



SYRUP-INFO
Info Bulletin
Fédération des producteurs acéricoles du Québec

EVERYTHING YOU WANTED TO KNOW ABOUT PRODUCTION QUOTAS

On February 28, 2003, Quebec maple syrup producers voted at a Special General Meeting to adopt a draft regulation on production quotas. This regulation will have a major impact on the next production season, because each producer will receive a quota certificate, granting the right to produce and market a volume of maple sap, maple syrup or other maple sap concentrates. The regulation covers bulk and retail marketing where there is an intermediary between the producer and the consumer (grocery store, restaurant, wholesaler, etc.). Direct on-farm sales to consumers are excluded from this regulation. The introduction of this new regulation is intended to stabilize maple producers' incomes. These incomes have varied significantly in the past decade and the production increases give reason to anticipate major fluctuations if no action is taken to balance maple syrup production and consumption.

Who must hold a maple syrup quota?

All maple syrup producers who market maple syrup, maple sap concentrate or maple sap produced in Quebec must obtain a quota certificate from now on. This measure also affects producers who lease a sugar bush located on private or crown land. Producers who sell their syrup to a processor, a wholesaler or a retailer (grocery store, restaurant, hotel, etc.) must also hold a quota to market their product.

Only maple syrup sold directly by the producer to the consumer on the farm is excluded from this regulation. In other words, the producer is not obliged to hold a quota for the maple syrup he sells directly to consumers.

Are quotas necessary?

Maple syrup production is growing, as Table 1 shows. This increase is explained by an increase in sap flow due to new maple syrup production practices, an increase in the number of taps in sugar bushes already in operation, and the development of new sugar bushes on private and crown land.

The same table shows that maple syrup consumption has also grown substantially over the past decade. However, an imbalance exists between the volume produced and the volume consumed, which results in inventory increases.

In the past this imbalance has caused prices to drop. This is likely to happen again if nothing is done to obtain a balance between maple syrup production and consumption.

In 2003, Quebec production exceeded sales by 12 million pounds. An inventory of 43 million pounds of maple syrup has already accumulated in the sales agency's warehouses. It is also estimated that 55 million additional taps could be put into production in Quebec. In this regard, producers report that they have 5 million unharvested taps in their sugar bushes.

To obtain this balance, producers voted resolutions for the Secretariat of their Federation to implement measures to (1) further develop the maple products markets and (2) control the annual volume of syrup production.

Table 1

Variation in maple syrup production and exports (1995-2003)
(millions of pounds)

Year	Quebec production ¹	Canadian production ¹⁻²	Canadian exports ²	Quebec inventory ³
1995	45	50	43	9
1996	52	58	45	9
1997	58	63	50	0
1998	54	59	51	0
1999	69	74	52	4
2000	86	92	56	23
2001	62	67	61	23
2002	72	77	67	31
2003 ⁴	88	93	68	43

Source : 1 FPAQ, 2003. Statistical Report – FPAQ publication.
2 Statistics Canada. 2002. Production and Value of Honey and Maple Products. 23-221-X1B. 6p.
3 FPAQ and RCPEQ cumulative
4 Estimate.

Does a quota system the wishes of maple syrup producers?

At a Special General Meeting on February 28, 2003, producers adopted a draft regulation on maple syrup production quotas. Prior to the meeting, a wide-ranging round of consultations had enabled the representatives of the *Quebec Federation of Maple Syrup Producers* (FPAQ) to question 2,500 producers at 14 meetings, held in Quebec's 11 maple syrup producing regions, in February 2003. The majority of producers voted in favour of setting up a quota system. The adoption of such a regulation was in response to the resolutions adopted by producers at their 2000 and 2002 Annual General Meetings, which called on their Federation to study the possibility of establishing a mechanism to control the annual production level. On March 13, 2003, the members of the Board of Directors finally unanimously adopted the draft quota regulation, which was approved on October 2, 2003 by the *Régie des marchés agricoles et alimentaires du Québec*, following further public consultations.

Un quota ou un contingent?

