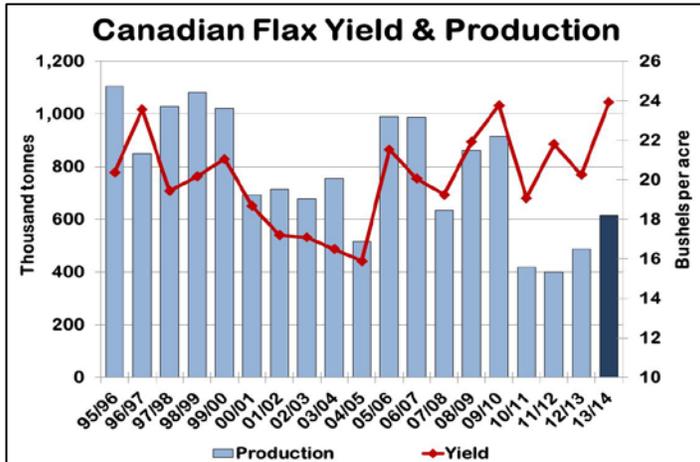
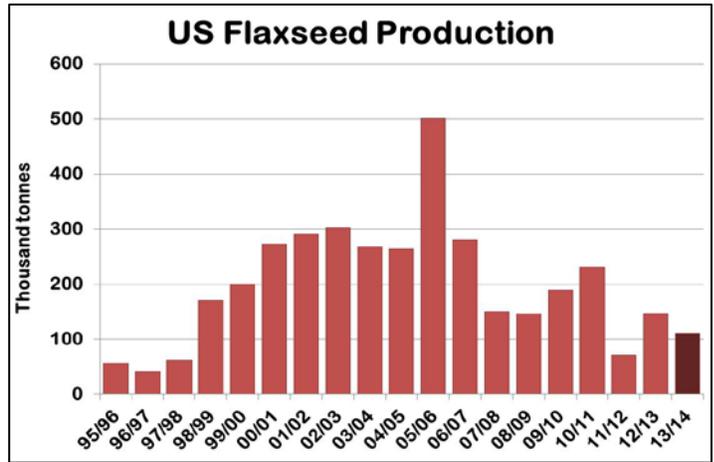


