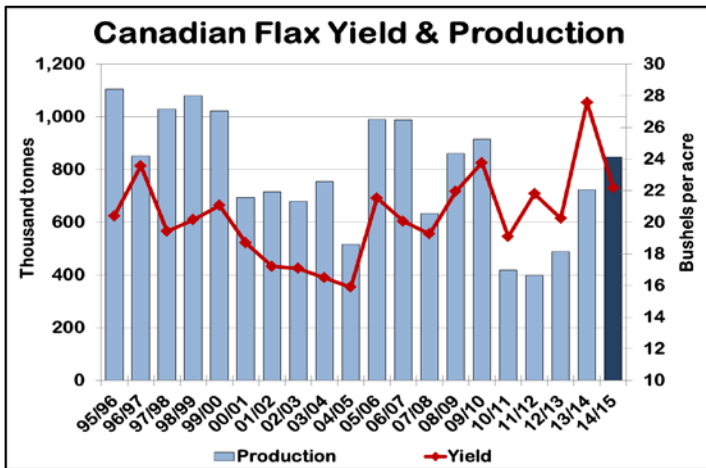
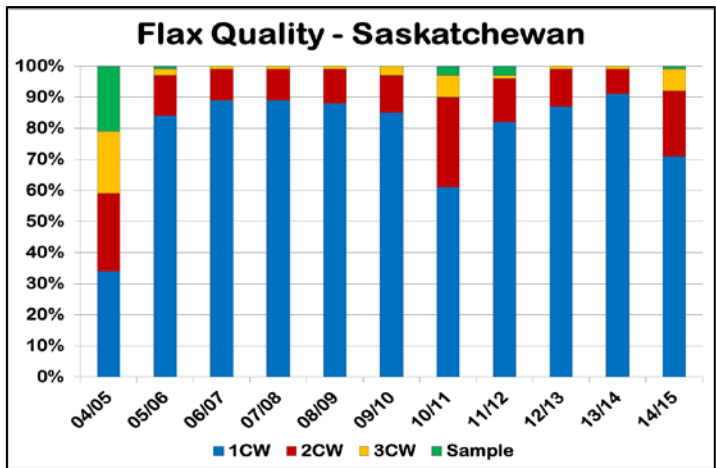


Flax Market Snapshot

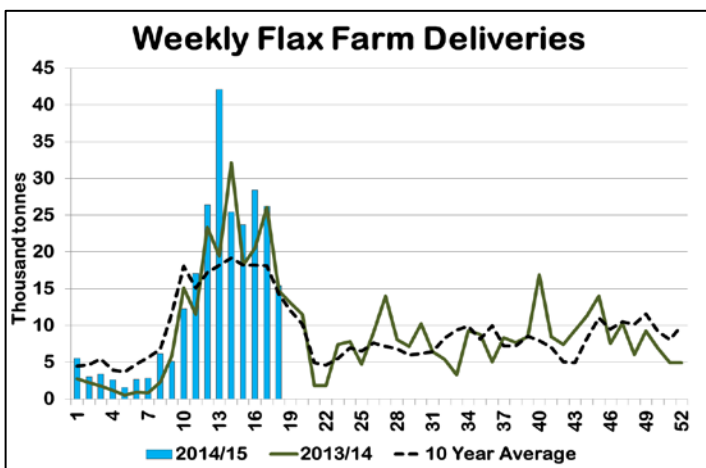
December 16, 2014



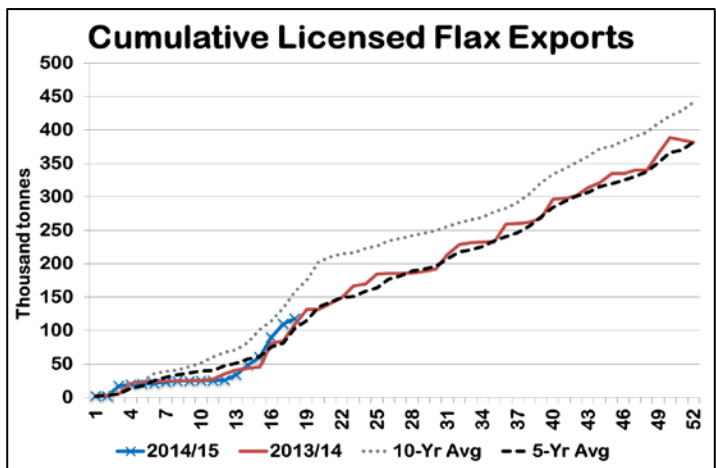
StatsCan's final production estimate was 847,000 tonnes, about 75,000 tonnes less than its previous estimate. This would be the largest flax crop since 2009, when the Triffid issue caused a contraction in the Canadian flax market. The flax yield was set at 22.2 bu/acre, lower than provincial crop estimates and most anecdotal reports.



The delayed 2014 harvest caused a reduction in the quality of the Saskatchewan flax crop. Only 71% of the crop graded as a 1CW versus 80-90% in a more typical year. Another 21% graded as a 2CW, meaning more of the crop will likely have lower oil content. These results for Saskatchewan are a good reflection of the entire 2014 prairie crop.

