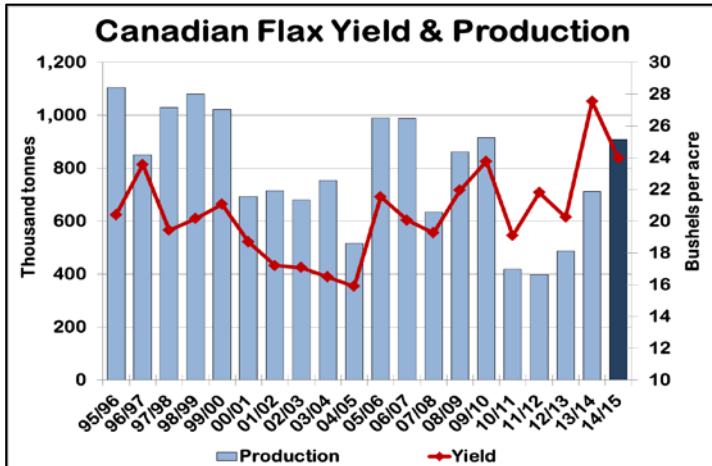
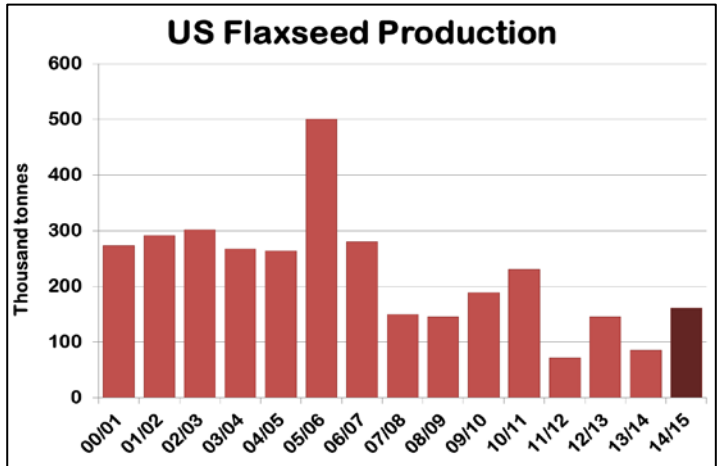


Flax Market Snapshot

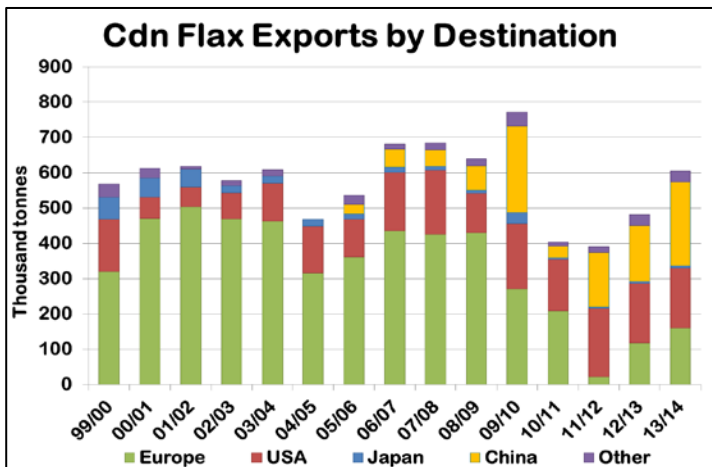
August 22, 2014



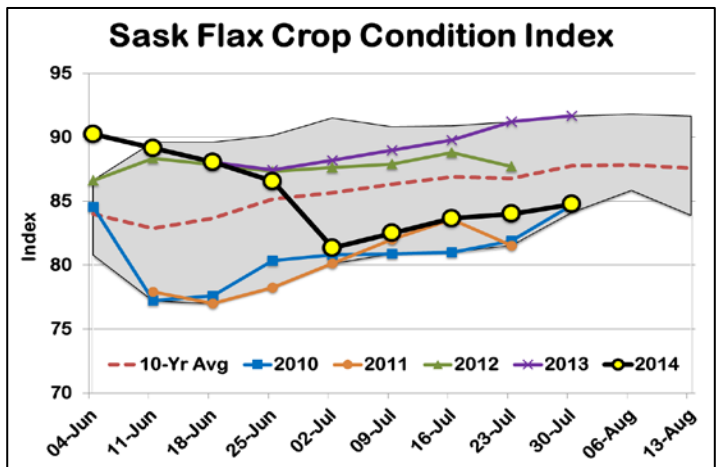
StatsCan's first 2014 production and yield estimate for flax showed a surprisingly large crop of 908,000 tonnes. The yield was pegged at 24 bushels per acre, reflecting generally positive yield results. StatsCan didn't trim any seeded acreage due to flooding, but this may be reduced in subsequent production estimates.



The USDA estimated 2014 flax seeded area at 332,000 acres, 83% more than last year but still historically small. With average yields, production would reach 160,000 tonnes, nearly double last year. This would reduce demand for Canadian flax somewhat, although the US carry-over from last year is fairly low.

