

# Assignment



Oats Introduction Oats are a kind of grasses having a bland taste and it is one of a major crop in U. S. Apart from human and animal consumption of Oat it has numerous medicinal uses. Oats contain almost as much proteins as found in milk, eggs and meat; however due to slightly higher fat content in it they tend to turn rancid quickly and that is why they need to be stored in a freezer.

#### World Production, Import and Export Scenario

Canada is the largest exporter of oats and its exports to the US have been about 1. 7MT in the year 2009-2010. Even being fourth largest oat producer in the world, the US is the worlds largest importer of oats. The US import of oats is almost 80% of the total world imports. World production is on constant decline from 55. 9 million tonnes in 1960-61 to about 23. 0 million tonnes in 2010-2011. Russia is the largest producer of oats in the world but does not export any as most of the oats is consumed domestically. (OATS: SITUATION AND OUTLOOK 2010)

#### Top Three Exporters of oats in 2009

Rank

Area

Quantity (tonnes)

Value (1000 \$)

Unit value (\$/tonne)

1

Canada

1651100

329498

200

2

Finland

338739

66825

197

3

Sweden

202153

39266

194

Top Three Importers of oats in 2009

Rank

Area

Quantity (tonnes)

Value (1000 \$)

Unit value (\$/tonne)

1

United States of America

1661400

327694

197

2

Germany

233622

54065

231

3

Spain

148885

25223

169

Source: <http://faostat.fao.org/site/342/default.aspx>

Trade Policy between Largest Exporter (Canada) and Largest Importer (US)

Trade of various goods including agricultural commodities between Canada and US is governed by the free trade agreement signed by them in the year 1988. Objective of this treaty was to eliminate barriers to trade in services and goods. The agreement facilitates and provides for a fair competition within the free trade area. Oats get benefit of this treaty and Canada being a surplus producer of oats became a largest exporter to US for last several years. The article 408 of this agreement states that there will not be any extra tax, duty or any charge on the export of any good. Moreover, article 603 of this agreement also establishes that there will be no disguised barriers to trade. (Canada - United States Free Trade Agreement, 1988)

Trade among Member Countries of European Union

In European Union, the Scandinavian countries such as Finland and Sweden are the principal oat producers and exporters too. These two exporters cater to the needs of other EU importing countries. Germany and Spain are the major importers of oat and trades among them are governed as per EU regulations (Europa 2011). Finland and Sweden joined the EU during 1995 and since then they were provided with oat export subsidies until 2006. Major objective for providing subsidy was to prevent those acres getting converted to other crop such as barley. Between 1995 and 2006, EU export

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to US averaged at 0.4 MT of oats per year; however with the withdrawal of the EU subsidy export to the US plummeted to just 0.04MT. Trade among the EU member countries does not attract any levy, or duties. That is the reason most of the oats produced in Finland and Sweden gets consumed in European Union only.

#### Future Scenario

Raw oat is being replaced by corn and barley as an animal feed source in US. Increased demand in future will only come through innovation. For example, the Quaker Oats Division of PepsiCo has developed a method that modifies oats using enzymes to derive a natural sweetener, which is a good replacement to corn based sucrose sugar. Corn based sucrose sugar is one of the contributors to cause the obesity. Such innovative approaches can increase the future demand and trade of oats. (OATS: SITUATION AND OUTLOOK 2010)

#### Conclusion

Oat trade is fairly steady for last one decade and is not expected to change dramatically in near future. The US being a major consumer country and net importer of oats, it will continue to lead the global prices. Also, oat prices follow the trend of the corn prices in US and there is not going to be any significant change in the phenomena so far the world trade is concerned.

#### References

1. OATS: SITUATION AND OUTLOOK (2010), October 8 2011, [http://www.agr.gc.ca/pol/maddam/index\\_e.php?s1=pubs&s2=rmar&s3=php&page=rmar\\_02\\_03\\_2010-08-03](http://www.agr.gc.ca/pol/maddam/index_e.php?s1=pubs&s2=rmar&s3=php&page=rmar_02_03_2010-08-03)
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3. Canada - United States Free Trade Agreement (1988), October 8 2011,  
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4. Europa (2011), October 9 2011, [http://europa.eu/pol/agr/index\\_en.htm](http://europa.eu/pol/agr/index_en.htm)