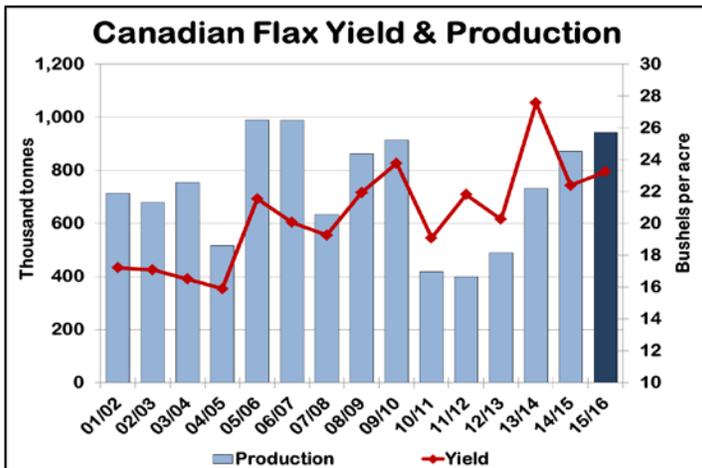
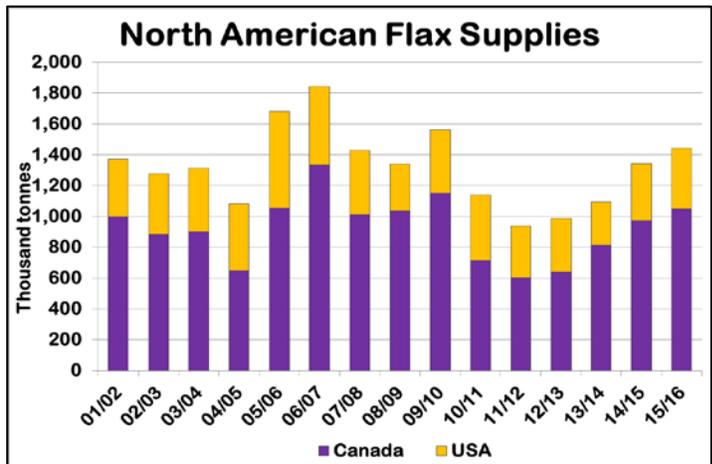


Flax Market Snapshot

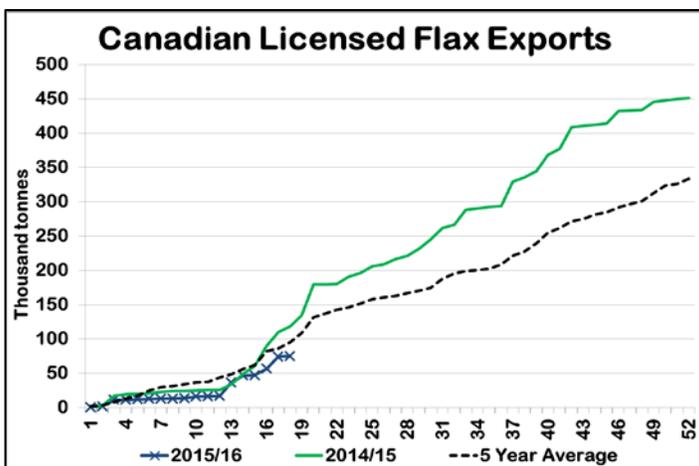
December 11, 2015



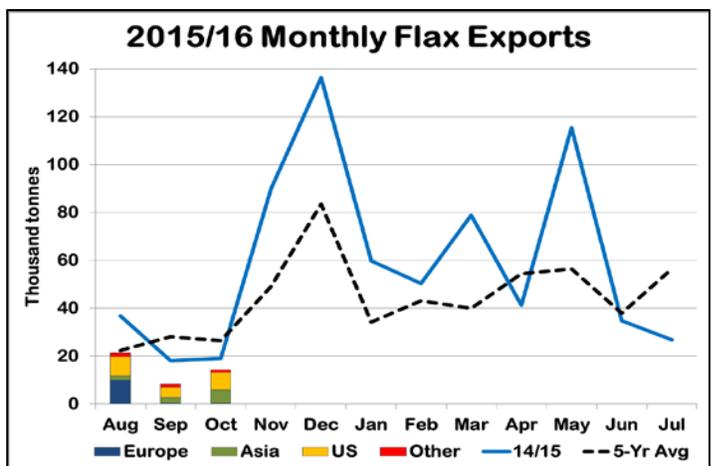
The latest StatsCan 2015 production estimate was 942,000 tonnes, 53,000 tonnes more than its earlier estimate and 69,000 tonnes larger than the 2014 crop. The yield of 23.3 bu/acre was one bushel above the 5-year average which demonstrates how well the flax crop recovered from very negative conditions seen earlier in the year.



The USDA hasn't yet released estimates for the 2015 flax crop, but production is expected to be larger than last year, partly due to a 35% increase in seeded area. This bigger crop will add to North American supplies and limit demand from US crushers for Canadian flax. Flax prices in the US turned lower earlier in response to this larger crop estimate.

