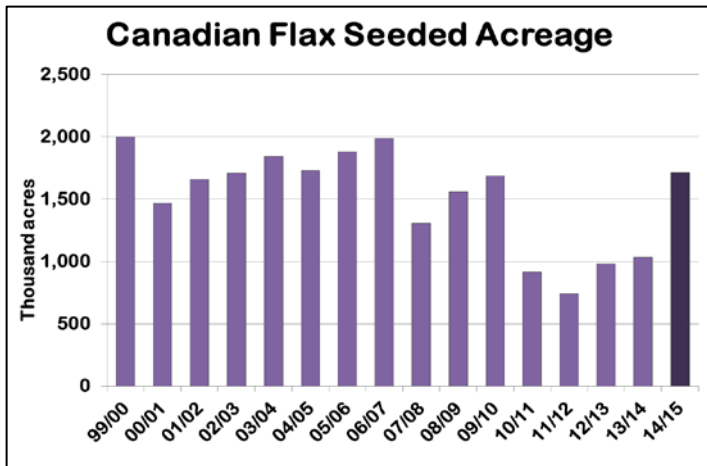
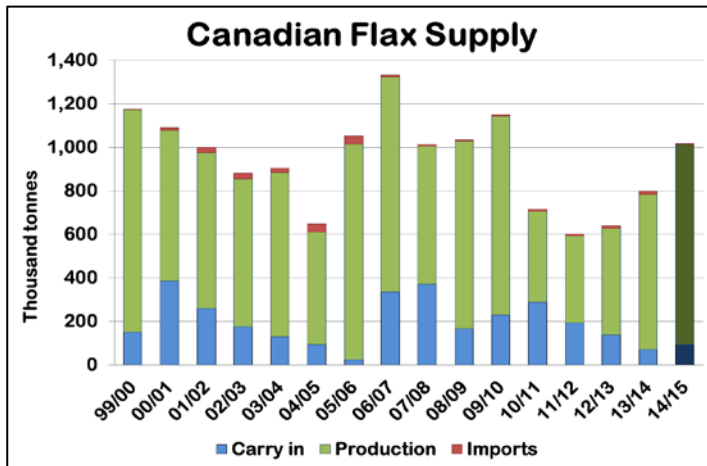


Flax Market Snapshot

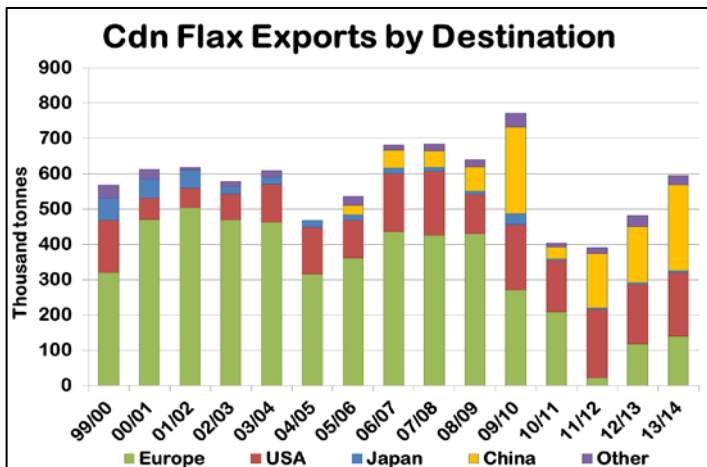
May 13, 2014



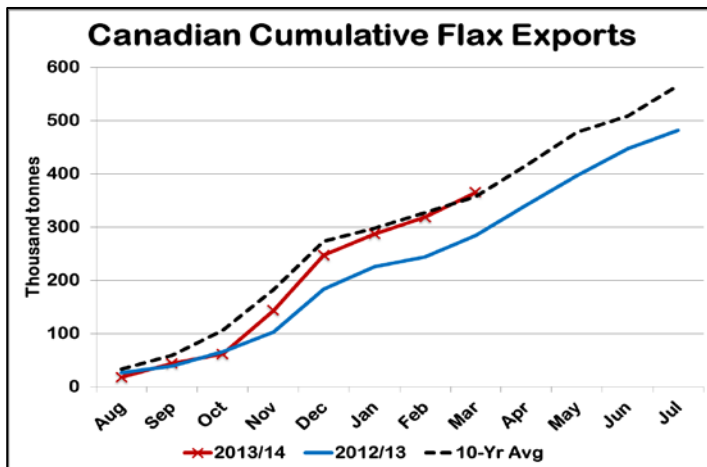
The trade had been expecting a sizable expansion in Canadian flax acres but the 66% increase reported by StatsCan was more than most were anticipating. The 1.715 million acres is the largest seeded area of flax since 2006/07 and is seen as a return to the acreage typically planted prior to the Triffid issue in 2009/10.



If 2014 yields end up at the 5-year average, this year's crop would be roughly 900,000 tonnes, 29% above the 2013/14 crop. That would also result in 2014/15 supplies of one million tonnes, close to historical levels before 2009/10. That also means more exports would be needed to clear the market in 2014/15.

