

## THE FLAXSEED OUTLOOK FOR 1949

by  
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Before the 1949 outlook for flaxseed can be intelligently appraised the confusion which has occurred in the Flax market during the past year must be more clearly understood. Much of the misunderstanding may be contributed to the policies of the United States Department of Agriculture, particularly with regard to the \$6.00 support price for flaxseed. What have been the reasons for the \$6.00 support price and the results accomplished? What is the policy of the Department of Agriculture with respect to flaxseed price support?

In November, 1946, exclusive government buying of import trade was discontinued. Beginning January 1, 1947, vegetable oils could be imported in the United States by private trade within certain prescribed allocations. Private purchasers found that they could not obtain linseed oil from Argentina, which at that time was the only source for large imports of this commodity. Flaxseed exports were not permitted by the Argentine government. Because linseed oil was needed, the Commodity Credit Corporation was authorized to procure Argentine linseed oil for our market. This linseed oil was obtained at very high prices and turned over to the crushers at approximately the cost to the Commodity Credit Corporation.

In September, 1946, a support price of \$4.00 per bushel, Minneapolis basis, was announced for the 1947 flaxseed crop. Because of the difficulties of making Argentine purchases and the high prices for linseed oil, strong representations were made to the Department of Agriculture to increase the support level for flaxseed so that domestic production would meet the demand.

The Department of Agriculture, on January 10, 1947, announced an increase in the support level of flax to \$6.00 per bushel, Minneapolis basis, for the 1947 crop. As a direct result of this high support price the planted acreage of flaxseed in the United States increased 57 percent in 1947, over the 1946 planted acreage. In 1946, flax was supported at \$3.60 per bushel Minneapolis basis. The Commodity Credit Corporation under the 1947 program, entered into contracts with all the processors and agreed to purchase linseed oil from them. The crushers agreed to pay not less than support prices for the flaxseed obtained from the Commodity Credit Corporation. Under this program, the crushers sold to the Commodity Credit Corporation 6 million pounds of oil which was later sold by the Commodity Credit Corporation for a small profit.

The Department of Agriculture, in the fall of 1947, received numerous recommendations that the United States should continue producing its own flaxseed requirements and that the Department of Agriculture should again support flax at \$6.00 per bushel,

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Minneapolis basis. Flax in 1948 was again supported at \$6.00 per bushel. The planted acreage of flax increased approximately 15 percent over the 1947 planted acreage.

The Commodity Credit Corporation offered the crushers contracts covering the 1948 crop of flaxseed similar to those in 1947. The crushers in August, 1948 notified the Commodity Credit Corporation that they could not continue to purchase flaxseed at the support price unless some relief were granted for a higher price for the linseed oil meal.

The Commodity Credit Corporation did not accept any proposal made to remedy the linseed oil meal situation. By late August of 1948, because of the declining linseed oil meal prices, crushers had practically stopped buying flaxseed and the Commodity Credit Corporation was purchasing all flaxseed offered at support prices at terminal markets. The price paid by farmers in the United States for linseed meal declined from \$4.81 per 100 pounds in July, 1948, to \$4.22 in September, or about 12%. By November, the Commodity Credit Corporation had purchased 22 million bushels of flax. It is estimated that about 18 to 20 million bushels of this flaxseed is surplus to the United States oil needs during this 1948 crop year. Also the Commodity Credit Corporation had on hand, about 22.5 million pounds of linseed oil purchased from crushers at the support level. The crushers resumed purchase of flaxseed when the price of linseed oil meal was strengthened. In December the price of linseed meal had risen to \$4.71 per 100 pounds.

#### **Benefits of the Program**

Benefits to our overall economy have been substantial under the \$6.00 support program. Since the 1947 crop was harvested there have been adequate supplies of linseed oil for all users at prices cheaper than those quoted when the \$6.00 support program was first announced. Linseed oil, wholesale at New York, was selling for about 39 cents per pound in March of 1947. Since March, 1948, it has been selling for 29 cents per pound, about 10 cents cheaper. All of the linseed oil needed in the United States has been produced in this country. Higher prices have been paid to the United States farmers. The realized gain on price-support operations for flaxseed and linseed oil for the fiscal year 1947 and 1948 amounted to \$2,726.93 and \$40,292.52 respectively.