Un contingent est le terme utilisé dans la *Loi sur la mise en marché des produits agricoles, alimentaires et de la pêche*. Plusieurs producteurs parlent plutôt de quotas. Contingent et quota ont ainsi la même signification.

Does market development replace quotas?

The volume of maple syrup exports has increased substantially in the past decade, rising from 29 million pounds in 1992 to 68 million pounds in 2003. The work accomplished to develop new markets has therefore paid off. However, the volume of maple syrup produced has increased even more during the same period, causing inventories to rise. Moreover, it is estimated that the volume of maple syrup produced will continue to increase if no action is taken to control production.

How will my quota be calculated?

The quotas will depend on each producer's historical production for the sugar bushes he harvests. In most cases, the quota will be calculated according to the volume produced in 2003 and in another year of the producer's choice between 1998 and 2002 (known as the reference year). The producer will have to provide proof of the volumes delivered in the year he has chosen between 1998 and 2002. The quota will be awarded for specific sugar bushes. The producer will therefore have to furnish the titles of ownership (notarized contract of purchase) for the lots he owns or leases.



Exceptional procedures exist for producers who began production in 2003 or 2004. Exceptions also exist for established producers who did not produce maple syrup within the past year:

- A producer who has not produced maple syrup in 2003 for a major and justified reason will see his quota calculated according to a fictitious volume, determined on the basis of the provincial average in 2003 (2.53 pounds per tap). The actual production for another year between 1998 and 2002 will also be used in the calculation.
- A new producer who began production in 2003 will see his quota calculated on his volume produced in 2003 and a volume determined on the basis of a provincial average (2.25 pounds per tap) for his reference year.
- A producer who begins producing in 2004 will see his quota determined on the basis of a provincial average of 2.25 pounds per tap. This producer nonetheless must furnish proof that his sugar bush was in harvestable condition in October 2003. This producer must also not have been involved in the production of another sugar bush in the past.

Finally, a Quota Committee, made up of FPAQ board of directors, will propose recommendations on certain situations not specifically provided for in the quota regulation. The *Régie des marchés agricoles et alimentaires du Québec* will then have to rule on the cases submitted to it by the FPAQ.

How was my file handled?

The Secretariat of the *Quebec Federation of Maple Syrup Producers* has established a procedure to deal with the 7,400 quota applications from producers. Each producer had to send a quota application to the Secretariat before October 31, 2003, accompanied by vouchers justifying the volumes of maple sap, maple syrup and other maple sap concentrates produced

and classified in their sugar bushes. Each file was examined to ensure that the supporting documents were enclosed. An acknowledgment of receipt was sent to each producer, indicating the missing documents, if any. In this case, the producer had to send the Secretariat the missing documents for his file to be processed before January 15, 2004. The Secretariat then established a quota for each producer, based on their average historical production, calculated on the basis of the volumes produced in 2003 and in another reference year of the producer's choice. A quota certificate was mailed to all producers in February 2004.



quota and impose penalties for syrup sold illegally will be major deterrents. The loss of a quota will reduce the sugar bush's value. Moreover, the producer will have to pay a penalty of \$1 per pound of maple sap or maple syrup sold in breach of the provisions of the quota regulation. Damages of \$1.20 per pound are also prescribed for producers who market their production without grading and outside the sales agency.

Other questions and answers

What if I'm not satisfied with the quota allotted?

The regulation provides that the producer can ask the FPAQ to review his quota for valid reasons. The producer has 15 days from receipt of his quota to inform the FPAQ Secretariat, in writing, of the reasons justifying a review of his file. The Quota Committee will then rule on the validity of the review request.

Can I transfer my quota?

The quota is attached to a lot, a part of a lot or a group of lots. The sale of the lot or the termination of the lease results in the transfer of the quota to the new owner or the lessor. Applications for transfer of a quota must be deposited in writing within 30 days of the transaction.

What happens if my production exceeds my allotted quota?

The Quebec maple producers' sales agency will receive the maple syrup produced. The producers will be paid for this maple syrup to the extent that the FPAQ succeeds in marketing the surplus production.

What if I don't produce for one year?

