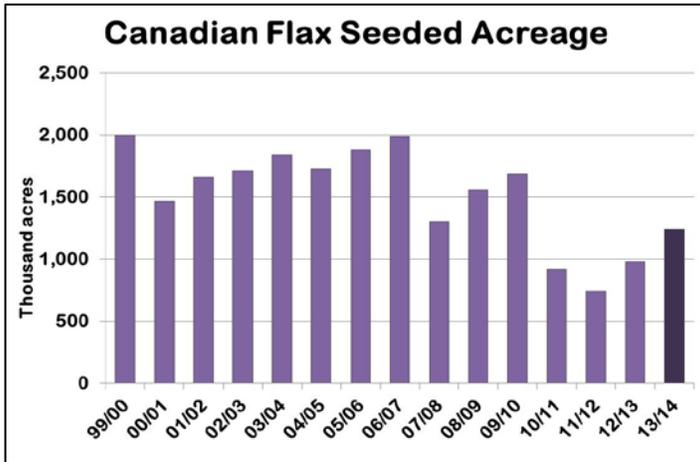
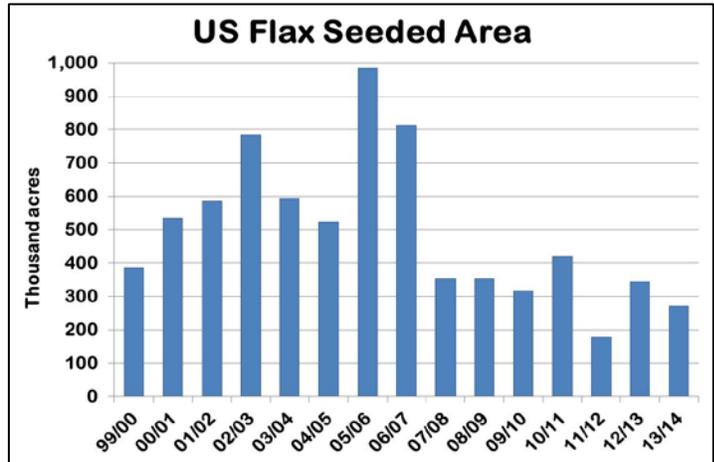


Flax Market Snapshot

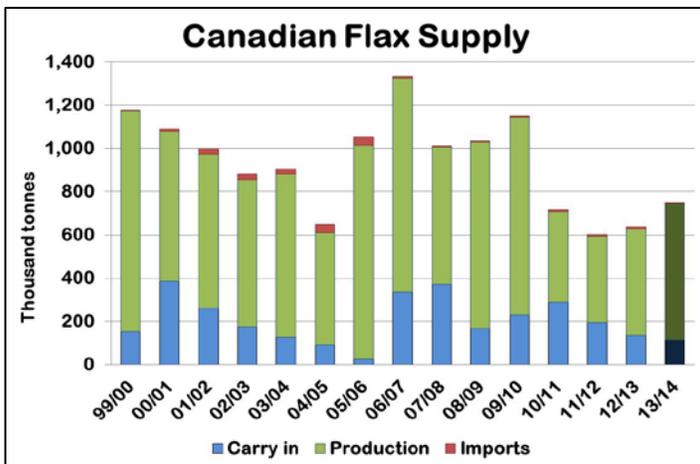
May 9, 2013



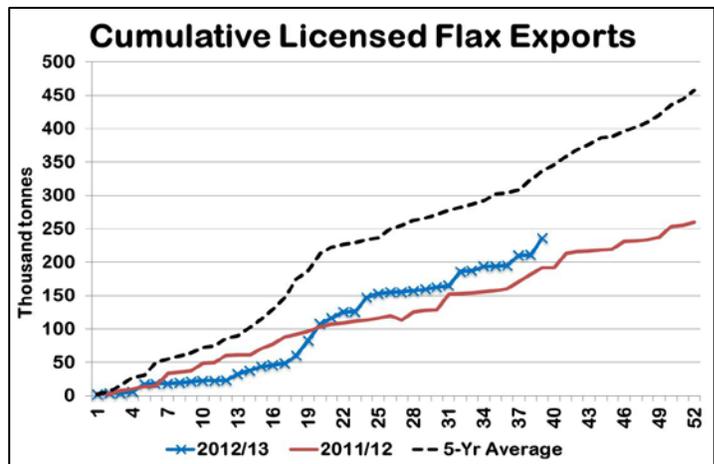
In its April Seeding Intentions report, StatsCan indicated 2013 flax seeded area at 1.24 million acres, 27% more than in 2012. This acreage would be the highest since 2009. Prairie flax prices have risen since the StatsCan survey was conducted and many observers expect that seeded area could expand further yet. A return to an average yield of 21.4 bu/acre would mean a 2013 crop of 632,000 tonnes.



The USDA Prospective Plantings report showed that 2013 US flax seeded area would be 272,000 acres, down 21% from 2012. With a recovery to average yields, the US flax crop would end up at 128,000 tonnes, 12% smaller than last year. Over the last five years, the US has consumed an average of 320,000 tonnes of flax. Because of a larger US carryover, US imports would need to rise only modestly in 2013/14.