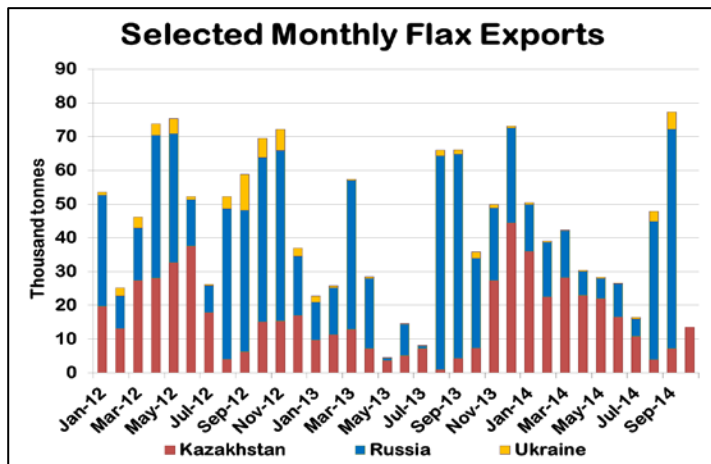


Farm deliveries of flax started the 2014/15 marketing year slowly, largely because of the delayed harvest. Since then, the pace has picked up rapidly in line with the seasonal tendencies, although moving well above average levels. The year-to-date total is now about 50,000 tonnes ahead of last year and the 10-year average.

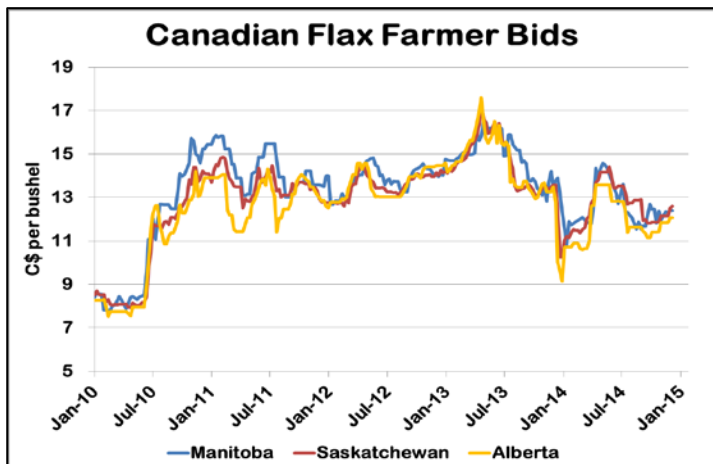


Flax exports were slow at the beginning of 2014/15 following the typical seasonal pattern. Up to shipping week 18, bulk licensed exports were 118,000 tonnes, slightly ahead of last year. Year-to-date exports are running ahead of the 5-year average, reflecting the post-Triffid period. Exports still haven't reached the 10-year average level.

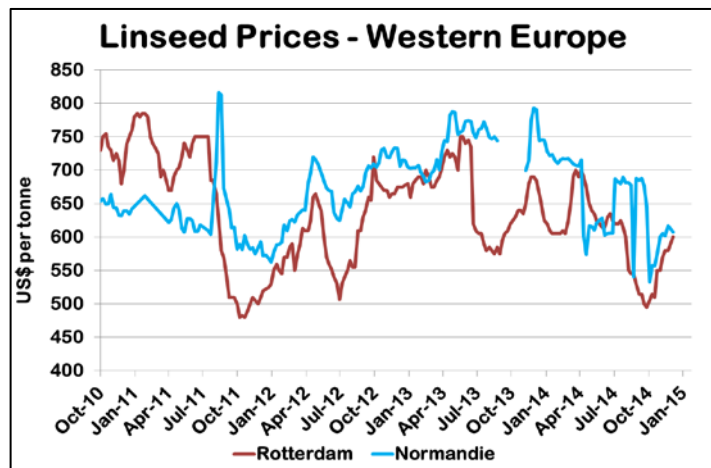
Flax Market Snapshot - December 16, 2014



Even though October export data isn't available for all countries, volumes from Black Sea origins are ramping up as the newly harvested crop became available. Flax production in Kazakhstan was expected to rise considerably but harvest delays and snow have left a large portion of the crop in the field to be harvested in the spring.



Flax bids in Western Canada declined throughout the summer and early fall in anticipation of large 2014 crops, both in Canada and in key competitors. Since then, bids have been edging higher. The delayed harvest in Canada and problems in Kazakhstan along with the seasonally heavier demand from western Europe caused prices to strengthen.



Linseed prices in western Europe dropped through the summer and fall to the lowest levels since 2011 as the market expected large supplies from Black Sea origins and Canada. The inability to harvest the Kazakh crop reduced the short-term supply availability and caused European prices to rebound more recently back toward the range of 2013/14.

	10/11	11/12	12/13	13/14	14/15
Seeded acres, 000's	915	740	980	1,050	1,555
Harvested acres, 000's	863	720	950	1,033	1,503
Yield (bu/acre)	19.1	21.8	20.3	27.6	22.2
Supply ('000 tonnes)					
Carry-In	288	193	137	71	100
Production	419	399	489	724	847
Imports	8	9	15	14	5
Total Supply	715	601	640	809	952
Disposition ('000 tonnes)					
Seed	13	17	18	27	24
Other Domestic	106	57	71	67	116
Exports	404	391	481	615	575
Total Disposition	522	465	569	709	715
Ending Stocks	193	137	71	100	237
Stocks/Use	37%	29%	12%	14%	33%

Source: Statistics Canada with LeftField projections in bold

The flax balance sheet includes the latest production estimate from StatsCan with higher 2014 acres more than offsetting the lower yields. Total supplies are 950,000 tonnes, the largest since 2009/10. The initial export forecast is cautious, resulting in larger ending stocks but export volumes still have the potential to increase on European demand.

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.