



A report to the Processed Oats Partnership (POP) Program

January 2024

Matt Yamamoto, Program Leader

Economics and Market Insights Team



AEGIC is an initiative of the Western Australian State Government and Grains Australia

Contents

Key findings	3
Recommendations to POP	3
Introduction.....	4
Oat imports.....	4
Racehorse market.....	6

All contents copyright © AEGIC.

All rights reserved. The related bodies corporate, directors and employees of AEGIC accept no liability whatsoever for any injury, loss, claim, damage, incidental or consequential damage, arising out of, or in any way connected with, the use of any information, or any error, omission or defect in the information contained in this publication. Whilst every care has been taken in the preparation of this publication AEGIC accepts no liability for the accuracy of the information supplied.

Key findings

Japan imports oats for food and feed purposes. This report focuses on feed, with food development reports separately.

Japan's import of raw oats, mostly for feed, has almost halved over the last two decades mostly due to a decline in horse numbers. Canada is the lead supplier, followed by Australia with Chile, USA and Uruguay minor suppliers. The landed price for Canadian oats into Japan is lower than Australian pricing.

Smaller quantities, about 4,500 to 6,000 tonnes of oats, are imported for sowing purposes, for pasture grass and green manure, with Australia delivering about 50% of this quantity.

While a small portion of imported oats are being used for human consumption, most imported oats are fed only to racehorses. Oats are a safe grain for horses because they have less starch and more fibre and lipid as compared to some other grains.

Most oats fed to racehorses are in flaked form, after steaming and rolling. In some cases the oats are provided in raw whole form in the total feed mix, alternatively they are used as an ingredient in compound (manufactured) feed.

Corn and barley are now displacing oats in manufactured compound feed. These commodities, often priced lower than oats, are processed into a digestible form for compound feed. Beet pulp pellets and vegetable oil are also regarded as a good digestible energy source.

The appearance of oats is a very important factor for high quality oats to the horse market. A bright yellowish colour and plump kernel is very important.

Historically many feed oat users in Japan have preferred the quality of Australian oats over Canadian oats. In recent years, the quality of Canadian oats has improved and they are now considered as good as Australian oats.

Western Australian Wandering oats have been preferred but other oat varieties from Australia or Canada are now considered depending on price. Stability in supply is critical.

Oat requirements could be stable for next the medium term given Japan Racing Association (JRA) and National Association of Racing (NAR) revenue is increasing.

Recommendations to POP

- 1. Build information and monitor changes on non-food (e.g. feed and seed) oat market options.** It is important for Western Australian (WA) stakeholders to understand changes within Western Australia's major food and feed markets. This is particularly important in larger crop production years in Western Australia or when competing countries have poor crops. Feed markets provide WA growers and trading companies with market options. Feed and seed market opportunities also provide smaller marketers and traders with "value add" or specialised opportunities.

The opportunity for the sale of WA oats into the feed market in Japan has changed significantly over the last two decades. If reports that Canadian oats are now equally as good for racehorses are representative, this premium-paying market for Western Australian growers may further erode with the opportunity for smaller value-add suppliers lost.

2. **Use the monitored information to determine how to hold or grow market opportunities for WA oats.** For example, the WA industry should consider how it can hold its traditional favoured position in terms of oats for the Japan racehorse trade. This may be through the identification and segregation of new oat varieties with potential to replace Wandering oats; alternatively via the sourcing and shipment of oats from regions within WA that best match Japan's quality needs.

Introduction

To support the growth of the oat industry in Western Australia, both in value and volume, over the next 20 years, the State Government is providing \$10.12m to the Western Australian Agricultural Authority (WAAA) to manage the industry-led Processed Oats Partnership (POP) Program.

This report is provided as a component of Output 2 of the AEGIC based POP activities within the project titled "Economic lens to capture increased market value for oats through industry innovation and better targeted industry investment". The purpose of the project is to provide the POP and in turn Western Australian industry with a better understanding of the rates of growth in demand for oats and oat products in key and emerging markets. This knowledge will give useful market intelligence to oat marketers, oat producers, and oat processors to aid their strategic decision-making.