A producer who does not want to produce in 2004 may apply to the FPAQ Secretariat to defer his quota to the following year. However, the FPAQ may take back the quota of a producer who does not produce for two consecutive years. The producer nonetheless will have to give written notice, before January 1 of the production year that he wants this deferment, except in cases of illness or superior force.

Will the quotas lead to the development of a black market?

Some producers fear that the introduction of the new quota system will lead to the development of a black market. The power to suspend the

Must I obtain a quota for the maple syrup I sell directly to consumers? *No. The volumes sold directly to consumers are not included in the quota calculation. Therefore, producers may sell whatever volume they want to consumers without worrying about the quota. However, the producers use their quota when they sell volumes to an intermediary (wholesaler, grocery store, restaurant, hotel, etc.).*

Must I have a quota if I operate a boiling centre? *A producer who operates a boiling centre will have to use the quotas that will be awarded to his maple sap sellers. The producer who operates a boiling centre will also receive a quota for the volume of syrup originating from his property.*

What if I sell one of my lots? *The quota is tied to the land. This means that the purchaser of a lot acquires a portion of the seller's quota, calculated in prorata to the taps on the seller's lots.*



What if I lease a sugar bush from my neighbour? *The quota is tied to the land. This means that quota granted to the lessee for the term of the lease will revert to the owner of the lot. A producer who owns and leases lots will see his quota shared in prorata to the taps on the lots at the end of the lease.*

What if my quota does not account for the new taps installed in my sugar bush in 2003? *The quota is calculated on the basis of the 2003 production and one other reference year of the producer's choice. The calculation does not account for taps installed after spring 2003.*

Financial advances program for maple syrup producers

Once again this year, the FPAQ has negotiated an agreement with La Financière agricole du Québec, allowing maple syrup producers to obtain a financial advance on their maple syrup sales. This financial advances program affects maple syrup delivered both in-quota and over-quota. Thus, a producer will receive money for the over-quota syrup he produces. This measure is designed to minimize the negative impacts related to the introduction of a quota system for maple operations.

As in 2003, the financial advances program will be spread over three (3) instalments.

For in-quota production

In March 2004, producers may receive a first financial advance equivalent to one dollar (\$1) per tap, for a maximum of \$50,000. Producers who wish to benefit from this advance will have to return the attached promptly and report the number of taps harvested in 2004.

Upon delivery of their maple syrup, producers will receive a second financial advance equivalent to 80% of the value of their deliveries of grades AA, A, B and C, and 25% for grade D. No financial advance will be paid for syrups not graded (NC) and buddy tasting syrups (VR5). The first financial advance will be subtracted from the second financial advance.

In fall 2004, a third financial advance may be paid upon the authorization of *La Financière agricole du Québec*.

On March 15, 2005, producers will receive the final payment for their 2004 deliveries. In-quota volumes delivered will be paid in full.

For over-quota production

Producers who deliver over-quota syrup will receive a financial advance of \$1.20 per pound for syrup grades AA, A, B, C and D. No financial advance will be paid for syrups not graded (NG) and buddy tasting syrups (VR5).

The financial advance related to over-quota production paid in 2004 will constitute an overpayment that will not have to be repaid by the producers in 2005. This overpayment will be reduced as syrup inventories are sold in subsequent years.

This financial assistance program for syrup produced over-quota is temporary and only concerns the 2004 production. The FPAQ Board of Directors will propose to the *Régie des marchés agricoles et alimentaires du Québec* that 2004 production data serve to establish the quota for 2005 to improve the current calculation of quotas.

In addition, the revenue from the sale of over-quota syrup inventories will be distributed to producers prorated to year-end sales.

Important note

The payments depend on the total monetary value of a producer's syrup deliveries. Thus, the more low-quality syrup a producer delivers, the more the monetary value of his deliveries will diminish, which will affect payment of his in-quota deliveries. In other words, if a producer's production exceeds 10% of his quota, 10% of each drum delivered will be considered over-quota. A producer therefore cannot say that he is using his quota for his grade AA, A and B syrup and that his over-quota production only concerns grade C and D syrup.