LAND STEWARDSHIP PROJECT

September 2025

Investing in the Oat Supply Chain

Creating opportunites for farmers, communities, and consumers.

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Summary

Over the past four decades, Midwestern oat production has dropped steeply as corn and soybeans, benefiting from a commodity-centered policy environment, dominate ag acreage. In 2022, U.S. farmers produced oats on less than 900,000 acres. Meanwhile, Canada, which is now the world's largest exporter of oats, grew 3.9 million acres of the grain that same year. The U.S. is now the world's largest importer of this grain.

900,000 Estimated US Oat Acres in 2024

67% Decline in US Oat Acres Since 1991

#1 U.S. is Now World's Largest Oats Importer

3.9 million Canadian Oat Acres, World's Largest Oats Exporter

Investing in the expansion of Minnesota's oat supply chain will create a three-legged stool that produces **economic, agronomic**, **and environmental benefits for our farmers and state**.

The time to act on this opportunity is now: with growing demand from the food industry and a strategic opportunity to position Minnesota as a leader in sustainable agriculture, this investment will generate long-term economic growth while protecting our natural resources.

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Environmental, Economic & Agronomic Summary:

Oats fit into the current corn-soybean rotation in a way that enhances yields and lowers input costs. According to a comparison of enterprise budgets for a two-year soybean-corn rotation versus an oat-corn rotation, the annual net return with the oat-corn rotation was $169/acre more than the soy-corn rotation.[1] A significant savings came from pairing oats with the legume red clover, eliminating the need to apply synthetic fertilizers. According to this study, participating farmers saved $39/acre on fertilizer costs by rotating oats into their operation.

By incorporating oats into crop rotations, Minnesota farmers can take meaningful steps toward mitigating climate change while enhancing the long-term sustainability and resilience of their farming practices. According to research conducted by the University of Minnesota and Iowa State University, adding a small grain can reduce fossil fuel use and water pollution by 50%, and cut greenhouse gas emissions by 54%.[2] Integrating oats into a rotation can also serve as an effective “gateway practice” for building long-term soil health and reducing erosion. This makes the case for oats as an economically useful enterprise, as well as an essential environmental strategy.

[1] Enterprise Budget for Conventional Oats Shows Favorable Short-term Profitability - Practical Farmers of Iowa accessed 2.11.2025

[2] https://twin-cities.umn.edu/news-events/diversifying-crop-rotations-improves-environmental-outcomes-while-keeping-farms

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Analysis of Market Demand for Oats :

Minnesota farmers already supply a portion of the market for oats, but we're currently importing a large volume from Canada to meet demand for food processing. With a growing consumer trend toward healthy, sustainable foods, oats present a prime opportunity to build a resilient, locally-driven supply chain. Within the U.S., demand for oats has been rising due to the popularity of products like oat milk and gluten free products.

According to one market analysis, oat sales climbed almost 45% during the 2022 growing season.[3] In contrast to the shrinking number of oat acres in the U.S., the $5.16 billion market for the grain in this country is projected to have a 7.8% return on investment between now and 2030.[4]

General Mills and Grain Millers, two of the top 10 companies with the largest oat market shares, are based in Minnesota. Both General Mills and Grain Millers purchase most of their oats from Canada.[5]

[3] Bringing Oats Back to American Farms | Civil Eats

[4] Oats Market Size, Share, Growth And Trends Report, 2030

[5] General Mills uses contracts to avoid glyphosate | The Western Producer

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Why Oats?

Benefits to an expanded oat supply chain:

Economic

Profitability for Farmers: The long-term profitability of incorporating oats into crop rotations — with increased yields and reduced input costs — makes it a sound investment for farmers.

Market Demand: Oats are increasingly in demand for domestic food processing, and most of that demand is being met by Canadian imports, presenting a clear opportunity for Minnesota farmers in an era of increased uncertainty in global supply chains with tariffs.

Job Creation and Infrastructure: Expanding the supply chain will create jobs in processing, transportation, and distribution, with local oat mills and infrastructure investments keeping economic benefits within Minnesota. The backers of a proposed oat milling operation in southern Minnesota estimate that it alone would create 12 full-time jobs. We're proposing public support to offset the initial transition costs associated with producing and processing oats, much like what was done in the ethanol industry.

[6] https://youtu.be/R7N5VR5DOA8?si=rSVv4DW3py2W4e2D

Environmental

Soil and Water Health: Oats reduce soil erosion, improve organic matter, and decrease nitrate runoff into water systems, contributing to better water quality.

Climate Resilience: By diversifying crop rotations with oats, farmers can lower their reliance on synthetic fertilizers and herbicides, reducing greenhouse gas emissions and improving the sustainability of Minnesota's agricultural systems.