Oat imports

- Japan imported around 80,000 tonnes of oats in the early 2000s. In recent years, the imports have halved to about 47,000 tonnes, excluding seed for sowing. Canada and Australia are the major oat suppliers to Japan with the US a small supplier (Figure 1).

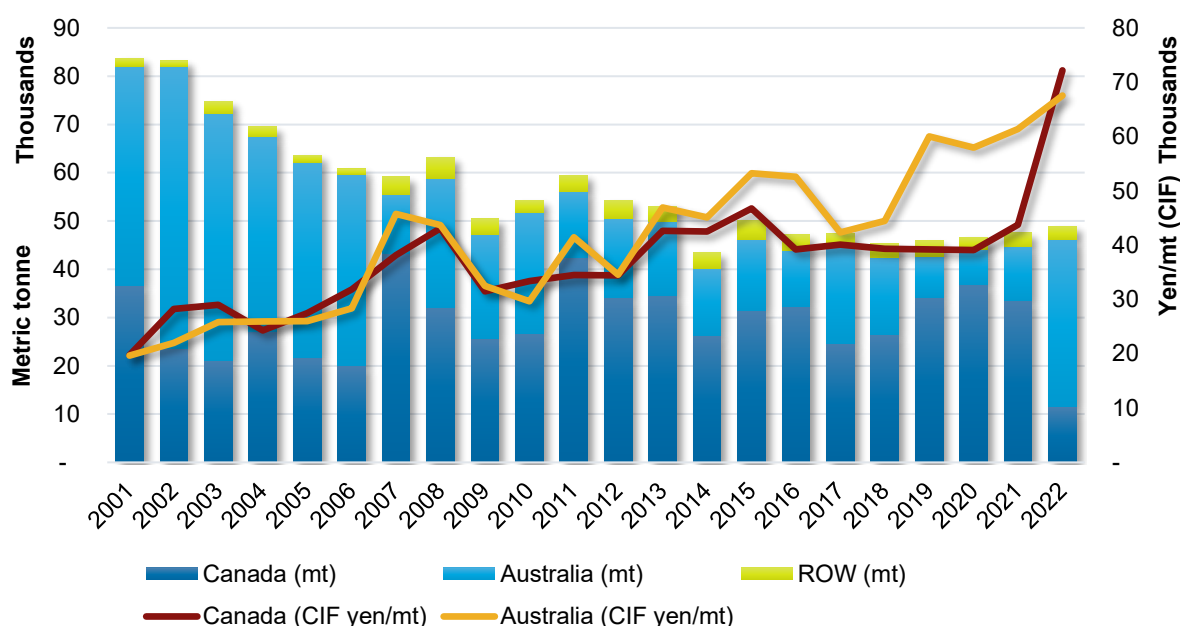


Figure 1: Japan oat imports (including seed for sowing) from Canada and Australia

Source International Trade Centre (ITC) (HS code: 100490)

- According to Japanese import trade statistics the imported Cost Insurance and Freight (CIF) prices of Australian oats were almost always higher than the Canadian oat price after 2007, excepting 2022, impacting demand for Australian oats.
- In early 2000s Australia's market share in total oat imports was well over 50%. Whilst Australia's market share decreased to 16% in 2020 Australia captured 71% of market share in 2022 as the Canadian oat price soared after drought in North America.
- Japan constantly imports about 4,500 to 6,000 tonnes of oats for sowing (Figure 2) and Australia has had the biggest share at nearly 50% for many years. There are two kinds of usage in oats for sowing. One application is oats used is for pasture grass and another one is for green manure before oat heads, oat stems and leaves are ploughed into soil as a fertiliser.

