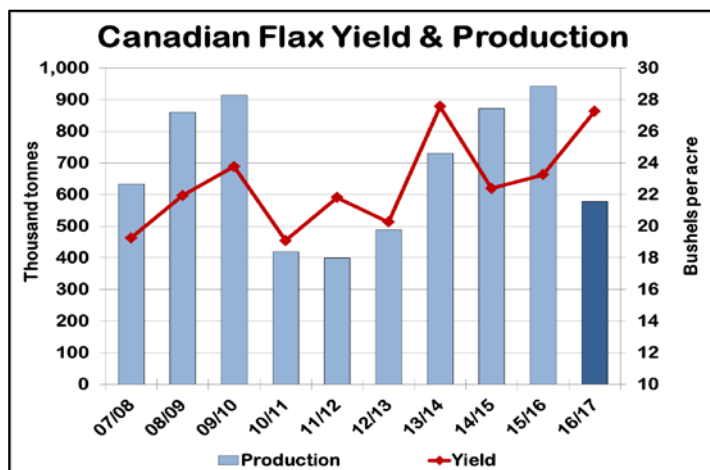
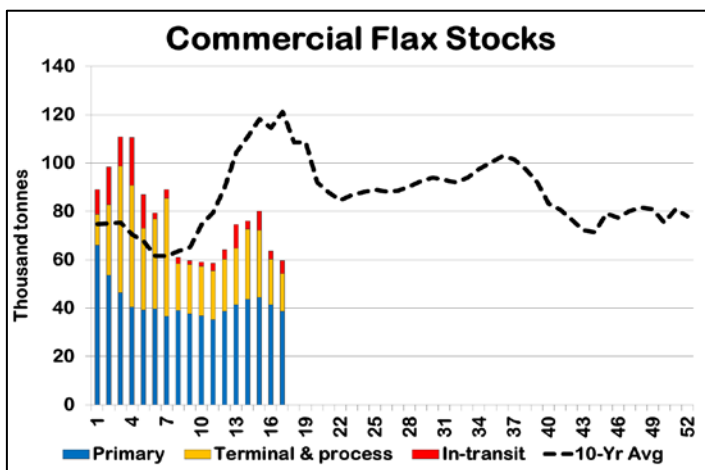


Flax Market Snapshot

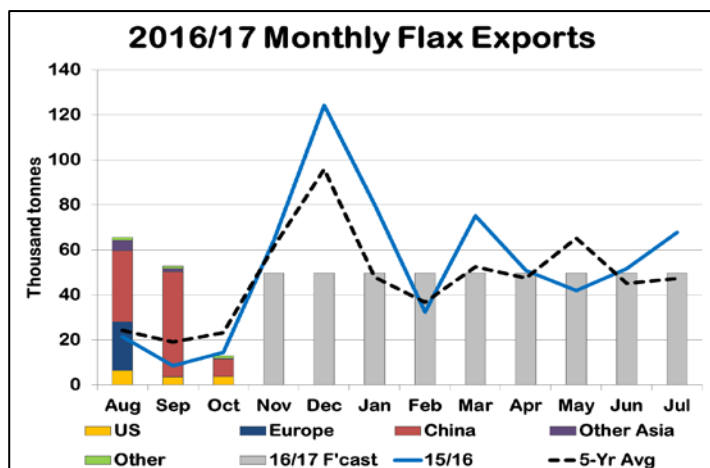
December 9, 2016



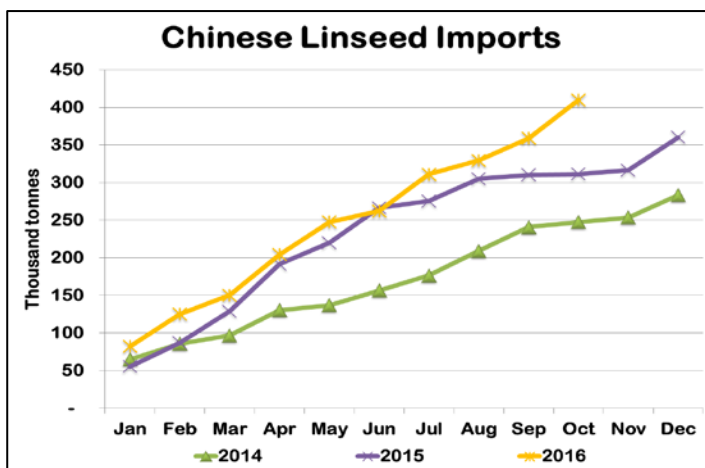
The final StatsCan production estimate for 2016 is a flax crop of 579,000 tonnes, nearly unchanged from earlier estimates, but down 39% from last year. The yield of 27.3 bu/acre almost matches the previous record from 2013. StatsCan reported harvested acreage lower than provincial estimates, which could allow upward crop revisions in the future.



Commercial inventories of flax started 2016/17 well above average, but slower farmer deliveries have allowed stocks to decline, now less than 60,000 tonnes. The delayed harvest is one reason behind the reduced deliveries, but a quieter export program also means buyers have been less aggressive in attracting farmer selling, with the typical inventory buildup already past.



Canadian flax exports started the year strongly, including sizable shipments to China and the EU. A seasonal lull showed up in October, with only 12,900 tonnes exported that month, but a recovery is expected, based on CGC weekly export data. Flax exports to the US have generally lagged, due to comfortable domestic supplies there.