# Flax Market Snapshot

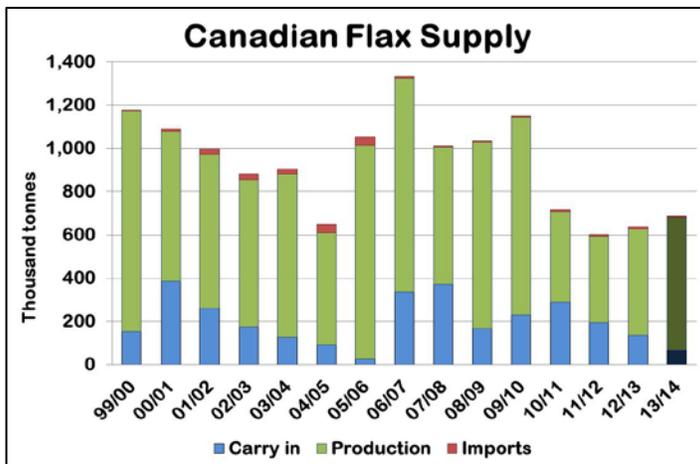
August 28, 2013



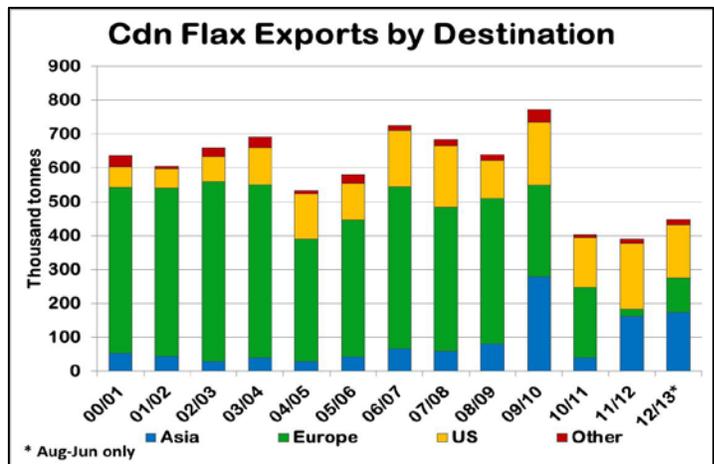
StatsCan revised flax acreage in its latest estimate, reducing planted area by 100,000 acres. At the same time, StatsCan released its first 2013 yield estimate at a record 23.9 bushels per acre. A high yield estimate wasn't a surprise as it confirms numerous anecdotal reports. The net result of StatsCan's adjustments was a 615,000 tonne flax crop, above the past three years but well below crops from years before.



The USDA's latest estimate for flax seeded area is 223,000 acres, down from planting intentions and 35% lower than last year. By applying average yields, the crop would be 110,000 tonnes, 25% lower than 2012. It's possible the final acreage and production totals could fall even more. The preliminary Farm Service Agency records show only 146,000 acres of flax.

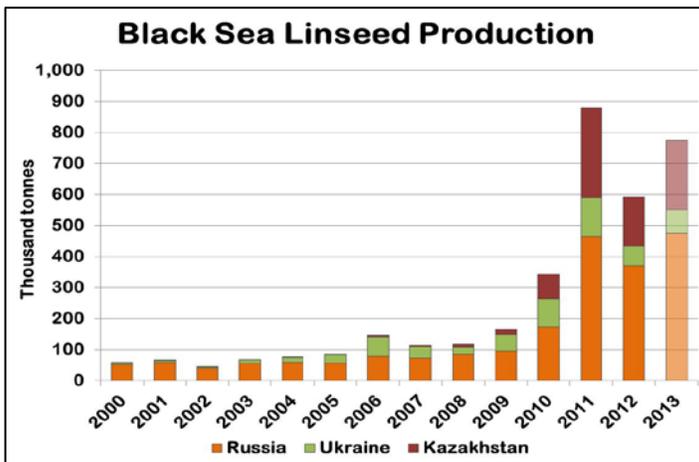


Even with a larger 2013 flax crop, Canadian flax supplies will remain relatively low in 2013/14. Supplies for next year are forecast close to 675,000 tonnes. This means that with relatively modest consumption and exports similar to 2012/13, ending stocks in 2013/14 would remain under 100,000 tonnes. An increase in export demand would cause the supply situation to tighten up considerably and keep the market supported.

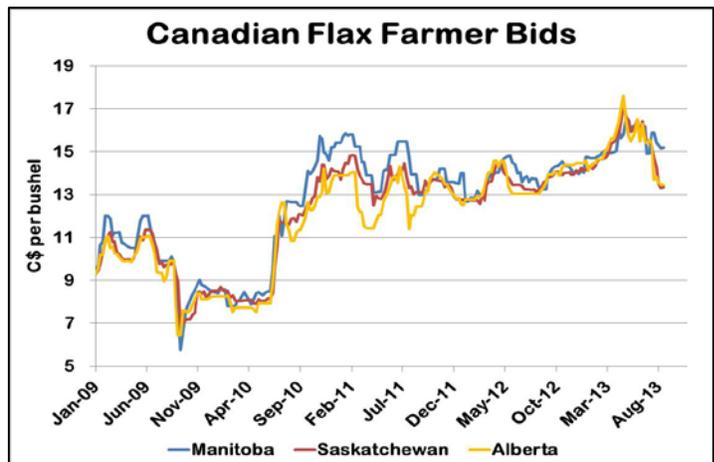


Flax exports for the Aug-Jun period of 2012/13 are already ahead of the past two full years, and some modest volumes for July will add to the total. China and the US remain the two largest buyers but the EU re-emerged as an important customer, partly due to limited availability from the Black Sea region. For 2013/14, exports are forecast at similar levels with an increase in US demand offsetting a decline in volumes exported to the EU.

