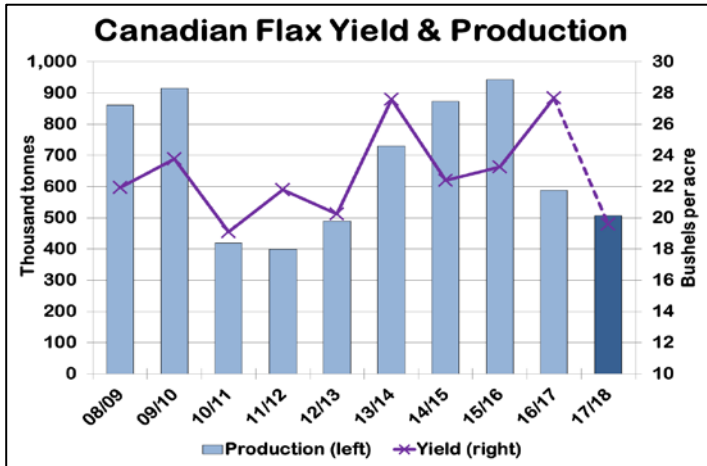
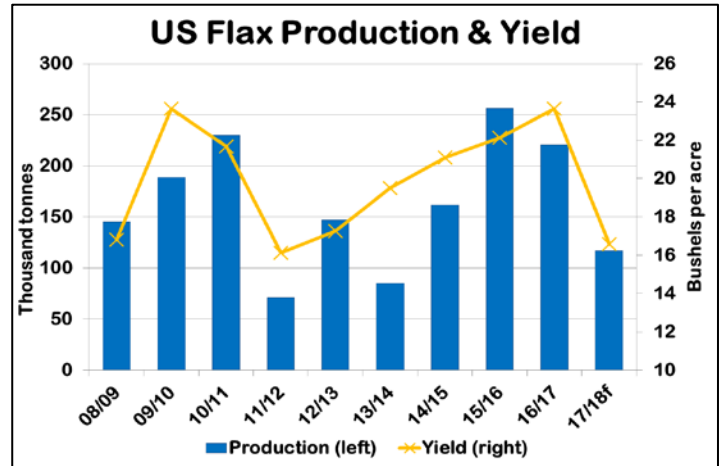


Flax Market Snapshot

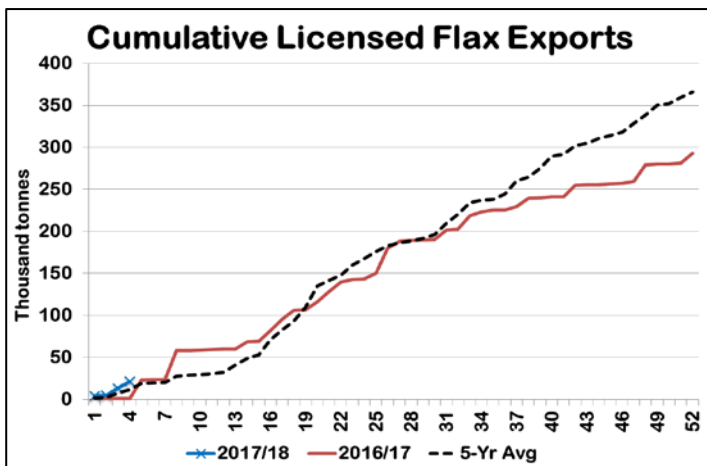
September 6, 2017



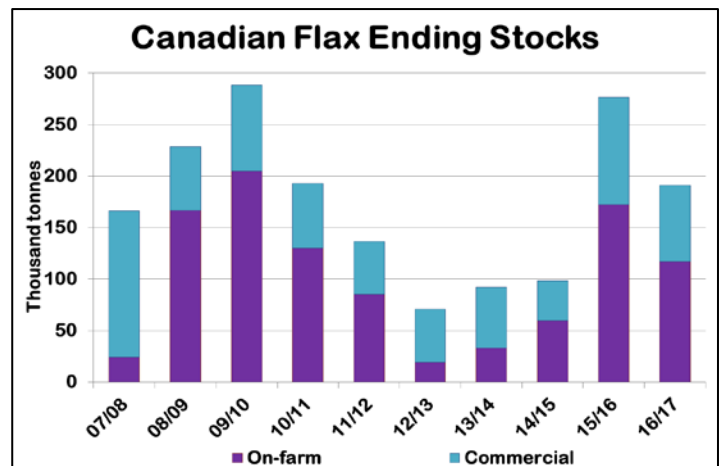
StatsCan's first estimate of the 2017 Canadian flax crop came in at 507,000 tonnes, 80,000 less than in 2016, in spite of an 11% increase in seeded area. Dry conditions have damaged yields, with the StatsCan estimate at 19.6 bu/acre, the lowest since 2010. With harvest underway, yields could improve slightly, but the 2017 crop will remain on the small side.



The 2017 US flax crop will be considerably smaller than the previous two years. Seeded area was lower by 24% and drought in key producing areas will reduce yields sharply. A USDA production estimate won't be released for some time, but this forecast shows a crop of 120,000 tonnes, 47% smaller than last year. This will likely require more US flax imports in 2017/18.