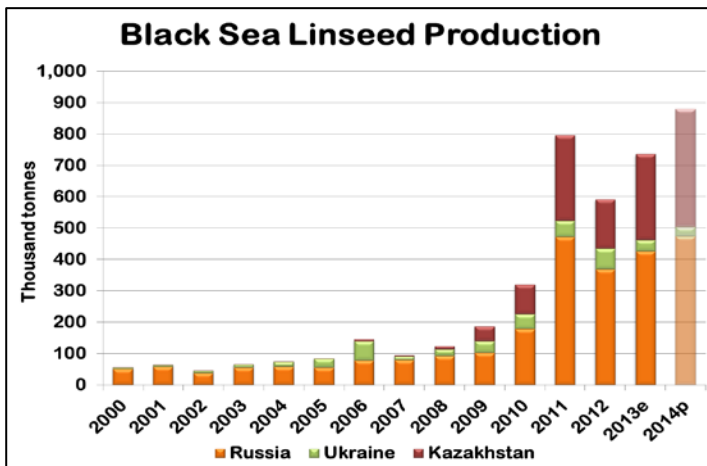


Canadian flax exports for 2013/14 are estimated to have reached just over 600,000 tonnes, although final data for July is not yet available. This continues the strong recovery in export volumes. China was the largest customer, taking nearly 240,000 tonnes with the US second at approximately 170,000 tonnes. European volumes have also recovered strongly.

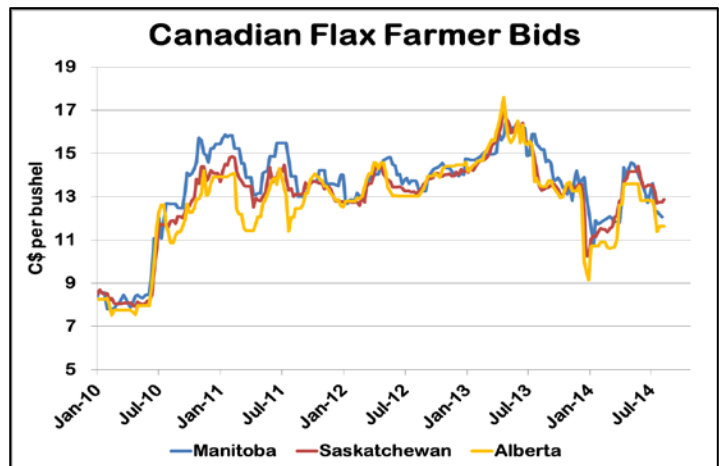


The crop reports from Sask Ag showed a very positive start for the 2014 flax crop, followed by a sharp decline due to heavy rain in late June. The crop has recovered since then, although the chart still shows below average conditions. The StatsCan and Sask Ag yield estimates along with anecdotal reports confirm the good condition of the crop.

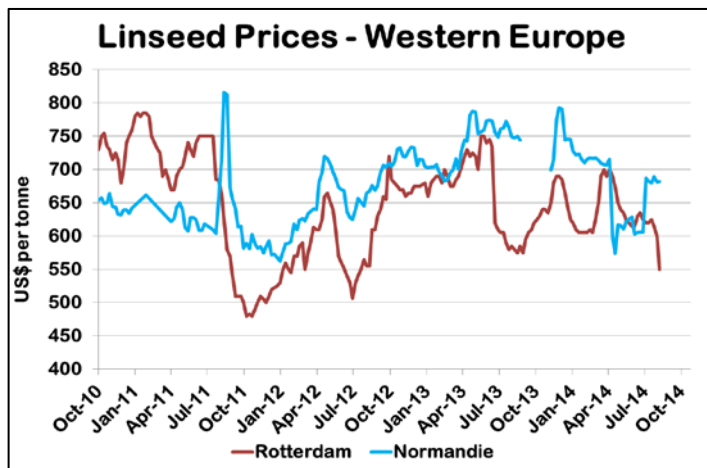
Flax Market Snapshot - August 22, 2014



Although solid crop estimates are hard to come by, it appears that flax production in the Black Sea region could achieve a new record in 2014. Yields in Russia have been positive and the Kazakhstan crop could achieve 400,000 tonnes. While the trade from Russia could be impeded, this Black Sea crop could limit European interest in Canadian flax.



Flax bids in Western Canada have dropped sharply in recent weeks as the market transitions to new crop supplies. Bids at US elevators and crushers have also been moving lower. Seasonal declines are a normal part of price behavior but the large Canadian crop estimate could limit the size of the postharvest recovery.



Linseed prices in western Europe have dropped sharply in the past few weeks and are now at the lowest levels since the fall of 2012. Largely, that's a response to availability of new-crop Black Sea flax. That will be followed up with Canadian flax over the fall and winter months, as long as prices remain attractive for European buyers.

	10/11	11/12	12/13	13/14	14/15
Seeded acres, 000's	915	740	980	1,035	1,570
Harvested acres, 000's	863	720	950	1,018	1,492
Yield (bu/acre)	19.1	21.8	20.3	27.5	24.0
Supply ('000 tonnes)					
Carry-In	288	193	137	71	83
Production	419	399	489	712	908
Imports	8	9	15	15	5
Total Supply	715	601	640	798	996
Disposition ('000 tonnes)					
Seed	13	17	19	32	24
Other Domestic	106	57	69	78	116
Exports	404	391	481	605	565
Total Disposition	522	465	569	715	705
Ending Stocks	193	137	71	83	291
Stocks/Use	37%	29%	12%	12%	41%

Source: Statistics Canada with LeftField projections in bold

The flax balance sheet shows the large increase in seeded area. Although yields are lower than last year, the increased acreage more than offsets the reduced yields. Total supplies for 2014/15 could be nearly one million tonnes. Unless exports increase considerably, 2014/15 ending stocks would expand to the highest level in several years.

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.