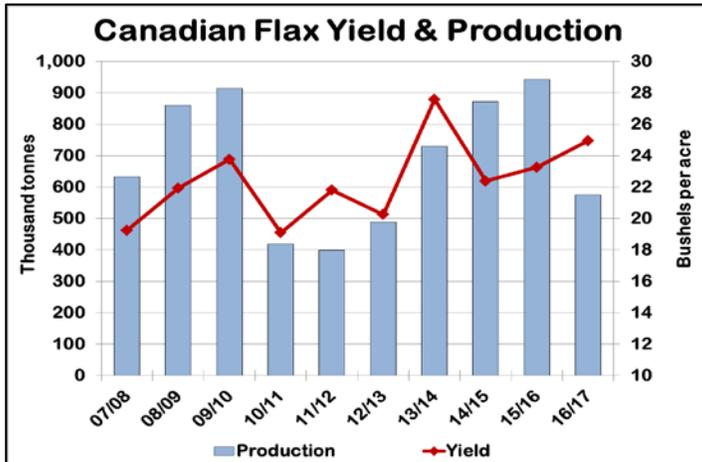
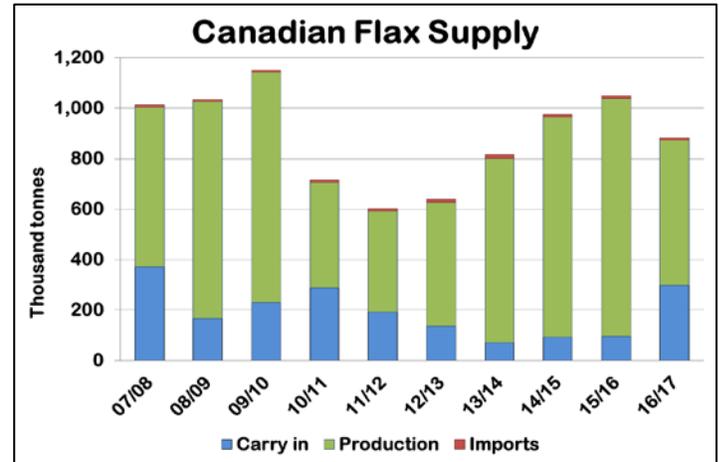


Flax Market Snapshot

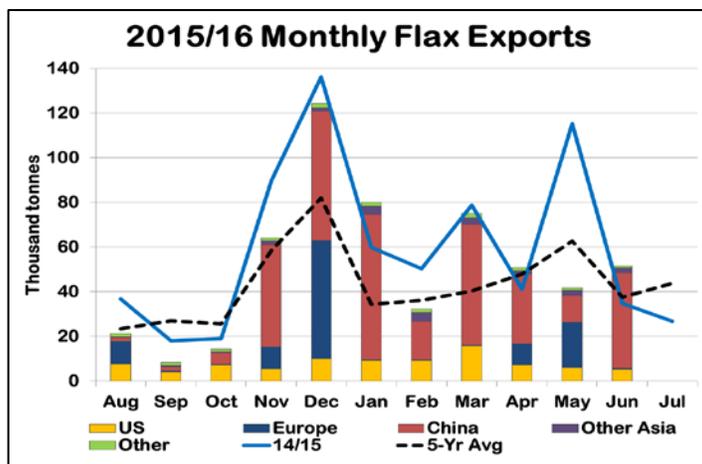
August 25, 2016



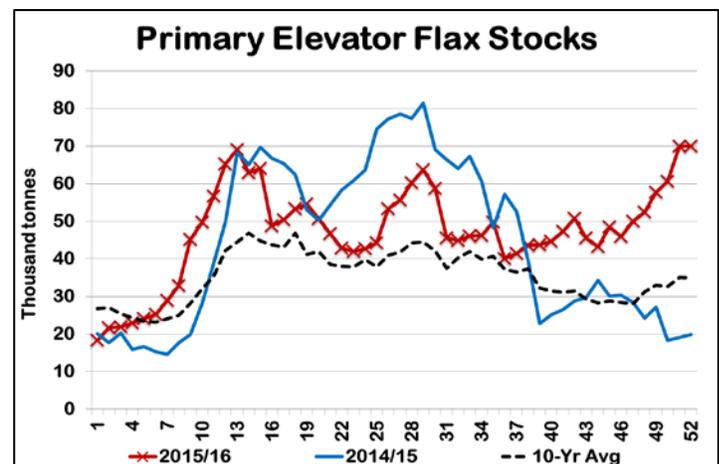
The first StatsCan estimate of the 2016 flax crop was 576,000 tonnes, 39% below 2015 and the smallest crop since 2012. The yield was estimated at 25.0 bu/acre, roughly 2 bu above the 5-year average, which partly offset the 44% acreage reduction. This yield estimate is backed up by a recent Sask Ag report, which had the provincial flax yield at 26 bu/acre.



The 367,000 tonne drop in the flax crop means a sizable decline in total 2016/17 supplies. Even so, carryover from 2015/16 of nearly 300,000 tonnes will offset a large part of the drop in production, although quality of old-crop supplies is a concern. Estimated supplies for 2016/17 are 880,000 tonnes, 16% (166,000 tonnes) below last year.