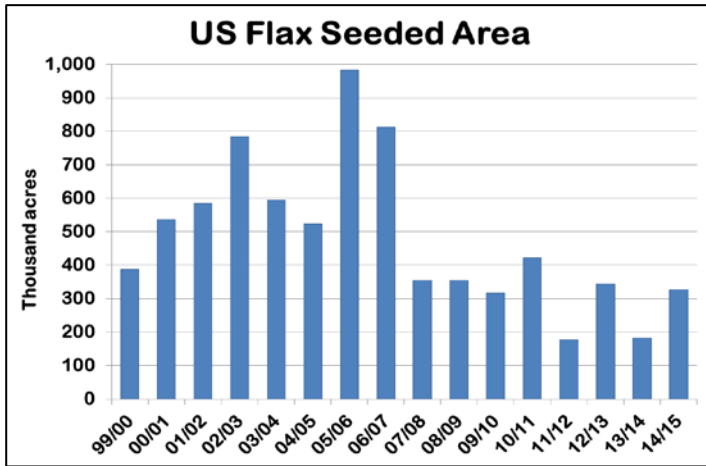


Our 2013/14 export forecast is just shy of 600,000 tonnes. The largest increase in demand is from China, expected to reach 245,000 tonnes, the highs seen in 2009/10. Smaller gains are coming from Western Europe as a result of reduced availability of Black Sea flax. US imports are expected to be slightly higher than last year due to its smaller domestic crop.

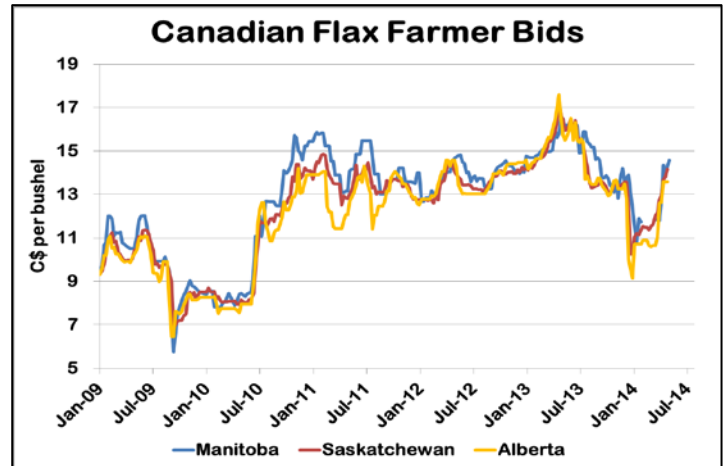


Flax exports started off 2013/14 slowly, on par with the previous year but turned higher in November and started to get back to the long-term average. By March, exports were 365,000 tonnes, slightly ahead of the 10-year average. Limited supplies for the remainder of 2013/14 could constrain exports for the remainder of this marketing year.

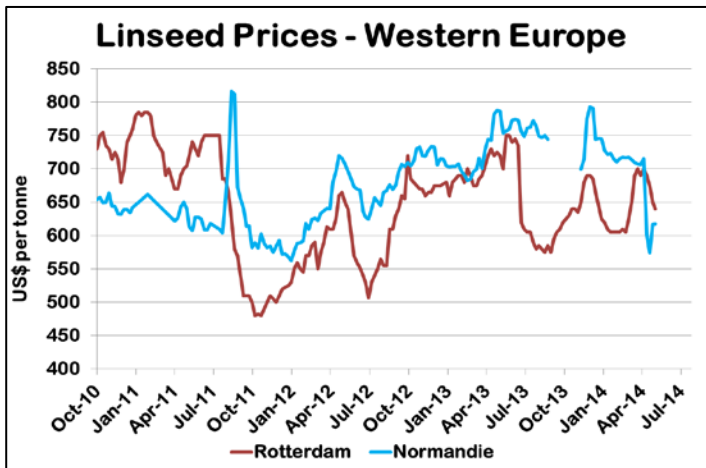
Flax Market Snapshot - May 13, 2014



The USDA estimated 2014 flax acreage would increase by 80% this spring, a return to more typical levels seen in the last few years. With average yields, the crop would roughly double to approximately 160,000 tonnes. Despite this production increase, 2014/15 supplies will remain limited due to small carryover from 2013/14. Import needs will only dip slightly.



After spending much of the winter near multiyear lows, flax bids rebounded sharply in the past few weeks. Increased demand from Western Europe and steady shipments to China have been supportive while 2013/14 crop supplies are working lower. Reopening the St. Lawrence Seaway and improved rail movement added impetus for higher Canadian elevator bids.



Linseed prices in Western Europe have been volatile over the winter, responding to available supplies from Canada and the Black Sea region. Late in the winter, prices rose due to limited supplies but have since turned lower as an April Canadian shipment loaded in the St. Lawrence River replenished supplies in Northwest Europe.

	10/11	11/12	12/13	13/14	14/15
Seeded acres, 000's	915	740	980	1,035	1,715
Harvested acres, 000's	863	720	950	1,018	1,609
Yield (bu/acre)	19.1	21.8	20.3	27.5	22.5
Supply ('000 tonnes)					
Carry-In	288	193	137	71	93
Production	419	399	489	712	919
Imports	8	9	15	15	5
Total Supply	715	601	640	798	1,017
Disposition ('000 tonnes)					
Seed	13	17	19	32	24
Other Domestic	106	57	69	78	116
Exports	404	391	481	595	580
Total Disposition	522	465	569	705	720
Ending Stocks	193	137	71	93	297
Stocks/Use	37%	29%	12%	13%	41%

Source: Statistics Canada with LeftField projections in bold

The increased exports in 2013/14 will cause ending stocks to shrink below 100,000 tonnes, triggering stronger prices late in the marketing year. The large acreage response along with average yields will increase 2014/15 supplies considerably. Unless exports grow again in 2014/15, ending stocks will become relatively heavy.

The Fine Print

At LeftField, we do our best to provide accurate information in this newsletter but we don't guarantee its accuracy nor accept liability for any errors. This newsletter provides market information and does not offer specific marketing recommendations.