Multiple Market Channels for Oats: Oats can provide food, feed, and seed.[6] Planting oats creates an additional revenue stream and incorporating a leguminous cover crop reduces the need for adding nitrogen for the following year's row crop. Oats and other cover crops can be used as forage for livestock.

Social

Familiarity: Farmers are already familiar with how to grow high-quality oats using equipment that is available in their community. Compared with other emerging crop alternatives, oats do not require major modifications to the machinery for harvesting.

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Investment Potential and Precedent:

Developing additional aggregation, storage, and processing of oats and expanding commitment to 'Buy Local' in the Midwest by local food companies. A major way to bring oats back into farmers' rotations is to get the commitment of Midwest-based food companies to increase their purchase (more than 75% of their needs) from Minnesota farmers. Trends show that consumers already support and want companies to support their local farmers. Farmers are already organizing to aggregate their oats to be able to more efficiently supply local mills with oats. Increased investment in the capacity for farmers and mid-tier supply chain business and brokers to coordinate successfully will be essential to meeting this consumer demand.

Proposed Oat Mills on the Horizon: In Minnesota and Iowa, farmers are organizing to expand the processing of oats. One processing facility being built in southern Minnesota is projected to have the capacity to handle 90,000 acres worth of oats through a three-year rotation with corn and soybeans (30,000 acres of oats/year). The oat mill has proposed to buy from farmer-share members within a 150-mile radius of the processing facility, and to work with between 100 and 150 producers.[7]

Scaling the Investment and Impact: Expanding the benefits offered by this proposed facility via replication of this opportunity in two other Minnesota locations could benefit up to 450 small to mid-sized farms through the addition of a profitable third crop. Annually there would be reduced nitrogen fertilizer application on the 90,000 acres planted in oats. Adding the practice of under seeding red clover with the oats could result in additional reductions of nitrogen application in the subsequent corn planting, further reducing both NO3 and N2O loss into water and the atmosphere.

75%	90,000	450
Percent of oats we need to see MN companies purchase from MN farmers	Acres worth of oats slated to be used by new processing facilities	Small and mid-sized farms supported through a profitable third crop

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Policy: The Next Key Element

Building on the success of policies to develop biofuels in Minnesota

Since the mid-1980s, Minnesota has pursued an aggressive, multifaceted strategy to promote the production and use of ethanol distilled from corn. Federal subsidies followed in the late 1990s, resulting in a growth from 1.6 billion to 15.2 billion gallons of ethanol production between 2000 and 2021 nationally.[8]

The economic impact is still generating income for corn growers, owners of the ethanol plants, flex-fuel businesses, and suppliers to the ethanol industry. Evaluation of the program provides clear evidence that the Minnesota ethanol industry has come into existence largely in response to Minnesota's publicly funded ethanol programs. The policies were effective in reducing the risk for public and farmer investment in new production plants.

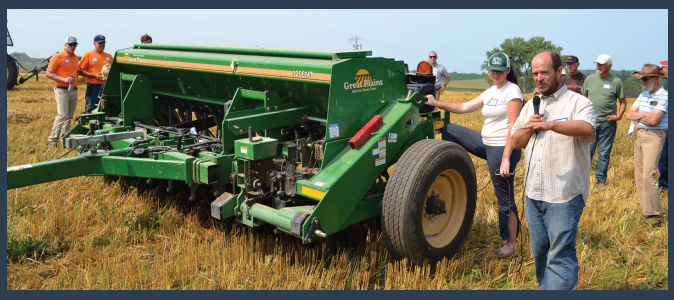
Oats can reduce farmers' reliance on nitrogen fertilizer, provide markets for a third crop, and produce clean water. These are public goods that warrant a public investment to reduce the initial risk farmers and others in the supply chain will be taking on to return this crop to our rotation. In the sidebar to the right are policy proposals that could support bringing this crop back to Minnesota in a major way.

Policy Priority #1 – Incentivize local purchasing of oats by Minnesota companies to account for 75% of their total oat purchases. This creates a steady market for oats in the state, providing a secure investment for private investors and farmers who want to expand oat processing.

Policy Priority #2: Pass $1 million for grants to farmers who want to become share members in new oat milling plants. Subsidize 40% of farmer cost to join oat milling plants.

Policy Priority #3: Low interest loans to farmers for building out on-farm infrastructure for producing and storing oats. $1 million per year; 75 - 100 farmers have access to between $10,000 and $25,000 annually.

Policy Priority #4: Allow the practice of oats inter-seeded with clover included in the Continuous Living Cover programs already available.



[8] Fueling a Low-Carbon BioFuel Future in Minnesota (c2es.org)

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Minnesota can take the lead in sustainable agriculture by expanding its oat supply chain and thus benefiting farmers, the environment, and rural communities. By making this investment, the state can secure economic growth, improve water quality, and reduce reliance on petroleum-based inputs — all while positioning itself as a national leader in sustainable farming practices.

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