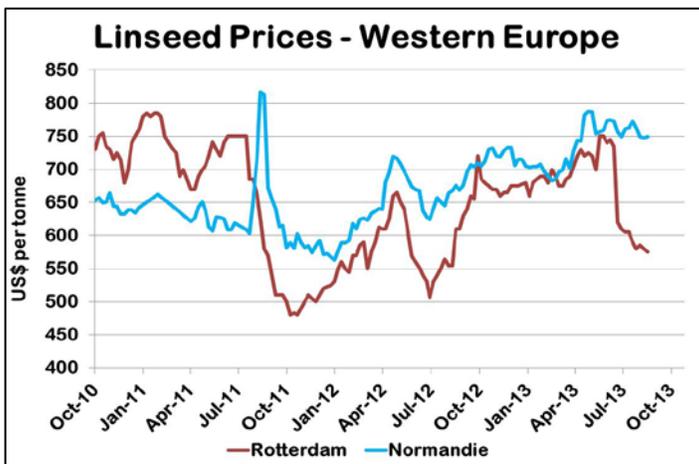
# Flax Market Snapshot - August 28, 2013



Flax production by key competitors in the FSU is expected to rebound in 2013 from the drought-driven lows of 2012. Keep in mind that production estimates from this region are a little hazy. The increased supplies will compete in the EU market but large exports have also been moving to other destinations that Canada doesn't normally ship to. Stocks from the 2012 crop are very low however and this will limit exportable supplies to some degree.



Flax bids in Canada and the US have come off the highs of this spring but remain within the broad sideways channel that has been in place since the fall of 2010. Prices tend to decline seasonally in late summer and early fall, so these recent moves aren't seen as unusual. In fact, in some locations, farmer bids have already rebounded off the recent lows, which signals some modest short-term strength. Export demand will be the market driver longer term.



Linseed prices in northwest Europe have declined in recent weeks as Russian flax is offered into the market. French prices remain firm but will likely follow the rest of the European market lower. The declines in Rotterdam values mostly mirror the drop in Canadian prairie bids, which should still allow Canadian flax to remain competitive in the European market. As the Black Sea crop hits the European market, prices could soften further.

**Canadian Flax Supply & Disposition**

	09/10	10/11	11/12	12/13	13/14
Seeded acres, 000's	1,685	915	740	980	1,035
Harvested acres, 000's	1,515	863	720	950	1,011
Yield (bu/acre)	23.8	19.1	21.8	20.3	23.9
<b>Supply ('000 tonnes)</b>					
Carry-In	229	288	193	137	<b>53</b>
Production	915	419	399	489	615
Imports	6	8	9	12	<b>5</b>
<b>Total Supply</b>	<b>1,150</b>	<b>715</b>	<b>601</b>	<b>638</b>	<b>672</b>
<b>Disposition ('000 tonnes)</b>					
Seed	16	13	17	18	<b>18</b>
Other Domestic	74	106	57	102	<b>132</b>
Exports	772	404	391	465	<b>445</b>
<b>Total Disposition</b>	<b>861</b>	<b>522</b>	<b>465</b>	<b>585</b>	<b>595</b>
<b>Ending Stocks</b>	288	193	137	53	<b>77</b>
<b>Stocks/Use</b>	33%	37%	29%	9%	<b>13%</b>

*Source: Statistics Canada with LeftField projections in bold*

In spite of a larger 2013 crop, the Canadian flax situation could be described as snug, with supplies still on the low side. The final production numbers could grow in subsequent StatsCan reports and some on-farm stocks may not show up but supplies are not really considered burdensome. Under this scenario, exports will be the key factor in determining just how tight the 2013/14 ending stocks become.

## 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.