The current position of the Department of Agriculture, with respect to the remainder of the 1948 flaxseed crop is as follows:

1. As soon as it was evident that there would be substantial domestic surplus, flaxseed and linseed oil were declared surplus under the E.C.A. Act, so that dollar grants provided under this Act could not be used by European participating countries to procure these items from any other source than the United States.
2. The Commodity Credit Corporation will not amend its contracts with crushers.

3. Commodity Credit Corporation will consider offers for its stocks of flaxseed and linseed oil at any time.
4. Import permits for linseed oil or for flaxseed for crushing will not be issued.
5. After making liberal allowance for domestic oil needs as well as reasonable carry-over, the surplus will be exported, but not at prices which will permit foreign manufacturers to undersell United States firms.
6. The Commodity Credit Corporation will continue to purchase flaxseed at terminals to assure producers support prices.

The United States requirement of linseed oil in 1949-50 is estimated at about 600 million pounds or about 57 per cent of the total requirements for drying oils as compared with 56 percent in 1947 and 61 percent during the period 1935-39, when castor oil and soybean oil were not available in such large quantities.

Current world supplies of flaxseed and linseed oil are above the effective world demand. A fairly substantial world carry-over is anticipated for July 1, 1949. The major part of this carry-over will be held in the United States, Canada and Argentina.

#### **The Argentine Situation**

In August, 1948 the Argentina situation was analyzed about as follows: Before the new flax crop in Argentina was ripe, in December or January, Argentina had some 400 million pounds of linseed oil on hand. This is equivalent to 2 million bushels of flax. Due to the fact that the world supply of flax has increased, Argentina finds that it can no longer hold up the rest of the world for its flax as it did a few years ago. The Argentina government was buying flax from its growers at \$2.26 a bushel, delivered at Buenos Aires and would be in a position to undercut the United States if it so desired. Argentina flax may soon be available to the world at competitive world prices.

In view of the large supplies from the 1948 crop which will be available in the United States and Canada, it appears that the acreage goal for flaxseed in 1949 will be considerably less than the 1948 goal.

#### **Future Policy**

The future policy of the Department of Agriculture will most likely be one of carrying out a price support program for flax which will give the United States a production adequate to meet our needs, taking into account import supplies that might reasonably be expected to be available. The 1949 crop price support for flaxseed is to be 90 percent of the April 15 parity price. Ninety percent of the parity price of flaxseed in mid-February, 1949, was \$3.73 per bushel, based on average prices received by farmers for the United States. This would be equivalent to about \$3.76 per bushel, for North Dakota.

A 90 percent of parity support price for flax would bring forth a production of about 35 million bushels if we get about the same yields as this last season. This does not meet the 1947-48 requirements, but with the large carry-over there would be enough flax for our domestic requirements.

Processor contracts will not be offered by the Commodity Credit Corporation for the 1949 crop. Non-recourse loans will be available to producers in the major producing areas. Since processor contracts will not be offered, producers will need adequate storage to make themselves eligible for Commodity Credit Corporation loans. And they should give serious consideration to arranging for their storage needs well in advance of harvest.

**Flaxseed—Supply and Disposition, United States**  
(Bushels)

Year (Beginning July 1)	Supply				Disposition				
	Domestic Stocks	Imports	Production	Total Supply	Seed	Crushed	Exports	Other Disappearance	T
	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(
1945-46	3,071	3,429	34,557	41,057	1,656	29,351	27	3,397	34
1946-47	6,626	1,353	22,585	30,564	2,570	24,597	12	1,694	28
1947-48	1,691	721	40,536	42,948	2,755	29,871	22	3,169	38
1948-49 (July-Dec.)	7,131	469	52,533	103,827	325	21,019	1,551	11,343	20

Source: United States Department of Agriculture, Production and Marketing Administration, 6 Branch  
Flaxseed Market Summary. Minneapolis, Minn. Feb. 16, 1949.