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New Act of God Contract Announced for Flax

January 21, 2008—Flax growers now have a new risk management option for 2008; an Act of God (AOG) contract just announced by ADM. At press time the company's contract price for new crop flax is \$14.50 per bushel AOG delivered Red Wing, MN.

“The AOG flax contract is similar in nature and scope to our Northern Sun-Enderlin contract for sunflower and the Velva contract for canola,” says ADM Merchandising Manager Michelle Vandevoorde. Cargill, Inc. expects to have a competitive bid for new crop flax as well.

Strong current and expected flax prices can be credited in part to growing markets for flaxseed (See sidebar on Flaxseed's New Market Power). “In the past the linseed oil crush was completely the lead. It's still the biggest user, but we have more new and developing markets than any other crop,” says Jeff Topp, Grace City, ND farmer whose family also owns Farmers Elevator there. “As opposed to five years ago, flax is now a crop that has a market 12 months out of the year. Even today's strong prices may not reflect the best price for new crop because these markets are expanding so fast.” Cenex Harvest States, a major exporter of flaxseed, agrees. “The current message from the export side is that prices have the potential to go much higher,” says Senior Merchandiser Al Dombek.

Robust year-round markets now make the traditional reasons for growing flaxseed even more attractive. “Flax has always been an excellent rotation crop,” says Mike Rose, Ward County Extension agent. “It's versatile. It tolerates a variety of different soils. It's relatively easy and economical to grow.” Rose believes the addition of a new crop AOG contract “will make a huge difference.”

Tim Semler agrees. “Flax is a crop people like to grow in this region, says Semler, county agent in Bottineau County. “Canola and sunflowers compete for the same ground, but quite simply some farmers don't want to handle or don't have the equipment to harvest sunflowers. And, of course, canola is a higher input crop.”

Lower input costs are a big advantage for growing flax. “Many times our crop budgets will have flax at 10% to 20% less per acre,” says Kent McKay, NDSU agronomist at the North Central Research

(more)

Extension Center in Minot, ND.

Expect to save on both nitrogen and phosphorus. “A 25- to 30- bushel flax crop will need 80 lbs. of N (including soil test N) whereas a typical wheat or sunflower yield would need 20 to 30 lbs. more N than that,” McKay says. At a bushel per acre rate, seed costs are typically lower for flax. Plus, farmers don’t need to budget for fungicides or insecticides. “Even the weed control program is generally less costly than what farmers put into sunflowers or canola,” adds Semler. And, though yields respond to adequate moisture he notes that flax generally does better than many other crops under drier conditions.

All this makes flax a good fit on risky fields. “Many producers have fields that are a bit more marginal because they don’t have the water holding capacity or have coarsely textured soil. Flax is easy to grow on fields like that,” says Blaine Schatz, research agronomist and director of the Carrington Research Extension Center. “And because the seed is at the top of the plant, getting flax off stony fields or those that have a more rolling topography is far easier than harvesting peas or soybeans.”

Highly tolerant to sclerotinia, flax is sometimes called a pseudo-cereal crop. “Whether a field has an issue with grass or broadleaf diseases, flax can break the disease cycle,” says Schatz.

Because it stores well and has some “shelf” life in the field, flax is a great peace-of-mind crop. “You don’t have as much concern about it shattering or sprouting so harvest timing isn’t as critical,” says Schatz. “Plus, you don’t have to worry about discounts when you go to market so you’re assured of getting the posted market price.”

Finally, because flax harvest typically falls on the backside of cool season crops and before full season crops like corn or sunflowers, flax can spread out the demand on harvest equipment and labor. “If it’s been several years since you’ve raised flax—the growing advantages are still there—and there is now a ready market for flax anytime,” adds Jeff Topp.

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