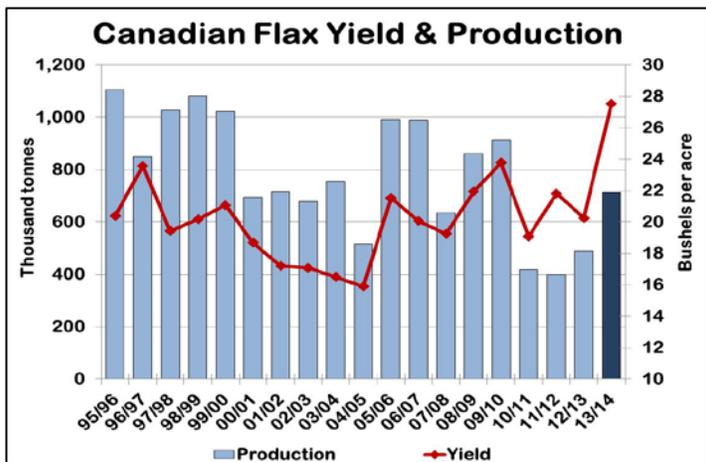
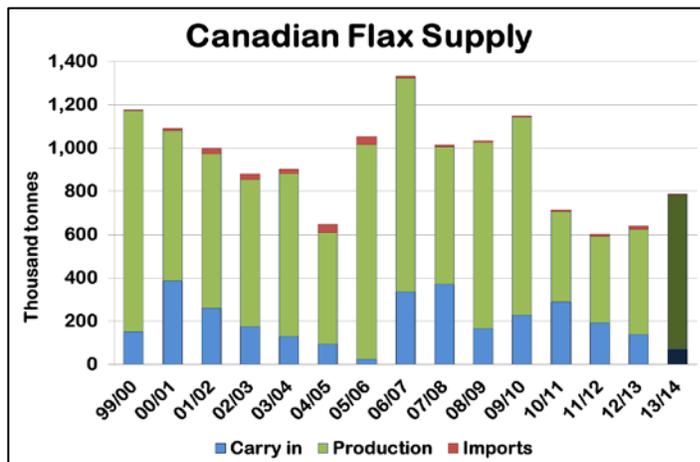


# Flax Market Snapshot

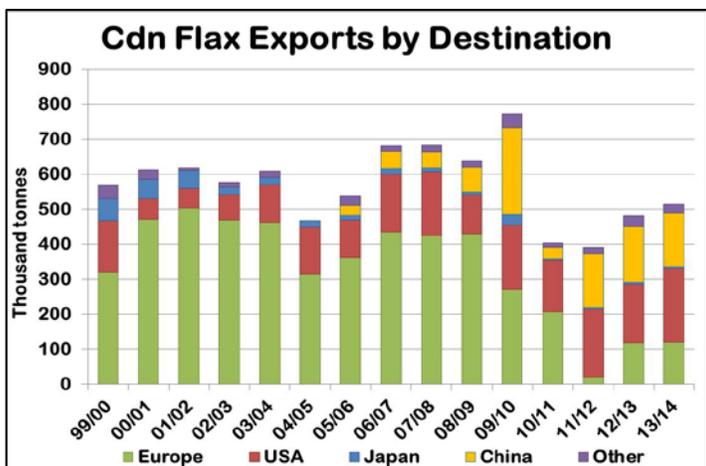
December 16, 2013



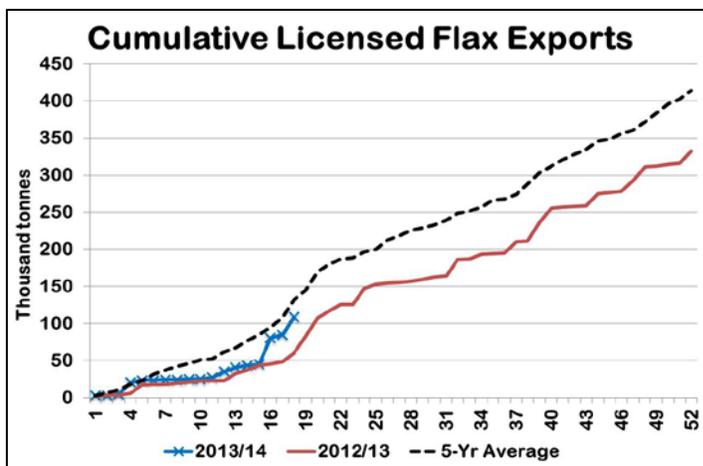
Like other crops, flax had a great year. StatsCan estimated the 2013 flax crop at 712,000 tonnes, a 46% increase over last year on a record yield of 27.5 bu/acre. The larger crop size was also supported by a slight increase in seeded and harvested area estimates from StatsCan. While this is a sizable increase over the previous three years, it's still well below the longer-term average of the flax crop.



Despite the fact that this 2013 crop is 225,000 tonnes larger than last year, total supplies are only expected to grow 150,000 tonnes. That's because the carryover from 2012/13 is very small. Total supplies are not considered burdensome but still comfortable as they remain well below the levels seen in 2009/10 and in prior years. This is in contrast to some other crops which are facing very heavy supplies.