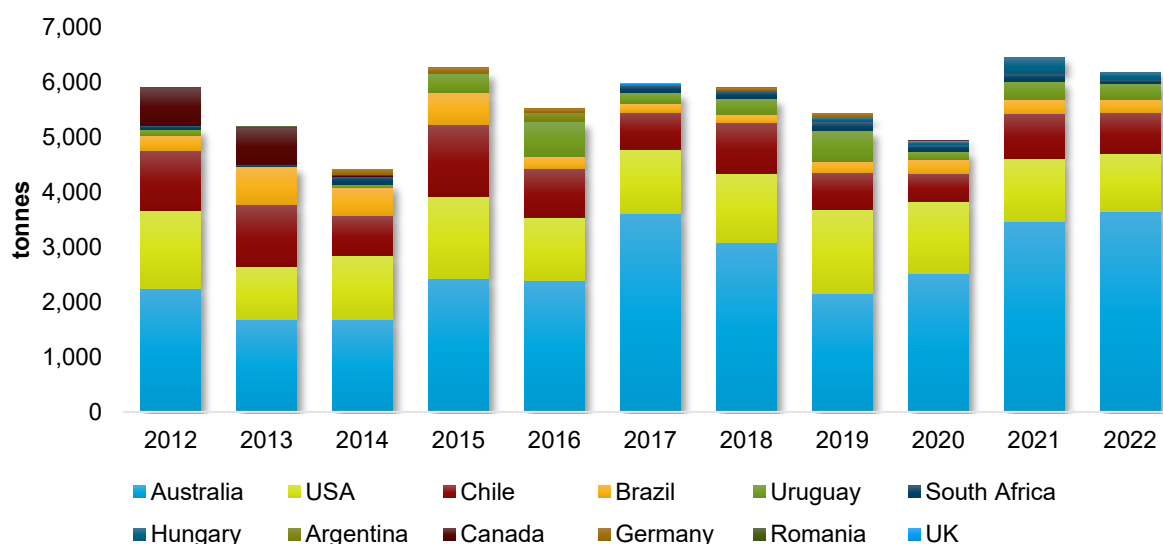


Figure 2: Japan imports of oats for sowing by country 2012-2022

Source: ITC (HS code: 100410)

Racehorse market

- While a small portion of imported oats are being used for human consumption, most imported oats are fed only to racehorses. Oats have been a traditional and popular feed for racehorses in Japan because they are easily digested and ensure good horse health, even if unprocessed oat grain is directly fed to racehorses.
- Oats are a safe grain for horses because they have less starch and more fibre and lipid as compared to some other grains. Sources in Japan advise Australian oats have more fibre and lipid than Canadian oats while Canadian oats have higher palatability because of their thinner husk.
- The numbers of horses in Japan have been increasing modestly over the last decade, after a period of decline in horse numbers in 1993-2015. In 2020 there were 77,762 horses including 45,433 racehorses in Japan (Figure 3).