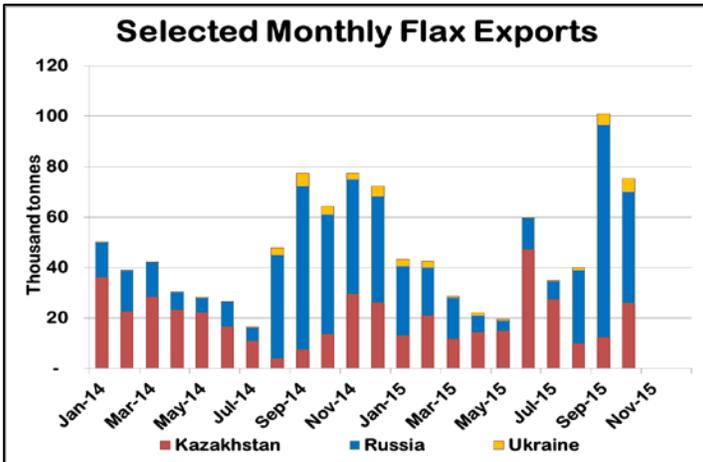


After a very slow start, license flax exports have started to improve but at 75,000 tonnes, are still trailing the average pace by 20,000 tonnes and are well below last year's pace of 118,000 tonnes. More shipments are expected to move in the next several weeks ahead of the Seaway closure. Without a quick recovery however, annual totals will likely be lower.

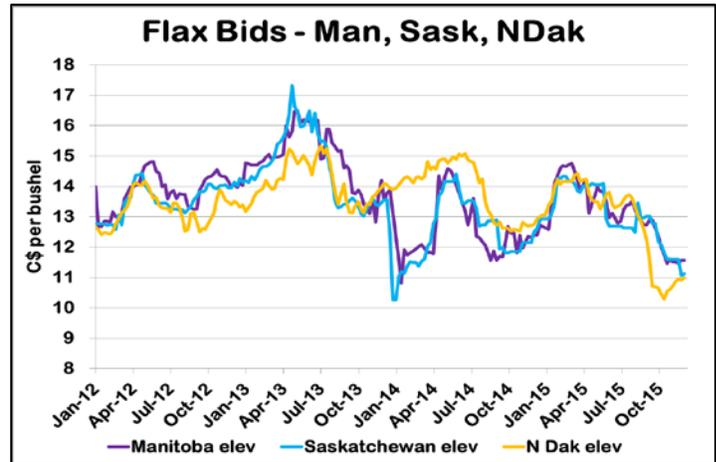


Canada's three main flax buyers – the EU, US and China – have been purchasing smaller volumes in the first quarter of 2015/16. Volumes tend to be slow at the start of the year, but in 2015/16, the pace has been even quieter. There are signs of improved demand in November, but that's part of the normal pattern of heavier exports in November and December.

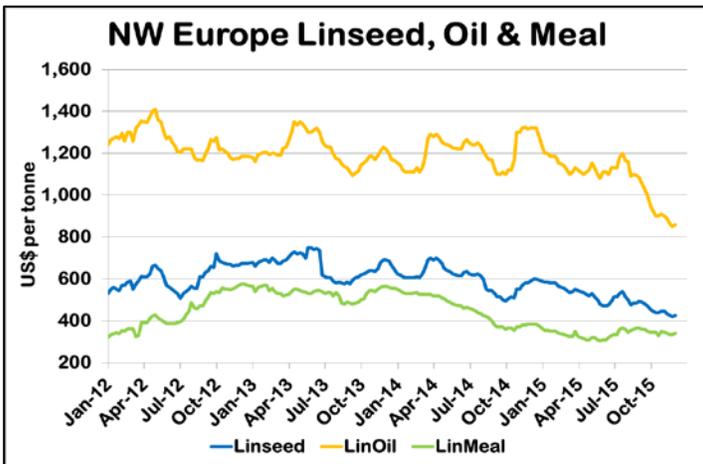
Flax Market Snapshot - December 11, 2015



Flax exports by competitors have risen the past two months as the 2015 crop is available. Russian exports reached a new record of 84,000 tonnes in September followed by 44,000 tonnes in October. Exports from Kazakhstan are starting to climb as well. Some production estimates suggest over 900,000 tonnes were harvested in the region.



Flax bids have come under pressure from the larger crops in Canada and the US. The move in the US started in late August, and dropped even more sharply before recovering. Canadian bids only began to turn lower in early October and are still at a small premium to US values. Canadian prices have now dropped to levels last seen in early 2014.



Linseed prices in Europe have been trending steadily lower, with the declines beginning in early 2014. While meal was the more negative factor earlier, sharp drops in linseed oil prices have now been depressing seed values. The main reason behind the weaker market is the availability of large supplies from Russia and Kazakhstan, limiting opportunities for Canadian exporters.

	11/12	12/13	13/14	14/15	15/16
Seeded acres, 000's	740	980	1,070	1,585	1,640
Harvested acres, 000's	720	950	1,043	1,534	1,595
Yield (bu/acre)	21.8	20.3	27.6	22.4	23.3
Supply ('000 tonnes)					
Carry-In	193	137	71	92	97
Production	399	489	731	873	942
Imports	9	15	14	10	10
Total Supply	601	640	815	975	1,049
Disposition ('000 tonnes)					
Seed	17	18	27	29	24
Other Domestic	57	71	80	118	86
Exports	391	481	616	731	615
Total Disposition	465	569	724	878	725
Ending Stocks	137	71	92	97	324
Stocks/Use	29%	12%	13%	11%	45%

Source: Statistics Canada with LeftField projections in bold

With the larger Canadian crop estimate, 2015/16 supplies are now in excess of 1.0 million tonnes. In order to use up those heavy supplies, increased exports are needed but the slower start to the year along with limited prospects for EU and US mean exports will likely drop from last year. Under that scenario, 2015/16 ending stocks could exceed 300,000 tonnes.

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.