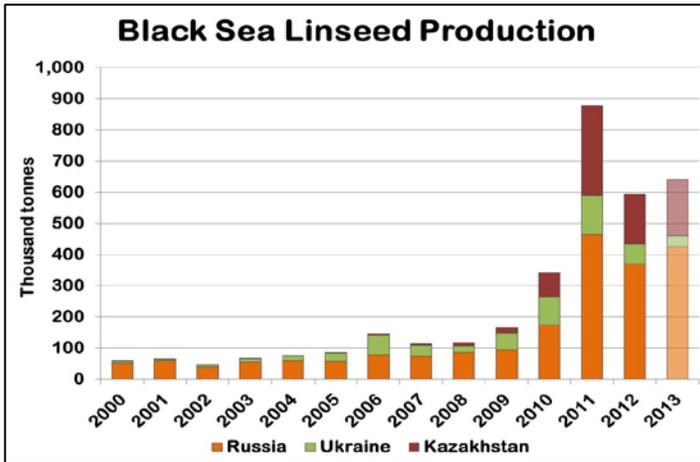


Canadian flax exports in 2013/14 are forecast to rise slightly from 2012/13, reaching 515,000 tonnes. This would continue the recovery since the lows of 2011/12 but still be below the volumes seen in 2009/10 and earlier. This year, a balanced export program between the EU, the US and China is expected, with the strongest demand coming from the US due to its smaller 2013 domestic crop.

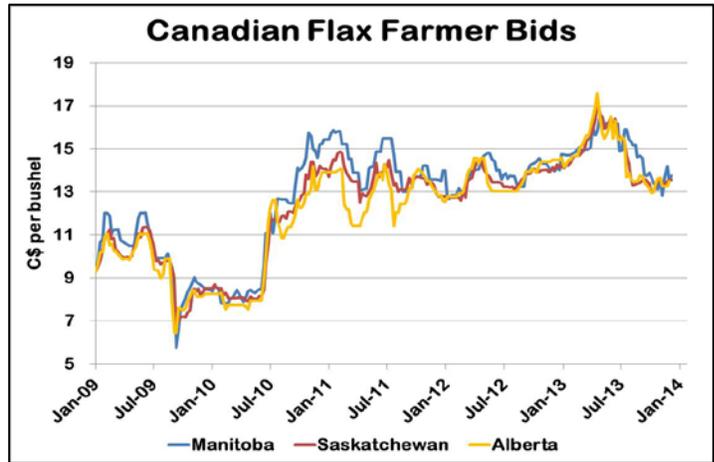


Bulk flax exports started the year slowly in line with the previous year but export shipments to the EU and China in the past several weeks have caused year-to-date exports to climb to nearly the five year average. Volumes to the US have also been solid recently. This pattern of periodic jumps in volumes is expected to continue for the remainder of the year, although exports to Europe will be limited through the winter months.

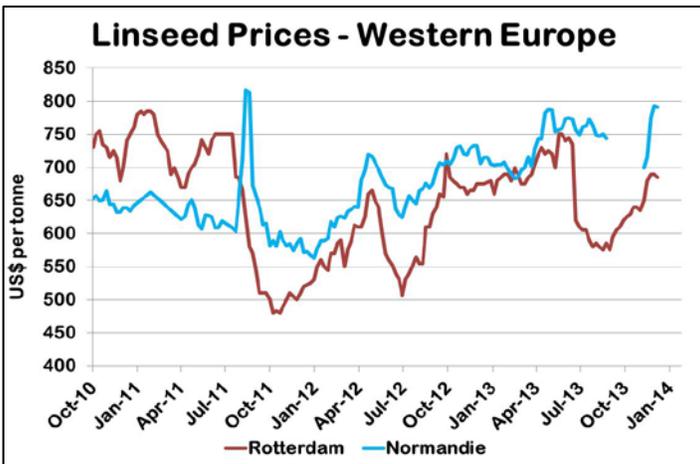
# Flax Market Snapshot - December 16, 2013



Earlier in the year, linseed production in Black Sea countries was expected to be large, although not quite to the 2011 record. More recent reports are indicating the 2013 crop was limited by poor growing conditions late in the season and by harvest difficulties. Several sources have suggested that anywhere from 20-40% of the Kazakhstan crop may not have been harvested and is now under snow. As a result, competition for the Western European market is reduced.



Flax bids in Western Canada have found some footing following the typical harvest declines and have firmed up in response to solid export sales more recently. In most locations, current bids are in the \$13.50-14.00 per bushel range. Bids at US crushers and elevators are also steady to higher in response to the smaller 2013 US flax crop. Steady prices are reflecting a well-balanced supply and demand situation.



Linseed prices in northwest Europe have risen strongly the past few months and are near the highs seen earlier in 2013. To a large degree, this price strength is related to the limited supplies available from the Black Sea region. Russian exports had been strong earlier in the fall but have since declined and Kazakh exports have been limited. This has opened the door to more export business from Canada into Western Europe.

	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	1,018
Yield (bu/acre)	23.8	19.1	21.8	20.3	27.5
<b>Supply ('000 tonnes)</b>					
Carry-In	229	288	193	137	71
Production	915	419	399	489	712
Imports	6	8	9	15	5
<b>Total Supply</b>	<b>1,150</b>	<b>715</b>	<b>601</b>	<b>640</b>	<b>788</b>
<b>Disposition ('000 tonnes)</b>					
Seed	16	13	17	19	18
Other Domestic	74	106	57	69	102
Exports	772	404	391	481	515
<b>Total Disposition</b>	<b>861</b>	<b>522</b>	<b>465</b>	<b>570</b>	<b>635</b>
<b>Ending Stocks</b>	<b>288</b>	<b>193</b>	<b>137</b>	<b>71</b>	<b>153</b>
<b>Stocks/Use</b>	<b>33%</b>	<b>37%</b>	<b>29%</b>	<b>12%</b>	<b>24%</b>

Source: Statistics Canada with LeftField projections in bold

With the larger 2013 Canadian crop, flax supplies are expected to rise to the highest level since 2009/10. At the same time, the 2013/14 export program is also expected to be the largest in four years. That stronger demand will limit the increase in 2013/14 ending stocks to roughly 150,000 tonnes. Although that's double last year, it's still relatively low from a historical perspective and not considered very heavy.

## The Fine Print

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