	1.7%
IRELAND	3.4%	1.6%	-1.8%	1.6%

nuts including apples, walnuts and grapes. American farm exports to China in 2017 totaled nearly \$20 billion, including \$1.1 billion of pork products.

Oat market news & analysis

Record pace for German oat imports and milling

Oat imports into Germany are up 4% year to-date (Jul-Dec) and are on pace to set a record high in 2017/18 (see below). The current pace would suggest a total 2017/18 crop year import of 0.525 MMT. If realized, this would be up from 0.500 MMT in 2016/17 and finish above the five-year average of 0.360 MMT. Imports have been growing



(continued on page 2)

Germany Oat Imports

metric tonnes	Crop year Jul-Jun										Year to Date (Jul-Dec)				
	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	5 Yr avg	% of Total	5 Yr CAGR	17-18	16-17	Chge	MT Chge
AUSTRALIA	32	54	18	18	143	18	17	36	46	0.0%	15.3%	-	36	-100.0%	(35.8)
AUSTRIA	4,306	7,313	9,920	7,284	3,820	5,106	9,073	9,281	6,912	1.7%	5.0%	2,147	4,360	-50.8%	(2,213.6)
BELGIUM	320	232	1,024	5,928	324	1,183	802	596	1,766	0.4%	-36.8%	566	171	231.3%	395.0
CANADA	-	100	0	-	-	88	0	-	18	0.0%	-	-	-	0.0%	0.0
CHILE	-	-	75	100	253	-	1,128	72	311	0.1%	-6.4%	-	72	-100.0%	(72.0)
CROATIA	-	-	-	-	39	-	260	-	60	0.0%	-	-	-	0.0%	0.0
CZECH REPUBLIC (CS->199	8,263	15,472	13,197	13,845	15,596	15,096	26,424	23,555	18,903	4.7%	11.2%	12,839	11,152	15.1%	1,687.1
DENMARK	2,608	28,052	16,282	16,010	42,204	46,065	59,770	95,160	51,842	12.9%	42.8%	25,506	33,805	-24.5%	(8,298.8)
ESTONIA	-	-	5,269	2,797	2,887	2,278	2,877	3,386	2,845	0.7%	3.9%	122	2,417	-94.9%	(2,295.0)
FINLAND	196,340	132,120	164,460	166,102	165,685	184,169	165,085	165,543	169,317	42.2%	-0.1%	99,596	82,721	20.4%	16,874.3
FRANCE	6,970	9,654	9,234	9,946	14,652	20,187	17,084	12,801	14,934	3.7%	5.2%	8,826	5,240	68.5%	3,586.5
GREECE	-	-	-	-	-	-	-	1,071	214	0.1%	-	-	295	-100.0%	(294.8)
HUNGARY	74	-	123	1,496	2,271	2,662	2,976	3,198	2,520	0.6%	16.4%	1,903	1,187	60.3%	715.7
IRELAND	-	25,400	3,026	7,694	2,729	5,431	13,745	3,307	6,581	1.6%	-15.5%	2,813	3,307	-14.9%	(494.0)
ITALY	0	400	24	152	7	49	208	882	259	0.1%	42.1%	69	98	-29.2%	(28.6)
LATVIA	641	7,008	2,105	1,411	3,810	278	477	15,757	4,347	1.1%	62.0%	4,262	5,549	-23.2%	(1,286.6)
LITHUANIA	1,273	1,682	2,716	5,558	10,187	12,007	16,663	17,690	12,421	3.1%	26.1%	10,970	10,623	3.3%	347.4
LUXEMBOURG	15	1,767	517	557	59	957	973	521	613	0.2%	-1.3%	148	190	-22.0%	(41.7)
NETHERLANDS	2,751	6,430	15,286	10,810	2,724	4,370	3,580	5,819	5,461	1.4%	-11.6%	2,113	1,640	28.9%	473.0
POLAND	6,973	4,236	13,865	13,056	16,459	29,496	31,259	39,401	25,934	6.5%	24.7%	34,691	24,872	39.5%	9,818.7
ROMANIA	47	-	50	1,287	3,253	975	76	689	1,256	0.3%	-11.8%	186	677	-72.5%	(490.4)
SERBIA (EU data from 01/1	-	-	-	-	0	-	-	123	25	0.0%	-	-	-	0.0%	0.0
SLOVAKIA	64	806	402	567	426	306	766	801	573	0.1%	7.2%	640	269	137.8%	370.7
SLOVENIA	-	-	-	-	-	-	-	1,130	226	0.1%	-	-	-	0.0%	0.0
SPAIN	0	-	-	0	-	-	90	273	73	0.0%	323.5%	-	131	-100.0%	(130.8)
SWEDEN	5,884	48,975	30,053	16,589	68,736	48,614	99,508	98,750	66,439	16.6%	42.9%	44,597	53,739	-17.0%	(9,141.3)
SWITZERLAND	-	-	0	2	2	2	48	0	11	0.0%	-27.5%	3	0	1250.0%	2.5
UKRAINE	-	-	-	-	-	22	240	569	166	0.0%	-	329	0	109566.7%	328.7
UNITED KINGDOM	27	15,088	6,872	663	254	29,072	5,801	186	7,195	1.8%	-22.4%	10	137	-92.9%	(127.5)
URUGUAY	-	-	21	-	-	9	-	-	2	0.0%	-	85	-	0.0%	85.2
Grand Total	236,817	304,790	294,557	281,870	356,518	408,438	458,929	500,597	401,270	100.0%	12.2%	252,421	242,688	4.0%	9,732.9

at the rate of 9.3% per year.

The higher imports would also point towards new record high oat milling use in Germany. The clear majority of oat imports into Germany are targeted towards the milling industry. Record high German oat product exports would further support the suggestion of record high mill use in 2017/18.

The trade data also points to the fact oat suppliers to Germany are shifting market share.

The chart at the top of pg. 1 shows Finland share of the German oat import market has slid from a five-year average (07/08-11/12) of 58% to 42% in the most recent five-years.

Picking up market share is Sweden, Denmark, Poland, France and the Czech Republic.

Its Sweden that is likely benefiting most to the German milling sectors as Swedish oat quality is good milling quality in most crop years. We continue to hear reports of milling

quality issues from Poland and other eastern EU oat producers.

We are expecting German oat import and milling growth to continue moving forward, albeit with more imports.

German oat area and production are both trending lower with demand for oat products containing oats continuing to increase, domestically and for export. Germany is the largest oat product exporter in the EU.