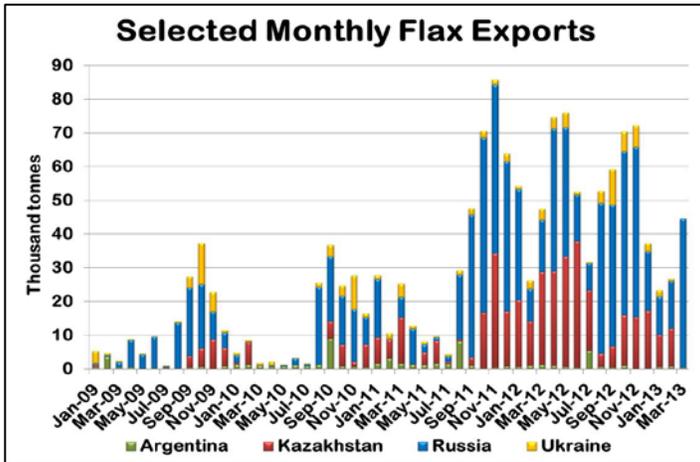


Even with increased production forecast for this summer, Canadian flax supplies will remain relatively low in 2013/14. Supplies for next year are forecast at 750,000 tonnes. If 2013/14 usage remains at the average level of the past three years (500,000 tonnes), ending stocks will increase. If 2013 seeded area expands further than the preliminary estimate from StatsCan, supplies will get even more comfortable.

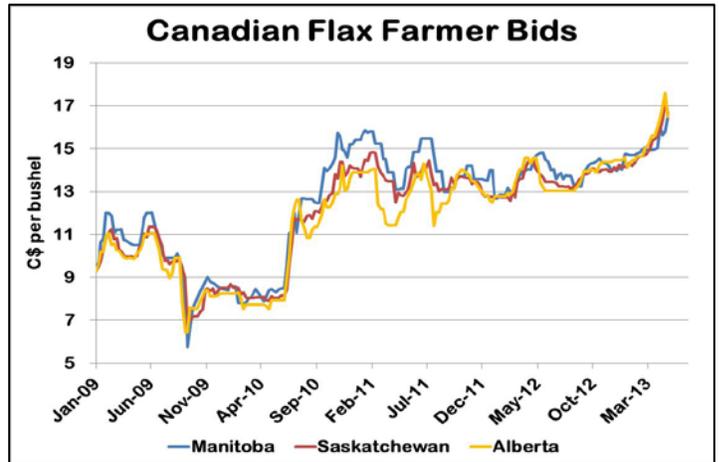


Year-to-date flax exports are running ahead of last year but well below the five year average. That exports are below average is not surprising, given that the average includes the two years prior to the European trade restrictions. China has been the largest buyer of flax this year followed by steady shipments to the US. Europe has returned as a solid but smaller buyer in 2012/13, due to reduced supplies available from FSU countries.

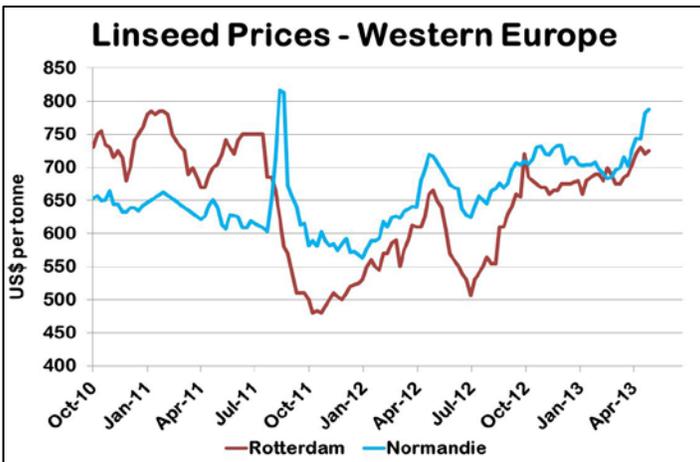
Flax Market Snapshot - May 9, 2013



Flax exports by key competitors in the FSU, particularly Russia and Kazakhstan, dipped earlier in 2013 due to shrinking supplies caused by the 2012 drought. Somewhat surprisingly, Russian exports rebounded in March but that is a likely a temporary blip. Data from Kazakhstan for March is not yet available. Exports will likely be subdued during the summer months but are expected to pick up again in September, limiting European demand for Canadian flax.



After spending two and a half years in a sideways channel centred around \$14 per bushel, prairie and US bids recently turned strongly higher. Bids touched on \$17 before dipping slightly again. The combination of solid exports and tightening supplies were the ingredients that pulled prices higher. The potential for further gains in the coming weeks will depend on the level of exports in the next two months, particularly from China and Europe.



European flax prices have been the main catalyst for the gains in Canadian bids. Prices in the key market of Rotterdam strengthened recently but have now leveled off. In France, prices continue to strengthen. The spread between Rotterdam prices and Saskatchewan bids has now narrowed enough that Canadian prices will have difficulty rallying further without another bounce in Rotterdam values.

Canadian Flax Supply & Disposition

	09/10	10/11	11/12	12/13	13/14
Seeded acres, 000's	1,685	915	740	980	1,240
Harvested acres, 000's	1,515	863	720	950	1,163
Yield (bu/acre)	23.8	19.1	21.8	20.3	21.4
Supply ('000 tonnes)					
Carry-In	229	288	193	137	113
Production	915	419	399	489	632
Imports	6	8	9	12	5
Total Supply	1,150	715	601	638	749
Disposition ('000 tonnes)					
Seed	16	13	17	21	18
Other Domestic	74	106	57	99	132
Exports	772	404	391	405	425
Total Disposition	861	522	465	525	575
Ending Stocks	288	193	137	113	174
Stocks/Use	33%	37%	29%	21%	30%

Source: Statistics Canada with LeftField projections in bold

Flax ending stocks in 2012/13 are expected to shrink to multi-year lows, and that helped provide a lift for prices. The smaller carry-over will blunt the impact of the larger crop expected in 2013, assuming average yields. Even so, increased consumption will not be enough to keep 2013/14 ending stocks from expanding. Exports should remain solid but will be vulnerable to the crop outcome in Russian and Kazakhstan.

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.