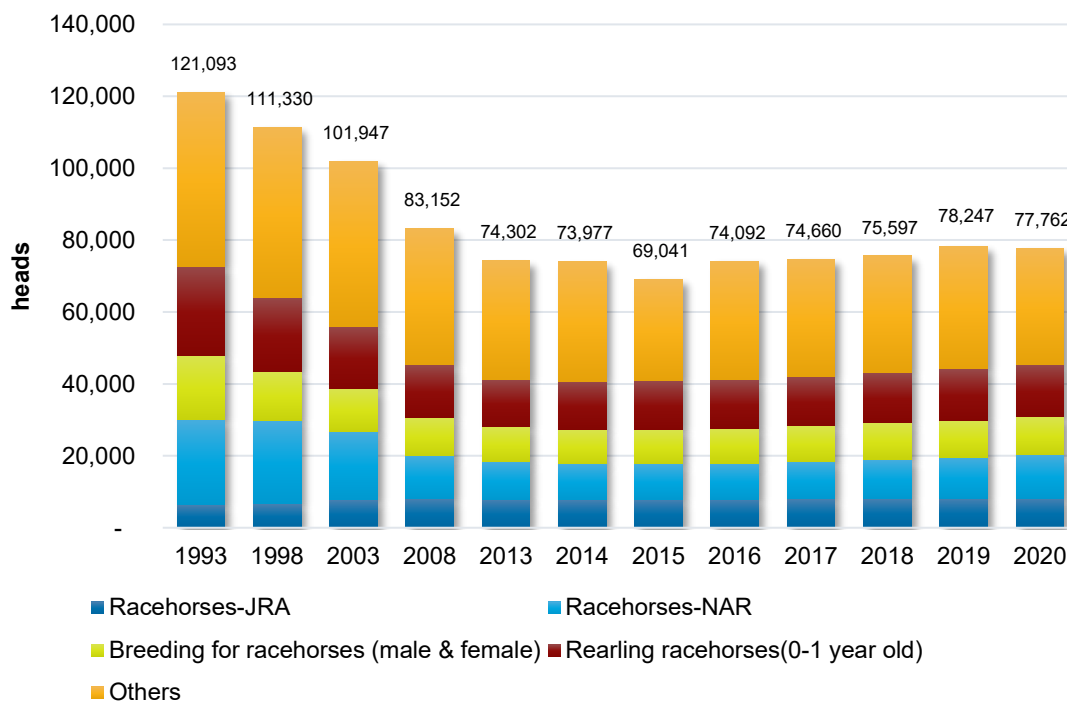


Figure 3: Horse numbers in Japan 1993-2020

Source: MAFF¹

- It is estimated that approximately 40,000 tonnes of oats per annum are given to racehorses annually.
 - There are approximately 18,000 racehorses mainly in Honshu (main island), some in Shikoku and Kyushu Island. It is estimated that about 20,000 tonnes of oats per annum are consumed in these regions (18,000 horses x 3kg/day of oats x 365 days).
 - Nearly 100% of racehorse foals are born in breeding and rearing (up to 2 years from birth) farms in Hokkaido. About 22,000 tonnes of oats (including a small volume for human consumption) were landed in Hokkaido in 2022.
- The appearance of oats is a very important factor for high quality oats to the horse market. A bright yellowish colour and plump kernel is very important.
- A major importer of oats advised that oat users consider the quality of Australian oats as better than Canadian oats, However, in recent years the quality of Canadian oats has been just as good as Australian oats. They traditionally prefer Western Australian Wandering oats but are contemplating a change to other oat varieties from Australia or Canada depending on price. Stability in supply is critical.
- Most oats fed to racehorses are in flaked form, after steaming and rolling. In some cases the oats are provided in raw whole form in the total feed mix, alternatively they are used as an ingredient in compound (manufactured) feed. An industry source estimated that 6,000 tonnes per year are used as an ingredient for compound feed,

¹ Notes: Japan Racing Association (JRA): JRA is operated under observation of Ministry of Agriculture, Forestry and Fisheries (MAFF). National Association of Racing (NAR): Respective local governments host horse race independently

so a high proportion of oats is still fed to racehorses as a single direct feed. Most of the compound feeds for training racehorses are designed to be mixed with oats and baled hay as follows.

Table 1: Typical feeding for racehorse training guided by a compound feed maker (light to intensive training, kg/day)

Compound feed for training racehorses (Formula Racing)	Oats	Alfalfa Hay	Timothy Hay	Vegetable oil
2.0 – 2.5	2.0 – 5.0	1.0 – 1.5	5.0	0.1 -0.3

Source: Website of JRA Facilities Co. Ltd.

- Oat requirements could be stable for next the medium term given Japan Racing Association (JRA) and National Association of Racing (NAR) revenue is increasing. JRA's business revenue has been steadily increasing over the past 10 years, and last year's revenue was approximately 3,253.9 billion yen, marking the 11th consecutive year of sales growth. Local horse racing being operated by National Association of Racing (NAR) is also doing well, with sales amounting to approximately 1,065.1 billion yen in 2022 exceeding 1 trillion yen for the first time. The number of new horse owners is also increasing.
- Corn and barley are now displacing oats in manufactured compound feed. These commodities, often priced lower than oats, are processed into a digestible form for compound feed. Beet pulp pellets and vegetable oil are also regarded as a good digestible energy source.