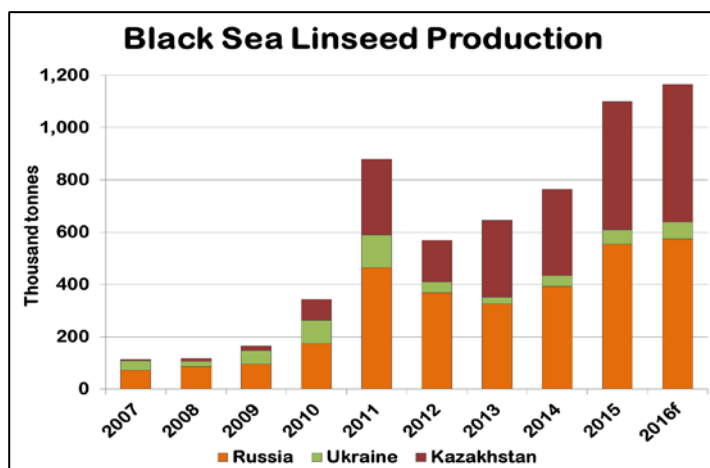
So far in the 2016 calendar year, Chinese linseed imports have been running at a record pace, with 410,000 tonnes imported. The large majority is coming from Canada, with smaller volumes from Russia and the US. The export pace is expected to pause in November but resume again in December. China is Canada's largest buyer by an increasing margin.



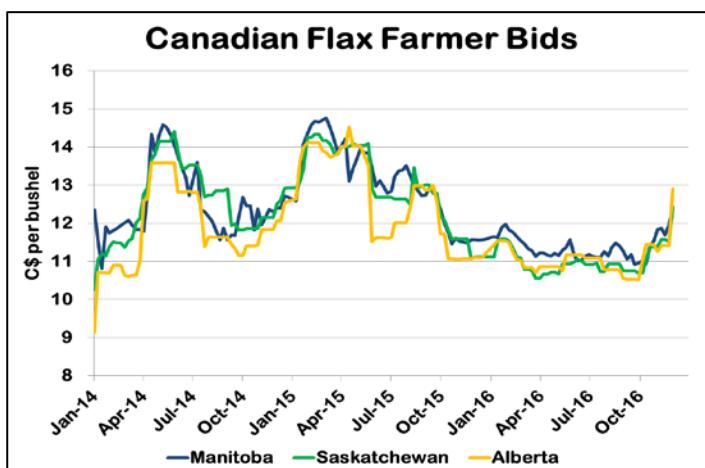
FLAX COUNCIL OF CANADA



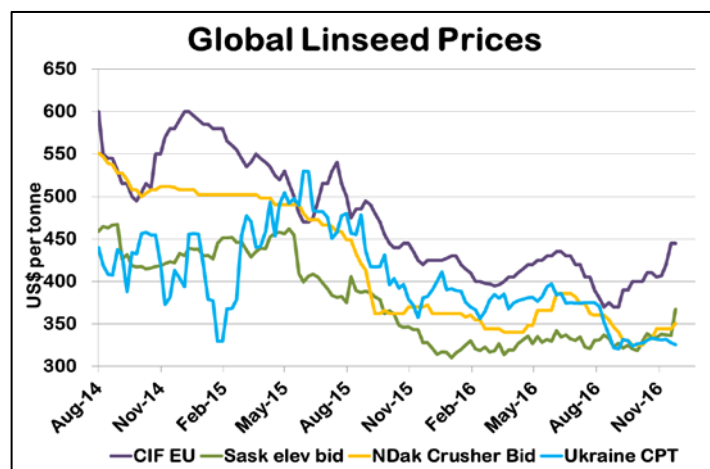
Flax Market Snapshot - December 9, 2016



Favourable crop results were seen in both Russia and Kazakhstan in 2016. This continues a multiyear trend and the result is a probable record crop for the region. These larger supplies should be negative for global prices, although there are some questions about the acceptance of the crop in the EU due to phytosanitary concerns.



Elevator flax bids in western Canada had shown little movement until the delayed harvest started causing concern about potential supplies. Bids started to edge higher in early October in response. In early December, prices rose sharply as trade from the Black Sea into the EU was disrupted by phytosanitary issues, causing buyers to shift focus to Canada.



Linseed prices in several key markets had been trending sideways to lower through much of 2015 and 2016 but have moved higher in recent weeks. This move was led by the EU market as concerns about Black Sea flax and issues related to the smaller Canadian crop raise questions about available supplies, especially the quality needed for that market.

	12/13	13/14	14/15	15/16	16/17
Seeded acres, 000's	980	1,070	1,585	1,640	935
Harvested acres, 000's	950	1,043	1,534	1,595	836
Yield (bu/acre)	20.3	27.6	22.4	23.3	27.3
Supply ('000 tonnes)					
Carry-In	137	71	92	97	274
Production	489	731	873	942	579
Imports	15	14	11	11	10
Total Supply	640	815	975	1,050	863
Disposition ('000 tonnes)					
Seed	18	27	28	26	24
Other Domestic	71	80	143	136	126
Exports	481	616	708	615	580
Total Disposition	569	724	879	777	730
Ending Stocks	71	92	97	274	133
Stocks/Use	12%	13%	11%	35%	18%

The sharp 39% drop in 2016 crop production is partly offset by a larger carryover from 2015/16, leaving supplies of 860,000 tonnes. Although there are issues with crop quality, these supplies should be sufficient to meet normal domestic and export demand. Ending stocks in 2016/17 are expected to decline and will be mainly the lower quality product.

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.