

Flax Stocks as of March 31, 2009

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The stocks of Canadian grain at March 31, 2009 were 489,600 tonnes (MT) for flax in commercial positions and on farm. It is 21% higher than last year’s 402,000 MT but slightly above the 6-year average of 470,650 MT. Since the last report covering stocks in store for December 31, 2008, more than 1,000,000 MT of flax have moved out of the country or have been used domestically. Agriculture Canada has estimated ending stocks at 240,000 MT at July 31, 2009 – an increase of 65,000 MT over the past three months. To achieve that level, 249,000 MT will need to be moved during the next 4 months or 62,250 MT per month. During the first three months of 2009, an average of 33,000 MT has disappeared each

month and is not unusual given that the St. Lawrence Seaway was closed during this time-frame.

From December 31, 2008 to March 31, 2009, commercial entities only increased by 34,400 MT, indicating that demand to Europe was not that significant for the opening of navigation on March 31. European traders have been watching linseed oil prices decline in Rotterdam over the past four months and are reluctant to chase the market higher - and are even less likely to chase it with the projected increase in flax acres and the United States.

Flaxseed being exported from Canada in containers, flax moving to the United States via truck and flax being used domestically—these are all wild cards that most are having difficulty putting actual numbers to. The container market for flax into South America has been increasing steadily over the past three years and flax exports to the United States for this crop year are 39,000 MT to May 3, 2009 - 6,000 MT higher than last year.

The amount of stocks in commercial position is well below the 5-year average, but this should not be construed as bullish. Importers are most likely waiting for the prices to come down given adequate supplies, an increasing stocks-to-use ratio and increasing acres for this crop year. For this reason, they will employ the just-in-time delivery process - again - just one year after that same process saw them chase the market to \$20.00 levels across western Canada. My father-in-law has a great saying that I’m sure was passed on to him but it goes like this: If you don’t learn life’s lesson the first time, it will continue to teach you until you learn it. Given the weather conditions, the price of vegetable and palm oil and the weather conditions in western Canada, it appears that flax importers may be 🙄 for another life lesson.