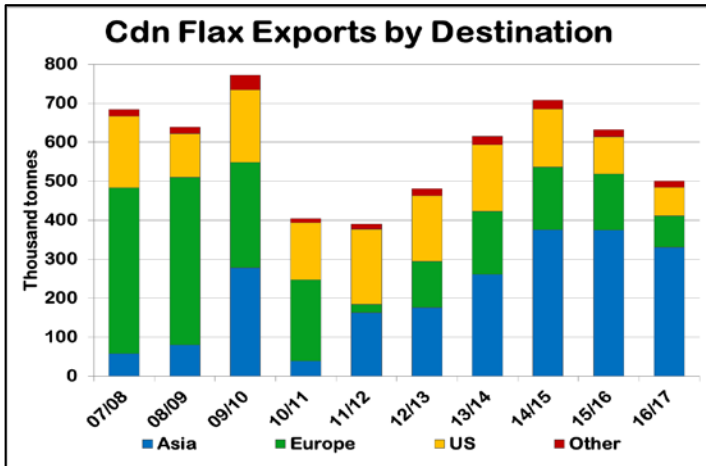


It's still very early in 2017/18, but August flax exports of 24,000 tonnes have outperformed last year and the 5-year average. These exports have included shipments off the west coast and south into the US. While still quite preliminary, initial volumes are a positive signal of solid export demand while availability of Canadian flax could be limited in 2017/18.

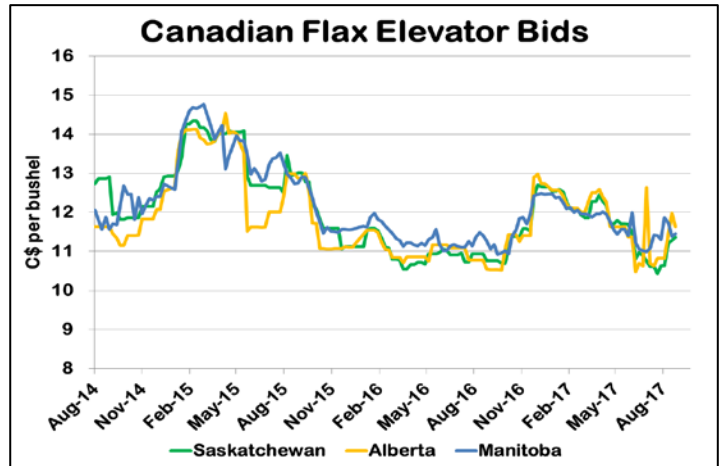


StatsCan has estimated 2016/17 flax ending stocks at 191,000 tonnes, 31% less than last year. While that's a sharp decline, it's still relatively comfortable, well above levels seen in the three previous years. There are questions however, about the quality of the 2016/17 ending stocks, which would make the supply situation in 2017/18 a little tighter yet.

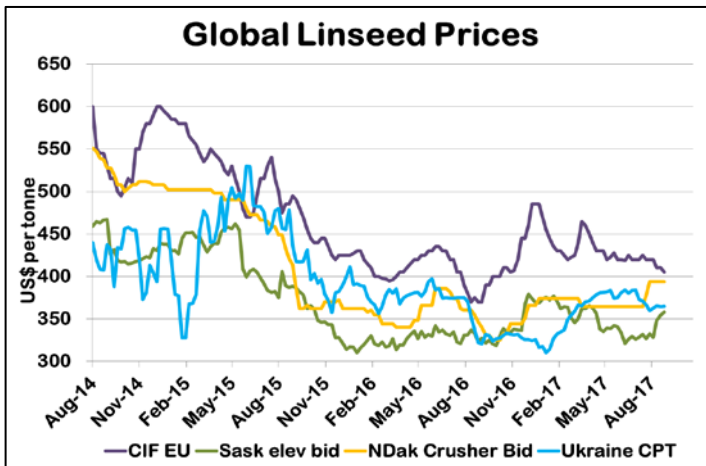
Flax Market Snapshot - September 6, 2017



Canadian flax exports totalled just over 500,000 tonnes in 2016/17, the lowest total since 2012/13. In part, this was related to reduced demand from the US due to its large 2015 and 2016 crops. European demand was also lower as Black Sea flax was available. Exports in 2017/18 could also be around this level, but that's more an issue of constrained supplies.



Flax bids at Canadian elevators were under pressure through the first half of 2017, but rebounded somewhat in the past few weeks. The drought-reduced yields in both Canada and the US are the main factors behind this price recovery. Even so, bids remain below levels seen in late fall of 2016 but could move further as the actual harvest results become known.



Flax prices in key markets are adjusting to the results and outlook from the 2017 crops. Prices in both Saskatchewan and North Dakota have turned higher due to reduced output. Meanwhile values in Ukraine have dipped and prices in northwest Europe have also softened because of the availability of flax from Russia and other Black Sea origins.

	12/13	13/14	14/15	15/16	16/17	17/18
Seeded Acres, 000	980	1,070	1,585	1,640	935	1,040
Harvested Acres, 1	950	1,043	1,534	1,595	836	1,019
Yield (bu/acre)	20.3	27.6	22.4	23.3	27.7	19.6
Supply ('000 tonnes)						
Carry-In	137	71	92	98	277	191
Production	489	731	873	942	588	507
Imports	15	14	11	14	25	10
Total Supply	640	816	975	1,054	889	708
Disposition ('000 tonnes)						
Seed	18	27	28	16	18	30
Other Domestic	71	80	143	131	178	101
Exports	481	616	707	631	503	500
Total Disposition	569	724	877	777	699	631
Ending Stocks	71	92	98	277	191	77
Stocks/Use	12%	13%	11%	36%	27%	12%

Source: Statistics Canada with LeftField projections in bold

The supply/demand balance for 2017/18 looks tighter. Reduced carryover and a smaller 2017 crop would mean the lowest Canadian supplies since 2012/13. This will limit domestic use and export potential in the coming year. Even with reduced consumption, ending stocks for 2017/18 will shrink considerably, especially compared to the previous two years.

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.