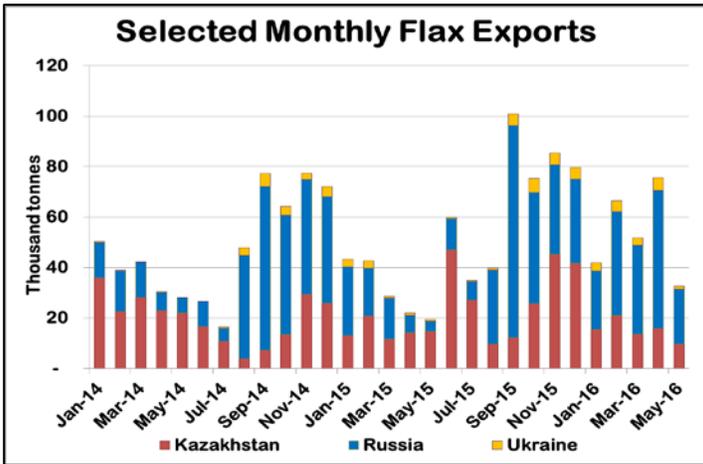


Canadian export data for Aug-Jun shows a total of 565,000 tonnes, with another 55,000 tonnes likely in July, bringing the full-year total to 620,000 tonnes. China has been the largest buyer, taking 334,000 tonnes to the end of June. Volumes to the US were reduced due to its larger domestic crop and exports to Europe were limited by export competitors.

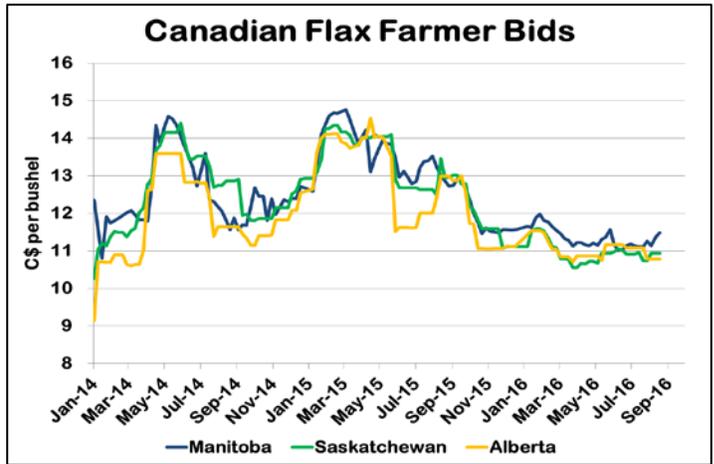


Stocks of flax in country elevators tend to be at a low point late in the marketing year, but at the end of 2015/16, inventories were 70,000 tonnes, the highest all year. This buildup in inventories likely signals a strong export program expected for the beginning of 2016/17. Large stocks could also limit farmer selling early in the new marketing year.

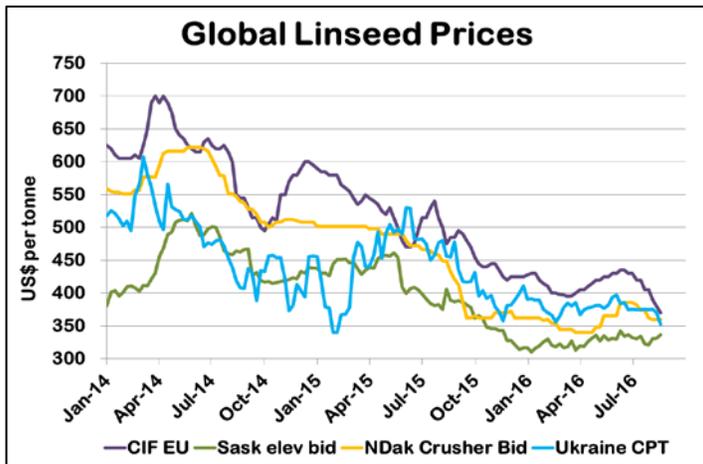
Flax Market Snapshot - August 25, 2016



The latest available export data from the Black Sea region show large volumes have been shipped through the 2015/16 season. For Aug-May, Russian exports have topped 400,000 tonnes and Kazakhstan over 200,000 tonnes, a new record for the region. For 2016, production in these countries could hit a new record, setting the stage for even larger exports in 2016/17.



For much of 2015/16, flax bids have moved mostly sideways with prices very quiet this spring and summer. Most recently, posted elevator bids are in the \$10.75-11.50 per bushel range, depending on location. Even market signals of reduced acreage haven't prompted a rally, with bullish conditions in Canada offset by bearish factors in competing countries.



Since last fall, the overall trend in most flax markets has been roughly sideways, but overseas prices have started to decline in recent weeks. In NW Europe, prices have slipped US\$60 per tonne since the end of June and Ukrainian prices are down by US\$20 more recently. Bids at US crushers and elevators are also off their earlier highs but remain within the 2015/16 range.

	12/13	13/14	14/15	15/16	16/17
Seeded acres, 000's	980	1,070	1,585	1,640	925
Harvested acres, 000's	950	1,043	1,534	1,595	908
Yield (bu/acre)	20.3	27.6	22.4	23.3	25.0
Supply ('000 tonnes)					
Carry-in	137	71	92	97	297
Production	489	731	873	942	576
Imports	15	14	11	10	10
Total Supply	640	815	975	1,049	883
Disposition ('000 tonnes)					
Seed	18	27	28	26	24
Other Domestic	71	80	143	106	116
Exports	481	616	708	620	650
Total Disposition	569	724	879	752	790
Ending Stocks	71	92	97	297	93
Stocks/Use	12%	13%	11%	40%	12%

Source: Statistics Canada with LeftField projections in bold

The smaller 2016 crop will trigger a reduction in available supplies, although it will be partly offset by larger carryover. Despite the reduced supplies, there's room for 2016/17 exports to expand somewhat from last year while domestic use will remain fairly constant. If that occurs, ending stocks for 2016/17 would contract to levels seen in 2014/15 and earlier.

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.